2022 MID-YEAR

SEATTLE-TACOMA WA

Multifamily Report

BERKADIA®
INSTITUTIONAL SOLUTIONS

a Berkshire Hathaway and Jefferies Financial Group company

Jobs Added / Lost

LAST 12 MONTHS

110,300

5.5%

NEXT 12 MONTHS*

48,600

2.3%

Unemployment

MID-YEAR 2022

2.9%

200 BPS YOY

MID-YEAR 2023*

2.4%

50 BPS YOY

**Projected*

SEATTLE-TACOMA, WA

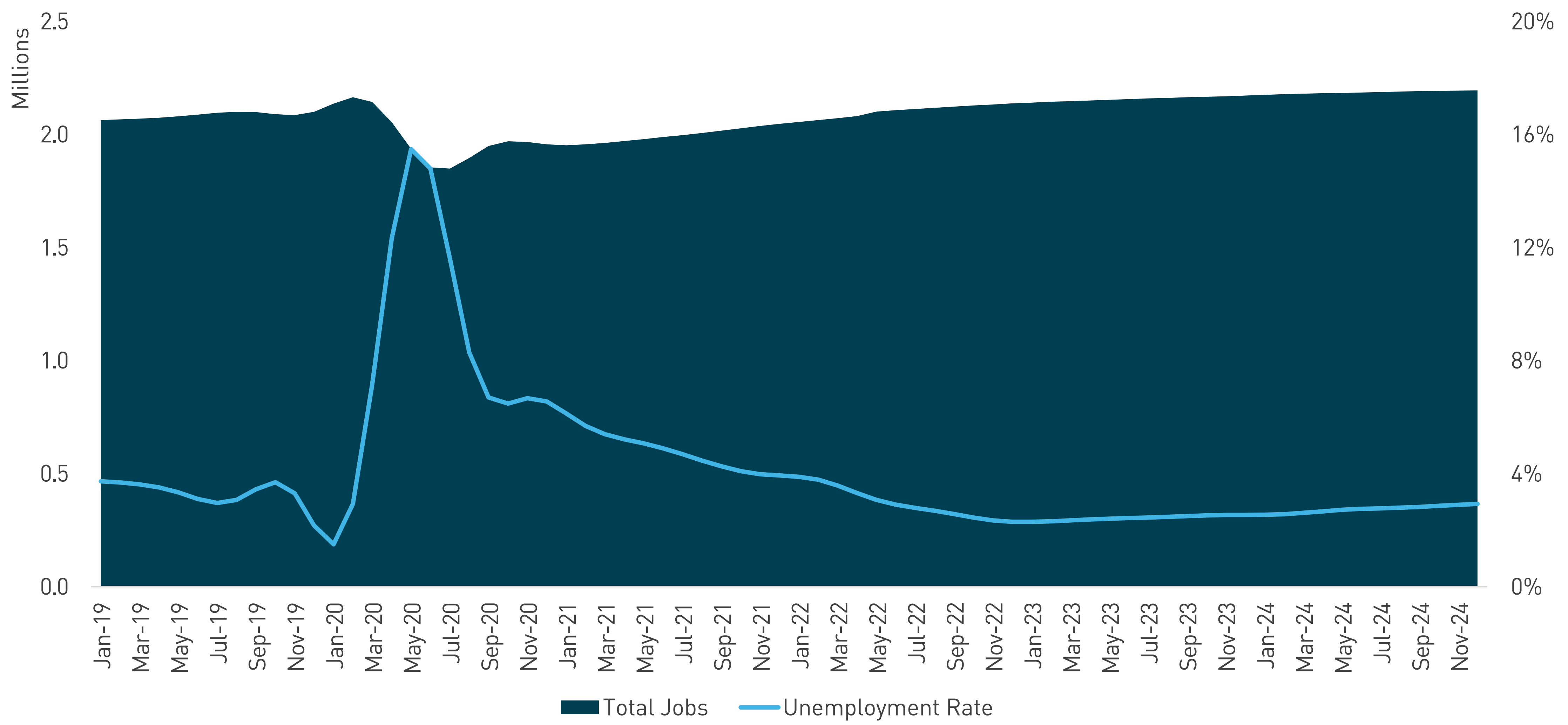
EMPLOYMENT

White-collar hiring underpinned the economic recovery across the Seattle-Tacoma metropolitan area. Headcounts in the information, the professional and business services, and the financial activities sectors surpassed the pre-pandemic peak in mid-2022. As the home to tech giants that include Amazon.com Inc. and Microsoft Corporation, the information industry showcased the most resiliency in the near term, capped by 4,400 personnel added in the first half of 2022. Both Amazon and Microsoft adopted a hybrid work environment, anchoring many workers to Greater Seattle. This contributed to sustained housing demand, especially among Class A apartments as these occupations on average earn $129,890 annually.

