

# The Seattle Apartment Market Report

Volume 7, Issue 1, August 2010

## A New Cycle

The first half of 2010 has been a period of rapid change for the Seattle-Bellevue-Everett MSA apartment market. The Seattle-Bellevue-Everett MSA (Metropolitan Statistical Area,) includes King and Snohomish counties and will be referred to as the Seattle MSA for the remainder of this newsletter. In 2009, rents declined by 10.3% and total demand for apartment units was 1,202 units. In the first six months of 2010 vacancies declined by a significant 1.5%, from 5.7% to 4.2%, and we have witnessed a staggering total demand figure of 8,109 units (2,675 new units, 5,434 existing units.) Clearly, we have begun a new apartment market cycle with a bang.

For 2010, we have estimated annual demand for apartment units in the Seattle MSA to be approximately 7,400 units. This seems at odds with the fact that the Seattle MSA has already absorbed 8,109 units in the first half of the year. It is our belief that demand will dampen in the second half of 2010. Historically, vacancy tends to exhibit a seasonal fluctuation, dropping in the summer and rising slightly in the winter. Regardless of decreased demand in the latter half of 2010, an annual demand figure of 7,400 units is still considered to be very strong and as the reader will see, a lack of new supply will only intensify the effects of that healthy demand.

Apartment managers and operators have reacted rather swiftly to the rapid decline in vacancies experienced in the first half of 2010. We were surprised to find in our semi-annual rent survey that MSA-wide rents rose by an average (weighted by market size) of 4.9%. Seattle and the Eastside experienced the greatest amount of this growth, exhibiting average rent growth of 6.1% and 7.3%, respectively. The Southend and Snohomish submarkets displayed smaller, but still positive gains of 2.0% and 3.5% respectively.

Seattle Metropolitan Vacancy History			
	Summer	Winter	Summer
Submarket	2009	2009	2010
Seattle	4.7%	4.9%	3.4%
Eastside	5.0%	5.0%	3.4%
Southend	7.5%	7.6%	5.5%
Snohomish	6.3%	6.0%	5.0%
<b>Metro Total</b>	<b>5.7%</b>	<b>5.7%</b>	<b>4.2%</b>

Seattle Metropolitan Vacancy Forecast			
	Winter	Summer	Winter
Submarket	2010	2011	2011
Seattle	3.0%	2.6%	1.7%
Eastside	3.2%	2.9%	2.0%
Southend	5.3%	4.8%	4.0%
Snohomish	4.7%	4.2%	3.2%
<b>Metro Total</b>	<b>3.8%</b>	<b>3.4%</b>	<b>2.5%</b>

The poor market conditions that characterized our national and local economy since the economic shift of 2008 have resulted in tighter lending practices and rising equity requirements that continue to this day. Similar to the banks, private equity firms have become quite selective, with most looking to reduce the amount of risk in their portfolios during a time of market uncertainty. The difficulty financing new apartment projects has led to a dwindling amount of supply in the pipeline. We estimate demand for apartment units in 2011 to be approximately 6,200 units, however, due to the conditions mentioned above, only 1,470 (approximate) new units will be completed in 2011. Given these factors, we estimate that rents will grow by 6.5% in 2011 and vacancies will drop to nearly 2.5%; a clear indicator that the upward leg of a new cycle has begun.

~Brian O'Connor, MAI

Seattle Metro Market Summary					
Sub Market	% Vacant	2 Year Demand	2 Year Supply	S/D Net	2 Yr. Vac. Rate**
Eastside	3.4%	5,881	1,903	(3,978)	0.8%
Seattle	3.4%	2,727	1,438	(1,289)	1.3%
Southend	5.5%	2,633	689	(1,944)	3.1%
Snohomish	5.0%	1,914	260	(1,654)	2.3%
<b>Metro *</b>	<b>4.2%</b>	<b>13,155</b>	<b>4,290</b>	<b>(8,865)</b>	<b>1.6%</b>

\* Weighted Average

\*\*Vacancies unlikely to reach lows presented here. Rising rents will either decrease demand or push demand out to other markets

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The *Seattle Apartment Market Report* is a publication of the O'Connor Consulting Group, a Seattle-based real estate appraisal and consulting firm specializing in mixed-use multifamily and commercial property valuation and consultation.

