Q1 2026

Presented by

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MULTIFAMILY
INVESTOR FORUM & LUNCHEON

March 10, 2026

Kidder Mathews

The Big Picture

What's On Your Mind

Operating Cost Inflation

Rent Control & Regulatory Risk

Insurance Costs

Homelessness & Quality of Life

Population & Demand Shifts

Capital Markets & Valuation Pressure

Supply Waves

Audience Poll #1

Local Market Concerns

Capital Markets / Interest Rates

Tech Layoffs / Hiring

Seattle Political Landscape

Regulatory Risks

Audience Poll #2

Investment & Personal Considerations

Shifting Capital/Investment

Changing Domicile

PRESENTATION AGENDA

Regional Overview *01*

Market Comparison *02*

Themes in the Market *03*

Predictions *04*

RESEARCH REPORTS: SIMONANDERSONTEAM.COM/RESEARCH

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01

REGIONAL OVERVIEW

The Story Arc (2022 – Present)

Early 2023
- Interest Rate Shock
- Bid-Ask Spread

Late 2024
- Peak Deliveries
- Demand Imbalance

Late 2025
- Sales Volume Normalization
- Peak Vacancy

Early 2026 (forecast)
- Pricing Clarity
- Demand Normalization

PUGET SOUND :: Market at a Glance

$2,032
Avg Rent (Q4 2025)

7.4%
Vacancy (Q4 2025)

