Kidder Mathews

WESTERN U.S. *RETAIL* BY THE NUMBERS

2026 Market Forecast

RETAIL REMAINS *RESILIENT & POISED* FOR GROWTH

Retail real estate enters 2026 from a position of relative strength when compared with other asset classes.

Space remains scarce, new development is limited, and essential retail categories continue to expand, even as retailers become more selective about store locations and formats. Net absorption returned to positive territory late in 2025, and national vacancy remained near historic lows due to persistent backfilling and minimal new construction. These conditions collectively point to continued stability in occupancy and measured rent growth, particularly in open air and grocery anchored centers.

However, several sources of volatility remain, including fragile consumer confidence, rising consumer debt, higher operating costs, and ongoing shifts in the retail landscape driven by AI, operational challenges, and supply chain agility.

URBAN VACANCY *CONTINUES TO RISE* WHILE SUBURBAN MARKETS OUTPERFORM

Although the Western U.S. retail sector has shown notable resilience in the post pandemic environment, performance has increasingly diverged across markets.

Major metropolitan areas such as San Francisco and Seattle, historically defined by strong, dynamic urban retail cores, continue to experience elevated vacancy and reduced activity, particularly in downtown areas, where weakening fundamentals and continued declines in foot traffic have created lower activity levels.

In contrast, more suburban oriented markets, including Phoenix, Reno, and Sacramento, are outperforming regional averages. These markets have adapted more effectively to shifting consumer preferences and continue to exhibit strong demand and healthy retail performance. Since 2019, urban retail vacancy has increased by approximately 400 basis points, compared with a modest 60-basis-point rise in suburban markets, underscoring a structural shift away from urban cores.

WESTERN U.S. RETAIL FOOT TRAFFIC *REBOUNDS TO PRE-COVID LEVELS*

Consumer foot traffic has gradually improved since the disruption caused by the pandemic in 2020.

When looking at the most recent foot traffic figures from Placer.ai, it shines a light on recovery as 10 of the core 12 West Coast markets are either near, at or exceeded foot traffic levels compared to pre-COVID (levels 90% or more compared to 2019). The two most laggard markets include San Francisco and Portland. Most retail purchases are still occurring within physical stores even as e-commerce continues to grow. Shopping center and mall traffic showed consistent gains during peak months, indicating stronger shopper intent heading into 2026. Value oriented and essential categories remained dominant, with discount, grocery, quick-serve restaurant, and health and wellness retailers among the most active in backfilling existing space.

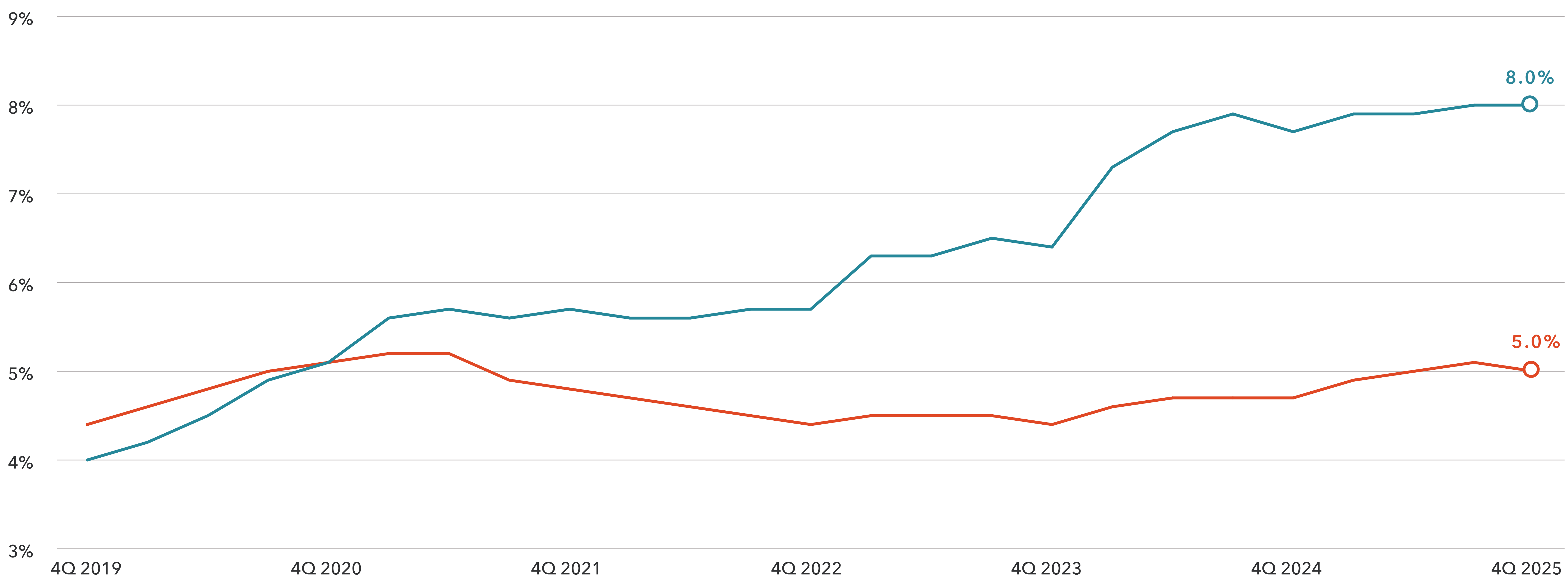
RETAIL OUTLOOK: *PRIMED FOR FUTURE GROWTH*

The retail outlook for 2026 is shaped by scarcity and selectivity.

