



# MULTIFAMILY *INVESTOR FORUM & LUNCHEON*

FALL 2024

PRESENTED BY

*Dylan Simon*

Executive Vice President  
Simon | Anderson  
Multifamily Team

October 3, 2024

# PRESENTATION AGENDA

*Rent & Vacancy*

*01*

*Development  
Pipeline*

*02*

*Sales Trends*

*03*

*Investment  
Roundtable*

*04*

[RESEARCH REPORTS: SIMONANDERSONTEAM.COM/RESEARCH](https://simonandersonsteam.com/research)



# THE BIG PICTURE – APARTMENT OPERATIONS

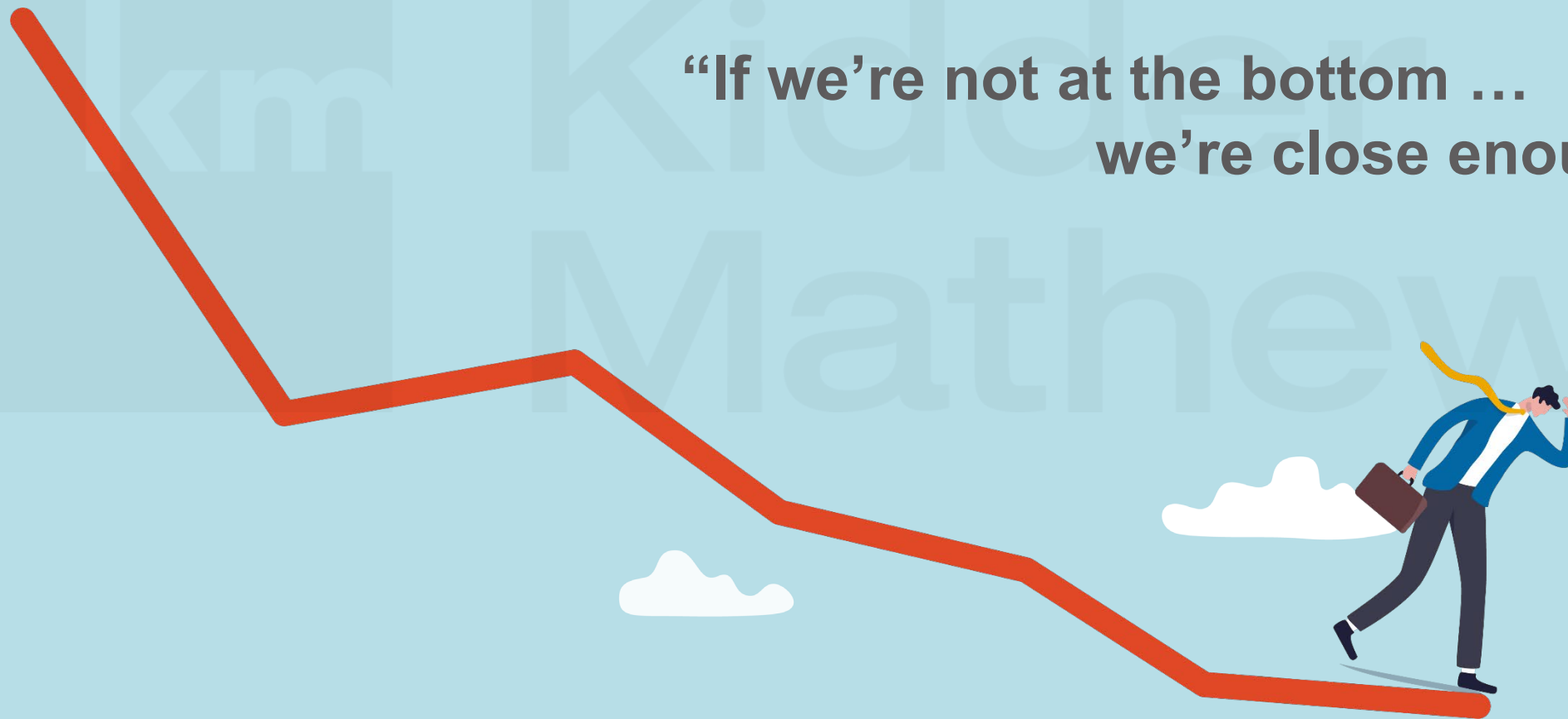
STAYING FULL, CONTROLLING COSTS



# THE BIG PICTURE – CAPITAL MARKETS

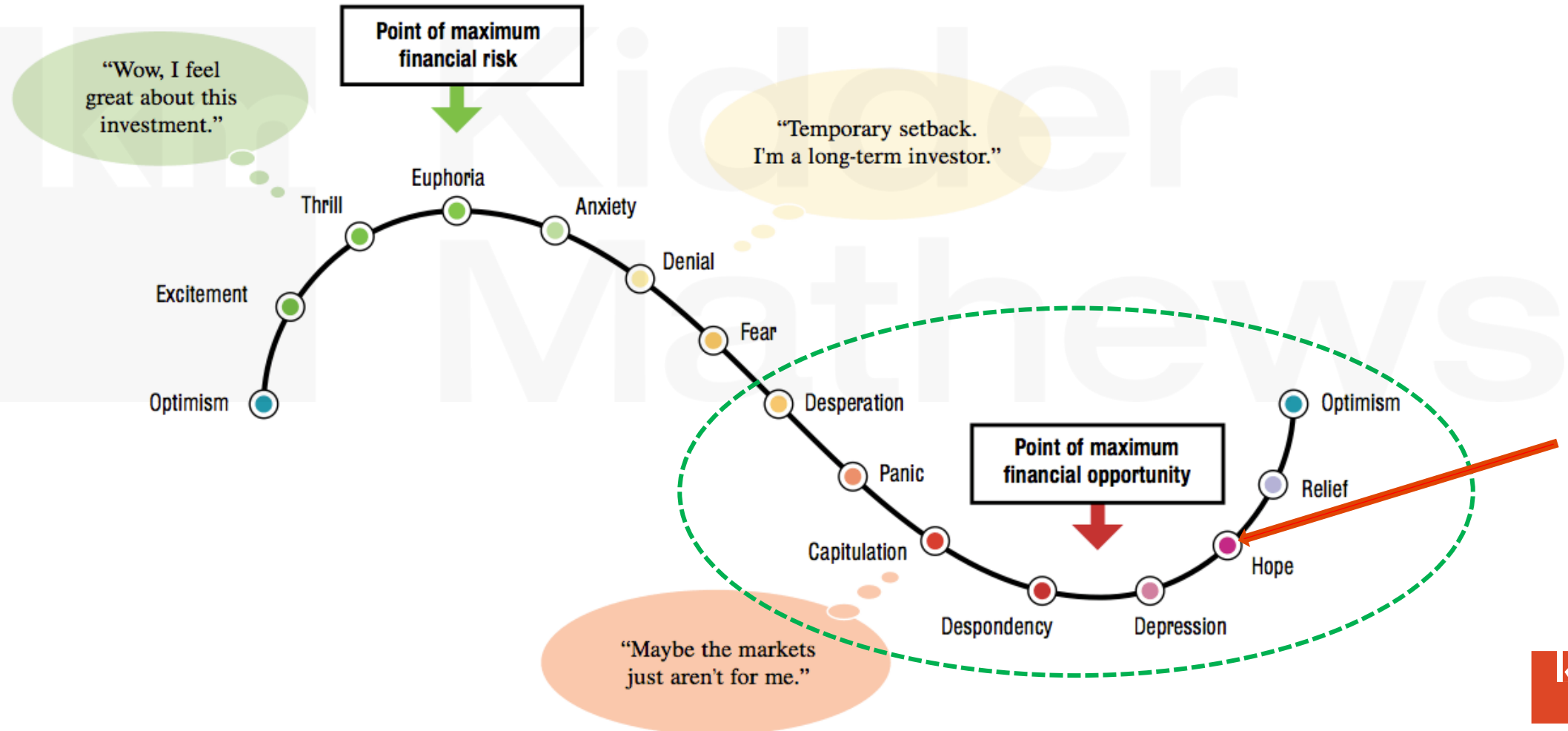
## LOOKING FOR A MARKET BOTTOM

“If we’re not at the bottom ...  
we’re close enough.”



# INVESTOR BEHAVIORAL CURVE

BUY "THE SMILE"



01

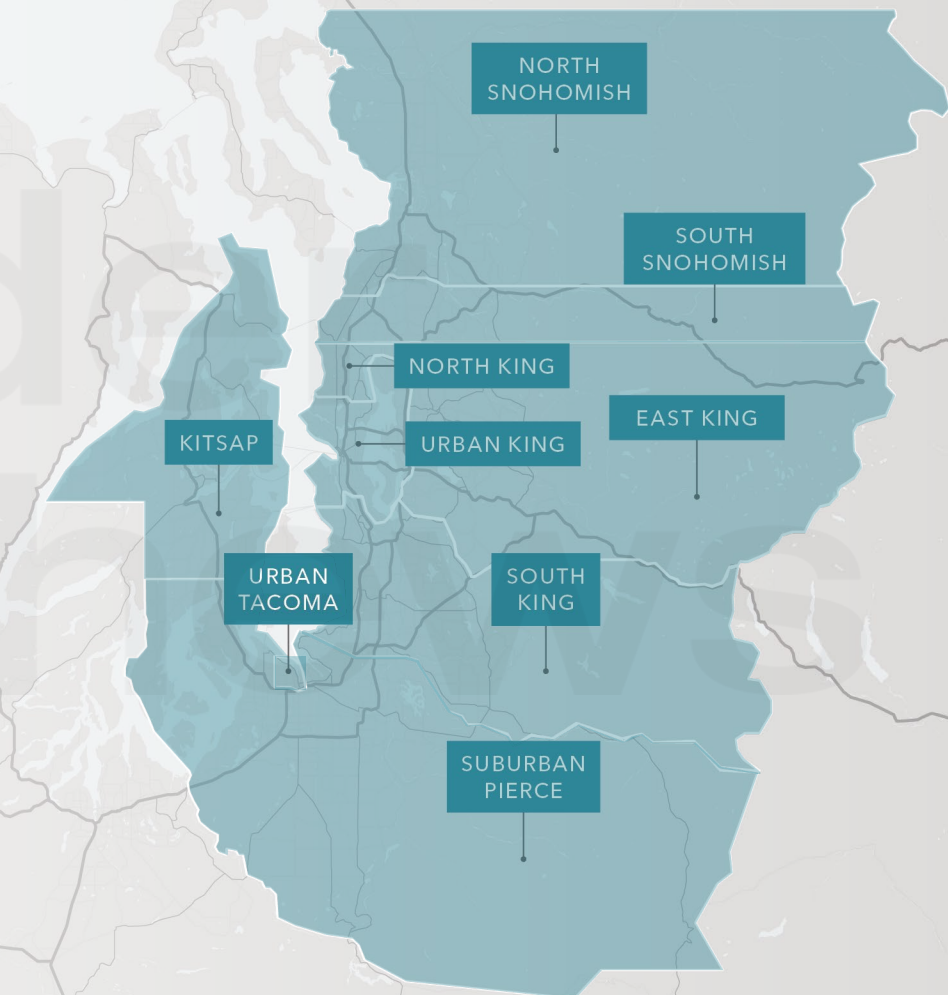
RENT &  
VACANCY

# RENT & VACANCY TRENDS

## REGIONAL OVERVIEW

|         | 12 MONTHS AGO      | 12-Month Change | 90 DAYS AGO        | 90-Day Change | YEAR-OVER-YEAR     |
|---------|--------------------|-----------------|--------------------|---------------|--------------------|
| RENT    | Q2 2023<br>\$1,966 | ▲ 2%            | Q1 2024<br>\$1,979 | ▲ 2%          | Q2 2024<br>\$2,015 |
| VACANCY | 6.4%               | ▲ 50 bps        | 6.9%               | No Change     | 6.9%               |

