

An aerial photograph of Seattle, Washington, and the surrounding Puget Sound. The city's skyline is visible in the lower half, with numerous skyscrapers and dense urban development. The water of the sound is a deep blue, and the surrounding green hills are visible in the upper half. A white, stylized graphic of the Space Needle is overlaid on the city. The entire image is framed by a white border with rounded corners.

The SMT Report

1Q 2017

Seattle & Puget Sound Multifamily

Colliers
INTERNATIONAL

SEATTLE
MULTIFAMILY
TEAM

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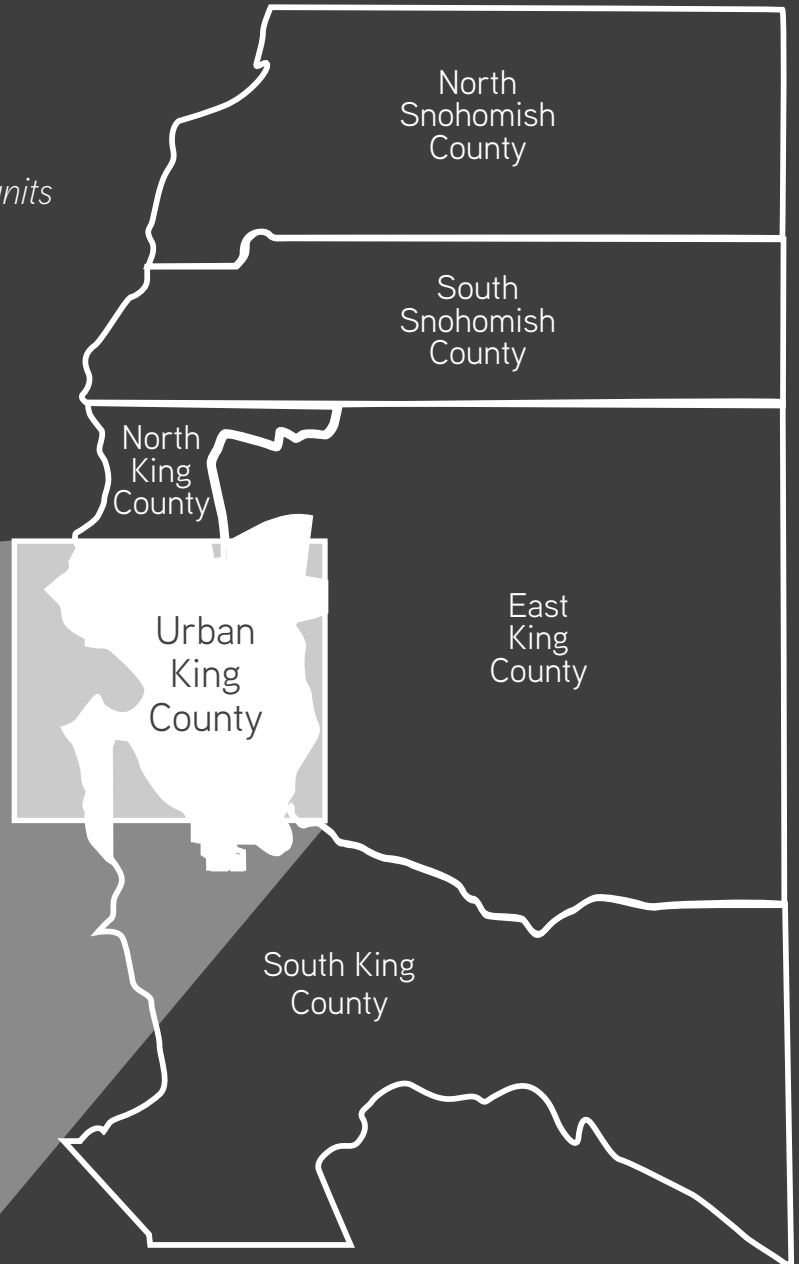
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About the Seattle Multifamily Team

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.

Dylan Simon
Senior Vice President

Jerriid Anderson
Senior Associate

Matt Laird
Associate

1Q SMT Report

Overview

The first quarter of the year often sets the pace for the balance of the year. In the case of Seattle & Puget Sound versus the nation, once more our region is outperforming. Nationally, 1Q gross domestic product missed its mark, growing at an annual rate of only +0.7%, the slowest pace of expansion in three years.

Consumer and government spending lapsed, and the Federal Reserve signaled that it would not raise interest rates in the short term, at least until growth was more certain.

By contrast, Seattle & the Puget Sound region had sterling regional economic fundamentals during the first quarter of 2017, proving the case that the region should remain a sweetheart apartment investment market.

Despite record rental rate increases and the addition of more than 50,000 new units over the past seven years, the region continues its pace of steady rental rate growth, low vacancy rates (sub-4%), strong apartment sales volume, and job growth outpacing the rest of the nation.

Rental Rates

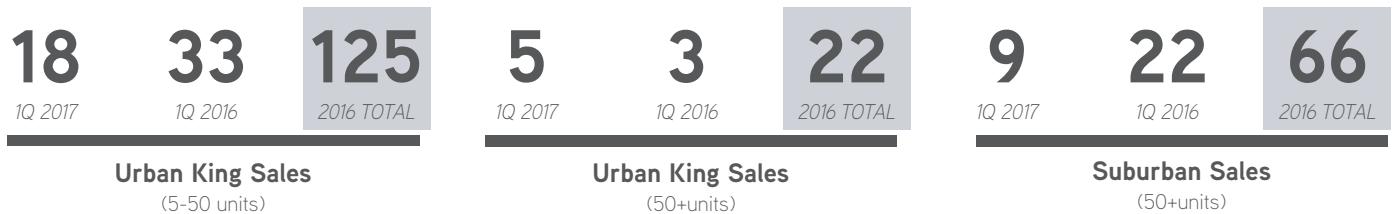
Year-over-year, rental rates continued their upward trend across nearly all locations and unit types. Rental rates increased an average of 6 percent to 9 percent across the region, with 1-bedroom units posting the highest average gains.

		Spring 2017	Spring 2016	% Change
(STUDIOS)	Urban King (5 units-50 units)	\$1,158	\$1,062	9.0%
	Urban King (50+ units)	\$1,421	\$1,348	5.4%
	Suburban (50+ units)	\$1,065	\$974	9.3%
(1 BED)	Urban King (5 units-50 units)	\$1,420	\$1,305	8.8%
	Urban King (50+ units)	\$1,885	\$1,767	6.7%
	Suburban (50+ units)	\$1,236	\$1,140	8.4%
(2 BED)	Urban King (5 units-50 units)	\$1,664	\$1,558	6.8%
	Urban King (50+ units)	\$2,162	\$2,013	7.4%
	Suburban (50+ units)	\$1,326	\$1,225	8.2%

Source: Dupre+Scott

Sales

The volume of apartment building sales in the first quarter of the year certainly is behind the first quarter of 2016. In the case of both urban-located sub-50 unit buildings and suburban markets, the number of buildings sold is nearly 50% of what the market experienced in 1Q 2016. However, overall sales volume on a dollar basis remains on pace compared to this time last year.



