

Field Research Project  
University of Washington  
RE 511  
May 16, 2022

**Team Wallingford**  
Cash Dodds, Aarie Liebreich  
Christian Mower, and Victoria Wang

## **I. Executive Summary**

### **Subject Property**

The site at 2320 N 45th St Seattle ([Parcel #051000-1120](#)) is in the Wallingford neighborhood. Wallingford sits just to the west of the University District, separated by Interstate 5. The proposed project consists of 50 residential units including studio, urban one bedroom, one bedroom one bath, two bedroom one bath, and two bedroom two bath units. Average square footage for the units is 735 square feet. The project will include 30 parking stalls and 20 storage units both of which will be rented for an additional fee to tenants.

This neighborhood is mostly single-family housing with several streets dedicated to commercial sectors and multifamily housing. The current use for the 9,269 square foot parcel is a two-unit structure housing a teriyaki shop and a pizza restaurant. The zoning for this parcel, NC2P-55 (M), restricts building heights to 55 feet with a floor to area ratio of 3.75. This site boasts a [walkability score](#) of 94 based on accessible bus lines on 45th St and significant restaurant and shopping amenities nearby.

### **Submarket Information**

According to Axiometrics, a multifamily development data resource, the University District to Ballard submarket has had consistent rent growth of over 10% in the last four quarters. Much of this is due to recovery from the COVID-19 pandemic which saw a 10% decrease for three quarters from Q4 2020 to Q2 2021. During the same three quarter period occupancy rates fell to around 92%, but have since risen to a consistent 96% rate. This submarket is typically filled by students, explaining the high occupancy and rent growth metrics.

Data from Kidder Mathews published in Q1 2022 shows market capitalization rates dropping to 4% this year in the Seattle market. Average per unit sales price has risen to \$380,000 from \$325,000 last year. Vacancy rates have fallen from a high of 7% in 2020 to just above 5% in 2022. Average rent price has risen slowly to \$1,750, up slightly from \$1,700 in 2021. According to Zumper, the average rent in the University District is \$1,623, up 20% over last year.

### **Value Conclusions**

The value conclusion based on the sales comparison approach is \$25,285,953. The values generated by the direct capitalization approach range from \$20,997,379 to \$25,292,297 generated with a 5.3% and 4.4% capitalization rate respectively based on the range of sales comparison cap rates that were available to us. The average price per square foot for the units is \$3.86 and average rent is \$2,774 per month.

## II. Sales Comparison Approach Valuation

### Comparison Process

Eight properties were chosen for the preliminary research of the sales comparison approach for the valuation of the subject property at 2320 N 45th St. Among the eight preliminary comparables, we have identified four optimal comparable properties based on their more recent sales dates and more similar total rentable building area. The four selected comparables are the Wally Apartments, Studio 7, Sora Apartments, and Fifty-Two Apartments.

Please note that the comparables used for the sales comparison grid are somewhat different from those used for the direct capitalization grid. This is due to the sales comparison approach reviewing sales information compared to the direct capitalization approach which uses rent per square foot for each type of unit. The capitalization rates available through our research have been used in the direct capitalization approach to mirror the surrounding neighborhood rather than using metrics for the entire market.

### Sales Comparison Grid

	Subject	Wally Apartments	50th & Roosevelt	TraVigne	Studio 7	Sora Apartments	Fifty Two Apartments	Roosevelt Station	Thirty One Apartments
Address	2320 N 45th St.	4111 Stone Way N	4750 Roosevelt Way NE	4726 11th Ave NE	4029 7th Ave NE	4239 8th Ave NE	4710 20th Ave NE	6810 Roosevelt Way NE	5637 University Way NE
Distance	0 mi	0.9 mi	0.9 mi	1.0 mi	0.9 mi	0.7 mi	1.3 mi	1.8 mi	1.4 mi
# of Units	50	27	60	75	75	54	52	75	31
Sales Date	5/15/22	1/17/19	12/20/10	1/1/16	12/7/21	12/22/21	7/1/21	4/25/18	10/21/21
Year Built	2022	2014	2015	2001	2014	2021	2020	2017	2019
Total SF (RBA)	35,700	18,610	41,589	58,521	30,649	21,382	23,407	73,449	9,639
Value	-	9,919,800	2,223,000	19,158,000	15,800,000	16,000,000	12,200,000	34,750,000	9,400,000
Cap Rate		4.98%	N/A	N/A	1.70%	N/A	N/A	5.30%	4.40%
\$/SF		533.04	53.45	327.37	515.51	748.29	521.21	473.12	975.20
Notes	Newly constructed; high quality; high-end finishes	Average Quality; Built in 2014;	Walkable Neighborhood, good access to Transportation and commercial district	in Good Condition; Constructed in 2001; A light rail station is under-construction nearby;	Good location adjacent to the University and public transportation system; High Vacancy (60%)	Leased mostly to students; Newly Constructed	Newly Constructed; fully furnishd studios; Have fitness center	Good Kitchen Appliances and finishes; Fitness center included; Close to local businesses; walkable neighborhood	furniture-ready; only 1 minute walk to the nearest bus station; Loft Layout;

