

SIMON | ANDERSON MULTIFAMILY TEAM

Puget Sound & Washington State Apartment Sales Specialists

SEATTLE & PUGET SOUND

MICRO

SPECIAL REPORT

2025

MICROHOUSING OPERATIONS IN 2026



SELLING

WHAT DO BUYERS WANT?

STABLE OCCUPANCY

By nature, microhousing is susceptible to higher turnover and vacancy rates. Proving a history of strong (93% to 95%) occupancy in trailing financials is integral to exhibiting durable cashflows.

SOLIDIFYING RENTAL RATES

Buyers are worried about the transient nature of small-unit residents, as well as the adverse effects of seasonal fluctuations in rents. So, showing consistent rent increases on lease renewals – even if nominal – and new leases at or above the current rent roll average, especially for the three months before coming to market, will make a significant difference in buyer confidence.

STRONG COLLECTION RATES

Like occupancy rates, buyers and lenders alike will scrutinize delinquency. For this reason, it's important to act fast when a resident's delinquent balance exceeds 30 days. Stability will lead directly to improved pricing in a sale.

ASSET MANAGEMENT

It sounds obvious on the surface, but fewer than 20% of our clients have weekly calls with their management company. If you're planning on selling, instituting a weekly call beginning at 90 days before coming to market and then while on market will make a meaningful difference.

SUMMARY

In a tough market, early preparation drives results. The Simon | Anderson Team knows the exact actions you need to take to maximize your value before coming to market. Don't guess and select a broker who's never sold micros. Signing a listing agreement 90 days ahead can meaningfully improve value. We're here to help you win.



BUILDING

WHAT IMPROVES YIELD?

IN-UNIT WASHER & DRYER

SEDU and EDU units with this amenity consistently achieve premium rental rates and improved leasing velocity, in addition to acting as "retention gold" for forward operations. Consider discussing how to implement this feature with your architect, whether building for a long-term hold or selling at stabilization.

LARGE WINDOWS & HIGH CEILINGS

Increased natural light and unit volume helps make efficient unit sizes feel larger and improves livability. Similar to including in-unit laundry, large windows and high ceilings enhance desirability, rental rates, and year-over-year resident retention, which still generates more income per foot than traditional, larger units.

FULL KITCHEN PACKAGE

Including a dishwasher and range/oven, even if it's a smaller version, may seem optional. However, in a market saturated with new construction studios, these features narrow the gap to market-rate units and support top-tier per-square-foot rents.

SITE SELECTION

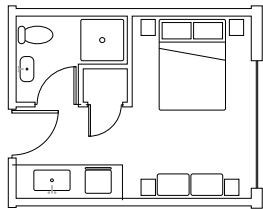
Drawing on more than a decade of ownership, operations, and analysis of hundreds of microhousing assets, "building where they ain't" is the secret to success. Specifically, markets like Queen Anne, Green Lake, and Beacon Hill are drastically undersupplied with microhousing.

SUMMARY

Microhousing has been polarizing since day one. We get inquiries every month from developers locally and nationally wanting to know what to build and where. The recipe listed above is a good start. But, the deeper question is whether you're building to hold or building to sell. We have two distinct models that work in both instances. Give us a call to talk about the difference.

MICROHOUSING DEFINITIONS

CONGREGATE

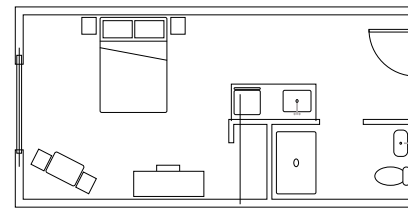


Standard	140 - 200 SF
Average	175 SF
Minimum	70 SF

A type of housing that has a private sleeping room and typically a bathroom, but is not a complete dwelling unit and may share a bathroom, common kitchen, dining room, and facilities with other units.

Allowed in certain zones

MICRO

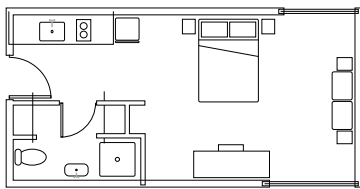


Standard	150 - 225 SF
Average	200 SF
Minimum	90 SF

Historically, apartment or townhouse dwelling consisting of no more than eight sleeping suites (private room with private bath) and one common kitchen or kitchen/lounge.

Max number of sleeping suites varies by municipality

SMALL EFFICIENCY DWELLING UNIT (SEDU)

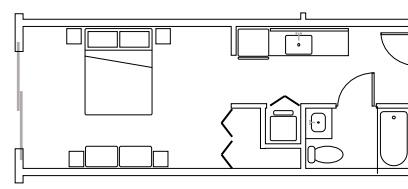


Standard	240 - 320 SF
Average	275 SF
Minimum	240 SF*

Very compact conventional studio apartment complete with cooking and bathing facilities and closet space. The max gross floor area allowed is 320 square feet – anything larger is an Efficiency Dwelling Unit (EDU).