Sales prices increased both year-over-year and quarter-over-quarter in nearly every category. The market continues to see growth in overall price-per-unit (PPU) and price-per-square-foot (PPSF). Although sales in urban markets remain a stand-out in overall price, sales in suburban markets are quickly catching-pace and beginning to approach replacement value.

		YEAR-OVER-YEAR			QUARTER-OVER-QUARTER	
		1Q 2017	1Q 2016	% Change (YR)	4Q 2016	% Change (QTR)
SALES VOLUME	Urban King (5 units-50 units)	\$92,682,474	\$83,354,145	11.2%	\$118,619,547	-21.9%
	Urban King (50+ units)	\$381,497,000	\$146,928,650	159.6%	\$237,061,995	60.9%
	Suburban (50+ units)	\$266,035,310	\$378,436,323	-29.7%	\$1,015,710,962	-73.8%
PRICE PER UNIT	Urban King (5 units-50 units)	\$301,830	\$266,642	13.2%	\$284,594	6.1%
	Urban King (50+ units)	\$349,384	\$344,916	1.3%	\$368,527	-5.2%
	Suburban (50+ units)	\$166,869	\$136,591	22.2%	\$199,479	-16.3%
PRICE PER SQUARE FOOT	Urban King (5 units-50 units)	\$426	\$328	29.9%	\$360	18.3%
	Urban King (50+ units)	\$749	\$494	51.6%	\$463	61.8%
	Suburban (50+ units)	\$191	\$174	9.8%	\$185	3.2%

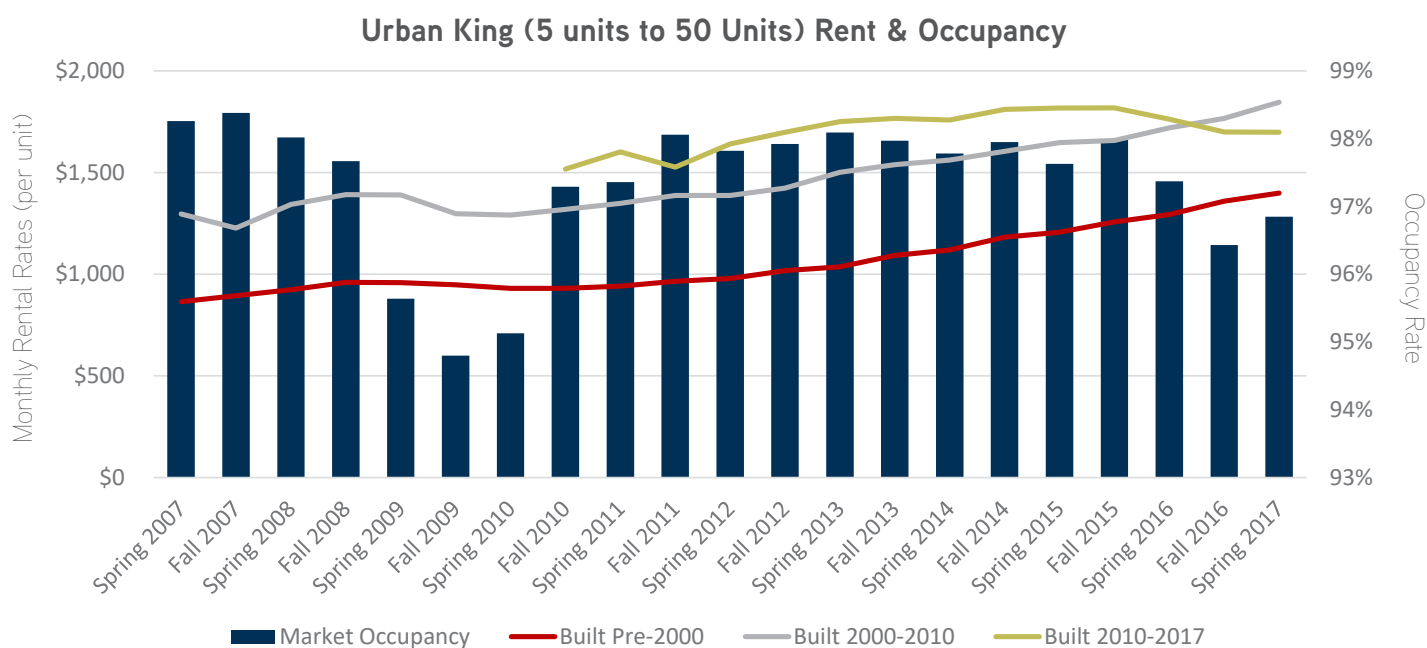
Source: Real Capital Analytics

Rent & Vacancy

Urban King: 5-50 Units

From Spring 2016 to Spring 2017, rental rates across all unit types increased between 6.8% to 9.0%. Although the market vacancy rate increased by 60 BP, overall market vacancy rests at a very healthy 3.2%. Considering the strength of rent appreciation over this period, some increase in vacancy is expected.

2017	\$1,450 AVG RENT	3.2% VACANCY RATE	\$1,158 STUDIO AVG RENT	\$1,420 1 BED AVG RENT	\$1,664 2 BED AVG RENT
2016	\$1,342 AVG RENT	2.6% VACANCY RATE	\$1,062 STUDIO AVG RENT	\$1,305 1 BED AVG RENT	\$1,558 2 BED AVG RENT
ANNUAL CHANGE	+8.0%	+60 BP	+9.0%	+8.8%	+6.8%



Source: Dupre+Scott

Looking back over the past 10 years, rental rates in 5 unit to 50 unit buildings in Seattle's urban neighborhoods continue to sustain strong growth - especially considering cumulative gains since the Great Recession.

Interestingly, in the past year, gross rental rates in apartment buildings aged 2000-2010 outpaced rental rates in newer buildings. Compared to newer buildings, these buildings tend to have larger units and there are fewer of them competing for renters.

