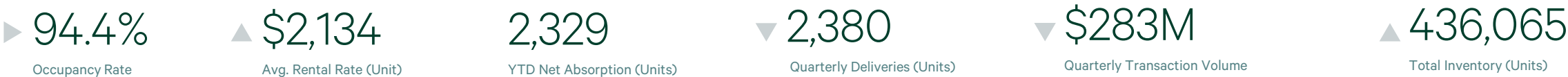


FIGURES | PUGET SOUND MULTIFAMILY | Q1 2024

Puget Sound Multifamily: Healthy Demand Amidst Softening Fundamentals

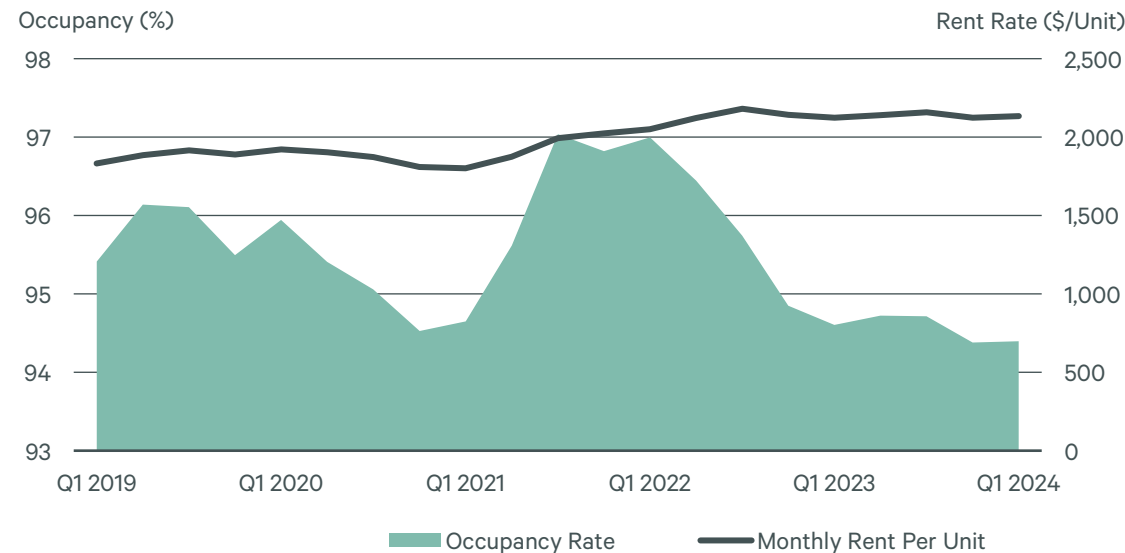


Note: Arrows indicate change from previous quarter unless otherwise indicated.

