

Seattle Apartment Deals Rebounding Sharply

After a sluggish start to the year, Seattle's multifamily-sales market has come roaring back in recent months — and momentum is still building.

From April to June, the volume of Seattle apartment trades worth \$25 million or more hit a second-quarter record of \$1.34 billion, according to a preliminary tally from **Green Street's** Sales Comps Database. That's a nearly fivefold jump from the previous three-month stretch, and it brings the year-to-date total to \$1.63 billion — matching the market's volume for all of 2023.

Local pros expect the deal surge to continue, noting that solid economic fundamentals and stabilizing asset values are drawing institutional investors back to the market with greater confidence.

"With another \$500 million in deals scheduled to close by the end of July and roughly \$2 billion in active listings, full-year volume is on track to hit \$5 billion to \$6 billion," said **Corey Marx**, a Seattle-based senior managing director on **JLL's** Northwest multifamily investment-sales team.

The revival follows several years of subdued activity as valuations retreated from peaks, creating a gap between buyers' and sellers' price expectations. Seattle multifamily trades of \$25 million or more hit an annual record of \$5.91 billion in 2019, but since have been stymied by the pandemic, high interest rates and market uncertainty. Last year, the market started to show signs of a sustained rebound, with large sales volume hitting \$3.55 billion.

"Over the last 12 months, the percentage of listings that are successfully closing is up significantly from the prior two years," Marx said. "The bid-ask gap that existed in 2022 and 2023 has narrowed substantially — and, in many cases, [has] closed."

Among the investors ramping up in the Seattle market are local industry veterans **Cooper Engst** and **Paul Roeter**, who just teamed up to launch **Keelbase Capital**, a Seattle-based firm focused on joint-venture equity and private credit. The shop is investing alongside joint-venture partners to acquire institutional-quality multifamily properties. It expects to transact up to \$300 million of assets over the next three years and aims to hit more than \$500 million by 2030.



Engst, who previously headed **Eastdil Secured's** Pacific Northwest multifamily practice, noted that more than 1,900 Seattle-area multifamily properties with a gross value of about \$60 billion were acquired, refinanced or developed from 2019 to 2022 — when interest rates were historically low. Now, many of those assets are overleveraged.

"We see a generational opportunity to deploy capital," Engst said. "Property owners face a significant challenge today, with asset values that remain well below the peak and traditional lenders that can't provide cash-neutral refinancing. We're

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stepping into that void with flexible capital that will give owners a path forward.”

Keelbase is tracking more than \$4 billion of deals — many of them off-market — with sizes ranging from \$20 million to more than \$200 million. It’s concentrating on properties with strained capital stacks — those that have healthy fundamentals but financing that no longer pencils — as well as assets with value-added or lease-up potential.

“Seattle is one of the most dynamic and fundamentally sound real estate markets in the country, but it’s also one of the most exposed to the reset now underway,” said Roeter, who most recently co-led **Cushman & Wakefield’s** Pacific Northwest equity, debt and structured-finance practice. “Values have dropped, owners are feeling pressure from lenders, and growing deal volume is finally providing pricing clarity.”

Market pros said investors continued to be attracted to Seattle due to its technology-driven economy. According to **Oxford Economics**, the metropolitan area is projected to lead all coastal gateway markets in both GDP growth and net migration through 2029.

“Occupancy is generally holding strong, leasing activity is picking up, and rental trade-outs and renewals are encouraging,” said **Kevin Ibasco**, a senior vice president of acquisitions at Chicago-based **Waterton**. “While other markets bounced back quickly after the pandemic, Seattle’s recovery was slower and more drawn out. But we’re now starting to see that recovery take hold in a more meaningful way.”

Return-to-office mandates — especially at locally based e-commerce behemoth **Amazon** — have played a key role in boosting downtown foot traffic, revitalizing restaurants and retailers, and renewing tenant interest, he added.

“People are taking advantage of everything Seattle has to offer again, and that’s reflected in improving occupancy and rent fundamentals,” Ibasco said. “All the things that have historically made Seattle a great place to live feel even more present now than they did a few years ago.”

Waterton has been an active buyer in the region, completing four Seattle-area acquisitions since 2023. Most recently, it paid \$124 million last month to buy the 386-unit **Brackett**,

in Edmonds. In April, the firm purchased **Skye at Belltown**, a 371-unit high-rise in downtown Seattle, for \$102.7 million.

Waterton’s regional portfolio, now totaling 1,331 units, is concentrated on the market’s Eastside, close to big employers such as Amazon, **Google**, **Meta** and **Microsoft**. “It has definitely benefited from the return to office, especially in tech. We’re seeing strong leasing momentum there,” Ibasco said.

Market pros said capitalization rates remain tight, with recent trades showing how competitive pricing has become for well-located, institutional-quality assets.

Last month, a partnership that included **Kennedy Wilson** purchased **Danforth**, a 265-unit high-rise with retail space in Seattle’s First Hill neighborhood, for \$173 million. While that price was about 17% less than the \$209.2 million seller **Vanbarnton Group** had paid for the building in 2019, the deal still closed at a 4.5% cap rate for the residential component.

Market pros said signs of life also are emerging in the office sector and other asset classes around Puget Sound.

“We’ve typically lagged New York and San Francisco in terms of trends like the return to office, but, interestingly, we’re now seeing office deals start to trade again,” Keelbase’s Roeter said. “It’s still primarily a multifamily story, but this broadening activity is part of why we’re launching this venture now. Seattle is getting back on the national radar.”

Another turning point for the market: Despite elevated supply from recent development, the construction cycle is nearing its end.

JLL’s Marx described Seattle as “the fastest-growing West Coast city and a top-10 city nationally for population growth,” citing its strong, diversified job base and absence of state income tax. “But for the first time in many years,” he added, “supply is going to drop off a cliff.”

With new projects rarely penciling today, market pros expect construction starts to fall dramatically. That’s already contributing to increased transaction activity, as investors look to get ahead of future supply constraints.

“Twelve months ago, people were still asking, ‘Will it get absorbed? What will lease-up economics look like?’” Keelbase’s Roeter said. “But at this point, a lot of that uncertainty is behind us. We’re hitting the tail end of that supply wave. That’s a real positive sign for the market.” ❖

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