


Bob Wright
206-224-1213
206-619-3274

Mike Walsh
206-774-5429
310-383-1570

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Winter Spring 2021

It's Been Almost a Year Living with COVID and the City Council Have Any Apartments Sold?

Yes, as a matter of fact. 88 in King County, 45 within the city limits of Seattle, 29 in Pierce County, and 11 in Snohomish County. Here are the ones in Seattle, broken out by district:

Capitol Hill Sales - Post Covid 2020										
Address	Units	Size	Rent	Rent/SF	Age	Price/SF	Price/Unit	Cap Rate	Price	Date-of-Sale
Diane Apts 318 Boylston Ave E	8	638	1,391	2.18	1958	441	281,250	3.5%	2,250,000	7/20/2020
Belmont Place 744 Belmont Pl E	10	710	2,014	2.84	1963	586	416,000	4.6%	4,160,000	8/26/2020
The Hacienda 1029 Summit Ave E	21	967	1,577	1.63	1928	394	380,952	2.9%	8,000,000	9/1/2020
Modera 125 Boren Ave W	288	732		0.00	2020	594	434,028		125,000,000	9/10/2020
Allegro on the Hill 12112 E Howell St.	9	542	1,382	2.55	1957	478	258,889	4.4%	2,330,000	10/8/2020
The Shoreview 2035 43rd Ave E	14	1061			1965	370	392,857		5,500,000	11/20/2020
Mont Bel 319 Belmont Ave E	13	668	1,427	2.14	1963	423	282,692	3.8%	3,675,000	11/24/2020
Park Place East 2009 43rd Ave E	7	927			1948	413	382,143		2,675,000	12/14/2020
Bellevue Court 433 Bellevue Ave E	21	445	1,201	2.70	1954	481	214,286	4.0%	4,500,000	1/26/2021
Average	43	743	1,499	2.34	1962	464	338122	3.89%	17,565,556	

Queen Anne Sales - Post Covid 2020										
Address	Units	Size	Rent	Rent/SF	Age	Price/SF	Price/Unit	Cap Rate	Price	Date-of-Sale
The Crosby 1250 5th Ave	38	355		0.00	1991	671	237,770		9,035,263	5/11/2020
Florentia 4 Florentia St.	10	830	1,830	2.20	1990	478	397,000		3,970,000	4/24/2020
Average	24	593			1991	575	317,385		6,502,632	

Beacon Hill Sales - Post Covid 2020										
Address	Units	Size	Rent	Rent/SF	Age	Price/SF	Price/Unit	Cap Rate	Price	Date-of-Sale
Tangletown 6 1848 N 54th	6	550	995	1.81	1965	420	231,167		1,387,000	3/23/2020
Average	6	550			1965	420	231,167		1,387,000	

U-District - Post Covid 2020										
Address	Units	Size	Rent	Rent/SF	Age	Price/SF	Price/Unit	Cap Rate	Price	Date-of-Sale
Brooklyn Lofts 5033 Brooklyn NE	20	405	1,002	2.47	1905	364	140,000	5.9%	2,800,000	4/10/2020
Matador 6516 25th N	9	719	1,262	1.76	1961	424	305,000	2.9%	2,745,000	5/22/2020
University Heights 1417 NE55th	6	732	1,059	1.45	1918	330	241,667	2.5%	1,450,000	8/10/2020
Villa Camini 1205NE 42nd	7	855			1925	654	559,143		3,914,000	10/1/2020
Average	4	678	1,108	1.89		443	184302	3.78%	2,727,250	

N Seattle - Post Covid 2020										
Address	Units	Size	Rent	Rent/SF	Age	Price/SF	Price/Unit	Cap Rate	Price	Date-of-Sale
Midvale 8543 Midvale Ave N	20	571	1,525	2.67	2018	502	286,250	4.8%	5,725,000	4/30/2020
Phinney Ridge	6	804	1,970	2.45	1960	498	400,000	4.4%	2,400,000	6/1/2020
Shorewood Courty 1122 N 180th	24	500			1963	334	183,333		4,000,000	6/1/2020
Abel Court 9226 Fremont Ave N	7	802			1989	339	271,429		1,900,000	7/14/2020
Arragun 10757 Greenwood Ave N	19	959			1978	289			5,273,000	10/29/2020
Hillcliff 604 NE 165th	40	931	1,295	1.39	1968	240	223,600	4.0%	8,944,000	10/29/2020
Average	19	761	1,597	2.17	1979	367	272,922	4.39%	5,648,400	

