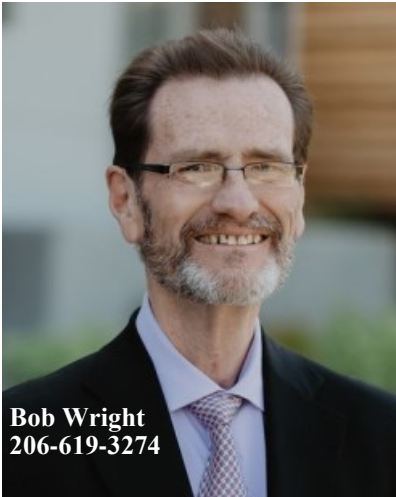


# The Seattle Apartment Investment Newsletter

Winter 2021



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### *Something's Fishy in King County*

What do you make of this? There were 26 sales to date in 2021 (11/26/2021) on Queen Anne and Capitol Hill and 13 them closed at prices lower than their assessed values. In 2020 8 out of 14 closings reported prices less than their assessed values. Either the appraisal staff at the county is incompetent or something else is going on. I've sat in on a handful of these appeals, and from what I've seen, these are not stupid people, ex real estate attorneys and appraisers. So what gives!?

Capitol Hill Sales 2021					
Address	Units	Date of Sale	Price at Closing	Assessed Value at Closing	
Capitol Crest 1135 17th Ave	9	1/25/2021	\$ 2,750,000	\$ 4,007,000	
Bellevue Court 433 Bellevue Ave E	21	1/26/2021	\$ 4,500,000	\$ 5,311,000	
1014 E John	5	1/22/2021	\$ 1,585,000	\$ 1,572,000	
228 11th Ave E	9	1/22/2021	\$ 3,300,000	\$ 2,948,000	
Spring Park Flats 1519 E Spring	6	2/18/2021	\$ 5,600,000	\$ 6,351,000	
Vignette 2210 Yale Ave E	8	3/19/2021	\$ 3,350,000	\$ 3,247,000	
Lac Union View 2026 Yale Ave E	8	3/19/2021	\$ 3,750,000	\$ 3,359,000	
Windsor Arms 532 Belmont Ave E	21	4/30/2021	\$ 4,900,000	\$ 6,126,000	
Boylston Place 1816 Boylston Ave E	32	6/25/2021	\$ 9,350,000	\$ 11,537,000	
Brentwood 2919 & 2923 Franklin Ave E	12	7/6/2021	\$ 3,405,000	\$ 4,200,000	
Oslo 323 Bellevue Ave E	45	7/30/2021	\$ 18,000,000	\$ 13,403,000	
Eastlake Bungalo 2212-2216 Minor E	8	7/30/2021	\$ 2,900,000	\$ 3,441,000	
1331 Terry Ave	25	8/31/2021	\$ 6,300,000	\$ 7,174,000	
Lakeview 1220-1226 Lakeview Blvd E	9	7/7/2021	\$ 3,800,000	\$ 2,495,000	
La Quinta 1710 E Denny	13	8/26/2021	\$ 4,200,000	\$ 5,690,000	
Mykonos 210 10th Ave E	13	8/31/2021	\$ 5,050,000	\$ 5,150,000	
700 Broadway 700 Broadway Ave E	59	9/13/2021	\$ 33,500,000	\$ 32,177,000	
Forrest Manor 465 Garfield St.	8	9/22/2021	\$ 3,750,000	\$ 3,429,000	

Queen Anne Sales 2021					
Address	Units	Date of Sale	Price at Closing	Assessed Value at Closing	
Vali Loa 23 Valley St	13	2/24/2021	\$ 4,300,000	\$ 3,938,000	
41 Dravus St.	22	4/21/2021	\$ 6,600,000	\$ 10,824,000	
155 Aloha	10	5/24/2021	\$ 5,806,000	\$ 5,286,000	
1940 11th Ave W	7	5/10/2021	\$ 2,900,000	\$ 3,310,000	
The Roy Apartments 315 W Roy	10	6/11/2021	\$ 2,710,000	\$ 2,450,000	
Elliott View 909 4th Ave N	9	9/17/2021	\$ 3,000,000	\$ 2,330,000	
Mia Casa 2566 14th Ave W	6	7/7/2021	\$ 2,400,000	\$ 2,058,000	
17 Etruria 17 Etruria St.	10	9/17/2021	\$ 3,000,000	\$ 3,270,000	