								Bicycle Storage, Breakfast/Coffee Concierge, Dishwasher, Eat-in Kitchen, Elevator, Fitness Center, Furnished Units Available, Granite Countertops, Hardwood Floors, Laundry Facilities, Lounge, Multi Use Room, Property Manager on Site	Air Conditioning, Bicycle Storage, Carpet, Controlled Access, Fitness Center, Grill, Heating, Pet Washing Station, Property Manager on Site, Stainless Steel Appliances, Storage Space, Sundeck, Washer/Dryer	Air Conditioning, Cable Ready, Hardwood Floors, Heating, High Speed Internet Access, Microwave, Range, Refrigerator, Tub/Shower
Amenities	No on-site amenities; small but adequate lobby; Class A high quality features; 30 parking spots & 20 Storage units.	Controlled Access; Property Manager on Site; Recycling; Key Fob Entry; Elevator; Bike Storage; Roof Terrace; Grill; In-unit washer & Dryer; Hardwood floors; Wi-fi	Underground Parking; Rooftop Grills; Internet-Access; In-Unit Washer and Dryer; Hardwood Floors; Dishwasher	BBQ/Picnic Area; Recycling; On-site Maintenance and Property Management; Elevator; Rooftop Terrace; Controlled Access; Kitchen appliances-ready; Washer & Dryer	Bike Storage; Courtyard; Lounge; High-quality features; well furnished;	loft layout; In-unit washer & dryer; Air-conditioning; Stainless steel appliances; Hardwood floor; office; Roof Terrace; Elevator; furnished units available				
Avg Rent										
Studio	-	1,895	1670	N/A	N/A	1,579	1,659	1,560	1,675	
1br	-	2,350	N/A	N/A	N/A	1,640	N/A	2,050	N/A	
2br	-	N/A	2795	N/A	N/A	N/A	N/A	3,595	N/A	
Avg Size										
Studio	500	509	482	N/A	329	354	335	420	335	
1br	670	678	N/A	639	N/A	375	N/A	452	N/A	
2br	931	N/A	816	905	N/A	N/A	N/A	1,345	N/A	
Avg \$/SF										
Studio	-	3.72	3.46	N/A	N/A	4.46	4.95	3.71	5.00	
1br	-	3.47	N/A	N/A	N/A	4.37	N/A	4.54	N/A	
2br	-	N/A	3.43	N/A	N/A	N/A	N/A	2.67	N/A	

Best Comp

Selected Comps

Preliminary Comps

## Comparables Summary

### Sora Apartments

Perhaps our best comparable, Sora Apartments, is just 0.7 miles from the subject property, the shortest distance among our other comparables. The construction year 2021 and the sales date December 12, 2021 is the closest to the subject property. Similar to the subject property, Sora Apartments also has stainless steel kitchen appliances and other high quality Class A features. The number of units, 54 units, is quite close to 50 units of the subject property.

The total rentable building area of Sora Apartments is 21,382 square feet, which is smaller than the 35,700 square feet of the subject property. Sora Apartments is located on the east side of the freeway despite having the shortest distance from the subject property. The average unit size of the Sora Apartment is smaller than the subject at 365 square feet. This project does not include three two bedroom units.





### *Wally Apartments*

The 0.9 mi distance between Wally Apartments and the subject is the second shortest among all comparables, and it is in the same submarket as the subject. The average sizes of the units are the most similar to those of the subject among all listed comparables.