Allowed

EFFICIENCY DWELLING UNIT (EDU)



Standard	321 - 400 SF
Average	375 SF
Minimum	310 SF*

Small, conventional studio apartment with a main living space ("habitable space") of no less than 190 square feet.

Allowed

For the sake of this study, we use the words "microhousing" and "microapartments" to identify all types (micro, congregate, SEDU, and EDU).

*The minimum SEDU/EDU sizes are determined by minimum living room area (150 and 190 SF, respectively), yielding 240 SF SEDU and 310 SF EDU units.

2025 SEATTLE FUNDAMENTALS

Microhousing fundamentals remain strong in an otherwise flat residential market. As such, submarkets with limited existing supply and a light future pipeline are likely to see rent growth first, so investors should closely track local supply and demand dynamics to pinpoint where rents will move.

RENTS DOWN, OCCUPANCY UP

While microhousing rental rates show a nominal trend downward as compared to last year, occupancy is up across the board. In our eyes, this trend reflects that rent growth is on the horizon. Thus, as supply pipeline declines across the greater Seattle market, microhousing is primed for outsized rent growth in the near-term.

NOT ALL SUBMARKETS ARE CREATED EQUAL

While broad microhousing fundamentals are signaling future rent growth, performance at the submarket level has been mixed. The first submarkets to see rent growth are likely to be those with strong occupancy gains and limited future supply.

PIPELINE WANING ACROSS THE BOARD

Microhousing and market-rate development pipelines have tapered significantly after record deliveries in the last 18 to 24 months. As market-rate studios continue to be absorbed, renters will begin to become priced out of newer product and look to micros as they start to bargain-hunt.

REDWOOD

MICROS

↓ 1%				
<i>\$1,037</i>	<i>\$5.05</i>	<i>92%</i>	<i>\$169K</i>	<i>\$649</i>
AVG. RENT	AVG. RENT/SF	AVG. OCCUPANCY	AVG. SALES PRICE/UNIT	AVG. SALES PRICE/NRSF

SEDUs

↓ 1%				
<i>\$1,337</i>	<i>\$4.54</i>	<i>94%</i>	<i>\$252K</i>	<i>\$725</i>
AVG. RENT	AVG. RENT/SF	AVG. OCCUPANCY	AVG. SALES PRICE/UNIT	AVG. SALES PRICE/NRSF

MARKET-RATE STUDIOS

↓ 1%				
<i>\$1,587</i>	<i>\$4.04</i>	<i>91%</i>	<i>\$325K</i>	<i>\$499</i>
AVG. RENT	AVG. RENT/SF	AVG. OCCUPANCY	AVG. SALES PRICE/UNIT	AVG. SALES PRICE/SF

Data Sources: Kidder Mathews Research, CoStar (Q3 Asking Rent, Studios Built 2010+), CoStar (Q3 Stabilized Vacancy, Studios Built 2010+)

RENT & VACANCY

Rental rates are flat and occupancy is rising, signaling that future growth is on the horizon.

MICRO

\$1,307	\$5.05	92%
RENT/UNIT (AVG)	RENT/SF (AVG)	OCCUPANCY (AVG)

