

Multifamily Metro Outlook:

Seattle - Q3 2023

Overview:

- The Seattle job market continues to excel at an above-average pace despite the headwinds that faced the tech sector throughout much of 2022 and are still persistent well into 2023. For the period ending Q3 2023 local job growth outpaced the national rate at 1.5% vs 1.1%.
- Apartment fundamentals continue to soften due to the current economic climate. Vacancies remained flat at 6.25% and rent growth have also entered a flat period as they were 0% for the period ending Q3 2023. Furthermore, there is a significant amount of supply coming online. There are approximately 27,000 units in the pipeline scheduled to deliver through 2025 and there is an additional 85,000 units in the planning stages.

Market Strengths:

- Despite the glut of supply in the pipeline and in the planning stages, the metro boasts a very strong demographic profile that should aid in absorbing the incoming supply. The prime rental cohort (ages 20-34), is expected to expand by 0.1% over the next 5 years, besting the national average rate of -0.4%, whereas the general population rate will expand by 1% compared to 0.4% during the same period.
- Seattle benefits tremendously from the Northwest Seaport Alliance, which joined the Seattle and Tacoma's ports. The ports are one of the largest container gateways in North America and have connections to emerging Asian markets. The ports support 60,000 jobs in the region and bring over \$12.4 billion in economic impact to Seattle.
- Even though there is a ton of supply being delivered to the metro, many residents will continue to be lured to the metro due to the presence of high-paying tech and white-collar based jobs. According to CoStar, over the past five years incomes in the Seattle metro have expanded by nearly 68% compared to 45% nationally during the same time.

Market Weaknesses:

- Although the tech sector is the economic crutch of the metro, it is prone to volatility. According to Moody's Analytics the high interest rates are impacting the local tech sector. High-tech firms in the metro have initiated job cuts and are also in the midst of scaling back their footprint. Tech heavyweights, Alphabet, Amazon, Meta and Microsoft are all scaling back plans to expand by not renewing office leases once they currently expire. Furthermore, despite overall job growth being above-average, job growth in the local tech/information sector was approximately -4.1% compared to -2.6% nationally.
- Furthermore, the elevated interest rates present more uncertainty to the Tech sector in the metro. According to Moody's Analytics, as interest rates increase and price-to-earnings ratios decrease, investors will source their funds in other industries which takes away potential capital from the tech sector. However, the presence of large, established tech employers, such as Amazon, Apple, Meta, etc. will make the current period of uncertainty less severe.

Development:

- There is a large of supply underway in the metro. There are approximately 27,000 units in the pipeline scheduled to deliver through 2025 and an additional 85,000 units in the planning stages.

Outlook:

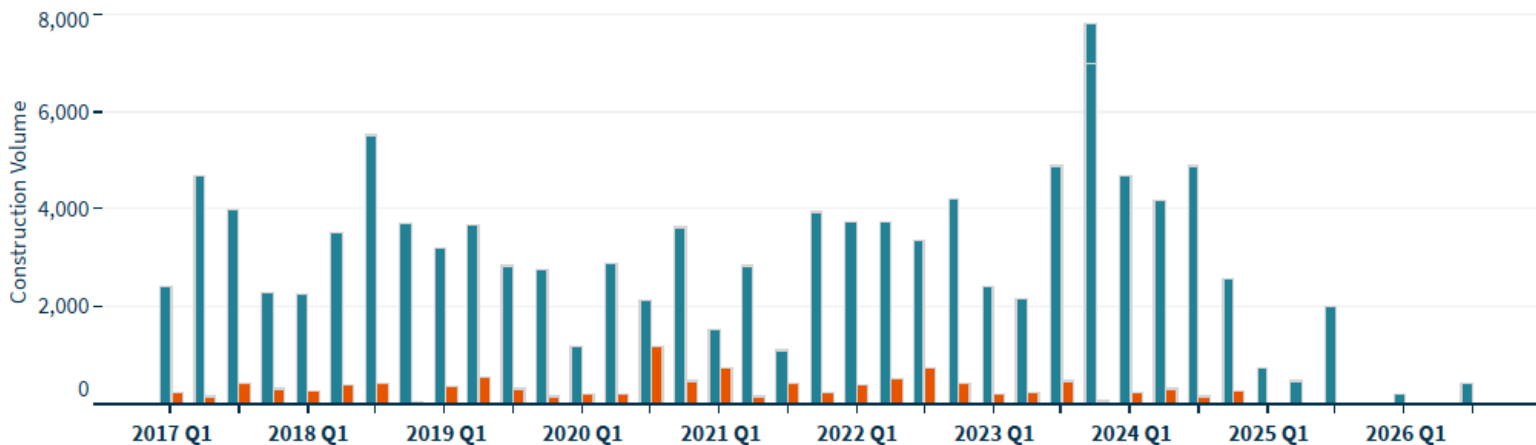
- Seattle's apartment fundamentals continue their period of softening as a result of the current economic environment. Seattle's apartment fundamentals could ease further in the near-term as apartment vacancies are also being impacted slightly due to the supply uptick. However, while the Tech sector's volatility presents challenges concerning future employment levels, earners in Seattle have relatively high per capita income. Additionally, the metro's strong demographic profile should aid in the absorption of the increased supply that has been and will continue to be delivered to the metro over the next few quarters.
- Seattle will continue to be an above-average job market as the prime renter cohort will be lured to the area by the high paying tech jobs. However, the metro's reliance on the expansion of Amazon and its tech jobs is also something to watch in the long-term as much of the metro's growth prospects are dependent on the company's growth. The rising interest rates will cause cost cutting measures, and expansion in the metro will slow. Even though the aerospace industry and specifically Boeing, have found their footing and are getting back on track, much of the boost from the aerospace employer will be felt outside of the Seattle metro as many manufacturing and production jobs were moved out of the metro in a cost cutting measure.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

