



SIMON | ANDERSON TEAM

2020 APARTMENT MARKET STUDY

Apartment Rent &
Vacancy Analysis

Seattle & Puget Sound Region

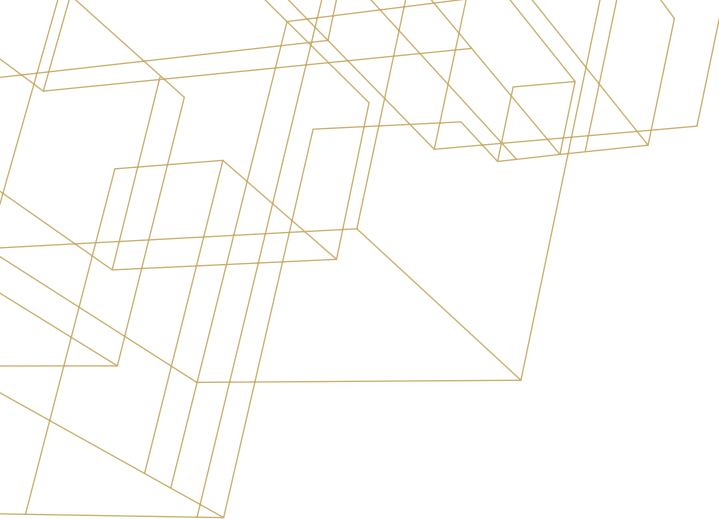


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INTRODUCTION

SEPTEMBER 2020

Over the course of the last several years, it was a foregone conclusion that rental rates would increase year-over-year and vacancy would remain low. Renter demand—in the form of job growth—outpaced existing inventory of apartment units, as well as the delivery of new apartment buildings.

Apartment owners and developers simply could not keep pace with demand in the market.

As we’ve quickly learned, 2020 is a whole new ballgame—and one for which no amount of speculation nor preparation would have sufficed. Apartment owners and developers alike must now respond to market conditions by maintaining stable operations and formulating strategies on how best to fill newly delivering apartment buildings.

Throughout the last decade, a form of homogenization took place. Early in the “last” market cycle (circa 2012), urban apartment submarkets were the benefactors of job growth and strong demand, whereas more suburban markets waited for growth/demand dynamics to ripple outwards.

Here we are in September 2020, and such dynamics are both unraveling and reversing at the same time. For the most part, rent/vacancy stability in suburban markets is showing greater resiliency.

Sage investors understand that although cycles are long, memories are short. Much of what we have seen in the last 6 months of 2020 could easily reverse again. But for now, we must pay very close attention—at both an asset and submarket level—to how the Puget Sound apartment market is performing.

Our team continues to keep our ears to the rail, providing research and insight to apartment owners, investors, and developers to manage through changing market dynamics and help provide clarity on both short-term and long-term market dynamics.

Please use the enclosed research to assist in better refining your understanding of the market and give us a call to **Turn Our Expertise into Your Profit!**

DYLAN SIMON
Executive Vice President

OUR EXPERT TEAM

PUGET SOUND APARTMENT SALES SPECIALISTS

Our goal is to help you maximize your apartment investments, whether that means selling your apartment building faster and for more money, or providing advisory services for apartment buildings or development land you plan to hold or want to buy. And while anyone can promise you results, we deliver on our promises with a data-driven understanding of the market, an extensive buyer reach, and exceptional marketing that cuts through the noise.

\$1.08B

**TOTAL VALUE SOLD &
UNDER CONTRACT**

8,251

**TOTAL UNITS SOLD &
UNDER CONTRACT**

1.02M SF

**DEVELOPMENT LAND SOLD &
UNDER CONTRACT**

\$80M

**ACTIVE LISTINGS & LISTINGS
COMING TO MARKET**

Dylan Simon

Executive Vice President



Dylan is a market-leading apartment broker in Seattle and the Puget Sound region, specializing in the sale of apartment buildings and development land, with expertise in sales strategies, 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. He is passionate about marketing and video content.

Matt Laird

Senior Associate



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

Brandon Lawler

Associate



Brandon is an apartment broker specializing in the sale of apartment buildings and assisting buyers and sellers with off-the-market purchases of apartment buildings, with expertise in the South Puget Sound market.

Winslow Lee

Associate



Winslow is an apartment broker specializing in sales of apartment buildings and development land across the Puget Sound, with expertise in the Snohomish County market.

Alex Mundy

Debt & Equity Finance



Alex specializes in acquisition and construction financing and refinancing for apartment owners and developers. He leads the team's financial underwriting and valuation services.

Cate Chase

Senior Marketing Specialist



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

RENT & VACANCY OVERVIEW

As renters' preferences shift away from where they work to where they spend their days—both weekdays and weekends—market dynamics adjust.

CLOSELY WATCHING THE MARKET

Entering a new decade always provides an inflection point upon which to assess what lies ahead, yet no one predicted 2020 would provide such a stark shift in the apartment rental market.

Heretofore, renters' preferences revolved around live-work-play dynamics in major urban markets, as well as access to transit for those just outside of said urban areas. Yet in 2020, renters are literally living, working, and playing at home. As a result, the rush to urbanism is currently on hold.

Areas in the Puget Sound region with the highest rental rates are seeing the greatest pause in rental rate growth, and nascent increases in vacancy rates. Contrarily, most suburban markets throughout the region continue to experience net year-over-year rental rate growth.

Breaking down rent versus vacancy dynamics based on age of buildings is illuminating, as the most important factor in the market right now is competition. Newer vintage buildings that have both higher rental rates and more competition with new construction provides a starting point to analyze how each submarket is performing. Additionally, analyzing rental rates and vacancy based on building age, unit size, and inventory in each submarket provides further insight.

The following analysis provides a framework to analyze both past and currently changing rental rate and vacancy dynamics in each submarket in the Puget Sound region.