With new construction at multiyear lows and landlords repurposing outdated buildings, availability is expected to remain tight. Expansion by grocery, value-oriented, service-based, and food and beverage concepts should offset a more cautious stance among discretionary retailers. Modest leasing activity, continued net absorption, and generally stable rents are anticipated across most retail formats.

Investors focusing on high traffic suburban assets should find the most consistent performance, while weaker malls and aging big box corridors will rely on redevelopment to stay competitive. Overall, the sector remains fundamentally healthy and positioned to grow as the economy continues its recovery.

URBAN VS SUBURBAN PERFORMANCE GAP PERSISTS



Source: Costar, Kidder Mathews Research

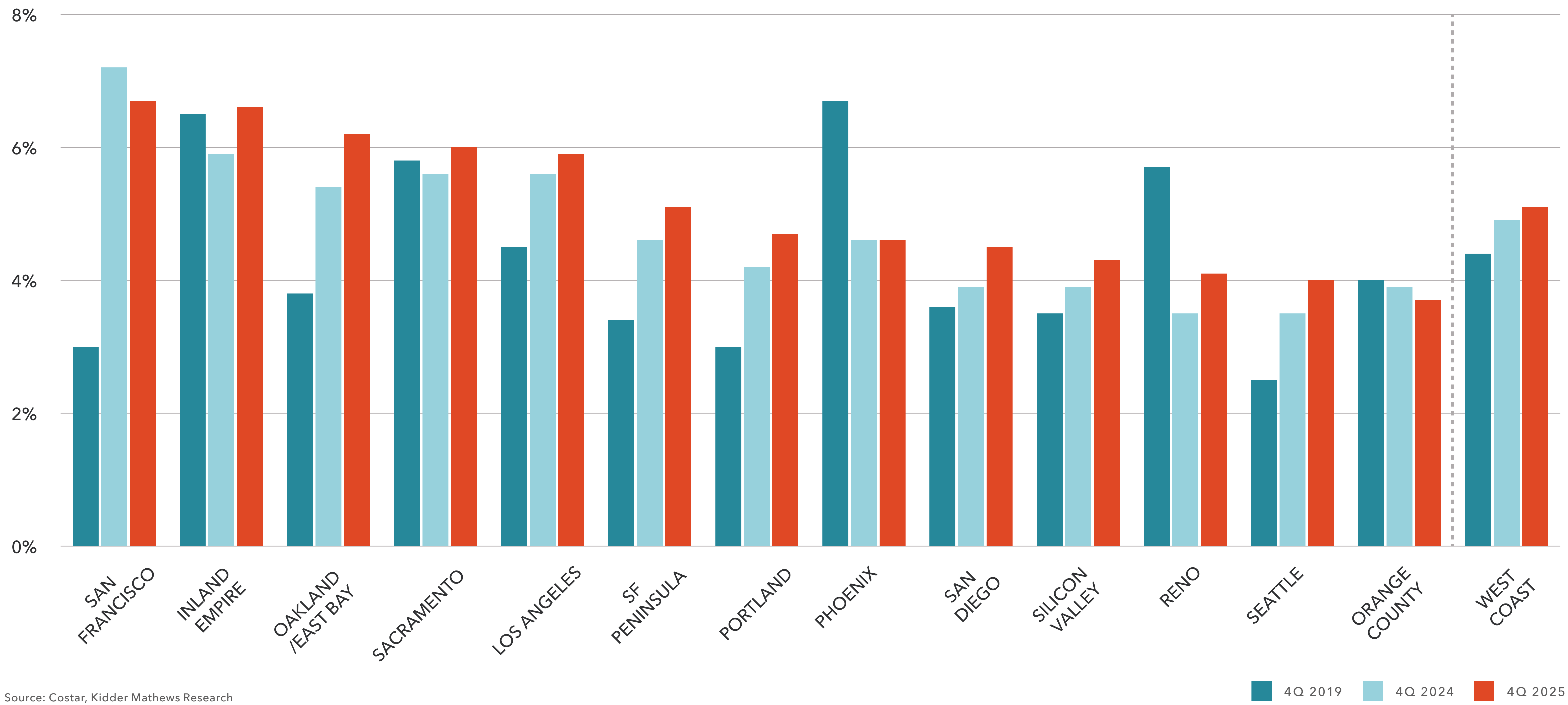
WESTERN U.S. URBAN (+400 BPS) WESTERN U.S. SUBURBAN (+60 BPS)