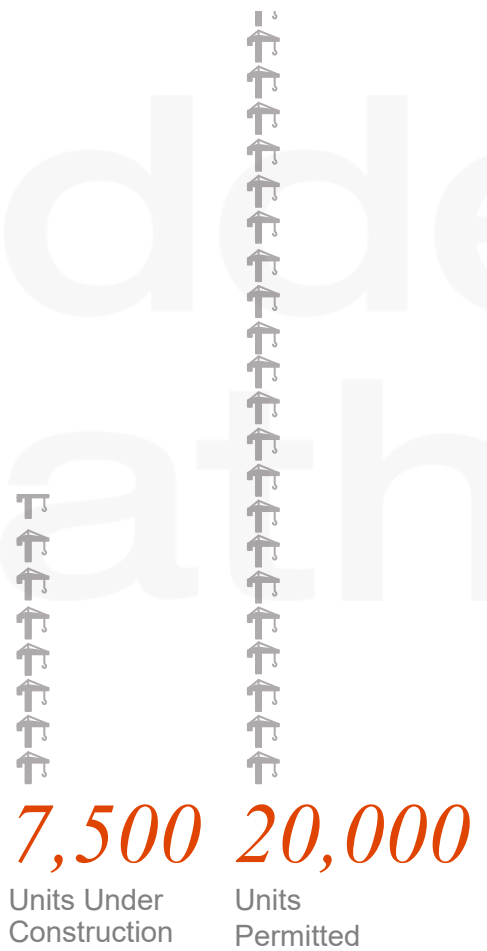
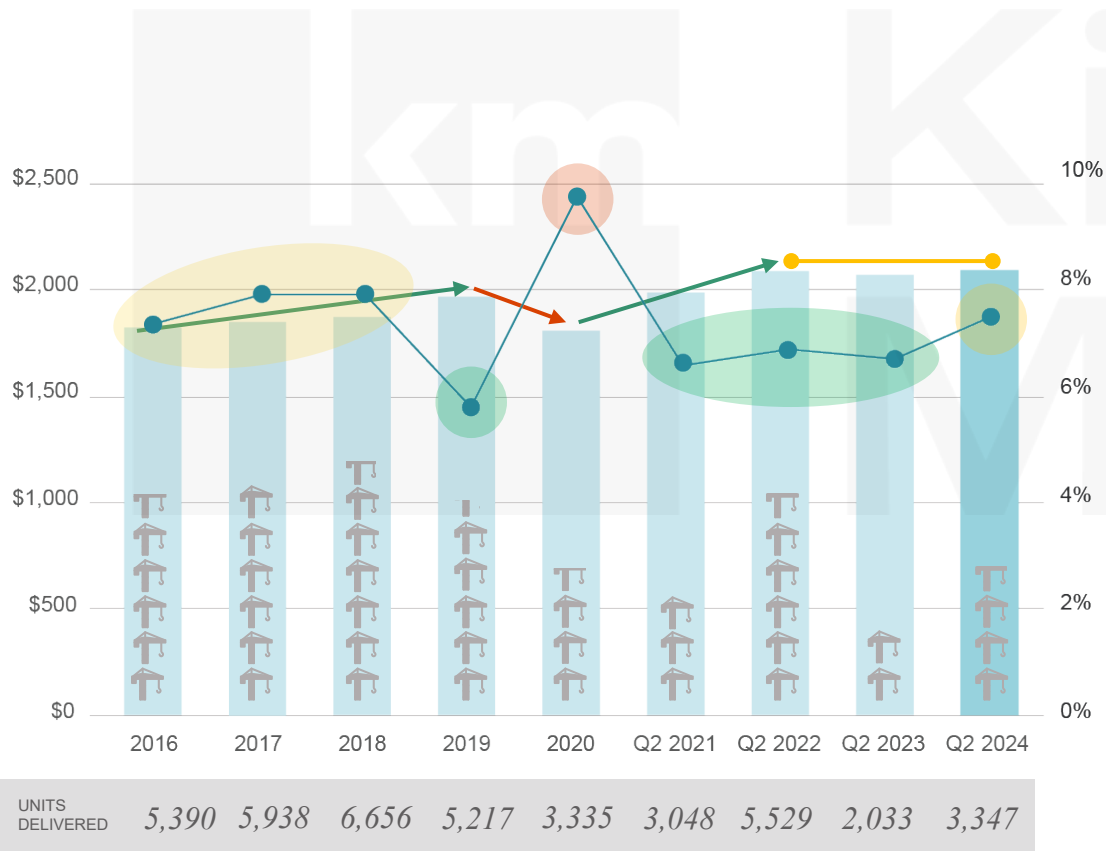
|           | Q2 2023 |         | Q2 2024 |         |
|-----------|---------|---------|---------|---------|
|           | Rent    | Vacancy | Rent    | Vacancy |
| KING      | \$2,076 | 6.1%    | \$2,135 | 6.7%    |
| SNOHOMISH | \$1,881 | 6.4%    | \$1,936 | 6.1%    |
| PIERCE    | \$1,575 | 6.6%    | \$1,619 | 7.1%    |
| KITSAP    | \$1,715 | 11.6%   | \$1,785 | 11.9%   |



Source: CoStar, Simon Anderson Multifamily Team, Kidder Mathews

# RENT & VACANCY TRENDS

## SEATTLE NEIGHBORHOODS



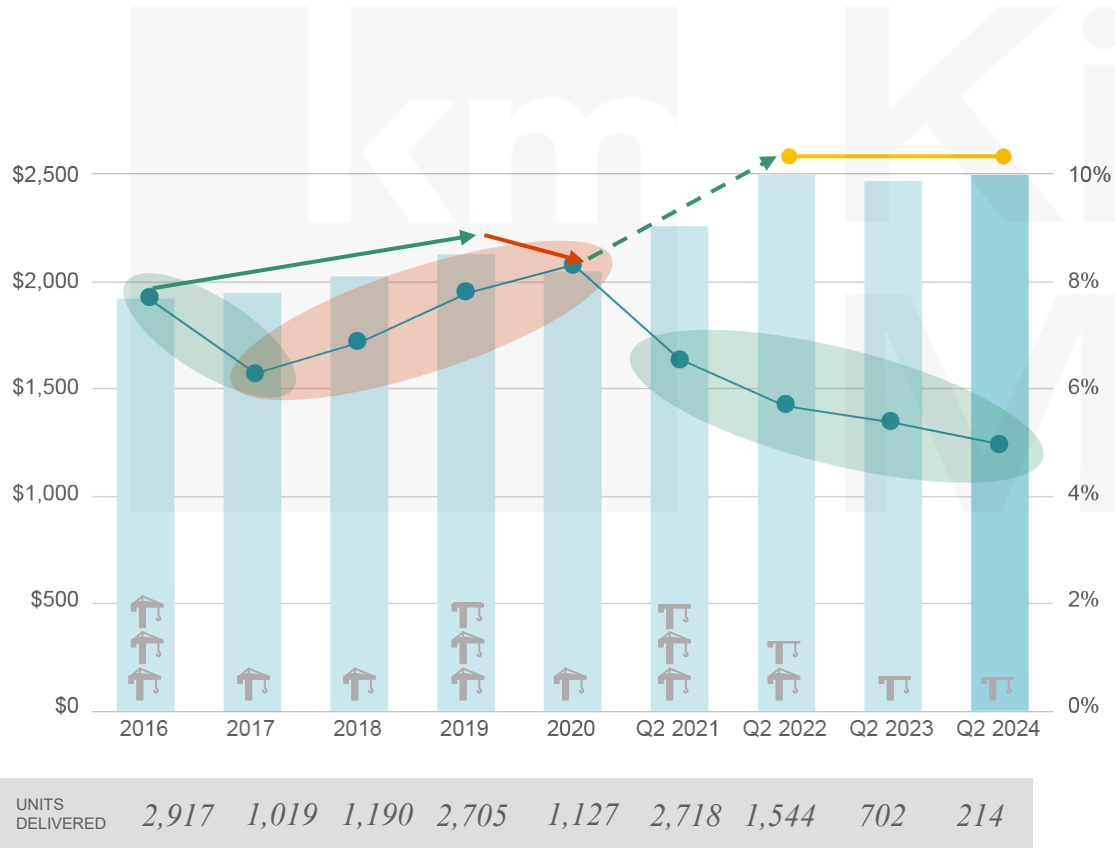
All building ages, 5+ unit apartment buildings





