The SMT Report

2017 Mid-Year Review

Seattle & Puget Sound Multifamily

Colliers International | Seattle Multifamily Team

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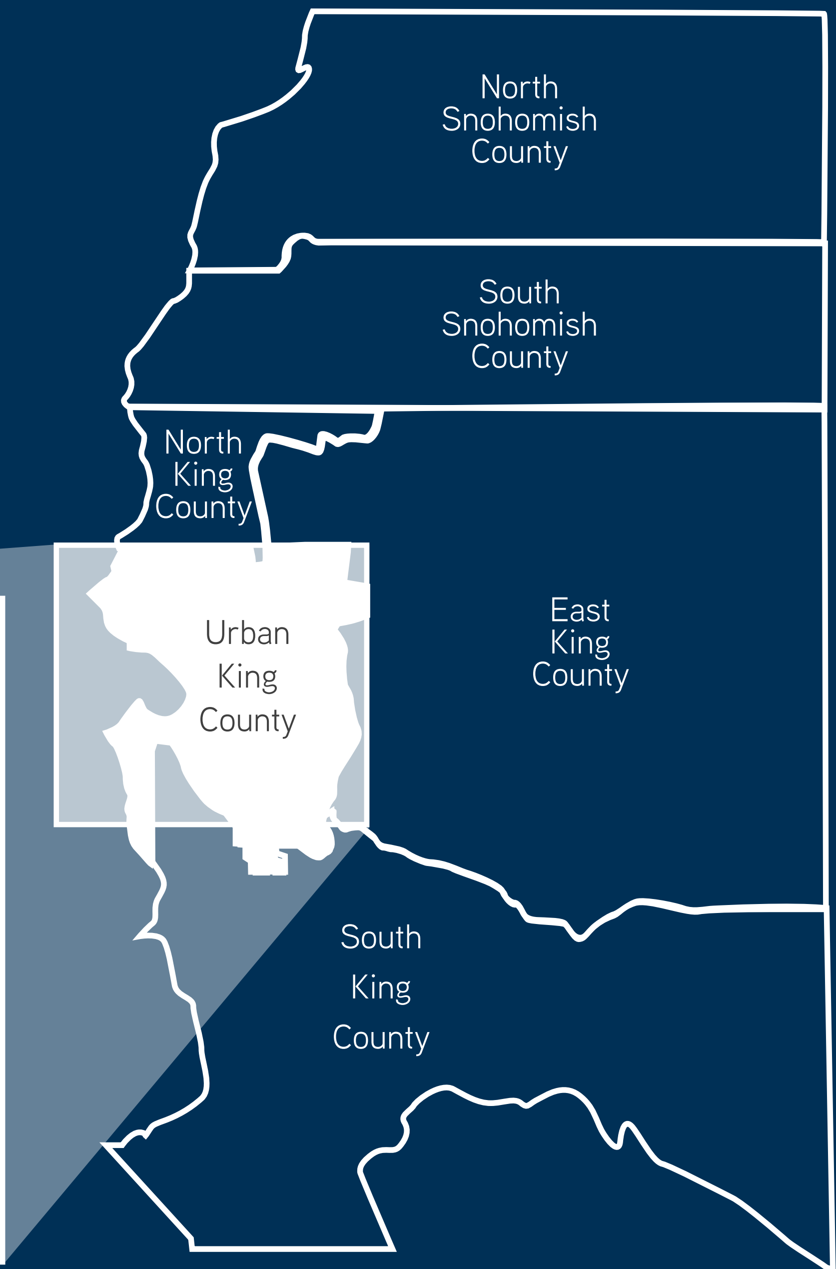

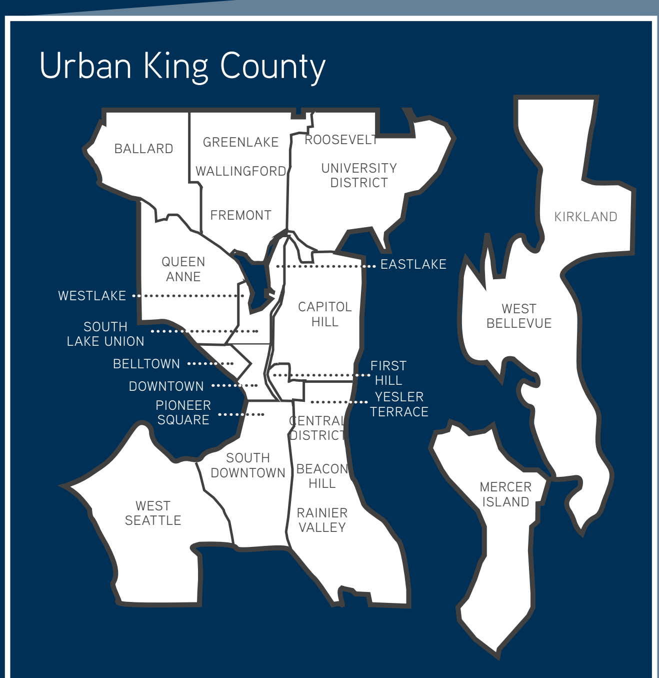

About the Seattle Multifamily Team

Colliers' Seattle Multifamily Team is a team of dedicated, expert commercial real estate brokers working for apartment owners, developers, and investors. Our goal is to help you maximize your return on investment, whether we sell your apartment building faster and for more money or we ensure your purchase is a sound investment.

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2017 *Mid-Year Review*

The first half of 2017 was both everything and nothing we expected. Entering the year, the multifamily market braced itself for uncertainty, volatility and hyperactivity. Uncertainty permeated the first six months of the year, yet the promise of volatility and hyperactivity remained anticipated, but unrealized.

Much like the equity and bond markets, real estate kept chugging along during the last six months, without so much as a bull or a bear charging in either direction. Stock prices remain up and surprisingly, the short-term yield curve remains moderate and shockingly down year-over-year. The multifamily market is just as boringly stable.

Apartment investors were loath to put assets on the market in Q1, so Q2 had to play catch-up to the previous three months. Overall, transaction volume is down nearly 40% from 2016. However, nearly every other metric demonstrates growth and stability. Rent levels continue to increase, with more velocity for smaller, older assets than for Class A newly delivered apartment units. Given the thousands of apartment units delivered so far this year, vacancy rates remain remarkably low (sub-4% across nearly all markets).

The key to Seattle's success remains job growth, and just as important, income growth. So far in 2017, the region added less than half the jobs added at this point in 2016 (a metric to watch closely), yet employers keep leasing high-rise office space hoping to hire more highly skilled –and highly paid – employees. Are we set for another boom year? We don't yet know; however, we can safely say that boringly stable feels good, especially considering the 5-year bull run we are currently experiencing.

Seattle is Firing on All Cylinders

$2,040
Average Rent per Unit
$1,974 in 2016

14%
3-Year Cumulative
Rent Growth

3.5%
Vacancy Rate
3.2% in 2016

$80,349
Median Income*
*$70,594 in 2010**

12,500
Jobs Added YTD in 2017
29,800 in 2016

7,526
Units Delivered YTD in 2017
6,616 total in 2016

35,990
Units Planned (2017-2020)

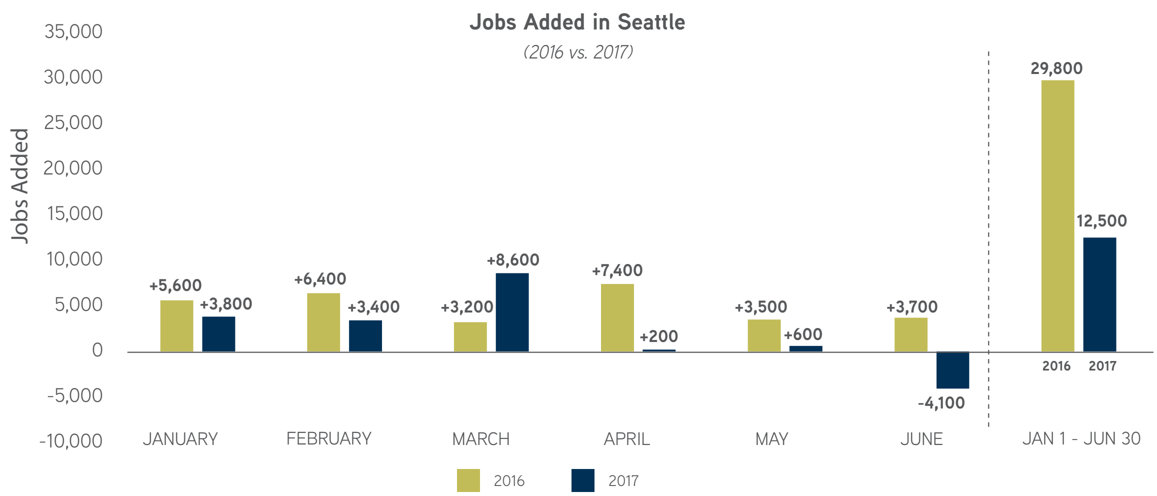
**As of 2015, which is the most current U.S. Census data.*
Source: Dupre+Scott, U.S. Census, Washington Employment Security Department, Axiometrics

Employment Growth

Over the last 12 months (July 2016 - July 2017), regional employment grew by 2.5%, equating to the addition of 85,200 jobs. This growth places the region on track to match the past three years' stellar employment growth. Compared to the rest of the nation – on track for 1.5% employment growth – our region continues to outperform.