Apartment operators in the South Lake Union/Queen Anne and the Redmond submarkets recorded strong leasing activity in the first six months of 2022.

Rental demand is expected to sustain in the second half of this year with almost 1,700 information personnel are forecast to be added at the same time. Hiring in the information sector is part of 29,500 new nonfarm jobs projected by year-end. The additions would bring the workforce nearly level with the pre-pandemic peak. One reason Greater Seattle payrolls linger below the previous high is the slower recovery in the leisure and hospitality industry. The workforce was approximately 83% of the previous high by mid-2022.

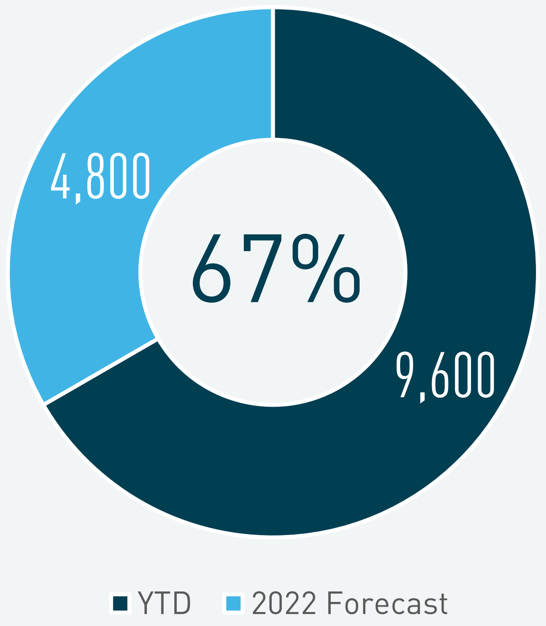
Employment Trends



SOURCE: Moody's Analytics

Who's Hiring?

PROFESSIONAL & BUSINESS SERVICES INDUSTRY



16%
OF ALL JOBS IN THE METRO

$97,400
AVERAGE ANNUAL SALARY

Top Professional & Business Services Employers

Microsoft	57,000 JOBS
Alphabet	6,300 JOBS
tableau	2,000 JOBS

In The News

- Seattle area still gaining tech jobs
- Seattle life sciences industry employment booms
- Walmart to hire for its Global Tech team in Seattle