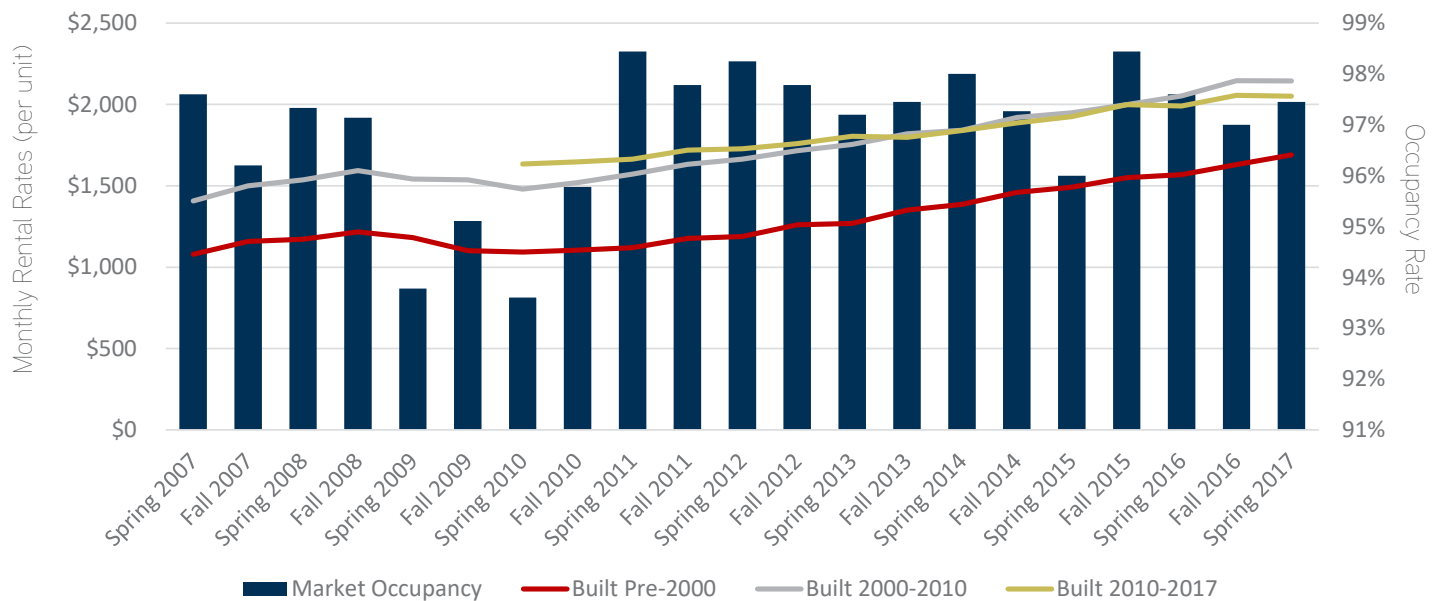
Rent & Vacancy

Urban King: 50+ Units

Over the past year average rental rates in larger buildings in Urban King only increased by an average of 5.1%. Positive growth proves the vibrancy of the market, yet this market segment lacked the strength of rental rate growth experienced in both smaller buildings and suburban markets. Vacancy remains at historic lows – proving we are far from a rent ceiling.

2017	\$1,965 AVG RENT	3.4% VACANCY RATE	\$1,421 STUDIO AVG RENT	\$1,885 1 BED AVG RENT	\$2,162 2 BED AVG RENT
2016	\$1,869 AVG RENT	4.0% VACANCY RATE	\$1,348 STUDIO AVG RENT	\$1,767 1 BED AVG RENT	\$2,013 2 BED AVG RENT
ANNUAL CHANGE	+5.1%	-60 BP	+5.4%	+6.7%	+7.4%

Urban King (50+ Units) Rent & Occupancy



Source: Dupre+Scott

Overall, rental rates continue their historic climb and occupancy remains stellar. The Seattle region remains challenged by seasonality, yet the market always seems to pick-up steam in spring months. Spring 2017 is no exception.

Year-over-year, the rate of rent growth certainly moderated, except that in older buildings. For buildings built pre-2000, rental rate growth continues strong and steady ever since Spring 2013. These buildings are quickly closing the rental rate gap between themselves and newer vintage buildings.

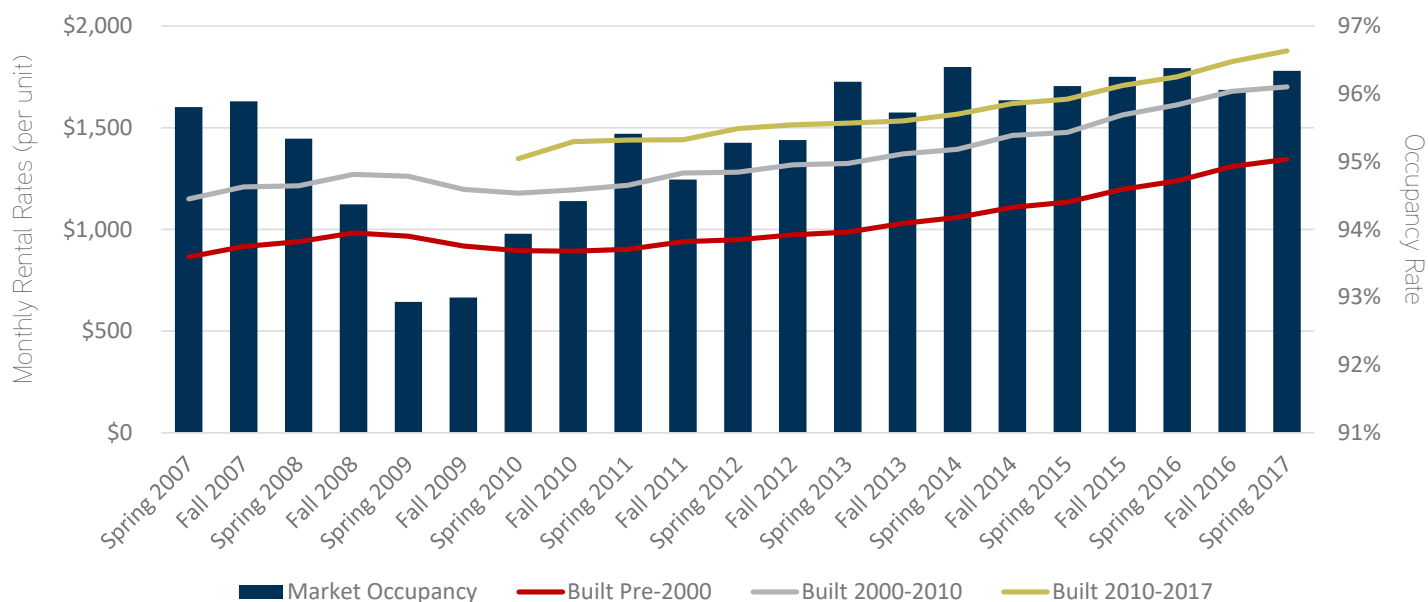
Rent & Vacancy

Suburban King & Snohomish: 50+ Units

Year-over-year rent growth in the region's suburban markets again displayed the strength of suburban rental markets. Both studio and one bedroom units posted strong rental rate growth, while rental rates slipped in two bedroom units. Vacancy rates remain unchanged, staying well below 4%.