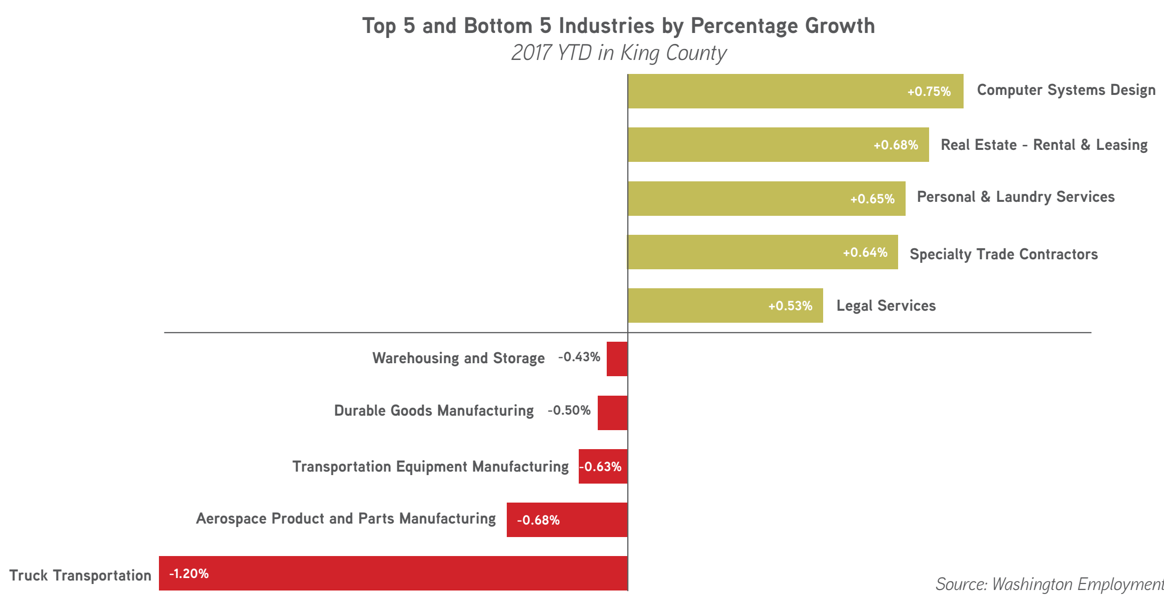
However, the first six months of 2017 show a pronounced lag compared to the first six months of 2016 – adding only 42% of the jobs the region added in the first six months of last year. Despite slower employment growth, the region's unemployment rate rests at 4.5% (slightly higher than the nation – 4.3%), and Seattle continues to lead the state and the nation with 3.5% unemployment.

Our region will need to add a considerable number of jobs during the second half of the year to remain on track with the previous few years of employment growth.



Seattle's Rising (and Falling) Industries

A deeper analysis of regional industry growth offers comfort – and no significant surprises. *Computer Systems Design* is the region's top job growth category, followed closely by *Real Estate – Rental & Leasing*. These two job categories are easily quantified as cause and effect, or to put differently – as supply and demand. Our region's high-growth computer/technology space drives employment, which in turn drives demand for office leasing and residential housing (mostly rentals). By complete contrast, blue-collar employment continues to trend the opposite direction. Our volatile aerospace industry is one to watch, especially its impact on correlated industries, such as warehousing and trucking.



Source: Washington Employment Security Department

Amazon continues its aggressive hiring pace in 2017 - the company has had on average 13,005 jobs posted in King County every month this year.

Yet more interesting trends emerge upon analysis of other top employers. For example, most of the top companies hiring are in the healthcare industry, like Children's Hospital and Kaiser Permanente. PACCAR, a truck manufacturing company, is thriving as Seattle's economy booms.

Compass Group, perhaps the only unknown name in this list, is the most telling of Seattle's growth: the company is a food services and food support company that provides meals at hospitals, schools, sports venues, and offices. The city keeps growing, and people need to eat!

Technology
Healthcare
Food Services
Retail
Education
Government
Construction

Seattle's Tech Sector Driving Wage Growth

	% of Total Employment		Mean Hourly Wage ($)		
Occupational Group	**U.S.**	**Seattle**	**U.S.**	**Seattle**	**Difference**
Management	5.1%	5.8%	$56.74	$64.60	14%
Business and financial operations	5.2%	8.0%	$36.09	$39.22	9%
Computer and mathematical	3.0%	7.6%	$42.25	$53.26	26%
Architecture and engineering	1.8%	3.3%	$40.53	$46.28	14%
Life, physical, and social science	0.8%	1.1%	$35.06	$36.40	4%
Community and social service	1.4%	1.1%	$22.69	$24.13	6%
Education, training, and library	6.2%	4.8%	$26.21	$28.55	9%
Arts, design, entertainment, sports, media	1.4%	1.9%	$28.07	$29.51	5%
Healthcare practitioners and technical	5.9%	4.6%	$38.06	$44.48	17%
Healthcare support	2.9%	2.0%	$14.65	$18.21	24%
Protective service	2.4%	1.8%	$22.03	$27.76	26%
Food preparation and serving related	9.2%	8.5%	$11.47	$14.31	25%
Building and grounds cleaning and maintenance	3.2%	2.3%	$13.47	$15.95	18%
Personal care and service	3.2%	2.9%	$12.74	$16.00	26%
Sales and related	10.4%	9.4%	$19.50	$22.92	18%

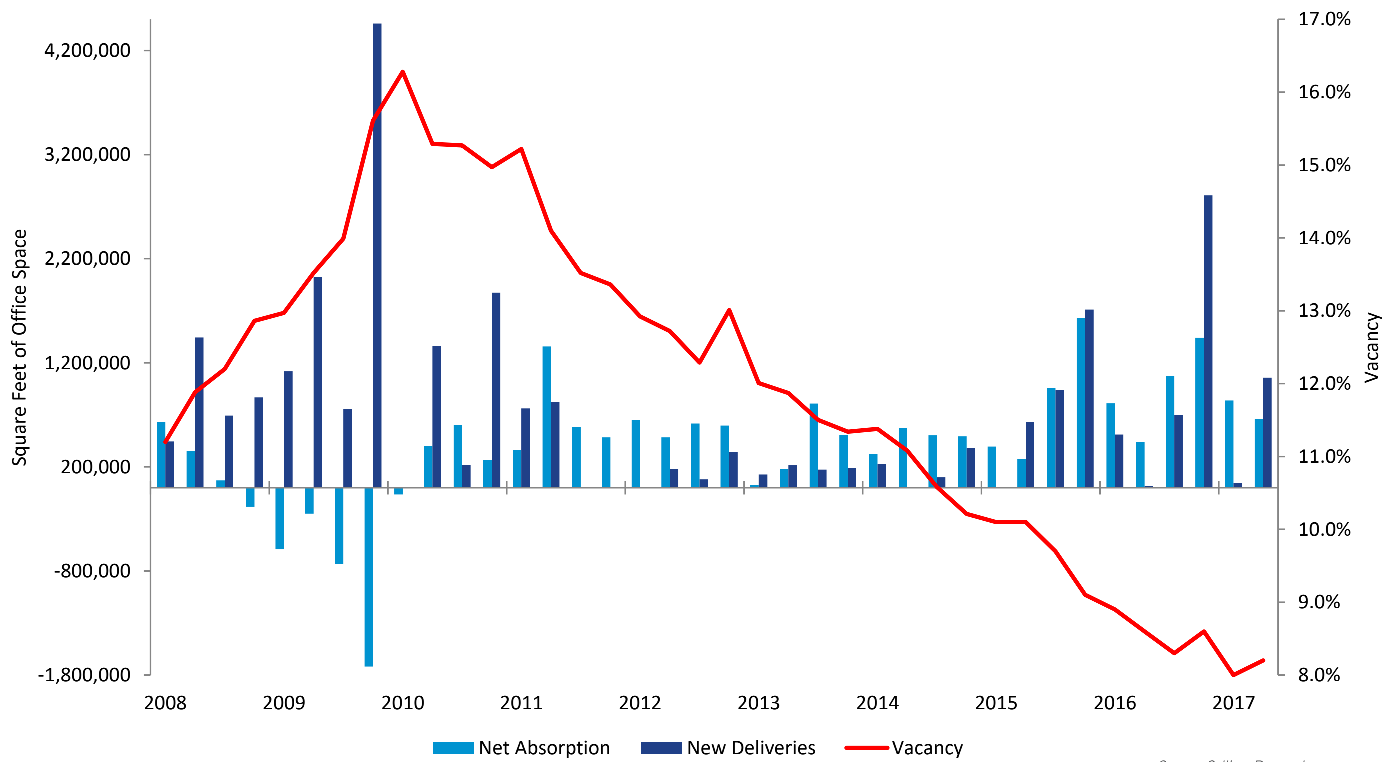
Sources: Bureau of Labor Statistics, Washington Employment Security Department

Office Market Dynamics

Employment growth is the surest predictor of economic vibrancy and stability. Adding jobs to an economy trickles through the commercial real estate market – creating demand for office space, need for rental housing, and retail dollars expended – all of which contributes to industrial demand. Our team has long believed that increased employment is a panacea for all that ills a commercial real estate market.

In Seattle, a review of delivery and office space absorption versus vacancy rate paints a perfect picture of the health of our commercial real estate market over the last 10 years. One of the most salient measures is the market vacancy rate. From a peak in late 2010 of +16% vacancy, to the current 8.3% vacancy rate, consistently declining vacancy validates the market's escalating demand.

Seattle/Puget Sound Office Market Historical Absorption/Supply/Vacancy



Source: Colliers Research

The regional market could not have faced a worse time than 2009/10 to add nearly 4.5M square feet of office space. It wasn't until 2015 that absorption demonstrated the need to add more supply. As 2017 progresses, the market is beginning to experience the pronounced addition of more office space, while vacancy rates continue to drop well below 10% for the first time in over a decade.

As quickly as office developers announce and break ground on new office developments, users are signing new leases. The office development market lagged behind the multifamily development market by nearly four years, yet now it's at full stride, and technology companies are leading the march in taking new space.

