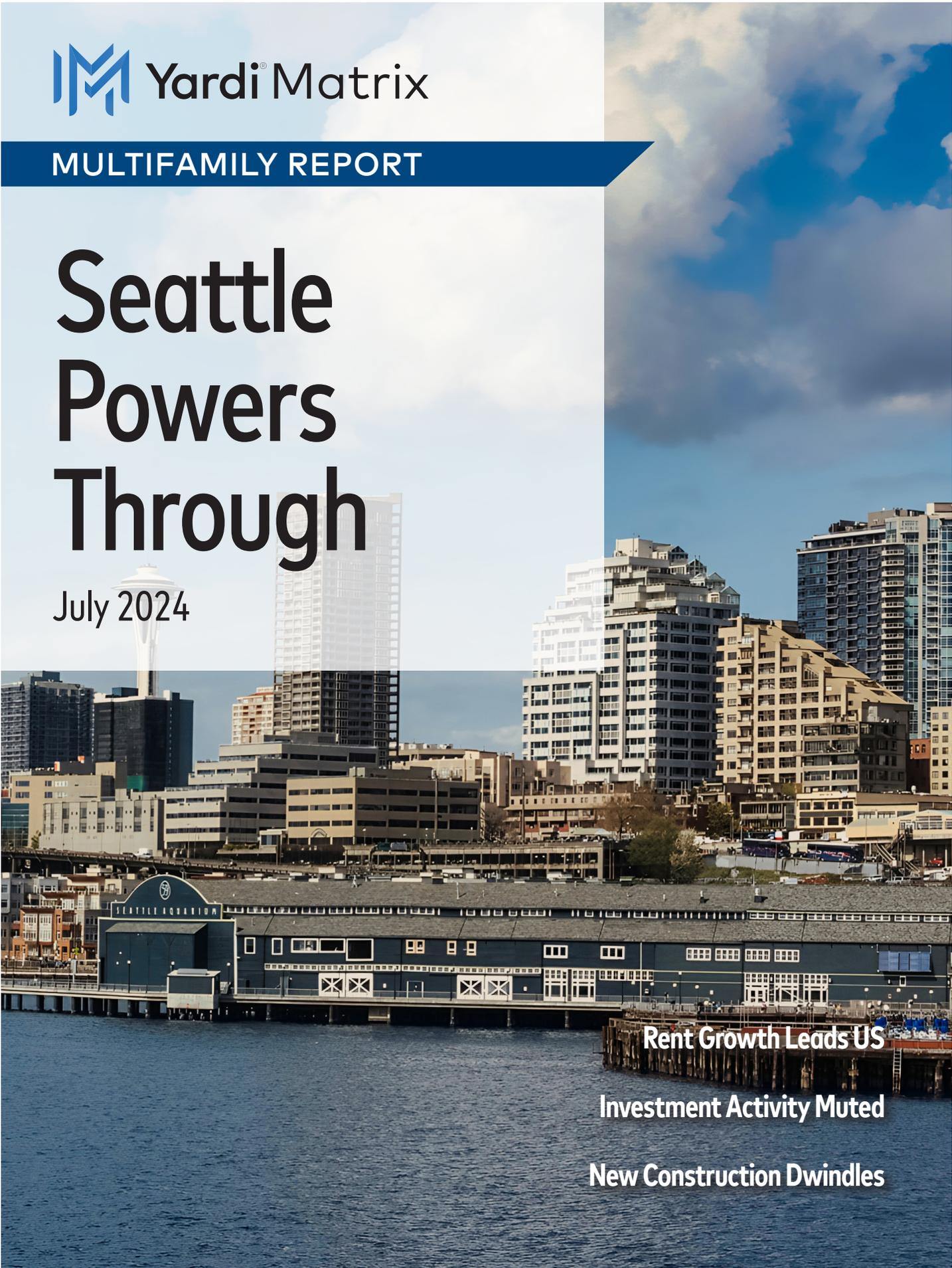




MULTIFAMILY REPORT

Seattle Powers Through

July 2024



Rent Growth Leads US

Investment Activity Muted

New Construction Dwindles

SEATTLE MULTIFAMILY



Demand Powers Rent Growth, Occupancy

Seattle's multifamily fundamentals stood on solid footing in the middle of 2024's second quarter, with strong demand that sustained rent growth. The average advertised asking rent improved for three consecutive months this year, up 0.6% on a trailing three-month basis through May, to \$2,205, while year-over-year growth was 1.1%, outpacing the 0.6% national rate. Last year's limited delivery volume kept occupancy in check, with the metro posting just a 20-basis-point downtick year-over-year, to 95.0%, as of April.

