Multifamily Metro Outlook:

Seattle – Q4 2024

Overview:

- The Seattle job market, which is usually an above-average performer, is currently being hampered by the performance of one of its top employers, Boeing. In addition to manufacturing hurdles, the tech/information employment sector is also still facing headwinds from a slowdown. For 2024, the local employment sector expanded by 0.6% compared to 1.2% nationally.
- Apartment fundamentals remain soft due to the current economic climate. Vacancies improved quarter-to-quarter, falling to 6% during the period ending Q4 2024. However, rent growth is moving in the wrong direction as it contracted to -0.75% during the same period. Furthermore, there continues to be a significant amount of supply coming online. There are approximately 17,000 units in the pipeline scheduled to deliver through early 2027, and there are an additional 94,000 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 five years, besting the national average rate of a -0.4% decline, whereas the general population rate is expected to expand by 1.5%, compared to 0.6% nationally during the same period.
- Over the past decade, Seattle has emerged as a leading economic performer, driven by robust employment and income growth in the tech sector. Major players like Amazon and Microsoft have cemented the region’s status as a prominent tech hub. Their established presence in the area will continue to fuel Seattle’s growth.

Market Weaknesses:

- In the face of economic uncertainty and the established prevalence of remote work, tech companies have reduced their demand for physical office space. Many are choosing not to renew leases and are pausing the construction of new offices. These cost-saving measures are increasing concerns about future growth prospects in the metro area.
- One of the metro’s top employers, Boeing, is facing major headwinds again. After temporarily getting back on the right track in late 2022/early 2023, the aerospace employer is now dealing with another major issue. According to Moody’s Analytics, after going through a labor strike, work stoppage, and job cuts Boeing is now dealing with production caps and tariffs. Due to numerous quality-control issues from the existing 737 MAX model, the FAA has limited Boeing to 38 planes/month coupled with looming tariffs on steel and aluminum, two prominent components of plane manufacturing. As a result of the myriad of issues Boeing has encountered, the local manufacturing sector has been greatly impacted. For the period ending Q4 2024, the Seattle manufacturing sector contracted by -4.7%, compared to a -0.7% dip nationally.
- Rent growth in the metro continues to trend in the wrong direction as it contracted during the most recent period. Furthermore, there is some concern that rent growth could be capped, as the Washington state legislature has recently passed a rent control bill that awaits signature from the Governor. The newly passed bill will limit rent growth to 10% or 7% plus inflation, which will limit landlords' ability to raise rents (aggressively).

New Development:

- There is a large amount of supply underway in the metro. Approximately 17,000 units in the pipeline are scheduled to deliver through early 2027, and an additional 94,000 units are in the planning stages.

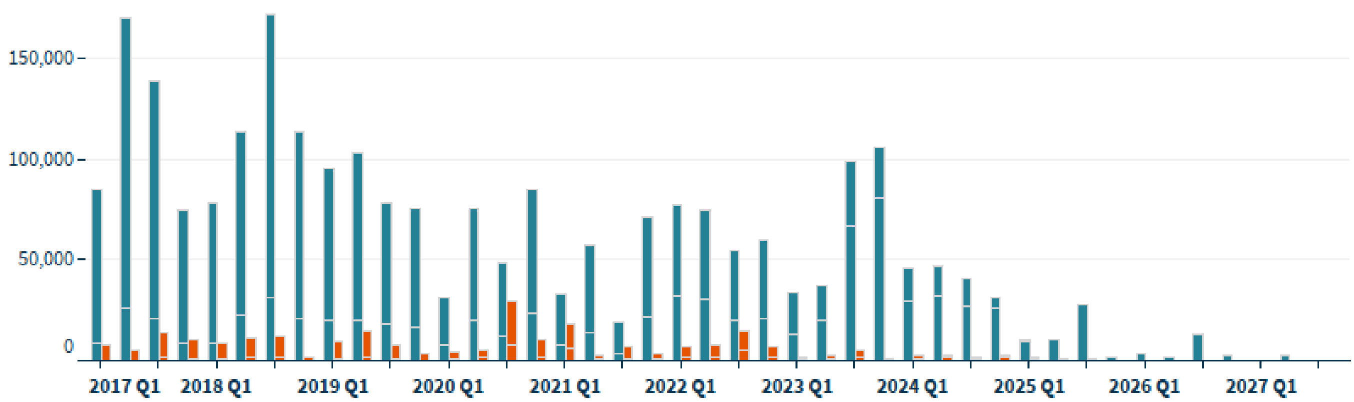
Outlook:

- Seattle’s apartment fundamentals remain soft as a result of the current economic environment and fundamentals could ease further in the near term as the rent control bill was recently passed in the state legislature. 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 likely continue to be an above-average job market, as the prime renter cohort will be lured to the area by high-paying tech jobs. However, the metro’s reliance on the expansion of major tech employers is something to watch in the long term, as much of the metro’s growth prospects are dependent on the growth of these major companies. Elevated interest rates could cause cost-cutting measures, and expansion in the metro might slow. Furthermore, the aerospace industry, specifically Boeing, is experiencing another period of tumult after just finding its footing following a previous downturn due to quality-control issues.

Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | *Condos*



Source: Dodge Data & Analytics SupplyTrack Pipeline

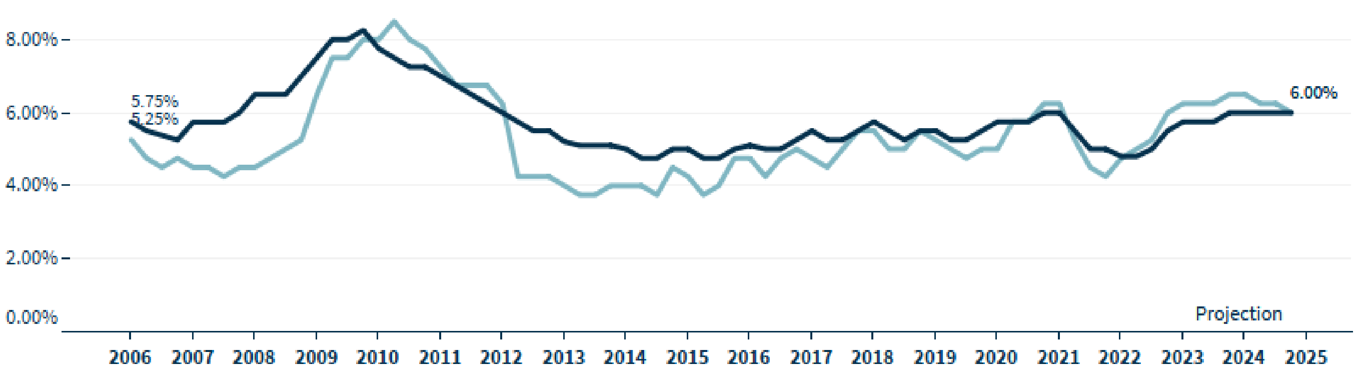
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Seattle | *National*

Q4 2024 Vacancy Rate:

6.00%

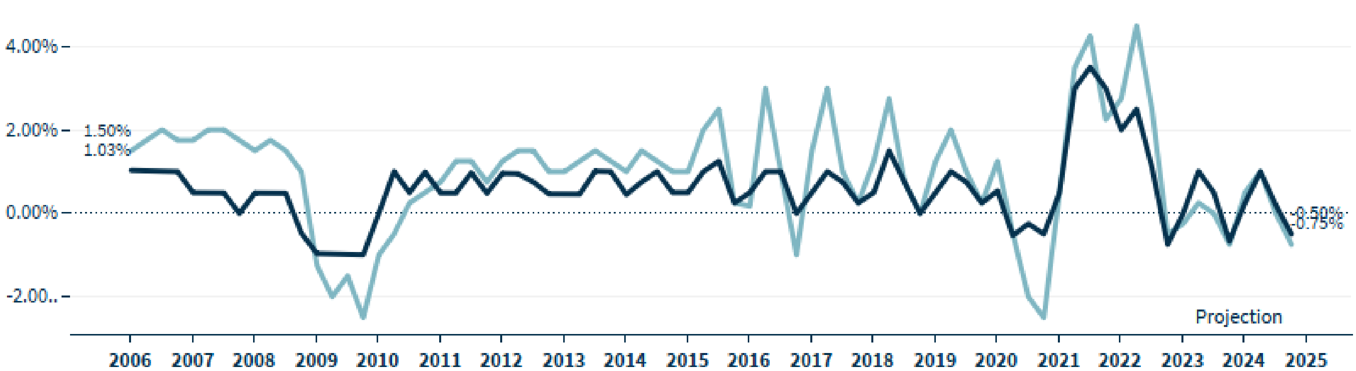


Asking Rent Growth

Seattle | *National*

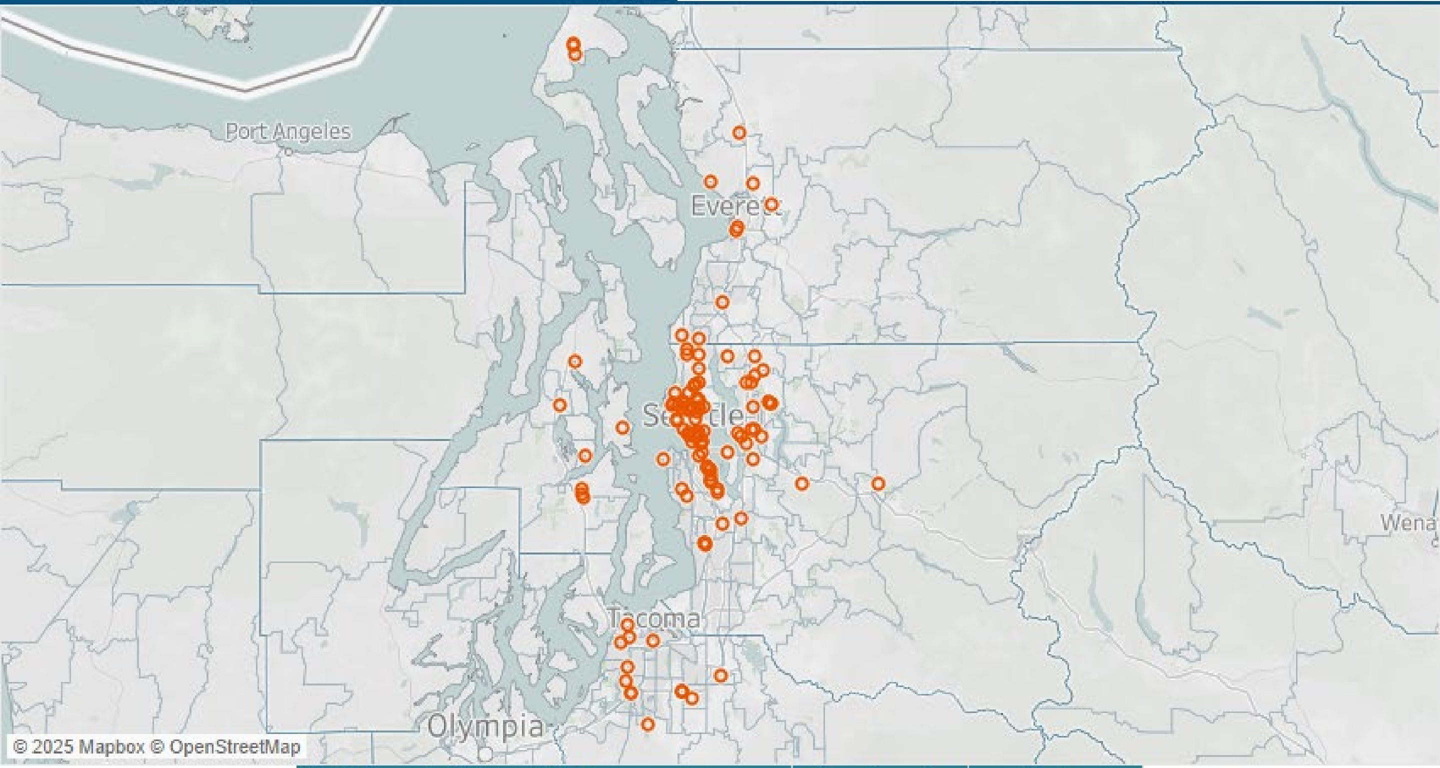
Q4 2024 Asking Rent:

$2,170



Source: Fannie Mae Multifamily Economics and Research

Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Capitol Hill/Central District	12	777
Downtown Seattle	5	2,321
East Bellevue/Issaquah	7	534
East Pierce County	5	123
Everett	6	936
Federal Way/Des Moines	2	515
Kirkland/Bothell	7	1,935
Lynnwood/Edmonds/Mukilteo	3	497
NA	10	1,102
North Seattle/Shoreline	7	1,637
North Tacoma	4	384
Redmond	3	924
Renton	1	36
SeaTac/Burien	3	650
South Lake Union/Queen Anne	4	559
South Tacoma/University Place	1	240
Southwest Pierce County	4	650
University District/Ballard	22	1,872
West Bellevue/Mercer Island	3	438
West Seattle/South Seattle	12	1,053
Grand Total	**121**	**17,183**

Source: Dodge Data & Analytics SupplyTrack Pipeline

Multifamily: ESR Team

Multifamily Metro Outlook: Seattle Q4 2024

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 Real Estate Analyzer
- CBRE-Econometric Advisors
- Yardi

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