

SIMON | ANDERSON TEAM MARKET UPDATE

2019 APARTMENT MARKET STUDY

Employment & Apartment
Development Pipeline Analysis

Volume 7, Issue 2

 **Kidder
Mathews**

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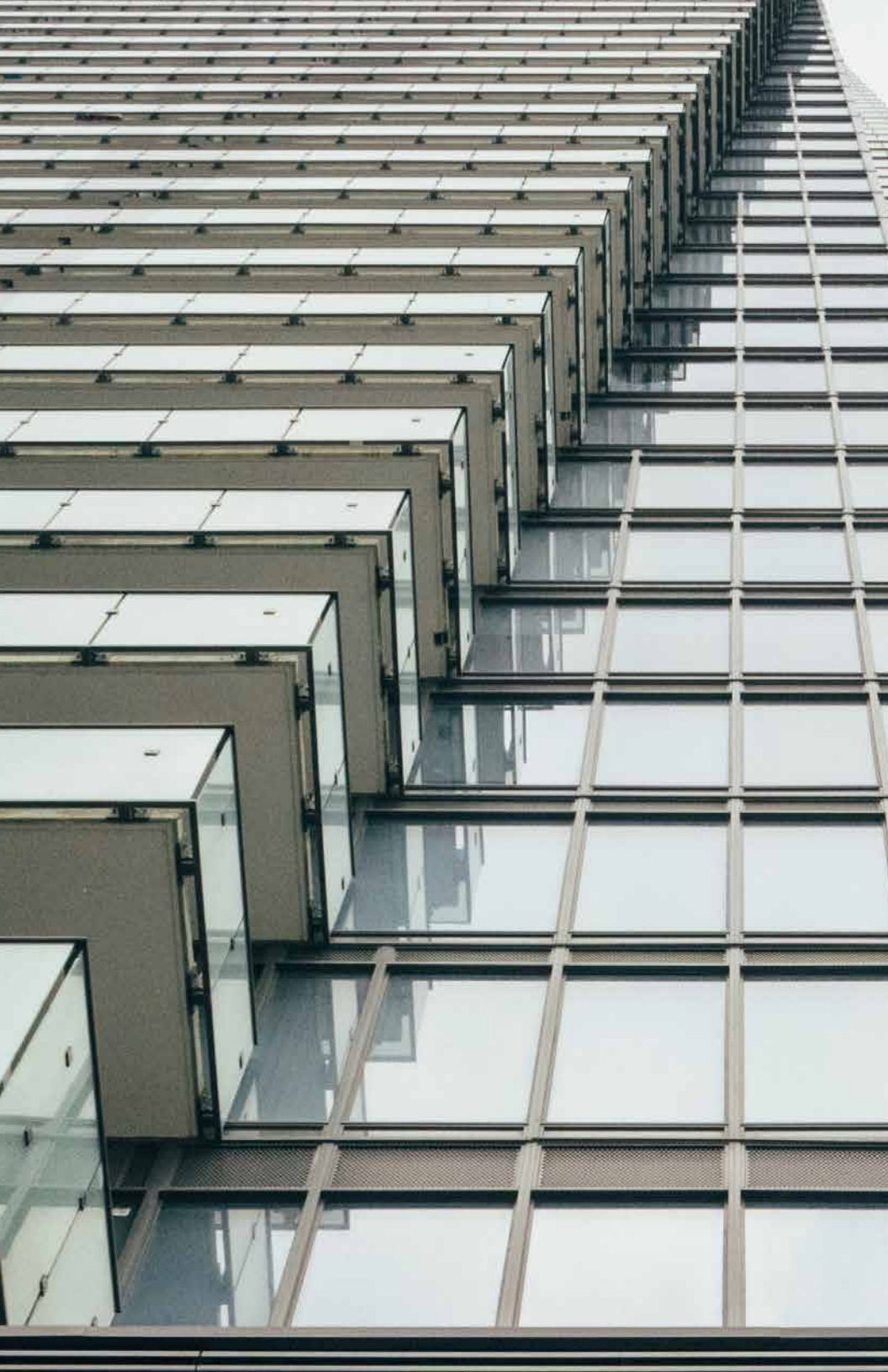
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INTRODUCTION

AUGUST 2019

The Great Recession is nearly 10 years past and we've seen our region sprint back not just to economic health, but to outsized growth and prosperity. From A to Z (Amazon to Zillow), home-grown companies put Seattle on the global map and grew the city's population by 18.7%.

As developers raced to increase apartment supply to meet this new demand, we experienced soaring real estate values, low vacancy rates, accelerating rental rates – and record deliveries of new apartment buildings in Seattle's urban neighborhoods.

In 2018, it appeared that supply and demand for new, luxury units in Seattle's central neighborhoods were reaching equilibrium. We were no longer the Urban Land Institute's "top-performing real estate market" and countless headlines suggested that slowing rent growth was a reason for investors to panic.

But we call them market "cycles" for a reason, and as we reach the

tail end of this expansion, that just means it's time to start planning for 2025. When your investment horizons are measured in 5-7 year hold periods, making calculated risks today means outsized future returns.

This study covers apartment development (10+ unit buildings) and employment data in King, Snohomish, Pierce, and Kitsap Counties. We analyze the strength of the office market and predicted employment growth to demonstrate the need for more apartment development in our region, and look closely at where those apartments are both currently under construction and planned.

We look forward to speaking with you in more depth about current market trends and hope to help you achieve your development and investment goals through our advisory, valuation, and brokerage services.

Let Us Turn Our Expertise into Your Profit!

DYLAN SIMON

Executive Vice President

01 INTRODUCTION

MEET OUR TEAM

Dylan Simon

Executive Vice President



Dylan is a market-leading apartment broker in Seattle specializing in the sale of apartment buildings and development land, with expertise in market knowledge and industry trends.

Jerrid Anderson

Executive Vice President



Jerrid is an apartment broker specializing in micro apartment, urban apartment, and development land sales for nearly 6 years. He is passionate about marketing, specializing in video content.

Alex Mundy

Debt & Equity Finance



Alex is an associate specializing in market analysis and forecasting, loan underwriting and origination, financial modeling, and valuations.

Matt Laird

Senior Associate



Matt is an apartment broker specializing in 5-30 unit urban and suburban apartment sales, underwriting, valuations, and market research.

Tyler Blaikie

Associate



Tyler specializes in market research, apartment valuations, and sales tracking for the Seattle market.

Cate Chase

Senior Marketing Specialist



Cate manages promotion and design for both team and property marketing, specializing in writing, branding, digital strategy, PR, and event management.

TRACK RECORD

**APARTMENTS &
DEVELOPMENT LAND
SOLD & UNDER
CONTRACT**

\$928M

TOTAL VALUE

6,763

TOTAL UNITS

715K

SF DEVELOPMENT LAND

WHY EMPLOYMENT & DEVELOPMENT?

The Puget Sound's development pipeline comprises 33,130 units under construction, 10,681 units of development with approved plans, and 58,687 units of development currently in review. Can our region sustain this kind of growth? That's where employment comes into play.

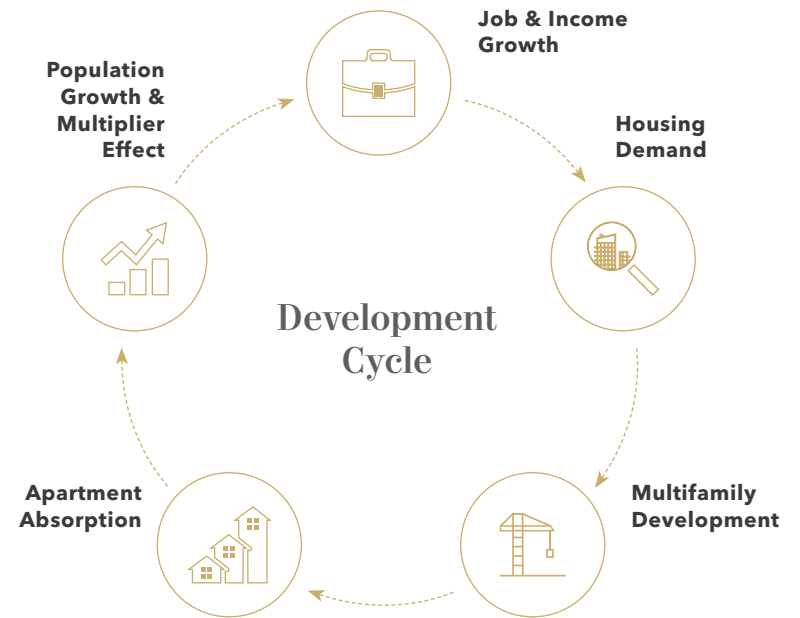
In Seattle and Bellevue alone, six million square feet of office space with signed leases may ultimately create over 200,000 jobs in the next several years. Estimating that every five new jobs created in turn creates demand for one new apartment unit, our region will require over 40,000 new apartment units simply to maintain equilibrium with job creation and in-migration.

Job growth continues to outpace all expectations – Amazon is forecast to have commitments for nearly 2.5 million square feet in Bellevue – leading to future

regional apartment demand beyond current forecasts.

The interplay between job creation and both apartment demand and absorption is fundamental to any sound investment thesis. This study provides analysis of economic fundamentals across King, Snohomish, Pierce, and Kitsap Counties, and offers a granular look at the apartment development pipelines for 10+ unit buildings in each of these markets.

Wondering where to invest next? Use this study and our team as a resource!



OUR DEVELOPMENT LAND SALE HIGHLIGHTS



CROWN HILL SITE

Crown Hill, Seattle

Sale Price \$2,900,000

Units 40



1820 BOYLSTON SITE

Capitol Hill, Seattle

Sale Price \$4,775,000

Units 55



320 N 85TH ST SITE

Greenwood, Seattle

Sale Price \$11,550,000

Units 250



BEL-RED TOD SITE

Bellevue, WA

Sale Price Sale Pending

Units 282





02

EMPLOYMENT & DEVELOPMENT OVERVIEW

PUGET SOUND APARTMENT DEVELOPMENT OVERVIEW

APARTMENT PIPELINE SNAPSHOT

ECONOMIC FUNDAMENTALS

FUTURE OF THE OFFICE MARKET

STRENGTH OF THE PUGET SOUND OFFICE MARKET

EMPLOYMENT & DEVELOPMENT OVERVIEW

PUGET SOUND APARTMENT DEVELOPMENT OVERVIEW

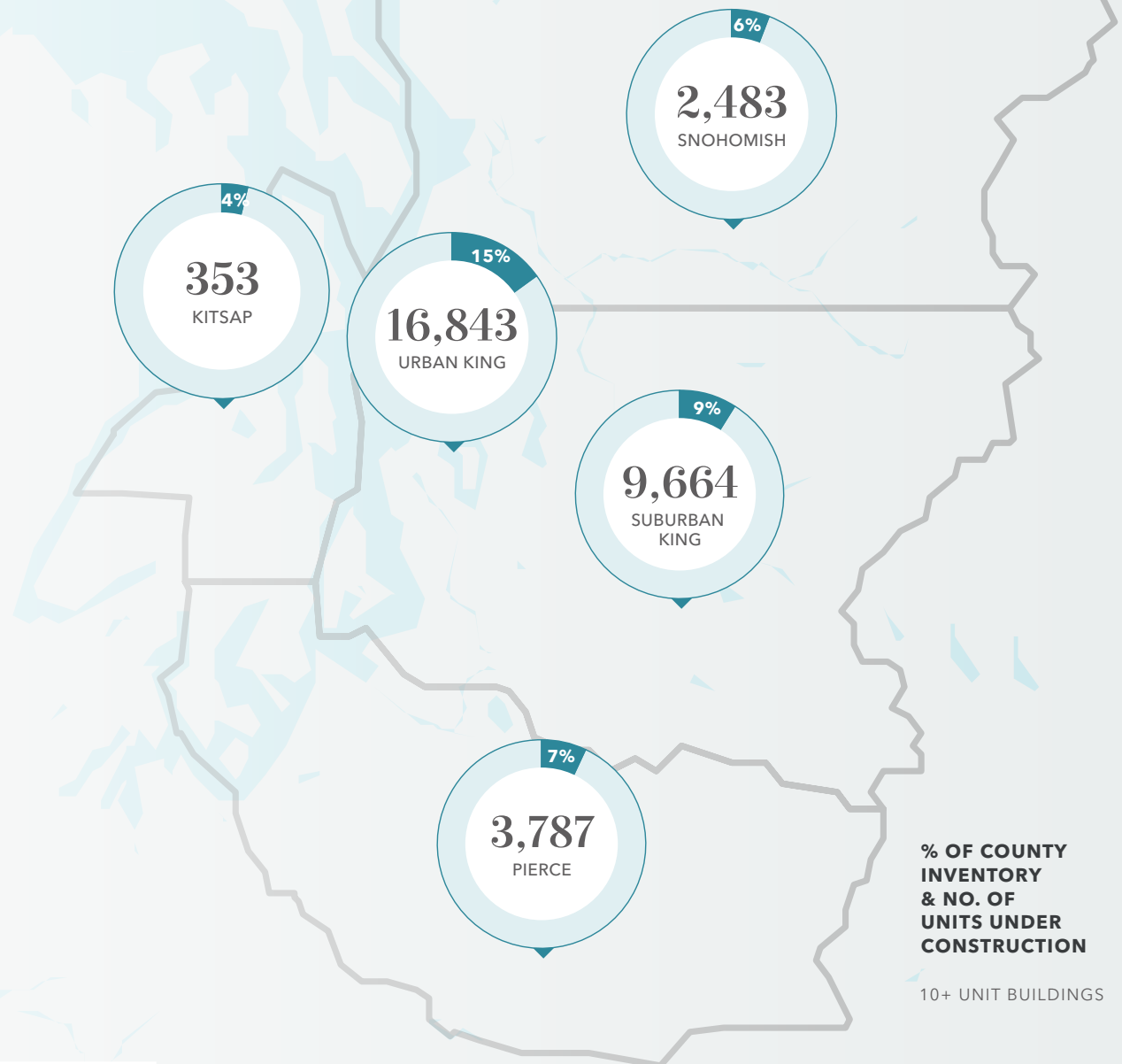
Tracking development across four counties spanning over 6,400 square miles is no small endeavor. To do so, we cross-referenced data from 11 sources, adding our own insights and knowledge. Our comprehensive data set is broken down into three pipeline categories to help readers understand when deliveries can be expected.

PIPELINE DEFINITIONS

UNDER CONSTRUCTION Units labeled “Under Construction” have broken ground. Anticipated delivery is within the next 36 months for Type I projects or the next 24 months for Type V projects.

PLAN APPROVED These units have entitlements from their respective cities and could break ground at any time. Late in the cycle it is important to note projects that might be on hold. Rising construction costs and tighter lending restrictions have led some developers to rethink permitted projects. Some permitted sites will trade hands and be built this cycle, and many will be held by developers until a later date.

IN REVIEW Projects “In Review” are currently pending city approvals. In Seattle, the entitlement process can take over two years, so in many cases, projects in this category are three or more years away from delivery.

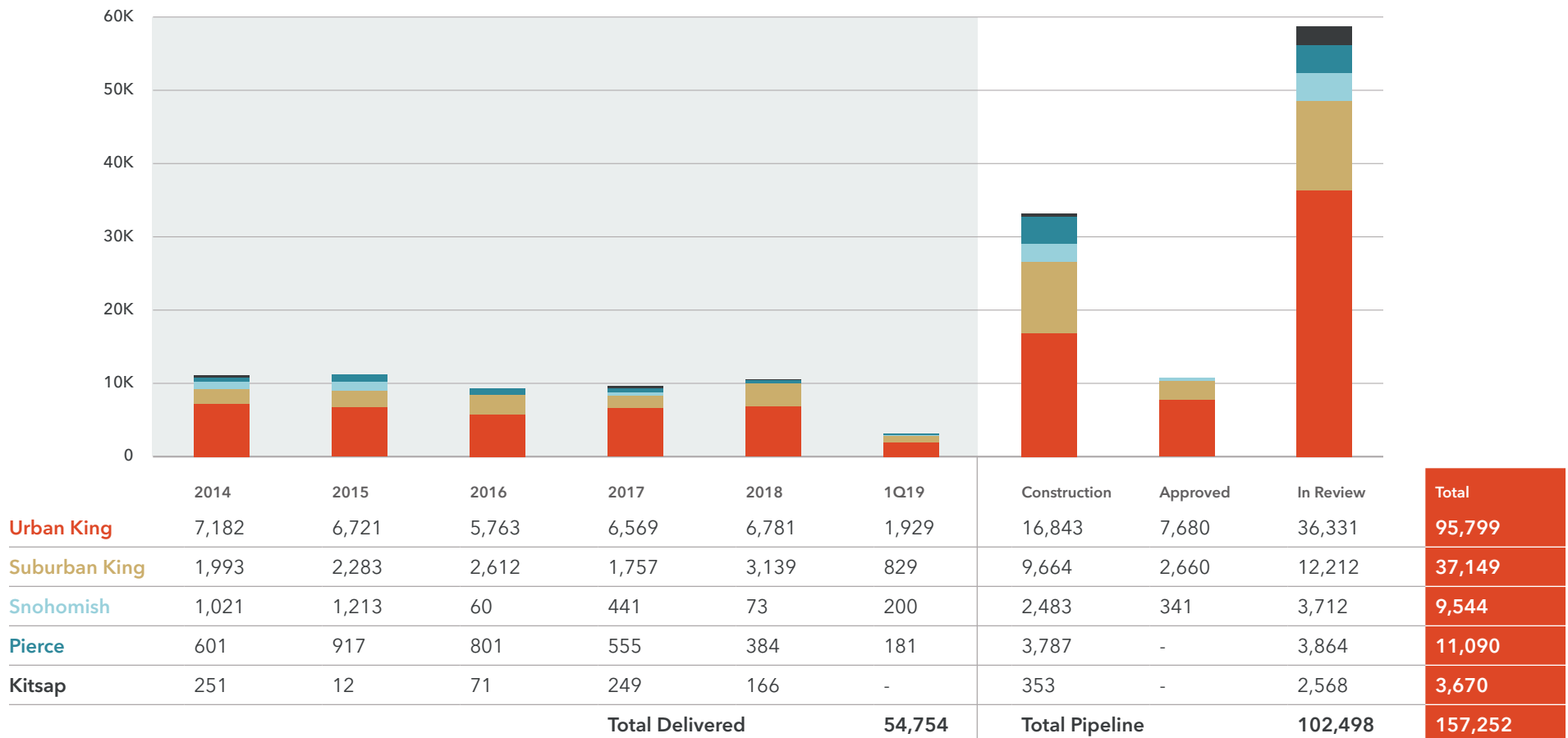


PUGET SOUND DELIVERIES VERSUS INVENTORY*

	2012	2013	2014	2015	2016	2017	2018	1Q19
Total Deliveries (Units)	4,440	6,423	11,048	11,146	9,307	9,571	10,543	3,139
Total Inventory (Units)	251,236	257,659	268,707	279,853	289,160	298,731	309,274	312,413

*KING, SNOHOMISH, PIERCE & KITSAP COUNTIES - 10+ UNIT BUILDINGS

DEVELOPMENT DELIVERIES & PIPELINE BY YEAR / STATUS



APARTMENT PIPELINE SNAPSHOT

AN URBAN RENAISSANCE

At the outset of this cycle, Suburban King County had an apartment stock far larger than any other Puget Sound market. No longer is this the case! Driven by demographic changes that favor urban living, as well as employment growth in Seattle's core (think Amazon), apartment developers have added 44,666 units to the Urban King apartment stock since 2010.

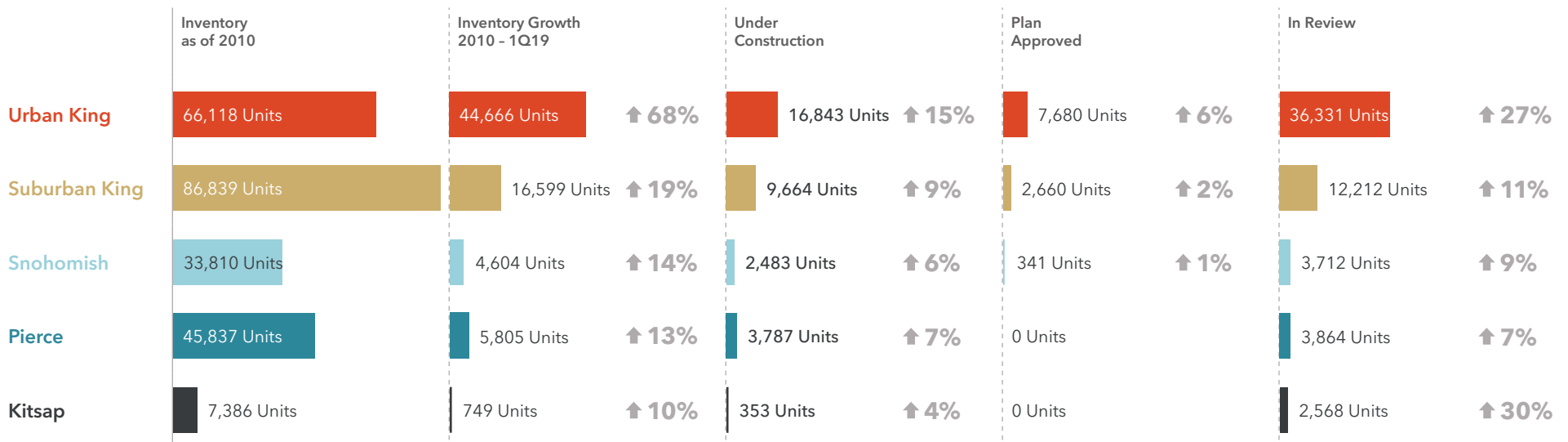
To drive home the magnitude of this change, when the pipeline currently under construction completes, Urban King will have grown its apartment stock 93% over the course of a single cycle.

OUTLYING COUNTIES CATCH UP

Although Urban King County still dominates apartment development in the Puget Sound, surrounding counties in the region are beginning to have their moment. Compared to deliveries between 2010 and Q1 2019, Suburban King, Snohomish, Pierce, and Kitsap Counties all have a greater percentage of units currently under construction than Urban King. Pierce County leads

the pack, with current construction activity equal to 65% of the stock added since 2010. As the apartment market in the core becomes saturated with units, developers are looking to outlying markets for new opportunities, and rising rents across the entire region make previously challenging suburban development feasible.

Development History & Pipeline by Region



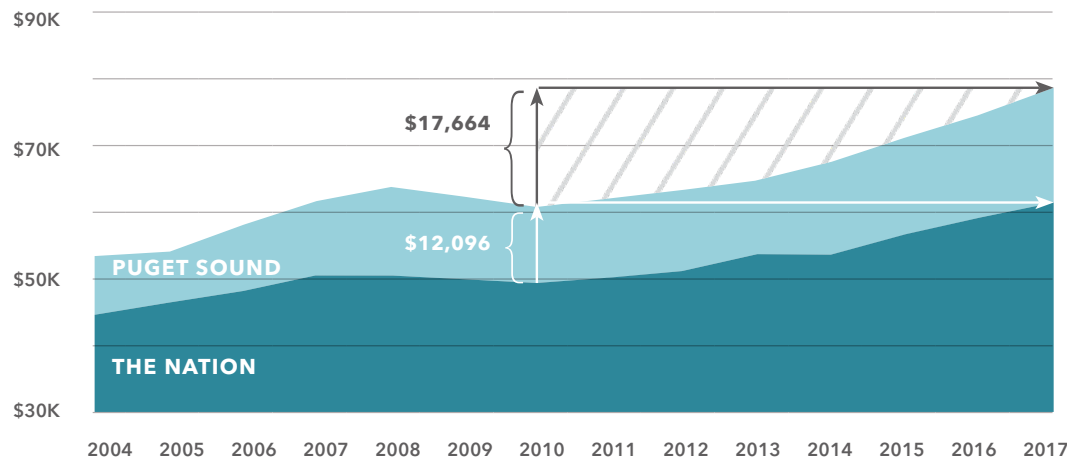
ECONOMIC FUNDAMENTALS

THE PUGET SOUND CONTINUES TO OUTPERFORM THE NATION

While Seattle remains in the spotlight, impressive growth can be seen throughout the entire Puget Sound. Over the course of the last decade, the region outperformed the nation in every key metric tracked in this study. In particular, the region's median household income continually outperformed the national average since the Great Recession.

Like Manhattan and the Bay Area's "peninsula effect", Seattle's geographic and topographic barriers continue to concentrate demand in thriving urban villages and neighboring suburbs, resulting in strong demand throughout the region.

Median Household Income: Puget Sound vs. the Nation



EMPLOYMENT & DEVELOPMENT OVERVIEW



**PUGET
SOUND**



**THE
NATION**

Unemployment
Rate

3.9%

3.9%

Employment
Growth

2.8%

1.6%

Population
Growth

1.3%

0.8%

Personal
Income
Growth

5.5%

4.6%

YEAR-OVER-YEAR % INCREASE CALCULATED FROM 2017 - 2018

FUTURE OF THE OFFICE MARKET

COMPANIES SHOW CONTINUED CONFIDENCE IN THE FUTURE OF PUGET SOUND

Seattle experienced record apartment deliveries this market cycle, and a considerable multifamily development pipeline remains under construction and in various stage of planning. As supply and demand in certain neighborhoods approach equilibrium, some have questioned the region's resilience and our job market's ability to sustain growth necessary to fill these units.

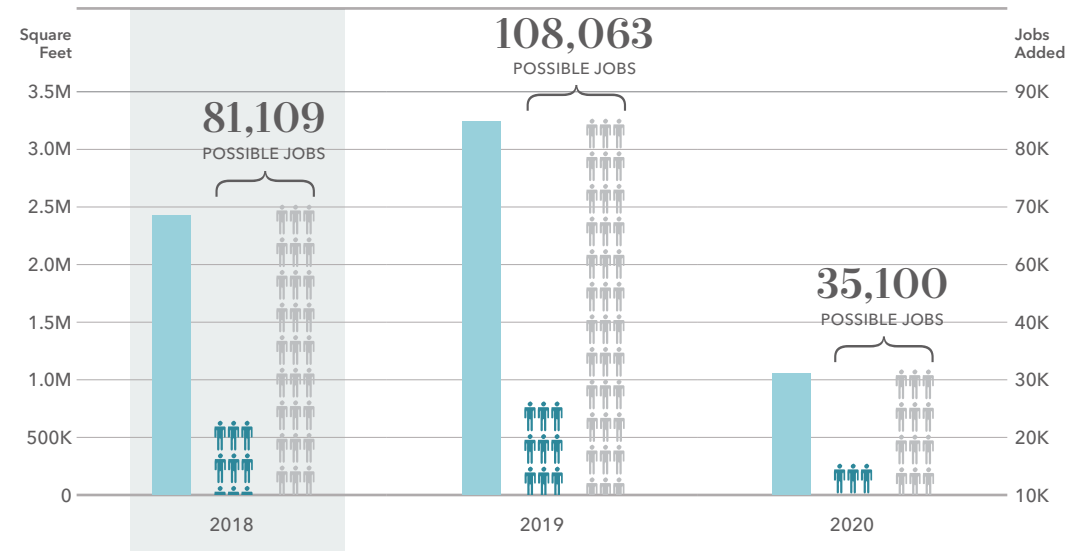
Yet big players such as Amazon, Google, Expedia, Sonos, F5, and Dropbox already committed to new leases across Seattle and the Eastside. Reviewing signed leases, the Puget Sound is expected to absorb over six million square feet of Class A office space in the next two years. While this chart comprises only a handful of known leases, it is clear that companies are doubling down on their presence across the region.