2020 Sales vs Assessed Values on Page 7

New Podcast! Lori Schoneck, on site manager for Riviera East, talks about the new tenant profile, the affluent under 35 crowd.

[Insights #12 On the dramatic shift in tenant demographics since COVID](#)

***This Quiz? True/False. (Answers Page 5)  
Let's see how much you know about money.***

- 1) The largest denomination of US Currency in circulation is the thousand dollar bill.
- 2) The \$20 bill will soon be reprinted by a bill replacing Andrew Jackson with a woman.
- 3) The eagle that appears on your money is not just an abstract idea. He was real and he had a name.
- 4) It costs more than a penny to make a penny.
- 5) TSA at airport security collects nearly a million dollars a year in loose change, and they get to keep it.
- 6) US paper money is not paper at all. It's cloth.
- 7) A 12 year old Carolina farm boy funded the country for 25 years.

***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.

Loan Constant (Sometimes called Mortgage Constant): Think of it as the cap rate for the loan. It's the annual debt service divided by loan amount. It's rarely used these days. Most lenders don't even know what it is. Or another way to think of it, it measures the percentage of principal being paid in comparison to the interest rate. When the payment is interest-only the loan constant is the same as the interest rate.

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.

***Clever Phone Scam to Watch Out For***

This one almost caught me. It comes by text message. It goes like this, coming supposedly from someone you know, typically a boss or department head: *"I need a quick favor from you? What are your plans now? John Downing."* Three big red flags, that at the time I didn't recognize. 1) It didn't come from John's phone. 2) John would not end it with "John Downing;" He'd just say John. But foolish me, I text back, *"I've a few minutes, what do you need?"* Ding, he texts back, *"OK, I need you to run an errand for me at any nearby store right now."* "OK," I say, *"Tell me what you need."* Ding, he texts back: *"I can't receive or call at the moment. I need Google Play and Apple to send out to some clients today. You can get the card at Walgreen, CVS, Walmart, Gest Buy. Let me know how soon you can get them so I can advise the quantity and denomination. I will reimburse you later today Joshua Fant."* Aha! That was the third red flag. Who is Joshua Fant? I Google him. He's a real estate agent at North Pacific Properties. Probably the next pigeon on the list. The scammer got his names mixed up. I text back, *"Nice try."* Then I'm thinking, wait a minute, what did I do that for. I should have played it out, find out how the scam works, where he wanted me to send it. So I text back: *"At Best Buy now. What do you want me to get?"* Phone no longer in service. That fast. These folks are indeed slick.

I always try to be courteous to the cold callers and solicitors, because it's America, the free enterprise system. Sales – whether it's cars or real estate or airplanes – is the backbone of the economy. But you do have to be careful. And by the way, there's no magic in Peter Popoff's water either, except to Peter Popoff. Another scam. Don't fall for it.

***Is Amen Really Sexist?***

Where does that come from anyway? The opening prayer for the 117<sup>th</sup> Congress ended with the well meaning democrat from Missouri (Rep. Emanuel Cleaver) saying, *"A-men and A-Women,"* implying that the traditional ending of a prayer has sexist origins. Rep. Guy Reschenthaler of Pennsylvania took to Twitter to explain that the word "Amen" is Latin for "so be it." Neither are correct. In the Biblical Middle-East prayers were spoken mostly in Aramaic and Hebrew, sometimes in Greek, and would end with the phrase, *"God, O Faithful King."* Spoken in Hebrew, it's *"El Melekh Ne'eman."* Spoken fast it sounds like *Amen!*

***The 1031 Tax Deferred Exchange***

Check with you accountant for specifics on your situation, but here are the general guidelines:

- 45 days from the closing of your property to identify the building you want to trade into. You can identify as many as three, but you have to pick one of those three.
- You then have another 135 days to close on the property you identified.