MARKET SUMMARY

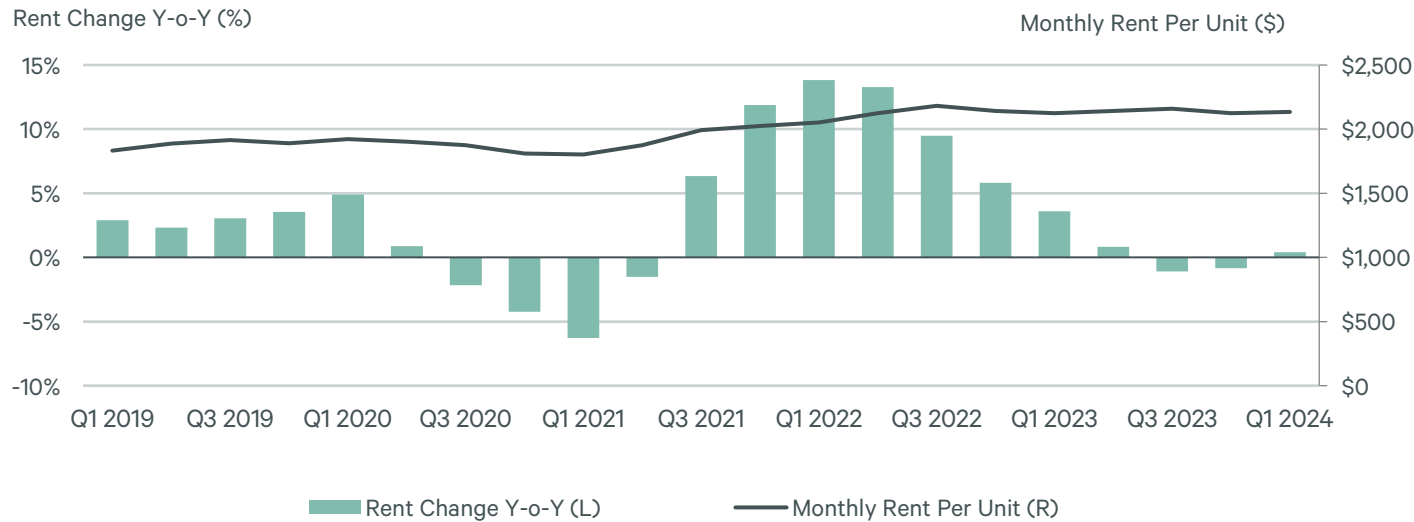
- This quarter, the Puget Sound region continued to experience positive demand, with a quarterly absorption of over 2,300 units. Unlike most of last year, new construction and absorption were relatively balanced. Developers added about 2,380 units in Q1 2024 (see Figure 5).
- Rent picked up slightly – about 0.9% over last quarter, at \$2,133 per unit per month. Year-over-year rent growth has also resumed (see Figure 1).
- Market-wide occupancy stayed unchanged at 94.4% (see Figure 1). Luxury Class A properties were the only product classification to show a vacancy rate below the long-term average.
- Puget Sound multifamily capital markets experienced the lowest start in recent history, with a total investment volume of \$259 million, marking a 56% year-over-year decline. The trailing four quarter average price per unit was \$313,659, a 3% decrease from the previous trailing quarter (see Figure 10).

FIGURE 1: Occupancy and Average Asking Rental Rate



Source: CBRE Research, CBRE Econometric Advisors, Q1 2024

FIGURE 2: Rent Change Year over Year

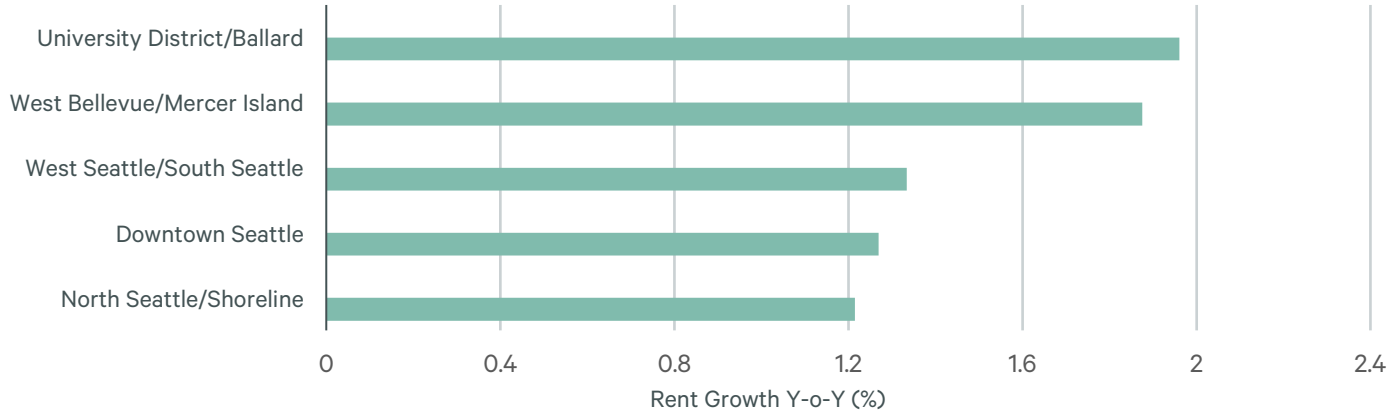


Source: CBRE Research, CBRE Econometric Advisors, Q1 2024.

