FOUNDATION GROUP

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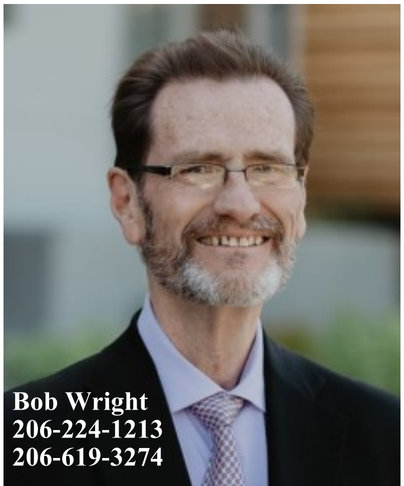
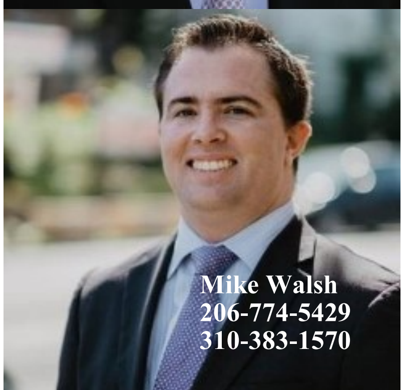
Seattle, Washington
98102





The Seattle Apartment Investment Newsletter

Fall 2018/Winter 2019

In This Issue

First Salvo Fired Against the RRIO

On December 4, 2018 a couple of Seattle landlords and a handful of their tenants teamed up with the Institute for Justice, a non-profit libertarian law firm dealing with issues where government tends to overreach, and filed suit challenging the City of Seattle's infamous Rental Registration and Inspection Ordinance. They're hoping for class action status, which would then bring on a boatload of others. But for now it's just a few courageous souls. It all began several years ago when the husband and wife team of John Heiderich and Gwen Lee decided to stand in support of their tenants when some of them refused to admit the city inspector. "John," I said. "Are you out of your mind? It's not worth it. Let it go." And I sent him this:

John and Gwen's U-District building sailed through the inspection when that building was chosen. But it was a different issue altogether when their South Lake Union Building was selected, a building occupied primarily by tech workers, including three PhD's. Every single one of them refused to allow entrance to the inspector. And John and Gwen, perhaps foolishly, refused to force the tenants to open their doors. The result was that the city failed the building and followed up with months upon months of threats of fines. "Apparently the city would like us to bully our tenants in the same way they are bullying us," John told me. John and Gwen appealed the decision. The city abjectly rejected the appeal. They simply said that the law requires the landlord to ensure that the building passes the inspections, and resumed the threatening letters. "They never went to the tenants themselves," John said, "Either with a warrant or a persuasive argument of why the City inspectors should be allowed in their homes." John and Gwen fired off letter after letter to the city, even offering to negotiate some kind of compromise that would serve the city's purpose of protecting tenants from the abuses of slumlords while still protecting the rights of tenants to privacy. They got nowhere. Except for the accumulation of more threats of fines and legal action. Gwen is a petite Asian woman who is no shrinking violet. Among other things, she was elected head of a construction union for six years. She is used to people attempting to push her around. But even she couldn't believe the city's heavy handedness. Among her many letters to city officials was one sent to the mayor himself (Ed Murray, at the time). She explained that as a minority female growing up in the segregated Seattle of the early 50's she experienced plenty of bullying, but she never would have guessed that modern day Seattle city government would be bullying landlords and tenants to get into people's homes when they were not welcome. She got no response. Just more threatening letters.

It's unfortunate that they are being treated like this. They're good people with good hearts, and they treat their tenants well. They even took in a homeless teen posting notices for housecleaning services, eventually adopting her. But that's another story, food for another newsletter. An absolutely fascinating tale.

One day Gwen's phone rang. It was Rob Peccola, an attorney from Washington DC with the Institute for Justice (IJ). One of Gwen's letters found its way back east to his desk. Rob wanted to know if they might be interested in partnering up in a class action proceeding with another courageous Seattle landlord who had also been standing in support of his tenants. "No problem there," they said. I sent them this:

Quiz. Very Weird Real Estate Questions. Answers on Page 5

1) During the 1920's and prohibition, whenever Pretty Boy Floyd would rob a bank he'd tear up home mortgages.
2) You can buy land on the moon for as little as $29.99.
3) There's a law on the books in Seattle that says you have to disclose it in your purchase and sale agreement if your property is haunted.
4) The sweetest real estate deal on record was negotiated by Donald Trump, while in office. He was able to buy a chunk of rich and developable land for a penny and a half an acre.
5) The game of Monopoly was invented by a man who wanted to demonstrate to children the evils of Capitalism.
6) The only time someone survived the snapping of a high rise elevator cable was in Seattle at the Smith Tower.
7) The on-line world has enlarged itself to now include virtual real estate, and it has made an on-line broker in excess of a million dollars.
8) Builders originally began using brass doorknobs in their homes because of health reasons.
9) McDonald's Corporation is the largest buyer of commercial real estate in the nation.

