

# MARKET REPORT

Retail  
Seattle-Tacoma Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

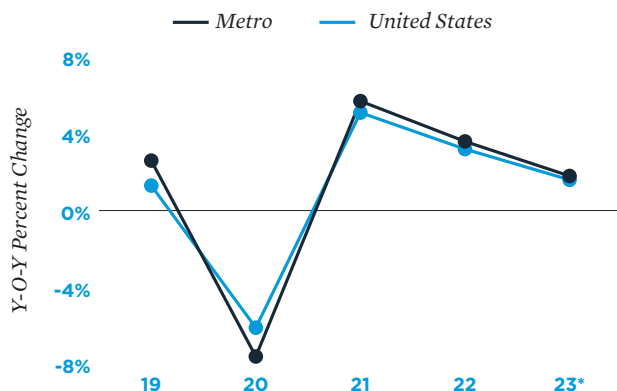
2Q/23

## Southend and Tacoma Leapfrog Long-Term Metrics, While Eastside Faces Uncertainty

**Southern suburbs avoid office-related pitfalls.** Seattle-Tacoma's retail sector is outperforming historical norms, even amid headwinds presented by subdued office utilization. Every submarket, except for Downtown Seattle, notched vacancy rates below their long-term averages in March. Tacoma and Southend, in particular, recorded metrics more than 200 basis points below their historical figures. Property metrics here have been relatively stable since 2019, with retailer viability less dependent on midweek foot traffic than other business districts. Mild construction has also fueled tenant demand for available space, keeping local conditions tight. Tacoma and Southend's delivery volume over the past year represented about one-half of Northend's. That trend continues, as the two areas will receive less than 40,000 square feet of new supply in 2023.

**Eastside more dependent on office policies.** The submarket hosts 80 percent of the metro's retail deliveries this year, with developers active in areas of significant office construction. Recently, retailers here have faced challenges, with waning business-related foot traffic coinciding with a yearlong span of negative retail absorption. Amazon's return-to-office may still provide tailwinds for retailer expansions and renewals in the area, which could help return net absorption to positive territory in the coming quarters. However, Amazon workers have staged walk-outs in response to this enactment, indicating attitudes surrounding in-office policies vary.

### Employment Trends



\* Forecast

Sources: BLS; CoStar Group, Inc.

## Retail 2023 Outlook



**39,000  
JOBS**

*will be created*

### EMPLOYMENT:

The 2.4 percent rise in wages over the year ended in March was the lowest among primary U.S. metros. While the local job tally rises by 1.8 percent in 2023, income trends suggest most hiring will stem from blue-collar sectors.



**360,000  
SQ. FT.**

*will be completed*

### CONSTRUCTION:

Builders complete the largest volume of square footage since 2020, growing inventory by 0.2 percent this year. The multi-tenant segment will account for approximately two-thirds of the space delivered during 2023.



**30  
BASIS POINT**

*increase in vacancy*

### VACANCY:

At 2.2 percent in March, Eastside vacancy could bump up near-term, as it welcomes its largest local construction volume since 2017. By year-end, the marketwide vacancy rate will lift up to a rate of 3.3 percent.



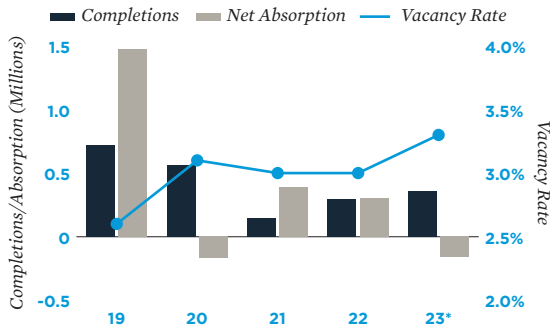
**1.9%  
INCREASE**

*in asking rent*

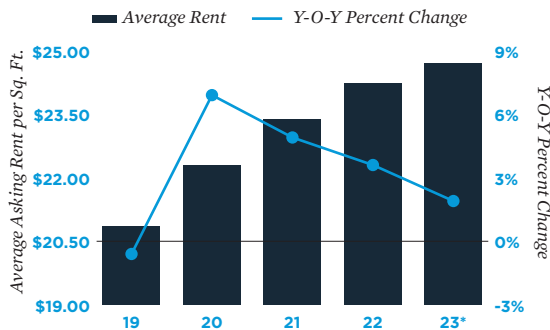
### RENT:

Seattle's average asking rate bumps up to \$24.70 per square foot in 2023. Tacoma, which had rent growth of 11.8 percent over the year ended in March, is positioned to stoke a similar pace this year as it hosts few deliveries.

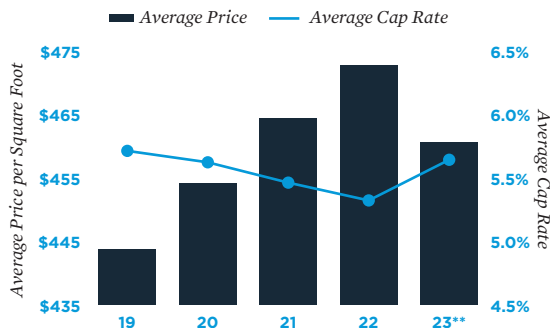
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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Price: \$250

## 1Q 2023 - 12-Month Period



### CONSTRUCTION

**297,000 sq. ft. completed**

- Builders expanded retail inventory by 0.2 percent over the 12-month span preceding April, fueled by the addition of 193,000 square feet in Northend.
- For the first time since 2007, the metro notched annual single-tenant stock growth under 0.1 percent for each of the past four quarters. Tacoma was the only submarket to add more than 20,000 square feet of this space.



### VACANCY

**40 basis point increase in vacancy Y-O-Y**

- Vacancy rose in four of the metro's five submarkets, pushing the marketwide rate up to 3.2 percent in March. Tacoma represented the outlier, as local vacancy fell 10 basis points to 2.9 percent over the same span.
- Single-tenant vacancy rose 30 basis points to 2.8 percent, while the multi-tenant rate advanced by 70 basis points to 4.3 percent.



### RENT

**2.1% increase in the average asking rent Y-O-Y**

- Rents among single-tenant options grew 3.3 percent to \$24.40 per square foot over the past year. This gain offset a 1.3 percent decline in multi-tenant rates, lifting the metro's overall average to \$24.70 per square foot.
- Two out of five submarkets – Downtown Seattle and Southend – recorded respective rent declines of 0.9 and 4.5 percent over the past year.

## Investment Highlights

- Spanning the first five months of 2023, the number of deals completed in the University Place-Lakewood area more than doubled from the second half of 2022. At least half of Tacoma's ongoing multifamily construction is taking place in these communities, with more than 1,800 units delivering here in 2024. These apartments should benefit nearby retailers long-term, as a growing local renter base aids retail sales, a dynamic that should support positive net absorption and investor interest.
- The central suburbs of Tacoma have hosted the highest amount of single-tenant trades across the metro so far in 2023. Lower costs here continue to draw out-of-state investors. Most deals that were completed here over the first five months finalized under \$450 per square foot, well-below the metro's single-tenant average of \$533 per square foot.
- Nearly all recent deals for multi-tenant assets have taken place in Northend. Here, retailers absorbed more than 166,000 square feet of shopping center space over the year ended in March, besting other metro submarkets. This performance has signaled to investors an apparent retailer need for these spaces locally, steering some buyers to listings with vacancies.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. 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. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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