The two most common question I am asked—what happens if I miss those deadlines? You pay your taxes. Is my money stuck in that trust account for the entire 180 period. No, but if you take it out you pay your taxes?

### *A View from the Experts*

The experts in property management are not the executives at the top. The experts are the men and women who deal with tenants and prospective tenants on a daily basis, none other than your on-site property managers. Some companies are telling you these days that on-site managers are no longer needed. Don't you believe it. The on-sites are critical to your success. Why do you think "On-Site" calls it's company "On-Site?"

And pay them well. They are worth it!

Lori Schoeneck is the on-site manager for Riviera East, a 24 unit in Wedgewood. She told us something the other day that hit us as a surprise. Tenant demographics have shifted almost entirely to the younger urban professional. Often they're a couple sharing expenses. They're coming out of college and landing in jobs that are paying them \$100K plus a year.

Lori oversees management of a couple of dozen smaller buildings, all within the Seattle city limits. She says she first started noticing the change in 2019, but it wasn't until mid 2020 that the shift became definitive. Prior to 2019 most of her tenants were 50 and over. Now they're 35 and under, and they're all making six figures or more. Many of them are cost conscious couples who have been priced out of the housing market, where the average 1,400 square foot starter home sells for close to a million dollars. I had an odd thing happen to me the other day, with one of my buildings. We do out tenant screening through On-Site, and they had given this one tenant a thumbs down decline. But in checking into it—which we always do—we discovered that the prospective tenant had checked the "Unemployed" box, but everything else was golden, no skipped payments, not even a single late pay. So I called the guy. He used to be employed in the theatre industry, he said, but since COVID he hasn't had a job. I asked him how he paid his rent. He said he takes a \$6,000/mo draw from his Vanguard account. I said, "Well, just send me a copy that." "Is a screen shot OK?" he wanted to know. Sure. It came thirty seconds later. \$4,251,077.82.

So the question is – where did the 50 plus tenants go? As I'm listening I'm thinking the obvious – could this be responsible for some of the homeless population? Lori doesn't think so. She thinks the homelessness is coming from another arena. The 50 plus age group exodus was specific and organized. Many of them went into retirement facilities like Agis, some moved in with family, others were able to get VA benefits. Some of the move-outs have been due from those wanting to flee the urban core into the outlying areas where the effects of city government are less overbearing and where rents are cheaper. Now that COVID has proven to us that working from home is not only possible, it's profitable, we're going to be seeing more and more "home offices." In fact, in the Clift House, my listing on Capitol Hill, the tenancy consists entirely of tech folks sitting on their sofas with computers on their laps. Working from home is not necessarily a new thing. Years ago – I forget how long exactly, but it was way before COVID – we were doing this feasibility inspection of the Royvue, and were told we had to be very quiet while entering this one unit, because the tenant worked from home. We walk in and there's this kid playing video games. Huh? Then the manager explains that he is a video game tester. A six figure salary. His parents probably thought he on a road to nowhere, playing all those video games instead of hitting the books.