Our Metrics

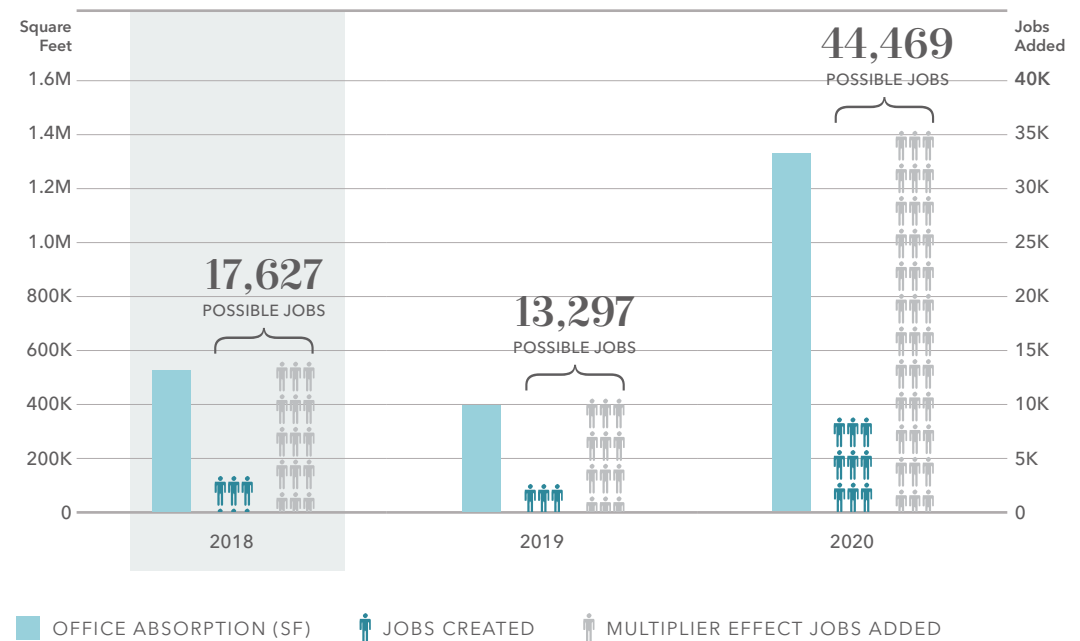
A commonplace metric for headcount provides for 150 square feet of space per employee, equating to pre-leased space for approximately 40,000 employees over the next two years – just for Class A office space.

Given that each employee generates demand for more employees and services, a “multiplier effect” of 4 to 1 leads to a fair conclusion of demand for an additional 160,000 jobs, equating to a total of 200,000 new jobs based on pre-leasing for 2019 and 2020. Although it takes several years for the multiplier effect to generate these jobs, it will also take apartment developers quite some time to deliver 40,000 new apartment units.

Seattle Office Absorption & Job Creation



Bellevue Office Absorption & Job Creation



STRENGTH OF THE PUGET SOUND OFFICE MARKET

SEATTLE & EASTSIDE ARE STILL ATTRACTIVE FOR TECH

As office rental rates rise, some worry that companies will begin to look elsewhere for space. However, compared to Class A office lease rates in other tech-driven markets, Seattle and the Eastside have plenty of runway remaining for office rental-rate growth.

In 1970, roughly 30% of the region's jobs were in manufacturing, which drove the economy. Today, 10% of local jobs are in the tech sector, which has taken over as the driving economic force. This change will continue to lure employers toward the Puget Sound's urban centers, further strengthening the office and multifamily sectors.

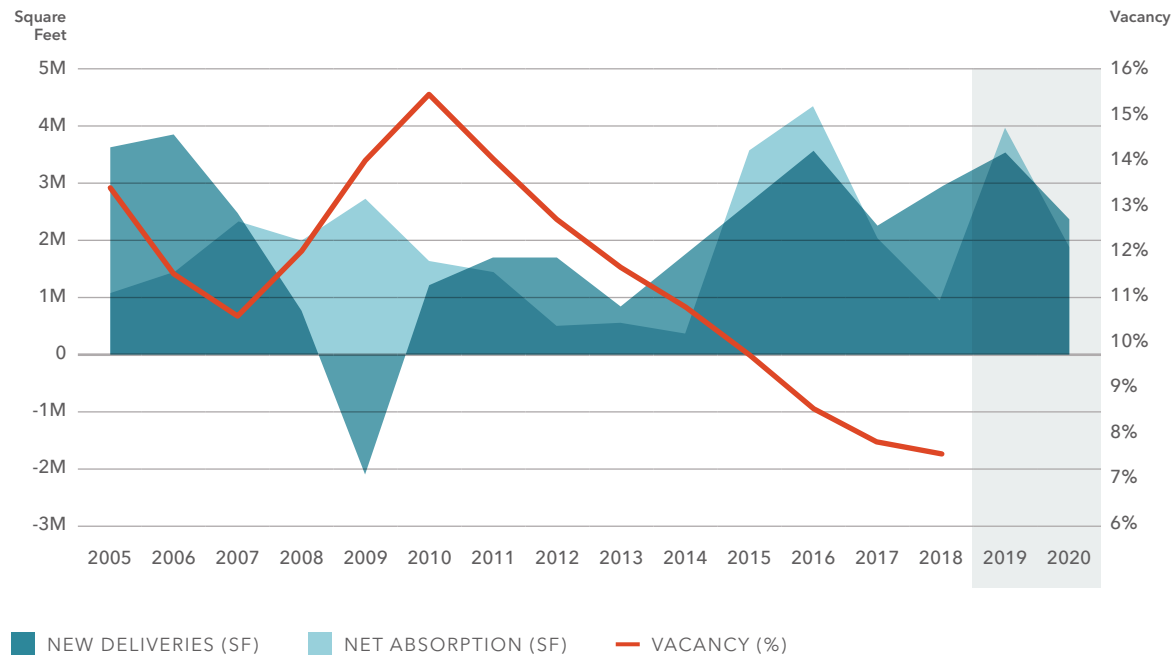
10%

OF LOCAL JOBS ARE
IN THE TECH SECTOR

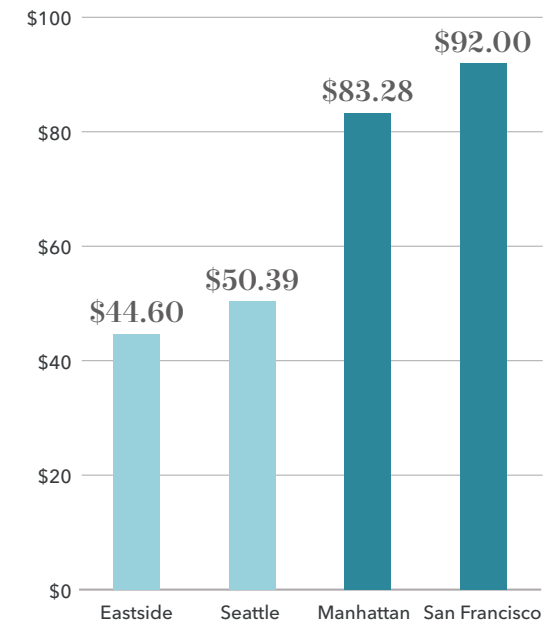
\$50.39

SEATTLE CLASS A
OFFICE RENT

Regional Office Absorption & Vacancy Rates



Class A Office Rent







03 KING COUNTY

EMPLOYMENT OVERVIEW

URBAN KING DEVELOPMENT OVERVIEW

SUBURBAN KING DEVELOPMENT OVERVIEW

KING COUNTY

ECONOMICS REMAIN STRONG

King County continues to draw companies into the region, and even major players such as Google and Facebook committed to doubling their presence in the region over the last several years. This continued engagement, along with strong population growth, validates the need for further apartment development across the county.

DEVELOPMENT PICKS UP THE PACE

Amongst urban neighborhoods, total units currently under construction will result in an increase in apartment stock of 16% on average. With more than 60,000 units in the urban pipeline, we're setting up for unprecedented short-term growth.

URBAN VILLAGES FOCUS GROWTH IN SUBURBAN KING

Like Vancouver's expansion of the Skytrain, large development hubs are emerging around King County's future Sound Transit stops. These "urban villages" are reshaping suburban neighborhoods and offering outsized gains for investors who get in early.

EMPLOYMENT OVERVIEW

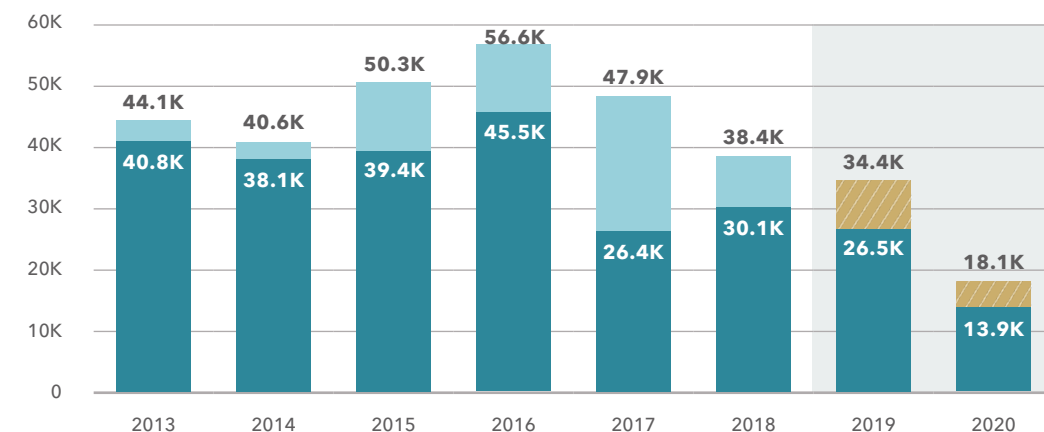
ECONOMIC POWERHOUSE

King County is undoubtedly the powerhouse fueling economic growth across the Puget Sound. Seattle and Bellevue are established as tech-employment epicenters that now rival the Bay Area, and regional economic drivers have grown accordingly. King County had the greatest personal income growth in the region over last year, beating the nation by a full percent.

Employment growth estimates markedly slow in 2020, reflecting the predictions of any sound-minded economist 11 years into a market-expansion cycle. Despite predictions of slowing growth, current market fundamentals remain strong, displaying few signs of slowing.

During the current market cycle, the Puget Sound Economic Forecaster's conservative predictions for employment growth have fallen short of the actual number of jobs added throughout the region. We have provided our own additional employment growth estimate* to the PSEF predictions for 2019-2020 to create a more accurate projection for job growth. Yet, given robust office leasing activity, there is a strong possibility the region outpaces everyone's predictions.

Year-Over-Year Employment Growth



JOBS PREDICTED ACTUAL JOBS ADDED *ADDITIONAL ESTIMATE

SOURCE (ALL): PSEF

KING COUNTY



**KING
COUNTY**



**THE
NATION**

Unemployment Rate **3.4%** **3.9%**

Employment Growth **2.8%** **1.6%**

Population Growth **1.3%** **0.8%**

Personal Income Growth **5.6%** **4.6%**

YEAR-OVER-YEAR % INCREASE CALCULATED FROM 2017-2018

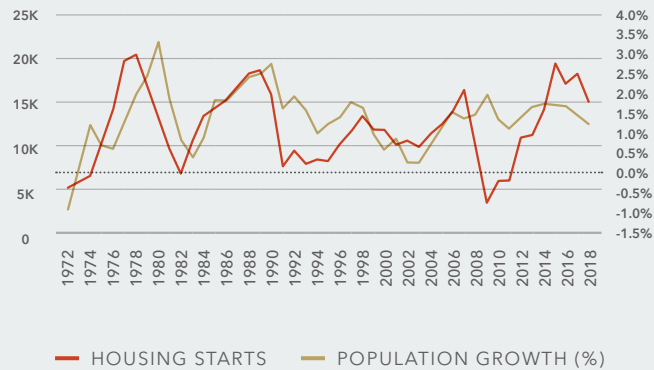
KING COUNTY

EMPLOYERS LEADING THE WAY

The tech and healthcare sectors unsurprisingly lead King County in job postings. With Amazon's various business lines claiming three spots on King County's top employer list in 2018, it's safe to say they have no intentions of slowing down anytime soon.

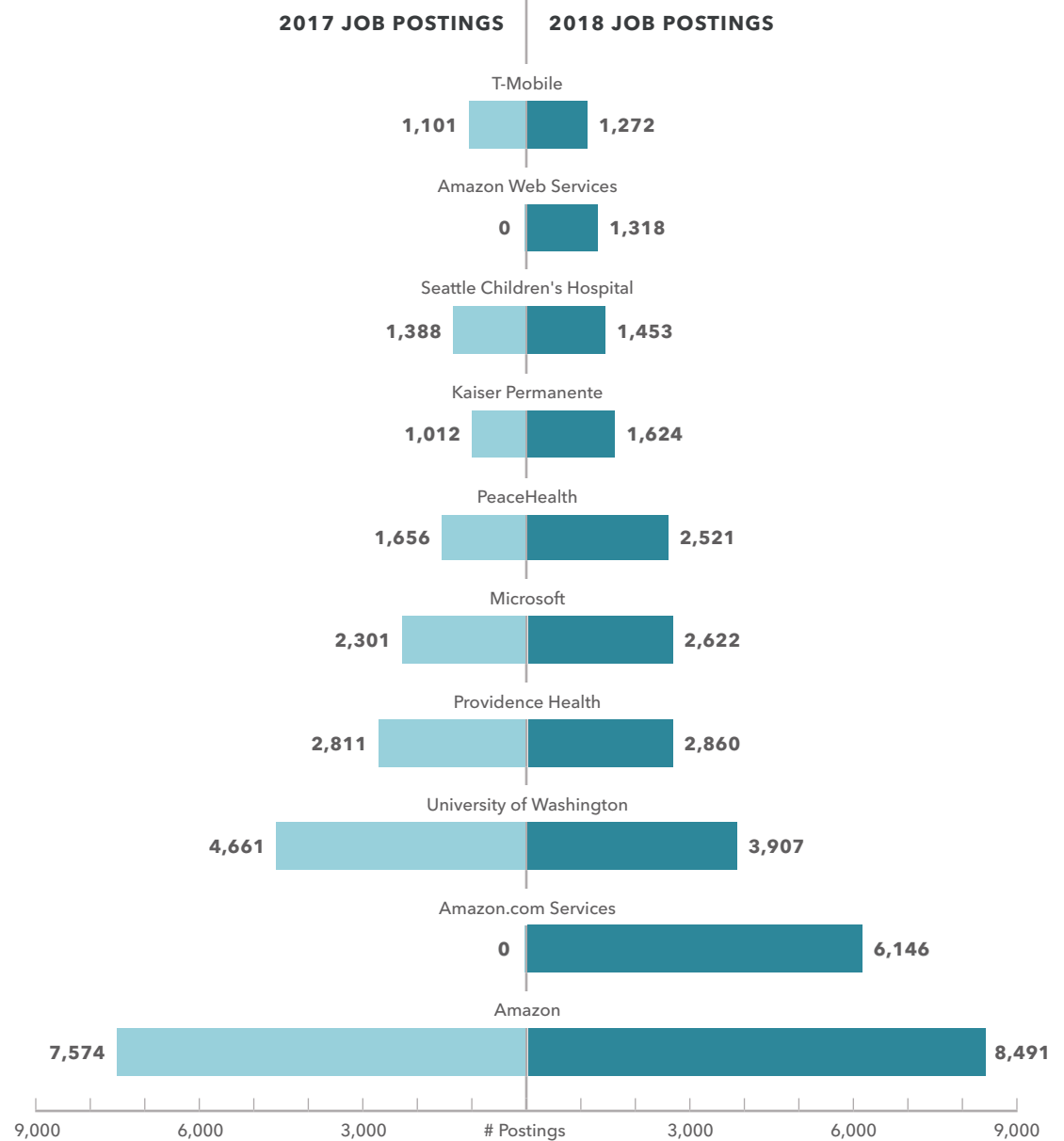
As T-Mobile gets closer to finalizing their merger with Sprint, and plans for their \$160 million Factoria campus revitalization are completed, we expect to see them remain one of the region's fastest-growing employers.

Population Growth vs. Housing Starts



In King County we have seen a balancing act between Housing Starts and Population Growth. Through each cycle, one outpaces the other until we hit a tipping point and their roles reverse. With the continued influx of corporations seeking to plant roots in the region, expect a close correlation of supply and demand.

Top Employers | Open Job Postings by Year



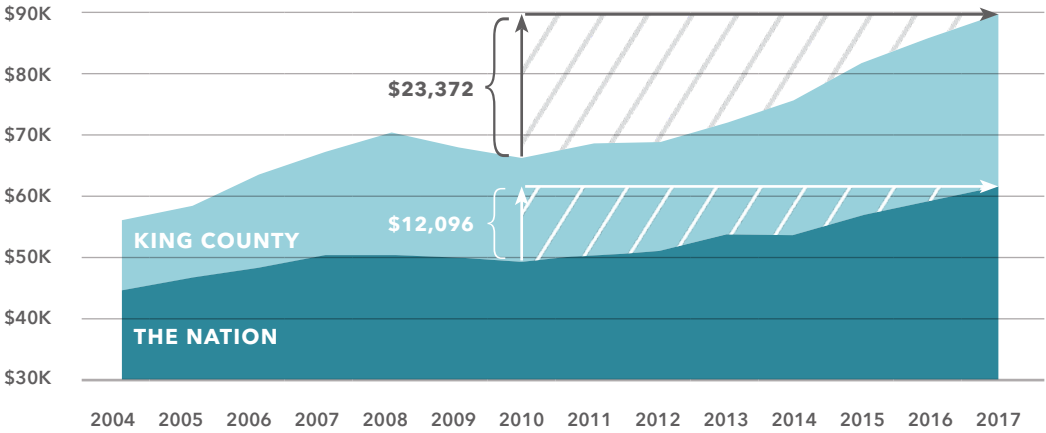
SOURCES: EMPLOYMENT SECURITY DEPARTMENT/LMEA; THE CONFERENCE BOARD, HELP WANTED ONLINE JOB ANNOUNCEMENTS

INCOME & INDUSTRY

Since the trough of the Great Recession, King County experienced rapid growth in median household income, increasing over \$23,000 in seven years – twice the rate of the nation. We’ve analyzed median household income because it provides a more accurate picture of the county’s growth than the mean, as it is less susceptible to the influence of outliers, an important consideration when analyzing the home of some of the world’s richest individuals.

Though tech gets the most attention in the news, there is strong growth across multiple industries in King County, keeping the region’s employment drivers diverse and providing strong fundamentals for continued stability and growth. In King County, excluding Government and Aerospace, every sector tracked by Washington State’s Employment Security Department increased in employment year over year.

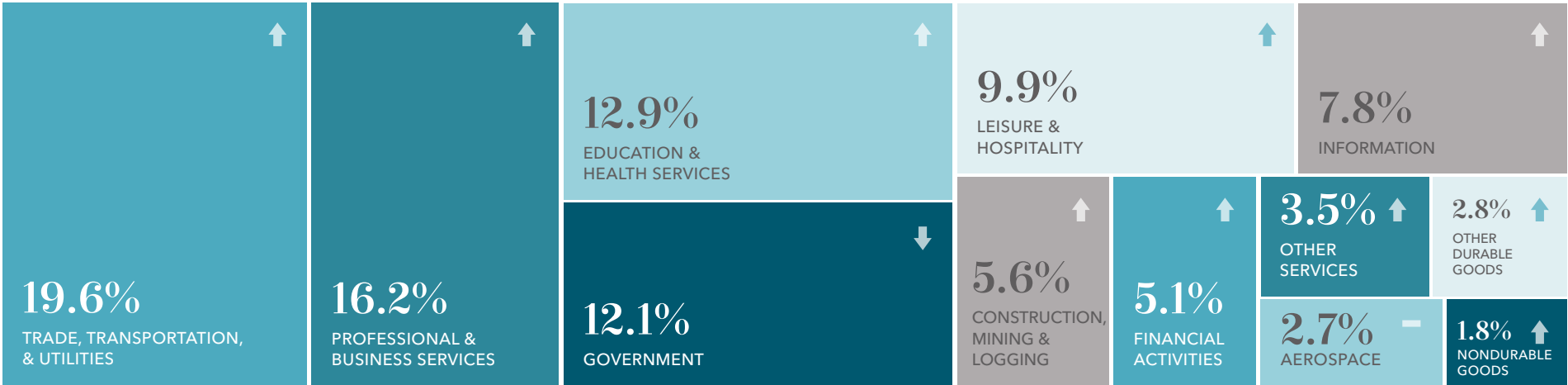
Median Household Income: King County vs. the Nation



SOURCE: FRED

County Employment Composition by Industry

Total Employment ↑ Y-O-Y INCREASE ↓ Y-O-Y DECREASE — NO CHANGE Y-O-Y

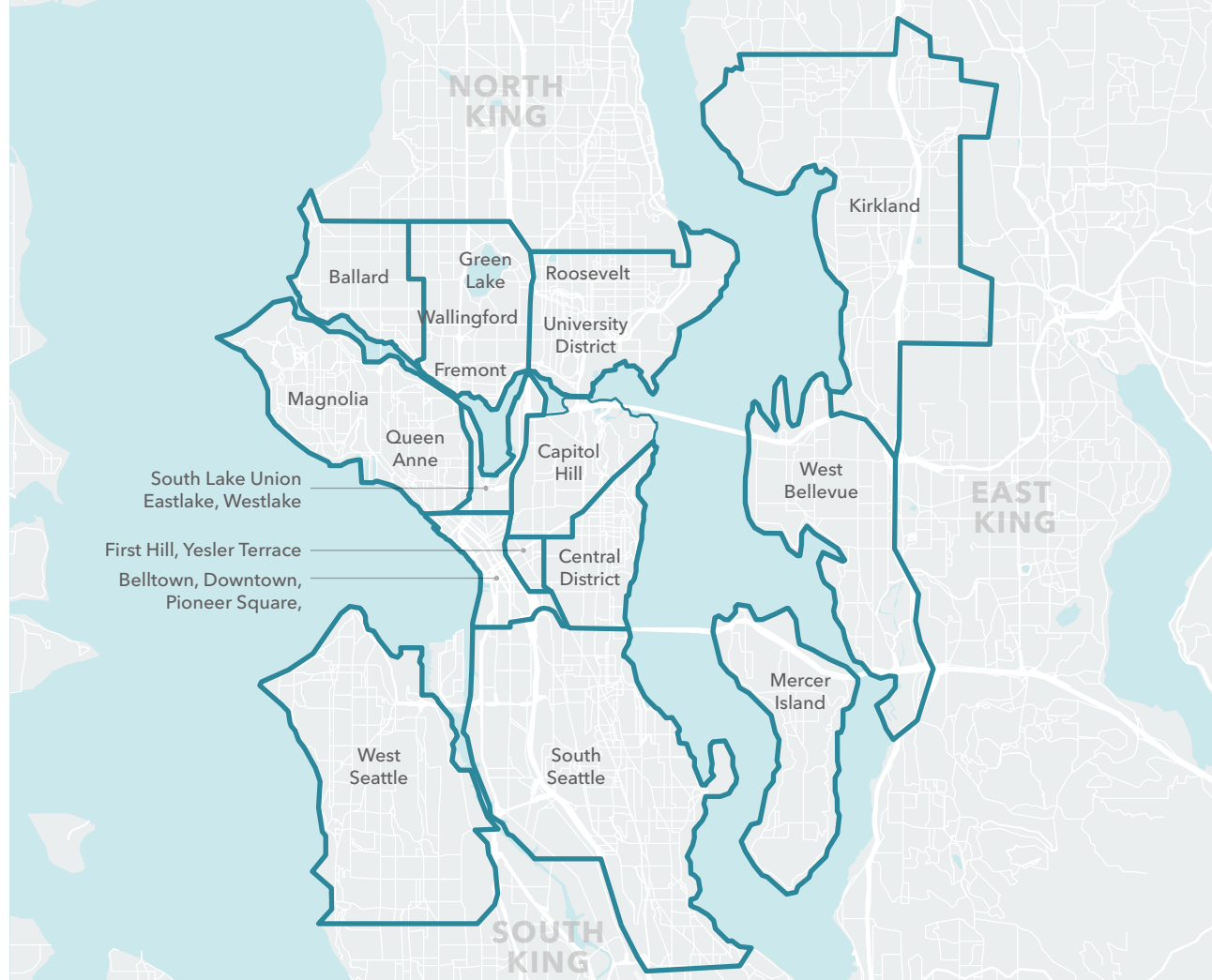


SOURCE: EMPLOYMENT SECURITY DEPARTMENT

URBAN KING DEVELOPMENT OVERVIEW

By a very large margin, Urban King dominates the region in apartment deliveries and current development pipeline. During the last five years, 60% of all apartment development in the four-county region occurred in Urban King. Looking forward to 2019 and beyond, this allocation remains the same.

However, the location of new developments within Urban King are changing considerably. Apartment developers are finding opportunities in suburban nodes and along transit lines (both existing and those currently under development). Understanding trends for new development is becoming increasingly important. Use the following data to better understand these trends.



Urban King Development Pipeline

16,843

UNITS UNDER CONSTRUCTION

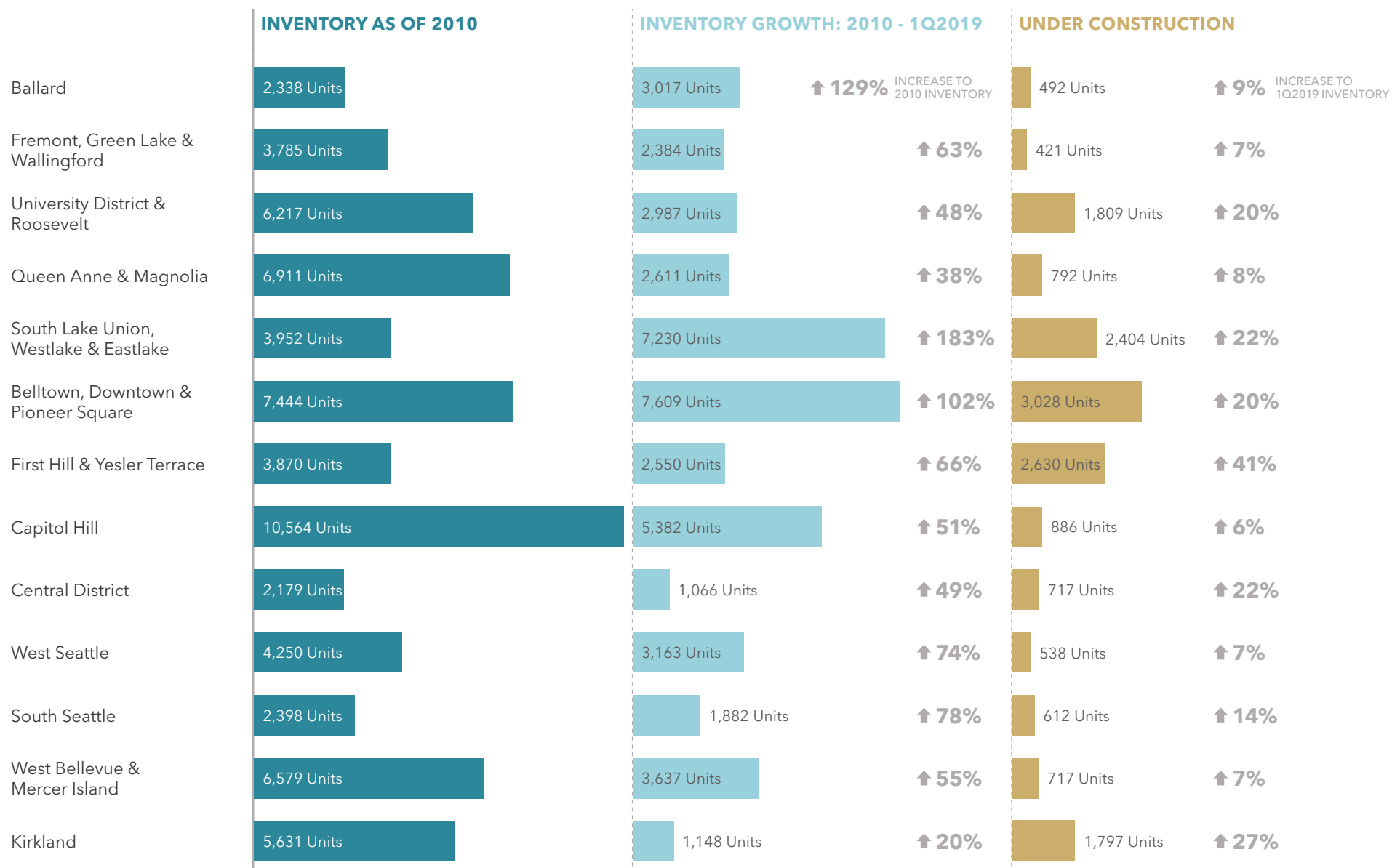
7,680

UNITS WITH PLANS APPROVED

36,331

UNITS IN REVIEW

Urban King Historical Deliveries & Construction Pipeline by Neighborhood



NOTE: PIPELINE ONLY INCLUDES # OF UNITS CURRENTLY UNDER CONSTRUCTION. PROJECTS THAT ARE "APPROVED" OR "IN REVIEW" ARE NOT INCLUDED IN THIS CHART.
 SOURCE (INVENTORY AS OF 2010, INVENTORY GROWTH 2010 - 1Q2019): COSTAR

Ballard

Investors are now looking north along 15th Ave NW toward Crown Hill, with 700+ units planned or under construction.