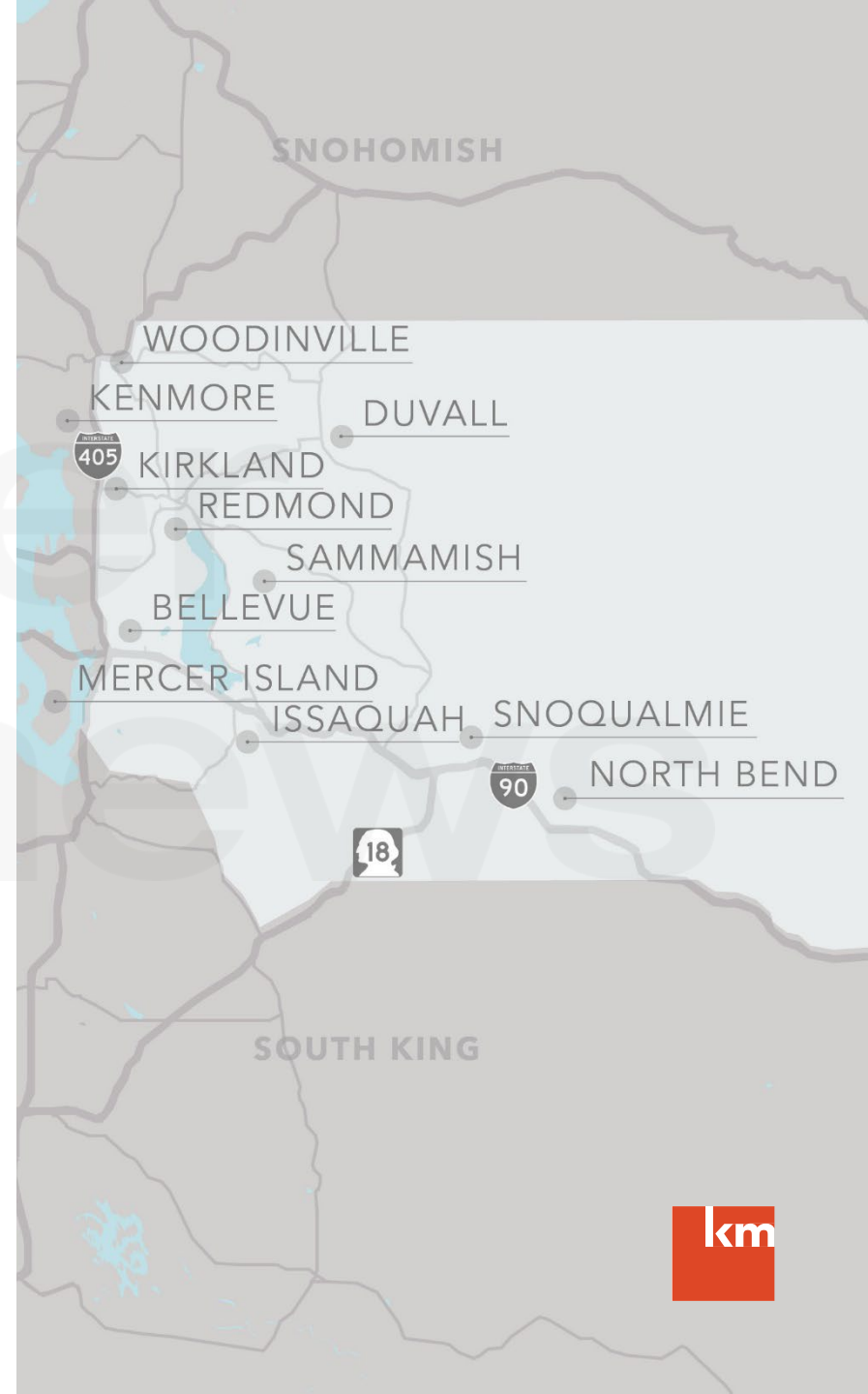


# RENT & VACANCY TRENDS

## EAST KING





  
**2,500** **3,500**
  
 Units Under Construction      Units Permitted



All building ages, 5+ unit apartment buildings



# RENT & VACANCY TRENDS

## SEATTLE VS EASTSIDE – KEY INSIGHT

*2019 – Average Rent*

**\$1,970** SEATTLE

**\$2,134** EASTSIDE

*Q2 2024 – Average Rent*

**\$2,095** SEATTLE

**\$2,641** EASTSIDE

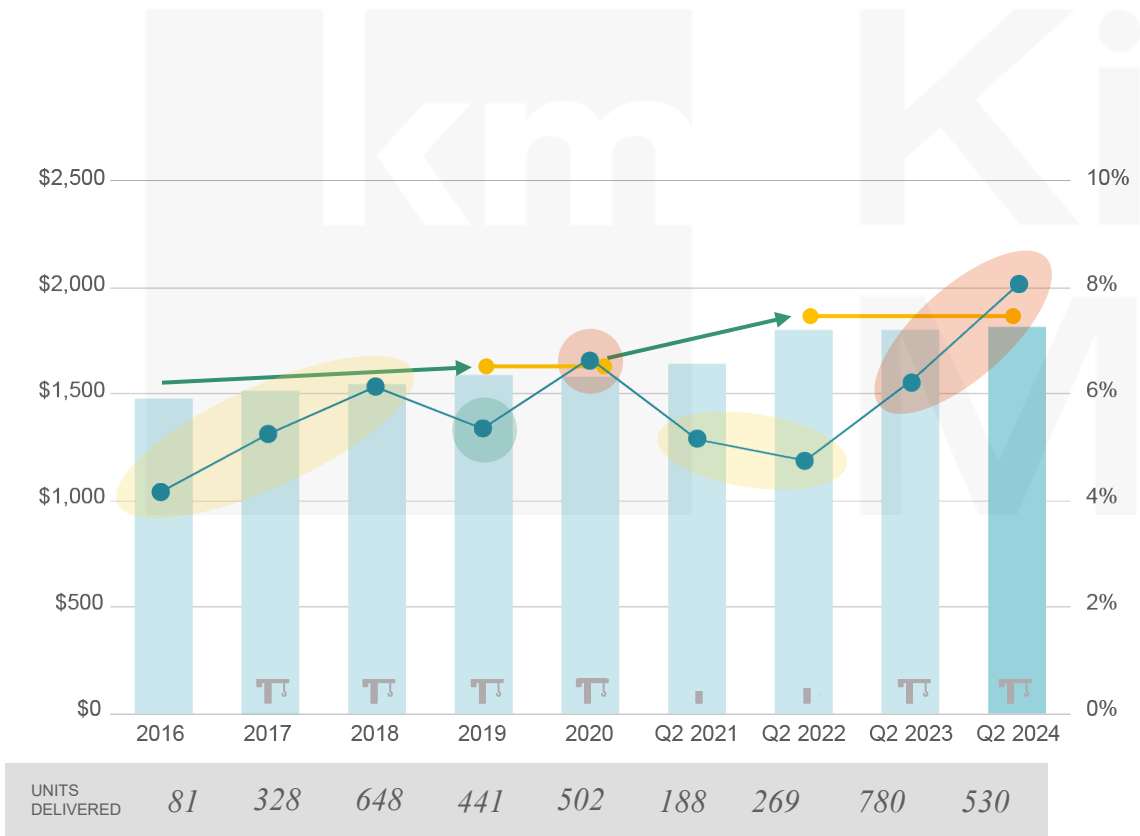
*4+ Year Cumulative Growth*


**6.3%** SEATTLE


**23.8%** EASTSIDE

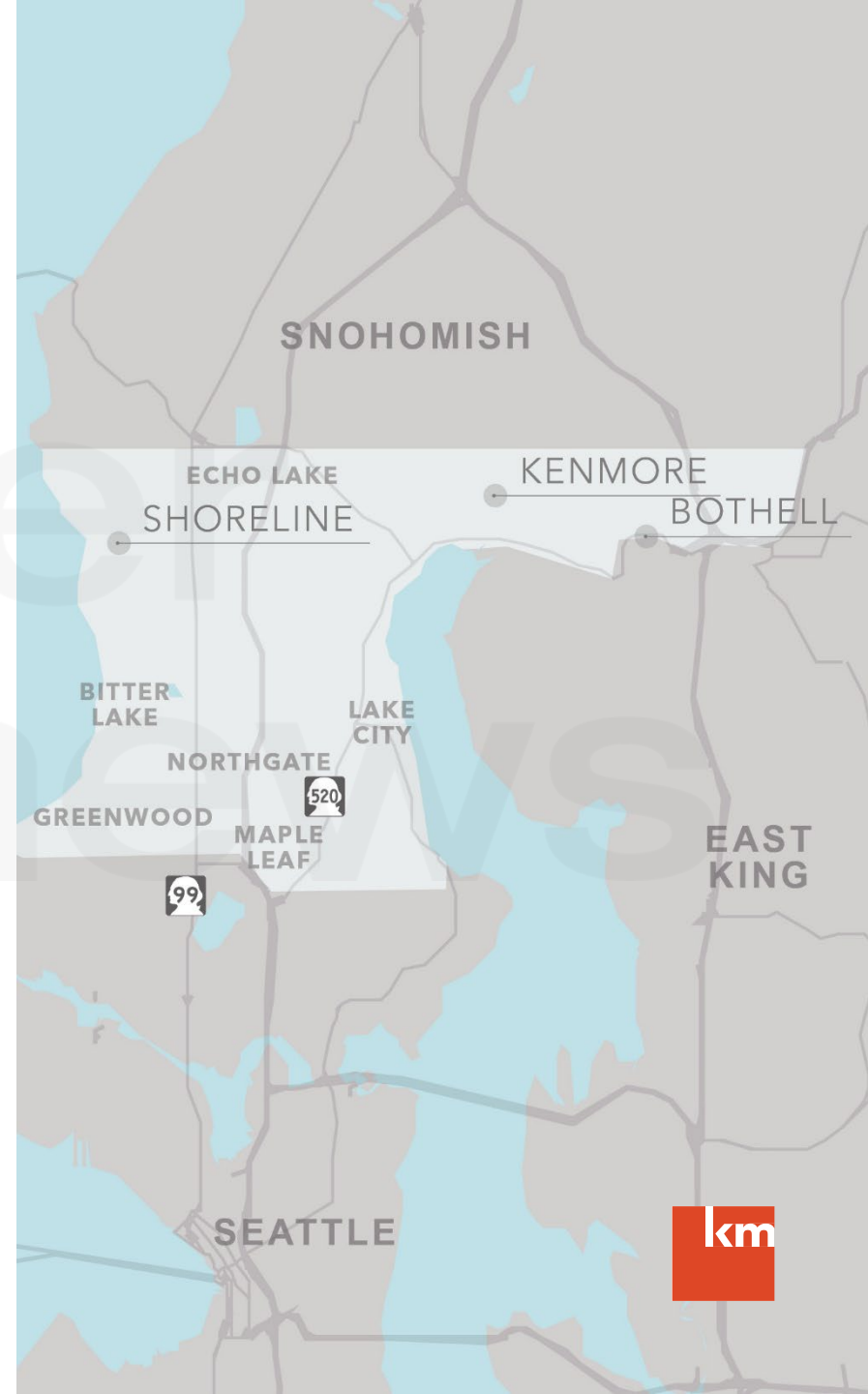
# RENT & VACANCY TRENDS

## NORTH KING




  
**3,500**
  
 Units Under Construction


  
**2,500**
  
 Units Permitted

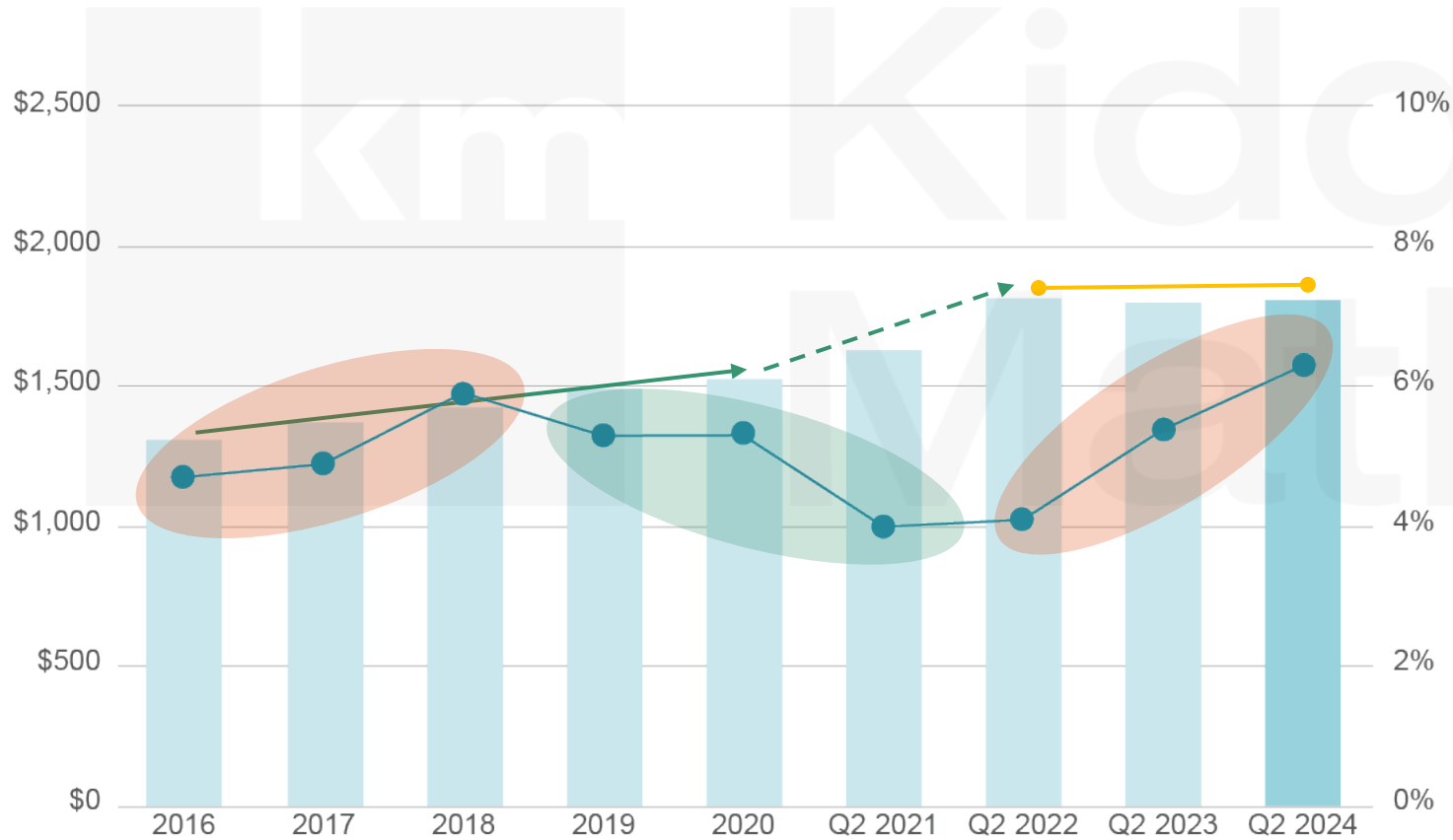


All building ages, 5+ unit apartment buildings

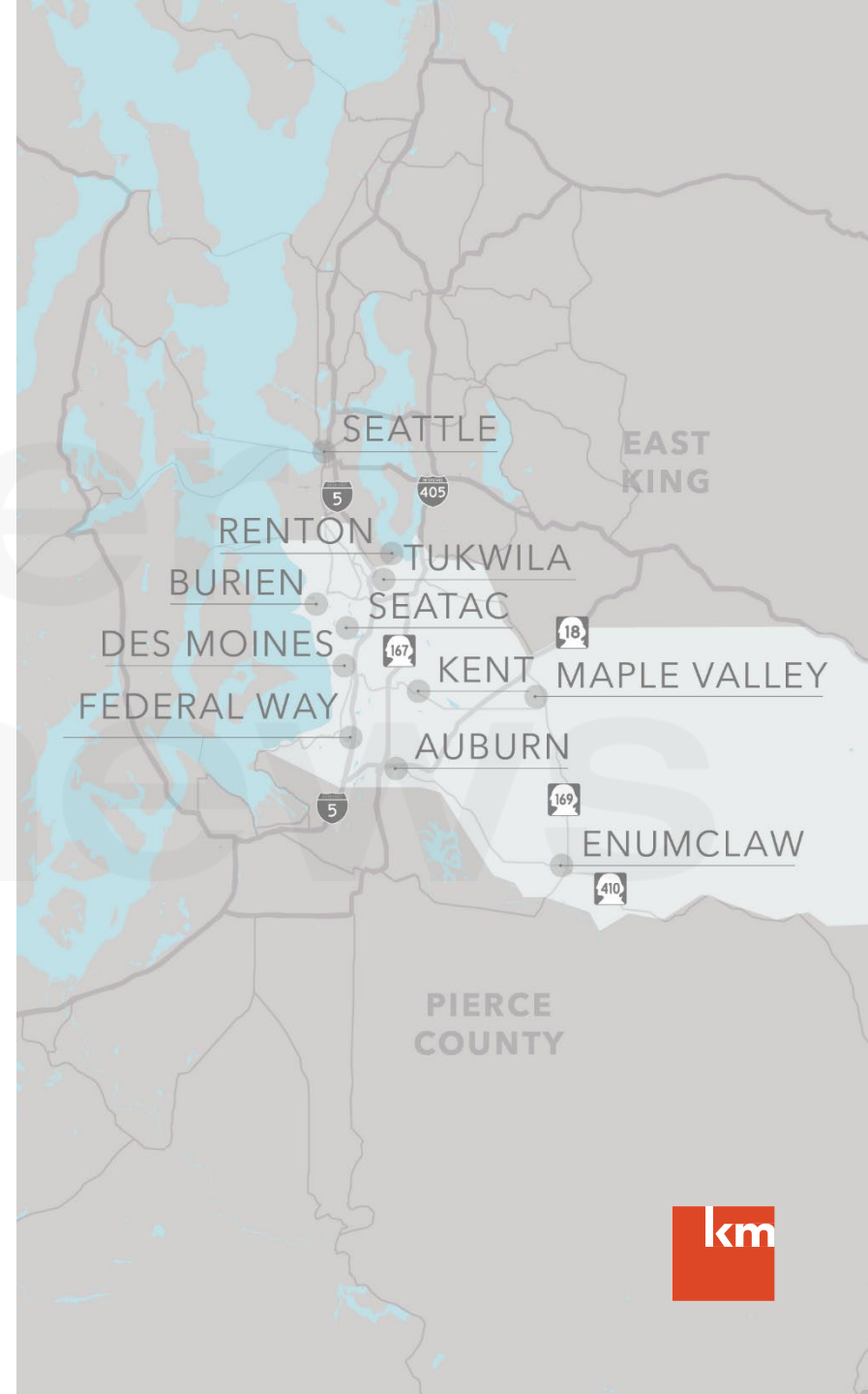