Eastlake - Post Covid 2020										
Address	Units	Size	Rent	Rent/SF	Age	Price/SF	Price/Unit	Cap Rate	Price	Date-of-Sale
Gladstone 2038 Yale Ave E	7	901	1,480	1.64	1928	592	514,286	4.4%	3,600,000	3/25/2020
Franklin 8 2037 Franklin Ave E	8	988	1,344	1.36	1967	392	387,500	2.5%	3,100,000	11/3/2020
Average	8	945	1,412	1.50	1948	492	450,893	3.45%	3,350,000	

This Quiz? True/False. (Answers Page 5)

- 1) Seattle finally eclipsed San Francisco this year in rent levels, with an average of \$3,690.
- 2) Baby Boomers (over-60 set; called baby boomers because the birth rate boomed skyward in the late 40's when soldiers came back from the war.) are choosing to rent instead of buy, as they downsize.
- 3) Renters now comprise the highest percentage of homeowners in the United States since 1965.
- 4) The world's largest owner of real estate is the former president.
- 5) It is a legal requirement in the state of Washington to disclose it in a listing if your house or building is haunted.
- 6) It is illegal in the State of Washington to kill a Sasquatch.

"When you come to a fork in the road, take it." Yogi Berra.

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 as 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.

Non-Recourse Loan: This is a loan where you are not required to sign personally and do not have to place other real or personal assets at risk.

Stabilized Income: Phantom income engineered by your agent to make the cap rate look better. Sometimes it's doable, sometimes it isn't. Sometimes sellers do under-rent and overspend. It happens. Just be careful. That way you'll be pleasantly surprised.

Stabilized Expenses: Same

Opportunity Zones

A capital gain can be deferred by investing in any of the assigned Opportunity zones. This means any gain on any item that realizes a profit upon resale:

- ◆ Real estate
- ◆ Stocks
- ◆ Bonds
- ◆ Art
- ◆ Jewelry
- ◆ Baseball Teams
- ◆ Antique Cars

The gain must be invested within 180 days. If the gain is from a partnership, the partner can elect to start the 180-day clock on one of three dates:

- ⇒ The date the gain was realized.
- ⇒ The last date of the partnership's tax year.
- ⇒ The due date for the partnership's tax year (typically March 15 of the following year).

The gain is deferred until December 31, 2026, at which time the tax would come due in April 2027, and at the prevailing 2026 rate.

In Seattle, Opportunity zones exist East of Madison, south of Dearborn, and on down to and including South Park and Federal Way. Click here and scroll down for the exact census tract locations in Washington.

[Opportunity Zone Locations](#)

Good Video

A 96 year old World War II pilot takes the controls of a P-51 mustang. Not too many of these guys left (pilot or airplane). He struggles getting his creaky frame into the cockpit—needs lots of help—but watch what happens when he takes the controls. "Like parking a car," he says. "You never forget."

[Back in the Cockpit](#)

"A funny thing happens in real estate. When it comes back it comes back up like gangbusters." Barbara Corcoran.

The Smuggler

Did you hear about the kid on the bicycle that kept crossing the border from Mexico into Arizona? Supposed to be a true story, but who knows, these days. The border police were pretty sure he was smuggling something, but they just couldn't catch the kid. No matter how hard they looked, no matter what they tore apart, they could not figure out what it was that he was slipping past them. They ripped the seams out of his backpack, even strip searched him, but nothing. Finally in their frustration they got authorization to make a deal with the kid. "Tell us what it is, and we won't prosecute. Otherwise we'll find something to use as an excuse to throw you into jail. So you might as well tell us." The kid shrugs and says, "Bicycles."

Faster and For More Money!

I received another one of those spam emails about the agent who is so extremely talented he and his crew can sell your building “faster and for more money.” Allow me to pop the balloon. The agent that can sell your building faster and for more money does not exist. There is no magic in the Universe that is going to put a spell on a buyer – booga booga – and force him or her to pay more money that he or she is comfortable paying. Trust me, anybody who has the wherewithal to accumulate a million or so dollars is not going to fall prey to a guy with a good spiel. If a property sells for more than list it is because the market allows it (assuming of course that the agent has given the property proper exposure; some don’t, sadly, because of company requirements that their own clients be given priority.) It’s either because the market is escalating or the building is underpriced (or at least priced on the low end, which sometimes is a strategy that works).