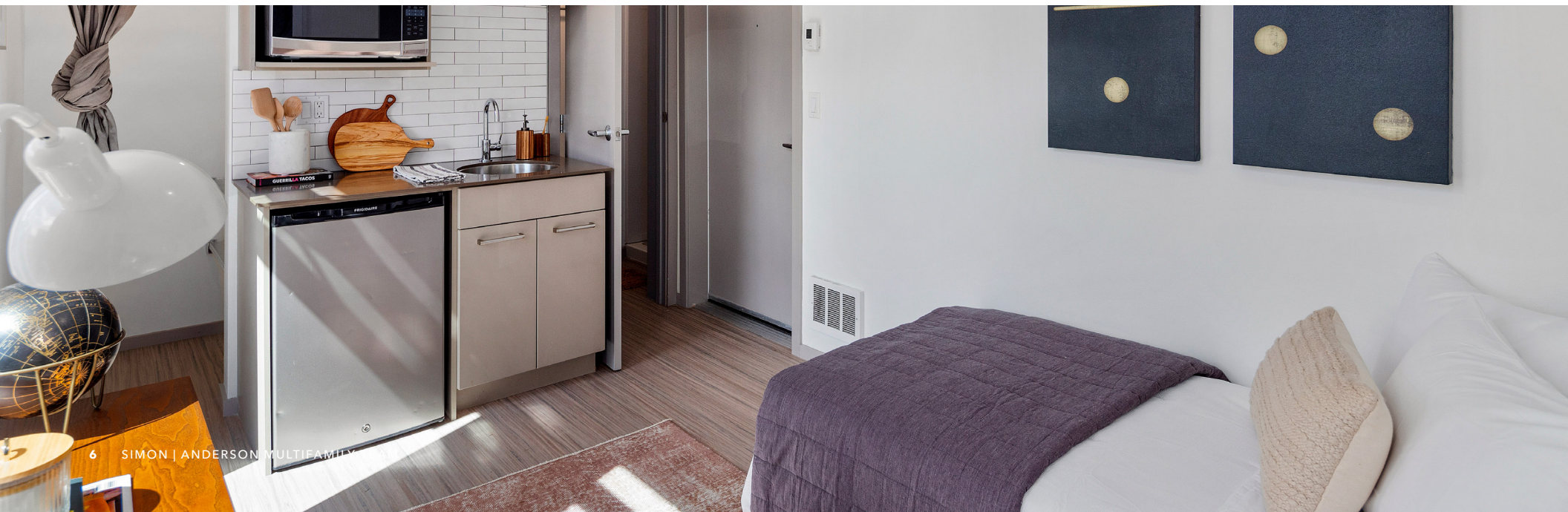
Microhousing fundamentals showed early signs of stabilization throughout the last year. Average rents per unit dipped only modestly, down less than 1% year-over-year to \$1,037 from \$1,045, while average rent per square foot held nearly flat at \$5.05. Conversely, occupancy improved to 92% from 91%, reversing part of last year's pullback. Clearly, fundamentals in the micro market are beginning to reflect future rent growth potential.

SEDU

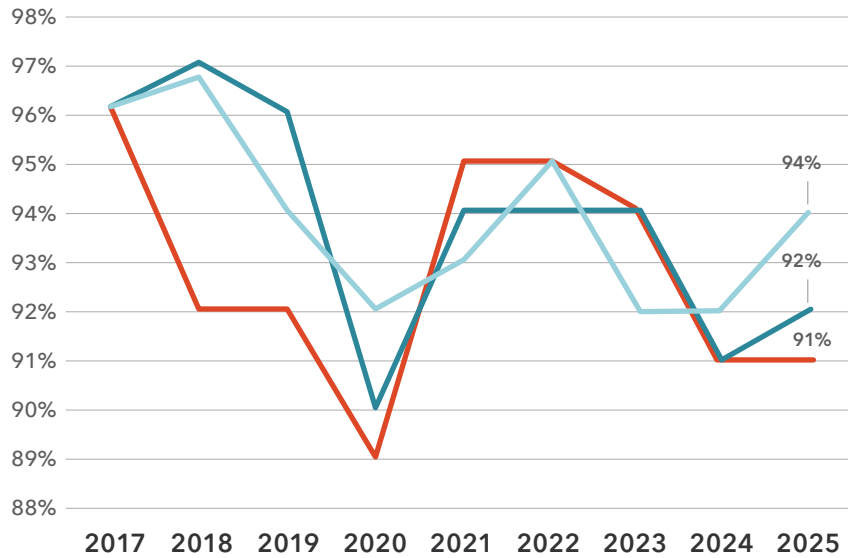
\$1,337	\$4.54	94%
RENT/UNIT (AVG)	RENT/SF (AVG)	OCCUPANCY (AVG)

The average rent hasn't really changed since last year: It's about \$1,337 a month, which is just a tiny drop from last year. The good news for owners is that SEDUs are more occupied than micros and market-rate studios with 94% of SEDUs rented out. Plus, SEDUs are about \$250 less per month than a regular studio, which makes them a good deal for renters and still a strong investment for owners.

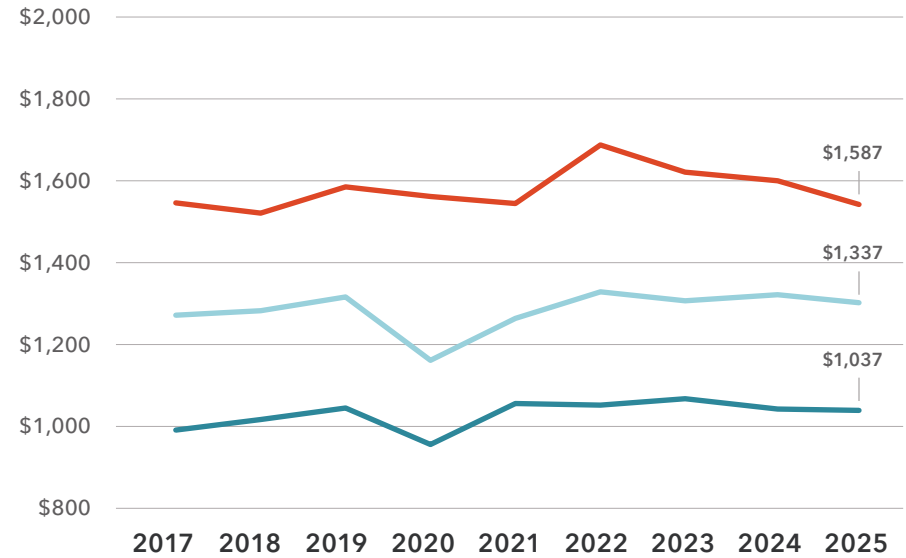
But, here's the catch: Most SEDUs were built in the last 10 years. When developers build a lot of new, nicer SEDUs, they can make the numbers look like rents are going up, even if the older SEDUs aren't. That "new unit boost" can trick the numbers a bit. Even so, SEDUs are doing better than most other types of apartments in today's market.