$6.0B
2025 Sales Volume

300
2025 Building Sales

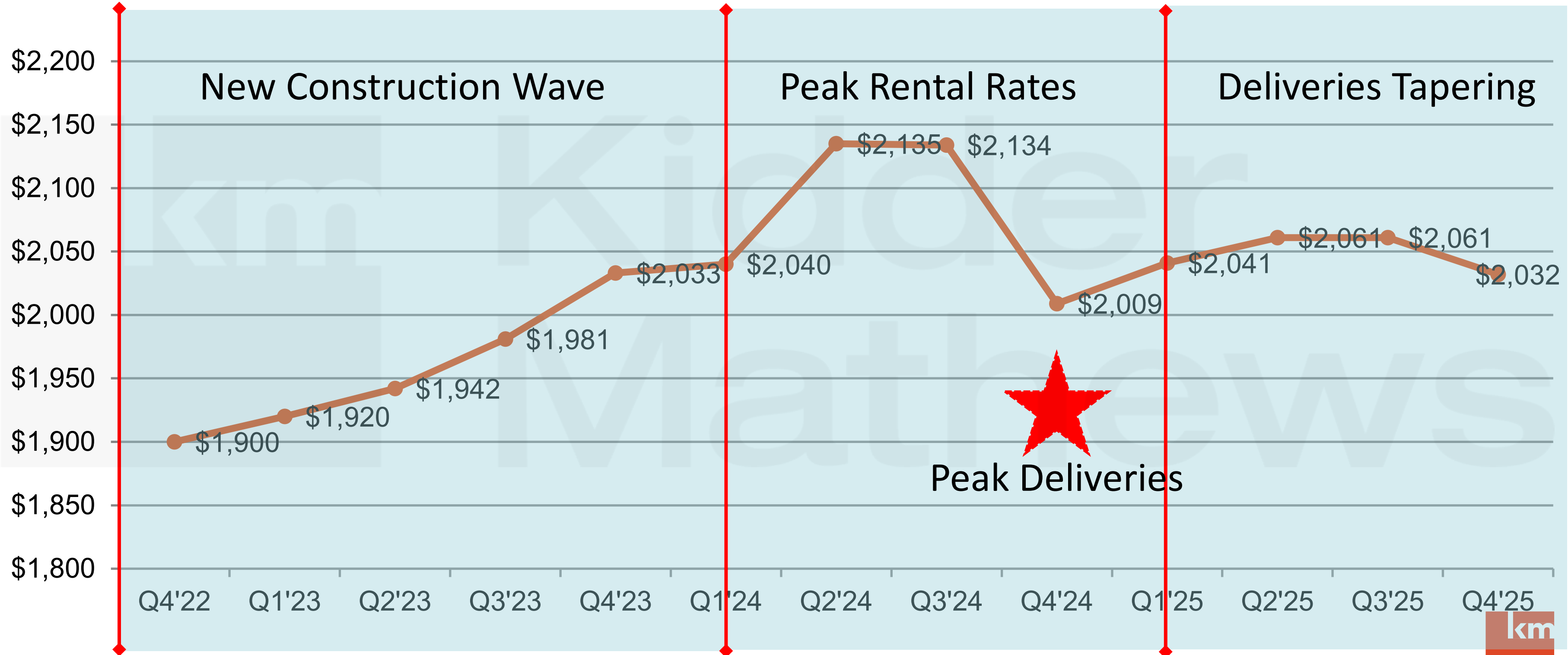
5.4%
2025 Cap Rate

380K+
Total Inventory

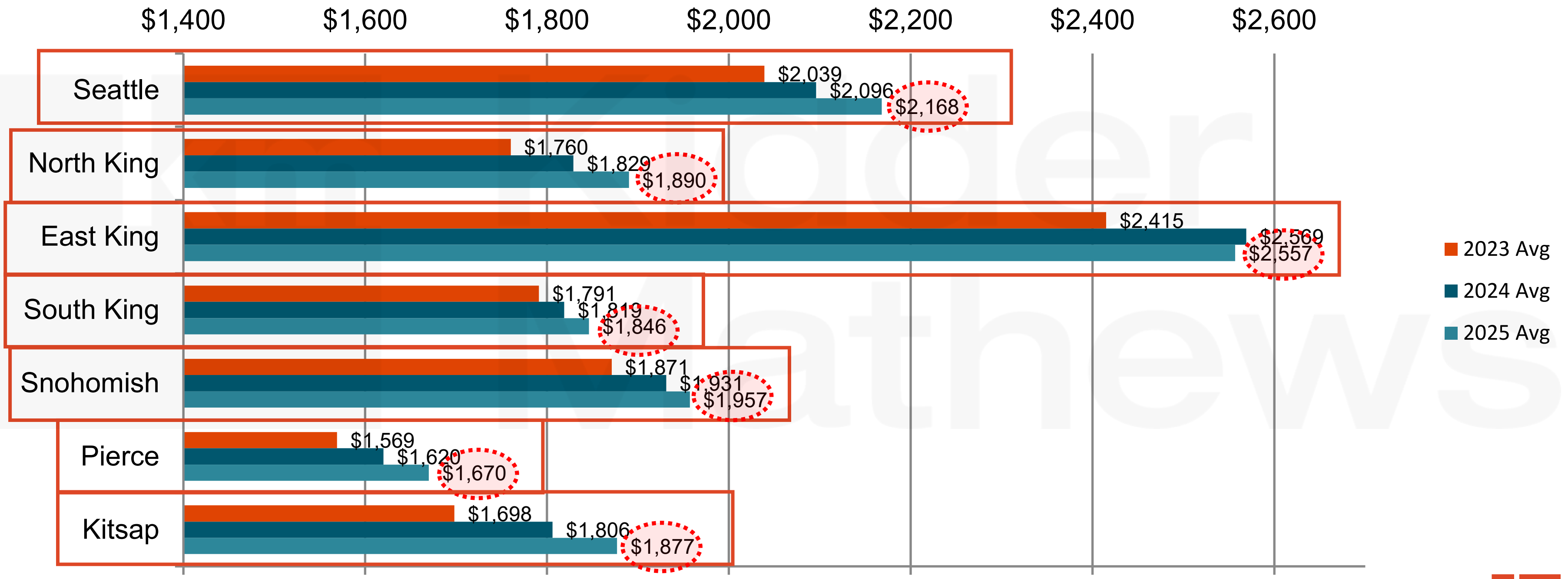
PUGET SOUND :: Three-Year Scorecard

Metric	2023	2024	2025	Trend
Avg Rent	$1,981	$2,080	$2,051	Stable
Vacancy	6.8%	6.9%	7.4%	Elevated
Sales Volume	$2.5B	$3.7B	$6.0B	Strong
Transactions	169	210	300	Strong
Price/Unit	$275K	$255K	$260K	Stable
Price/SF	$350	$326	$339	Stable
Cap Rate	4.9%	5.3%	5.4%	Elevated

PUGET SOUND :: Regional Rent Trend



PUGET SOUND :: Submarket Rent Comparison



PUGET SOUND :: Rent Growth Analysis

Submarket	2023 Avg	2024 Avg	2025 Avg	Total Growth
Seattle	$2,039	$2,096	$2,168	6.3%
North King	$1,760	$1,829	$1,890	7.4%
East King	$2,415	$2,569	$2,557	5.9%
South King	$1,791	$1,819	$1,846	3.1%
Snohomish	$1,871	$1,931	$1,957	4.6%
Pierce	$1,569	$1,620	$1,670	6.4%
Kitsap	$1,698	$1,806	$1,877	10.5%
REGIONAL	$1,969	$2,080	$2,049	4.1%

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Rent Affordability Spectrum (Q4 2025)