Definition of Terms

Cap Rate (Capitalization Rate): Net Operating Income divided by Sales Price, in other words, the percentage return assuming an all cash sale.

GRM (Gross Rent Multiplier): The ratio of the sales price divided by the gross scheduled income, a way of measuring value by gross income. Gross income is more of a stable figure, whereas net income depends on a number of controlling factors not necessarily related to the market—vacancy, expenses, rent levels, etc.

IRR (Internal Rate of Return): The average yearly return measured over a specific length of time; usually includes variable cash flow projections—the initial investment, monthly cash flows, any projected capital improvements, such a new roof, and the final after-tax net sales price.

Cash on Cash: The first year cash flow as a percentage of the down payment, not to include tax savings. The difference between Cap Rate and Cash on Cash depends on the amount of debt that encumbers the property and its corresponding annual payment, principal and interest. If the property is debt free then the Cash on Cash will equal the Cap Rate.

Loss to Lease: The term "loss to lease" means exactly what it says. It's the amount of rent lost due to leases being in place at a level lower than market, expressed as a percentage. It's an expression common to those dealing with institutional investors, but hardly ever used at the mom and pop level.

Debt Coverage Ratio: In simple terms, it's the amount of cash flow that covers the debt, expressed in decimals. As an example, if we've got an NOI of $140,000 and an annual loan payment of $100,000, that's a 1.40 debt coverage, 140,000/100,000. It's an important ratio in the world of multifamily lending. Most lenders today, in underwriting property, use a debt coverage ratio (DCR) of 1.20. So with this example we would divide $140,000 by 1.20 and that would give us the maximum allowable debt. To calculate the loan amount the lender would figure backwards using a term of 30 years and the appropriate interest rate and solve for PV.

Earnest Money Nuances

This is a sensitive subject, and I'm hoping you'll talk to your attorney about it before taking any advice you might read here. That having been said—you may have noticed, when you do your due diligence and decide not to buy a building, escrow wants a recession agreement signed by both parties before refunding earnest money. At first pass this is puzzling, since the purchase and sale agreement is quite clear. The EM goes back if you don't waive inspection, regardless of the reason. There doesn't even have to be a reason. So why then do they insist a rescission agreement be signed? I can think of several reasons:

1) Negotiation might be ongoing, even after the contingency period expires, and an automatic refund might foul up everything and work to the disadvantage of both.
2) The buyer may have been unduly delayed.
3) There may have been a waiver signed but not yet delivered for reasons beyond anyone's control.
4) A circumstance might have occurred that warrants at least some of the earnest money be forfeited. For example, I had a buyer once who rented a jack hammer during his inspection period and busted up the sidewalk in front of the building to get a soil sample from around a buried oil talk (without my knowledge or approval, by the way). He ended up buying the building, so no harm done.

