

REGIONAL APARTMENT MARKET

SPOKANE & KOOTENAI COUNTIES

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President

Lembeck Appraisal and Consulting



AGENDA

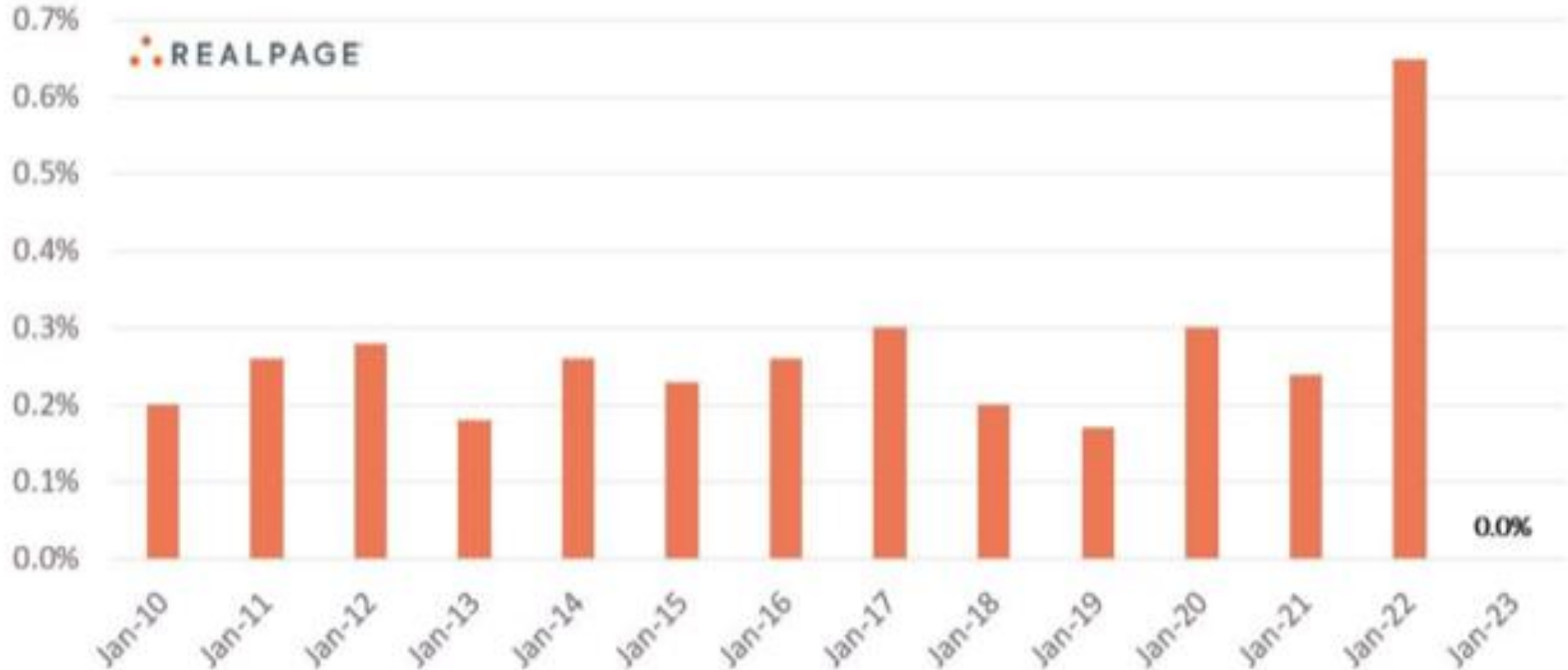
- ▶ Rents, Vacancy & Permits
- ▶ New Supply
 - Pipeline
 - Construction Costs
 - Downtown Spokane Adaptive Re-Use
- ▶ Investment
 - Volume & Price
 - Cap Rates
- ▶ Recap

RENTS, VACANCY & PERMITS

NATIONAL TRENDS

For the First Time in 10+ Years, Rents Do Not Increase in Month of January

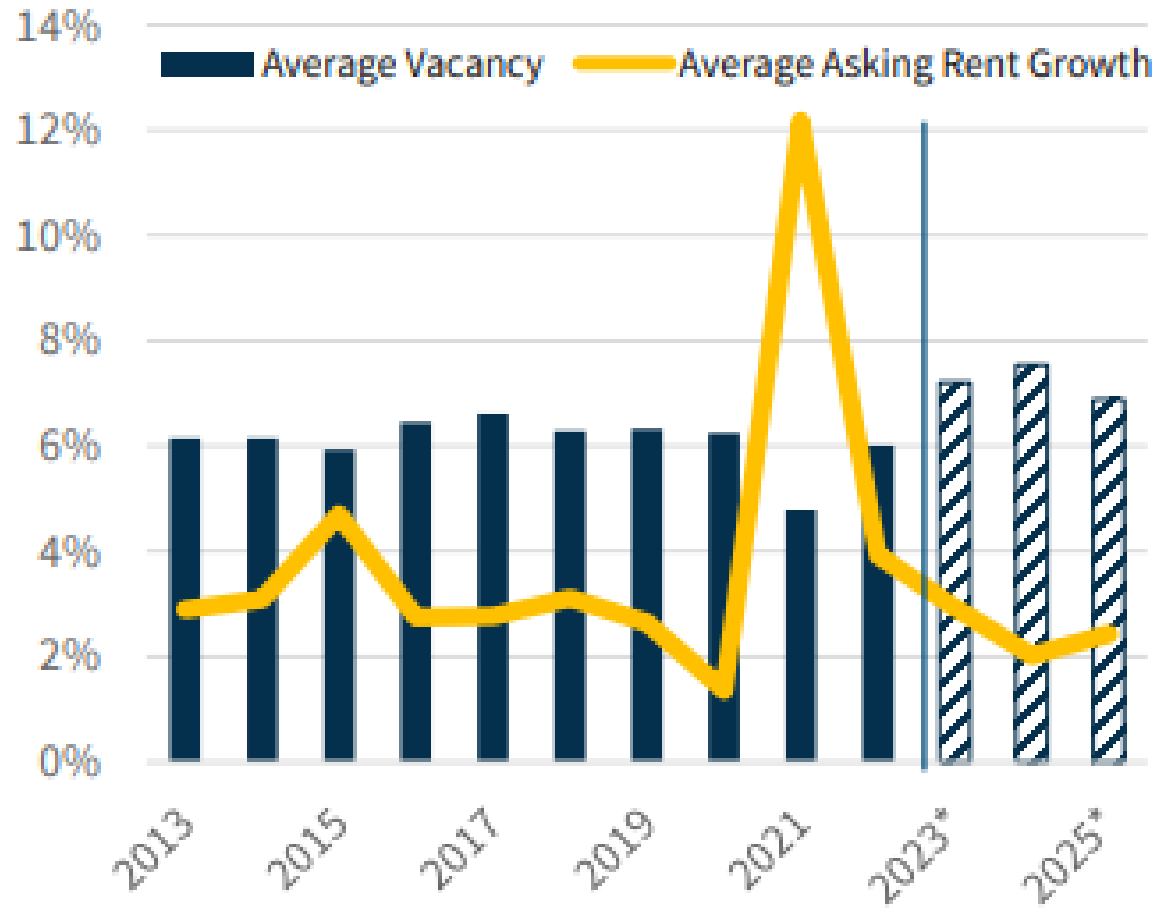
January vs. December Change in Effective Asking Rents, U.S. Market-Rate Apartments



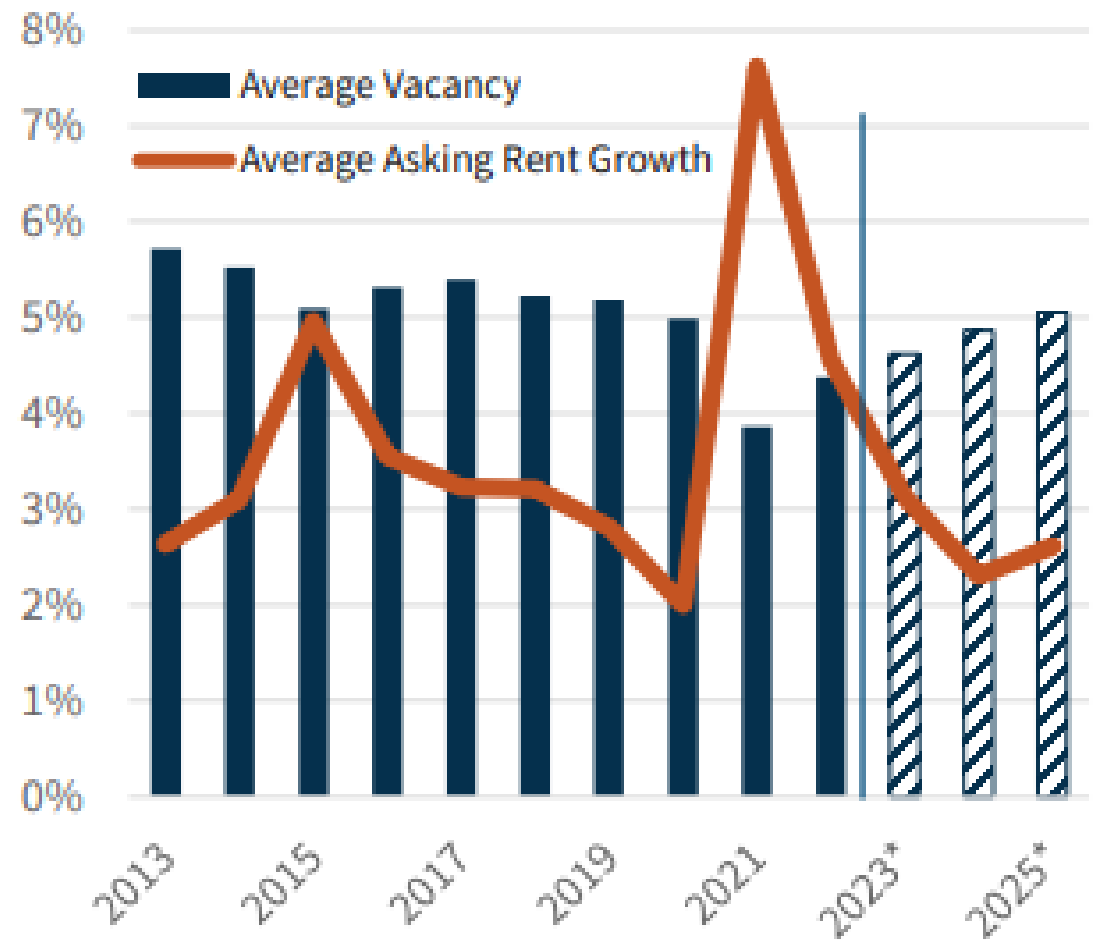
Source: RealPage Market Analytics

NATIONAL TRENDS

Average Vacancy and Asking Rent Growth Class B Multifamily (Q4 2013 – Q4 2025)



Average Vacancy and Asking Rent Growth Class C Multifamily (Q4 2013 – Q4 2025)



Source: CoStar Group Note: * Projected

NATIONAL TRENDS

Occupancy Rate and Effective Rent Growth Forecasts

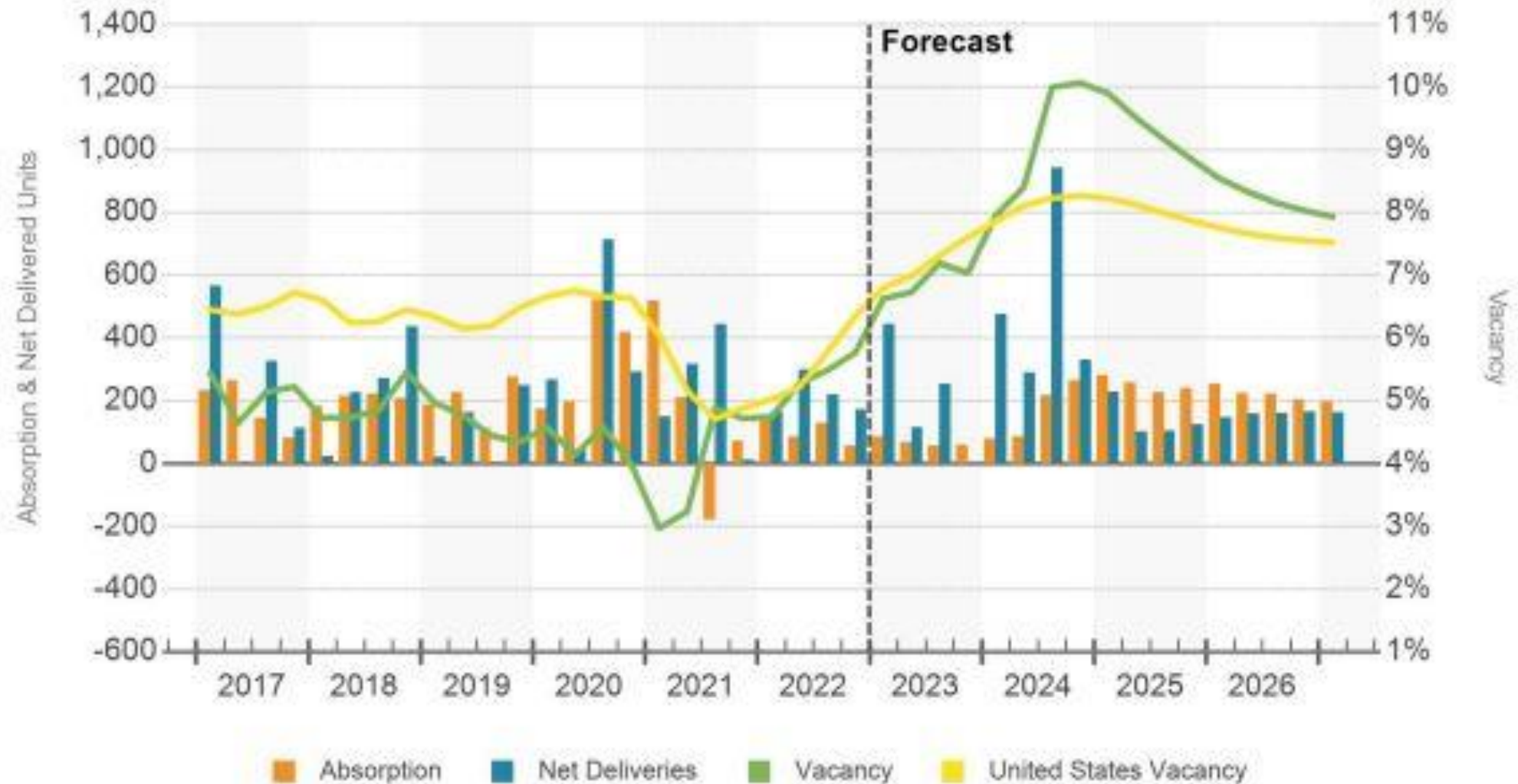
	2022		2023		2024	
	Occupancy Rate	Effective Rent Growth	Occupancy Rate	Effective Rent Growth	Occupancy Rate	Effective Rent Growth
CoStar	94.0%	3.1%	93.0%	2.9%	92.7%	2.1%
RealPage	95.7%	8.1%	95.2%	3.5%	95.1%	3.3%
Yardi Matrix	95.9%	7.6%	95.9%	3.5%	95.9%	3.3%
CBRE Econometric Advisors	96.6%	8.3%	95.4%	4.0%	95.1%	1.4%

**Asking Rents*

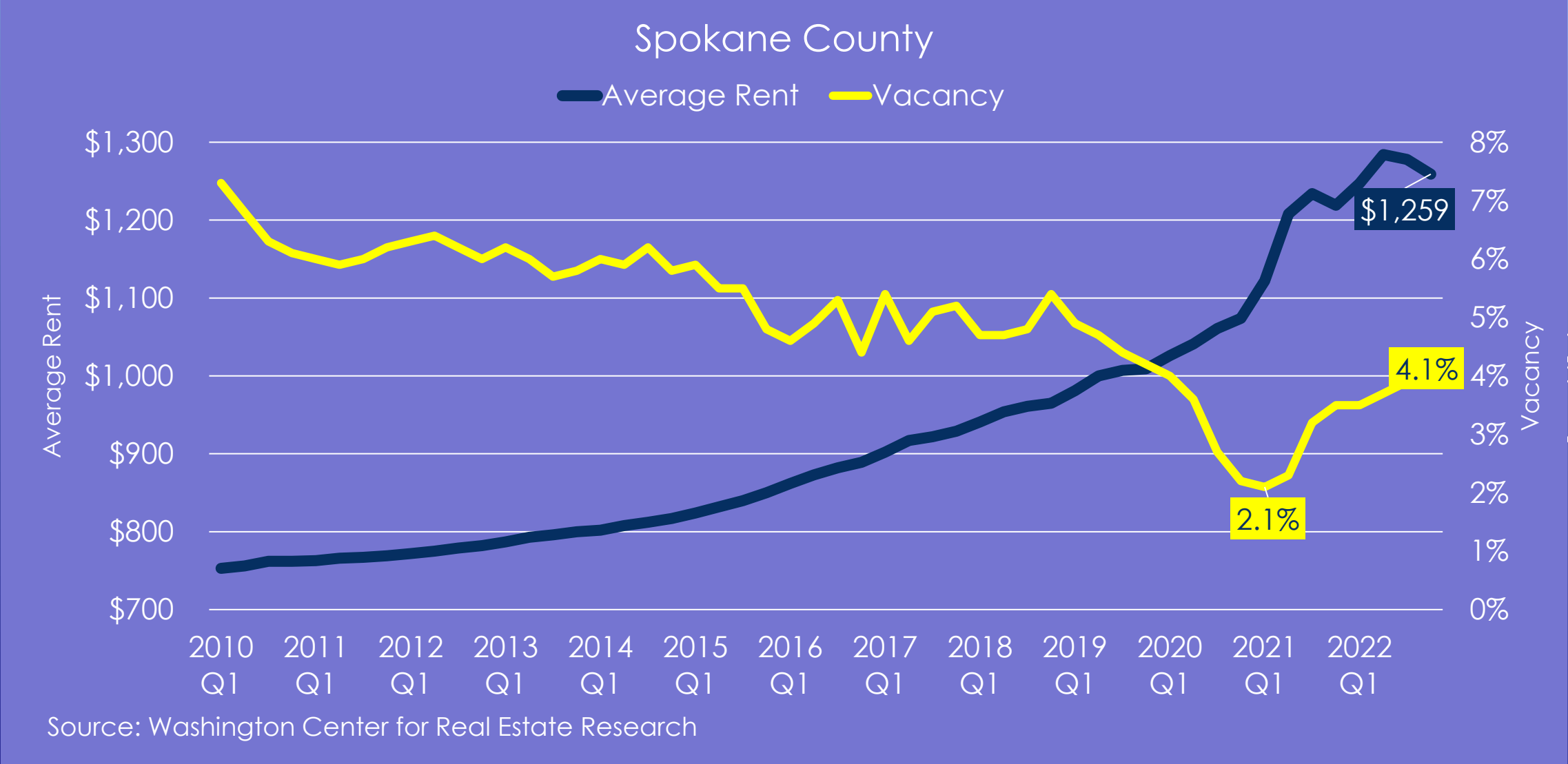
Source:
National
Apartment
Association

SPOKANE COUNTY

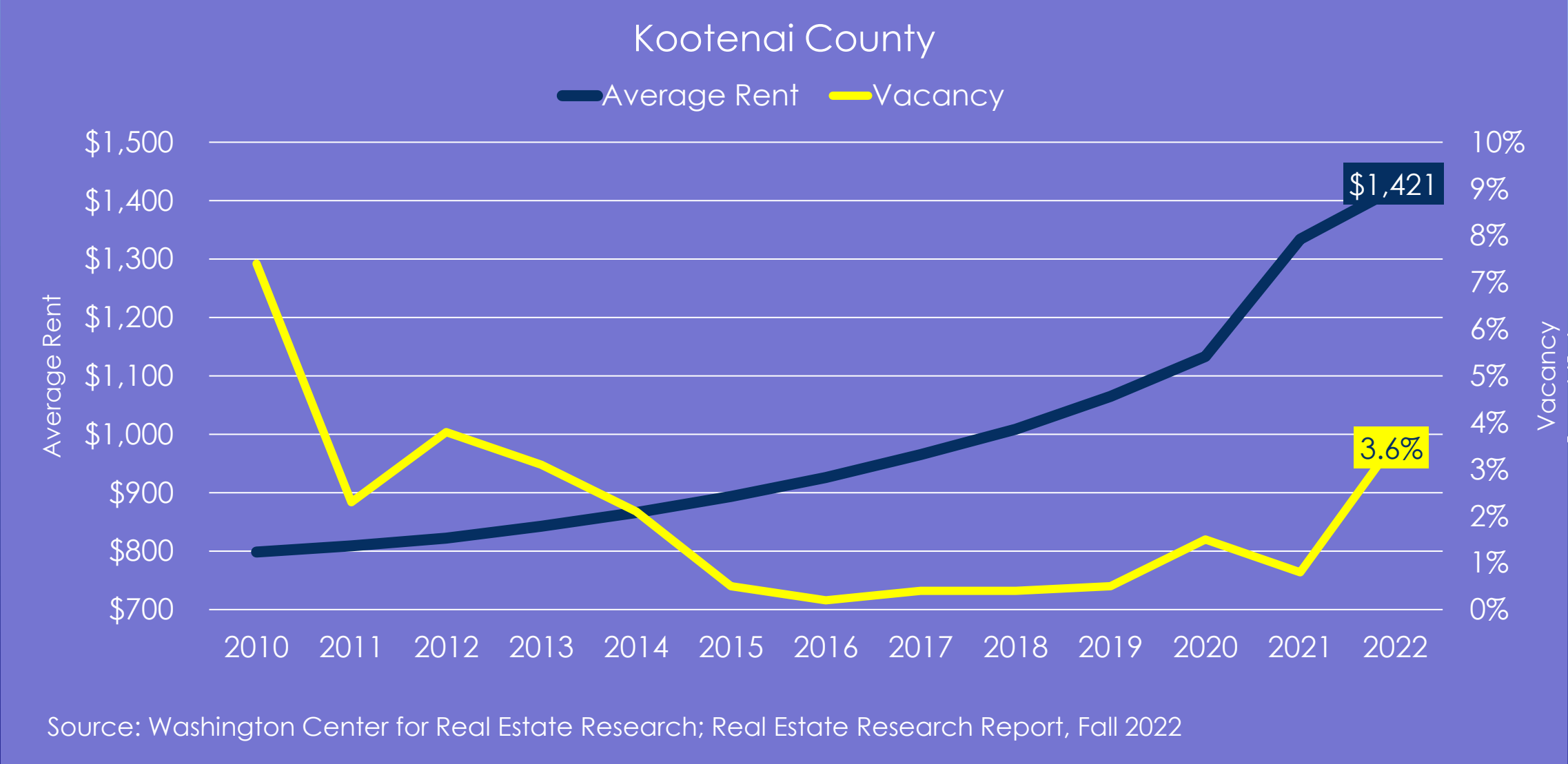
ABSORPTION, NET DELIVERIES & VACANCY



LOCAL RENTAL PRICING PRESSURE EVIDENT



AVERAGE RENT INCREASED 25% SINCE 2020



NATIONAL TRENDS

U.S. Apartment Demand Turns Negative for the First Time Since 2009

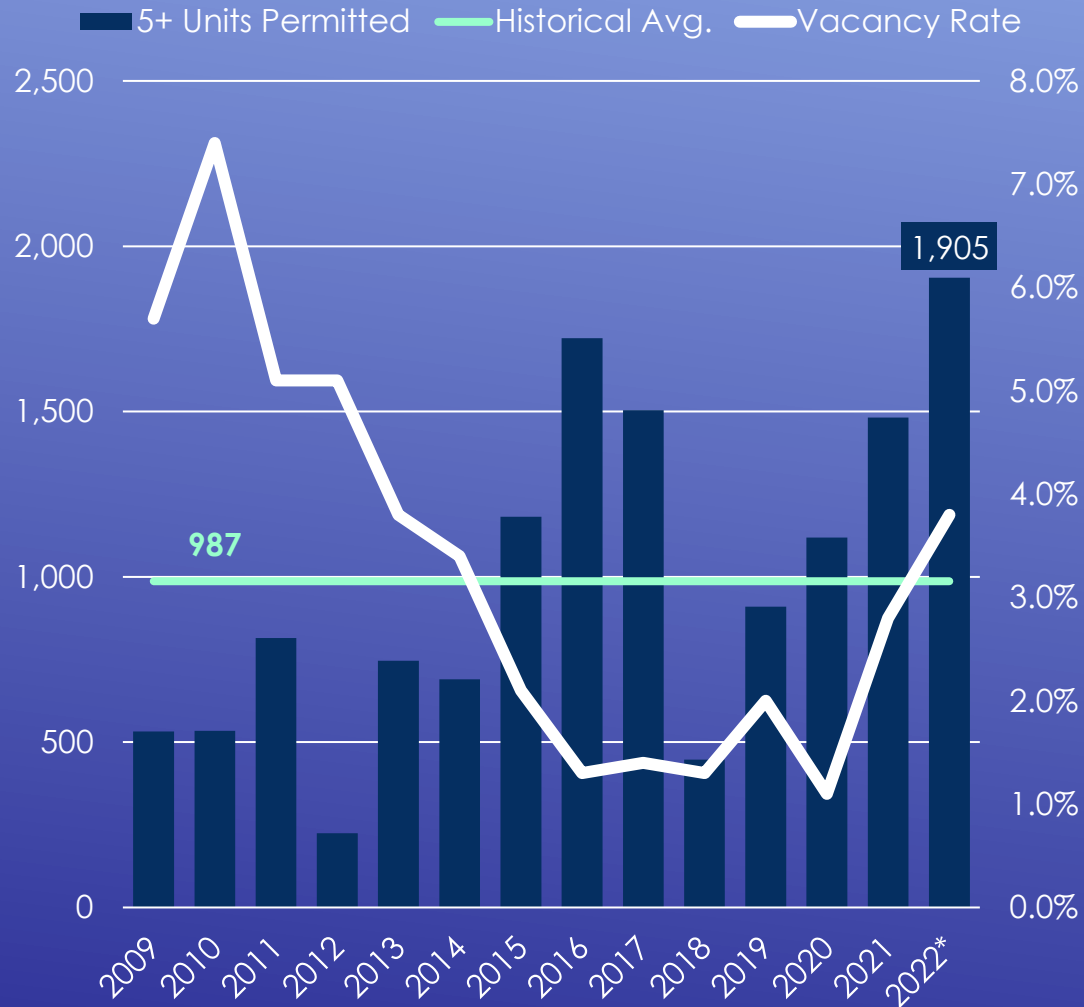
U.S. T-12 Net Apartment Absorption



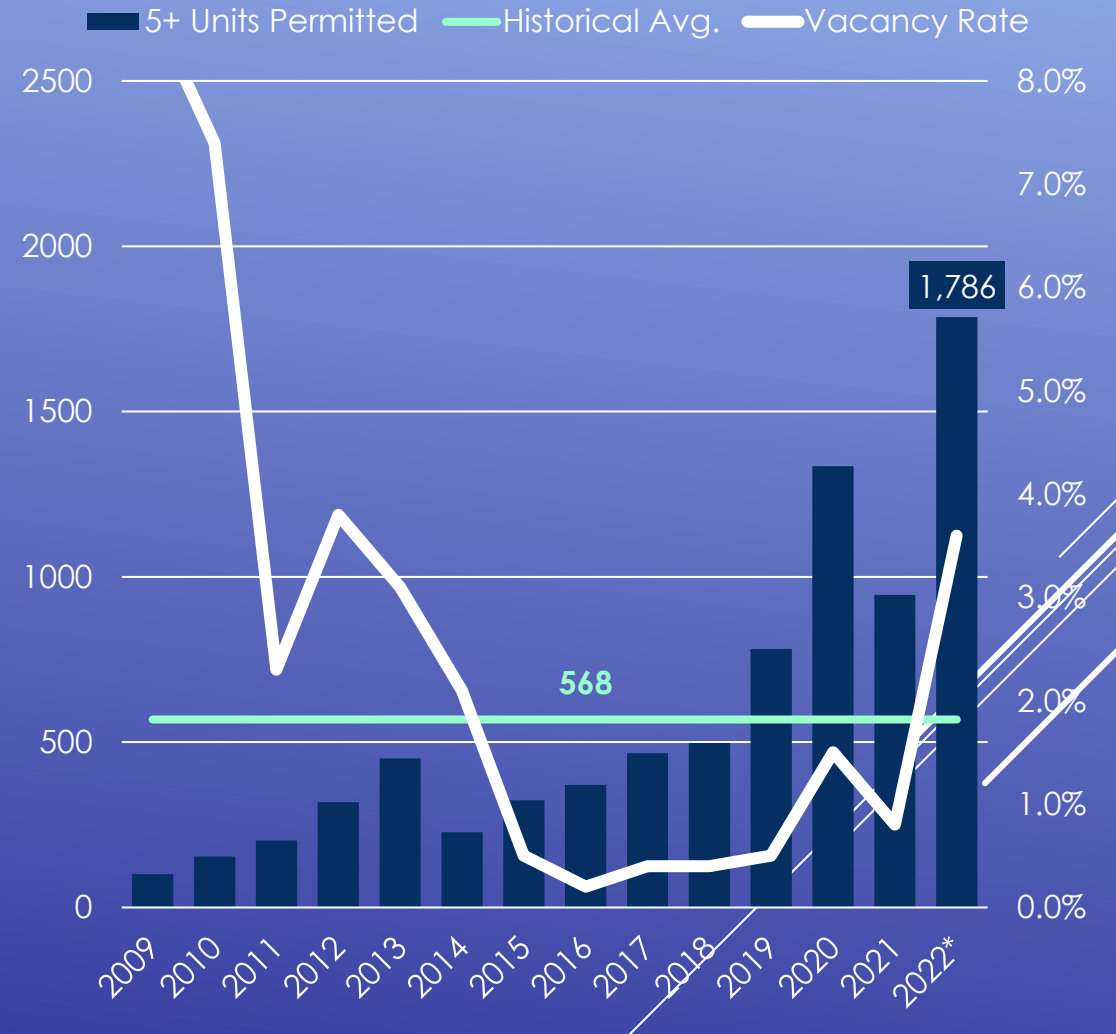
Source: RealPage Market Analytics

LOCAL PERMITS & VACANCY

Spokane County



Kootenai County

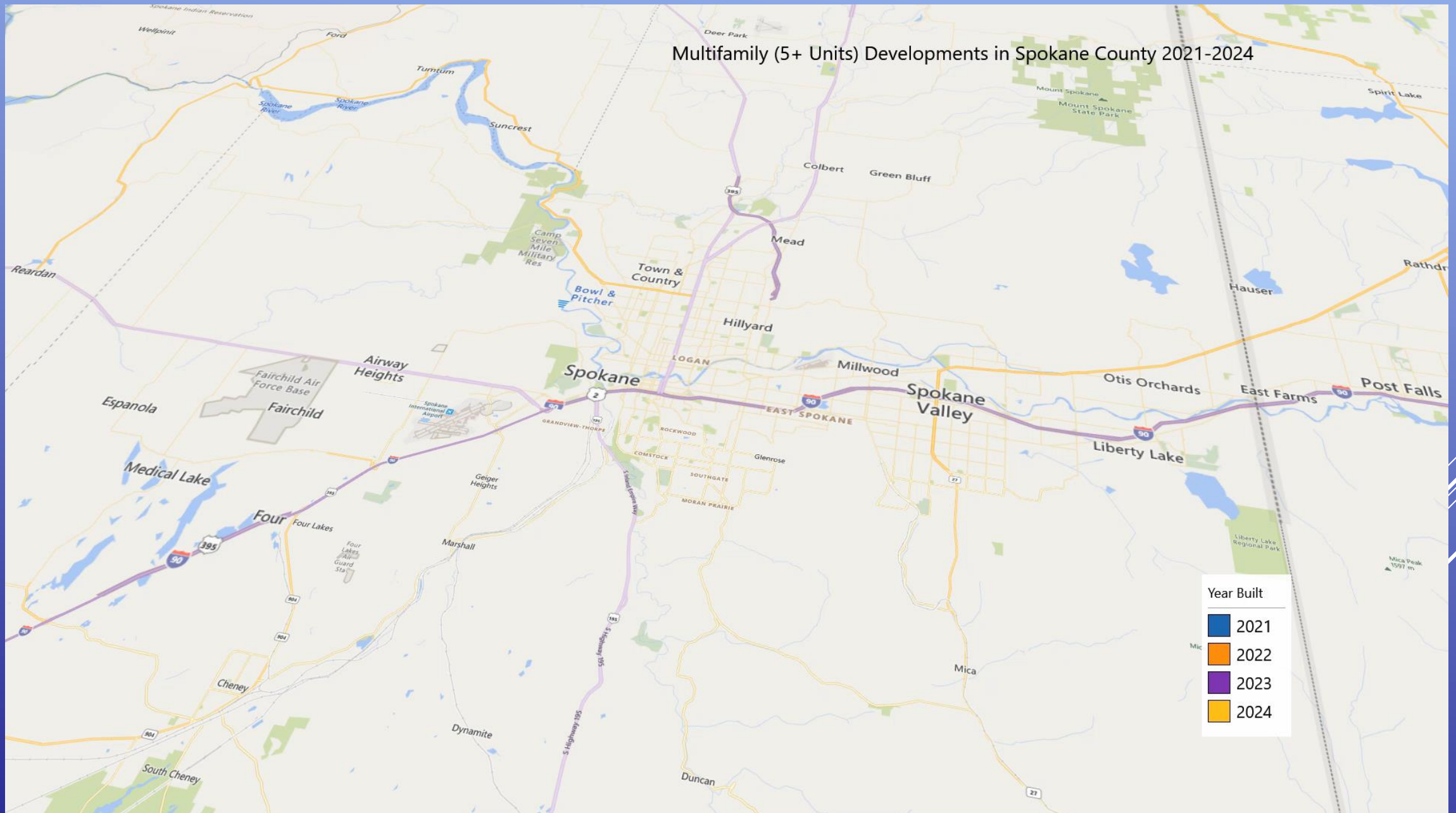


Source: Real Estate Research Report, Fall 2022

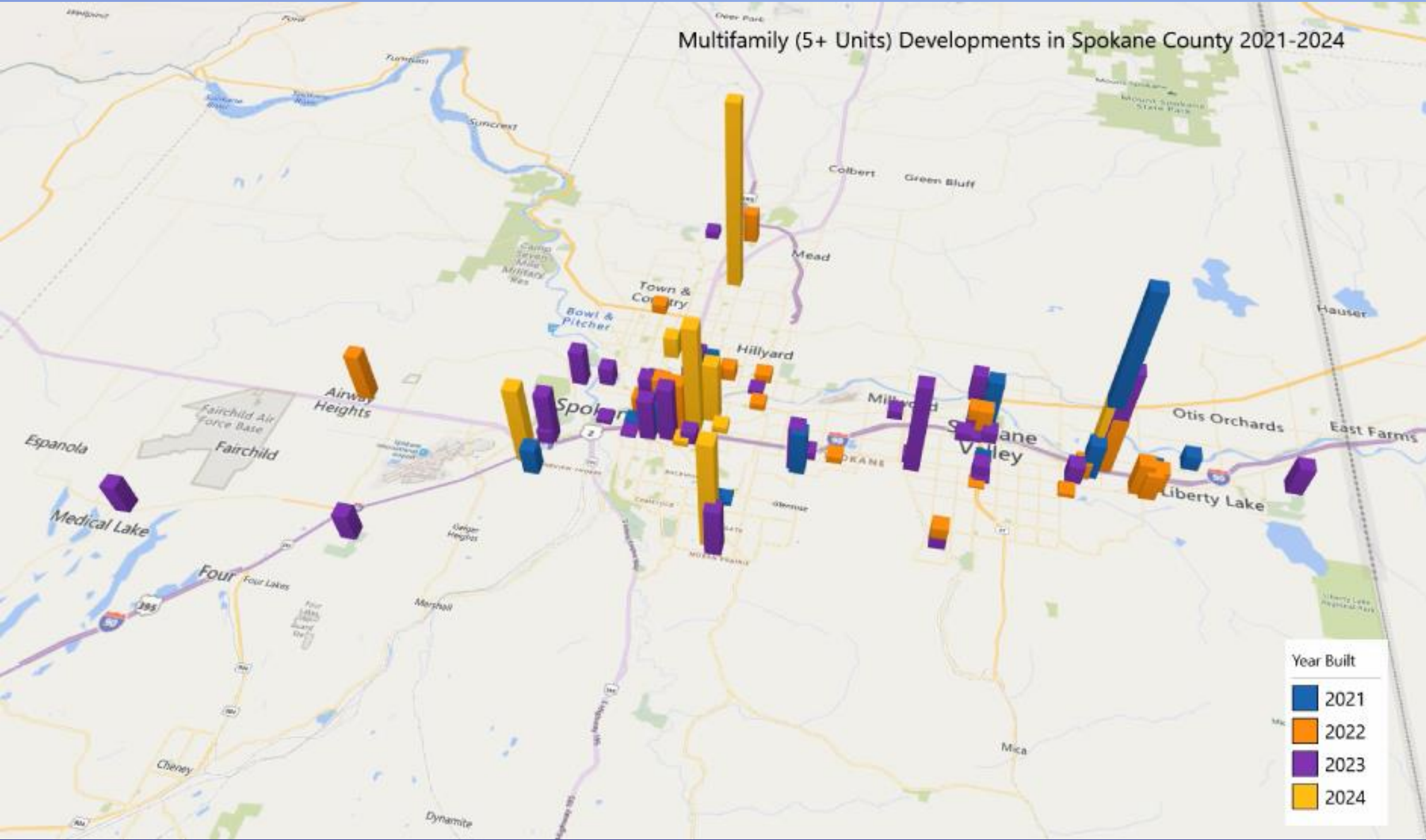
*Through September 2022

NEW SUPPLY

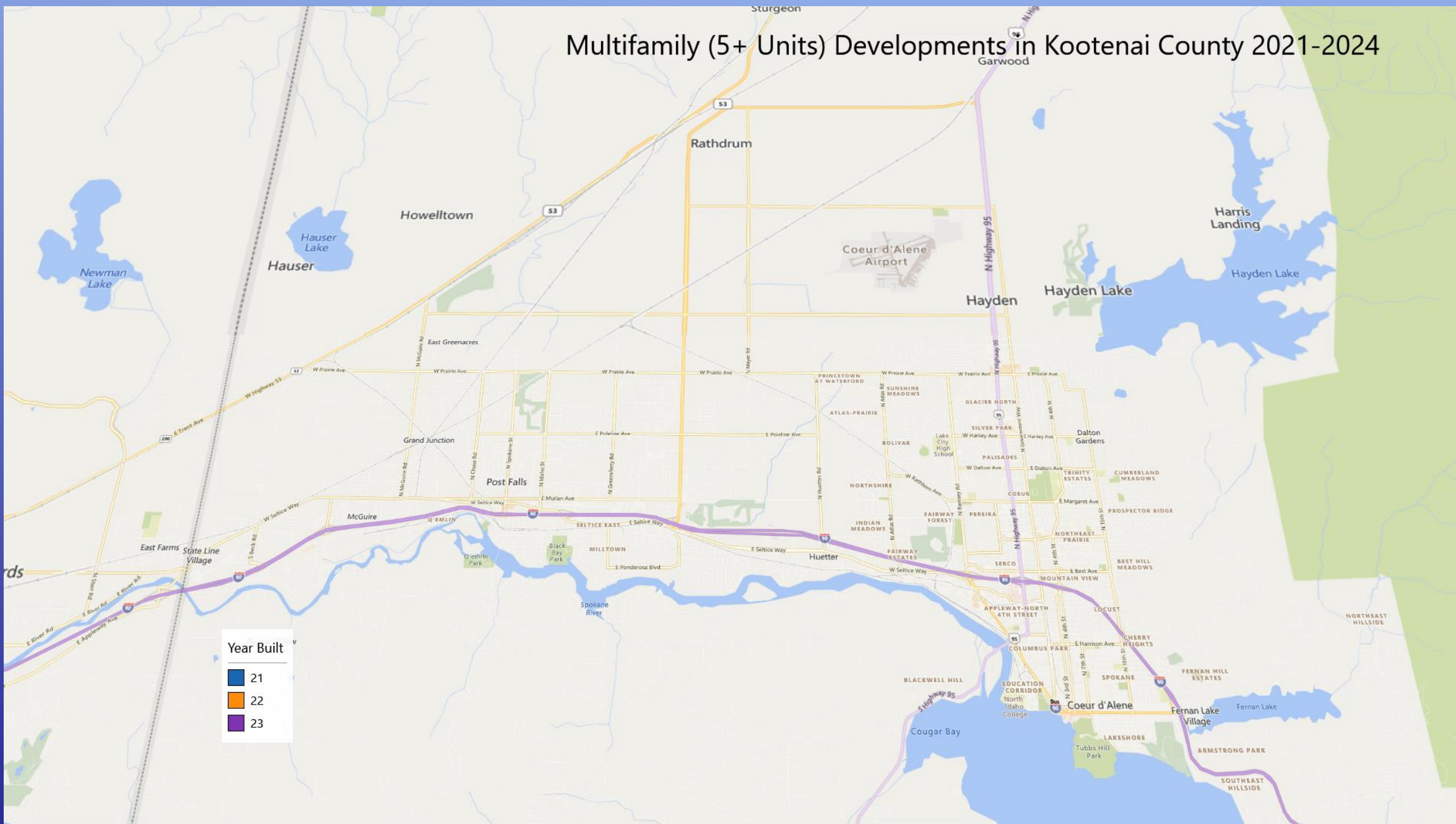
Multifamily (5+ Units) Developments in Spokane County 2021-2024



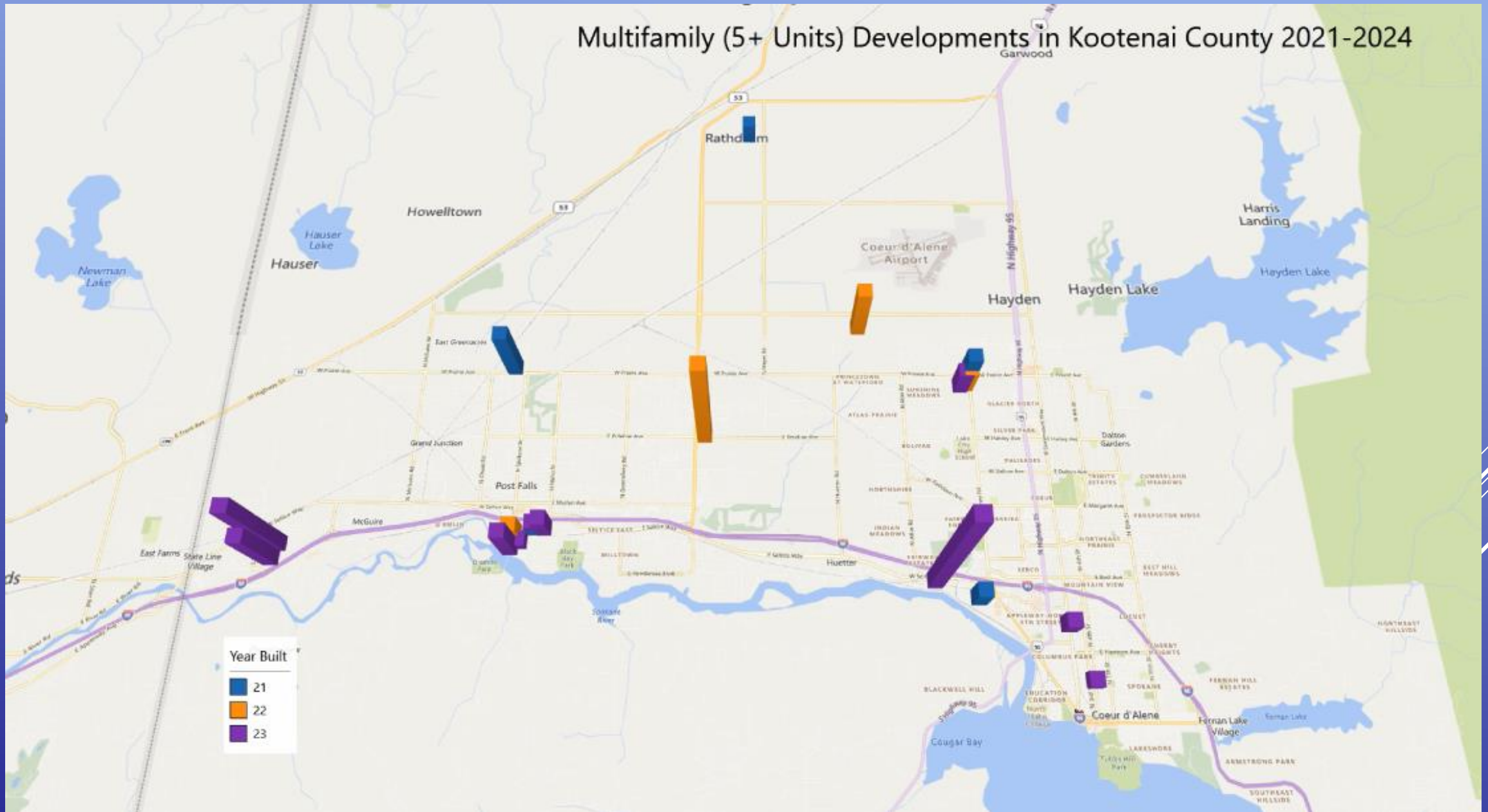
Multifamily (5+ Units) Developments in Spokane County 2021-2024



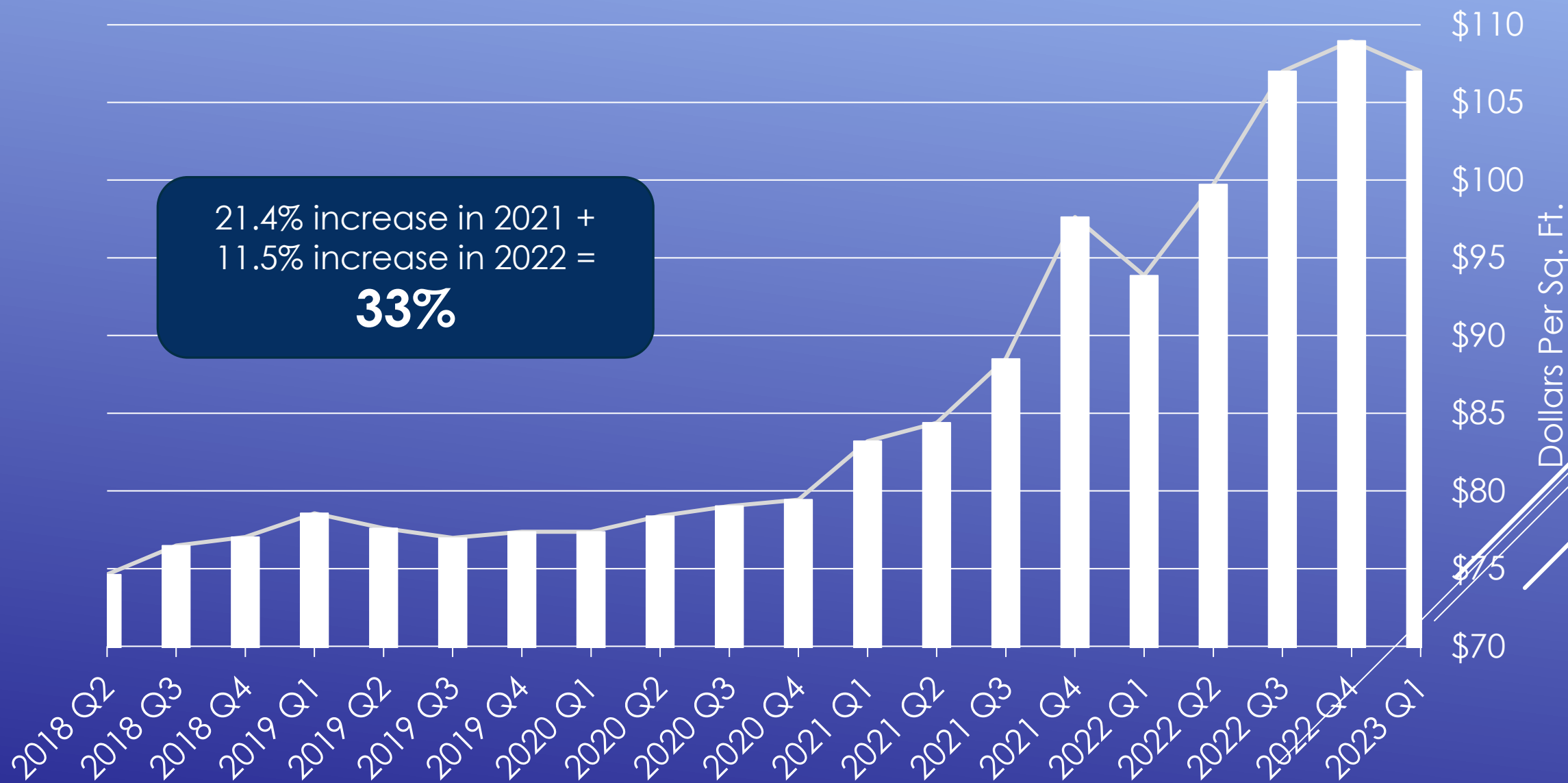
Multifamily (5+ Units) Developments in Kootenai County 2021-2024



Multifamily (5+ Units) Developments in Kootenai County 2021-2024



Spokane Base Construction Costs (Wood Frame)



SPOKANE CONVERSIONS SINCE 2017

The Chronicle
926 W Sprague Ave
Former office
36 units
Built Feb. 2017



Lolo Lofts
1229 W 1st Ave
Former office
11 units
Built May 2021



The M
612 W Main Ave
Former Macy's
114 units
Built 2018



The Ridpath
515 W Sprague Ave
Former hotel
206 units
Built 2019/2020



James S Black Building
(Marjorie Apartments)
107 S Howard St
Former office
50 units
Built Oct. 2021



SPOKANE CONVERSIONS - 2023



The Olmstead

104 E 4th Ave
Former hotel

153 units
EDC Nov. 2023



The Imperial

120 W 3rd Ave
Former hotel

88 units
EDC March
2023

The 508 West
508 W 6th Ave
Former medical
office

117 units
EDC March
2023



SPOKANE CONVERSIONS - FUTURE



Howard Street
218 N Howard St
Former hotel
8 units
Plan review
approved
10/12/22



Symons Block
7 S Howard St
Former office
14 units
EDC 2023

McKinley School
120 N Magnolia St
Former school
28 units
EDC unknown



Sharp Flats
441 W Sharp Ave
Former storage
warehouse
5 units
Under plan review
as of Jan. 2023



INVESTMENT

NATIONAL TRENDS

Multifamily Prices Fell Steeply in January, at Rate Not Seen Since 2010

Multifamily Price Growth, Month-over-Month Annualized, and Year-over-Year

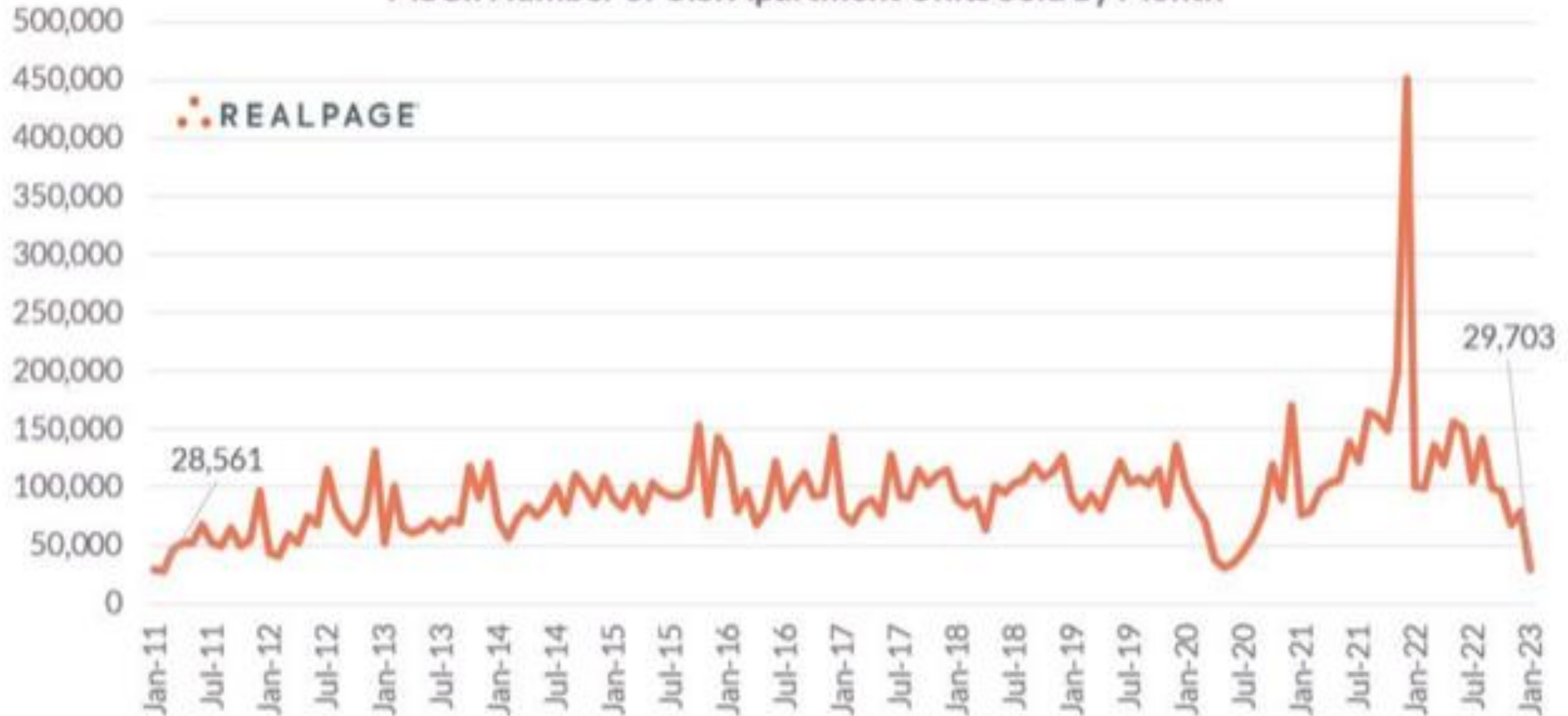


Source: MSCI Real Capital Analytics, Jan. 2023

NATIONAL TRENDS

Freeze: U.S. Apartment Sales Plunge to Lowest Level in 12 Years

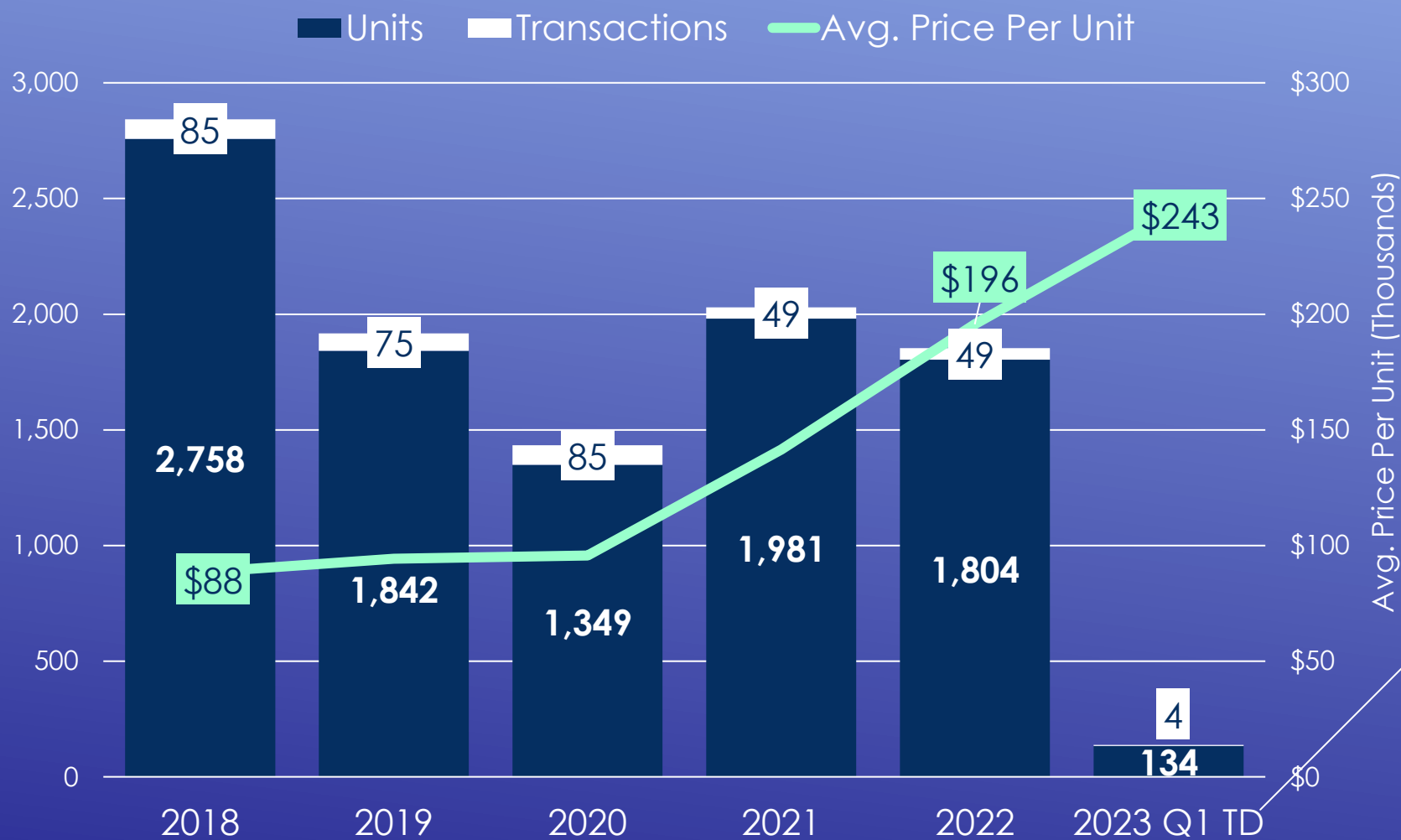
MSCI: Number of U.S. Apartment Units Sold by Month



Source: MSCI Real Capital Analytics

TRANSACTION VOLUME LOWER IN 2021 & 2022

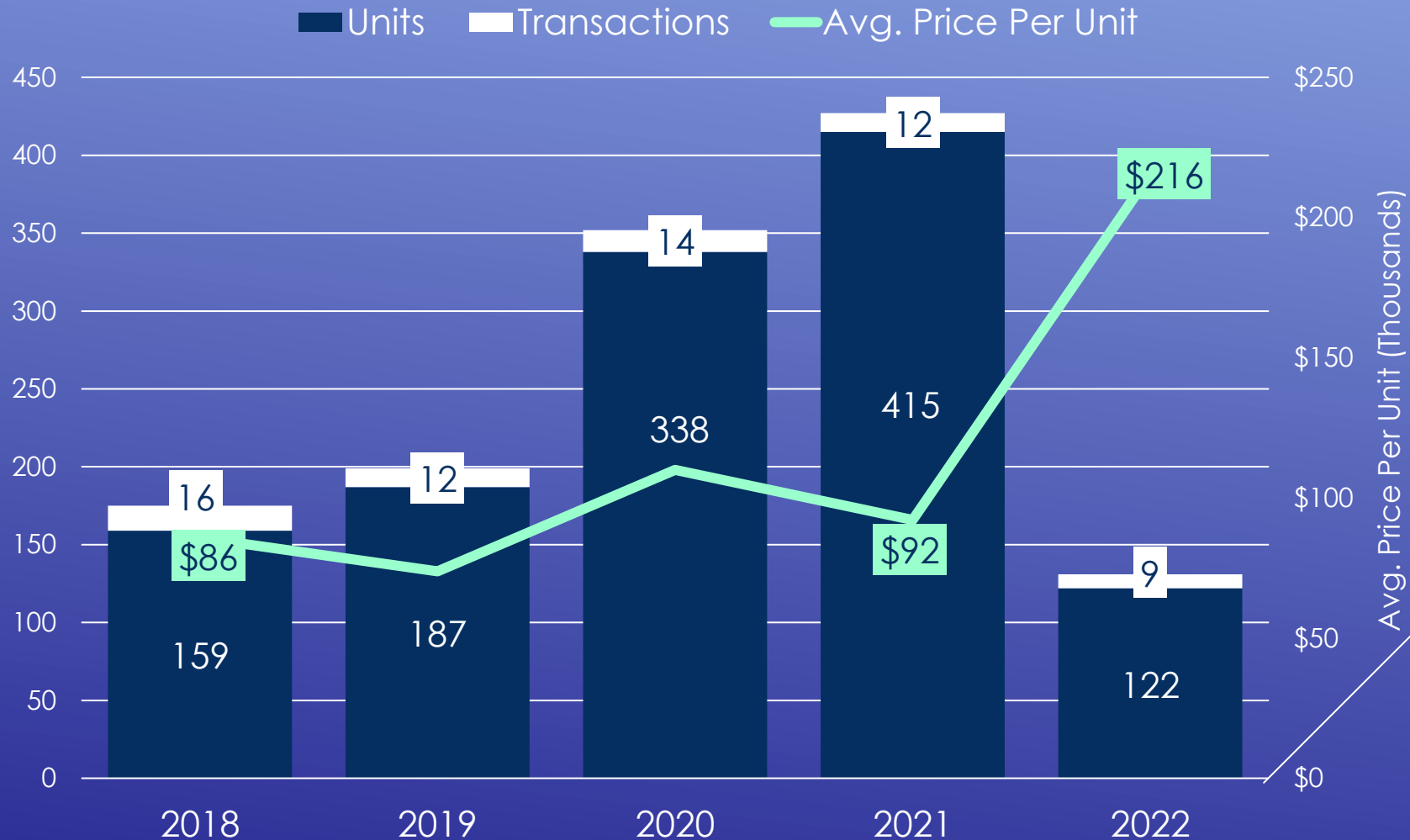
Spokane County Sales



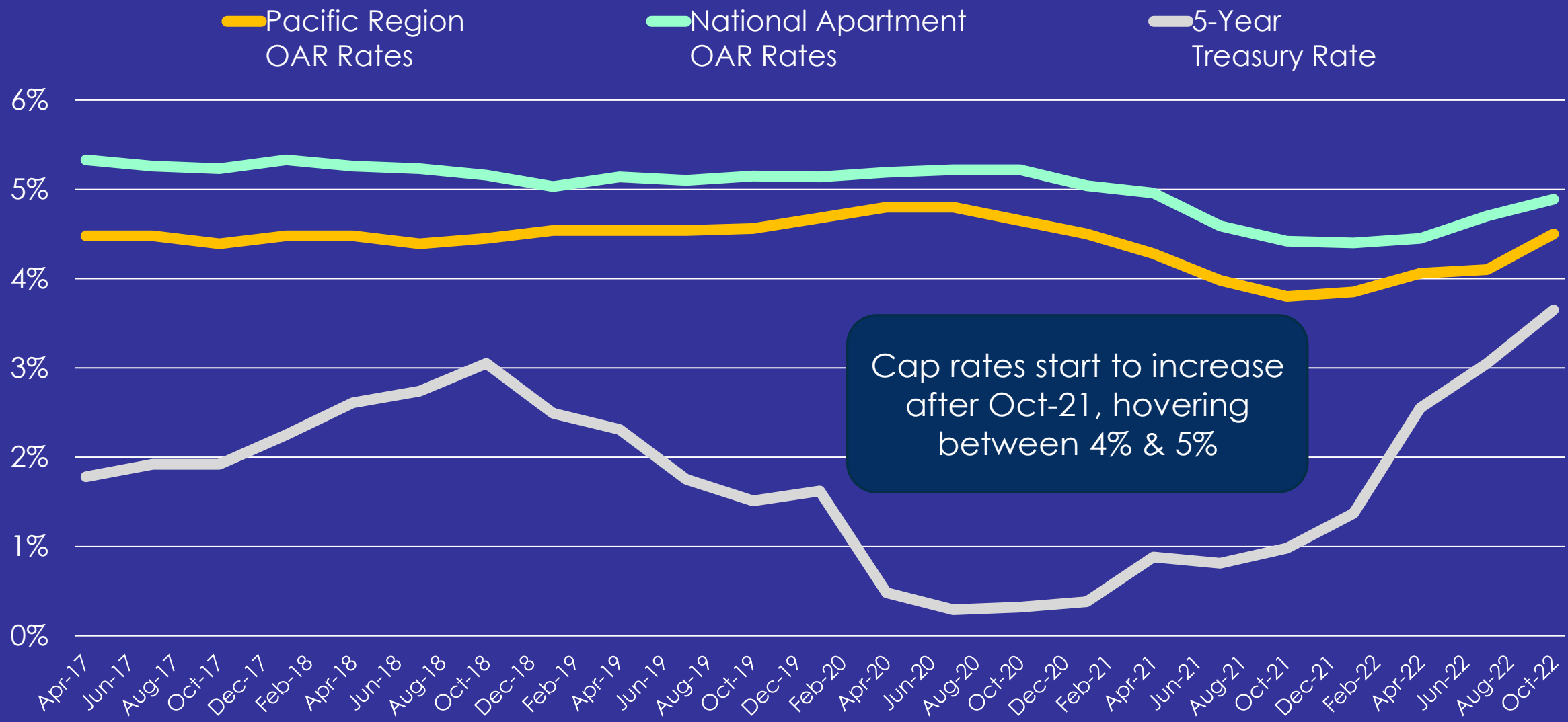
Source: CoStar

INVESTMENT LOWER AS PRICES INCREASE

Kootenai County Sales



Cap Rates vs Treasury



Source: PwC, Ychart, latest data available; treasury/fed rates are as of first business day of the quarter

RECAP

- New inventory resulting in stabilizing rents & increased vacancy
- Apartment deliveries expected to double in 2023 over 2022
- Prices up; fewer transactions
- Cap rates trending upward
- Strong long-run outlook

THANK YOU!