

INVESTMENT FORECAST

Retail
Seattle-Tacoma

IPA
INSTITUTIONAL
PROPERTY
ADVISORS






2022

Robust Population and Employment Growth Bolster Investor and Retailer Confidence in the Puget Sound

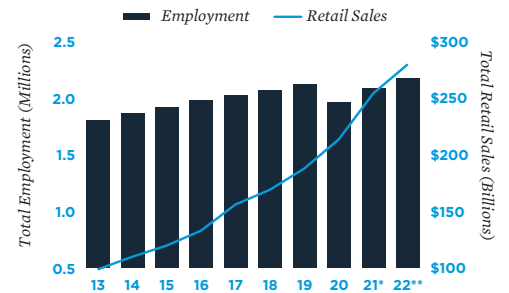
Availability nears historic low. Entering this year, vacancy in Seattle-Tacoma was the lowest among all major metros in the United States, and market conditions will continue to improve. Seattle's diverse economy is encouraging robust in-migration to the region, with the metro's population expected to increase by over 48,000 residents in 2022. Furthermore, job growth will outpace the national average this year, lifting total employment above the metro's pre-pandemic peak, and the median household income beyond \$95,000 per year. The boost in discretionary earnings, coupled with an expanding consumer base, will likely elevate retail sales, encouraging vendor expansions, which, in turn, will amplify demand for available space. Many of these businesses will browse the metro's limited stock of vacant floor plans, as nearly 90 percent of deliveries slated for this year are pre-leased. Improved space demand and limited supply pressure will stimulate rent growth throughout the year, while preserving tight availability. Metrowide vacancy is expected to fall within 10 basis points of Seattle's 15-year low by the end of 2022.

Compelling returns attract investors to the suburbs. Robust population and employment growth are drawing attention to the region from a wide range of investors, with REITs, institutional and out-of-state capital sources increasing activity over the past year. Improving fundamentals will likely expand the metro's buyer pool of risk-averse investors, creating even more competition for available assets in 2022. Buyers are targeting both single-tenant and multi-tenant properties, due to the small spread in cap rates between these asset types. Elevated price points in Seattle's CBD and Eastside locales will keep investors active in the metro's northern and southern suburbs. Buyers are targeting properties in Pierce and Snohomish counties, due to the onslaught of new residents over the past few years. Assets here generally trade with first-year returns, averaging in the high-5 percent range.

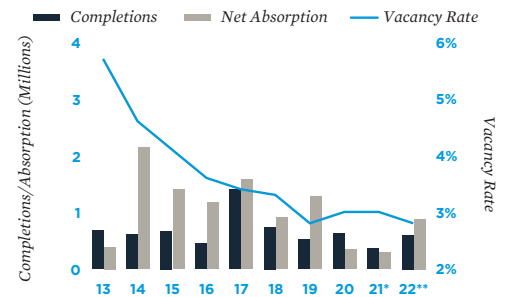
2022 Market Forecast

- Employment** up 4.4%  Total employment surpasses the metro's pre-pandemic peak, with the addition of 92,000 jobs this year.
- Construction** 600,000 sq. ft.  Supply additions increase from last year's pace but remain below the metro's trailing five-year average. In 2021, 360,000 square feet of retail space was delivered.
- Vacancy** down 20 bps  Availability in Seattle will fall to 2.8 percent by year-end, equaling the metro's pre-pandemic rate. Last year, the vacancy rate held steady at 3.0 percent.
- Rent** up 4.9%  Healthy space demand and limited availability promote rent growth in 2022, building off last year's 3.7 percent increase. The rate will rise to \$24.70 per square foot this year.
- Investment**  Retail assets in Bellevue and Redmond will likely draw heightened investor interest, as the East Link extension of the metro's light rail nears completion this year.

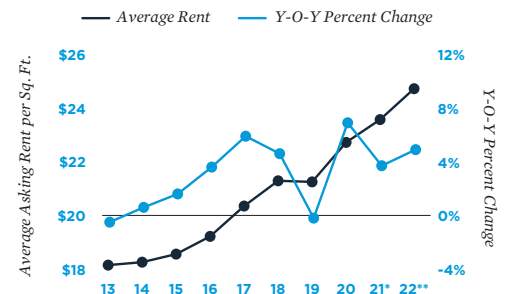
Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Daniel Taub
Senior Vice President
Director IPA Retail
Tel: (212) 430-5100 | dtaub@ipausa.com

Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.