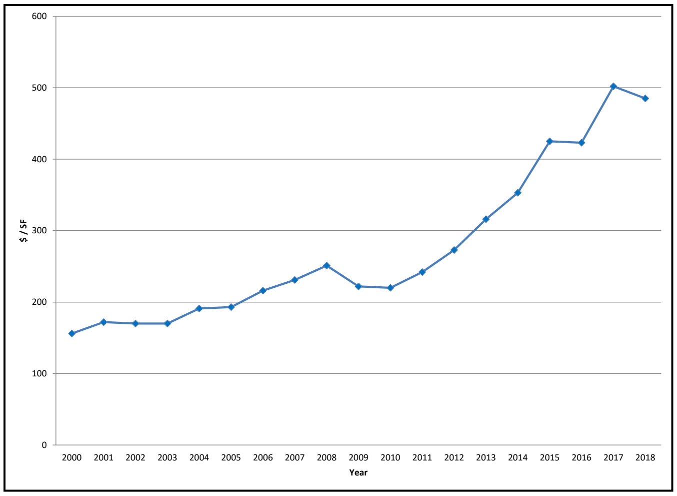
Fact is, the CBA agreements are not written with language specific enough to allow escrow agents to feel comfortable sending EM back. But there is language that does work. It worked for me twice, with my deals, and for the Rashkovs once: *"In the event buyer chooses not to waive the contingencies of Paragraph 5 herein, Seller agrees and authorizes escrow by signature below to immediately refund the earnest money upon buyer's written demand."* If you can help it, it's best not to fool with the boiler plate. Because if one party does then the other will. And pretty soon attorneys get involved and the entire transaction is at risk of unwinding. In most cases the seller is not going to balk at signing a rescission anyway. Not worth the risk, unless you have very specific concerns. Like the with the Rashkovs. They were approached by a buyer for their Kirkland building, directly, no agent involved, and had negotiated a deal where the they let him rehab prior to closing. The result was, they ended up with a cut up empty building and a buyer who wanted to extend closing. They had concerns about his ability to close, so they called me up for my advise. They wanted to make sure they that if he couldn't close they would get the earnest money. If anybody deserved liquidated damages it was the Rashkovs. And though I was not representing them I gave them the special wording, adjusted for sellers, with the advice that they run it by their attorney first. *"Buyer, by signature below, authorizes escrow to immediately forward the earnest money to Seller upon Seller's written demand, if closing has not occurred by the date specified herein*." And it worked. Saved them $30,000. The title company even consulted their legal council in San Francisco. Legal said, "Send it. The wording is clear." I felt OK about it, even though I didn't get a commission, because I sold them most of their buildings, and I do believe in service after the sale. And anyway, those things tend to come back to you. Like when it came time for the Rashkovs to sell their Lake City building. I did a complete and exhaustive analysis, as I've done over the years for them, took me three weeks, and met them for breakfast to go over it all. "I can bring you an offer today," I told them. "For the exact price given in the analysis. Or we could list it and expose to the market, and see what that might bring. But it's up to you." They were quite appreciative, said they'd talk it over, think about it, and call me back. Three weeks later they did, to tell me, "Funny thing. We received an off market offer from Paragon that was close to where you said it should be, and we accepted it. Really sorry."

Ouch. That one hurt.

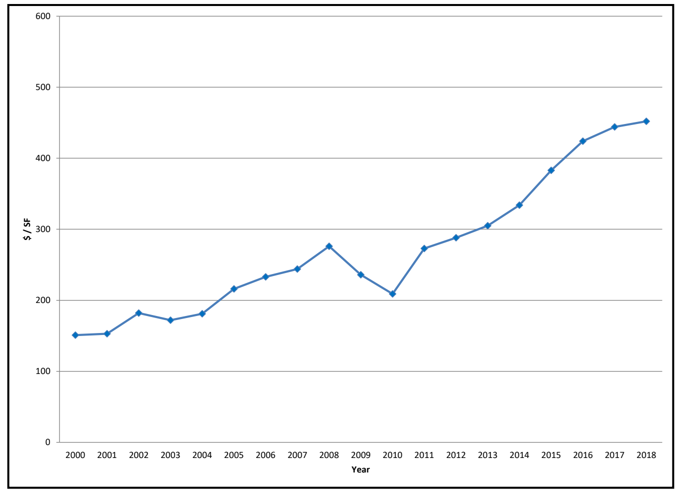
It's the Same Old Ballgame

The data comprising the graphs below consists of multiple pages, so it can't be printed here, but is available by request. Phone or email. 206-619-3274 robertwright@tfgre.com. I have tracked each inner city sale since the year 2000.

