



WEST COAST *RETAIL* BY THE NUMBERS

2024 Mid-Year Update

ENDURING APPEAL & ADAPTABILITY

The retail market showed its strength as the most stable commercial real estate sector throughout the pandemic.

While office struggled, multifamily cooled, and industrial experienced highs and lows, retail remained resilient. Now, despite a recent slowdown in demand, the sector continues to demonstrate its enduring appeal and adaptability.

CONSUMER CONFIDENCE & *RETAIL SALES*

Although consumer confidence has declined compared to the post-covid highs in 2021, overall sentiment has been relatively stable and less volatile in 2024.

However, mixed signals persist. While consumers are generally positive about the labor market, they are troubled by elevated prices and higher interest rates. Many believe that economic uncertainty will continue in the near term, with recovery not expected until sometime next year.

Consumer spending remains the backbone of the economy, and despite current economic headwinds, buyers continue to increase their spending with year-over-year retail sales growing by 2.9% during the first half of 2024. While the growth rate is similar to pre-covid levels, it has decelerated slightly compared to last year's rate of 3.6%. The forecast calls for 3% growth year-over-year by the end of 2024, as most households remain cautious with discretionary spending. A major concern is the increase in consumer debt, with U.S. credit card debt balances exceeding \$1.05 trillion at the end of July – a 7% increase year-over-year.

2.9%

MID-YEAR RETAIL
SALES GROWTH

3.0%

YEAR-OVER-YEAR
GROWTH FORECAST



RETAIL MARKET *FUNDAMENTALS*

Overall, retail market fundamentals remain relatively healthy. Low vacancy rates persist across the retail sector, with 12 of 13 West Coast markets posting rates below 6% at mid-year 2024.

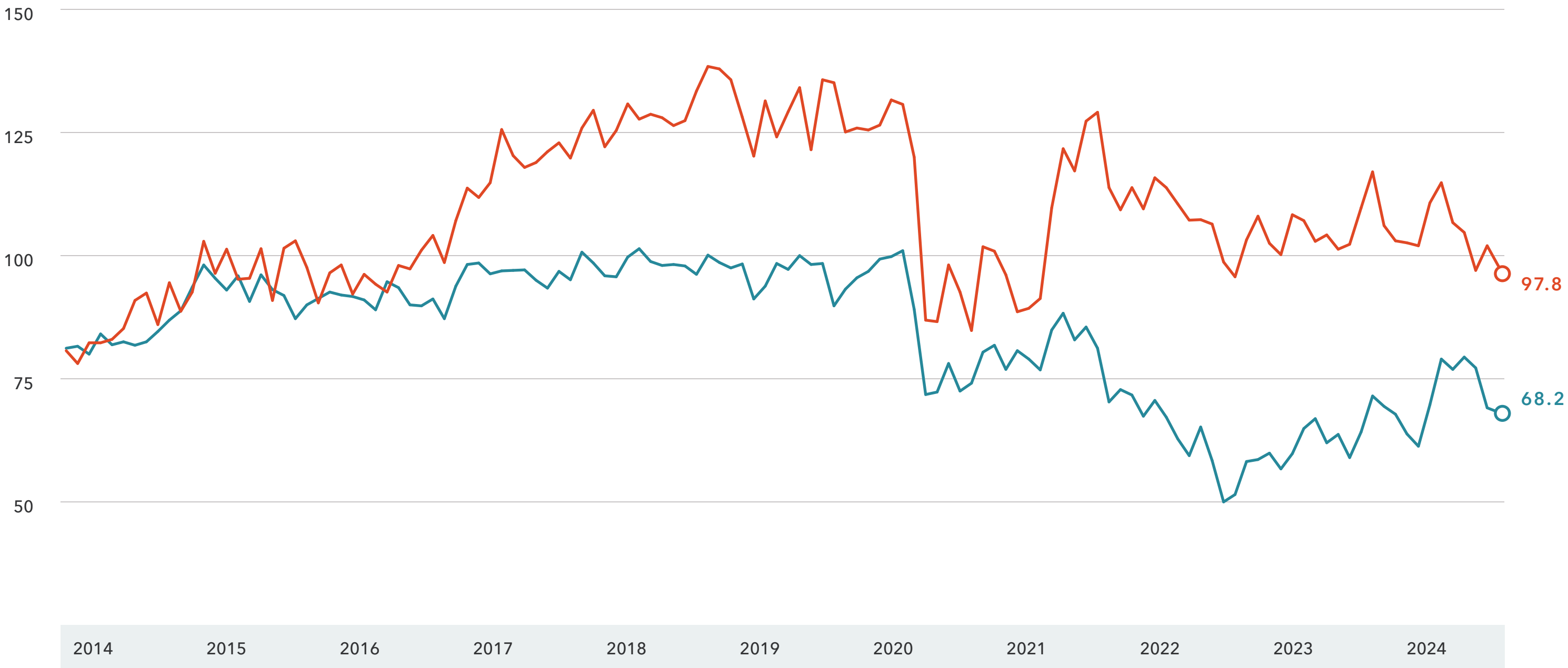
Asking rents have continued to experience moderate growth across many markets, with San Francisco and the Peninsula being the only areas showing year-over-year declines. Additionally, retail foot traffic trends illustrate a recovery in suburban markets during 2022, while urban cities lagged behind by approximately 8-12 months. As a result, well-located centers and suburban markets have generally outperformed enclosed malls and downtown urban centers, a trend that is expected to continue in the near term.