SNOHOMISH

RENT: \$1,538 | VACANCY: 5.1%

NORTH KING

RENT: \$1,549 | VACANCY: 6.2%

EAST KING

RENT: \$2,004 | VACANCY: 8.1%

URBAN KING

RENT: \$1,978 | VACANCY: 7.0%

SOUTH KING

RENT: \$1,486 | VACANCY: 5.1%

KITSAP

RENT: \$1,422 | VACANCY: 6.3%

PIERCE

RENT: \$1,306 | VACANCY: 4.2%

DATA SOURCES: KIDDER MATHEWS RESEARCH, COSTAR

URBAN KING NEIGHBORHOODS

BALLARD

Rent: \$1,787 | Vacancy: 6.7%

QUEEN ANNE / MAGNOLIA

Rent: \$1,776 | Vacancy: 6.2%

CAPITOL HILL

Rent: \$1,743 | Vacancy: 6.5%

SOUTH LAKE UNION / EASTLAKE / WESTLAKE

Rent: \$2,169 | Vacancy: 8.9%

BELLTOWN / DOWNTOWN / PIONEER SQUARE

Rent: \$2,387 | Vacancy: 8.1%

FIRST HILL / YESLER TERRACE

Rent: \$1,897 | Vacancy: 7.3%

WEST SEATTLE

Rent: \$1,629 | Vacancy: 7.0%

KIRKLAND

Rent: \$1,938
Vacancy: 7.2%

FREMONT GREEN LAKE WALLINGFORD

Rent: \$1,787
Vacancy: 5.9%

UNIVERSITY DISTRICT ROOSEVELT

Rent: \$1,640
Vacancy: 8.0%

WEST BELLEVUE MERCER ISLAND

Rent: \$2,352
Vacancy: 8.9%

CENTRAL DISTRICT

Rent: \$1,729
Vacancy: 17.0%*

SOUTH SEATTLE

Rent: \$1,566
Vacancy: 5.5%

PUGET SOUND

LAKE
WASHINGTON

*DATA INCLUDES NEW BUILDINGS IN LEASE-UP

URBAN KING COUNTY

Vacancy continues to rise and rents soften, yet the silver lining is in the details. While apartments renting for over \$2,000/month experience their first decline in years, less expensive units posted modest rent growth. A market vacancy rate of 5% for stabilized buildings reflects a still healthy market.

For several years now, older, more affordable apartment units posted healthy rent growth while the higher-end, luxury market depended on concessions to establish year-over-year rental rate growth. It's not surprising that mid-COVID, such artificial rent growth stalled as fewer residents are moving from their existing apartments.

What's the good news? Turnover is down and vacancy for new apartments is nearly half what it was at the market peak in 2015. Are leaner times ahead? Absolutely, but stabilized buildings in Urban King County remain full while rent growth in pre-1995 buildings continue to close the gap between new and old. Competition for the luxury renter will be fierce as residents opt for more affordable or smaller spaces. Spring 2021 will be the leading indicator of the health of Seattle's urban markets one year into the pandemic and the new decade.

