2026 MARKET REPORT

GREATER SPOKANE & KOOTENAI COUNTY

NAI Black

BLACK REALTY MANAGEMENT INC.

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2026 MARKET REPORT

A LETTER FROM OUR CEO

2025 will go down in history as a transitional year for technology in the commercial real estate industry. Artificial Intelligence has become a true game-changer in our brokerage business. If a firm is not adopting this technology and teaching it to their brokers, they are simply falling behind.

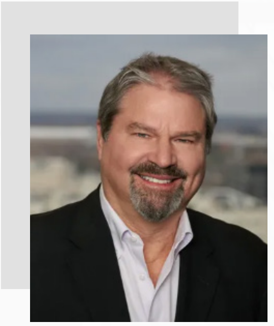
NAI Black is at the forefront of this technological evolution. We continue to provide a superior level of service through advanced marketing materials, prospecting, and client follow-up.

Under Sales Manager Devin Mecham, NAI Black has grown to 30 brokers, including five full-time brokers in our Coeur d'Alene, Idaho office. This is the strongest team we have ever had.

In 2025, we facilitated landmark transactions for the firm, including the $20 million sale of the former Ace Hardware building for the Jensen family, which was our largest deal of the year. We also sold several large land parcels of farmland for a great client, totaling over $17 million.

Additionally, we syndicated a group to purchase the Bonner Mall in Ponderay, Idaho, for approximately $16 million, as well as the Courtland Place Apartments in Spokane, Washington, for approximately $5 million.

Our industrial leasing team also saw significant activity, securing an 83,000-square-foot pickleball facility in Post Falls, Idaho, a 154,000-square-foot lease for McKinstry on the West Plains, and a 112,000-square-foot auto parts lease in Greenacres. Furthermore, we completed several significant 7-Eleven leases across the region and an O'Reilly Auto Parts retail lease at Division and Francis.



DAVE BLACK, SIOR CCIM
CHIEF EXECUTIVE OFFICER

As we continue to expand and break new ground, we are excited to launch our Path to Partner program, enabling our brokers to achieve partnership within the firm, solidifying our position as the leading brokerage in the Inland Northwest. In addition, we have adopted an "All-Star Advisory" board comprised of our top brokers to generate feedback and continue to stay relevant and ahead of the curve in our ever-adapting business climate.

All in all, it was a great year. We look forward to 2026 and all that we currently have in the pipeline.

Black Realty Management, Inc. also took a major step forward in 2025 with the addition of several new accounts. We continue to be the preferred provider for property management services for major Spokane real estate families. Thank you for your business. It remains my personal focus to ensure our clients are well served and that we maintain the best property manager relationships in the region.

We now manage over 11 million square feet of space across seven states. Black Realty Management, Inc. Is led by Kim Sample, who specializes in multi-family housing, and Josh Gutzwiler, who specializes in commercial property management. Our accounting division, led by Holly Poquette, remains paramount to our client service and communication.

On the development side, we completed the North 40 Outfitters project in Mead and began construction on a 7-Eleven project on the corner. We also started remodeling the former Petco store at Division and Francis. Additionally, we continue to work toward preliminary approval for Painted Hills, a 550-lot plat.

We continue to remain bullish on Spokane. We feel the safety issues in the downtown area have been addressed and that we have turned a pivotal corner. Spokane's office market continues to improve, interest rates are expected to ease, and the future looks very bright for our region and our companies.

Thank you to all of our amazing clients who allowed use to help them accomplish their goals.