2017	\$1,406 AVG RENT	3.7% VACANCY RATE	\$1,065 STUDIO AVG RENT	\$1,236 1 BED AVG RENT	\$1,442 2 BED AVG RENT
2016	\$1,299 AVG RENT	3.7% VACANCY RATE	\$974 STUDIO AVG RENT	\$1,140 1 BED AVG RENT	\$1,464 2 BED AVG RENT
ANNUAL CHANGE	+8.2%	NO CHANGE	+9.3%	+8.4%	-1.5%

Suburban (50+ Units) Rent & Occupancy



Source: Dupre+Scott

A view of the last 10 years of rental rates versus occupancy rates highlights the ascendancy of the region's suburban markets. Rental rates continue their surge across apartment buildings of all vintages – with nearly no lapse in occupancy. Newer buildings in the suburbs continue to grow their rental rates with older buildings not yet bridging the gap.

Across the region, suburban markets continue to outperform their urban counterparts. Comparing rental rate trend lines across all locations, the suburbs continue a resilient and prominent upward trend.

Sales

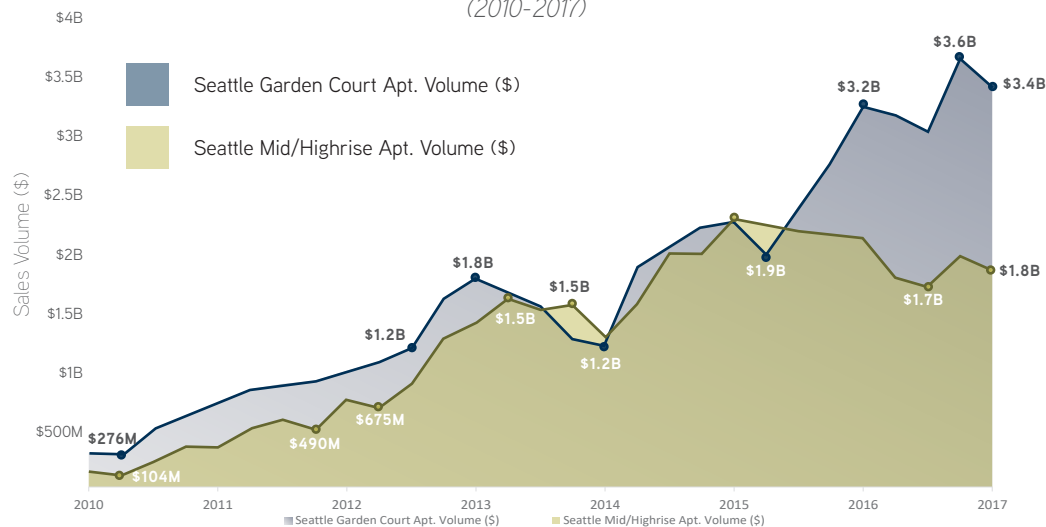
Quarterly Sales Volume

A comparison of sales volume between mid-rise/highrise buildings and garden-court buildings is very telling of how investors allocated dollars during the last two years. So far in 2017, that trend remains unchanged. These markets tracked one another from 2010 until mid-2015. Over the course of the last 16 months however, investors continue to demonstrate an outsized preference for garden court apartment buildings.

Generally the story is that investors are chasing yield outside of the Seattle core. Renters are also chasing affordability, leading to greater opportunities for value-add acquisitions – which is adding healthily to the yield story outside the core. Expect this trend to continue as 2017 progresses.

Seattle Sales Volume by Apartment Type

(2010-2017)



Source: Real Capital Analytics

Capitalization Rates

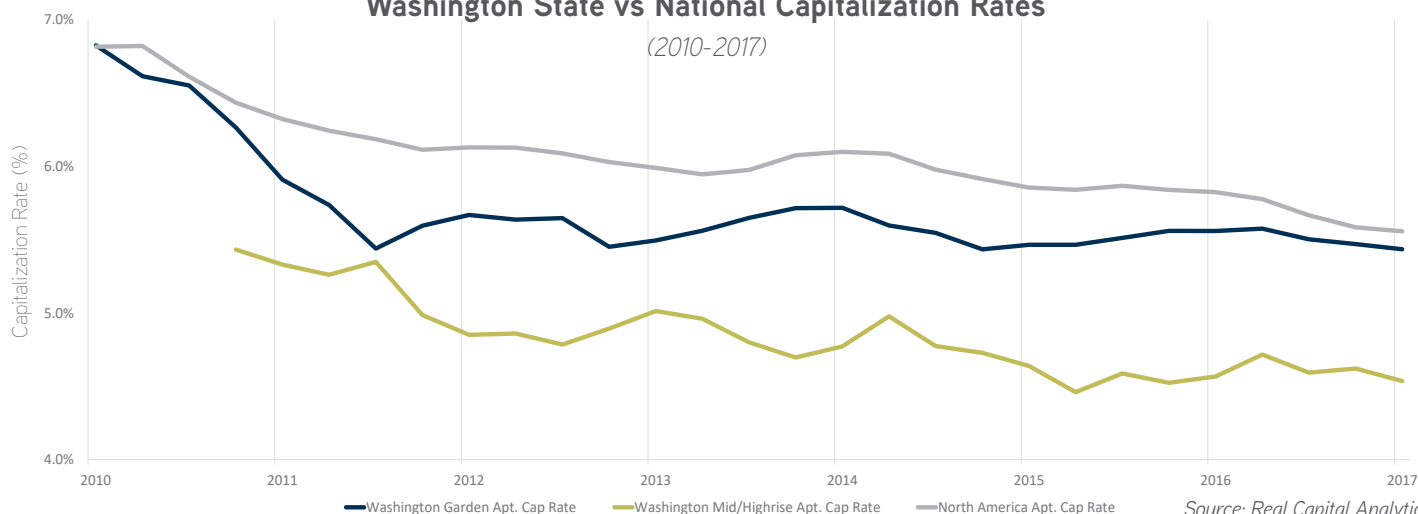
Capitalization rates across the region remain low and in the case of mid-rise/high-rise buildings, far below that of the national average. Year-over-year the national average crept down, nearly matching that of garden-court complexes in our region.

Due to investor demand for new apartment buildings in the core, capitalization rates for this product type remain low and consistent over the course of the last two years – operating within a bandwidth of +/- 30 BP.

So far in 2017, capitalization rates have not changed much over the previous year. Capitalization rates for garden court complexes were bid down during the last 12 months due to competition to buy assets, yet core assets remain expensive, without much change in capitalization rates. Expect both trends to continue into 2017.