Pierce	South King	North King	Snohomish	Seattle	East King
$1,672	$1,832	$1,878	$1,938	$2,145	$2,521

VALUE

PREMIUM

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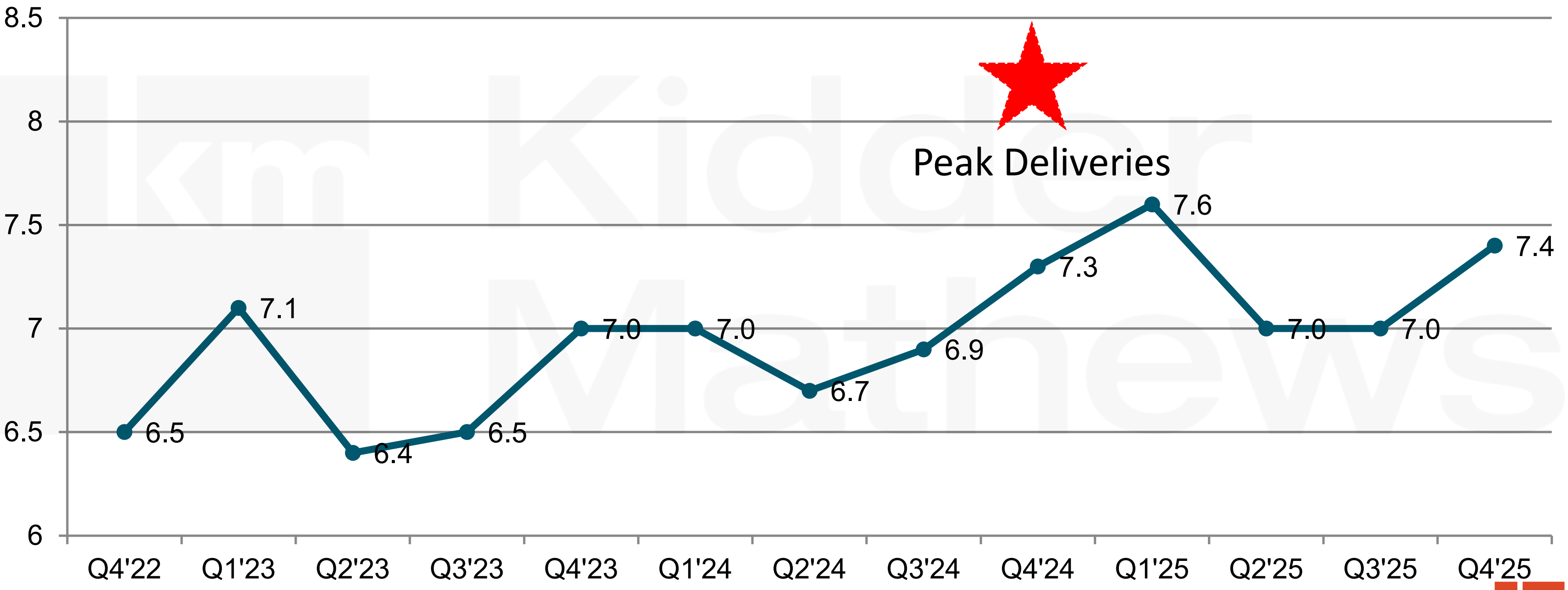
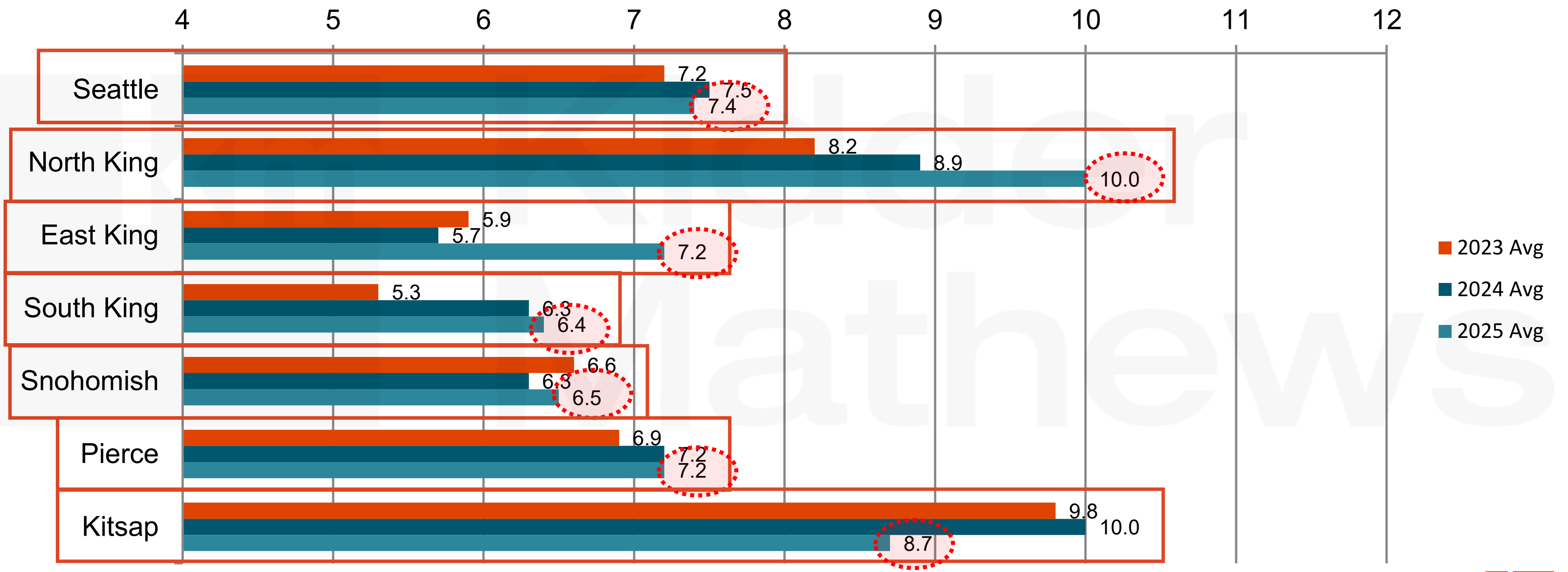
PUGET SOUND :: Regional Vacancy Trend