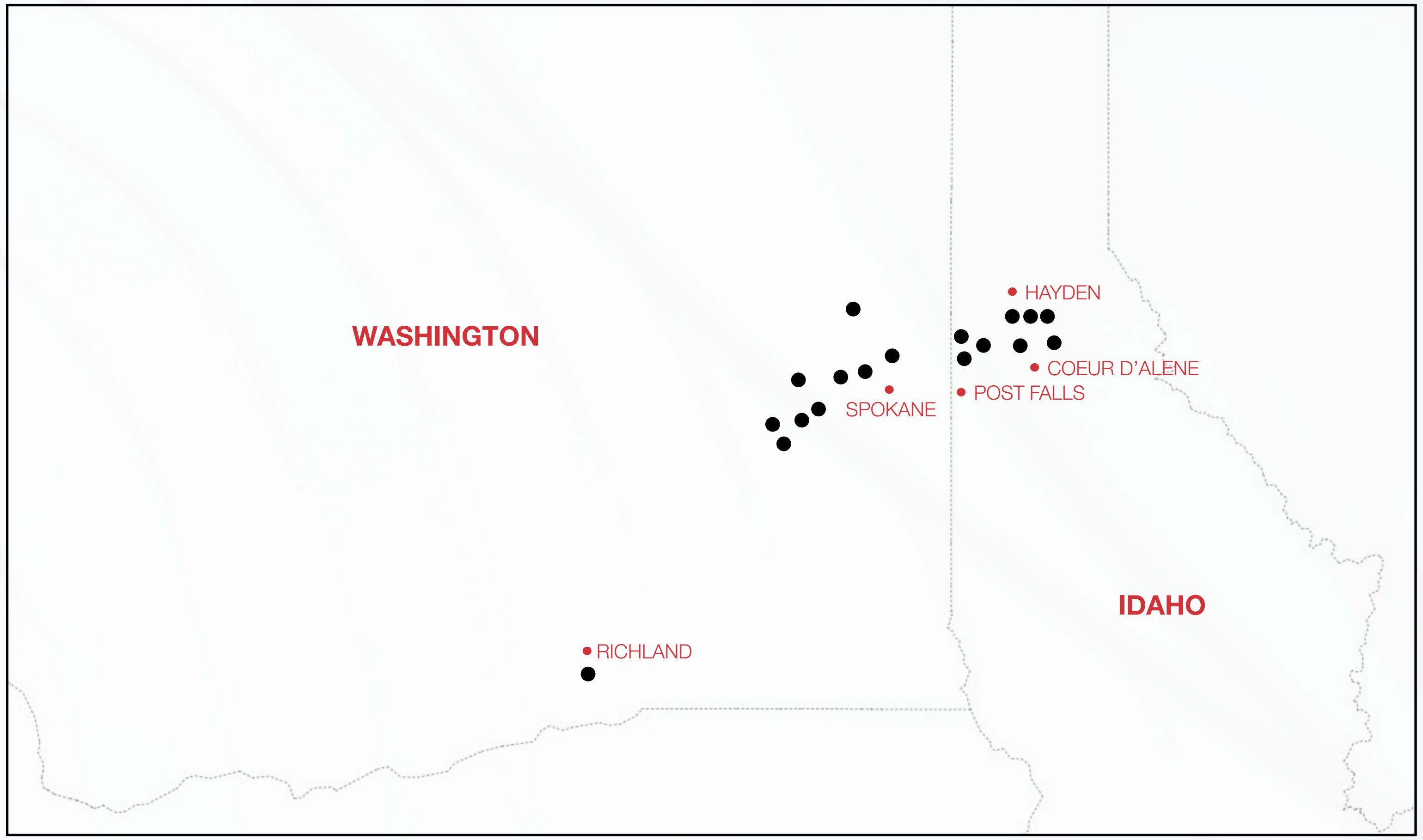
David K. Black

WHO WE ARE

At NAI Black, we take pride in being one of the Inland Northwest's leading full-service commercial real estate firms. As the region's exclusive NAI Global affiliate, we combine our deep local knowledge with the strength of an international network spanning more than 300 offices worldwide. This gives us the unique ability to offer our clients the personal attention of a local team with the insights, tools, and reach of a global organization.

Our Professionals - Brokers, Property Managers, Analysts, and Marketing Specialists work collaboratively to support investors, owners, tenants, and developers across every stage of the real estate cycle. We focus on understanding each client's goals and delivering solutions that are strategic, data-driven, and tailored to their needs. Whether we're leasing space, managing assets, supporting an acquisition, or guiding a development, we approach every assignment with a commitment to integrity, communication, and long-term success.

We are deeply connected to the communities we serve, and we take our roles as trusted advisors seriously. By combining regional expertise with global resources, we help our clients navigate changing market conditions with confidence. Above all, we strive to be a partner our clients can rely on. One that delivers results and builds relationships that last.



CONFIDENTIAL **SOLD | OFFICE** 27,534 SF JON JEFFREYS	7-ELEVEN **SALE | RETAIL LAND - $4,300,000** CHRIS BELL	JENSEN REAL ESTATE INVESTORS **SALE | INDUSTRIAL - $20,000,000** CHRIS BELL
CONFIDENTIAL **SOLD | RETAIL** 19,779 SF JON JEFFREYS & DARREN SLACKMAN	GAS HOUSE GYM **LEASE | RETAIL** 10,200 SF GREG PEACH	POST FALLS PHYSICAL THERAPY **LEASE | RETAIL** 10,199 SF GREG PEACH
THE POINTE PARTNERS LLC **SOLD | LAND** 1.20 AC STEVE RIDENOUR & KC REESE	THE BREAKFAST CLUB **LEASE | RETAIL** 1,851 SF STEPHEN POHL	BISCUIT (ELEVATED BRUNCH) **LEASE | RETAIL** 2,700 SF JARED COZZETTO
MULTICARE HEALTH SYSTEM **LEASE | MEDICAL** 21,481 SF JON JEFFREYS	GVD COMMERCIAL PROPERTIES, INC. **SOLD | RETAILS** 50,467 SF STEVE RIDENOUR & KC REESE	MALLROY PAINT STORE, INC. **LEASE | RETAIL** 2,346 SF JACK PLASTER & STEPHEN POHL
GVD PARTNERS, LP **SOLD | RETAIL LAND - $2,000,000** STEVE RIDENOUR & KC REESE	WADSWORTH **LEASE | INDUSTRIAL** 83,000 SF DARREN SLACKMAN	201 W NEIDER LLC **SOLD | RETAIL LAND** 0.99 AC STEVE RIDENOUR & KC REESE
THIERMAN INVESTMENTS LLC **SOLD | INDUSTRIAL - $2,050,000** MARK MCLEES & JIM ORCUTT	PANATTONI **LEASE | INDUSTRIAL** 112,000 SF DARREN SLACKMAN	RUSTLERS ROOST **SOLD | BUSINESS - $350,000** ERIC WEAVER & JOHN POWERS

WASHINGTON'S MARKET RESET

Washington State's commercial real estate landscape in 2025 was defined by a year of moderated growth, shifting demand patterns, and an economy adjusting to slower job creation. The state continued to benefit from its core strengths; technology, aerospace, manufacturing, and trade, but the pace of expansion softened compared to prior years. Employment gains leveled off, consumer spending normalized, and businesses grew increasingly cautious with space commitments, leading to more deliberate leasing decisions and extended transaction timelines.

Throughout 2025, market performance varied by sector. Industrial and logistics remained steady, supported by ongoing supply-chain investment and strong aerospace-related activity, while retail trends reflected stable consumer demand with selective expansions from essential-service and value-oriented users. Office and medical markets continued to evolve under hybrid work preferences, contributing to slower absorption and heightened emphasis on efficiency, flexibility, and quality of space. Rising construction and financing costs also influenced development pipelines statewide, pushing many projects to reevaluate timing or scale.

Even with these headwinds, Washington maintained a resilient foundation. Key export categories strengthened, population inflows continued into major metros and growing secondary markets, and public and private investment supported long-term confidence in the state's economic stability. As the industry transitioned into 2026, the conditions established in 2025 set the tone for a market focused on strategic growth, operational efficiency, and identifying opportunities across shifting demand cycles.

RETAIL RE-IGNITED

BY STEPHEN POHL
Managing Broker

SPOKANE RETAIL MARKET OVERVIEW

During 2025, the market has remained stable and resilient. Rents are experiencing increases primarily due to the decline of new construction and corresponding tightening of available space, despite growing internet market share creep and announced national store closures. Vacancies across the board in the local market are well below 5% in our estimation with some sub-markets experiencing even tighter space availability. Landlord requirements for longer lease terms, less free rent, lower tenant improvement allowance incentives, as well as stricter financial qualifications for tenants are being noted in well-positioned centers with high traffic and visibility. Emphasis on "med-tail," services, health-fitness and fast-casual dining remain categories less affected by online shopping.

PERFORMANCE BY ASSET CLASS AND CATEGORY

In general, not surprising, well-located traditional national anchored power centers are receiving stronger rents than many neighborhood strip centers in today's environment. While national retailers, however, are continuing to test the Spokane market, the importance of local entrepreneurial merchants, both new and expanding, remains impressive.

