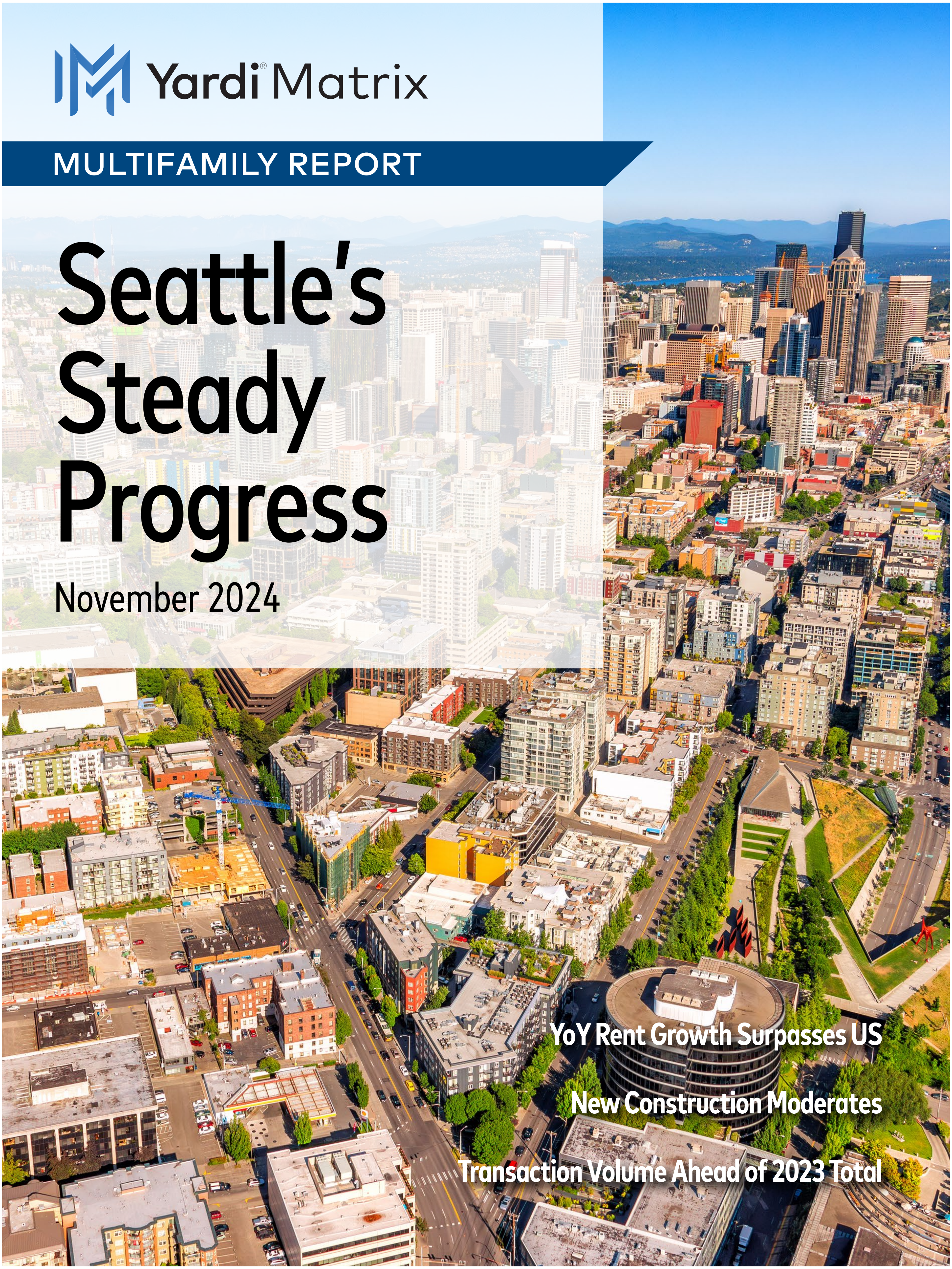
Yardi Matrix

MULTIFAMILY REPORT

Seattle's Steady Progress

November 2024



YoY Rent Growth Surpasses US

New Construction Moderates

Transaction Volume Ahead of 2023 Total

SEATTLE MULTIFAMILY

Yardi Matrix

Occupancy Healthy Amid Strong Deliveries

Seattle's multifamily fundamentals maintained generally healthy performance in 2024, despite ongoing challenges in the financial landscape. At the end of the third quarter, average advertised asking rents were down 0.3% on a trailing three-month basis, to $2,216, while the national rate flattened, at $1,750. Meanwhile, the occupancy rate in stabilized properties rose 0.2% year-over-year, to 95.5%, in September.