PUGET SOUND :: Submarket Vacancy



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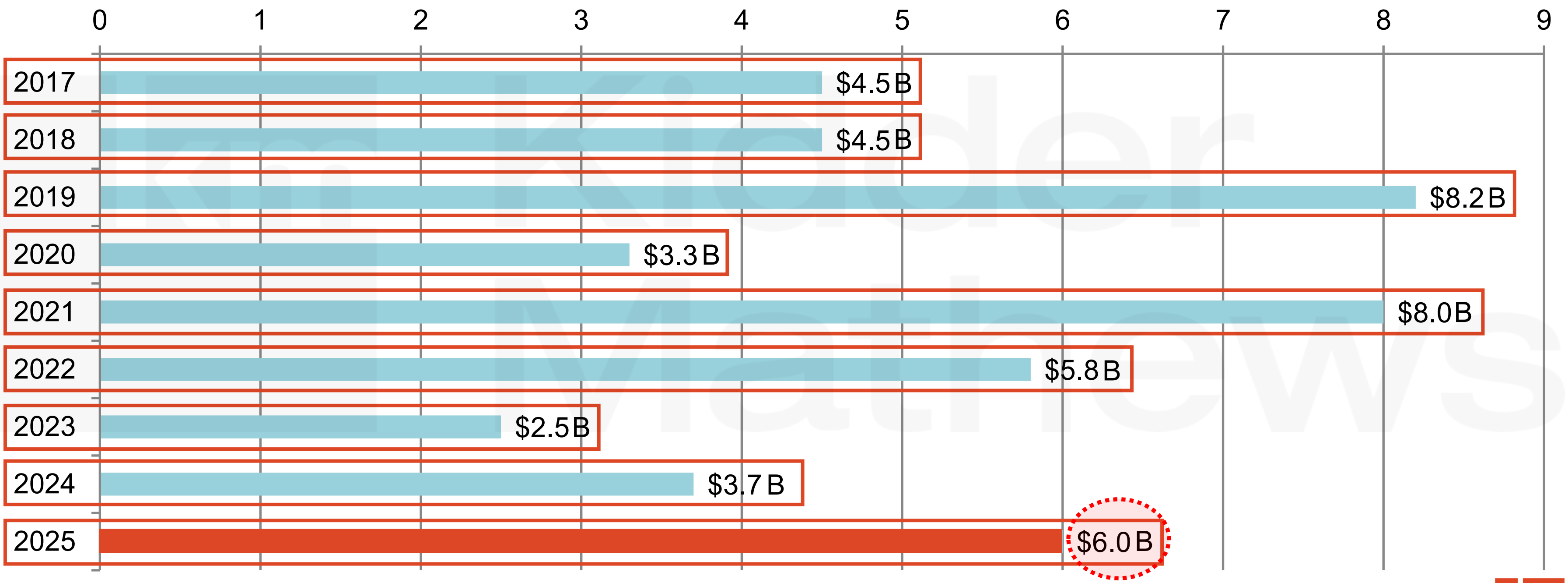
PUGET SOUND :: Annual Sales Volume



