

SEATTLE-TACOMA, WA MULTIFAMILY REPORT

2023 | MIDYEAR

BERKADIA[®]
INSTITUTIONAL SOLUTIONS





SEATTLE-TACOMA, WA EMPLOYMENT

Jobs Added / Lost

LAST 12 MONTHS

64,700

↑ 3.1%

NEXT 12 MONTHS*

15,500

↑ 0.7%

Unemployment

MIDYEAR 2023

3.3%

⊙ 0 BPS YOY

MIDYEAR 2024*

3.5%

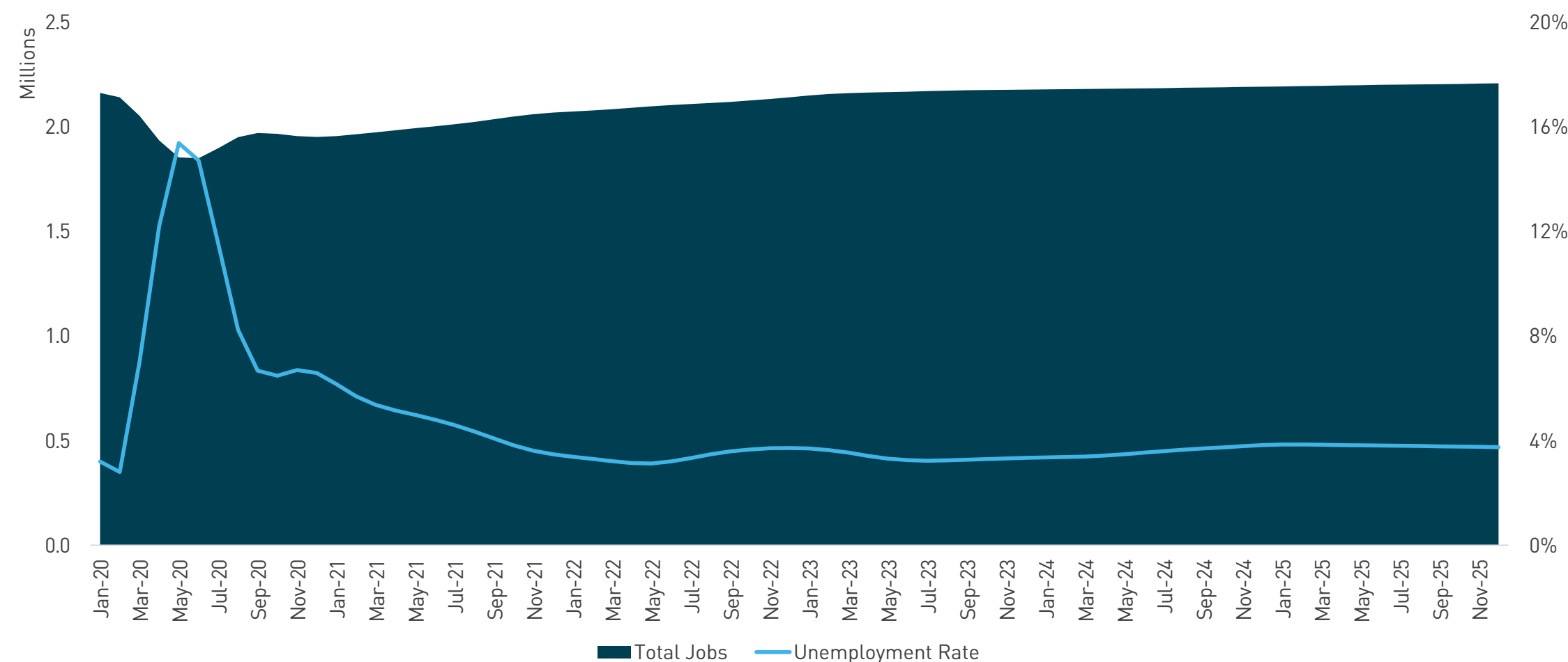
↑ 20 BPS YOY

*Projected

Surpassing its pre-pandemic employment peak in April 2023, the Seattle-Tacoma economy expanded 3.1% year over year through June 2023. Though hiring has slowed compared to last year, the market's economy is outperforming the national average. Roughly a quarter of the net employees added to local payrolls in the metro were from the private education and healthcare sector. With 16,600 new jobs, the sector grew the most in the last year. The sector still has outsized employment demand as the Washington State's Employment Security Department showed 6 out of 10 of Washington's top 10 employers with job openings were healthcare companies. Typically, this list is heavily influenced by technology companies.

For example, during April 2022, Amazon ranked as the top employer hiring; this year, they are ranked sixth. Yet, this does not diminish the impact of tech industry in the Seattle-Tacoma area. Tech jobs make up about 30% of the local economy and generate an economic impact of about \$131 billion. Beyond tech and healthcare, Boeing announced they would be expanding their 737 MAX production in the current Everett assembly plant earlier this year, adding to the diverse economic backdrop of the metro. Part of the expansion includes hiring 10,000 new employees by the end of 2023.