Washington State vs National Capitalization Rates

(2010-2017)



Source: Real Capital Analytics

Sales

Urban King: 5-50 Units

\$83.9M

SALES VOLUME

1Q 2017

4.1%

CAP RATE

\$83.4M

SALES VOLUME

1Q 2016

4.1%

CAP RATE

\$52.2M

SALES VOLUME

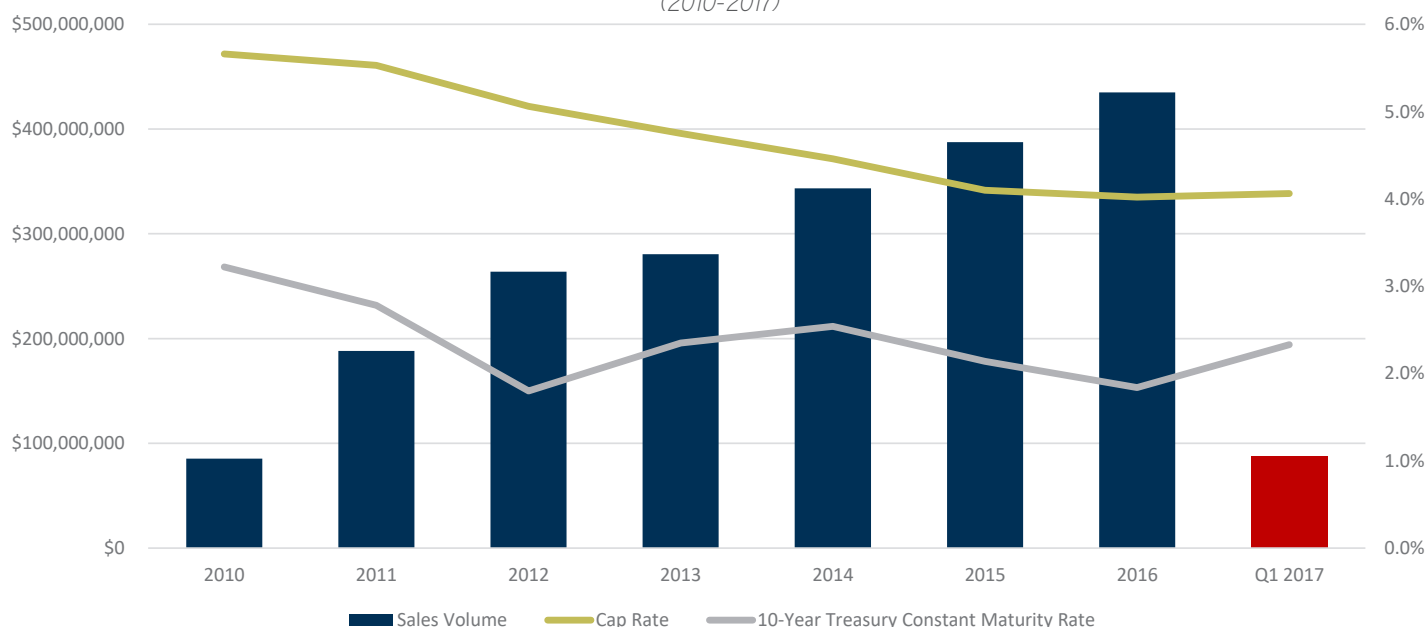
1Q 2015

4.1%

CAP RATE

Urban King 5-50 Unit Sales Fundamentals

(2010-2017)



Source: Dupre+Scott

Sales Overview

Q1 2017

Q1 2016

PPSF

\$426

\$328

RPD

\$301,830

\$266,642

Sales volume remains strong for 5 unit to 50 unit buildings in the region's core urban neighborhoods while capitalization rates remain extremely consistent for the last three years.

Overall year-over-year sales volume is steadily increasing toward the previous peak in 2016. The fact that 1Q 2017 had half the number of sales of 1Q 2016 yet will equal the volume of dollars is a testament to the increased pricing in the core. Average pricing on a PPU basis topped \$300,000, with the average PPSF headed north of \$425 square foot. As rental rates rise, so does NOI – resulting in very strong sales prices.

Expect these pricing trends to continue as developers build new boutique apartment buildings and investors improve small older buildings, resulting in high NOI per rentable square foot.

Sales

Urban King: 50+ Units

\$381.5M

SALES VOLUME

1Q 2017

4.2%

CAP RATE

\$293.9M

SALES VOLUME

1Q 2016

4.4%

CAP RATE

\$395.7M

SALES VOLUME

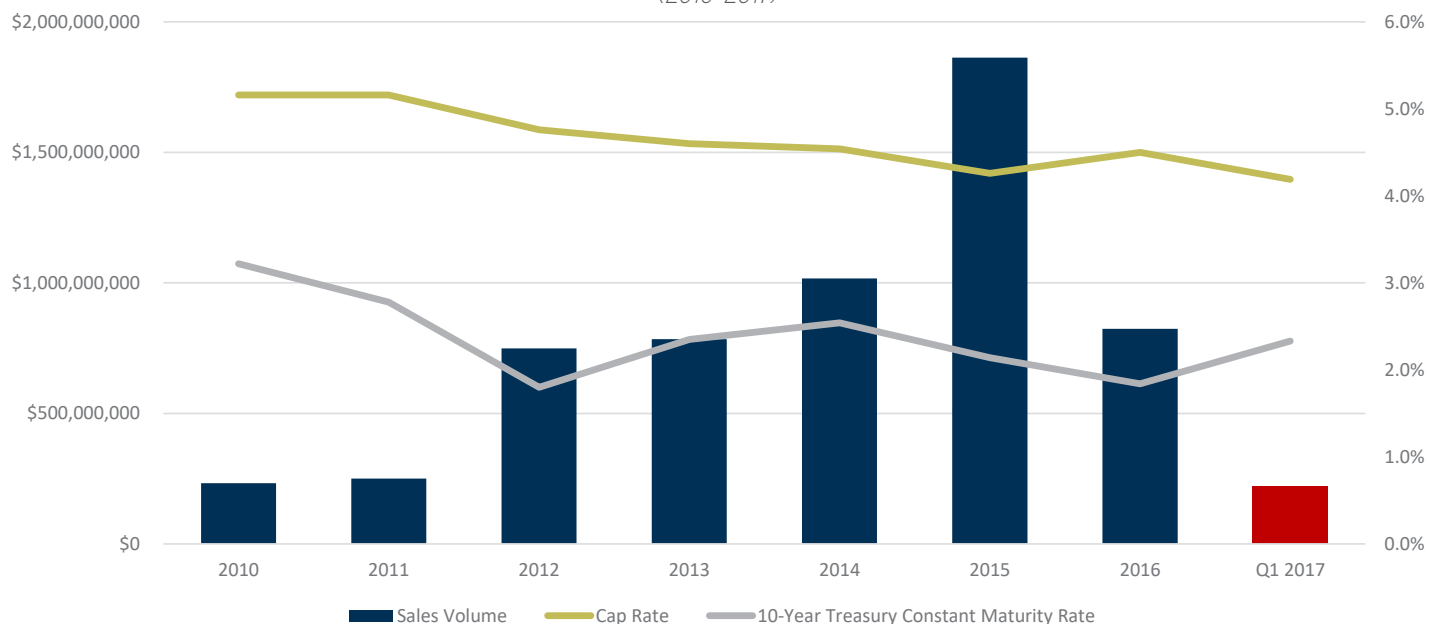
1Q 2015

4.2%

CAP RATE

Urban King 50+ Unit Sales Fundamentals

(2010-2017)



Source: Dupre+Scott

Sales Overview

Q1 2017

Q1 2016

PPSF

\$749

\$494

PPU

\$349,384

\$344,916

For larger buildings in Urban King County, sales volume has picked up since 1Q 2016, yet it didn't quite hit the peak volume experienced in 1Q 2015. In 2016, this market segment experienced 22 sales, compared to 5 sales in 1Q this year. Accordingly, the market is not far off the year-over-year average.