While sites in core Ballard were scooped up early in the current development cycle, investors know that the neighborhood is still in high demand among residents, offering the perfect combination of historic character and urban living. Additionally, Ballard boasts strong rents averaging over \$3.20 per square foot across new market-rate developments, proximity to key job centers, and amenities that rival that of a small city.

*DEFINITIONS FOR "EFFICIENCY" & "MIXED" DEVELOPMENTS AVAILABLE ON PAGE 74

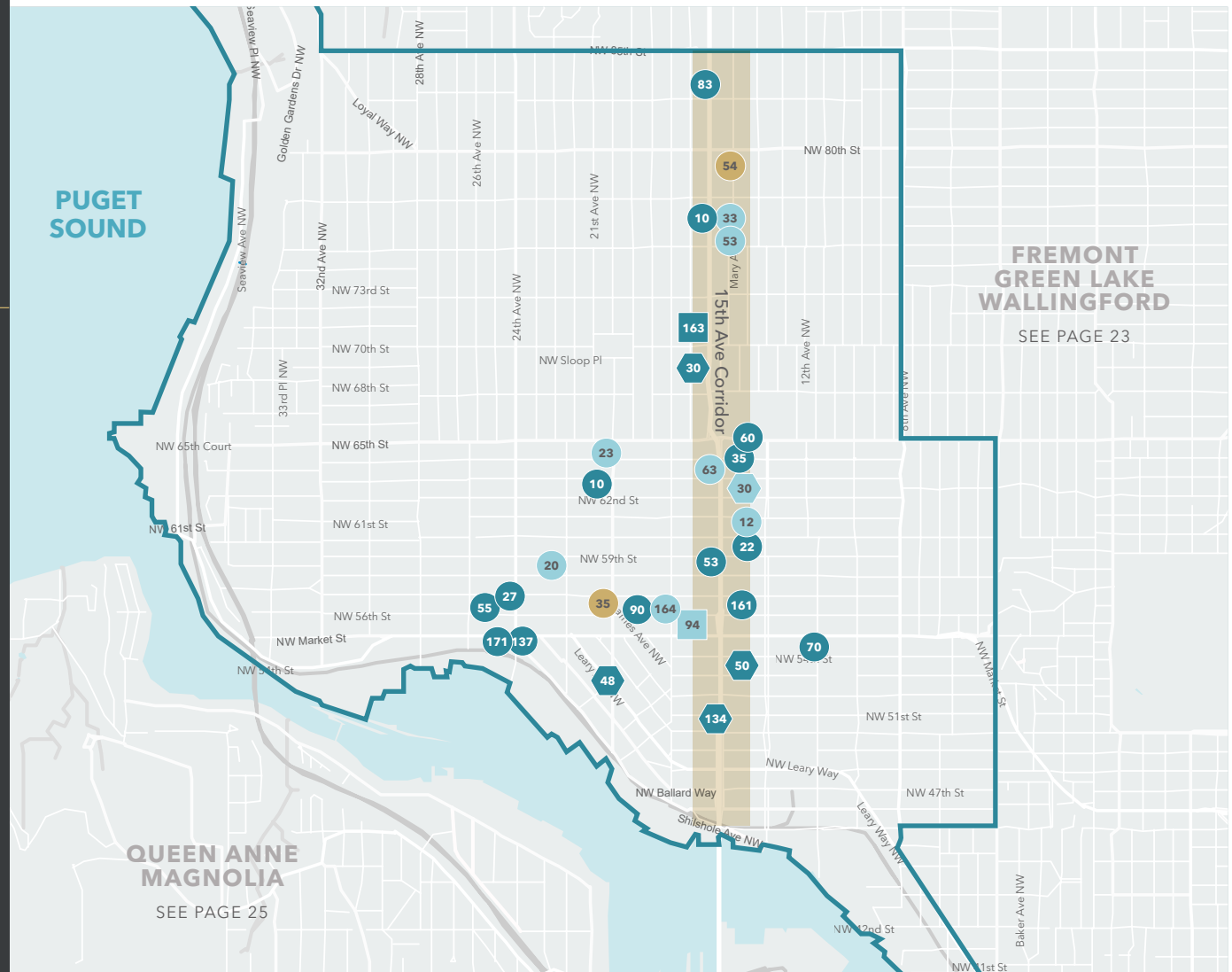
TOTAL DELIVERIES

Construction	Approved	In Review	Total Pipeline
492	89	1,409	1,990
9%	2%	26%	37% of inventory

EFFICIENCY UNITS

Total Pipeline
445
8% of inventory

- APARTMENT
- ⬡ EFFICIENCY*
- MIXED*



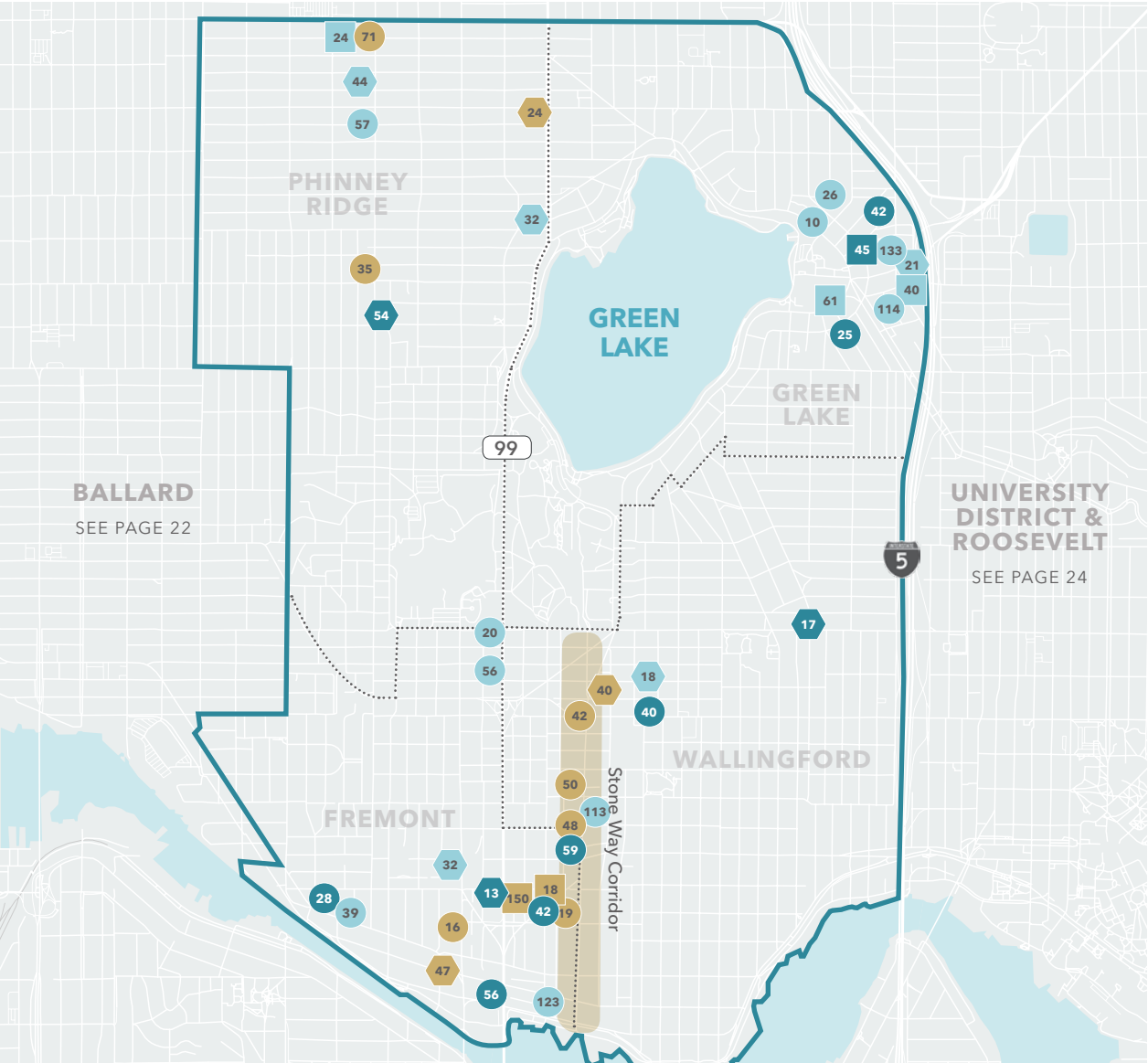
- APARTMENT
- ⬡ EFFICIENCY*
- MIXED*

TOTAL DELIVERIES

Construction	Approved	In Review	Total Pipeline
421	560	963	1,944
7%	9%	16%	32% of inventory

EFFICIENCY UNITS

Total Pipeline
498
8% of inventory



Fremont, Green Lake & Wallingford

More than half of this area’s total development pipeline is approved and under construction, signaling developers’ convictions for these markets.

The Stone Way corridor continues to be a hotbed of apartment development and investment. Previously an aging retail and light-industrial connector between Wallingford and Fremont, Stone Way has turned into a central hub, offering a growing diversity of amenities for residents and those venturing to the neighborhood in search of a cool brunch or happy hour spot.

*DEFINITIONS FOR “EFFICIENCY” & “MIXED” DEVELOPMENTS AVAILABLE ON PAGE 74

University District & Roosevelt

Featuring the largest efficiency-unit development pipeline with 874 units, expect the investment and development boom to hold strong.

TOTAL DELIVERIES

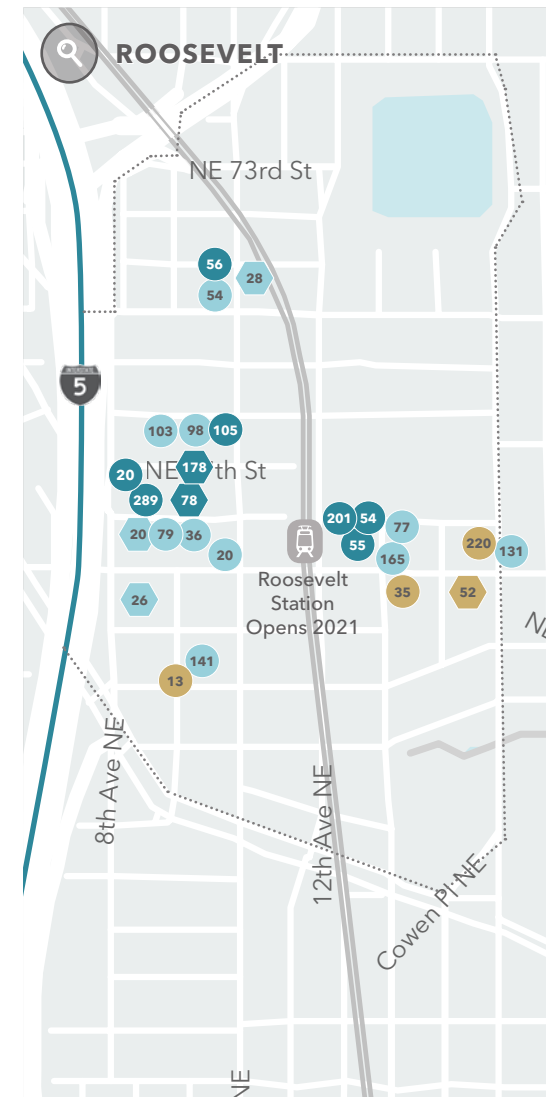
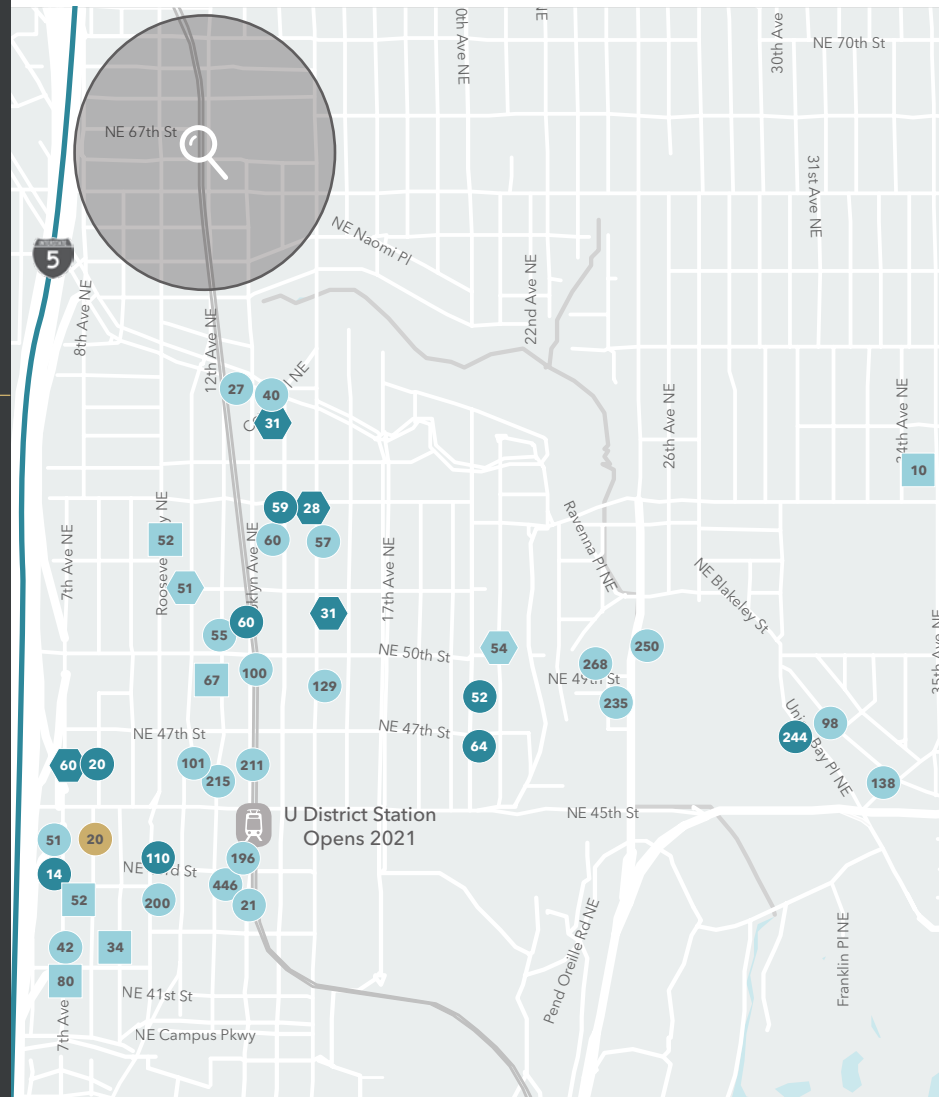
Construction	Approved	In Review	Total Pipeline
1,809	340	4,318	6,467
20%	4%	47%	70% of inventory

EFFICIENCY UNITS

Total Pipeline
874
10% of inventory

- APARTMENT
- ⬡ EFFICIENCY*
- MIXED*

*DEFINITIONS FOR "EFFICIENCY" & "MIXED" DEVELOPMENTS AVAILABLE ON PAGE 74



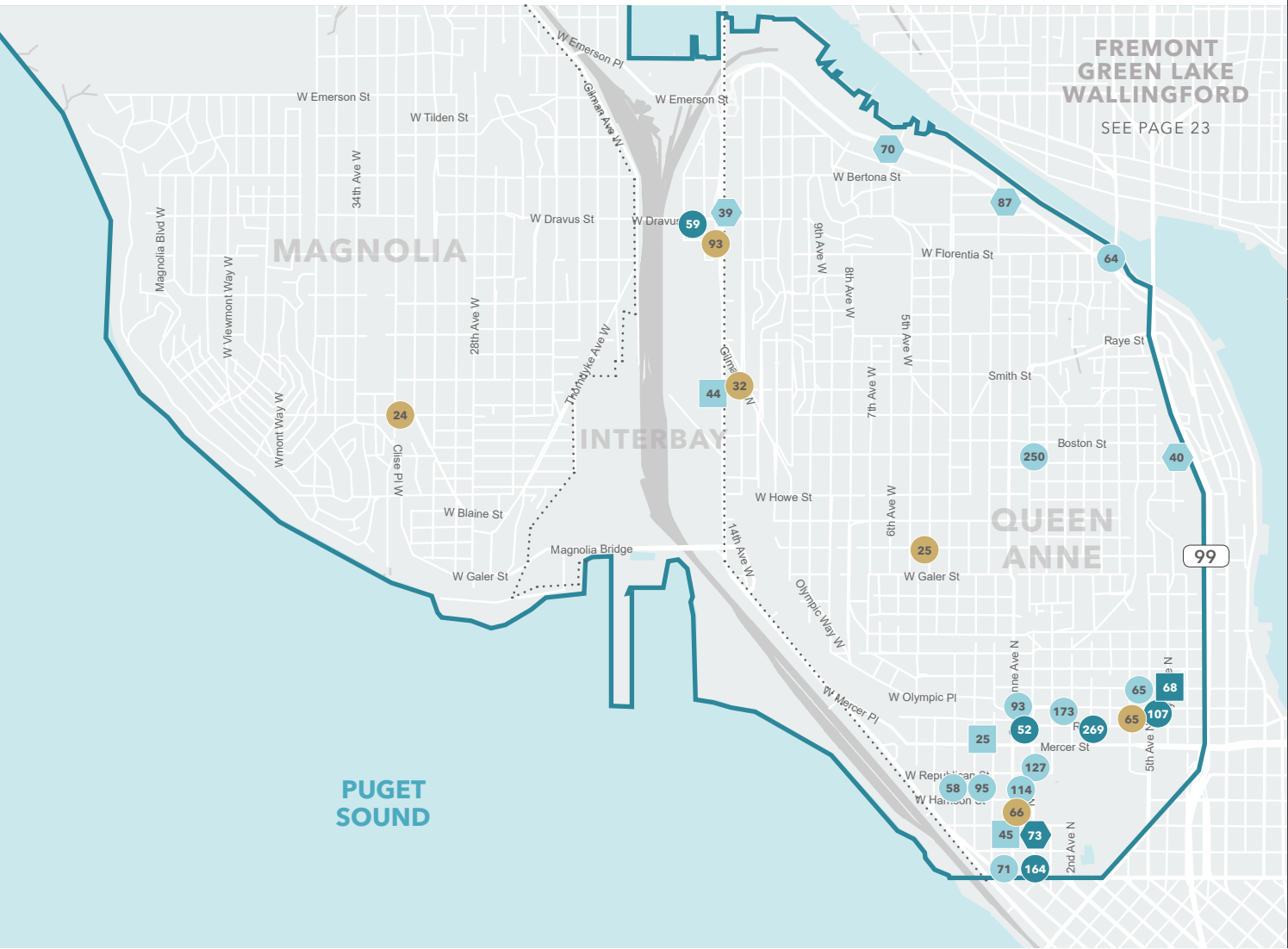
- APARTMENT
- ⬡ EFFICIENCY*
- MIXED*

TOTAL DELIVERIES

Construction	Approved	In Review	Total Pipeline
792	305	1,460	2,557
8%	3%	15%	27% of inventory

EFFICIENCY UNITS

Total Pipeline
409
4% of inventory



Queen Anne & Magnolia

Queen Anne’s small development pipeline signals room for continued rental-rate growth and low vacancy rates.

Through the Great Recession, Queen Anne maintained a sub-5% vacancy rate and strong rental-rate growth every year. With only seven developments under construction and Expedia’s imminent relocation to Interbay, we predict Queen Anne will post market-leading rent growth and sustain low vacancy rates as its small development pipeline is absorbed.

*DEFINITIONS FOR “EFFICIENCY” & “MIXED” DEVELOPMENTS AVAILABLE ON PAGE 74

South Lake Union, Eastlake & Westlake

SLU accounts for 14% of Urban King's development pipeline. While average rental rates are higher than many other submarkets, absorption of new units will pose a short-term challenge.

*DEFINITIONS FOR "EFFICIENCY" & "MIXED" DEVELOPMENTS AVAILABLE ON PAGE 74

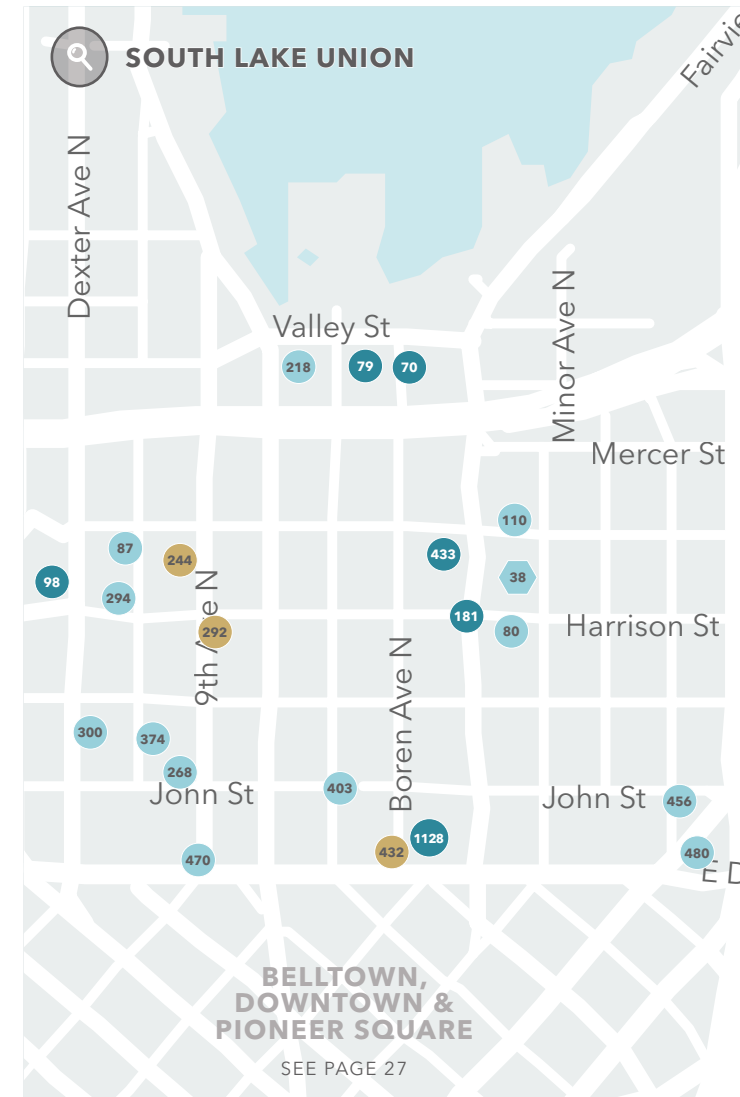
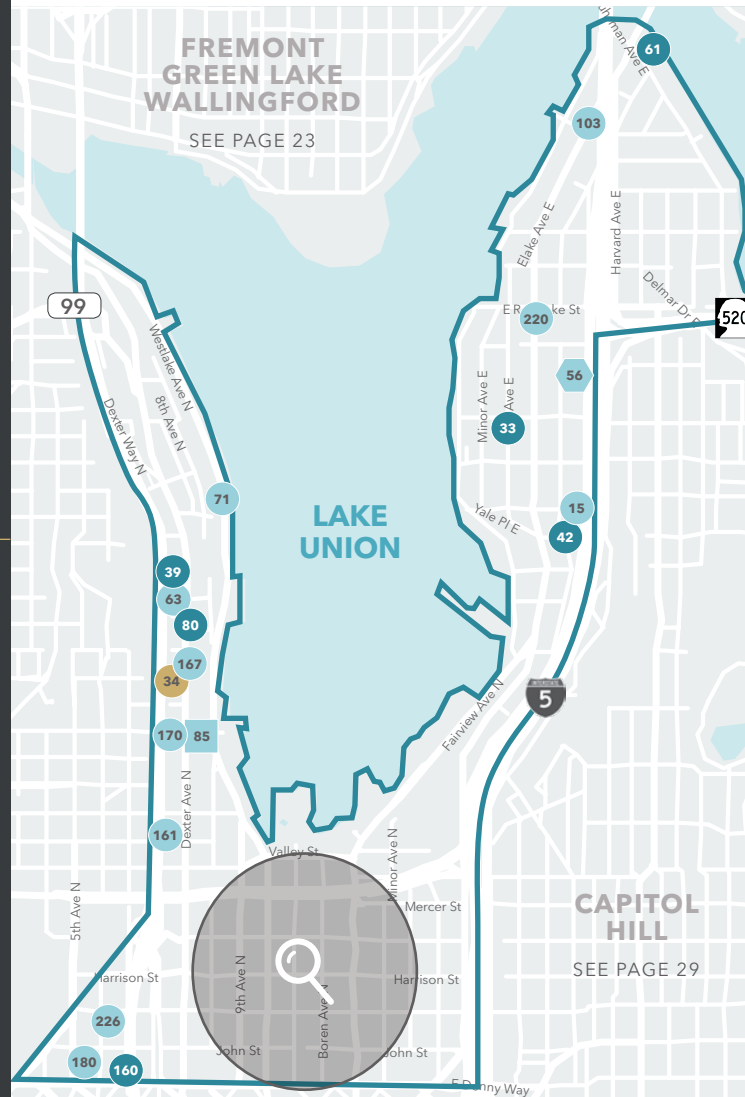
TOTAL DELIVERIES

Construction	Approved	In Review	Total Pipeline
2,404	1,002	5,095	8,501
22%	9%	46%	76% of inventory

EFFICIENCY UNITS

Total Pipeline
195
2% of inventory

- APARTMENT
- ⬡ EFFICIENCY*
- MIXED*



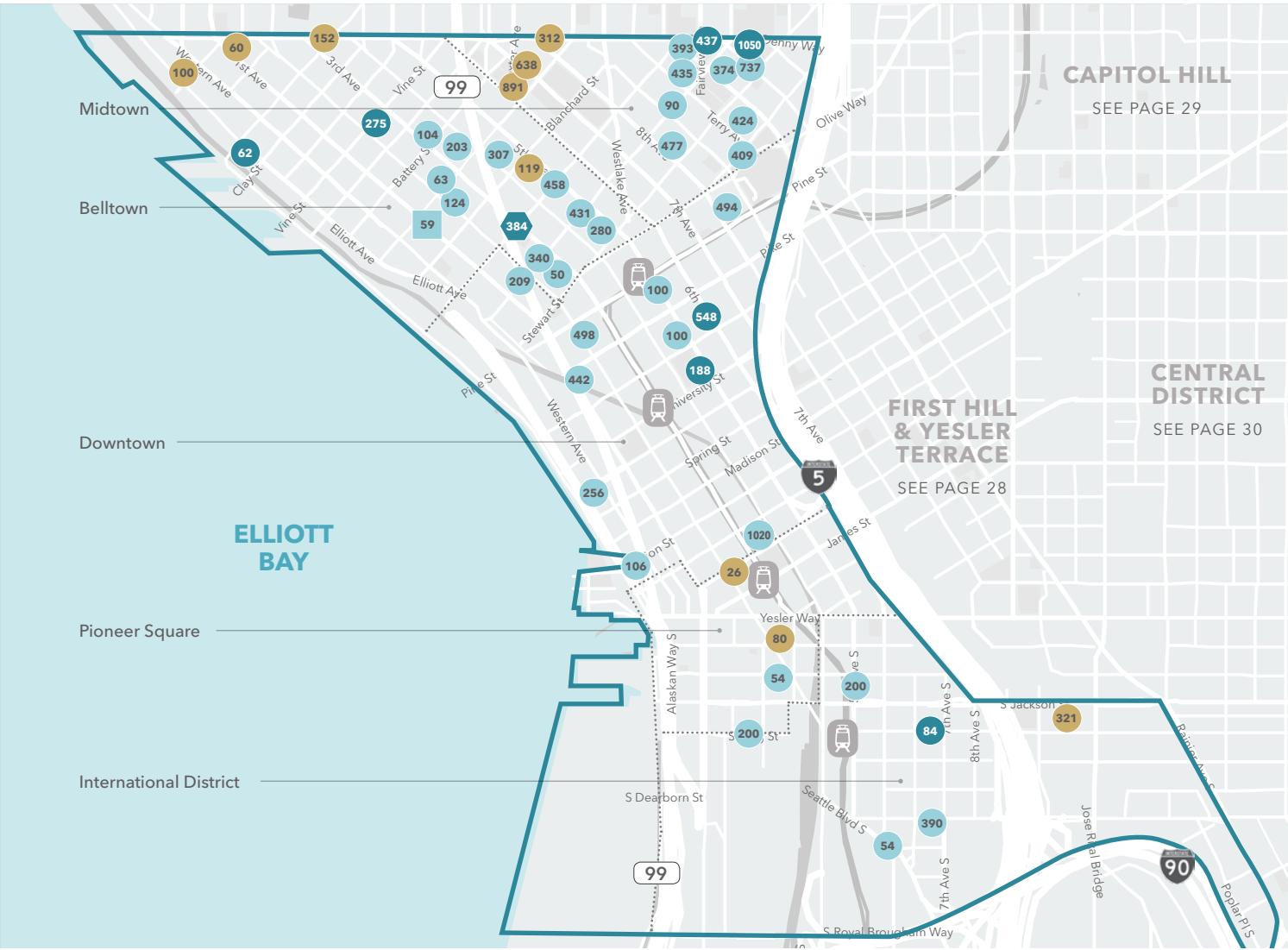
- APARTMENT
- ⬡ EFFICIENCY*
- MIXED*

TOTAL DELIVERIES

Construction	Approved	In Review	Total Pipeline
3,028	2,699	9,881	15,608
20%	18%	66%	104% of inventory

EFFICIENCY UNITS

Total Pipeline
391
3% of inventory



Belldtown, Downtown & Pioneer Square

Seattle's downtown is the region's most active development area. The total development pipeline would double the existing inventory of apartment units.