Market Fundamentals

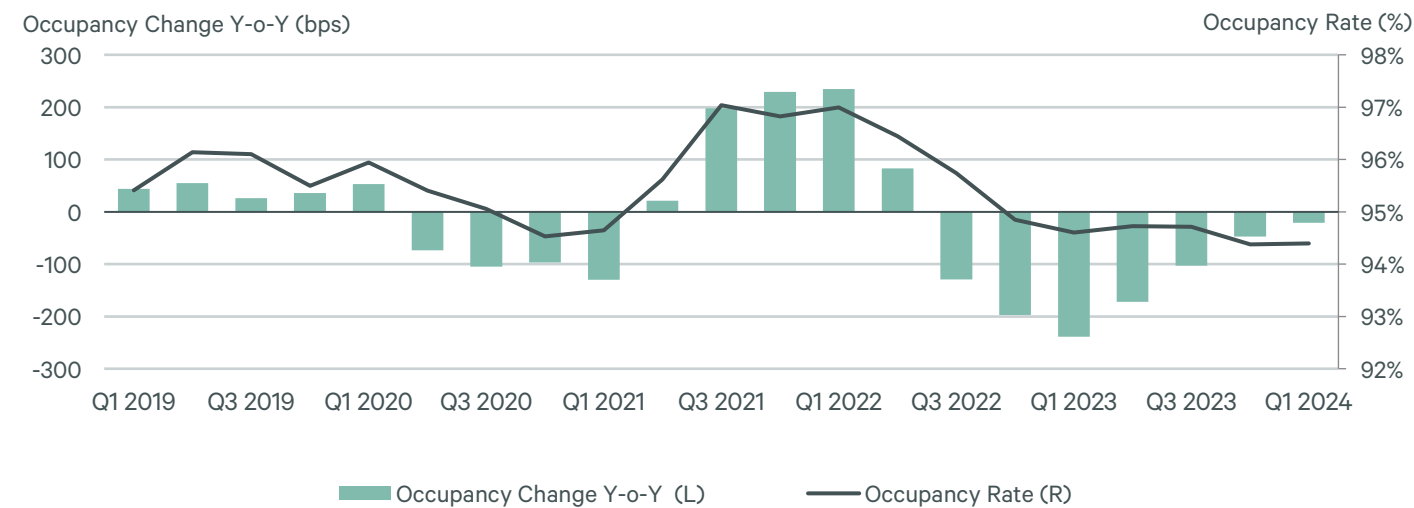
- Rent growth in the region resumed positive momentum, increasing by 0.42% year-over-year, but falling below the long-term rent growth trend of 4.3%. The average monthly rent stood at \$2,133 in Q1 2024.
- Among nineteen submarkets in the Puget Sound region, more than half have shown positive year-over-year rent growth. This was led by University District/ Ballard and West Bellevue/Mercer Island, with suburban areas gaining popularity due to accessibility.

FIGURE 3: Top 5 Submarkets by Rent Growth



Source: CBRE Research, CBRE Econometric Advisors, Q1 2024.

