



Multifamily Metro Outlook: Seattle Summer 2018

Overview

Seattle continues to be one of the better performing metros in the country. As of March 2018, Seattle's job market expanded by 3.0 percent, more than double the national rate of 1.3 percent. Positive demographic trends are expected to continue, with an average annual population growth rate of 1.4 percent outpacing the 0.7 percent national average through the 5-year forecast, according to Moody's Analytics.

Positive job growth and high in-migration are continuing to fuel demand within the rental market. Even so, there is a significant amount of new supply coming online. According to Dodge Pipeline, approximately 46,000 units are in the planning stages and an additional 24,000 units are underway with expected delivery through 2019.

With its high-paying jobs and unique quality of life, Seattle continues to attract migrants. According to Moody's Analytics, the metro also continues to attract the prime rental cohort (ages 20-34), which is expected to expand by 1.0 percent over the next 5 years, besting the national average rate of 0.2 percent.

One of the metro's largest employers, Amazon, continues to expand. Amazon has plans of adding approximately 10,000 jobs over the next 5 years in the metro as they look to continue their expansion.

Affordability is a big concern for the Seattle metro. According to CoStar, the city council and mayor Ed Murray recently passed legislation in an effort to build more affordable housing units. With high salaries and a reliance on the tech sector, over 40,000 households are paying more than 50 percent of their monthly income on rent, and not every Seattle worker is a member of the tech community capable of paying high rents.

Even though Amazon is performing well and expanding rapidly, they are still susceptible to volatility. According to Moody's Analytics, much of Amazon's profits are reliant on e-commerce, which is very sensitive to market swings and consumer confidence.

Development

About 52,000 apartment units have been added to rental inventory since the beginning of 2013. However, there are over 46,000 units in the planning stages and close to 24,000 units underway.

Condo development has slowed from its boom-year highs. Since the beginning of 2006, nearly 18,700 condo units have been completed. Condo development is expected to moderate through 2019, with approximately 1,400 additional units expected to deliver. However, condo development should not have too much of an impact on the rental market as the for-sale market is out of reach for many, especially the young cohort in the metro.

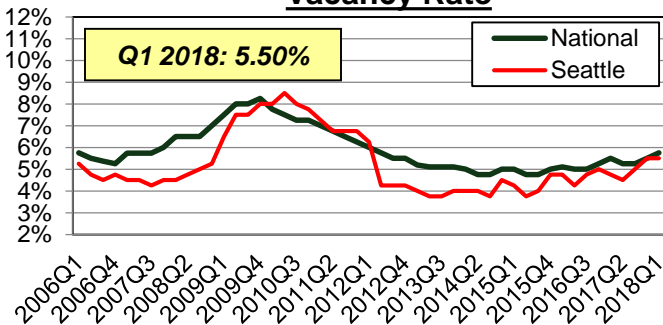
Outlook

Rental market fundamentals continue to stay healthy. Vacancies are in good standing 5.5 percent, and rent growth continues to stay positive at 1.25 percent for Q1 2018.

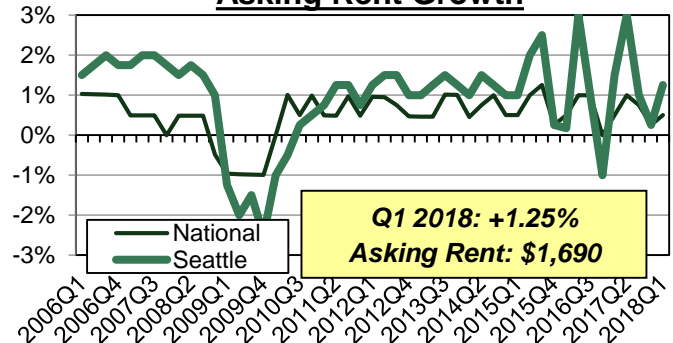
Over the long term, the for-rent market will be supported by high in-migration trends, elevated levels of intellectual capital, and the lack of single-family affordability in the metro. New supply will continue to be absorbed by the young cohort as long as it is delivered gradually. However it is something to keep an eye on as a glut of supply will be delivered through the remainder of 2018 and into 2019. Long term, the metro's reliance on the expansion of Amazon is also something to watch as much of the supply underway is dependent on the company's growth.