Retail store closures have impacted the market with Jo Ann Fabrics and Crafts and Rite Aid as examples. Many legacy retailers are taking note such as Starbucks, who is undertaking its "Back to Starbucks" restructuring, closing an estimated 1% of its North American stores, including three in Spokane; efforts of that are arguably creating new opportunities for Landlords.

REGIONAL MARKET HIGHLIGHTS

The North Spokane market saw the opening of a new North 40 Outfitters flagship store, Raising Cane's, Dave's Hot Chicken, and Ashley Furniture store at Northtown Mall. Planet Fitness is under construction at the Esplanade at Northpointe Plaza for a Spring 2026 opening, while Nordstrom Rack is planned for a Fall 2026 opening in that same market.

The Spokane Valley has welcomed Five Below and Sierra Trading during 2025. Dave and Buster's has also opened in Spokane Valley, near the Spokane Valley Mall in August 2025. A Trader Joes and a second Chick-Fil-A are planned for 2026.

Spokane's South Hill welcomed Home Depot, CVS, as well as Mallory Paint store, the Breakfast Club, and AT&T to the Regal Plaza at Palouse Center with a 100% occupancy for the Target anchored lifestyle center.

The West Plains welcomed AAMCO as well as a 7-Eleven during 2025, and Tagliare Delicatessen, a Missoula, MT based sandwich shop, along with a relocation of a new Adams Tractor Supply dealership have planned openings during 2026.

Kendall Yards and Downtown enjoy continuing activity. The Falls, a high-rise condominium project, with a planned 10,000 square foot restaurant/special event center is bringing renewed urban infill. River Park Square welcomed the repositioned Lululemon as well as Gene Juarez Salon and Spa on the main floor during 2025 further strengthening their premier specialty retail mix.

CONSUMER TRENDS AND INVESTMENT MARKET

Internet sales continue to take center stage in retail product procurement building the case for service + convenience retail development as well QSR's, and experience-based formats leading the way for the industry. Banking and credit union contractions and expansions continue to adjust their "sails" to address their customer services while delivering store convenience, including ATMs.

Capital markets are mainly centered on smaller products, 5,000 square feet or less, with cap rates hovering in the 6-7% range based on tenant mix composition.

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2026 OUTLOOK AND STRATEGIC FORECAST

Positive growth is envisioned for 2026 based on a growing Spokane population buttressed with rising income. Focusing on value driven merchants, embracing efficiencies that are using AI, continuing to address omni channel, BOPIS, buy online/pick-up in store, as well as promoting sustainability for an evolving younger demographic consumer, will be key factors in the market's success. The consumer is cautious and deliberate in their spending with value driven aspirations giving credibility to value retailers such as TJX Companies and Five Below.

Evolving social media platforms and expanding applications coupled with advanced handheld devices with AI capabilities and marketing services are without question, altering the predictability of efficient consumer shopping behavior; but not necessarily diminishing the growing demand for exciting experienced-based interactions between the customer and the savvy creative retailer of tomorrow.

The expectation for renewed development of shovel-ready parcels will play a central role with continued Federal Open Markets Committee rate reductions. Increased multi-family starts will also help drive demand, especially on Spokane's South Hill.

We anticipate retail to expand with the new national fiscal and AI digital environment during 2026. NAI Black has significant experience as a retail market leader in Eastern Washington and Northern Idaho and maintains strategic marketing platforms that continue to provide a great source of networking leads. Having the "right connections" in an ever-changing competitive environment, sets us apart.

OFFICE/MEDICAL

BY JON JEFFREYS SIOR

MARKET OVERVIEW

The Spokane office and medical office market leasing and sales activity slowed in 2025 compared to 2024. Downtown office space continues to represent the highest percentage of Spokane's vacancies, showing few signs of improvement. That said, new construction is not on the horizon; therefore, office vacancy should continue to improve as businesses grow alongside our rising population base.

PERFORMANCE BY ASSET CLASS

Class A and new medical office space continue to be the market's "shining stars," with solid absorption and strong leasing rates. Conversely, Class B and call center spaces continue to lag, pulling the overall asset class down. Leasing rates should remain stable or increase slightly as 2026 progresses in all markets except for Downtown.

CONSTRUCTION & TENANT IMPROVEMENTS

The cost of office construction seems to have stabilized but shows little sign of receding. With construction costs remaining high, both landlords and tenants are having to increase their contributions toward tenant improvement allowances. We expect this trend to continue, alongside rental rate increases intended to offset these added costs for landlords. While construction pricing is leveling out, new construction prices remain at record levels. Currently, rental rates are unable to support these costs, which will continue to limit new office construction. However, this lack of new supply will eventually assist in raising rental rates and sales values.

INVESTMENT & SALES MARKET

Sales activity remained slow through the majority of 2025, even as interest rates began to recede. Few sales took place in 2025 because supply remained limited and the investment market for office products was hesitant. The 2026 purchase market is expected to remain stagnant, primarily due to a limited supply of assets for sale. We expect sales to remain flat due to a lack of options for investors and the high-interest-rate market, which is pushing users to view leasing as a more affordable option.

MEDICAL OFFICE MARKET

The medical office market had another strong year. With vacancy pushing below 5%, rental rates for existing products will remain strong through 2026. This is driven by low supply, higher interest rates, and a lack of new medical office product coming online. Some submarkets currently have little to no vacancy for larger square-footage spaces.

Due to limited options and high construction costs, medical users are continuing to convert general office buildings and retail strip centers. This sector should continue to grow as the population increases and medical employment expands. With an extensive regional draw, multiple medical schools, and low vacancy, medical office remains the "darling" of the Spokane market.

2026 OUTLOOK & EMPLOYMENT

Regarding the outlook for 2026, office employment is flat. The motto "no hire, no fire" defined 2025, and we expect the same for 2026. While AI is a significant topic of discussion regarding the replacement of office jobs, we have yet to see a true impact.

Second-generation office and medical space in good condition will continue to see an increase in demand, as seen throughout 2025. Barring potential recession risks, we anticipate a small amount of positive absorption in 2026 due to the lack of new construction. However, a potential recession with increasing unemployment would likely reverse rental rate growth if vacancy begins to rise.

SPOKANE INDUSTRIAL

BY DEVIN MECHAM CCIM

MARKET OVERVIEW

Spokane's industrial real estate market entered a normalization phase in 2025 following more than a decade of expansion. After record-low vacancy, strong rent growth, and aggressive development from 2021 to 2023, the market recalibrated as new supply temporarily outpaced demand. While vacancies rose and rent growth moderated, Spokane continues to outperform national averages and remains structurally sound. The market has shifted from a landlord-driven cycle to a more balanced, tenant-selective environment with clear divergence by asset class and size.

