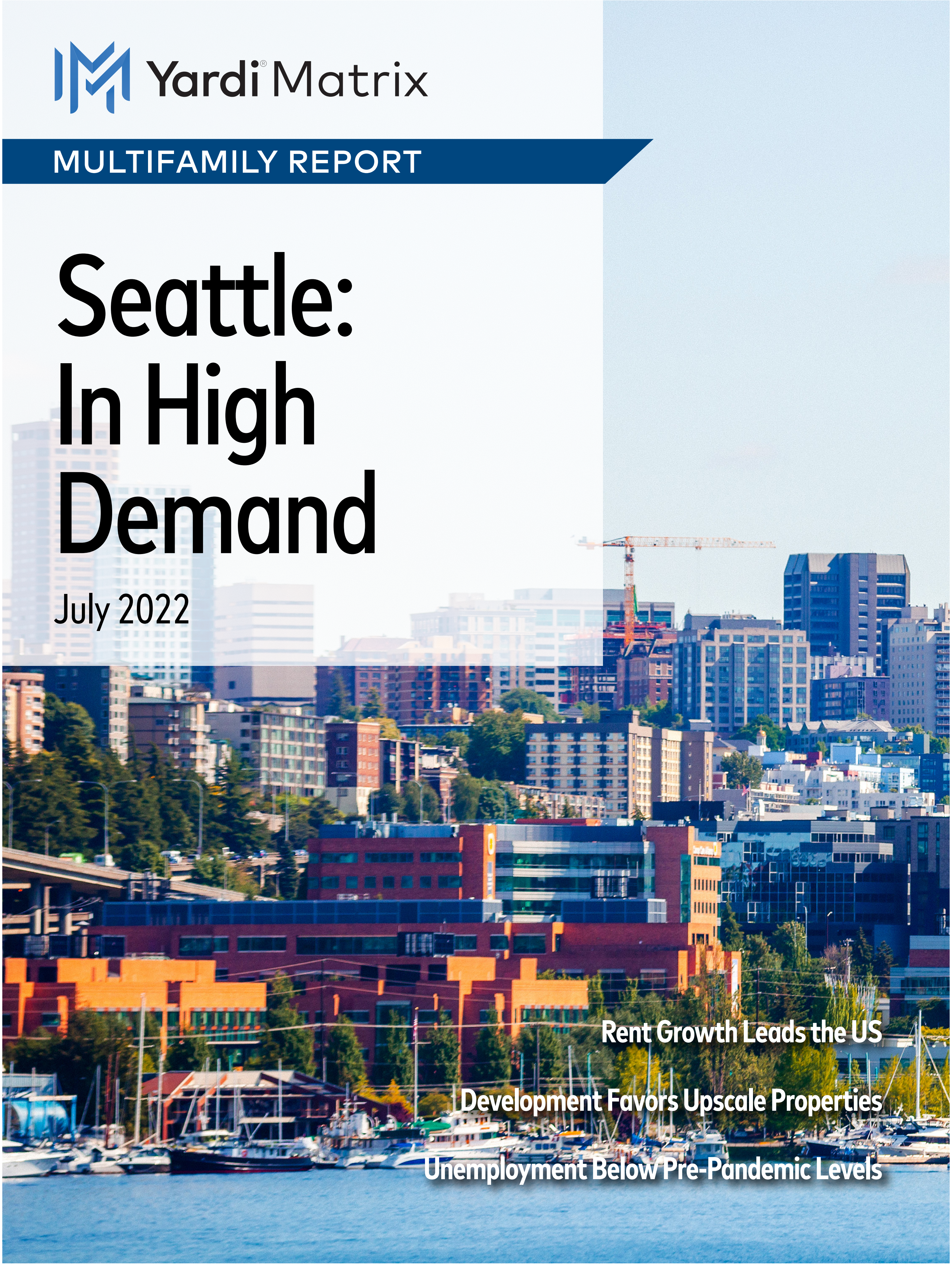
Yardi Matrix

MULTIFAMILY REPORT

Seattle: In High Demand

July 2022



Rent Growth Leads the US

Development Favors Upscale Properties

Unemployment Below Pre-Pandemic Levels

SEATTLE MULTIFAMILY

Yardi Matrix

Fundamentals Maintain Steady Progress

Seattle's rental sector is well in recovery mode, as its fundamentals, talent pool and economy have buoyed the multifamily industry. Hence, growth was visible across metrics, as rents increased 1.4% on a trailing three-month basis through May, to $2,187, above the U.S. average, which rose 1.0% to $1,680. Occupancy in stabilized properties was driven by more activity in the working-class segment, up 120 basis points year-over-year through April, to 96.3%.

