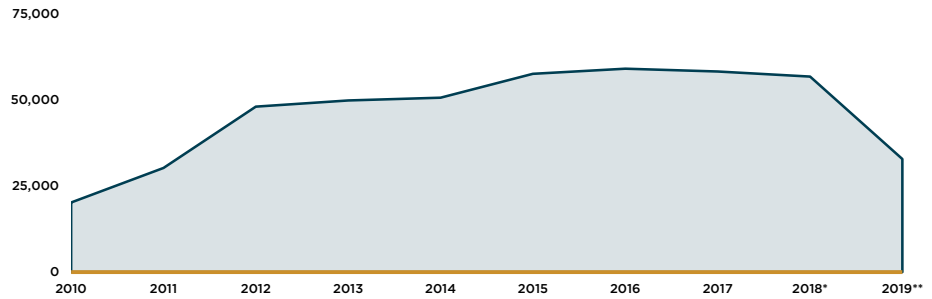


2018 REVIEW

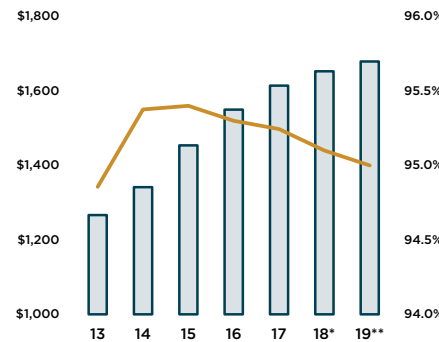
Sustained job creation in recent years has led to robust demand for housing across the Seattle-Tacoma metro. Developers responded in kind by maintaining elevated apartment construction. Nearly 10,300 units came online in the last year, up 2.4% from deliveries during 2017. Most development targeted employment nodes in the South Lake Union/Queen Anne and the Downtown Seattle submarkets. A preference for urban living and proximity to work kept demand for this apartment stock strong, especially as the cost of homeownership metrowide rose more than 13% annually. While healthy, leasing activity trailed inventory growth as apartment occupancy lowered 10 basis points annually to 95.1% in the fourth quarter of 2018. With occupancy near the five-year average, operators maintained upward pressure on rent. Average effective rent advanced 2.4% annually to \$1,653 in December 2018. Rent growth trailed income growth, leading to the rent share of wallet lowering to 23.3% in 2018. As incomes rose, so did employment, expanding 2.8% in 2018.

EMPLOYMENT CHANGE



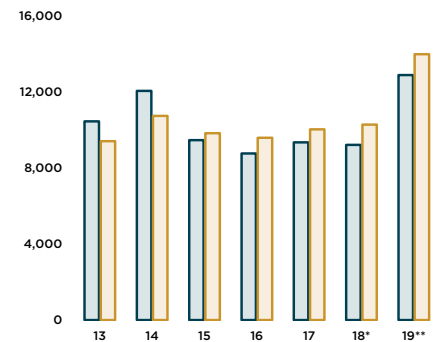
*Estimate; **Forecast | Source: Berkadia, Moody's Analytics

EFFECTIVE RENT AND OCCUPANCY



*Estimate; **Forecast | Source: Berkadia, Axiometrics, Moody's Analytics

ABSORPTION AND DELIVERIES



*Estimate; **Forecast | Source: Berkadia, Axiometrics, Moody's Analytics

2018 PERFORMANCE HIGHLIGHTS

EMPLOYMENT CHANGE

56,700
▲ 2.8% YOY

UNEMPLOYMENT RATE

3.3%
▼ 90 BPS YOY

OCCUPANCY

95.1%
▼ 10 BPS YOY

EFFECTIVE RENT

\$1,653
▲ 2.4% YOY

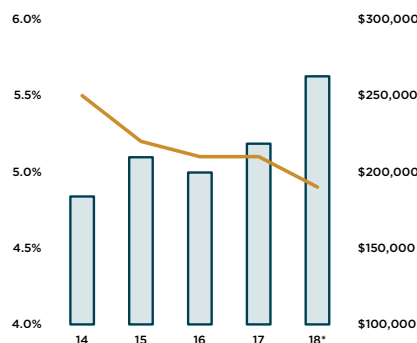
ABSORPTION

9,228 Units

CONSTRUCTION

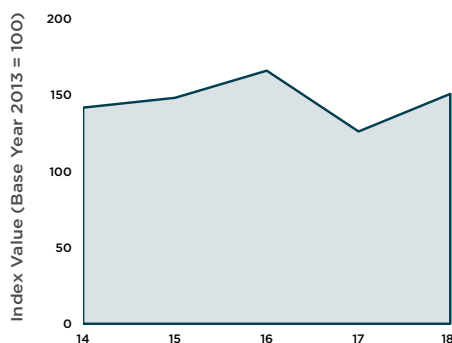
10,294 Units
▲ 2.4% YOY

CAP RATE | PRICE PER UNIT



*Estimate | Source: Berkadia, Real Capital Analytics

SALES ACTIVITY INDEX



*Estimate | Source: Berkadia, Real Capital Analytics

MARKET FACTS

POPULATION

3,941,000
YE 2018 ▲ 1.2% YOY

HOUSEHOLDS

1,538,500
YE 2018 ▲ 1.8% YOY

MEDIAN HOUSEHOLD INCOME

\$85,104
YE 2018 ▲ 3.2% YOY

RENT SHARE OF WALLET

23.3%
YE 2018 ▼ 20 BPS YOY

2019 PREVIEW

Multifamily developers will show continued faith in the Seattle-Tacoma apartment market as deliveries rise this year. Construction is scheduled to complete on approximately 14,000 units by year-end, up more than a third from 2018 additions. While development will remain concentrated around the downtown area, nearly 2,000 units are scheduled to come online in the Redmond submarket. Helping drive housing demand is Microsoft's expanding Redmond campus. The project is expected to be completed in 2022 and will create room for 8,000 additional employees. In the near term, growth by Amazon.com Inc. will move head counts to more than 75,000 workers in the Puget Sound area this year. Overall, employment is forecast to expand 1.6% this year. While growth will be down from 2018, the local expansion will exceed the 1.3% national increase at the same time. The rising payrolls will contribute to an increase in rental activity. Annual leasing activity though is expected to trail the influx of new inventory. Average occupancy is forecast to slip 10 basis points year over year to 95.0% in the fourth quarter. Apartment operators will respond in kind, by tapering effective rent growth. Monthly effective rent is forecast to advance 1.6% to \$1,679 by year-end.