# RENT & VACANCY TRENDS

## SOUTH KING

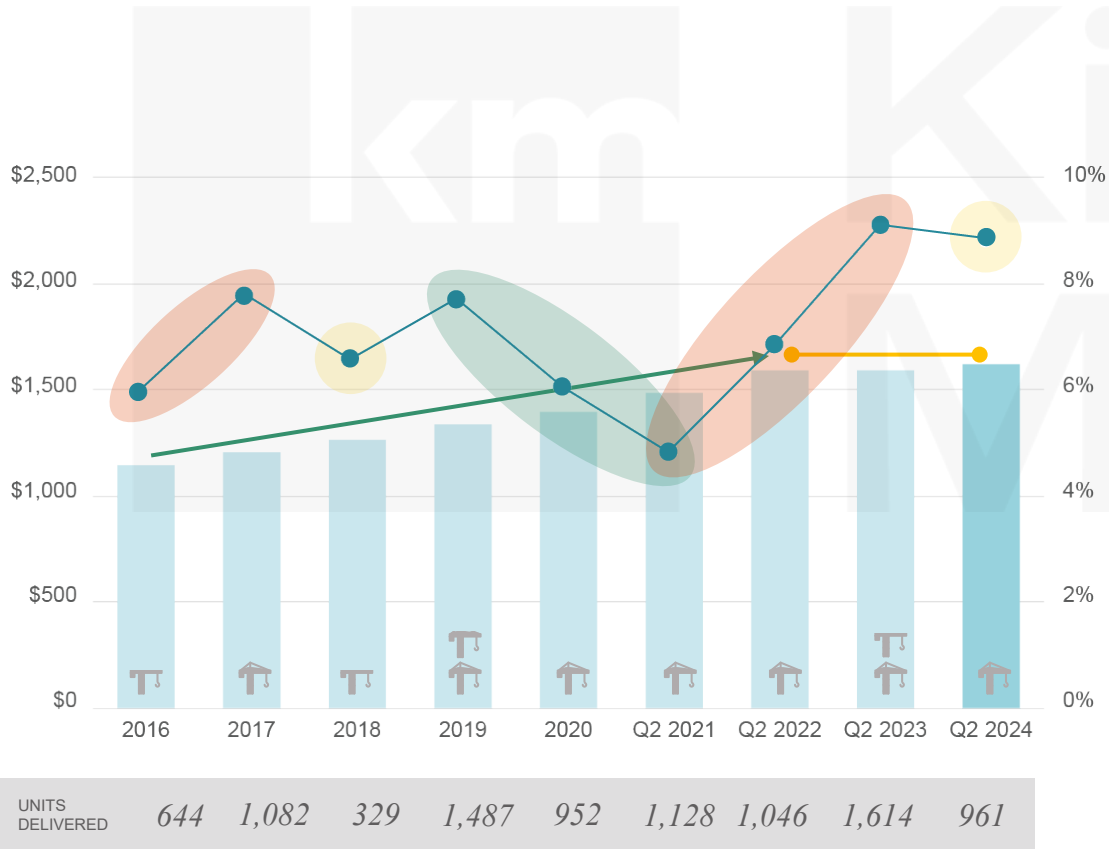



All building ages, 5+ unit apartment buildings




# RENT & VACANCY TRENDS

## PIERCE



 **3,000**  
 Units Under Construction

 **1,250**  
 Units Permitted

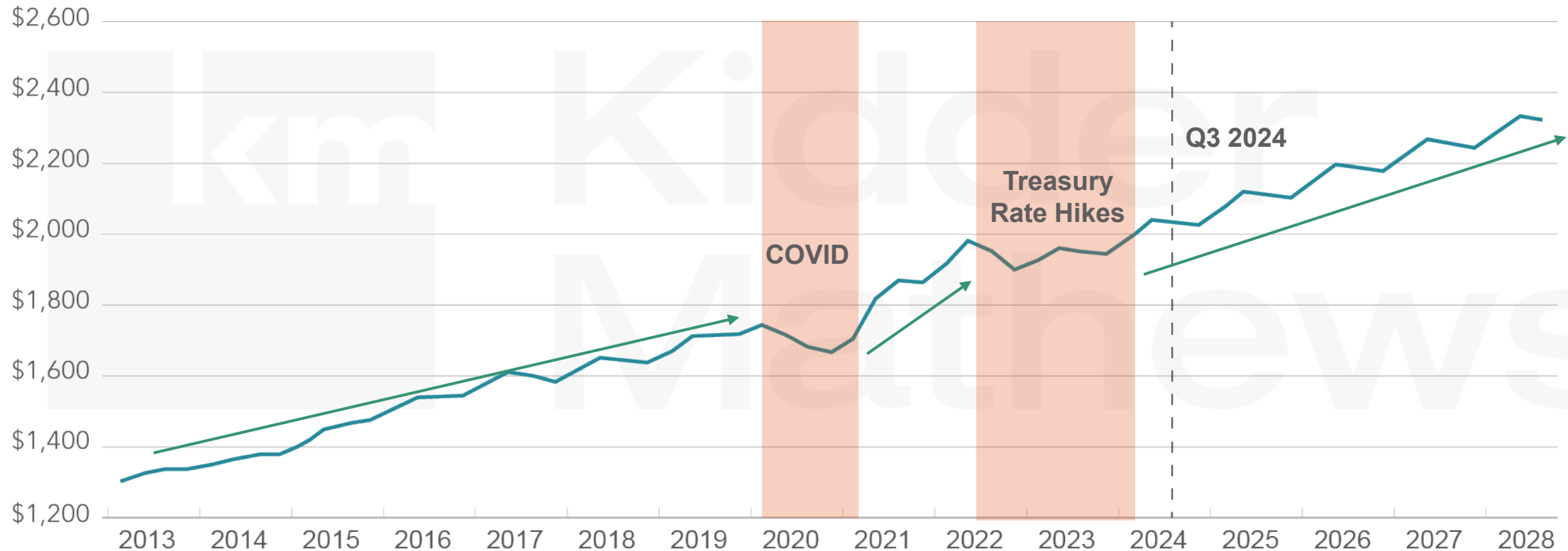


All building ages, 5+ unit apartment buildings



# RENT: HISTORICAL RENT GROWTH FORECASTING

PREDICTION: MARKET "EFFECTIVE RENT"



Source: Costar, Simon Anderson Multifamily Team  
Location: King, Snohomish, Pierce & Kitsap County

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# RENT & VACANCY TRENDS | KEY TAKEAWAYS



## RENT

Growth is on the horizon!



## VACANCY

New construction impacting vacancy



## EASTSIDE IS KING

Livability – with proximity to job centers – is a great recipe



## IMPACTS OF “WORK-FROM-HOME”

The great migration is upon us ...