Vacancy and Rent Composite Estimates

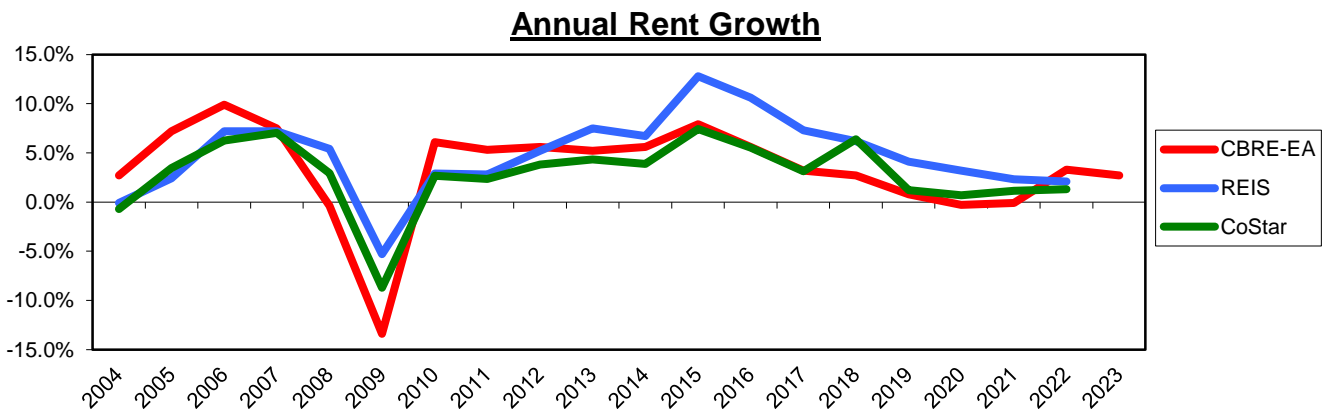
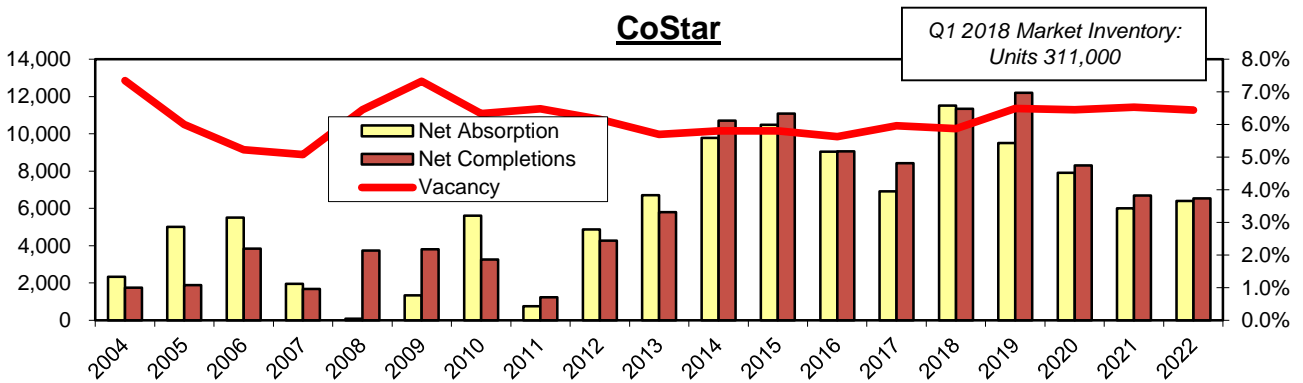