Seattle made it into the top 10 on Oxford Economics' Global Cities Index 2024 ranking, thanks to its economic strength. Mirroring the national trend, the metro's employment market softened, up 0.9% in the 12 months ending in March, trailing the U.S. rate by 50 basis points. Of the 21,000 positions gained during the period, about half were added in the government sector (13,200 jobs). Meanwhile, four sectors contracted for a combined 14,900 jobs, with information (7,300 jobs) recording the largest loss.

In 2024 through May, developers delivered 4,282 units and had a pipeline with 24,910 units under construction. New construction nearly came to a halt, with just 203 units breaking ground during the first five months of the year. Meanwhile, investment volume remained tepid, with \$244 million in multifamily transactions recorded through May. The average price per unit declined 16.7% year-over-year, to \$265,933, in May.

Market Analysis | July 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

ReNew on James



City: Kent, Wash.
Buyer: FPA Multifamily
Purchase Price: \$60 MM
Price per Unit: \$201,417

Koi



City: Ballard, Wash.
Buyer: Timberland Partners
Purchase Price: \$55 MM
Price per Unit: \$333,837

2000 Lake Washington



City: Renton, Wash.
Buyer: Waterton
Purchase Price: \$53 MM
Price per Unit: \$285,622

Verse Seattle

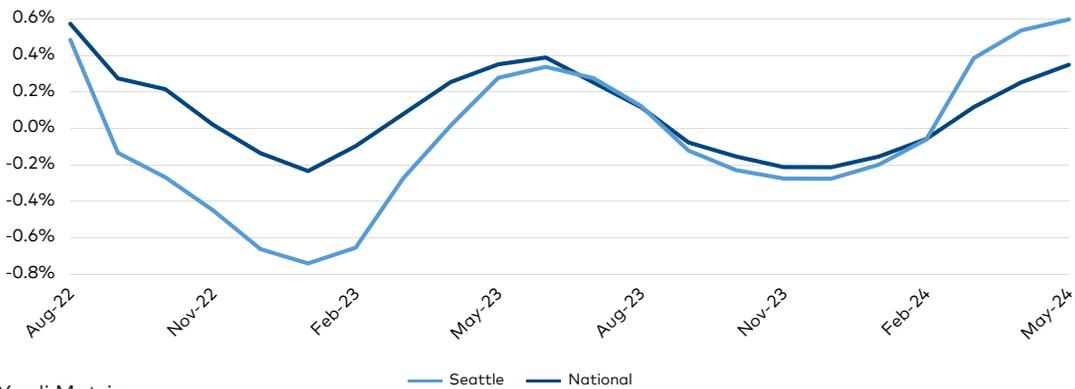


City: Seattle
Buyer: Seattle Housing Authority
Purchase Price: \$27 MM
Price per Unit: \$280,065

RENT TRENDS

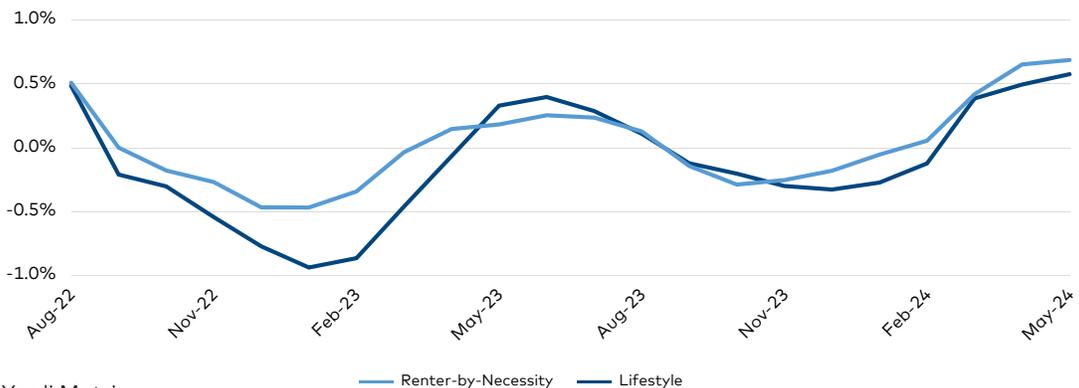
- ▶ Seattle's advertised asking rent rose 0.6% on a trailing three-month (T3) basis through May, to \$2,205. This was double the U.S. rate, which clocked in at \$1,733. Performance was similar on a year-over-year basis, with the metro's advertised asking rent up 1.1%, nearly double the 0.6% U.S. rate.
- ▶ The working-class Renter-by-Necessity segment edged out the upscale segment, with advertised asking rents up 0.7%, to \$1,873. Lifestyle was close behind, up 0.6%, to \$2,465.
- ▶ The average occupancy rate in stabilized properties saw a 20-basis-point downtick year-over-year as of April, to 95.0%. Although the decline was higher in the RBN segment (down 50 basis points) than in Lifestyle (down 20 basis points), occupancy stood at 95.0% in both segments.
- ▶ On a year-over-year basis, the average advertised asking rent contracted in just five submarkets, including Shoreline (-1.1% to \$1,922) and Capitol Hill/Eastlake (-0.8% to \$2,145). Rents increased in Seattle's top three most expensive submarkets: Bellevue – West (1.6% to \$2,982), Issaquah (0.8% to \$2,737) and Belltown (0.3% to \$2,704). Lynwood (6.7% to \$2,152) and University (4.6% to \$2,102) posted some of the best performances in the metro.
- ▶ Seattle's single-family rental segment outperformed multifamily, with advertised asking rents through May rising 1.5% year-over-year, to \$3,217, and occupancy up 20 basis points year-over-year through April, to 95.3%.

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 unemployment stood at 4.1% in April, according to preliminary data from the Bureau of Labor Statistics. This marked a 60-basis-point improvement from the start of the year, trailing the 3.9% U.S. average and leading the 4.8% Washington rate.
- ▶ Mirroring the national trend, the metro's employment growth remained weak, up just 90 basis points in the 12 months ending in March, lagging the 1.4% national rate but up 20 basis points from February. This represented 21,000 new jobs, led by government (13,200), education and health services (8,600) and manufacturing (7,500). During this time, four sectors lost a combined 14,900 positions, with the largest contractions in information (7,300 jobs) and mining, logging and construction (5,300).
- ▶ Further growth is expected in the education and health services sector. Providence Swedish announced it will begin work on a \$1.3 billion project, which will include a 12-story tower, slated for completion in 2027. Kaiser Permanente's \$500 million Everett Medical Center will be delivered in 2025. Manufacturing is also booming, sustained by companies such as Boeing, battery producer Group 14 Technologies and Stoke Space, an aerospace company working on 100% reusable rockets.

Seattle Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
90	Government	253	13.3%
65	Education and Health Services	241	12.6%
30	Manufacturing	168	8.8%
70	Leisure and Hospitality	178	9.3%
40	Trade, Transportation and Utilities	312	16.4%
80	Other Services	60	3.1%
55	Financial Activities	91	4.8%
60	Professional and Business Services	355	18.6%
15	Mining, Logging and Construction	114	6.0%
50	Information	134	7.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Seattle gained 30,576 residents in 2022, up 0.8% and double the U.S. rate. The pace of growth slowed, as in the previous year, the metro's population posted a 1.1% improvement.
- ▶ Between 2019 and 2022, the metro posted a 3.4% expansion, ahead of the 2.0% U.S. average.

