



COMMERCIAL REAL ESTATE SERVICES

MULTIFAMILY INVESTMENT REVIEW

SPRING
2024

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206.624.2424 | lee-nw.com

OUR COMMITMENT TO YOU

The Investor

The Multifamily team offers comprehensive support for real estate investment decisions, helping clients with strategies tailored to their objectives. We help our clients stay on top of key issues affecting day-to-day ownership and advise them on maximizing cashflow, value and, ultimately, wealth generation and preservation of their portfolio. By analyzing building operations, we identify areas where returns can be improved. Most importantly, we hone in on individualized investment objectives and make recommendations to realize those personal goals.

Our team would be more than happy to analyze your real estate portfolio and put together a customized plan to help you optimize your current investment income, portfolio expansion opportunities, and future cumulative wealth. And of course, you can stay informed of breaking news, legislative updates and educational events through our monthly email updates.



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*We are here
for you.*



A panoramic view of the Seattle skyline, including the Space Needle, set against a blue sky with light clouds. The city is situated on a waterfront.

STATE OF THE MARKET

Out with the Old, In with the New

Ready for a fresh start? With apartment sale volume down by more than 50% across the Tri-County market including King, Snohomish and Pierce County, there were significant headwinds over the course of 2023. Not only were sales down but Q4 2023 apartment values were also down about 20%, on par with values in Q1 2020, four years earlier. It has certainly been a rough go when we consider all that has happened between 2020 and today: Not just a pandemic, climate change, geopolitical uncertainty, and heightened inflation, but also a seemingly permanent shift in the way that we work and use office space with two thirds of Seattle workers still working remotely today, and major economic shifts cooling the job market, not to mention the recent historic rise in interest rates. For perspective, the last time the Federal Interest Rate was this high was in Q1 2001, just before 9/11 and the Dot-Com Bust, with a near match at the beginning of the Housing Crash starting in the summer of 2006.

For the entirety of 2023, buyers said time and again: What is the current NOI? In a market where, if anything, rents were softening, there was not much interest in discussing opportunities to strengthen the financial performance of apartment buildings. We believe this is changing. Quietly, just between the end of 2023 and early 2024, quoted interest rates for multifamily fell 120 basis points. And this year, we expect rates to continue to decrease. Herein lies the opportunity for those savvy investors who are paying attention.

The Crystal Ball

The Urban Land Institute has listed Seattle as the 10th US Market to Watch for Overall Real Estate Prospects in its 2024 Emerging Trends of Real Estate report. Seattle is listed as an Established Market - meaning a long-time economic engine, and a Multitalented Producer, or simply, our market has a diverse economy producing a wide range of goods and services. With our educated, technical, and highly skilled workforce, Seattle has tended to rebound faster than other, less dynamic markets. Many see the next industrial revolution as artificial intelligence, and the Seattle workforce is uniquely positioned with the skills and savvy to address this new frontier.

While the Seattle area is still very much in recovery mode, we are seeing green shoots in certain economic indicators. Economists often view a rise in quit rates as an optimistic measure - employees don't generally quit a position unless they perceive an opportunity to improve their position elsewhere. As such, the recent rise in quit rates can be considered a predictive indicator for future economic vitality. Separately, while the office sector is still struggling, we are hearing from our retail leasing colleagues that space is getting tight as small businesses are steadily filling desirable locations with new business starts. Like quit rates, decreasing retail vacancy is another predictive indicator of future economic stability.

Time to Buy Multifamily Opportunities

For Multifamily, a silver lining of higher interest rates over the last year was the stall in new construction financing, resulting in a dearth of new development projects coming online between 2025 and 2026. After years of new unit delivery exceeding demand, the next few years will allow demand to prevail over supply – creating rent growth. As such, starting in Q3 2024 and on through the end of 2026, we are expecting rents to begin rising, in tandem with interest rates coming down measurably.

Add one more dynamic: for many larger (20 unit +) buildings purchased in the past 5 years, delinquencies are likely to rise over the course of the first 2 to 3 Quarters of 2024. Often purchased at very attractive rates, many now face a due payoff, and will have the choice to either refinance or sell. Given the softening rent environment, refinancing may require an owner to do the unpalatable, bring in additional capital to meet existing lender's debt coverage requirements. This creates a motivation to sell at current prevailing values, or allows the building to be sold by the lender.

Many long-time real estate experts say that it is times like these that the best buys are made. The trick is, the time to buy is before everyone else realizes it's time, and that time is now.