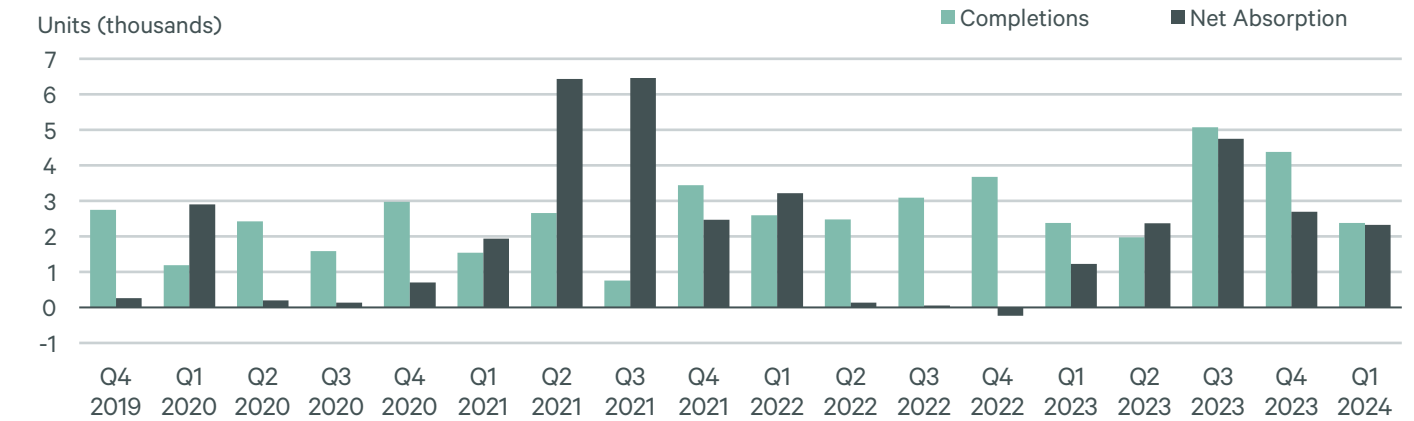
FIGURE 4: Occupancy Rate Change Year over Year



- The Puget Sound multifamily vacancy rate remained unchanged at 5.6% in the first quarter, just above the pre-pandemic 10-year average of 5.0%, despite a surge in new supply.

Source: CBRE Research, CBRE Econometric Advisors, Q1 2024.

FIGURE 5: Completions and Absorption

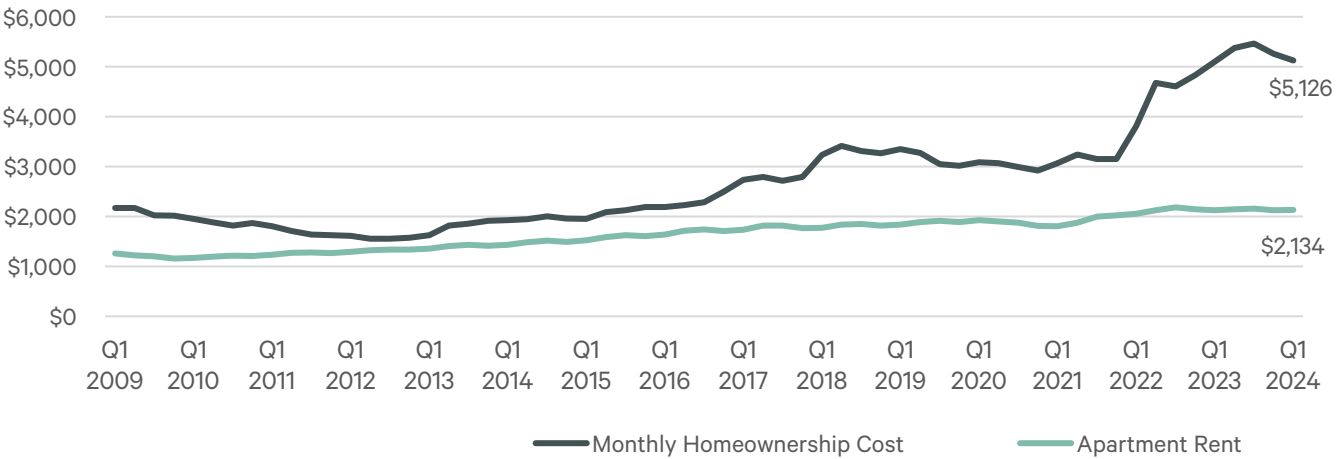


- Renter demand maintained its rebound from the prior year with a total of 2,329 units absorbed in Q1, keeping close with the new supply of 2,380 units. The pace of construction activities is slowing, but the number of units delivered was 33% higher than the 2010s average.