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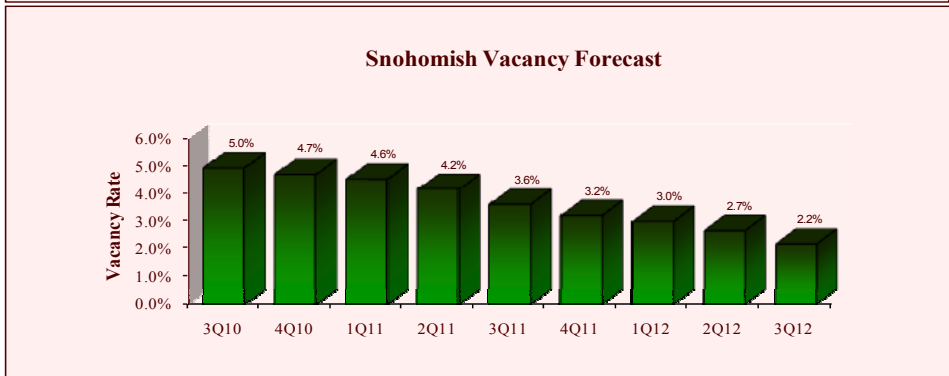
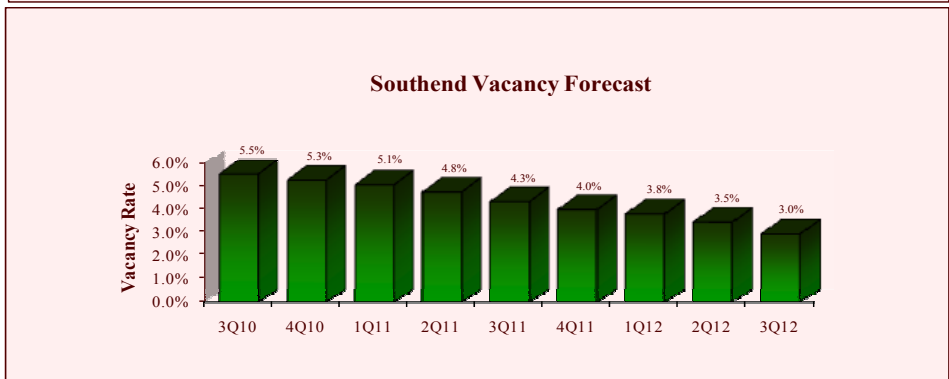
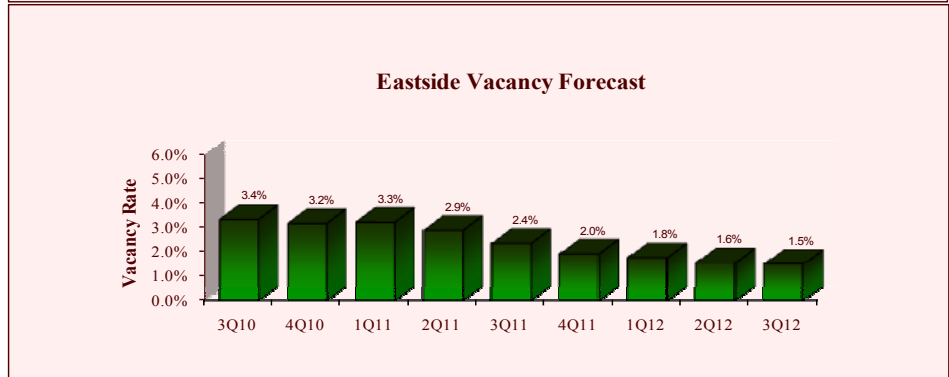
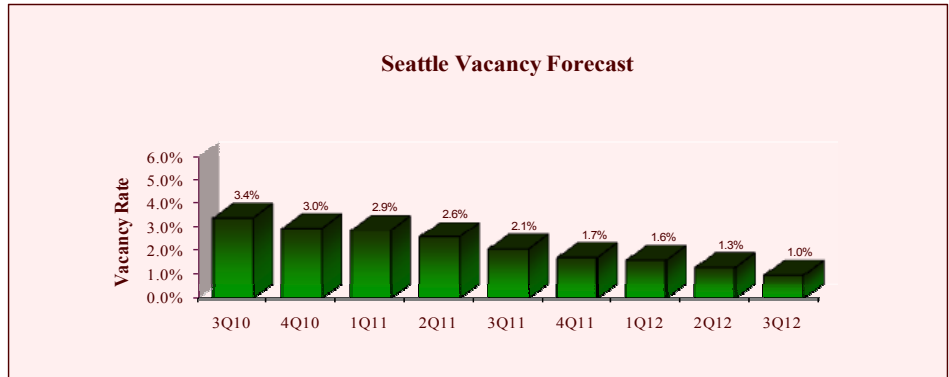
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## Vacancy Forecast