Meanwhile, retail demand, leasing activity, and net absorption are all on track for a lackluster year. These metrics are below pre-pandemic levels and have slowed during the first half of 2024. Combined, West Coast markets produced negative net absorption for two consecutive quarters in 2024 (negative 4.2 million square feet year-to-date), the first time this has occurred since the first two quarters immediately post-covid.

However, the recent slowdown in new construction activity will have a positive effect on the retail market in the near and mid-term. Construction starts have decreased by nearly 60% across West Coast markets, leading to a drop in development and future deliveries. This decline is in part due to muted retail demand as well as the high cost of development, which is expected to persist in the near term.

With little new supply on the horizon, the forecast anticipates steady but subdued activity with moderate levels of net absorption and deliveries, and flat vacancy rates over the next 6-8 months. The retail market is well-positioned for a breakout once the economy shows sustained growth, elevated retail prices subside, and consumer confidence recalibrates.

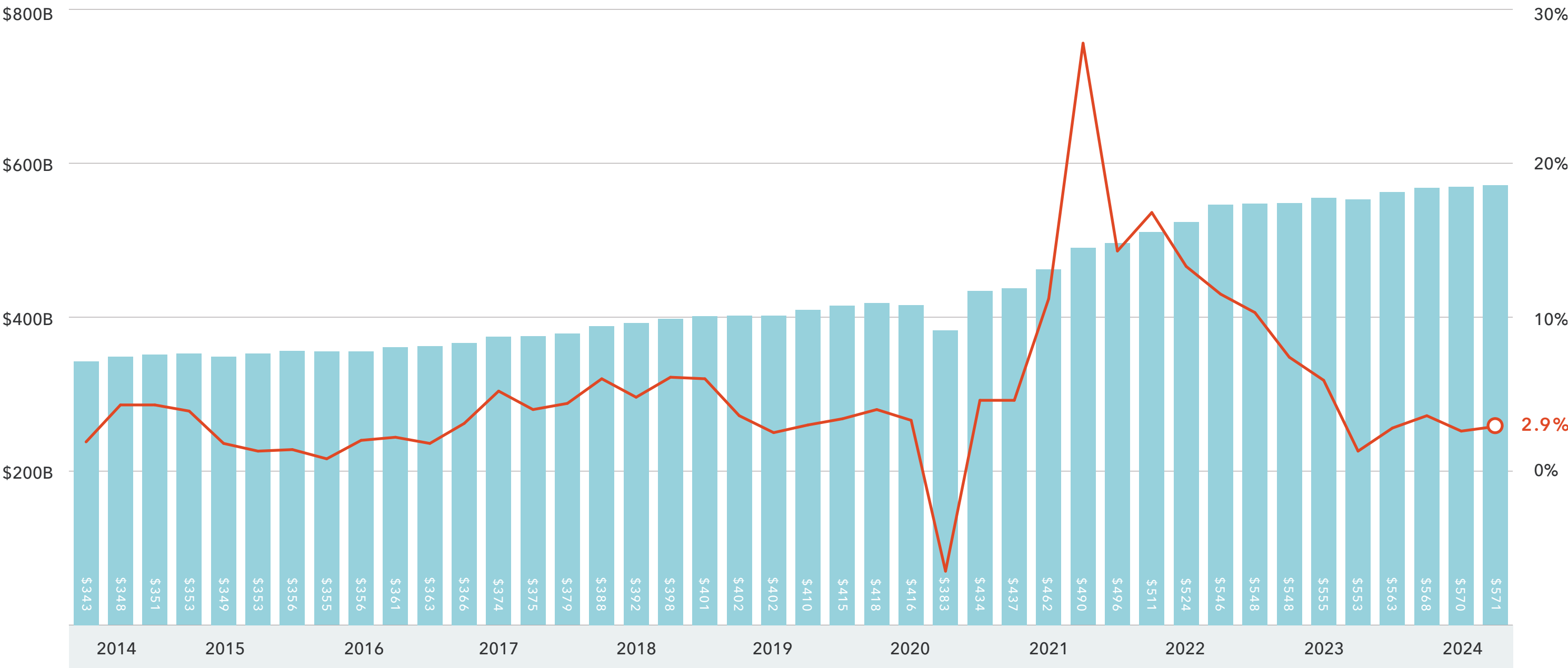
CONSUMER CONFIDENCE



Source: The Conference Board, University of Michigan

— CONFERENCE BOARD: CONSUMER CONFIDENCE INDEX — UNIVERSITY OF MICHIGAN: CONSUMER SENTIMENT

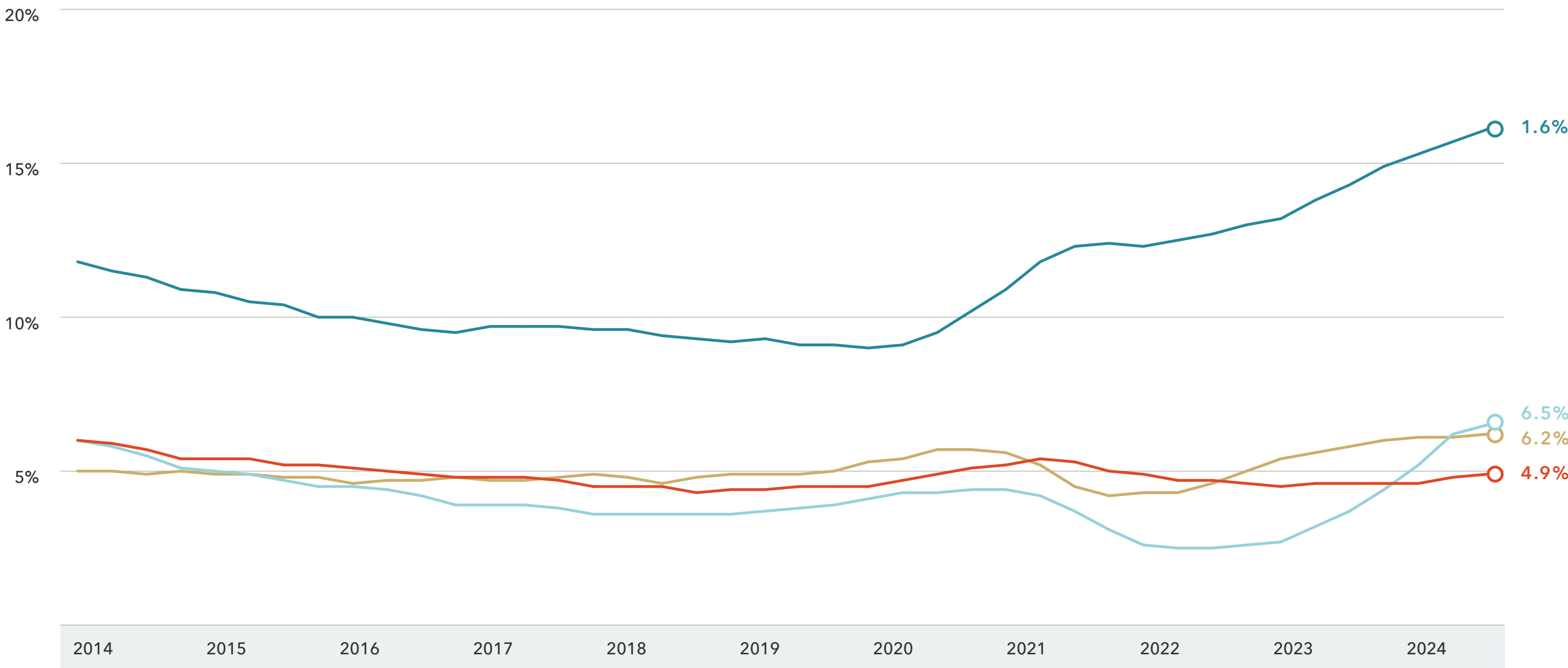
RETAIL SALES



Source: U.S. Census Bureau

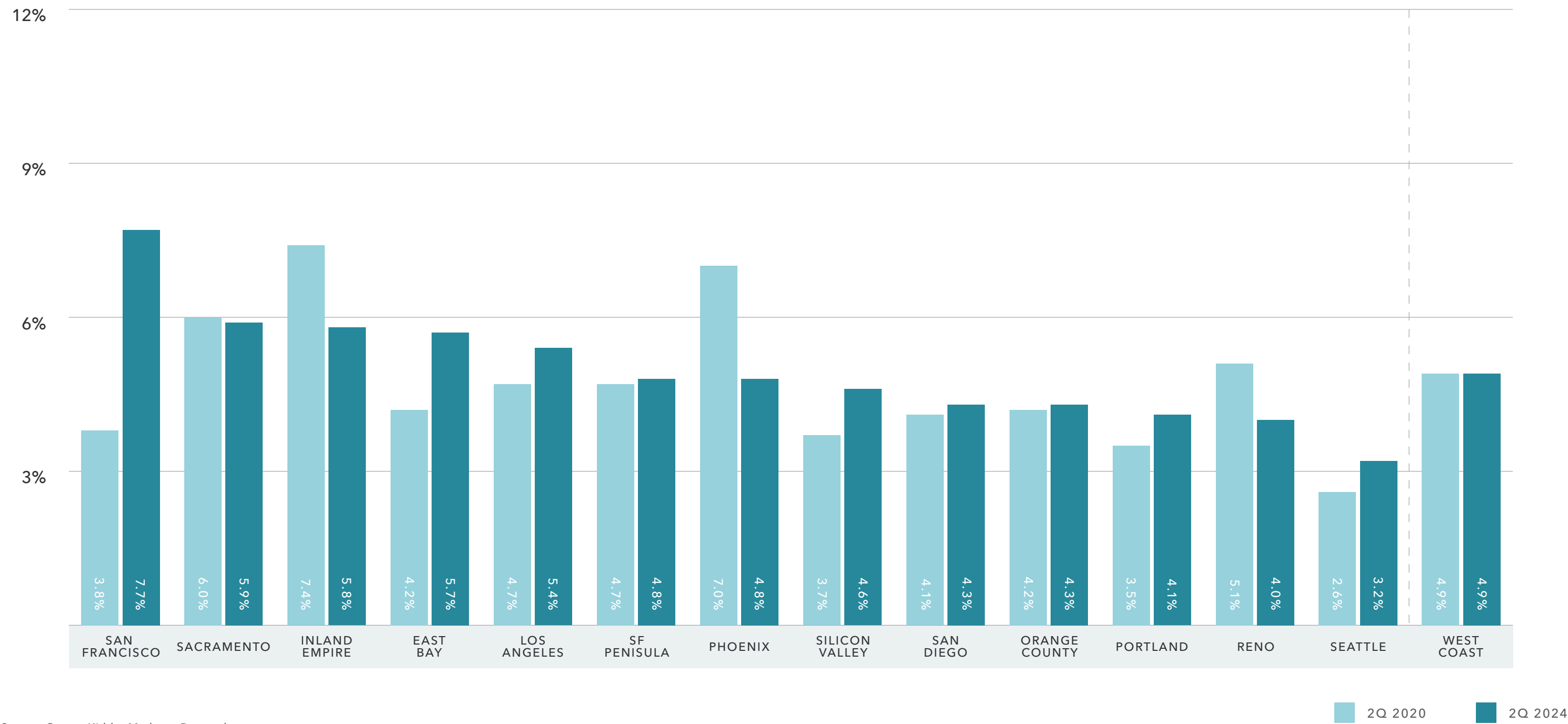
RETAIL SALES & FOOD SERVICES (EXCLUDING MOTOR VEHICLES) YEAR-OVER-YEAR CHANGE

VACANCY RATE *BY PRODUCT TYPE*

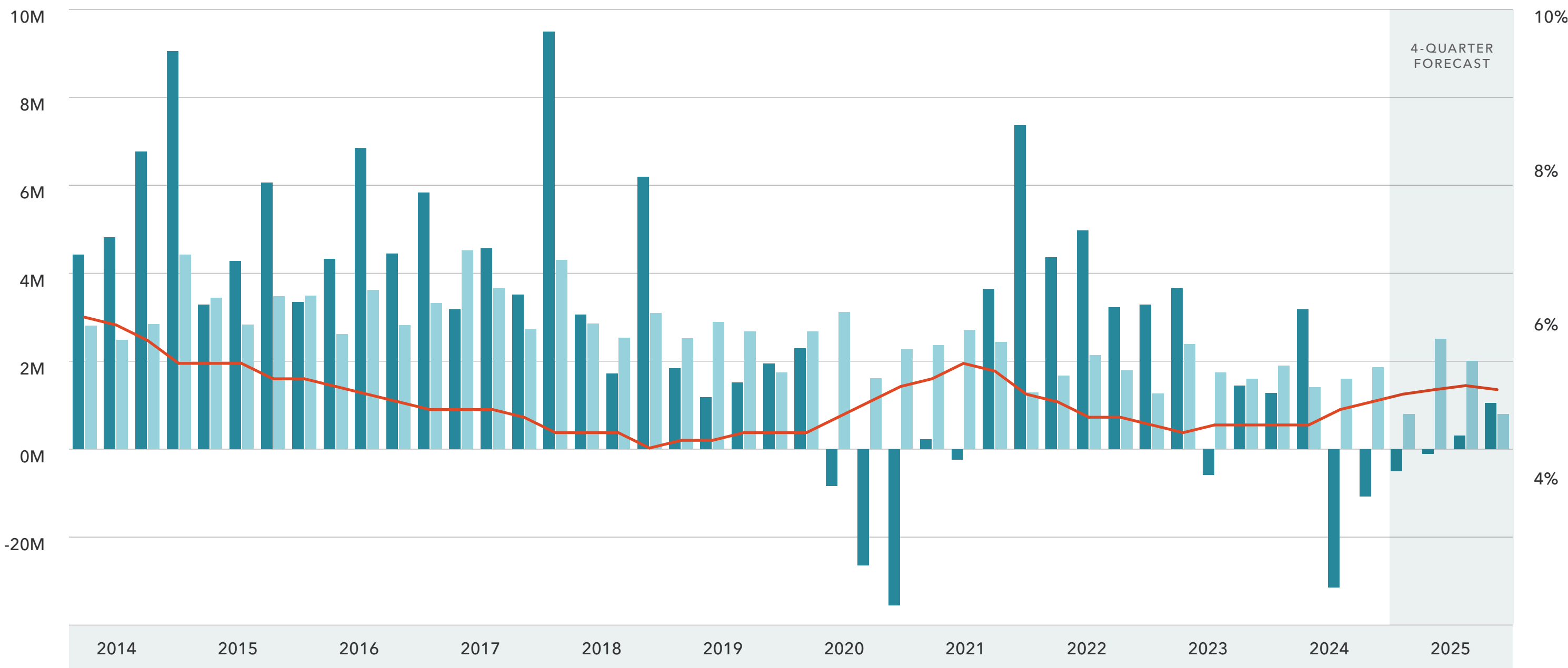


Source: Costar, Kidder Mathews Research

VACANCY RATE *BY MARKET*



WEST COAST FORECAST



Source: Costar, Kidder Mathews Research

NET ABSORPTION DELIVERIES VACANCY RATE

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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

\$10B

3-YEAR AVERAGE TRANSACTION VOLUME

31.7M

ANNUAL SALES SF

42.4M

ANNUAL LEASING SD

ASSET SERVICES

55M+ SF

MANAGEMENT PORTFOLIO SIZE

800+

ASSETS UNDER MANAGEMENT

260+

CLIENTS SERVED

VALUATION ADVISORY

2,600+

3-YEAR AVERAGE ASSIGNMENTS

43

TOTAL NO. OF APPRAISERS

27

WITH MAI DESIGNATIONS

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