02

# DEVELOPMENT PIPELINE



# REGIONAL APARTMENT INVENTORY

**340,000** UNITS IN REGION

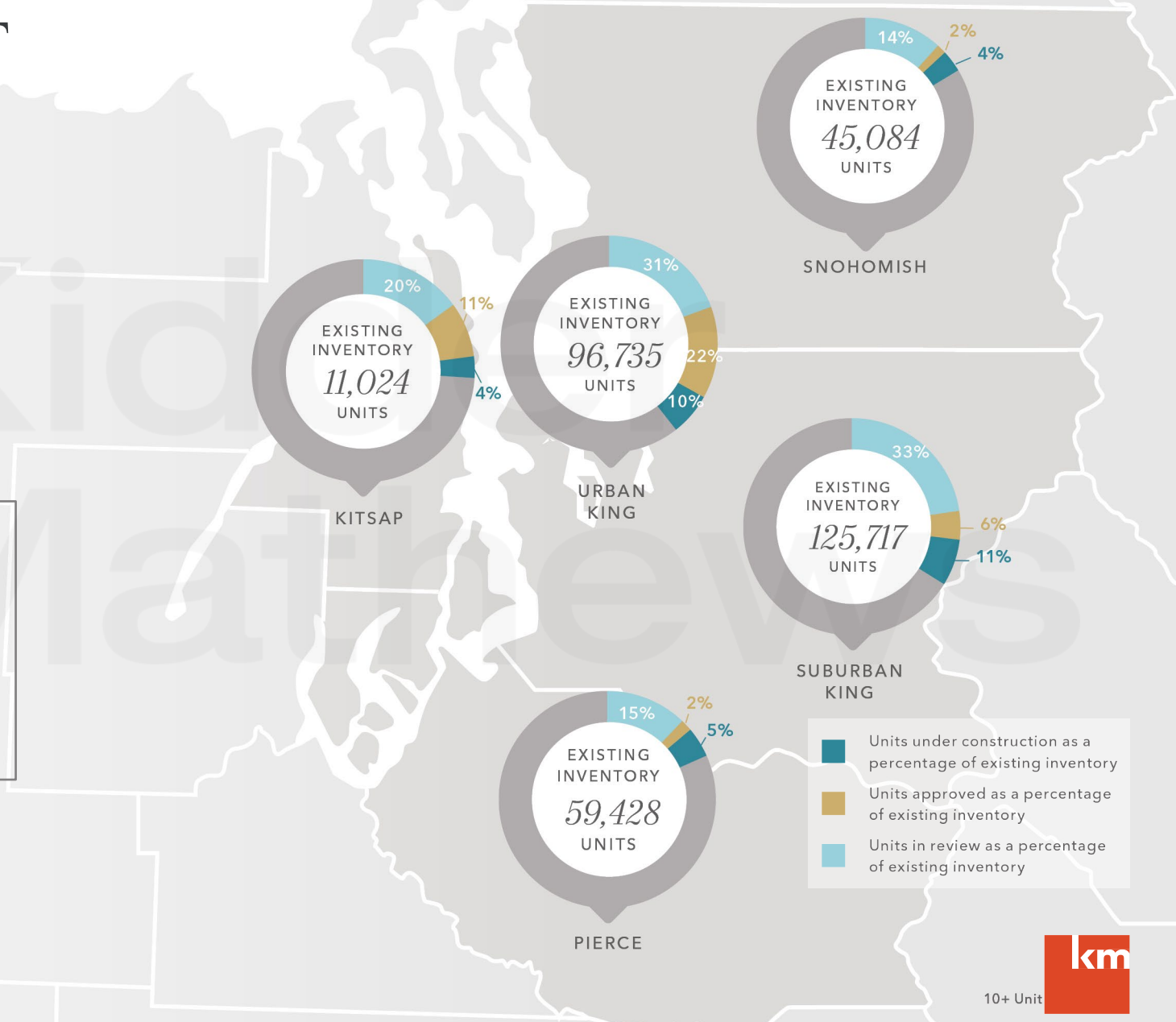
**115,000** UNITS DELIVERED 2010 - 2023

**150,000** UNITS IN PIPELINE

**90,000** UNITS IN PERMITTING PROCESS

**32,000** UNITS PERMITTED

**23,000** UNITS UNDER CONSTRUCTION

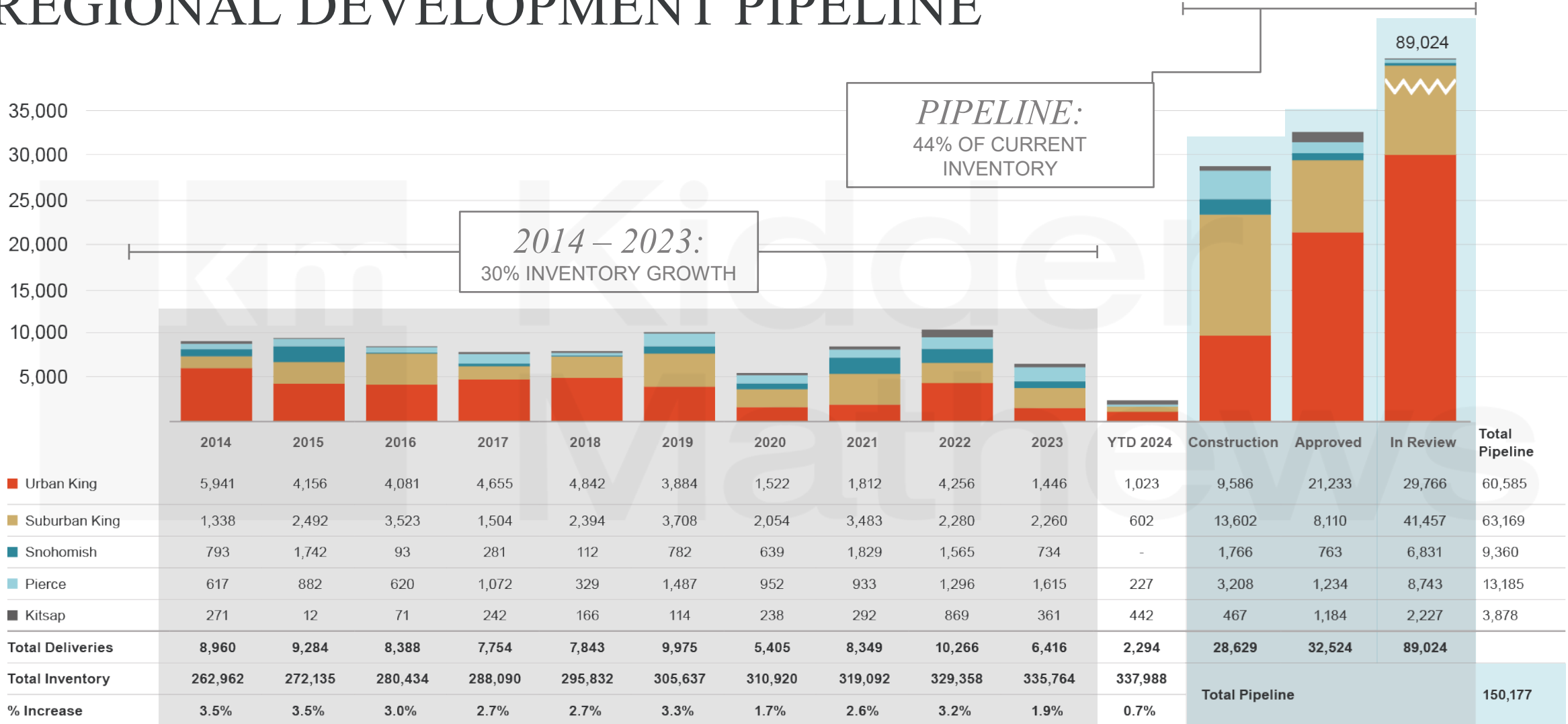


Source: Kidder Mathews research, multiple data providers  
10+ unit buildings



10+ Unit

# REGIONAL DEVELOPMENT PIPELINE



King, Snohomish, Pierce & Kitsap counties — 10+ unit buildings

Source: Kidder Mathews research, multiple data providers

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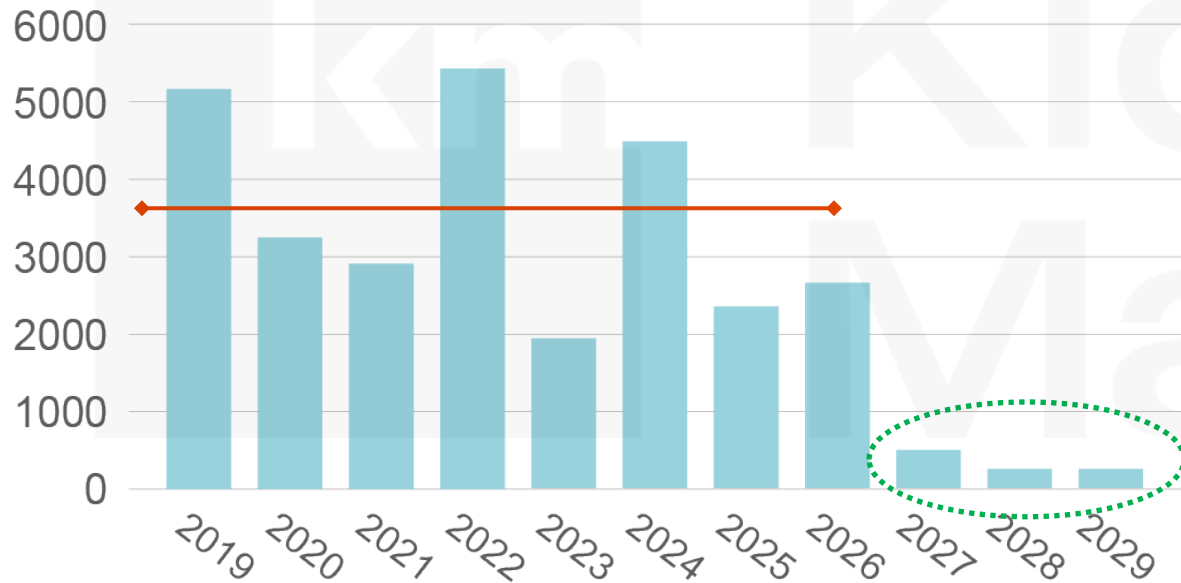
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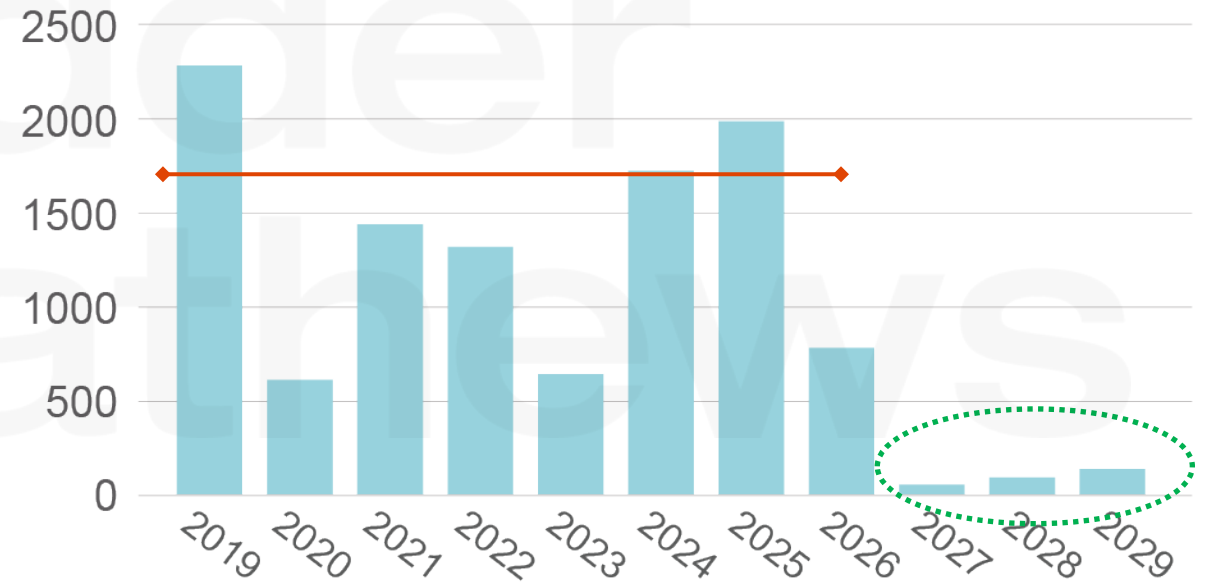
# DEVELOPMENT PIPELINE | WANING DELIVERIES

## 2019 TO 2029: ABSORPTION VS. CURRENTLY UNDER CONSTRUCTION

### Seattle



### East King



Source: Kidder Mathews Research



# DEVELOPMENT PIPELINE | COSTS VS. VALUE

|        | Development Costs | Recent Sales |
|--------|-------------------|--------------|
| Low    | \$450K/unit       | \$325K/unit  |
| Middle | \$500K/unit       | \$375K/unit  |
| High   | \$550K/unit       | \$425K/unit  |

Source: Kidder Mathews research, multiple data providers

# URBAN APARTMENT DEVELOPMENT

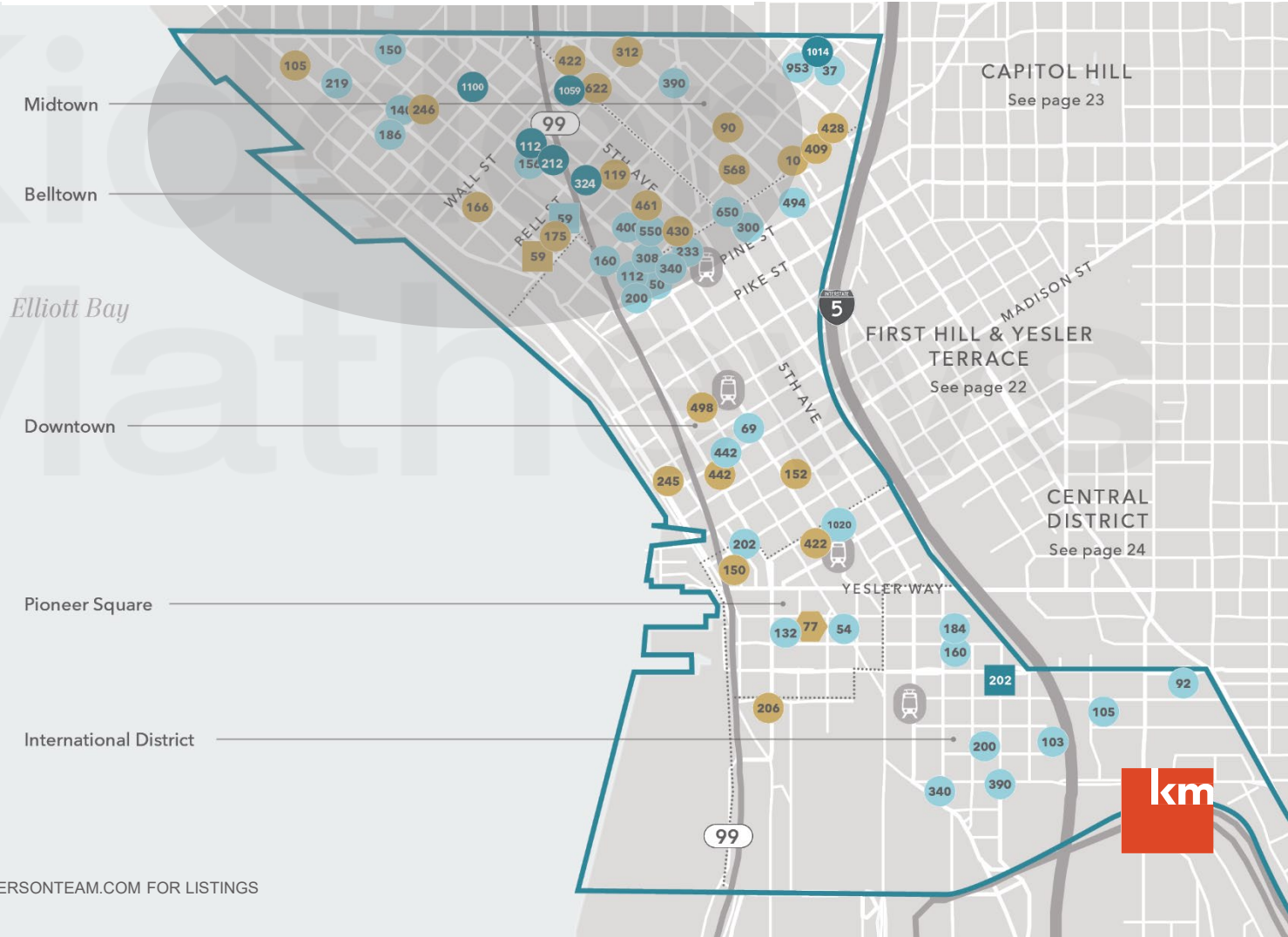
## CONCENTRATION OF DEVELOPMENT

*Belltown, Downtown,  
Pioneer Square*

Existing apartment inventory: 16,471 units

| Construction | Approved | In Review | Total Pipeline    |
|--------------|----------|-----------|-------------------|
| 4,023        | 6,392    | 9,580     | 19,995            |
| 24%          | 39%      | 58%       | 121% of inventory |