The graphs below illustrate our vacancy forecast for each of the four primary Puget Sound markets. *Please note that these graphs reflect physical vacancy, not economic vacancy.* Economic vacancies are typically one or two points above

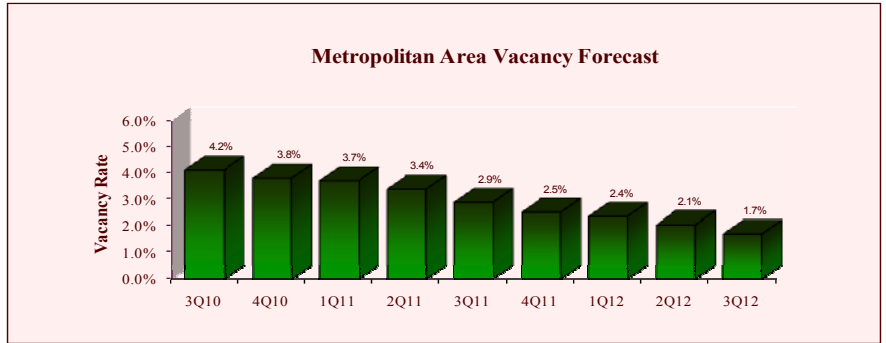
physical vacancies. Currently, we estimate that there is downward pressure on vacancy rates over the near term. It should be noted that rising rents could dampen or shift demand, resulting in vacancies slightly higher than those forecasted.



## Vacancy

Our July 2010 vacancy survey covered approximately 220,000 units. Overall, physical vacancy was estimated at 4.2% for the Seattle MSA and is allocated among the primary markets and submarkets as shown below. Vacancy rates declined over the past six months from 5.7% at the end of 2009.

The rapid drop in vacancy can be partially explained by looking back. The economic turmoil of years past resulted in negative apartment demand in 2008. Many potential apartment renters sought financial relief by entering roommate situations or leasing single-family homes



in what has come to be known as the “shadow market.” The previously mentioned decline in rents experienced in 2009, coupled with significant rent concessions being offered at newly constructed projects, seems to have brought demand back to traditional multifamily product.

SEATTLE			
Submarket	Units	Vacancy	Percent
Ballard/Fremont	436	15	3.4%
Beacon Hill/Central District	1,194	35	2.9%
Capitol Hill/Eastlake	530	20	3.8%
Denny Regrade/Belltown	2,806	85	3.0%
Downtown/First Hill	2,956	89	3.0%
Greenlake/Greenwood	744	22	3.0%
Lake City	932	44	4.7%
Lake Forest Park	346	14	4.0%
Magnolia/Queen Anne	1,264	40	3.2%
Northgate	1,318	41	3.1%
Northwest Seattle/North City	1,478	47	3.2%
Rainier Valley/South Seattle	741	40	5.4%
University/Ravenna/Sandpoint	1,062	42	4.0%
West Seattle	989	42	4.2%
<b>Total</b>	<b>16,796</b>	<b>576</b>	<b>3.4%</b>

EASTSIDE			
Submarket	Units	Vacancy	Percent
Suburban Bellevue	7,903	201	2.5%
Downtown Bellevue	1,581	38	2.4%
Bothell/Woodinville	3,014	124	4.1%
Issaquah	3,003	107	3.6%
Kirkland	2,945	145	4.9%
Mercer Island	795	28	3.5%
Redmond	3,691	127	3.4%
<b>Total</b>	<b>22,932</b>	<b>770</b>	<b>3.4%</b>