Employment growth improved, up 1.1% in the 12 months ending in July, but still trailed the 1.3% national average. Meanwhile, the jobless rate clocked in at 4.8% in August, outperformed by the 4.2% U.S. figure, according to data from the Bureau of Labor Statistics. Nearly half of the 27,600 jobs added during the first seven months of 2024 were registered in the education and health services sector (12,700 jobs), followed by government (6,300 jobs). Information was the only sector that recorded a loss, down 7,300 positions. Notable projects underway in Seattle include Amazon's Bellevue 600, a 1.5 million-square-foot office development, and FRED310, an industrial campus that will total 4 million square feet.

Developers delivered 8,758 units in 2024 through September and had another 22,846 units under construction. Meanwhile, investment activity surpassed last year's total, amounting to $1.3 billion, with the per-unit price dropping below the $300,000 mark.

Market Analysis | November 2024

Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Ron Brock, Jr.
Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x14006

Doug Ressler
Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

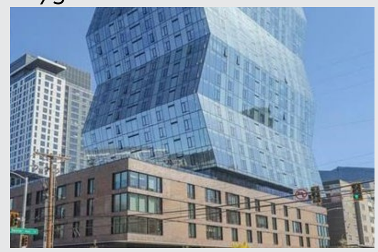
Author

Anca Gagiuc
Senior Associate Editor

On the cover: Photo by Art Wager/iStockphoto.com

Recent Seattle Transactions

Skyglass



City: Seattle
Buyer: Goldman Sachs & Co.
Purchase Price: $172 MM
Price per Unit: $508,750

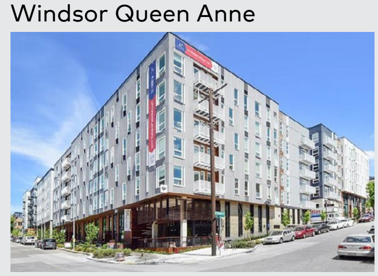
Alaire

City: Renton, Wash.
Buyer: Greystar
Purchase Price: $108 MM
Price per Unit: $302,941

Driftwood

City: Kent, Wash.
Buyer: Financial Partners Group
Purchase Price: $93 MM
Price per Unit: $242,670

