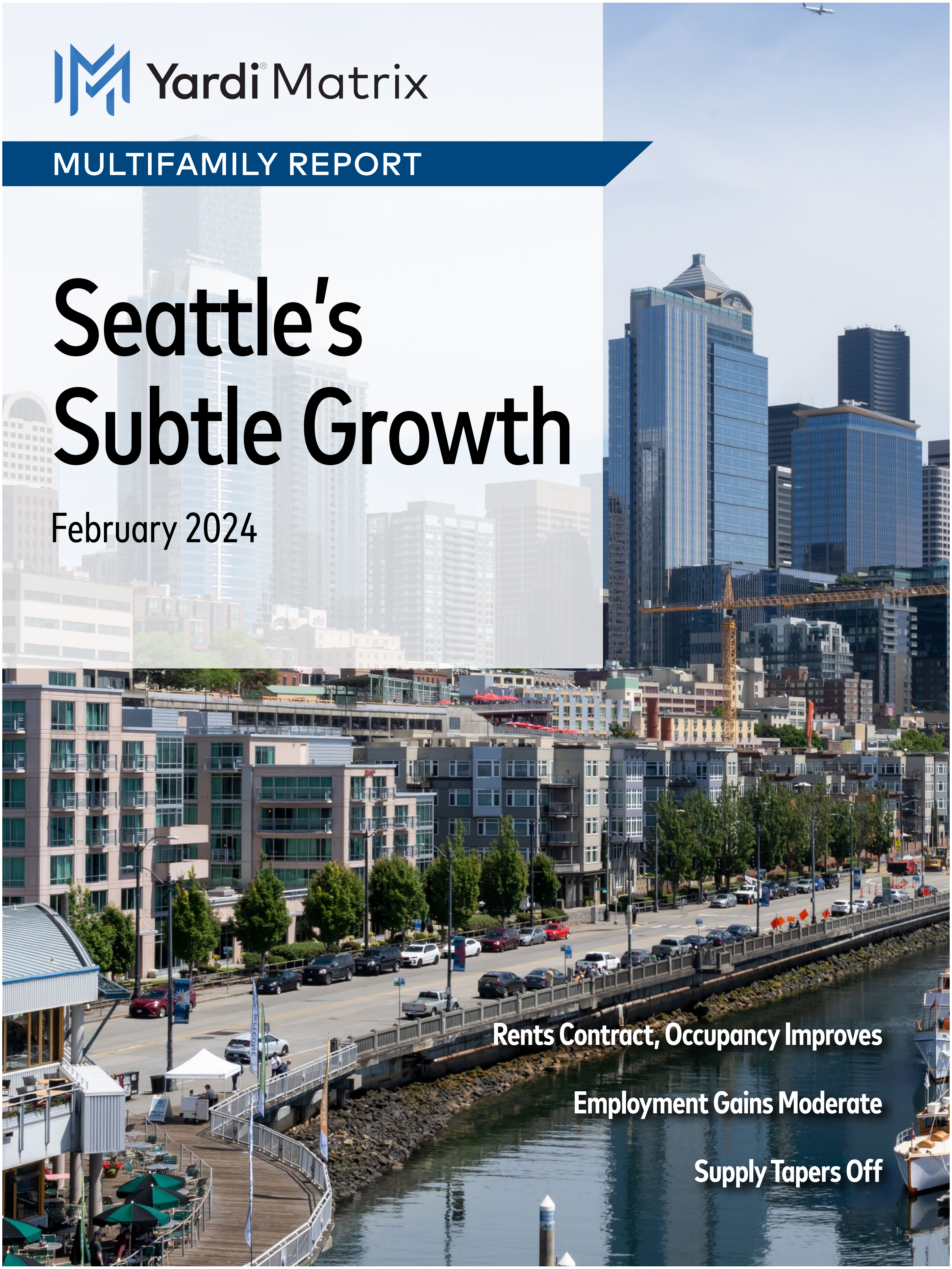
Yardi Matrix

MULTIFAMILY REPORT

Seattle's Subtle Growth

February 2024



Rents Contract, Occupancy Improves

Employment Gains Moderate

Supply Tapers Off

SEATTLE MULTIFAMILY

Yardi Matrix

Fundamentals Slow But Healthy

Seattle's multifamily fundamentals were still relatively healthy at the end of 2023, following a challenging year. Rents declined 0.4% on a trailing three-month basis through December, lagging the U.S. rate by 10 basis points. Demand remained steady, as reflected by the occupancy rate in stabilized properties, which rose 0.2% in the 12 months ending in November, to 95.3%.

In the 12 months ending in October, Seattle employment expanded 2.8%, or 42,500 jobs, outperforming the 2.3% U.S. figure. Meanwhile, the unemployment rate rose to 4.0% in November, according to preliminary data from the Bureau of Labor Statistics, reaching the highest level in more than two years. The rate was on par with the state yet behind the 3.7% U.S. figure. Education and health services and leisure and hospitality led gains, adding 23,200 jobs combined. However, two sectors contracted—information lost 5,400 jobs and construction shed 1,500 positions. Amid a challenging period for tech at large, Seattle's professional and business services sector gained 2,700 jobs.

Developers delivered 7,463 units in 2023, which was the lowest volume since 2013 (6,589 units). The construction pipeline comprised 30,904 units underway in the third quarter, but posted a decline in the number of new construction starts. Meanwhile, investors remained cautious, trading less than $1 billion in 2023, marking the lowest annual volume of the past decade.

Market Analysis | February 2024

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

Recent Seattle Transactions

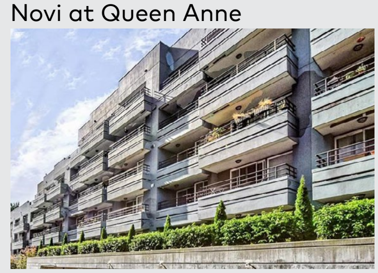
Uptown at Kirkland Urban

City: Kirkland, Wash.
Buyer: Weidner Investment Services
Purchase Price: $90 MM
Price per Unit: $483,784

ReNew Water's Edge

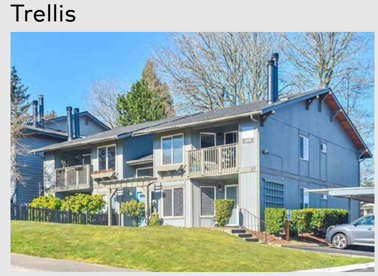
City: Kent, Wash.
Buyer: FPA Multifamily
Purchase Price: $80 MM
Price per Unit: $262,408

Novi at Queen Anne



City: Seattle
Buyer: ColRich Multifamily
Purchase Price: $60 MM
Price per Unit: $360,855

Trellis



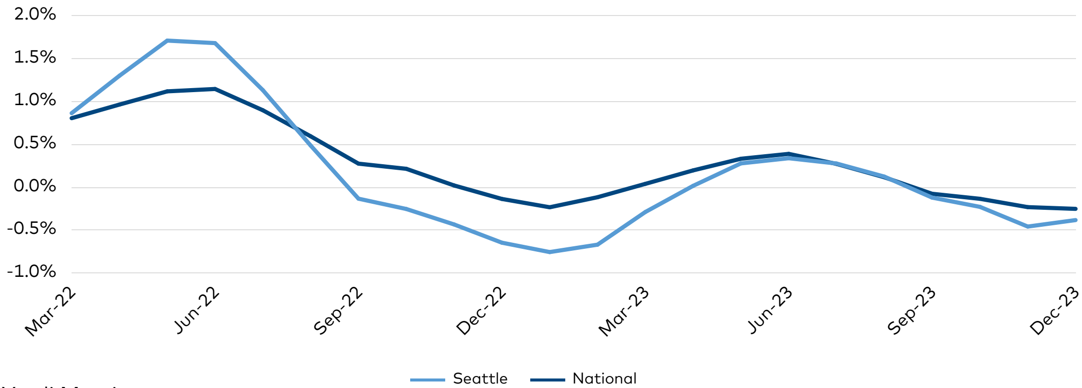
City: Federal Way, Wash.
Buyer: Prime Residential
Purchase Price: $32 MM
Price per Unit: $290,405

On the cover: Photo by JHVEPhoto/iStockphoto.com

RENT TRENDS

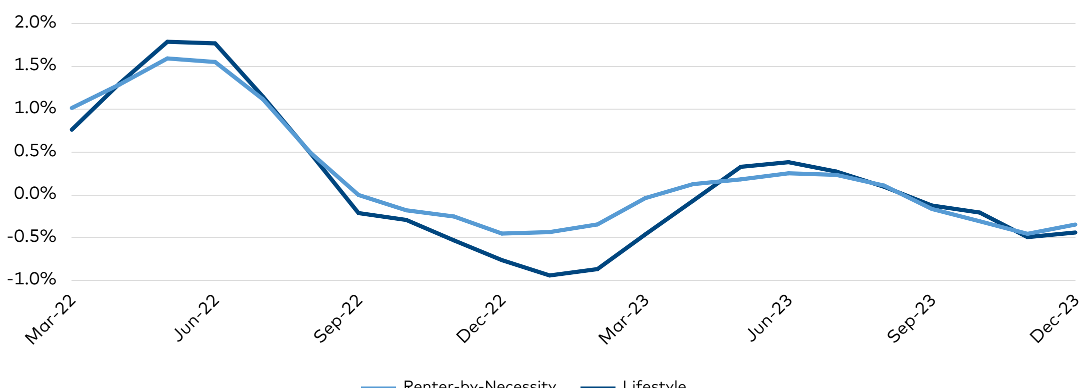
- Seattle rents decreased 0.4% on a trailing three-month (T3) basis through December, to $2,153, marking the fourth consecutive month of declines. Meanwhile, the U.S. rate slid 0.3%, to $1,709. Seattle T3 rent growth was flat or positive for five months last year, between April and August, for an average of 0.2%. Year-over-year, the average asking rent in Seattle contracted 1.4% in 2023, while the national rate was positive, though just barely, up 0.3%.
- Rents contracted across quality segments, down 0.4% on a T3 basis in the Lifestyle segment, to $2,417, and by 0.3% in the working-class Renter-by-Necessity segment, to $1,821.
- While rent movement was negative for more than half of 2023, the occupancy rate in stabilized properties remained positive, up 20 basis points in the 12 months ending in November, to 95.3%. By segment, RBN occupancy remained virtually flat, at 95.5%, while Lifestyle occupancy rose 40 basis points, to 95.1%.
- Rents declined in the three most expensive submarkets last year: Bellevue—West (-2.1% to $2,902), Belltown (-3.4% to $2,667) and Issaquah (-3.2% to $2,593). As of December, Belltown also had the largest construction pipeline.
- The single-family rental segment mirrored multifamily performance, with Seattle SFR rents down 2.4%, to $3,073, for the year, and occupancy up 0.4% in the 12 months ending in November, to 93.3%.

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 employment expansion moderated to 2.8% in the 12 months ending in October, still outperforming the U.S. by 50 basis points. During this period, the metro gained 42,500 net jobs, while losing 6,900 positions combined across two sectors: information and construction. Education and health services led job gains by a long margin, adding 15,000 jobs during the period, followed by leisure and hospitality (8,200 jobs).
- Seattle's unemployment rate rose to 4.0% in November 2023, marking the highest level since September 2021, according to preliminary BLS data. The metro's jobless rate was on par with the state and 30 basis points behind the national average.
- Seattle's largest sector, professional and business services, accounted for 19.1% of the total workforce and added 2,700 jobs. The metro's reliance on technology went from being a strength to a drawback as the sector cools. Layoffs at Amazon, T-Mobile and Microsoft, as well as remote work, affected other sectors, too.
- With office vacancy at 22.5% in December, up 410 basis points annually, the sector is facing an uphill battle. What's more, Seattle also has one of the largest office pipelines in the U.S., with almost 5.9 million square feet underway at the end of 2023. On the plus side, however, TikTok announced expansion plans in Bellevue, totaling more than 242,000 square feet.

Seattle Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	246	12.6%
70	Leisure and Hospitality	178	9.1%
90	Government	250	12.8%
30	Manufacturing	167	8.6%
40	Trade, Transportation and Utilities	320	16.4%
80	Other Services	61	3.1%
60	Professional and Business Services	372	19.1%
55	Financial Activities	95	4.9%
15	Mining, Logging and Construction	123	6.3%
50	Information	136	7.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Between the 2010 Census and 2021, Seattle expanded 16.3%, more than double the 7.3% U.S. rate. The metro's population grew every year during the period, except for 2021. That year, it decreased 0.3%, losing 13,177 residents.

Seattle vs. National Population

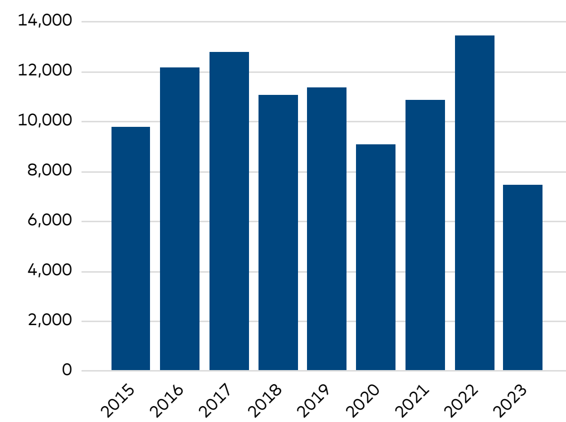
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Seattle	3,937,546	3,977,785	4,024,730	4,011,553

Source: U.S. Census

SUPPLY

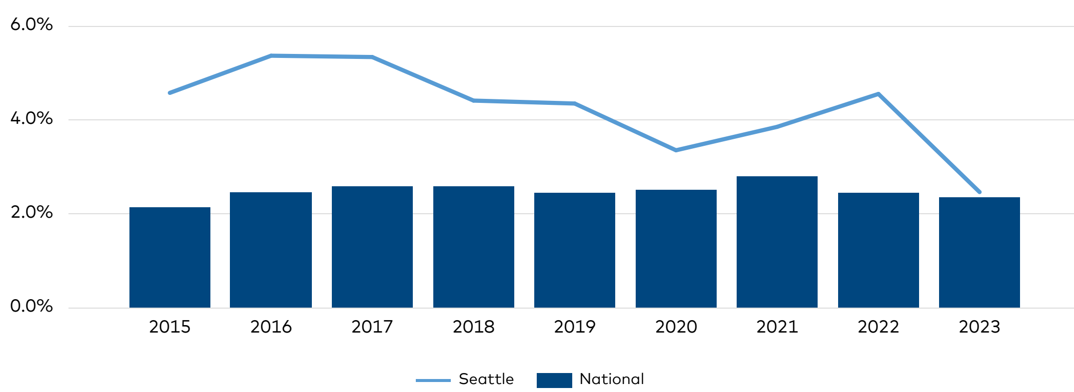
- Seattle added 7,463 multifamily units in 2023, the lowest volume since 2013. Still, that was 2.5% of total stock, 10 basis points higher than the U.S. rate. Lifestyle units accounted for most of the apartments that came online in 2023 (60%), with about 28% in fully affordable communities.
- Developers had 30,904 units under construction as of December, and another 100,000 in the planning and permitting stages. The construction pipeline consisted of 75% Lifestyle units, with RBN and affordable accounting for only a quarter of the total.
- The number of projects breaking ground decreased in 2023 to 8,435 units across 44 properties, from 13,845 units in 66 projects in 2022. The decline should help stabilize rent growth but will likely leave a dent in the construction sector, already down by 1,500 jobs in the 12 months ending in October.
- Construction activity was spread across the map, with 35 of the 53 submarkets tracked by Yardi Matrix having at least 50 units underway. Belltown led with 4,075 units under construction, followed by Redmond (2,669 units), Shoreline (2,284 units) and Central (2,069 units). Six other submarkets had more than 1,000 units underway each.
- Belltown houses some of the largest projects under construction in 2024, including WB1200, which sports an impressive 1,050 units. The partially affordable property is slated for delivery this year. WB1200 is owned by Westbank Projects Corp. and also includes 152,172 square feet of retail space and more than 700 parking spots.