\$1,978

AVG RENT

7.0%

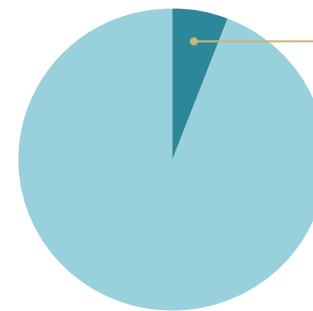
AVG VACANCY

▼ **3.0%**

YOY CHANGE IN RENT

▲ **1.9%**

YOY CHANGE IN VACANCY



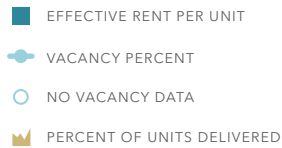
8,395

UNITS DELIVERED
2019 + 2020 YTD

129,903

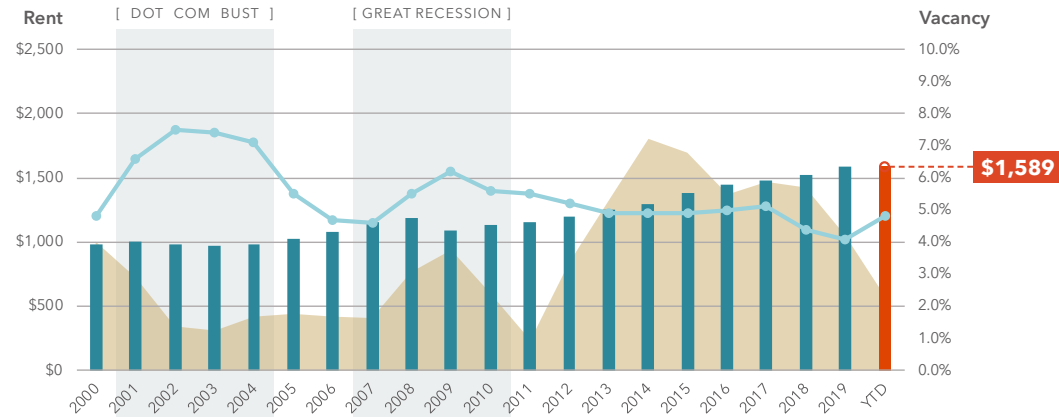
TOTAL UNITS
URBAN KING MARKET

5+ UNIT APARTMENT BUILDINGS, ALL AGES



BUILT PRE - 1995

OLDER BUILDINGS



OLDER BUILDINGS

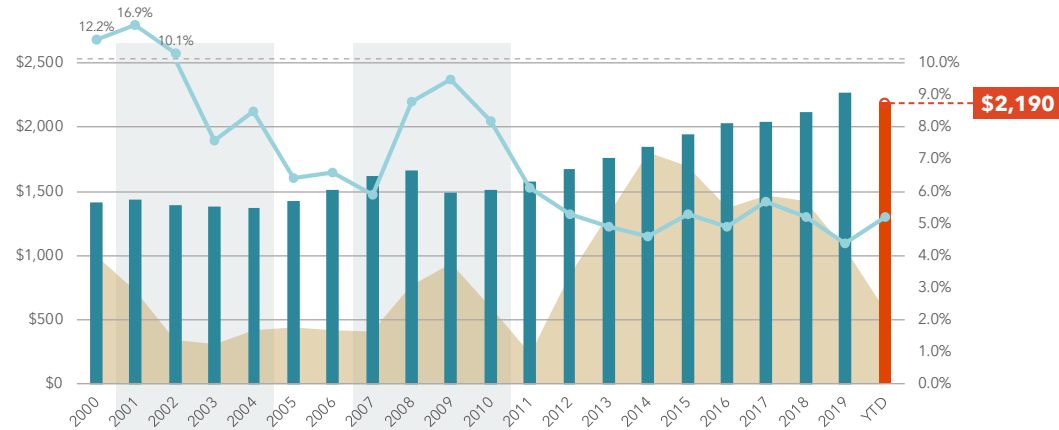
58,099 UNITS

45% OF INVENTORY

702 SF AVG UNIT SIZE

BUILT 1995 - 2010

LAST CYCLE



BUILT 1995-2010

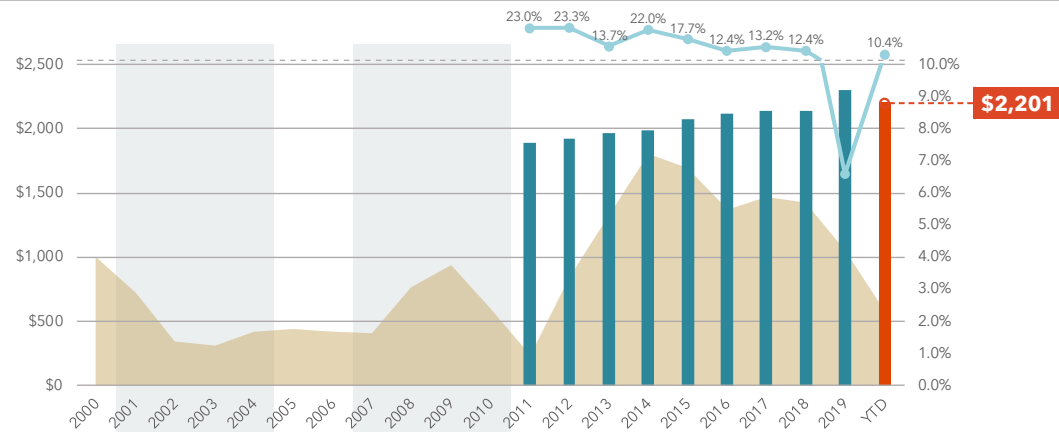
21,512 UNITS

16% OF INVENTORY

815 SF AVG UNIT SIZE

BUILT POST - 2010

CURRENT CYCLE



BUILT THIS CYCLE

50,292 UNITS

39% OF INVENTORY

691 SF AVG UNIT SIZE

5+ UNIT APARTMENT BUILDINGS

UNITS DELIVERED 2000-2010: 18,363 UNITS DELIVERED 2011-2020: 50,292



NORTH KING COUNTY

North King won't let a lackluster year stop its pursuit of urbanism. Market fundamentals here remain strong.

Over the last several years, North King greatly benefited from urbanization pushing north from Seattle, with rising rental rates and steadily falling vacancy rates. Urbanizing nodes such as Northgate, Greenwood, Lake City, and Bothell are all experiencing tremendous growth and have exciting years ahead of them as they continue to become destination neighborhoods.

This past year, we saw a slight shift in what previously seemed to be ever-rising trends. Although rental rates in new buildings rose, North King struggled to absorb newly delivered units and keep occupancy in the 90% range. On the contrary, for all units built prior to 2010—which make up 75% of the market's total units—vacancy remained nearly flat and rental rates continued to rise. This demonstrates that the underlying market fundamentals in North King remain strong and the market will quickly come back from the most abnormal year on record for the last decade.

\$1,549

AVG RENT

6.2%

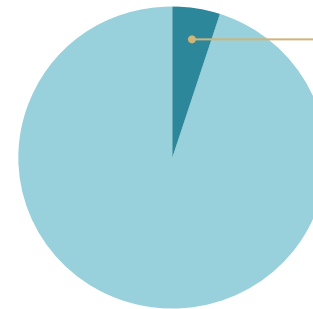
AVG VACANCY

▲ 1.8%

YOY CHANGE IN RENT

▲ 0.8%

YOY CHANGE IN VACANCY



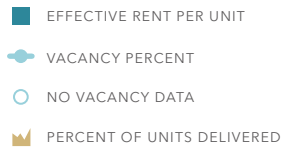
1,027

UNITS DELIVERED
2019 + 2020 YTD

22,586

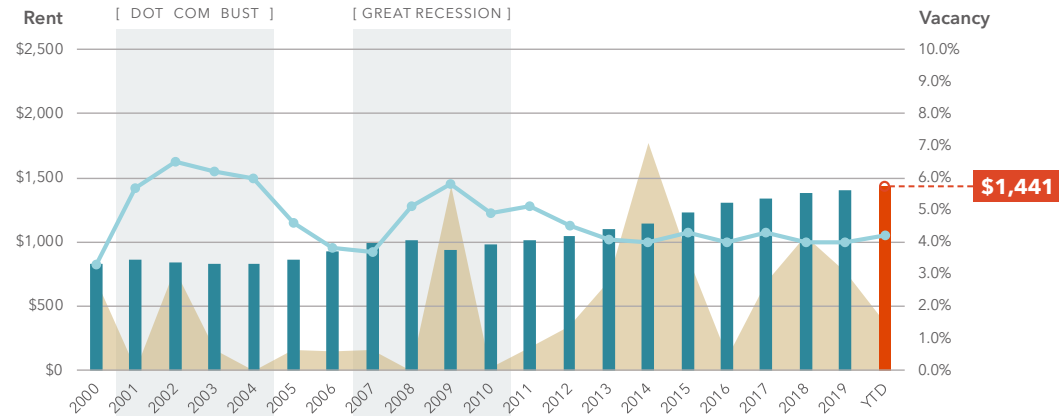
TOTAL UNITS
NORTH KING MARKET

5+ UNIT APARTMENT BUILDINGS, ALL AGES



BUILT PRE - 1995

OLDER BUILDINGS



OLDER BUILDINGS

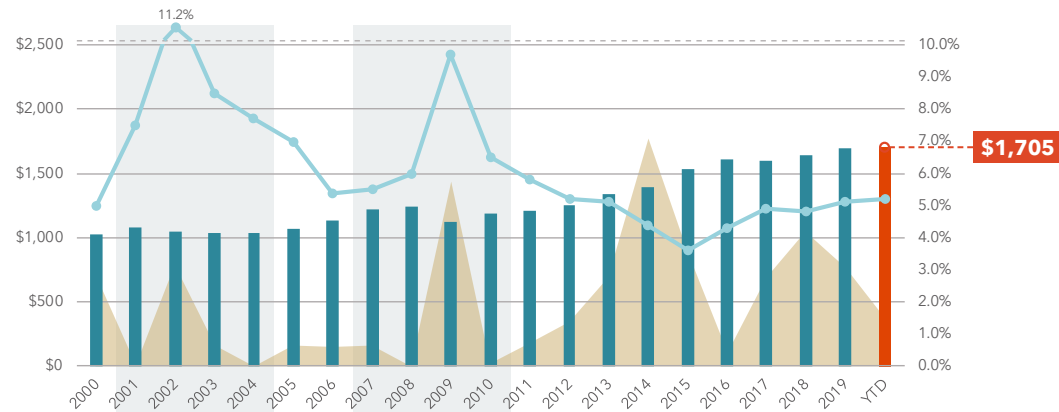
14,054 UNITS

62% OF INVENTORY

783 SF AVG UNIT SIZE

BUILT 1995 - 2010

LAST CYCLE



BUILT 1995-2010

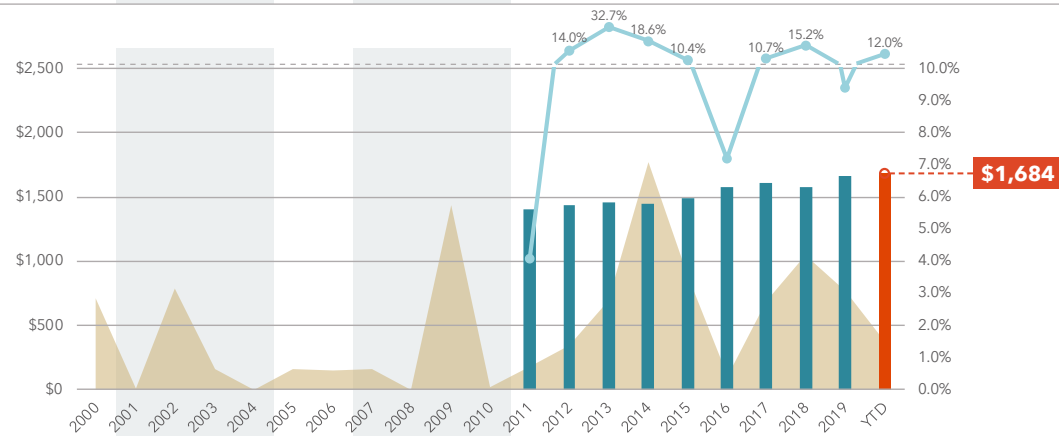
2,984 UNITS

13% OF INVENTORY

805 SF AVG UNIT SIZE

BUILT POST - 2010

CURRENT CYCLE



BUILT THIS CYCLE

5,548 UNITS

25% OF INVENTORY

706 SF AVG UNIT SIZE

5+ UNIT APARTMENT BUILDINGS

UNITS DELIVERED 2000-2010: 2,345 UNITS DELIVERED 2011-2020: 5,548

EAST KING COUNTY

Fantastic absorption and sky-high rental rates make East King a haven for investors and developers alike.