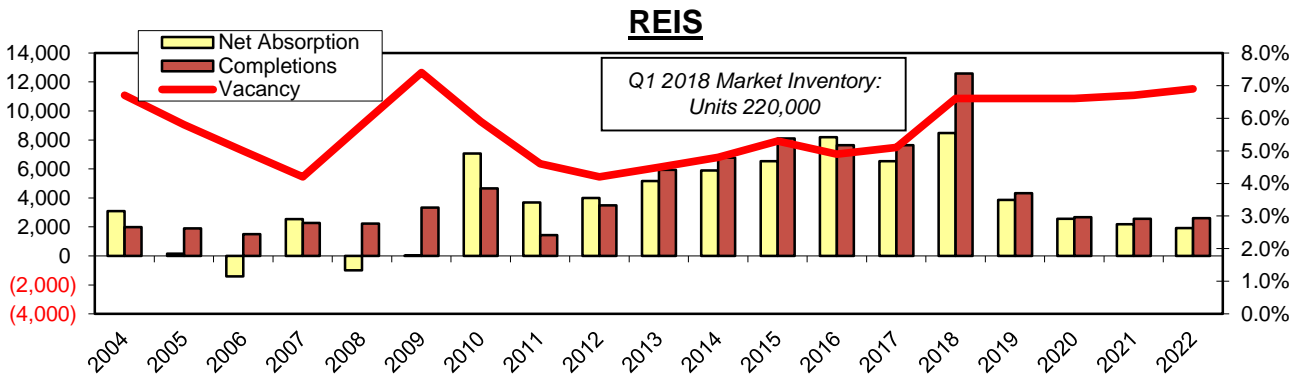
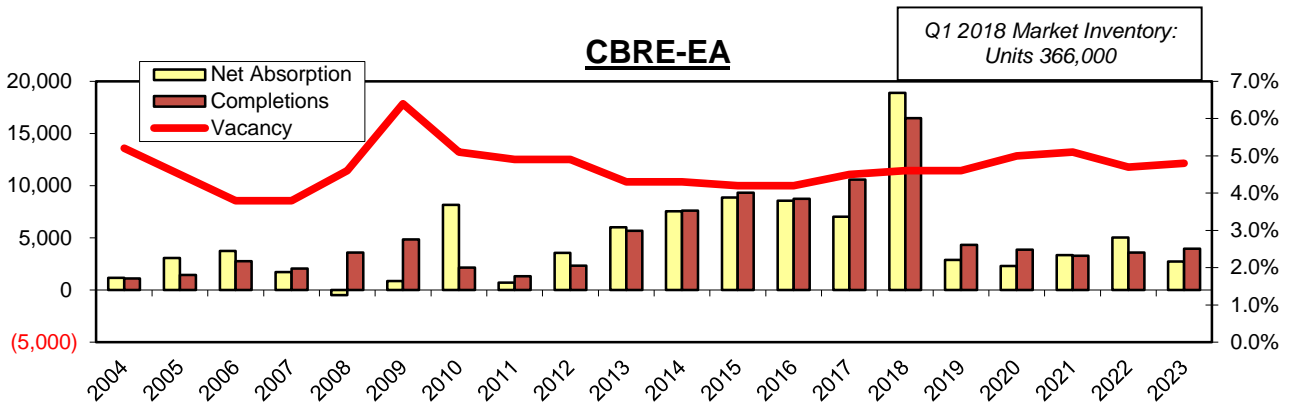
Vacancy Rate