MARKET FUNDAMENTALS

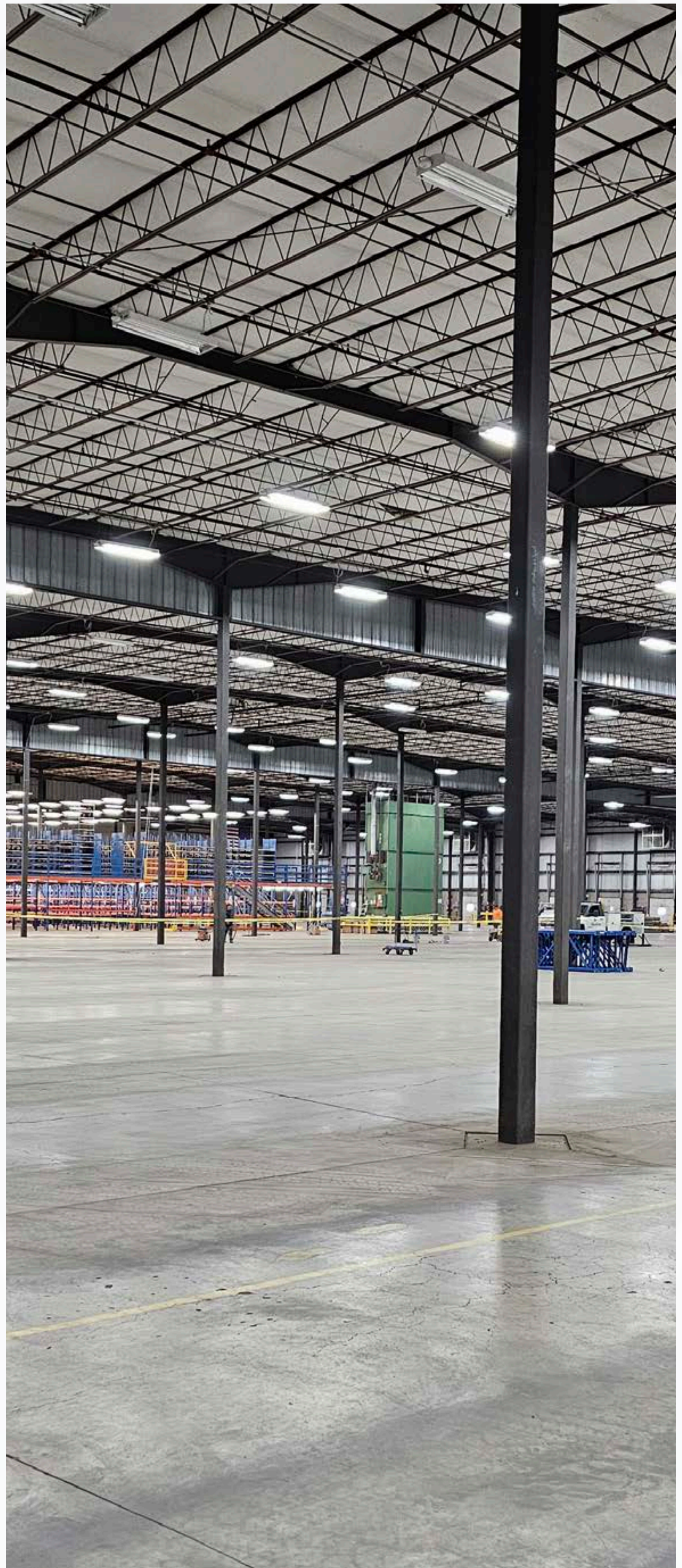
Industrial vacancy peaked at approximately 6.4% in early 2025 before easing to roughly 5.8% by Q3 according to CoStar reports. This level remains materially below the national average. The increase marked Spokane's first sustained vacancy expansion in over 13 years and reflected the absorption of pandemic-era deliveries rather than a collapse in demand.

CoStar also reports that rents averaged $8.85 per square foot early in the year and increased modestly to approximately $9.18 per square foot in Class A distribution space by Q3, representing about 2% annual growth. This is below historical averages and far under 2021 to 2022 peak growth. Spokane continues to position itself as a cost-competitive inland industrial market relative to coastal metros.

PERFORMANCE BY PRODUCT TYPE

Large-format logistics and distribution facilities experienced the highest vacancy, approaching 10% in select submarkets, as e-commerce driven expansion normalized. Flex industrial assets performed more resiliently, maintaining mid-single-digit vacancy and commanding the highest rents due to layout versatility and diversified tenant demand.

Small-bay and specialized industrial properties remain the market's strongest segment. Assets under 50,000 square feet maintained near-record-low availability, supported by chronic undersupply, zoning constraints, and demand from contractors, service businesses, and local manufacturers. Rent growth in this segment has exceeded 30% over recent years and continues to outperform broader market trends.



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SUBMARKET DIMENSIONS

West Plains led development activity due to the 2024 Q4 completion of a 205,000 square foot project, McFarland III, and absorption by Panattoni Development leasing an additional 284,000 square feet at West Plains Logistics, supported by proximity to the airport and other major logistics users. Spokane Valley experienced modest vacancy with minimal absorptions as tenants adjusted space needs. Panattoni successfully leased 112,000 square feet in the Spokane Valley at 17710 East Euclid Avenue to a national auto parts distributor. North Spokane City remained tight with limited development, while Spokane CBD struggled with structural constraints and higher vacancy.

CONSTRUCTION PIPELINE AND OUTLOOK

New construction slowed dramatically, with only two projects totaling approximately 217,000 square feet underway, which are nearly all build-to-suit for owner users. The absence of speculative development positions the market to absorb vacancy through 2026.

Vacancy is expected to gradually improve through 2027, rent growth to remain modest at 2% to 3% annually, and small-bay assets to continue outperforming. Spokane's 2025 industrial market reflects a disciplined reset, creating targeted opportunities for investors and occupiers who understand asset-level differentiation.

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DAVE BLACK SIOR CCIM
CHIEF EXECUTIVE OFFICER

CHRIS BELL SIOR

JON JEFFREYS SIOR

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DARREN SLACKMAN SIOR

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- CCIMs are trusted and valued partners for attorneys, investors, buyers, sellers, lenders, landlords, tenants, and many others.