Occupancy



Rent



— MICRO — SEDU — STUDIO

RENT / UNIT

RENT / SF

OCCUPANCY

	2022	2023	2024	2025	2022	2023	2024	2025	2022	2023	2024	2025
■ MICRO*	\$1,058	\$1,074	\$1,045	\$1,037	\$5.34	\$5.37	\$5.07	\$5.05	94%	94%	91%	92%
■ SEDU*	\$1,331	\$1,310	\$1,343	\$1,337	\$4.50	\$4.46	\$4.40	\$4.54	95%	92%	92%	94%
■ STUDIO†	\$1,685	\$1,620	\$1,603	\$1,587	\$3.86	\$4.01	\$4.01	\$4.04	95%	94%	91%	91%

*Data Source: Asking Rents and Surveyed Vacancy

†Data Source: CoStar - Data Source: CoStar - Q3 Asking Rent, Studios Built 2010+, CoStar - Q3 Stabilized Vacancy, Studios Built 2010+

AVERAGE RENT & OCCUPANCY BY NEIGHBORHOOD



Total existing stock of microhousing units by neighborhood

NORTH SEATTLE

1,069

MICRO	96%	\$974	\$4.90
SEDU	93%	\$1,243	\$4.51

BALLARD

1,052

MICRO	88%	\$965	\$5.09
SEDU	97%	\$1,422	\$4.54

GREEN LAKE, FREMONT, WALLINGFORD

935

MICRO	95%	\$1,079	\$5.31
SEDU	97%	\$1,348	\$4.35

MAGNOLIA, QUEEN ANNE

514

MICRO	88%	\$1,223	\$6.05
SEDU	90%	\$1,290	\$4.80

SOUTH LAKE UNION, EASTLAKE, WESTLAKE

318

MICRO	89%	\$988	\$5.54
SEDU	93%	\$1,230	\$5.47

DOWNTOWN, FIRST HILL, YESLER

773

MICRO	90%	\$1,211	\$4.84
SEDU	91%	\$1,435	\$4.70

WEST SEATTLE

661

MICRO	92%	\$909	\$4.41
SEDU	95%	\$1,356	\$4.80

2,712

UNIVERSITY DISTRICT ROOSEVELT

MICRO	99%	\$1,173	\$5.60
SEDU	94%	\$1,237	\$4.45

1,976

CAPITOL HILL

MICRO	87%	\$998	\$4.73
SEDU	93%	\$1,337	\$4.40

554

CENTRAL DISTRICT

MICRO	95%	\$874	\$4.76
SEDU	92%	\$1,543	\$4.58

598

BEACON HILL, RAINIER VALLEY

MICRO	96%	\$1,075	\$5.66
SEDU	95%	\$1,536	\$4.52

RENT & VACANCY BY NEIGHBORHOOD

Is microhousing a viable investment? It depends on supply.

MICRO

We often hear this question. To answer it, let's compare two neighboring markets – Ballard versus Fremont/Wallingford. At first glance, Fremont/Wallingford looks like the winner with 95% occupancy compared to Ballard's 88%. But, digging deeper, we find that Ballard has 569 micro units, whereas Fremont/Wallingford has just 107. That's more than five times more supply in Ballard. The lower occupancy isn't about demand; it's about saturation.

Ballard was overbuilt, and as that inventory is absorbed, its performance will improve. The real opportunity is in building safe, clean, affordable microhousing in neighborhoods like Fremont/Wallingford, where supply is still limited. That's where the short- and long-term returns can be maximized.

SEDU

SEDU performance is generally tighter with many neighborhoods posting mid- to upper-90% occupancy. For example, in Ballard, SEDUs are about 97% occupied and achieve average rents in the low \$1,400s per month at roughly \$4.50 per square foot, materially outpacing micro units in the same area on both occupancy and revenue. This pattern underscores that self-contained efficiency units in desirable neighborhoods continue to draw renters who are willing to pay a premium for private kitchens and baths, even as the broader rental market remains flat.



