Memo

To: King County Affordable Housing Committee Members

From: Jesse Warren, Data and Evaluation Manager and Sophie Siebach-Glover, Evaluator

cc: Housing Interjurisdictional Team

Date: August 29, 2025

Re: Housing Market Pressures and Shifting Area Median Income in King County

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Briefing Purpose

At the September 4, 2025 Affordable Housing Committee (AHC) meeting, staff from King County's Department of Community and Human Service's Performance Measurement and Evaluation (PME) unit will brief members on trends in the multifamily rental market, shifts in area median income (AMI), and income-restricted housing demand. Staff will discuss regional variations in these trends and policy implications. After the briefing, AHC members will have an opportunity to ask questions and discuss the findings. Based on the discussion, the AHC may direct staff to revise draft 2026 state legislative priorities or scope a future work plan item for the AHC.

Executive Summary

The AHC's 2025 Work Plan states that the AHC will evaluate economic and housing data trends and/or policy shifts using existing research and analysis and use insights to inform development of the AHC's 2026 state legislative priorities and work plan.

Key findings from the analysis include:

- Multifamily housing production in King County rose over the past decade, with studios and one-bedroom unit production particularly high compared to units with two- or more bedroom units.
- With more studios and one-bedroom units for rent, the rate at which rent increased each year slowed, although affordability still remains a challenge for very low- and extremely low-income renters.
- Over the last few years, incomes rose sharply, which increased AMI in King County. A higher AMI drove up the maximum allowable rent an income-restricted housing provider could charge at each AMI level.
- This increase in income-restricted unit rents outpaced rises in market rent. Now, unrestricted studio, one-, and two-bedroom units in much of King County rent at rates affordable to households with incomes between 60 and 70 percent of AMI. This means that many income-restricted units at 60 percent AMI and higher are meeting the same needs as the private market.

These findings have potential relevancy for AHC efforts to recommend statewide action, understand housing policy effectiveness, and monitor and report progress to meet housing needs:

- *Legislative priorities:* Higher need at 0 to 50 percent AMI and for two- or more bedroom unit sizes will necessitate additional subsidies to support increased capital and operating costs.
- *Policy effectiveness:* Incentive tools need to be carefully calibrated to ensure income-restricted units are below market rents and provide public benefit.
- *Monitor and report:* Housing need monitoring will likely show an increase in number of units, although this may not represent increased affordability for low-income renters.

Guiding Questions

Staff scoped this analysis based on feedback from community members, jurisdictional staff, and elected officials to conclude that AMI in King County no longer reflects the incomes of renter households in lower income areas of the county, as well as reports from affordable housing providers about rising vacancy rates for income-restricted units affordable to households earning 60 to 80 percent AMI.

Staff analyzed two related dynamics—multifamily rental market pressures and shifts in AMI—to better understand the tensions facing income-restricted housing providers and identify potential policy implications. This analysis answers the following questions:

- How has the multifamily rental market and AMI in King County changed in recent years?
- How has this impacted low-income renters and the units affordable to them?
- How do these impacts vary across King County?
- What are the policy implications of these impacts?

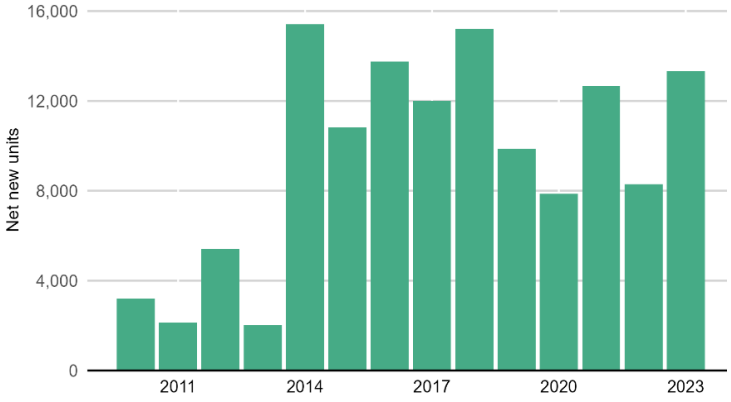
Analysis

Dynamic #1: Multifamily rental market pressures

Increasing multifamily production

Between 2014 and 2023, multifamily housing production rose in King County after relatively low production in the 2000s and early 2010s (see Fig. I). The number of net new units added annually increased from just over 2,000 in 2013 to nearly 15,500 in 2014.[1] Since 2014, the number of multifamily units increased by more than 7,500 net new units each year.[2]