*DEFINITIONS FOR "EFFICIENCY" & "MIXED" DEVELOPMENTS AVAILABLE ON PAGE 74

First Hill & Yesler Terrace

With the second-largest construction pipeline in Seattle, First Hill and Yesler will see dramatic changes in the next several years – with tremendous growth in both retail options and livability.

There are currently three times more units under construction in First Hill and Yesler Terrace than Capitol Hill. With the second-largest pipeline under construction in the city, we expect First Hill's character to change dramatically over the next five years in this uniquely positioned high-density neighborhood.

*DEFINITIONS FOR "EFFICIENCY" & "MIXED" DEVELOPMENTS AVAILABLE ON PAGE 74

TOTAL DELIVERIES

Construction	Approved	In Review	Total Pipeline
2,630	128	2,642	5,400
41%	2%	41%	84% of inventory

EFFICIENCY UNITS

Total Pipeline
201
3% of inventory

- APARTMENT
- ⬡ EFFICIENCY*
- MIXED*



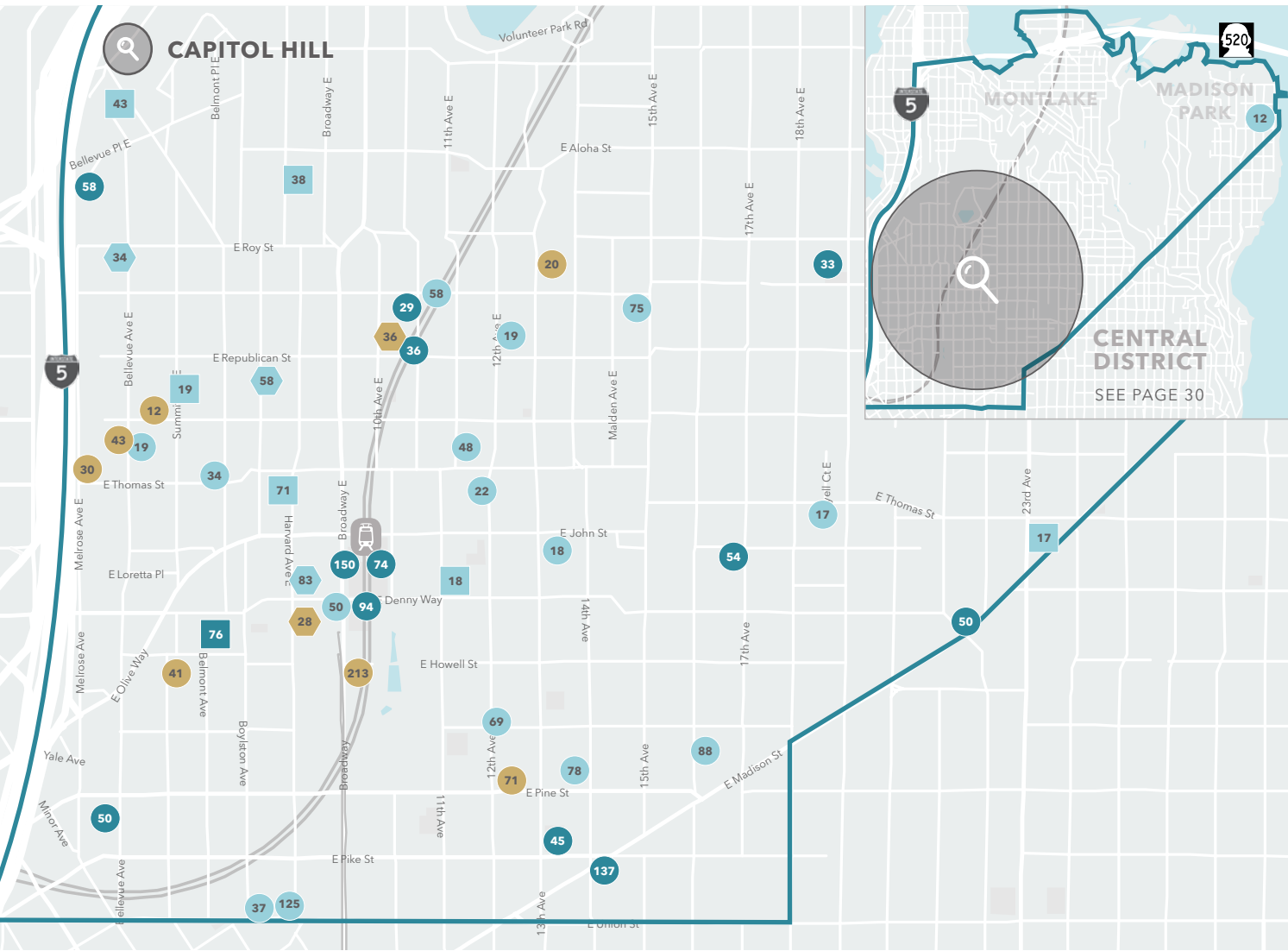
- APARTMENT
- ⬡ EFFICIENCY*
- MIXED*

TOTAL DELIVERIES

Construction	Approved	In Review	Total Pipeline
886	494	1,150	2,530
6%	3%	7%	16% of inventory

EFFICIENCY UNITS

Total Pipeline
466
3% of inventory



Capitol Hill

Capitol Hill has seen strong apartment growth this cycle and maintains a healthy pipeline of projects in review.

Capitol Hill started this cycle with the largest apartment stock in Seattle. Today, many of the large, easy-to-build sites have been redeveloped, with only small boutique project opportunities remaining – there is not a single project in review that is over 150 units. As one of Seattle’s preeminent urban neighborhoods, we expect Capitol Hill to absorb new supply with ease.

*DEFINITIONS FOR “EFFICIENCY” & “MIXED” DEVELOPMENTS AVAILABLE ON PAGE 74

Central District

Historically overlooked, the Central District now has a larger apartment development pipeline than Capitol Hill. We predict the continued urbanization of nodes all over the Central District, supplemented by new retail that will invariably reshape how investors view the most “central” of all neighborhoods in Urban King.

Although the Central District reaches as far west as 12th Ave, most view the line of demarcation from Capitol Hill as 18th Ave. As increased development occurs on both sides of 18th, these lines continue to blur and ultimately new micro-markets will form in First Hill, Capitol Hill, Yesler Terrace, and the Central District with their own defining characteristics.

*DEFINITIONS FOR “EFFICIENCY” & “MIXED” DEVELOPMENTS AVAILABLE ON PAGE 74

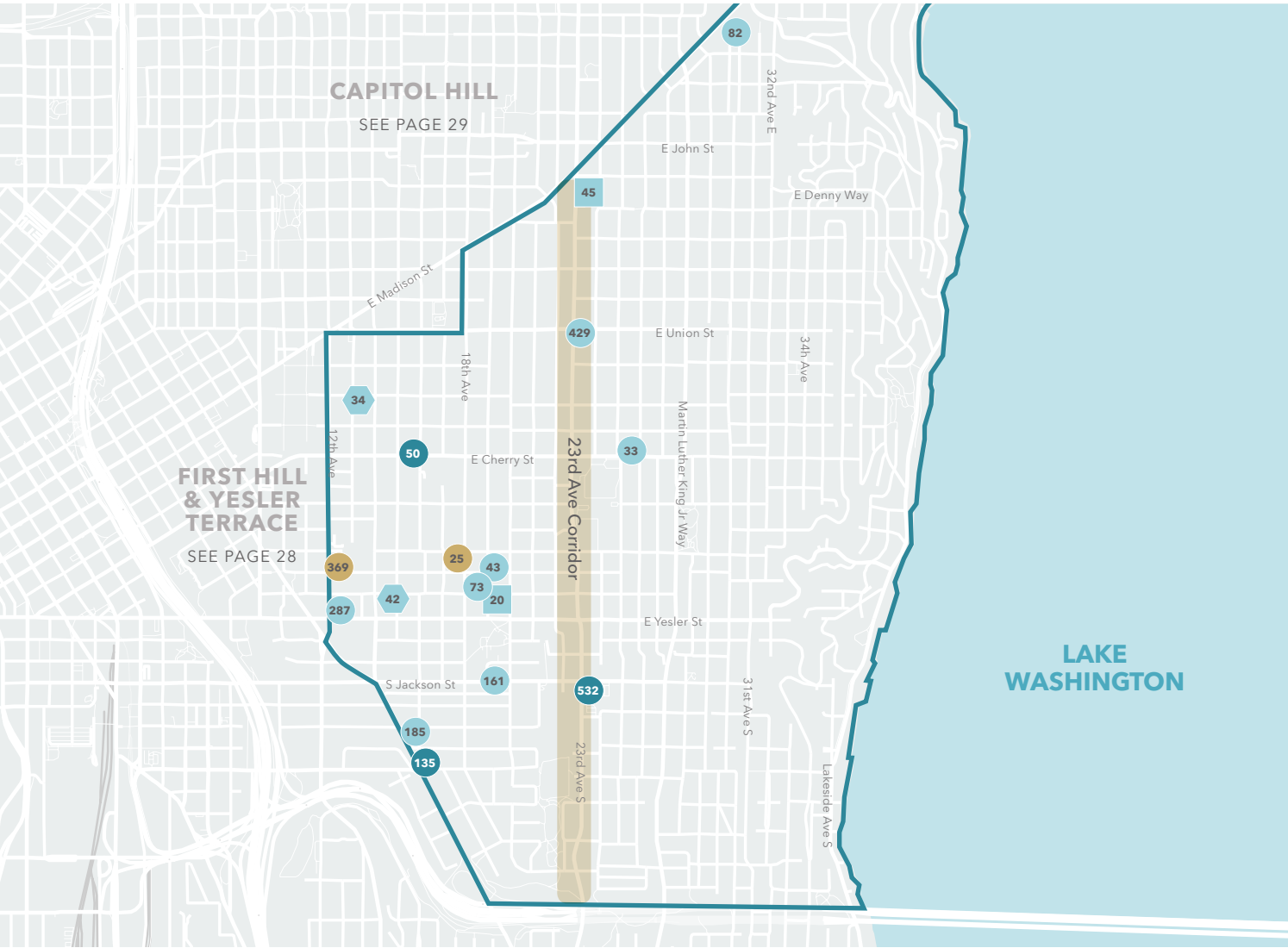
TOTAL DELIVERIES

Construction	Approved	In Review	Total Pipeline
717	394	1,435	2,546
22%	12%	44%	78% of inventory

EFFICIENCY UNITS

Total Pipeline
125
4% of inventory

- APARTMENT
- ⬡ EFFICIENCY*
- MIXED*



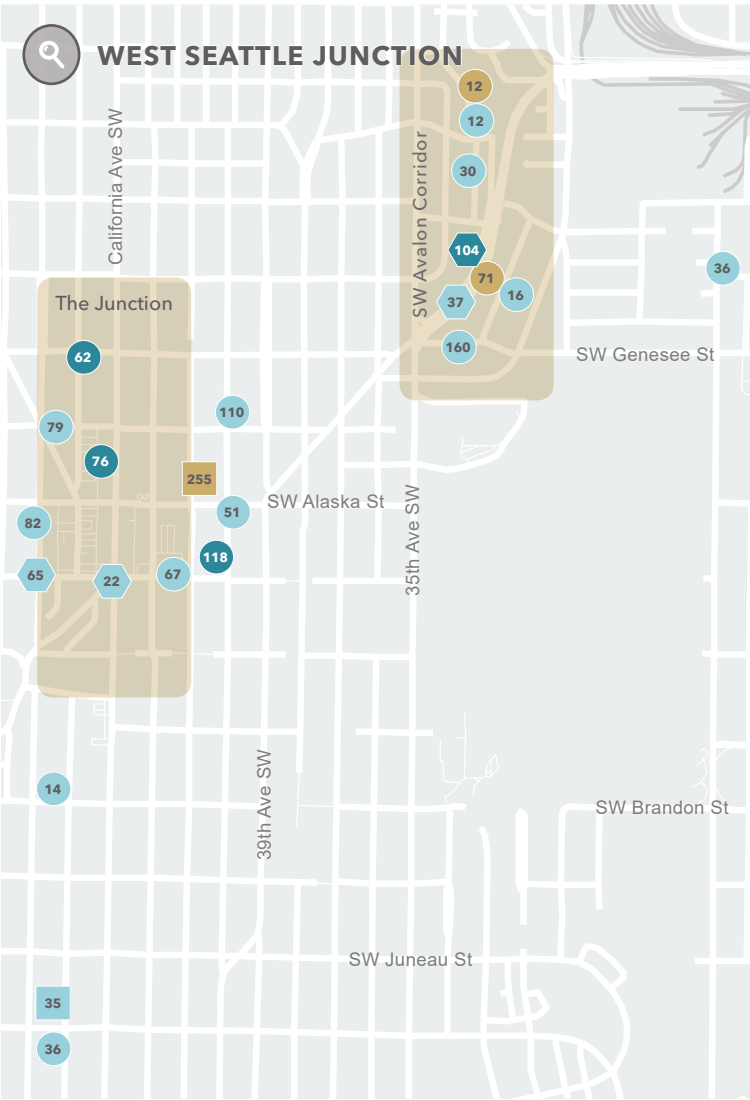
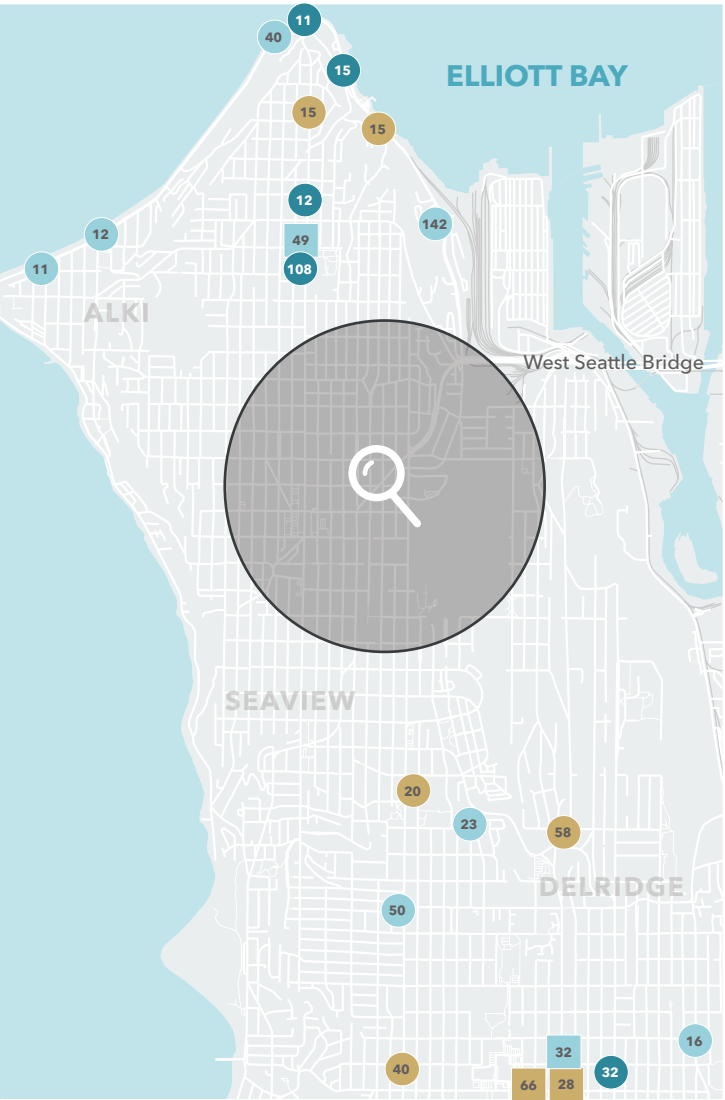
- APARTMENT
- ⬡ EFFICIENCY*
- MIXED*

TOTAL DELIVERIES

Construction	Approved	In Review	Total Pipeline
538	580	1,227	2,345
7%	8%	17%	32% of inventory

EFFICIENCY UNITS

Total Pipeline
338
5% of inventory



West Seattle

Apartment inventory increased 74% since 2010. As vacant land at The Junction depletes, we expect to see development jump to commercial nodes north and south of The Junction.

*DEFINITIONS FOR "EFFICIENCY" & "MIXED" DEVELOPMENTS AVAILABLE ON PAGE 74

South Seattle

A massive pipeline of units “In Review” in South Seattle promises to bring dramatic changes to neighborhoods south of I-90 nestled between I-5 and Lake Washington.

South Seattle is a geographically vast region covering Mount Baker, Columbia City, Beacon Hill, the Rainier Valley, and Rainier Beach. This cycle saw the rise of Columbia City as a distinct apartment submarket, and the clustering of permit activity suggests that the next cycle of growth will create a variety of micro-markets.

Why does South Seattle have one of the largest pipelines of projects in review? Large parcels, favorable zoning, and light rail connectivity all make development favorable. However, lower rental rates compared to other urban submarkets and high construction costs remain the biggest impediments to development.

*DEFINITIONS FOR “EFFICIENCY” & “MIXED” DEVELOPMENTS AVAILABLE ON PAGE 62

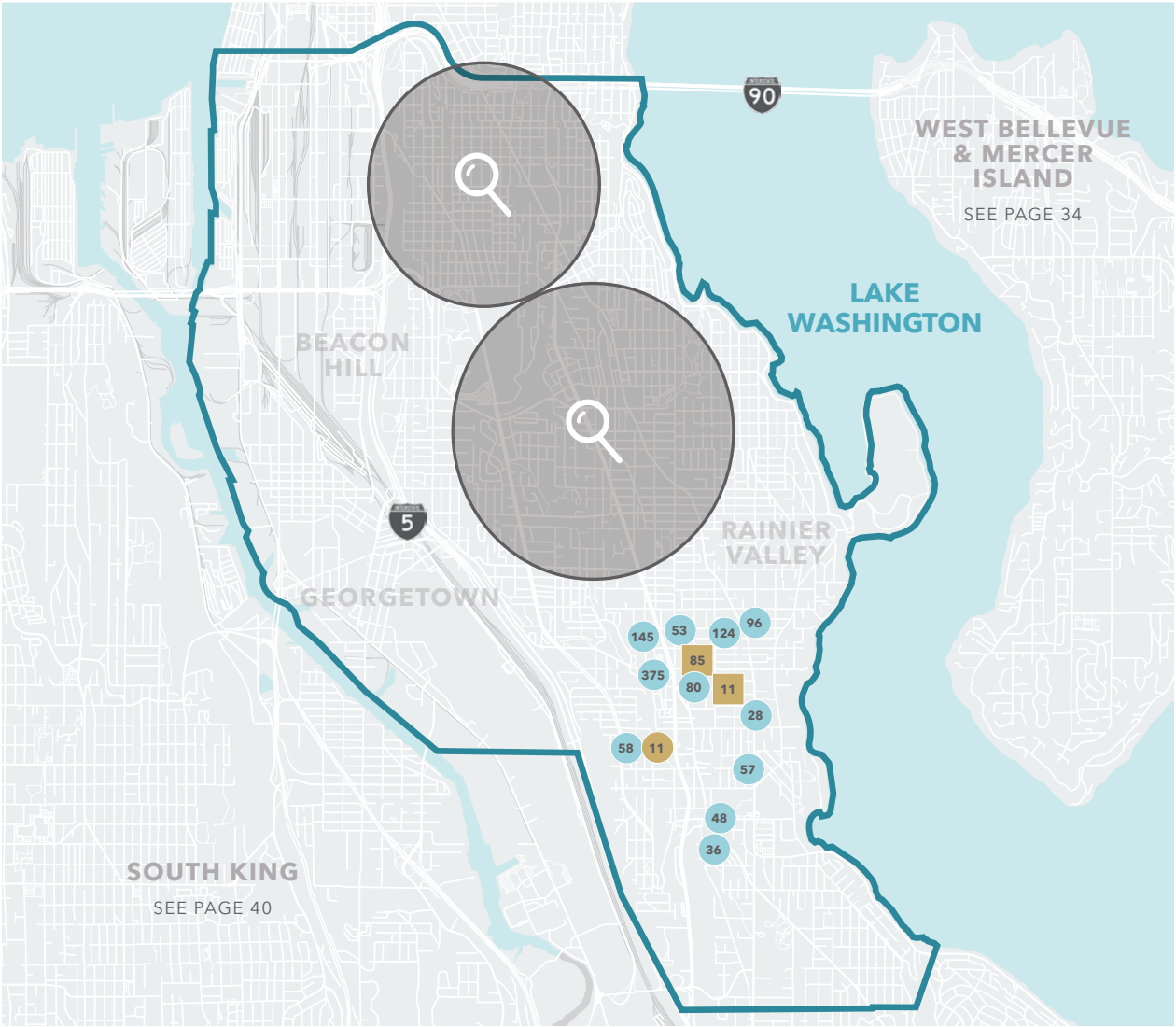
TOTAL DELIVERIES

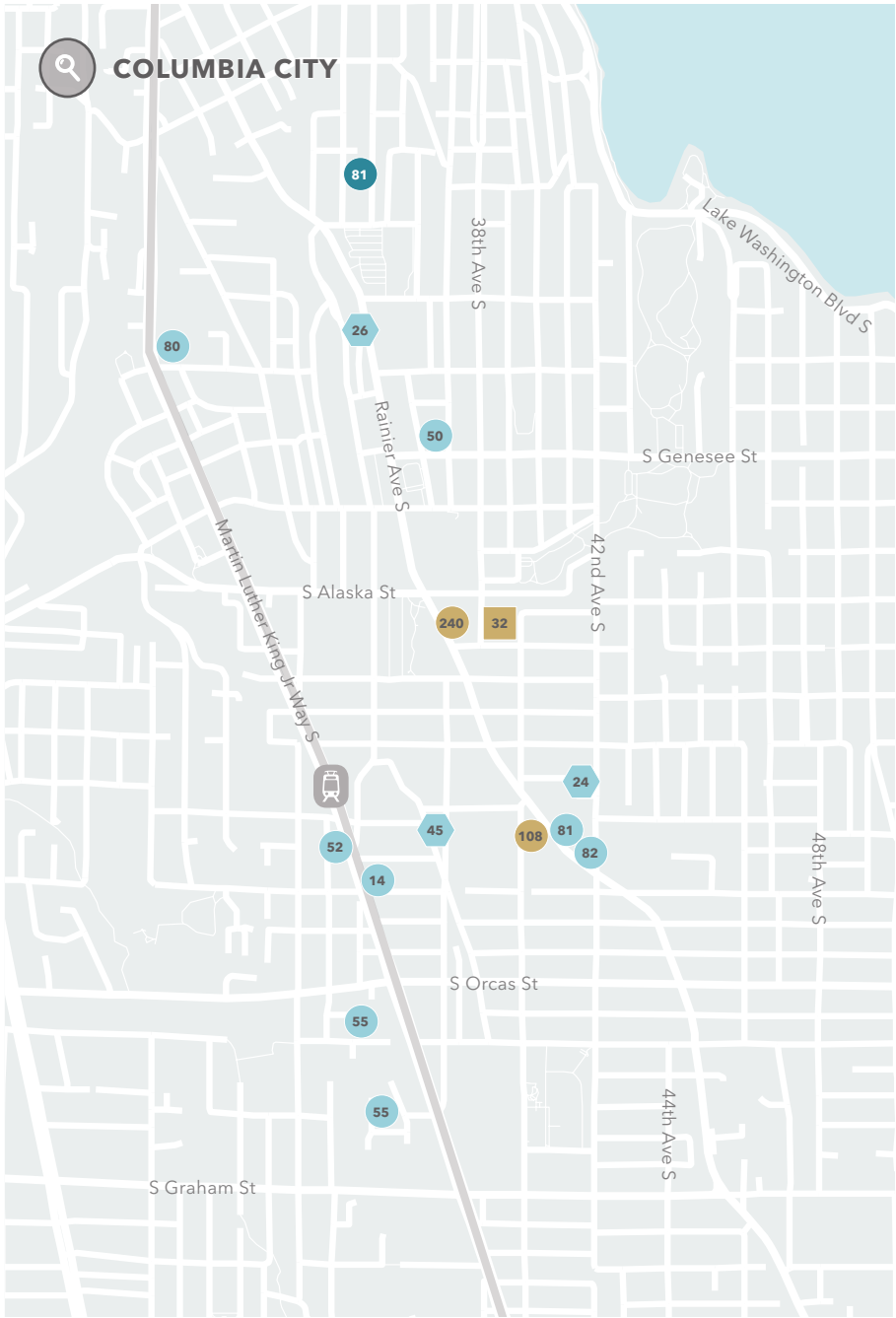
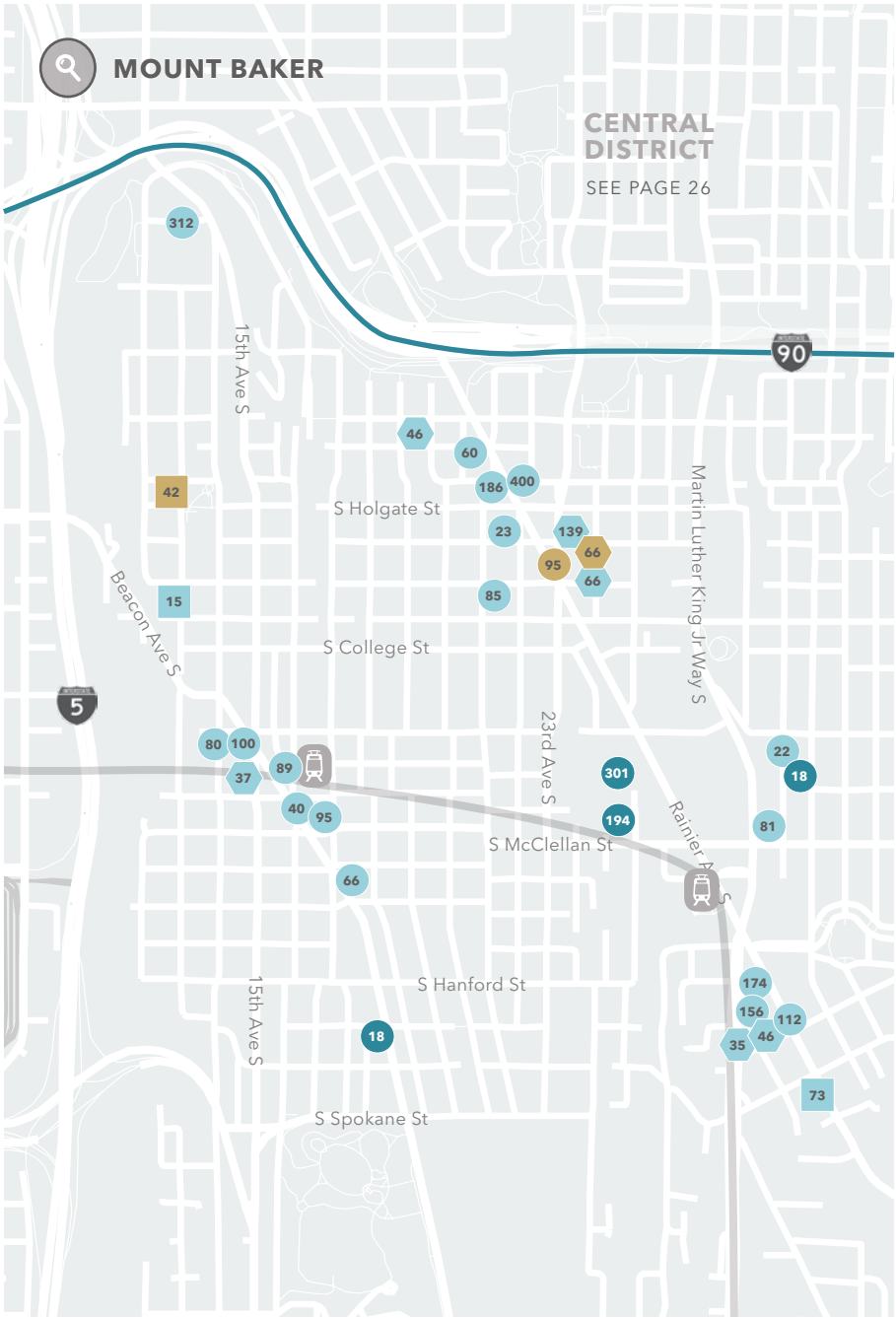
Construction	Approved	In Review	Total Pipeline
612	690	4,202	5,504
14%	16%	98%	129% of inventory

EFFICIENCY UNITS

Total Pipeline
764
18% of inventory

- APARTMENT
- ⬡ EFFICIENCY*
- MIXED*





West Bellevue & Mercer Island

West Bellevue is likely the only submarket in the region with an equal balance of development of apartment units and condominium units – a testament to its long-term livability.