Capitalization rates remain consistent quarter-over-quarter and are on-trend for the last three years, operating in a +/- 20 BP bandwidth. Pricing, although high, remains consistent except for a few outlier sales pushing price-per-unit to a surge-like level in 1Q 2017. Average PPU nears \$350,000/unit with most sales of newer buildings in the \$400,000/unit to \$500,000/unit range – which is truly remarkable apartment pricing for our region. Expect pricing to remain high and sales levels to increase as newly completed buildings are marketed and sold in 2017.

Sales

Suburban King & Snohomish: 50+ Units

\$266M

SALES VOLUME

1Q 2017

5.4%

CAP RATE

\$378.4M

SALES VOLUME

1Q 2016

5.3%

CAP RATE

\$212.6M

SALES VOLUME

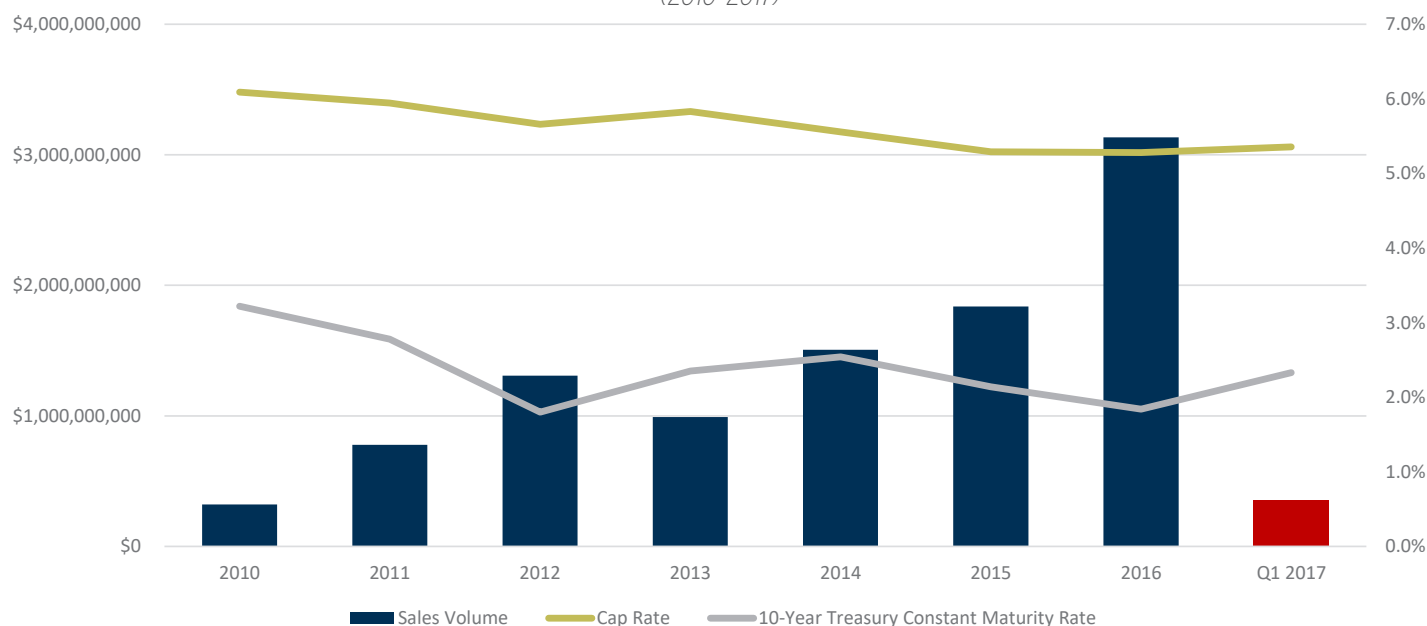
1Q 2015

5.4%

CAP RATE

Suburban King & Snohomish 50+ Unit Sales Fundamentals

(2010-2017)



Source: Dupre+Scott

Sales Overview

Q1 2017

Q1 2016

PPSF

\$191

\$174

PPU

\$166,689

\$136,591

Sales in suburban markets continue to impress. Quarter-over-quarter sales volume proves that 2016 was truly a banner year for suburban markets and one that will be hard to beat. Suburban markets experienced 66 sales last year, and there are only 9 sales on the books so far in 1Q 2017.

Sales activity did not impact capitalization rates, which dipped marginally last year. Yet overall, the capitalization rates are fairly consistent (and lock-step) with changes in treasury rates. Although sales are off to a slow start in 1Q 2017, sales pricing for suburban apartment buildings continues to impress. Average PPU continues its march towards replacement cost, reaching an average of almost \$170,000/unit, while PPSF closes in on \$200.

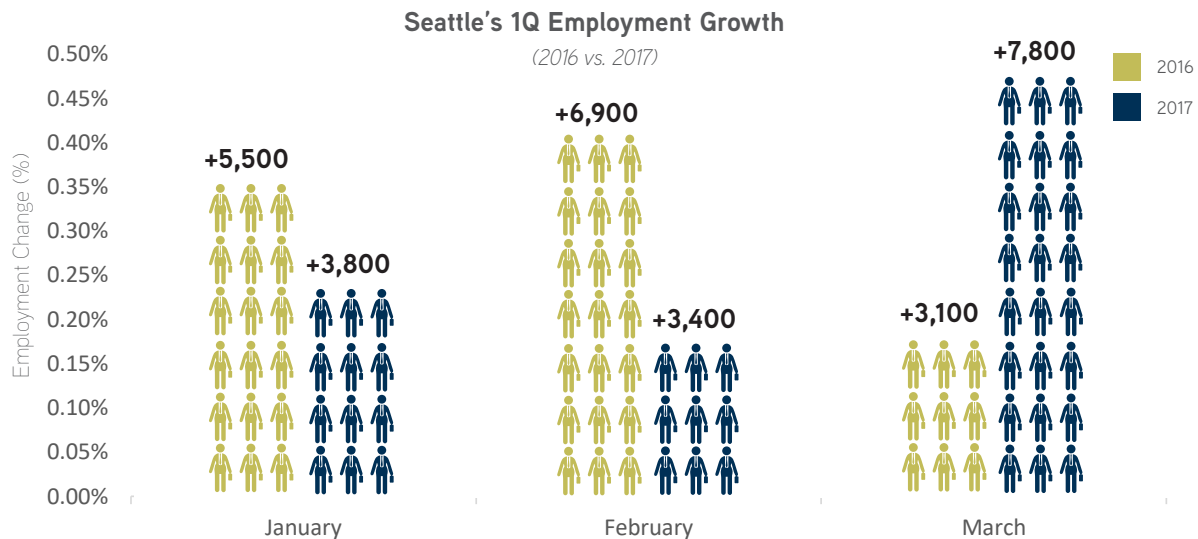
Investors' demand for yield and the escalating suburban rental rates are sure to keep both sales volume and pricing high in suburban markets throughout 2017. The real question is how many buildings will be made available for sale.