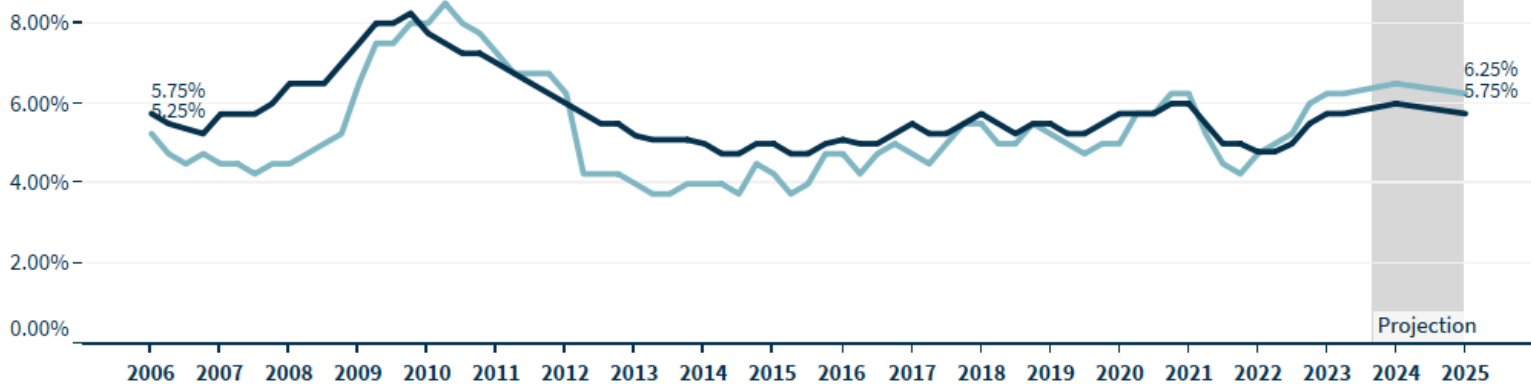
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Seattle | National

Q3 2023 Vacancy Rate:

6.25%



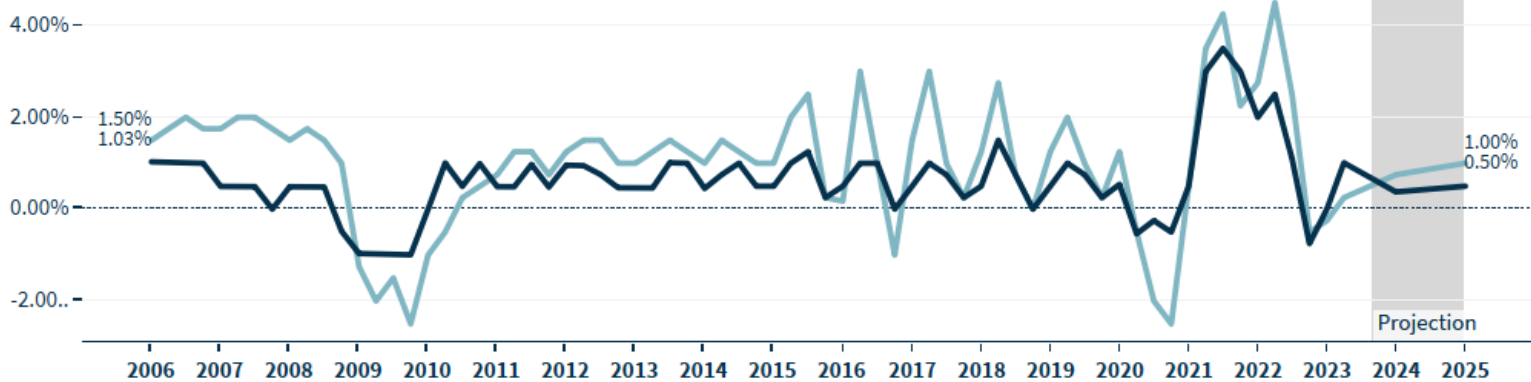
Projection

Asking Rent Growth

Seattle | National

Q3 2023 Asking Rent:

\$2,130

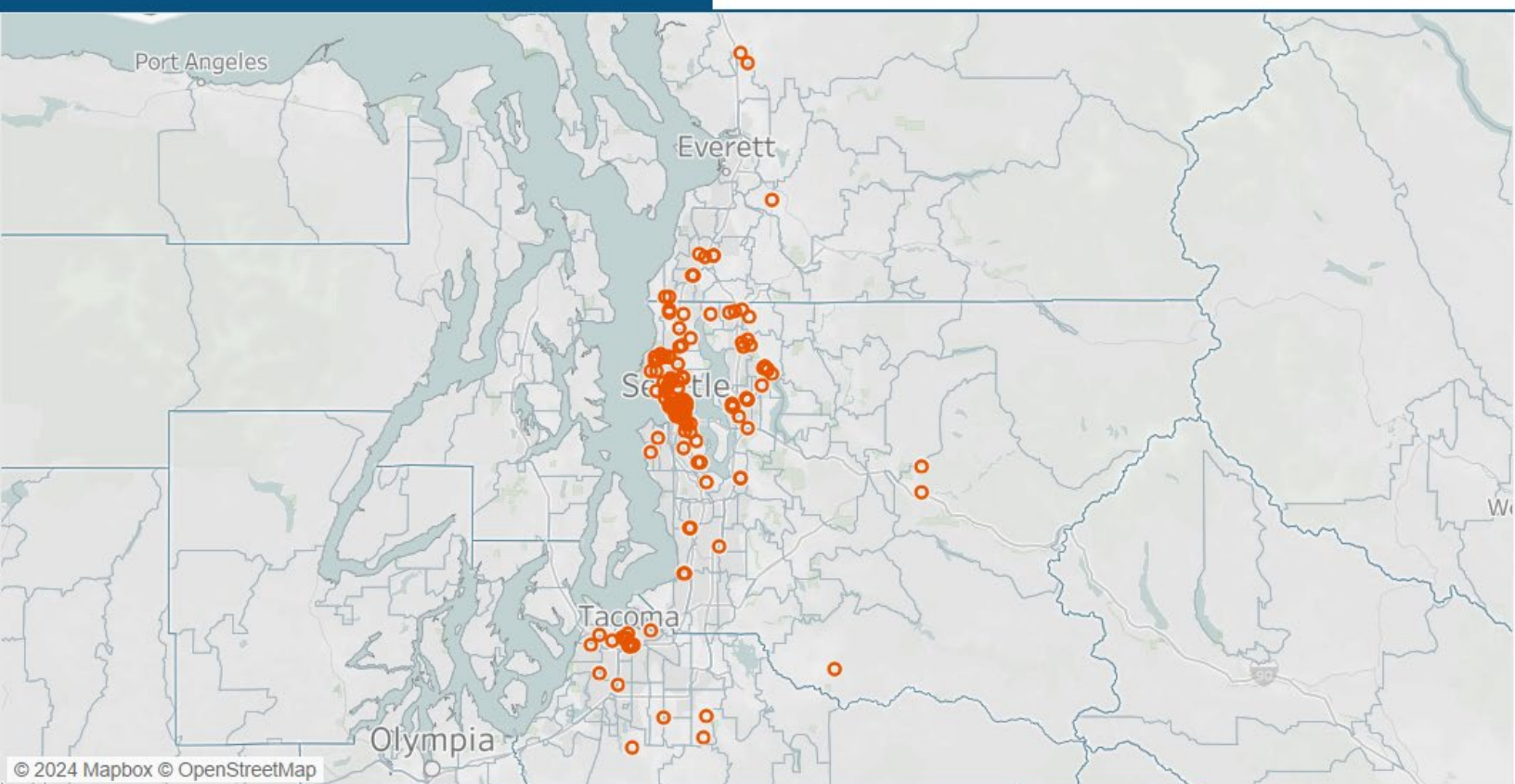


Projection

Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



<i>MultiHousingSubmarketName</i>	<i>Apartments</i>	<i>Units</i>
Capitol Hill/Central District	24	3,377
Downtown Seattle	14	5,128
East Bellevue/Issaquah	7	1,647
East Pierce County	3	143
Everett	3	633
Federal Way/Des Moines	4	440
Kent/Auburn	2	394
Kirkland/Bothell	8	2,308
Lynnwood/Edmonds/Mukilteo	9	1,013
North Seattle/Shoreline	7	1,677
North Tacoma	13	2,139
Redmond	8	1,827
Renton	2	530
SeaTac/Burien	1	
South Lake Union/Queen Anne	7	1,498
South Tacoma/University Place	2	279
Southwest Pierce County	2	398
University District/Ballard	19	2,376
West Bellevue/Mercer Island	3	875
West Seattle/South Seattle	6	403
Grand Total	144	27,085

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

- Moody's Economy.com
- Moody's CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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