Seattle vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Seattle	3,871,323	3,928,498	3,971,125	4,001,701

Source: U.S. Census

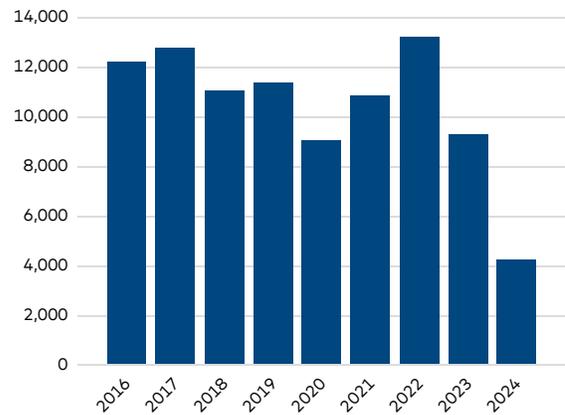
SUPPLY

- ▶ Developers delivered 4,282 units in the first five months of 2024, 1.4% of existing stock and well above the 0.9% national rate. New stock consisted of 13.8% fully affordable communities, 10.4% RBN units and 75.8% Lifestyle apartments. Last year, the metro's inventory expanded by 9,314 units, the second lowest annual figure of the last decade.
- ▶ As of May, the construction pipeline had 24,910 units underway and another 98,000 in the planning and permitting stages. Notably, the fully affordable component doubled, accounting for 20.8% of the pipeline, but the share of RBN units was just 4.2%. Yardi Matrix forecasts that Seattle's multifamily stock will grow by 10,963 units in 2024.
- ▶ The metro has recorded strong demand so far in 2024, with absorption totaling some 2,100 units during the first quarter. However, construction starts were down significantly to just a few hundred units through May, a tiny fraction of the 5,108 units that broke ground during the same interval in 2023.
- ▶ Developers were active in 33 of the 53 submarkets tracked by Yardi Matrix, with at least 50 units under construction in each of

them. Ten submarkets had more than 1,000 units under construction, led by Shoreline (2,443 units), Redmond (2,226 units) and Belltown (2,062 units).

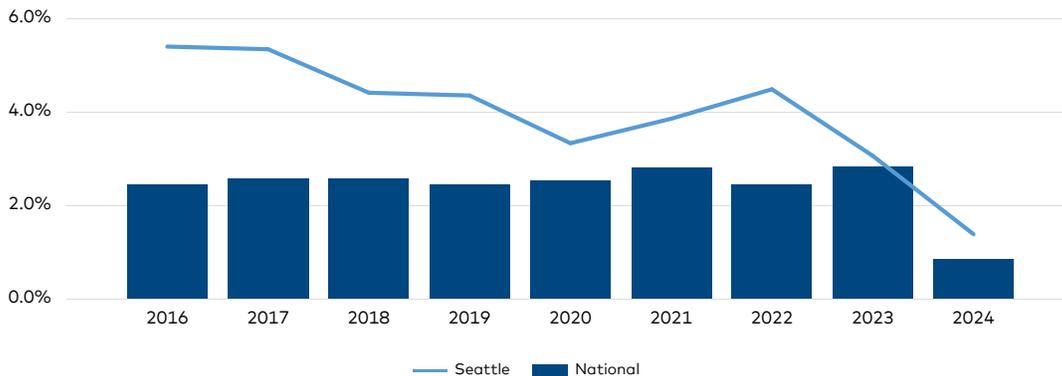
- ▶ Belltown also houses the largest project delivered in 2024 through May, the 454-unit The Ayer. Holland Partner Group's project includes 1,024 square feet of retail space and 91 affordable units.