As of April, Seattle's unemployment rate stood at 2.6%, marking a record low rate and leading the U.S. by 100 basis points. The employment market expanded 5.5% in the 12 months ending in March, or 98,600 jobs, 100 basis points above the national rate. With leisure and hospitality still on the mend, nearly one-third of all jobs were added in the sector. Professional and business services and trade, transportation and utilities—Seattle's largest sectors—were next in line and are poised for sustained growth, as large companies continue to expand in the metro, more so than before the pandemic, including mainstays like Amazon, Meta and Microsoft.

Developers delivered 4,027 units in 2022 through May and had another 27,000 under construction. Meanwhile, investors traded nearly $1.7 billion in multifamily assets, for a price per unit that rose 10.3% in 2022.

Market Analysis | July 2022

Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Ron Brock, Jr.
Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Doug Ressler
Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

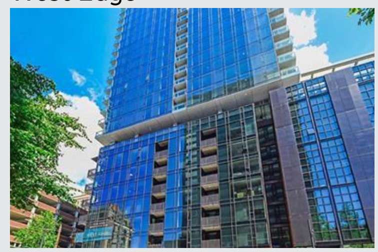
Author

Anca Gagiuc
Senior Associate Editor

On the cover: Photo by peeterv/iStockphoto.com

Recent Seattle Transactions

West Edge

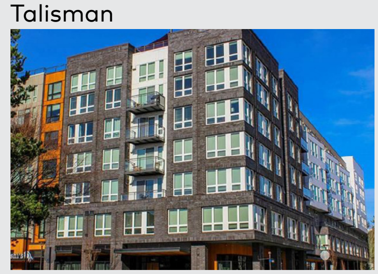


City: Seattle
Buyer: PGIM Real Estate
Purchase Price: $293 MM
Price per Unit: $861,265

Arras

City: Bellevue, Wash.
Buyer: Lakevision Capital
Purchase Price: $175 MM
Price per Unit: $627,131

Talisman



City: Redmond, Wash.
Buyer: Hines Interests
Purchase Price: $172 MM
Price per Unit: $602,535

Central Flats

City: Kent, Wash.
Buyer: Bridge Investment Group
Purchase Price: $124 MM
Price per Unit: $215,068

RENT TRENDS

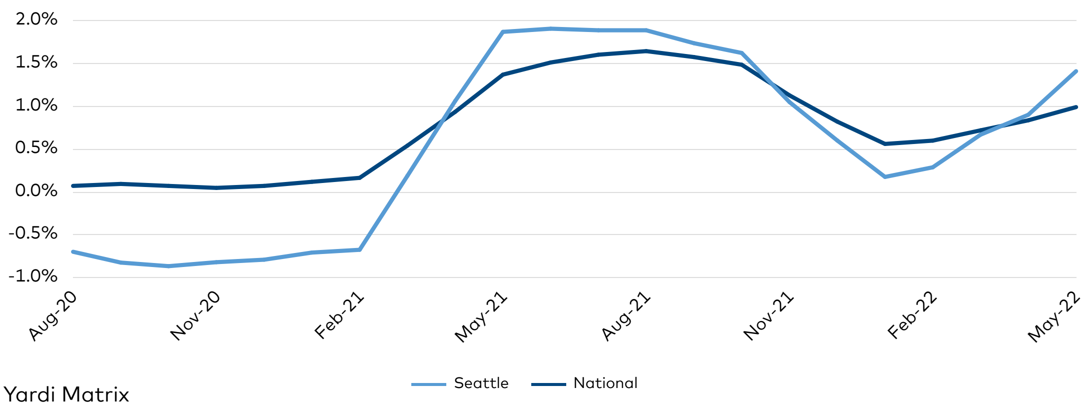
- Seattle's rent development picked up again and rose 1.4% on a trailing three-month (T3) basis through May, 40 basis points above the U.S. rate. This comes after a brief period of seasonal softening. The average asking rent in the metro stood at $2,187 in May, well above the $1,680 national rate. On a year-over-year basis, Seattle rents rose 14.8%, surpassing the 13.9% U.S. average.

