

Multifamily Metro Outlook

SEATTLE - SUMMER 2019

Overview

- Seattle continues to be one of the better performing metros throughout the country. As of Q1 2019, Seattle’s job market expanded by 2.3 percent, above the national rate of 1.6 percent. Positive demographic trends are expected to continue with an average annual population growth rate of 1.4 percent outpacing the 0.7 percent national average through the 5-year forecast, according to Moody’s Analytics.
- Positive job growth and high in-migration are continuing to fuel demand within the rental market. Even so, there is a significant amount of new supply coming online. According to Dodge Pipeline, approximately 65,000 units are in the planning stages and an additional 21,000 units are underway with an expected delivery throughout 2020.
- According to Moody’s Analytics, the metro also continues to attract the prime rental cohort (ages 20-34), which is expected to expand by 0.6 percent over the next 5 years, besting the national average rate of 0.1 percent.
- One of the metro’s largest employers, Amazon, continues to expand. In addition to expanding their new HQ2 in Arlington, VA, a suburb of Washington, DC, Amazon has more plans to expand even more throughout the state of Washington. According to Reis Inc., Amazon is looking to expand into Bellevue and Tacoma.
- Affordability is a big concern for the Seattle metro. According to CoStar, the city council and mayor Ed Murray have recently passed legislation in an effort to build more affordable housing units. With high salaries, and a reliance on the tech sector, over 40,000 households are paying more than 50 percent of their monthly income on rent and not every Seattle worker is a member of the tech community capable of paying high rents.
- Even though Amazon is performing well and expanding rapidly, they are still susceptible to volatility. According to Moody’s Analytics, much of Amazon’s profits are reliant on e-commerce which is very sensitive to market swings and consumer confidence.

Development

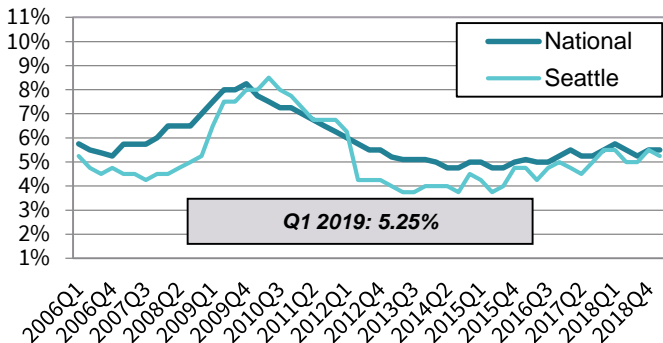
- About 61,000 apartment units have been added to rental inventory since the beginning of 2014. However, there are over 65,000 units in the planning stages and close to 21,000 units underway.
- Since the beginning of 2006, nearly 20,000 condo units have been completed. Condo development is expected to moderate through 2020 with approximately 2,000 additional units expected to deliver. However, condo development should not have too much of an impact as the for sale market is out of reach for many.

Outlook

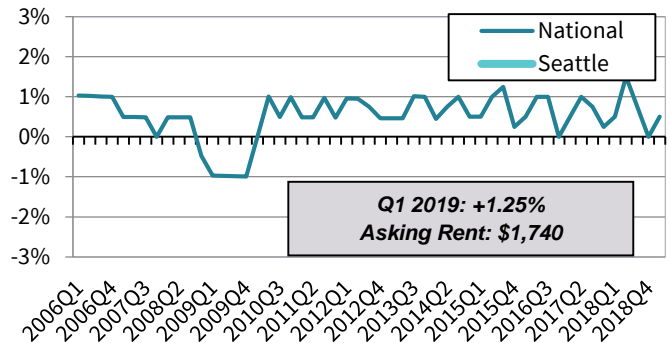
- Rental market fundamentals continue to stay healthy. Vacancies are in good standing at 5.25 percent (even with the supply uptick) and rent growth has recovered from last quarter.
- Over the long term, the multifamily market will be supported by high in-migration trends, elevated levels of intellectual capital, and the lack of single-family affordability in the metro. Seattle will continue to be above-average as the prime renter cohort will be lured to the area by the high paying tech jobs. As long as Amazon (and to a lesser extent Microsoft, Google, etc.) continue to grow, the metro will also continue to expand. However, the metro’s reliance on the expansion of Amazon is also something to watch in the long-term as much of the metro’s growth prospects are dependent on the company’s growth.