Seattle Completions (as of December 2023)



Source: Yardi Matrix

Seattle vs. National Completions as a Percentage of Total Stock (as of December 2023)

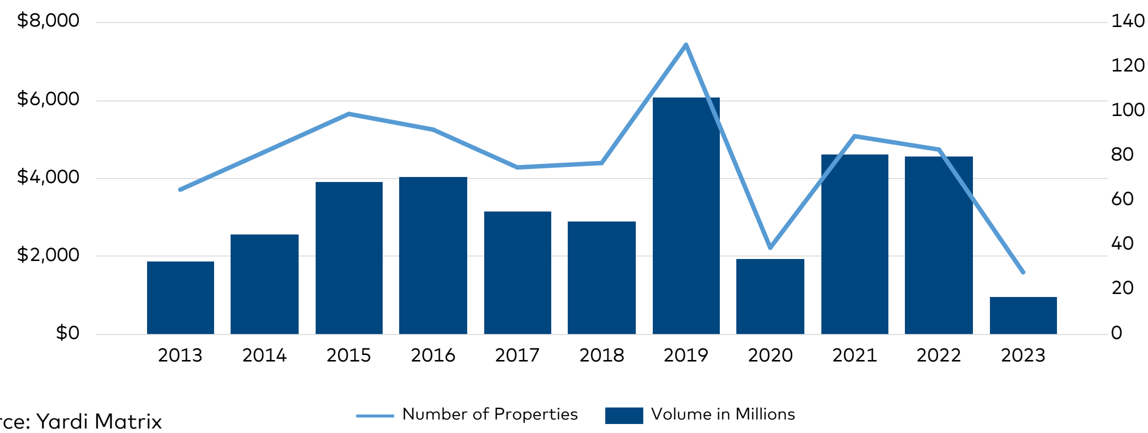


Source: Yardi Matrix

TRANSACTIONS

- Investors traded just $965 million in multifamily assets in 2023, the lowest annual volume of the past decade. By contrast, in 2022, multifamily sales amounted to almost $4.6 billion, the second highest volume registered during the interval.
- Investor preference was heavier on the RBN side, with 17 of the 28 sales recorded in 2023 involving value-add properties. This contributed to a 17.5% decline in the year-over-year price per unit, to $317,179. Meanwhile, the national average per-unit price closed 2023 at $185,172, following an 11.3% drop.
- The largest transaction recorded in the final quarter of 2023 was Weidner Investment Services' acquisition of the 185-unit Uptown at Kirkland Urban from Talon Private Capital. The property sold for $89.5 million, or $483,784 per unit. The asset includes 19 affordable units and 3,000 square feet of retail space.