SALES & DEVELOPMENT

Along with much of the broader market, affordable housing groups have remained active, but highly selective in 2025.

Constrained subsidy, bond, and allocation through other funding mechanisms continue to affect acquisitions of microhousing by affordable groups. Even so, there’s been one single trade in 2025 thus far to an affordable housing buyer, providing a rare – but important – read on current pricing for mission-driven capital in this segment. In the singular transaction this year, the property that traded hands met nearly all of the criteria to the right.

SO, WHAT DOES IT TAKE TO ATTRACT AN AFFORDABLE HOUSING BUYER?



LOCATION / TRANSIT



100+ UNITS

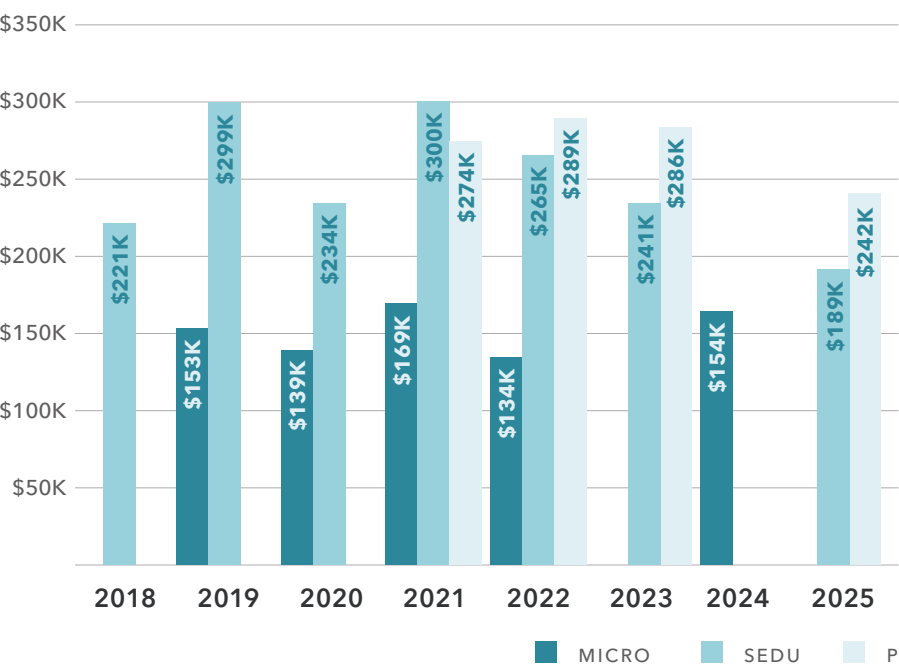


ELEVATORS

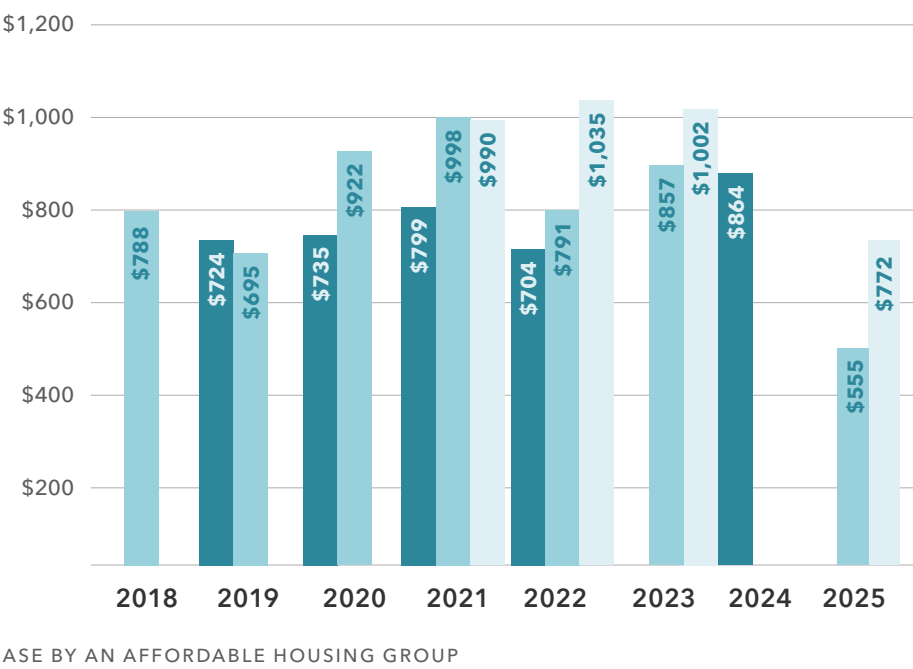