SOUTH END			
Submarket	Units	Vacancy	Percent
Auburn	2,401	142	5.9%
Burien/Des Moines	3,596	200	5.6%
Enumclaw	135	8	5.9%
Federal Way	9,757	509	5.2%
Kent	10,214	548	5.4%
Renton/Maple Valley	9,934	545	5.5%
SeaTac/Tukwila	4,578	288	6.3%
<b>Total</b>	<b>40,615</b>	<b>2,240</b>	<b>5.5%</b>

SNOHOMISH COUNTY			
Submarket	Units	Vacancy	Percent
Edmonds	883	40	4.5%
Everett	9,050	451	5.0%
Lynnwood/Shoreline	5,126	285	5.6%
Marysville	317	15	4.7%
Mill Creek/Canyon Park	1,198	36	3.0%
Monroe	248	7	2.8%
Mukilteo	1,299	53	4.1%
Mountlake Terrace	1,404	83	5.9%
<b>Total</b>	<b>19,525</b>	<b>970</b>	<b>5.0%</b>

PIERCE COUNTY			
Submarket	Units	Vacancy	Percent
Fife/Milton	1,671	107	6.4%
Fircrest/University	3,234	220	6.8%
Gig Harbor	579	25	4.3%
Lakewood	2,516	234	9.3%
Puyallup/Sumner	3,867	253	6.5%
Tacoma	12,130	820	6.8%
<b>Total</b>	<b>23,997</b>	<b>1,659</b>	<b>6.9%</b>

Summary by County			
County	Units	Survey	Weighted*
King and Snohomish	99,868	4.6%	4.2%
King	80,343	4.5%	4.0%
Snohomish	19,525	5.0%	
Pierce	23,997	6.9%	
<b>Area Totals</b>	<b>223,733</b>	<b>4.8%</b>	

\*Weighted vacancies calculated based on area proportion of total market size.

Note: The figures presented in the tables above are derived from our July 2010 vacancy survey.

## Employment Forecast

National economic conditions have begun to improve, though at a pace that is frustratingly slow for many of us. Thankfully, unemployment seems to finally be dropping from the sharp rise experienced in mid-2008. As of June 2010, national unemployment is at 9.5%, Washington state is at 8.9%, and the Seattle MSA is at 8.3%.

For the sake of historical context, the Seattle MSA added 17,800 new jobs in 2008, which represents a 1.2% growth rate. However, many prominent area employers; Starbucks (approx. 1,500), Weyerhaeuser (approx.

1,500), Washington Mutual (approx. 3,400), Boeing (4,500), Microsoft (approx. 6,500), announced layoffs in 2008, the bulk of which took place between October of 2008 and January of 2009.

To say the least, 2009 was a difficult year for the Seattle MSA job market. While the most significant cuts were in January of that year, continued cuts in nearly every sector of employment resulted in a total loss of approximately 76,200 jobs, nearly as many as were lost in 2001, 2002, and 2003, combined (-80,200). A loss of

this magnitude implies a negative growth rate of 5.2% for that year. It is likely that 2009 bore the brunt of market correction with regard to Metro employment.

Local economists Dick Conway and Doug Pederson predict healthy growth in employment in the Seattle MSA of 1.9% in 2011, 2.8% in 2012, and 2.5% in 2013. If these projections hold true, it would mean that we are possibly “over the hump” and are now building towards a generally positive economic climate.

## Population Forecast

Our forecast of vacancy and rental changes are driven primarily by anticipated population growth in the region. The chart below displays the historical relationship between net migration and net employment growth in the Seattle metropolitan area.

As is evident in the chart below, net migration is heavily dependent upon net employment growth. Between the years 2001 and 2003, the Seattle metropolitan area lost 73,300 jobs. This led to a considerable decrease in the number of people relocating to the area.