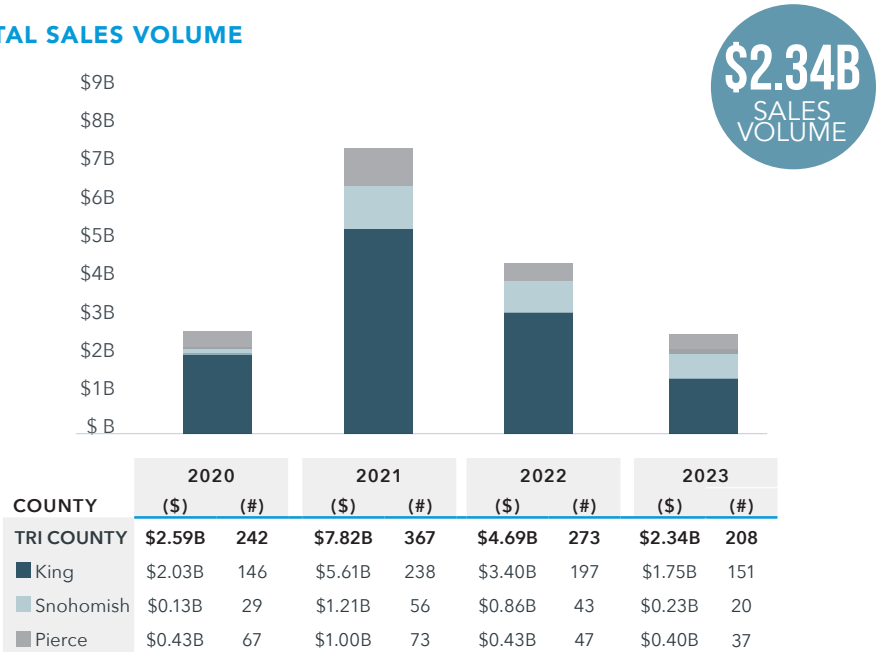
TRI-COUNTY INVESTMENT TRENDS

We cover trends for King, Snohomish, and Pierce Counties, and collectively as the Tri-County market. Below is a discussion of volume and current value metrics for apartment buildings in the Tri-County market for the year end 2023 as compared to prior years. Attempting to tame post-pandemic inflation, 2023 was marked by a rapid rise in the interest rates by the Federal Government. In 2024, we are expecting an end to hikes and the beginning of interest rate drops.

SALES VOLUME

The overall sales volume in the Tri-County area at year-end 2023 was just over \$2.34 Billion, roughly 50% of the total sales volume at year-end in 2022, which totaled \$4.69 Billion. The total number of sales across these three counties was 208, a significant decline from 273 sales in 2022, and 367 sales in 2021.

TOTAL SALES VOLUME

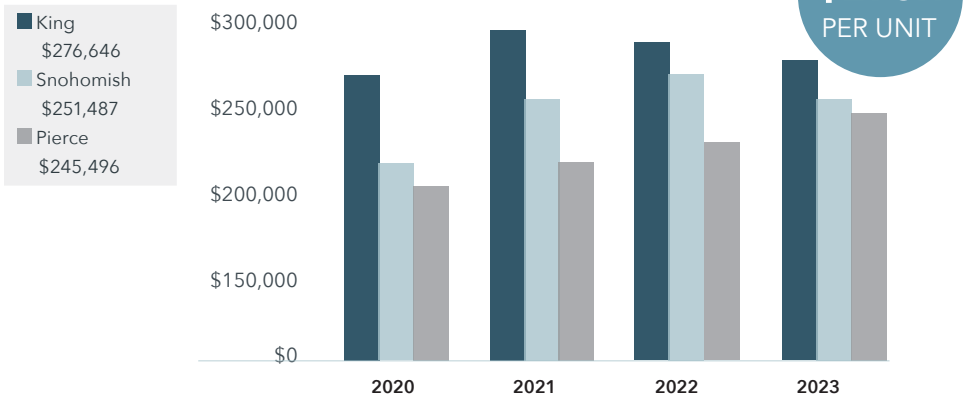


Sales Count is the number of individual sales.

PRICE PER UNIT

The Tri-County's price per unit averaged just over \$279K in 2023, a 3% decrease year-over-year when compared to the 2022 average of \$288K. With the overall average for the Tri-County area did go down, King County accounted for the lion share of sales, decreasing by about 4% and Snohomish County witnessing a decrease of about 10%. Pierce County, on the other hand, experienced a price per unit increase of roughly 12%, compared to 2022.

2023 H2 AVERAGE PRICE PER UNIT

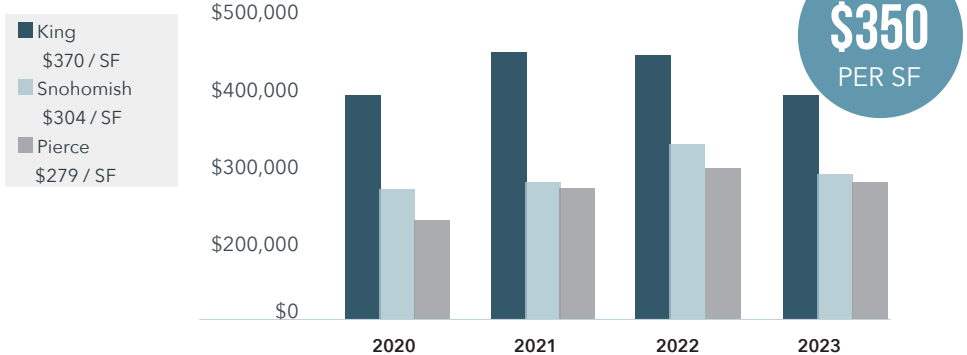


Price per Unit is calculated by dividing the final sale price by the total number of units in a building.

PRICE PER SQUARE FOOT

In 2023, the Tri-County market experienced a decline in price per square foot when compared to 2022. The overall average for 2023 was only \$356 per SF, an 11% decrease from the \$401 year-end average for 2022. Pierce County felt the brunt of the decline with a decrease in Price/SF of just over 15.2%, followed by King County with a decrease of 14.8%, and Snohomish with a decrease of 7.6%.