Employment Growth

Overall hiring was slower in the first two months of 2017 in Seattle - it's possible employers waited to see what the new administration would bring.

However March numbers spiked, more than doubling the growth in January and February. The industries that experienced the biggest gains in 1Q 2017 were construction and real estate, not surprising in a city with the most cranes in the country.

Hiring in major industries such as STEM and healthcare remained steady, but not impressive. While major tech companies like Amazon and Microsoft are still some of the top companies hiring in the county, they're not always hiring for only technology-focused roles. Amazon is also hiring home cleaning technicians, executive assistants, lawyers, and graphic designers.



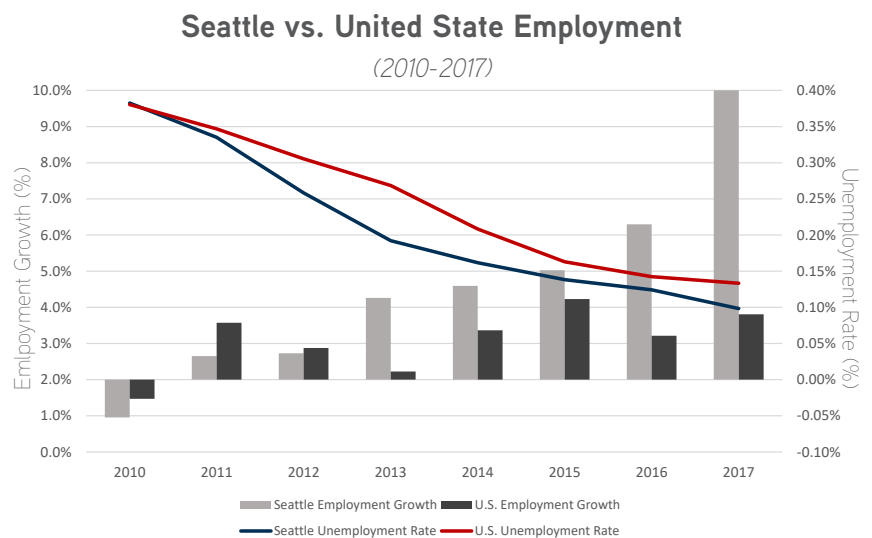
Source: Washington Employment Security Department

Seattle Continues to Outpace National Growth

Seattle recovered faster than the nation after the Great Recession, and continues to outpace national averages for annual employment growth. Seattle's workforce added jobs at four times the national rate in 1Q 2017.

Seattle's unemployment rate (3.3%) is a full percent lower than the national rate (4.5%) as the local rising economy lifts all boats.

A lower unemployment rate is a strong economic indicator for the Seattle market as a whole. It's not just high-wage techies who are benefiting from the improving economy; people in white collar and blue collar industries are re-entering the workforce, too.



Source: Bureau of Labor Statistics

Employment & In-Migration

While driver registration - one of the best measures of in-migration - is slightly lower in 1Q for King County, the Puget Sound region remains one of the fastest-growing metropolitan regions in the country. This influx of new residents correlates to the ambitious hiring goals of big name companies like Amazon and Google who continue to expand their footprint locally.



Top Cities From Where Seattle Gains Workers

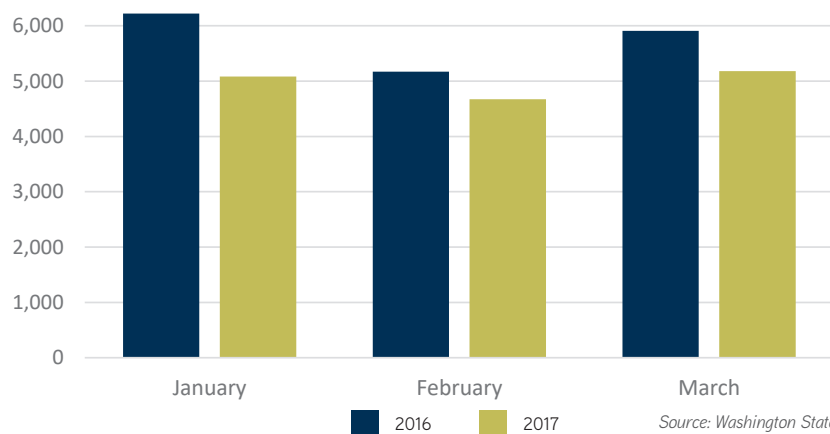
LinkedIn analyzed the rate at which LinkedIn members moved to Seattle in the past 12 months, and from where, measuring how many people had moved per 10,000 workers in Seattle:

- 8.9 San Francisco, CA
- 6.6 New York City, NY
- 5.6 Chicago, IL
- 5.4 Los Angeles, CA
- 4.1 Boston, MA
- 3.7 Washington, D.C.
- 2.8 Bangalore, India

Source: LinkedIn Workforce Report

New Drivers Registered in King County

(2016 vs 2017)



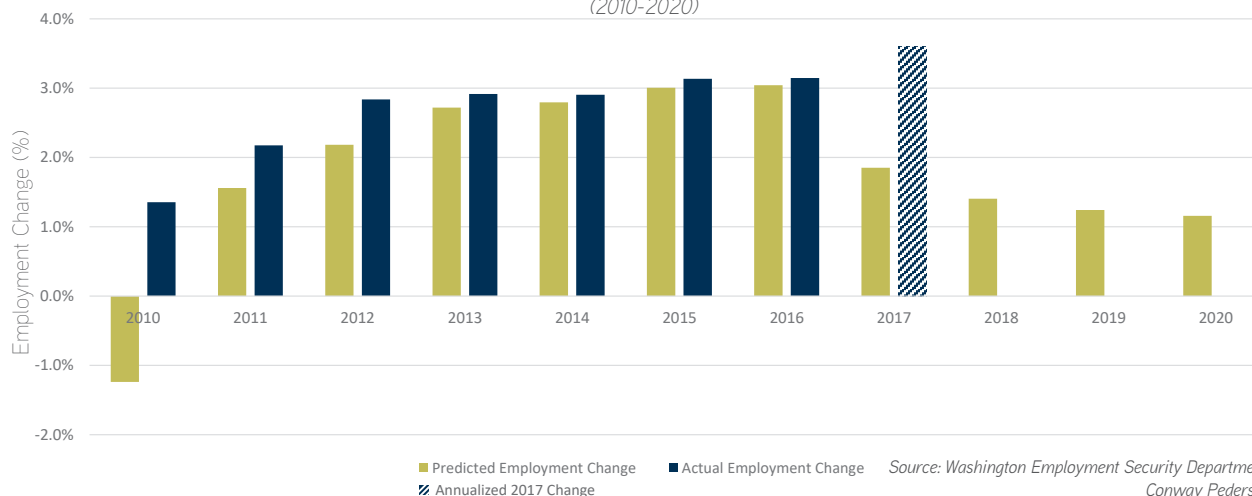
Source: Washington State Department of Licensing

Looking Ahead

The Puget Sound region's employment growth has consistently surpassed economists' predictions during this decade. In 2016, economists predicted the region would add 45,500 jobs, and the region added 56,600. While the outlook to 2020 looks pessimistic, count on the region's employment growth to blow these predictions out of the water.

