

ARTICLE | Intelligent Investment

# Northwest Retail Sales

A WAIT-AND-SEE PERIOD PERFECT FOR DEAL PREPARATION

## Puget Sound Market in Context

Amidst higher borrowing rates and widespread economic uncertainty, the retail property sector remains attractive on a risk-adjusted basis. Organizations and companies still operating their businesses through the historic COVID-19 era have proven their quality as paying tenants. Though deal volume certainly slowed in the latter half of 2022, we take a five-year view of our region’s retail property market for additional context. We also encourage tenants and landlords alike to question mainstream narratives that call for dramatic yield spikes and asset devaluations over the coming quarters.

The stock of retail space available for purchase is quite limited at this time, as we are in a wait-and-see period marked by new underwriting standards and relatively high inflation. However, for landlords willing to sell, healthy pricing is still achievable.

## Sale Prices Remain Healthy

Through mid-December of 2022, average pricing per square foot for retail property increased over 2021 across four of five submarkets: Seattle MSA (21%), Portland MSA (10%), Western Washington (39%) and Eastern Washington (16%). Western Oregon has seen a modest 2% year-over-year decline in average retail property prices.

FIGURE 1: Average Retail Sale Pricing Since 2017

	YTD 2022	2021	2020	2019	2018	2017
Seattle MSA	\$502	\$416	\$381	\$370	\$366	\$337
Portland MSA	\$365	\$334	\$303	\$270	\$279	\$290
Western WA	\$312	\$225	\$211	\$204	\$156	\$142
Eastern WA	\$232	\$200	\$159	\$163	\$152	\$153
Western OR	\$216	\$221	\$184	\$181	\$177	\$178