*Net Absorption: The change in occupied units from one period to the next, recognized at the tenant move-in date.

Source: CBRE Research, CBRE Econometric Advisors, Q1 2024.

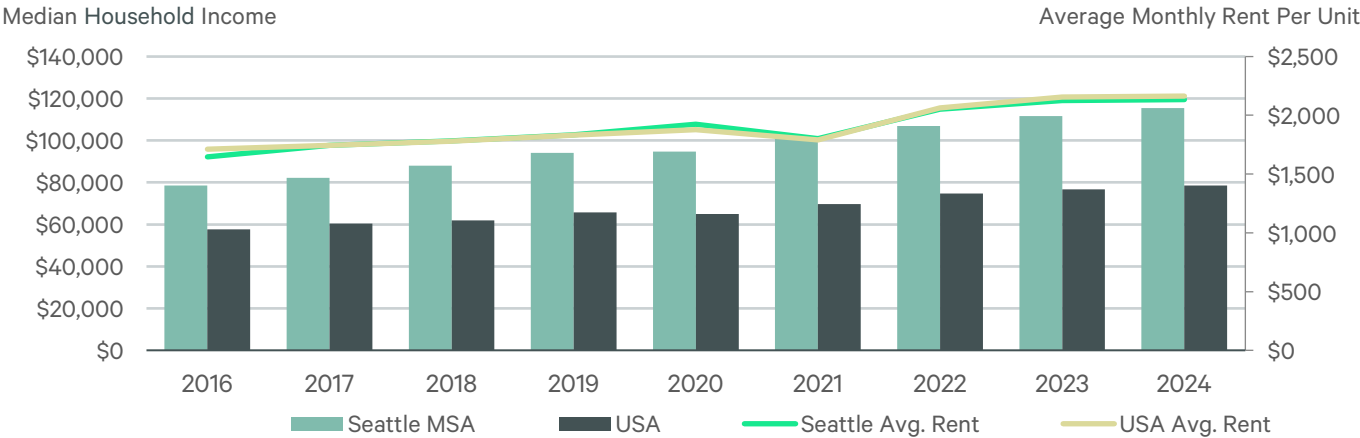
FIGURE 6: Monthly Rental Payment and Monthly Homeownership Cost



- Homeownership costs in the Seattle metro area remain over two times higher than renting, despite a drop in median home listing prices due to peaking interest rates.

*Monthly homeownership cost was derived from the median single-family home price, with a 10% down payment, and current 30-year fixed mortgage rate.
Source: CBRE Research, Q1 2024.

FIGURE 7: Median Household Income and National Comparison



- The Seattle metro area maintained a healthy rental affordability index, evidenced by a median household income of \$115,410, well above the national median income of \$78,470. Average monthly rents remained below the national average.

Source: CBRE Research, Oxford Economics, Q1 2024.