East King remains center stage as major tech companies look to the Eastside for expansion. With light rail just around the corner, tenants are moving further east away from dense urban centers, while retaining connectivity and convenience. This is apparent in the impressive absorption of newly constructed apartment units. While East King delivered an increase of 10% to the existing stock of apartments since 2019—the largest increase in the region—vacancy fell an impressive 3% in the last year. Eastside residents want new, modern apartment units and continue to lease at an impressive pace.

East King retains its top spot with the highest average rental rates of any other suburban market in the region, beating out the next closest market by \$450/month. This year, East King even boasted higher average rents than Urban King, though that is likely due to the average unit size being 150 SF larger. Contrary to all other suburban markets, average rents in older buildings did not increase. We don't expect this trend to continue as older units are renovated and achieve higher rental rates, further closing the gap between new and old apartments.

\$2,004

AVG RENT

8.1%

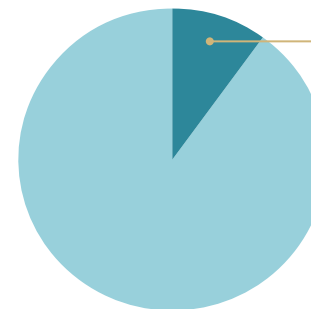
AVG VACANCY

▼ **0.2%**

YOY CHANGE IN RENT

▼ **0.3%**

YOY CHANGE IN VACANCY



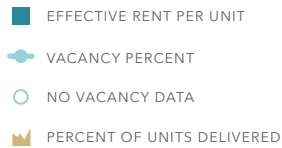
3,128

UNITS DELIVERED
2019 + 2020 YTD

32,797

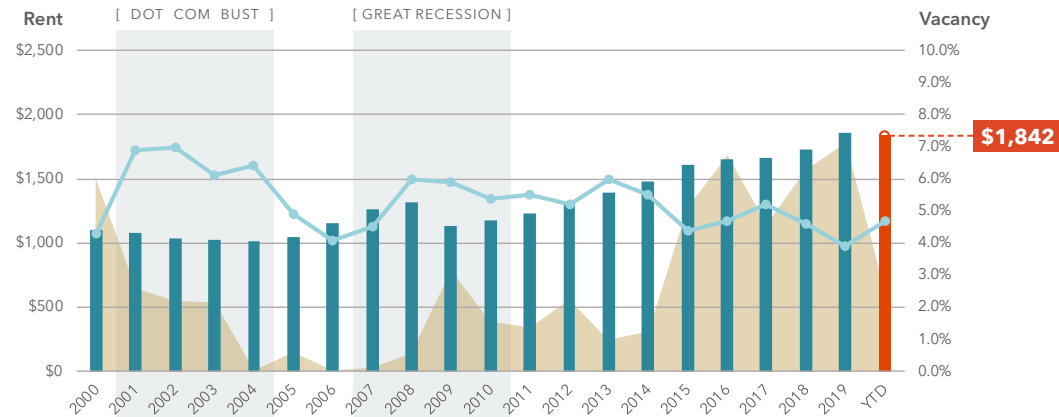
TOTAL UNITS
EAST KING MARKET

5+ UNIT APARTMENT BUILDINGS, ALL AGES



BUILT PRE - 1995

OLDER BUILDINGS



OLDER BUILDINGS

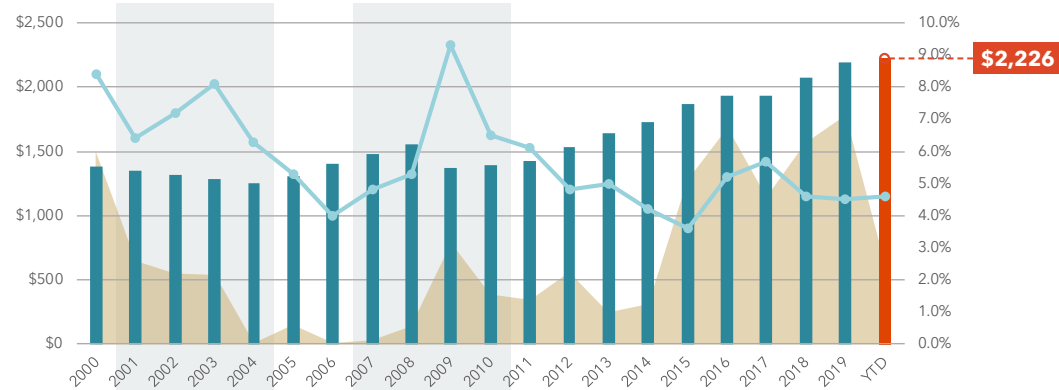
16,152
UNITS

49%
OF INVENTORY

882 SF
AVG UNIT SIZE

BUILT 1995 - 2010

LAST CYCLE



BUILT 1995-2010

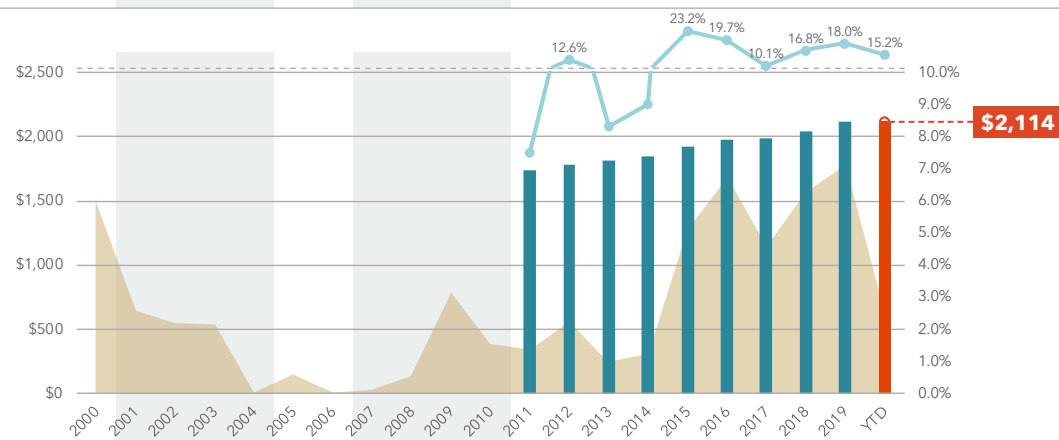
5,966
UNITS

18%
OF INVENTORY

1,068 SF
AVG UNIT SIZE

BUILT POST - 2010

CURRENT CYCLE



BUILT THIS CYCLE

10,679
UNITS

33%
OF INVENTORY

842 SF
AVG UNIT SIZE

5+ UNIT APARTMENT BUILDINGS

UNITS DELIVERED 2000-2010: 3,903 UNITS DELIVERED 2011-2020: 10,679

SOUTH KING COUNTY

The continuous lack of new construction, affordably priced apartment units, and several still unrenovated 1985-1995 built apartments continue to keep South King County a darling market for renters and investors.