2023 H2 AVERAGE PRICE PER SF



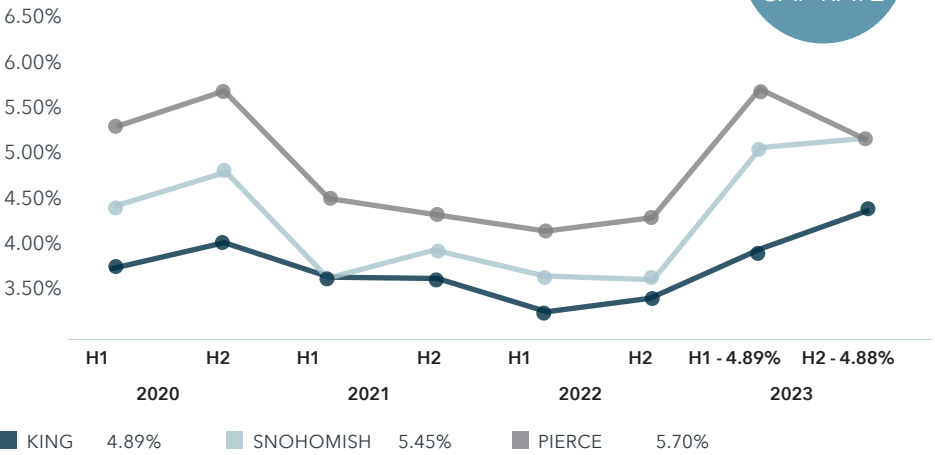
Price per square foot is calculated by dividing the final sale price by the total net rentable square feet in a building. Net rentable square footage is the sum of the total square feet of each apartment unit.

CAPITALIZATION RATE

The Tri-County market experienced an increase in 2023 Capitalization Rates with an average of 4.89%, compared to the 4.25% of 2022, and 4.39% of 2021. The largest increase coming in Snohomish County, increasing from 4.28% in 2022, to 5.49% in 2023. Following Snohomish, the next largest increase occurred in Pierce County, increasing from 4.81%, to an average mirroring Snohomish at 5.49%. Lastly, King County experienced an increase in cap rates for 2023, averaging 4.76%, compared to the 4.11% of 2022. Though buyers sought higher cap rates, they still purchased property with negative leverage on current numbers - with the interest rate being higher than the cap rate at time of purchase -- often with a plan to add value through rehab and raising rents in the future.

2023 - AVERAGE CAP RATE

4.89%
CAP RATE



A cap rate is derived by dividing the annual NOI (net operating income) by the sales price. Our analysis is using blended actual and market cap rates.

What is a Cap Rate? Of all the value metrics, cap rates are the most nuanced. Generally, a lower cap rate represents a lower ratio of income to the price paid, so better for a seller, while a higher cap rate means more income, relative to the price paid, hence better for a buyer. There are seller cap rates, often lower, and considered the actual cap rate, using actual rents at the time of sale. Typically optimistic, buyer cap rates are also known as market or pro forma cap rates and are based on buyer assumptions of stabilized expenses and moving the property to higher market rents. There are also post-rehab cap rates, which reflect expected returns after a property is renovated. Unless invested capital is underwritten into the expenses, the post-rehab cap rates will show strong expected returns but don't reflect additional capital invested.

TRI-COUNTY INVESTMENTS BY NEIGHBORHOOD

January - December 2023

	SALES VOLUME	NUMBER OF SALES	PRICE PER UNIT	PRICE PER SF
KING COUNTY	\$1,086,629,087	82	\$289,297	\$370
Seattle	\$497,086,244	57	\$276,646	\$401
Ballard	\$72,223,288	8	\$333,490	\$415
Capitol Hill / Eastlake	\$47,927,000	7	\$321,420	\$399
Central / Madison Park	\$8,126,300	3	\$259,525	\$396
Downtown / SLU	\$67,451,000	4	\$303,496	\$402
Green Lake / Wallingford / Fremont	\$34,282,000	9	\$278,253	\$369
Magnolia	\$1,020,000	1	\$204,000	\$373
North Seattle	\$37,772,356	2	\$214,945	\$502
Queen Anne	\$72,876,300	6	\$314,509	\$414
South Seattle	\$109,155,000	5	\$236,257	\$245
University District	\$18,733,000	4	\$312,696	\$538
West Seattle	\$27,520,000	8	\$282,813	\$385
Eastside	\$122,933,000	6	\$340,948	\$381
Bellevue	\$16,100,000	1	\$365,909	\$423
Issaquah / North Bend	\$10,593,000	2	\$244,186	\$347
Kirkland	\$89,500,000	1	\$483,784	\$484
Redmond	\$6,615,000	1	\$264,600	\$367
Other Eastside	\$125,000	1	\$346,260	\$286
South King	\$336,934,843	18	\$239,240	\$295
SNOHOMISH COUNTY	\$59,491,000	8	\$255,743	\$290
Edmonds	\$4,775,000	1	\$397,917	\$419
Everett	\$9,081,000	1	\$238,974	\$284
Lynnwood	\$28,250,000	1	\$233,471	\$252
City of Snohomish	\$2,675,000	2	\$222,917	\$263
Other Snohomish County	\$14,710,000	3	\$243,249	\$280
PIERCE COUNTY	\$235,526,500	18	\$214,132	\$240
Lakewood	\$1,880,000	1	\$156,667	\$192
Puyallup	\$99,585,000	3	\$232,874	\$266
Tacoma	\$55,616,500	8	\$201,894	\$244
University Place	\$2,700,000	1	\$168,750	\$201
Other Pierce County	\$75,745,000	5	\$243,039	\$234