SEATTLE-TACOMA, WA

DELIVERIES & ABSORPTION

2022 Units*

DELIVERIES
12,543

ABSORPTION
6,714

2023 Units*

DELIVERIES
17,420

ABSORPTION
12,742

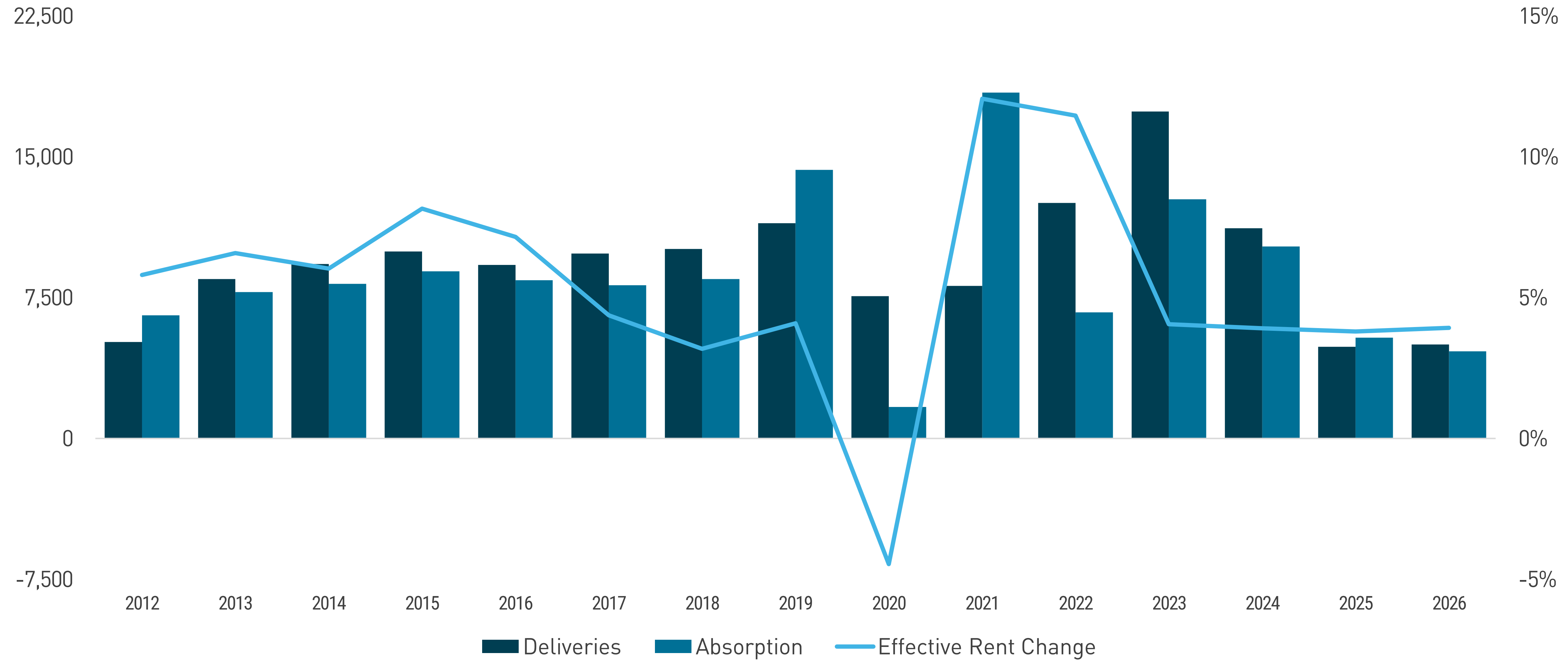
**Projected*

At the onset of the pandemic, apartment developers faced labor shortages and disruptions to the construction supply chain across Greater Seattle. As a result, the completion timelines for many projects were delayed, especially for mid-rise apartment communities. This led to more than 9,200 market-rate units coming online since mid-2021 metrowide, around 500 less than the annual average during the preceding five years.

While deliveries were spread throughout Greater Seattle, approximately one out of every 10 additions metrowide was in the Kirkland/Bothell submarket. Developers targeted the popular submarket where occupancy and effective rent outperformed the market average recently. The new inventory facilitated leasing activity, as many renters sought housing in an area known both for high-paying jobs in the biotechnology, technology, and telecommunications industries and for its top-rated schools for households with children.

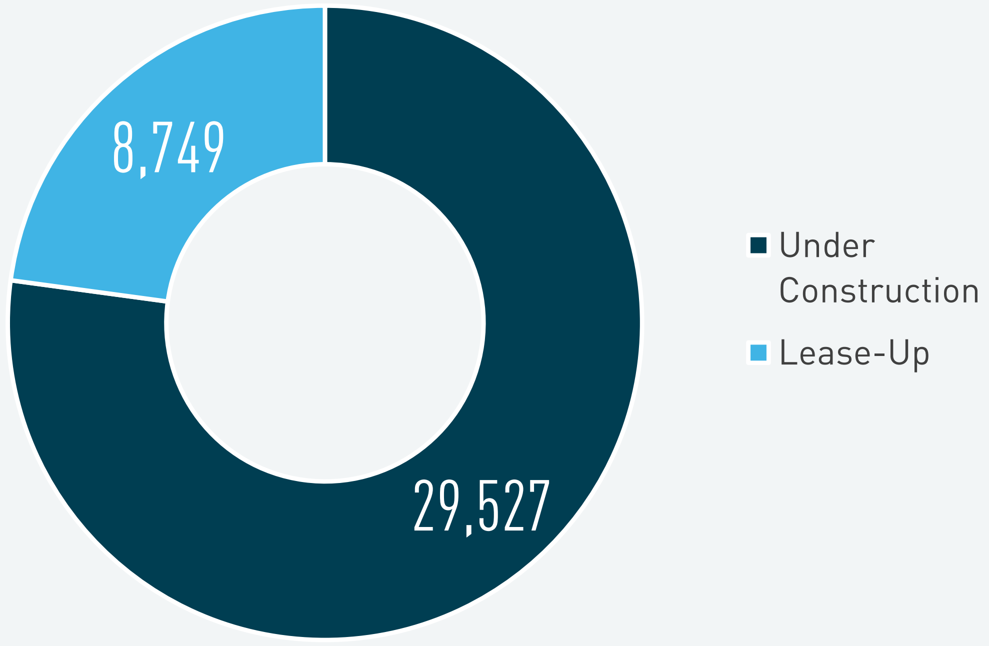
Developers remain active in the submarket, with construction underway on six communities as of mid-2022. Builders are scheduled to bring nearly 500 units online in the Kirkland/Bothell submarket over the next four quarters. The additions are part of more than 15,300 units expected to deliver across the Seattle-Tacoma metropolitan area by mid-2023, a 66% year over year increase.