- Rent gains were even across asset classes, rising for 1.4% in both segments on a T3 basis through May. The average rate for Lifestyle apartments was $2,470, while rents in the working-class Renter-by-Necessity segment clocked in at $1,837. The average occupancy rate for stabilized properties illustrates a much stronger demand for RBN apartments, where the rate increased 120 basis points year-over-year through April, to 96.3%. Lifestyle occupancy rose just 20 basis points to 95.2%. Overall, occupancy in the metro stood at 95.7%.

- All 44 submarkets tracked by Yardi Matrix posted double-digit rent increases, which led to an average asking rent above the $2,000 mark in 24 submarkets, from just nine a year ago. Bellevue-West (16.1% to $3,015) and Belltown (14.7% to $2,788) became the most expensive areas. The latter also has the largest under-construction pipeline.

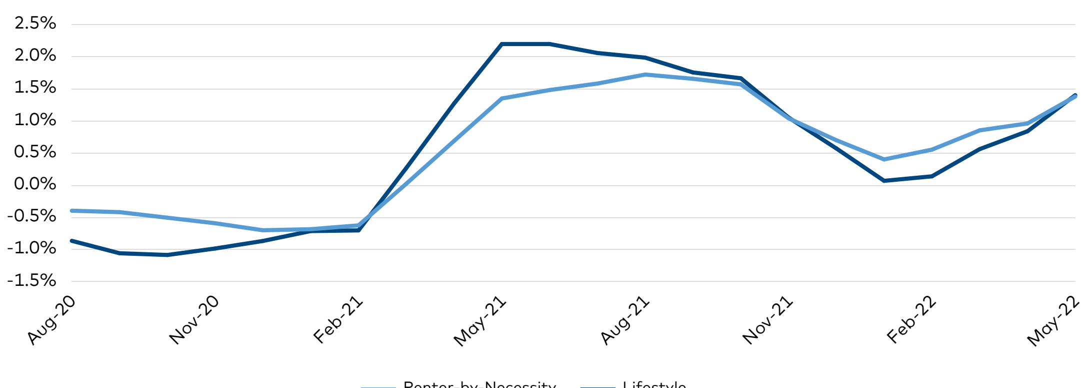
- Seattle's single-family rental sector has slowed, with rents rising just 2.8% year-over-year and occupancy inching up 20 basis points.

Seattle vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Seattle Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- Seattle's unemployment rate stood at 2.6% in April, according to data from the Bureau of Labor Statistics, a 170-basis point improvement since the start of the year. Not only is the rate 100 basis points above the U.S. figure but it also marks a record low, trailing the high-performing Austin by just 10 basis points.

- The job market expanded 5.5% in the 12 months ending in March, adding 98,600 positions, with nearly one-third of job gains in the leisure and hospitality sector (31,700 positions). Professional and business services and trade, transportation and utilities followed with 20,200 and 11,500 jobs, respectively. Both sectors are poised for growth, sustained by ongoing corporate expansions.

- Amazon is one of the large companies growing its presence in the area, specifically in Bellevue, where it has nearly 3.8 million square feet under construction, including Bellevue 600, a 43-story office development slated for occupancy in 2024, and new leases at 555 Tower and West Main. Another firm boosting its presence is Meta, Facebook's parent company, which leased its fifth office building in the Spring District.

- With downtown Seattle "closer to capacity build-out," Bellevue is boasting an increasingly strong tech industry, thanks to a friendlier business landscape than Seattle. But the main attraction for large companies remains the talent pool.