Seattle Completions (as of May 2024)



Source: Yardi Matrix

Seattle vs. National Completions as a Percentage of Total Stock (as of May 2024)



Source: Yardi Matrix

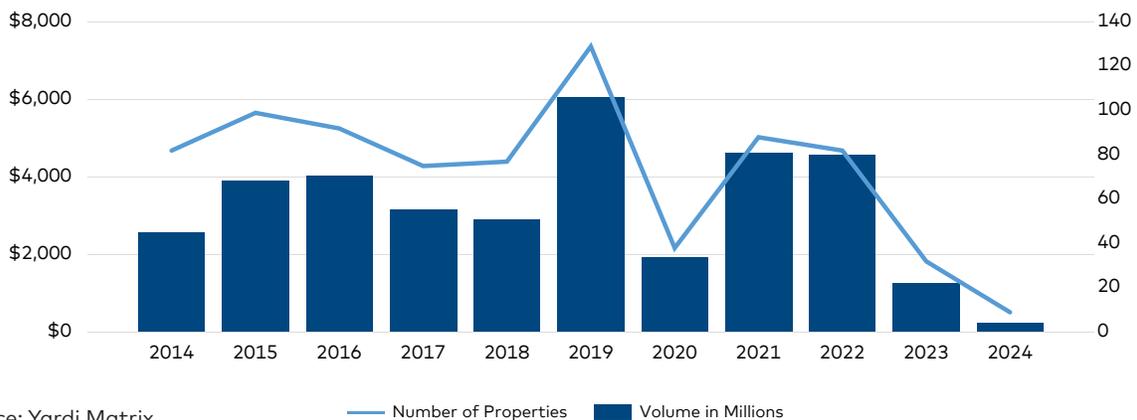
TRANSACTIONS

- ▶ Seattle's multifamily investment volume was \$244 million in 2024 through May. This figure comes at the heels of 2023's \$1.2 billion total, the lowest annual volume registered over the last decade.
- ▶ Of the nine properties that changed hands, seven were value-add opportunities. The sales composition contributed to a 16.7% year-to-date drop in the average price per unit, to \$265,933 in May. It's the first year since 2019 that Se-

attle's average per-unit price dropped below the \$300,000 mark. Meanwhile, the U.S. average price per unit decreased to \$176,968.

- ▶ The largest sales price recorded in 2024 through May was for ReNew on James, a 300-unit property in Kent. FPA Multifamily acquired it from Kennedy Wilson for \$60 million, or \$201,417 per unit, with aid from a \$35 million loan issued by Berkadia Commercial Mortgage.

Seattle Sales Volume and Number of Properties Sold (as of May 2024)



Source: Yardi Matrix

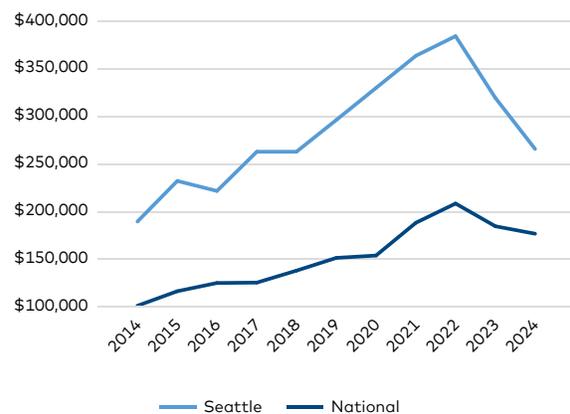
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Redmond	225
Renton	160
Kent	140
Bellevue-East	103
Ballard	101
Rainier Valley	97
Kirkland	90