The building was completed in 2014, the same year as another comparable, Studio 7. The building is eight years older than the subject and the quality may not be as good. The appliances are not as new as those of the subject property. Wally Apartments has only 18,610 square feet of total rentable building area, which is far smaller than that of the subject. The lack of high-quality features, such as parking space and common area, also contribute to the reason that Wally Apartments is not the best comparable to the subject. The number of units of Wally

Apartment is 27, which is far less than the subject. The sales date of Wally Apartments is pre-Covid-19, providing less relevant figures than more recent sales.

### *Portage Bay Apartments*

Portage Bay Apartments (formerly Studio 7) has a total rentable building area of 30,649, which is the most similar to that of the subject among all listed comparables. The sales date of Portage Bay Apartments is December 7, 2021, the second closest to the sales date of the subject property.

The facility was built in 2014, which is a bit off from the year of construction of the subject property, indicating that the building quality might be less ideal than the subject property. Portage Bay Apartments has a really high vacancy rate of 60%, making it a less ideal comparable, since we expect a much lower vacancy rate in the subject property. Portage Bay Apartments also has 25



more units than the subject, accounting for a large unit number difference. The average size of the units are also much smaller than that of the subject. The appliances and finishes, though in good condition, are outdated when compared to the subject.

### *Fifty-Two Apartments*



There are 52 units in Fifty-Two Apartments, which is the most similar to the number of units of the subject property. The sales date is not the most recent, but still pretty close to today's date. The apartment was built in 2020, compared to 2022 in which the subject would be completed. The condition is good and the appliances are new, making Fifty-Two

Apartments a relatively good comparable in terms of the building features and amenities.

The 1.3 mi distance between the subject and Fifty-Two Apartments is the furthest among all four listed comparables. With the added distance, Fifty-Two Apartments is less predictive of the rents and value of the subject property because the location difference would largely impact the property assessed value. The amenities include a fitness center, which is not included in the subject.

### Sales Comparison Valuation

Based on the sales price of the best comparable Sora Apartments in the last transaction on December 22, 2021, the Sora Apartments would be valued at \$16,000,000.00, or \$748.29 per square foot. Since Sora Apartments is located on the other side of the freeway and is closer to the center of the University District, we deducted the location difference from the Sora Apartment at a \$100/sqft rate.

Construction of the Sora Apartment was one year prior to that of the subject property, leading to a modest addition of \$20/sqft to the property valuation. The high-end interior finish and high-quality appliances of the comparable matches the features of the subject property. However, the size of the units in the comparable apartment is much smaller than that of the subject property. The overall smaller net rentable area also limits space of the lobby and other common areas. We assumed that this difference in unit size would lead to a \$50/sqft price increase to the Sora Apartments' value.

Anticipation of future regulation and governmental intervention in response to high inflation has led to the cool-down in the real estate market. An increase in investment risk will make recent transaction prices lower than those in the end of 2021, when Sora Apartments was sold. We will deduct \$10/sqft from Sora Apartments to make up for the sales date difference. To reconcile the appraised value of the subject property, we will adjust to the comparable property

unit value, and multiply the reconciled value with the total RBA square footage of the subject property.

The subject value should be:  $(748.29 - 100 + 20 + 50 - 10) * 35,700 = \text{\$25,285,953}$ .

### III. Direct Cap & Income and Expense Pro Forma

#### Rent Comparison Grid

Name	Subject	Cosmopolitan Apartments	Escolier Apartments	Wally Apartments	Broadstone Vin	Portage Bay Apts
Address	2320 N 45th St.	400 NE 45th St.	4214 NE 11th Ave	4111 Stone Way N	4106 N Stone Way	4029 7th Ave NE
Distance	0 mi	0.4 mi	0.8 mi	0.9 mi	.9 mi	.8 mi
# of Units	50	86	44	27	188	75
Stories	-	3	4	4	5	5
Year Built	2022	1966 (1996)	1962 (1995)	2013	2022	2013
Total SF	35,700 (Rentable Units)	126,153	31,075	25,000	104,149	30,649
Date of Sale			10/25/2013	01/17/2019	-	02/07/2021
Value	-		\$4,328,600	\$9,919,800	\$15,005,825	\$15,800,000
Taxes		\$200,162.50	\$43,034.19	\$11,281	\$132,492.43	\$21,131
Vacancy		0	unconfirmed	7.50%	78.0%	22.70%
Zoning	NC2P-55 (M)	NC3P-55 (M)	SM-U/R 75-240 (M1)	NC240	NC2P-55 (M)	MR (M1)
Financing		Unknown	Unknown	Cash	Unknown	Standard