Figure I: Multifamily Housing Production in King County, 2010-2023



Source: PSRC Annual Housing Development Estimates by County, 2010-2023

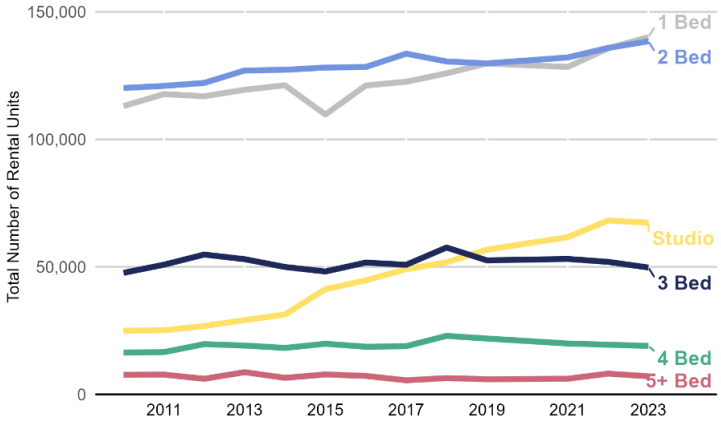
Substantial production of studios and one-bedrooms

The majority of new units built during this period were studios (59 percent) and one-bedroom units (32 percent) (see Fig. II).[3] The steady production of studios reshaped by the rental market in King County. By 2023, nearly one in five

[1] Net new refers to the number of new units minus those lost to demolition.
[2] Puget Sound Regional Council (PSRC) Annual Housing Development Estimates by County, 2010-2023.
[3] U.S. Census Bureau, 1-year ACS, 2010-2023.

rental units were studios (16 percent).[4] In 2013, only 8 percent of the rental stock was studios.[5] While production of one- and two-bedroom units was not as significant during this period, these unit sizes made up two-thirds (66 percent) of the total rental stock in 2023.[6] Overall, there was a loss of rental units with three- or more bedrooms and by 2023, three- or more bedroom units only accounted for 18 percent of all rental units.[7]

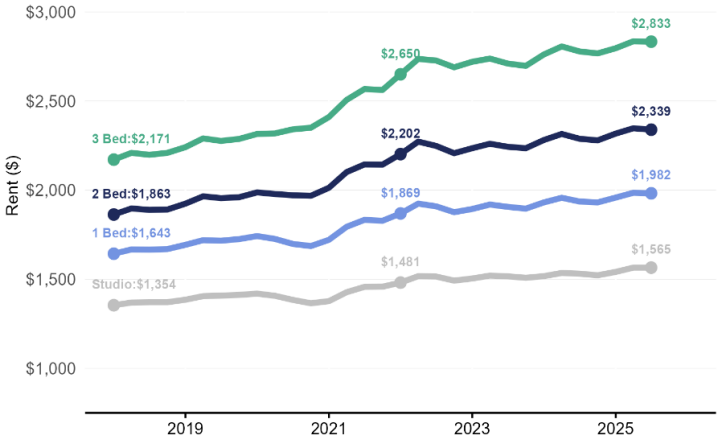
Figure II: Rental Units in King County by Bedroom Count, 2010-2023



Source:U.S. Census Bureau, 1-year ACS, 2023

Slowing rent growth, rising vacancies

Figure III: Multifamily Market Rents in King, Snohomish, and Pierce Counties



Source: CoStar multifamily market rents, King/Snohomish/Pierce Counties

The influx of studios and one-bedroom units led to minimal rent growth for such units (see Fig. III). Between 2022 and the third quarter of 2025, studio and one-bedroom unit rents increased by 5.7 and 6.0 percent, respectively.[8] This is well below inflation in the region during this period.[9] At the same time as rent increases slowed, vacancy rates rose. Between Q1 2024 and Q3 2025, vacancy rates for multifamily studios in King, Snohomish, and Pierce Counties ranged from 8.2 to 8.7 percent.[10] One-bedroom unit vacancy rates were slightly lower, ranging from 7 to 7.7 percent.[11] These vacancy rates are about one percentage point higher than pre-COVID averages (7.7 percent for studios and 6.2 percent for one-bedrooms).[12]