That having been said, there are agents out there who are seasoned and meticulous about what they do, having made the mistakes and traveled the road upon which the young bucks are still stumbling. You can recognize them by the air of confidence they exude. You cannot measure them by the number of deals they do or by the company they work for. The company is only as good as the individual employed by that company. And it doesn’t matter whether they are at a big firm or operate out of a one-man shop. Today’s internet technology equalizes the playing field. Here are some examples of some of the mistakes by which I have learned:

- ◆ **60-day Clause.** We’re ready to close when the bank that holds the underlying note informs us, when escrow asked for a payoff, that they need 60 days’ notice. Lesson learned: Always read the fine print in the Deed of Trust.
- ◆ **Commercial Escrow.** I once allowed a single-family residential escrow company to handle an apartment transaction due to insistence by the agent. Now and then a house agent brings a strong offer from a legitimate buyer, and they have to be taken seriously. When I delivered the personal property list to escrow, stoves, refrigerators, etc, not stopping to think that they never deal with such things in a single family transaction, it threw the entire closing into jeopardy. I could not convince them that the figure designated for personal property was inclusive of the sales price. They either wanted a revised purchase and sale agreement written with a new price or a designation of “zero” for personal property, which of course could subject the buyer to an audit and a bill from the government for trying to avoid paying sales tax. Fortunately it never did. Lessons learned: Always use an escrow agent familiar with multi-family.
- ◆ **The Magic Word.** The year is December 31, 1986. The next day is a new year, and a new tax law. It has to be closed today, the 31st, or it crashes and burns. The selling entity is a partnership, half of which is on vacation in Europe. No problem though; they’ve left a power of attorney. Problem. The power of attorney is missing the magic word, “convey.” The title company would not accept it. I even pleaded my case directly to the head attorney, no luck. The word has to be there. So I go running across to the street to Transamerica, blowing right past the receptionist into John Jones’ office. John looks at it, says, “Well, it’s true the word isn’t there, but there are seven pages of intent. We’ll go ahead and accept it. John gets me a new title report in 45 minutes and at 4:15 I’m off with closing documents in hand to the recorder’s office, running down 5th avenue knocking over a half a dozen people in the process. I barely make it. Lesson learned. Always pass your power of attorney past the title company for approval prior to the parties leaving town. (John is the head underwriter for Fidelity these days, by the way.)

What the Lender Wants These Days

It varies from lender to lender, but if you gather together the following you should be fine with any of them:

- ◆ The usual financials—Rent Roll and 3 years Year-End P&L’s.
- ◆ T-12 lookback (month by month income and expense records for the previous twelve months from date).
- ◆ Vacancy history for the previous 6 months and a list of tenants not paying and/or on payment plans.
- ◆ If the building is a turn of the century brick: Is the building unreinforced masonry? Is there an underground oil tank? Paperwork if available.

A note I emailed to the owner of Windsor Arms. This woman is so efficient I had to run to keep up with her. “*I have to thank you again for your efficiency.*” I wrote. “*You make my job easy. If you only knew what I have to go through with some of my clients to get the info you provided on day one. One guy – a cowboy with a pickup truck sitting atop twelve foot tires – when I asked him for books and records he pointed to the cab and said step into my office. I crawled up the tire and into the cab and he popped open the glove box. Bam! Out popped a menagerie of a hundred crumpled up papers. It was like it was it spring loaded.*” Make things easy for yourself and your agent. Simple things. Be organized when contemplating a sale. It can make a world of difference in the speed and ease of the transaction.