Name	Subject	Cosmopolitan Apartments	Escolier Apartments	Wally Apartments	Broadstone Vin	Portage Bay Apts
Physical Condition	Newly constructed; high quality; high-end finishes	Recently updated kitchens and bathrooms	Outdated appliances, wood floors, vinyl flooring in kitchen and bathroom	Constructed in 2013, standard finishes, wood/concrete floors, minimal finishes in kitchen/bathroom	New Construction	Good construction quality
Amenities	No on-site amenities; small but adequate lobby; Class A high quality features; 30 parking spots & 20 Storage units.	Fitness center, business center, views, pet friendly, meditation garden, laundry facilities, bbq patio	Elevator, controlled access	6 covered parking spots (\$125/mo), 10 covered parking spots (\$150/mo) A/C, heating, roof terrace, washer/dryer, on-site manager.	Quartz counters, rooftop grills, in-home washer and dryer, pizza ovens and lounges, gym	Courtyard, furnished units, laundry on site, bike storage
Notes from Property Manager	-	Spoke to the manager. Additional fees are \$125 per month for parking. 100% leaseed with 98.84% occupied. Refused to provide operating expenses	unreachable	Spoke to the property manager, rents were estimated and not confirmed in the system.	Connected with the property manager. Building opened May 1st. Rents listed on apartments.com are correct. They have AC ports and beer on tap all year around. Parking rental is \$200 for standard parking and \$375 for truck parking. Refused to provide operating expenses.	unreachable

Name	Subject	Cosmopolitan Apartments	Escolier Apartments	Wally Apartments	Broadstone Vin	Portage Bay Apts
Avg Rent						
Studio		1,650		2,195	2,053	1,205
1br		2,000		2,495	2,579	
2br		2,550	2,450		3,900	
Avg Size						
Studio	500	320		525	477	329
1br	670	635		660	630	
2br	931	1,060	600		1,044	
Avg \$/SF						
Studio	-	5.16		4.1	4.31	3.66
1br	-	3.15		3.78	4.11	
2br	-	2.41	4.08		3.74	

### Comparables Summary

#### *The Cosmopolitan Apartments*

The comp physically nearest to our subject property, The Cosmopolitan Apartments are on the same street, just under half a mile away. They are, however, slightly closer to the freeway. The location is the most comparable aspect of this property, while most others are not quite as useful. The building's vintage is significantly different, built in 1966 (though it was renovated in 1996). The property also includes some amenities which the subject property does not. Because of these factors, but most notably the vintage, rents in the subject property should be markedly higher than at The Cosmopolitan.

#### *Escolier Apartments*

Like The Cosmopolitan, The Escolier Apartments are of different vintage than the subject, built in 1962. Though, also like the Cosmopolitan, they received renovations in the mid 1990s. While less than a mile from the subject property, the Escolier is in a different neighborhood and on the other side of the freeway. Because management was unreachable, we have limited information about this property's rental rates aside from a two-bedroom unit on the market for \$2,450. Because of the vintage and other factors, rents in the subject property will be higher.

### *The Wally Apartments*

In many ways, The Wally Apartments are more comparable to the subject than the first two examples. Built in 2013, they are of more recent vintage. While a decade old, at the time of their completion they were Class A facilities and still have amenities representing that fact. Though smaller than the subject, they are of somewhat similar rentable square footage. Importantly, they are also in Wallingford, the subject neighborhood and are also fronting a highly-trafficked street. With pros and cons roughly evening out, The Wally provides a very close comparison for rental rates in the subject property.

### *Broadstone Vin*

Though different in key ways, Broadstone Vin may provide the most useful units of comparison for our subject. Completed just this year, Broadstone is a modern, Class A facility. Because of its vintage, its valuation provides useful insight into the subject property's valuation. It is also in the same neighborhood and on the same, heavily trafficked street as the Wally Apartments in Wallingford. The Broadstone differs from the subject most notably in scale—the Broadstone has over 100,000 rentable square feet—and amenities, of which the subject will have none. A highly comparable property, the subject property rental rates will closely match those of the Broadstone, adjusted for rising rents at the time of the subject's opening.

