Fannie Mae

Multifamily Metro Outlook:

Seattle – Q3 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 the period ending Q3 2024, the local employment sector expanded by 0.7% compared to 1.4% nationally.
- Apartment fundamentals remain soft due to the current economic climate. Vacancies remain unchanged at 6.25% during the period ending Q3 2024. Rent growth also remains flat during the same period. Furthermore, there continues to be a significant amount of supply coming online. There are approximately 20,000 units in the pipeline scheduled to deliver through early 2027, and there are an additional 92,000 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 and work stoppage, Boeing is now dealing with job cuts. Nearly 10% of Boeing's total employment base will be cut, including approximately 2,500 employees in the state of Washington. Boeing has been in the news for quality control-related issues with its planes, and as a result, the local manufacturing sector has been greatly impacted. For the period ending Q3 2024, the Seattle manufacturing sector contracted by 6.8%, compared to a 0.4% dip nationally.
- Rent growth has been trending in the wrong direction in the metro for quite some time. There is some concern that rent growth could be capped in the future, as the Washington House of Representatives has recently passed a bill that would limit rent annual rent increases to 7% throughout the state. The bill has yet to be voted on in the Senate, but it is still a major cause of concern for local landlords.

New Development:

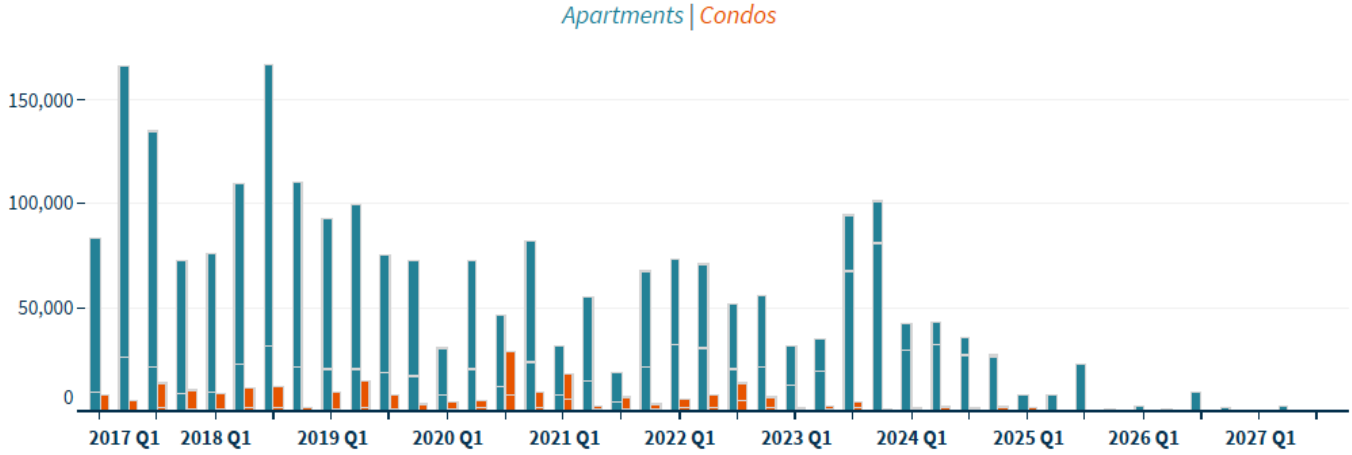
- There is a large amount of supply underway in the metro. Approximately 20,000 units in the pipeline are scheduled to deliver through early 2027, and an additional 92,000 units are in the planning stages.

Outlook:

- Seattle's apartment fundamentals remain soft as a result of the current economic environment. these fundamentals could ease further in the near term as apartment vacancies are also being impacted 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 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