Windsor Queen Anne

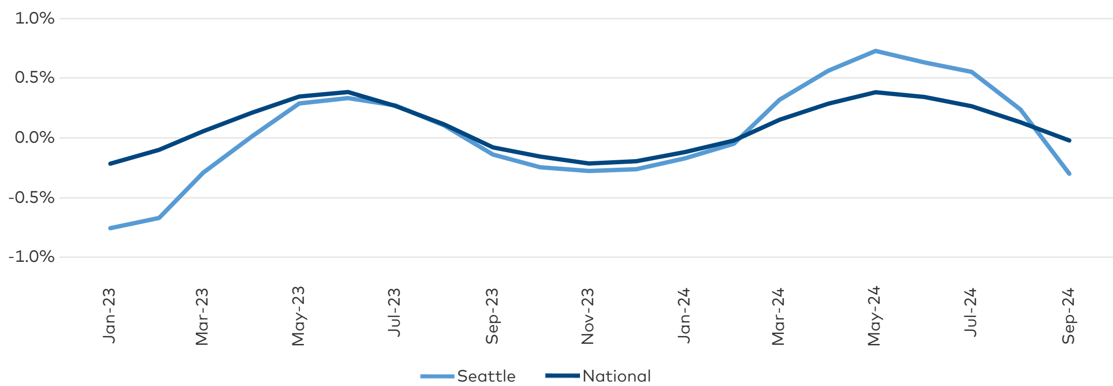


City: Seattle
Buyer: GID
Purchase Price: $76 MM
Price per Unit: $416,209

RENT TRENDS

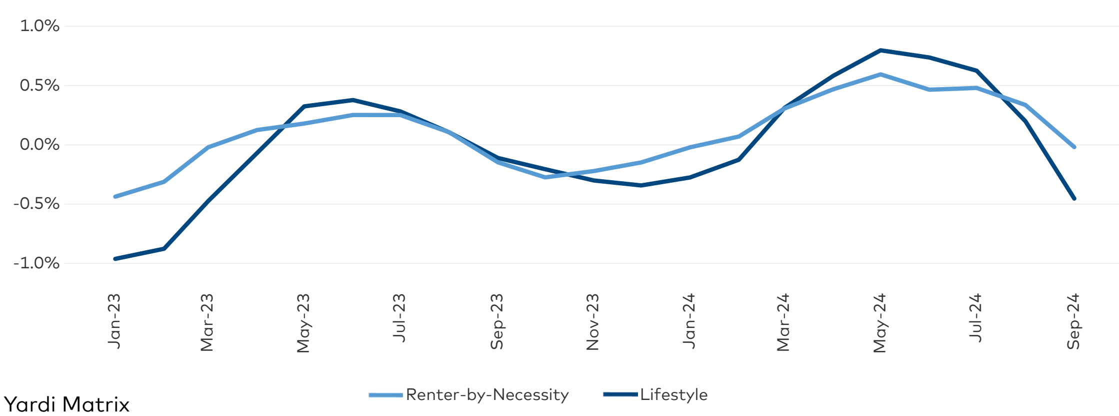
- Seattle's average advertised asking rents were down 0.3% on a trailing three-month (T3) basis through September, to $2,216. Meanwhile, the U.S. rate remained flat, at $1,750. The metro's dip was likely due to the seasonal trend, as on a year-over-year basis, rent movement was positive, at 1.2%, 30 basis points the U.S. rate.
- The decline in the metro's rent growth was driven by the Lifestyle segment's 0.5% decrease, on a T3 basis through September, to $2,478. Meanwhile, rents in the working-class Renter-by-Necessity segment remained unchanged, at $1,866, after increasing almost every month in 2024.
- The overall occupancy rate in stabilized assets in Seattle marked a 20-basis-point increase year-over-year, to 95.5%. The RBN rate slid 20 basis points, to 95.3%, while Lifestyle occupancy rose 50 basis points, to 95.6%.
- Year-over-year through September, rent growth was positive in 28 of the 53 submarkets tracked by Yardi Matrix. Bellevue–West (4.0% to $3,052), Issaquah (4.9% to $2,810) and Belltown (2.3% to $2,765) were the most expensive. Overall, 28 submarkets had average advertised asking rents above the $2,000 mark. The largest rent declines were reported in Burien (-2.1% to $1,792) and Greenlake/Wallingford (-2.0% to $2,180).
- The SFR segment saw average asking rent growth of 4.1% year-over-year as of September, to $3,168, while occupancy rose 3.9%, to 97.2%.

Seattle vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Seattle Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- Seattle's unemployment rate was 4.8% in August, up 20 basis points from the previous month, according to preliminary data from the Bureau of Labor Statistics. At this level, it was right in line with the state of Washington and lagged the 4.2% U.S. average. The jobless rate fluctuated in the 4.1% to 5.0% band this year.
- Employment growth has advanced steadily since bottoming out in late 2023, up 1.1%, or 27,600 jobs, in the 12 months ending in July. During the period, only information lost jobs, down 7,300 positions, while growth was led by education and health services (12,700 jobs) and government (6,300 jobs).
- Seattle has a wide variety of projects under construction, from office to industrial. Notable projects include Amazon's Bellevue 600, which consists of two towers totaling more than 1.5 million square feet, and FRED310, a 310-acre industrial campus near the Port of Tacoma, which will add 4 million square feet of space upon completion. Office completions amounted to 3.8 million square feet through August, according to CommercialEdge data, which pushed the vacancy rate close to 25%. Recent office deliveries include Skanska's 729,000-square-foot office building in Bellevue, dubbed The Eight.

Seattle Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	243.4	12.6%
90	Government	245.8	12.7%
30	Manufacturing	168	8.7%
70	Leisure and Hospitality	191	9.9%
80	Other Services	62.6	3.2%
40	Trade, Transportation and Utilities	314.2	16.2%
15	Mining, Logging and Construction	121.6	6.3%
55	Financial Activities	94.2	4.9%
60	Professional and Business Services	360.9	18.7%
50	Information	132.7	6.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Seattle's population growth moderated in 2022, as it gained 30,576 residents, for a 0.8% expansion, 30 basis points below the 2021 figure. It was still well above the U.S. rate, which ticked up just 0.4% in 2022.
- In the decade ending in 2022, the metro's population has risen 14.2%.