For a market with almost three million square feet of future office absorption already committed to, the apartment development pipeline seems surprisingly light. There are numerous condo projects currently in planning or under construction, but with less than 2,000 apartment units in the pipeline, there may still be opportunities for developers looking for strong core market returns.

*DEFINITIONS FOR "EFFICIENCY" & "MIXED" DEVELOPMENTS AVAILABLE ON PAGE 74

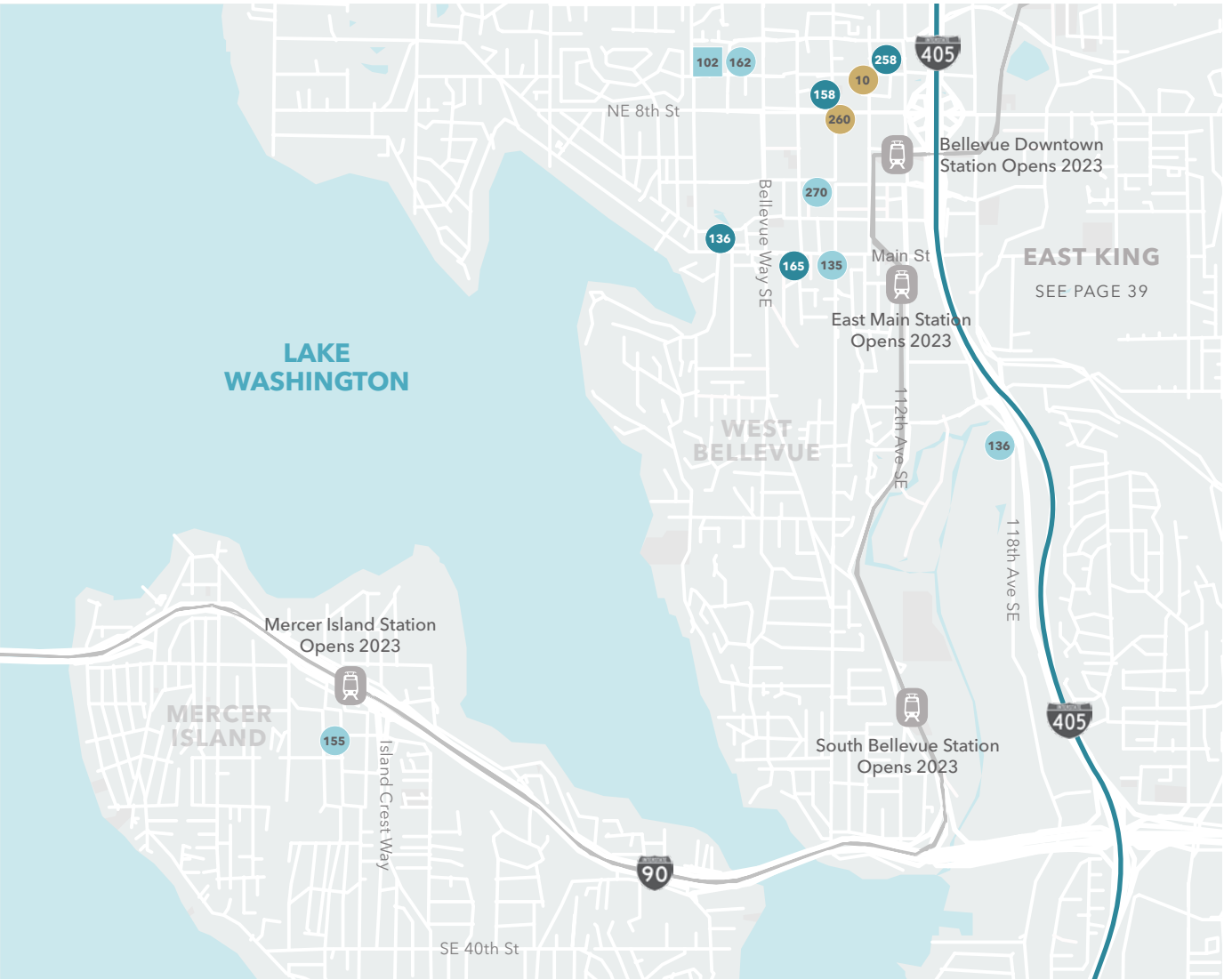
TOTAL DELIVERIES

Construction	Approved	In Review	Total Pipeline
717	270	960	1,947
7%	3%	9%	19% of inventory

EFFICIENCY UNITS

Total Pipeline
26
0.3% of inventory

- APARTMENT
- EFFICIENCY*
- MIXED*



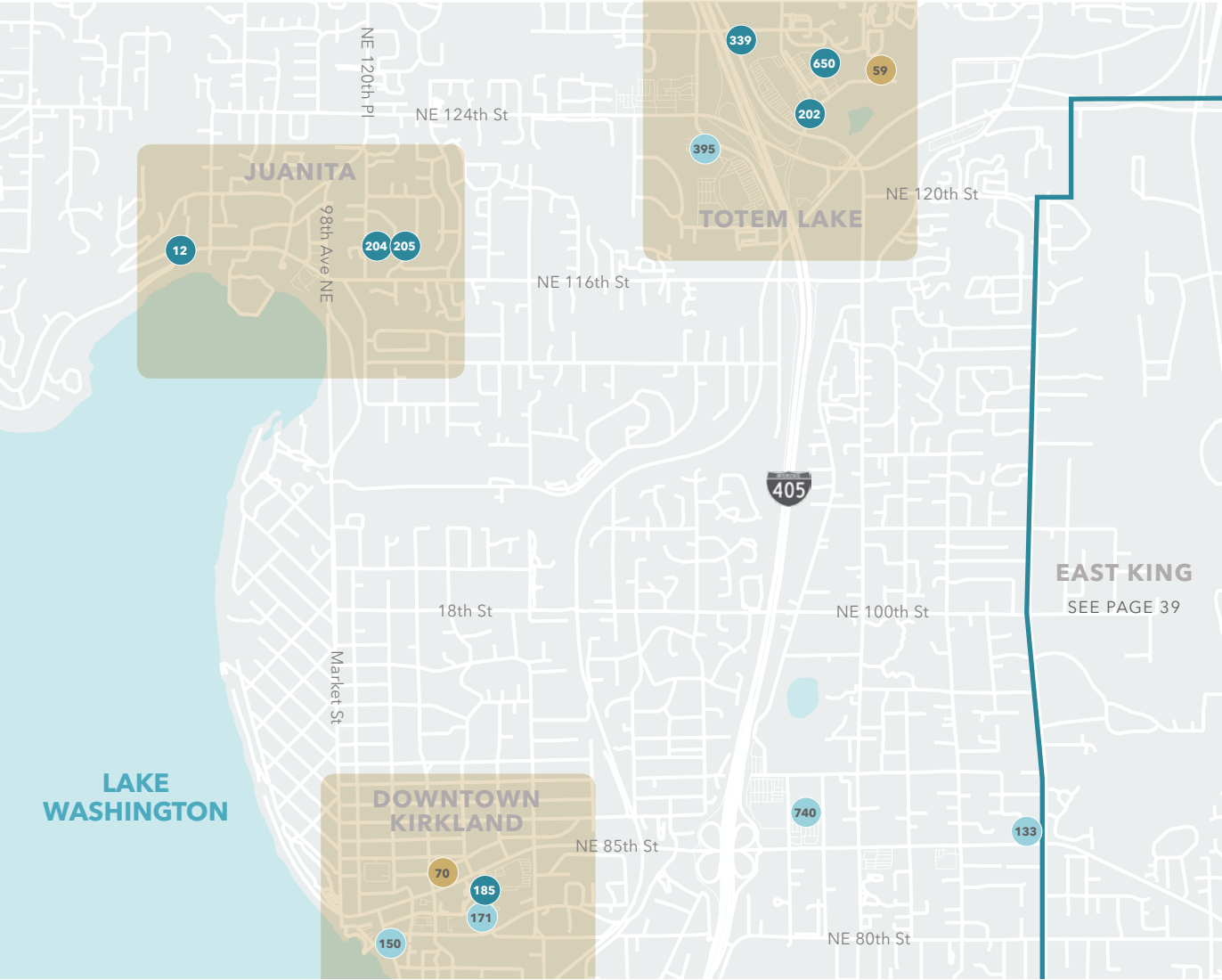
- APARTMENT
- EFFICIENCY*
- MIXED*

TOTAL DELIVERIES

Construction	Approved	In Review	Total Pipeline
1,797	129	1,589	3,515
27%	2%	23%	52% of inventory

EFFICIENCY UNITS

Total Pipeline
0
0% of inventory



Kirkland

Kirkland is one of Urban King’s tightest submarkets, which previous to the last several years had one of the region’s smallest development pipelines for an urban, lakeside market.

Due to relatively proscriptive zoning – and few parcels available for development – Kirkland is notoriously a difficult market to find an apartment development site. In the last several years, apartment developers looked beyond downtown Kirkland and “jumped the freeway” to explore opportunities on the east side of I-405, including Totem Lake. As a result, Kirkland has a strong development pipeline and will undoubtedly create exciting opportunities for renters (and investors) in downtown Kirkland and other nearby nodes.

*DEFINITIONS FOR “EFFICIENCY” & “MIXED” DEVELOPMENTS AVAILABLE ON PAGE 74

SUBURBAN KING DEVELOPMENT OVERVIEW

At the beginning of the current market cycle, the preponderance of all Urban King apartment development resided west of Lake Washington. The current development pipeline in Suburban King is a testament to a marked shift towards development in markets across all of King County, especially to the north and east.

With nearly 10,000 units under construction – and another 15,000 units in some stage of planning – suburban apartment living is on the leading edge of a revival. This revival, however, will see the application of “urban-esque” development cues in otherwise suburban markets. Densifying, walkable, and transit-adjacent regions are the benefactors of apartment development expanding beyond Seattle and Bellevue’s urban neighborhoods. Exciting change is afoot!



Suburban King Development Pipeline

9,664

UNITS UNDER CONSTRUCTION

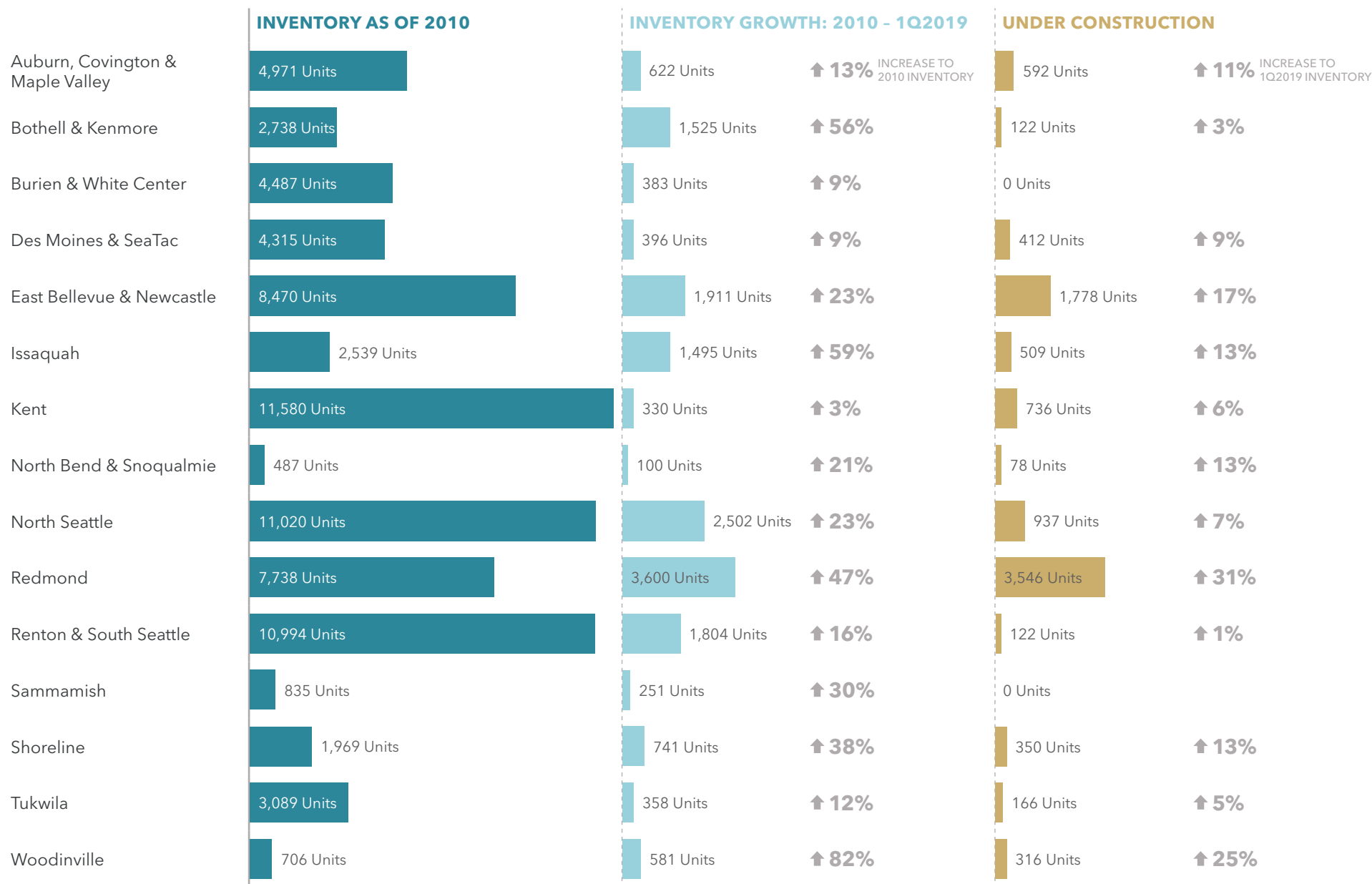
2,660

UNITS WITH PLANS APPROVED

12,212

UNITS IN REVIEW

Suburban King Historical Deliveries & Construction Pipeline by City



NOTE: PIPELINE ONLY INCLUDES # OF UNITS CURRENTLY UNDER CONSTRUCTION. PROJECTS THAT ARE "APPROVED" OR "IN REVIEW" ARE NOT INCLUDED IN THIS CHART. CITIES NOT INCLUDED IN THIS CHART SAW NO DELIVERIES 2010 - 1Q2019 AND/OR HAVE NO UNITS CURRENTLY UNDER CONSTRUCTION.

SOURCE (INVENTORY AS OF 2010, INVENTORY GROWTH 2010 - 1Q2019): COSTAR

North King

North King offers the greatest example of expanding apartment development based on retail nodes and light rail stations.

*DEFINITIONS FOR "EFFICIENCY" & "MIXED" DEVELOPMENTS AVAILABLE ON PAGE 74

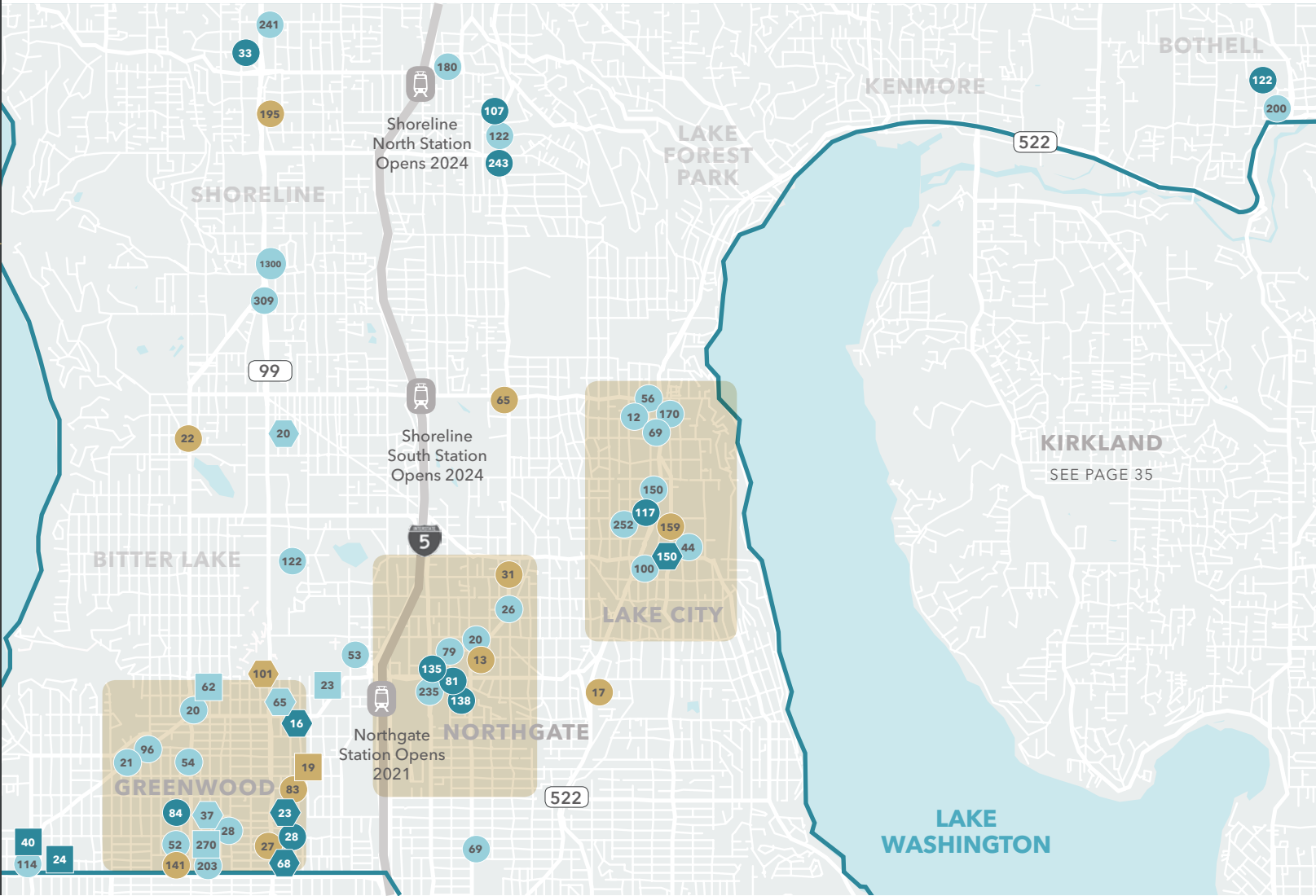
TOTAL DELIVERIES

Construction	Approved	In Review	Total Pipeline
1,409	873	4,874	7,156
7%	5%	25%	37% of inventory

EFFICIENCY UNITS

Total Pipeline
593
3% of inventory

- APARTMENT
- ⬡ EFFICIENCY*
- MIXED*



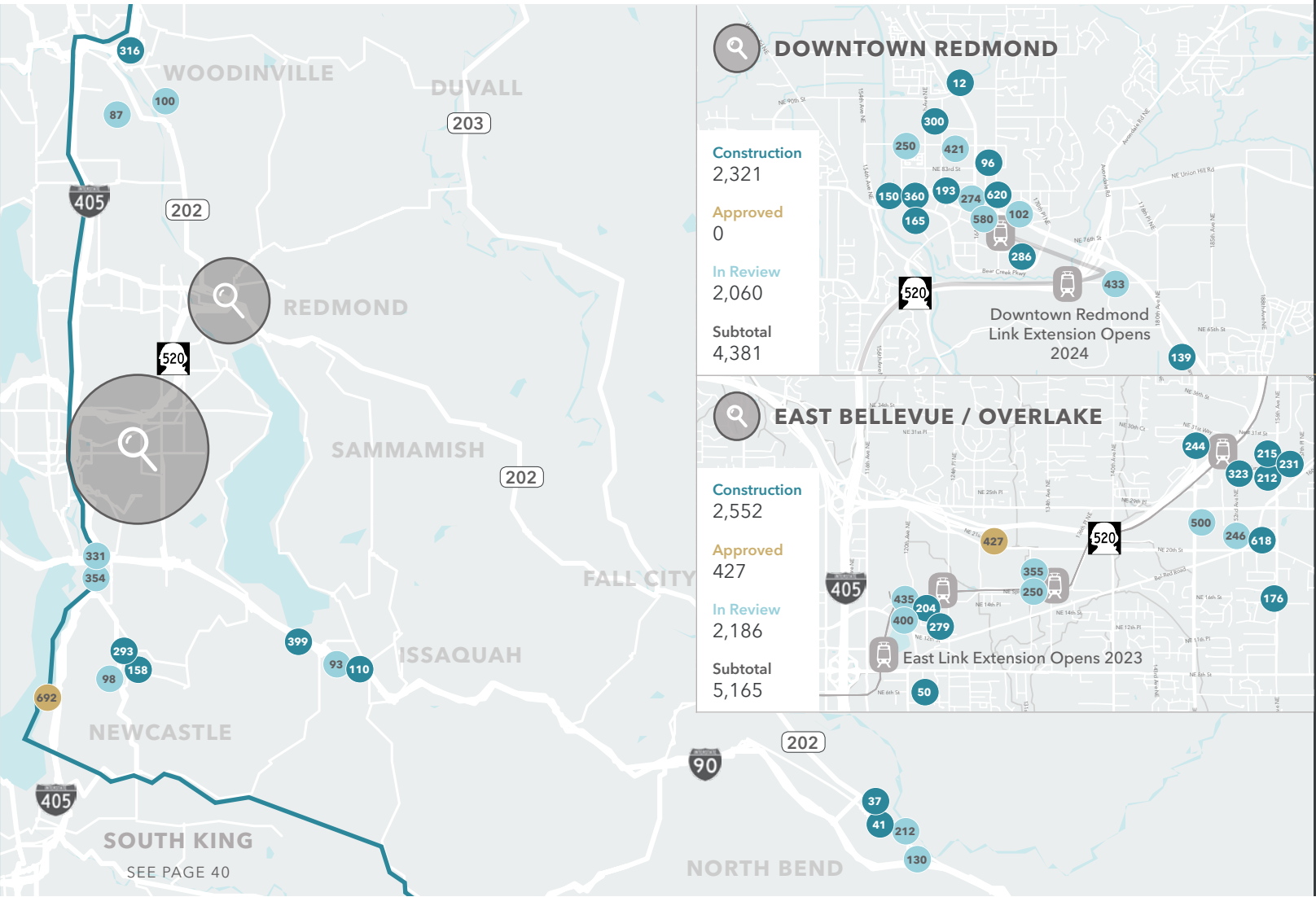
- APARTMENT
- ⬢ EFFICIENCY*
- MIXED*

TOTAL DELIVERIES

Construction	Approved	In Review	Total Pipeline
6,227	1,119	5,651	12,997
21%	4%	19%	43% of inventory

EFFICIENCY UNITS

Total Pipeline
0
0% of inventory



East King

The growth and expansion of East King’s economics and demand drivers most closely match those of Seattle – both justifying and fueling sizable development pipelines in key markets.

*DEFINITIONS FOR “EFFICIENCY” & “MIXED” DEVELOPMENTS AVAILABLE ON PAGE 74

South King

Apartment development in South King is on the rise! Although accounting for only a small percentage of overall inventory, south-end markets are finally seeing the delivery of new apartment buildings.

With massive demand for market-rate workforce housing, South King continues to see strong year-over-year rent appreciation – finally to the point that a multitude of apartment developers are taking on the challenge to build new apartments here. Given that the development pipeline (under construction and planned) equates to less than 10% of inventory, don’t expect new apartments to dampen renter demand across existing buildings.

*DEFINITIONS FOR “EFFICIENCY” & “MIXED” DEVELOPMENTS AVAILABLE ON PAGE 74

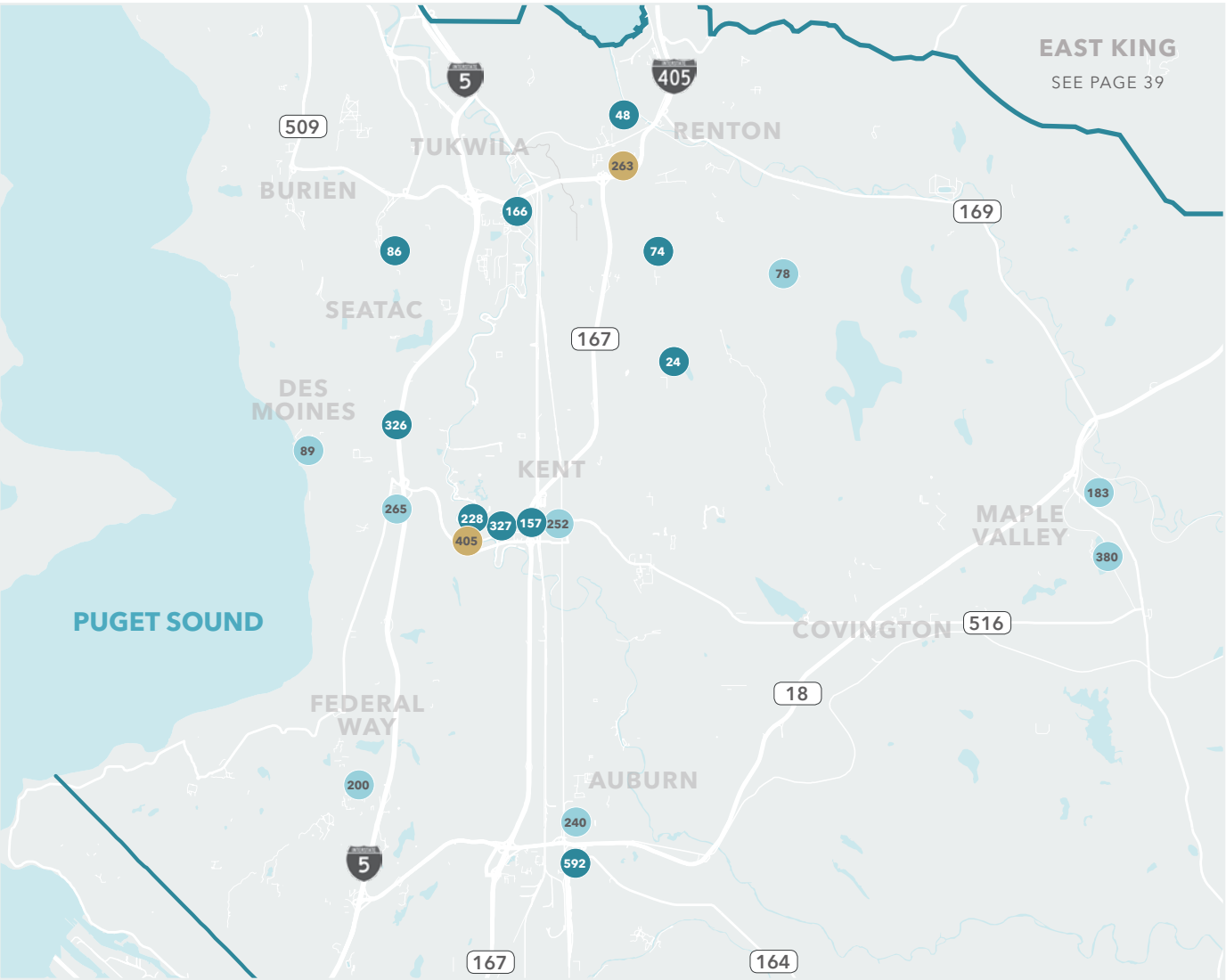
TOTAL DELIVERIES

Construction	Approved	In Review	Total Pipeline
2,028	668	1,687	4,383
4%	1%	3%	8% of inventory

EFFICIENCY UNITS

Total Pipeline
0
0% of inventory

- APARTMENT
- ⬡ EFFICIENCY*
- MIXED*









04

SNOHOMISH COUNTY

EMPLOYMENT OVERVIEW

DEVELOPMENT OVERVIEW



SNOHOMISH COUNTY

POPULATION GROWTH OUTPACES KING COUNTY

As home and apartment prices in Seattle continue to rise, renters are looking north to get more bang for their buck. With the Link light rail expansion just a few years from completion, increased accessibility will entice those previously concerned about commuting.