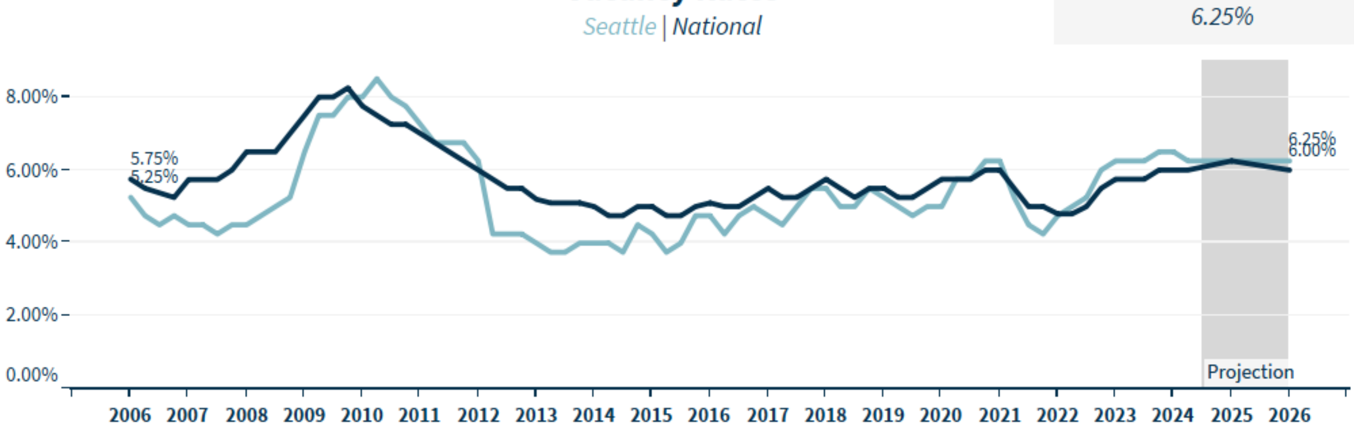
Source: Dodge Data & Analytics SupplyTrack Pipeline

Multifamily Vacancy & Rent Estimates

Vacancy Rates

Q3 2024 Vacancy Rate:

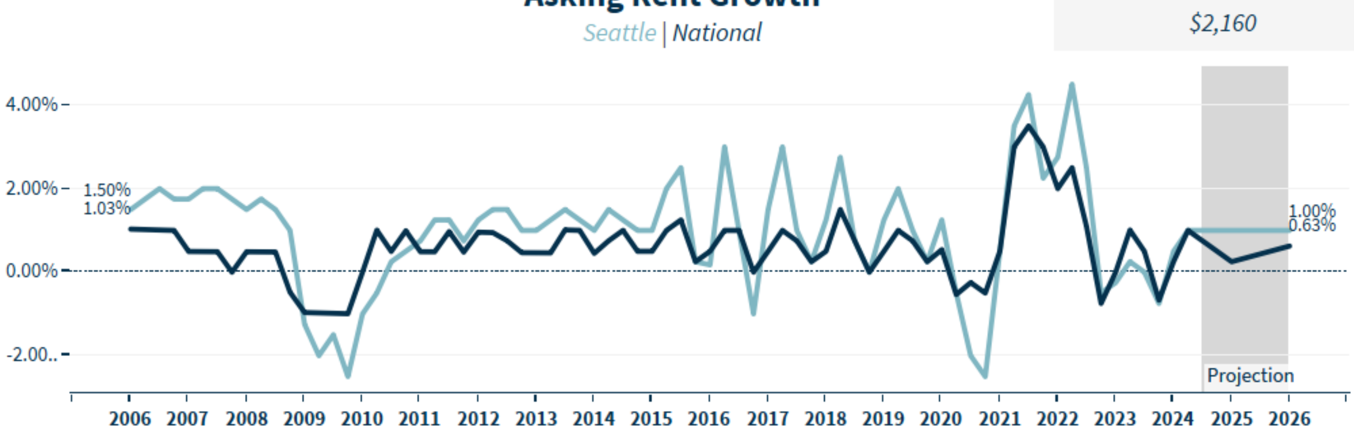
6.25%



Asking Rent Growth

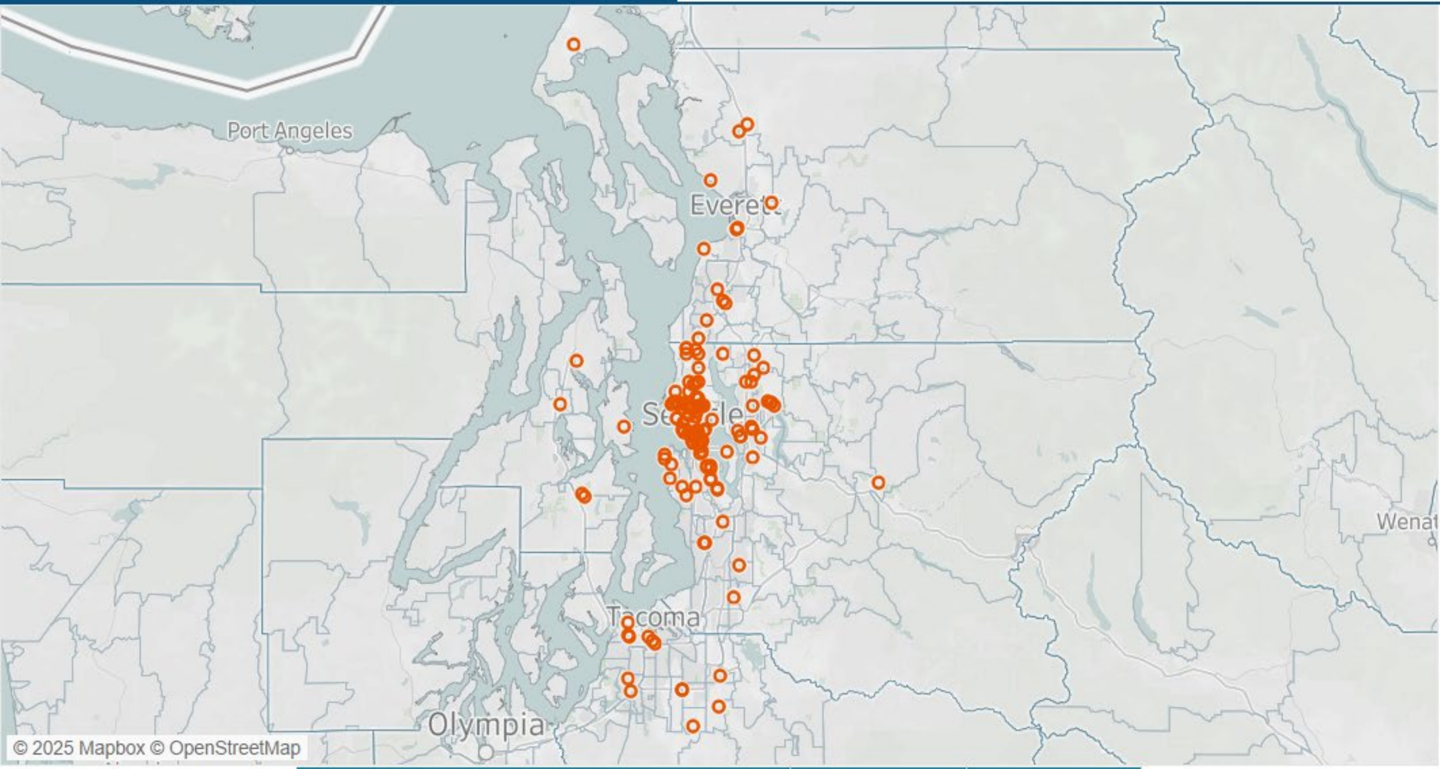
Q3 2024 Asking Rent:

$2,160



Source: Fannie Mae Multifamily Economics and Research

Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Capitol Hill/Central District	18	1,608
Downtown Seattle	8	2,852
East Bellevue/Issaquah	5	392
East Pierce County	6	206
Everett	6	1,023
Federal Way/Des Moines	2	515
Kent/Auburn	2	47
Kirkland/Bothell	7	1,983
Lynnwood/Edmonds/Mukilteo	6	751
NA	6	961
North Seattle/Shoreline	10	2,133
North Tacoma	6	1,093
Redmond	4	970
SeaTac/Burien	2	361
South Lake Union/Queen Anne	7	1,129
Southwest Pierce County	2	105
University District/Ballard	23	1,967
West Bellevue/Mercer Island	5	740
West Seattle/South Seattle	14	1,041
Grand Total	**139**	**19,877**

Source: Dodge Data & Analytics SupplyTrack Pipeline

Multifamily: ESR Team

Multifamily Metro Outlook: Seattle Q3 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
- Greenstreet
- Dodge Data and Analytics Real Estate Analyzer
- CBRE-Econometric Advisors
- Yardi