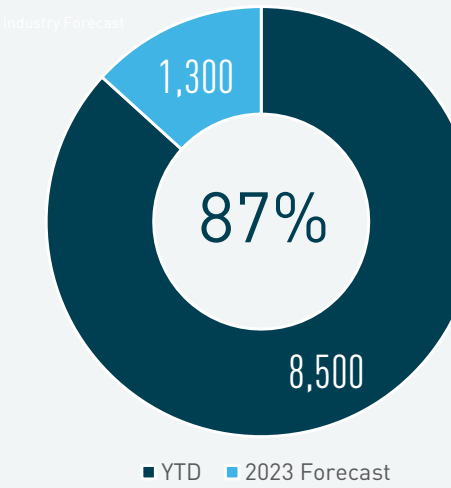
Employment Trends



Source: Moody's Analytics

Who's Hiring?

PRIVATE EDUCATION & HEALTHCARE INDUSTRY



14%
OF ALL JOBS IN THE METRO

\$114,300
AVERAGE ANNUAL SALARY

Top Private Education & Healthcare Employers

UNIVERSITY OF WASHINGTON	49,900 JOBS
Providence SWEDISH	45,900 JOBS
MultiCare	19,700 JOBS

In The News

- [Boeing expands 737 MAX production capacity in Everett](#)
- [J.B. Hunt expands transloading operations in Seattle, Laredo](#)
- [Amazon, Meta and Microsoft factor big in Bellevue's future](#)



SEATTLE-TACOMA, WA

DELIVERIES & ABSORPTION

2023 Units*

DELIVERIES

11,571

ABSORPTION

8,458

2024 Units*

DELIVERIES

19,312

ABSORPTION

18,586

*Projected

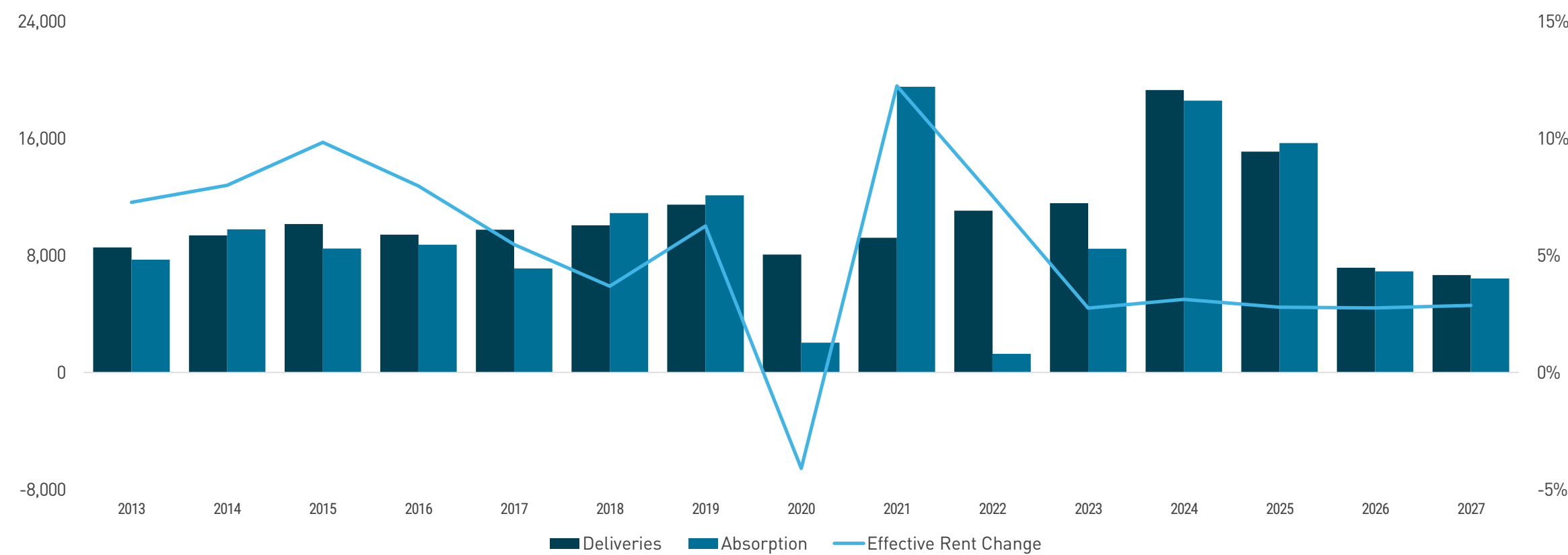
With deliveries and net absorption up from one year prior, apartment activity in Seattle-Tacoma is projected to pick up through the rest of 2023 and into the following years. After only 1,000 units were absorbed in 2022, rental rates have slowed and attracted renters to return to the market. The majority of demand is projected to happen in the last two quarters of this year and is only set to increase even more when looking ahead at 2024 and 2025.