100% VACANT

Average Price per Unit



Average Price per NRSF



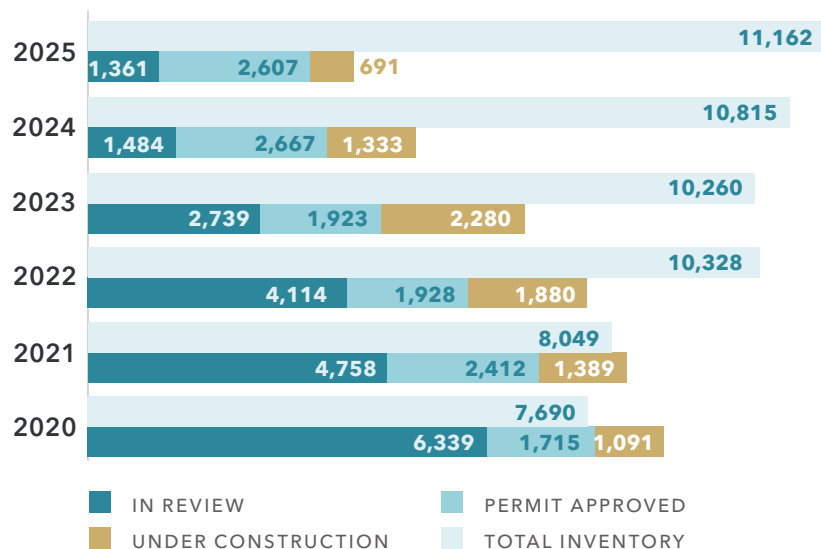
DEVELOPMENT

In 2024, microhousing units under construction represented approximately 12% of total inventory. Today, this figure continues to dwindle and is now sitting at 691 units under construction, which is approximately 6% of units under construction. As the development pipeline continues to shrink, stay on the lookout for micros in specific submarkets to outpace broader rent growth in market-rate buildings.

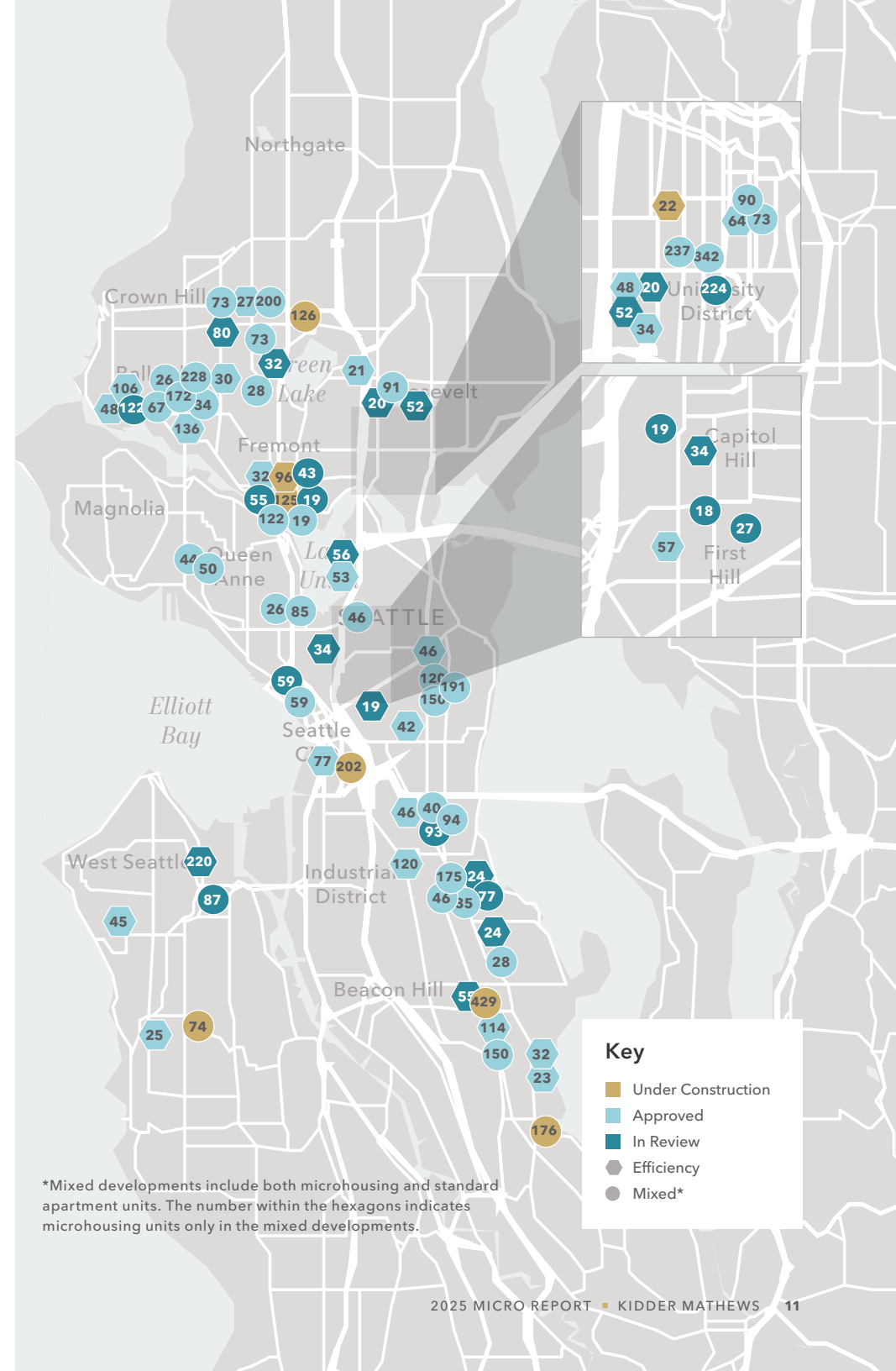
Despite units under construction decreasing significantly, monitor the number of units with permits approved. Whether these projects get capitalized and built will determine rent growth in the distant future.