This means that King County renters who are looking for smaller apartments may have an easier time finding an available unit than renters who need units with three- or more bedrooms. Rent increases for those in studios and one-bedroom units were likely well below inflation over the past three years. While rent growth for smaller units has slowed, the median rent for a studio apartment

[4] U.S. Census Bureau, 1-year ACS, 2010-2023.
[5] U.S. Census Bureau, 1-year ACS, 2010-2023.
[6] U.S. Census Bureau, 1-year ACS, 2010-2023.
[7] U.S. Census Bureau, 1-year ACS, 2010-2023.
[8] CoStar multifamily market rents, King/Snohomish/Pierce Counties.
[9] Bureau of Labor Statistics, Seattle-Tacoma-Bellevue CPI-U, 2022-2025.
[10] CoStar multifamily market rents, King/Snohomish/Pierce Counties.
[11] CoStar multifamily market rents, King/Snohomish/Pierce Counties.
[12] CoStar multifamily market rents, King/Snohomish/Pierce Counties.

is still unaffordable to very- and extremely low-income tenants.

Slowing construction may increase rent growth

This slowing growth trend may change in coming years with fewer new units projected to come online. Multifamily construction starts in King, Snohomish, and Pierce Counties in 2023 declined by 51 percent compared to 2022 and 43 percent compared to 2021, driven in part by interest rate increases.[13] Since housing development often takes two to three years, the number of new multifamily units will drop in late 2025 or early 2026.[14] Lower numbers of new units may result in lower vacancy rates and steeper rent increases, as population growth exceeds new housing growth, although it is difficult to predict to what extent.

Dynamic #2: Shifts in Area Median Income

What is AMI?

The Department of Housing and Urban Development (HUD) calculates AMI annually based on the median family income of renters and homeowners within a specific geography. Median family income is the midpoint of the income distribution, meaning half of families have incomes above the point and half have incomes below. The U.S. Census Bureau defines a family as two or more related people, meaning single households and groups of unrelated people are excluded from the calculation. For King County, AMI is based on the median family income of King and Snohomish Counties. HUD adjusts the median family income by multiple factors, such as household and unit size, to set income and rent limits used by federal, state, and local housing programs.[15]

Effects of rising AMI

In recent years, AMI for King County increased significantly due to a rise in incomes, particularly among homeowners and high-income renters.[16] Because AMI is foundational to the structure of many housing programs and policies, recent upward shifts in AMI have had two fundamental implications for renters, housing providers, and policymakers (see Fig. IV). First, income eligibility thresholds for income-restricted housing rose at a faster rate during this time than renter incomes, resulting in a wider range of incomes qualifying for income-restricted housing. Second, maximum

Figure IV: Impacts of Increasing Incomes on Income-restricted Housing

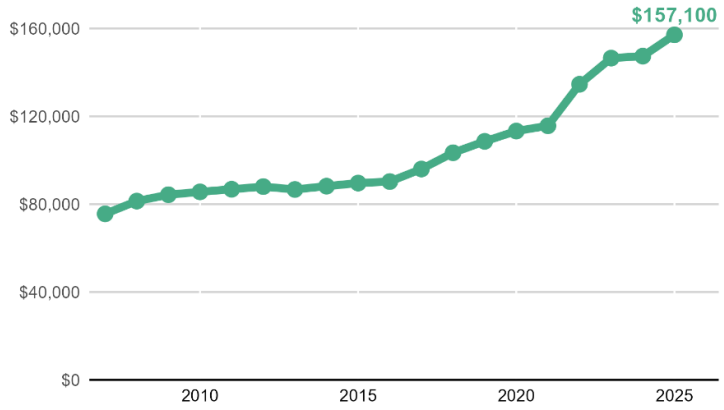
[13] CoStar multifamily construction starts, King/Snohomish/Pierce Counties.
[14] CoStar multifamily deliveries and demolitions, King/Snohomish/Pierce Counties.
[15] The Washington State Dept. of Commerce's report to the legislature *Evaluation of Alternative Methods for Calculating AMI in Washington* (August 2025), explores alternative methods of calculating AMI. Commerce recommends that the State not adopt an alternative AMI, and instead tailor income and rent limits to address challenges of cost burden in income-restricted housing and local market conditions.
[16] HUD, Seattle-Bellevue Metro FMR Area Income Limits, 2017-2025; 1-year PUMS 2017-2023.

allowable rents for income-restricted housing have increased faster than market rents, resulting in an overlap in rents between the income-restricted and unrestricted rental markets.