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DEVIN MECHAM CCIM
SALES MANAGER, BROKERAGE

MITCH SWENSON CCIM

SHANNON POTTRATZ CCIM
2025 DESIGNEE

KAYLA SAUNDERS CCIM
2025 DESIGNEE

IDAHO - A YEAR OF REBALANCING

In 2025, Idaho's commercial real estate market continued to normalize after several years of out sized growth, settling into a more disciplined and fundamentals-driven environment. Population growth and in-migration remained key long-term drivers, supporting demand across most asset classes, but higher interest rates and tighter underwriting kept both buyers and tenants selective.

Industrial and retail markets saw the most noticeable recalibration as new supply delivered in certain submarkets, creating pockets of increased vacancy and shifting leverage slightly toward tenants, particularly for newer or speculative product. Well-located, functional properties with strong access and daily-needs demand continued to out-perform.

Office conditions remained steady but competitive, with tenants prioritizing quality, efficiency, and flexibility over larger footprints, while medical and suburban office uses showed relative resilience. Multifamily fundamentals held up better than many expected, supported by continued in-migration, though new deliveries moderated rent growth and increased concessions in select areas. Overall, 2025 reinforced a clear theme across Idaho: Deals moved forward, but with greater emphasis on realistic pricing, durable cash flow, and long-term fundamentals, setting a more balanced and sustainable foundation heading into 2026 for clients served by NAI Black.

NORTH IDAHO

BY STEVE RIDENOUR

BY KC REESE

MARKET OVERVIEW

The North Idaho real estate market enters 2026 with cautious optimism and renewed momentum. After a stop-and-start transaction environment through much of 2024 and early 2025, activity improved as market participants adjusted to stabilized financing conditions, moderating construction costs, and more realistic pricing expectations. The latter half of 2025 closed with an increase in transactions, creative acquisition structures, and active deal positioning heading into 2026.

As cost pressures ease, several development projects that had been paused are regaining traction, and absorption has improved across multiple asset classes. The expectation of improved financing terms and greater predictability in construction pricing is anticipated to unlock projects previously sidelined by feasibility constraints. This shift is particularly meaningful for land absorption, as seller expectations begin to align with achievable returns and the availability of viable 1031 exchange properties improve.

The investment market is expected to become more consistent as buyers and sellers reconcile pricing and yield expectations. This re-balancing should help moderate rent growth, improve affordability, and support sustainable business expansion. A renewed focus on real growth, rather than inflated valuations, is emerging as a healthier market signal. As development, tenant improvement, and construction costs stabilize, competitive pressures should support more achievable pricing across land, buildings, and rents for both national and local users.

RETAIL MARKET

Retail lease rates for new construction in North Idaho remain elevated, driven by still-high construction costs, interest rates, and land pricing. However, moderation in escalation trends during 2025 helped trigger new development starts, and additional projects are expected to come online in 2026. These developments are designed to attract national retailers while offering more efficient footprints that support regional and local tenants.

The market is trending toward a blended approach: accommodating larger corporate and franchise users who can absorb higher rents, while delivering flexible, efficient space solutions for smaller tenants seeking to control occupancy costs. In 2025, this imbalance constrained deal flow by limiting achievable investor returns. Entering 2026, improving fundamentals suggest relief on end costs and increased transaction velocity.

For new retail development, minimum rents for in-line vanilla shell space are generally in the $36 to $38 per square foot NNN range. Freestanding pad buildings typically require rents of $55 to $70+ per square foot NNN, depending on tenant improvement requirements and work letter scope. Space efficiency will be a defining theme for 2026, particularly for local and regional tenants.

Second-generation retail space continues to perform well and is firmly re-established as a viable option for both retailers and service users. Rents in this category generally fall in the low to mid $20 per square foot NNN range. Tertiary retail and service space typically ranges from $12 to $18 per square foot, with sub-$12 rents increasingly difficult to find.

NORTHWEST BOULEVARD, DOWNTOWN, AND EAST SHERMAN

Retail areas south of I-90 experienced meaningful infill development activity in 2025, a trend expected to continue through 2026. Notable projects include major resort and hospitality expansions and multiple hotel developments currently under construction. Downtown Coeur d'Alene remains active and highly desirable, with land values reflecting strong demand for high-efficiency, multi-story residential and commercial projects.

Land values in the core corridors including Northwest Boulevard and East Sherman are increasingly similar due to assemblage challenges and redevelopment constraints. Midtown along the 4th Street Corridor has largely built out, with limited remaining opportunities and correspondingly higher land pricing. A significant milestone for the submarket was the opening of a national grocery concept that set strong performance benchmarks for the region.

Opportunities within primary corridors, including downtown, are limited. In most cases, redevelopment requires assemblage, demolition or vertical construction, all of which add complexity and cost. As a result, new projects in these areas must be underwritten with a focus on density, efficiency, and long-term viability.

COEUR D'ALENE/HAYDEN - I-90 & NORTH-SOUTH CORRIDORS

Redevelopment at the northeast corner of Highway 95 and Neider Avenue moved forward in 2025, with construction commencing on multiple high-profile restaurant concepts. Additional retail space is under development within the center, including high-visibility in-line storefronts anchored by national brands, with openings scheduled through 2026. Limited space remains available, offering strong exposure along Highway 95.

The re-purposing of the former Silver Lake Mall continued throughout 2025, with new national brands opening as either franchise or corporate locations. This adaptive reuse effort has transformed a legacy retail site into a revitalized commercial hub, reinforcing the viability of creative repositioning strategies in North Idaho.

POST FALLS - KEY PROJECTS

Post Falls continues to experience strong retail and service-sector growth. The Pointe at Post Falls, located between I-90 and Pointe Parkway, added several new tenants in 2025, including national quick-service restaurants, service providers, and locally owned businesses. Additional improvements are underway, with construction completion and openings anticipated in early 2026.

At Prairie Crossing, a 50-acre mixed-use multi-tenant center at the intersection of Highway 41 and Prairie Avenue, commenced in 2025. The initial building is partially leased, with additional tenants expected to open by summer. A full-service grocery anchor has closed on its parcel and is progressing through plan review, with construction anticipated to begin in 2026. Multiple pad sites are now available for sale or lease and further tenant announcements are expected.