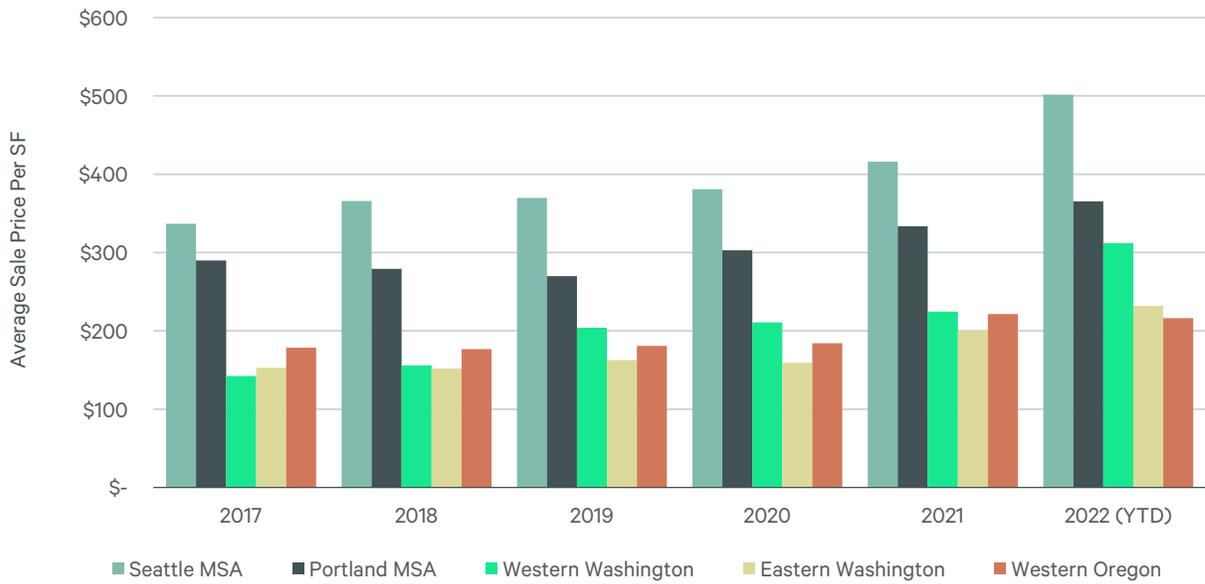
Source: CoStar, CBRE Research

Total Consideration  
Deals Closed YTD in PNW

\$201.8M



**FIGURE 2: Retail Sale Pricing Since 2017**

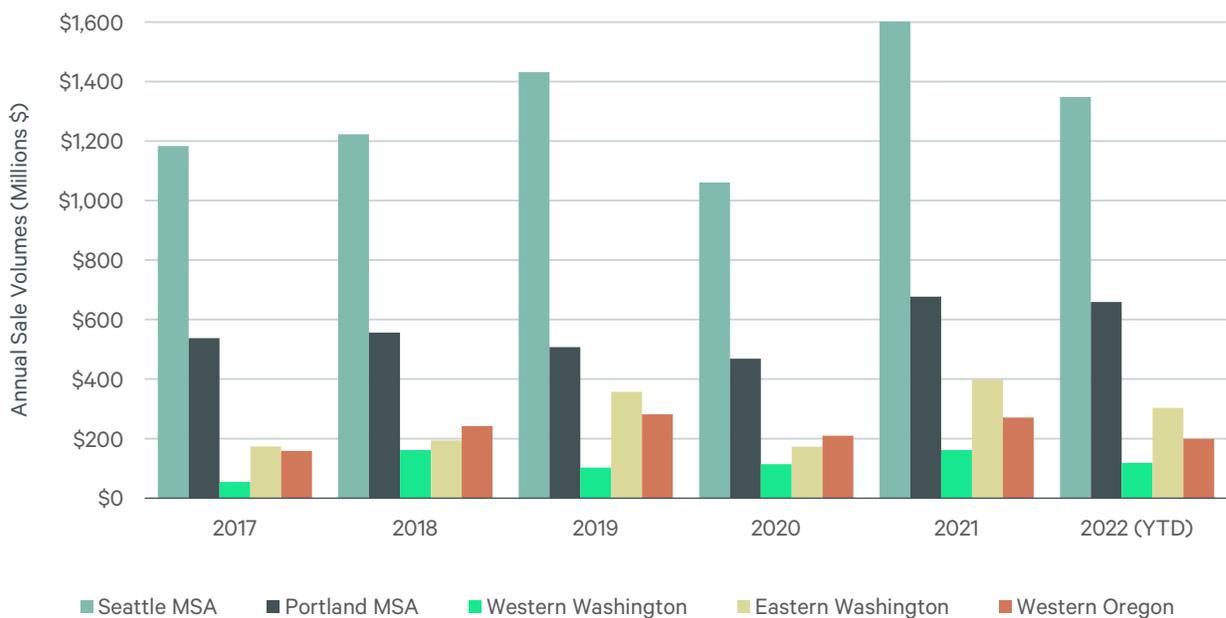


Source: CoStar, CBRE Research

### Slightly Slowed Pace of Sales

Through mid-December of 2022, only the Portland MSA was on track to exceed total sales closed during 2021 (3% increase). All other submarkets saw the pace of deal flow slow during the final months of 2022, with Seattle MSA and Eastern Washington both on track for a 19% year-over-year reduction, followed by Western Oregon (22% reduction) and Western Washington (23% reduction). Combined, the five submarkets are on pace to finish the year with almost \$2.8 billion in sales- 15% lower than 2021’s total figure.

**FIGURE 3: Retail Sale Volumes Since 2017**

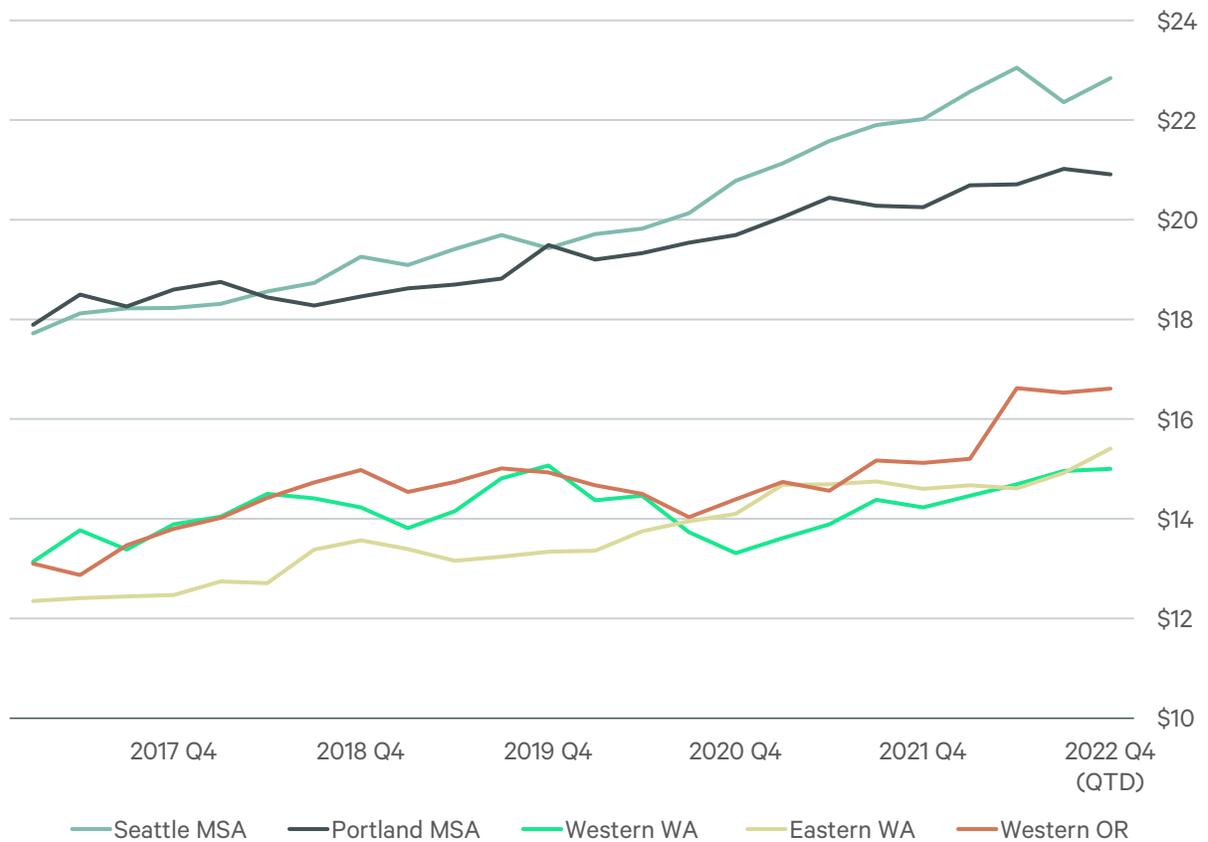


Source: CoStar, CBRE Research

## Level Rents

Rental rates in the Seattle MSA and Portland MSA markets remained buoyant in 2022. Seattle MSA rents peaked in Q2 of 2022, with modest reductions in the latter half of the year. Portland MSA rents peaked in Q3 of 2022, with only slight declines in Q4 (as of mid-December). Rents in the other three geographic markets saw less of a correction during any part of 2022, and Western Oregon’s landlords began to charge a premium in Q2 of last year. Western Washington has been most impacted by the effects of the pandemic, though 2022 brought consistent, modest quarter-over-quarter rent gains.

**FIGURE 4: Rents Per Square Foot by Submarket**



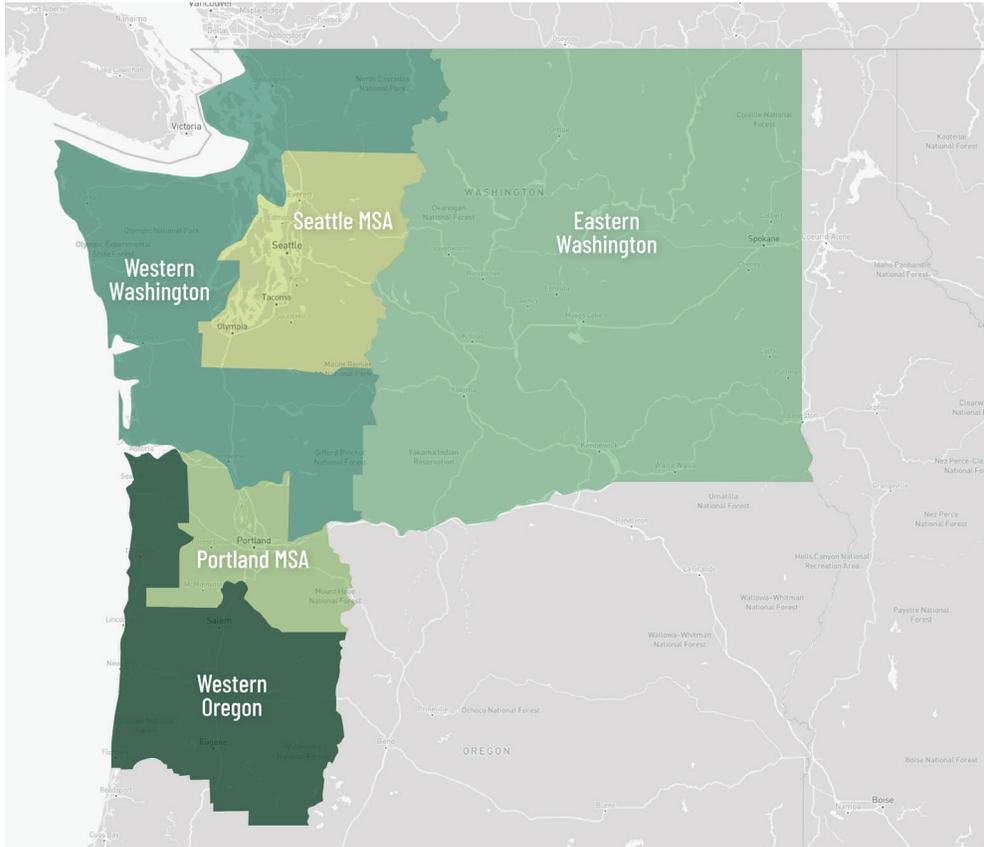
Source: CoStar, CBRE Research

## Today’s Interest Rate Environment

Transactional activity is expected to pick up in 2023, despite the impacts currently being felt from more costly debt financing and growing consensus that the U.S. will enter a mild recession in the coming year. More conservative offers were made on properties in the second half of 2022 to preserve acceptable cap rates; however, the limited supply of quality retail properties on the market enabled many landlords to sell their assets at attractive prices. Though economic uncertainty remains a theme at the macro level, the regional economic backdrop remains generally upbeat and consumer sentiment measures have improved month-over-month since June.<sup>1</sup> Retail property rents have generally shown greater resilience than other types of commercial real estate in 2022 and may continue to attract capital as a less volatile asset class. CBRE’s global network of experts and technology tools will continue to bring localized solutions to clients across markets in the U.S. and beyond.

<sup>1</sup> University of Michigan, Consumer Sentiment Survey, November 2022.

## Map of Retail Submarket Areas



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