Seattle Sales Continued

Wallingford - Post Covid 2020										
Address	Units	Size	Rent	Rent/SF	Age	Price/SF	Price/Unit	Cap Rate	Price	Date-of-Sale
Linden 4400 Linden Ave N	7	406			1965	406	235,714		1,650,000	4/7/2020
Evanston 4905 Evanston Ave N	5	720			1955	278	200,000		1,000,000	5/15/2020
1021 N 50th St.	7	788	2,067	2.62	1955	499	392,857	5.1%	2,750,000	5/29/2020
4048 2nd Ave N	5	289			1954	828	239,200		1,196,000	7/21/2020
4315 Whitman Ave N	5	852	990	1.16	1967	270	230,000	2.8%	1,150,000	9/4/2020
Winslow Place 3809 Whitman N	24	609	1,749	2.87	1989	553	336,542	4.6%	8,077,000	9/24/2020
Jack-Lan/Verah 1903 - 1911 N 46th	38	570	1,480	2.60	1929	570	263,158	3.9%	10,000,000	11/23/2020
Average	13	605	1,572	2.31		486	271,067	4.10%	3,689,000	

White Center - Post Covid 2020										
Address	Units	Size	Rent	Rent/SF	Age	Price/SF	Price/Unit	Cap Rate	Price	Date-of-Sale
Westcrest 9231 35th SW	16	664		0.00	1958	307	203,438		3,255,000	5/29/2020
West Seattle Flats 9044 35th SW	9	1,082	1,974	1.82	1981	260	250,000	4.3%	2,250,000	10/13/2020
Highland Park 9032 9th Ave SW	12	582	1,196	2.05	1978	315	183,333	5.3%	2,200,000	4/17/2020
Orchard Townhomes 11024 SW 4th	9	1,328	1,344	1.01	1982	155	205,556	3.5%	1,850,000	9/22/2020
Ambaum Twnhomes 12404 Ambaum Blvd SW	9	1,367	2,072	1.52	2007	248	338,889	5.6%	3,050,000	9/8/2020
Average	11	1,005	1,317	1.60	1981	257	236,243	4.66%	2,521,000	

Lake City Sales - Post Covid 2020										
Address	Units	Size	Rent	Rent/SF	Age	Price/SF	Price/Unit	Cap Rate	Price	Date-of-Sale
The Gladstone 12315 28th Ave NE	32	611		0.00	2012	296	150,000	4.1%	4,800,000	11/2/2020 *
Lake City 6 12550 - 12552 35th NE	6	1090	1,194	1.10	1967	298	325,000	2.6%	1,950,000	4/6/2020
Mar-Ella 3055 NE 140th	10	633	1,021	1.61	1968	298	186,500	3.5%	1,865,000	3/30/2020
Average	24	1167	1108	1	2974	446	330,750	3.40%	4,307,500	

*Sale driven by the political arena; seller wanted to sell before the election..

Belltown Sales - Post Covid 2020										
Address	Units	Size	Rent	Rent/SF	Age	Price/SF	Price/Unit	Cap Rate	Price	Date-of-Sale
Alto 311 Cedar St.	184	611		0.00	2012	592	361,413		66,500,000	7/13/2020
Kiara 970 Denny Way	461	770		0.00	2018	903	694,143		320,000,000	7/15/2020
Average	323	691	0	0	2015	748	527,778	0	193,250,000	

Rainier Valley - Post Covid 2020										
Address	Units	Size	Rent	Rent/SF	Age	Price/SF	Price/Unit	Cap Rate	Price	Date-of-Sale
Thirty-Ninth Avenue Flats 5231 39th Ave S	30	630			1960	260	163,333		4,900,000	9/25/2020
Average	6	630			1960	260	163,333		4,900,000	

Greenlake Sales - Post Covid 2020										
Address	Units	Size	Rent	Rent/SF	Age	Price/SF	Price/Unit	Cap Rate	Price	Date-of-Sale
Tangletow n 6 1848 N 54th	6	550	995	1.81	1965	420	231,167		1,387,000	3/23/2020
Average	6	550			1965	420	231,167		1,387,000	

West Seattle - Post Covid 2020										
Address	Units	Size	Rent	Rent/SF	Age	Price/SF	Price/Unit	Cap Rate	Price	Date-of-Sale
Sea View 5916 California Ave SW	8	645			1969	335	215,625		1,725,000	5/7/2020
Orion Place 4127 California Ave SW	6	600	1,805	3.01	1963	372	335,000	4.6%	2,010,000	7/22/2020
Park Lincoln 7315 47th Ave SW	5	816			1991	417	183,333		1,700,000	8/14/2020
Average	6	687	361	3.01	1974	375	244,653	4.63%	1,811,667	
Footprint Westward 4546 Delridge Way SW	17	186			2013	823			2600000	9/4/2020

Note: The reason for the periodic blank spots is a new phenomenon. Owners and agents are reluctant to disclose financial data on their closing. A mystery to me why. Accurate data only helps everyone.