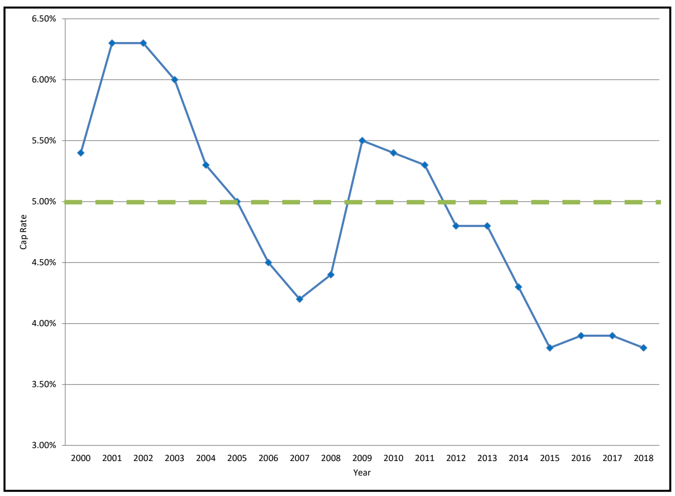
Capitol Hill Values Price/SF



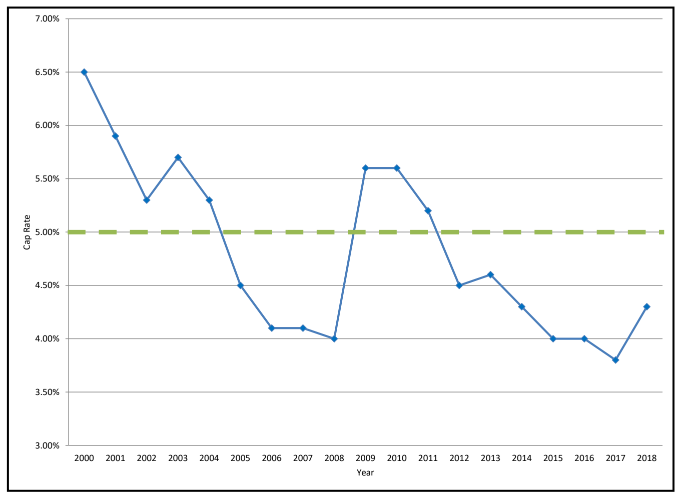
Queen Anne Values Price/SF



Capitol Hill Cap Rates



Queen Anne Cap Rates



Some are saying it's a new ball game, that things will never be the same, that the old market is gone. I've been selling apartments in Seattle for forty years, and can tell you with certainty – what we have here is the same old ballgame, just a different inning. We see these cycles every seven years, then we have three years of holding steady. Sometimes it dips a little, like in 2008. It's like a stair step – goes up, levels off, goes up, levels off. The above charts for both Capitol Hill and Queen Anne go back to the year 2000. I didn't keep data going back beyond that year, but I can nonetheless testify to the fact that these seven year cycles go back at least to 1979 when I got my license.

So, if history repeats itself, and there's no reason to believe it won't, we'll stay flat for another couple of years and then zoom upward again. You'll notice it dropped a bit in 2008. This "bubble" we're entering now—and I hate use that word—won't be nearly that bad. I'm predicting it will be a more like 2001. Because lenders are still lending and buyers are still buying, and there still is a shortage of inventory. I call it the Big Three. As long as we have the Big Three we're going to have a strong market. It's just that no one is overpaying for buildings anymore, for awhile, for another two or three years. Because rents can't rise anymore, for awhile. The only reason a buyer is willing to "overpay" is because of some type of upside. Rents can be raised. A unit or two can be added. Something. And for rents to go up again we're going to have to have a chug forward in the economy. Tenants have to be able to afford it. So if you have a specific reason to sell, now is the time. It's unlikely we'll see a dip like in 2008, which was as much as 12%, but why take a chance?

You'll notice that Cap Rates seem to revolve around an axis of 5%, plus or minus, like a sine wave. If we could go back further with our data the same trend would show. Also, interestingly, you can track rents by the cap rate trends. When buyers see rents and values rising they're willing to accept a lower cap rate. But the trend seems to be 5%. Most buyers, particularly the old timers, tend to fly by the seat of their pants. They may not do formulas and spread sheets, but in their mind's eye they're seeing a 5% ultimate return on price, which is what a cap rate is, net income divided by price. If you bought a building for a million dollars, paid cash for it, no loan, and at the end of a years time, after all expenses, you put $50,000 in your pocket, that would be a 5% return, a 5% cap rate. By the way, do you know where the phrase "fly by the seat of your pants" comes from? Back in the days before instruments Amelia Earhart could tell if she was uncoordinated in a turn, because the centrifugal force would cause her to slide across the seat. She'd give a little rudder tap with her foot and it would smooth right out.

The Only Time I Was Ever Sued (Almost)

I was only sued once in my forty years selling commercial real estate – almost sued, that is – for triple damages for the earnest money my buyer lost, because he didn't have any money, beyond the hundred thousand he lost in earnest money. It was back in 2013 when Serge Vitriol was slinging offers right and left on buildings (not his real name), making all cash offers with no financing contingency. Back then that was how you needed to do it, to be competitive. But a good rule of thumb, when the market is that fast, have some money. Or at least let your agent know you don't have any money, so he/she can protect you.

We wrote Serge up on a 22 unit brick up on Capitol Hill. He told us had $20 million in cash, so it didn't concern us when he waived contingencies and sent the earnest money directly to the seller. Serge's plan was to go for a construction loan and do a rehab. No problem. Even if the worst happened and we had a repeat of 2008 he still would OK. He could still close. Just write a check and refi later on.