Seattle Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	144	8.3%
60	Professional and Business Services	287	16.5%
40	Trade, Transportation and Utilities	336	19.3%
50	Information	145	8.3%
55	Financial Activities	91	5.2%
15	Mining, Logging and Construction	108	6.2%
65	Education and Health Services	224	12.9%
90	Government	209	12.0%
30	Manufacturing	142	8.2%
80	Other Services	55	3.2%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- For the first time since 2010, Seattle lost 13,177 residents in 2021, a 0.3% contraction, following a solid 1.0% growth rate in 2020. Nationally, the population gain was 0.1%.

- Since 2012, Seattle's population expanded 12.7%, more than double the 5.7% U.S. rate.

Seattle vs. National Population

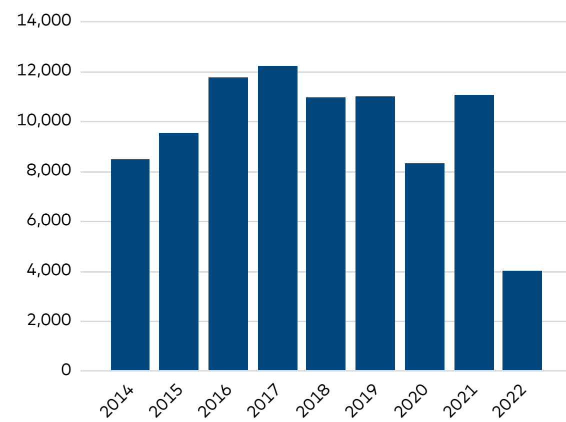
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Boston Metro	1,986,895	2,002,540	2,017,741	2,030,772

Source: U.S. Census

SUPPLY

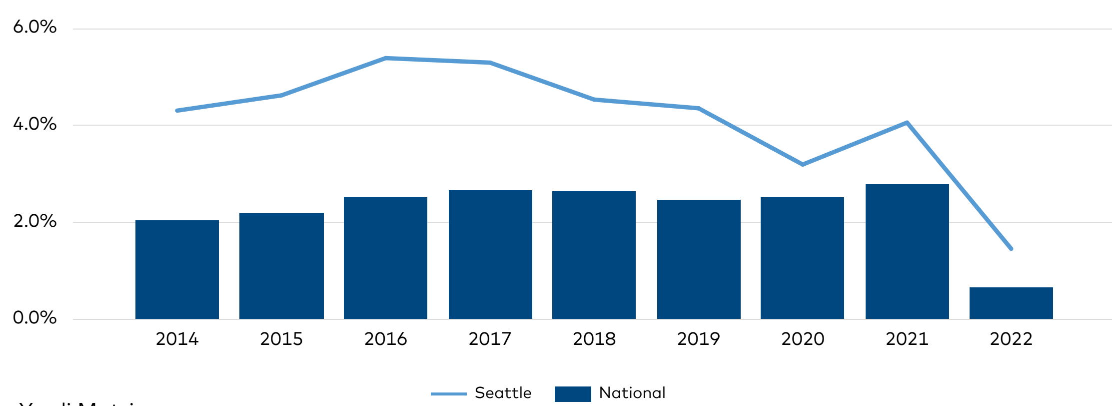
- Developers delivered 4,027 units in Seattle in 2022 through May, 1.5% of total stock and more than double the 0.7% U.S. rate. Slightly over one-third of these were units in fully affordable communities and the rest were Lifestyle projects.
- The development pipeline had 27,001 units underway and more than 106,000 in the planning and permitting stages. Of the units under construction, 3,513 units broke ground this year, below the 3,926 units that started construction during the same period last year. In 2020 through May, just 1,561 units had broken ground. The current pipeline is heavily favoring upscale projects, which account for about 80% of the units underway; another 15% are in fully affordable communities and just 5% are market-rate units. More than 15,500 units are slated for completion by the end of 2022, but delays will likely occur, as the industry deals with labor shortages, increasing construction materials prices and rising interest rates.
- Belltown remained the most active submarket with 4,117 units under construction, followed by Redmond (2,898 units). Two other submarkets had more than 2,000 units underway—University and Lynnwood. Belltown also has some of the largest projects underway: 1200 Stewart St. and Onni South Lake Union, both slated to come online by the end of the year.
- The largest project delivered in 2022 through May was Ethos in Kent. The Lifestyle asset has a 6,000-square-foot retail component and was acquired for $87.7 million by The Shidler Group from Landmark Development Group before construction was finalized.