Deliveries, Absorption, & Effective Rent Change

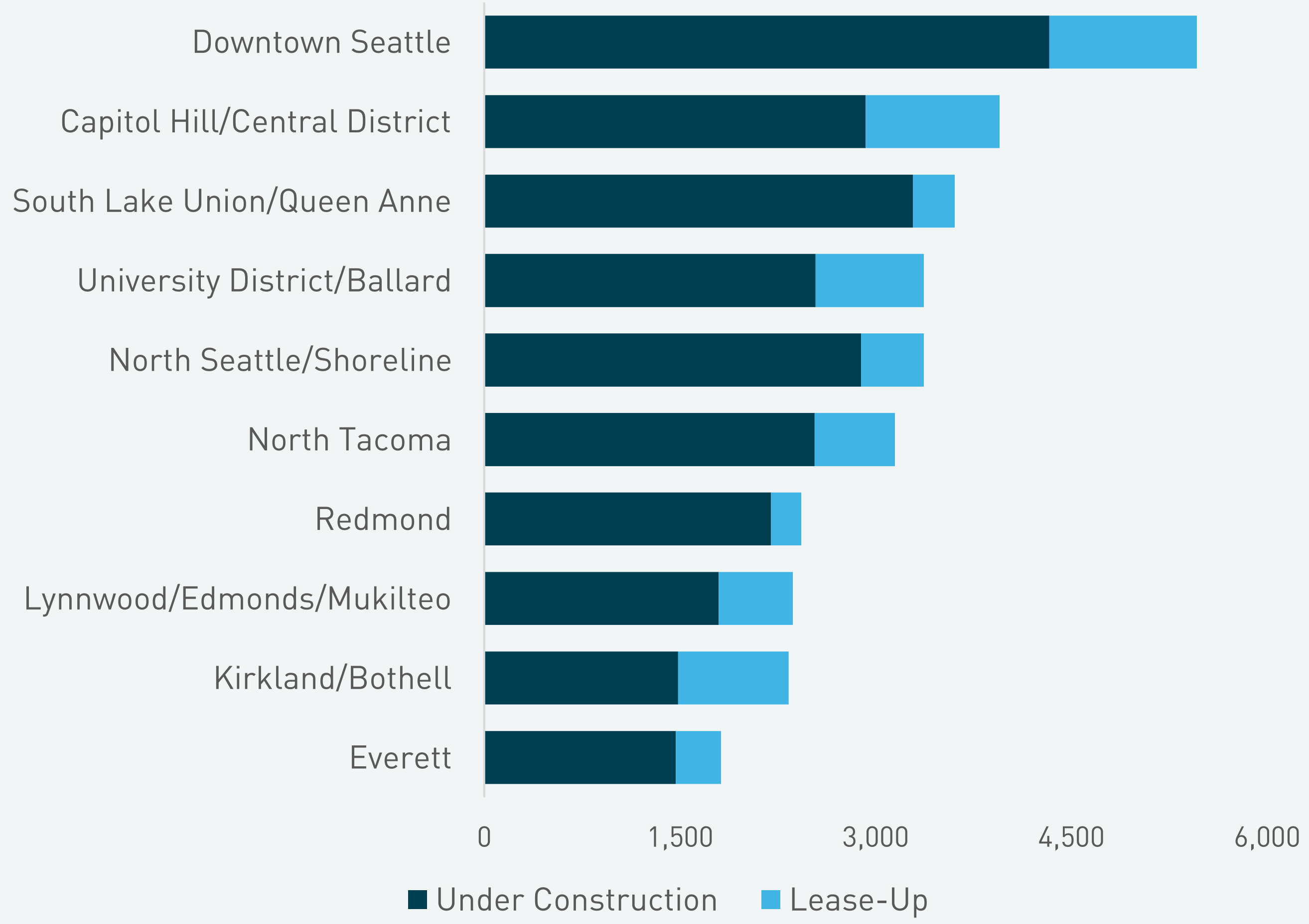


Source: RealPage

Market Pipeline



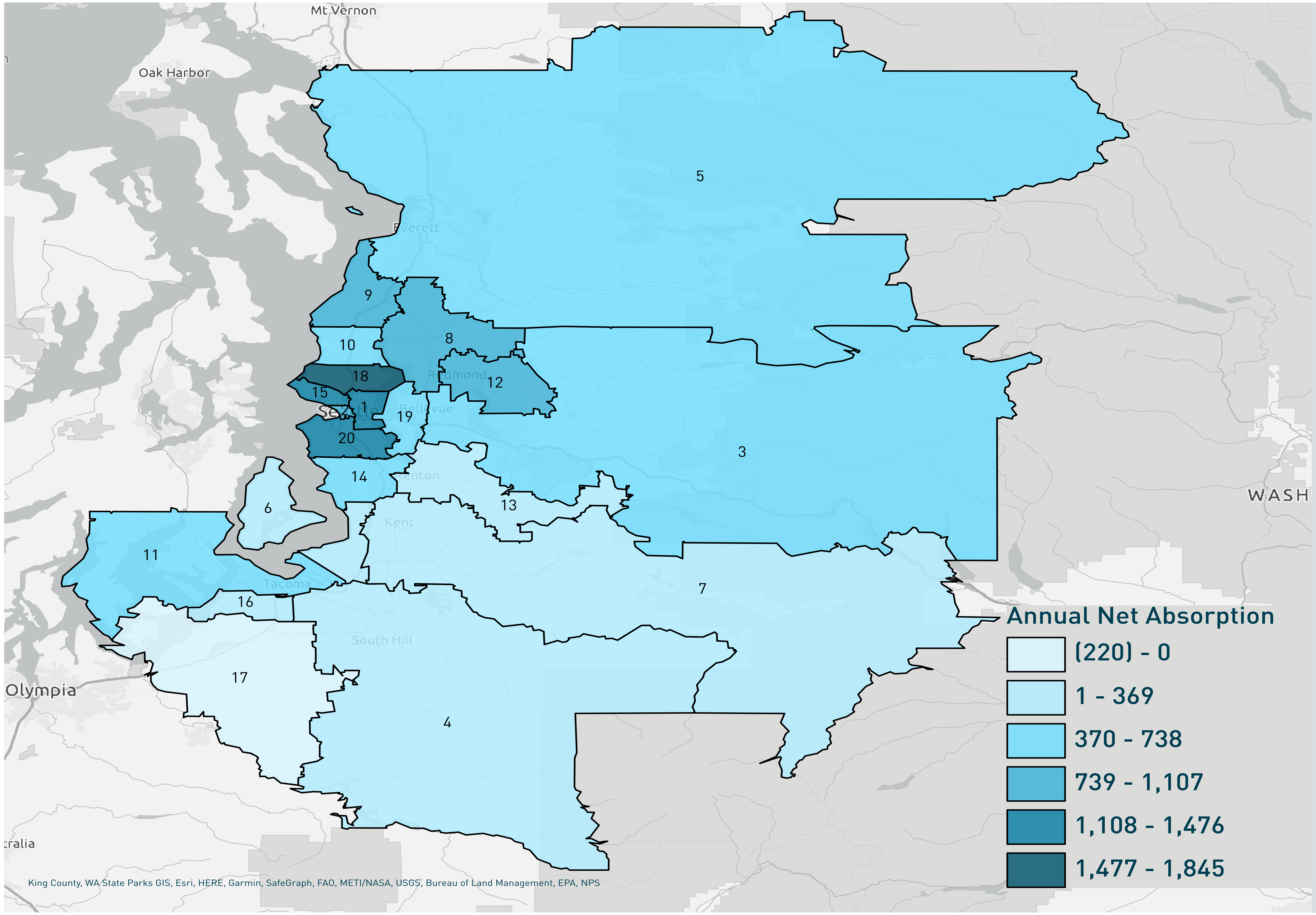
Top 10 Submarket Pipelines



While apartment operators in many large metros saw an urban exodus during the pandemic, net absorption remained positive in core of Greater Seattle. Renter preference for the metro's center heightened in the last year with approximately 4,700 net units absorbed in the neighboring West Seattle/ South Seattle, South Lake Union/Queen Anne, Capitol Hill/Central District, and Downtown Seattle. The delivery of over 3,000 apartment units facilitated leasing activity. The downtown area started to regain the live-work-play appeal in the beginning of summer 2021, as businesses and organizations reopened and expanded in the retail, restaurant, and arts sectors. Sustained hiring and apartment development are expected to support apartment demand in the near term, with a forecasted absorption of over 5,600 net units in these submarkets over the next four quarters.

SEATTLE-TACOMA, WA

SUBMARKET ANNUAL ABSORPTION



SUBMARKET BOUNDARIES

1. Capitol Hill / Central District
2. Downtown Seattle
3. East Bellevue / Issaquah
4. East Pierce County
5. Everett
6. Federal Way / Des Moines
7. Kent / Auburn
8. Kirkland / Bothell
9. Lynnwood / Edmonds / Mukilteo
10. North Seattle / Shoreline
11. North Tacoma
12. Redmond
13. Renton
14. SeaTac / Burien
15. South Lake Union / Queen Anne
16. South Tacoma / University Place
17. Southwest Pierce County
18. University District / Ballard
19. West Bellevue / Mercer Island
20. West Seattle / South Seattle

Effective Rent

2Q 2022

$2,046

13.6% YOY

Occupancy

2Q 2022

96.4%

100 BPS YOY

SEATTLE-TACOMA, WA

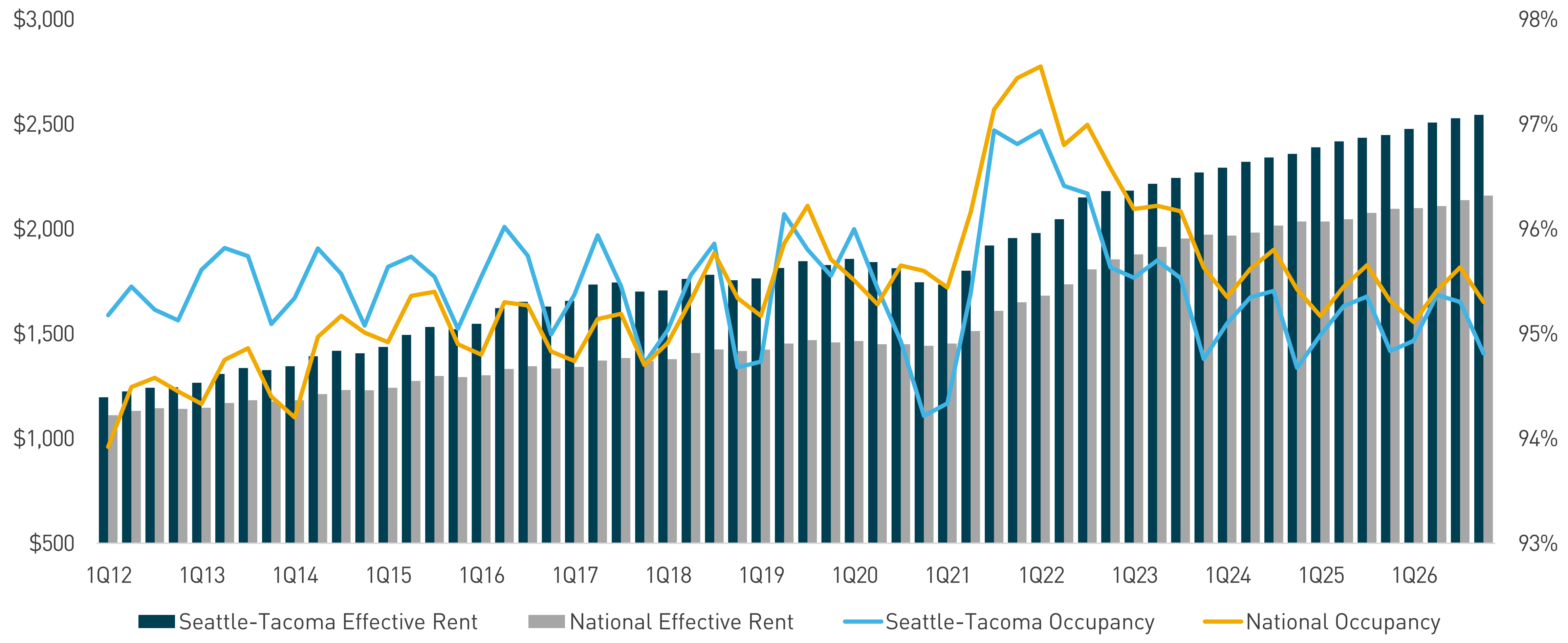
RENT & OCCUPANCY

Following the initial economic impact of the pandemic, payrolls dropped across Greater Seattle. In response, many apartment operators attracted or retained renters by decreasing asking rent as well as increasing concessions. This led to a 2.2% annual dip in effective rent through mid-2021. At the same time, average apartment occupancy held at 95.4% year over year even as approximately 8,800 units were delivered.

In the last year, apartment leasing activity soared metrowide as a variety of employment and lifestyle options reopened or expanded. At the same time, net absorption outpaced deliveries, which elevated metrowide occupancy 100 basis points to an average of 96.4% in the second quarter of 2022. The recent occupancy rate was 90 basis points higher than the preceding five-year average.

With health occupancy amid 2.1% inventory growth, apartment operators elevated effective rent 13.6% year over year to an average of $2,046 per month in the second quarter of 2022. Even with annual rise, the cost of renting was less than half the median monthly mortgage payment. In the last year, home prices across Greater Seattle swelled 15.3% to $794,718 in June 2022. Apartment operators should have leeway to continue to raise rent in the near term as metro payrolls grow a projected 2.3% over the next 12 months.

Seattle-Tacoma vs. National Effective Rent & Occupancy



Source: RealPage

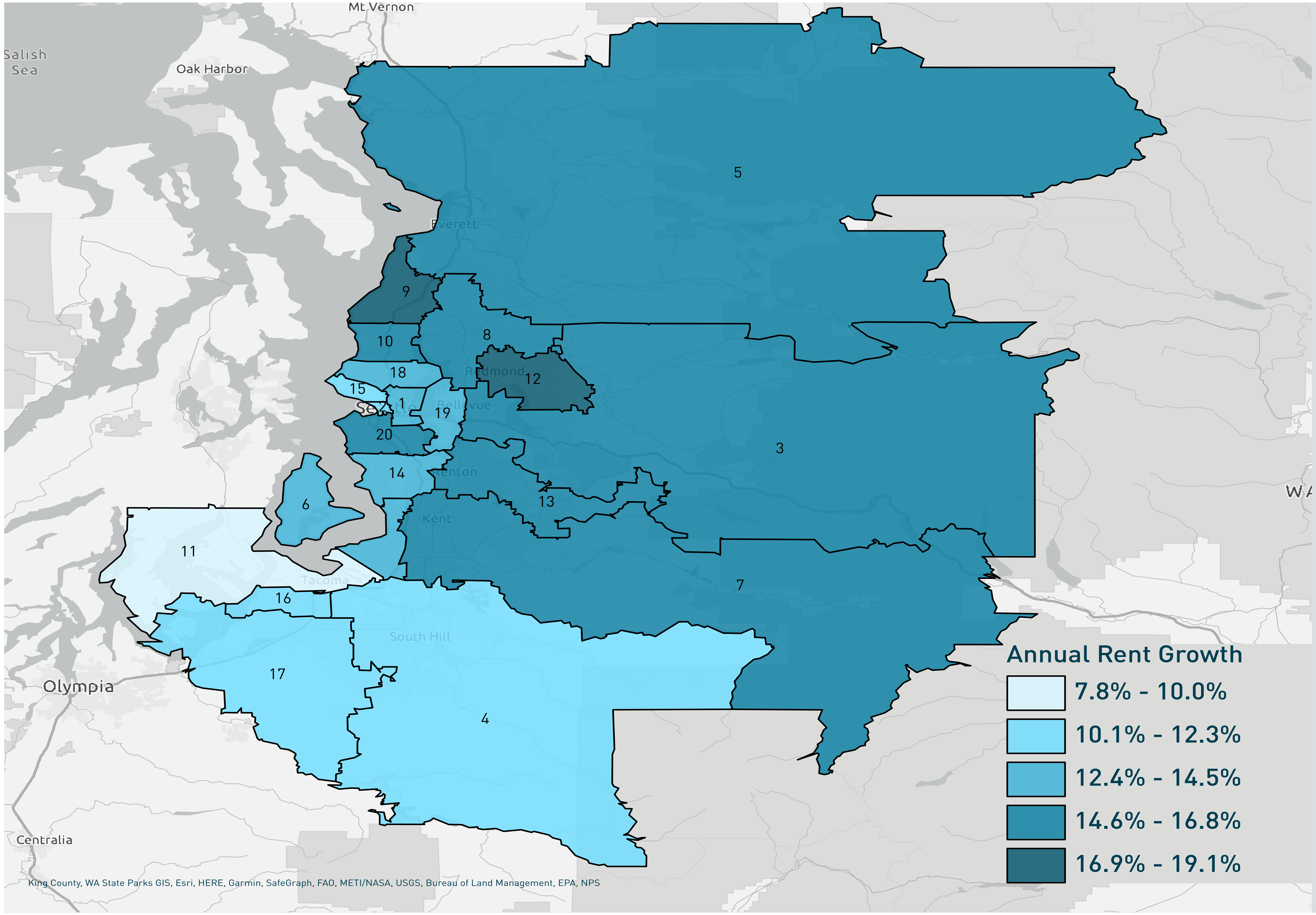
Submarket Performance

SUBMARKET NAME	2Q22 OCCUPANCY	YOY (BPS)	2Q22 EFFECTIVE RENT	YOY
Capitol Hill/Central District	94.9%	120	$2,048	13.2%
Downtown Seattle	94.1%	30	$2,504	10.9%
East Bellevue/Issaquah	97.8%	210	$2,311	16.3%
East Pierce County	96.5%	-120	$1,853	11.9%
Everett	96.5%	-40	$1,814	14.9%
Federal Way/Des Moines	96.8%	0	$1,779	14.0%
Kent/Auburn	96.8%	0	$1,873	14.8%
Kirkland/Bothell	97.0%	90	$2,237	14.6%
Lynnwood/Edmonds/Mukilteo	97.0%	60	$1,950	19.1%
North Seattle/Shoreline	96.6%	110	$1,812	14.8%
North Tacoma	96.6%	-70	$1,739	7.8%
Redmond	97.5%	160	$2,367	18.5%
Renton	96.6%	60	$2,064	15.2%
SeaTac/Burien	97.8%	290	$1,635	12.6%
South Lake Union/Queen Anne	95.5%	250	$2,415	10.4%
South Tacoma/University Place	97.9%	-70	$1,582	10.2%
Southwest Pierce County	96.8%	-130	$1,587	10.5%
University District/Ballard	96.7%	340	$2,098	13.7%
West Bellevue/Mercer Island	97.0%	170	$2,689	13.4%
West Seattle/South Seattle	95.9%	320	$1,965	15.1%

SEATTLE-TACOMA, WA

SUBMARKET ANNUAL RENT CHANGE

Apartment developers ramped up activity in the Redmond submarket in recent years as the area became more desirable for renters with the growing presence of Microsoft Corporation. At the city's largest employer, Microsoft contributes to housing demand as the