TRI-COUNTY APARTMENT SALES

July - December

TRI-COUNTY JUL-DEC 2023	SALE DATE	YEAR BUILT	UNIT COUNT	SALE PRICE	PRICE PER UNIT	PRICE PER SF
KING COUNTY						
SEATTLE						
BALLARD						
Daly Manor	12/29	1958	16	\$3,600,000	\$225,000	\$355
2003 NW 57th St	12/28	2016	132	\$45,050,000	\$341,288	\$489
1541 NW 52nd Street	12/22	1976	5	\$1,875,000	\$375,000	\$399
1515 NW 52nd St	10/11	1990	24	\$10,450,000	\$435,417	\$346
Bergen Apts	10/5	2000	6	\$2,100,725	\$350,121	\$490
1706 NW 59th St	9/14	1978	13	\$4,347,563	\$334,428	\$401
5401 34th Ave NW	8/24	1948	10	\$2,900,000	\$290,000	\$383
1757 NW 61st St	8/9	1989	6	\$1,900,000	\$316,667	\$456
CAPITOL HILL / EASTLAKE						
Thunderbird Apartments	12/4	1965	16	\$5,200,000	\$325,000	\$375
500 E Roy St	10/17	1910	6	\$2,400,000	\$400,000	\$364
2362 Franklin Ave E	9/29	1967	8	\$3,250,000	\$406,250	\$428
1310 E Thomas St	9/7	1967	20	\$8,527,000	\$426,350	\$444
2037 Boylston Ave E	8/11	1929	15	\$4,025,000	\$268,333	\$426
Brentwood Apartments	7/10	1927	12	\$2,525,000	\$210,417	\$308
Coranado & Valencia	10/19	1954	103	\$22,000,000	\$231,592	\$445
CENTRAL / MADISON PARK						
2608 S Lane St	8/30	1910	7	\$2,026,300	\$289,471	\$458
DOWNTOWN / SOUTH LAKE UNION						
Miller Apartments	12/20	1910	12	\$2,001,000	\$166,750	\$344
709 E Pike St	12/20	1910	58	\$10,050,000	\$173,276	\$374
600 7th Ave	10/24	1992	96	\$26,900,000	\$280,208	\$245
1300 E Pike St	9/25	2020	48	\$28,500,000	\$593,750	\$646

TRI-COUNTY JUL-DEC 2023	SALE DATE	YEAR BUILT	UNIT COUNT	SALE PRICE	PRICE PER UNIT	PRICE PER SF
GREEN LAKE / FREMONT / WALLINGFORD						
4104 Whitman Ave N	11/30	1915	5	\$1,150,000	\$230,000	\$356
4250 Aurora Ave N	11/6	1997	48	\$12,100,000	\$251,333	\$302
4110 Whitman Ave N	11/1	1909	15	\$2,062,000	\$137,467	\$275
420 N 39th St	10/21	1985	12	\$3,875,000	\$322,917	\$478
9512 Interlake Ave N	8/31	1989	21	\$4,545,000	\$216,429	\$302
501 N Bowdoin Pl	8/14	1955	8	\$2,000,000	\$250,000	\$357
6506 4th Ave NE	7/24	1963	6	\$2,120,000	\$353,333	\$503
6513 4th Ave NE	7/14	1964	6	\$2,450,000	\$408,333	\$457
6522 Phinney Ave N	7/7	1928	13	\$3,000,000	\$230,769	\$421
4710 Evanston Ave N	8/12	1960	5	\$1,500,000	\$300,000	\$361
MAGNOLIA						
4201 34th Ave W	12/6	1953	5	\$1,020,000	\$204,000	\$373
NORTH SEATTLE						
8320 5th Ave NE	9/29	1991	8	\$2,480,000	\$310,000	\$299
11501 15th Ave NE	9/27	1993	131	\$18,943,869	\$144,610	\$304
18117-18211 24th Ave NE	8/17	1976	20	\$4,800,000	\$240,000	\$309
3600 NE 73rd Place	7/28	1961	12	\$3,100,000	\$258,333	\$309
Martina Apartments	6/30	2022	66	\$18,828,487	\$285,280	\$700
QUEEN ANNE						
1115 6th Ave N	10/23	1964	9	\$2,600,000	\$288,889	\$409
1302 W Emerson St	10/12	1952	7	\$1,800,000	\$257,143	\$336
14 W Comstock St	9/29	1928	6	\$1,950,000	\$325,000	\$310
312 2nd Ave W	9/25	1994	167	\$60,100,000	\$359,880	\$498
2122 Queen Anne Ave N	8/29	1910	7	\$2,026,300	\$289,471	\$457
1421 2nd Ave N	12/21	1910	12	\$4,400,000	\$366,667	\$476
SOUTH SEATTLE						
City View Apartments	12/21	1967	28	\$4,450,000	\$158,929	\$151
4911 S Willow St	10/23	1959	9	\$2,305,000	\$256,111	\$375
1615 SW Henderson St	9/1	1967	12	\$2,400,000	\$200,000	\$274
1045 SW 122nd St	7/17	1979	17	\$3,000,000	\$175,118	\$190
Alta Arlo	12/26	2021	243	\$97,000,000	\$391,129	\$277