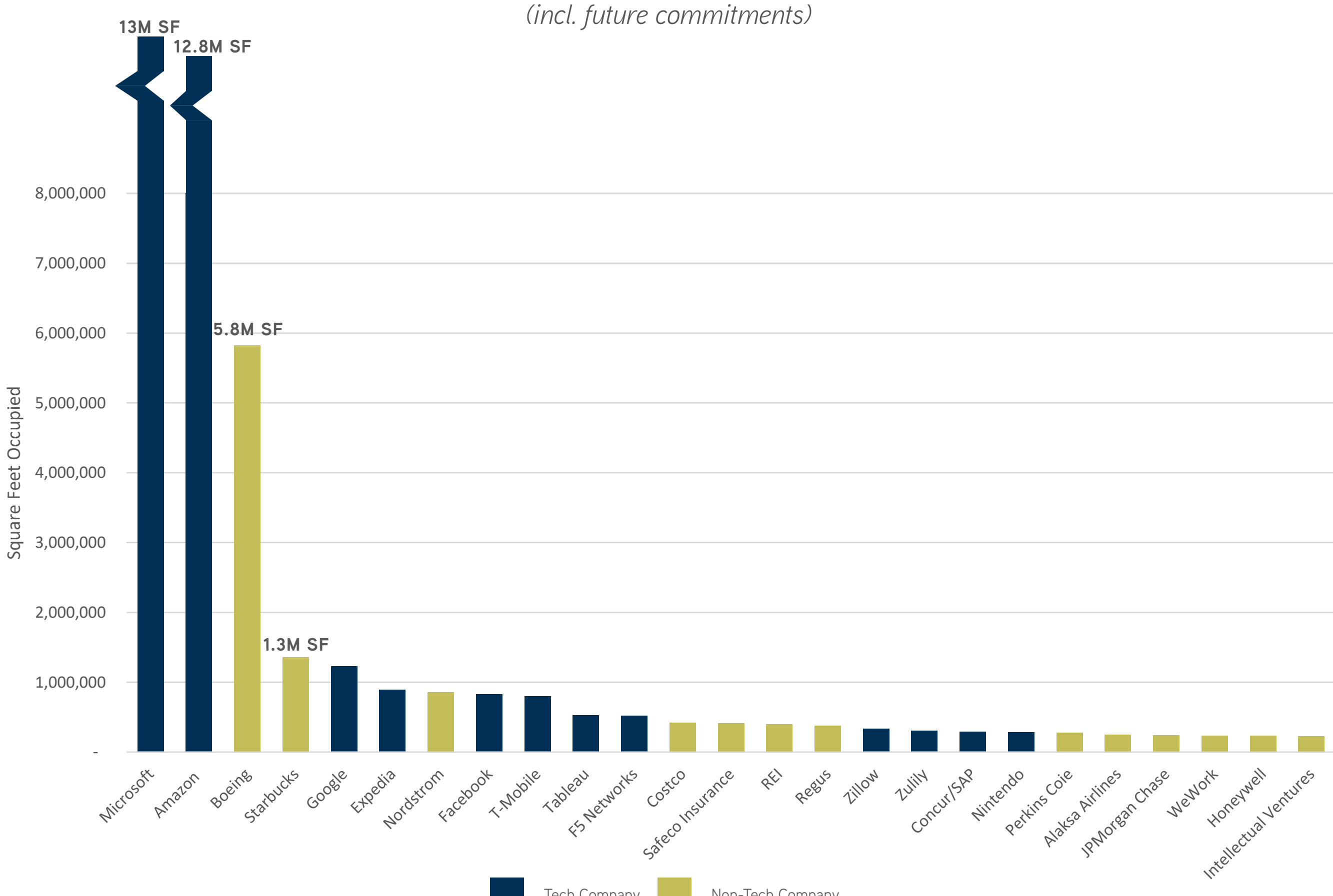
Technology Companies Snapping Up Office Space

Seattle has a deep past as a one-horse town. In the late 1850s, that horse was logging. Shifting economic and innovation tides at the turn of the century mordernized Seattle's economic base to that of aerospace and a new industrial revolution. Further innovative advancement in the 1970s led to the "one-horse" technology monolith known as Microsoft, which then led the region's growth through the 1990s.

Although it is easy to attribute the region's current technology boom to Amazon, it is merely the lead horse in a deep stable of thriving companies – both technology-driven and otherwise. A look at the Top 25 Office Users demonstrates a deep bench of technology companies, as well as aerospace, retail and financial powerhouses.

Top 25 King County Office Users

(incl. future commitments)



Source: Colliers Research

There is no doubt that Amazon will soon close the gap in its close second position behind Microsoft. A survey of the Top 25 users is a proverbial Who's Who in the high-tech and retail industries. We have an admirable cadre of great employers, and many are adding office space at a record pace. The increasingly interesting story behind the top three users in the region is that of many other non-local technology giants adding to their current occupancy in our market.

Technology Companies Snapping Up Office Space

The rate at which technology companies are signing leases for office space – large spaces at that – is the envy of the nation.

A few 100,000-square foot leases a year is notable, yet in Seattle we are measuring in the millions of square feet absorbed each year.

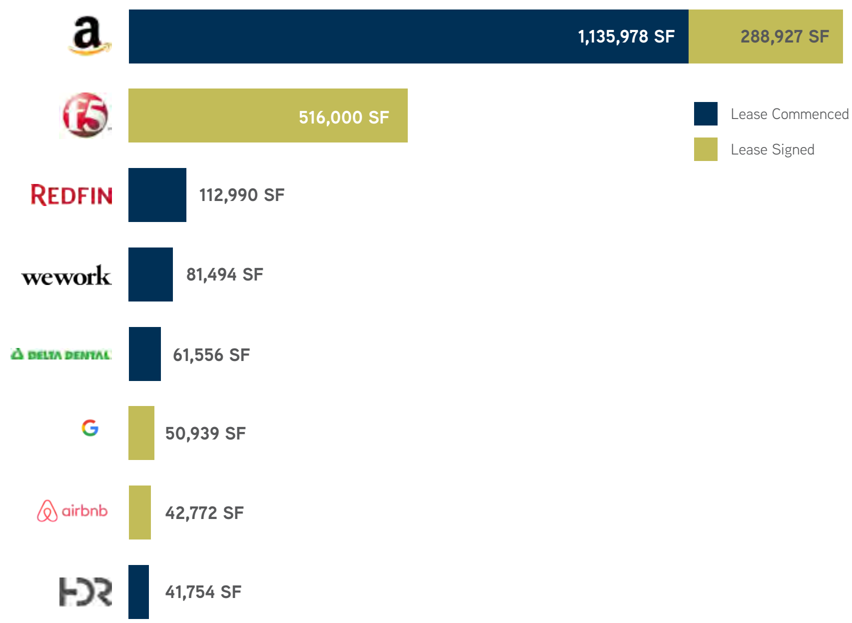
Not only are newly signed leases helping to take office vacancy rates to sub-10%, they are validating developers planning and breaking ground on new spec office development.

The mix of home-grown users and best-in-class technology companies from across the nation signing new leases proves the dynamism of Seattle's office market. Given Amazon's nearly 13M square foot dominance in the downtown Seattle market, it may be easy to call us a one-horse town yet again.

However, the diversity of companies signing for new office space reveals a more significant trend: Amazon may be a lead horse, but the talent it's attracting to the region is only making the composition of employers stronger and more dynamic.

Notable Office Leases in 2017

Signed and Commenced



SCHEDULE OF OFFICE COMMITMENTS

Building	Owner	SF
Amazon Campus	Amazon	1,740,000
2201 Westlake	American Realty	180,000
1918 8th Avenue	JP Morgan	460,000
West 8th	Deutsche Bank	320,000
1260 Mercer	Blume	106,000
Amazon Towers I & II	Amazon	3,300,000
Phase VI	Vulcan	365,000
202 Westlake	GLL	118,000
Met Park North	Hudson Pacific	137,000
1800 9th	Heitman	190,000
Phase VII	Vulcan	301,000
Phase VIII	Vulcan	312,000
Blanchard Plaza	Shorenstein	240,000
5th & Bell	Hines	106,000
635 Elliott	Martin Selig	187,000
1915 Terry Avenue	Children's Hospital	256,000
Supply Laundry	Vulcan	26,000
Troy Block	USAA / Touchstone	820,000
Urban Union	Walsh Const./Schnitzer West	285,000
Midtown 21	Trammell Crow	390,000
428 Westlake	Vulcan	81,000
Centre 425	Schnitzer West	354,000
Westlake Terry	Kilroy	150,000
Tilt49	Touchstone	290,000
Total		**10,714,000**

Source: Colliers Research

Rent & Vacancy Trends

The Seattle and Puget Sound multifamily market remains one of the most watched multifamily markets in the nation. Drafting off of the dynamics discussed in the region's office market, apartment owners have benefited from the strongest regional economic trends for apartment development since the 1980s. Massive demand for apartments continues driving rental rates while maintaining healthy vacancy rates.

Rental rate and vacancy trends differ vastly market-to-market, including both the timing of changes and the velocity of such changes. Early in the current market cycle, rental rates increased in the urban centers of Seattle and Bellevue. Rent growth then pushed East – then North and South. Six years since the beginning of the current economic expansion, markets are beginning to normalize.

The following pages highlight changes in each of the six submarkets measured. Although dynamics in each submarket impact the others, each has its own particular set of circumstances impacting the velocity of rental rate growth and the stability of low vacancy rates. The below summary is an introduction to each submarket, with more data for each submarket highlighted on each of the following pages.