But you guessed it – Serge did not have $20 Million. He did not have *any* money, beyond the hundred thousand in earnest money. His plan was to raise it in the three weeks prior to closing. Well of course the train eventually did hit the inevitable brick wall, and we ended up scrambling in efforts use the "and/or assigns" language to move someone else in, and hopefully save Serge's earnest money. Then a ray of hope. We get a call from Serge's attorney, who tells us one of his clients has an interest. "Great," I tell him. "Send him over." The attorney balks. He wants half our commission. He even sends us a contract to sign. We decline. We did in fact find a buyer, but he backed out the eleventh hour. I guess the idea of sending a hundred thousand dollars to a man he didn't know scared him. So the whole deal fell apart. For a few months. Then a hand popped up out of the grave. That happens in our business more than you might think. We got a call from the seller who told us, "Hey, your buyer called us. He wants to put the deal together after all. He wants to do it direct." This particular seller is one of the good ones. Wish I could mention her name. So the deal closes, and we get paid, but Serge loses his earnest money.

A few months later we get a letter from Serge's attorney, along with a stack of legal documents he intended to file, and a complaint to the state board, if we didn't send him $300,000 by Friday. So, we engaged our own attorney, who's opinion it was that we had done nothing wrong. We happened to mention as an afterthought, about him wanting half our commission. "He even sent us a contract," I mused.

"He what?!" our attorney exclaimed. "Send that to me." He fired off a letter of his own, to Serge's attorney, accusing him of malfeasance and a breach of fiduciary, with a threat to file his own lawsuit and bring him up on charges before the state bar. If he had a buyer it was his duty as Serge's legal representative to send it to us. We never heard from the guy again.

How to Underwrite Your Own Loan

There are times, I'm sure, when it would be helpful to be able to sit down and scratch out in a few minutes what kind of a loan or refi you might be able to get on a given piece of property. The mystery of real estate finance can be confusing, to say the least. The Starlighter in the University District might be able to be purchased with 35% down, while its identical twin a few blocks away, the Buccaneer, may require 50% for a down payment. How come? Same developer, same floorplans, but totally different loan amounts. And wait. It gets crazier. Mulliken and Garret, the builders of the Starlighter and Bucaneer also built a four-plex in the U-District that you could probably get into with 20% down, maybe 5% if you chose to live in one of the units. What gives?

The answer is simple enough. A lender will underwrite the buyer when it comes to the purchase of four units and under, while with five units and up they will underwrite the building itself. They want the buyer to have good credit, of course, but beyond that they don't care, as long as the building cash flows according to a certain set of guidelines. I once had a client with a two hundred million dollar net worth who couldn't qualify to buy a duplex. In frustration he decided just to write a check for it.

Here's the way it's done with 5+ units: They'll ask for some info from the seller, usually two to three years of the building's tax returns (Sched E), and a current roll, maybe some utility bills so they can get a handle on fixed expenses. Then they'll interpolate a few things:

1) The property tax billing calculated using the city's current millage rate and the building's market value based on the appraisal (sometimes they'll use 80% of that market value).
2) Annual maintenance (pretty close to the actual, most of the time it is the actual)
3) Annual management expenses (5% for professional, $45/door for on site management)
4) Replacement reserves, usually $250/unit/year. This is a figure that attempts to predict, or "future amortize" if you will, the amount of capital expenses that might be spent on the building. These are non-recurring items, expenses that may only occur once during an ownership, such as a new roof, or parking lot striping.

Then they assign what is called a *debt coverage ratio* to the building. That's the ratio of net income to debt. With apartments they usually want it to be *1.2*. In times of aggressive lending it can be as light as *1.10*. Then they use high school algebra (and you thought you'd never use it!) to calculate the loan amount. They take the net income – their net income, not the actual – and divide it by 1.2, and divide that by 12 to get a monthly figure. That then is the maximum monthly debt they will allow on the building. So, to find your loan amount all you do is take out your HP12-C and plug that maximum monthly figure into "Payment," then enter the interest rate into "Interest" (divided by 12, because we're dealing with monthly amounts), and 360 into "Period," and push the "PV" button. The result will be your loan amount. So you can see what will happen if the rents are low. Your loan amount is going to be less and your down payment higher. And by the way, the interest rate you want to use is the bank's underwriting rate, not the actual loan rate. They are not always the same, so be sure and ask what the *underwriting rate* is.

We'll close with a useful piece of information. There is one bank out there, that I know of, that will loan on market rents, Pacific Crest.

Updated Tacoma Rental Laws

The Tacoma City Council has passed a new Rental Housing Code that sets out new rules for landlords. It goes into effect February 1, 2019. Below is a summary:

1) A 120-day notice period is now required to vacate an occupied unit if the owner wishes to substantially rehab or demolish a dwelling unit. Tenants are entitled to $2,000 relocation assistance. The city pays half, the landlord pays half.