Rising median family income

Median family income, the starting point used to calculate AMI, increased by 64 percent between 2017 and 2025.[17] By 2025, median family income in King County was $157,100 (see Fig. V).[18]

Figure V: HUD Median Family Income Used for King County Income Limits, 2007-2025



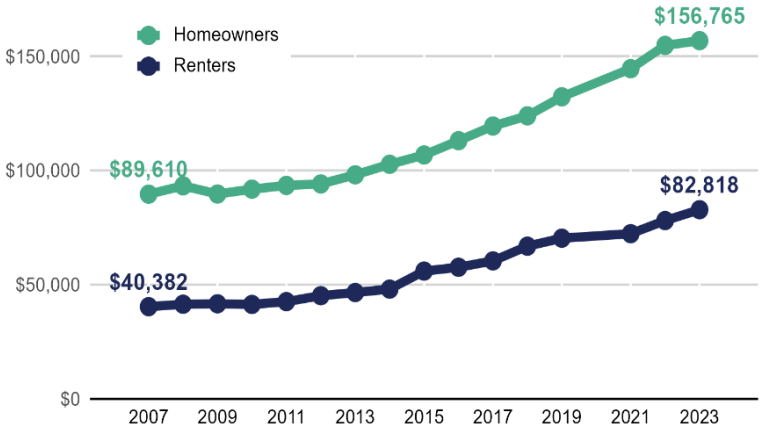
Source: HUD, Seattle-Bellevue Metro FMR Area Income Limits, 2025

Widening income gap

While both renters and homeowners experienced income growth between 2007 and 2025, their incomes diverged. By 2023, the median household income for homeowners increased to nearly $157,000 while renter household incomes rose to just under $83,000 (see Fig. VI).[19] The gap between homeowner and renter incomes is 50 percent wider than in 2007.[20]

Income growth was also uneven within homeowners and renter groups, with most of the gains concentrated among the highest earners. Among renters, incomes in the highest quintile[21] grew by 40 percent between 2018 and 2023.[22] Conversely, renter incomes in the lowest quintile grew by only 12 percent.[23] Thus, AMI shifted upwards not because of broad increases in renter incomes but

Figure VIII: King County Median Household Income by Tenure, 2007-2025



Source: U.S. Census Bureau, 1-year ACS, 2023 Note: No ACS data available for 2020 due to pandemic data collection issues.

[17] HUD, Seattle-Bellevue Metro FMR Area Income Limits, 2017-2025.
[18] HUD, Seattle-Bellevue Metro FMR Area Income Limits, 2025.
[19] U.S. Census Bureau, 1-year ACS, 2023.
[20] U.S. Census Bureau, 1-year ACS, 2023.
[21] A quintile is one-fifth of a group. The first quintile is the lowest 20 percent of income earners, and the highest quintile is the top 20 percent of income earners.
[22] U.S. Census Bureau, 1-year ACS PUMS Estimates, 2023..
[23] U.S. Census Bureau, 1-year ACS PUMS Estimates, 2023