TRI-COUNTY JUL-DEC 2023	SALE DATE	YEAR BUILT	UNIT COUNT	SALE PRICE	PRICE PER UNIT	PRICE PER SF
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UNIVERSITY DISTRICT

5253 15th Ave NE	11/9	2019	28	\$6,775,000	\$241,964	\$862
3418 NE 65th St	7/21	1998	20	\$7,100,000	\$355,000	\$451
2321 NE 55th St	7/17	1955	8	\$2,250,000	\$281,250	\$364
5231 40th Ave NE	7/17	1990	7	\$2,608,000	\$372,571	\$473

WEST SEATTLE

6339 42nd Ave SW	12/22	1962	6	\$1,500,000	\$250,000	\$437
Sound Breeze Apartments	11/21	1989	6	\$2,100,000	\$350,000	\$267
West Seattle 5 Unit	11/13	1905	5	\$1,650,000	\$330,000	\$355
4301 SW Hanford St	9/28	1957	11	\$2,230,000	\$202,727	\$349
6549 California Ave SW	8/21	1968	8	\$2,250,000	\$281,250	\$365
3040 SW Avalon Way	8/2	1978	6	\$1,240,000	\$206,667	\$427
4201 SW Graham St	7/21	1956	28	\$4,700,000	\$167,857	\$347
5600 California Ave SW	6/30	1966	25	\$11,850,000	\$474,000	\$531

EASTSIDE

BELLEVUE

1800 108th Ave SE	12/13	1957	44	\$16,100,000	\$365,909	\$423
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GREATER EASTSIDE

Mercer Tower	12/29	1960	25	\$6,615,000	\$264,600	\$367
550 Uptown Ct	12/5	2019	185	\$89,500,000	\$483,784	\$484
130 4th Ave SW	8/24	1980	6	\$1,370,000	\$228,333	\$192

ISSAQUAH / NORTH BEND

Issaquah Gardens	12/6	1980	35	\$7,993,000	\$228,371	\$415
850 Front Street S	11/6	1962	10	\$2,600,000	\$260,000	\$280

REDMOND

15808 Bear Creek Pkwy	8/24	2018	361	\$125,000,000	\$346,260	\$286
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TRI-COUNTY JUL-DEC 2023	SALE DATE	YEAR BUILT	UNIT COUNT	SALE PRICE	PRICE PER UNIT	PRICE PER SF
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SOUTH KING

Jules Apartments	12/22	1967	12	\$1,700,000	\$141,667	\$281
The Carriages at Fairwood Downs I	12/21	1986	400	\$107,000,000	\$267,500	\$245
443 SW 154th St	12/18	1961	12	\$2,219,000	\$184,917	\$242
409 SW 155th St	10/23	1986	8	\$1,425,843	\$178,230	\$239
13064 12th Ave SW	10/17	1988	6	\$1,325,000	\$220,833	\$245
6305 S 238th Pl	10/6	1986	304	\$80,000,000	\$263,158	\$253
15510 6th Ave SW	10/4	1969	20	\$3,500,000	\$175,000	\$243
21620 14th Ave S	10/2	1987	66	\$15,850,000	\$240,152	\$263
1145 S 216th St	10/2	1983	86	\$18,500,000	\$215,116	\$267
223 117th St SE	9/28	1966	5	\$1,175,000	\$235,000	\$236
2120 SW 352nd St	9/20	1985	111	\$32,400,000	\$291,892	\$284
211 Shattuck Avenue South	8/25	1950	32	\$5,560,000	\$173,750	\$248
Lois Ann Apartments	8/15	1979	8	\$2,300,000	\$287,500	\$576
800 S 216th St	8/11	1974	7	\$1,335,000	\$190,714	\$306
2715 Sunset Ln NE	7/27	2021	108	\$44,000,000	\$407,407	\$520
223 17th St SE	9/28	1966	5	\$1,175,000	\$235,000	\$243



TRI-COUNTY JUL-DEC 2023	SALE DATE	YEAR BUILT	UNIT COUNT	SALE PRICE	PRICE PER UNIT	PRICE PER SF
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SNOHOMISH COUNTY

EDMONDS

9507-9515 Firdale Ave	11/15	1988	12	\$4,775,000	\$397,917	\$419
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EVERETT

707-717 Hawthorne St	11/1	1986	38	\$9,081,000	\$238,974	\$284
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MARYSVILLE

4921 100th St NE	9/19	2022	20	\$5,735,000	\$286,750	\$293
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SNOHOMISH, CITY OF

614 3rd St	10/6	1977	6	\$1,200,000	\$200,000	\$228
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53 Cedar Ave	8/28	1957	6	\$1,475,000	\$245,833	\$298
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OTHER SNOHOMISH

Arlington 29	11/14	2023	29	\$7,500,000	\$258,621	\$306
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8216 Mukilteo Speedway	11/9	1979	8	\$1,475,000	\$184,375	\$240
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4800 168th St SW	8/22	1991	121	\$28,250,000	\$233,471	\$252
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PIERCE COUNTY

LAKEWOOD

Corral Apartments	10/19	1966	12	\$1,880,000	\$156,667	\$244
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PUYALLUP