Seattle Completions (as of May 2022)



Source: Yardi Matrix

Seattle vs. National Completions as a Percentage of Total Stock (as of May 2022)

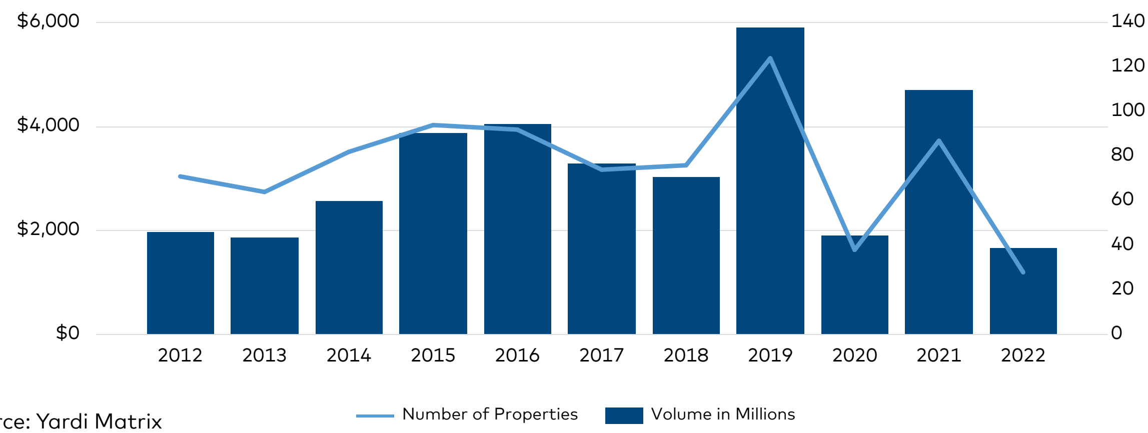


Source: Yardi Matrix

TRANSACTIONS

- Investors traded nearly $1.7 billion in multifamily assets in 2022 through May, which is more than double the $691 million volume recorded during the same interval last year. Last year's transaction volume rose to $4.7 billion, only trailing 2019's $5.9 billion total this decade.
- Sales composition showed greater interest for value-add plays, as RBN assets accounted for two-thirds of the total properties that changed hands in 2022 through May. Per-unit prices rose 10.3% this year, nearly double the $213,724 U.S. average. Bellevue-West remained the most sought-after area, likely due to its intense employment activity.
- The transaction with the highest price in 2022 through May was Urban Vision's sale of West Edge, a 340-unit Lifestyle asset in Belltown. PGIM Real Estate acquired it for $292.8 million, or $861,265 per unit. The property is LEED Gold certified.

Seattle Sales Volume and Number of Properties Sold (as of May 2022)



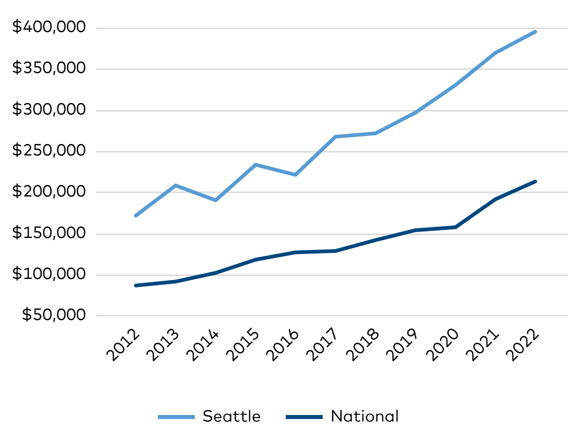
Source: Yardi Matrix

Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Bellevue-West	653
Kent	572
Belltown	468
Silver Lake	417
Redmond	376
Bellevue-East	346
Renton	292