RATHDRUM, ATHOL, AND SANDPOINT

Rathdrum experienced modest infill commercial activity in 2025, with continued planning along the Highway 41 corridor subject to annexation and zoning. Of note is the growing interest from large-format heavy commercial and light industrial users, with significant acreage under contract. These projects represent long-term growth potential extending into 2027 and beyond.

In Athol, Crossings at Athol continues to perform well with new medical and service users opening in 2025. Only a limited number of parcels remain available, and interest from both national and local users is increasing. Infrastructure investment, including private sewer capacity, positions the project for additional large-format tenants. The addition of a food truck pavilion has further enhanced the area's commercial appeal.

The Rathdrum retail corridor remains largely stable, with limited opportunities for expansions due to market maturity. However, revitalization efforts are underway at established shopping centers, and select parcels are being developed with new service and retail uses.

The Sandpoint and Bonner area have benefited from the early stages of revitalization at the Bonner Mall, with new national retailers opening and additional mid-box and service users in negotiation. Downtown Sandpoint remains anchored by tourism-oriented retail and dining, while growth focus is increasingly shifting north toward Bonner.

INVESTMENT MARKET

North Idaho continues to attract strong investor interest, supported by favorable demographics, business-friendly fundamentals, and regional growth dynamics. Capital inflows have contributed to cap rate compression in certain asset classes, with some properties experiencing reductions of up to 100 basis points. Despite this compression, consistent demand and improving operating fundamentals support continued transaction activity.

Looking ahead to 2026, the investment market is expected to benefit from greater pricing clarity, improved financing conditions, and a more balanced relationship between risk and return. These factors position North Idaho for steady, sustainable growth across retail, mixed-use, and commercial investment sectors.

2026 MARKET REPORT

BLACK REALTY MANAGEMENT MULTIFAMILY REPORT

MULTIFAMILY MARKET OVERVIEW

As we move into 2026, the Spokane area multifamily market is transitioning into a more balanced and sustainable phase of the natural housing market cycle. Following several years of elevated construction and unusually strong rent growth, the market is now absorbing new construction apartments and resetting to conditions that are more reflective of a balanced market. While recent new unit deliveries have created short-term pressure in certain submarkets, such as North Spokane and Spokane Valley, we view this period as a healthy recalibration that supports long-term stability and opportunity.

VACANCY AND LEASING TRENDS

Vacancy increased across Spokane County in 2024 as a significant wave of new units came online, particularly in Class A and newly delivered communities. Over the past year, we have seen steady improvement in absorption, with vacancy beginning to tend downward. As we enter 2026, overall vacancy is moving toward more normalized levels, with Class B and workforce housing communities demonstrating the strongest and most consistent occupancy. Properties that are well located, well managed, and appropriately priced continue to perform, even in a more competitive leasing environment.

RENT GROWTH AND OPERATING STRATEGY

Rent growth has decreased significantly from the elevated levels we saw 4 to 5 years ago and near flat-lined in the Class A developments that sought out the largest rent hikes after the COVID moratorium ended. As of December 2025, overall rent growth across all types and sizes of assets settled at 1% for the prior twelve months. In the current environment, owners and operators are placing greater emphasis on thoughtful pricing, resident retention, and operational execution rather than relying on aggressive rent increases. Washington State's rent cap continues to influence strategy, reinforcing the impact of turnover management, expense control, and service quality. As supply pressure eases and demand remains steady, we expect rent growth to steadily trend upwards over time.

NEW CONSTRUCTION DELIVERIES

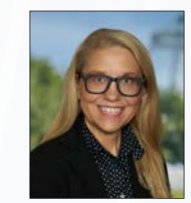
The pace of new multifamily construction has slowed considerably from recent peak levels. While the market absorbed a substantial volume of new units in 2023 and 2024, deliveries in 2025 declined, and early indicators suggest further moderation ahead. This slowdown is already beginning to relieve near-term supply pressure and should support improving occupancy and operating performance across existing communities as lease-up activity continues to progress and new apartments are absorbed.

DEVELOPMENT PIPELINE AND PROPOSED PROJECTS

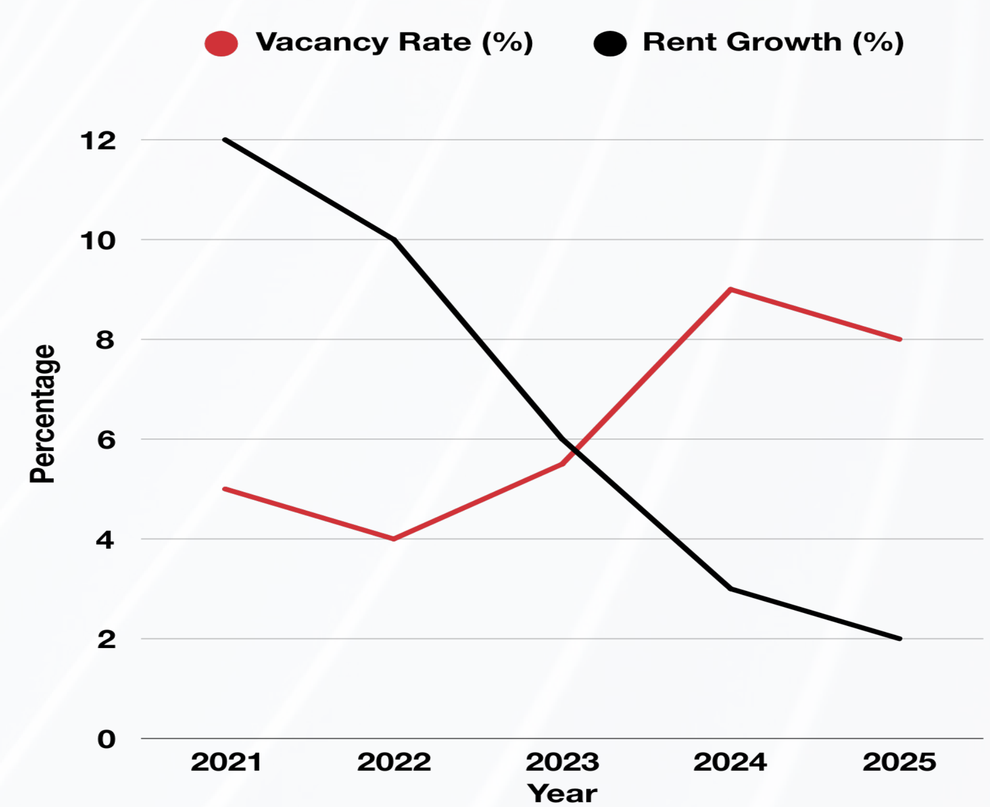
The forward-looking development pipeline has thinned materially, Higher financing costs, construction pricing, and more conservative underwriting have resulted in fewer new projects moving forward. Developers are increasingly focused on select locations with strong fundamentals and long-term demand drivers. This disciplined approach to new supply is a positive signal for the market and supports a healthier balance between new deliveries and underlying renter demand over the coming years. At present, approximately 600 new apartment units are under construction and expected to be completed in 2026.