- 347 Microhousing units delivered in the last year
- 48% Year-over-year reduction in the active construction pipeline
- 2,607 Permits approved, a nominal decrease from the figure in 2024

Historic Microhousing Pipeline



Note: Total inventory is adjusted annually to account for affordable designations, demolitions, etc.



OUR MICROHOUSING TRACK RECORD

96%

MICROHOUSING CLOSING
RATIO

2,098

MICROHOUSING UNITS SOLD
& UNDER CONTRACT

99 SF

SMALLEST MICROHOUSING
UNIT WE'VE SOLD

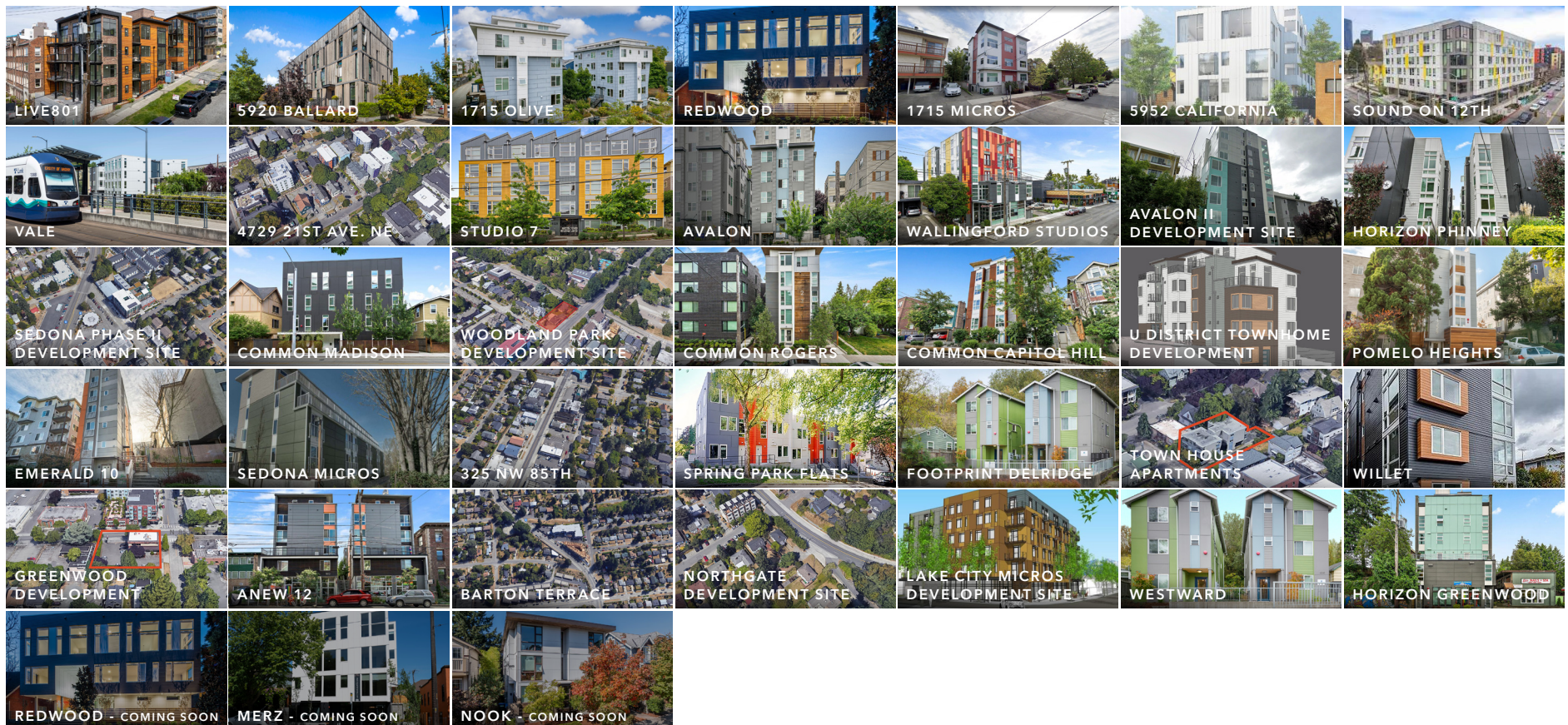
162

MICROHOUSING BUILDINGS
WE'VE TOURED & VALUED

\$175M

OUR MICROHOUSING
SALES VOLUME

TEAM MICROHOUSING SALES



WHY US?