- APARTMENT
- MICROHOUSING\*
- MIXED\*



Source: Kidder Mathews research, multiple data providers



# URBAN APARTMENT DEVELOPMENT

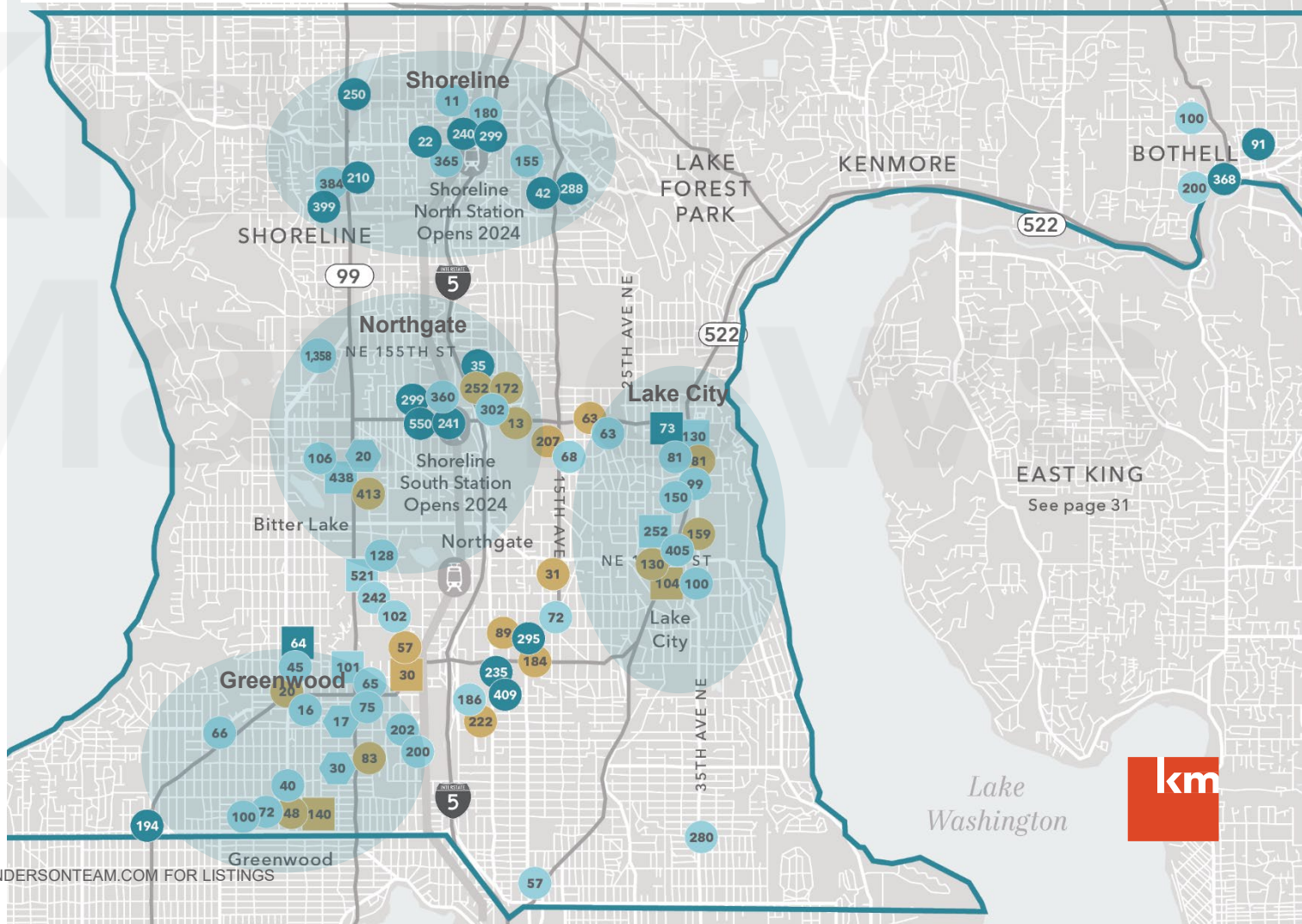
## CONCENTRATION OF DEVELOPMENT

### North King

Existing apartment inventory: 20,082 units

| Construction | Approved | In Review | Total Pipeline   |
|--------------|----------|-----------|------------------|
| 4,544        | 7,944    | 2,498     | 14,986           |
| 23%          | 40%      | 12%       | 75% of inventory |

- APARTMENT
- ◆ MICROHOUSING\*
- MIXED\*



Source: Kidder Mathews research, multiple data providers



# “URBANIZING” APARTMENT DEVELOPMENT

## CONCENTRATION OF DEVELOPMENT

### *Downtown Bellevue & BelRed TOD*

Existing apartment inventory: 16,730 units

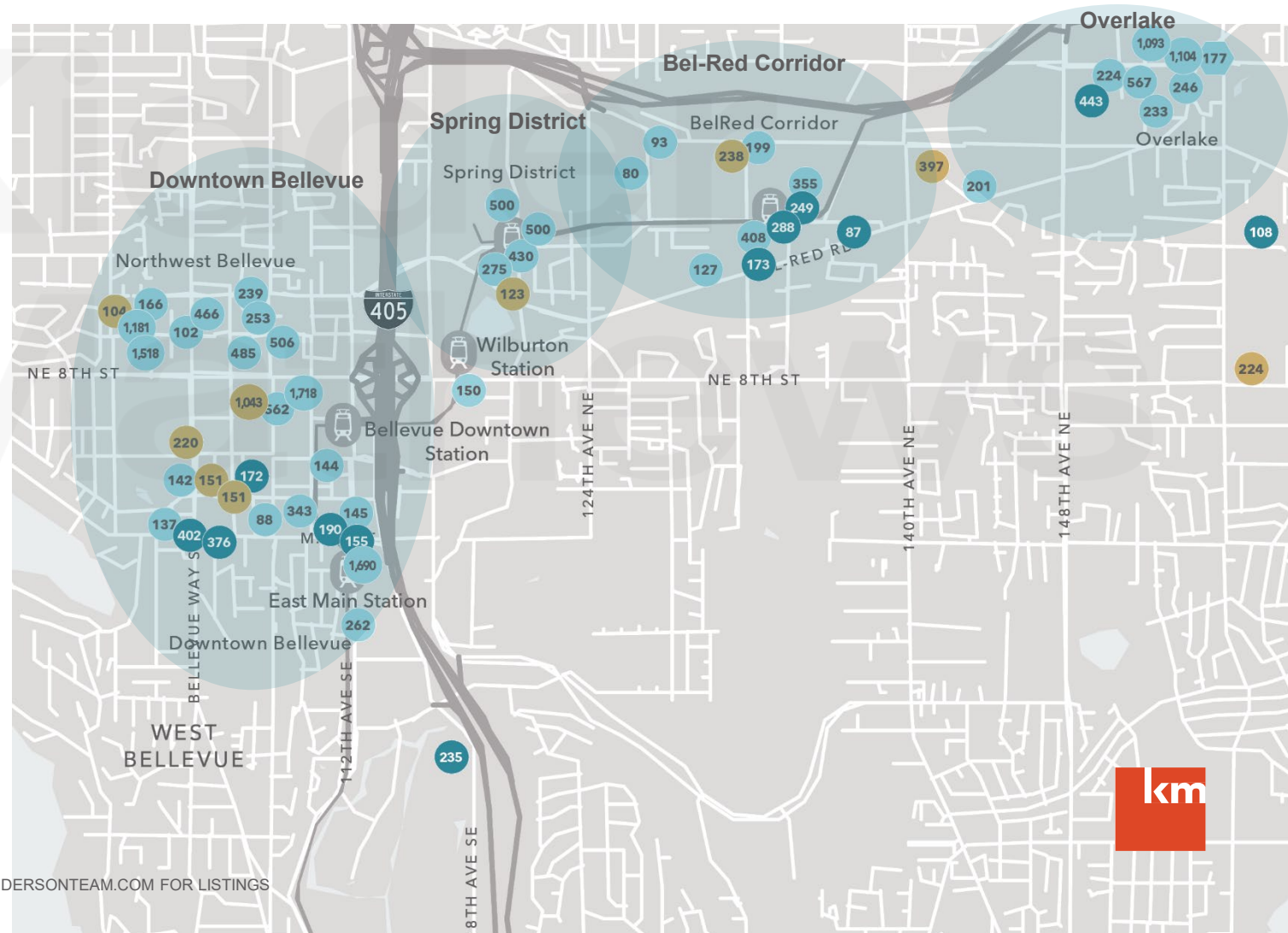
| Construction | Approved | In Review | Total Pipeline    |
|--------------|----------|-----------|-------------------|
| 2,435        | 2,651    | 16,071    | 21,157            |
| 15%          | 16%      | 96%       | 126% of inventory |

### Microhousing Pipeline

0  
0% of inventory

- APARTMENT
- ◆ MICROHOUSING\*
- MIXED\*

Source: Kidder Mathews research, multiple data providers



# DEVELOPMENT PIPELINE | KEY TAKEAWAYS



## NO NEW CRANES

1 in 10 (or less)  
New construction  
projects starting



## CONCENTRATION CHALLENGES

Concentration of  
deliveries still  
impacting vacancy  
rates



## CONSTRUCTION COSTS

It's getting cheaper  
(slightly) to build



## NEW PROJECTS?

Developers are tying  
up new development  
sites

## 2024 DEVELOPMENT STUDY

(published July 2024)

[SimonAndersonTeam.com/Research](https://SimonAndersonTeam.com/Research)

The logo for Kidder Mathews, consisting of the lowercase letters 'km' in white on a red square background.