With zero new apartments delivered to South King in 2020 and 83% of the current inventory built 1995 and older, vacancy rates remained extremely steady at 5%. We see these attributes not only creating steady occupancy, but also more rent growth, which leads the rest of King County's submarkets.

Following a five-year period in which South King had the highest year-over-year rental rate growth every year, the market experienced a moderate decline in growth, yet rental rates remained strong compared to its King County counterparts. Although rent growth was down 2% from 2019, we expect that rents will continue their historic trend as light rail becomes more solidified in the region and rental rates remain mostly unaffordable in Seattle and Bellevue.

\$1,486

AVG RENT

5.1%

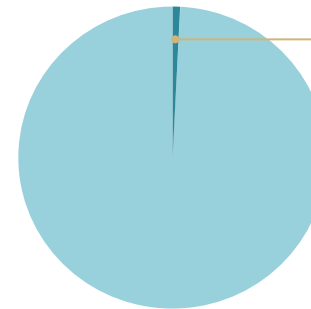
AVG VACANCY

▲ 2.3%

YOY CHANGE IN RENT

▼ 0.1%

YOY CHANGE IN VACANCY



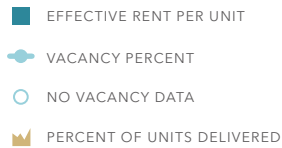
574

UNITS DELIVERED
2019 + 2020 YTD

56,846

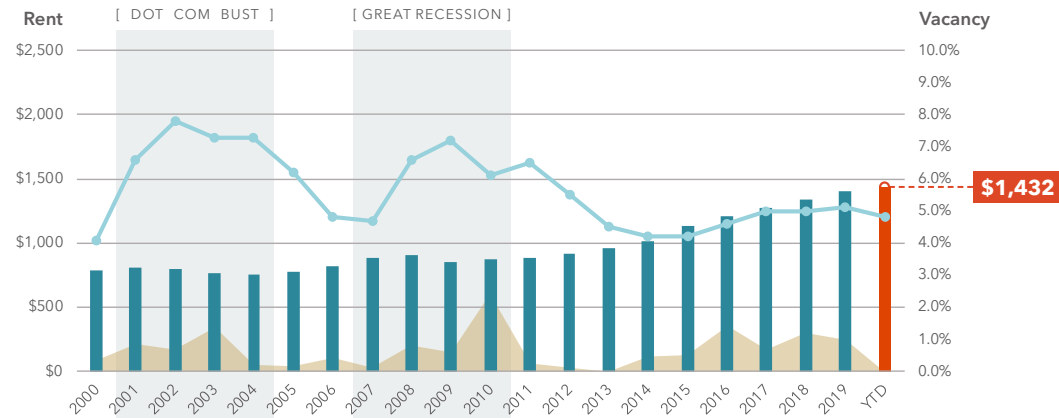
TOTAL UNITS
SOUTH KING MARKET

5+ UNIT APARTMENT BUILDINGS, ALL AGES



BUILT PRE - 1995

OLDER BUILDINGS



OLDER BUILDINGS

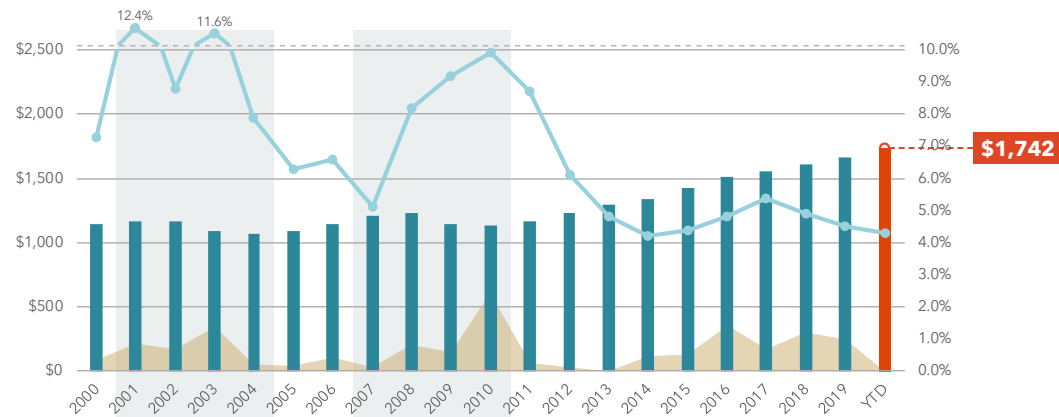
47,329
UNITS

83%
OF INVENTORY

850 SF
AVG UNIT SIZE

BUILT 1995 - 2010

LAST CYCLE



BUILT 1995-2010

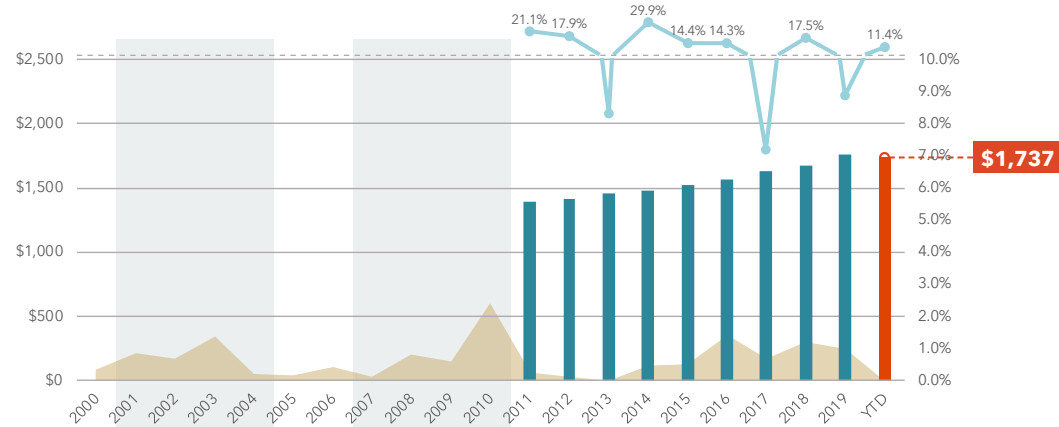
6,334
UNITS

11%
OF INVENTORY

917 SF
AVG UNIT SIZE

BUILT POST - 2010

CURRENT CYCLE



BUILT THIS CYCLE

3,183
UNITS

6%
OF INVENTORY

849 SF
AVG UNIT SIZE

5+ UNIT APARTMENT BUILDINGS

UNITS DELIVERED 2000-2010: 4,272 UNITS DELIVERED 2011-2020: 3,183

SNOHOMISH COUNTY

Snohomish stands out among Puget Sound markets with year-over-year rental rate growth and declining vacancy rates across all apartment building vintages.

