STATISTIC/TRENDS SUMMARY

Metropolitan Seattle 50+ Unit Apartment Properties | Second Quarter 2013

A summary of the Metropolitan Seattle apartment activity for the second quarter of 2013, as reported in "APARTMENT INSIGHTS' Statistics/Trends, indicates:

⬇ VACANCY: 4.41%

The vacancy rate for conventional, stabilized 50u+ properties in the King/Snohomish market is 4.41%, down from 4.58% last quarter, and 4.83% a year ago.

Of the two counties, King showed the biggest improvement with its rate dropping from 4.53% to 4.31%. Snohomish remained virtually the same at 4.79%.

The overall vacancy rate which includes properties in lease-up and out-of-service decreased from 5.99% last quarter to 5.77%.

The submarket with the lowest vacancy for the second straight quarter is Tukwila at 2.54%. Other areas under 3% vacant are the Seattle submarkets north of the ship canal, Capitol Hill and Seattle Central, South.

The vacancy rate in the Eastside South submarket surged 181 basis points to 6.46%. This is the largest increase and the second highest vacancy rate for any submarket this quarter. This dramatic rise appears to have been caused at least in part by a hefty 6.4% rental increase. The Eastside North submarket has the highest vacancy rate at 7.45%. These are the only submarkets in the 6.0%+ range.

⬇ CONCESSIONS: $14/Month (1.09%)

Rental incentives fell $7 to $14 per unit, the same amount for each county.

In the two-county area 23.3% of the properties are offering incentives, down from 30.4% in the first quarter.

⬆ ABSORPTION: +1,710 units

There were a whopping +1,710 units absorbed this quarter, up from +1,007 units in the first quarter. The average for the past year is +1,050 units per quarter.

⬆ RENTS: $1,190 per Unit
$1.41 per Sq. Ft.

This was an impressive quarter on the rental front. Rents rose from $1,155 to $1,190 per unit, a 3% gain. Over the past year rents have risen 5.8%.

After a lackluster first quarter, the Capitol Hill submarket saw rents soar 8.2% to $1,395 per unit. Two buildings went from lease-up to stabilized status on Capitol Hill this quarter, which contributed to a small part of this increase. When these two properties are excluded, the increase is 7.2%.

Rents in downtown Bellevue broke the $2.00 per square foot barrier for the first time. They increased 3% to $1,797 per unit and $2.02 per foot. Downtown Seattle's rents climbed 3.1% to $1,707 per unit and $2.30 per foot.

⬆ SALES (arms length): $185,158 per Unit
$218 per Sq. Ft.

Sales activity increased from the first quarter. There were 7 sales totaling 1,888 units. They averaged $185,158 per unit and $218 per square foot. Because there is a lag of sales data between the time properties close and the time we receive the data, and because we prepare this summary before the end of the quarter, there will likely be additional sales not included in these statistics.

NEW CONSTRUCTION:

There are currently 13,841 units under construction, up from 12,006 units last quarter and 9,922 units a year ago. Of the units under construction, 67% are in the city of Seattle, 18% are in Snohomish County, and 13% are on the Eastside. The remaining units are in South King County.

There are 5,093 units currently under construction that are scheduled for completion in 2013. Adding those units that have opened this year, the projected total is 7,126 units for 2013. This will be the highest annual total in more than 20 years.

For 2014 our projection based on the 7,415 units under construction and the 1,162 units planned for completion is 8,577 units. At this point, there are 2,327 units either under construction or planned for 2015.

In addition there are 6,935 units that are in design review and later stages. Lastly, rezoning has been granted to developers on sites totaling 14,913 units.

The grand total for all the units under construction and planned for 2013 and beyond is 37,845 units. This is over 3,000 units more than last quarter, and 6,000 units more than just a half a year ago.

OBSERVATIONS:

The rental market's strong performance is very encouraging. Most impressive is the 3% surge in rents this quarter. The vacancy rate has fallen for the third straight quarter to 4.41%, and rental incentives dropped to $14 per month.

All of the financial indicators are moving in the right direction including one that sometimes gets overlooked. The gross or overall vacancy rate (as opposed to the market rate) that includes properties in lease-up declined from 5.99% to 5.77%. This overall vacancy rate will most directly reflect the impact of the scheduled 12,500 units that are to be completed by the end of 2014. We will be watching this metric closely in the next few years.

A concern that we have had about the possibility of a flood of renters leaving the market to buy homes has not materialized. Inventory in the residential market is very low.

It is reassuring that the rental market is in such great shape at this juncture to brace for all of the new units that will be entering the market.

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