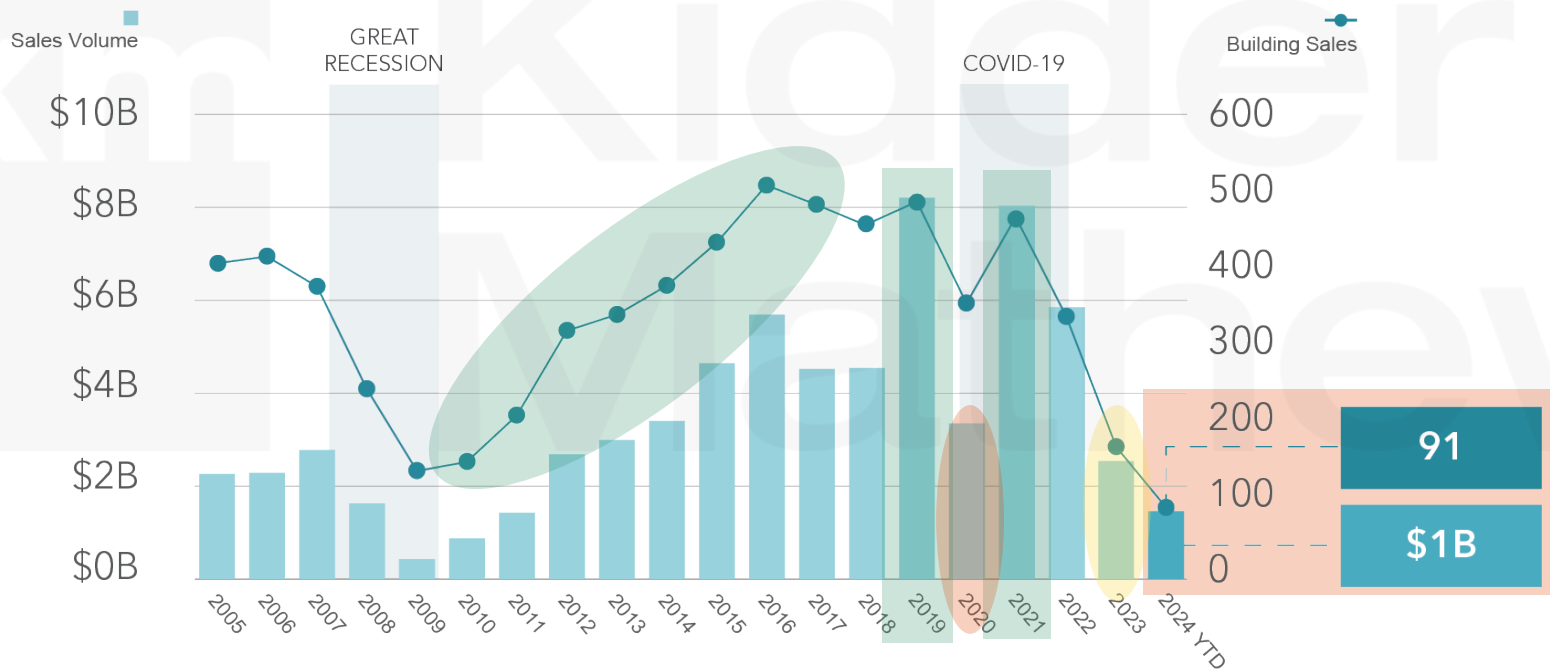


03

SALES  
TRENDS

# REGIONAL SALES TRENDS

## HISTORICAL SALES VOLUME

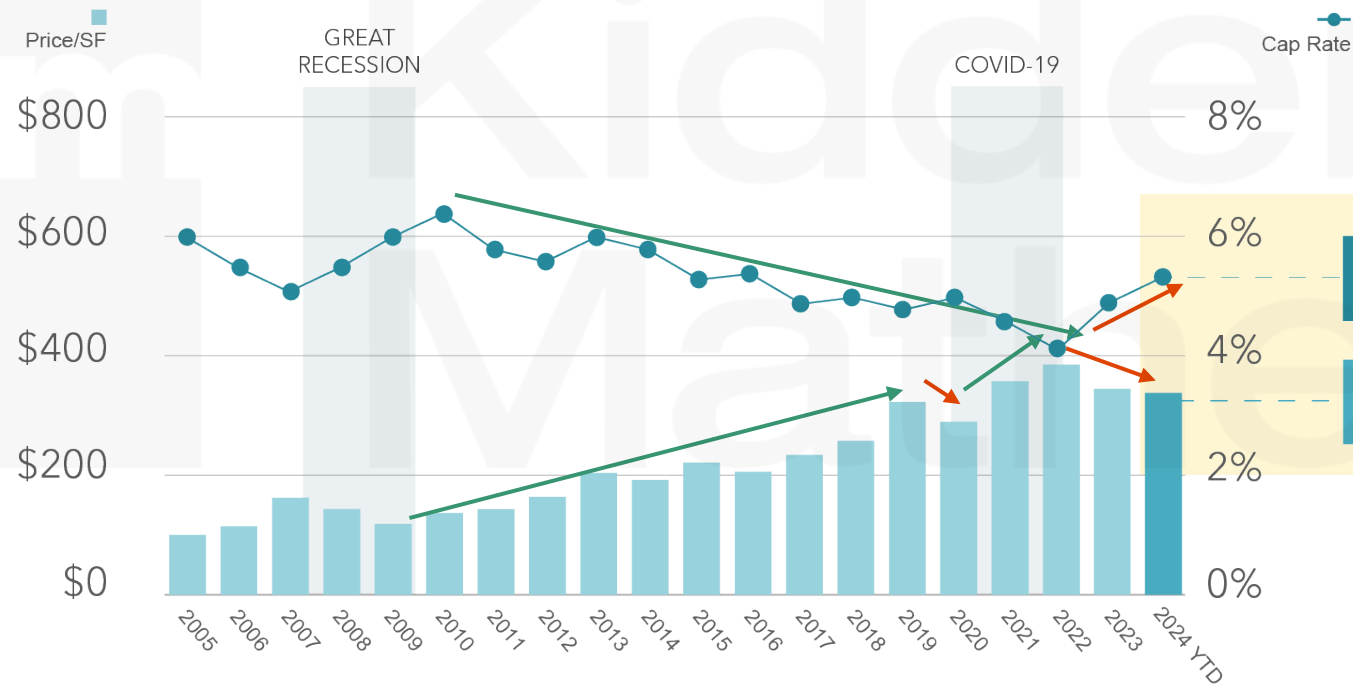


Source: Simon Anderson Multifamily Team, Kidder Mathews



# REGIONAL SALES TRENDS

## HISTORICAL SALES VALUES



Source: Simon Anderson Multifamily Team, Kidder Mathews



# CAPITALIZATION RATES

## STABILIZED INVESTMENTS

*Core, Newer Construction:*

*4.75% to 5.0%* SEATTLE

*4.5% to 4.75%* EASTSIDE

*Suburban, Stabilized:*

*4.5% to 5.0%* EAST

*5.25% to 5.5%* NORTH

*5.5% to 5.75%* SOUTH

Source: CoStar

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# CAPITALIZATION RATES

## VALUE-ADD INVESTMENTS

*1990 & Newer*

*5.0% to 5.25%*

GOING IN

*5.75% to 6.0%*

STABILIZED

*1980s & Older*

*5.5% to 6.25%*

GOING IN

*6.5% to 7.0%*

STABILIZED

Source: CoStar

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km

# SALES TRENDS | KEY TAKEAWAYS



## SALES MARKET SLOW

Sales volume still  
down 50% to 75%



## VALUATIONS FELL ...

We're off the bottom



## OPTIMISM RETURNS!

Investors are back!



## RACE TO NEXT PRICE PEAK

Pricing escalating with  
every sale

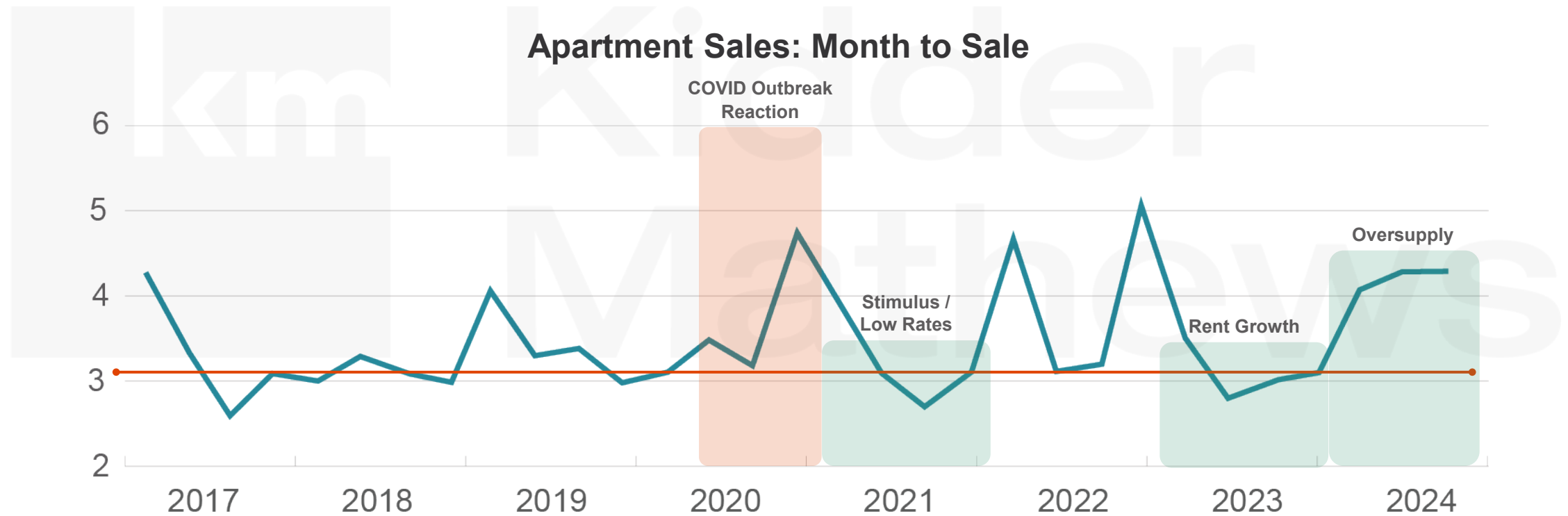
04

# Investing Roundtable

WITH DYLAN SIMON  
& JERRID ANDERSON

# INVESTMENT MARKET ROUNDTABLE

## LISTINGS: MONTHS ON MARKET



Source: Costar



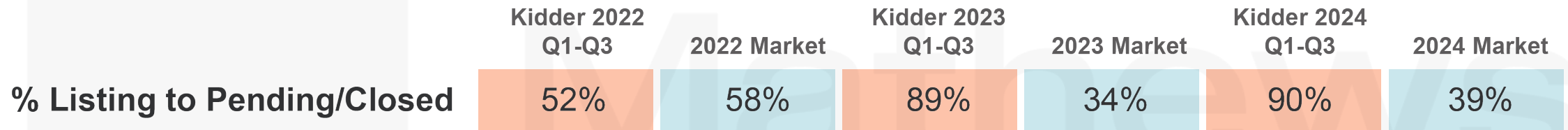


# INVESTMENT MARKET ROUNDTABLE

## KIDDER: YTD SALE DATA

### Simon | Anderson Multifamily Team Marketing Analytics

*Year over Year Listing Success*



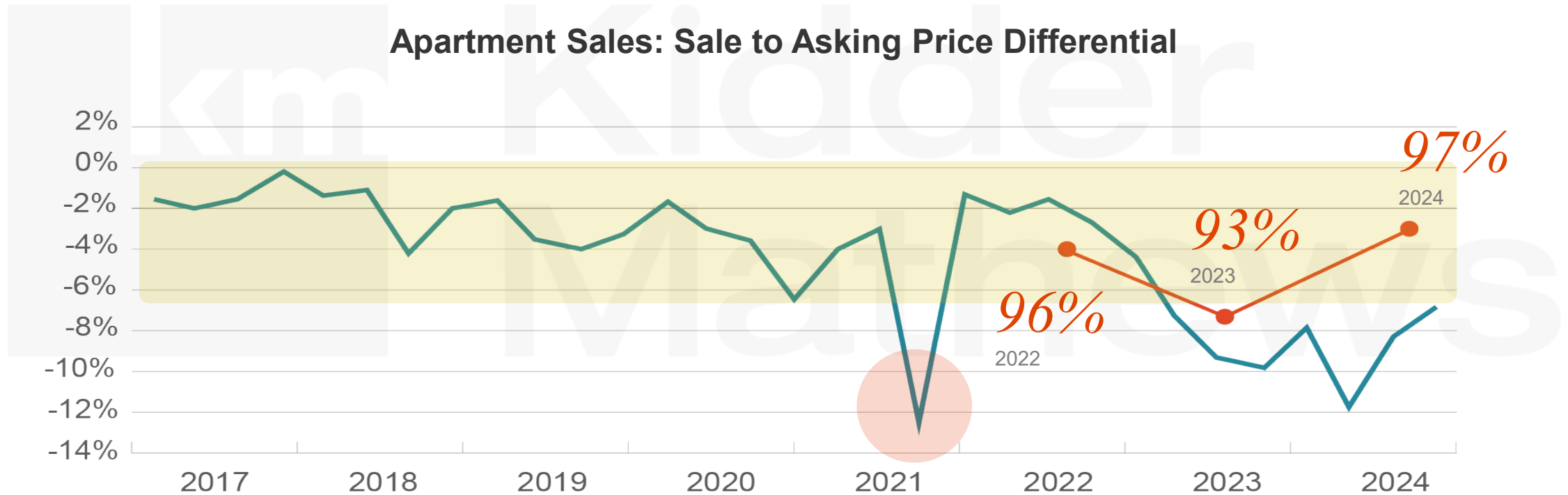
Source: Simon | Anderson Multifamily Team Data

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# INVESTMENT MARKET ROUNDTABLE