FIGURE 8: Annual Population Growth Among The 15 Most Populous MSAs in US



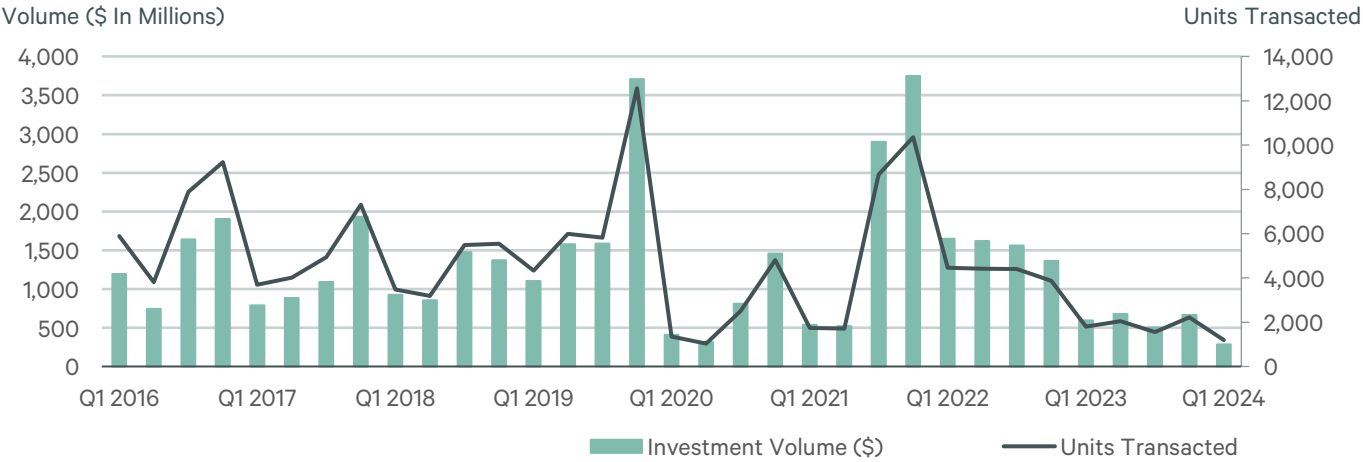
Source: CBRE Research, Oxford Economics, Q1 2024.

FIGURE 9: Notable Transactions

Property Name	City	Units	Year Built	Price	Sale Price (\$/Unit)	Sale Price(\$/SF)	Sale Date
Bothell Ridge	Bothell	214	1988	\$62M	\$289,720	\$370	Mar-24
Atrium on James	Kent	300	1989	\$60.5M	\$201,667	\$250	Jan-24
Koi Apartment	Seattle	166	2023	\$55.4M	\$333,735	\$458	Feb-24
The Duo Apartments	University Place	104	2023	\$30.5M	\$292,269	\$434	Feb-24

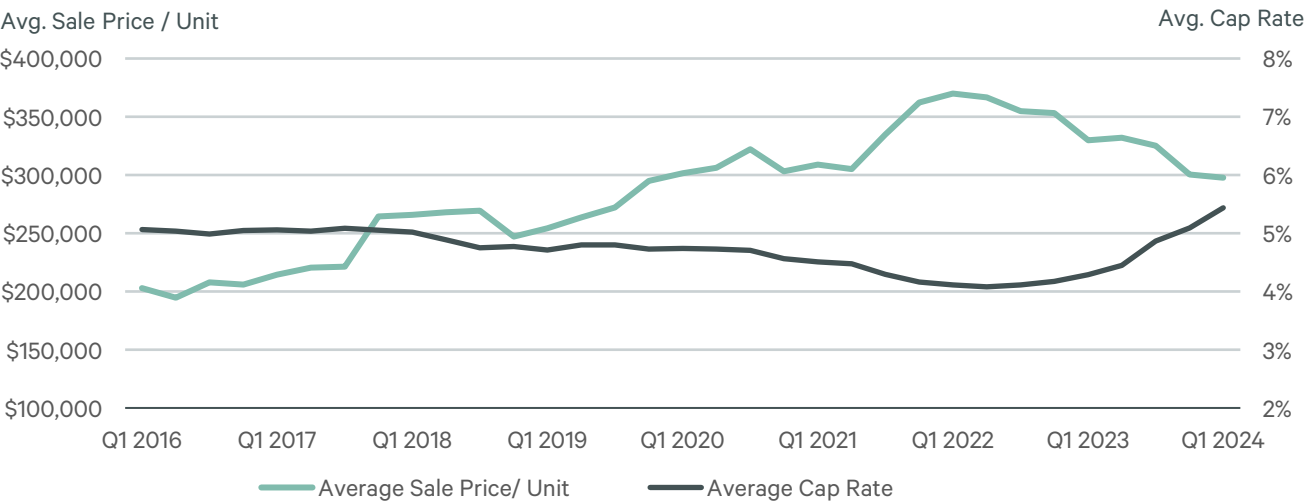
Source: CBRE Research, Real Capital Analytics, Q1 2024

FIGURE 10: Transaction Volume



Source: CBRE Research, Real Capital Analytics, Q1 2024.