219 5th Ave NE	10/31	1963	21	\$3,850,000	\$183,333	\$197
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10423-10425 Rainier Ridge Blvd E	9/27	2023	315	\$94,000,000	\$298,413	\$311
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Summit Apartments	7/3	1976	8	\$1,735,000	\$216,875	\$289
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TRI-COUNTY JUL-DEC 2023	SALE DATE	YEAR BUILT	UNIT COUNT	SALE PRICE	PRICE PER UNIT	PRICE PER SF
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TACOMA

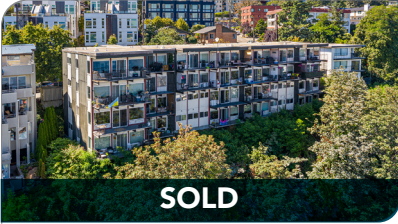
8425 Pacific Ave	12/22	1965	11	\$1,325,000	\$120,455	\$271
Park Avenue	12/12	1926	8	\$1,100,000	\$137,500	\$205
415 E 25th St	11/14	2023	115	\$39,900,000	\$346,957	\$353
6301 Pacific Ave	10/20	2019	5	\$1,585,000	\$317,000	\$255
Pacific Gardens	10/6	1985	32	\$4,876,500	\$152,391	\$199
1004 S 9th St	9/1	1960	13	\$2,175,000	\$167,308	\$216
4401 76th Ave W	8/23	1969	16	\$2,700,000	\$168,750	\$201
2550 N Vassault St	8/21	1979	18	\$3,000,000	\$166,667	\$188
716 N J St	8/1	1910	8	\$1,655,000	\$206,875	\$265

OTHER PIERCE COUNTY

508 11th St NW	12/29	1978	20	\$3,225,000	\$161,250	\$155
Copper Creek Apartments I	12/15	2000	181	\$48,700,000	\$269,061	\$279
Copper Creek Apartments II	12/13	1985	44	\$16,100,000	\$365,909	\$380
Rosedale Townhomes	11/30	1978	26	\$5,000,000	\$192,308	\$148
5704- 5710 183rd Ave E	9/28	1991	12	\$2,720,000	\$226,667	\$209



RECENT ACTIVITY



SOLD

TARA APARTMENTS
2442 8th Ave N - *Queen Anne*
24 Units | \$8,000,000



SOLD

THE EDGE APARTMENTS
620 Ward St - *Queen Anne*
21 Units | \$7,300,000



SOLD

PARADISE PLACE
1541 NW 52nd St - *Ballard*
5 Units | \$1,875,000



SOLD

PARKWAY APARTMENTS
2321 NE 55th St - *Ravenna*
8 Units | \$2,250,000



SOLD

PARKROSE APARTMENTS
766 Belmont Ave E - *Capitol Hill*
11 Units | \$3,050,000



SOLD

6542 4TH AVE NE
6542 4th Ave NE - *Green Lake*
7 Units | \$2,220,000



SOLD

NUOVO APARTMENTS
3241 21st Ave W - *Magnolia*
6 Units | \$1,725,000



SOLD

822 3RD AVE N
822 3rd Ave N - *Queen Anne*
7 Units | \$1,905,000



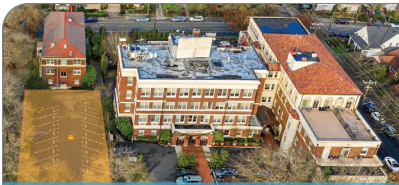
SOLD

HILLSIDE HOUSE
15 Ward St - *Queen Anne*
11 Units | \$3,050,000



SOLD

317 E THOMAS ST
317 E Thomas St - *Queen Anne*
8 Units | \$2,400,000



UNDER CONTRACT

CROCKETT APARTMENTS
2110 1st Avenue N - *Queen Anne*
Development | \$4,000,000



UNDER CONTRACT

2008 N 78TH STREET
2008 N 78th St - *Green Lake*
12 Units | \$4,400,000



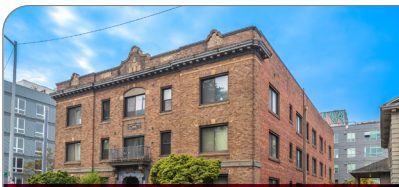
FOR SALE

THE EDGE MAGNOLIA
2515 Thorndyke Ave W - *Magnolia*
13 Units | \$4,450,000



FOR SALE

BALLARD AVENUE PORTFOLIO
5304-5130 & 5323-5335 Ballard
Ave NW - *Ballard*



FOR SALE

THE DAVISON
5003 15th Ave NE - *University District*
23 Units | \$5,500,000



FOR SALE

FREMONT DEVELOPMENT SITE
1103-1109 N 36th St - *Fremont*
26,000 SF

DEVELOPMENT SUPPLY TRENDS

APARTMENT DEVELOPMENT SUPPLY

The Seattle MSA consists of King, Pierce, and Snohomish Counties, and currently has nearly 384K apartment units to date, and another 25K currently under construction. With the number of units delivered declining from 11,000 in 2022, to just under 8,000 in 2023, due to construction hurdles and material costs. 2024 is starting out with a tapering off delivery cycle, marking an eventual rise in demand and lack of newly constructed units coming online will see the Seattle marketplace command a premium on currently existing multifamily. The increase in rental rates due to competition between renters, and a lack housing supply heading into 2025 and 2026, will drive vacancy down and allow for rent growth.