### *Continued from Page 1* *Closing Prices vs Assessed Values at time of sale*

<b>Capitol Hill Sales 2020</b>					
Address	Units	Date of Sale	Price at Closing	Assessed Value at Closing	
Heffernon 4215 - 4225 E Lynn	5	1/15/2020	\$ 3,500,000	\$ 3,022,000	
741 Harvard Ave	41	2/4/2020	\$ 9,575,000	\$ 10,039,000	
Gladstone 2038 Yale Ave E	7	3/25/2020	\$ 3,600,000	\$ 3,047,000	
Belmont Place 744 Belmont Pl E	10	8/26/2020	\$ 4,160,000	\$ 3,309,000	
Hacienda 1029 Summit Ave E	21	9/1/2020	\$ 8,000,000	\$ 8,780,000	
Allegra on the Hill 1212 E Howell	9	10/8/2020	\$ 2,330,000	\$ 2,565,000	
Franklin 8 2037 Franklin Ave E	8	11/3/2020	\$ 3,100,000	\$ 3,414,000	
Montbel 319 Belmont Ave E	13	11/24/2020	\$ 3,675,000	\$ 3,941,000	
Beuna Vista 1631 Boylston	30	12/31/2020	\$ 5,600,000	\$ 7,759,000	
Address	Units	Date of Sale	Price at Closing	Assessed Value at Closing	
3811 13th Ave W	6	3/16/2020	\$ 1,800,000	\$ 1,583,000	
171 Boston Ave	6	2/28/2020	\$ 2,000,000	\$ 2,237,000	
4 Florentia St.	10	4/24/2020	\$ 3,967,000	\$ 3,739,000	
The Flats at Interbay 3036 16th W	117	8/18/2020	\$ 33,750,000	\$ 40,097,000	
The Edith 2101 7th Ave W	22	12/20/2020	\$ 7,950,000	\$ 6,094,000	

## *Eulogies*

### *Jim Baum! Dead?*

Can't be. He just did an inspection for me a couple of months ago. I called him up to have him do another one and found his phone disconnected. Then someone said they heard he died. What??!! I loved that guy. He was thorough, reasonably priced, and he always brought his dogs with him. Like my vet says, "If they treat their dogs good they'll treat you good." God speed Jim. We'll see each other again some day.

### *Myer Rashkov*

I sold Mickey all his buildings. He was a Metro bus driver who saved his nickels and dimes until they turned into dollars and began to buy real estate, a duplex at first, then parlayed it into a small fortune, not huge, but enough to take care of his family and pass that security onto his children. Mickey could never quite get used to the fact that he was wealthy. One time he came to the office and I asked for his parking ticket so I could validate it. He said, "Oh no, I parked up on Capitol Hill and walked down." I asked him why, even though I knew what the answer would be. "Wanted to save you the money," was of course his answer.

Mickey was a compulsive fixer. He always had his toolbelt on. One never knows when one might run across an item that might need fixing. Whenever he would do a due diligence inspection the building would always be in better condition after his walkthrough than when he started, whether he bought the building or not. He drove this twenty year old Toyota pickup with the cabover bed decked out with tools and parts, right down to screws and nails, all meticulously categorized.

When I bought my house back in 2002 I invited him over to take a look at it. In the middle of the tour I had to excuse myself and take a phone call. It only lasted about ten minutes, but when I hung up Mickey was nowhere to be seen. Couldn't find him anywhere. Then I noticed this scraping sound from up above. I walked outside and there he was up on the roof mopping it with some type of preservative.

Mickey also had a heart of gold. He bailed one of his tenants out of jail once. One time he saw a homeless man rummaging through the garbage at one of his buildings and conceived the brilliant idea of feeding the homeless with expired food the grocery stores throw out. He called the Seattle Times with his idea, forgetting in his enthusiasm that many of those in the media hate successful people and will take any available opportunity to shame them. So out they come, reporter and photographer, taking pictures of Mickey in front of his house. Then they go down to Safeway where Mickey pulls out a couple of gallons of milk from the dumpster and points to the expiration date, still two days away, while the photographer is snapping away. They promise to run it in in their Sunday addition. Mickey figures he's done something good, maybe even started a movement. He calls all his friends, tells them his idea is going to be featured this Sunday. When the Sunday paper comes, sure enough, there's Mickey, two pictures of him in fact, one in front of his house, the other of him holding up that gallon of milk behind Safeway, right beneath the headline, "*Wealthy Real Estate Investor a Dumpster Diver.*" But it probably did do some good, because soon after that the stores began that campaign of asking shoppers to round up their purchase and donate their change.