INCREASED ZONING IN LYNNWOOD

An 18-story residential building with 349 units is currently under construction in Lynnwood and will be Snohomish County's second-tallest building. As more developers take advantage of the increased zoning, Lynnwood has the potential to become a premier urban center for Snohomish County.

SNOHOMISH DIVERSIFIES INDUSTRY

Aerospace and healthcare dominated the Snohomish County economy for a century, but recently other sectors have seen strong growth. This diversification is helping to sustain Snohomish County and provides increased certainty for future market cycles.

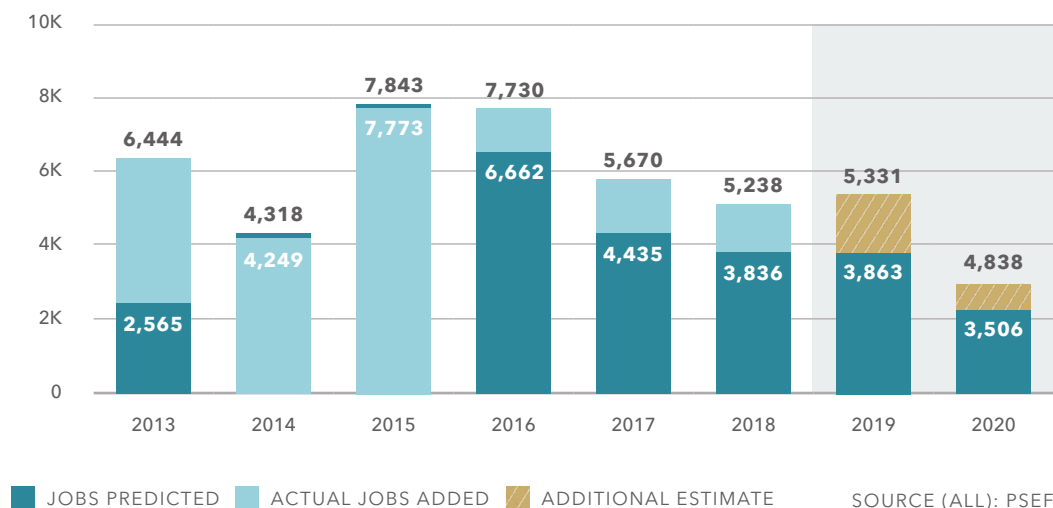
EMPLOYMENT OVERVIEW

ALL SIGNS POINT NORTH

It would be impossible to cover the economic growth of Snohomish County without mentioning Boeing. Their presence has turned Snohomish into an advanced manufacturing hub that has attracted the likes of Panasonic, Phillips, Fujifilm Sonosite, and more than 200 aerospace engineering firms – all of which have created high-paying jobs in the region and helped Snohomish outpace the U.S.

Snohomish County provides streamlined permitting and planning processes for developers seeking new opportunities. With strong personal income growth and population growth twice that of the national average, Snohomish has the fundamentals to spark impressive growth in the next market cycle.

Year-Over-Year Employment Growth



**SNOHOMISH
COUNTY**



**THE
NATION**

Unemployment
Rate

3.7%

3.9%

Employment
Growth

1.8%

1.6%

Population
Growth

1.9%

0.8%

Personal
Income
Growth

5.1%

4.6%

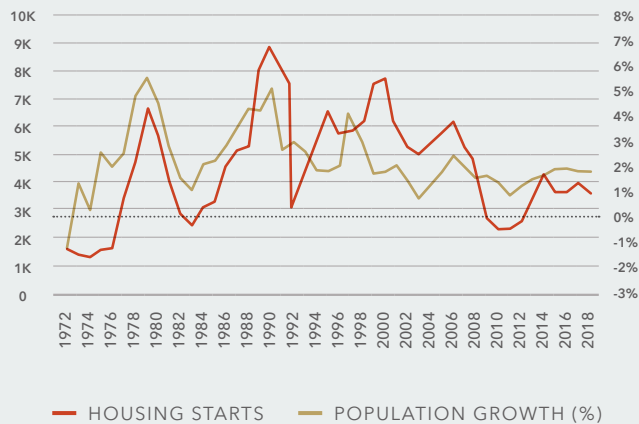
YEAR-OVER-YEAR % INCREASE CALCULATED
FROM 2017-2018

SNOHOMISH COUNTY

EMPLOYERS LEADING THE WAY

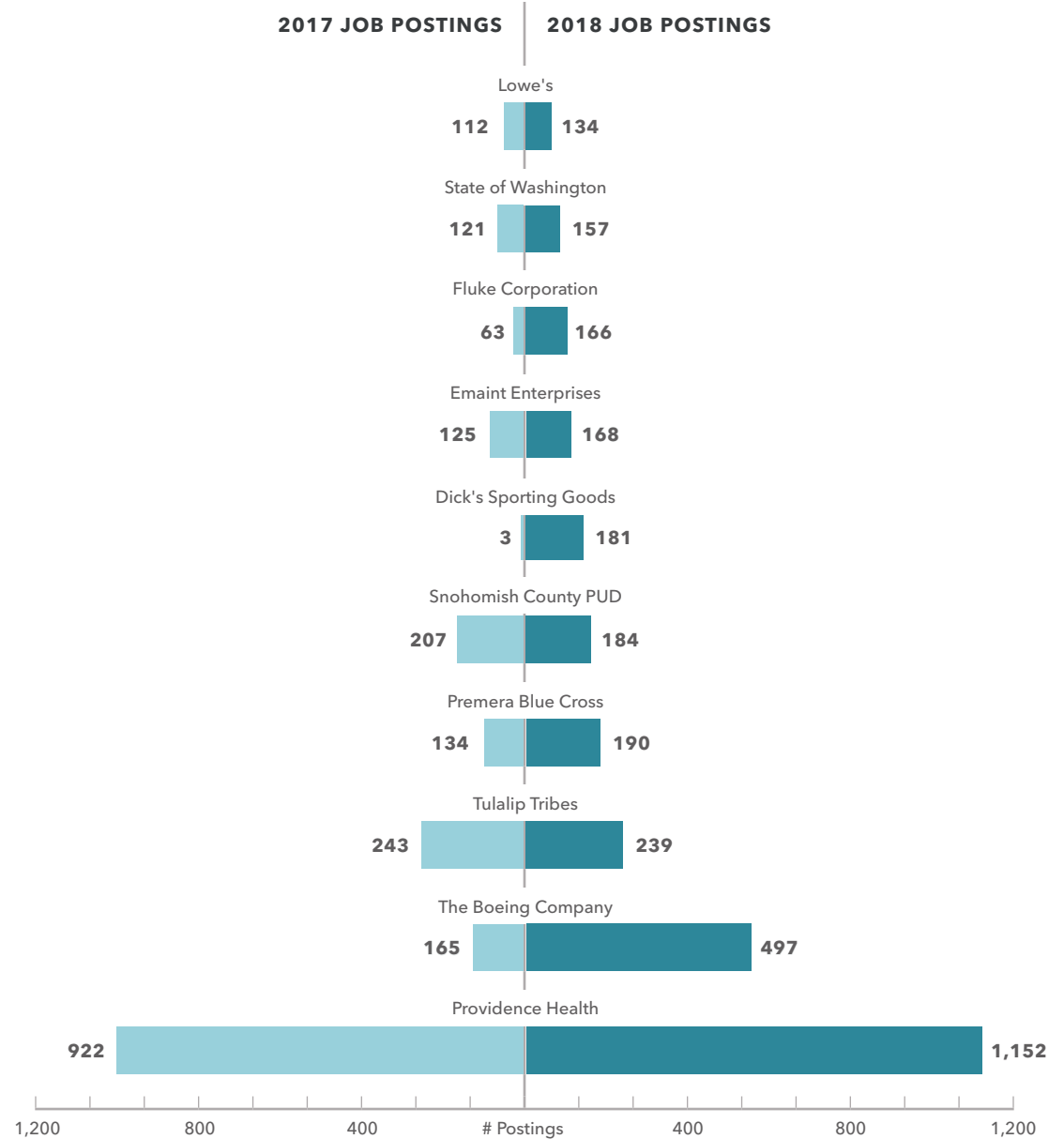
Since the early 2000s, population growth remained relatively steady in Snohomish County. Yet, as the Link light rail reaches South Snohomish in 2024, Edmonds and Lynnwood will offer quick and accessible transportation to Seattle, providing additional incentive for residents seeking more affordable rents to venture north beyond the King County line.

Population Growth vs. Housing Starts



With signs of urbanization and the convenience of employment hubs in close proximity from any direction, Snohomish is primed for population growth and will remain a strong market for investors following higher returns outside of the urban core.

Top Employers | Open Job Postings by Year



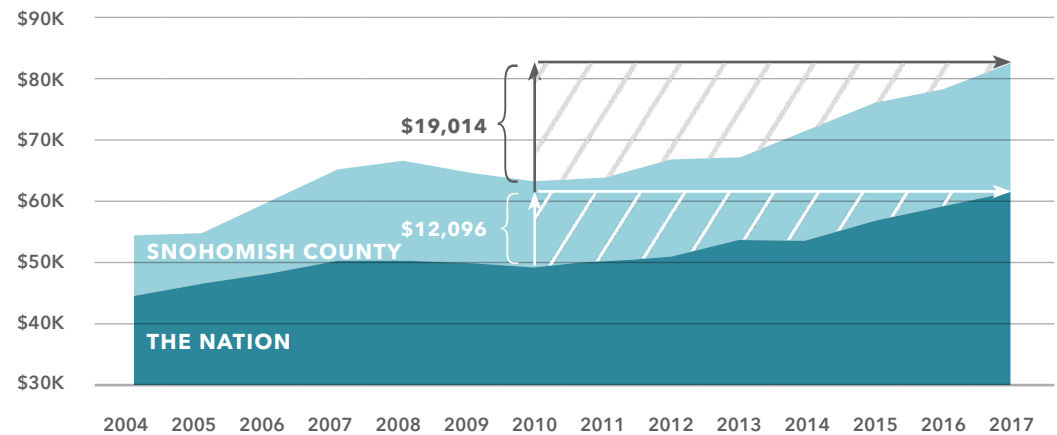
SOURCES: EMPLOYMENT SECURITY DEPARTMENT/LMEA; THE CONFERENCE BOARD, HELP WANTED ONLINE JOB ANNOUNCEMENTS

INCOME & INDUSTRY

Since 2010, Snohomish County's median household income grew 10% faster than the U.S. average. With the second most tech-based jobs in Washington, Snohomish County benefits from the booming tech industry growing throughout King County.

Manufacturing and healthcare remain dominant industries, yet recently Snohomish experienced stronger growth in the following price sectors: Education, Business Services, and Construction. This diversification of employment will continue to help Snohomish County grow sustainably into future economic cycles, staying close to the pace of King County and possibly shedding its blue-collar, Boeing-dependent heritage.

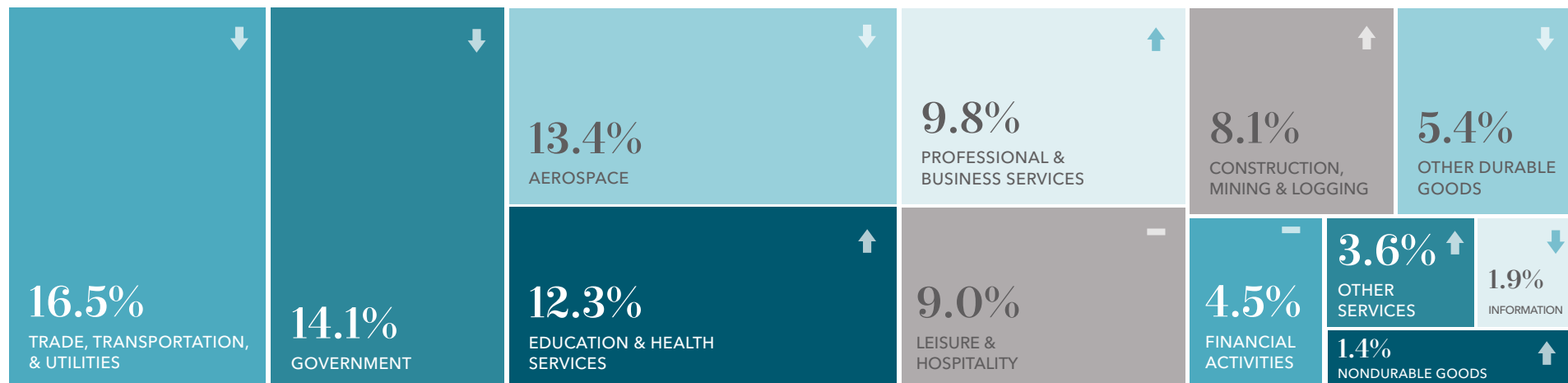
Median Household Income: Snohomish County vs. the Nation



SOURCE: FRED

County Employment Composition by Industry

Total Employment ↑ Y-O-Y INCREASE ↓ Y-O-Y DECREASE — NO CHANGE Y-O-Y



SOURCE: EMPLOYMENT SECURITY DEPARTMENT

SNOHOMISH DEVELOPMENT OVERVIEW

The story of new apartment development in Snohomish County was at one time dominated by a cluster of activity in Lynnwood. Although Lynnwood remains a highly-attractive market for apartment development, new projects are beginning to sprout across all of Snohomish County.

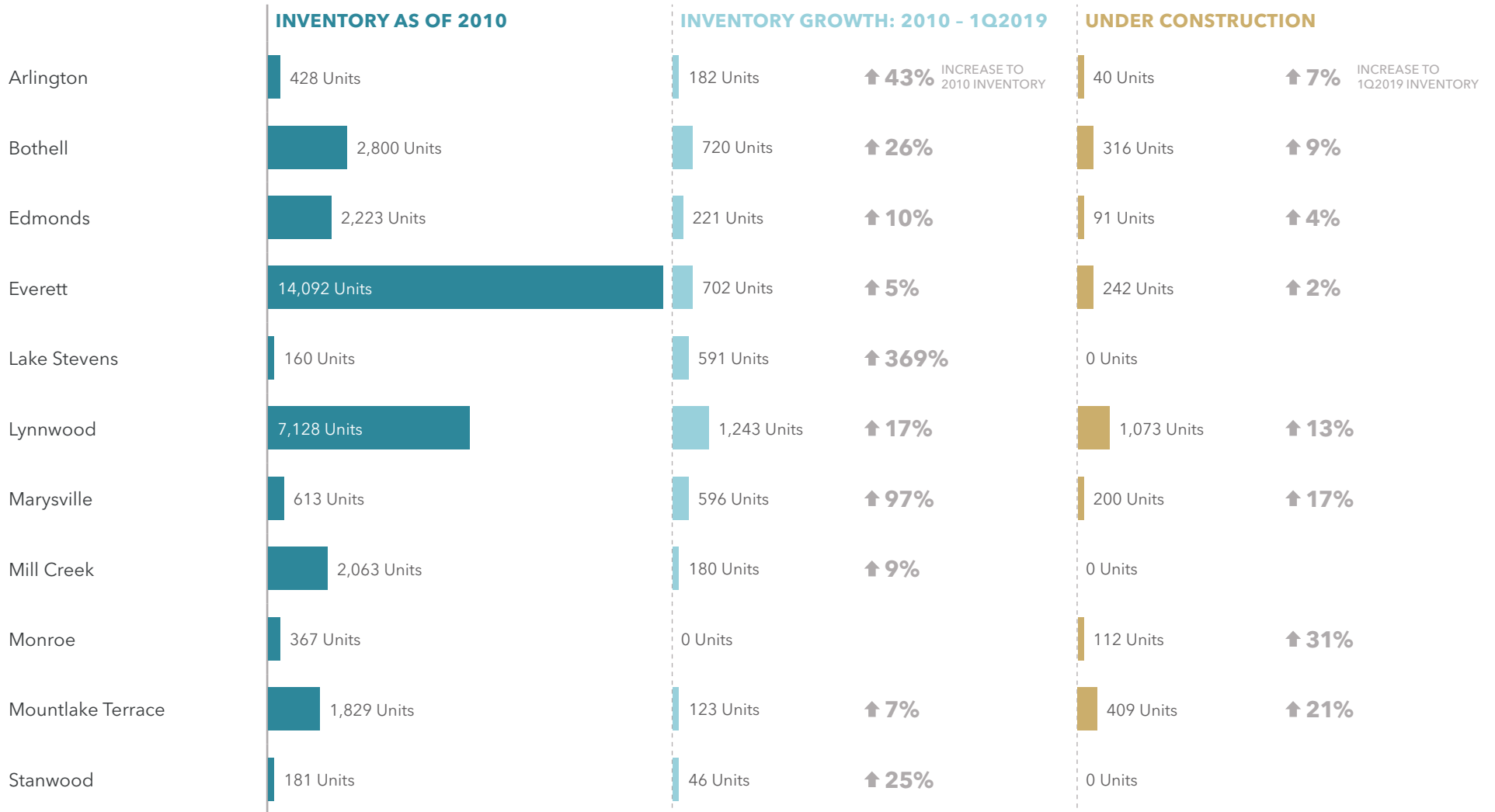
Despite a variety of development in Snohomish County, the pipeline of new projects remains small and fragmented. For the most part, the apartment development community continues to seek signs of rental rates justifying the cost of new construction. As we’ve seen across North King, expect new development in Snohomish County to cluster around the key drivers of urbanization and transit proximity.



Snohomish Development Pipeline

2,483	341	3,712
UNITS UNDER CONSTRUCTION	UNITS WITH PLANS APPROVED	UNITS IN REVIEW

Snohomish Historical Deliveries & Construction Pipeline by City



NOTE: PIPELINE ONLY INCLUDES # OF UNITS CURRENTLY UNDER CONSTRUCTION. PROJECTS THAT ARE "APPROVED" OR "IN REVIEW" ARE NOT INCLUDED IN THIS CHART. CITIES NOT INCLUDED IN THIS CHART SAW NO DELIVERIES 2010 - 1Q2019 AND/OR HAVE NO UNITS CURRENTLY UNDER CONSTRUCTION.

SOURCE (INVENTORY AS OF 2010, INVENTORY GROWTH 2010 - 1Q2019): COSTAR

North Snohomish

North Snohomish has a limited pipeline of new apartment developments, with future development plans primarily focused on downtown Everett.

Development in North Snohomish is focused on two concepts: urbanization of downtown Everett and the delivery of affordable new apartments in supply-constrained submarkets. Given the cost of construction and abundant stock of affordable apartments, neither concept is driving developers to North Snohomish en masse.

*DEFINITIONS FOR "EFFICIENCY" & "MIXED" DEVELOPMENTS AVAILABLE ON PAGE 62

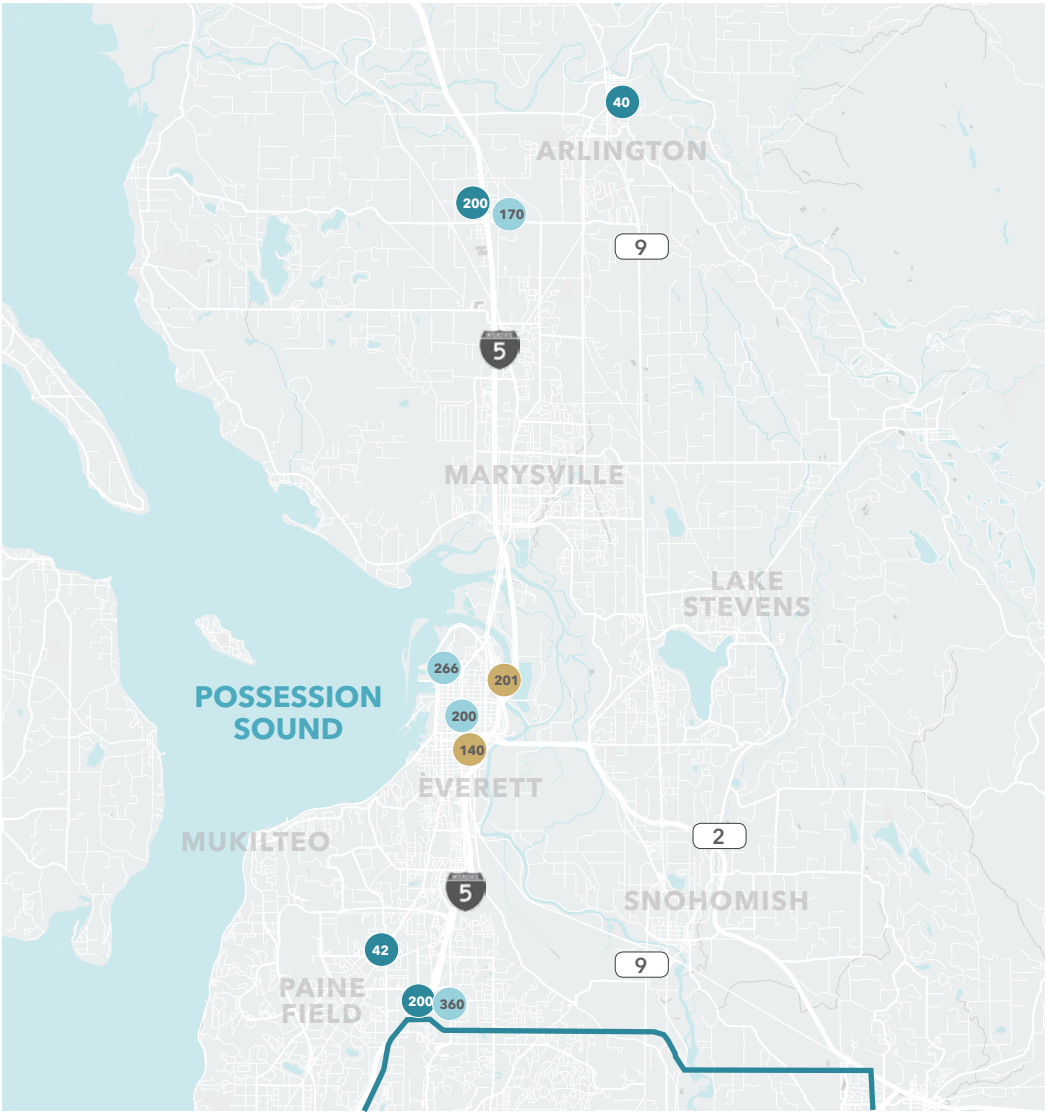
TOTAL DELIVERIES

Construction	Approved	In Review	Total Pipeline
482	341	996	1,819
3%	2%	5%	9% of inventory

EFFICIENCY UNITS

Total Pipeline
0
0% of inventory

- APARTMENT
- EFFICIENCY*
- MIXED*



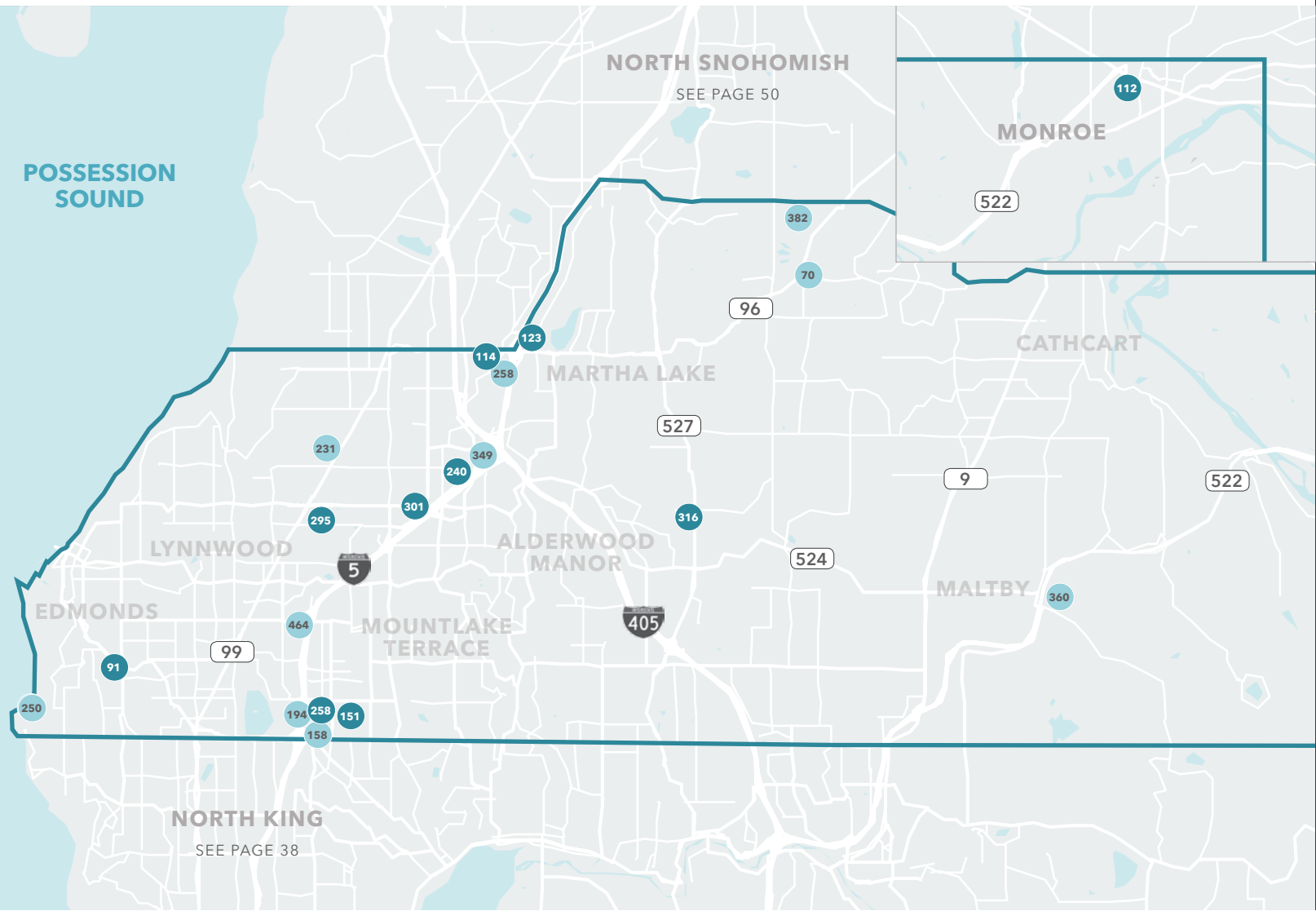
- APARTMENT
- ⬡ EFFICIENCY*
- MIXED*

TOTAL DELIVERIES

Construction	Approved	In Review	Total Pipeline
2,001	0	2,716	4,717
11%	0%	19%	25% of inventory

EFFICIENCY UNITS

Total Pipeline
0
0% of inventory



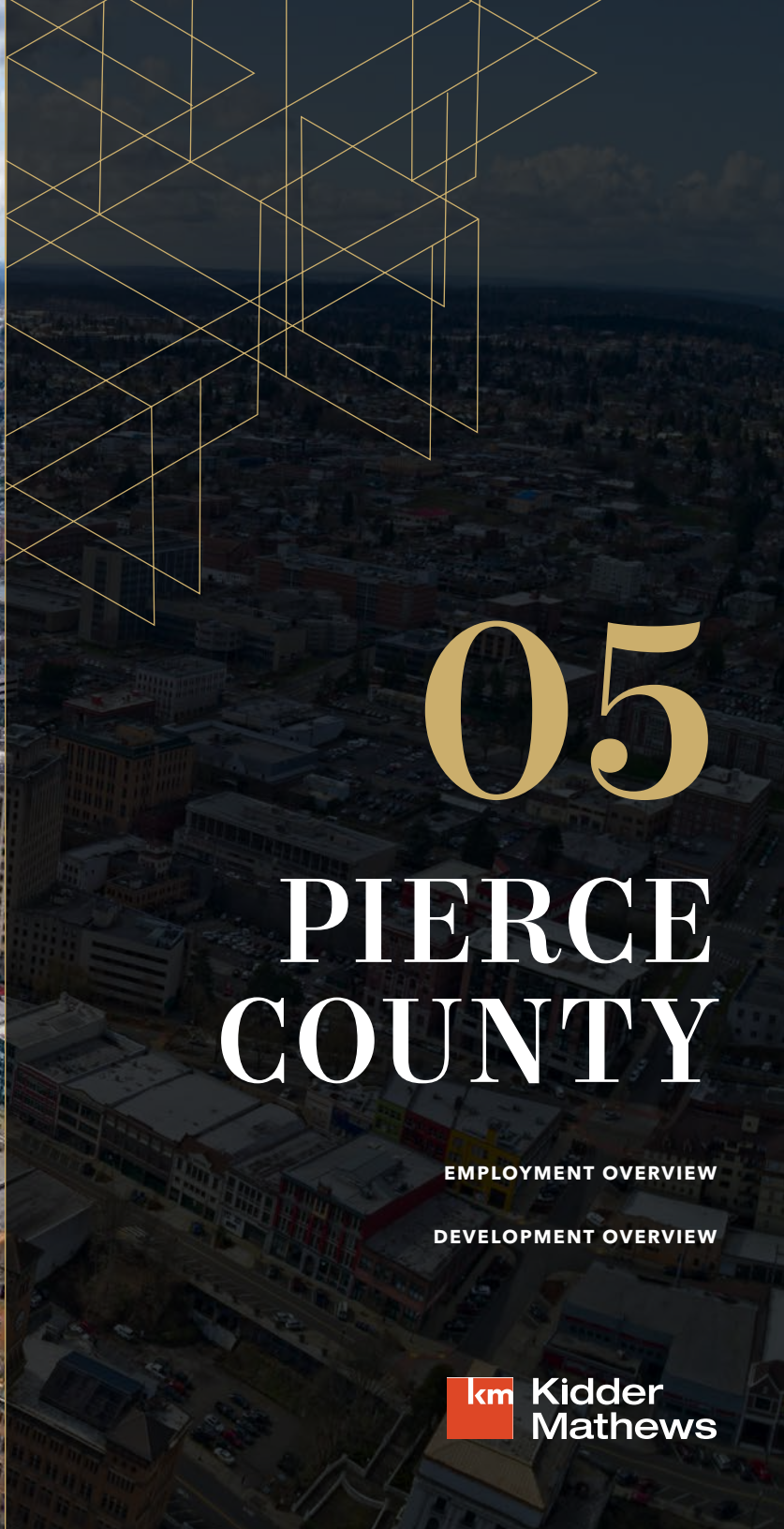
South Snohomish

Rising costs are pushing residents to this close-in market, and developers are ready with a variety of new apartments set to open in the next two years.

