Multifamily Metro Outlook:

Seattle – Q4 2023

Overview:

- The Seattle job market which is usually an above-average performer, is in a bit of a rut due to a prolonged slow-down in the Tech & Information sector. For the period ending Q4 2023, the overall job market expanded by 1.4% compared to 1.5% nationally.
- Apartment fundamentals continue to soften due to the current economic climate. Vacancies expanded to 6.5% and rent growth continues to contract, as it was -0.75% for the period ending Q4 2023. Furthermore, there continues to be significant amount of supply coming online. There are approximately 27,000 units in the pipeline scheduled to deliver through early 2027 and there is an additional 86,000 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.
- 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, job growth in the local tech/information sector was approximately -3.9% compared to -1.9% nationally.
- Top local employer, Boeing, is back in the news cycle for the wrong reasons. After a brief period of righting the ship after a tumultuous period in 2020 and 2021, aircraft quality control issues are once again troubling the aerospace employer. During the early part of 2024, there have been several instances where newly issued Boeing aircrafts have had some alarming issues that could have led to catastrophic events.
- Rent growth has been trending in the wrong direction in the metro for much of the year of 2023. There is some concern that rent growth could be capped in the future as the Washington State of House of Reps. has recently passed a bill that would limit rent annual rent increases to 7% throughout the state of Washington. The bill has yet to be voted on in the Senate, but it is still a major cause of concern for local landlords.

Development:

- There is a large amount of supply underway in the metro. There are approximately 27,000 units in the pipeline scheduled to deliver through early 2027 and an additional 86,000 units in the planning stages.

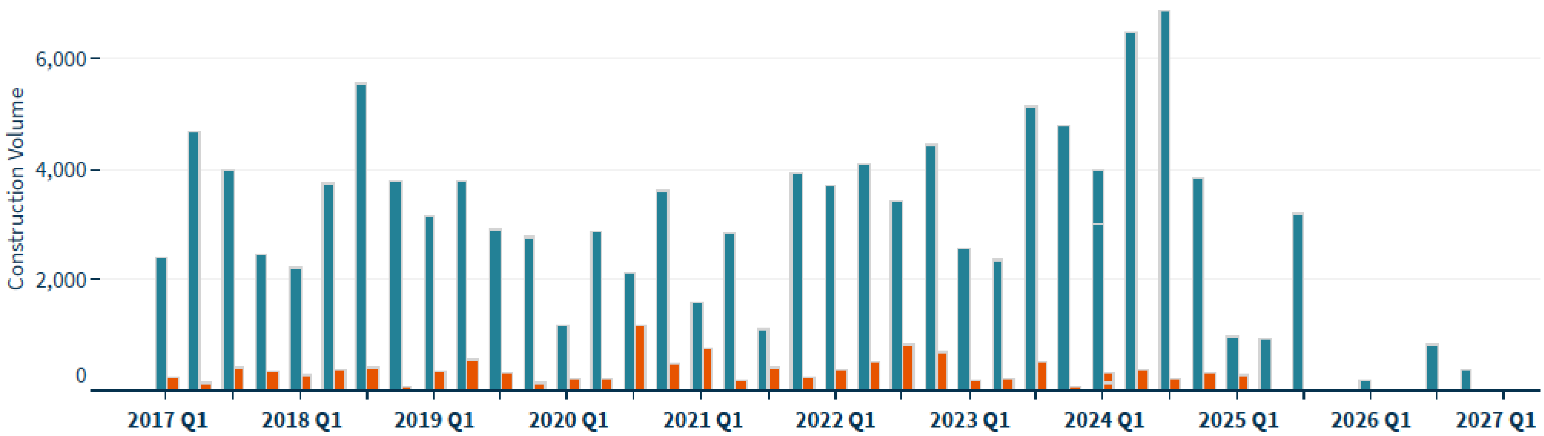
Outlook:

- 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-tern 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 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. The rising interest rates will cause cost cutting measures, and expansion in the metro will slow. Furthermore, the aerospace industry and specifically Boeing are experiencing another period of tumult after just finding their 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