I'm going to miss you, old friend. I'm going to miss your stories. I'm going to miss your laugh. Thursdays don't seem the same without our weekly breakfasts where we would argue over who would pay the bill.

### *We're at Capstone Now!*

It's a new company, sort of. It's spinoff from the Foundation Group, sort of, which is a spinoff of Westlake Associates, sort of. To fully understand we need to go back to 1977 when a young John Downing formed Westlake Associates. Then in 2006 John and Bruce Khan left Westlake and formed The Foundation Group, along with Candice Chevalier. I joined shortly thereafter, coming from Scott Real Estate Investments, formerly Schwartz and Scott. It was a partnership that worked well, for a time. But nothing good lasts forever. The partners split in 2013. Candice bounced around at several different companies, even working remotely from Paris for a time. (Only Candice could make such a thing work.) She's now with Lee and Associates, and quite successful there. Bruce bought John out and kept the Foundation Group, and John formed a new company and called it Capstone.

So you see, it's all the family, sort of.

## Helpful Links

[Washington State Coronavirus Hub](#)  
[Governor's Office Resource Page](#)  
[Washington State Department of Health](#)

### Update on the City's URM Retrofit Program

We haven't heard a lot about it lately. Have they forgotten about it, amidst all the other chaos plaguing the city council. Hardly. But it has been put on hold indefinitely due to COVID. I've been in touch with Dennis Pradere, Senior Structural Plans Engineer for the city. The plan prior to COVID was to develop and implement a mandatory URM upgrade program and have it finalized in 2020. And that hasn't gone away, just tabled for the time being. Here's where it sat at the time of the pandemic: After numerous studies and meetings with the public, of which I attended every single one, arguing in favor of some type of public funding support for these efforts, which mostly fell on deaf ears unfortunately. The plan was to pattern the upgrade after San Francisco's "Bolts Plus" program, less than a full retrofit, but enough to protect life and safety and keep the building from collapsing. Here's a link that will provide specifics—[2017 Recommendations](#)—but basically, it would require that:

- ⇒ Parapets be braced;
- ⇒ Floors and roofs be structurally connected to URM walls;
- ⇒ Framing be interconnected to strengthen the floors and roofs;
- ⇒ Weak interior and exterior bearing walls be strengthened;

The cost is sort of up in the air. In the hearings estimates were batted around between \$5 and \$50/sf. Here's a real one though. Ray and Jean had the John Alden retrofired per Bolts Plus. The receipts totaled \$528,880.62, for 36,952 net rentable (\$14.31/sf), 58,503 gross square feet ( 9.04/sf).

When it is enacted, here are the timelines:

- 1) Notification—formal written notice to owner.
- 2) Assessment—building owners to commission a seismic assessment to confirm URM status (up to 1 year).
- 3) Application—owner to apply for building permit (up to 1 year).
- 4) Retrofit Completion—owner commissions the work (4 to 7 years if the building is deemed critically vulnerable, 5 to 10 years if highly vulnerable, 7 to 13 years if medium vulnerability)

By the way, very important, something for you URM owners to keep in mind. If you apply for a building permit of any sort, the city is going to require as a minimum that the parapets be braced. And if you apply for a major addition or alteration, or if the building sustains major damage in an earthquake, the city is going to require a seismic report be submitted along with the building permit, and if the report indicates the building is substantially out of compliance with the current engineering standards for existing buildings, seismic retrofit will be required. I assume that would be Bolts Plus, but the code isn't specific.