In an environment where COVID-19 impacted businesses around our world, companies continue to require employees to work from home for the foreseeable future. Residents continue to elect to move further from the core of Seattle and into areas like Lynnwood, Everett, and Mountlake Terrace where they're able to rent more space for less money. This is a key contributor to steady rent growth throughout all of Snohomish with vacancies rates dipping to a manageable 5%.

Developers are gradually adding more apartment units that are focused around downtown Everett with proximity to the highly anticipated light rail expansion.

\$1,538

AVG RENT

5.1%

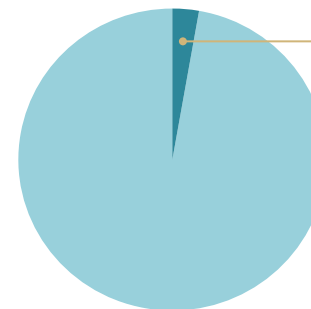
AVG VACANCY

▲ 2.7%

YOY CHANGE IN RENT

▼ 0.7%

YOY CHANGE IN VACANCY



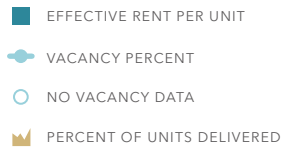
1,114

UNITS DELIVERED
2019 + 2020 YTD

42,636

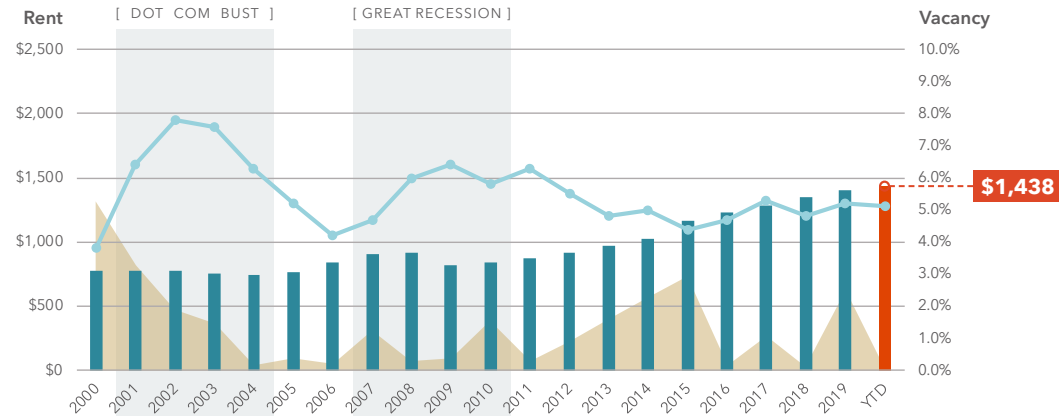
TOTAL UNITS
SNOHOMISH MARKET

5+ UNIT APARTMENT BUILDINGS, ALL AGES



BUILT PRE - 1995

OLDER BUILDINGS



OLDER BUILDINGS

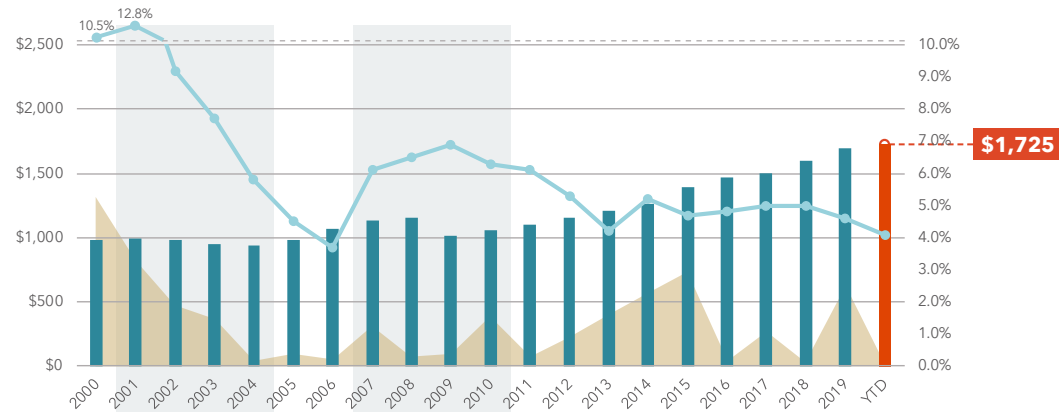
28,984
UNITS

68%
OF INVENTORY

859 SF
AVG UNIT SIZE

BUILT 1995 - 2010

LAST CYCLE



BUILT 1995-2010

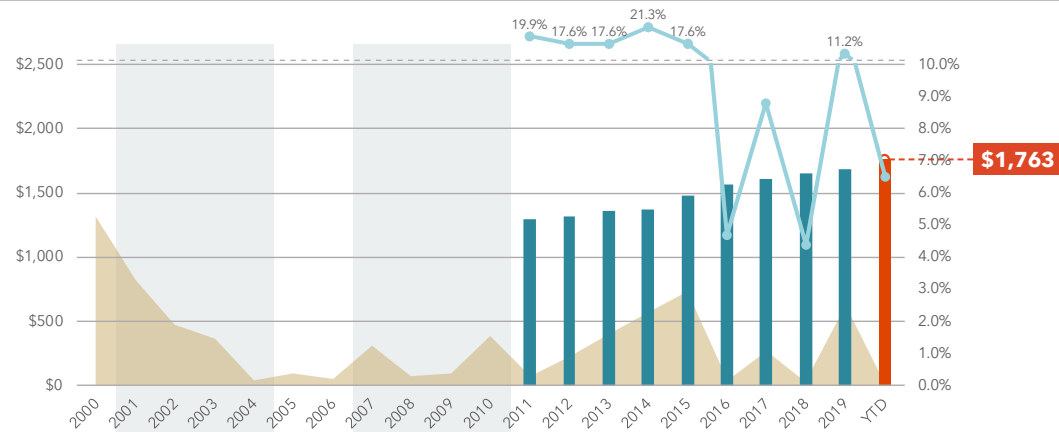
8,753
UNITS

21%
OF INVENTORY

1,079 SF
AVG UNIT SIZE

BUILT POST - 2010

CURRENT CYCLE



BUILT THIS CYCLE

4,899
UNITS

11%
OF INVENTORY

902 SF
AVG UNIT SIZE

5+ UNIT APARTMENT BUILDINGS

UNITS DELIVERED 2000-2010: 5,797 UNITS DELIVERED 2011-2020: 4,899

PIERCE COUNTY

Following the steady absorption of new apartment units in 2019, we saw developments come to a halt in 2020, leading to steady occupancy and continued affordable housing in Pierce County.