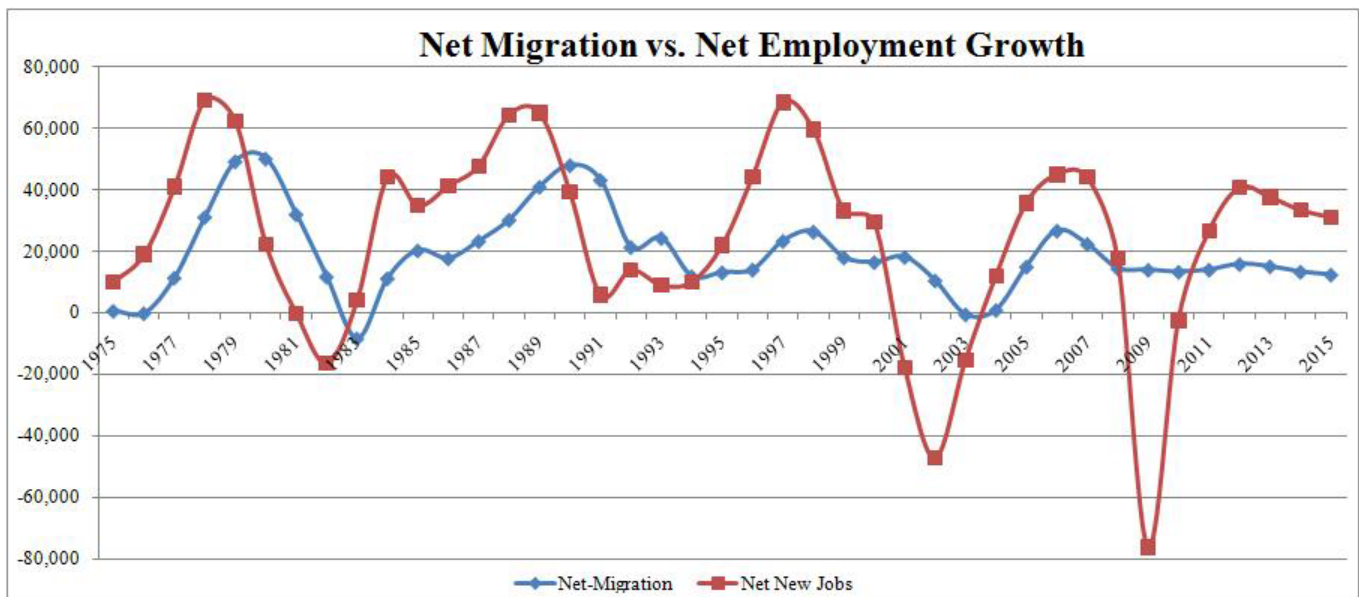
Based on the April 1, 2010 population estimate, the Seattle metropolitan area experienced a net in-

migration of approximately 13,400 people in 2009. Trending forward, we anticipate net migration to fluctuate between 12,000 and 15,000 people per annum through 2015.

As noted in the chart below, previous periods of significant job losses have resulted in substantial net out migration. However, the 2001-02 economic downturn did not follow this trend. While the “push” factor was clearly evident in Seattle’s poor job market, the “pull” factor from competing metropolitan areas was not strong enough to lure away large numbers of Seattle residents. To put it simply, local residents did and do not have a significantly better alternative to Seattle to pull them towards.

We believe that the relationship between net migration and net employment growth has changed from previous years. Seattle area residents are less responsive to decreases in employment growth than they once were. This bodes well for the prospect of continued population growth in the Seattle metropolitan area.

As for the future, Seattle remains one of the healthier regional economies in the nation. Due to this factor, we believe net migration will remain positive (12,000-15,000 per annum) despite the notably slow national recovery.



## Apartment Demand

Despite the recession of 2008-2009 and negative employment growth through that period, net migration was positive in 2009. As the Seattle MSA remains one of the most economically attractive regions in the nation, we believe that continued positive net migration will be the norm in years to come.

Though the Seattle MSA experienced significant job cuts in January 2010 (-18,700,) job growth has been positive through June 2010. Based upon the predictions of Dick Conway and Doug Pederson, we believe that positive job growth will continue, on an annual basis, through 2015.

## Absorption

In the first half of 2010, absorption rates in the Metro area, measured on a per-project basis, ranged from 10 to 30 units per month, with an average of 16 units per month. This does not include certain projects that we consider to be outliers. The Snohomish market had only a few new units completed through which to track absorption. Declines in rents contributed to the 2,675 units absorbed in the first half of 2010, about 70% of 2009's total annual absorption.

## Supply Forecast

Our estimate of new multi-family supply is derived from a survey of all units currently in lease-up, projects under construction, and known projects in their pre-development stage. To gauge the number of units in the pipeline, we track all multifamily building permits, physically inspect the permitted sites, and reconfirm the number of units and the property type (apartment or condominium). This

Vacancy rates dropped in the first half of 2010 from 5.7% to 4.2%. The drop in vacancy is due in part to the expression of pent up demand, temporarily satisfied by the previously mentioned shadow market, though also due in large part to significant rent reductions in 2009 and the offering of rent concessions in core area apartments.