This incoming demand will be supported by the influx of inventory set to hit the market. By the end of 2023, 11,571 additional units are projected to be available within Seattle-Tacoma. Yet, this is the calm before the storm since there are nearly 20,000 units forecast to be delivered

by the end of 2024. Major construction projects are underway throughout the entire metro.

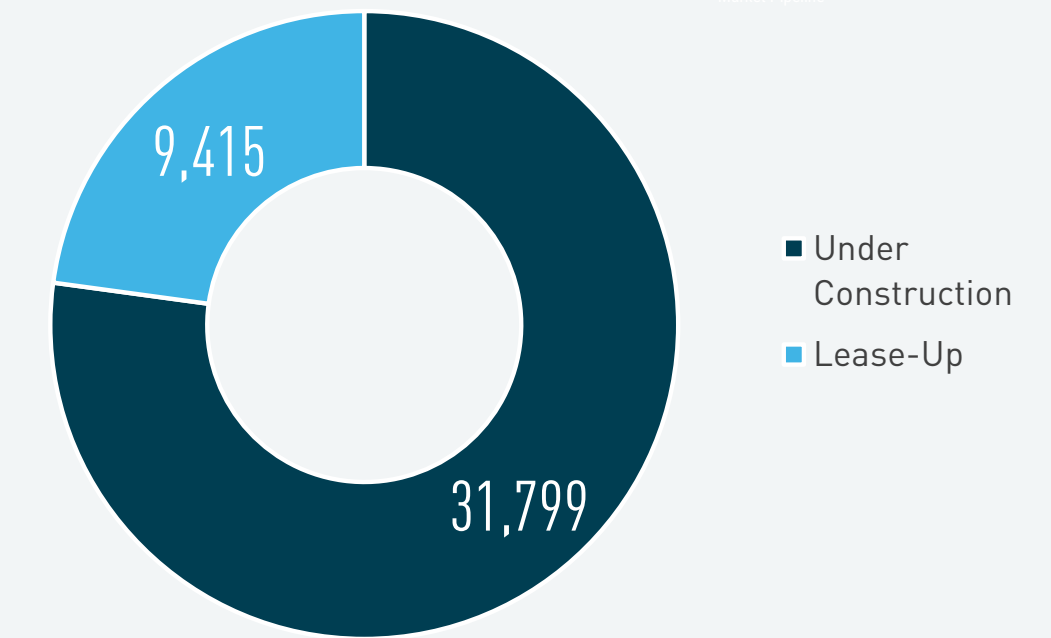
The Bellevue area is welcoming a \$2.6 billion urban neighborhood that will be continued through 2028. The development will be in the Bel-Red district and will feature 5.3 million square feet of apartments, office buildings, restaurants, hotels, and retail space that will spread out across 16 city blocks.