With 2,000 units under construction, developers are preparing for the near-term renter influx – and additional future demand. Because the development process is less arduous than Seattle’s, expect investment and development to remain strong in South Snohomish.

*DEFINITIONS FOR “EFFICIENCY” & “MIXED” DEVELOPMENTS AVAILABLE ON PAGE 74





05

PIERCE COUNTY

EMPLOYMENT OVERVIEW

DEVELOPMENT OVERVIEW

PIERCE COUNTY

2020 - THE YEAR OF TACOMA

Over the last several years, Tacoma experienced strong local and foreign investment, especially in the downtown corridor. As a result, there are over 2,500 units of new apartments currently under construction. Reminiscent of pre-Amazon Seattle, Tacoma offers an affordable urban experience with ample room for growth.

HEALTHCARE LEADING THE WAY

Six of the 10 most active employers in 2018 are in the healthcare sector. In 2016, healthcare providers increased employment by 28%, making it one of the fastest-growing industries in the county. With healthcare training programs, a military base nearby, and strong population growth, Tacoma's healthcare industry has significant potential for continued growth.

PIERCE SEES DIVERSIFIED GROWTH

Last year, Pierce County saw year-over-year growth across every industry outside of the information sector. This diversified growth will help insulate Pierce County from any uncertainty that comes a decade into the current market cycle expansion.

EMPLOYMENT OVERVIEW

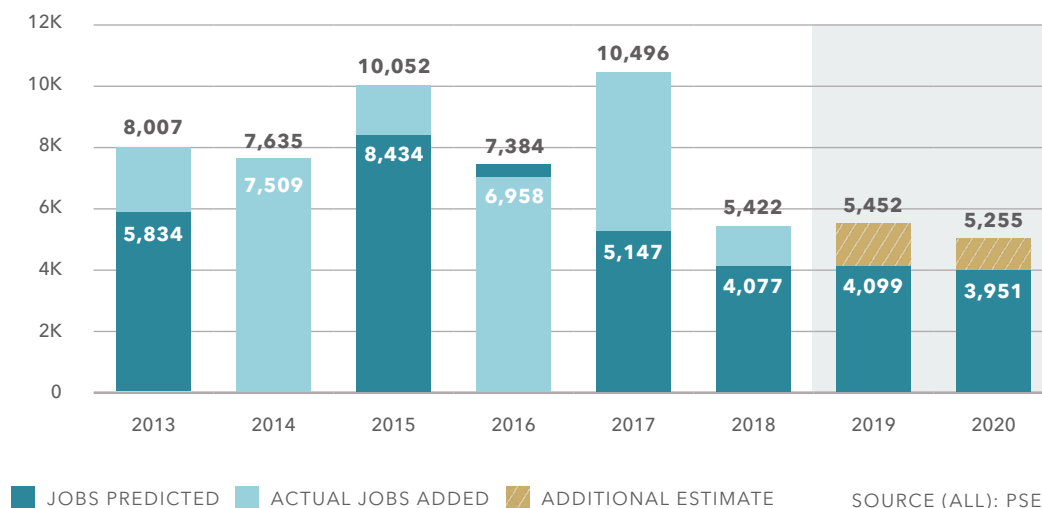
ON THE RISE

Income growth is the name of the game in Tacoma – for apartment renters and owners alike. Renters earning more income led to more buying power, allowing landlords to push rental rates, thereby increasing NOI.

As a result of these dynamics, Pierce County experienced unprecedented apartment value growth in the past eight years. Rents are on the rise, leading to increased apartment investor appetite. Apartment sales have measured strongly, with sales prices on a per-square-foot basis growing by 270% from 2010 to 2018.

The county's current unemployment rate sits just above the national average, yet Tacoma's employment growth rate is twice that of the nation. Coupled with outsized personal income growth, Tacoma and surrounding areas boast the fundamentals of a strong, emerging apartment market.

Year-Over-Year Employment Growth



PIERCE COUNTY



**PIERCE
COUNTY**



**THE
NATION**

Unemployment Rate **5.0%** **3.9%**

Employment Growth **3.4%** **1.6%**

Population Growth **1.3%** **0.8%**

Personal Income Growth **5.5%** **4.6%**

YEAR-OVER-YEAR % INCREASE CALCULATED FROM 2017-2018

PIERCE COUNTY

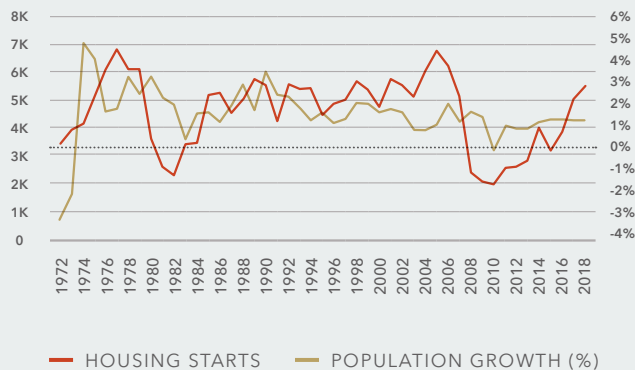
EMPLOYERS LEADING THE WAY

Six of Pierce County's top 10 most active employers belong to the healthcare sector. In 2016, healthcare providers increased employment by 28% making it one of the fastest-growing industries in the county.

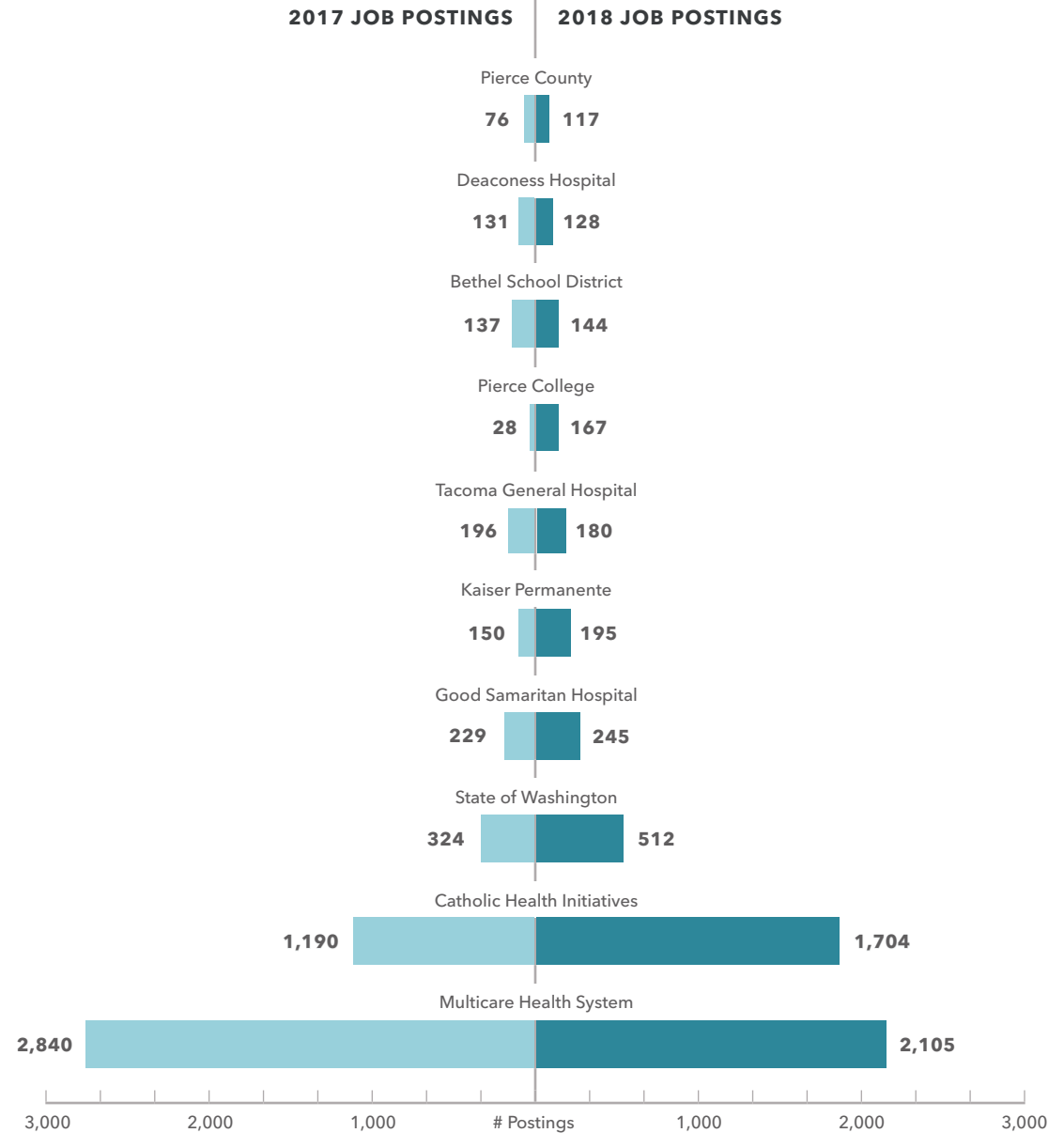
Not accounted for in the Tacoma jobs graph due to limited recent hiring is Joint Base Lewis McChord (JBLM). JBLM is currently staffed by 53,000 personnel, 14,000 of whom are civilians, making it the single-largest employer in the county and the second-largest in the state. These jobs represent a cumulative \$5 billion annual paycheck, the majority of which is put right back into the Pierce County economy.

Pierce is also known for its prevalent maritime industry. The Port of Tacoma is the seventh-largest container port in the U.S. and supports over 29,000 jobs.

Population Growth vs. Housing Starts



Top Employers | Open Job Postings by Year



SOURCES: EMPLOYMENT SECURITY DEPARTMENT/LMEA; THE CONFERENCE BOARD, HELP WANTED ONLINE JOB ANNOUNCEMENTS

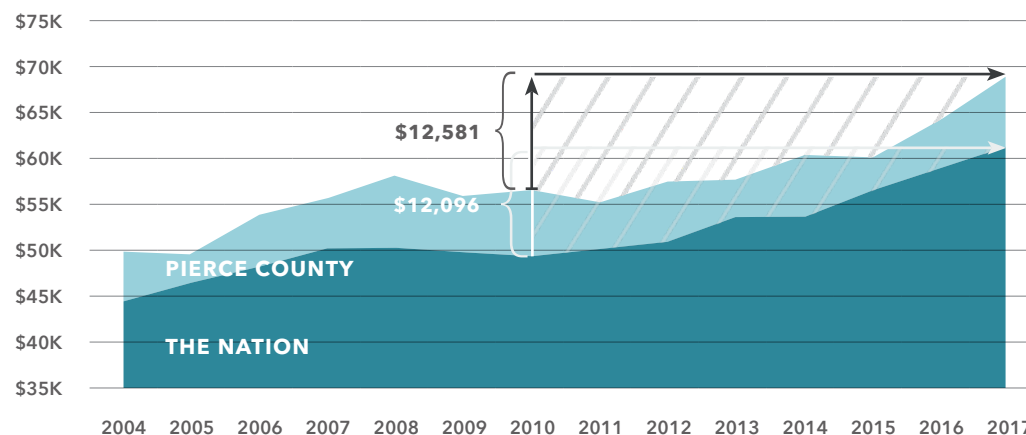
INCOME & INDUSTRY

Pierce County experienced growth across almost all industries, most notably in the construction industry, which is growing faster here than anywhere else in the state.

With affordable office space and a city-run program dedicated to helping promote startups, Tacoma is a strong option for companies seeking more affordable alternatives to Seattle and the Eastside.

Not to mention that in response to Seattle's proposed head tax, Pierce County is now offering a \$275 incentive for each new family-wage job created in the county – an offer that will undoubtedly bring continued employment growth to the region.

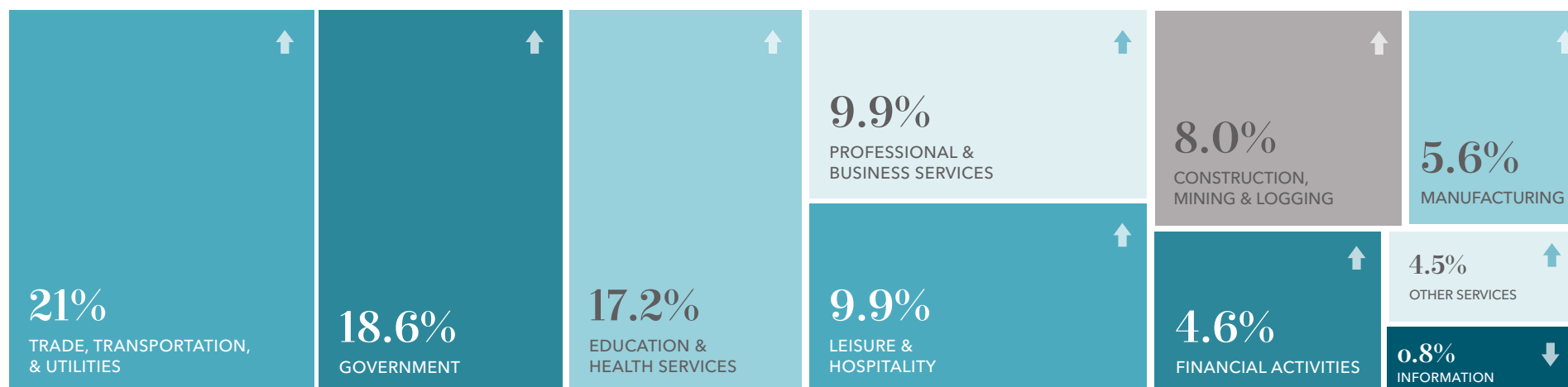
Median Household Income: Pierce County vs. the Nation



SOURCE: FRED

County Employment Composition by Industry

Total Employment ↑ Y-O-Y INCREASE ↓ Y-O-Y DECREASE — NO CHANGE Y-O-Y



SOURCE: EMPLOYMENT SECURITY DEPARTMENT

PIERCE DEVELOPMENT OVERVIEW

There are more apartment units currently under construction in Pierce County than the total of all apartment units that were delivered in the past five years combined. This robust development activity demonstrates the momentum and trajectory of the Pierce apartment market.

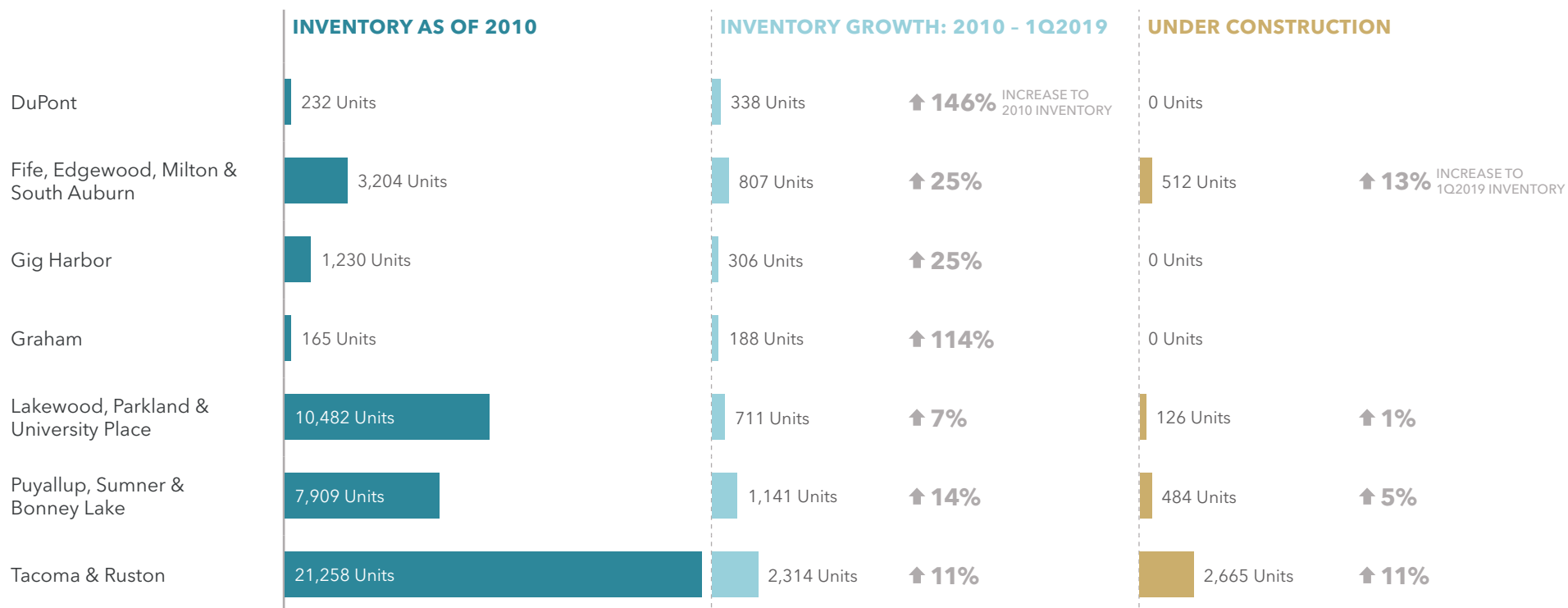
Like many other suburban apartment markets in the region, growth is measured and comes in fits and starts. Accordingly, the next wave of development is likely set to break ground after projects currently under construction are completed and success is measured. Cautious optimism is the name of the game in Pierce County!



Pierce Development Pipeline

3,787	0	3,864
UNITS UNDER CONSTRUCTION	UNITS WITH PLANS APPROVED	UNITS IN REVIEW

Pierce Historical Deliveries & Construction Pipeline by City



NOTE: PIPELINE ONLY INCLUDES # OF UNITS CURRENTLY UNDER CONSTRUCTION. PROJECTS THAT ARE "APPROVED" OR "IN REVIEW" ARE NOT INCLUDED IN THIS CHART. CITIES NOT INCLUDED IN THIS CHART SAW NO DELIVERIES 2010 - 1Q2019 AND/OR HAVE NO UNITS CURRENTLY UNDER CONSTRUCTION.

SOURCE (INVENTORY AS OF 2010, INVENTORY GROWTH 2010 - 1Q2019): COSTAR

Pierce

While Tacoma’s development pipeline makes up over 70% of all apartment units under construction in the county, Pierce as a whole is adding less than 15% of supply to the existing stock of apartment units.

Tacoma remains Pierce County’s primary hub of development activity. Investment in infrastructure such as the Greater Tacoma Convention Center and Link light rail extensions are helping drive the influx of interest from apartment developers, investors, and residents alike.

*DEFINITIONS FOR “EFFICIENCY” & “MIXED” DEVELOPMENTS AVAILABLE ON PAGE 74

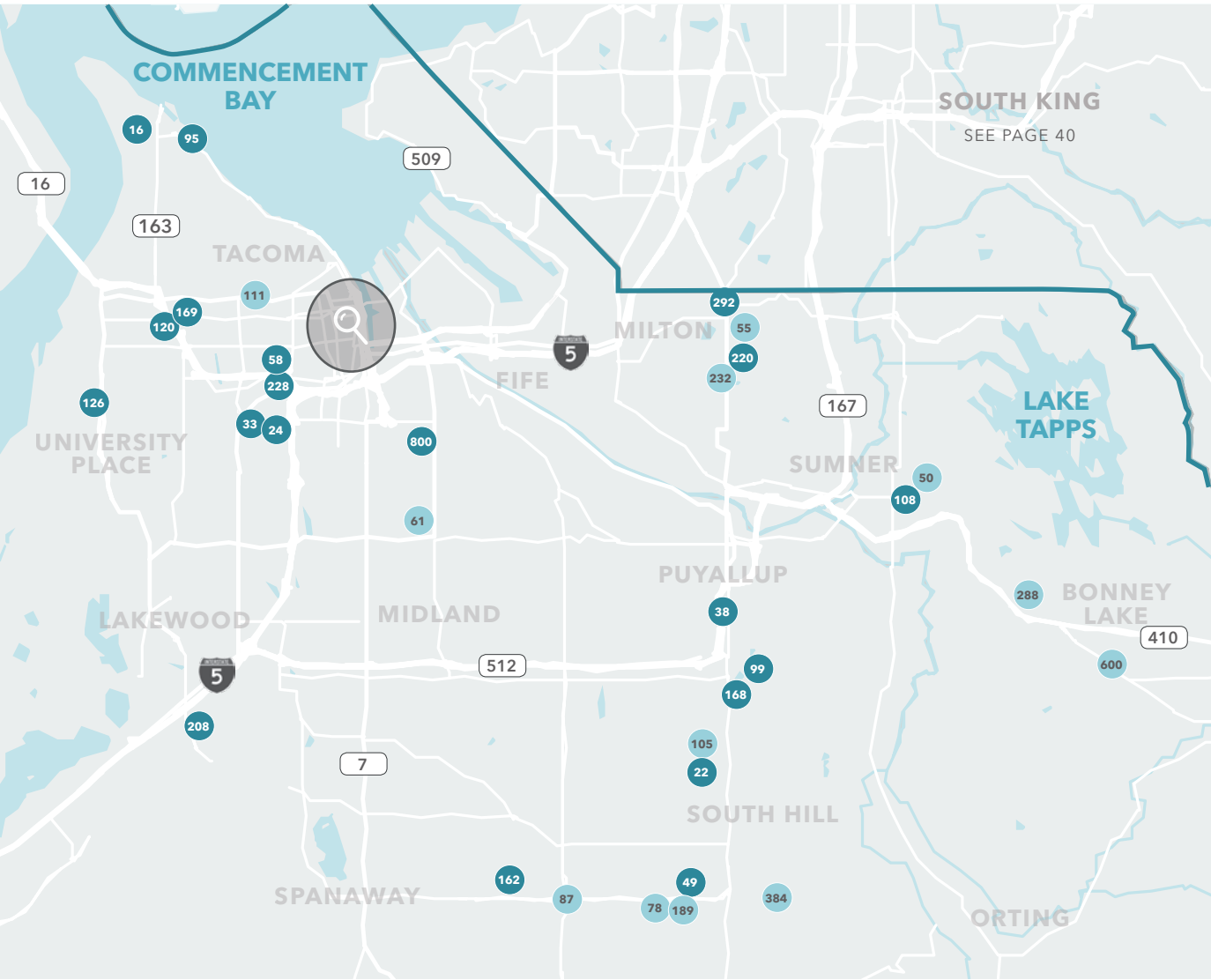
TOTAL DELIVERIES

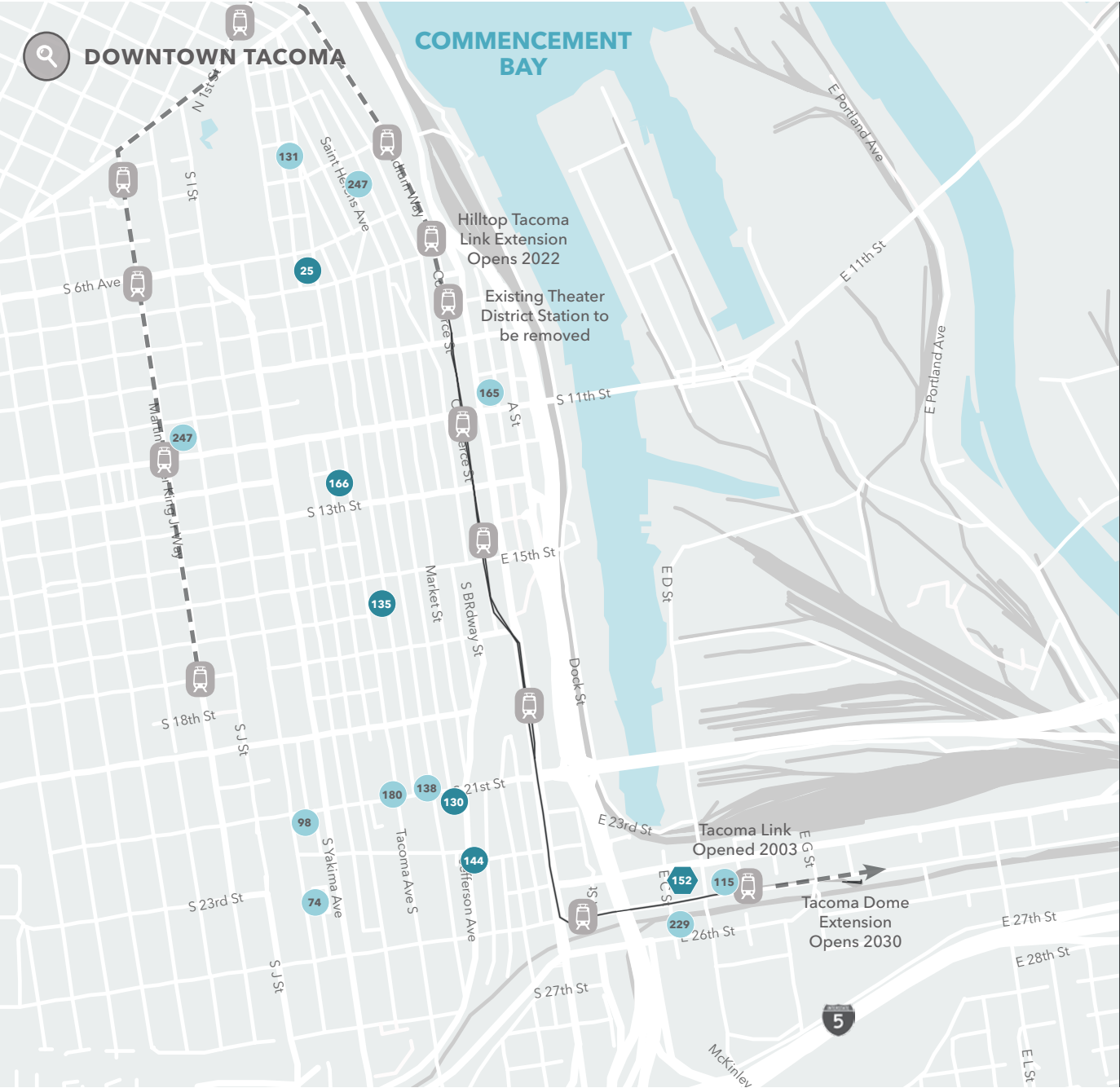
Construction	Approved	In Review	Total Pipeline
3,787	0	3,864	7,651
7%	0%	8%	15% of inventory

EFFICIENCY UNITS

Total Pipeline
152
0.3% of inventory

- APARTMENT
- ⬡ EFFICIENCY*
- MIXED*





Pierce

As rental rates continue to draft off of the astronomical increases in King County over the last several years, expect strong absorption of new apartment units in Pierce as blue- and gray-collar workers look for an affordable urban experience that doesn't necessarily require a Seattle address.