Regional Employment Growth: Predicted vs. Actual

(2010-2020)



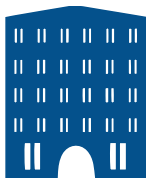
■ Predicted Employment Change ■ Actual Employment Change ▨ Annualized 2017 Change Source: Washington Employment Security Department; Conway Pederson

Who We Are

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.

We believe in building a long-term relationship, not just brokering a transaction. We take a unique approach to the business, serving a broad range of investors in the market in order to understand the market better than anyone - and delivering expert market knowledge to our clients.

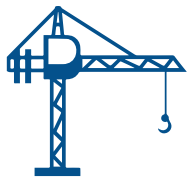
Our Expertise



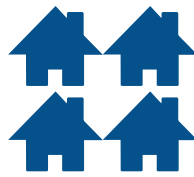
5 - 100
Unit Buildings



100+
Unit Buildings



Development
Land



Micro & Efficiency
Unit Buildings

Our Advantage



Best-in-Class
Marketing



11,500+
Buyer Database



Industry-Leading
Research



Expert Market
Analysis

Our Team



Dylan Simon
Senior Vice President

Market leading apartment broker in Seattle specializing in institutional & urban transactions.



Jerrod Anderson
Senior Associate

Apartment broker specializing in urban apartment and development sales.



Matt Laird
Associate

Specializes in apartment analysis and market research.



Ashley Woodliff
Project Coordinator

Project management support for all marketing and sale efforts.



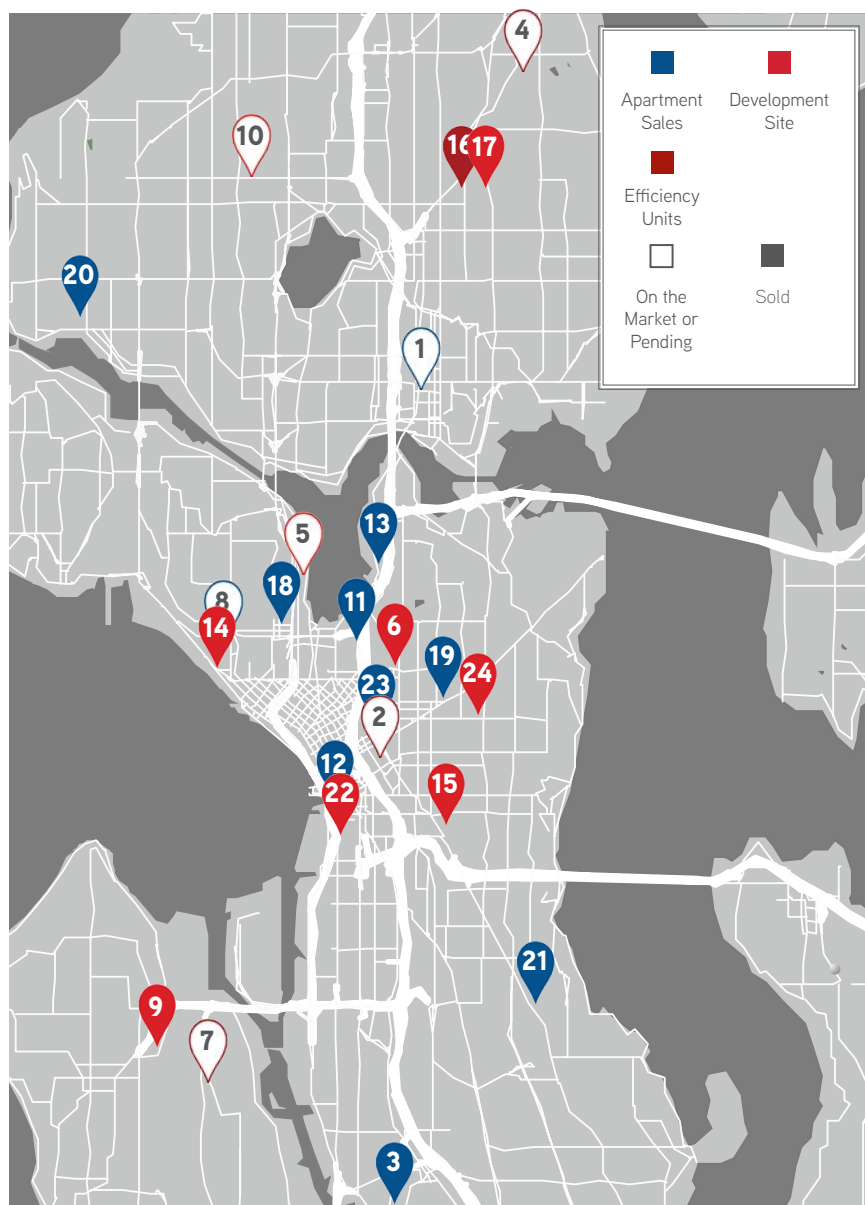
Katie Raynolds
Marketing Specialist

Marketing & design coordination for property marketing, PR & communications.

Our Successes

Urban King Transaction History

	Property	Units
1	Prexy Apartments	66
2	Emerald 10 Micros	36
3	Georgetown Portfolio	11
4	Lake City Micros (Entitled Development Site)	152
5	1405 Dexter Avenue (Entitled Development Site)	99
6	1820 Boylston (Entitled Development Site)	55
7	Footprint Delridge	16
8	Uptown 11	34
9	Avalon II (Entitled Development Site)	104
10	320 N 85th Street (Development Site)	224
11	Union Bay Apartments	73
12	80 Main Apartments	45
13	East Howe Steps	96
14	Queen Anne Land Portfolio (Development Site)	115
15	King & 16th (Development Site)	5
16	Sedona Micro Apartments	80
17	Sedona Phase II (Entitled Development Site)	215
18	Zadra Apartments	4
19	Pearl Apartments	80
20	Arlene's Apartments	6
21	Estelle Apartments	15
22	Stadium Terrace (Entitled Development Site)	107
23	Vesper Apartments	72
24	2220 E Union Street (Development Site)	144



\$175M
SOLD IN 2016

1,381
UNITS SOLD
IN 2016

\$793 SF
SALES
RECORD IN 2016



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