2) A 60-day notice is required for no cause evictions, as opposed to state law, which requires only 20 days' notice.

3) A 60-day notice to increase rent.

4) Landlords must offer installment payment options for move-in costs, including security deposits, non-refundable move-in fees, and last month's rent. The installment payments must be over three equal monthly installments, due when rent is due. If the rental agreement is for a period less than three months, the tenant may elect to pay in two equal monthly installments. Landlords may, however, insist on the actual costs of tenant screening to be paid up front.

5) Upon a tenant's failure to pay rent a landlord may serve a 10-day notice to comply or vacate.

6) When the law takes effect in February landlords will be required to provide an information packet to all tenants and prospective tenants, including all existing tenants and at all lease renewals. The packet is published by thee City of Tacoma and will be available on their website after February 1st.

Tacoma on Fire

Speaking of Tacoma, finally the long-held prediction that Tacoma will come into its own has come to reality. Rents in new construction and rehabbed units are now solidly in the $2.00/sf range and holding strong, and investors that used to be bullish on Seattle are now targeting Tacoma. And Tacoma owners that used to be anxious to dump their properties are all of a sudden smiling. This is not surprising. Tacoma is not that far from Seattle, and with new transportation systems on the horizon and with the Port of Tacoma being a major sea port and one of the top 10 container ports in the country I'm surprised it hasn't happened sooner.

And have you been to the LeMay car museum by the Tacoma Dome? I remember the days when Harold Lemay was alive and he would hold his shows at one of the high school stadiums. Back in those days it was just for friends. You'd meet at his house, park on his huge lawn, and one of those antique double decker English buses would carry you out to the show. I remember I remarked to him that my grandfather had a 1906 EMF Studebaker. His eyes brightened and he said, "Ah, I have one of those. Right over here." Quite a guy. He died back in 2000, November 4th.

How Can You Tell if a Building is URM?

It's not foolproof, but usually every seventh row is an outfacing row. They're called soldier bricks and were used to reinforce the structure.

Answers to Quiz

1) **True.** 30-year old Charles Arthur Floyd, nicknamed "Pretty Boy," was the villain people loved to love. Many a homeowner profited from Pretty Boy's escapades.
2) **True.** Well, it's supposed to be true anyway. Supposedly you can get title to an acre of land on the moon and on Mars from www.lunarland.com. I wouldn't trust it though.
3) **False.** It's on the books in New York City, not Seattle, It's because of the Amityville Horror house, I'm guessing, and the supposed true story of a haunting there. It's absolute nonsense of course. I knew that when I read the part about the cloven hoof prints beneath the window. It's too bad an author can make that much money by scaring people. Boo!
4) **True and False.** The United States bought Alaska from Russia in 1867 for $7,200,000, 1.6 cents an acre. Andrew Johnson was president at the time. He actually looks a lot like President Trump, with the scowl and comb over hair.
5) **True and False.** It was invented by a woman, not a man. That's the "False" part. Monopoly was invented by Elizabeth Magie, a socialist (they called them Georgians back then) in hopes that the children who played it would grow up with a natural suspicion of property ownership and what she considered to be the unfairness of it. It was originally called "The Landlord's Game."
6) **False.** It was in New York City at the Empire state building in 1945. A B-25 crashed into it and an elevator cable snapped. The cable coiled beneath the car as it fell and supported it as a kind of spring, thereby saving the life of the only passenger, a woman.
7) **True.** A woman by the name of Ailin Graef has created an on-line cartoon-like personality (called an avatar) who buys and sells virtual land (not real; computer generated only). And the avatar uses computer created money (called Lincoln coins) for these purchases, and somehow has been able to convert these Lincoln coins to real dollars, over a million of them. Don't ask me how.
8) **True.** Brass evidently kills bacteria. So if your home has brass doorknobs you don't have to wash your hands before touching one.
9) **True.** You don't think they make their money on hamburgers do you?