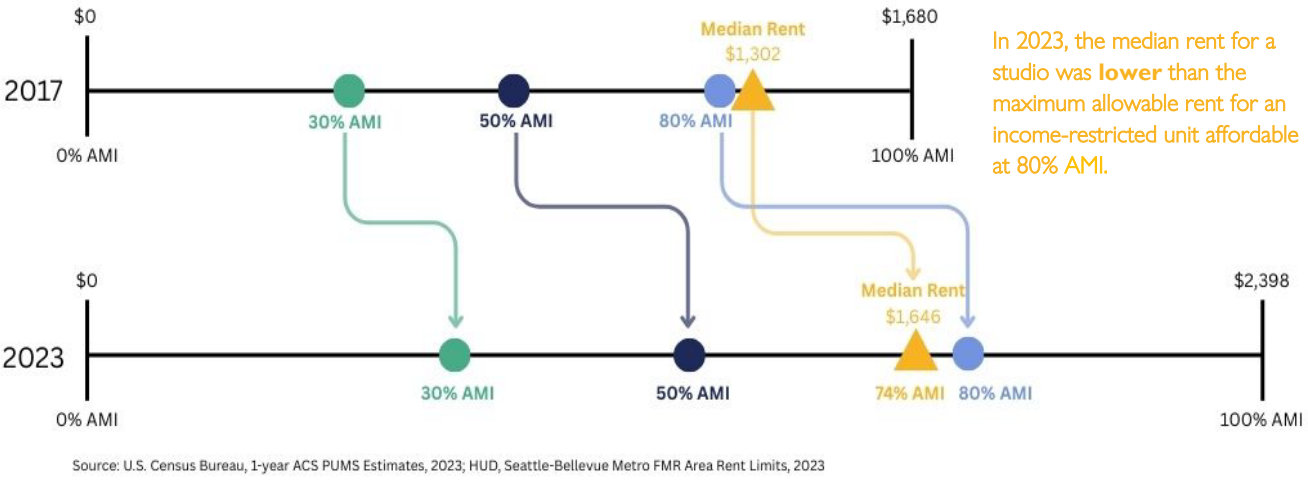
due to substantial increases among homeowners and high-earning renters.

Overlap between income-restricted and unrestricted rents

Rent limits for income-restricted housing are determined by AMI. When AMI goes up, the maximum rent providers can charge for income-restricted units also rises. Recently, rent limit increases for income-restricted housing have generally outpaced those in the unrestricted rental market, meaning in many areas of King County unrestricted rents are now *lower* than rent limits for income-restricted units.

For example, in 2017, a studio affordable at 100 percent AMI in King County rented for $1,680. In King County, the median rent for studios that year was $1,302—higher than the maximum allowable rent for income-restricted units affordable at 30, 50, and 80 percent AMI (Fig. VII).[24] Between 2017 and 2023, AMI increased and the rent for a studio affordable at 100 percent AMI rose to $2,398. Maximum allowable rent for income-restricted units affordable at 30, 50, and 80 percent AMI also rose. Median rent increased but not to the same degree, resulting in the median rent for studios ($1,646) falling below the 80 percent AMI benchmark.

