Metro Housing Outlook:

Seattle– Q2 2024

Overview:

- The Seattle job market, which is usually an above-average performer, is on the path to regaining its footing after dealing with headwinds from the tech and information employment sector for the last two years. For the period ending Q2 2024, the metro's overall job market expanded by 1.9% compared to 1.5% nationally.
- Apartment fundamentals remain soft due to the current economic climate. Vacancies improved, albeit slightly, as the vacancy rate for Q2 2024 was 6.25%, a 25-basis-point improvement over the previous quarter. However, rent growth continues to move in the right direction, as was it was approximately 1% during the period ending Q2 2024. Furthermore, there continues to be significant amount of supply coming online. There are approximately 19,000 units in the pipeline scheduled to deliver through early 2027, and there are an additional 90,000 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 -0.4%, whereas the general population rate will expand by 1% compared to 0.4% 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. Additionally, the tech and information employment sector expanded by 0.7% compared to -0.2% nationally during the period ending Q2 2024.

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 a work stoppage. According to Moody’s Analytics, approximately 33,000 Seattle-based Boeing employees have gone on strike demanding better working conditions. This comes after moving some aerospace production to cheaper metros and dealing with the fallout of failing commercial plane models.
- Rent growth has been trending in the wrong direction in the metro for quite some time despite its recent positive uptick. 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.

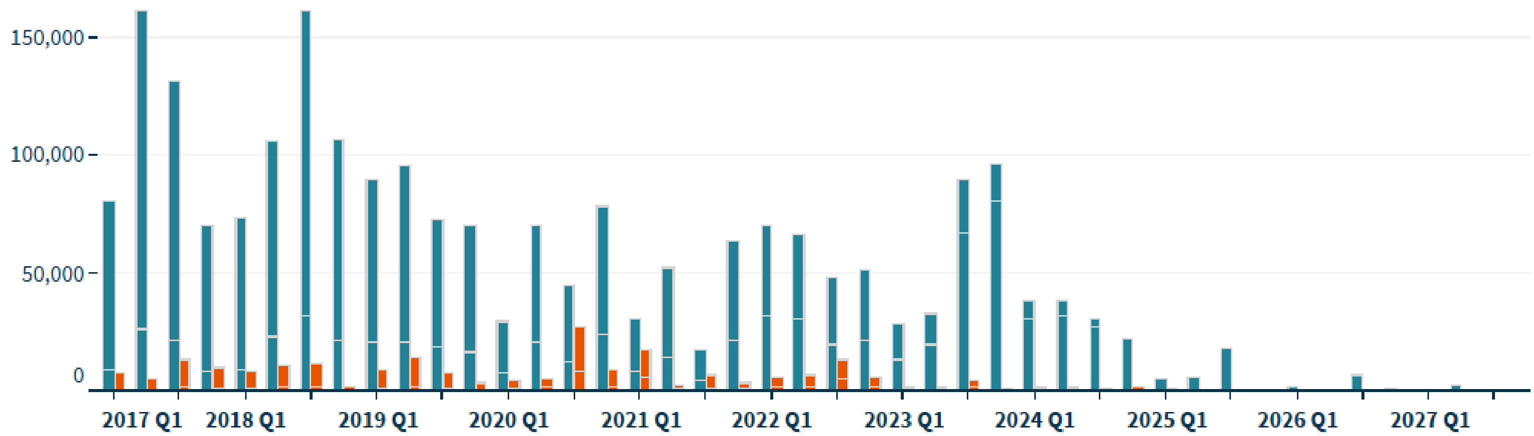
Outlook:

- Seattle’s apartment fundamentals remain soft 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 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 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