RETAIL FOOT TRAFFIC HAS RETURNED TO MANY MARKETS

September 2019 (pre-covid) compared to December 2025 (current)

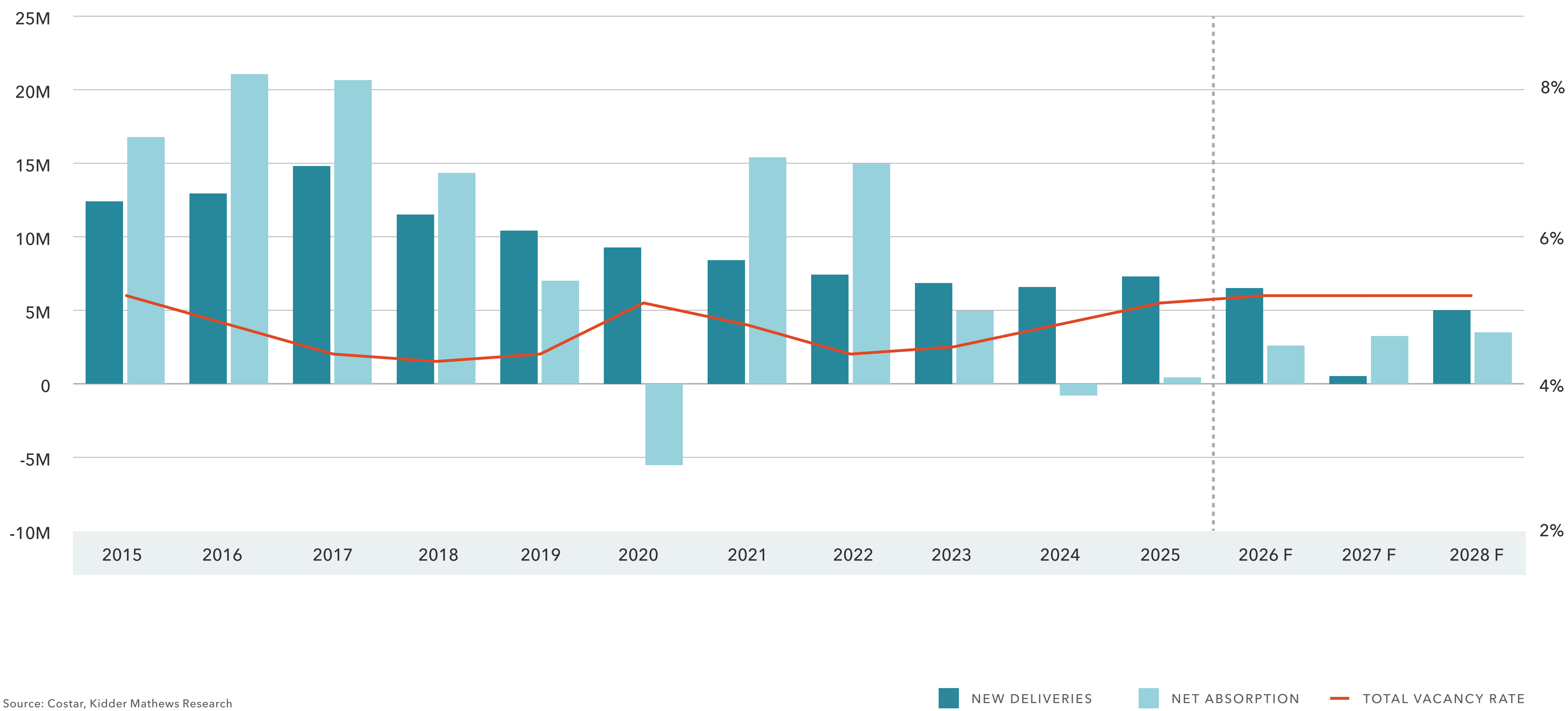
Source: Placer.ai

VACANCY RATE *BY MARKET*



Source: Costar, Kidder Mathews Research

WESTERN U.S. *FORECAST*



Source: Costar, Kidder Mathews Research

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We offer a complete range of brokerage, appraisal, asset services, consulting, and debt equity finance services for all property types.

COMMERCIAL BROKERAGE

$9B	*32.4M+*	*32.5M+*
AVERAGE ANNUAL TRANSACTION VOLUME	ANNUAL SF OF SALES	ANNUAL SF OF LEASING

ASSET SERVICES

54M SF	*800+*	*250+*
MANAGEMENT PORTFOLIO SIZE	ASSETS MANAGED	CLIENTS SERVED

VALUATION ADVISORY

2,700+	*42*	*23*
AVERAGE ANNUAL ASSIGNMENTS	TOTAL NO. OF APPRAISERS	WITH MAI DESIGNATIONS