Seattle vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Seattle	3,871,323	3,928,498	3,971,125	4,001,701

Source: U.S. Census

SUPPLY

- Seattle's rental inventory expanded by 8,758 units during the first three quarters of 2024, the equivalent of 2.8% of existing stock. That was 70 basis points higher than the U.S. rate. Units in fully affordable communities accounted for roughly 21% of deliveries, while Lifestyle assets dominated with a 71% share. RBN projects represented the remaining share of units.

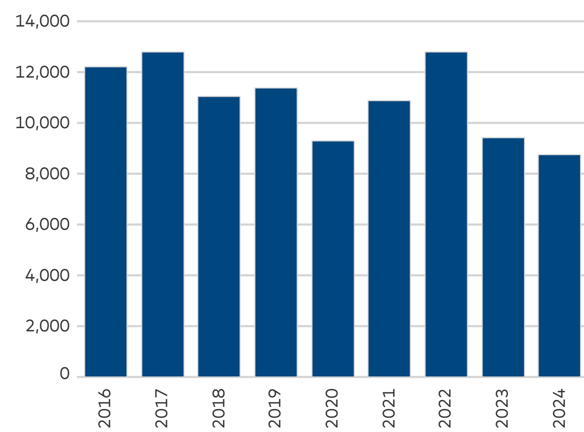
- Developers had 22,846 units under construction as of September, and another 100,000 units in the planning and permitting stages. The pipeline remained heavily tilted toward upscale properties (71.1%), followed by fully affordable projects (24.5%) and RBN assets (4.4%). Yardi Matrix estimates that deliveries will reach 10,963 units by the end of the year.

- Mirroring the national trend, construction activity slowed in Seattle, with the number of construction starts dropping to 3,519 units across 19 properties through the first three quarters. Starts are down from the 6,856 units across 33 properties that broke ground during the same interval in 2023.

- Developers were active in 32 of the 53 submarkets tracked by Yardi Matrix, with at least 50 units underway in each. Activity was most intense in nine submarkets, where the pipeline had more than 1,000 units underway, led by Redmond (2,509 units) Belltown (2,202 units) and Shoreline (1,867 units).

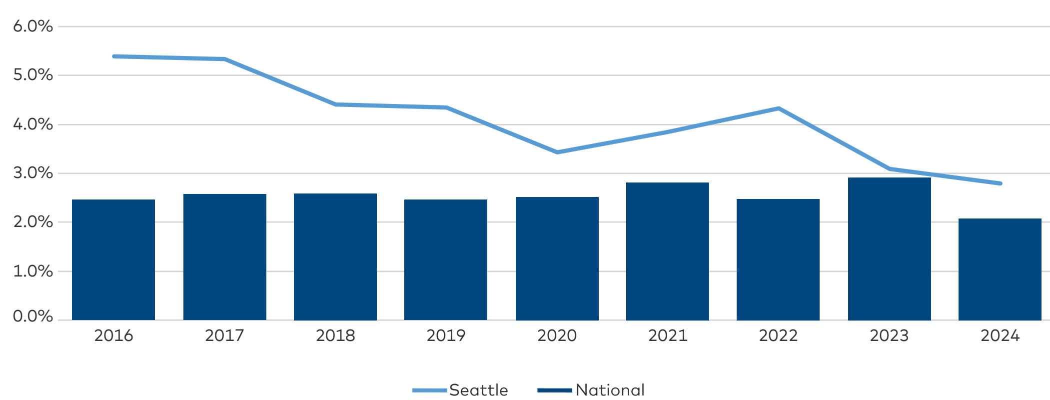
- The largest project delivered in the third quarter was the fully affordable 430-unit Four Corners in Central Everett. The asset is owned by Devco Residential Group and was built with aid from a $89 million construction loan issued by Citibank.

Seattle Completions (as of September 2024)



Source: Yardi Matrix

Seattle vs. National Completions as a Percentage of Total Stock (as of September 2024)

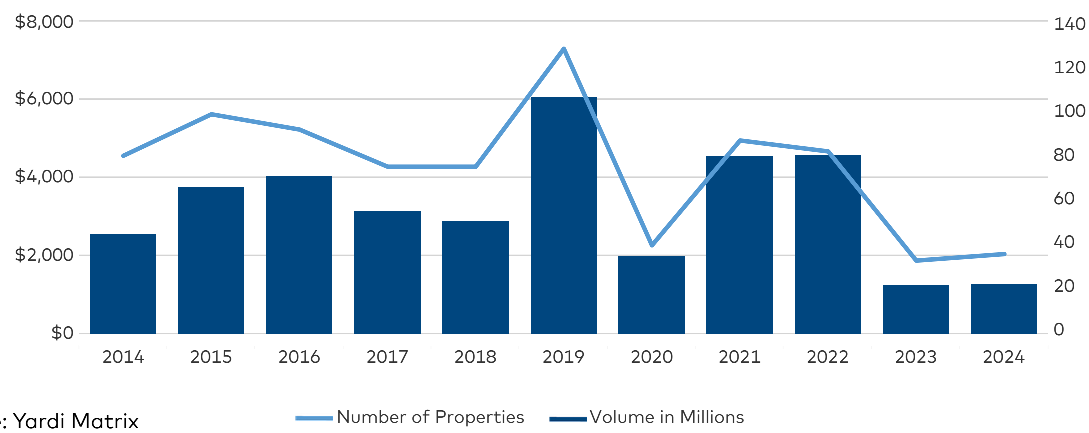


Source: Yardi Matrix

TRANSACTIONS

- Investment activity in Seattle remained limited in 2024—totaling $1.3 billion through September—but volume improved compared to 2023, when $1.2 billion in multifamily assets changed hands.
- Although 20 of the 35 deals involved upscale properties, the price per unit dropped 11.4% year-to-date, to $285,323, marking the first dip below the $300,000 mark since 2019. The U.S. rate rose 0.9%, to $188,379, during the period.
- Notable sales recorded during the third quarter of 2024 include Goldman Sachs & Co.'s acquisition of Skyglass, as part of a joint venture with Virtu Investments. The 338-unit asset is located in the Belltown submarket and includes 5,000 square feet of retail space. It was sold by Gemdale USA for $172 million. The new owners assumed the outstanding balance of a $133 million construction loan held by Corebridge Financial.

Seattle Sales Volume and Number of Properties Sold (as of September 2024)



Source: Yardi Matrix

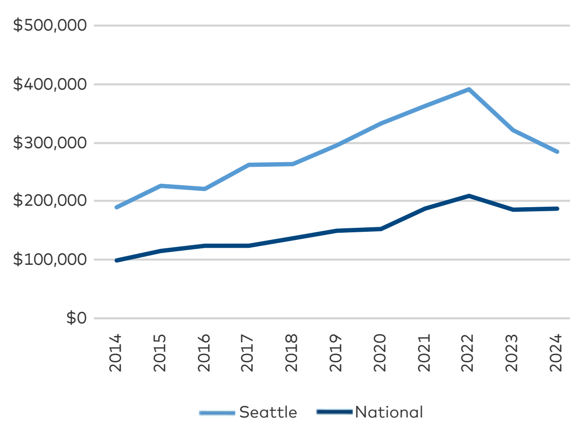
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Belltown	310
Renton	268
Kent	233
First Hill	196
Queen Anne	114
Ballard	101
Rainier Valley	97

Source: Yardi Matrix

[1] From October 2023 to September 2024

Seattle vs. National Sales Price per Unit



Source: Yardi Matrix

LISTICLE

Top 10 Markets for Multifamily Deliveries

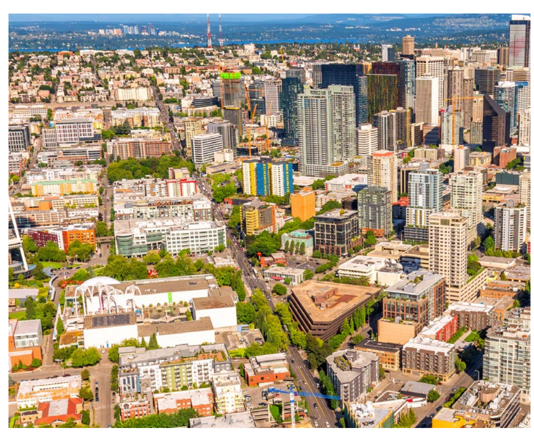
By Tudor Scolca

With 2 million units expected to be completed across the U.S. from 2024 to 2028, multifamily development is peaking, the latest Yardi Matrix data shows. The supply surge is already in full swing, as these high-performing 10 cities had a combined 85,055 units come online in the first half of this year, about 20,000 more than delivery volume during the first half of 2023.

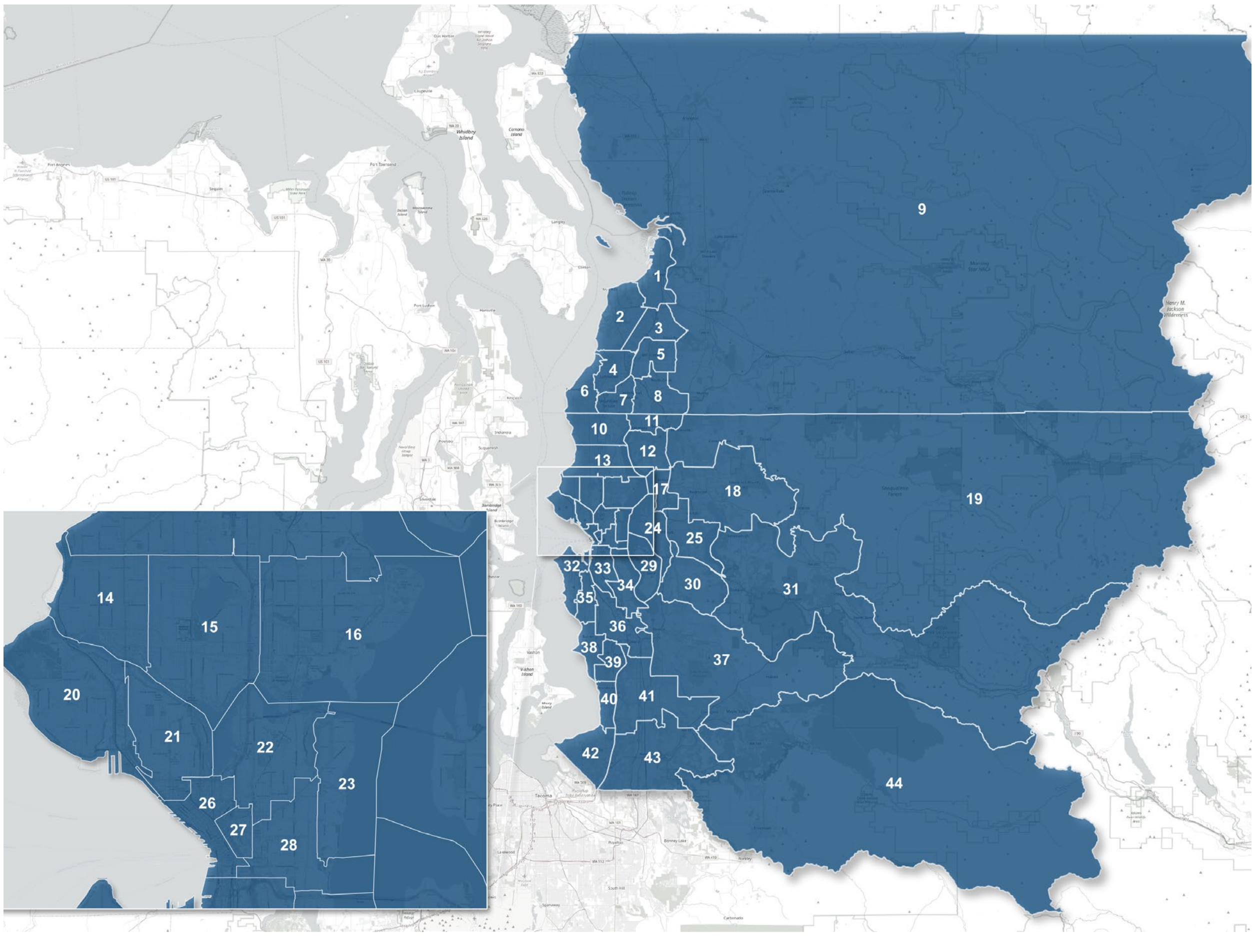
Rank	Metro	Properties Completed H1 2024	Units Completed H1 2024	Units Completed H1 2023
1	Dallas	48	12,830	7,787
2	Phoenix	44	10,048	8,413
3	Houston	35	9,258	4,641
4	Atlanta	41	8,857	7,611
5	Orlando	33	8,555	5,642
6	Austin	32	8,521	6,904
7	Miami Metro	31	6,897	7,913
8	Charlotte	31	6,890	5,803
9	Denver	34	6,623	5,522
10	Seattle	38	6,576	3,812