INVESTMENT MARKET AND CAPITAL TRENDS

The multifamily investment market remains active, though pricing and underwriting have adjusted to reflect current interest rate and operating environments. Investors continue to focus on properties with strong locations, durable demand, and opportunities for operational improvement. Cap rates have stabilized at levels that better reflect today's landscape. We continue to see interest from both local and regional buyers who recognize Spokane's long-term growth fundamentals and the value of well-operated, well-positioned multifamily assets.



BY KIMBERLEE SAMPLE
PRESIDENT, MANAGEMENT

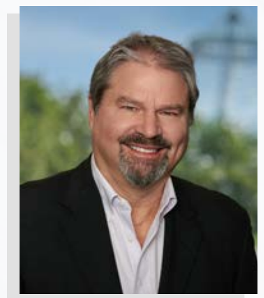


PROPERTY MANAGEMENT

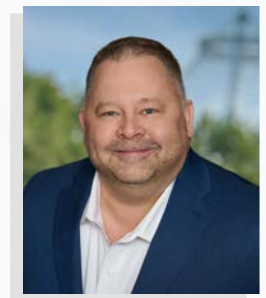
BLACK REALTY MANAGEMENT, INC.

At Black Realty Management, our mission is to deliver exceptional value by maximizing profitability for our clients, fostering a work environment where employees thrive, and setting the standard for excellence in property management.

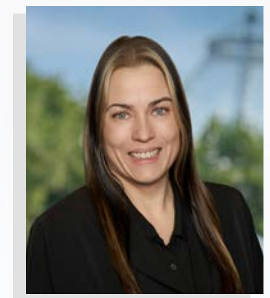
We believe that financial success, a strong team, and exceptional management go hand in hand, driving lasting success for everyone we serve.



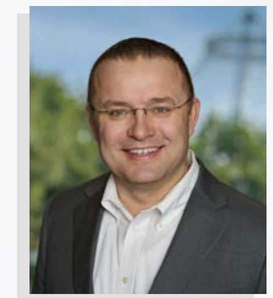
DAVE BLACK
CHIEF EXECUTIVE OFFICER



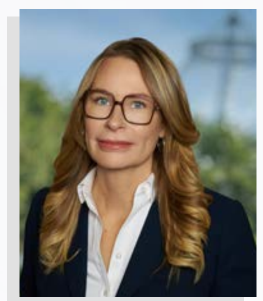
JASON DOLLOPH
COMMERCIAL PROPERTY MANAGER



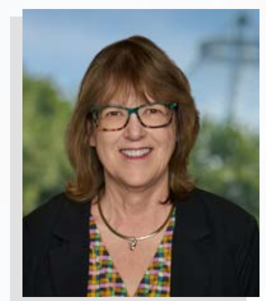
STEPHANIE FROMONT
RESIDENTIAL REGIONAL MANAGER



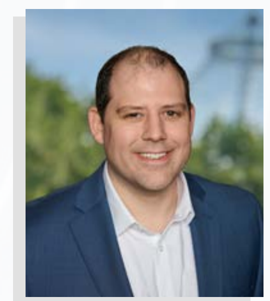
JOSHUA GUTZWILER
VICE PRESIDENT, MANAGEMENT



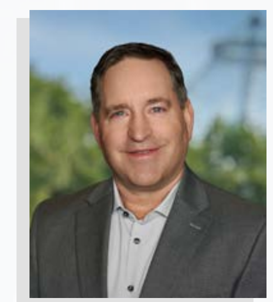
JODY JOHNSON
RESIDENTIAL REGIONAL MANAGER



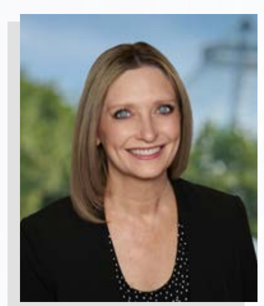
MARY KAY KNUDSEN
CORPORATE OPERATIONS DIRECTOR



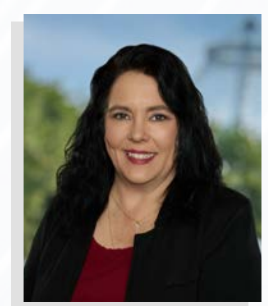
JOHNATHAN LARSEN
COMMERCIAL PROPERTY MANAGER



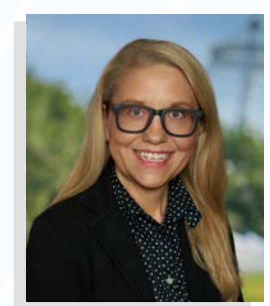
SEAN MCGINNIS
COMMERCIAL PROPERTY MANAGER



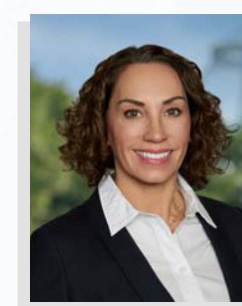
HOLY POQUETTE
CHIEF FINANCIAL OFFICER



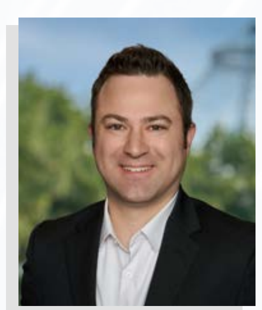
BRENDA REDELL
HR MANAGER



KIMBERLEE SAMPLE
PRESIDENT, MANAGEMENT



NICHOLE SULLIVAN
RESIDENTIAL REGIONAL MANAGER



MATT WALSH
COMMERCIAL PROPERTY MANAGER

BLACK
REALTY MANAGEMENT
INC.

