SPECIAL REPORT

Washington Statewide Rent Control

Frequently Asked Questions:

IPA INSTITUTIONAL PROPERTY ADVISORS

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Q: What is House Bill 1217?

A: Passed by the Washington Legislature in April 2025 and signed into law on May 7th, House Bill 1217 establishes statewide rent stabilization for residential and manufactured housing tenants. The bill limits rent and fee increases, requires standardized notice procedures, and imposes penalties for noncompliance:

- For residential units, annual rent jumps are limited to the lesser of 10 percent or 7 percent plus the Seattle CPI, and no increases are allowed in the first 12 months of tenancy.
- For manufactured/mobile home lots, lifts are capped at 5 percent per year under similar restrictions.
- Landlords must use a state-issued rent increase form and give at least 90 days' notice outlining lease changes.
- A 5 percent cap is placed on rent differentials between month-to-month and fixed-term leases for the same unit.
- If a landlord exceeds legal limits, tenants may terminate their lease without penalty, courts may award up to three times the unlawful rent plus attorney' fees, and the Attorney General may impose fines of up to $7,500 per violation and initiate investigations.
- Does not prohibit a landlord from raising rents by any amount after a tenant vacates the dwelling unit and the tenancy ends.

Q: What properties are affected or exempted?

- **Affected:** All residential rental properties statewide — including single-family homes, apartments, ADUs and mobile home lots.
- **Exempted:** Properties with certificate of occupancy issued within the past 12 years from the date of the rent increase notice.
- **Exempted:** Owner-occupied homes renting no more than two rooms or ADUs, as well as duplexes, triplexes or fourplexes where the owner resides on-site — unless corporate-owned.

Q: What is the impact on multifamily performance?

A: In the short term, most multifamily assets in Washington are unlikely to face major disruption. Outside of the 2021-2022 surge, rent growth has historically remained below 7 percent annually. The long-term impacts, on the other hand, are more structural. Rent caps may suppress turnover-driven rent increases and reduce the incentive for repositioning or new construction. Less supply could tighten vacancy over time and place upward pressure on rents, elevating the market's reliance on cost control and operational efficiency.

Q: How does this build on existing regulations?

A: In recent years, four Washington cities — Seattle, Tacoma, Olympia and Bellingham — have adopted tenant relocation assistance laws that function as localized rent control measures. These ordinances generally require landlords to provide compensation when tenants are forced to move due to steep rent hikes or substantial renovations, though tenants must apply to receive the assistance. House Bill 1217 significantly broadens regulatory oversight by establishing a statewide rent cap and standardized notice requirements. Cities previously without such mandates — including Spokane, Vancouver and Everett — are likely to face the most disruption while owners and property managers adjust to the new rules. By contrast, areas with existing relocation policies may experience a smoother transition, as many landlords already operate under similar constraints.

Q: How will this affect property operations?

A: With rent increases limited and just-cause eviction rules restricting lease terminations, tenant turnover may decline as residents remain in rent-stabilized units longer. This dynamic limits landlords' ability to bring units to market rates through natural turnover, particularly in older properties where in-place rents may lag behind prevailing levels. Operators may feel increasing pressure to set lease rates at the upper end of the allowable range to avoid falling behind. These constraints are likely to weigh most heavily on small owners of aging assets, where margins are tighter and capital needs are rising. Over time, the combination of constrained revenue growth and decreased pricing flexibility may reduce the incentive to invest in nonessential repairs, upgrades or long-term asset improvements.

Q: Which investment strategies are most impacted?

A: The introduction of statewide rent caps could lower investor appetite for value-add strategies, particularly in older, non-exempt properties. With less ability to re-tenant units at market rates due to suppressed turnover and just-cause eviction constraints, operators face greater difficulty capturing upside through renovations. As a result, capital may shift toward newer assets still within the 12-year exemption window, where rent-setting flexibility is preserved. At the same time, smaller operators may pivot toward fully stabilized properties with reliable in-place cash flow, avoiding more aggressive turnover or repositioning strategies. For those willing to take on vacancy risk, unoccupied units could present isolated opportunities to re-tenant at market rates without triggering legal constraints — though the long-term growth potential will remain constrained.