In 2020, concerns from residents tempered as Pierce's massive five-year rent growth subsided, slowing from a 27% rise since 2014. However, occupancy in Pierce continues to remain strong with a year-over-year decrease in vacancy of 1.1%, down to 4.2%. Many factors contributed to the strong occupancy rate, most notably a decrease in new construction in 2020. After many years of steady deliveries of new apartment units, the market is seeing some equilibrium between supply and demand for the moment.

However, as work-from-home pushes some workers out of more dense markets into the suburbs and light rail offers a future for a rapidly urbanizing downtown Tacoma, we will likely see a mix of new residents attracted to the area for myriad reasons—not just the discounted rental rates compared to King County.

\$1,306

AVG RENT

4.2%

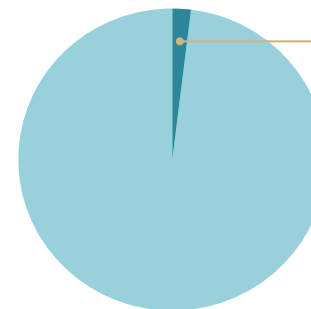
AVG VACANCY

▼ 2.9%

YOY CHANGE IN RENT

▼ 1.1%

YOY CHANGE IN VACANCY



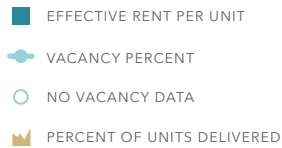
1,355

**UNITS DELIVERED
2019 + 2020 YTD**

56,263

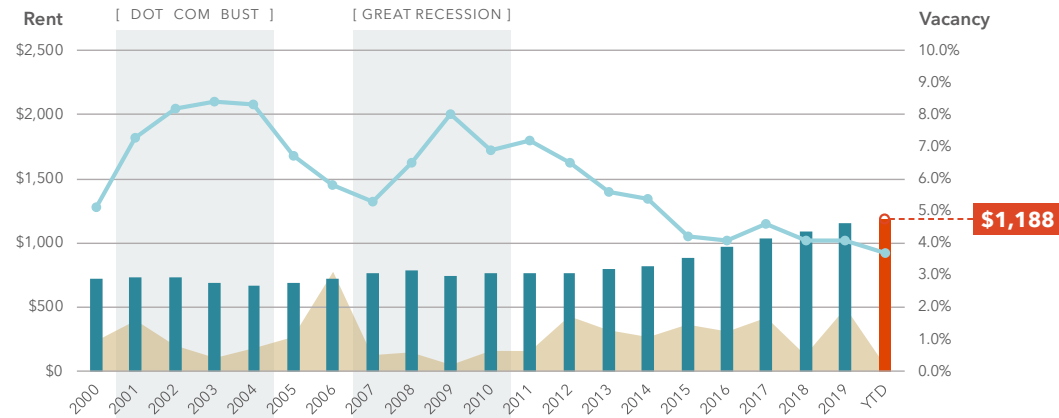
**TOTAL UNITS
PIERCE MARKET**

5+ UNIT APARTMENT BUILDINGS, ALL AGES



BUILT PRE - 1995

OLDER BUILDINGS



OLDER BUILDINGS

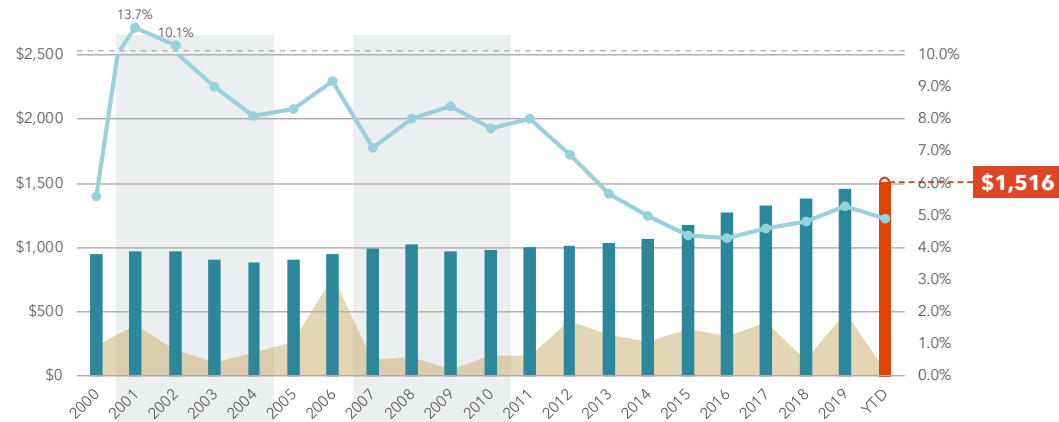
40,426 UNITS

72% OF INVENTORY

812 SF AVG UNIT SIZE

BUILT 1995 - 2010

LAST CYCLE



BUILT 1995-2010

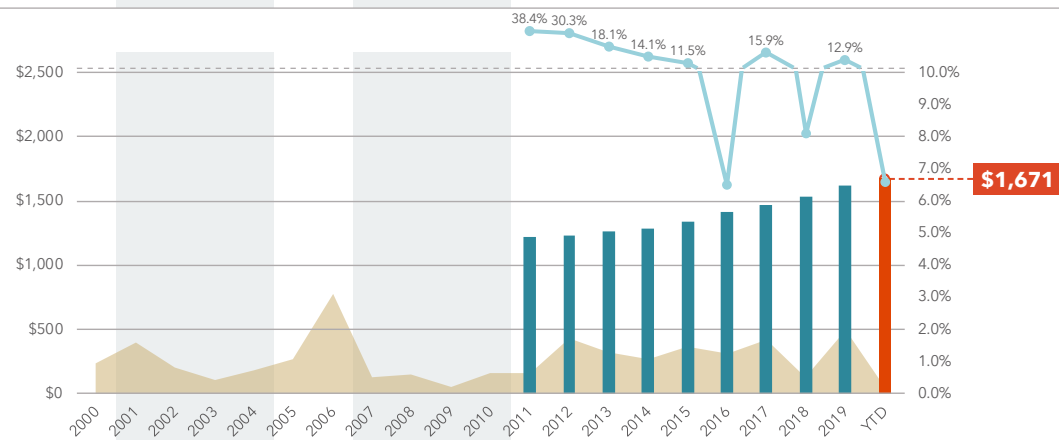
8,883 UNITS

16% OF INVENTORY

959 SF AVG UNIT SIZE

BUILT POST - 2010

CURRENT CYCLE



BUILT THIS CYCLE

6,954 UNITS

12% OF INVENTORY

930 SF AVG UNIT SIZE

5+ UNIT APARTMENT BUILDINGS

UNITS DELIVERED 2000-2010: 5,615 UNITS DELIVERED 2011-2020: 6,954

KITSAP COUNTY

The strength of Kitsap as an investment market will be tested as the development pipeline converts to newly delivered units. Will strong employment metrics and new forms of connectivity continue to drive renter demand?