Rental Rates Overview

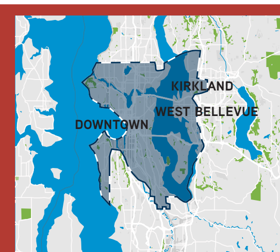
		Jan 1 - Jun 30 2017	Jan 1 - Jun 30 2016	% Change
KING COUNTY	Urban King (Built Pre-2000)	$1,897	$1,809	4.9%
	Urban King (Built 2000 - 2017)	$2,913	$2,075	5.7%
	North King (All Ages)	$1,618	$1,542	4.9%
	East King (All Ages)	$1,934	$1,871	3.4%
	South King (All Ages)	$1,544	$1,431	8.0%
SNOHOMISH COUNTY	North Snohomish (All Ages)	$1,364	$1,336	2.1%
	South Snohomish (All Ages)	$1,503	$1,484	1.3%

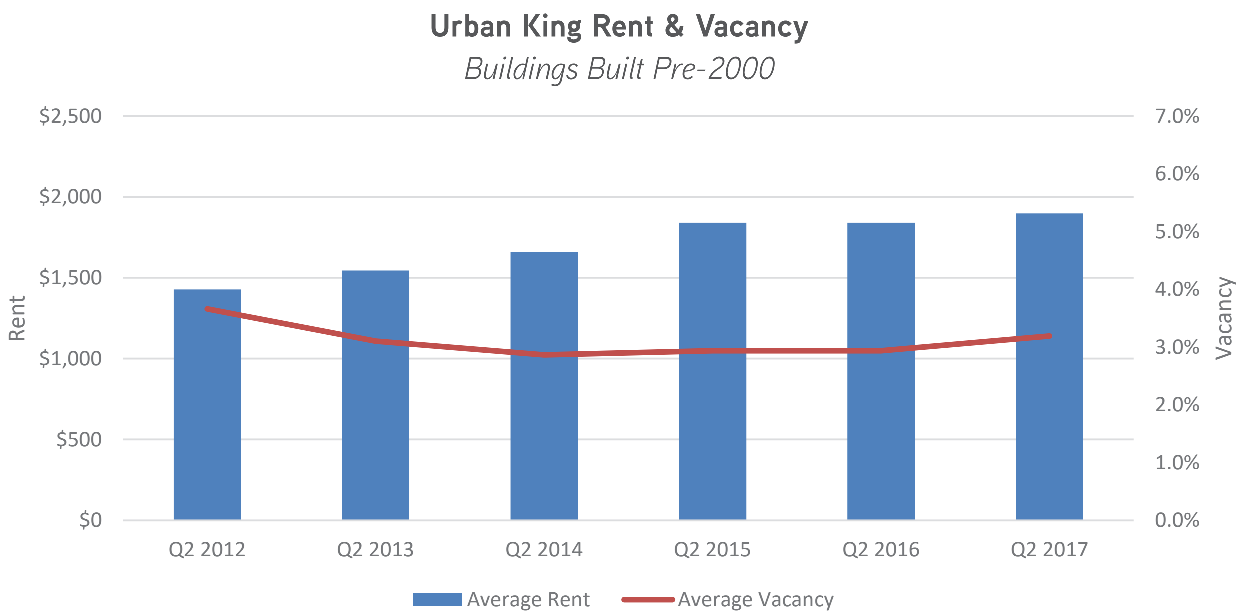
Source: Axiometrics

Rent & Vacancy: Urban King

Built Pre-2000

Q2 2017	**$1,897** AVG RENT	**3.2%** VACANCY RATE
Q2 2016	**$1,809** AVG RENT	**3.0%** VACANCY RATE
ANNUAL CHANGE	**+4.9%**	**+20 BP**





Source: Axiometrics

URBAN KING (BUILT PRE-2000) RENT & VACANCY TRENDS

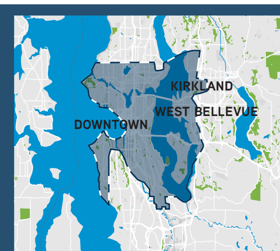
Seattle's existing stock of apartment buildings experienced significant rental rate growth over the past 5 years. On average, rental rates increased between 6% and 8% year-over-year for the past three years - with nearly 5% rent growth this past year. Rental rate growth tapered this last year as the market began to absorb more new units, and as strong cumulative rental rate growth this market cycle catches up with income levels.

At the beginning of the current market cycle, the majority of rental rate growth was organic growth, which means owners increased rental rates 2.5% to 3.0% each year. As newer apartment buildings pushed rental rates and as expenses increased – property taxes are the greatest offender – owners responded with increasing rental rates even further.

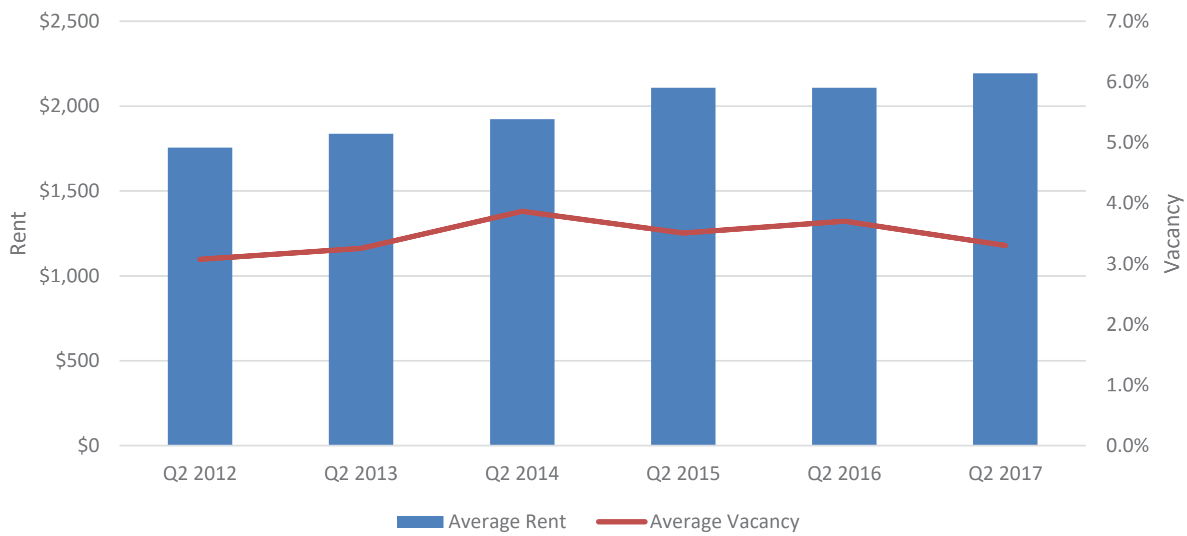
Although vacancy rates ticked up year-over-year by 20 BP, overall market vacancy rates remain at an extremely healthy 3.2%. This ultra-low vacancy rate demonstrates capacity in the market to both absorb the delivery of more new apartment rental units and the ability to continue to push rental rates.

Built 2000 - 2017

Q2 2017	**$2,193** AVG RENT	**3.3%** VACANCY RATE
Q2 2016	**$2,075** AVG RENT	**3.7%** VACANCY RATE
ANNUAL CHANGE	**+5.7%**	**-40 BP**



Urban King Rent & Vacancy
Buildings Built 2000 - 2017



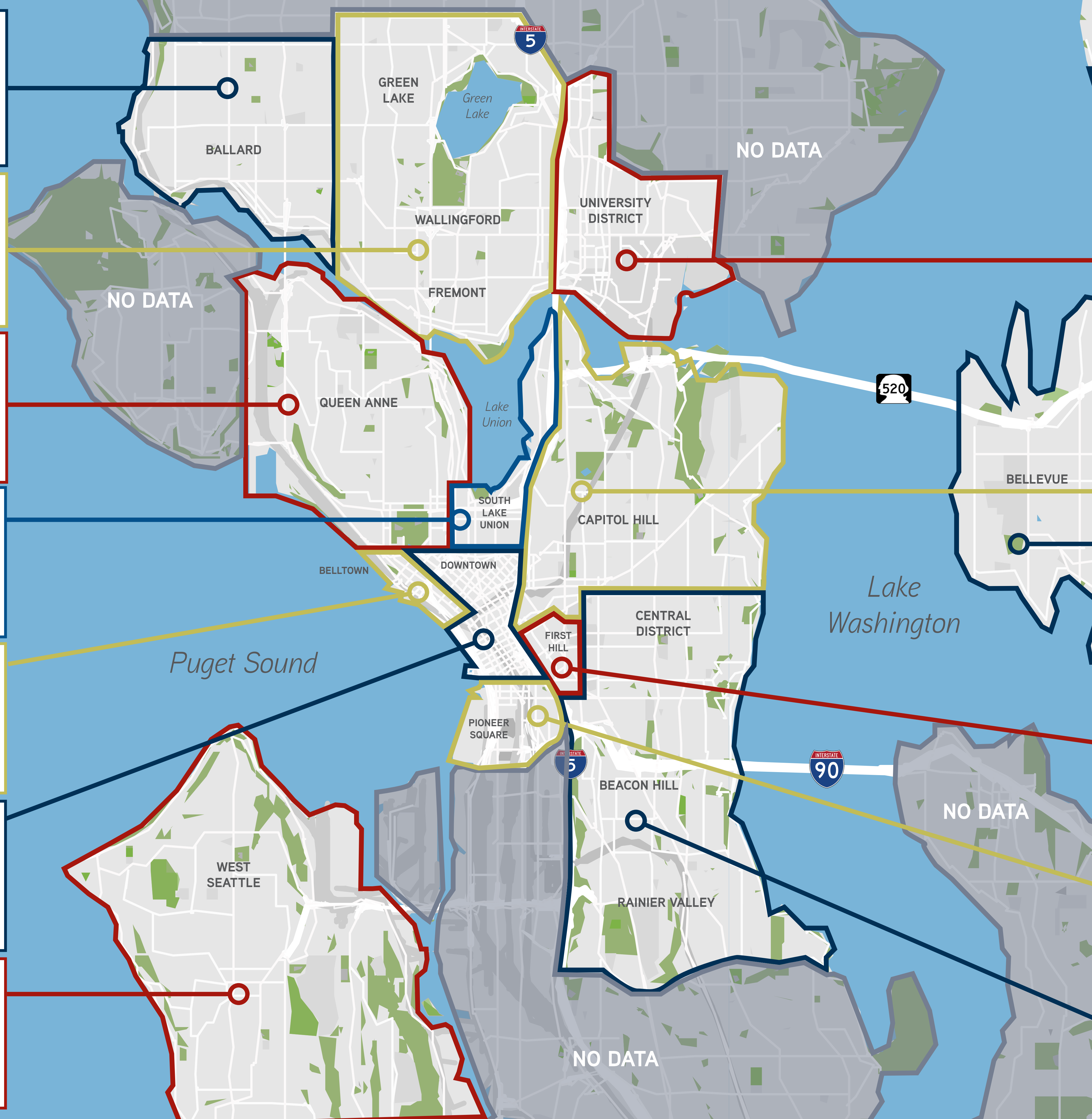
Source: Axiometrics

URBAN KING (BUILT 2000-2017) RENT & VACANCY TRENDS

Rental rates for newer buildings in Seattle continue to rise at a record pace. Part of this rental rate growth is non-organic – meaning it is the result of newly completed apartment units driving higher rental rates. However, vacancy rates account for newly delivered apartment units, proving the resilience of new price-points in Seattle's urban neighborhoods.