Source: Yardi Matrix
[1] From June 2021 to May 2022

Seattle vs. National Sales Price per Unit



Source: Yardi Matrix

LISTICLE

MULTI-HOUSING NEWS

data by Yardi Matrix

Top Multifamily Markets for Construction Activity

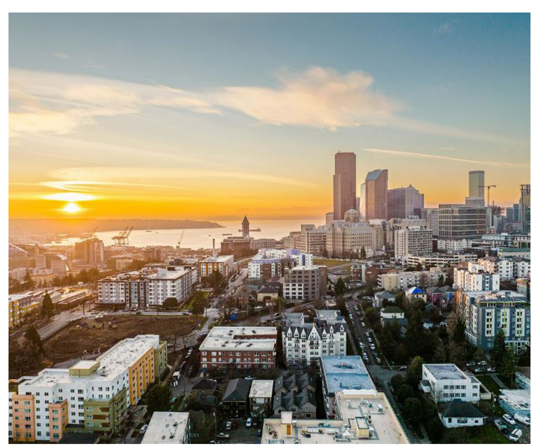
By Lucia Morosanu

The multifamily sector has been among the best-performing industries since the onset of the health crisis. Strong demand pushed development above pre-pandemic levels, with 388,141 units completed across the country in 2021, up almost 13 percent compared to 2019. The list below details the most-active markets across the country for construction activity.

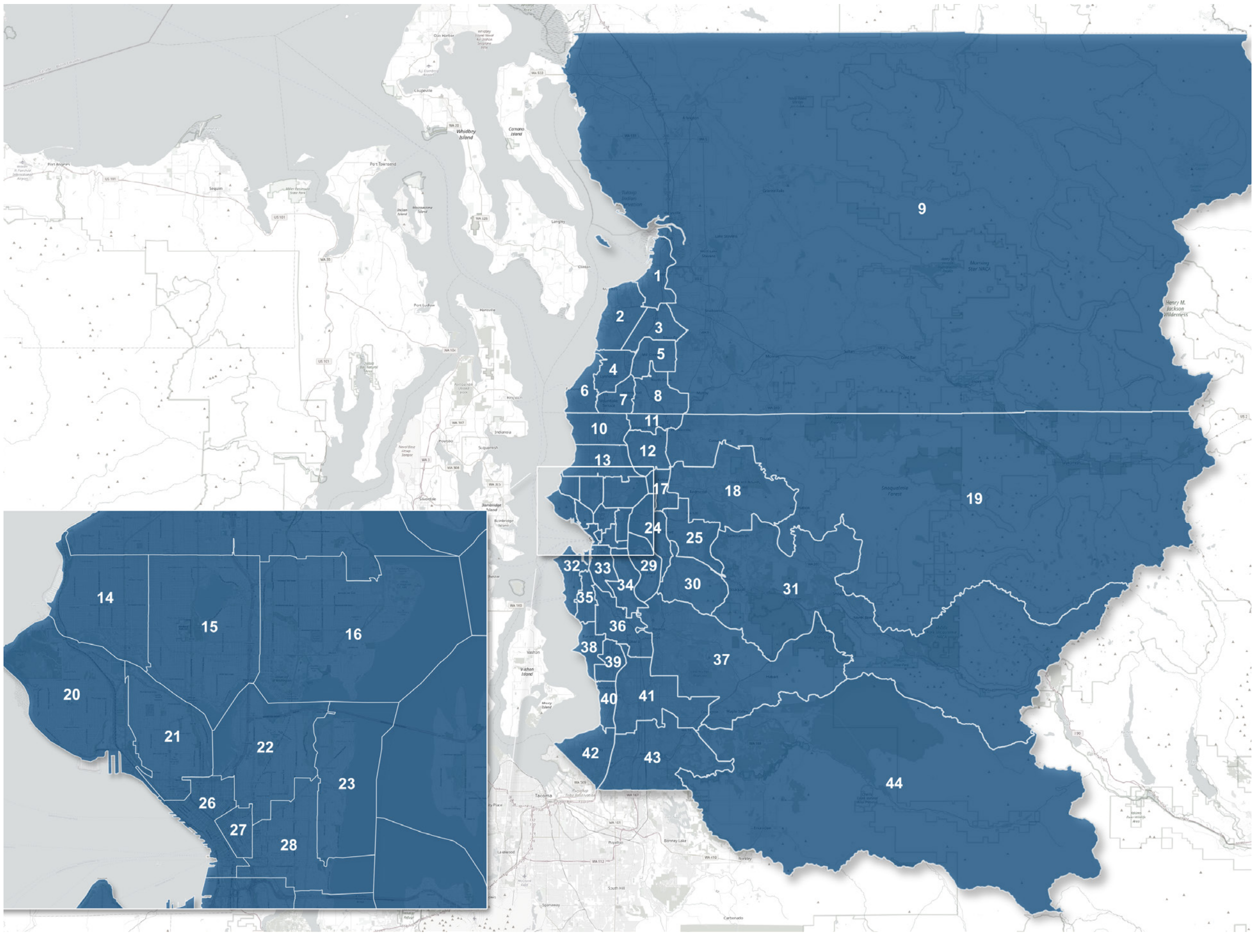
Rank	Metro	Units Under Construction	Forecast Units Delivered 2022	Units Delivered 2021
1	Dallas	44,595	21,105	25,976
2	Austin	41,358	15,536	14,856
3	Phoenix	37,929	18,585	10,108
4	Washington, D.C.	36,570	12,214	13,703
5	Miami Metro	34,880	19,739	18,068
6	New York	32,281	11,775	3,351
7	Los Angeles	29,552	13,811	12,259
8	Atlanta	26,683	13,158	14,687
9	Seattle	25,688	12,304	10,814
10	Denver	25,297	11,782	9,512