Seattle Sales Volume and Number of Properties Sold (as of December 2023)



Source: Yardi Matrix

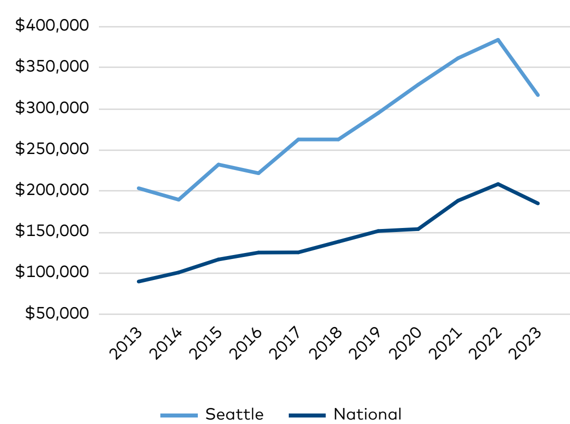
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Redmond	225
Kirkland	153
Bellevue–East	103
Kent	80
Silver Lake	62
Queen Anne	60
West Seattle	49

Source: Yardi Matrix

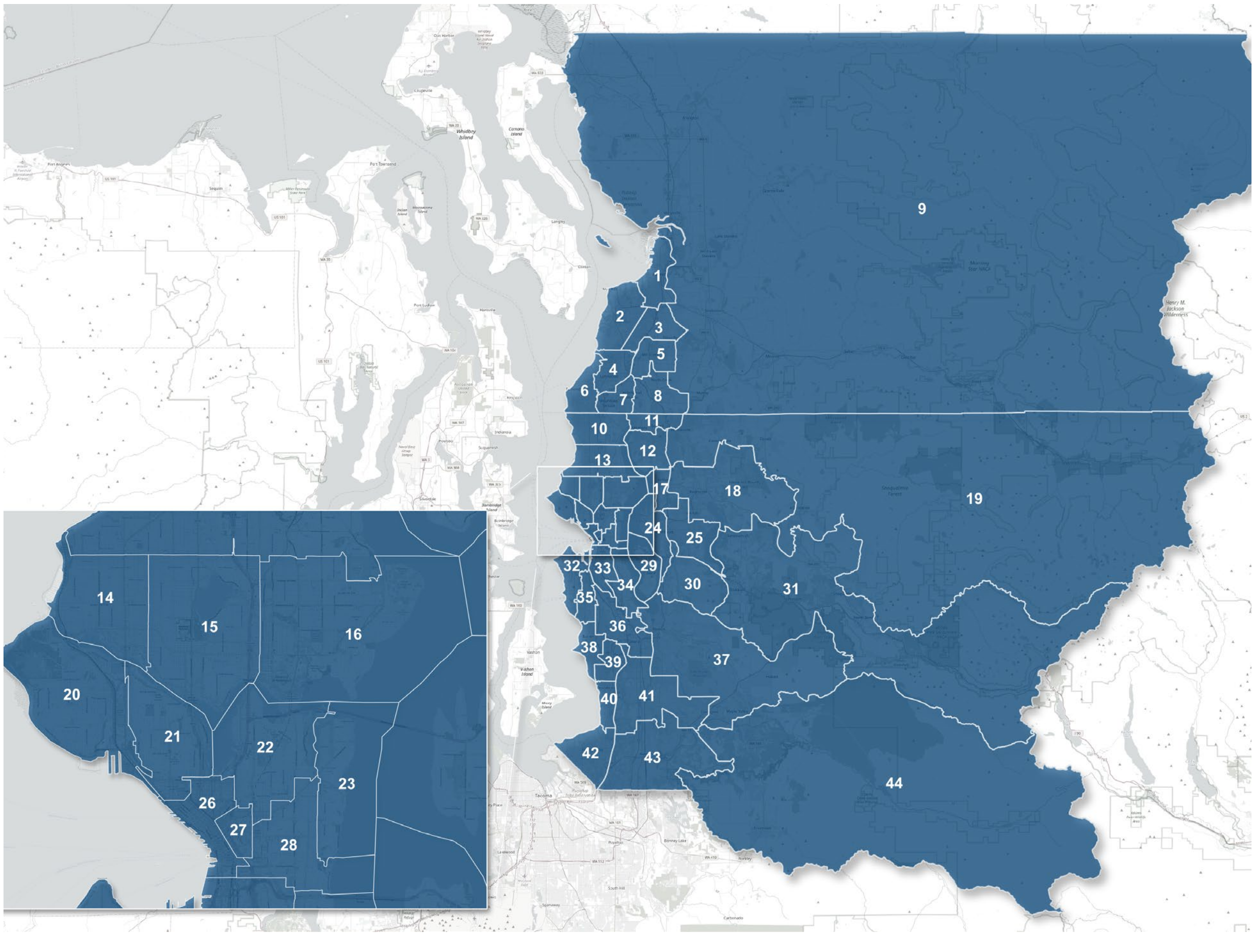
[1] From January 2023 to December 2023

Seattle vs. National Sales Price per Unit



Source: Yardi Matrix

SEATTLE SUBMARKETS



Area No.	Submarket	Area No.	Submarket	Area No.	Submarket
1	Central Everett	16	University	31	Issaquah
2	Paine Field	17	Kirkland	32	West Seattle
3	Silver Lake	18	Redmond	33	Beacon Hill
4	Lynnwood	19	Woodinville/Totem Lake	34	Rainier Valley
5	Mill Creek	20	Magnolia	35	White Center