Vaccine Locations & Other Helpful Links

[Washington State Coronavirus Hub](#)

[Governor's Office Resource Page](#)

[Washington State Department of Health](#)

The quickest way to double your money is to fold it over and put it back in your pocket.” Will Rogers.

Chrystal Chandeliers

Many of you who own the classic bricks have those beautiful chandeliers hanging in your entranceway. But I noticed most of them have the linked prisms backwards, with the beveled side out. Remember your high school physics? The beveled side should be in, facing the light source. That way it splits the light and turns it into colorful little sparkles.



NDA's – Pros and Cons

Non-Disclosure Agreements can be a good thing. They protect sensitive information and if handled properly can weed out the tire kickers, but they also can hurt you. I worry that they might also weed out good buyers. I don't use them, for that reason. Unless the seller requests it of course.

Will We Come Out of This Mess?

I'm not an economist. I'm not the expert the media calls for a soundbite. But I have had the experience of having gone through worse messes. You have to have the experience of having gone through at least two of these things. I've seen four. Are we coming out of it. I think so – I'm an eternal optimist – the CBRE economists think so, history tells us so. The only thing that gives me cause for concern, about this one being different and little more frightening, is the extreme move toward socialism, both in the country and locally. That's not a political statement, just fact. Fact is, there is talk among those in the administration of eliminating 1031 tax deferred exchanges. That will have a dramatic affect on the market. So then the question comes—will the resulting gain be payable as ordinary income?

Every ten years we have a mess. The economy works in ten year cycles, seven years up, three years flat while forces work to correct themselves, and each one of those ten years is paralleled with some type of national crises to make an economic perfect storm, which we *always* come out of it, *always*:

1981 – interest rates skyrocket to 24%

1991 – Invasion of Kuwait and oil prices zoom from \$17 to \$36 a barbell.

2001 – the Twin Towers

2011 – the Subprime Crises

Answers to Quiz

- 1) False. The most expensive rental market is still San Francisco, with average rental rate of \$3,690. (Zumper)
- 2) True. The numbers of Over-60 renters increased by 43% between 2007 and 2017, according to Rent-Café.
- 3) True. In the nation's 22 largest cities, renter occupied homes now outpace owner occupied homes. US Census Bureau.
- 4) False. The largest owner of real estate in the world is...the United States of American!
- 5) False. No, you do not have to disclose if your building is haunted, not in Washington State anyway, but you do in New York.
- 6) True. It is illegal in the State of Washington to kill a Sasquatch, assuming of course it exists. That law was passed a number of years ago.

Best Invention Ever

Dog toys with squeakers at a frequency only a dog can hear. I wondered how long it would take for someone to figure that one out.

"You get what you vote for." Dino Rossi.

On Site Managers—Scary Monsters

When I was a kid I used to be afraid of monsters. Who would ever guess that as an adult I'd be afraid of On-Site Managers. They can kill or make a deal with no more than a glance. Back when I sold the Watermark in West Seattle, one of John Goodman's buildings, I had done exhaustive research to determine that the rent levels were a good 15% low. This was back in the 90's when lenders were going sideways at the last minute. The only lender you could trust was Bob McGrouther at World. But this project was being financed by City-Corp, and the rep had flown in from Chicago to put eyes on the deal. The on-site, bless her sweet heart, was doing what she thought was the right thing. "How are your rents?" the rep asks. "Oh, fine," she says. "I'm so good, why with my buildings I keep my rents higher than anybody." Now I school the managers. I say, "Just answer the questions honestly. Leave the selling to me. That's my job."