APARTMENT SUPPLY

PERIOD	2028 EST	TOTAL STOCK	NET DELIVERIES	CONSTRUCTION STARTS	UNDER CONSTRUCTION	UNITS ABSORBED
	2027 EST	410,706	4,212	-	-	5,232
	2026 EST	406,494	6,830	-	-	6,955
	2025 EST	399,665	8,719	-	-	8,416
	2024 EST	383,654	2,508	-	-	1,849
	2023	381,146	7,784	-	24,982	5,753
	2022	373,567	11,441	13,131	27,187	5,920
	2021	362,126	10,055	13,314	25,499	16,3979
	2020	352,071	7,819	8,514	22,695	2,692
	2019	344,495	11,175	10,556	22,216	12,250
	2018	333,320	10,656	13,935	23,089	9,871
	2017	322,664	9,992	11,662	19,978	7,423
	2016	312,671	10,080	10,589	18,601	10,346
	2015	302,591	10,888	11,566	18,209	10,854
	2014	291,714	10,380	13,668	17,741	8,065

Source: CoStar™



CURRENT ECONOMIC & RENTAL DEMAND TRENDS

ECONOMIC DEMAND

The current population of the Seattle-Tacoma metro area is slightly above 4M, up .61% from 2022, and continuing to grow at the projected rate of around 1% in the coming few years, with expectations reaching just under 5M in a decade's time. The area is currently comprised of 64.8% of inhabitants ranging from the ages 18-64, 21.3% from ages 0-17, and 13.9% from 65 and beyond. The median household income for the region is slightly above \$106K, with 31% of the population falling into this category, much greater than the national average of \$76K. According to the Puget Sound Economic Forecaster, the Seattle-Tacoma Metro experienced an unemployment rate of just 3.4% in 2023 and is expected to remain relatively constant for the foreseeable future. The metro area is projected to experience an increase in new jobs, nearly 100,000 by 2027, coming in sectors such as production of goods, services, transportation, and business services.

With the expectation of decreasing interest rates over the next two years, indications are that the Seattle-Tacoma economy will continue to grow and remain strong for the foreseeable future, presenting new economic opportunities to the urban core, the in-city neighborhoods, and suburbs alike.

MARKET VACANCY

Compared to the oversupply of 2022, in 2023, the Tri-County Market started to experience a slow in the supply of multifamily units compared to the last few years. The vacancy rate has remained relatively unchanged with an average of 5.3% across the respective markets. Absorption has also remained relatively unchanged with an average absorption rate of 74% for new units coming online throughout 2023, stronger than years prior to 2022.

With development projects coming to a relative halt due to current cost of construction and the cost of financing, we can expect absorption rates to continue to climb for new units that are able to be delivered, and vacancy rates to continue to decrease into 2024. This is due to the lack of newly available units and the continuation of population growth for the Tri-County area.

RENT GROWTH EXPECTATIONS

The greater Tri-County Market rents vacillated over the past few years decreasing in 2020, roaring back in 2021, then stabilized in 2022. Rent growth in 2023 slowed, with an average rental growth of only 0.2% for 2023 across the Tri-County and in some cases, experienced negative rent growth, in other words, they dropped. In 2023 rents stagnated compared years prior, mainly due to market uncertainty and employment concerns.

2024 TRI-COUNTY VACANCY & RENTS

	VACANCY	RENT AVERAGE			PROJECTED RENT GROWTH		
		STUDIO	1BR	2BR	2023	2024	2025
KING							
SEATTLE							
Ballard	6.50%	\$1,426	\$1,920	\$2,531	2.40%	410.00%	3.70%
Central / Madison Park	7.80%	\$1,348	\$1,879	\$2,528	3.30%	4.00%	3.70%
Downtown	8.40%	\$1,533	\$2,341	\$3,442	4.40%	3.90%	3.70%
North Seattle	8.50%	\$1,486	\$1,564	\$1,897	3.40%	4.00%	3.70%
Queen Anne	6.10%	\$1,484	\$1,828	\$2,422	3.40%	4.00%	3.80%
West Seattle	6.00%	\$1,482	\$1,664	\$2,019	4.20%	4.10%	3.80%
EASTSIDE							
Bellevue	4.88%	\$2,001	\$2,304	\$2,867	4.70%	4.10%	3.90%
Issaquah / North Bend	4.90%	\$1,702	\$1,975	\$2,539	5.70%	4.20%	3.90%
Kirkland	5.00%	\$1,713	\$2,155	\$2,594	2.70%	4.10%	3.90%
Redmond	5.30%	\$1,788	\$2,145	\$2,670	5.50%	4.10%	3.80%
Other Eastside	8.50%	\$1,877	\$1,988	\$2,293	5.70%	4.00%	3.80%
SNOHOMISH							
Everett	7.11%	\$1,423	\$1,587	\$1,858	3.50%	4.10%	3.90%
Lynnwood	6.70%	\$1,692	\$1,745	\$1,996	3.10%	4.00%	3.80%
Other Snohomish	6.40%	\$1,426	\$1,726	\$1,981	3.00%	4.20%	3.90%
PIERCE							
Gig Harbor	4.50%	\$812	\$1,567	\$1,875	2.80%	4.20%	4.00%
Lakewood	4.80%	\$1,303	\$1,634	\$1,648	4.50%	4.20%	3.90%
Puyallup	6.30%	\$1,243	\$1,488	\$1,752	3.00%	4.10%	3.80%
Tacoma	7.00%	\$1,221	\$1,355	\$1,641	4.70%	4.00%	3.70%
Other Pierce County	2.90%	\$460	\$1,248	\$1,889	4.20%	4.10%	3.90%

Source: CoStar™



KEY LEGISLATIVE DEVELOPMENTS & BEST PRACTICES

WASHINGTON STATE

Beyond the City of Seattle and Tacoma, additional, unique tenant protections have been passed in 18 cities across Washington, including Bellingham, Federal Way, Kenmore, Olympia and SeaTac, Shoreline, Spokane, Tukwila and Tumwater in 2023.