6	Edmonds	21	Queen Anne	36	Riverton/Tukwila
7	Mountlake Terrace	22	Capitol Hill/Eastlake	37	Renton
8	Thrashers Corner	23	Madison/Leschi	38	Burien
9	Marysville/Monroe	24	Bellevue–West	39	Seatac
10	Shoreline	25	Bellevue–East	40	Des Moines
11	Bothell	26	Belltown	41	Kent
12	Juanita	27	First Hill	42	Federal Way
13	North Seattle	28	Central	43	Auburn
14	Ballard	29	Mercer Island	44	Enumclaw
15	Greenlake/Wallingford	30	Factoria		

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

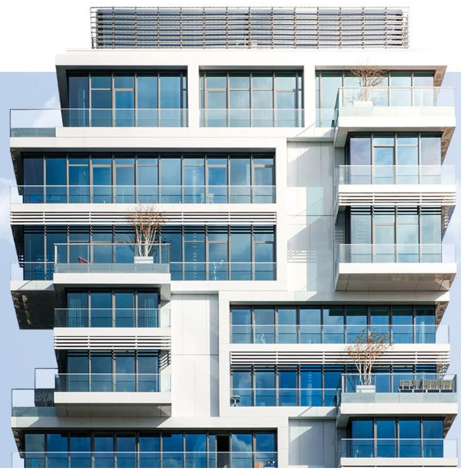
The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

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.

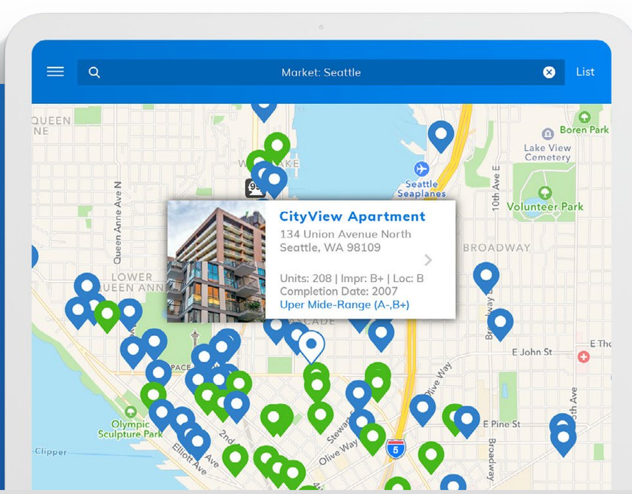
Yardi Matrix

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.