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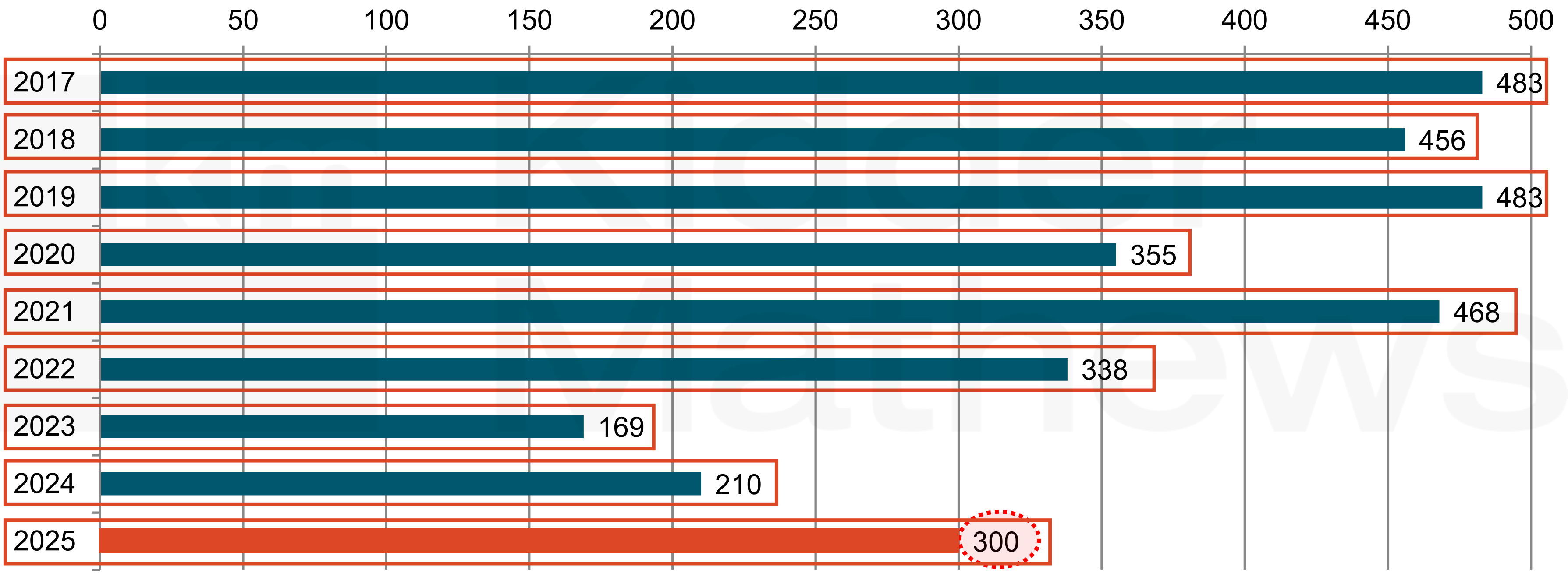
PUGET SOUND :: Transaction Count (Building Sales)