The previously noted positive net migration, as well as projected job growth, have resulted in a healthy estimate of annual demand (7,400 units,) which may seem at odds with the 8,109 units of demand we observed in first half of 2010. We believe that demand will soften in the second half of the year, which is a regular seasonal occurrence, and leads to our lower, though still significantly healthy annual demand figure of 7,400 units.

Metro Area Market Demand Summary			
	2008	2009	Mid-2010
Vacancy Rate	5.0%	5.7%	4.2%
Market Size	350,105	353,989	356,664
Occupied Units	332,540	333,742	341,851
New Units Absorbed	1,659	3,884	2,675
Existing Units Absorbed	-4,694	-2,682	5,434
<b>Total Demand</b>	<b>-3,035</b>	<b>1,202</b>	<b>8,109</b>
Multifamily Demand Forecast by Submarket (in Units)			
Submarket	2010	2011	2012
Seattle	3,700	2,604	2,646
Eastside	1,850	1,240	945
Southend	740	992	1,197
Snohomish	1,110	1,364	1,512
<b>Metro Total</b>	<b>7,400</b>	<b>6,200</b>	<b>6,300</b>
Mid-2010 Absorption Summary			
Submarket	New Units in 2010	Units Abs. as of Mid-2010	Average Absorption/Mo.
Seattle	982	1,376	15.2
Eastside	1,155	877	16.7
Southend	550	402	18.3
Snohomish	22	20	5.9
<b>Metro Total</b>	<b>2,709</b>	<b>2,675</b>	<b>16.1</b>

information was calculated for each of the four major markets within the Seattle metropolitan area.

As of August 2010, the Seattle MSA had 2,008 vacant units in lease-up. The Seattle and Eastside markets are the leading contributors to this total, with 990 and 908 vacant new units respectively. The Seattle and Southend markets have the largest number of units

under construction with 747 and 406 units respectively.

The entire Seattle metropolitan area has a total of 1,651 units under construction, resulting in a two year pipeline of 3,659 units. It must be noted that only a small supply of new apartment projects will reach completion in 2011. We expect demand to far outpace supply during this period.

Seattle Metro Supply Survey					
Sub Market	Jul-10 % Vacant	Average Absorption Complex/Mo.	Vacant In Lease-Up	Under Constr.	Total 2 Yr. Pipeline
Eastside	3.4%	15.2	990	747	1,737
Seattle	3.4%	16.7	908	390	1,298
Southend	5.5%	18.3	108	406	514
Snohomish	5.0%	5.9	2	108	110
<b>Metro *</b>	<b>4.2%</b>	<b>16.1</b>	<b>2,008</b>	<b>1,651</b>	<b>3,659</b>

\* Weighted Average



## Supply and Demand Summary

The table below illustrates the two year forecast of both apartment supply and apartment demand for each submarket of the Seattle metropolitan area. The supply estimates below include proposed projects that have not yet begun construction.

In 2009, Seattle MSA vacancies were stagnant, holding at the 5.7% mark. Making note of this, apartment owners and managers sought to create demand by decreasing rents and offering rent concessions at many properties. Combined with a slowly improving economic situation, these tactics brought many renters back from temporary housing in the single-family/condominium shadow market.

The first half of 2010, characterized by a staggering 8,109 units absorbed and a 1.5% drop in vacancies (Seattle MSA,) clearly showed that the upward leg of a new cycle has begun. However, it is unlikely that the Seattle MSA has had an apartment market cycle quite like this. While the beginning of a new cycle is often typified by a supply shortfall, the dearth of new supply coming online in 2011 is surprising.

Given the previously mentioned positive net migration and projected employment growth in years to come, the fact that nearly no new supply will impact the market in 2011 means that there is potential for vacancies to reach historic lows. Clearly, the tightening of the credit

markets has had a significant impact on the development pipeline.

In the table below, we can see that our in-house supply/demand models predict vacancies at, or in most cases below, the 3.0% mark within two years. Though, it should be noted that as vacancies drop below that mark, rents will be driven upward, which will likely have a mitigating effect on demand and/or shift demand away from core areas. It is likely that vacancies in most areas will not get quite as low as our models predict, however, they will certainly trend downwards in the face of strong demand (over, 6,000 units per annum through 2012) and a supply shortfall.