## HOW ARE THE DEALS GETTING PRICED?

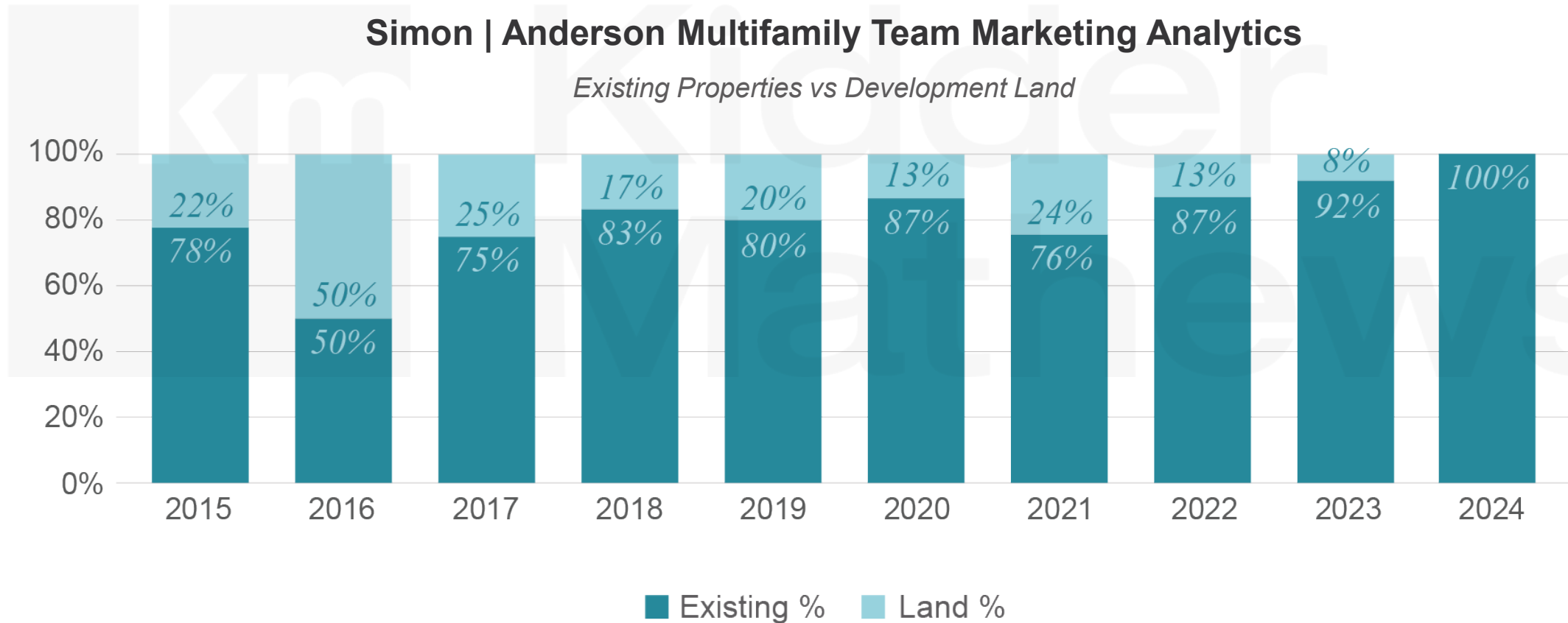


Source: Costar



# INVESTMENT MARKET ROUNDTABLE

## KIDDER: LAND VS APT SALES



# INVESTMENT MARKET ROUNDTABLE

## KIDDER: YTD LISTING DATA

### Simon | Anderson Multifamily Team Marketing Analytics

#### Year over Year Listing Data

|                                   | 2022 Q1-Q3      | 2023 Q1-Q3     | 2024 Q1-Q3     |
|-----------------------------------|-----------------|----------------|----------------|
| <b>Number of Listings/Pending</b> | 9               | 9              | 22             |
| <b>Closed</b>                     | 45              | 25             | 19             |
| <b>Average Deal Size (YTD)</b>    | \$11,125,000    | \$6,850,000    | \$8,460,000    |
| <b>Number of Sales +15M</b>       | 11, avg \$42.3M | 6, avg \$19.7M | 7, avg \$22.8M |

Source: Simon | Anderson Multifamily Team Data

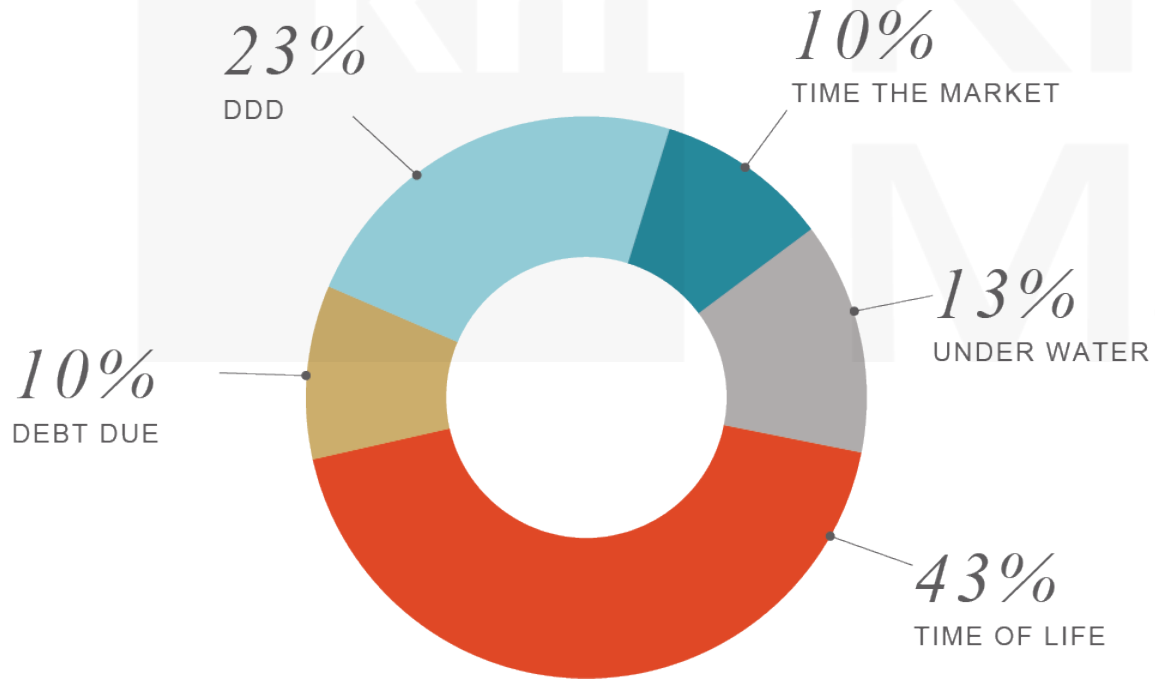
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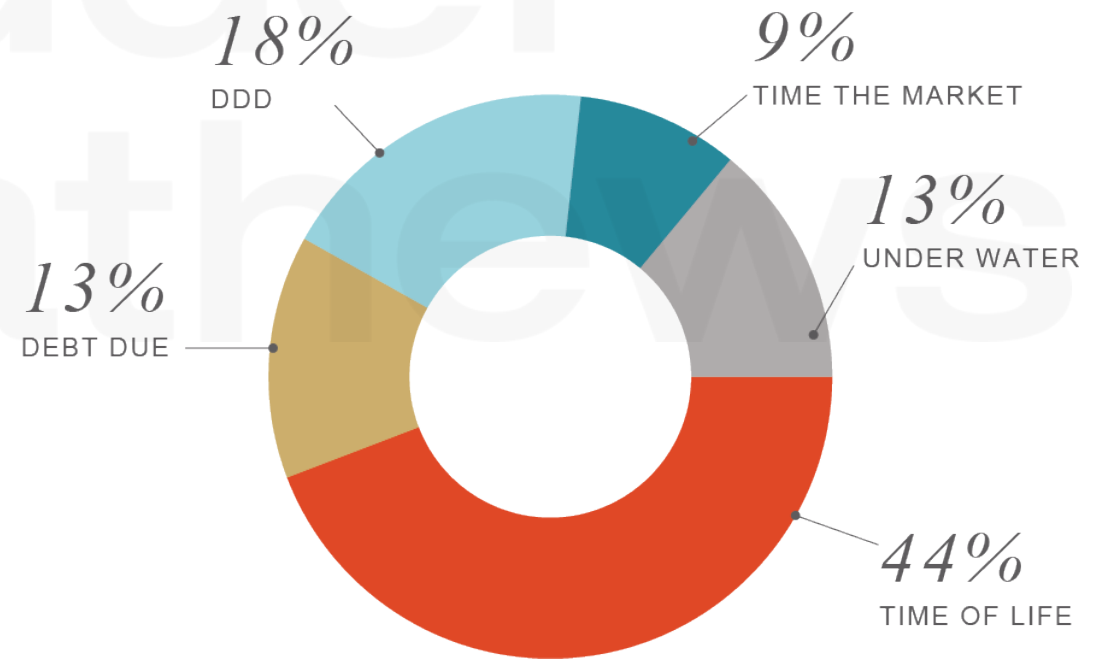
# INVESTMENT MARKET ROUNDTABLE

## KIDDER: SELLER MOTIVATION

2023

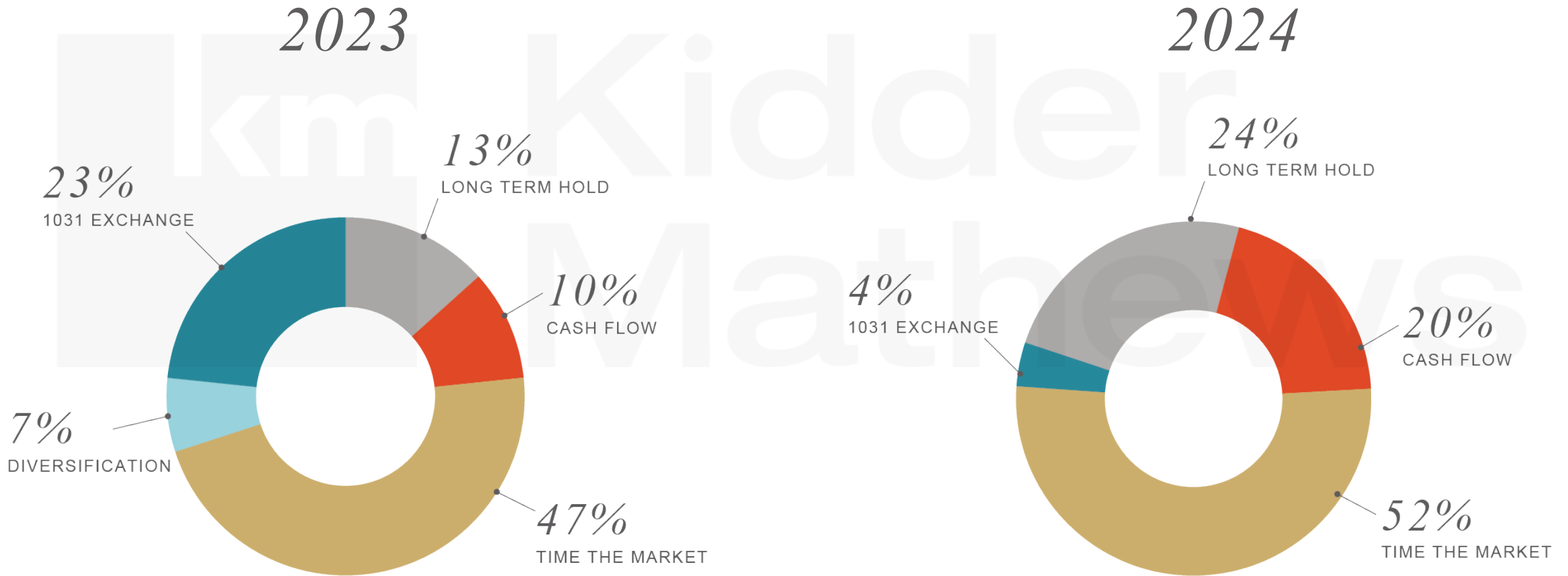


2024



# INVESTMENT MARKET ROUNDTABLE

## KIDDER: BUYER MOTIVATION



# INVESTMENT MARKET ROUNDTABLE

## KEYS TO SELLING / BUYING IN TODAY'S MARKET

### Sellers

- **Price according to market demand:** (new core = aggressive, 1960's suburban = price right)
- **Quality is in high demand:** Location and building as important as cash flow
- **Keep up with market rents:**  
HB 2114 (Rent Control) back up for vote in 2025

### Buyers

- Underwrite and offer, again and again
- Skip “distressed” thesis, buy good basis
- Pay attention to markets that were undersupplied (Capitol Hill, West Seattle, U-District)

# THANK YOU!

## SIMON | ANDERSON MULTIFAMILY INVESTMENT TEAM



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Jerrid Anderson  
Executive Vice President



Matt Laird  
First Vice President



Max Frame  
Vice President



JD Fuller  
Associate



Jack Shephard  
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Ryder Tuttle  
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Mattie Tonseth  
Marketing Coordinator



Ashley Woodliff  
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Cassie Pieters  
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