What Kris Kristofferson & Seattle Investor Mac Macintosh Have in Common

Dino Rossi called me up the other day, and asked if I would sit down with a friend of the family, a young man fresh out of college who expressed an interest in a career in commercial real estate sales. You don't need a college education, of course, but it certainly helps. It helps because college, whatever the curriculum, teaches you how to think creatively, how to do what needs to be done to reach a certain end point. "Sales" is a poor term for what we do. It's not like we're selling magazines or used cars—don't get me wrong; there's nothing wrong with selling magazines or used cars—it's just very different. We're more like problem solvers. We bring two minds together, and each time we do it we encounter new problems, it seems. (That's why experience does matter in this business.). The young man also expressed an interest in development. So I called Frederick Macintosh (friends just call him "Mac" for short), and asked him if he'd talk to the young man. I figured Mac would be perfect as a reservoir of advice. Mac had taken an eighty acre piece up in Snohomish County that had been in the family for years that they acquired way back when for $40,0000, that had just been collecting dust and blackberry bushes, and got it up-zoned, platted it out for individual lots and sold it to a developer for a couple of million. They came to me with the money. I traded Mac's share into a building in Eastlake and another on Queen Anne that both looked across the lake at one another. There were two brothers-in-law in the family. We moved one brother-in-law into a Magnolia building on Thorndyke, and for the second brother-in-law I was able to find a sweet little building near Discover Park that got him through some bad times when he encountered health issues later on in life. "It feels good to do good things for good people," I told the young man. "That's the real benefit of this business. Sometimes they appreciate it; sometimes they don't; but at least you know."

Mac's advice to the young man was sound, if not brilliant: He said if it were forty years ago and I was in his shoes, here's what I would do. I would call up a successful developer and ask if I could go to work for him. I would do anything, sweep the floors, empty the garbage, anything at all, just so I could be near him (or her) and watch and see how it's done. It reminded me of a true story of another young man. He was a Rhodes Scholar, graduated from Oxford with honors, and went to work as a janitor in a Nashville recording studio, because he wanted to write songs. He wanted to be closes to the business. He swept floor at night and wrote songs in the daytime. But he couldn't get anyone to listen to them. Who would listen to some song written by a janitor? It was a seeming road to nowhere. So—this young man did what he learned to do in college. He thought with creativity. He also happened to be a pilot. He'd spent a brief stint in the army flying helicopters. He went out and rented one, and landed it right smack in the middle of Johnny Cash's backyard, where he was having a barbeque for record industry officials. He walked up to a startled Johnny Cash and handed him a cassette, and said, "Here you son-of-a-bitch, maybe now you'll listen to it" The young man's name was Kris Kristofferson, and the song was one of Johnny Cash's biggest hits—Sunday Morning Comin' Down.

Bret Bolgen Another Paul Allen in the Making?

Bret Bolgen was my daughter's first love, back when they were in middle school. The kid was brilliant. There was no doubt in my mind he was going to be the next Paul Allen. He was always picking my brain about real estate. He was so brilliant he aced all his exams yet never cracked a book. The teachers didn't know what to do with the kid. He never did a lick of homework. But since he passed all his exams with 100% scores they all begrudgingly gave him A's.

He was charming, handsome, and honest to fault. One time the kids had all decided to incentivize my wife to quit smoking, and loaded her cigarettes. She would never quite get down to the charge, because the plastic would start to melt and throw off this putrid smell and taste. She always threw it away before it blew. She couldn't figure out what was going on. She would switch brands and the same thing would happen. She was furious, because no matter which brand she tried the same thing would happen. She even went so far as to write to Phillip Morris and accused them of trying to kill her. Everybody was rolling with laughter, except for Brett. Brett couldn't stand the deception and fessed up.

My wife cried when they broke up. Blubbered like a baby. We both did. Bret was like a second son to us. That was fifteen years ago. Bret since married a good girl and had two beautiful children, and got into sales and began to accumulate some money so he could buy his first building. A client in the making.

We cried again at his funeral. Bret was 32 when the devil came, as it has to 72,000 others over the past year, almost double automobile deaths.

Heroin, they said, mixed with something called fentanyl.

Capitol Hill Sales - 2018									
Address	Units	Size	Rent	Rent/SF	Age	Price/SF	Cap Rate	Price	Date-of-Sale
Boylston Arms 2003 Boylston E	6	637	1,320	2.07	1925	449	3.8%	$ 1,715,000	1/9/2018
Harriet Manor 1304 E Harrison	9	692	1,835	2.65	1960	588	4.4%	$ 3,660,000	1/12/2018
The Malden 511 Malden E	6	996	1,984	1.99	1909	402	3.9%	$ 2,400,000	2/16/2018
Murray Hill 1810 15th Ave	15	783	1,222	1.56	1925	350	3.4%	$ 4,110,000	3/28/2018
Chloe 1408 E Union	117	772			2010	595		$53,700,000	3/8/2018
John Street 1014 E John	5	575	1,450	2.52	1900	540	4.1%	$ 1,550,000	4/5/2018
Arville 1422 E Union	22	609	1,447	2.38	1928	500	3.6%	$ 6,700,000	4/30/2018
The Iliad 112 Bellevue Ave E	25	773	1,447	1.87	1965	471	4.3%	$ 9,100,000	6/21/2018
Blanche Clare 1406 Bellevue E	6	609			1909	560		$ 2,350,000	6/20/2018
Elizabeth 726 10th Ave E	6	704			1926	437		$ 1,850,000	6/8/2018
The Lorraine 2236 Franklin E	9	748	1,323	1.77	1901	443	3.3%	$ 2,980,000	7/24/2018
The Madison 823 Madison St.	75	535			1902	333		$13,000,000	7/16/2018
The Howell Apartments	11	632	1,501	2.38	1957	518	3.4%	$ 3,600,000	7/19/2018
Union Park Apartments 1310 Minor Ave.	85	725	1,727	2.38	1989	517	3.9%	$31,460,000	8/30/2018
The Adamson 900 E Prospect St.	21	450	1,234	2.74	1955	577	4.0%	$ 5,450,000	10/11/2018
Average	23	683		2.21		485	3.8%	$ 9,575,000	