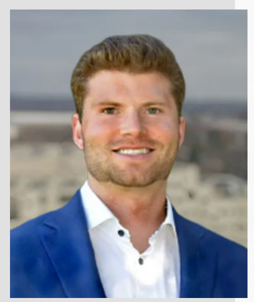

DAVE BLACK SIOR CCIM
CHIEF EXECUTIVE OFFICER

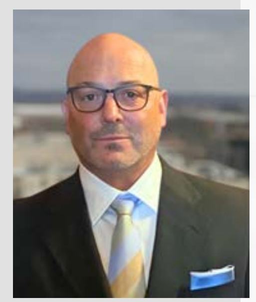

JEFF JOHNSON SIOR CCIM
PRESIDENT, BROKERAGE


DEVIN MECHAM CCIM
SALES MANAGER, BROKERAGE


CHRIS BELL SIOR


JAMES BLACK III CCIM

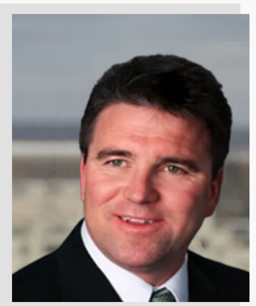

ANDREW BLACK


DEREK BUDIG


JESSE CLARK

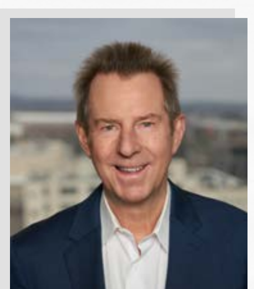

JARED COZZETTO

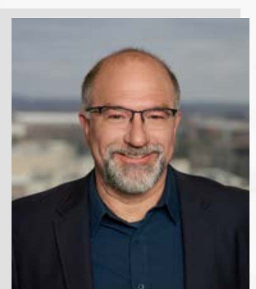

CLAYTON CROCKETT

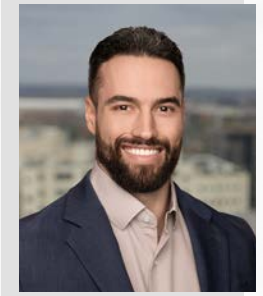

DON JAMIESON

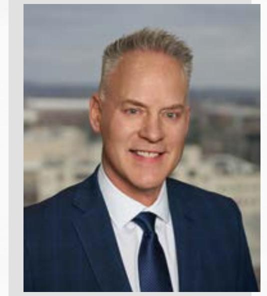

JON JEFFREYS SIOR

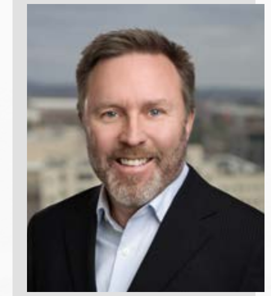

JASON KNOX


JEFF MCGOUGAN

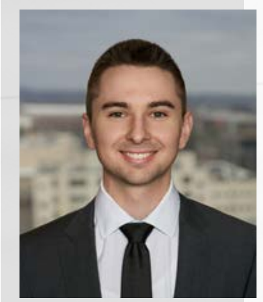

MARK C. MCLEES

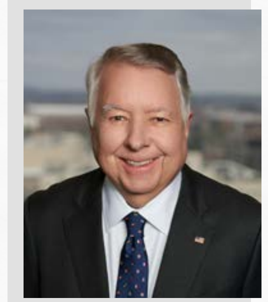

CREIGHTON MORFITT

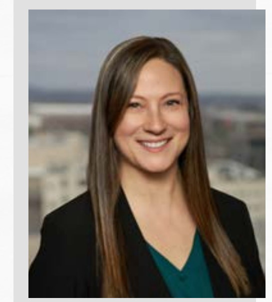

JIM ORCUTT

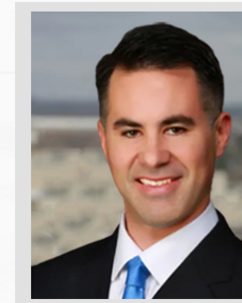

JEFF OTTMAR

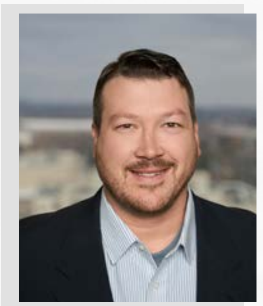

GREG PEACH

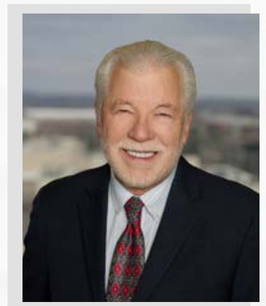

JACK PLASTER

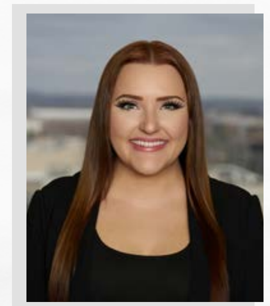

STEPHEN POHL


SHANNON POTTRATZ CCIM

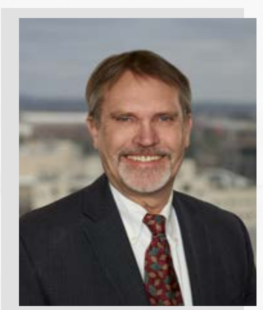

JOHN POWERS

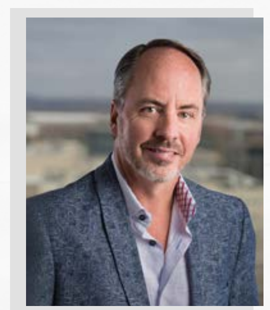

KC REESE

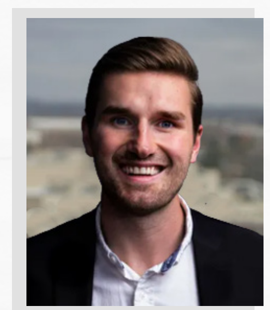

STEVE RIDENOUR

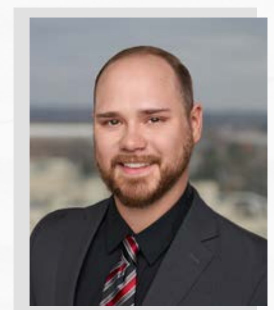

KAYLA SAUNDERS CCIM


DARREN SLACKMAN SIOR


MITCH SWENSON CCIM


BRYAN WALKER


ANTHONY WALKER


ERIC WEAVER

NAI Black

BLACK REALTY MANAGEMENT INC.

2026 MARKET REPORT
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