Seattle Metro Market Summary									
Sub Market	Market Size	% Vacant	No. Vacant	2 Year Demand	2 Year Supply	D-S Net	2 Yr. Mkt Size	2 Yr. Vac. Rate**	Total Vacant
Seattle	151,499	3.4%	5,195	5,881	1,903	-3,978	153,402	0.8%	1,217
Eastside	63,150	3.4%	2,120	2,727	1,438	-1,289	64,588	1.3%	831
Southend	80,721	5.5%	4,452	2,633	689	-1,944	81,410	3.1%	2,508
Snohomish	61,294	5.0%	3,045	1,914	260	-1,654	61,554	2.3%	1,392
<b>Metro *</b>	<b>356,664</b>	<b>4.2%</b>	<b>14,813</b>	<b>13,155</b>	<b>4,290</b>	<b>-8,865</b>	<b>360,954</b>	<b>1.6%</b>	<b>5,948</b>

\* Weighted Average

\*\*Vacancies unlikely to reach lows presented here. Rising rents will either decrease demand or push demand out to other markets

Seattle Metropolitan Apartment Market Data & Forecast											
Apartment Trend Analysis Seattle Metro Area, 2001-2009											
Population Estimates (1)			Employment (2)		Households (3)		Apartment Data				
Year	Total Persons	Percent Change	Total Jobs	Percent Change	Total Households	Percent Change	Total Units	Net New Absorp.	Apartment Under Construction	Year End Vacancy Rates	Average Rent Change
2002	2,402,312	1.1%	1,337,400	-3.4%	952,049	0.6%	344,351	8,530	5,877	6.6%	-8.4%
2003	2,416,800	0.6%	1,322,100	-1.1%	958,569	0.7%	346,652	6,248	4,976	5.4%	0.1%
2004	2,433,100	0.7%	1,334,100	0.9%	971,170	1.3%	347,589	2,133	6,507	5.0%	1.9%
2005	2,464,100	1.3%	1,369,800	2.7%	988,721	1.8%	344,274	5,833	4,902	2.4%	2.0%
2006	2,507,100	1.7%	1,414,800	3.3%	1,005,252	1.7%	344,025	5,710	4,853	0.7%	13.0%
2007	2,547,600	1.6%	1,458,900	3.1%	1,018,803	1.3%	349,962	4,558	5,944	1.1%	8.5%
2008	2,580,800	1.3%	1,476,700	1.2%	1,031,418	1.2%	350,105	-1,376	6,931	5.0%	1.4%
2009	2,613,600	1.3%	1,400,500	-5.2%	1,043,778	1.2%	353,989	5,086	2,856	5.7%	-10.3%
5 Yr. Avg.		1.4%		1.0%		1.5%		3,962	5,097	3.0%	2.9%
Apartment Demand Forecast Seattle Metro Area, 2010-2013											
Population Forecast			Employment Forecast		Household Forecast		Apartment Demand Forecast				
Year	Total Persons	Percent Change	Total Jobs	Percent Change	Total Households	Percent Change	Total Units	Total Demand	Units Under Const.	Vacancy Rates	Rent Change
2010	2,644,500	1.2%	1,398,100	-0.2%	1,056,138	1.18%	356,664	7,416	3,320	3.8%	5.9%
2011	2,675,400	1.2%	1,424,585	1.9%	1,068,763	1.20%	358,258	6,180	N/A	2.5%	6.5%
2012	2,706,962	1.2%	1,465,232	2.9%	1,082,118	1.25%	363,781	6,312	N/A	N/A	5.2%
2013	2,740,349	1.2%	1,502,920	2.6%	1,095,190	1.21%	366,544	6,677	N/A	N/A	3.6%
4 Yr. Avg.		1.2%		1.8%		1.21%		6,646		3.2%	5.3%

(1) Population as of April 1st.