company fully reopened its offices to employees for hybrid work. Also driving Redmond residents to renting is the high cost of homeownership. At an average of $1.3 million in June 2022, the median home price in the city of Redmond kept many households as renters. These factors contributed to leasing activity outpacing the delivery of more than 650 units in the last year to elevate occupancy 160 basis points annually. Apartment operators responded by advancing monthly effective rent 18.5%, among the highest annual increases across the Seattle-Tacoma metropolitan area.



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SEATTLE-TACOMA, WA

SALES

2022 Year to Date*

VOLUME $2.0B	**PRICE PER UNIT (AVG)** $420,662
TRANSACTIONS 17	**CAP RATE (AVG)** 3.6%

What's Trading?*

UNITS (AVG) 292	**YEAR BUILT (AVG)** 2000's
BUILDINGS (AVG) 14	**ACRES (AVG)** 10.98

Top Buyers**

BUYER	LOCATION
Security Properties	Seattle, WA
Blackstone	New York, NY
Kennedy Wilson	Beverly Hills, CA
Acacia Capital Corp	San Mateo, CA
Hines	Houston, TX

Top Sellers**

SELLER	LOCATION
Security Properties	Seattle, WA
Greystar	Charleston, SC
Goldman Sachs	New York, NY
AIG	New York, NY
Urban Visions	Seattle, WA

Source: Real Capital Analytics
**$50m+*

***Past 24 Months*

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Sources: RealPage; Moody's Analytics; Real Capital Analytics