Deliveries, Absorption, & Effective Rent Change

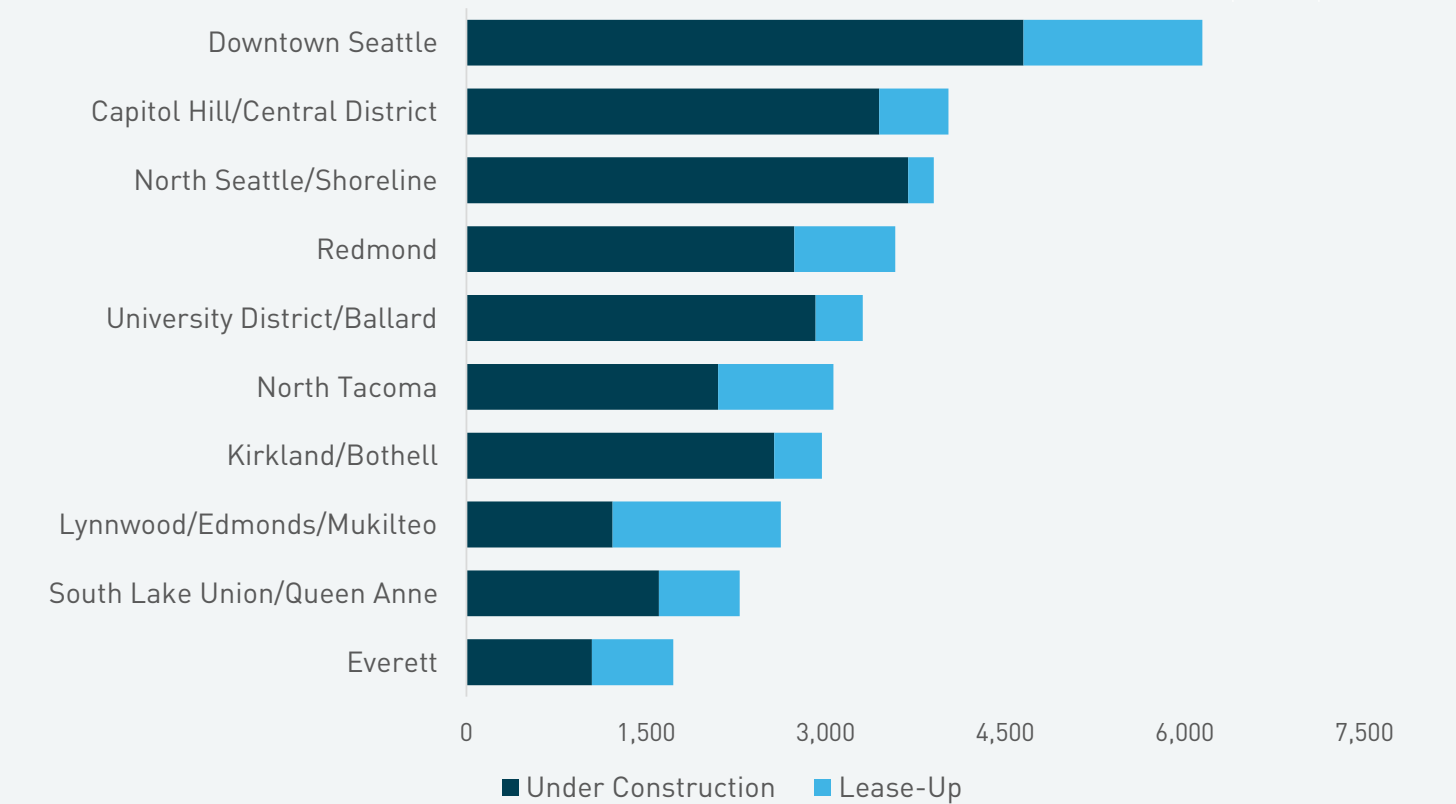


Source: RealPage

Market Pipeline



Top 10 Submarket Pipelines

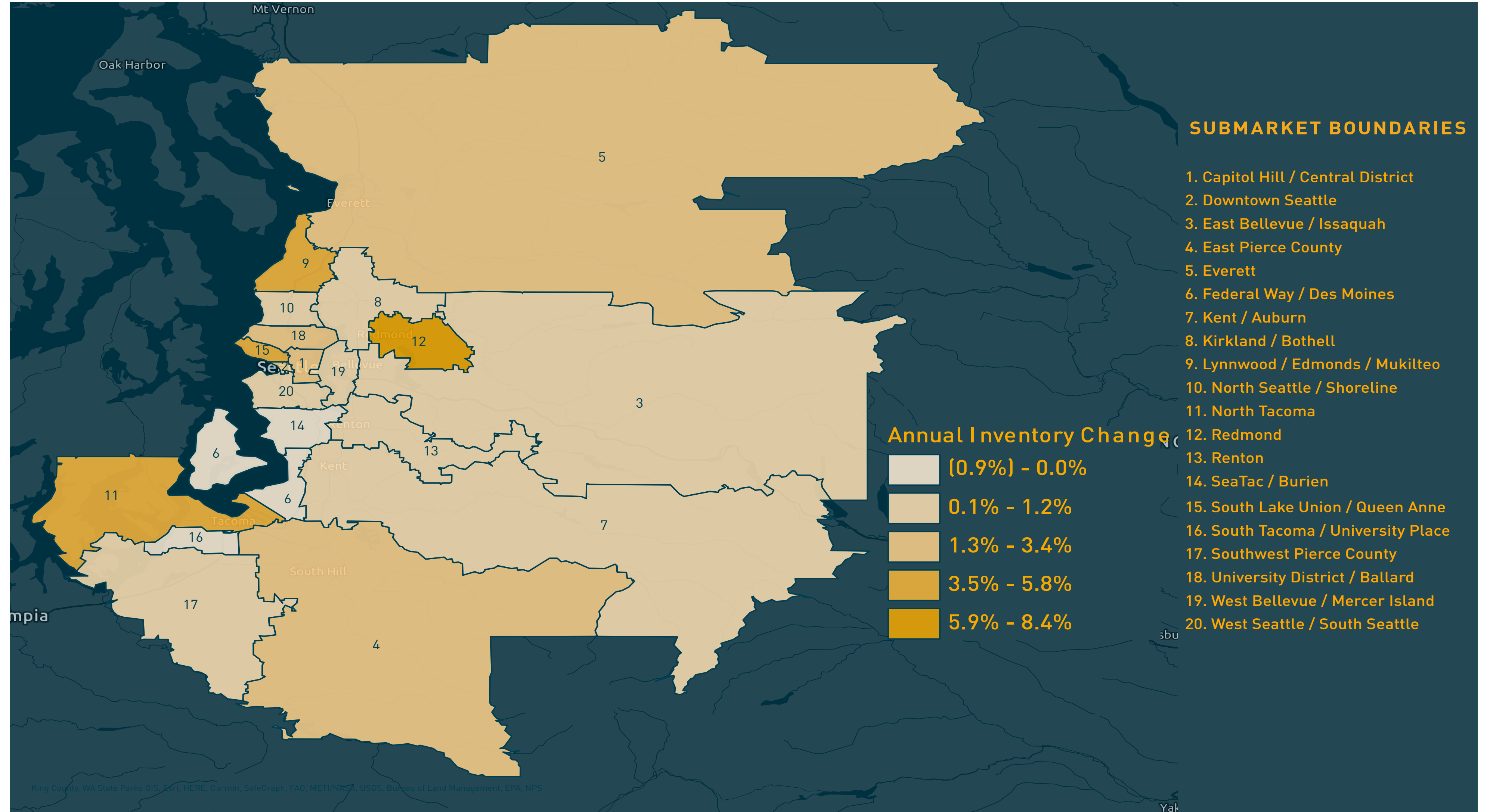




Inventory growth stayed pretty consistent across the majority of Seattle-Tacoma's submarkets. Particularly, the Redmond submarket had the greatest increase. Rising 8.4%, Builders added 1,371 units to its submarket inventory in the past 12 months. Redmond was the target for developers because of its proximity to major employers in both Bellevue and Downtown Seattle area while also offering a less expensive rent than those areas. Looking ahead, Redmond will continue to be a popular development destination for multifamily builders. Currently, the pipeline has 2,740 units under construction, but falls behind the Downtown Seattle submarket, which has 4,654 units under construction by the second quarter of 2023. With the city's largest civic project in the history of Seattle since the Space Needle taking place in Waterfront, builders are wanting to take advantage of further developing this area since it is undergoing a \$756 million renovation.