Q: How might this influence development?

A: By reducing the potential for sustained revenue growth, Washington's new rent cap introduces a long-term constraint on development feasibility, leading to several potential downstream impacts, including:

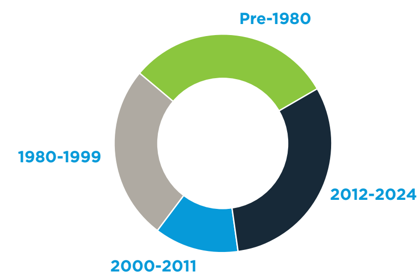
- **Rent growth limitations lower long-term viability**: The 12-year exemption for construction may soften the impact, but most multifamily investors underwrite with long-term outlooks, and capped post-exemption rent growth will still reduce future revenue potential. As a result, it could become more difficult to justify rising construction costs, entitlement risks and financing constraints.
- **Required return thresholds rise:** Developers and capital partners may demand higher yields to make up for the reduced long-term upside, which directly compresses residual land values and complicates site acquisition.
- **Workforce and mid-scale projects are most affected:** These developments often rely on thin margins between cost and achievable rent, making them less feasible under rent caps.
- **Lower-income areas face greatest challenge:** In markets like Yakima and Grays Harbor counties, rent ceilings are already constrained by local affordability, meaning projects can't rely on premium pricing to boost yields. As such, even modest increases in costs or delays can render deals financially unworkable, stalling new supply in the areas that need it most.
- **Development may shift toward high-income areas:** As risk-adjusted returns compress, capital may shift toward affluent areas where stronger rent floors and institutional-grade demand provide more cushion, widening the affordability gap between high-income and lower-income neighborhoods.

Q: What is the outlook for single-family rentals and manufactured housing communities?

A: The single-family market represents a smaller but fast-growing segment of the rental landscape, helping expand access to housing along with manufactured homes. These sectors could face headwinds under rent control policies that limit operational flexibility and dampen long-term investment.

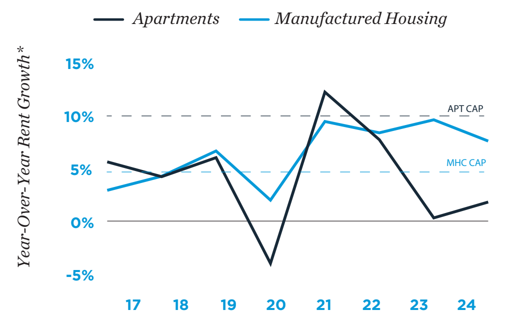
- Small-scale single-family owners are unlikely to face major near-term disruption, as rent growth typically falls below the cap. However, long-term limits may discourge reinvestment and delay property maintence over time.
- Institutional interest in single-family rentals has surged in recent years, but tighter rent regulations may lead some investors to pull back, curbing future development of communities built for that ownership model.
- Manufactured housing communities in the Seattle metro have recorded rent growth above the state's rent cap in recent years, posing added pressure on operators already managing thin margins.

One in Three Units Built in Past 12 Years

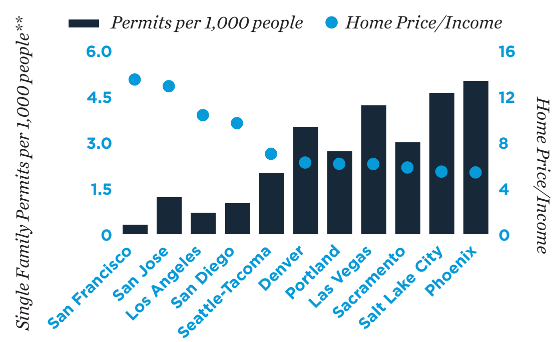


Washington Apartment Inventory by Year Built

Seattle Manufactured Housing Above Rent Cap



Supply Drives Housing Affordabilty



** Seattle-Tacoma Metro Average*
** * Trailing 10-Year Average*

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