## Answers to Quiz

- 1) False. The largest denomination currently in use is the \$100 dollar bill. The largest ever printed was the \$100,000 bill (Woodrow Wilson) . It was in circulation between December 18 1934 and January 9, 1935. It was used only for transactions between Federal Reserve Banks.
- 2) True. Harriet Tubman will be the new face on the twenty dollar bill, the first African American to ever appear on a paper note, and the first woman.
- 3) True. From 1830 to 1836 an eagle would swoop into the US Mint building in Philadelphia so often that the workers named him "Peter-the-Eagle" and cared for him, and eventually used him as a model for their coin engravings. You'll notice on the right wing of the eagle on your dollar bill there is a little nick, a V. That's because Peter was missing a feather.
- 4) True. It costs \$1.7 cents to print a penny.
- 5) True, supposedly anyway, at least according to this Google article I pulled up. In 2015 TSA collected \$765,759.15 in loose change, according to this article by journalist Brandon Spektor. Don't know what his source is. Can't imagine people being that careless. When I fly, my change is still there in the bin after I go through the scanner. And I remember to pick it up!
- 6) True. It's 75% cotton and 25% linen. You can even put it in the microwave. If you have a bill that a machine won't accept stick it in the microwave for 20 seconds. It straightens it right out, makes it crisp all over again. I know this is true; I tried it.
- 7) True. In 1803 12 year old Conrad Reed found a 17 pound gold nugget on his father's farm. It supplied all the gold for the nations mints until 1829.

### Your Government at Work

A client of mine had some pharmaceuticals in her suitcase when she came back from vacation in Puerto Vallarta – muscle relaxers and antibiotics – and customs snagged them at the border. Several weeks later she gets this scary looking letter from US Customs and Border Protection, where they're kindly offering to sell them back to her.

She also came back with a time-share. I need to take lessons from those salespeople. Last time we were in Puerto Vallarta we were told by the hotel that our van driver would be wearing a purple dress. We're trying to spot her, when a lady comes up and says, "Yes, how are you, here I am." Are you the lady we're supposed to meet, I ask, the one from Garza Blanca? Yes, she says, it's me. Next thing I know we're in a room listening to a time share pitch and the lady in the purple dress is back at the airport still looking for us. We did end up finding her, finally.

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

[Insights #12 On the dramatic shift in tenant demographics since COVID](#)

[Insights #11 Chris Benis, attorney for RHA, discusses new landlord-tenant legislation.](#)

[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](#)

## ***How to Increase Rent in Seattle***

Yes, you can increase rents in Seattle. The governor's statewide moratorium on rent increases lapsed on June 30, 2021. Since then, landlords in Washington have been able to increase rents to catch up with the two years of tax maintenance and other operating cost increases that were not frozen over that 16 month period.

But in Seattle the process is more complex than it was prior to COVID, given the restrictions imposed by the Seattle City Council, specifically four ordinances:

- 1) Any rent increase in Seattle now requires that the housing provider give 180 days' notice of the increase and include the following statement in the notice: **RIGHT TO LEGAL COUNSEL: CITY LAW PROVIDES RENTERS WHO ARE UNABLE TO PAY FOR AN ATTORNEY THE RIGHT TO FREE LEGAL REPRESENTATION IN AN EVICTION LAWSUIT.** That has to be the first sentence, and it has to be in 12 point font or larger, and in bold face type, all caps. This is in addition to the longstanding policies of the Seattle Department of Construction and Inspection (SDCI), which are still in effect. If you need help understanding these policies there's a website you can visit, [www.seattle.gov/rentinginseattle](http://www.seattle.gov/rentinginseattle). Or you can call the Seattle Helpline at (206) 684-5700.
- 2) If the increase will take effect July 2, 2022, or later and is for 10% or more, there are more requirements. If the increase is for 10% or more over the lowest rate in the past 12 months the notice of increase must either be delivered to each adult at the unit either by hand-delivery or mailing both by certified mail with return receipt and by regular US mail. The notice must also include a packet about the new economic displacement relocation assistance program. The packet hasn't been written yet – the efficiency of government. But it should be developed soon. Again, remember that website: <https://www.seattle.gov/rentinginseattle>. That should help you stay current. Also the phone number – (206) 684-5700.
- 3) It takes two notices to renew a fixed-term rental agreement.
  - 1) First you must give the 180-day notice of rent increase if your new offer will increase the rent; if the increase is for 10% or more, you have to follow the extra delivery requirements.
  - 2) Second, between 60 and 90 days before the current terms ends, you must serve either a notice offering the new rental agreement, or if you are refusing to renew the tenancy you must provide a notice of which just-cause you are using to justify the refusal. The resident must be allowed a minimum of 30 days to sign any offered renewal.
- 4) If you include an automatic increase of 10% or more at the end of your lease, such as a 10% month-to-month fee, your rental agreement must add four items to accomplish this: 1) the clause describing the increase; 2) the information quoted above about receiving legal assistance; 3) an economic displacement relocation packet; and 4) it must be either hand-delivered to each adult occupant or mailed both by certified mail with return receipt and by regular US mail.