The Tacoma Link light rail stations in Downtown Tacoma opened for service in 2003. The Tacoma Dome Link Extension, which will connect Seattle's existing line to the Tacoma Dome Station, will open in 2030. The Hilltop Tacoma Link Extension is currently under construction and expected to open for service in 2022.

*DEFINITIONS FOR "EFFICIENCY" & "MIXED" DEVELOPMENTS AVAILABLE ON PAGE 62





06

KITSAP COUNTY

EMPLOYMENT OVERVIEW

DEVELOPMENT OVERVIEW

KITSAP COUNTY

KITSAP DEVELOPMENT PICKS UP

Having remained relatively quiet during the current market cycle, Kitsap County is certainly on the rise! We are beginning to see more investors considering Kitsap County as an investment market offering higher risk-adjusted returns. Although there is a level of uncertainty when moving to markets with fewer sales comparables to justify pricing, Kitsap's strong population growth, sound economic fundamentals, and sustainably high standard of living offer a solid bet for the prescient investor.

FAST FERRIES BRING ACCESSIBILITY

Historically isolated from the rest of the Puget Sound due to hour-long ferry rides, the addition of the Fast Ferries from Kingston and Bremerton cut commutes to the city in half. At only 30 minutes to Downtown Seattle, it can be quicker to ferry in from Bremerton than to drive in from Shoreline.

OPPORTUNITY ZONES & INCOME GROWTH

Downtown Bremerton was selected for Washington's list of Opportunity Zones, and we can expect to see increased private investment as a result. As income growth continues to outpace the nation, Kitsap County, and Bremerton in particular, has the makings of a strong growth market.

EMPLOYMENT OVERVIEW

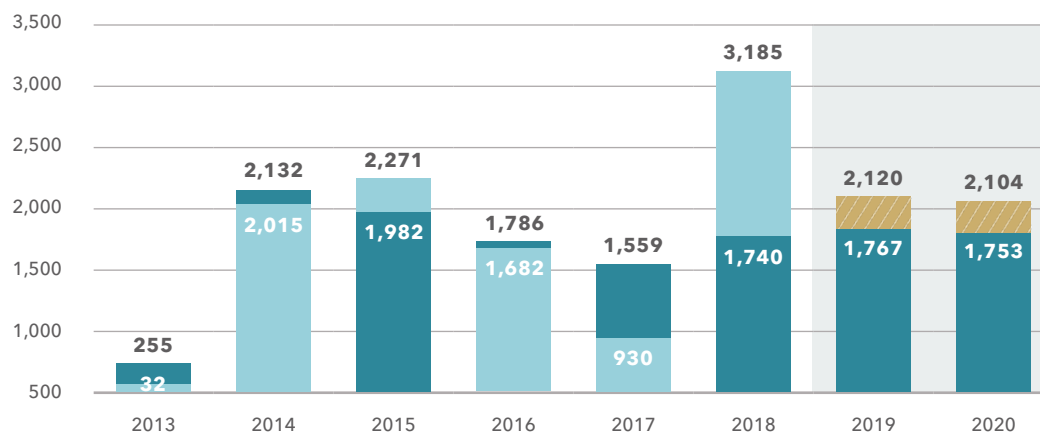
ONE TO WATCH

Kitsap County is one to watch over the next market cycle. Just a Fast Ferry ride away from Bremerton to Seattle, Kitsap provides a quiet island lifestyle without sacrificing proximity to major job centers.

With the densest concentration of engineering talent in the Seattle region due to the robust presence of the defense industry, Kitsap's highly-educated and well-paid workforce is lacking the new, amenity-filled apartments found elsewhere.

With year-over-year employment growth in 2018 doubling that of 2017, along with income growth at a whopping 5%, Kitsap's future looks bright and offers investors the chance to get in early to tap into this previously untouched market.

Year-Over-Year Employment Growth



■ JOBS PREDICTED ■ ACTUAL JOBS ADDED ■ ADDITIONAL ESTIMATE

SOURCE (ALL): PSEF

KITSAP COUNTY



**KITSAP
COUNTY**



**THE
NATION**

Unemployment
Rate

4.6%

3.9%

Employment
Growth

2.4%

1.6%

Population
Growth

1.6%

0.8%

Personal
Income
Growth

5.0%

4.6%

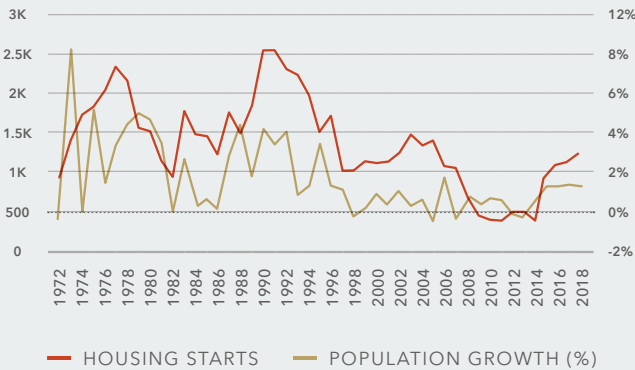
YEAR-OVER-YEAR % INCREASE CALCULATED
FROM 2017-2018

EMPLOYERS LEADING THE WAY

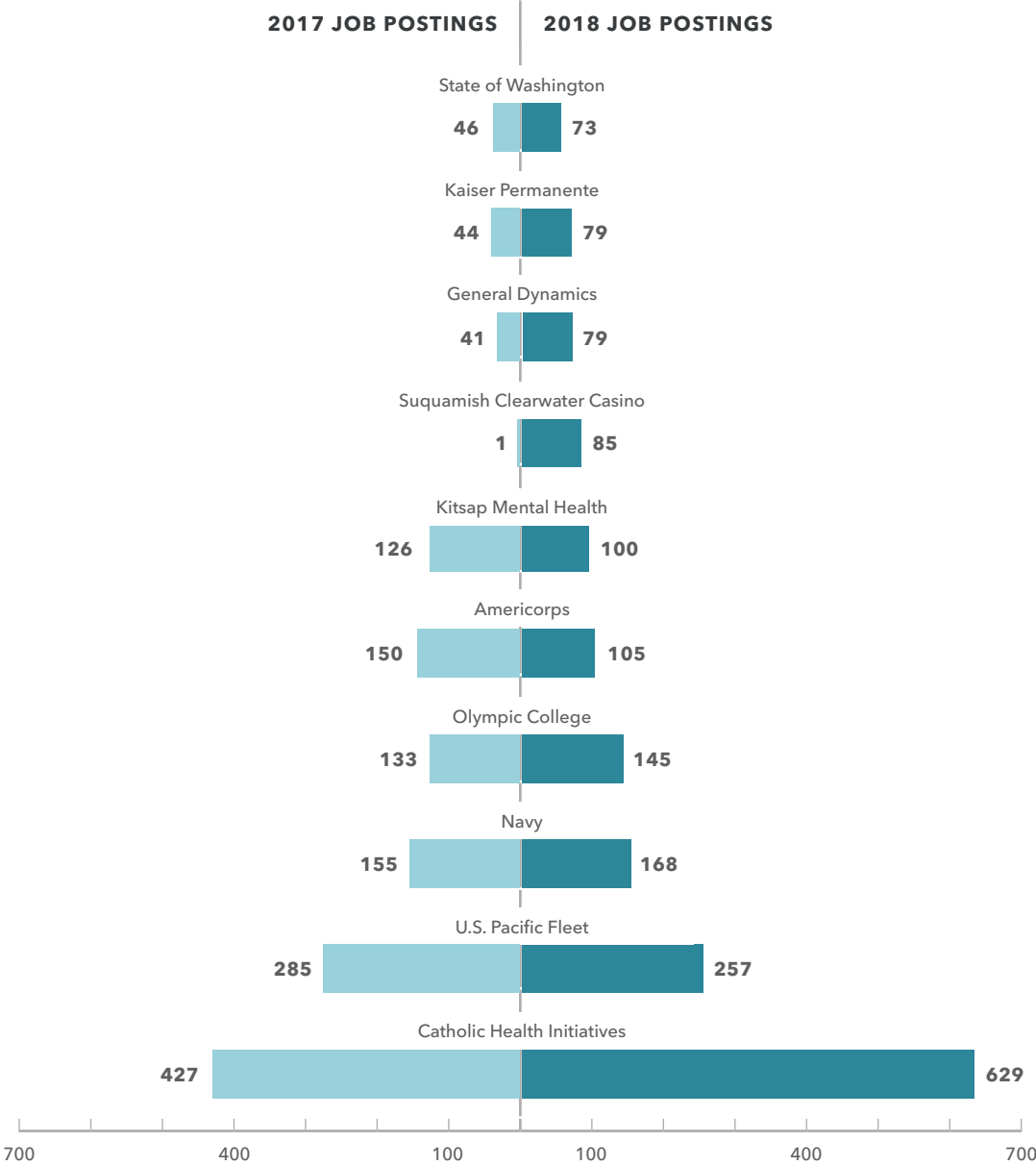
Kitsap’s involvement in the defense industry is clearly demonstrated in the county’s list of top employers. Bremerton is not only home to Naval Base Kitsap, but also an array of private government contractors like General Dynamics and Lockheed Martin, which support 5,400 jobs throughout the county. As a whole, the defense industry has an economic impact of \$6.1 billion annually in Kitsap County alone.

With the new Fast Ferries now in service from Kingston and Bremerton, Kitsap has become a viable option for those looking for a quieter and more cost-efficient alternative to King County.

Population Growth vs. Housing Starts



Top Employers | Open Job Postings by Year



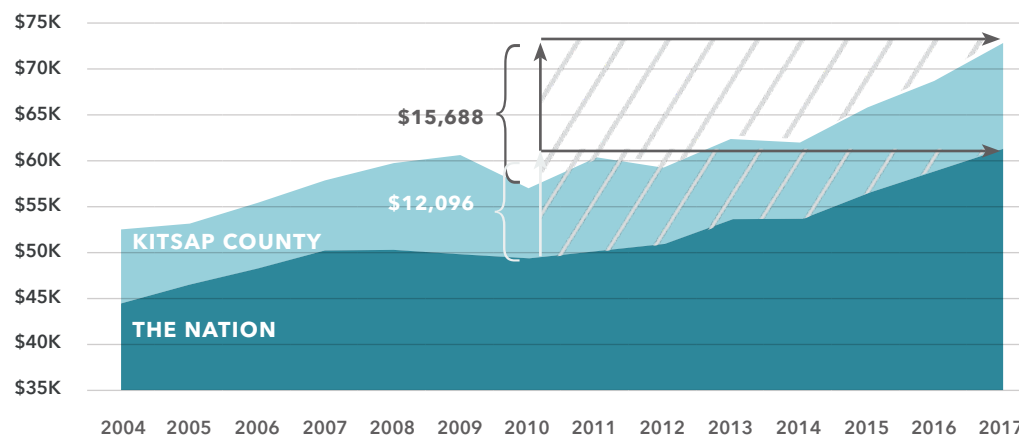
SOURCES: EMPLOYMENT SECURITY DEPARTMENT/LMEA; THE CONFERENCE BOARD, HELP WANTED ONLINE JOB ANNOUNCEMENTS

INCOME & INDUSTRY

Median household income increased nearly \$4,000 more than the national average since 2010, an especially impressive fact considering Kitsap is the most suburban county in the Puget Sound Area. Kitsap is also the only county out of the four we track that experienced growth across all industries.

Historically a very quiet part of the Puget Sound, Opportunity Zone investment and more regional accessibility will undoubtedly increase demand in this unique Puget Sound market.

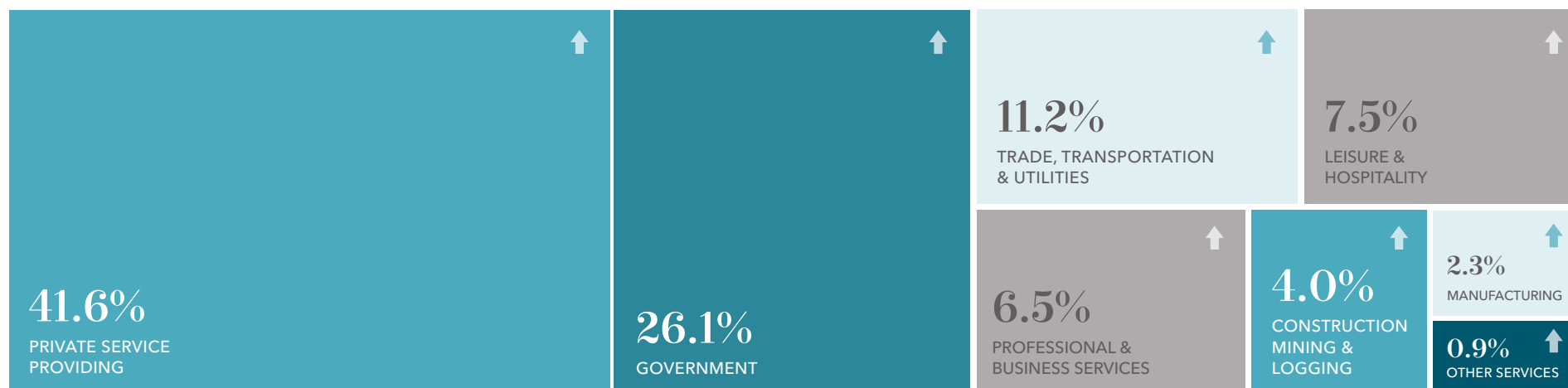
Median Household Income: Kitsap County vs. the Nation



SOURCE: FRED

County Employment Composition by Industry

Total Employment ↑ Y-O-Y INCREASE ↓ Y-O-Y DECREASE — NO CHANGE Y-O-Y



SOURCE: EMPLOYMENT SECURITY DEPARTMENT

KITSAP DEVELOPMENT OVERVIEW

Over the course of the last decade, Kitsap County increased its inventory of apartment units by only 10% – compared to Urban King’s increase of apartment inventory during this same time period by nearly 70%. Yet, the story of Kitsap’s historical development pipeline far from tells the whole story.

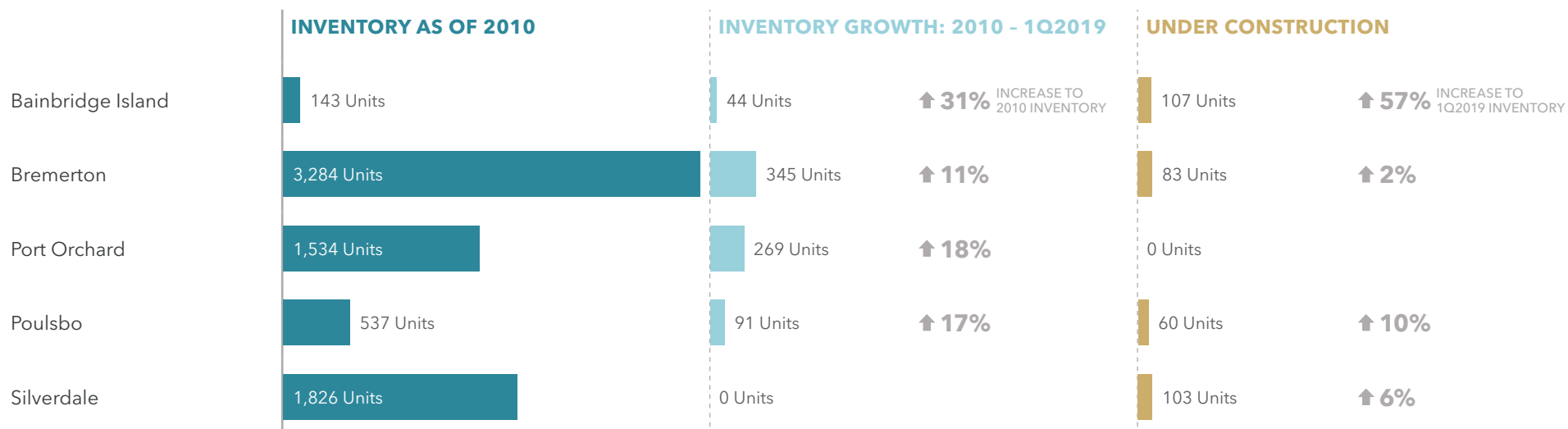
With nearly 2,600 apartment units currently in the review process (compared to only 749 units delivered in the last five years), Kitsap County is on the precipice of reinventing its apartment market. Excitement over “island life” proximate to – and just far enough away from – Seattle is driving renter demand, and accordingly apartment developer interest in exploring all that Kitsap County has to offer.



Pierce Development Pipeline

353	0	2,568
UNITS UNDER CONSTRUCTION	UNITS WITH PLANS APPROVED	UNITS IN REVIEW

Kitsap Historical Deliveries & Construction Pipeline by City



NOTE: PIPELINE ONLY INCLUDES # OF UNITS CURRENTLY UNDER CONSTRUCTION. PROJECTS THAT ARE "APPROVED" OR "IN REVIEW" ARE NOT INCLUDED IN THIS CHART. CITIES NOT INCLUDED IN THIS CHART SAW NO DELIVERIES 2010 - 1Q2019 AND/OR HAVE NO UNITS CURRENTLY UNDER CONSTRUCTION.

SOURCE (INVENTORY AS OF 2010, INVENTORY GROWTH 2010 - 1Q2019): COSTAR

Kitsap

Development activity is picking up steam in Kitsap County, which saw only modest deliveries over the past decade.

Don't discount the effect that Federal Opportunity Zone (OZ) regulations will have on Kitsap County. There are three designated OZ census tracts in Kitsap, one of which is in downtown Bremerton. Here proximity to ferry docks means an easy commute into Seattle.

There are 516 units pending review in the downtown Bremerton OZ, which is significant in a city with only 3,200 units at the start of this market cycle. However, for the county as a whole, units currently under construction represent only 4% of total stock, so we predict outsized rental-rate growth across Kitsap County.

*DEFINITIONS FOR "EFFICIENCY" & "MIXED" DEVELOPMENTS AVAILABLE ON PAGE 74

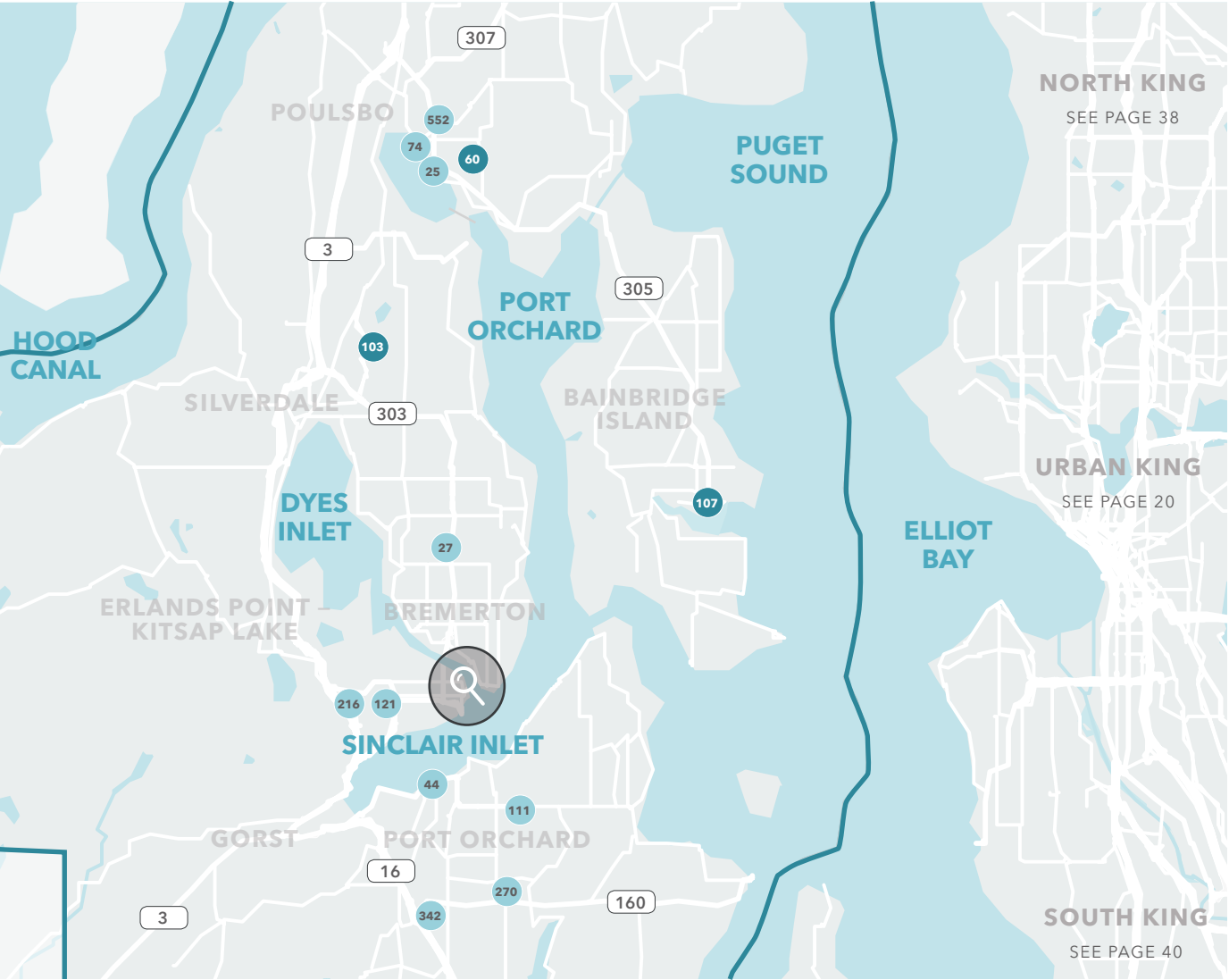
TOTAL DELIVERIES

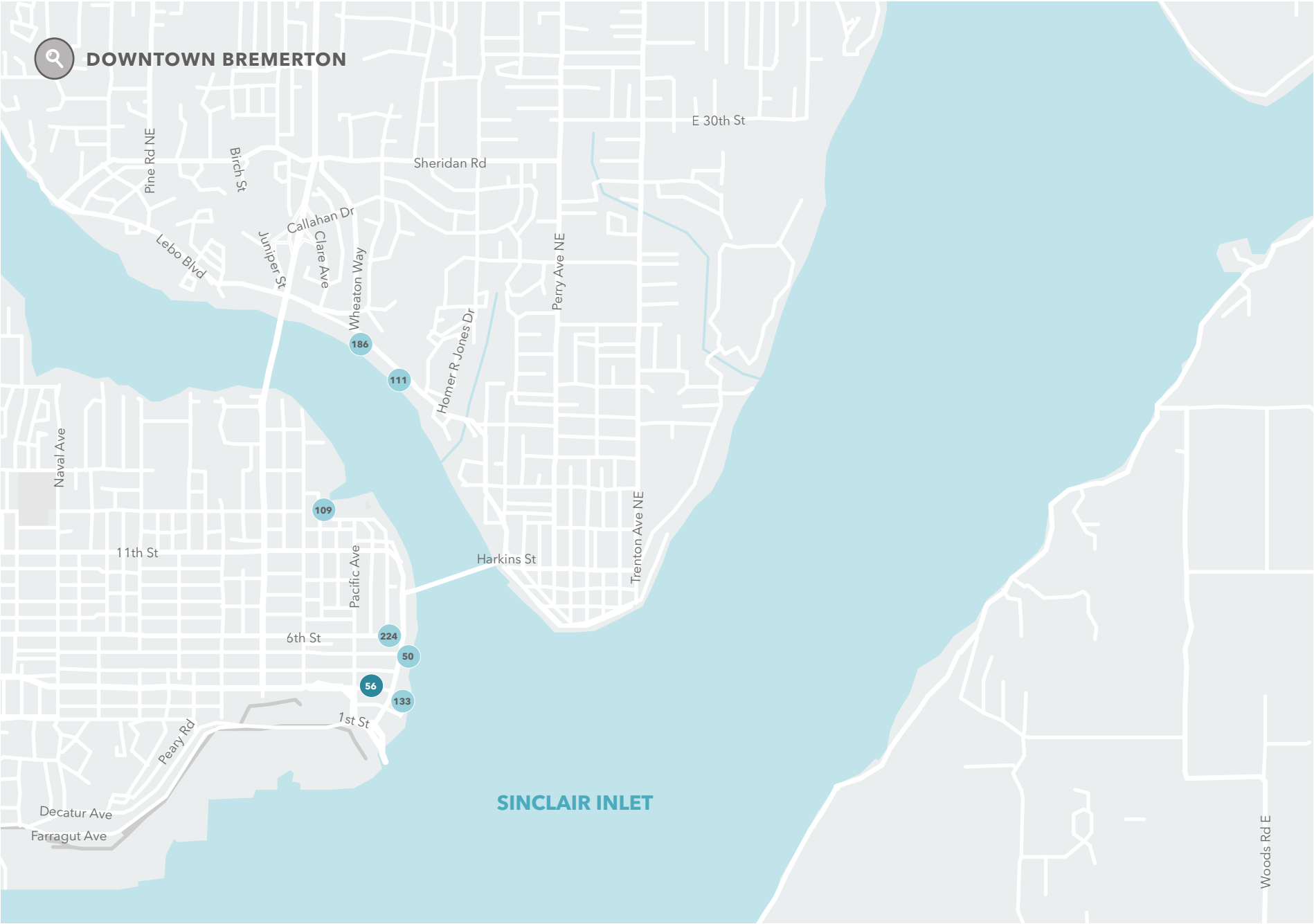
Construction	Approved	In Review	Total Pipeline
353	0	2,568	2,921
4%	0%	32%	36% of inventory

EFFICIENCY UNITS

Total Pipeline
0
0% of inventory

- APARTMENT
- ⬡ EFFICIENCY*
- MIXED*









07

DATA SOURCES & DEFINITIONS

DATA SOURCES & DEFINITIONS

DEFINITIONS

EFFICIENCY UNITS

Congregate	Standard Average Minimum	140 – 200 SF 175 SF 70 SF	A type of housing that has a private sleeping room and typically a bathroom, but is not a complete dwelling unit and may share a bathroom, common kitchen, dining room, and facilities with other units.	Allowed in certain zones
Micro Studios	Standard Average Minimum	150 – 250 SF 200 SF 90 SF	An apartment or townhouse dwelling unit consisting of no more than eight sleeping suites (private room with private bath) and one common kitchen or kitchen/lounge.	Not allowed (since 2014)
SEDU	Standard Average Minimum	240 – 320 SF 275 SF 240 SF*	A very compact conventional studio apartment, complete with cooking and bathing facilities and closet space. The max gross floor area allowed is 320 SF.	Allowed
EDU	Standard Average Minimum	321 – 400 SF 375 SF 321 SF	A small conventional studio apartment with a main living space (“habitable space”) of no less than 220 SF.	Allowed

MIXED DEVELOPMENTS

Mixed developments noted in this study comprise a unit mix of both standard apartment unit types and efficiency units (see definition above).

DATA SOURCES

DEVELOPMENT DATA

Apartment Insights
AXIOMetrics
City of Bellevue - Major Projects List
Commercial Brokers Association
CoStar
Geographic Information Systems division of Kitsap County Application Services
King County Registrar
O'Connor Consulting
Real Capital Analytics
Seattle in Progress
Snohomish County Registrar
Yardi

EMPLOYMENT DATA

Employment Security Department/ LMEA
Federal Reserve Economic Data (FRED)
Puget Sound Economic Forecaster (PSEF)

Our team is focused on providing absolute best-in-class brokerage services to apartment developers, investors, and owners in Seattle and the broader Puget Sound region.

Although we have brokered hundreds of millions of dollars of apartment transactions over the years, our approach to the brokerage business is modern and dynamic. We perform all of the traditional tasks associated with apartment brokerage, yet our clients gain the advantage of modern advisory practices and services.

We think and act in terms of absolute market expertise, exposing arbitrage opportunities and achieving best-in-class sales results. We inspire trust and confidence in our guidance to the market by leveraging data and information to develop Profitable Insights™ on the market. Our clients excel by having an unfair advantage over the marketplace.



SERVICES OFFERED

Sale of stabilized apartment buildings
– five units to 500 units

Off-market pursuits of pre-sale & stabilized apartment buildings

Sale of development land, both apartments & mixed-use

Strategic disposition of apartment portfolios

Profitable Insights

VALIDATING INTUITION WITH DATA

Let us turn our expertise into your profit!

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2019 APARTMENT MARKET STUDY

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