Of the many things I have learned over the years the one thing at the top of the list is to butter up the on-site, make them your best buddy. Because I'm telling you, they can tip the best of deals sideways. Here's an example: The same question answered first by the manager who hates you, then by the manager who likes you. Question: *"Have there been any break ins? I'm told this is a quiet area?"*

Answer from the manager who wants to kill the deal: *"Is that what you were told?"* Then comes a smirk and a roll of the eyes. *"Well, maybe I shouldn't say...but I was told to be honest. We actually had a break in. We installed this metal bar, and so far it's done the trick, cross your fingers."*

Answer from the manager who likes you: *"Yes, absolutely it's quiet. Tenants love it here. We did have a break in last year, but they caught the guy. We installed this bar, as an added precaution."*

Podcast Links—Bob and Mike talking Seattle Real Estate with Key Industry Leaders

[Episode #9 Management Company CEO's Discuss Seattle Rents and Tenant Issues](#)

[Insights Episode #8 Honoring Pat O'Day](#)

[Insights Episode #7 Cost Segregation](#)

[Insights Episode #6 Kelly Yates](#)

[Insights Episode #5 Dino Rossi](#)

[Insights Episode #4 Bill Robinson APT Appraisal](#)

[Insights Episode #3 A Conversation with Al Williams](#)

[Insights Episode #2 A Conversation with Seattle Attorney Chris Benis](#)

[Insights: Real Estate Success Stories Episode #1 Ewing Stringfellow](#)

Cost of Sale

The question I always get from people contemplating a sale is what will I net? What's the cost to me? Here's the way it lines up:

Seller Side

- ◆ Brokerage Commission: Anywhere from 3 to 6%, depending on the firm and the size of the building(s).
- ◆ State Excise Tax: Graduated scale, since January of 2020. See below for specifics.
- ◆ Title Insurance: Varies by price, but if you use \$4,000 you'll be pretty close.
- ◆ One Half of Escrow Fee: Also varies, but use \$3,000.

Recording Fee(s): \$500

Costs not directly connected with the cost sale, but a seller's expense nonetheless:

- ◆ Proration of taxes per date of closing:
- ◆ Deposit transfer: The standard purchase and sale agreement calls for the transfer of only refundable deposits, but it should be addressed contractually, because the language is ambiguous. Invariably there will be an argument over the non-refundables at the closing table if there's not an agreement. The seller believes it belongs to the seller because its post-paid unit preparations cost. The buyer believes it belongs to the buyer because its pre-paid unit preparation cost. The chicken and the egg argument. Best to handle it up front.

Buyer Side

- ◆ Half of Escrow Fee:
- ◆ 1% to the lender. (Standard lender; hard money lender will be more.)
- ◆ 1% to the loan broker. (Some lenders will pay the broker themselves)
- ◆ Lender policy of extended title insurance: \$400 plus or minus.
- ◆ ALTA Extended Title Insurance, if chosen
- ◆ Insurance binder, usually one full year's payment. One thing to remember, if you're paying all cash, no lender involved, escrow will not ask you for evidence of insurance being paid. They ask only because it's a condition of the lender in order to fund. If no lender, escrow doesn't care. But you care, obviously. So don't forget this one:
- ◆ Prorating of taxes for the remainder of the year following closing.

New Excise Tax Table

It can be confusing. It's the state portion that went up. The local taxes are still 0.5%. But since January 1 of 2020 we have had a new graduated state portion for excise tax. The state portion is now graduated:

<u>Amount</u>	<u>State Portion</u>	<u>Total (Including local)</u>
\$0 to \$500,000:	1.10%	1.50%
\$500,000 to \$1,500,000:	1.28%	1.78%
\$1,500,000 to \$3,000,000	2.75%	3.25%
\$3,000,000 and over:	3.00%	3.50%

The local tax is still 0.05% of the entire amount.

Some people measure success by the number of closed transactions. I've never thought about it that way. Unfortunately, too many clients do tend to think that way. Look at it this way – who would you rather have build your house? The experienced craftsman like Bill Buchan who does one at a time and takes personal pride and care with each detail? Or the money-obsessed contractor who shoves them together like Legos a dozen at a time?

Rents vs Cap Rates

I don't understand why even seasoned professionals don't get the relationship between rents and cap rates. In doing their Opinions of Value brokers will pick a cap rate out of the air, seemingly, and the client more often than not will accept it. Where are cap rates?, you ask. One broker quoted 3.75, another 4.5, still another said 5. One broker reminded me with a caustic email that I needed to put a percentage symbol after it. Well, that's true. It is a percental relationship.