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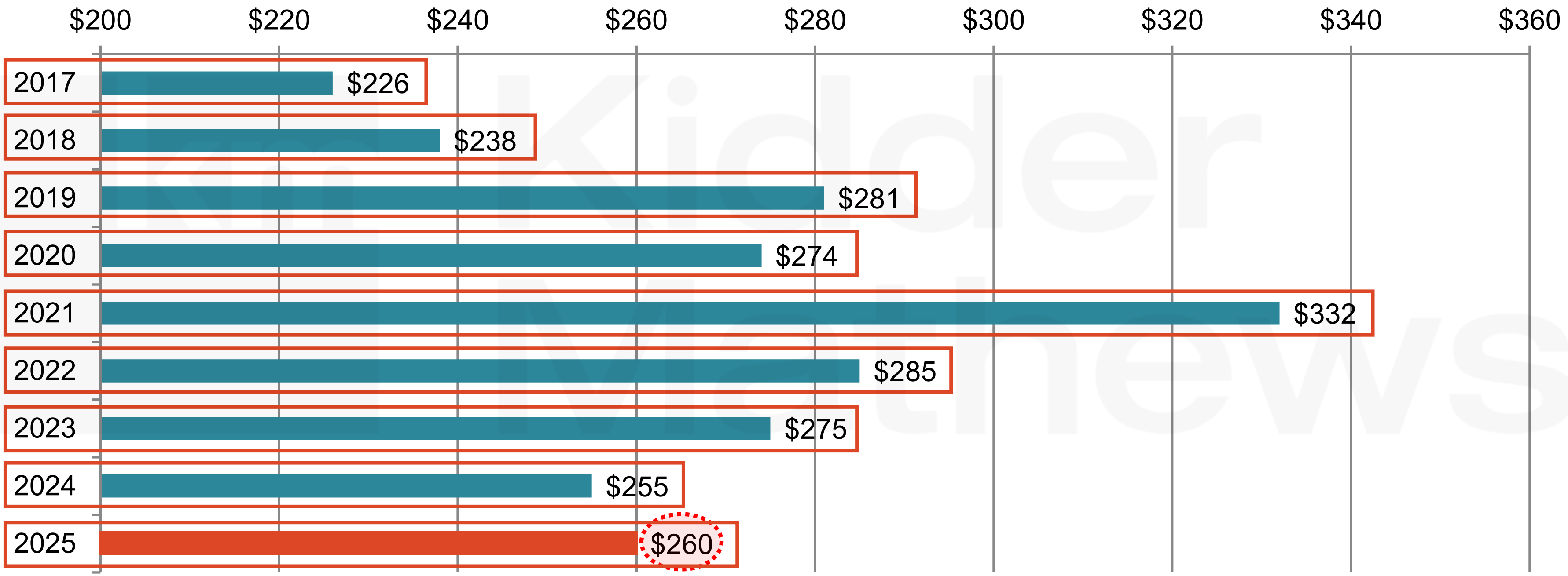
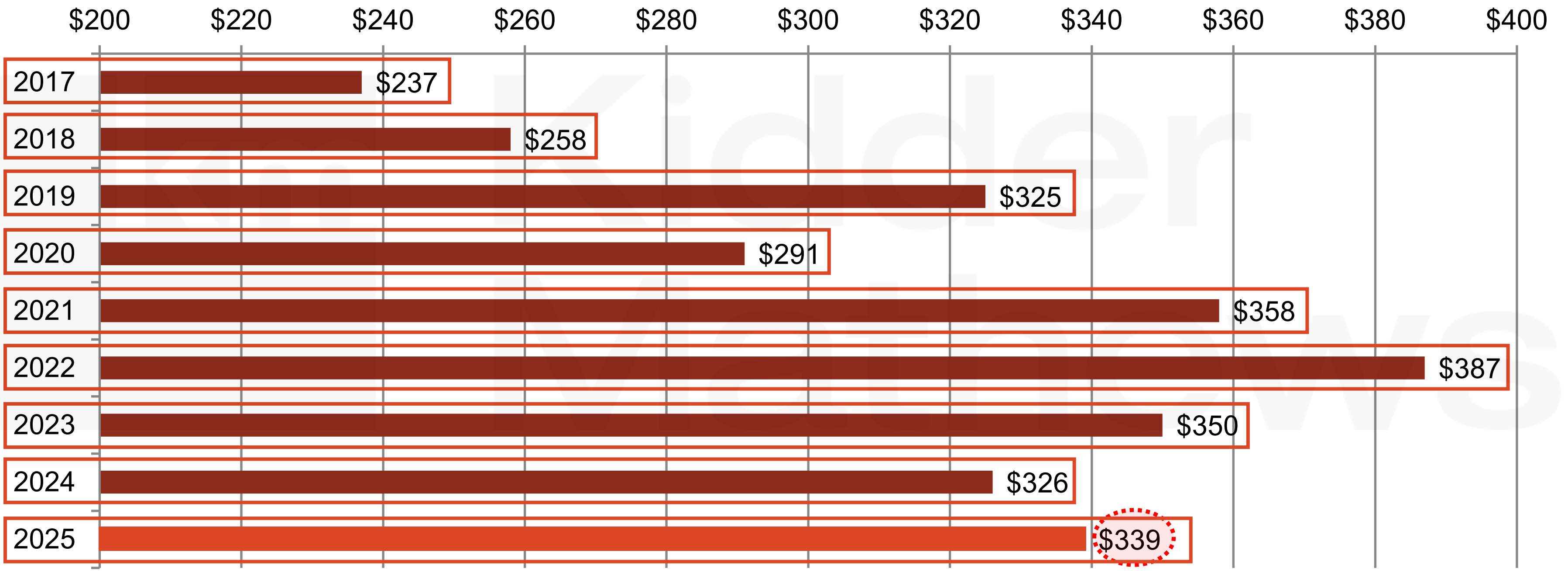
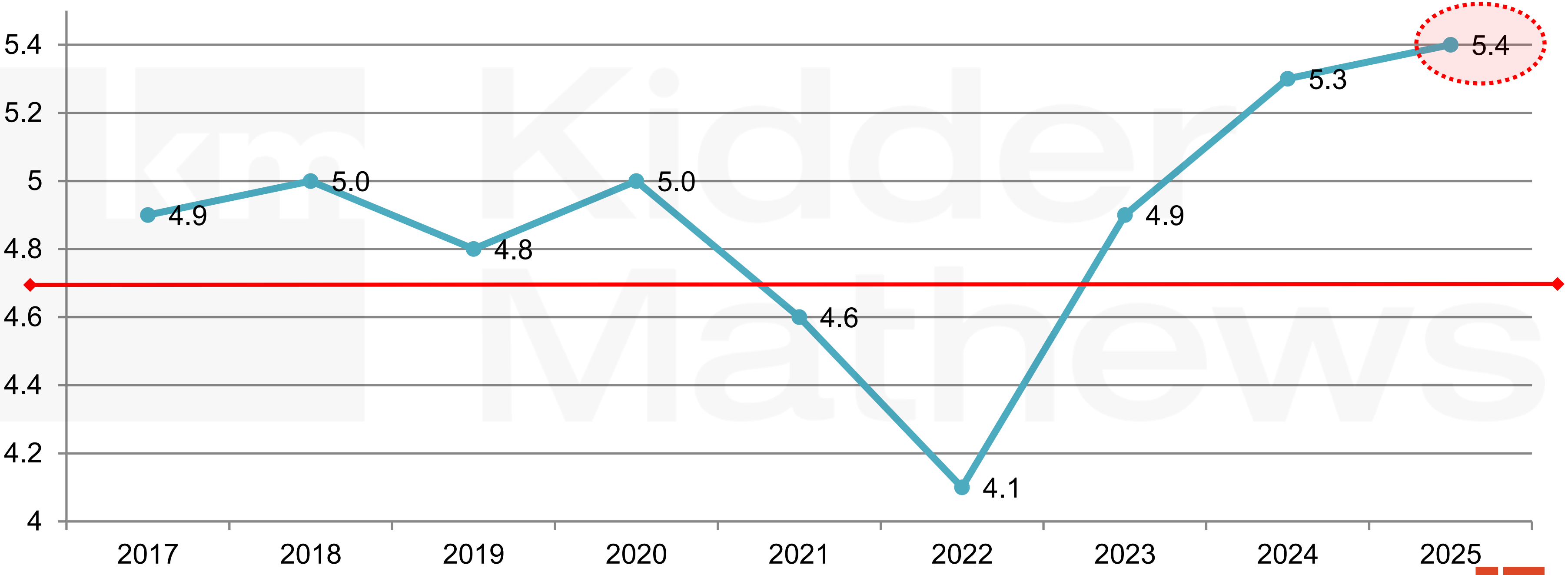
PUGET SOUND :: Price Per Unit Trend



PUGET SOUND :: Price Per SF Trend



PUGET SOUND :: Capitalization Rate Trend



02

MARKET COMPARISON

Seattle: Investment Profile

$2,168
Current Rent

7.2%
Vacancy

6.3%
3-Yr Growth

$3.26
Rent/SF

INVESTMENT STRATEGY:

- Core/core-plus for stable income with rent upside
- Strong reversionary value story
- Focus is on newer, well-located assets

RISK PROFILE: MODERATE | RETURN POTENTIAL: GOOD

North King: Investment Profile

$1,890
Current Rent

10.3%
Vacancy

7.4%
3-Yr Growth

$2.50
Rent/SF

INVESTMENT STRATEGY:

- Underwriting considers extended stabilization timelines
- New constructing continuing to absorb resident demand
- Value-add will follow new supply absorption

RISK PROFILE: MODERATE (HIGH NEAR-TERM) | RETURN POTENTIAL: ABOVE-AVERAGE

East King: Investment Profile

$2,557
Current Rent

7.2%
Vacancy

5.9%
3-Yr Growth

$2.86
Rent/SF

INVESTMENT STRATEGY:

- Premium positioning for institutional capital
- Interim rent plateau due to supply surge
- Flight to quality, low durational risk

RISK PROFILE: LOW-MODERATE | RETURN POTENTIAL: AVERAGE

South King: Investment Profile

$1,846
Current Rent

6.8%
Vacancy

3.1%
3-Yr Growth

$2.17
Rent/SF

INVESTMENT STRATEGY:

- Defensive/income-oriented
- Muted near-term growth until urban supply absorbed
- Well-positioned for future growth

RISK PROFILE: LOW-MODERATE | RETURN POTENTIAL: NEAR TERM BELOW-AVERAGE

Snohomish: Investment Profile

$1,957
Current Rent

6.8%
Vacancy

4.6%
3-Yr Growth

$2.24
Rent/SF

INVESTMENT STRATEGY:

- Suburban amenities and strong resident demand due to affordability
- Growth play positioned for long-term appreciation
- New supply deliveries impacting South Snohomish

RISK PROFILE: LOW-MODERATE | RETURN POTENTIAL: AVERAGE

Pierce: Investment Profile

$1,670	7.4%	6.4%	$2.01
Current Rent	Vacancy	3-Yr Growth	Rent/SF

INVESTMENT STRATEGY:

- Yield-driven value play
- Cheapest value entry-point in Puget Sound
- Focus on operational excellence and positioning for appreciation

RISK PROFILE: MODERATE | RETURN POTENTIAL: ABOVE-AVERAGE

Kitsap: Investment Profile

$1,877
Current Rent

8.2%
Vacancy

10.5%
3-Yr Growth

$2.19
Rent/SF

INVESTMENT STRATEGY:

- Opportunistic investing, deep local market knowledge essential.
- Impacts of hyper-supply waning (only 15k units, 4% of regional stock)
- Positioned for long-term growth

RISK PROFILE: MODERATE-HIGH | RETURN POTENTIAL: ABOVE-AVERAGE

03

THEMES IN THE MARKET

The Rent-Vacancy Paradox

+7%
Rent Growth

+90 bps
Vacancy Rise

- Rents grew from $1,900 to $2,032 while vacancy expanded from 6.5% to 7.4%.
- Persistence growth reveals structural housing undersupply.
- **Implication**: Underwriting to lower rent assumptions during vacancy spikes may be overly conservative.

KEY TAKEAWAY: Supply constraints are the dominant pricing force. Vacancy expansion is noise, not signal.

Cap Rate Arbitrage Opportunity

HISTORICAL LOW (2022): 4.1% | **CURRENT LEVEL (Q4 2025): 5.4%**

130 BASIS POINT SPREAD = 32% YIELD IMPROVEMENT

1. Investors entering at 5.4% versus historic sub-5% average
2. 2026 purchases benefit from normalized cap rate environment
3. Valuation reset completed; risk-reward balance restored

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The $6 Billion Signal: Institutional Capital Returns

$14.8M
Avg Transaction 2023

$17.6M
Avg Transaction 2024

$20.0M
Avg Transaction 2025

1. Steadily rising average transaction size = institutional buyers returning
2. Larger transaction size mean more sophisticated underwriting has been satisfied
3. Growing transaction volume + growing transaction size = market normalization complete

04

PREDICTIONS

Regional Rent Forecast: 2026-2027

$2,050 - $2,100
Predicted Q4 2026 Rent

$2,150 - $2,200
Predicted Q4 2027 Rent

1. Seasonal Q4 dip will recover Q1-Q2 2026
2. Delivery pipeline moderating reduces concession pressure
3. Supply cliff of 2027-2028 creates rental rate growth upside

RISKS & UPSIDE

Risk: Tech layoffs could keep rents flat

Upside: SF/Bay Area tech growth could translate to PNW growth

Vacancy Forecast: The Tightening Ahead

7.4%
Current (Q4 2025)

6.8% - 7.0%
Predicted Q4 2026

6.2% - 6.5%
Predicted Q4 2027

- Construction starts have begun their tapering
- Pipeline will thin through 2026
- By 2027, we expect tightest conditions since 2019

The Supply Cliff: 2027-2028

10,671
Current Annual Deliveries

<7,000
Predicted 2027

<5,000
Predicted 2028

- Construction starts are 24 to 30 month leading indicator
- Rate shock of 2022 killed new starts
- Pipeline for 2027-2028 is materially thinner
- **Result**: Supply vacuum creating tightest conditions since 2019

Six Factors to Watch in 2026

1

Fed Rate Decisions

50 bps cut possible

2

Tech Sector Employment

Weakness could suppress rents, yet hiring rebound will lead to immediate growth

3

Construction Permits

Track 2028-2030 delivery pipeline

4

North King Absorption

Growth outside of core denotes cycle inflection

5

Legislation & Taxation

WA State proposals could impact values

6

Competition & Concessions

NOI trends have greatest impact on value

THANK YOU! | SIMON | ANDERSON MULTIFAMILY TEAM


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