There's a good article in the last RHA newsletter about these policies, written by Christopher Cutting. As Christopher points out, it's important to adhere to these requirements. If you miss any of them your increase will almost certainly be unenforceable and it will take 6 months or more to correct your mistake. And remember to keep checking that website for updates. <https://www.seattle.gov/rentinginseattle>

### ***Some of the Crazy Things Sellers Say and Do***

- ◆ Right before closing the seller wants me to ask a favor of the buyer. Sure, I say, what do you need? This is all coming in an email, by the way. “Just a little thing,” he says. “We’d like to see a good ending and a good handoff,” was how he put it. “My wife and I think it only fair to allow us to continue to receive rental revenue after closing until the end of 2021. I think it is the best way of continuing the good will going forward.” (It was a December 10th closing.) The request was so absurd the buyers weren’t even offended. “Tell him thanks for his generous offer,” they said. “But we’ll pass on that one.”
- ◆ Day of closing. “Do I really have to turn over the keys? Can’t I wait until the tenth until all the rent checks have cleared?”
- ◆ Show me the money. Nick Kairez, owner of the Galleon up on Queen Anne, crusty old Russian with an accent so thick you’d have thought he had a mouthful of tooth picks, is sitting at the closing table across from Dennis Hemlick—in the early days Dennis and Kelly did closings as well as exchanges—and insists he’s not going to sign unless he gets his money first. Dennis is red in the face, not knowing where to go with it, trying to explain that that’s not how we do things here in the United States...and Nick leans over when Dennis isn’t looking and winks at me.
- ◆ This was one of my very first sales 40 years ago. Prior to closing there was a horrific rainstorm and this one below-ground unit flooded. Water pooled and overflowed a window well. The seller was unconcerned and promised he’d take care of it. I’m thinking French drains, sump pump, something like that. “I installed in-door/out-door carpeting,” he proudly announced. Of course today I would identify the fix in writing in an addendum, or give a credit to the buyer, which is what we ended up doing. And the new owner got the new carpeting to boot!

### ***Some of the Crazy Things On-Site Managers Say and Do***

- ◆ I don’t know if you remember, but back in 1996 there was this big ice storm. I had a building in escrow. First it snowed two feet then it rained, then it froze. I was terrified that there might be a two-ton iceberg about the crash through the roof. I called the manager. “Oh, no need to worry,” she said. “I shoveled it off for you before it froze.” Thank God. Then she adds, “And did you know that some idiot put gravel on the roof? But no worries, I shoveled that off for you too.”
- ◆ The Watermark Building in West Seattle on California Avenue SW. Beautiful building. John Goodman was the seller. The rents were low and I had demonstrated that with an extensive rent survey. The lender was out of Chicago—Citi-Corp I think it was called back then; it was in the mid 90’s—and the rep flew out to personally take a look before signing off on the loan. As the manager was giving us the tour, the rep asks the obvious question: “How are your rents in comparison to the other buildings in the area. “Oh!” she says, “I’m really on top of things. I keep my rents higher than anybody.” But no damage done, because I had done my homework. Lesson learned. Now I school my on-site managers before an inspection. “Leave the selling up to me,” I tell them. “Just answer the questions. Don’t anticipate what you think the answers should be. Just give an honest answer, whatever it is, good or bad. Simple.”