I get the question all the time. "What are cap rates?" When I respond, "It depends, anyway from 2 to 5," they get frustrated. They think I don't know what I'm talking about. Are buyers crazy, they want to know? Is there any sanity at all in the minds of buyers these days? Here—let's do something interesting. Let's arrange the sales on Queen Anne by cap rates, from high to low, and see what happens. All of sudden we get clarity. Look at the rent levels, from \$1.39/sf to \$3.52/sf., and then go over to the cap rate column and see if there's any consistency. Hey! What do you know! Consistency! The higher the cap rate the higher the rent, and vice-versa.

Now this may change going into 2021, in a market where rents can't be raised and tenants can't be evicted. Hopefully some sanity will return to the minds of legislators when Seattle and the State of Washington begin to normalize.

Queen Anne Cap Rate Examples (with corresponding rental rates)

Address	Units	Size	Rent	Rent/SF	Age	Price/SF	Cap Rate	Price	Date-of-Sale
Fifth Avenue 1401 5th N	29	756	2,035	2.69	1963	463	5.4%	10,145,000	3/15/2019
Bertona Steps 3402 14th W	9	905	2,343	2.59	2018	442	5.3%	3,200,000	1/25/2019
The Henry 22 Etruria St.	100	647	2,277	3.52	2017	651	5.0%	42,100,000	1/17/2018
Kerry Park 1420 4th Ave W	33	393	1,101	2.80	1908	429	4.8%	5,550,000	3/30/2018
Boston 215 Boston St.	24	550	1,863	3.39	1958	652	4.4%	8,600,000	9/7/2018
The Gilbert 1529 Queen Anne N	61	979	2,692	2.75	2005	579	4.2%	30,600,000	12/12/2019
The Hudson 2450 Aurora N	127	602	1,716	2.85	1987	507	4.1%	38,750,000	4/11/2019
Fifth West 524 5th Ave. W	17	892	2,195	2.46	1966	482	4.1%	7,300,000	9/7/2018
The Mercer 105 Mercer St.	41	604	1,399	2.32	1929	477	3.9%	11,800,000	12/13/2019
West Olympic 310 W Olympic Pl	11	508	1,191	2.34	1955	480	3.6%	2,680,000	11/30/2018
Dravus 65 65 W Dravus St.	5	664	1,340	2.02	1906	422	3.5%	1,400,000	10/9/2018
Aloha House 100 Aloha St.	48	658	1,385	2.10	1963	535	3.4%	16,900,000	10/17/2019
Sherri Lee 2415 8th N	9	752	1,288	1.71	1962	355	3.4%	2,400,000	9/6/2019
Valley Terrace 215 Valley St.	11	925	1,855	2.01	1967	467	3.4%	4,750,000	10/29/2019
Four-Nineteen 419 Queen Anne N	31	451	522	1.16	1912	405	3.3%	5,450,000	1/17/2018
La Fonda 1215 Queen Anne N	14	562	1,251	2.23	1958	509	3.2%	4,000,000	6/1/2018
Kahala 1249 5th N	5	810	1,705	2.10	1912	494	3.2%	2,000,000	3/30/2018
Gale Anne Terrace 15 W Galer	9	700	973	1.39	1958	476	1.7%	3,000,000	4/27/2018
Average Overall	32	687	1,618	2.36		490	3.88%	11,145,833	

"We should be thankful we don't get all the government we pay for." Will Rogers "

Miles and Miles of Texas

It's a country music song by [Asleep at the Wheel](#). It's about this guy born in Louisiana who crosses the 'Ol Red River and finds a new life and love in Texas. Not that I intend to do that. I'm a Northwest guy, born and raised in Idaho, Sun Valley, who crossed the Ol' Snake River and found a new life and love in Washington. But it does bring to mind an interesting story. Michael and I are working with this syndicator out of New York, and they happened to bring up Texas and its economy. We were all analyzing this Seattle hi-rise we brought to them, that they're thinking of buying, and happened to mention that their building in Dallas had an occupancy level of 70%, until the state opened up for business. Then it zoomed to 95%, seemingly overnight. And by the way—if you do click on [Asleep at the Wheel](#) it will also bring up *Sugar Moon* with Leon Rausch as lead singer. He's dead now, but he used to be with Bob Wills and the Texas Playboys in the old days.

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Bob Wright



718 Rainer Ave S Suite G
Seattle, WA 98144

206-224-1213
206-619-3274

robertwright@foundationgroupre.com
<https://robertswright.com/>



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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.

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robertwright@foundationgroupre.com walsh@foundationgroupre.com

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