Source: Yardi Matrix

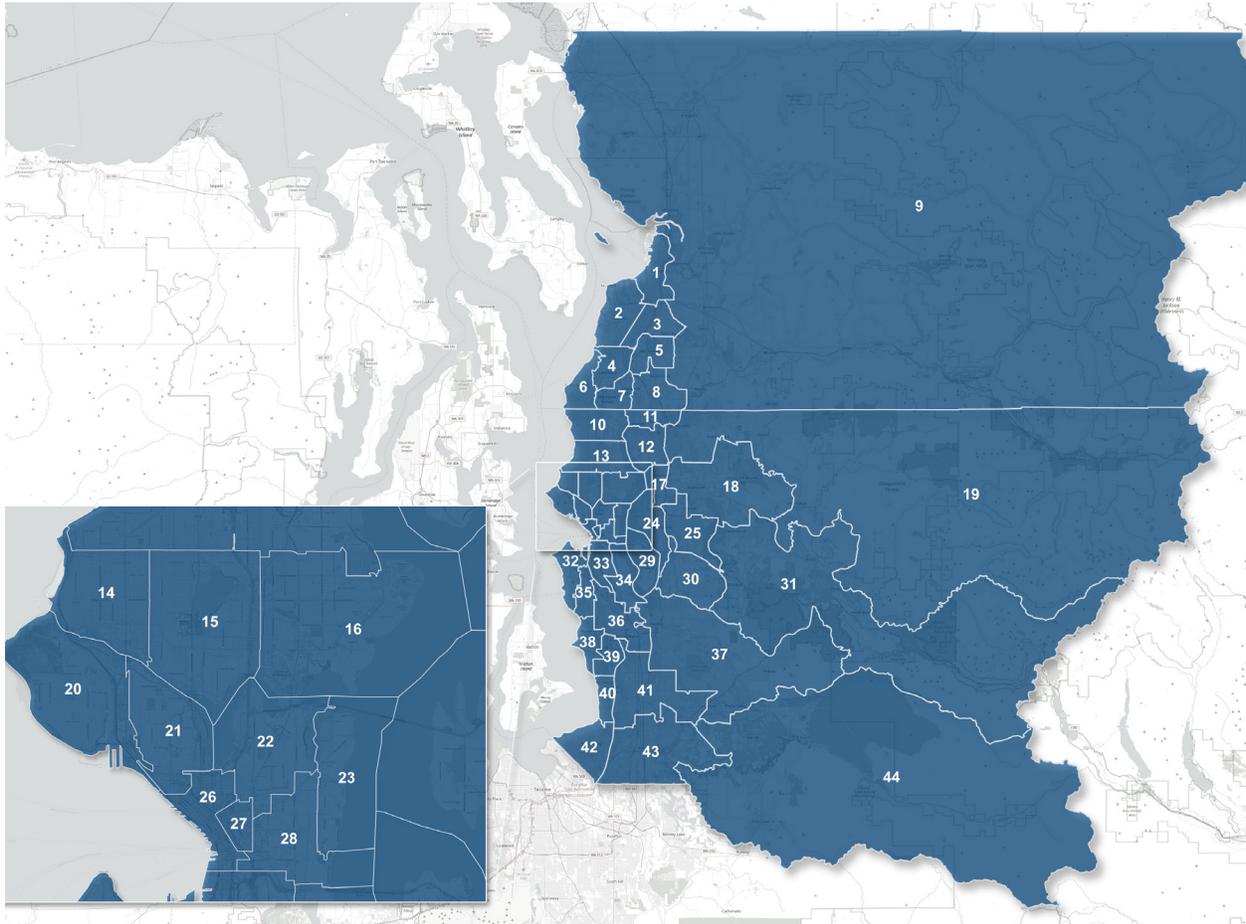
¹ From June 2023 to May 2024

Seattle vs. National Sales Price per Unit



Source: Yardi Matrix

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.



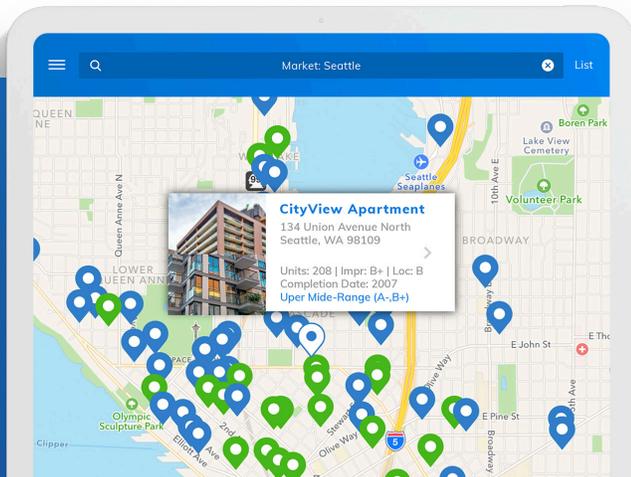
Yardi® Matrix

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
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92% of the U.S. population.



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