Capitol Hill Sales - 2018									
Address	Units	Size	Rent	Rent/SF	Age	Price/SF	Cap Rate	Price	Date-of-Sale
Modera on Capitol Hill 1427 11th Ave	138	685			2016	747		$69,000,000	8/13/2018

Queen Anne Sales 2018									
Address	Units	Size	Rent	Rent/SF	Age	Price/SF	Cap Rate	Price	Date-of-Sale
Four-Nineteen 419 Queen Anne Ave N	31	451	522	1.16	1912	405	3.3%	5,450,000	1/17/2018
Roy Street 100 W Roy	69	573	1,781	3.11	1948	557	3.1%	22,000,000	3/1/2018
Castle Court 822 Queen Anne N	22	1,008			1915	328		7,270,000	3/30/2018
Kahala 1249 5th N	5	810	1,705	2.10	1912	494	3.2%	2,000,000	3/30/2018
Kerry Park 1420 4th W	33	393	1,101	2.80	1908	429	4.8%	5,550,000	3/30/2018
Gale Anne Terrace 15 W Galer	9	700	973	1.39	1958	476	1.7%	3,000,000	4/27/2018
The Elise 1627 10th Ave W	8	731			1928	359		2,100,000	5/2/2018
La Fonda 1215 Queen Anne Ave N	14	562	1,251	2.23	1958	509	3.2%	4,000,000	6/1/2018
Standard on Queen Anne 512 5th Ave. W	20	630			1957	556		7,007,000	7/31/2018
Virginia Lee 2020 Waverly Place N	11	807			1966	407		3,610,000	9/21/2018
Fifth West 524 5th Ave. W	17	892	2,195	2.46	1966	482	4.1%	7,300,000	9/7/2018
Dravus 65 65 W Dravus St.	5	664	1,340	2.02	1906	422	3.5%	1,400,000	10/9/2018
Average Overall	17	587	1,087	1.73		452	3.4%	5,049,071	

Queen Anne New Construction Sales 2018									
Address	Units	Size	Rent	Rent/SF	Age	Price/SF	Cap Rate	Price	Date-of-Sale
The Henry 22 Etruria St.	100	647	2,277	3.52	2017	651	5.0%	42,100,000	1/17/2018
Boston 215 Boston St.	24	550	1,863	3.39	1958	652	4.4%	8,600,000	9/7/2018
Average Overall	62	599	2,070	3.45		93	4.7%	25,350,000	

Notes:
Bellwether Housing's purchase of "The Views at Madison" at 1823 E Madison at $135/sf was not an arms length transaction and is not listed.

Since the retirement of Patty and Mike it's been difficult to get expenses and cap rates from some of the recent sales. The sellers are cooperative but for some reason beyond my comprehension many of the agents are not, so we've been forced to research each sale personally. One such case—after the agent told me the information was sensitive and confidential at the owner's request, I called the owner and within minutes he emailed the closing rent roll and the P&L.

The Seattle Apartment Investment Newsletter

Bob Wright

FOUNDATION GROUP

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206-619-3274

robertwright@tfgre.com

"I have known Bob for 25 years….He worked hard to find the perfect buyer for the property and went "above and beyond" to do so. Bob's efforts played a key role in our successful sale." **Chris Benis, Attorney**

I particularly appreciate Bob's attention to detail and his follow through in each phase of the transaction. This includes every detail…" **Arne Yager, Professional Equity Ventures.**

"…even after escrow Bob insured that I, as the seller, received all consideration and that all items that necessarily follow close were handled. I call that full service." **Martin Halfhill, L&M Investment Co.**

"Don and I just can't thank you enough for all the time and work you put in selling that building for us." **Phyllis Lindquist.**

Call for information on these two properties, or if you'd like an analysis on your property

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