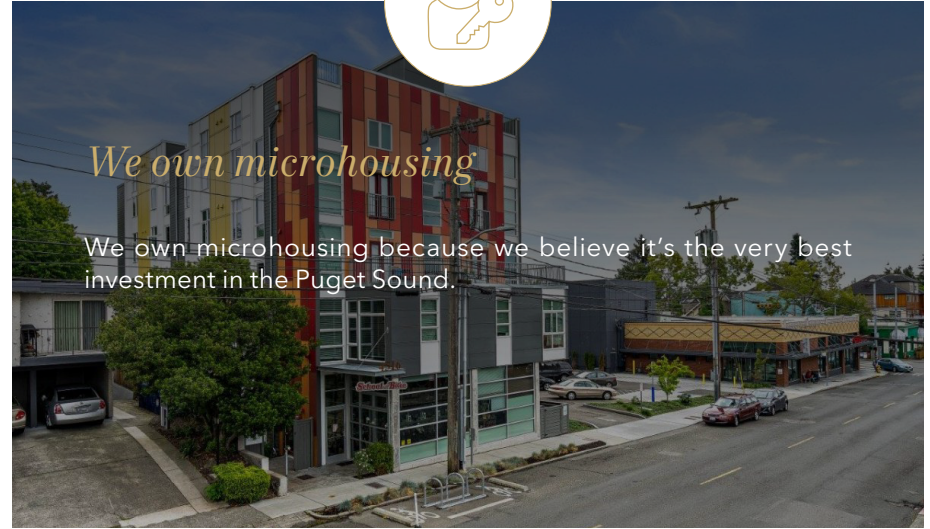
We sell microhousing

Whether it's land for development, a rooming house, or an institutional-grade apartment building, we've sold more microhousing than all other brokers.



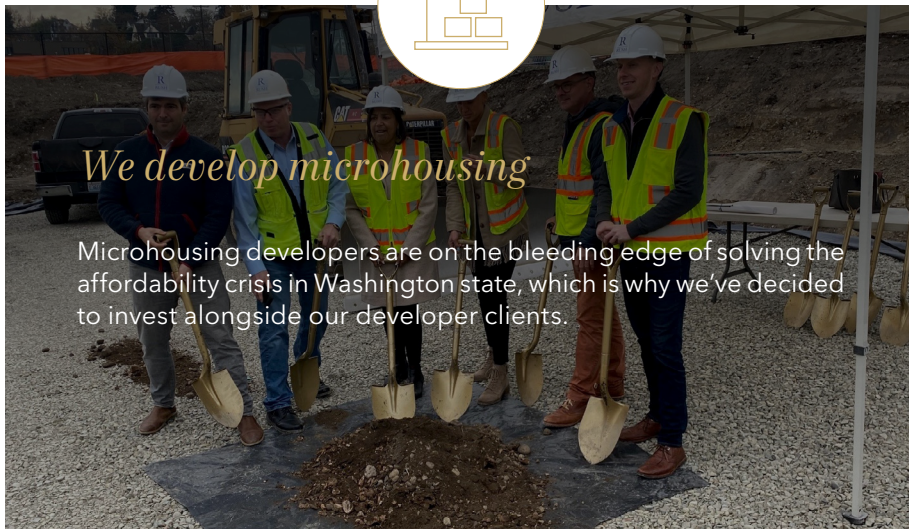
We own microhousing

We own microhousing because we believe it's the very best investment in the Puget Sound.



We develop microhousing

Microhousing developers are on the bleeding edge of solving the affordability crisis in Washington state, which is why we've decided to invest alongside our developer clients.



Let's discuss your microhousing housing needs

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