### *Portage Bay Apartments*

While technically in a different neighborhood, Portage Bay Apartments are in a location similar to the subject property. Importantly, however, it is not on a highly trafficked street. Built in 2013, it provides similar comparability as the Escolier Apartments. Like the subject property, it has limited amenities and a similar amount of rentable space. Unfortunately, this building's management was also unreachable providing limited rental information for comparison.

### Operating Expense Analysis

The below grid breaks out the total revenue and expenses for the building. This grid utilizes figures provided by Costar for market standard expenses on a per unit per year basis. We have used a per unit construction cost of \$310,000 which was provided by industry relationships at Mill Creek Residential Trust. We then utilized the land value available from the King County Assessor records.

Sales cap rates vary widely in the Seattle market, but the most recent available data from Kidder Matthews published in Q1 of 2022 shows market cap rates dropping to 4% in the Seattle market. Over previous terms, cap rates have been closer to 5% which matches near our upper range for our analysis. The sales comp analysis included several properties where the cap rates



were published. We used the published high and low numbers of 5.3% and 4.4% to generate our direct capitalization value.

The effective gross income for this property for the year has been calculated at \$1.6 million with expenses totaling \$498,000 per year. Our total for this property sits at \$1.1 million. Calculating at a 4.4% cap, our value is \$25.3 million at the high end and calculating at a 5.3% cap rate our value is \$21 million at the low end. This range tracks with our sales comp analysis.

#### Operating Expense Pro Forma

<b>Revenue:</b>				
	<b>Units</b>	<b>SQFT</b>	<b>Price Per SF</b>	<b>Rent Per Unit</b>
Studio	7	500	4.31	2,155
Urban 1br	12	550	4.1	2,255
1/1	18	750	3.78	2,835
2/1	7	850	3.68	3,128
2/2	6	1025	3.41	3,495
	<b>Count</b>	<b>Price Per Month</b>	<b>Total Rent/Mo</b>	
Parking Stalls	30	150	4,500	
Storage	20	200	4,000	
			8,500	
<b>Other Income</b>	<b>Units</b>	<b>Fee/Mo</b>	<b>Total Rent/Mo</b>	
Pet Rent (20% of units)	10	50	500	
Application Fees	8	50	400	
			900	
=+ Potential Gross Income - Residential	1,632,510			
Other Income				
		50% of gross utility costs are billable back to the tenants		
Other Income - RUBS	33,650			
		Application fees are \$50/application, typical to get 200 rental applications/yr.		
Other Income - Fees & Misc.	112,800			

=+ Total Other Income	146,450			
= POTENTIAL GROSS INCOME - TOTAL	1,778,960			
Vacancy				
Vacancy - Residential	-85,390	Vacancy at 4.8% Based on Market		
Concessions	-37,500	all new residential leases give tenants \$1,500 in free rent		
Bad Debt	-44,474	bad debt averages 2.5% of total Potential Gross Income		
- Total Economic Loss	-167,364			
= EFFECTIVE GROSS INCOME	1,611,596			
- Operating Expenses:				
Office Admin	-19,600	392	Per unit per year	
Utilities	-33,650	Half RUBs		
Turnover Expense	-6,200	124	Per unit per year	
Landscaping	-6,900	138	Per unit per year	
Security/Life Safety	-6,150	123	Per unit per year	
Repair & Maintenance	-39,400	788	Per unit per year	
Leasing & Marketing	-11,200	224	Per unit per year	
Payroll Taxes	-76,050	1521	Per unit per year	
Misc. Administrative	-7,700	154	Per unit per year	
Insurance/ Earthquake Insurance	-34,500	690	Per unit per year	

		Assuming \$310,000 per unit construction. With tax rate of \$8.82940 per \$1,000 of improved value. Land value is \$2,966,000		
Taxes	-158,629			
Mgt. Fee	-42,350	847	Per unit per year	
Repl. Reserves	-56,406	3.5% EGI		
- Total Expenses	-498,735			
\$ / Unit / Year	-9,975			
= Net Operating Income	1,112,861			
\$ / Unit / Year	22,257			
Low:	20,997,379	5.3%		
High:	25,292,297	4.4%		