During the 2024 60-day Legislative session, as is often the case, some outlandish bills were introduced early in the session. There were several bills introduced that were not good for the rental housing industry and were necessary to lobby against, such as proposed bills which created onerous penalties for harmless errors by landlords including making these actions subject to the Consumer Protection act enacting treble damages for making such mistakes. There were also proposed bills calling for increases in both property and excise taxes. At the time of this writing, there were plenty of unhelpful bills still moving forward, but the key win was that this year's Rent Control bill did not make it out of the Ways and Means Committee.

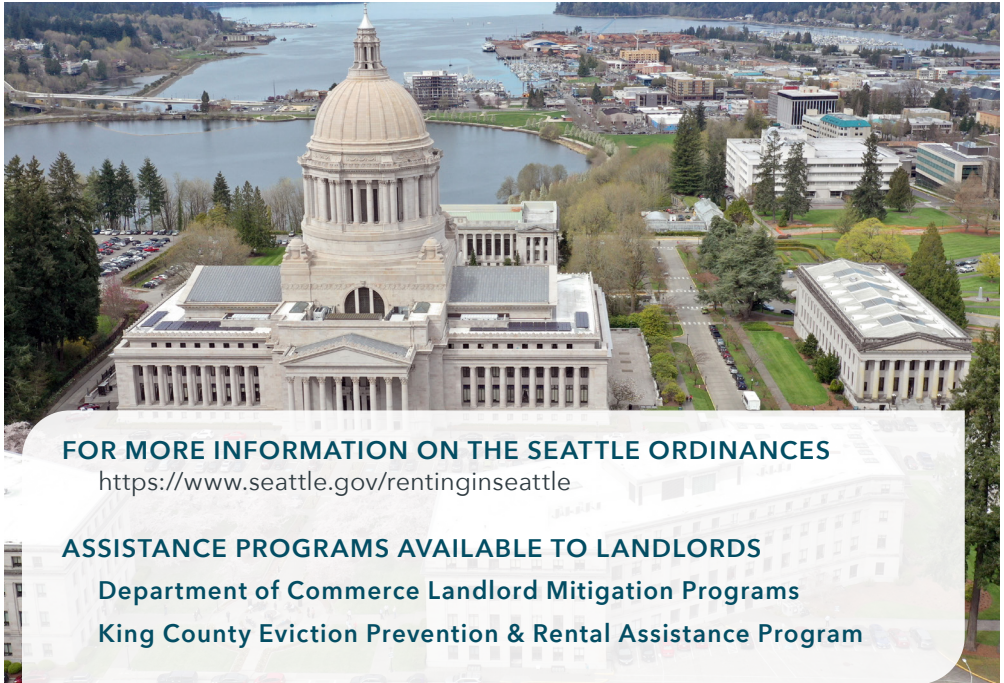
While there are legislative initiatives that are clearly worth fighting in Olympia, at the same time, there are proposals in the legislature which both landlords and tenants can advocate for, such as tenant assistance, tenant and landlord safety, eviction reform, the recognition of electronic communication and affordable housing tax relief.

CITY OF SEATTLE

The City Council passed its 2024 Budget and implemented two amendments concerning rental housing. One would appropriate \$50,000 to convene a tenant workgroup on strategies to protect the health and well-being of Seattle renters, including the potential of a new office dedicated to enforcing current laws and establishing new laws, requirements, and standards related to renters. A second amendment resurrects a previous initiative to require landlords to systematically report on rental rates and other information about their properties.

CITY OF TACOMA MEASURE 1 (TMC 1.95)

This sweeping legislation passed in early December 2023 and grants additional tenant rights in the City of Tacoma, affecting the following areas: the tenant application process including restrictions on the use of social security numbers for screening, requirements of alternative proof of financial eligibility to be accepted, and criminal history screening and considerations for denial have also been further defined with greater limitations. Upon move-in, there are caps on move-in fees and the requirement of offering payment plans. During tenancy, there are increased notice periods for increasing the rent. If a tenant moves due to rent increases, relocation assistance is required. Lastly there are only specific reasons a tenancy may be terminated, and additional eviction restrictions, including a seasonal defense have been included. The legislation falls under two codes, one is the Rental Housing Code, passed by the Tacoma city council and enforced by city administration. This code formalizes landlord penalties for violations of distribution of information, deposit, installment payments and notice requirements, as well as notice to vacate, relocation, retaliation, and rental agreements. The second code, the Landlord Fairness Code can be enforced through private action and allows penalties for failure to pay relocation, and imposing illegal rent increases. If landlord does not comply with anything in this code, it gives the tenant defense against eviction.



FOR MORE INFORMATION ON THE SEATTLE ORDINANCES

<https://www.seattle.gov/rentinginseattle>

ASSISTANCE PROGRAMS AVAILABLE TO LANDLORDS

Department of Commerce Landlord Mitigation Programs

King County Eviction Prevention & Rental Assistance Program

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