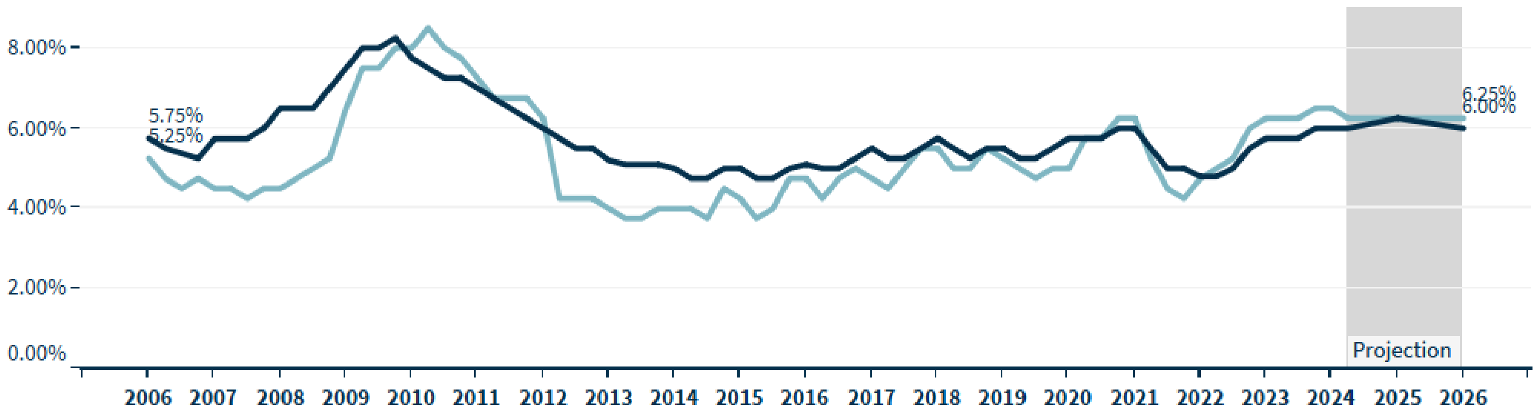
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Seattle | *National*

Q2 2024 Vacancy Rate:

6.25%

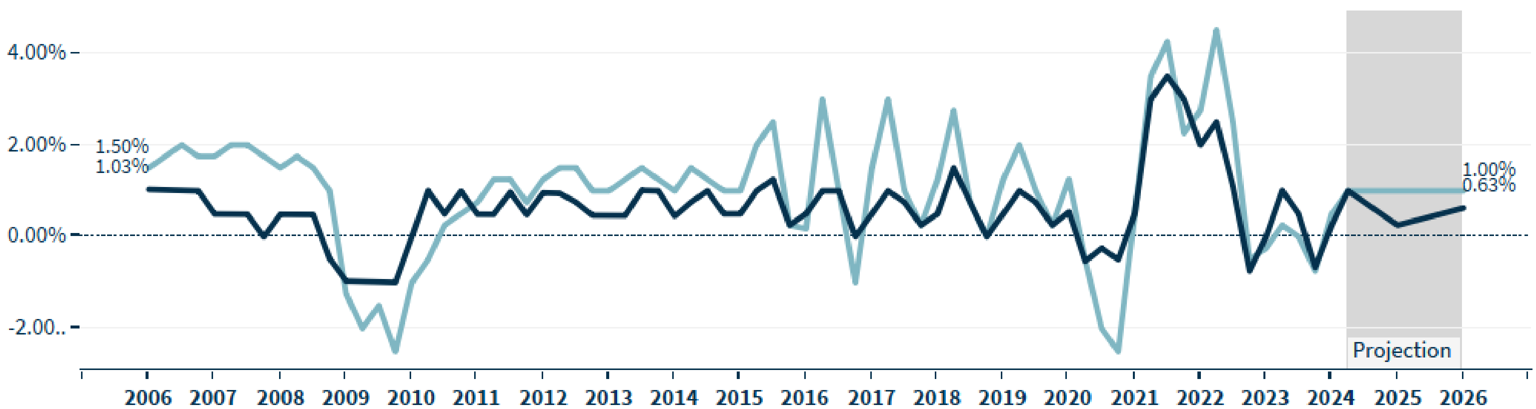


Asking Rent Growth

Seattle | *National*

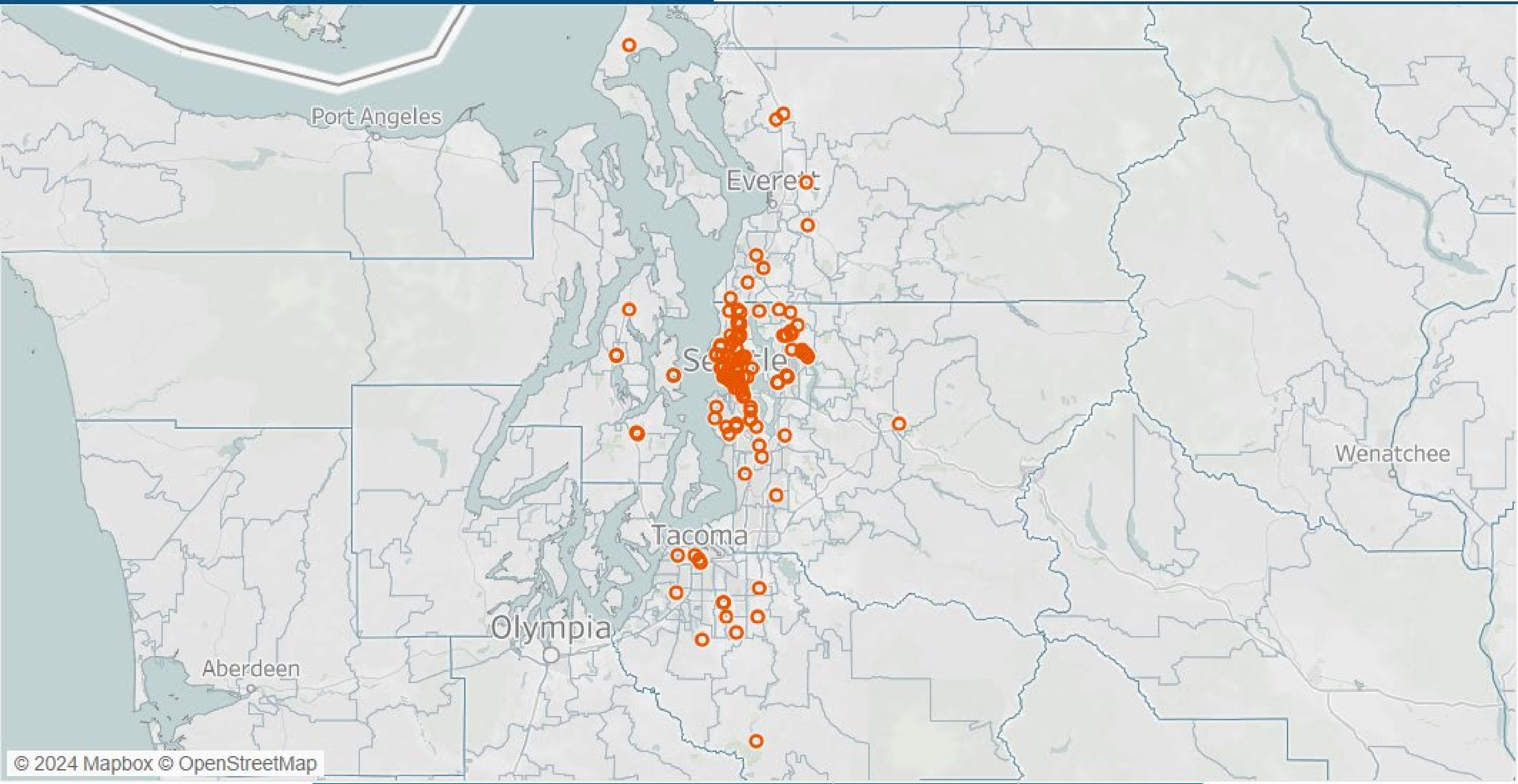
Q2 2024 Asking Rent:

$2,150



Source: Fannie Mae Multifamily Economics and Research

Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Capitol Hill/Central District	14	1,712
Downtown Seattle	7	2,410
East Bellevue/Issaquah	3	383
East Pierce County	8	233
Everett	4	755
Federal Way/Des Moines	1	130
Kent/Auburn	1	47
Kirkland/Bothell	7	1,990
Lynnwood/Edmonds/Mukilteo	4	312
NA	8	1,021
North Seattle/Shoreline	11	2,680
North Tacoma	4	1,014
Redmond	8	1,460
Renton	1	96
SeaTac/Burien	3	367
South Lake Union/Queen Anne	7	1,124
Southwest Pierce County	2	346
University District/Ballard	16	1,577
West Bellevue/Mercer Island	3	474
West Seattle/South Seattle	10	972
Grand Total	**122**	**19,103**

Source: Dodge Data & Analytics SupplyTrack Pipeline

Multifamily: ESR Team

Multifamily Metro Outlook: Seattle Q2 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 SupplyTrack Pipeline
- CBRE-Econometric Advisors
- Yardi