Figure VII: Case Study of Studios in King County 2017 and 2023

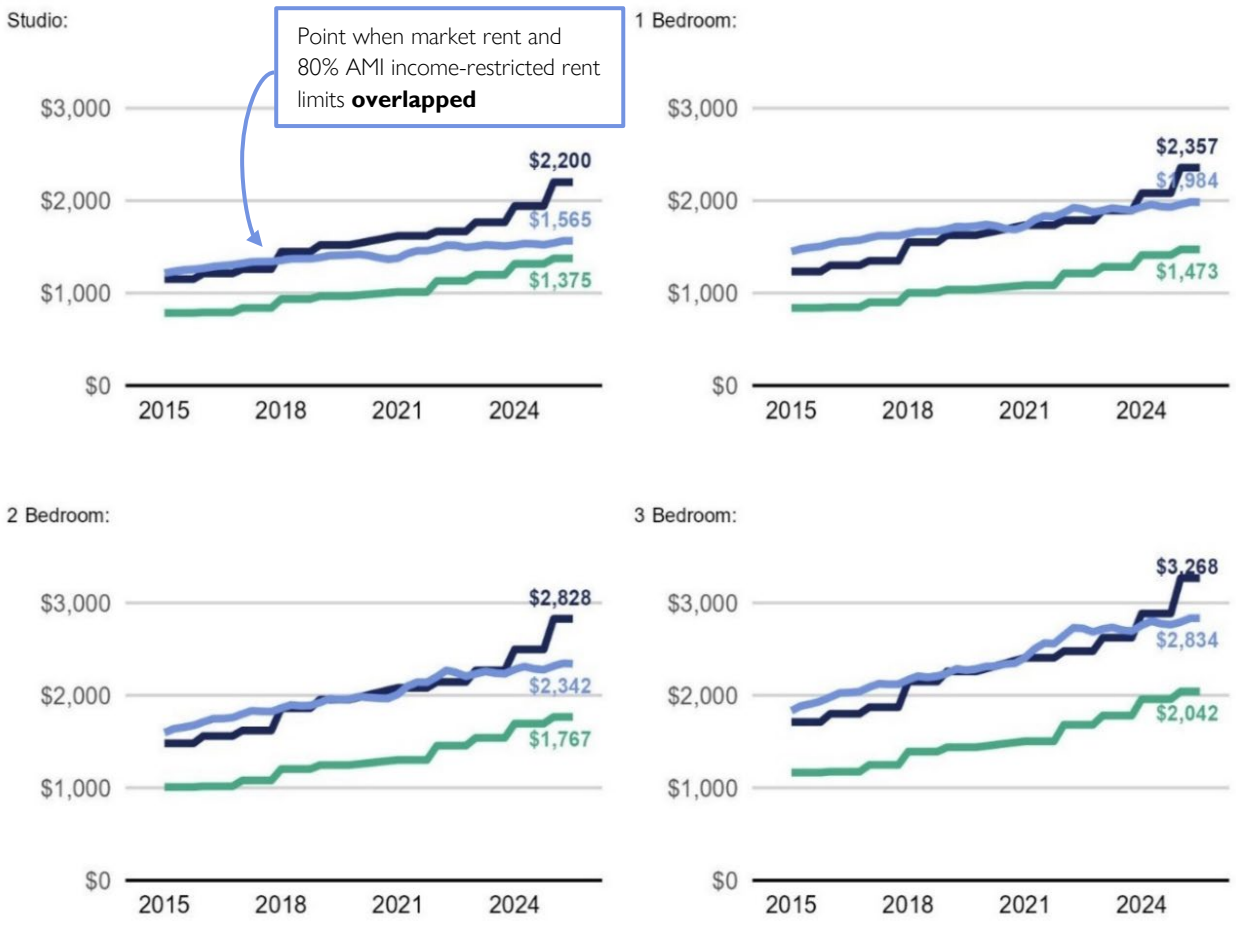


Source: U.S. Census Bureau, 1-year ACS PUMS Estimates, 2023; HUD, Seattle-Bellevue Metro FMR Area Rent Limits, 2023

[24] HUD, FMR Area Rent Limits, 2023; U.S. Census Bureau, 1-year ACS, 2023.

The extent of the overlap between income-restricted and unrestricted rents differs depending on the size of the unit and market dynamics. CoStar data indicates that in 2025, the median rent for a studio in King, Snohomish, and Pierce Counties ($1,565) is just above the 50 percent AMI benchmark ($1,375), see Fig. VIII.[25] This is a result of both the increase in AMI and the influx of studios which placed downward pressure on unrestricted rents. Conversely, three-bedroom units have not experienced the same downward pressures on rent and therefore these units are renting closer to the 80 percent AMI benchmark ($2,834 is the median rent, while $3,268 is the 80 percent AMI benchmark).[26]

Figure VIIIIII: 50% AMI Rent, 80% AMI Rent, King/Snohomish/Pierce Market Rent

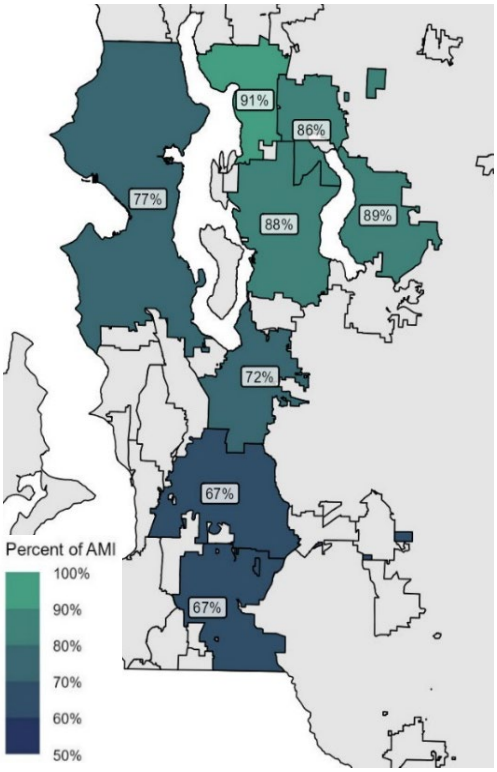


Source: CoStar multifamily rent data, King/Snohomish/Pierce Counties; HUD, FMR Area Rent Limits, 2023