Average rental rates continue to climb in Kitsap County. Despite an increase in the delivery of new apartments throughout Kitsap since 2017, the county maintained an average 6% vacancy over the past several years. With over 2,700 units in the pipeline for development (a potential 29% increase in inventory), apartment owners will continue to push rental rates with an understanding it may take the region a bit of time to catch up to the incoming supply.

The majority of the new supply is centered around Bremerton and its naval shipyard, yet the Fast Ferry and a push to more suburban living may increase renter demand across Kitsap well beyond previous military-focused housing.

\$1,422

AVG RENT

6.3%

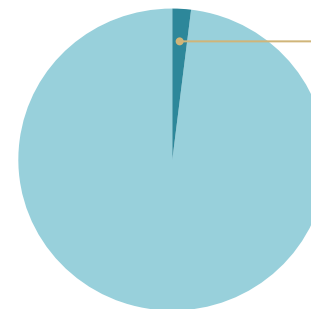
AVG VACANCY

▲ 1.5%

YOY CHANGE IN RENT

—

YOY CHANGE IN VACANCY



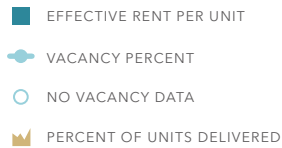
152

UNITS DELIVERED
2019 + 2020 YTD

9,059

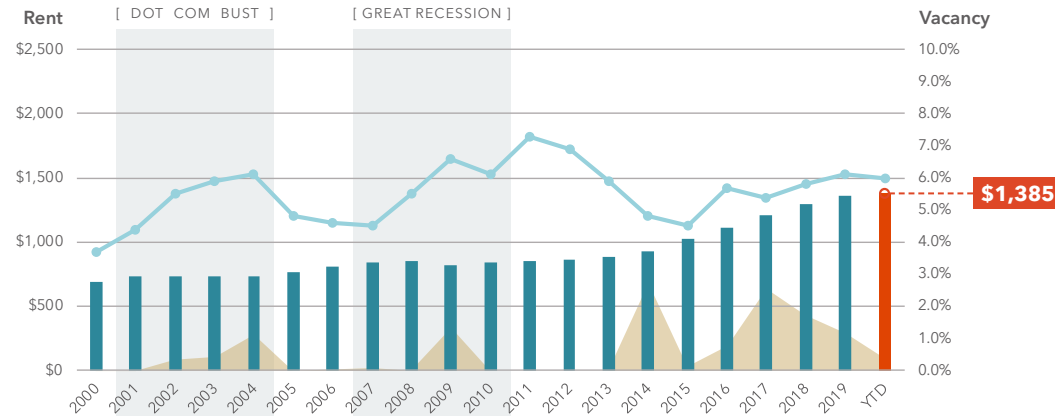
TOTAL UNITS
KITSAP MARKET

5+ UNIT APARTMENT BUILDINGS, ALL AGES



BUILT PRE - 1995

OLDER BUILDINGS



OLDER BUILDINGS

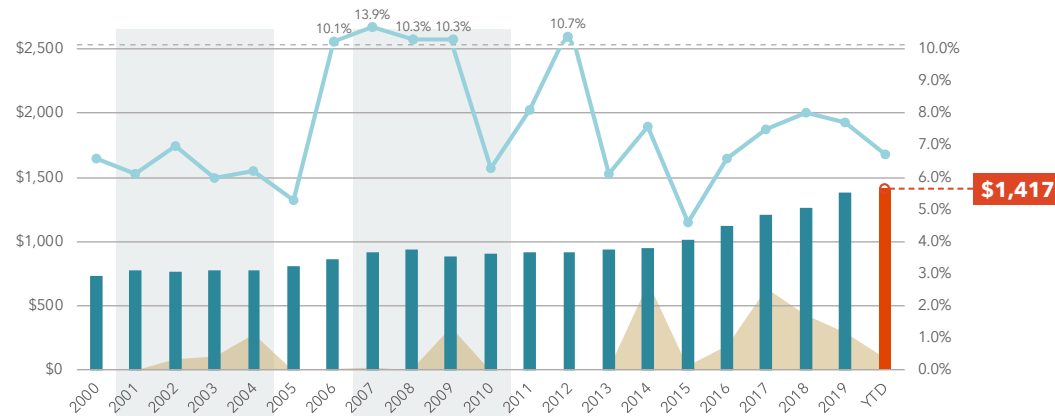
7,615 UNITS

84% OF INVENTORY

851 SF AVG UNIT SIZE

BUILT 1995 - 2010

LAST CYCLE



BUILT 1995-2010

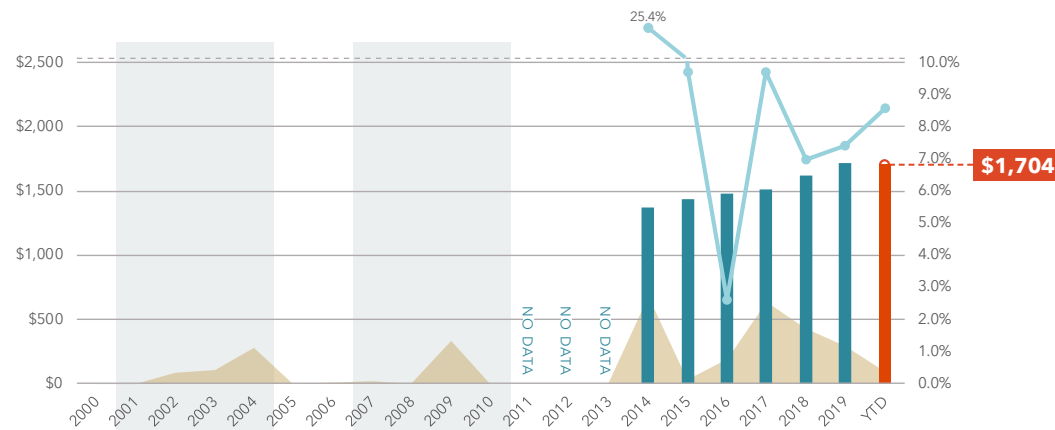
547 UNITS

6% OF INVENTORY

913 SF AVG UNIT SIZE

BUILT POST - 2010

CURRENT CYCLE



BUILT THIS CYCLE

897 UNITS

10% OF INVENTORY

862 SF AVG UNIT SIZE

5+ UNIT APARTMENT BUILDINGS

UNITS DELIVERED 2000-2010: 297 UNITS DELIVERED 2011-2020: 897

2020 APARTMENT RENT & VACANCY ANALYSIS

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