Extremely strong rental rate growth was commonplace from 2012 through 2015. Yet it is getting more challenging to grow rental rates at +6% year-over-year given the nearly 40% cumulative rental rate growth since 2012. Most of the apartment stock in these urban markets was delivered after 2007, as there were few deliveries from the year 2000 through 2006. It is not uncommon for 5+ year old buildings to receive upgrades to compete with newly delivered apartments achieving the highest rental rates in the region.

Vacancy rates remain remarkably low considering the amount of rent growth the market is experiencing. Given that the greatest amount of new apartment deliveries are in Urban King, sustaining a sub-4.0% vacancy rate is remarkable – and the vacancy rate dropping year-over-year is truly impressive!



BALLARD

	2Q 2017 Avg Rent	2Q 2017 Y-O-Y Rent Growth	2Q 2017 Vacancy Rate
Built Pre-2000	Insufficient Data	Insufficient Data	Insufficient Data
Built 2000 - 2017	$2,141	5.5%	3.9%

GREENLAKE/WALLINGFORD/FREMONT

	2Q 2017 Avg Rent	2Q 2017 Y-O-Y Rent Growth	2Q 2017 Vacancy Rate
Built Pre-2000	$1,774	Insufficient Data	1.4%
Built 2000 - 2017	$2,023	4.6%	4.4%

QUEEN ANNE

	2Q 2017 Avg Rent	2Q 2017 Y-O-Y Rent Growth	2Q 2017 Vacancy Rate
Built Pre-2000	$1,998	2.6%	2.0%
Built 2000 - 2017	$2,164	7.3%	2.9%

SOUTH LAKE UNION/EASTLAKE

	2Q 2017 Avg Rent	2Q 2017 Y-O-Y Rent Growth	2Q 2017 Vacancy Rate
Built Pre-2000	Insufficient Data	Insufficient Data	Insufficient Data
Built 2000 - 2017	$2,132	4.1%	3.9%

BELLTOWN

	2Q 2017 Avg Rent	2Q 2017 Y-O-Y Rent Growth	2Q 2017 Vacancy Rate
Built Pre-2000	$2,156	8.6%	3.2%
Built 2000 - 2017	$2,333	5.8%	3.4%

DOWNTOWN

	2Q 2017 Avg Rent	2Q 2017 Y-O-Y Rent Growth	2Q 2017 Vacancy Rate
Built Pre-2000	$2,036	10.4%	3.1%
Built 2000 - 2017	$2,836	5.6%	4.5%

WEST SEATTLE

	2Q 2017 Avg Rent	2Q 2017 Y-O-Y Rent Growth	2Q 2017 Vacancy Rate
Built Pre-2000	$1,615	3.4%	3.6%
Built 2000 - 2017	$1,852	6.0%	3.6%

KIRKLAND

	2Q 2017 Avg Rent	2Q 2017 Y-O-Y Rent Growth	2Q 2017 Vacancy Rate
Built Pre-2000	$2,256	3.7%	4.7%
Built 2000 - 2017	$2,223	6.6%	4.2%

UNIVERSITY DISTRICT

	2Q 2017 Avg Rent	2Q 2017 Y-O-Y Rent Growth	2Q 2017 Vacancy Rate
Built Pre-2000	$1,628	1.4%	2.2%
Built 2000 - 2017	$1,769	-2.3%	3.3%

CAPITOL HILL

	2Q 2017 Avg Rent	2Q 2017 Y-O-Y Rent Growth	2Q 2017 Vacancy Rate
Built Pre-2000	Insufficient Data	Insufficient Data	Insufficient Data
Built 2000 - 2017	$2,217	4.5%	2.7%

WEST BELLEVUE

	2Q 2017 Avg Rent	2Q 2017 Y-O-Y Rent Growth	2Q 2017 Vacancy Rate
Built Pre-2000	$2,047	1.9%	3.6%
Built 2000 - 2017	$2,432	4.3%	4.7%

FIRST HILL

	2Q 2017 Avg Rent	2Q 2017 Y-O-Y Rent Growth	2Q 2017 Vacancy Rate
Built Pre-2000	$1,679	4.5%	2.5%
Built 2000 - 2017	$2,020	3.0%	4.3%

PIONEER SQUARE

	2Q 2017 Avg Rent	2Q 2017 Y-O-Y Rent Growth	2Q 2017 Vacancy Rate
Built Pre-2000	$1,606	5.1%	2.9%
Built 2000 - 2017	$2,245	7.8%	4.3%

CENTRAL DISTRICT/BEACON HILL/RAINIER VALLEY

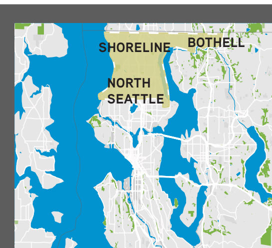
	2Q 2017 Avg Rent	2Q 2017 Y-O-Y Rent Growth	2Q 2017 Vacancy Rate
Built Pre-2000	$1,878	10.4%	4.4%
Built 2000 - 2017	$1,802	6.0%	3.6%

Source: Axiometrics

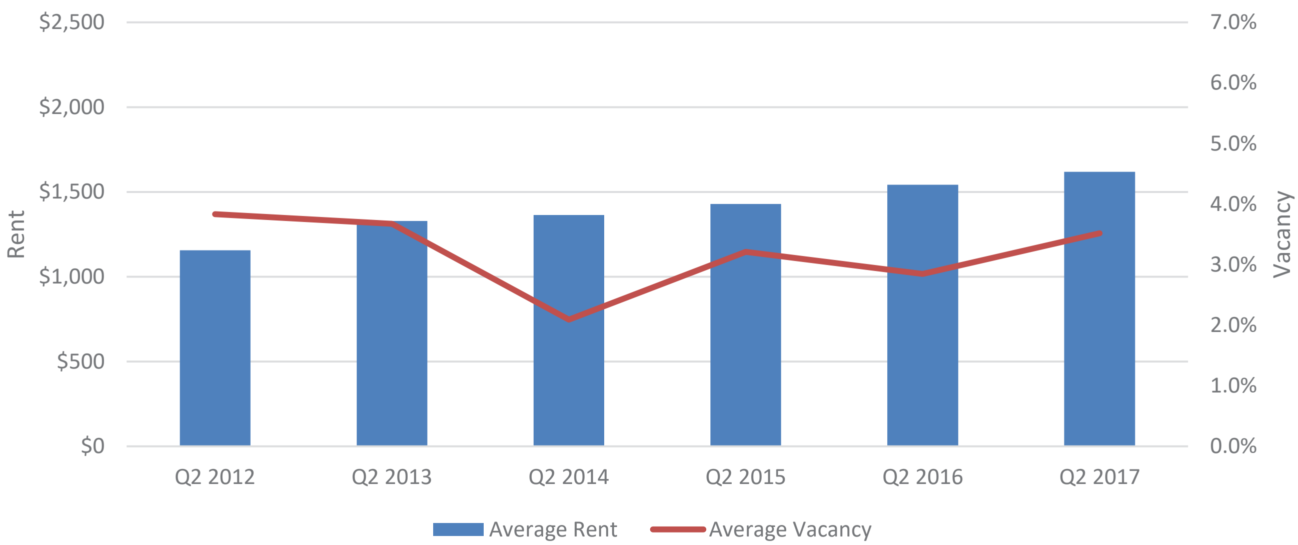
Rent & Vacancy: North King

All Ages

Q2 2017	**$1,618** AVG RENT	**3.5%** VACANCY RATE	
Q2 2016	**$1,542** AVG RENT	**2.8%** VACANCY RATE	
ANNUAL CHANGE	**+5.0%**	**+70 BP**	



North King Rent & Vacancy
All Building Ages



Source: Axiometrics

NORTH KING RENT & VACANCY TRENDS

Escalating rental rates in North King are a direct result of residents getting priced out of more expensive urban neighborhoods in Seattle. As recently as 2012, rental rates in North Seattle were as low as $1,200/month. It is now common to see rental rates crest $1,800/month for the same units. Rental rate growth occured across North King at various times, yet by 2017 most of North King is expensive for renters.

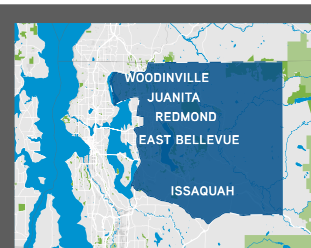
Additionally, in recent years developers delivered new apartment units in Northgate, Lake City, Shoreline and Bothell – pushing the rental rate ceiling even higher. Across the board, rental rates increased just under 5% year-over-year in North King, yet in specific submarkets, rental rates increased between 6% and 8% - often without owners even upgrading units.

