INVESTMENT FORECAST

Multifamily

Seattle-Tacoma

IPA INSTITUTIONAL PROPERTY ADVISORS

2026

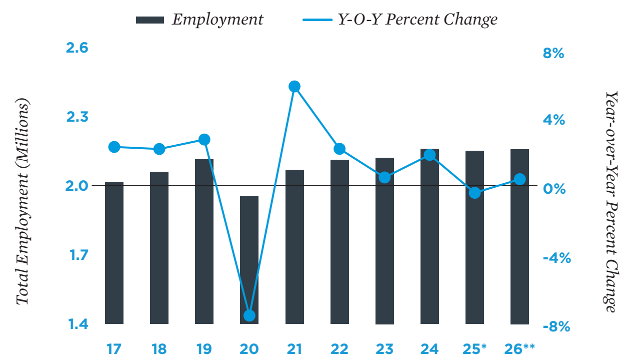
Pattern of Vacancy Compression Draws Investors to Major Urban Centers

Leasing outpacing openings in supply-pressured submarkets. Vacancy has compressed since 2024 across the largest submarkets in Seattle proper and is likely to continue to a lesser extent this year. South Lake Union and Queen Anne both returned to around 4.0 percent vacancy rounding out last year, as net absorption accelerated past deliveries. However, some submarkets, such as Capitol Hill, the University District, and Downtown Seattle, had concessions applied to around 25 percent of local units. Tapering deliveries should ease that pressure in the former areas, but Downtown Seattle is slated to receive similar new stock this year, which could weigh on local fundamentals. Demand drivers from population expansion and labor market growth are expected to soften overall, although the region's AI industry presents some upside. The number of open tech positions in the metro has favored roles that require AI skills. Hiring increases among firms related to creating and operating AI tools could drive Class A demand in metro areas where tech firms concentrate, including the Eastside.

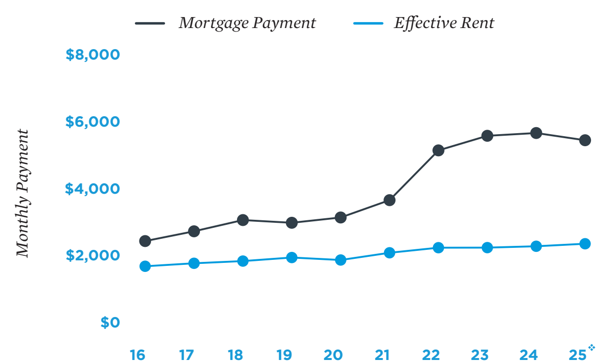
Heightened sales activity near high-skill employment hubs. The market's deal flow grew in 2025, especially at prices above $20 million. In about a quarter of those transactions, buyers closed on complexes with fewer than 100 units, mostly in higher-rent submarkets around the city center. South of Seattle, in cities like Burien and Renton, investors penciled deals on Class B/C buildings constructed between 1965 and 1990. Vacancy has fallen in the lower tiers in these submarkets. Employment in logistics-related roles held its ground last year amid international trade tensions, potentially reinforcing confidence in workforce housing near Seattle-Tacoma International Airport this year. Across Lake Washington, in Bellevue and Redmond, institutional activity expanded modestly, as a cohort of national investors typically acquired Class A facilities built or renovated post-2000. Major corporate employers are steadily absorbing unoccupied office space on the metro's east side, highlighted by a new Walmart corporate office in Bellevue last year. If local workplace demand drivers intensify in 2026, sales activity in the area may rise as well.