[25] CoStar multifamily market rent data, King/Snohomish/Pierce Counties
[26] CoStar multifamily market rent data, King/Snohomish/Pierce Counties

In some parts of King County, the degree of overlap between income-restricted and unrestricted rents is more pronounced than others. For example, renters looking for a studio or one-bedroom in Seattle and South King County may find that income-restricted and unrestricted rents are similar while renters in East King County may find that unrestricted rents are markedly higher than income-restricted rents. In 2023, the median rent for a one-bedroom unit was 77 percent AMI in Seattle and 65 to 75 percent AMI in much of South King County, while the median rent in East King County was above 80 percent AMI (see Fig. IX).[27] At the same time, two- and three-bedroom units were above 80 percent AMI in Seattle and East King County. In South King County, two-bedroom units were closer to 60 and 70 percent AMI while three-bedroom units had median rents between 60 and 80 percent, depending on the jurisdiction.[28]

Figure IX: One-Bedroom Median Rent as Percent of AMI by Jurisdiction, 2023



Source: U.S. Census Bureau, 1-year ACS, 2023

Note: Only includes data on jurisdictions with populations of 65,000 or greater, as jurisdictions smaller than this are not included in the 1-year ACS estimates. Jurisdictions with margins of error over 15% are not

Policy Implications

Additional affordable housing subsidy needed to meet unrestricted rental market gaps.

In much of King County, the greatest needs not being met by the private market are for 0 to 50 percent AMI units and two or more bedroom size units. Additional capital subsidies from all levels of government are needed to build these types of units. It costs more per unit to build two or more bedroom income-restricted units compared to studios and one-bedrooms. Income-restricted units affordable at 0 to 50 percent AMI have less rental income and thus require greater capital investment and operating support. This increases the cost to meet countywide housing needs. The AHC's preliminary draft 2026 state legislative priorities call on the state to increase capital and operating subsidy.

Affordable housing incentive programs need to be calibrated to provide public benefit and a strong financial incentive for developers to create below market-rate units.

In King County communities where market rents are below 80 percent AMI, the success of incentive programs is tied to the creation of affordable housing that the unrestricted rental market would otherwise not produce. Programs that only deliver units with above market rents offer less public benefit and may sit vacant, which does not support desired program outcomes. Successful market-based affordable housing tools are responsive to changing market conditions and carefully balance the value of the development incentive and public benefits in the form of income-restricted housing units that would not otherwise exist.

[27] HUD, FMR Area Rent Limits, 2023; 1-year ACS Estimates, 2023. Note: Only includes data on jurisdictions with populations of 65,000 or greater, as jurisdictions smaller than this are not included in the 1-year ACS. Data for jurisdictions with margins of error over 15% of median rent for that unit size are not shown.

[28] HUD, FMR Area Rent Limits, 2023; 1-year ACS Estimates, 2023.

Progress towards meeting countywide housing needs will be shaped by rising AMI.

In the coming years, the number of housing units built in King County affordable to a household earning 50 to 80 percent AMI is likely to increase. This is impacted by AMI rising faster than rents, causing units that used to rent at above 80 percent AMI falling into the 50 to 80 percent AMI category. This requires a nuanced interpretation, as the results don't completely represent increased affordability. High production of studio and one-bedroom units slowed rent growth in recent years, improving affordability for smaller households. However, low-income renter incomes have not increased at the same pace as higher income renters and homeowners, meaning they are falling even lower on the income spectrum. A low-income renter who could previously afford a 60 percent AMI unit may now only be able to afford a 40 percent AMI unit if their income didn't increase as sharply as the rise in AMI. This means that current 0 to 50 percent AMI needs may now be even higher than the adopted countywide housing needs. The AHC should monitor rent changes relative to low-income renter incomes to better contextualize changes in housing need.

What's Next

Following the September 4, 2025 briefing, AHC staff will analyze any AHC member reflections and incorporate, as appropriate, concepts into the AHC's preliminary draft 2026 AHC work plan and/or revised draft AHC 2026 state legislative priorities.