Asking Rent Growth

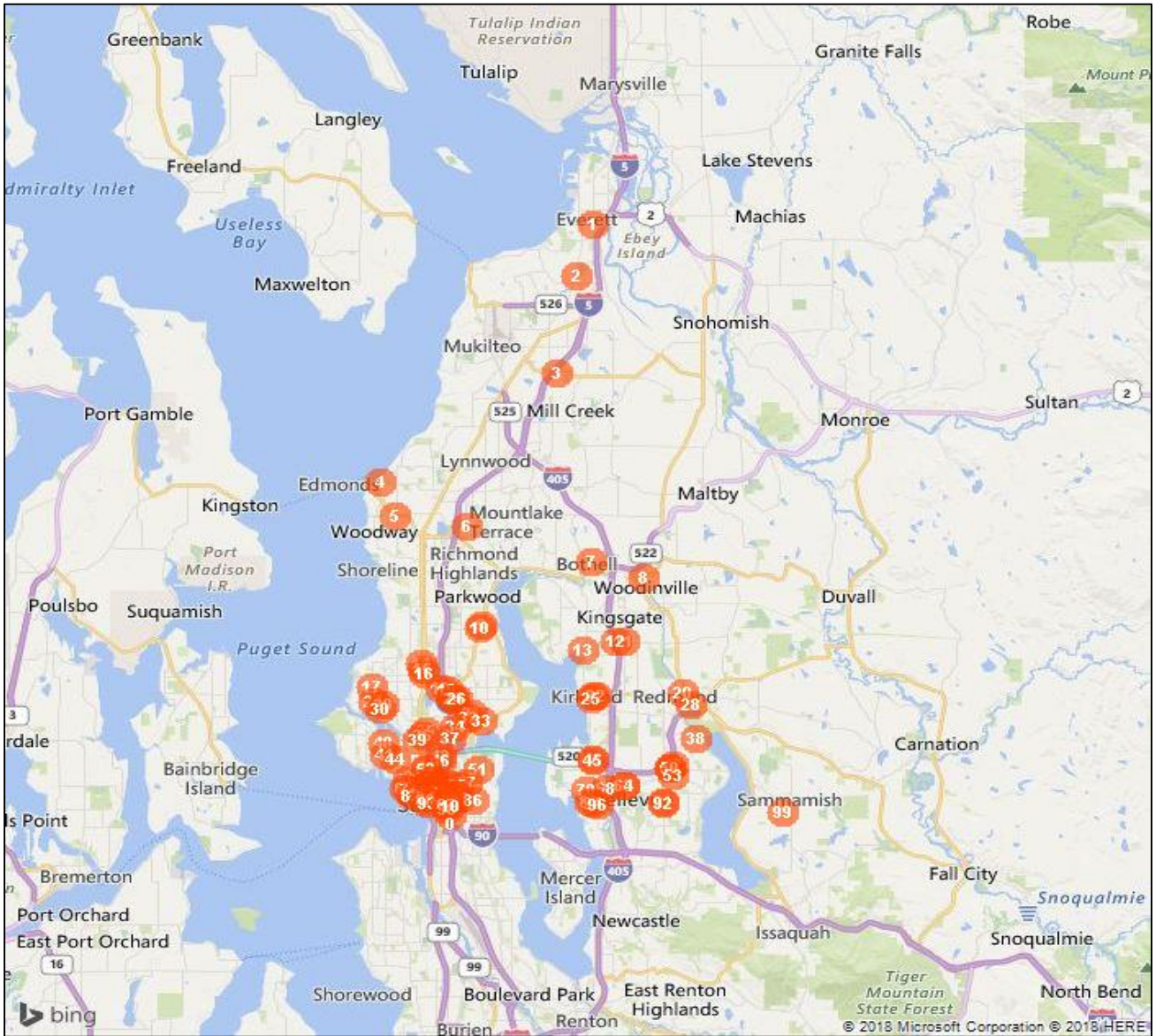


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Construction Bidding/Underway
(151 projects/25,000 Units/24.2 M Sq. Feet)



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units	CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Auburn/Enumclaw	1	10	11	King County/Other	1	58	41
Beacon Hill/Rainier Valley/Skyway	14	1188	1111	Kirkland/Juanita	6	728	763
Bellevue/Issaquah	15	3048	3015	North Seattle/Northgate	21	1305	1641
Bothell/Woodinville	2	566	435	North Tacoma	7	1122	1070
Des Moines/West Kent	2	317	335	Pierce County/Other	2	229	226
Downtown/Capitol Hill/Queen Anne	49	12063	11206	Redmond	6	1498	1617
East	2	230	168	South Tacoma	2	92	78
Edmonds/Lynnwood	3	320	270	Tukwila/Sea-Tac	2	418	643
Everett/Mukilteo/Mill Creek	3	532	423	University Place/Fircrest	1	165	125
Federal Way	1	175	100	West Seattle/Burien	9	875	705
Kent	2	243	233				

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Fannie Mae Multifamily Economics and Market Research

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Sources Used

- AxioMetrics
- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics
- Moody's Analytics
- Real Capital Analytics
- Reis, Inc.

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