22.7%	43.3%	$788,100
2025 share of local population between 20 and 34 years old	*of local population hold bachelor's degree or higher* ⌘	*2025 median home price* ✥

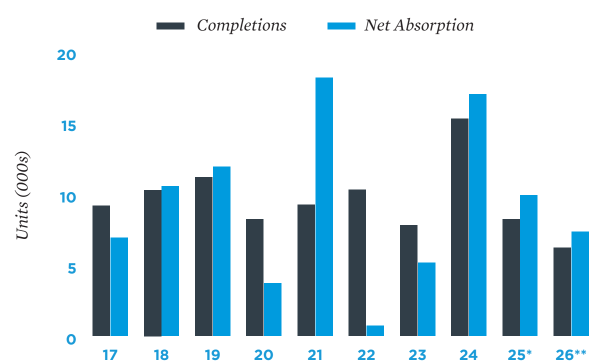
Employment Trends



Housing Affordability Gap



Supply and Demand



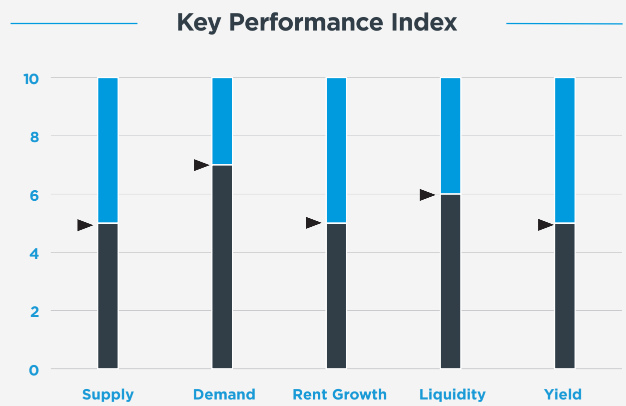
* Estimate ** Forecast ✥ Through 3Q
⌘ 2025: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Investment Outlook

The market matches neighbor Portland with a rent score of 5 this year, as a top-half demand KPI of 7 pairs well with a supply reading of 5 to support higher effective rents in 2026. Both the supply and demand readings improved from last year, when existing inventory expanded by close to 2 percent.

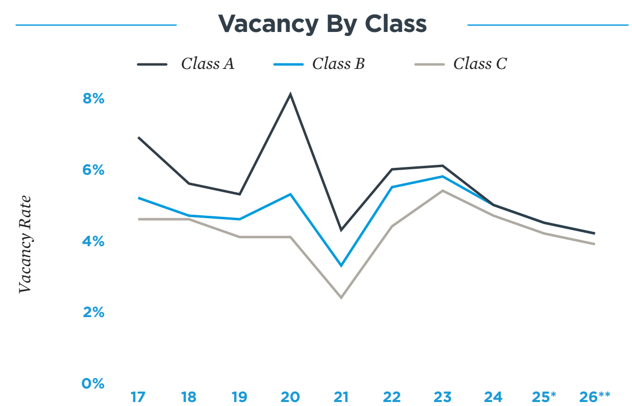
Seattle-Tacoma joins the Bay Area and Portland on the West Coast in reporting a KPI of 6 for the liquidity category. The market's yield score is comparatively lower at 5, which, nevertheless, marks an improvement of one level from the 2025 calculation.

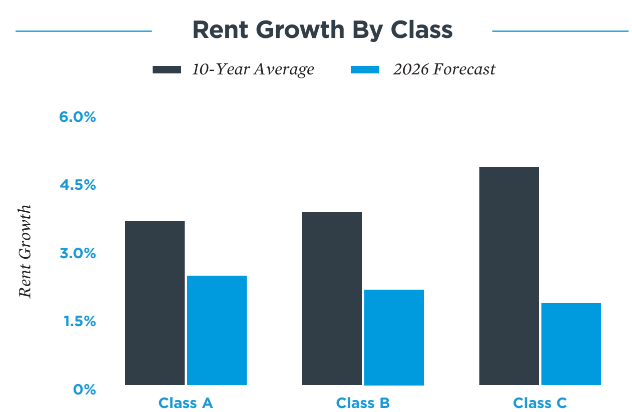
Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2026 INVESTMENT OUTLOOK

		Metro	U.S.
Employment	8,000 *jobs*	0.4%	0.2%
Construction	*% of inventory*❖	1.4%	1.3%
Class A Vacancy	Down 30 bps	4.1%	4.7%
Class A Rent	$2,776 *per month*	2.4%	2.1%





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** Estimate ** Forecast*

❖ Arrow reflects completions trend compared with 2025

Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics