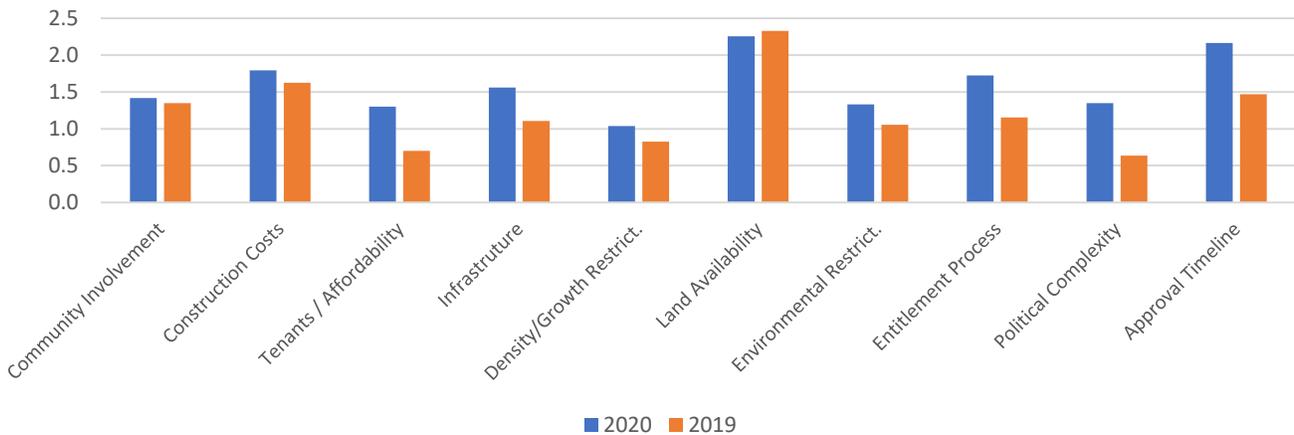


BARRIERS to APARTMENT CONSTRUCTION 2020 UPDATE

- A growing job base continues to stress the local housing market prompting continued housing legislation at the state and local level.
- While some legislation has eased density and lot restrictions, land availability continues to be the largest impediment to new supply. Density/growth restrictions, community involvement and environmental restrictions increased modestly from last year
- The increasing legislative complexity of building and operating housing prompted significant increases in process, political structure complexity and time to approve new projects. Infrastructure is also stressed as the market grows.
- Seattle moved from a rank of 15 to 53 of 58 markets, putting it in the same highly restrictive realm as other West Coast markets.



Seattle Barriers to Supply 2020 vs 2019



Washington state and Seattle continue to pass a number of housing laws in response to soaring costs created by a growing population and job base. Some legislation focused on increasing housing capacity by allowing increased density, 2-4 units or accessory dwelling units in single-family zoned areas, and easing parking quotas, impact fees and environmental restrictions under certain conditions. While survey respondents found land availability slightly better this year, it still remains the top constraint to new multifamily construction in Seattle. Density and growth restrictions as well as environmental restrictions also increased only slightly in the survey this year as compared to last.

However, a number of laws continue to make the market more difficult to navigate. Landlords have to provide 60 instead of 30 days to increase rents and 120 days notice to remove for demolition. Tenants have 14 days instead of 3 to pay overdue rent with more leniency in covering landlord legal costs. The Washington Supreme Court also upheld a 2016 first come-first serve law that requires landlords to screen tenants on predetermined criteria in the order they apply for the apartment. All of the laws have exceptions which makes understanding the legal environment in Seattle quite complex. In fact, survey respondents rated the complexity of the entitlement process and political review structure as significantly more restrictive this year. In addition to approval complexity, survey respondents list approval times, construction costs and land costs as some of the most significant barriers to new supply. Infrastructure and transportation are also increasing issues in the area.

While some of the 2019 legislative changes were beyond the survey scope which is more oriented towards multifamily new development, the changes did create multiple increases in subindex scores, driving the overall Seattle ranking from 15 to 53 of 58 markets, putting it in the same high supply restrictiveness category as other major West Coast markets such as San Diego and San Francisco.

BARRIERS INDEX METHODOLOGY:

NAA HAS Barriers to Apartment Construction indices were created from over 90 apartment development questions in ten categories and scored digitally on a scale of 0 (least restrictive) to 3 (most restrictive) from real estate professionals in both the public and private realms through 2019 and 2020 surveys.



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