SEATTLE-TACOMA, WA

SUBMARKET ANNUAL INVENTORY CHANGE





SEATTLE-TACOMA, WA RENT & OCCUPANCY

Effective Rent

Q2 2023
\$2,110
↑ 1.8% YOY

Occupancy

Q2 2023
94.7%
↓ 180 BPS YOY

Rising 1.8% year over year, effective rent in Seattle-Tacoma reached \$2,110 per month in the second quarter of 2023. After experiencing annual rental growth of as high as 14.2%, a taper in leasing activity paired with being outpaced by elevated deliveries caused effective rent growth to cool over the past 12 months. Despite the slowdown, the local effective rent still was 16.6% above the national average in the second quarter of 2023.

At the same time, 15.3% of Seattle-Tacoma landlords offered concessions. Though the share is less than peak during the pandemic, apartment operators on average are offering concessions of 6.3% of asking rent, which is slightly higher than average of 6.2% offered between the

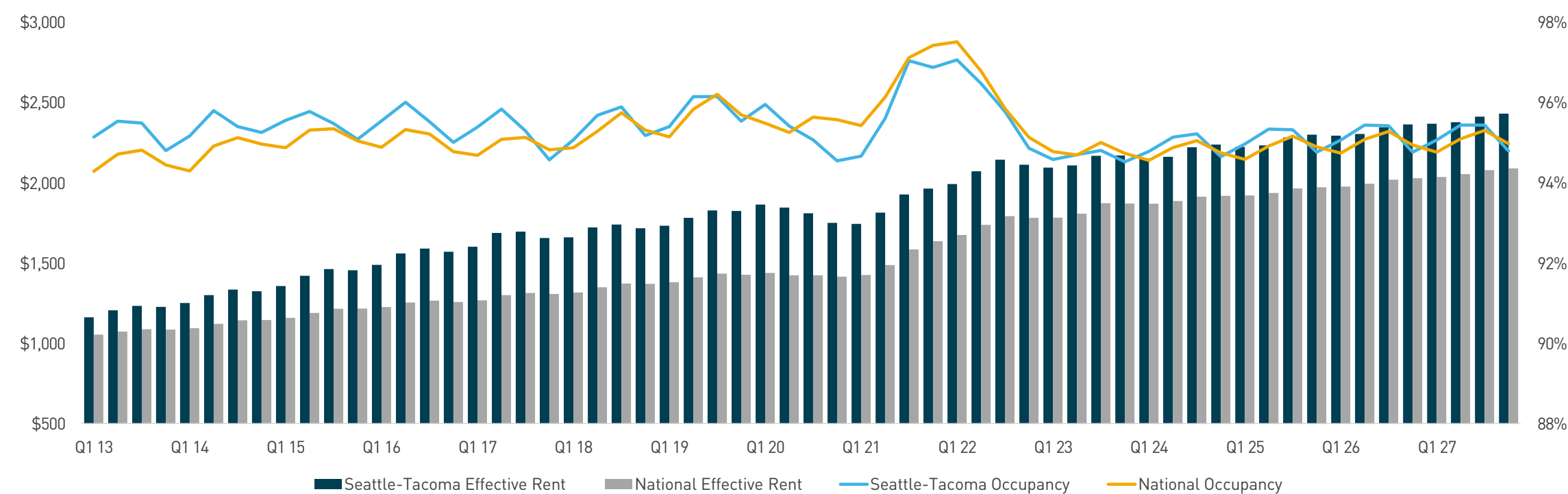
second quarter of 2020 and the fourth quarter of 2021.

The incoming inventory combined with continued hiring should bolster apartment leasing in the near term and improve fundamentals. Other factors attracting renters stem from macroeconomic trends, such as inflation and a fear of a recession. By mid-2024, occupancy is forecast to rise 40 basis points to 95.1% while monthly effective rent grows 2.5% to \$2,163.

Submarket Performance

SUBMARKET NAME	Q2 2023 OCCUPANCY	YOY (BPS)	Q2 2023 EFFECTIVE RENT	YOY
Capitol Hill/Central District	93.7%	-90	\$2,110	3.4%
Downtown Seattle	93.7%	0	\$2,526	-0.6%
East Bellevue/Issaquah	95.1%	-270	\$2,343	1.1%
East Pierce County	94.7%	-180	\$1,892	2.2%
Everett	94.2%	-230	\$1,873	3.3%
Federal Way/Des Moines	95.3%	-140	\$1,825	2.0%
Kent/Auburn	94.6%	-220	\$1,900	1.1%
Kirkland/Bothell	95.2%	-190	\$2,298	2.7%
Lynnwood/Edmonds/Mukilteo	95.3%	-170	\$1,982	1.0%
North Seattle/Shoreline	94.9%	-160	\$1,850	1.9%
North Tacoma	94.1%	-240	\$1,762	1.6%
Redmond	96.1%	-130	\$2,377	0.0%
Renton	94.9%	-190	\$2,091	0.9%
SeaTac/Burien	94.5%	-330	\$1,713	4.8%
South Lake Union/Queen Anne	94.2%	-120	\$2,450	1.3%
South Tacoma/University Place	94.4%	-340	\$1,611	2.0%
Southwest Pierce County	94.1%	-280	\$1,595	0.4%
University District/Ballard	94.5%	-200	\$2,179	3.5%
West Bellevue/Mercer Island	95.4%	-170	\$2,734	1.1%
West Seattle/South Seattle	95.3%	60	\$2,056	4.7%

