Market Report

INSTITUTIONAL PROPERTY ADVISORS

MULTIFAMILY 2Q/26

Seattle-Tacoma Metro Area

2026 FORECAST

EMPLOYMENT
8,000 — Jobs will be lost
0.4% — Decrease Y-O-Y

CONSTRUCTION
7,200 — Units will be added
1.6% — Inventory increase Y-O-Y

VACANCY
5.4% — Vacancy rate
10 — BPS increase Y-O-Y

RENT
$2,250 — Average effective rent by year-end
1.9% — Increase Y-O-Y

Higher End of Market Faces Hurdles, Though Ownership Barriers Sustain Rental Demand

Labor headwinds weigh on leasing activity. Between 2024 and the first half of 2025, Seattle averaged more than 4,000 units absorbed per quarter, helping drive vacancy as low as 4.1 percent. Momentum slowed during the second half of 2025 and early 2026, however, as the metro's employment base contracted amid subdued hiring in higher-wage, white-collar industries. With this trend expected to persist in the near term, lease-up and renter-retention efforts will likely remain under pressure across Class A properties. Segment vacancy rose 100 basis points during the year ended in March, compared with increases of 30 and 40 basis points in Class B and Class C properties, respectively.

New plan supports development. With nearly three-quarters of this year's deliveries scheduled for the second half of 2026, new supply may present an additional near-term headwind, particularly for Class A properties. Longer-term, the metro's One Seattle Plan could accelerate development by rezoning newly designated Neighborhood Centers, expanded Urban Centers, and frequent transit corridors to allow for increased residential density. Still, the metro's ranking among the top 10 major markets for the home-price-to-income ratio, coupled with recently elevated mortgage rates, should continue to underpin renter demand.

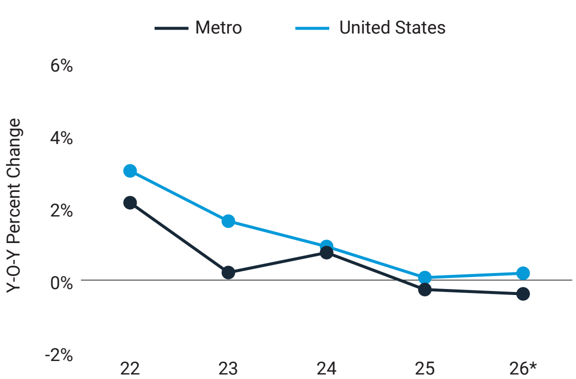
EMPLOYMENT

After shedding more than 5,000 jobs last year, headwinds in Seattle's employment market are expected to persist. The metro's unemployment rate reached 5.5 percent in April, above the national rate of 4.3 percent. Weakness has been concentrated in the tech sector, where firms continue to restructure operations and redirect investment toward AI initiatives. In late May, Meta announced plans to cut nearly 1,400 jobs across its Seattle-area offices, with layoffs set to take effect in July.

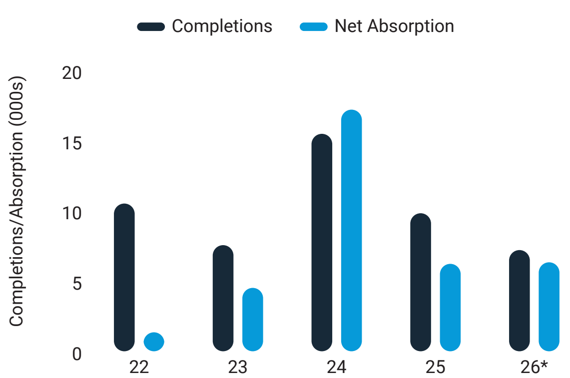
CONSTRUCTION

Completions in 2025 represented a sharp slowdown from the historic 2024 level, when over 15,000 units were delivered. In 2026, incoming supply will slow further, falling nearly 30 percent below the trailing decade's average. Downtown Seattle is the only submarket slated to receive more than 700 units this year, with roughly 2,000 apartments anticipated. Meanwhile, North Seattle-Shoreline is expected to add just 400 units, a sharp slowdown following nearly 3,400 deliveries over the prior two years.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS

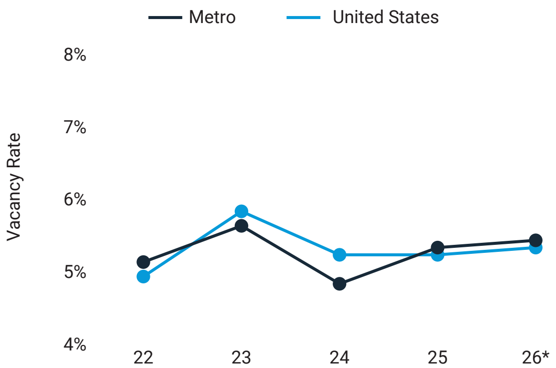


* Forecast
Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

VACANCY

Local apartment vacancy rose 60 basis points over the past year to 5.2 percent in March. Still, the metro's submarkets maintained relatively balanced rates, with no area exceeding the low-6 percent range in the first quarter. Looking ahead, soft hiring trends, coupled with an uptick in deliveries during the second half, are expected to push vacancy up another 20 basis points. Even so, the rate is forecast to remain roughly in line with its long-term average of 5.4 percent at year-end.

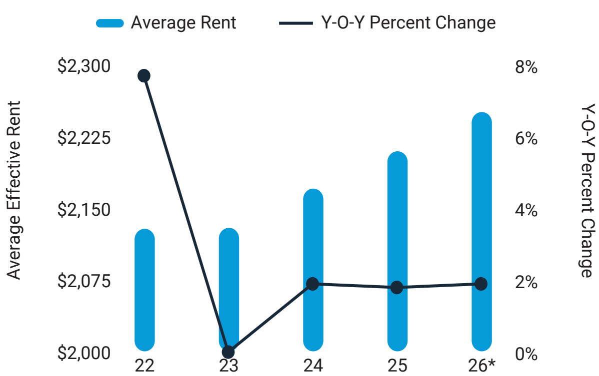
VACANCY TRENDS



RENT

Rent growth remained modest during the year ended in March, likely reflecting vacancy once again surpassing 5 percent. In 2026, gains are expected to remain just below 2 percent for the third consecutive year, roughly half of the market's long-term average. The share of units offering concessions in the first quarter was slightly above the 19 percent average over the past five years. It remained nearly balanced across classes, with only the Capitol Hill area reporting a rate above 30 percent.

RENT TRENDS



* Forecast ** Through 1Q

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

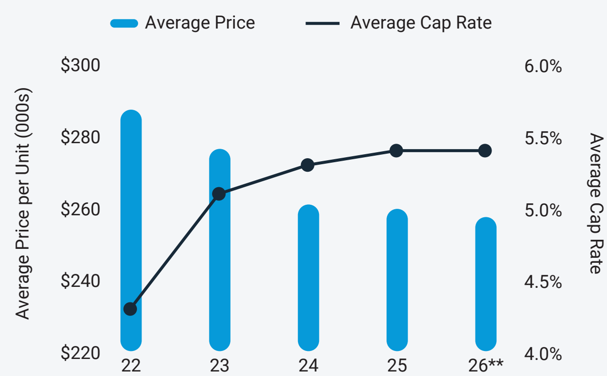
INVESTMENT HIGHLIGHTS

- Transaction velocity also rose notably during the year ended in March, nearly reaching the average pace from 2015 to 2019. At the same time, the average price per unit dipped moderately, with properties trading at a 5.4 percent mean cap rate — one of the highest-yield metrics among major West Coast markets. The consistent mix of trades recorded across property tiers indicates that recent pricing movements reflect less a shift toward lower-quality properties and more a continuation of still-resetting valuations. With pricing expectations moving closer to buyer requirements, liquidity may improve over the near term, generating some sell-side momentum, even as asset valuations remain below prior peaks.

- The recent opening of East Link's Crosslake Connection improves rail access between Central Seattle, Mercer Island, Bellevue, and Redmond, creating a clearer long-term demand tailwind for station-adjacent apartment assets. The connection enhances mobility between some of the metro's most important residential and employment nodes, which could help nearby properties attract renters and investor attention over time.

- Following several years of elevated completions, Central Seattle is poised to benefit from slowing construction activity coupled with sustained apartment demand. The area experienced a sharp increase in transaction count during the year ended in March. Its relative affordability for renters compared to Downtown, while still offering a central location, is likely to continue to attract investor interest, particularly in pre-1970 assets.

SALES TRENDS



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