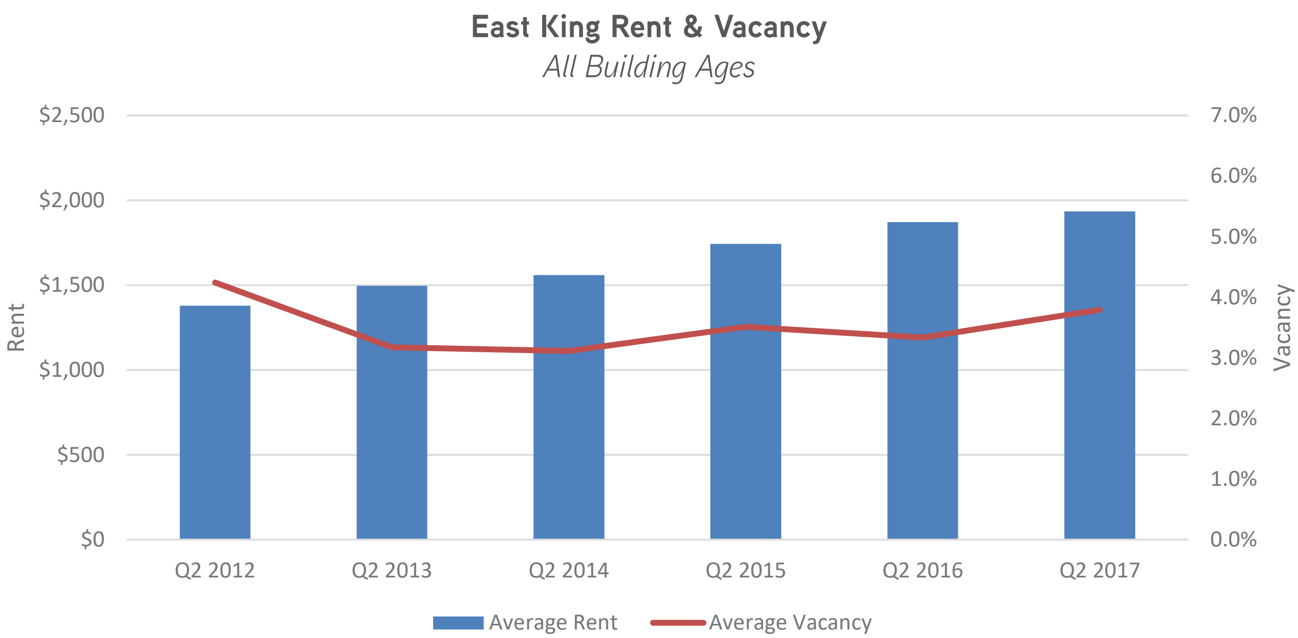
Because of rapid rental rate growth, vacancy rates increased as well. As of last year, average vacancy rates were sub-3%, a phenomenon that couldn't last too long. The market is currently experiencing a healthy trade-off of rapidly rising rental rates with mildly increasing vacancy. As long as rental rates increase in Seattle's urban neighborhoods, expect residents to flee to nearby urban submarkets in North King—allowing owners to push rental rates as long as they remain cheaper than the next closest alternative.

Rent & Vacancy: East King

All Ages

Q2 2017	**$1,934** AVG RENT	**3.8%** VACANCY RATE
Q2 2016	**$1,871** AVG RENT	**3.3%** VACANCY RATE
ANNUAL CHANGE	**+3.4%**	**+50 BP**





Source: Axiometrics

EAST KING RENT & VACANCY TRENDS

Of all Puget Sound suburban submarkets, East King has the highest concentration of white collar jobs and the strongest high-wage employment base. Rental rates in each of East King's submarkets experienced growth earlier in this market cycle and more consistently than other suburban markets. New development also took hold in these markets soon after that of Urban King.

In the past year, rent growth tapered in East King, with an average increase year-over-year of 3.4%. However, during the previous four years, rent growth consistently exceeded 6% each year. Vacancy rates remained below 4% consistently over the last five years, with a 50 BP increase year-over-year.

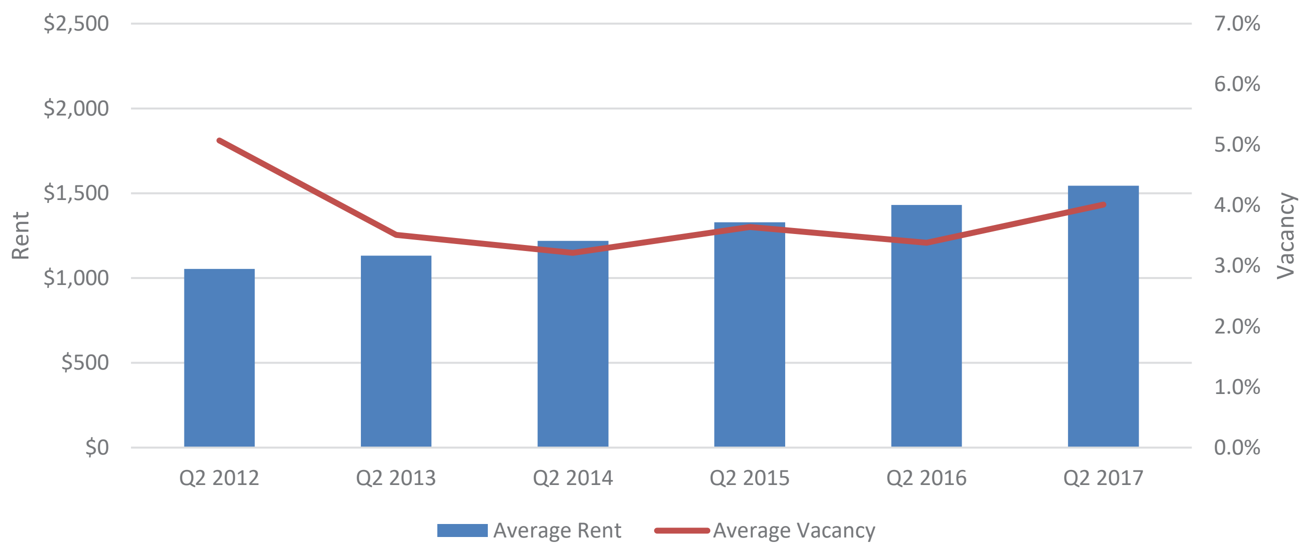
Given an intense amount of new development in East King, rental rates are forecasted to increase with the delivery of new, higher-end apartment units. It is expected that vacancy will increase nominally as these units are absorbed into the market, yet given the strength of East King's labor market, there is considerable room for rent growth in the years to come.

Rent & Vacancy: South King

All Ages

Q2 2017	**$1,544** AVG RENT	**4.0%** VACANCY RATE
Q2 2016	**$1,431** AVG RENT	**3.4%** VACANCY RATE
ANNUAL CHANGE	**+7.8%**	**+60 BP**

South King Rent & Vacancy
All Building Ages



Source: Axiometrics

SOUTH KING RENT & VACANCY TRENDS

South King continues to experience some of the strongest rental rate growth in the region. Year-over-year average rental rate growth hit 8.0% this past year, with average rental rate growth between 7% and 9% during each of the two previous years.

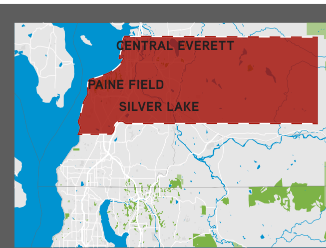
As rental rates on all sides of Seattle and Bellevue increase – and new developments push rental rates even higher – South King is the market of last resort for cost-conscious renters seeking to remain close to job centers in Seattle and Bellevue. Owners in these markets continue to raise rental rates, with renters finding South King an affordable alternative to other markets.

Rising rental rates in South King have come at somewhat of a cost to occupancy, with vacancy finally hitting 4.0%, after years of hovering near 3.0%. Most South King markets have very little new development to absorb, and as a result rental rates can be pushed further before rising vacancy becomes an issue.

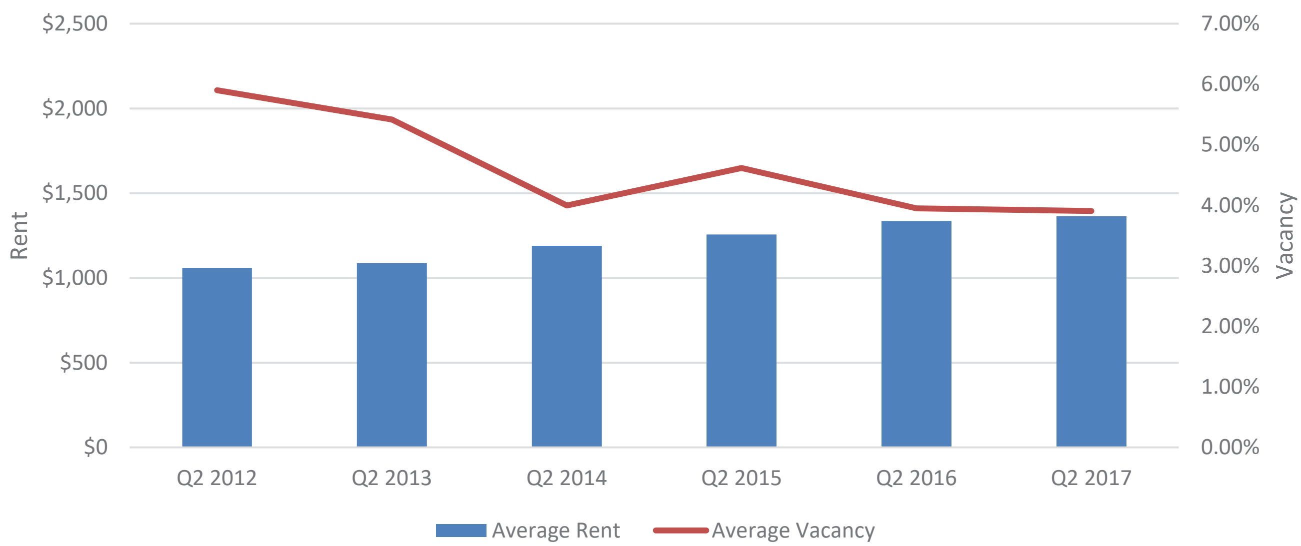
Rent & Vacancy: North Snohomish

All Ages

Q2 2017	**$1,364** AVG RENT	**3.9%** VACANCY RATE	
Q2 2016	**$1,336** AVG RENT	**3.9%** VACANCY RATE	
ANNUAL CHANGE	**+2.1%**	**NO CHANGE**	



North Snohomish Rent & Vacancy
All Building Ages



Source: Axiometrics

NORTH SNOHOMISH RENT & VACANCY TRENDS

North Snohomish was one of the last markets to experience rental rate growth. Located furthest from the epicenter of rent growth – namely Seattle and Bellevue – it took until nearly 2014 for rental rates in North Snohomish to experience upward pressure.

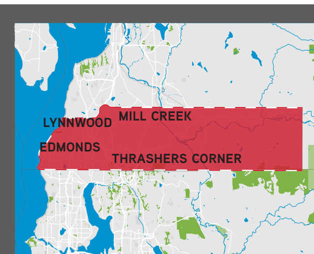
Rental rates grew quickly from 2014 through 2016, yet cost sensitivity and cheaper alternatives just beyond North Snohomish moderated the degree of rental rate growth during the last year. Average rental rates only grew 2.1% year-over-year, while vacancy remained unchanged and steady at 3.9%.

North Snohomish remains an affordable market, yet very exposed to the health and vibrancy of the aerospace industry – namely Boeing. As Boeing trims its labor force, it becomes more difficult for North Snohomish owners to raise rates.

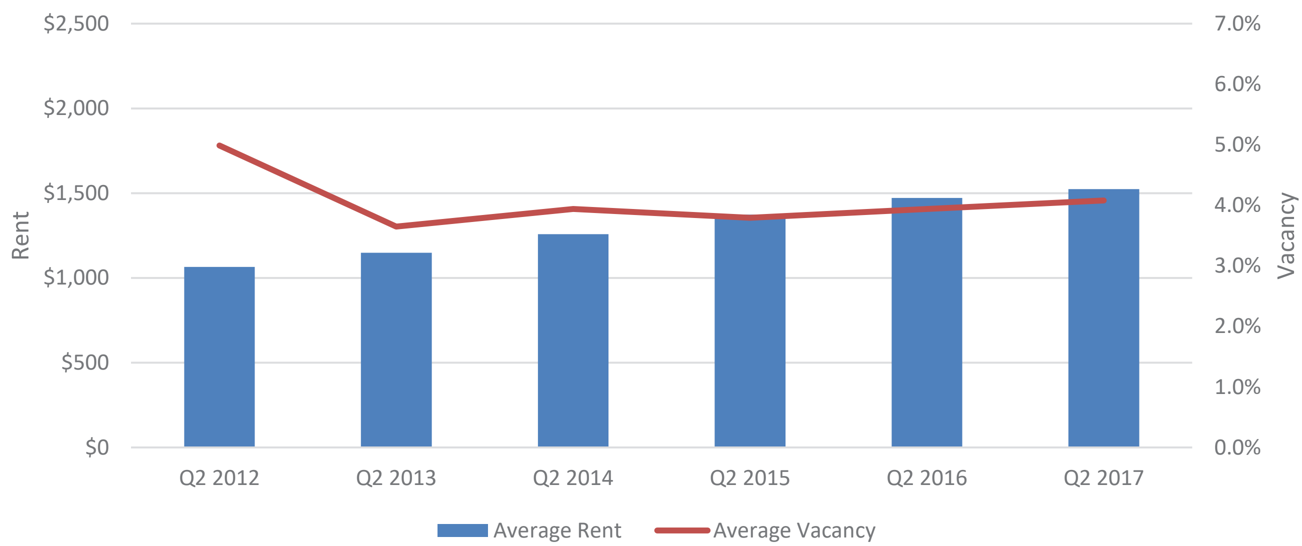
Rent & Vacancy: South Snohomish

All Ages

Q2 2017	**$1,503** AVG RENT	**4.1%** VACANCY RATE
Q2 2016	**$1,484** AVG RENT	**3.6%** VACANCY RATE
ANNUAL CHANGE	**+1.3%**	**+50 BP**



South Snohomish Rent & Vacancy
All Building Ages



Source: Axiometrics

SOUTH SNOHOMISH RENT & VACANCY TRENDS

Rental rate growth in South Snohomish moderated during the last year more than any other market measured, yet this occurred only after sustained rental rate growth from 2012 to 2016. Locational dynamics played very well into rental rate growth in South Snohomish.

First, South Snohomish markets have extremely good access to job centers both to the North and South – providing renters the ability to work in either location. Second, Park-and-Ride locations and future light rail stations provide a great draw to residents and owners alike. Markets like Lynnwood experienced strong rental rate growth both organically and because of new development.

As owners push rental rates, vacancy ticked up 50 BP, evidencing renters' willingness to move north in search of lower rental rates. Average rental rates of more than $1,500/month is a testament to the strength of the South Snohomish market, especially considering that rental rates were near $1,000/month as recently as 2012.

Sales Trends

Each new year is a surprise for apartment investors. Just when investors sense a lull in a market, sellers willing to part with their assets come out of the proverbial woodwork, creating a frenetic surge in sales volume. Sometimes that surge continues year-over-year – and at other times the sales market nearly evaporates. Each of the last three years could not be more different from one another.

	JAN 1 - JUN 30 2017	JAN 1 - JUN 30 2016	% CHANGE
Urban King Sales (5-50 units)	40	52	-23%
Urban King Sales (50+units)	8	4	100%
Suburban Sales (50+units)	18	30	-40%

Despite choppiness in sales volume – nearly half in suburban markets and double in the 50+ unit urban market – pricing is clearly up year-over-year, across all locations and category of building. A combination of rising rental rates across the region and sustained low capitalization rates continue to push sales pricing for all assets. Seattle's economic fundamentals continue to inspire the trust of apartment investors, resulting in buyers parting with more money for the opportunity to own apartment buildings in this market.

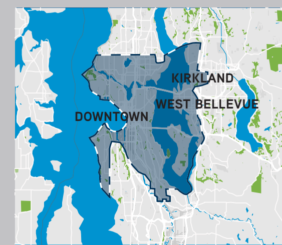
SALES		YEAR-OVER-YEAR JAN 1 - JUN 30 2017	YEAR-OVER-YEAR JAN 1 - JUN 30 2016	% Change
SALES VOLUME	Urban King (5 units-50 units)	$186,059,000	$189,518,068	-1.8%
SALES VOLUME	Urban King (50+ units)	$287,225,000	$160,716,000	78.7%
SALES VOLUME	Suburban (50+ units)	$831,612,500	$1,212,731,805	-31.4%
PRICE PER UNIT	Urban King (5 units-50 units)	$290,125	$257,484	12.7%
PRICE PER UNIT	Urban King (50+ units)	$332,332	$288,218	15.3%
PRICE PER UNIT	Suburban (50+ units)	$187,372	$178,651	4.9%
PRICE PER SQUARE FOOT	Urban King (5 units-50 units)	$424	$357	18.8%
PRICE PER SQUARE FOOT	Urban King (50+ units)	$561	$514	9.1%
PRICE PER SQUARE FOOT	Suburban (50+ units)	$227	$210	8.1%

Source: Dupre+Scott

Sales: Urban King 5-50 Units

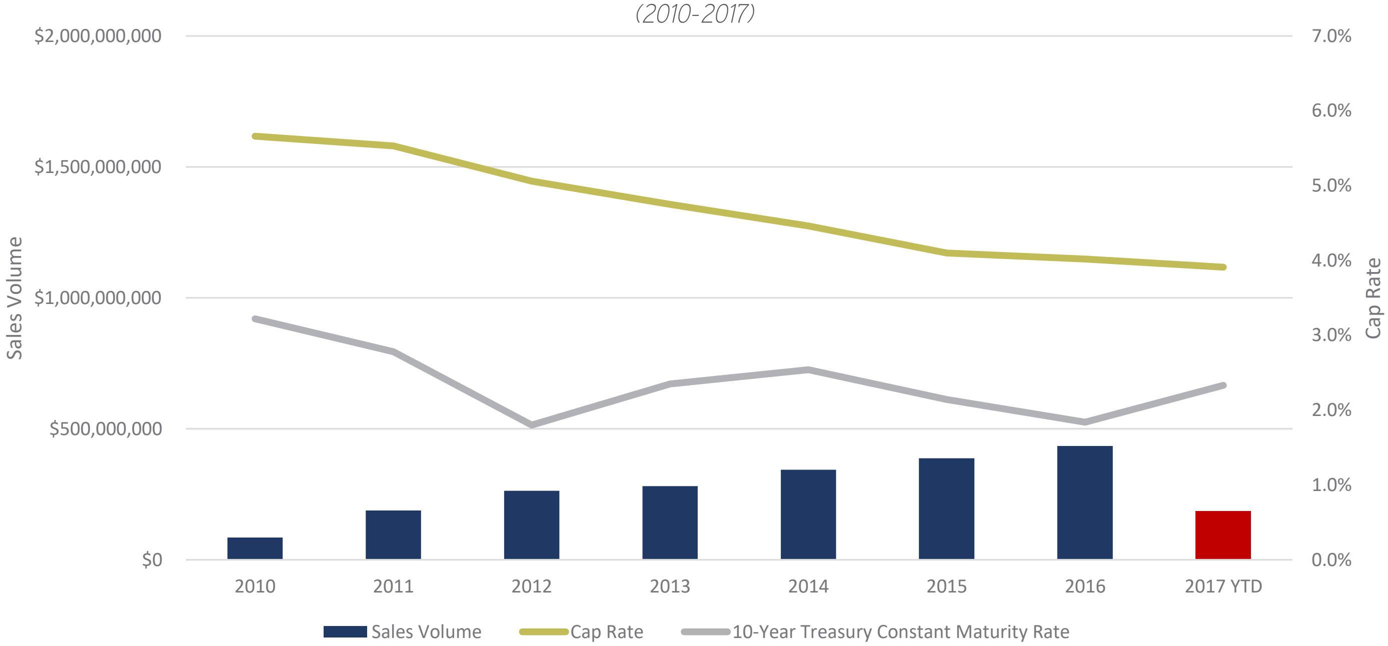
All Ages

$186.0M	3.9%	$189.5M	3.8%	$138.6M	4.4%
SALES VOLUME	CAP RATE	SALES VOLUME	CAP RATE	SALES VOLUME	CAP RATE
JAN 1 - JUN 30 2017		*JAN 1 - JUN 30 2016*		*JAN 1 - JUN 30 2015*	



Urban King 5-50 Unit Sales Fundamentals

(2010-2017)



Sales Overview

Jan 1 - Jun 30 2017

Jan 1 - Jun 30 2016

PPSF: $424 / $357

PPU: $290,125 / $257,484

There is no doubt that Seattle's urban neighborhoods remain a favorite for renters and investors alike. Strong rent growth and stable fundamentals continue to support growing NOI and continually compressing capitalization rates. As a result, sales volume – and sales value – continue to outperform.

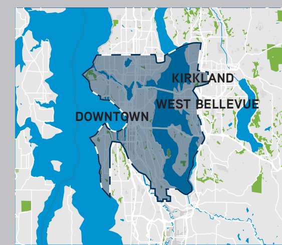
Despite fluctuations in treasury rates and the onslaught of new, high-end apartment buildings, every year investors continue to pay high prices for urban, boutique apartment assets. Whereas institutional capital cooled in the core by early 2016, private investors continue to see the value of owning in close-in, urban neighborhoods, and they are willing to pay the freight to keep snapping up assets.