Seattle-Tacoma vs. National Effective Rent & Occupancy



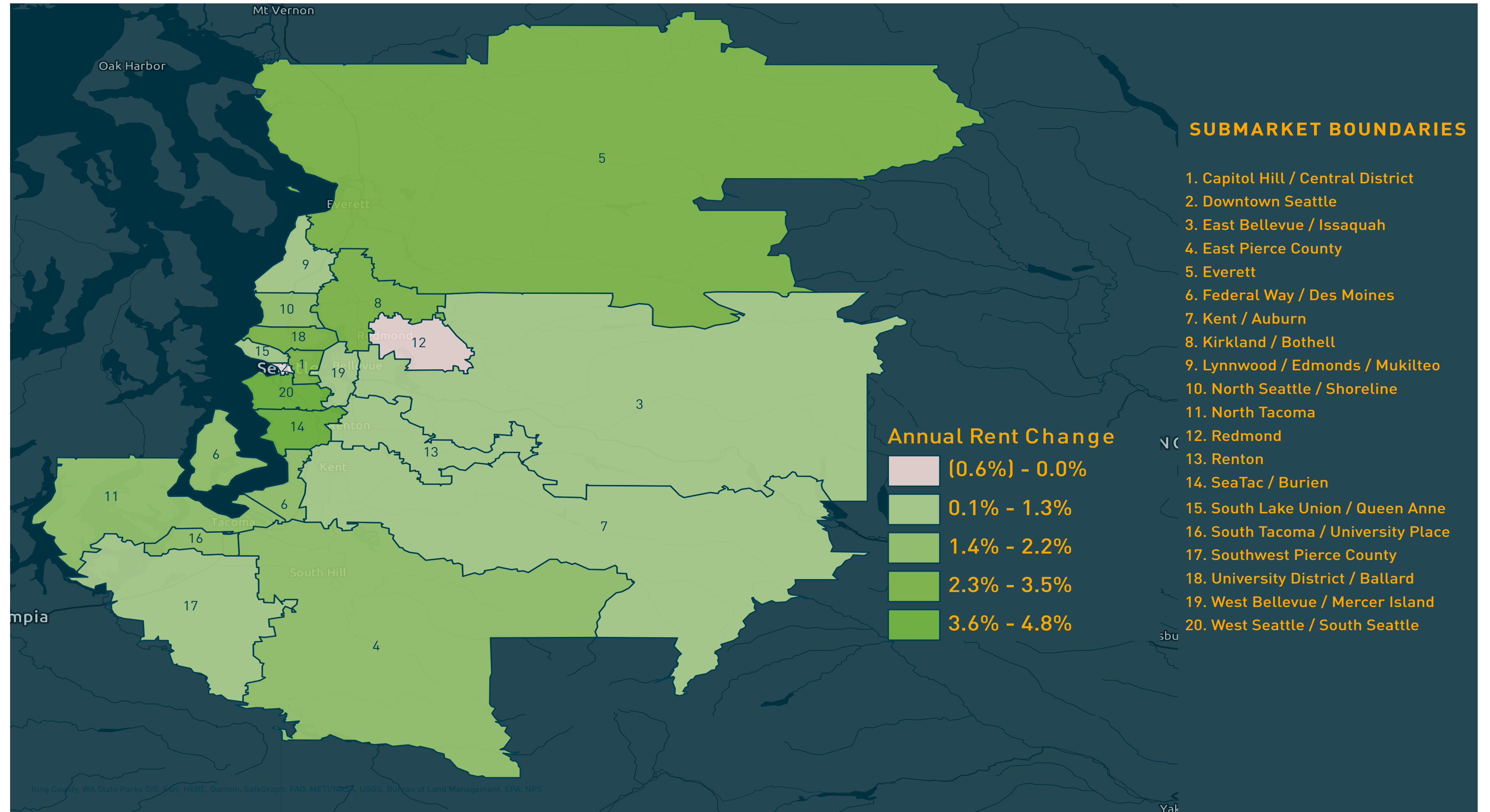
Source: RealPage



SEATTLE-TACOMA, WA

SUBMARKET ANNUAL RENT CHANGE

All but one of Seattle-Tacoma's submarkets experienced positive effective rent changes in the past year. The SeaTac-Burien submarket had the highest effective rent increase in the past year, rising 4.8% to \$1,713 per month. Over the same period of time, the West Seattle/South Seattle submarket's average effective rent increased 4.7%, reaching \$2,056 per month in 2Q23. The two submarkets are in proximity to the eighth-busiest airport in the nation, Seattle-Tacoma International Airport, and Port of Seattle which supports 87,300 jobs are supported. A major regional employer and lack of incoming units have contributed to these submarkets' annual effective rent growth. No new units have been delivered in SeaTac/Burien since 2018, creating more demand to go around to the existing units and driving up rents in the area. Meanwhile, only 131 units have come online in West Seattle/South Seattle in the past year.