Seattle

The metro had 25,688 units underway, with 12,304 units forecast by Yardi Matrix to be completed by the end of the year. Multifamily development bounced back in 2021, with 10,814 units coming online across the metro, up from the 8,346 units completed in 2020. While the previous year showed progress, there is still more progress needed to reach pre-pandemic numbers, when developers added 11,011 units to the inventory.



SEATTLE SUBMARKETS



Area No.	Submarket
1	Central Everett
2	Paine Field
3	Silver Lake
4	Lynnwood
5	Mill Creek
6	Edmonds
7	Mountlake Terrace
8	Thrashers Corner
9	Marysville/Monroe
10	Shoreline
11	Bothell
12	Juanita
13	North Seattle
14	Ballard
15	Greenlake/Wallingford

Area No.	Submarket
16	University
17	Kirkland
18	Redmond
19	Woodinville/Totem Lake
20	Magnolia
21	Queen Anne
22	Capitol Hill/Eastlake
23	Madison/Leschi
24	Bellevue–West
25	Bellevue–East
26	Belltown
27	First Hill
28	Central
29	Mercer Island
30	Factoria

Area No.	Submarket
31	Issaquah
32	West Seattle
33	Beacon Hill
34	Rainier Valley
35	White Center
36	Riverton/Tukwila
37	Renton
38	Burien
39	Seatac
40	Des Moines
41	Kent
42	Federal Way
43	Auburn
44	Enumclaw

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students,* who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households,* composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households,* which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

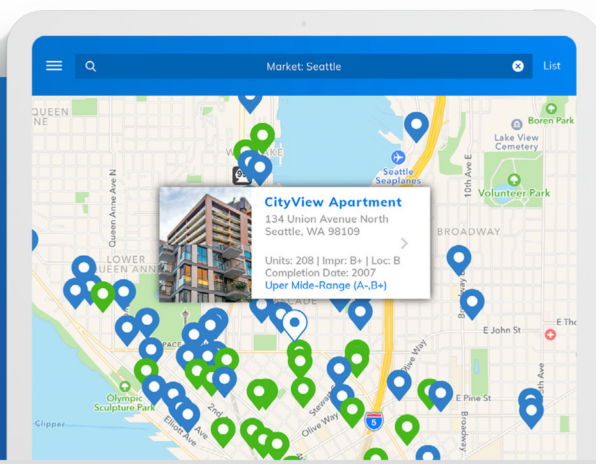
To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

Yardi Matrix

Power your business with the industry's leading data provider

MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily provides accurate data on **19.7+ million units**, covering over **92% of the U.S. population.**

YARDI

(800) 866-1144

Learn more at yardimatrix.com/**multifamily**

Contact us

DISCLAIMER

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yardi Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. Yardi Matrix is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

COPYRIGHT NOTICE