FIGURE 11: Puget Sound Quarterly Average Sale Price per Unit vs. Cap Rate



Source: CBRE Research, Real Capital Analytics, Q1 2024.

Investment Sales

- Multifamily sales volume in the Puget Sound region hit \$283 million in Q1 2024, a 52% year-over-year decrease. While many observers expect investment volumes to start recovering in the second half of 2024, it is off to the slowest start in recent history.

- The average sale price for apartments in the Puget Sound continued to decline in Q1 2024, with the trailing four-quarter average price per unit at \$313,659, a 3% decrease from the previous trailing quarter.

FIGURE 12: Market Statistics by Submarket

SUBMARKET	Inventory (Units)	Vacancy Rate (%)	Q1 Absorption (Units)	Avg. Rent (\$/Unit)	Avg. Rent (\$/SF)	YoY Rent Growth (%)	YTD Net Absorption (Units)	YTD Deliveries (Units)
Close-in Seattle (Belltown, Downtown, Pioneer Square, Denny Triangle)	30,878	6.2	8	2,623	3.63	1.3	8	0
South Lake Union / Queen Anne / Interbay / Magnolia	27,359	6.3	283	2,645	3.62	0.6	283	398
Capitol Hill / Eastlake / First Hill / Central	40,609	6.9	360	2,117	3.23	-0.4	360	425
University District / Greenlake / Wallingford / Fremont / Ballard	40,589	6.1	(18)	2,221	3.39	2.0	(18)	150
North Seattle / Shoreline	22,195	5.7	300	1,882	2.45	1.2	300	210
West Seattle / South Seattle	20,566	5.9	81	2,058	2.89	1.3	81	83
Seattle	182,196	6.2	1,014	2,270	3.25	0.8	1,014	1,266
Redmond	16,889	3.9	171	2,404	2.78	0.8	171	93
Bellevue / Issaquah / Newcastle	31,682	5.0	148	2,508	2.75	5.6	148	80
Kirkland / Bothell / Woodinville	25,046	4.9	159	2,294	2.55	-0.5	159	125
Eastside	73,617	4.7	478	2,411	2.69	0.5	478	298
Everett	28,005	6.1	(87)	1,881	2.18	0.8	(87)	0
Lynnwood / Edmonds / Mukilteo	21,397	4.8	419	1,987	2.28	-0.3	419	361
Snohomish County	49,402	5.5	332	1,927	2.22	0.4	332	361
SeaTac / Burien	15,617	6.1	(143)	1,711	2.14	0.5	(143)	0
Renton	15,212	5.7	4	2,075	2.29	0.2	4	0
Federal Way / Des Moines	15,450	5.3	76	1,800	2.09	-0.8	76	130
Kent / Auburn	25,120	6.0	40	1,866	2.06	-1.8	40	0
South King County	71,399	5.8	(23)	1,863	2.13	-0.7	(23)	130
South Tacoma / University Place	9,894	6.0	14	1,613	1.86	1.0	14	5
North Tacoma	20,675	6.3	171	1,751	2.27	0.4	171	320
East Pierce County	12,515	5.5	41	1,905	1.95	-0.2	41	0
Southwest Pierce County	16,367	5.7	6	1,596	1.95	0.1	6	0
Pierce County	59,451	5.9	232	1,718	2.04	0.4	232	325
Puget Sound Total	436,065	5.6	2,329	2,134	2.60	0.4	2,329	2,380

*Note: The vacancy rate in this table represents the vacancy rate of stabilized units.
Source: CBRE Research, CBRE Econometric Advisors, Q1 2024

Market Area Overview



Definitions

Net Absorption: The change in occupied units from one period to the next, recognized at the tenant move-in date.

Vacancy: Stabilized apartment units that are physically vacant.

Survey Criteria

Includes market-rate apartment buildings five units and greater in size in Seattle, Eastside, South King County, Snohomish County, and Pierce County. Includes buildings for which construction has begun as evidenced by site excavation or foundation work.

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