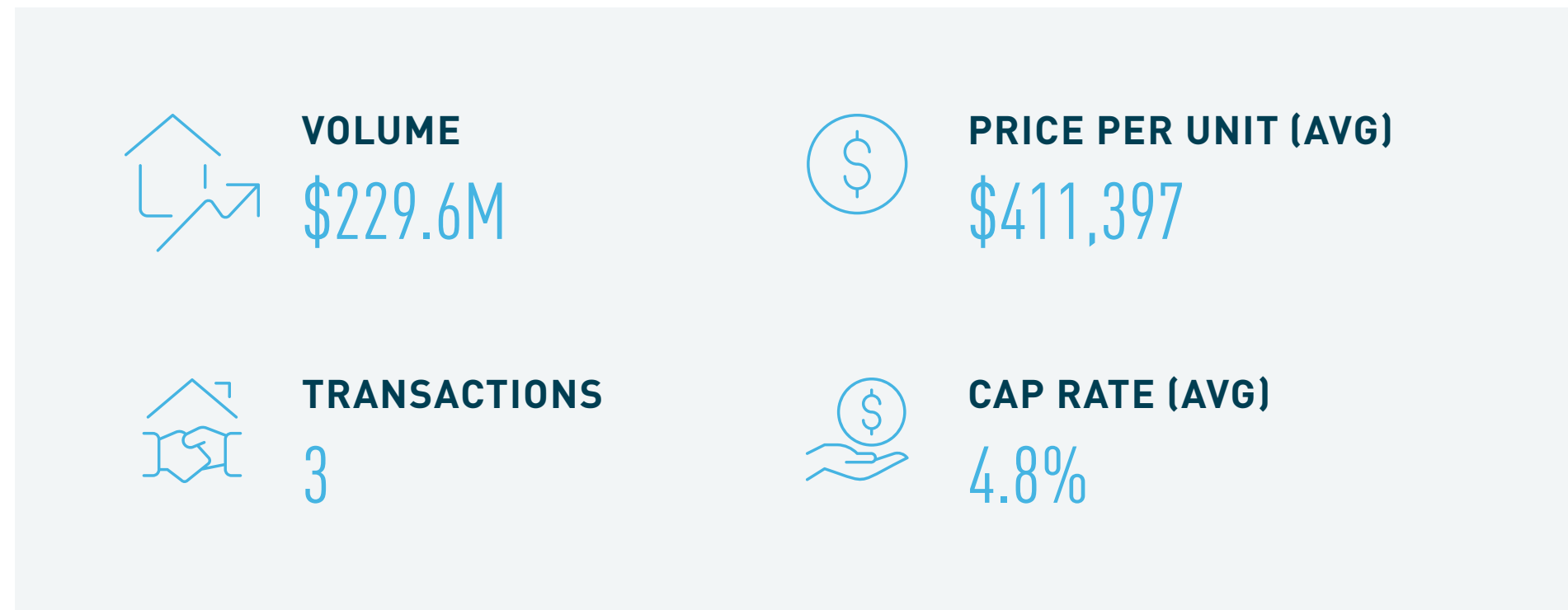




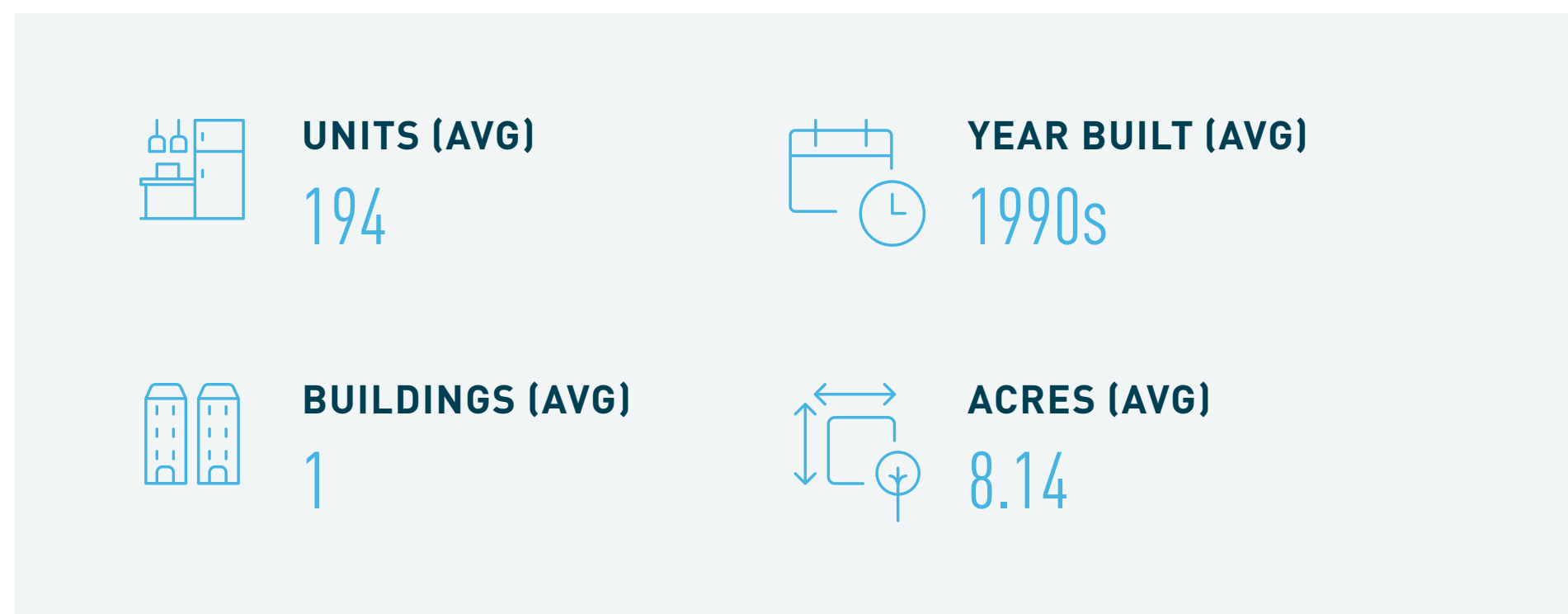
SEATTLE-TACOMA, WA

SALES

2023 Year to Date*



What's Trading?*



Source: Real Capital Analytics
*\$50m+

Top Buyers**

BUYER	LOCATION
Security Properties	Seattle
Pacific Urban Investors	San Francisco
Blackstone	New York
Kennedy Wilson	Beverly Hills, CA
CDPQ	Quebec, Canada

Top Sellers**

SELLER	LOCATION
Security Properties	Seattle
Greystar	Charleston, SC
OMERS	Toronto, Canada
Goldman Sachs	New York
Urban Visions	Seattle

**Past 24 Months



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

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