Vacancy and Rent Composite Estimates

Vacancy Rate

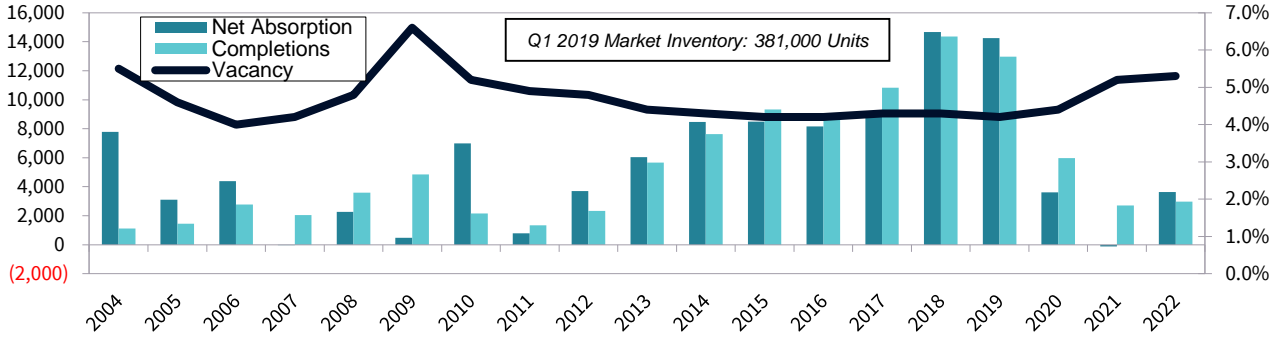


Asking Rent Growth

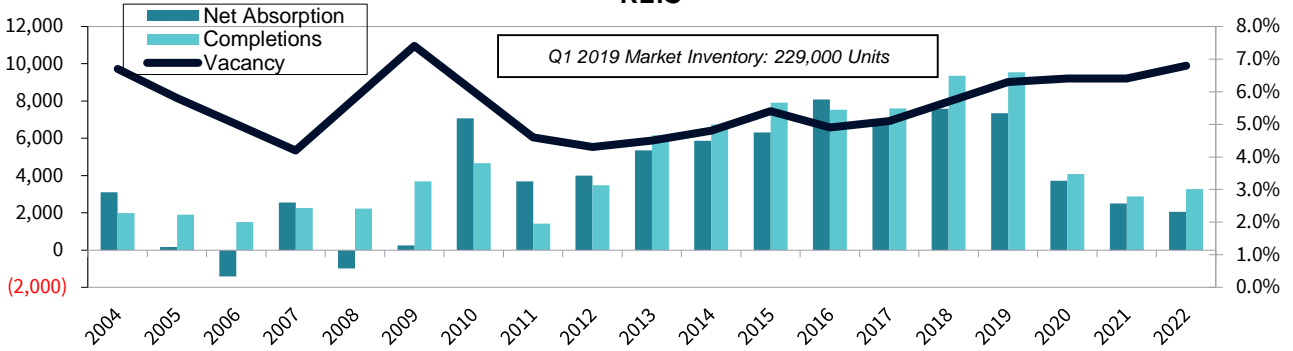


Source: Fannie Mae Multifamily and Economics Research

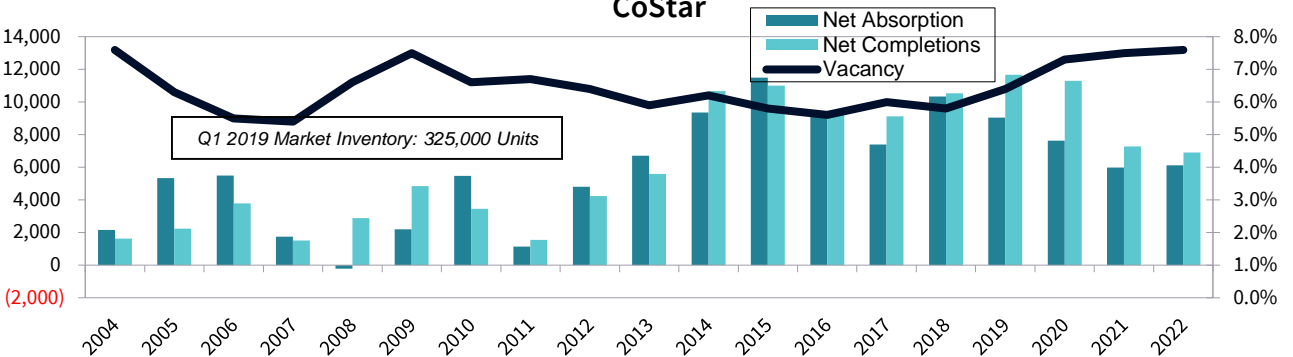
CBRE-EA



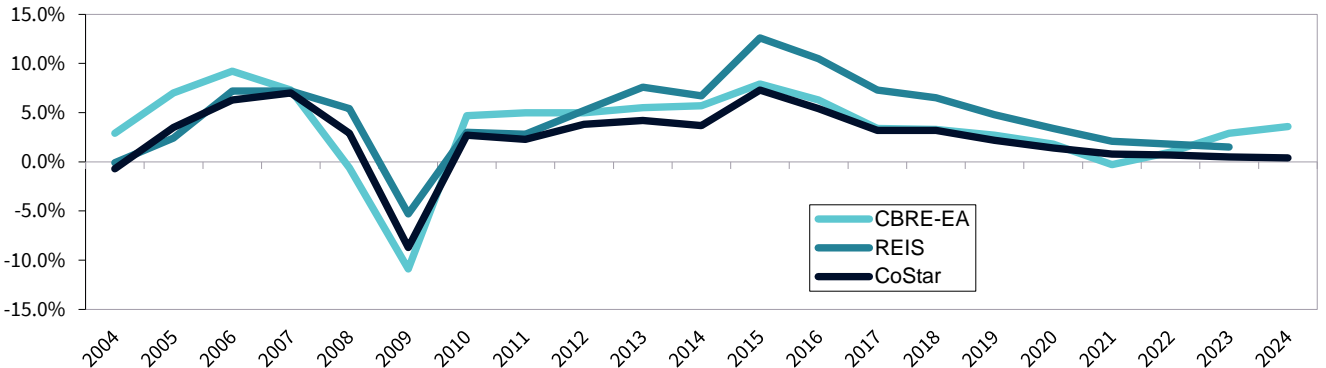
REIS



CoStar

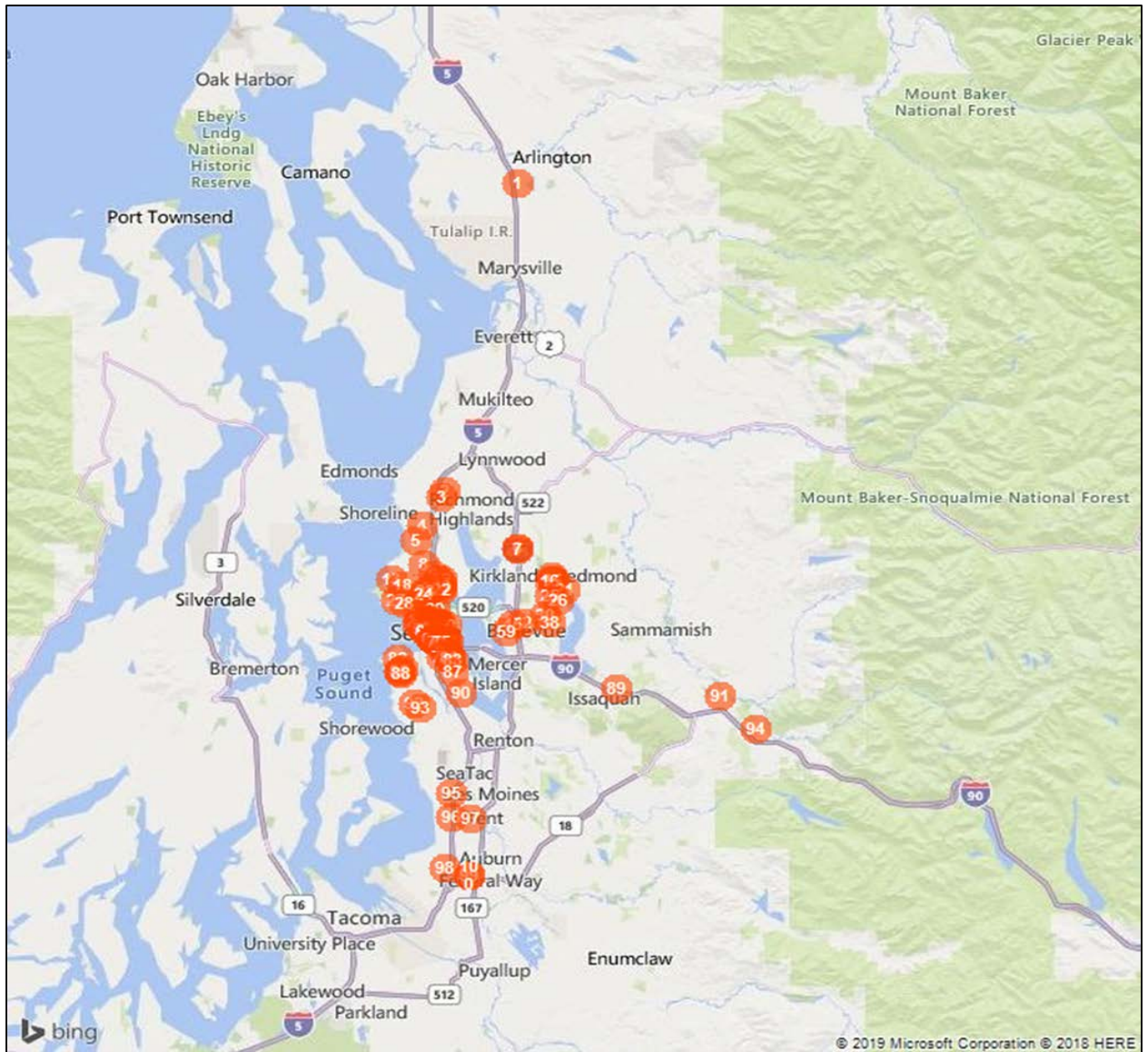


Annual Rent Growth



Multifamily Metro Outlook: Kansas City Summer 2019

Construction Bidding/Underway
114 projects/21,000 Units/22.3 M Sq. Feet)



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Auburn/Enumclaw	2	317	238
Beacon Hill/Ranier Valley/Skyway	13	1871	1829
Bellevue/Issaquah	5	1201	1038
Des Moines/West Kent	3	764	785
Downtown/Capitol Hill/Queen Anne	40	9332	9054
East	1	168	168
Edmonds/Lynnwood	2	483	409
Federal Way	3	484	399
King County/Other	2	249	232

CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Kirkland/Juanita	2	1194	989
Lakewood	1	21	16
North Seattle/Northgate	14	1146	1292
North Tacoma	4	977	735
Pierce County/Other	5	694	690
Redmond	8	2632	2553
Snohomish County/Other	1	317	312
South Tacoma	1	44	30
West Seattle/Burien	7	446	438

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Fannie Mae Multifamily Economics and Market Research
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Sources Used

- AxioMetrics
- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics SupplyTrack
- Moody's Analytics
- Real Capital Analytics
- Reis, Inc.

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