Source: Dupre+Scott, Real Capital Analytics

Sales: Urban King 50+ Units

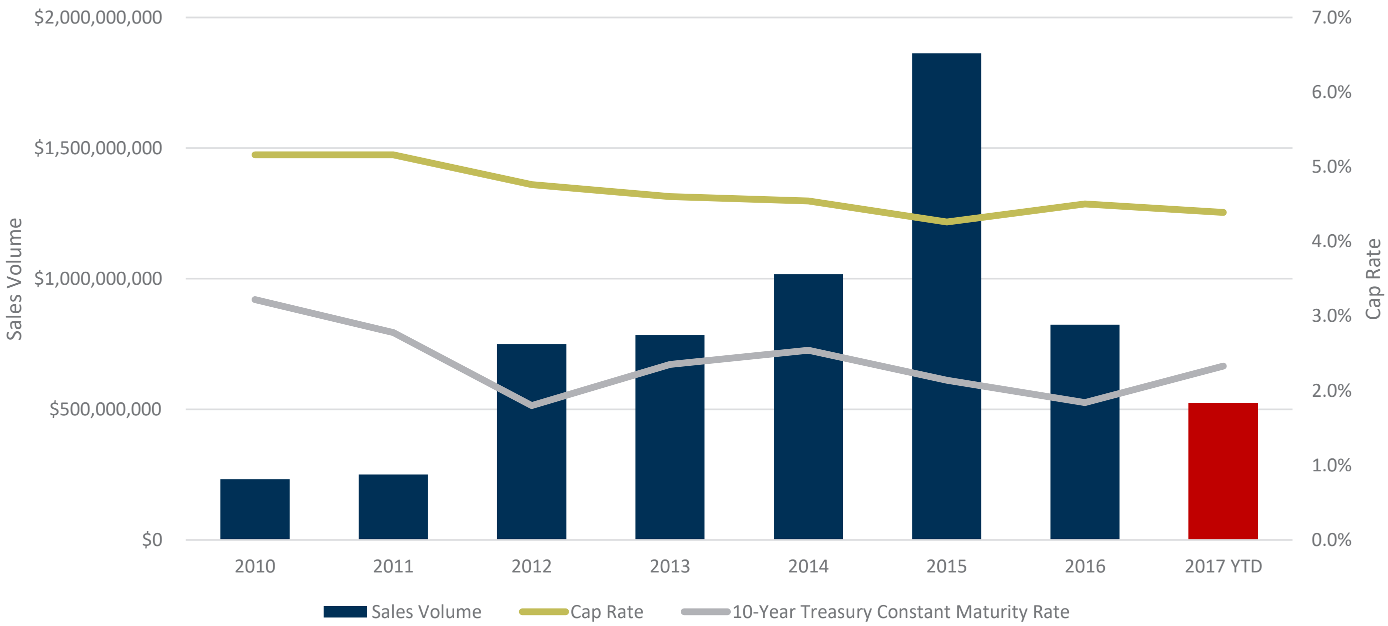
All Ages

$387.2M	4.3%	$160.7M	4.5%	$1.0B	4.2%
SALES VOLUME	CAP RATE	SALES VOLUME	CAP RATE	SALES VOLUME	CAP RATE
JAN 1 - JUN 30 2017		*JAN 1 - JUN 30 2016*		*JAN 1 - JUN 30 2015*	



Urban King 50+ Unit Sales Fundamentals

(2010-2017)



Sales Overview

Jan 1 - Jun 30 2017
Jan 1 - Jun 30 2016

PPSF: $561 / $514

PPU: $332,332 / $288,218

Sales volume for large apartment buildings more than doubled year-over-year, yet such sales volume was no match for 2015, which remains a banner year for sales volume. Capitalization rates continue to hover in the low to mid-4 range – assuredly remaining compressed as a result of both investor demand and a 10-Year Treasury that can't seem to find footing above 2.4%.

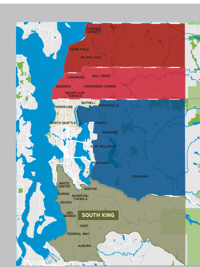
Sales prices on a price-per-unit and price-per-foot continue to escalate lock-step with rental rates. Over the last year, sales prices exceeding $600 NRSF for newly developed assets became the norm and pricing exceeding $500 NRSF for core-plus assets permeate the market. The surge in sales volume and record-setting sales may have crested 18 months ago, yet investors are loath to let an urban-located asset slip by them at too much of a discount to a previous record sales price.

Source: Dupre+Scott, Real Capital Analytics

Sales: Suburban King & Snohomish 50+ Units

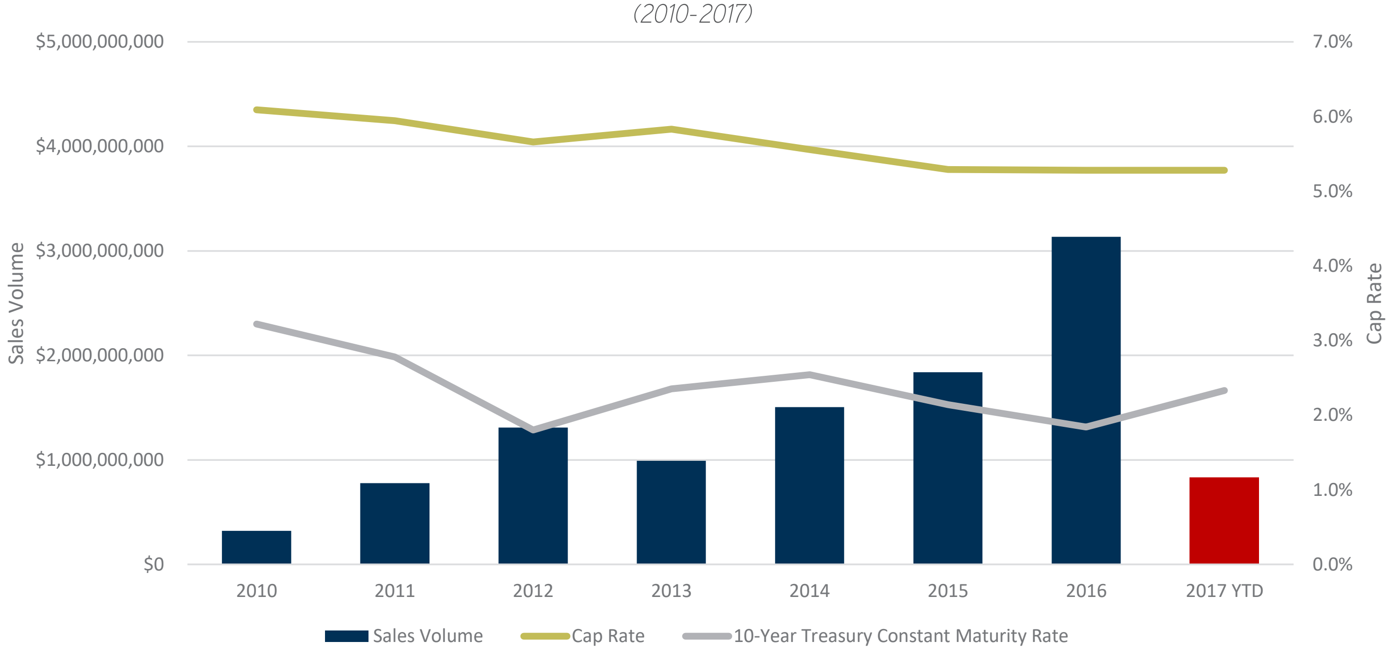
All Ages

$831.6M	5.2%	$1.2B	5.5%	$409.5M	5.3%
SALES VOLUME	CAP RATE	SALES VOLUME	CAP RATE	SALES VOLUME	CAP RATE
JAN 1 - JUN 30 2017		*JAN 1 - JUN 30 2016*		*JAN 1 - JUN 30 2015*	



Suburban King & Snohomish 50+ Unit Sales Fundamentals

(2010-2017)



Sales Overview

Jan 1 - Jun 30 2017

Jan 1 - Jun 30 2016

PPSF: $227 (2017); $210 (2016)

PPU: $187,372 (2017); $178,651 (2016)

Sales volume in Puget Sound suburbs was hit hardest by the lull that marked the first two quarters of 2017. Although the number of building sales dropped by nearly half, overall sales volume (marked in dollars spent) only fell by 30%. The bottom line is: less is selling, but at far higher values. Good news for sellers.

Owners who are willing to part with their suburban-located apartment buildings were richly rewarded for the endeavor. An immense amount of 'value-add' capital was raised, yet remains undeployed – pushing pricing to new heights. Market pricing in the suburbs is hitting near (or above) replacement cost for older assets as value-oriented investors are more focused on placing capital and hitting yield requirements than trying to find the deal of the century. More investors continue to chase fewer assets, leading to bid-down capitalization rates and record pricing in the region's suburbs.

Source: Dupre+Scott, Real Capital Analytics

YTD Sales Successes

$32,300,000
UPTOWN 11
34 Units + Retail - Queen Anne

$5,000,000
EMERALD 10
36 Micro Units - First Hill

$22,959,400
UNION BAY
73 Units - South Lake Union

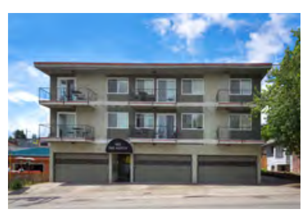
$20,250,000
EVERGREEN VALE
132 Units - Federal Way

PENDING TRANSACTIONS

PREXY
66 Units - University District

1405 DEXTER
99 Unit Entitled Development - Westlake

TIMBERLAND
20 Units - Everett



THE NESTUN
7 Units - Fremont

5-50 Unit Building
Efficiency Units
50+ Unit Building
Development Land

Seattle Multifamily Team

Our Expertise

5 - 50
Unit Buildings

50+
Unit Buildings

Development Land

Efficiency Unit Buildings

Our Advantage

Best-in-Class Marketing

11,500+
Buyer Database

Expert Market Analysis

Industry-Leading Research

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