Seattle

Closing the list of top 10 metros for multifamily deliveries was Seattle. Developers brought 38 properties online, encompassing 6,576 units—a 72.5% increase from 2023's first half. Although employment growth softened, Seattle remained a top-performing metro. In June, its pipeline included 108 projects under construction, which had more than 23,000 units. In March, Amazon committed $122 million in affordable housing projects, bringing its total investment to $670 million.



SEATTLE SUBMARKETS



Area No.	Submarket
1	Central Everett
2	Paine Field
3	Silver Lake
4	Lynnwood
5	Mill Creek
6	Edmonds
7	Mountlake Terrace
8	Thrashers Corner
9	Marysville/Monroe
10	Shoreline
11	Bothell
12	Juanita
13	North Seattle
14	Ballard
15	Greenlake/Wallingford

Area No.	Submarket
16	University
17	Kirkland
18	Redmond
19	Woodinville/Totem Lake
20	Magnolia
21	Queen Anne
22	Capitol Hill/Eastlake
23	Madison/Leschi
24	Bellevue–West
25	Bellevue–East
26	Belltown
27	First Hill
28	Central
29	Mercer Island
30	Factoria

Area No.	Submarket
31	Issaquah
32	West Seattle
33	Beacon Hill
34	Rainier Valley
35	White Center
36	Riverton/Tukwila
37	Renton
38	Burien
39	Seatac
40	Des Moines
41	Kent
42	Federal Way
43	Auburn
44	Enumclaw

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students,* who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households,* composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households,* which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

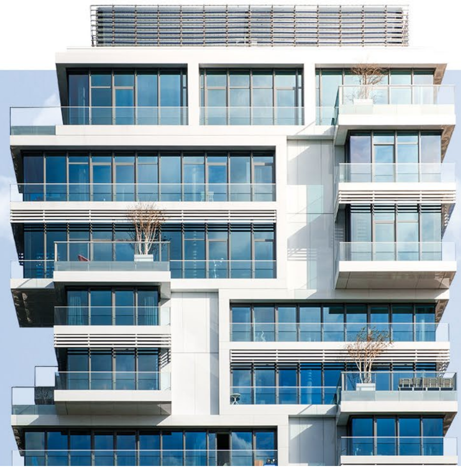
Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x14006.

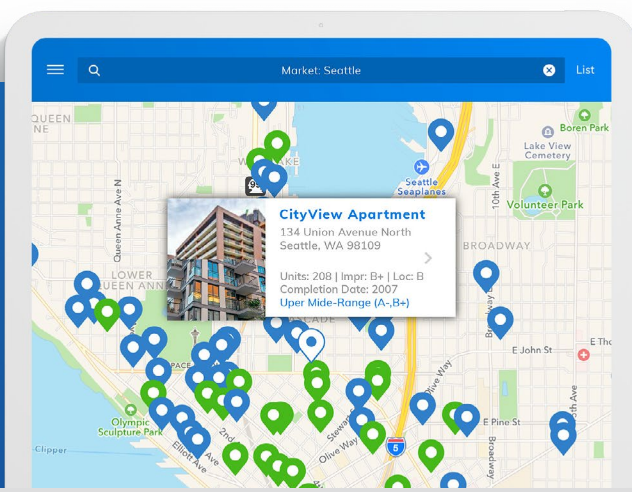
Yardi Matrix



Power your business with the industry's leading data provider

MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily provides accurate data on **22.3+ million units**, covering over **92% of the U.S. population.**

YARDI

(800) 866-1144

Learn more at yardimatrix.com/**multifamily**

Contact us