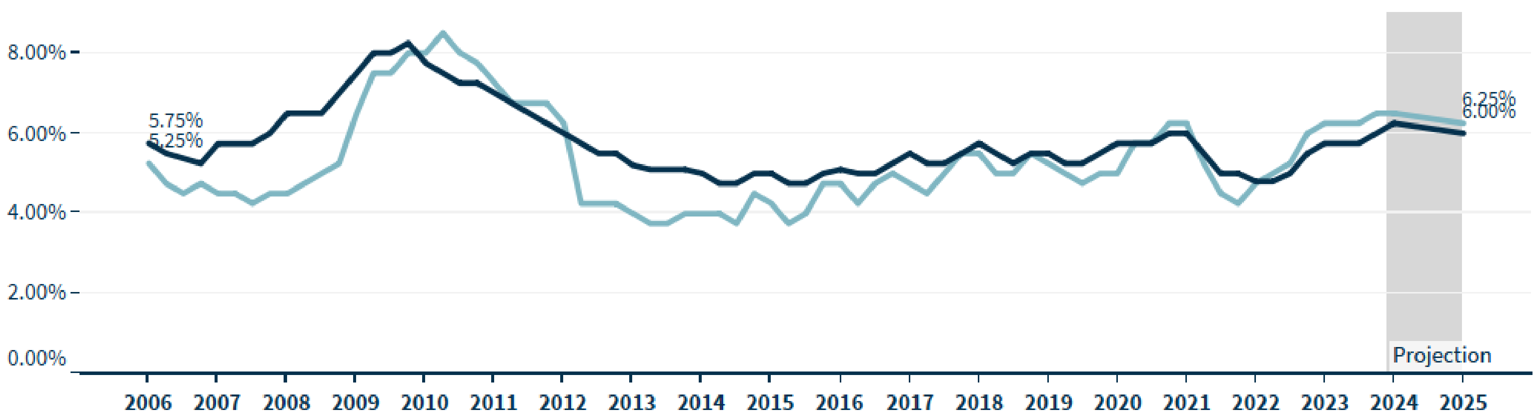
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Seattle | *National*

Q4 2023 Vacancy Rate:

6.50%

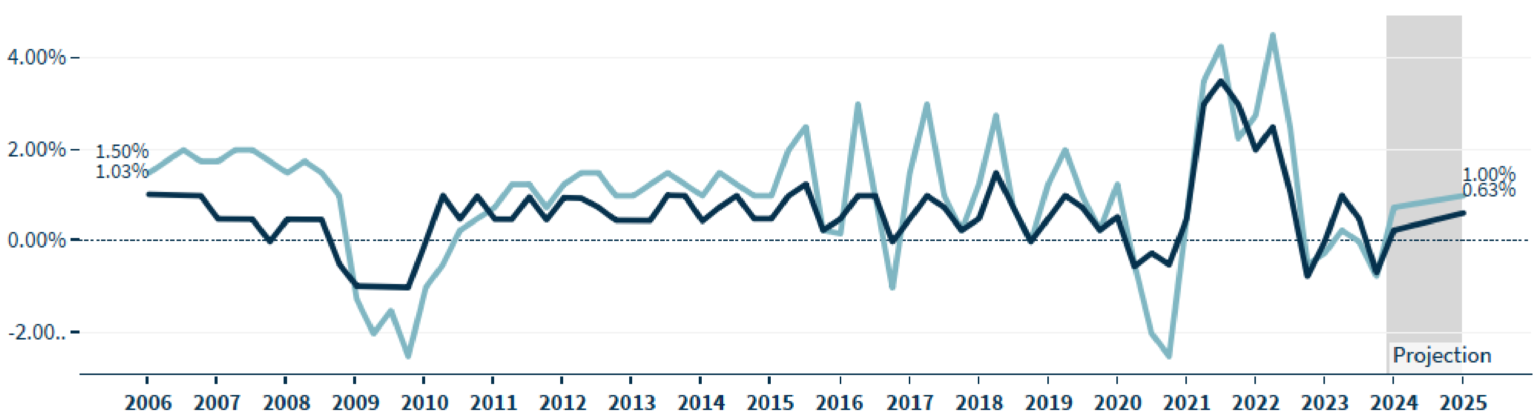


Asking Rent Growth

Seattle | *National*

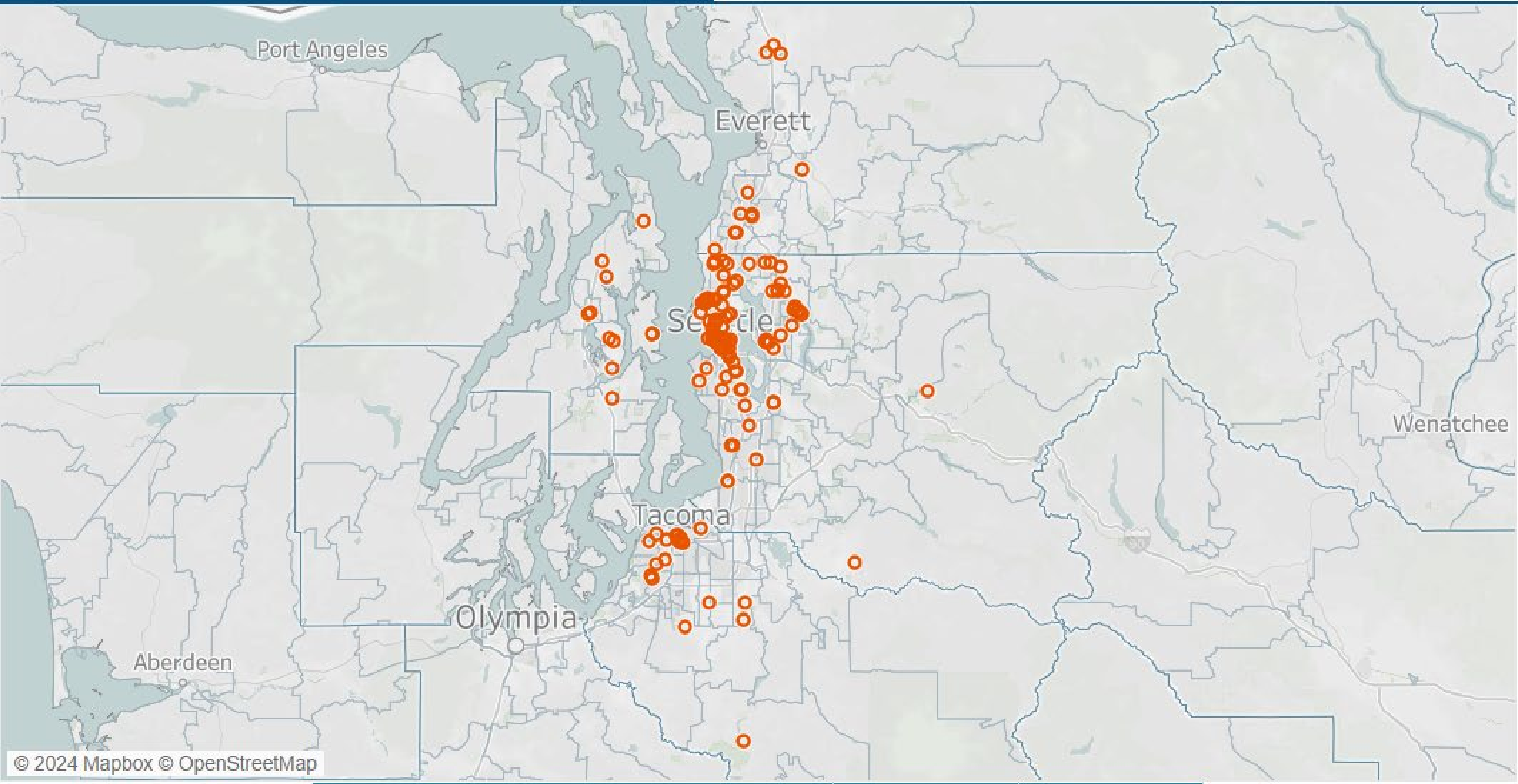
Q4 2023 Asking Rent:

$2,110



Source: Fannie Mae Multifamily Economics and Research

Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Capitol Hill/Central District	17	2,682
Downtown Seattle	12	4,589
East Bellevue/Issaquah	3	507
East Pierce County	4	167
Everett	5	1,113
Federal Way/Des Moines	4	440
Kent/Auburn	2	394
Kirkland/Bothell	8	2,283
Lynnwood/Edmonds/Mukilteo	6	1,005
NA	11	935
North Seattle/Shoreline	10	2,319
North Tacoma	10	1,781
Redmond	10	2,473
Renton	2	530
SeaTac/Burien	2	297
South Lake Union/Queen Anne	6	1,177
South Tacoma/University Place	3	327
Southwest Pierce County	3	287
University District/Ballard	18	2,034
West Bellevue/Mercer Island	4	880
West Seattle/South Seattle	8	498
Grand Total	**148**	**26,718**

Source: Dodge Data & Analytics SupplyTrack Pipeline

Multifamily: ESR Team

Multifamily Metro Outlook: Seattle Q4 2023

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 SupplyTrack Pipeline
- CBRE-Econometric Advisors
- Yardi