### ***Some of the Crazy Things Buyers Say and Do***

- ◆ There’s an underground oil tank, we discover. And it’s right under the sidewalk in front of the building, and we need soil samples to make sure there is no leakage or contamination. Now I know this buyer. He’s aggressive beyond normal, hard to control. When he smells money he’s like a dog chasing a rabbit. “Now promise me, Scott, we have to do this the right way,” I caution. “We need permits and we’ve got to talk to the city and find out where the utility lines are.” No problem. Scott promises he’ll behave himself. When I get home that night my wife tells me she took a message from one of my clients, a guy named Scott that she didn’t quite understand. “It was weird,” she says. “I think it was *I’m five feet down already.*” He’d rented a jackhammer and busted up the sidewalk. The loan officer was a fishing buddy of his and jumped into the hole on his way into work the next morning and scooped up some of the dirt. It was clean, thank God.

### ***Some of the Crazy Things Agents Say and Do***

- ◆ Price Sullivan, retired CEO of Sears Roebuck and former broker for Schwartz and Scott, notably the best closer in the business, would say to those buyers on the fence: “If you don’t buy it I will.” Price died a wealthy man, having possessed all the valuable real estate passed up by others.

### ***NNN Retail vs Multi-Family***

First of all, different demographics can make a world of difference. Take a Big O Tire outlet as an example. A blue collar location may not be the ideal location for an apartment building, but it’s the perfect location for Big O. All they drive is tires, huge ones, with little bitty cabs perched on top. You need a ladder to climb into the driver’s seat on some of them.

Then there’s the economy. If you have a retail store the tenants need to be those that can weather the change in technology, tenants that have a keen sense of being able to predict the technology of the future. AT&T, as an example. Phone booths and wall phones have been exchanged for cell phones. Video stores have given way to internet technology and “phone apps,” and it’s up to the investor to fill his or her retail outlets with those that have a knack for those predictions. Grocery outlets are a sure bet, because people need to eat...unless in the future they will be delivering by drones. But they’ll still need warehouses.

On the other hand, people will always need apartments. Apartments have more vacancies more often, but those vacancies are filled much quicker and less expensively. A retail center may not have a vacancy for five years, but then when it does it may take six months to fill it, along with a leasing commission and an enormous tenant improvement expense. I had a client once who would analyze his NNN investment with three income loss percentages—a vacancy percentage, a lease commission percentage, and a tenant improvement percentage, even though the center may be full. Sooner or later, Don would say, we’re going to have a vacancy, and then I will have rent loss for six to eight months, and I’ll have to pay a leasing agent, and I’ll have to fork over a chunk for free rent and tenant improvements. So he might allow 3% for vacancy, 2% for leasing commissions and 2% for tenant improvements. Then he’ll arrive at his NOI. Then every time he gets a rent check he takes that 7% (using our example) and puts it in a set aside reserve account...so when the inevitable does come he won’t be in a panic wondering where he’s going to come up with a hundred or so thousand dollars without impacting his life style.

## The Seattle Apartment Investment Newsletter

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*"Lacking the words to adequately express my sentiments, this comes with deep, deep thanks for what you have accomplished for my family and me. Thus, may this suffice: one great big Thank You to You!"*

**Roelina Berst, owner of the Windsor Arms Apartments**

*"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 us if you'd like us to evaluate your property.**



**Cliff House 17 Units**  
301 E Thomas  
Listed for \$5,250,000



**Front Nine & Cowen Park 21 Units**  
5502 & 5512 15th Ave NE  
Listed for \$6,350,000  
Sold for \$6,269,000



**Windsor Arms 21 Units**  
532 Belmont E  
Listed for \$4,625,000  
Sold for \$4,900,000

I can hear the wheels turning: Why did Cowen Park sell for \$6,269,000 and Windsor Arms for only \$4,900,000, when both are 21 units? Size of units. Cowen Park had much larger units. The price/sf was the same.

**Bob Wright & Mike Walsh**

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