(2) Excludes Military & Self-Employed

(3) Total households are estimates

Metropolitan Area is King & Snohomish Counties

Sources: WA State Employment Security & WA State Office of Financial Management

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## Rental Rate Forecast

The two tables to the right illustrate the recent history and our forecast of changes in rental rates for each submarket of the Seattle metropolitan area. During 2007, rental rates rose aggressively as vacancy rates remained in the sub-4% range. As vacancy rates rose in 2008 rent growth effectively stopped. Vacancy continued to decline into the first half of 2009, which led to aggressive rent cuts. Quickly responding to a rapid drop in vacancies, MSA rents grew by 4.9% in the first half of 2010. Based upon our estimates of new apartment supply and demand, we estimate healthy rent growth, above 5.0%, through 2012.

## Conclusion

The current story of the Seattle MSA apartment market is one of market imbalance. To understand this story, it helps to take a look back at previous years and the factors that lead to the current supply shortfall (in the face of strong demand, no less.)

The year 2005 was considered a turnaround year for the Seattle MSA apartment market and 2006 built upon that growth. For the second year in a row, the region had experienced positive employment growth following three years of negative employment growth. These employment gains stimulated increases in net migration and ultimately, apartment demand.

During 2006, the vacancy rate for the Seattle metropolitan region dropped from 5.1% in 2005 to 3.4% by the end of 2006. The vacancy rate remained low (3.5%) through 2007. During this period, single-family and condominium values were skyrocketing, forcing many new households into apartment housing due to affordability. Meanwhile a significant amount of apartment supply was being siphoned off by condominium converters rushing to get condominium product onto the market. Though, healthy demand for apartment housing coupled with an erosion in apartment supply caused vacancy rates to remain in the mid-3% range and helped spur strong rental rate increases of 13% in 2006 and 8.5% in 2007.

In 2008 we saw vacancy rates experience a rise of about 1.5% to end

Seattle Metropolitan Rental Rate History			
Submarket	2007	2008	2009
Seattle	7.6%	0.6%	-8.4%
Eastside	7.9%	0.8%	-13.1%
Southend	9.8%	4.8%	-10.0%
Snohomish	9.5%	-0.6%	-12.8%
<b>Metro Total*</b>	<b>8.5%</b>	<b>1.4%</b>	<b>-10.3%</b>

\*Weighted Average

Seattle Metropolitan Rental Rate Forecast			
Submarket	2010	2011	2012
Seattle	7.1%	8.0%	6.0%
Eastside	8.3%	8.0%	6.0%
Southend	3.0%	4.0%	4.0%
Snohomish	4.5%	4.5%	4.0%
<b>Metro Total*</b>	<b>5.9%</b>	<b>6.5%</b>	<b>5.2%</b>

\*Weighted Average

that year at 5.0%. They edged higher, to 5.7% in mid-2009, where they remained for the rest of that year. The previously mentioned pool of single-family and condominium rentals, or "shadow market," was a significant factor in the rise in vacancies, however, it is not the only one.

Similar to a trend witnessed in the late 90's, we were experiencing substantial growth in the roommate market. Young renters, who have a higher propensity to lose their jobs, were often moving back in with their parents, or finding roommates with which to share the cost of housing. This trend, along with the greater effects of the shadow market supply, was visible in our collected data in the form of negative apartment demand in 2008. The positive demand of 2009 was mainly attributed to new projects, most of which were offering significant rent concessions.

As market conditions have slowly improved, we have begun to see a reversal of the above trends. Initially, we believed that it may take years for the market to recover. However, the first six months of 2010 have shown that the market has a capacity to react rapidly when the right conditions are present. Certainly, the deep rent cuts in 2009 (-10.3%, Seattle MSA) and continued offering of concessions was a strong factor in bringing the renters back to traditional multi-family apartment product.

While the consumers of apartment product have reacted rather quickly, the producers, or developers, have had their hands tied for some time. In the face of poor economic conditions and often dire reports from many economic news outlets, lending institutions and potential equity partners have greatly tightened their policies and practice. The lack of available financing has prevented the precipitation of an adequate supply pipeline. The year 2011 will be especially evocative of this trend as nearly no new apartment supply will be completed that year. By mid-2012, significant supply will begin to affect the market, however, demand will likely outpace supply until 2013.

As previously mentioned, both net migration and employment growth are expected to be positive and healthy going forward for the next few years. Given these factors, we have estimated demand to be over 6,000 units until 2013, the first year in which new supply will likely have a chance to catch up with demand. Until then, vacancies will continue to drop, potentially reaching historic lows in some submarkets, and there will be solid upward pressure on rents.



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