

2019 APARTMENT MARKET STUDY

Sales Analysis: King, Snohomish, Pierce & Kitsap Counties



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Ballard Fremont, Green Lake, Wallingford University District, Roosevelt Queen Anne, Magnolia South Lake Union, Eastlake, Westlake Belltown, Downtown, Pioneer Square First Hill, Yesler Terrace Capitol Hill Central District West Seattle South Seattle West Bellevue, Mercer Island Kirkland		Everett Marysville			



Introduction

FEBRUARY 2019

When it came to keeping everyone on their toes, 2018 certainly did not disappoint. From politics on the global stage to Dupre + Scott shocking Seattle's commercial real estate industry by closing, many felt as though they were left with more questions than answers when we rang in 2019.

As our team began planning for our (seventh!) annual market study, the heightened dynamism of CRE across the Puget Sound inspired a change in our approach to market research to better help you make investment decisions for 2019 and beyond.

Rather than frontloading the year with data and insights, and then leaving you hanging until 2020, we'll be continually conducting and distributing research throughout the year, covering sales, jobs and development, lending, rent and vacancy, and efficiency units.

The study you're about to dive into covers 2018 apartment sales in King County (5+ units) and Snohomish County (20+ units). And new this year, we're also tracking Pierce and Kitsap Counties (50+ units), as these suburban markets are drawing more interest from renters and investors alike. We've also broken down sales by building age to provide more granular guidance for making wise and profitable investment decisions.

It is our intent that this reference tool serve as a valuable and accessible source of information with insights into the fundamentals driving the market's growth. We look forward to speaking with you in more depth about current market trends and hope to help you achieve your 2019 goals through our advisory, valuation, and brokerage services.

Let Us Turn Our Expertise Into Your Profit!



Dylan Simon
Executive Vice President

Meet Our Team



DYLAN SIMON

Executive Vice President

Dylan is a market-leading apartment broker in Seattle specializing in the sale of apartment buildings and development land, with expertise in market knowledge and industry trends.



JERRID ANDERSON

Senior Vice President

Jerrid is an apartment broker specializing in micro apartment, urban apartment, and development land sales for nearly 6 years. He is passionate about marketing, specializing in video content.



ALEX MUNDY

Mortgage Broker

Alex is a mortgage broker specializing in market analysis and forecasting, loan underwriting and origination, financial modeling, and valuations.



MATT LAIRD

Broker

Matt is an apartment broker specializing in 5-30 unit urban and suburban apartment sales, underwriting, valuations, and market research.



THOMAS GEFFNER

Broker

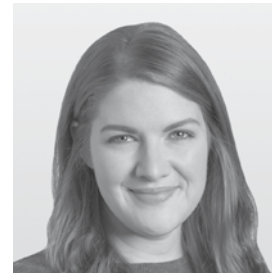
Thomas is an apartment broker specializing in raw and entitled development land sales. He also oversees client off-market acquisitions to source opportunities not marketed for sale.



TYLER BLAIKIE

Analyst

Tyler specializes in market research, apartment valuations, and sales tracking for the Seattle market.



CATE CHASE

Marketing Specialist

Cate manages promotion and design for both team and property marketing, specializing in writing, branding, digital strategy, PR, and event management.

Track Record: Apartments
& Development Land
Sold and Under Contract

\$911M

TOTAL VALUE

6,594

TOTAL UNITS

718K

SF DEVELOPMENT LAND

How to Use This Study



Discover the latest apartment investment sales data for King, Snohomish, Pierce, and Kitsap Counties.



Look for our insights in each submarket to help guide your investment decisions for 2019.



Contact us to chat about the market, discuss the best times to buy or sell, and request a valuation of your apartment building or land.



Our Areas of Expertise & 2018 Sales Highlights

5-50 UNIT BUILDINGS



LOIS LANE

\$2,300,000
Central District, Seattle
7 Units

50+ UNIT BUILDINGS



LA MIRAGE

\$32,000,000
Kent, WA
216 Units

DEVELOPMENT LAND



320 N 85TH STREET

\$11,550,000
Greenwood, Seattle
250 Units

EFFICIENCY UNITS



WILLET

\$5,450,000
University District, Seattle
20 Units

Where Are Investors Buying?

THE BIG PICTURE

With each new year, it's important to take a step back, lift our heads from the granular "To-Do" lists of our daily work lives, and gain a broader understanding of the investment markets that guide the decisions we make. With all investment markets, we don't always see trends until they are fully formed — and often this is done retrospectively.

It's no surprise that apartment values continue to grow and levels of unlevered returns — measured by capitalization rates — continue to shrink. Yet, it remains to be seen whether shifts in transaction volume will drive values up or down.

Across the region in 2018, the market experienced a decline of more than 20% in transaction volume from the peak sales year of

2016; however, overall pricing is up — measured both by price per unit and price per square foot.

In each section of this study, you will be able to take a deeper look at these trends and gain insights into trends moving into the future.

NOW COVERING PIERCE & KITSAP COUNTIES

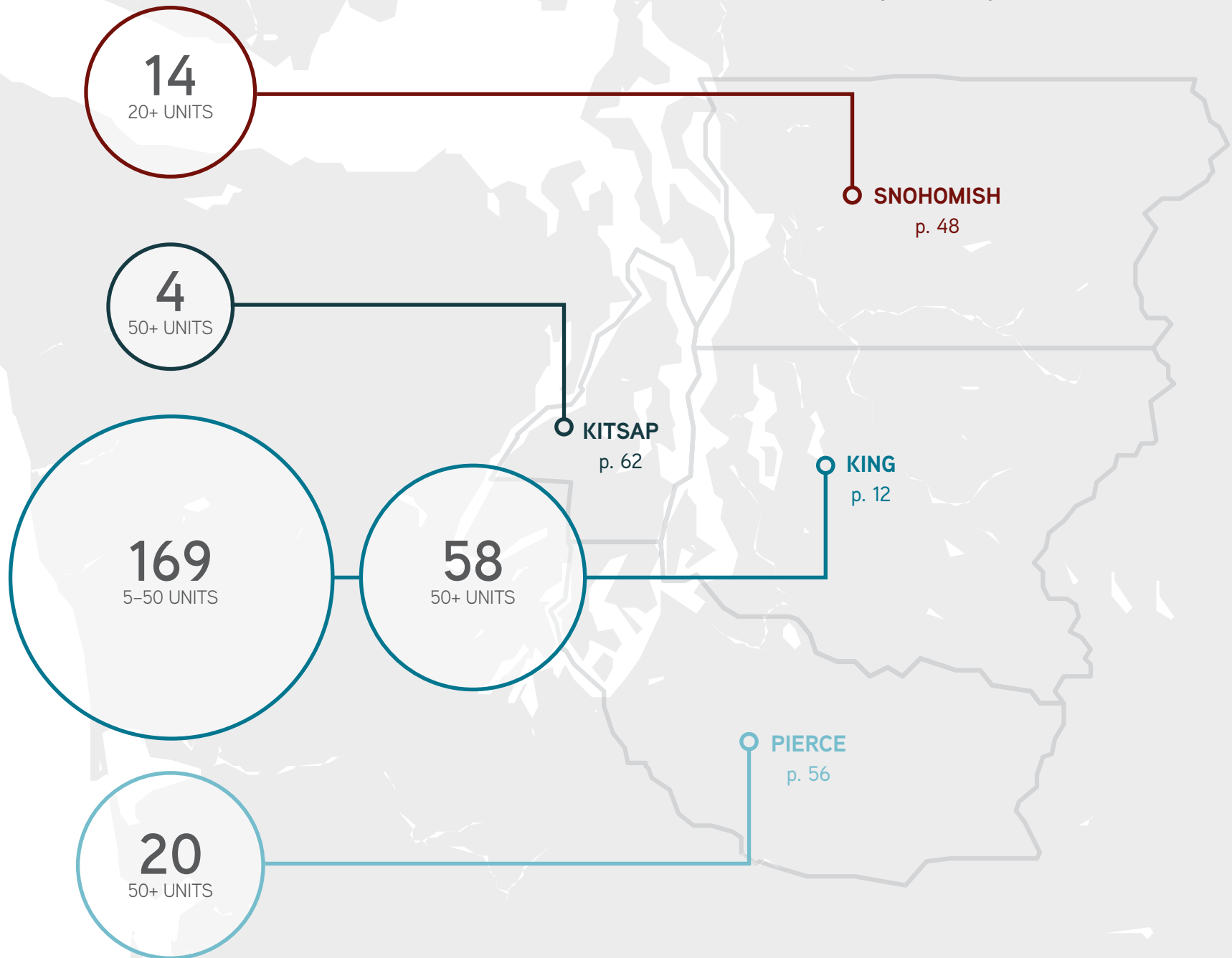
With a modernizing market, it was time to modernize the coverage of the research and insights we provide to our clients. Accordingly, this study now covers sales in Pierce and Kitsap Counties. Although these counties represented less than 10% of sales across the entire Puget Sound region in 2018, these sales offer interesting insights and guidance on investment dynamics and apartment valuation for our region as a whole.

Historical Performance*

YEAR	2012	2013	2014	2015	2016	2017	2018
Number of Sales	257	248	305	338	344	267	265
Total Sales Volume	\$2.64B	\$2.46B	\$3.28B	\$4.74B	\$5.56B	\$4.18B	\$4.17B
Average PPU	\$143,835	\$165,680	\$169,590	\$192,867	\$207,802	\$244,654	\$259,602
Average PPSF	\$191	\$221	\$237	\$258	\$275	\$336	\$368
Average Cap Rate	5.4%	5.2%	5.1%	4.8%	4.8%	4.5%	4.4%

*All Ages, King - 5+ Unit Buildings, Snohomish - 20+ Unit Buildings, Pierce & Kitsap - 50+ Unit Buildings

2018 Total Sales by County & Building Size



2018 Sales Metrics & Fundamentals

Region	Number of Sales	Sales Volume	Average PPU	Average PPSF	Average Cap Rate
URBAN KING <i>5+ Units</i>	134	\$1.49B	\$313,426	\$481	4.1%
NORTH KING <i>5+ Units</i>	31	\$446.9M	\$253,258	\$336	4.5%
EAST KING <i>5+ Units</i>	7	\$303.2M	\$335,753	\$366	4.4%
SOUTH KING <i>5+ Units</i>	55	\$1.15B	\$181,083	\$229	4.7%
NORTH SNOHOMISH <i>20+ Units</i>	9	\$153.3M	\$182,807	\$209	5.6%
SOUTH SNOHOMISH <i>20+ Units</i>	5	\$119.9M	\$216,431	\$252	4.4%
PIERCE <i>50+ Units</i>	20	\$437.3M	\$168,005	\$182	5.2%
KITSAP <i>50+ Units</i>	4	\$68.0M	\$136,773	\$161	5.8%

Market Fundamentals

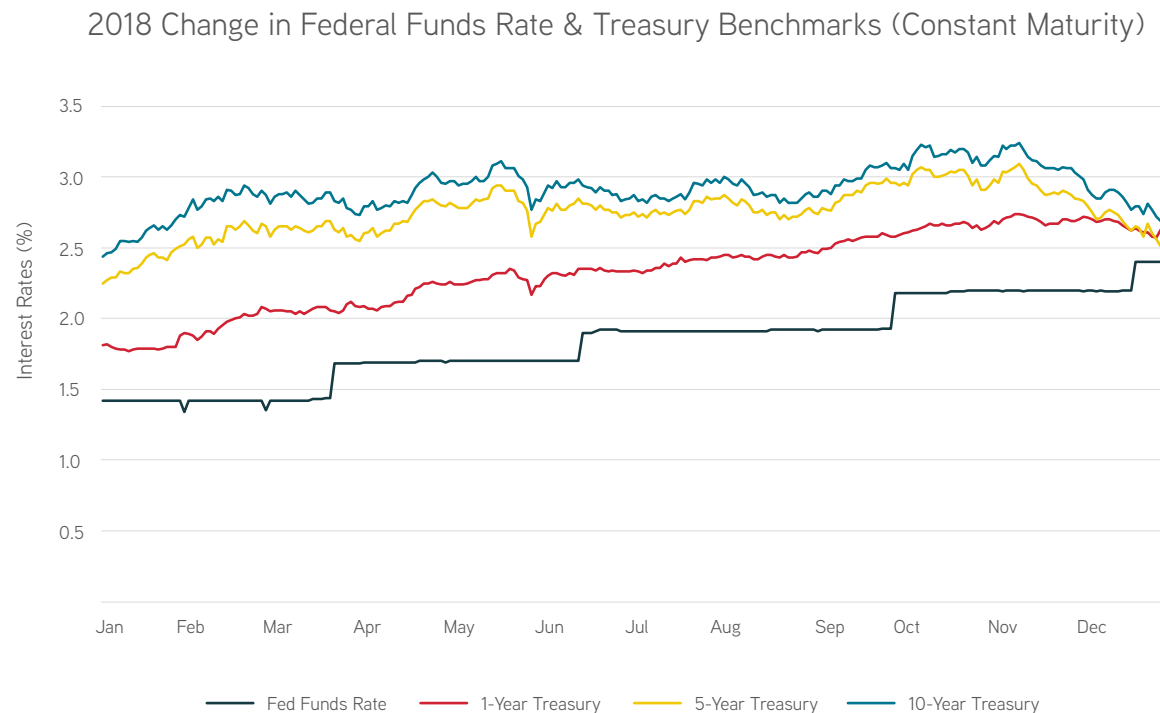
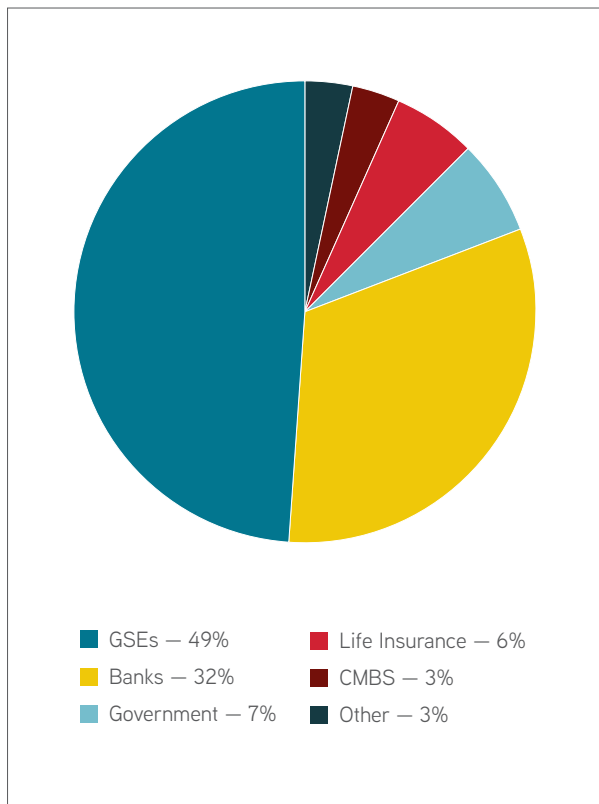
2018 was a strong year for multifamily and industrial originations, but less so for other commercial real estate asset classes.

Overall, commercial real estate loan originations declined by 3% between Q2 and Q3 2018, and 7% year over year, whereas both multifamily and industrial lending were up 19% year over year. Agency production was essentially flat from 2017 at \$138 billion.

As of Q3, multifamily debt outstanding in the U.S. was \$1.33 trillion,

up 2.0% from Q2 and up 8.7% year over year. See the pie chart for a breakdown of multifamily debt holders in the U.S. by lender type.

Local data is in line with national trends. 2018 multifamily originations on existing properties in King County were \$2.9 billion across 369 loans, with average purchase LTV of 67%, adjusted for outliers. Originations were higher than 2017, which totaled \$2.6 billion across 363 loans, with average purchase LTV of 70%. Quoted LTVs exclude outliers but include bridge loans.



2018 Rates

The Fed raised rates four times in 2018, contributing to a volatile year for interest rates. The target federal funds rate increased by a full percent to 2.25%–2.50%, and the Fed continues reducing its balance sheet by allowing government debt to mature. These factors contributed to changes in key benchmarks: the 5-year treasury ended the year up 0.31% to 2.51%, and the 10-year increased 0.29% to 2.69%. Note that rates at year end were significantly lower than their Fall peak. With fixed-rate loans generally priced 130–200 basis points over their corresponding index, typical pricing for multifamily permanent debt rose from about 4.15% to 4.50% by year end.

Another important trend in 2018 was the flattening yield curve, best exemplified by compression spread between 1-year treasuries and 10-year treasuries. As of this writing, we technically have an inverted yield curve with 1-year treasuries priced above both the 3-year and 5-year. An inverted yield curve is commonly heralded as a predictor of recessions, but more correctly reflects market views on short-term versus long-term rates. Certainly, there was a disconnect between what the Fed said about 2019 rate increases after their December 2018 meeting and what the market believed. After the meeting, officials predicted two rate increases in 2019 for a total 0.50% increase to the target range. However, as of January 2019, the Futures Market put a 71% probability on zero rate hikes in 2019. This was prior to Chairman Jerome Powell's January 30th comments that future hikes will be more tempered than previously expected.

King County Multifamily Originations — Existing Buildings

	2017	2018	% CHANGE
Total Loan Originations	\$2.6B	\$2.9B	+13%
Number of Loans	363	369	+2%
Average Loan Size	\$7.1M	\$8.0M	+14%
Average LTV*	70%	67%	-3%

**Purchases only, adjusted for outliers*

Treasury Benchmarks — 2018 vs Long-Term Averages

	DEC 2018	2018 AVG	2018 RANGE	CYCLE AVG*	30-YEAR AVG
Effective Fed Funds Rate	2.40	1.83	1.34–2.40	0.53	5.26
1-Year Treasury	2.63	2.33	1.77–2.74	0.72	5.25
5-Year Treasury	2.51	2.75	2.25–3.09	1.59	6.02
10-Year Treasury	2.69	2.91	2.44–3.24	2.28	6.41
Spread — 10-Year & Fed Funds**	0.29	1.03	0.16–1.52	1.74	1.16

**2012-2018*

***Based on end of month. Rest of table uses daily data going to 1969.*

2019 Expectations & Outlook

FANNIE MAE & FREDDIE MAC

- 2019 lending caps are \$35 billion for each agency, unchanged from 2018
- FHFA increased requirements to qualify for Fannie & Freddie “Green” programs to 30% and added a third-party data collection requirement
- Projects meeting FHFA affordability criteria will continue to be excluded from the cap
- Despite slightly different cap exclusion criteria, Fannie & Freddie are poised to maintain their dominant position in 2019

LIBOR UPDATE

- *What’s happening?* LIBOR will go dark in 2021, and financial institutions will need to benchmark to new floating-rate indices.
- *What’s the alternative?* The Fed’s Alternative Reference Rates Committee (ARRC) has identified the Secured Overnight Funding Rate (SOFR) as the best-practice LIBOR replacement.
- *What is it?* The SOFR is published daily by the New York Fed and represents the average rate at which banks borrow and lend U.S. treasuries overnight.
- *Why the SOFR?* It’s measurable and data driven rather than survey driven, and it’s robust: \$800 billion in daily trades contribute to the index.
- *Why does it matter?* Borrowers should be prepared for the change and ensure that adjustable-rate terms extending past 2021 do not peg to LIBOR.

OVERALL OUTLOOK

We expect pricing to remain competitive and liquidity to remain plentiful, particularly for permanent debt. If the Fed takes a hawkish stance and raises rates in 2019, short-term debt would be most affected, with the effect felt acutely in construction financing. Long-term rates would likely show a more muted response with investors expecting the Fed to hold or even reverse course in 2020 as the economy cools.

Worst case scenario, we could see 10-year rates increase by 50 to 75 basis points. Given DCR constraints in this market, one of the most profound effects of this scenario would be a 5% to 10% reduction in loan to value based on a constant NOI. However, given the public comments made by Jerome Powell on January 30th and the market’s skepticism about rate increases in 2019, we see these “doom and gloom” scenarios as unlikely. Interest rate volatility could continue, making early rate locks important risk-reduction tools for deals tightly constrained by debt service coverage. But for now, it appears that the Fed has pressed the pause button on rate hikes, and our industry is poised to benefit from accommodative monetary policy.

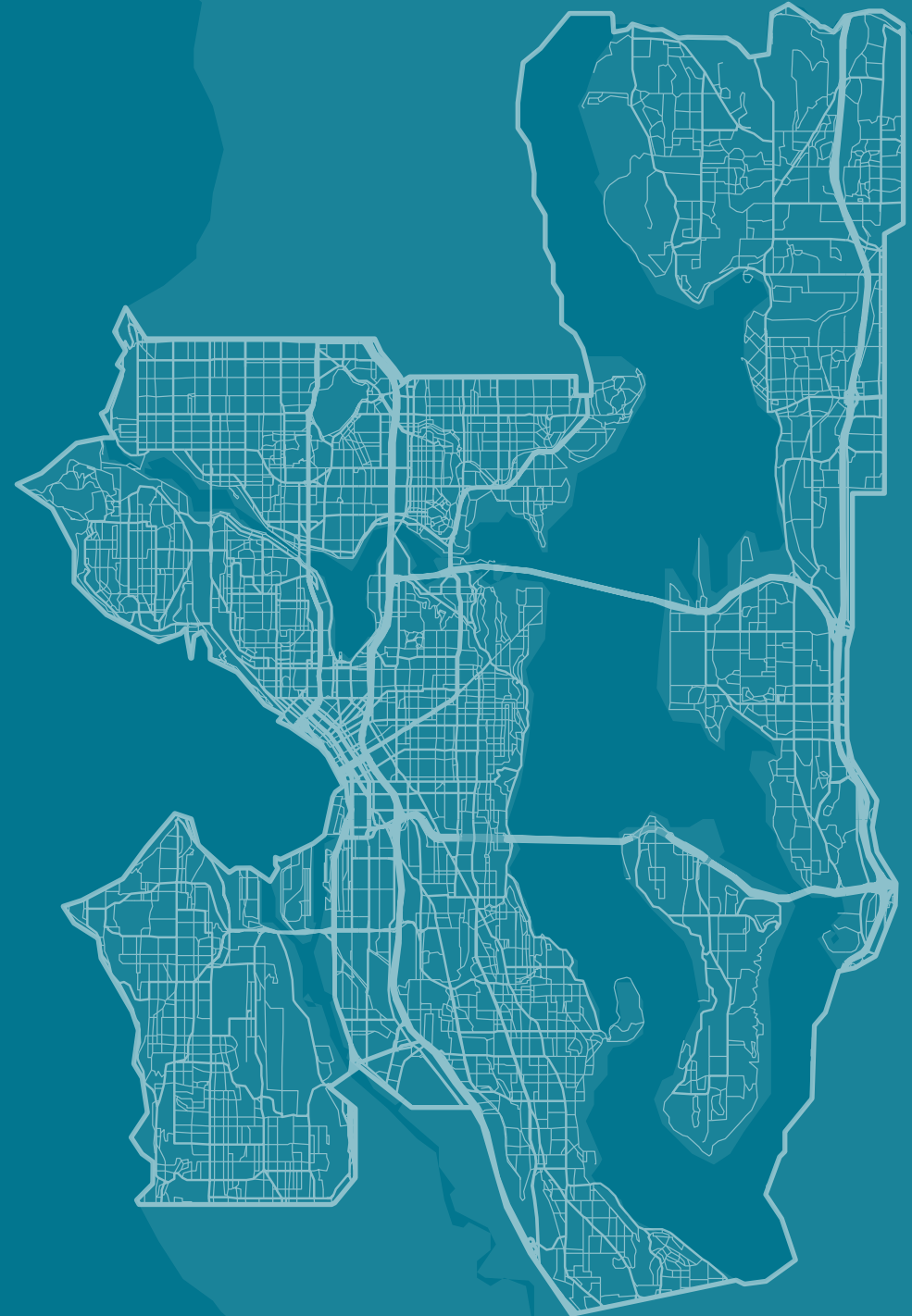
Urban King

Sales volume declined, cap rates rose, and average price per square foot set an all-time record.

Sales Volume Declined: 2015 holds the record for the region in sales volume, while the transaction record of 228 Urban King sales was set in 2005. 2018 was a stalemate between buyer and seller, and we anticipate further shifts in rent growth and interest rates, creating a higher sales volume in 2019.

Cap Rates Rose: While 10-year debt fluctuated nearly 100 basis points throughout 2018, cap rates remained relatively favorable for sellers at 4.1%, just 10 basis points over the prior year's average. The newer the building, the higher the cap rate; however, investors are still willing to accept much lower year-one returns on buildings with remaining upside.

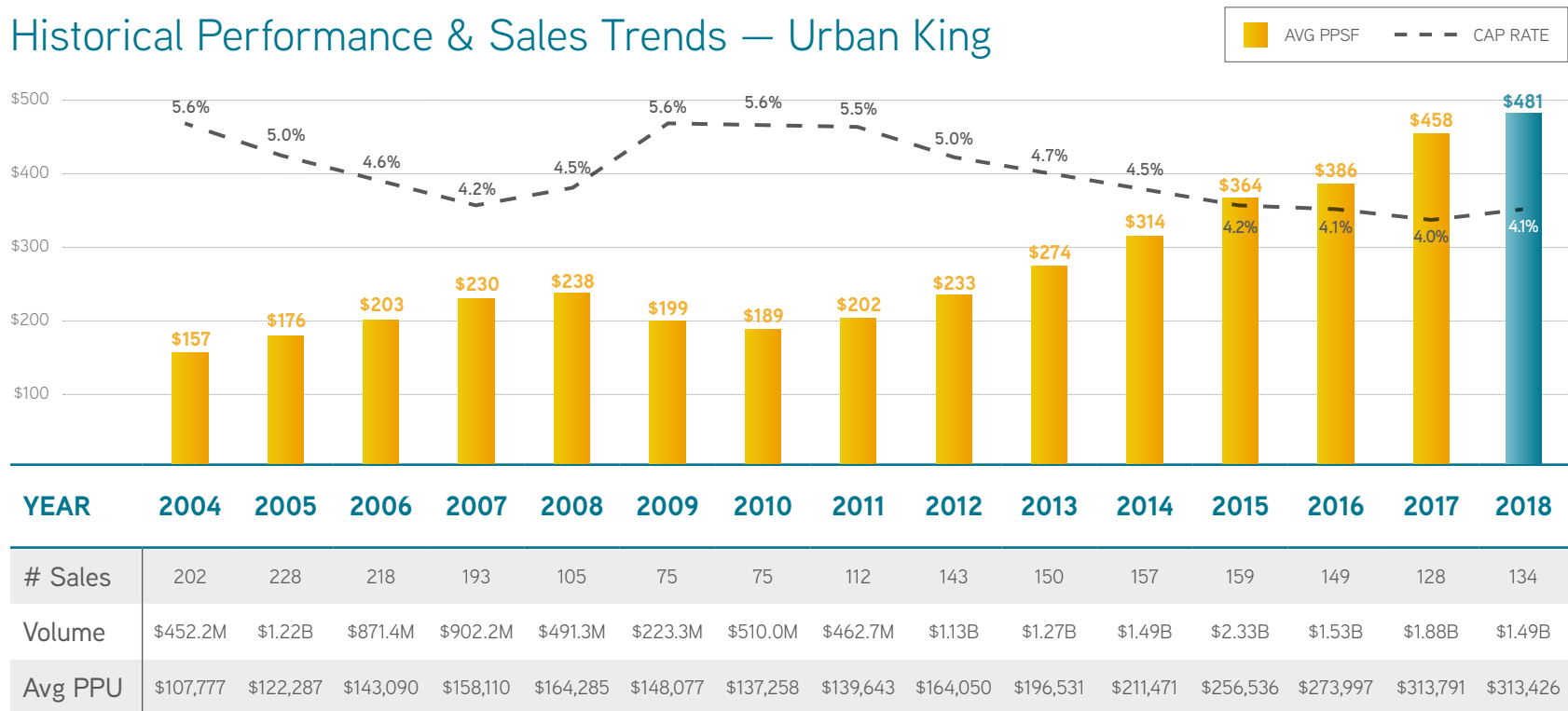
Average Price Per Square Foot Set a New Record: Transaction volume was down, but not because there were fewer listings, just fewer closings as buyers and sellers grappled for the upper hand in the market. The deals that did get done in 2018 set a new price-per-square-foot record with a 5% increase year over year for all sales, all ages in Urban King.



2018 Sales by Size & Age — Urban King

SIZE	5-50 UNITS			50+ UNITS			TOTAL
Built	Pre-1995	1995-2010	Post-2010	Pre-1995	1995-2010	Post-2010	All Ages
Total # Sales	105	1	5	10	2	11	134
Sales Volume	\$400.0M	\$17.8M	\$43.4M	\$450.0M	\$69.9M	\$510.1M	\$1.49B
Avg PPSF	\$447	\$573	\$780	\$451	\$491	\$686	\$481
Avg PPU	\$299,315	\$522,059	\$259,291	\$357,199	\$379,231	\$402,010	\$313,426
Avg Cap Rate	4.0%	3.8%	4.4%	3.9%	4.6%	4.6%	4.1%

Historical Performance & Sales Trends — Urban King



Urban King Sales: North Neighborhoods

Puget
Sound

NORTH KING
p. 32

99

BALLARD

GREEN
LAKE

ROOSEVELT

5

WALLINGFORD

UNIVERSITY
DISTRICT

FREMONT

MAGNOLIA
p. 19

QUEEN
ANNE
p. 19

Lake
Union

Lake
Washington

CAPITOL
HILL
p. 23

BALLARD

Avg Price Per Unit

\$323,956

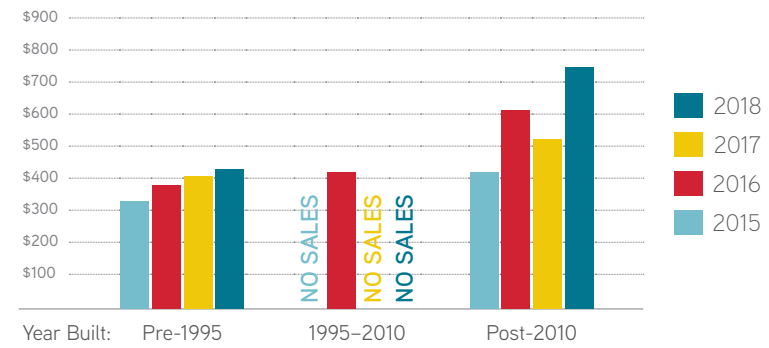
Avg Price Per SF

\$492

Avg Cap Rate

4.5%

Sales Trends — Price Per SF by Age



Ballard continues to hold its position as one of the fastest-growing and most resilient neighborhoods this cycle.

In the last decade, Ballard's apartment stock *quadrupled* while year over year price per square foot continues to climb for its pre-1995 vintage of apartments. In 2018, owners consistently reported sub-4% vacancy rates while still achieving rent growth.

Ballard owes its resiliency to the perfect blend of old Seattle roots and every neighborhood amenity residents desire, making it a renter's paradise with endless weekend adventures and short commutes to job centers.

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
Pre-1995	1544 NW 52nd	1544 NW 52nd St	1906	5	908	10/12/18	\$1,917,500	\$383,500	\$422	
	6210 22nd	6210 22nd Ave NW	1958	8	629	3/30/18	\$2,150,000	\$268,750	\$427	
	The Oslo	1525 NW 53rd St	1989	9	703	9/10/18	\$3,298,000	\$366,444	\$522	4.7%
	Golden Gardens	3116 NW 85th St	1963	11	768	12/10/18	\$3,200,000	\$290,909	\$379	4.9%
	Sunset Hill Manor	3053 NW 64th St	1968	13	961	12/26/18	\$4,405,000	\$338,846	\$353	4.3%
	Stanton	1515 NW 52nd St	1990	24	856	5/17/18	\$10,050,000	\$418,500	\$489	
	Curtiss	5227 Leary Way NW	1911	41	467	1/16/18	\$6,700,000	\$163,415	\$350	4.4%
	AVERAGES		1955	16	756		\$4,531,500	\$318,623	\$420	4.6%
Post-2010	Ballard 57	1731 NW 57th St	2016	48	275	8/16/18	\$10,982,500	\$228,802	\$832	4.5%
	The Wilcox	2003 NW 57th St	2016	132	698	6/19/18	\$60,250,000	\$456,439	\$654	4.0%
	AVERAGES		2016	90	487		\$35,616,250	\$342,621	\$743	4.3%

FREMONT, GREEN LAKE, WALLINGFORD

Avg Price Per Unit

\$297,257

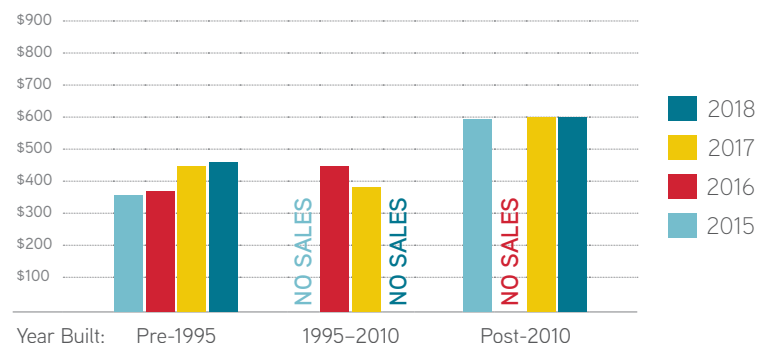
Avg Price Per SF

\$471

Avg Cap Rate

4.4%

Sales Trends — Price Per SF by Age



2018 marks the first year in this cycle we saw cap rates rise in Fremont, Green Lake, and Wallingford — to the tune of 60bp over 2017.

While this may seem alarming, there are two factors at play. First, we saw fewer value-add investments trade hands, which typically boast artificially-low entrance cap rates.

Second, more turn-key deals traded hands. Because these buildings are fully optimized with little short-term upside, investors need to realize a cash return above interest rates in year one, forcing the more conservative cap rate.

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
Pre-1995	4048 2nd	4048 2nd Ave NE	1954	5	250	1/25/18	\$894,500	\$179,000	\$716	5.7%
	4110 Linden	4110 Linden Ave N	1969	5	826	1/9/18	\$2,250,000	\$450,000	\$545	
	4311 Dayton	4311 Dayton Ave N	1972	5	863	9/14/18	\$2,050,000	\$410,000	\$475	4.3%
	The Winarden	4212 Phinney Ave N	1927	6	715	11/15/18	\$1,700,000	\$283,333	\$396	
	Interlake	3606 Interlake Ave N	1957	6	477	5/3/18	\$1,450,000	\$241,667	\$507	4.4%
	6714 Greenwood	6714 Greenwood Ave N	1960	6	838	4/26/18	\$1,960,000	\$326,667	\$390	4.3%
	4215 Whitman	4215 Whitman Ave N	1967	6	721	6/25/18	\$1,900,000	\$316,667	\$439	5.9%
	3660 Whitman	3660 Whitman Ave N	1985	6	799	4/25/18	\$2,000,000	\$333,333	\$417	3.6%
	Strandt	4416 Linden Ave N	1912	7	700	3/12/18	\$2,025,000	\$289,286	\$413	3.4%
	4102 Linden	4102 Linden Ave N	1986	7	1,000	7/20/18	\$3,300,000	\$471,429	\$471	6.1%
	Marcia	408 N 61st St	1957	8	636	7/10/18	\$2,224,000	\$278,000	\$437	
	6537 Oswego	6537 Oswego Pl NE	1950	11	420	4/20/18	\$2,360,000	\$214,546	\$511	4.0%
	The Dean	145 N 84th St	1928	12	810	4/27/18	\$3,067,600	\$255,633	\$316	4.1%
	Allview	4427 5th Ave NE	1959	12	665	4/26/18	\$3,800,000	\$316,667	\$476	4.0%
	Moorea	4618 Fremont Ave N	1950	14	569	2/15/18	\$2,926,000	\$209,000	\$367	4.3%
	Hillside	602 N 42nd St	1909	16	467	7/24/18	\$3,650,000	\$228,125	\$488	2.5%
	Audrey	3617 Woodland Park Ave N	1906	17	454	1/11/18	\$4,250,000	\$250,000	\$550	5.4%
	Greenlake Terrace	7415 5th Ave NE	1986	48	727	7/31/18	\$15,376,000	\$320,333	\$441	3.3%
	AVERAGES		1952	11	663		\$3,176,839	\$298,538	\$464	4.3%
Post-2010	Helene	414 NE Ravenna Blvd	2015	62	458	1/4/18	\$17,000,000	\$274,194	\$599	4.7%
	AVERAGES		2015	62	458		\$17,000,000	\$274,194	\$599	4.7%

UNIVERSITY DISTRICT, ROOSEVELT

Avg Price Per Unit

\$290,623

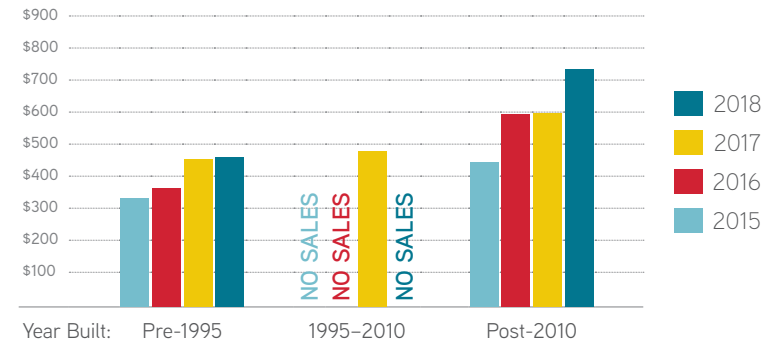
Avg Price Per SF

\$508

Avg Cap Rate

3.8%

Sales Trends — Price Per SF by Age

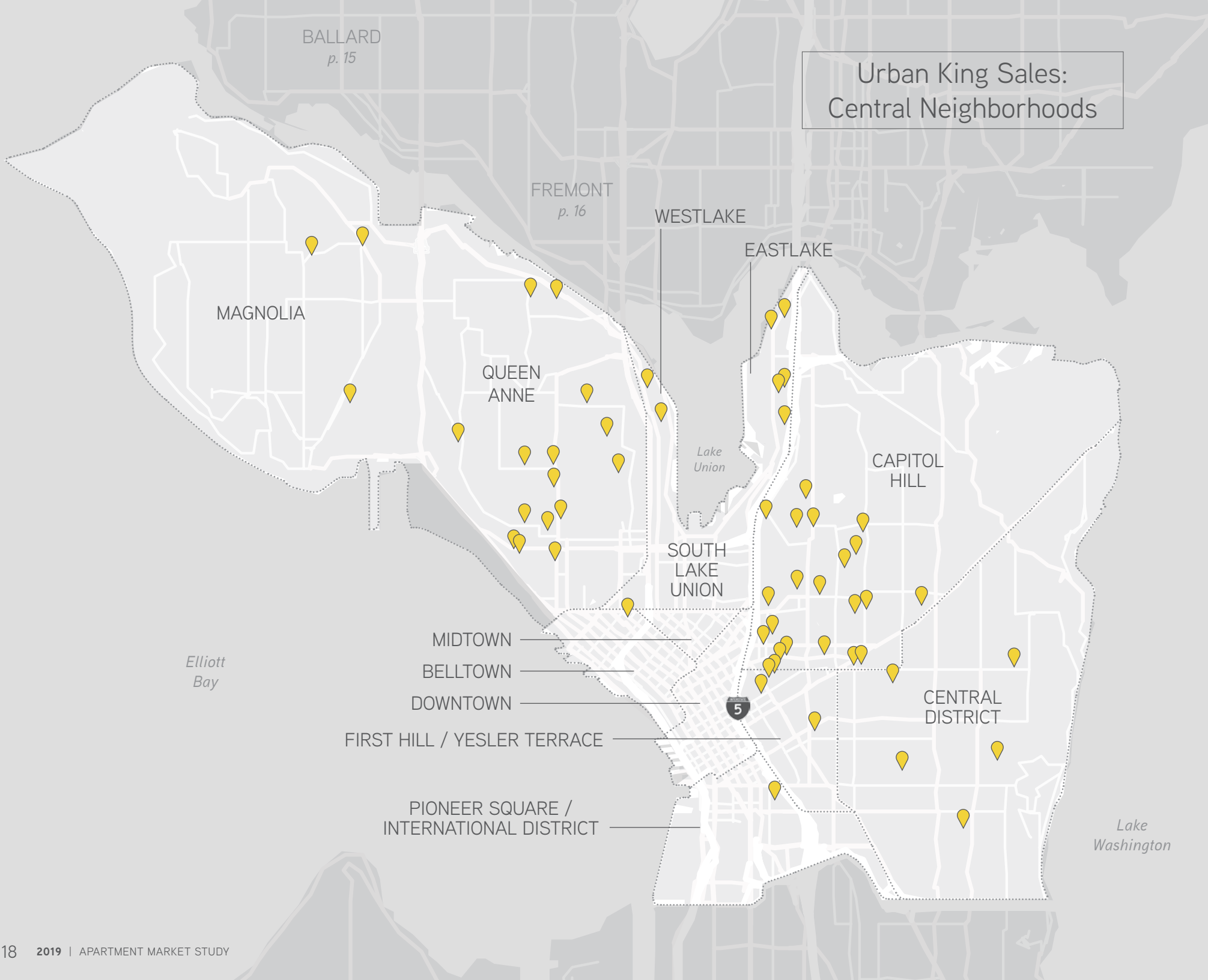


2019 was an exceptional year of sales for the University District, trailing only Capitol Hill and Kirkland in average price per square foot.

At first blush, the data shows this pricing was driven by several new-construction apartment sales; however, if you dig deeper, it's clear that buyers were willing to accept lower returns across the board.

Key drivers for this were another record-setting freshman class at UW and investors taking a long-term approach focused on the new up-zone and light rail station, leading to bullish investments in the University's future growth.

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
Pre-1995	4761 22nd	4761 22nd Ave NE	1910	5	550	7/24/18	\$1,300,000	\$260,000	\$473	3.5%
	Ravenna Vista	4711 Ravenna Ave NE	1965	5	980	6/8/18	\$2,200,000	\$440,000	\$449	4.7%
	5510 25th	5510 25th Ave NE	1952	6	590	7/23/18	\$1,800,000	\$300,000	\$508	
	5036 22nd	5036 22nd Ave NE	1957	6	529	4/13/18	\$1,404,000	\$234,000	\$442	2.1%
	Ravenna Seven	5204 18th Ave NE	1910	7	600	3/23/18	\$1,660,000	\$237,143	\$395	4.6%
	The Rhoda Jane	4300 NE 55th St	1989	8	1,022	2/28/18	\$3,000,000	\$375,000	\$367	3.0%
	Terry Anne	5042 12th Ave NE	1927	9	497	1/31/18	\$2,540,000	\$282,222	\$568	3.5%
	4742 22nd	4742 22nd Ave NE	1954	10	706	4/13/18	\$3,500,000	\$350,000	\$496	4.4%
	Penthouse	4636-40 22nd Ave NE	1948	12	708	5/10/18	\$3,900,000	\$325,000	\$459	3.4%
	Plaza 45	4511 8th Ave NE	1994	16	830	3/30/18	\$5,975,000	\$373,438	\$450	3.3%
	4141 Brooklyn	4141 Brooklyn Ave NE	1960	32	504	2/22/18	\$7,800,000	\$243,750	\$484	4.0%
	The Pacific	5217 University Way NE	1958	34	422	4/20/18	\$6,850,000	\$201,471	\$477	3.7%
	Levere	4105 Brooklyn Ave NE	1927	40	522	10/19/18	\$7,097,507	\$177,438	\$340	
	Tyee	4115 Brooklyn Ave NE	1963	48	420	10/19/18	\$10,249,702	\$213,535	\$508	
	AVERAGES		1951	17	634		\$4,234,015	\$286,643	\$458	3.7%
Post-2010	The Willet	4252 8th Ave NE	2017	20	323	4/27/18	\$5,450,000	\$272,500	\$843	4.4%
	Pomelo Heights	4229 7th Ave NE	2017	23	246	4/24/18	\$4,950,000	\$215,217	\$876	4.3%
	Medora	6800 Roosevelt Way NE	2016	79	890	4/25/18	\$34,750,000	\$439,873	\$494	4.5%
	AVERAGES		2017	41	486		\$15,050,000	\$309,197	\$738	4.4%



QUEEN ANNE, MAGNOLIA

Avg Price Per Unit

\$304,247

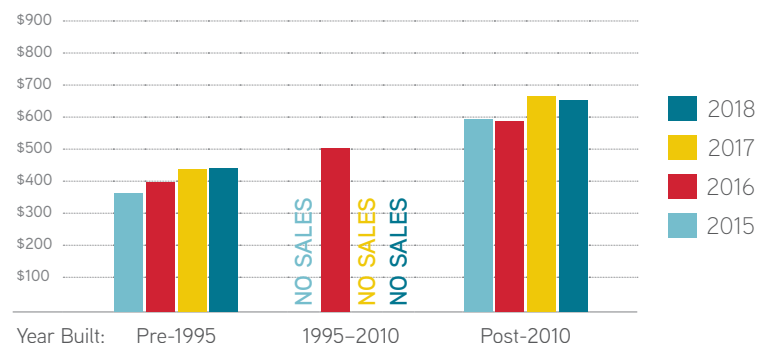
Avg Price Per SF

\$455

Avg Cap Rate

3.4%

Sales Trends — Price Per SF by Age



In 2018, Queen Anne experienced moderate price growth, while cap rates plummeted 50bp from the prior year.

With minimal land outside Lower Queen Anne zoned for dense urban development, the neighborhood is an insulated market as indicated by the sub-5% vacancy through the entirety of the last downturn.

In 2019, we expect above-average rent growth, below-market vacancy, and a steady volume of transactions as long-term owners take advantage of the market's appreciation.

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
Pre-1995	65 W Dravus	65 W Dravus St	1906	5	664	10/9/18	\$1,400,000	\$280,000	\$421	3.5%
	400 Blaine	400 Blaine St	1909	5	585	9/26/18	\$1,500,000	\$300,000	\$513	
	Kahala	1249 5th Ave N	1912	5	810	3/30/18	\$2,000,000	\$400,000	\$494	3.2%
	Elise	1627 10th Ave W	1928	8	731	5/2/18	\$2,100,000	\$262,500	\$359	2.1%
	Gale Anne Terrace	15 W Galer St	1958	9	700	4/27/18	\$3,000,000	\$333,333	\$476	1.7%
	319 W Olympic	319 W Olympic Pl	1955	11	540	11/15/18	\$2,680,000	\$243,636	\$451	
	La Fonda	1215 Queen Anne Ave N	1958	14	561	6/1/18	\$4,000,000	\$285,714	\$509	3.2%
	Luke	2119 23rd Ave W	1972	15	848	10/12/18	\$4,498,500	\$299,900	\$354	3.5%
	Whiteley Manor	524 5th Ave W	1966	17	1,077	9/7/18	\$7,297,450	\$429,262	\$398	4.1%
	Prestige Lane	512 5th Ave W	1957	20	614	8/9/18	\$7,004,000	\$350,200	\$570	4.3%
	Magnolia Pointe	3630 22nd Ave W	1990	21	614	1/29/18	\$4,800,000	\$228,571	\$372	2.7%
	Castle Court	822 Queen Anne Ave N	1915	22	1,007	3/30/18	\$7,270,000	\$330,455	\$328	
	Boston Crest	215-19 Boston St	1958	24	570	9/10/18	\$8,597,600	\$358,233	\$629	4.4%
	419 Queen Anne	419 Queen Anne Ave N	1912	31	434	1/17/18	\$5,450,000	\$175,806	\$405	3.3%
	Kerry Park	1420 4th Ave W	1908	33	392	3/30/18	\$5,550,000	\$168,182	\$429	4.7%
	Magnolia Crest	2727 W Manor Pl	1968	57	884	6/5/18	\$15,750,000	\$276,316	\$312	2.8%
	Roy Street	100 W Roy St	1948	66	654	3/1/18	\$22,000,000	\$333,333	\$510	2.8%
	AVERAGES		1942	21	687		\$6,170,444	\$297,379	\$443	3.3%
Post-2010	Henry	22 Etruria St	2016	100	647	2/1/18	\$42,100,000	\$421,000	\$651	5.0%
	AVERAGES		2016	100	647		\$42,100,000	\$421,000	\$651	5.0%

SOUTH LAKE UNION, EASTLAKE, WESTLAKE

Avg Price Per Unit

\$352,666

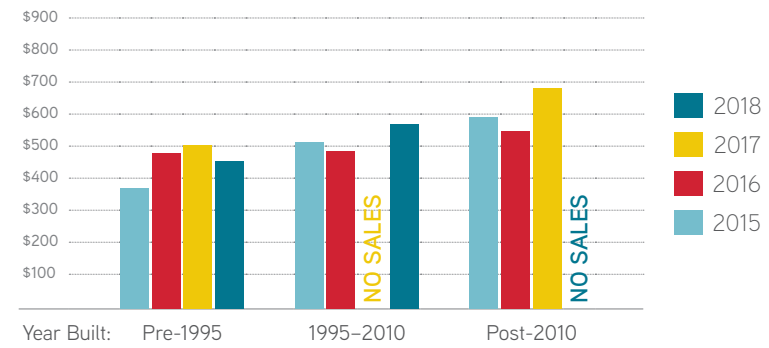
Avg Price Per SF

\$474

Avg Cap Rate

3.8%

Sales Trends — Price Per SF by Age



2018 marked the first year in several that the South Lake Union neighborhood did not record a sale.

Additionally, Eastlake abdicated its crown for highest price per square foot and per unit, while cap rates held steady. Investors continue to accept lower-than-average short-term returns as they speculate on the continued job growth in South Lake Union.

As the urbanization of Seattle continues, Westlake is beginning to form its own market, perfectly positioned between some of the region's best employers in Fremont and South Lake Union.

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
Pre-1995	Boylston Arms	2003 Boylston Ave E	1925	6	637	1/9/18	\$1,715,000	\$285,833	\$449	3.8%
	Franklin Arms	2821 Franklin Ave E	1926	6	804	1/30/18	\$2,123,500	\$353,917	\$440	
	2232 Franklin	2232 Franklin Ave E	1963	8	702	11/13/18	\$3,028,800	\$378,600	\$539	4.5%
	Lorraine	2236 Franklin Ave E	1901	9	747	7/24/18	\$2,980,000	\$331,111	\$443	3.3%
	Virginia Lee	2020 Waverly Pl N	1966	11	806	9/25/18	\$3,608,900	\$328,082	\$407	4.0%
	2400 Dexter	2400 Dexter Ave N	1954	16	577	12/18/18	\$4,305,000	\$269,063	\$466	3.5%
	AVERAGES		1939	9	712		\$2,960,200	\$324,434	\$457	3.8%
1995-2010	Remi	2727 Eastlake Ave E	1996	34	911	4/11/18	\$17,750,000	\$522,059	\$573	3.8%
	AVERAGES		1996	34	911		\$17,750,000	\$522,059	\$573	3.8%

BELLTOWN, DOWNTOWN, PIONEER SQUARE

Avg Price Per Unit

\$192,350

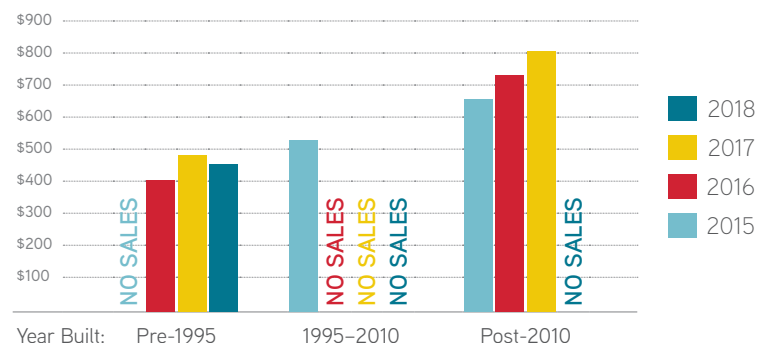
Avg Price Per SF

\$450

Avg Cap Rate

4.6%

Sales Trends — Price Per SF by Age



Downtown Seattle trails the entire market in number of sales, but leads the market in development pipeline.

In 2018, apartments under construction and in planning surged to over 17,000 units. We expect the vibrancy and livability of Downtown to catch up with other great Seattle neighborhoods due to the rapid near-term growth.

The demolition of the viaduct will bring Downtown to the forefront of Seattle, furthering our long-term bullishness on the neighborhood as a whole.

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
Pre-1995	Davenport	420 Vine St	1925	46	518	4/9/18	\$11,100,000	\$241,304	\$466	4.2%
	International	315 Maynard Ave S	1910	53	330	8/1/18	\$7,600,000	\$143,396	\$435	5.0%
	AVERAGES		1918	50	424		\$9,350,000	\$192,350	\$450	4.6%

FIRST HILL, YESLER TERRACE

Avg Price Per Unit

\$285,006

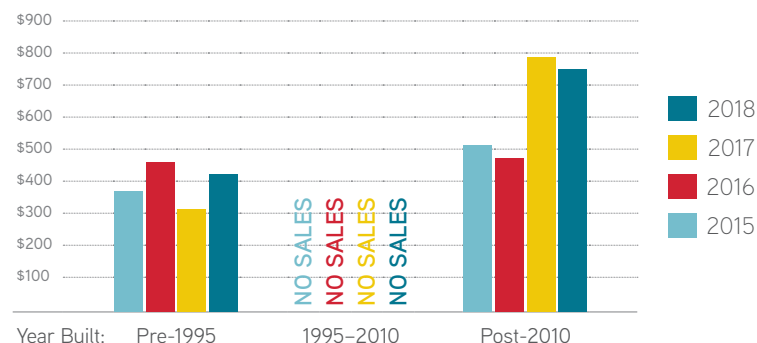
Avg Price Per SF

\$504

Avg Cap Rate

4.6%

Sales Trends — Price Per SF by Age



First Hill sales averaged 88 units in 2018 after failing to post any 50+ unit sales in 2017.

While First Hill and Yesler Terrace offer a perfect blend of freeway access and downtown adjacency, they lack the dense retail and rich character of other Seattle neighborhoods.

With over 7,000 units delivering and under construction, expect the amenities in these neighborhoods to improve while the major hospitals continue adding high-demand, recession-proof jobs.

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
Pre-1995	500-08 E Union	500-08 E Union St	1910	17	522	12/21/18	\$2,250,000	\$132,353	\$254	5.2%
	John Winthrop	1020 Seneca St	1925	79	500	10/29/18	\$18,210,000	\$230,506	\$466	*
	Union Park	1310 Minor Ave	1989	84	673	8/30/18	\$31,434,800	\$374,224	\$556	3.9%
	AVERAGES		1941	60	565		\$17,298,267	\$245,694	\$425	4.6%
Post-2010	Zig	550 Broadway	2017	170	543	1/19/18	\$68,500,000	\$402,941	\$742	4.8%
	AVERAGES		2017	170	543		\$68,500,000	\$402,941	\$742	4.8%

**Building transitioning to market-rate at time of sale.*

CAPITOL HILL

Avg Price Per Unit

\$351,105

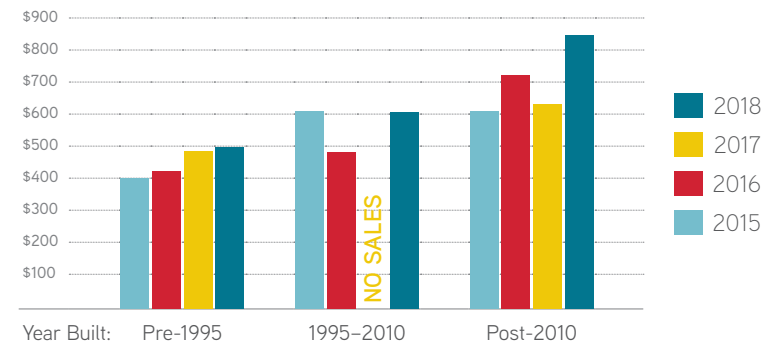
Avg Price Per SF

\$552

Avg Cap Rate

4.2%

Sales Trends — Price Per SF by Age



The Capitol Hill neighborhood remains red hot as competition among investors to own in Seattle's A+ location continues to push the pricing envelope.

In 2018, Capitol Hill boasted the highest average price per square foot across the entire Seattle market, as well as the highest price-per-square-foot sale, Cove, at \$894 per square foot.

Renters and investors alike are clearly still willing to pay a premium to be at the center of it all in Capitol Hill.

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
Pre-1995	1014 E John	1014 E John St	1900	5	574	3/27/18	\$1,550,000	\$310,000	\$540	4.1%
	511 Malden	511 Malden Ave E	1909	6	995	2/16/18	\$2,400,000	\$400,000	\$402	3.9%
	Blanche Clare	1406 Bellevue Ave E	1909	6	699	6/20/18	\$2,350,000	\$391,667	\$560	
	Elizabeth	726 10th Ave E	1926	6	704	6/8/18	\$1,850,000	\$308,333	\$438	4.0%
	1446 E Roy	1446 E Roy St	1968	7	1,052	9/27/18	\$4,099,300	\$585,614	\$557	5.0%
	724 Harvard	724 Harvard Ave E	1928	8	752	7/31/18	\$2,050,000	\$256,250	\$341	4.0%
	Harriet Manor	1304 E Harrison St	1960	9	692	1/12/18	\$3,660,000	\$406,667	\$588	4.4%
	1410 E Howell	1410 E Howell St	1957	11	570	7/18/18	\$3,600,000	\$327,273	\$574	3.4%
	Santa Fe	1417 Belmont Ave	1962	11	681	4/25/18	\$3,125,000	\$284,091	\$417	3.8%
	Bouquet	1613 Summit Ave	1964	14	488	11/30/18	\$3,920,610	\$280,044	\$574	
	Murray Hill	1810 15th Ave	1925	15	783	3/28/18	\$4,110,000	\$274,000	\$350	3.4%
	Arville	1422 E Union St	1928	21	638	4/30/18	\$6,700,000	\$319,048	\$500	3.6%
	Adamson	900 E Prospect St	1955	21	450	10/12/18	\$5,445,800	\$259,324	\$576	4.0%
	Louis Arms	1515 Bellevue Ave	1925	24	407	10/19/18	\$4,746,400	\$197,767	\$486	4.6%
	Iliad	112 Bellevue Ave E	1965	25	773	6/21/18	\$9,100,000	\$364,000	\$471	4.3%
	Melmar	219 Harvard Ave E	1962	28	628	11/28/18	\$9,375,000	\$334,821	\$533	4.9%
	AVERAGES		1940	14	680		\$4,255,132	\$331,181	\$494	4.1%
1995-2010	Chloe	1408 E Union St	2009	120	736	3/8/18	\$53,700,000	\$447,500	\$608	4.6%
	AVERAGES		2009	120	736		\$53,700,000	\$447,500	\$608	4.6%
Post-2010	Cove	601 E Pike St	2017	60	600	5/11/18	\$32,160,000	\$536,000	\$894	4.3%
	The Redwood	111 21st Ave E	2017	75	280	12/18/18	\$17,500,000	\$233,333	\$832	4.5%
	Modera Capitol Hill	1427 11th Ave	2016	136	632	8/13/18	\$68,865,000	\$506,360	\$802	4.2%
	AVERAGES		2017	90	504		\$39,508,333	\$425,231	\$843	4.3%

CENTRAL DISTRICT

Avg Price Per Unit

\$299,686

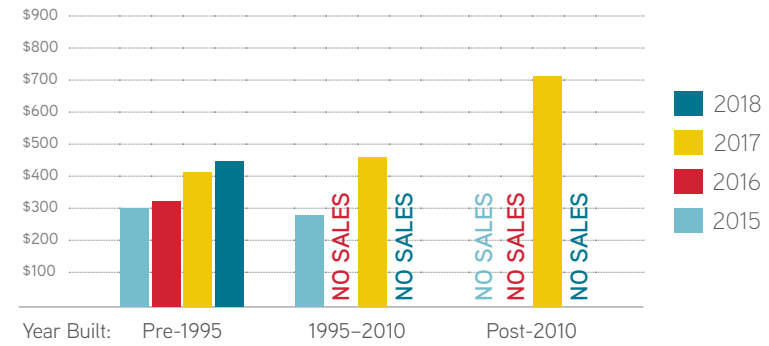
Avg Price Per SF

\$446

Avg Cap Rate

3.2%

Sales Trends — Price Per SF by Age



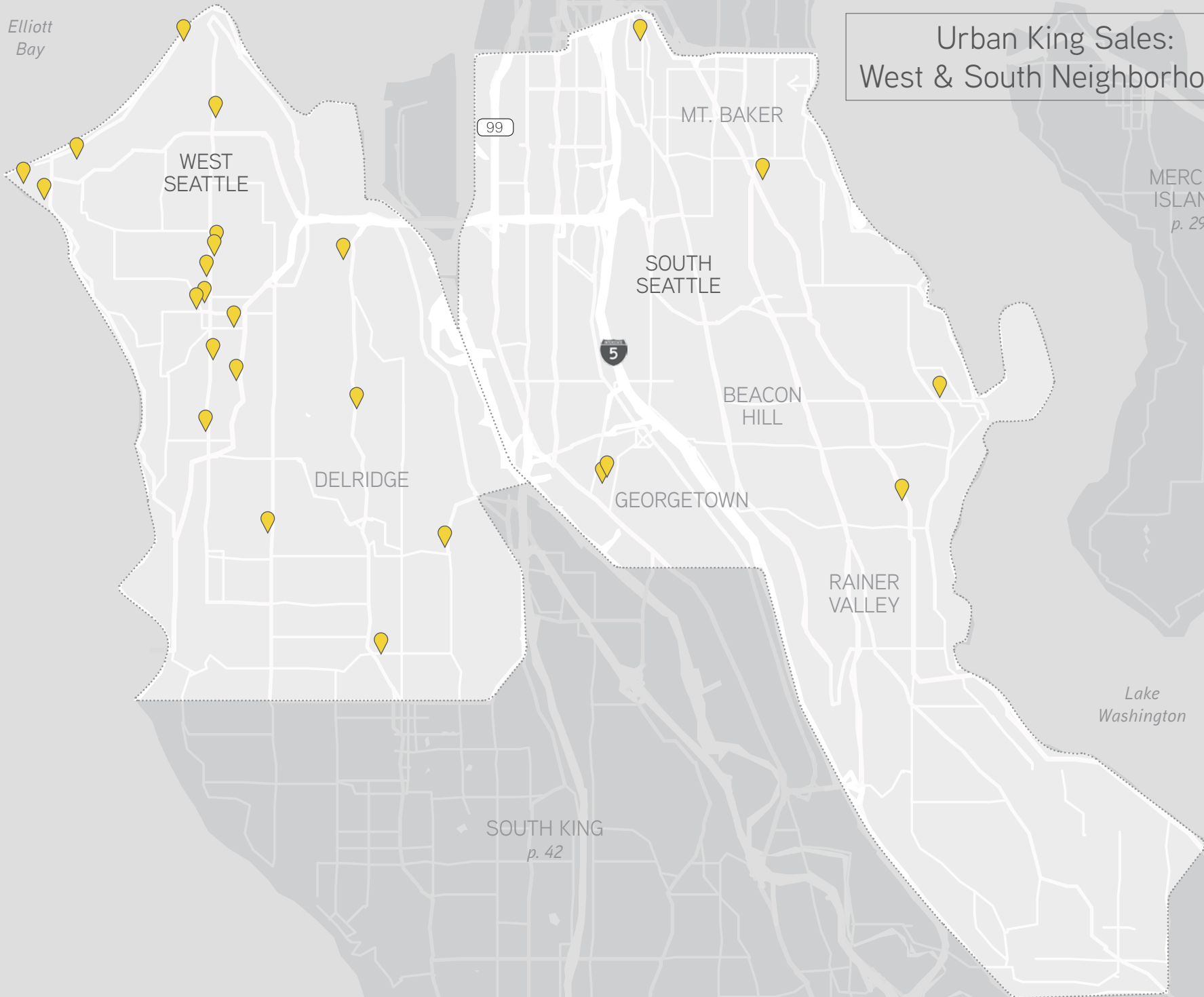
As renters were priced out of Capitol Hill, they looked to the nearby Central District, seeking character, strong neighborhood amenities, proximity, and price point.

Investors took notice, and over the last several years, the Central District experienced impressive rent growth. Competition is now compressing cap rates and pushing pricing to echo some of Seattle's tried-and-true neighborhoods for investment.

Considerable opportunities remain: expect thoughtful and innovative value-add strategies resulting in outsized returns.

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
Pre-1995	3000 E Spruce	3000 E Spruce St	1963	6	791	4/23/18	\$1,600,000	\$266,667	\$337	1.6%
	Lois Lane	2608 S Lane St	1910	7	626	4/2/18	\$2,300,000	\$328,571	\$525	4.8%
	1111 18th	1111 18th Ave	1900	8	610	6/25/18	\$3,000,000	\$375,000	\$615	
	Union 32	3200 E Union St	1971	12	701	5/9/18	\$3,212,000	\$267,667	\$382	1.7%
	Sylvan Court	1905 E Fir St	1964	19	704	3/15/18	\$4,950,000	\$260,526	\$370	4.5%
	AVERAGES		1949	10	686		\$3,012,400	\$299,686	\$446	3.2%

Urban King Sales:
West & South Neighborhoods



WEST SEATTLE

Avg Price Per Unit

\$289,466

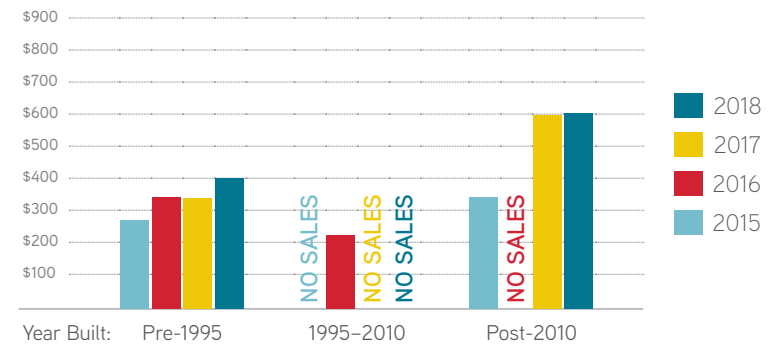
Avg Price Per SF

\$433

Avg Cap Rate

4.4%

Sales Trends — Price Per SF by Age



West Seattle saw impressive price increases in vintage apartment buildings with 2018 sales averages topping the \$400-per-square-foot benchmark.

This trend demonstrates the increasing attention that investors are paying West Seattle. Historically, rent growth has lagged slightly behind more core markets, and with a few neighborhoods experiencing some rent softening, there is plenty of runway in West Seattle.

Combine rent growth and urbanization with cap rates that are at a slight discount to other Seattle neighborhoods, and West Seattle is primed for an even more impressive year in 2019.

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
Pre-1995	2745 60th	2745 60th Ave SW	1980	5	739	8/20/18	\$1,596,500	\$319,300	\$432	
	Rose Lodge	6314 SW Wilton Ct	1900	6	358	12/6/18	\$1,695,000	\$282,500	\$788	
	Hampton Court	5417 Fauntleroy Way SW	1990	6	800	10/31/18	\$1,856,600	\$309,433	\$387	4.1%
	Andover	4000 California Ave SW	1966	7	877	12/7/18	\$1,938,600	\$276,943	\$316	
	Beach House	3306 Beach Dr SW	1991	7	1,000	3/6/18	\$3,780,000	\$540,000	\$540	4.3%
	1356 Alki	1356 Alki Ave SW	1953	8	612	7/31/18	\$3,075,000	\$384,375	\$628	7.2%
	Junction 8	4001 SW Edmunds St	1987	8	781	6/28/18	\$2,525,000	\$315,625	\$404	3.6%
	9018 20th	9018 20th Ave SW	1967	10	735	4/4/18	\$1,500,000	\$150,000	\$204	3.9%
	Dawson	4217 SW Dawson St	1926	13	600	6/25/18	\$2,740,000	\$210,769	\$351	4.0%
	Ellinwood	2318 California Ave SW	1936	13	565	5/31/18	\$3,100,000	\$238,462	\$422	4.0%
	Monterey	4022 California Ave SW	1954	16	535	8/17/18	\$3,803,400	\$237,713	\$444	4.6%
	Deering	4321 SW Genesee St	1969	19	1,050	8/20/18	\$5,595,000	\$294,474	\$280	
	900 SW Holden	900 SW Holden St	1967	23	736	1/19/18	\$4,200,000	\$182,609	\$248	3.3%
	6041 California	6041 California Ave SW	1991	28	770	8/9/18	\$8,590,000	\$306,786	\$398	3.7%
	Olympic Manor	3504 SW Webster St	1978	37	734	7/17/18	\$7,346,763	\$198,561	\$271	5.1%
	West Ridge Park	7701-7901 Delridge Way SW	1990	239	987	3/22/18	\$72,450,000	\$303,138	\$307	4.6%
	AVERAGES		1965	28	743		\$7,861,991	\$284,418	\$401	4.4%
Post-2010	Lofts at the Junction	4535 44th Ave SW	2015	38	337	7/26/18	\$9,500,000	\$250,000	\$742	4.5%
	4400 Alaska	4400 SW Alaska St	2016	38	544	4/18/18	\$12,537,500	\$329,934	\$607	4.3%
	Youngstown Flats	4040 26th Ave SW	2012	195	803	1/11/18	\$72,000,000	\$369,231	\$460	5.2%
	AVERAGES		2014	90	561		\$31,345,833	\$316,388	\$603	4.7%

SOUTH SEATTLE

Avg Price Per Unit

\$225,956

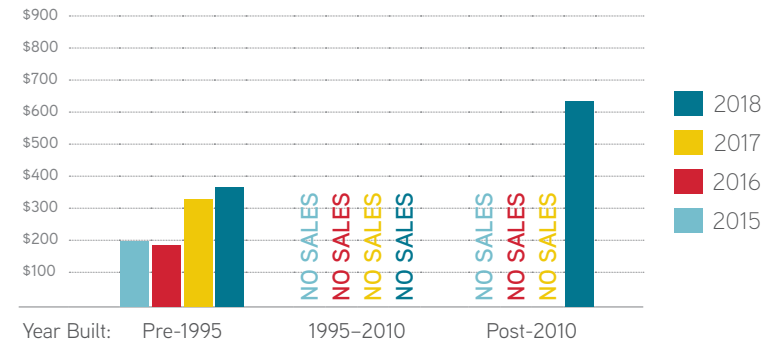
Avg Price Per SF

\$408

Avg Cap Rate

4.4%

Sales Trends — Price Per SF by Age



Gone are the days of sub-\$200-per-square-foot sales in South Seattle.

Although sales volume is down slightly from previous years, South Seattle neighborhoods are experiencing rising prices and compressing cap rates as the neighborhood responds positively to the convergence of new development and historical character.

The rise of South Seattle is proof that renters want amenitized neighborhoods with superb public transportation. Expect development and rental rates to continue their upward trajectory.

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
Pre-1995	Carleton	6654 Carleton Ave S	1942	5	965	5/7/18	\$1,800,000	\$360,000	\$373	
	6700 Carleton	6700 Carleton Ave S	1960	6	416	6/25/18	\$925,000	\$154,167	\$371	4.3%
	1307 14th	1307 14th Ave S	1968	6	731	6/1/18	\$1,900,000	\$316,667	\$433	4.9%
	Upland View	5716 Wilson Ave S	1956	11	668	9/24/18	\$2,800,000	\$254,545	\$380	4.1%
	Myrtlewood	7001 Rainier Ave S	1959	28	560	1/5/18	\$4,080,000	\$145,714	\$260	3.4%
	AVERAGES		1957	11	668		\$2,301,000	\$246,219	\$363	4.2%
Post-2010	Link Studios	2939 S Mt Baker Blvd	2015	60	198	8/30/18	\$7,478,753	\$124,646	\$629	5.1%
	AVERAGES		2015	60	198		\$7,478,753	\$124,646	\$629	5.1%

Urban King Sales: East Neighborhoods

CAPITOL
HILL
p. 23

CENTRAL
DISTRICT
p. 24

SOUTH
SEATTLE
p. 27

*Lake
Washington*



WEST
BELLEVUE



EAST KING
p. 38

*Lake
Sammamish*



MERCER
ISLAND



WEST BELLEVUE, MERCER ISLAND

Avg Price Per Unit

\$426,118

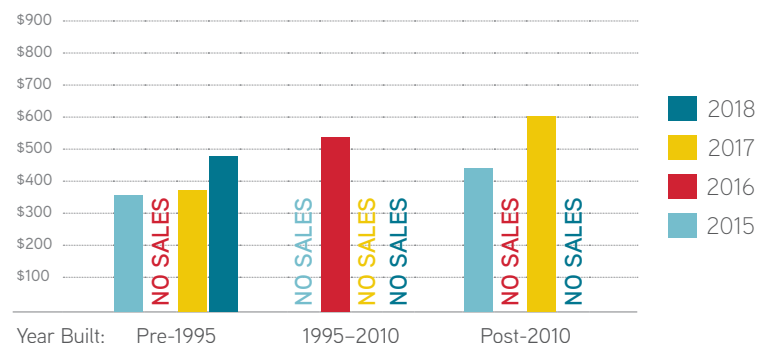
Avg Price Per SF

\$476

Avg Cap Rate

3.2%

Sales Trends — Price Per SF by Age



West Bellevue and Mercer Island are tough markets for investors to enter.

Much of the existing inventory is held by long-term owners with long-term-hold strategies. As West Bellevue continues to morph into a metropolis and the once-sleepy Mercer Island urbanizes, investors will need to stretch on pricing to enter these markets.

Expect cap rates to remain low and price per unit and price per square foot to mirror Seattle's core neighborhoods. As we said last year, if you (as an owner) have been holding out for peak pricing, 2019 may be the year to catch this market cycle.

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
Pre-1995	3043 Island Crest	3043 Island Crest Way	1960	5	992	7/18/18	\$2,150,000	\$430,000	\$433	2.7%
	Le Chateau	1111 102nd Ave NE	1967	66	652	9/28/18	\$23,439,757	\$355,148	\$545	
	Park in Bellevue	1515 Bellevue Way NE	1985	184	1,096	12/21/18	\$90,750,000	\$493,207	\$450	3.7%
	AVERAGES		1971	85	913		\$38,779,919	\$426,118	\$476	3.2%

Urban King Sales:
East Neighborhoods

NORTH
KING
p. 32

UNIVERSITY
DISTRICT
p. 17

*Lake
Washington*

KIRKLAND

405

EAST KING
p. 38

520

WEST BELLEVUE
p. 29

Avg Price Per Unit

\$474,154

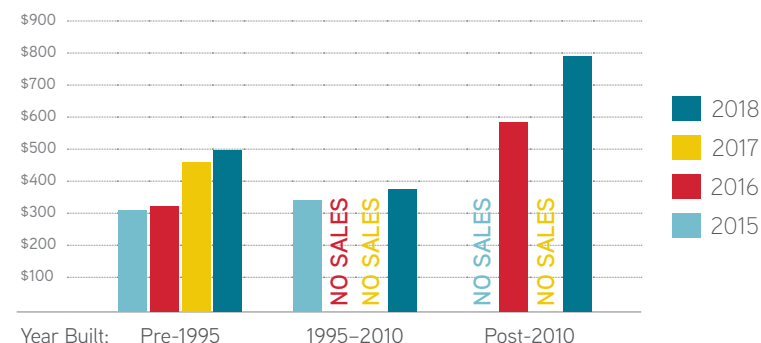
Avg Price Per SF

\$529

Avg Cap Rate

4.1%

Sales Trends — Price Per SF by Age



Similar to West Bellevue and Mercer Island, Kirkland continues to urbanize.

Urbanization brings rent growth, appreciation, and further investment. The massive redevelopment of the old Kirkland Park Place promises to propel the city's already-vibrant downtown into the future.

Previously only seen in high-rise building sales, Kirkland experienced two monster sales at over \$650,000 per unit. These sales demonstrate investors' strong desire to enter this growing and urbanizing market with a long and prosperous path ahead of it.

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
Pre-1995	Residences at 518	518 2nd St	1901	10	606	9/14/18	\$3,390,000	\$339,000	\$560	3.5%
	Avalon Kirkland	5306 Lk Washington Blvd NE	1968	131	1,344	9/23/18	\$85,454,150	\$652,322	\$485	
	Heronfield	11105 NE 123rd Ln	1990	202	930	10/1/18	\$82,900,000	\$410,396	\$441	4.5%
	AVERAGES		1953	114	960		\$57,248,050	\$467,239	\$495	4.0%
1995-2010	Luna Sol	11415 Slater Ave NE	2009	52	832	11/1/18	\$16,170,000	\$310,962	\$374	
	AVERAGES		2009	52	832		\$16,170,000	\$310,962	\$374	
Post-2010	Voda	207 Park Ln	2017	128	888	8/1/18	\$89,500,000	\$658,088	\$787	4.2%
	AVERAGES		2017	128	888		\$89,500,000	\$658,088	\$787	4.2%

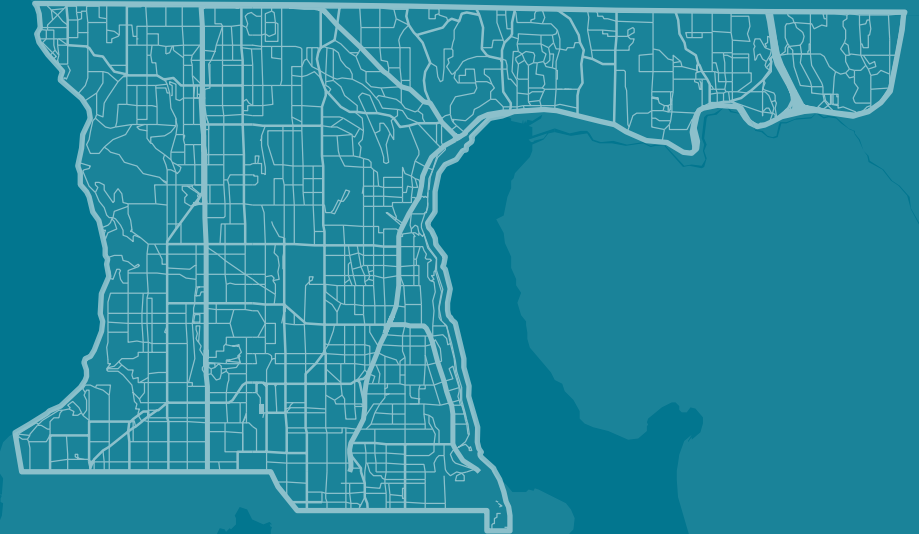
North King

Investors continued to invest in Seattle's North End — sales volume and sales prices maintained momentum, but 2018 didn't prove to be a year of ever-escalating values.

Investors Chase Urban Renters: As prices pushed cost-conscious renters out of Seattle's urban neighborhoods over the last several years, apartment investors followed. The North King market experienced strong rental-rate growth in each of the last seven years, largely due to greater affordability.

Pricing Held but Didn't Accelerate: Apartment values steadily increased in each of the last several years due to rising rental rates and falling capitalization rates, yet year-over-year capitalization rates did not further compress in 2018. The large jump in values from 2013–2017 signaled strong investor desire for North Seattle. With 31 overall sales, we can conclude that investors remain interested in North Seattle, but not interested enough to further bid down capitalization rates.

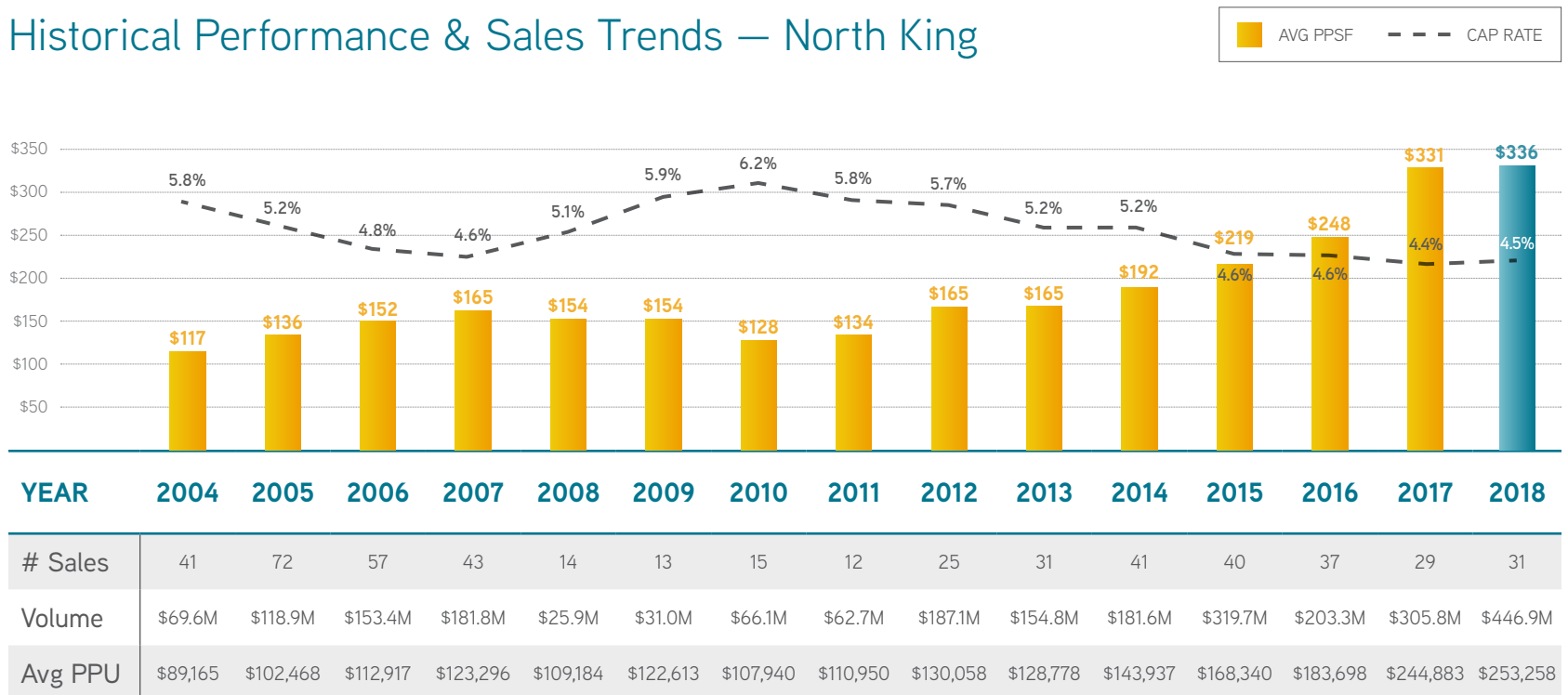
More of the Same in 2019: North King's exceptional rental-rate and apartment-value increases can be attributed to the strong growth in Seattle's urban core. As rent growth in Seattle's urban core moderates, expect fewer renters fleeing to North King. As a result, 2019 will prove a stable market, but a lack of outsized demand won't push rental rates or apartment values.



2018 Sales by Size & Age — North King

SIZE	5-50 UNITS			50+ UNITS			TOTAL
Built	Pre-1995	1995-2010	Post-2010	Pre-1995	1995-2010	Post-2010	All Ages
Total # Sales	19	5	—	3	1	3	31
Sales Volume	\$77.8M	\$25.4M	—	\$57.7M	\$173.0M	\$113.0M	\$446.9M
Avg PPSF	\$325	\$337	—	\$337	\$355	\$395	\$336
Avg PPU	\$233,161	\$281,110	—	\$267,065	\$310,036	\$301,387	\$253,258
Avg Cap Rate	4.6%	4.1%	—	4.5%	4.2%	5.7%	4.5%

Historical Performance & Sales Trends — North King



North King Sales

SOUTH
SNOHOMISH
p. 52

BOTHELL

SHORELINE

*Puget
Sound*

NORTH
SEATTLE

KIRKLAND
p. 31

EAST KING
p. 38

URBAN KING
p. 12

*Lake
Washington*

BOTHELL, SHORELINE

Avg Price Per Unit

\$252,959

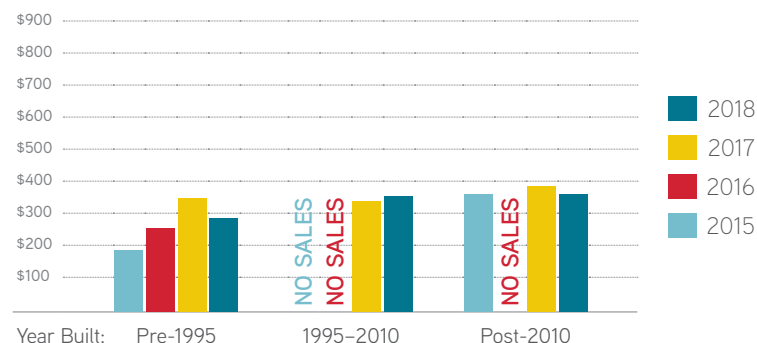
Avg Price Per SF

\$314

Avg Cap Rate

4.6%

Sales Trends — Price Per SF by Age



After years of construction and planning, 2018 saw the beginning of a new-and-improved Bothell.

Not only did Bothell's Main Street re-open, but the city was named one of the nicest cities in the United States by Reader's Digest.

Despite all of the progress thus far, there doesn't seem to be a cap on Bothell's potential as it becomes one of King County's premier urban hubs.

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
Pre-1995	Heather North	1237 NE 148th St	1986	6	991	1/10/18	\$1,713,500	\$285,583	\$288	4.9%
	16541 5th	16541 5th Ave NE	1976	10	690	2/5/18	\$1,925,000	\$192,500	\$279	
	Ballinger	19921 19th Ave NE	1985	19	652	8/27/18	\$3,896,200	\$205,063	\$315	3.9%
	Highlander House	1115 N 183rd St	1963	23	836	6/28/18	\$4,500,000	\$195,652	\$234	4.4%
	Glen Grove	10295 NE 189th St	1969	24	877	5/10/18	\$6,650,000	\$277,083	\$316	4.3%
	AVERAGES		1976	16	809		\$3,736,940	\$231,176	\$286	4.4%
1995-2010	Avana 522	18101 126th Ave NE	1997	558	874	11/1/18	\$173,000,000	\$310,036	\$355	4.2%
	AVERAGES		1997	558	874		\$173,000,000	\$310,036	\$355	4.2%
Post-2010	Sunrise 11	20015 Ballinger Way NE	2017	60	763	8/17/18	\$15,200,000	\$253,333	\$332	5.7%
	Saskia at Beardslee	19121 112th Ave NE	2018	147	776	11/30/18	\$44,750,000	\$304,422	\$392	
	AVERAGES		2018	104	770		\$29,975,000	\$278,878	\$362	5.7%

NORTH SEATTLE

Avg Price Per Unit

\$253,362

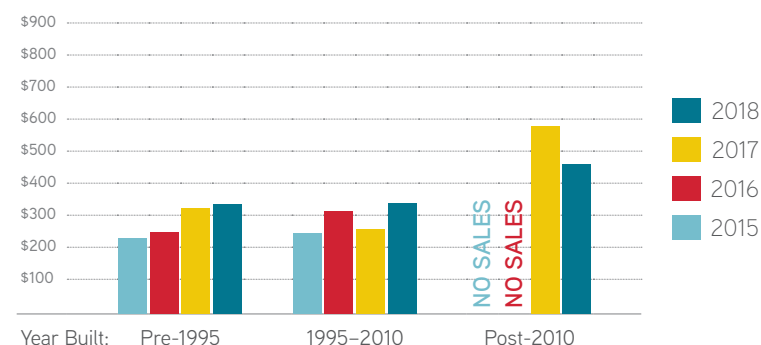
Avg Price Per SF

\$344

Avg Cap Rate

4.5%

Sales Trends — Price Per SF by Age



Urbanization continues to move north following the light rail, creating new opportunities for investment in North Seattle.

The majority of North Seattle sales in 2018 focused around two up-and-coming areas: Greenwood and Lake City. Though each have unique attributes, both areas are seeing a strong uptick in craft breweries, boutique cafés, and a younger renter base.

With a historic lack of investment, North Seattle is ripe for new development and value add. With light rail right around the corner, as well as the complete redevelopment of the Northgate Mall, North Seattle is becoming a truly urban hub.

At first glance, pricing for properties built after 2010 appears to be down \$100/NRSF year over year, but it should be noted that in 2017 there was only one sale in this category, which was an eight-unit building with units averaging 540 SF.

In 2018, this category comprised the sale of The Origin, a 153-unit property built in 2016, which sold for nearly \$350,000 per unit.



GREENWOOD INN



MOSAIC ON GREENWOOD



THE ORIGIN

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
Pre-1995	9233 Interlake	9233 Interlake Ave N	1986	5	866	5/1/18	\$1,410,000	\$282,000	\$325	3.9%
	10555 Midvale	10555 Midvale Ave N	1971	6	452	5/24/18	\$1,035,000	\$172,500	\$382	5.2%
	9050 15th	9050 15th Ave NW	1942	8	769	5/23/18	\$2,145,000	\$268,125	\$349	4.8%
	Dorlynn	8800 Nesbit Ave N	1966	8	551	5/18/18	\$1,585,000	\$198,125	\$360	4.3%
	Cedar Park 8	12529 35th Ave NE	1991	8	734	12/17/18	\$1,543,000	\$192,875	\$263	4.8%
	Dynasty Manor	1214 N 137th St	1988	12	755	8/20/18	\$2,300,000	\$191,667	\$254	5.0%
	Stratford Court	12314 32nd Ave NE	1990	15	687	8/17/18	\$3,418,500	\$227,900	\$334	4.5%
	Terra	730 N 85th St	1971	17	863	6/15/18	\$5,850,000	\$344,118	\$399	5.1%
	Greenwood Inn	9030 Greenwood Ave N	1989	22	444	5/21/18	\$4,815,000	\$218,864	\$493	4.9%
	Roosevelt Place	12527 Roosevelt Way NE	1986	23	929	1/3/18	\$6,705,400	\$291,539	\$314	4.5%
	Riviera	2727 NE 125th St	1959	24	826	4/27/18	\$4,950,000	\$206,250	\$250	4.3%
	La Romarr	10014 5th Ave NE	1967	28	711	7/2/18	\$7,100,000	\$253,571	\$357	4.0%
	Whitman	10540-44 Whitman Ave N	1989	32	581	11/27/18	\$7,185,000	\$224,531	\$387	5.0%
	45 North	13437 Greenwood Ave N	1976	45	716	5/10/18	\$9,095,500	\$202,122	\$282	4.2%
	Sierra on Greenwood	11222-44 Greenwood Ave N	1986	54	735	6/21/18	\$16,200,000	\$300,000	\$408	4.1%
1995-2010	Park 3025	3025 NE 137th St	1982	61	942	3/27/18	\$17,750,000	\$290,984	\$309	4.6%
	Sherwood	3030 NE 143rd St	1975	113	717	2/15/18	\$23,753,875	\$210,211	\$293	4.8%
	AVERAGES		1977	28	722		\$6,873,016	\$239,728	\$339	4.6%
	906 N 96th	906 N 96th St	1999	10	929	8/3/18	\$2,550,000	\$255,000	\$274	4.4%
	Ashley Manor	8221 5th Ave NE	1998	14	882	9/4/18	\$4,900,000	\$350,000	\$397	3.6%
	Harrison Heights	2113 N 107th St	1997	16	800	12/18/18	\$4,300,000	\$268,750	\$336	
	Oaklake	9527 Interlake Ave	1996	18	789	9/25/18	\$4,645,000	\$258,056	\$327	3.9%
	Mosaic on Greenwood	13543 Greenwood Ave N	1995	33	784	11/15/18	\$9,033,500	\$273,742	\$349	4.4%
	AVERAGES		1997	18	837		\$5,085,700	\$281,110	\$337	4.1%
Post-2010	The Origin	12311 32nd Ave NE	2016	153	751	5/7/18	\$53,000,000	\$346,405	\$461	*
	AVERAGES		2016	153	751		\$53,000,000	\$346,405	\$461	

*Building not stabilized at time of sale.

East King

East King remains a sweetheart market for apartment owners and investors — yet finding an opportunity to buy is almost as hard as stomaching the pricing.

Values Remain Strong: Although average values of apartment sales in East King didn't rise year over year, values more than doubled since 2011 and show no sign of slowing. Given how few buildings become available each year, East King remains a seller's market — but that dynamic will be tested in 2019.

Development Changing the Game: As apartment developers expanded their target markets over the last few years (pushing out from Seattle's urban neighborhoods), the development pipeline in East King continued to grow. What started as permits became cranes, which are now maturing into a vast swath of new units delivering. The addition of this supply is offering renters more choices and buyers more opportunities to buy, as many of these buildings will invariably come to market.

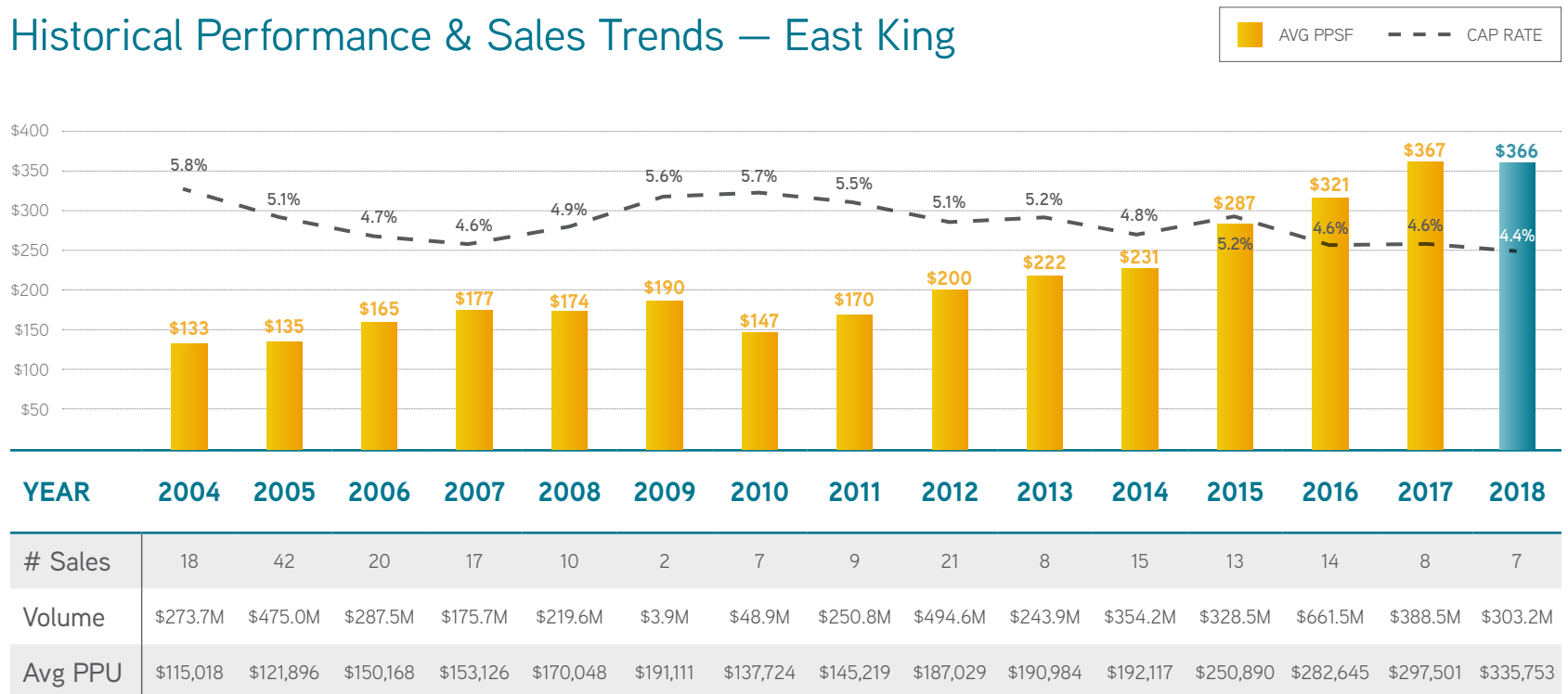
East King = San Francisco's Silicon Valley: Never has the Eastside looked more like San Francisco's Peninsula and Silicon Valley. As the light rail's East Link Extension takes shape along the Bel-Red Corridor, comparisons to the San Francisco » « Silicon Valley Caltrain are no longer strained. As we see major employers "jumping the pond" to plant roots in East King and transit offering greater connectivity to Seattle's urban soul, expect East King's long-time desirability to only increase.



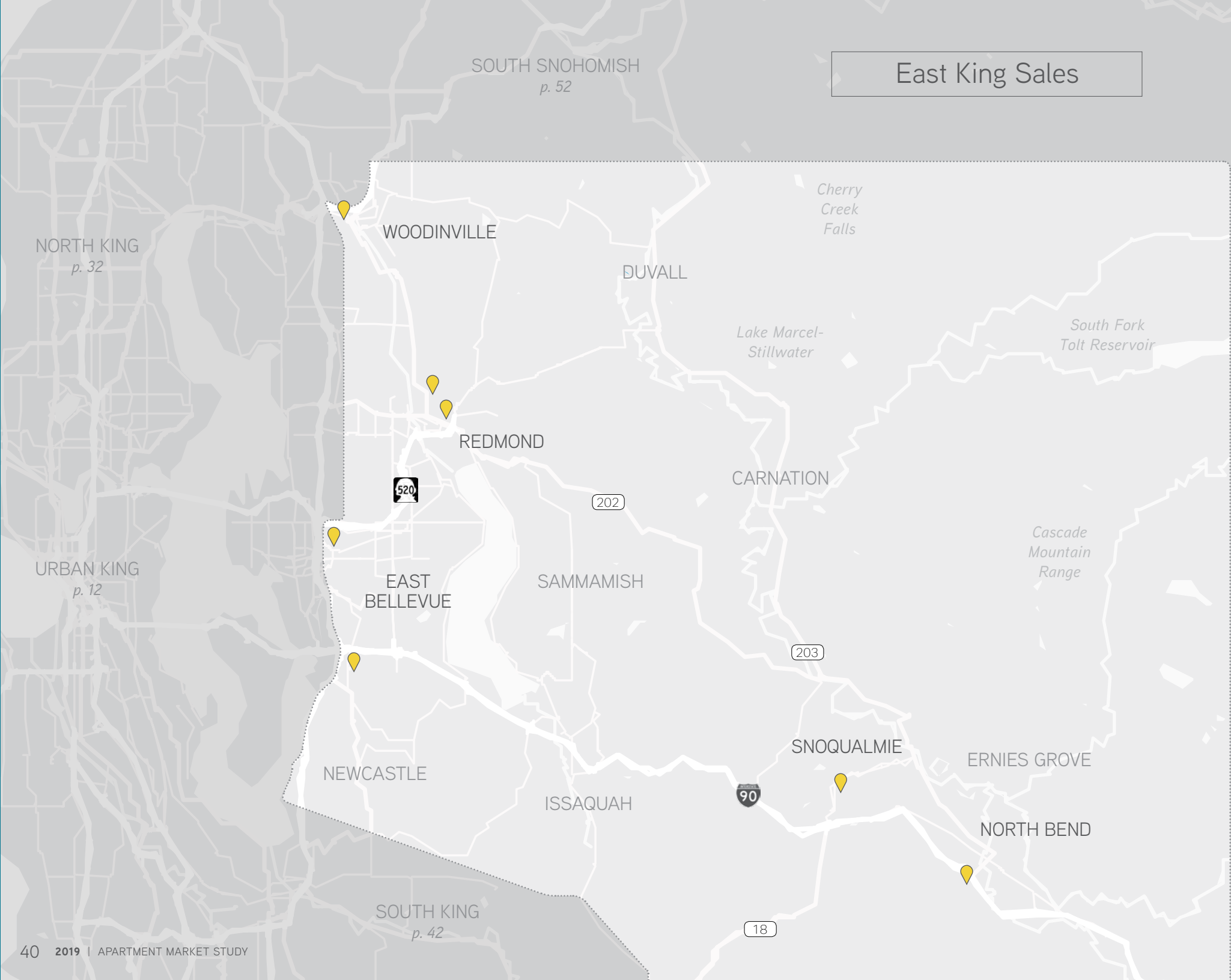
2018 Sales by Size & Age — East King

SIZE	5-50 UNITS			50+ UNITS			TOTAL
Built	Pre-1995	1995-2010	Post-2010	Pre-1995	1995-2010	Post-2010	All Ages
Total # Sales	3	1	—	—	1	2	7
Sales Volume	\$23.7M	\$7.4M	—	—	\$82.0M	\$190.0M	\$303.2M
Avg PPSF	\$341	\$392	—	—	\$279	\$436	\$366
Avg PPU	\$258,728	\$336,723	—	—	\$351,931	\$442,718	\$335,753
Avg Cap Rate	4.5%	4.6%	—	—	4.0%	4.5%	4.4%

Historical Performance & Sales Trends — East King



East King Sales



EAST KING

Avg Price Per Unit

\$335,753

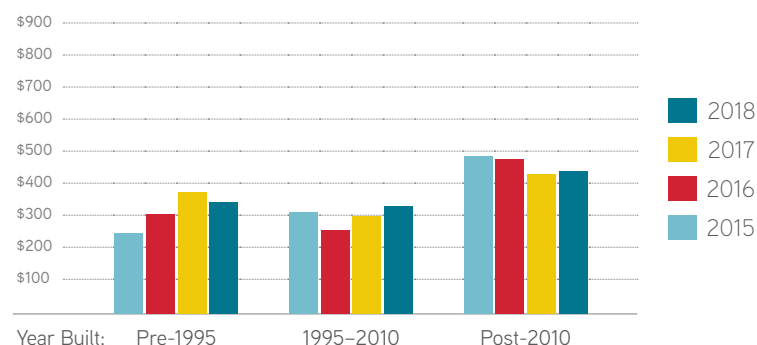
Avg Price Per SF

\$366

Avg Cap Rate

4.4%

Sales Trends — Price Per SF by Age



Microsoft and Facebook doubled down on their presence in East King, generating continued interest in this submarket for multifamily investors.

Year over year, price per square foot metrics remain relatively flat in East King, but this is largely due to the age and location of each sale. A better representation of the state of East King comes from the fact that cap rates have dropped an average of 20 basis points each year since 2014.

As tech giants like Microsoft and Facebook continue growing in Redmond, and Bellevue's Spring District is completed, we can expect East King to maintain strong interest among both institutional and private investors.

EAST BELLEVUE

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
1995-2010	Sunset Village	12839 SE 40th Pl	1998	22	860	9/10/18	\$7,420,000	\$336,723	\$392	4.6%
	AVERAGES		1998	22	860		\$7,420,000	\$336,723	\$392	4.6%
Post-2010	Sparc	1201 121st Ave NE	2017	309	821	12/6/18	\$150,000,000	\$485,437	\$592	4.0%
	AVERAGES		2017	309	821		\$150,000,000	\$485,437	\$592	4.0%

NORTH BEND / SNOQUALMIE

1995-2010	Rock Creek Ridge	1525 Rock Crk Rdg Blvd SW	1999	233	1,261	9/17/18	\$82,000,000	\$351,931	\$279	4.0%
	AVERAGES		1999	233	1,261		\$82,000,000	\$351,931	\$279	4.0%
Post-2010	The Woodlands	34626 SE Swenson Dr	2015	100	1,429	10/5/18	\$40,000,000	\$400,000	\$280	5.0%
	AVERAGES		2015	100	1,429		\$40,000,000	\$400,000	\$280	5.0%

REDMOND

Pre-1995	B & B	9110 Red-Wood Rd NE	1978	12	756	6/15/18	\$2,900,000	\$241,667	\$320	4.0%
	Townside Flats	7910 170th Pl NE	1988	39	804	4/20/18	\$13,350,000	\$342,308	\$426	4.6%
	AVERAGES		1983	26	780		\$8,125,000	\$291,988	\$373	4.3%

WOODINVILLE

Pre-1995	Eagles Ridge	12315 NE Woodinville Dr	1990	39	697	9/21/18	\$7,496,100	\$192,208	\$276	4.8%
	AVERAGES		1990	39	697		\$7,496,100	\$192,208	\$276	4.8%

South King

SOUTH KING

South King reigns supreme as the heavyweight champion of apartment sales. What the submarket lost in number of transactions, which decreased year over year, it made up for in overall sales volume and pricing.

Perfect Curves: South King has “perfect curves” — at least according to our sales price versus capitalization rate graph. The capitalization-rate curve continued to compress for the fifth year in a row while sales prices surged, buoyed by both investor demand and NOI growth fueled by higher rental rates.

Fixed Inventory: Precious little new development is occurring in South King, which offers owners the opportunity to increase rental rates and investors the chance to update finishes / amenities and further push rents. As rental rates remain about 20% below the point where new development makes sense, a fixed inventory of apartment units must meet strong renter demand — made only stronger by renters fleeing urban markets and income growth supporting higher rental rates.

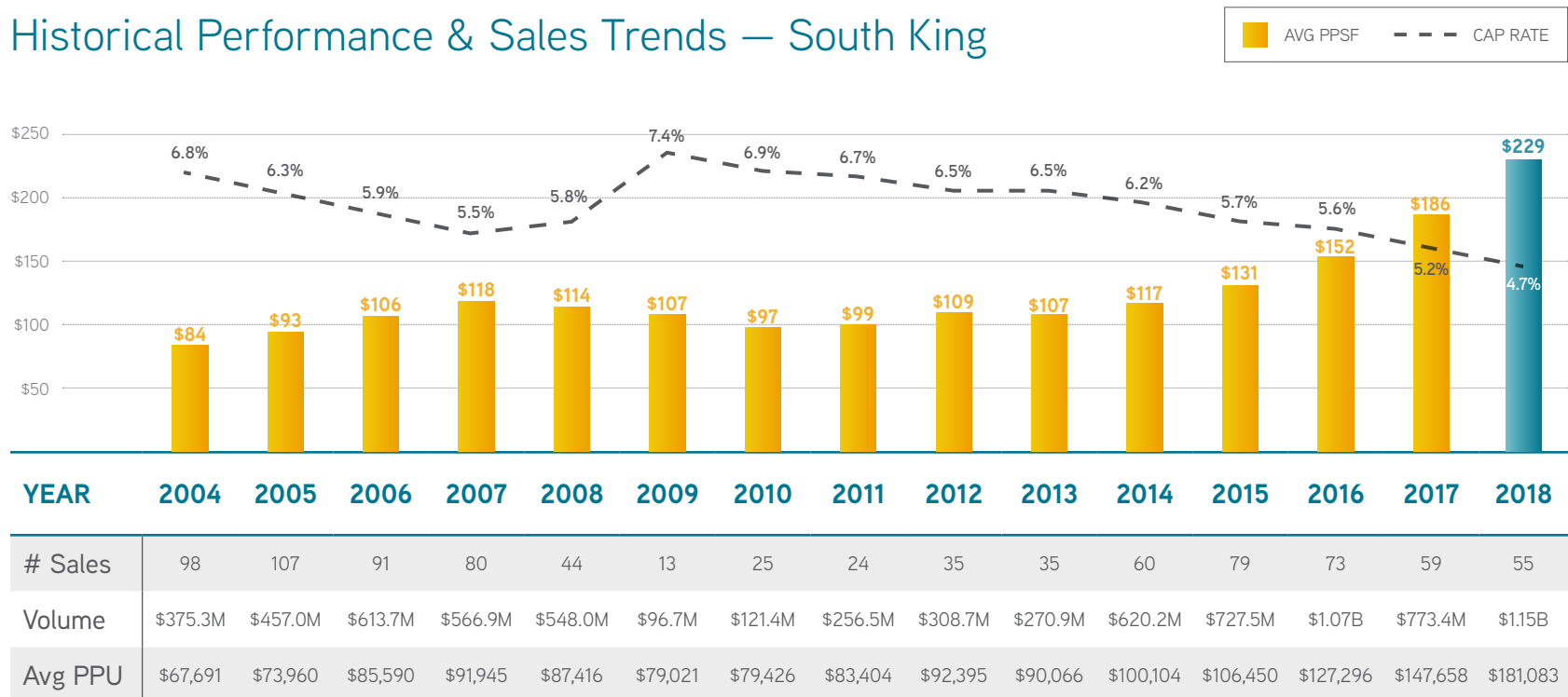
Poised with Strength: In nearly every other market in King County, some headline concern resulted in tempered expectations for either rental-rate growth or sales pricing — and likely both. Yet South King continues to demonstrate runway for growth. Although ever-increasing sales pricing would seem to eventually approach replacement cost, that goal line is moving further north as the region continues to face a labor shortage. Proximity to blue-collar, grey-collar, and white-collar employment centers alike provides a diversified renter pool comfortable with South King rental rates. Overall, expect the region to continue its strong momentum.



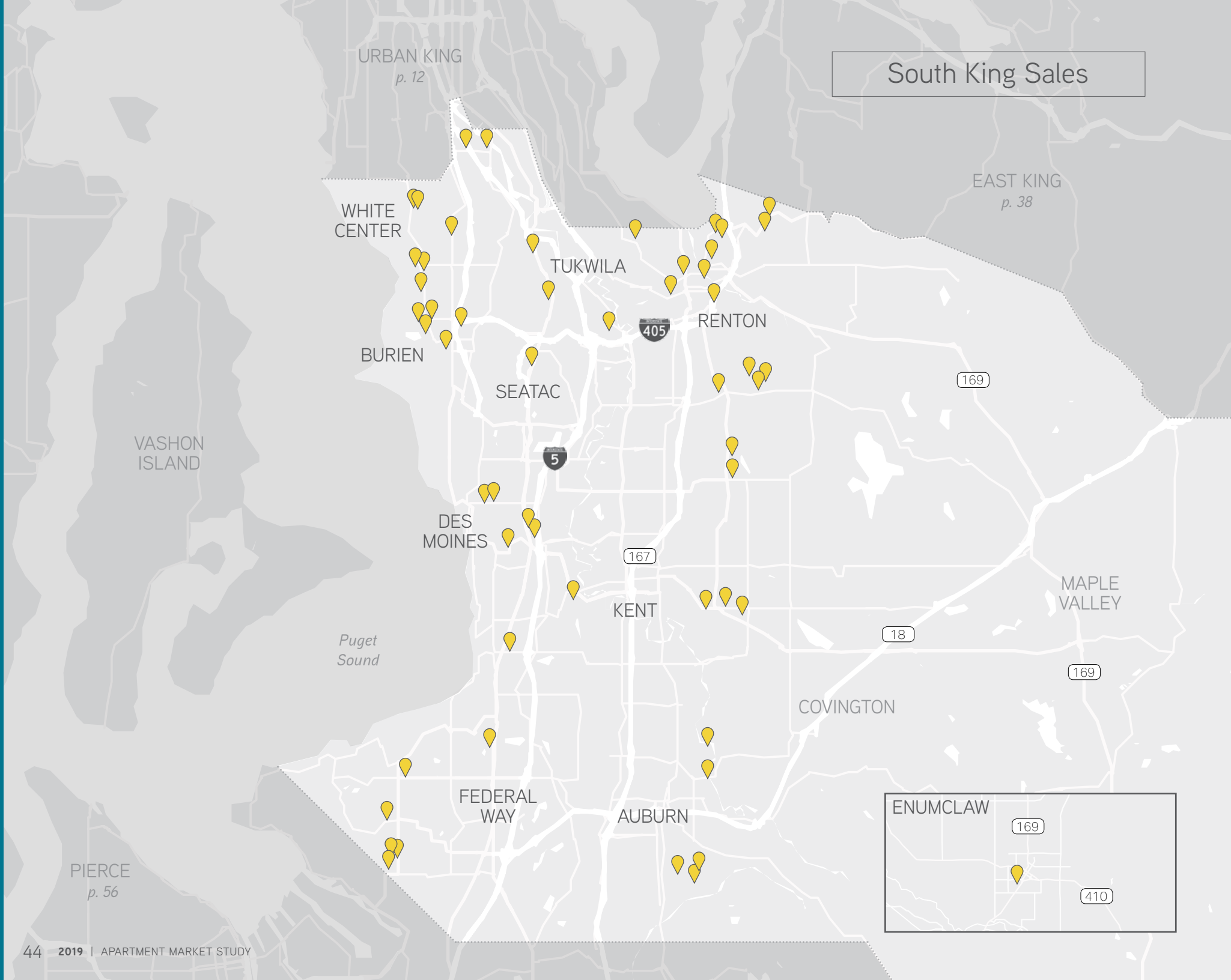
2018 Sales by Size & Age — South King

SIZE	5-50 UNITS			50+ UNITS			TOTAL
Built	Pre-1995	1995-2010	Post-2010	Pre-1995	1995-2010	Post-2010	All Ages
Total # Sales	29	1	—	19	4	2	55
Sales Volume	\$101.8M	\$2.2M	—	\$697.8M	\$325.9M	\$25.1M	\$1.15B
Avg PPSF	\$218	\$205	—	\$228	\$315	\$241	\$229
Avg PPU	\$158,800	\$179,167	—	\$188,680	\$278,160	\$238,825	\$181,083
Avg Cap Rate	4.5%	5.2%	—	4.9%	4.3%	5.0%	4.7%

Historical Performance & Sales Trends — South King



South King Sales



SOUTH KING

Avg Price Per Unit

\$181,083

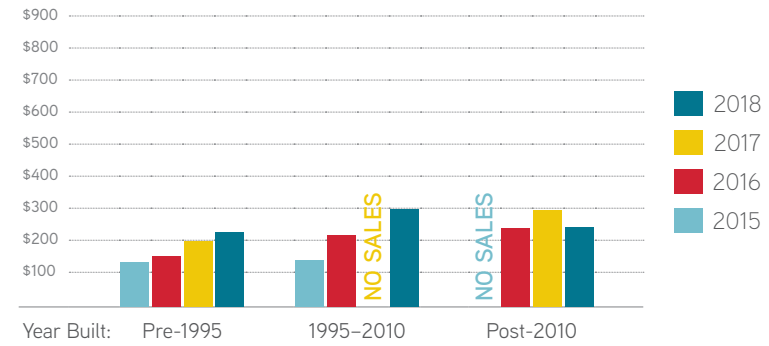
Avg Price Per SF

\$229

Avg Cap Rate

4.7%

Sales Trends — Price Per SF by Age



Pricing in South King continues to escalate as renters are willing to pay higher rental rates and buyers are willing to pay for the opportunity to own in these markets.

Each submarket is experiencing its own strata of pricing, with the northern end of South King seeing prices similar to that of Urban King. Although generally considered a blue-collar market, Renton continues to benefit from the high cost of living in both Seattle and Bellevue.

Renton's neighbors to the west, Burien and Des Moines, are experiencing similar trends. A majority of sales in these markets crested \$200/NRSF, with some newer buildings selling closer to \$400/NRSF. This pricing demonstrates solid upward-trending rental rates and sustained investor confidence in South King.

AUBURN

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
Pre-1995	Park Imperial	3030 M St SE	1968	30	894	1/10/18	\$3,900,000	\$130,000	\$145	
	Greyton Square	2802-64 F St SE	1979	32	900	6/29/18	\$4,307,225	\$134,601	\$150	5.4%
	Rivergreen Estates	1609 8th St NE	1969	36	854	4/13/18	\$4,800,000	\$133,333	\$156	4.2%
	Emerald Heights	2960 M St SE	1982	40	819	1/10/18	\$4,900,000	\$122,500	\$150	3.4%
	River's Edge	1741 22nd St NE	1976	120	931	8/15/18	\$21,350,000	\$177,917	\$191	4.8%
	AVERAGES		1975	52	879		\$7,851,445	\$139,670	\$158	4.5%

BURIEN

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
Pre-1995	Maria II	15238 10th Ave SW	1974	8	885	9/24/18	\$1,623,650	\$202,956	\$229	5.5%
	Arcadia Manor	809 SW 149th St	1989	20	675	6/29/18	\$3,400,000	\$170,000	\$252	
	The Dominique	13218 Ambaum Blvd SW	1968	30	847	4/4/18	\$4,200,000	\$140,000	\$165	6.0%
	The Royal Arms	1050 SW 151st St	1966	33	770	5/31/18	\$5,100,000	\$154,545	\$201	
	Normandy	149-59 SW 160th St	1968	36	825	9/10/18	\$5,000,000	\$138,889	\$168	2.8%
	Queensview	13011 12th Ave SW	1966	43	483	4/23/18	\$6,500,000	\$151,163	\$313	
	The Montrose	220 S 152nd St	1963	97	817	1/11/18	\$15,350,000	\$158,247	\$194	5.0%
	Alturas	1101 SW 139th St	1948	543	736	8/28/18	\$85,500,000	\$157,459	\$214	6.3%
	AVERAGES		1968	101	755		\$15,834,206	\$159,157	\$217	5.1%

SOUTH KING, CONT.

DES MOINES

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
Pre-1995	J & R	22707 30th Ave S	1962	6	780	10/26/18	\$952,950	\$158,825	\$204	4.8%
	Pacific Ridge	22855 30th Ave S	1958	9	740	7/16/18	\$1,100,000	\$122,222	\$165	5.0%
	Spinnaker Landing	21620 14th Ave S	1987	66	776	1/31/18	\$12,800,000	\$193,939	\$250	5.1%
	Regatta	1145 S 216th St	1983	86	774	1/31/18	\$16,100,000	\$187,209	\$242	5.5%
	Des Moines Station	2060 Kent Des Moines Rd	1977	95	668	4/4/18	\$17,200,000	\$181,053	\$271	5.0%
	AVERAGES		1973	52	747		\$9,630,590	\$168,650	\$226	5.1%

ENUMCLAW

Pre-1995	2054 Roosevelt	2054 Roosevelt Ave	1947	14	516	12/5/18	\$1,500,000	\$107,143	\$208	
	AVERAGES		1947	14	516		\$1,500,000	\$107,143	\$208	

FEDERAL WAY

Pre-1995	Align	35434 25th Ave SW	1991	105	1,029	4/27/18	\$20,850,000	\$198,571	\$193	4.9%
	Trellis	2120 SW 352nd St	1985	111	1,036	11/20/18	\$27,400,000	\$246,847	\$238	5.2%
	Cedardale	2501 SW 336th St	1981	126	746	12/31/18	\$24,642,500	\$195,575	\$262	5.0%
	The Union	2111 SW 352nd St	1984	244	640	3/29/18	\$35,000,000	\$143,443	\$224	5.0%
	Retreat at Maple Hill	1901 SW 320th St	1981	300	881	12/21/18	\$56,850,000	\$189,500	\$215	4.9%
	AVERAGES		1984	177	867		\$32,948,500	\$194,787	\$226	5.0%
1995-2010	Portofino	1405 S 308th St	2004	12	873	1/26/18	\$2,150,000	\$179,167	\$205	5.2%
	AVERAGES		2004	12	873		\$2,150,000	\$179,167	\$205	5.2%

KENT

Pre-1995	Country Squire	10835 SE 200th St	1967	12	435	11/28/18	\$2,060,000	\$171,667	\$395	2.5%
	The Morgan	20801 110th Ln SE	1993	18	1,258	6/28/18	\$5,950,000	\$330,556	\$263	5.5%
	Timber Heights	4822 S 252nd Pl	1966	34	785	7/30/18	\$6,087,500	\$179,044	\$228	3.2%
	The BLVD	2136 S 272nd St	1986	136	719	3/6/18	\$22,200,000	\$163,235	\$227	5.2%
	La Mirage	11239 SE 260th St	1985	216	683	7/12/18	\$32,000,000	\$148,148	\$217	3.9%
	The Row	25426 98th Ave S	1981	247	745	3/29/18	\$39,000,000	\$157,895	\$209	5.0%
	AVERAGES		1980	111	771		\$17,882,917	\$191,757	\$256	4.2%
1995-2010	Lighthouse	10710 SE 256th St	2002	76	927	2/1/18	\$16,550,000	\$217,763	\$235	4.6%
	AVERAGES		2002	76	927		\$16,550,000	\$217,763	\$235	4.6%



LA MIRAGE



BEVERLY HILLS



TAYLOR CREEK



RENTON

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
Pre-1995	16935 116th	16935 116th Ave SE	1970	8	727	11/12/18	\$1,260,000	\$157,500	\$217	4.3%
	816 N 4th	816 N 4th St	1968	10	590	3/29/18	\$1,570,000	\$157,000	\$266	4.1%
	Chalet	606 Mill Ave S	1962	20	672	6/16/18	\$3,500,000	\$175,000	\$260	4.8%
	Nacelle	51 Hayes Pl SW	1968	20	774	12/7/18	\$3,495,000	\$174,750	\$226	
	Highlander	1064 Kirkland Ave NE	1966	30	774	6/28/18	\$4,702,000	\$156,733	\$202	
	Sunset View	3030 NE 10th St	1967	32	978	6/28/18	\$5,905,000	\$184,531	\$189	
	Becket	12000 SE Petrovitsky Rd	1989	260	878	6/15/18	\$58,700,000	\$225,769	\$257	4.1%
	Alaire Apt Homes	510 Stevens Ave SW	1988	357	1,076	10/4/18	\$97,321,500	\$272,609	\$253	4.7%
	Grammercy	17425 120th Ln SE	1980	382	910	12/21/18	\$87,150,000	\$228,141	\$251	5.0%
	AVERAGES		1973	124	820		\$29,289,278	\$192,448	\$236	4.5%
1995-2010	95 Burnett	95 Burnett Ave S	2007	106	826	10/30/18	\$26,800,000	\$252,830	\$306	4.6%
	The Sanctuary	1201 N 10th Pl	2007	440	851	9/28/18	\$139,500,000	\$317,045	\$373	3.8%
	Griffis Lake Wa.	1202 N 10th Pl	2009	440	938	9/25/18	\$143,000,000	\$325,000	\$346	4.1%
	AVERAGES		2008	329	872		\$103,100,000	\$298,292	\$342	4.2%
Post-2010	Redtown	10436 SE Carr Rd	2012	52	1,048	1/30/18	\$11,985,000	\$230,481	\$220	4.9%
	Taylor Creek	7050 S 116th Pl	2017	53	943	2/21/18	\$13,100,000	\$247,170	\$262	5.0%
	AVERAGES		2015	53	996		\$12,542,500	\$238,825	\$241	5.0%

SEATAC

Pre-1995	Totem	16652 31st Ave S	1977	12	844	6/14/18	\$2,300,000	\$191,667	\$227	5.7%
	AVERAGES		1977	12	844		\$2,300,000	\$191,667	\$227	5.7%

TUKWILA

Pre-1995	Beverly Hills	12437 Tukwila Intl Blvd	1946	12	528	5/18/18	\$1,500,000	\$125,000	\$237	
	Ridge Place	3729 S 142nd St	1968	14	644	1/5/18	\$1,797,900	\$128,421	\$199	5.6%
	South Crest	1201 S Cloverdale St	1957	20	552	6/29/18	\$3,200,000	\$160,000	\$290	4.5%
	Terra Tukwila	6206 S 153rd St	1966	55	919	9/10/18	\$9,172,500	\$166,773	\$181	3.9%
	AVERAGES		1959	25	661		\$3,917,600	\$145,048	\$227	4.7%

WHITE CENTER

Pre-1995	Cloverdale	530 S Cloverdale St	1967	15	648	1/12/18	\$1,915,000	\$127,667	\$197	4.5%
	Burien Manor	11822 1st Ave S	1988	20	822	10/25/18	\$2,998,000	\$149,900	\$182	4.0%
	Windemere Estates	10746 16th Ave SW	1968	37	727	12/10/18	\$6,275,000	\$169,595	\$233	
	The Avenues	10765 14th Ave SW	1989	100	803	8/24/18	\$19,258,000	\$192,580	\$240	4.8%
	AVERAGES		1978	43	750		\$7,611,500	\$159,936	\$213	4.4%

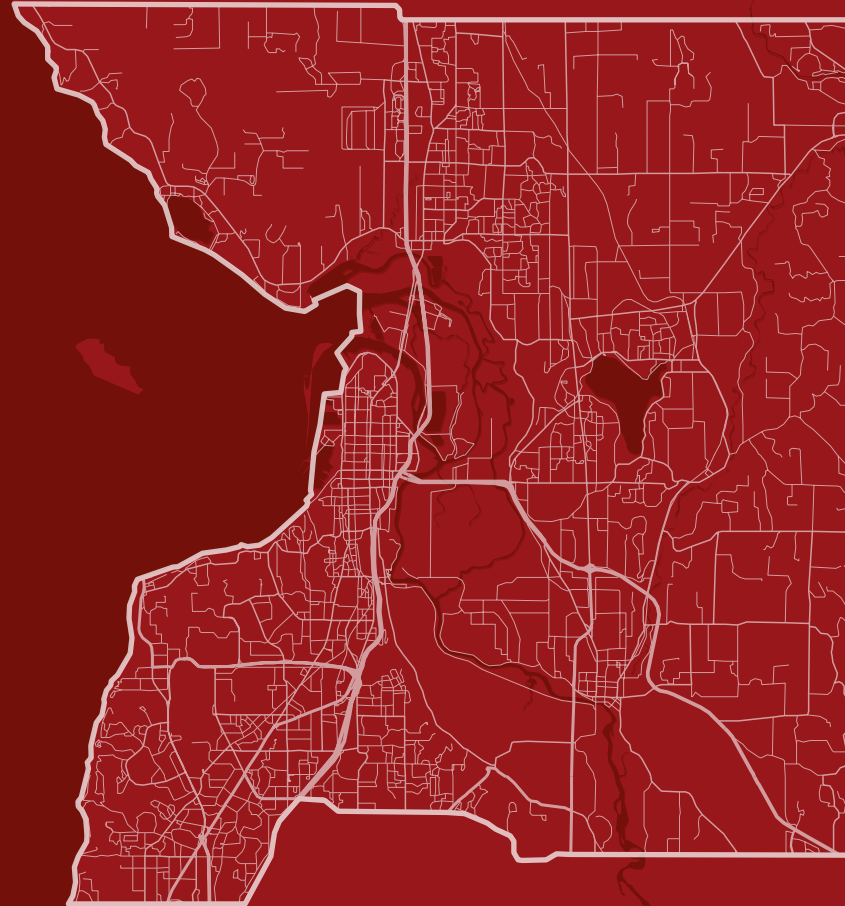
North Snohomish

Investors take a measured approach in North Snohomish, demonstrated by capitalization rates and pricing remaining at near equilibrium over the past three years. Sales volume in 2018 dropped significantly since a peak in 2016 as buyers and sellers work cautiously to complete transactions.

Supply / Demand Equilibrium: North Snohomish experienced banner rental-rate growth from 2015–2017 — growth that began to taper in 2018. Fewer renters pushed out from King County and South Snohomish to North Snohomish, making it harder for owners to raise rental rates while maintaining occupancy.

Apartment Values Holding: In previous market cycles, when the overall Puget Sound market slowed, North Snohomish experienced the sharpest declines. Due to the health of the overall market, apartment values in North Snohomish continue to hold. Expect that in 2019 the market will not experience huge appreciation, nor much in the way of depreciation. Values remain below replacement cost, offering investors a safe bet for the long term, yet the market needs additional maturation in order to see acceleration in values.

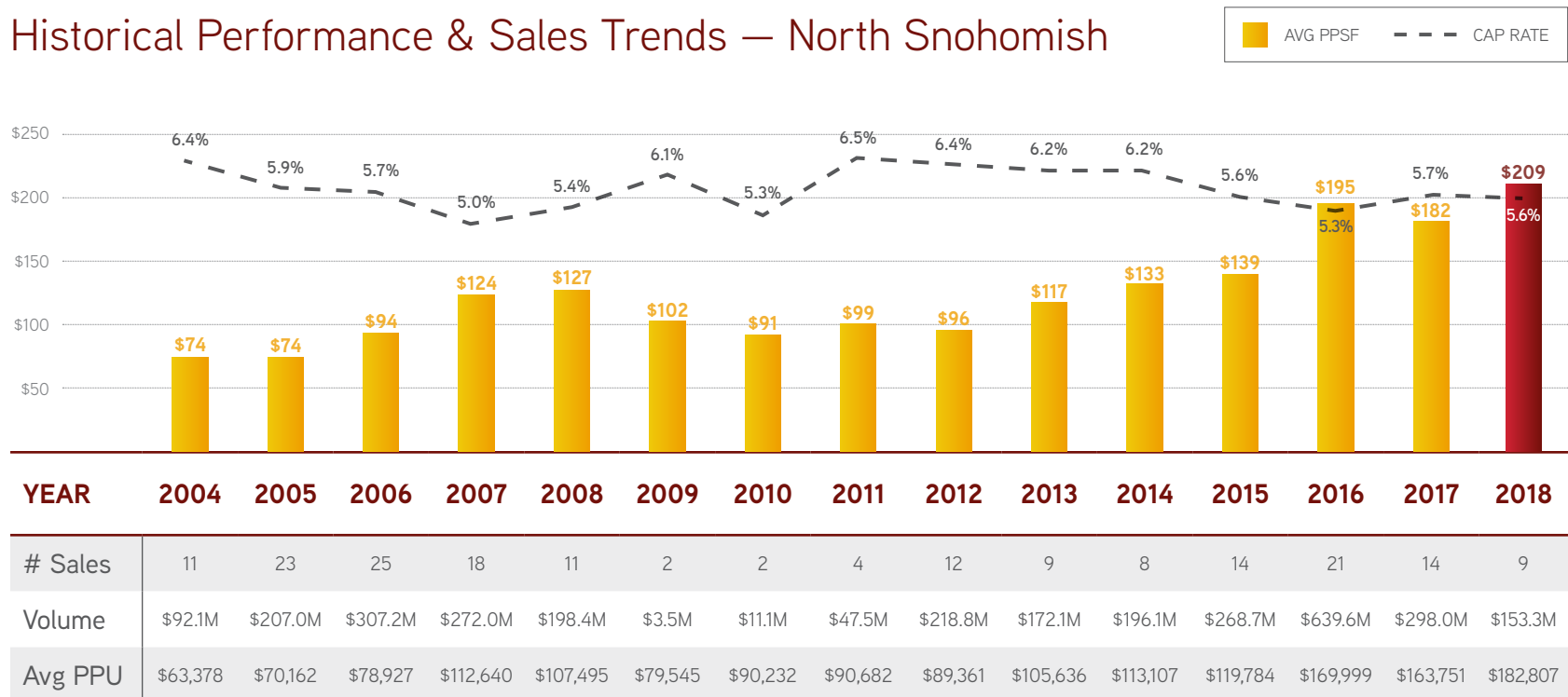
New Development Geographically Focused: As developers forecast the urbanization of downtown Everett, expect few other North Snohomish markets outside of Everett to face competition from new deliveries. As a result, apartment inventory levels in North Snohomish will not change much until the next market cycle, allowing existing inventories to maintain healthy competition in the battle to achieve rental-rate growth while maintaining occupancy.



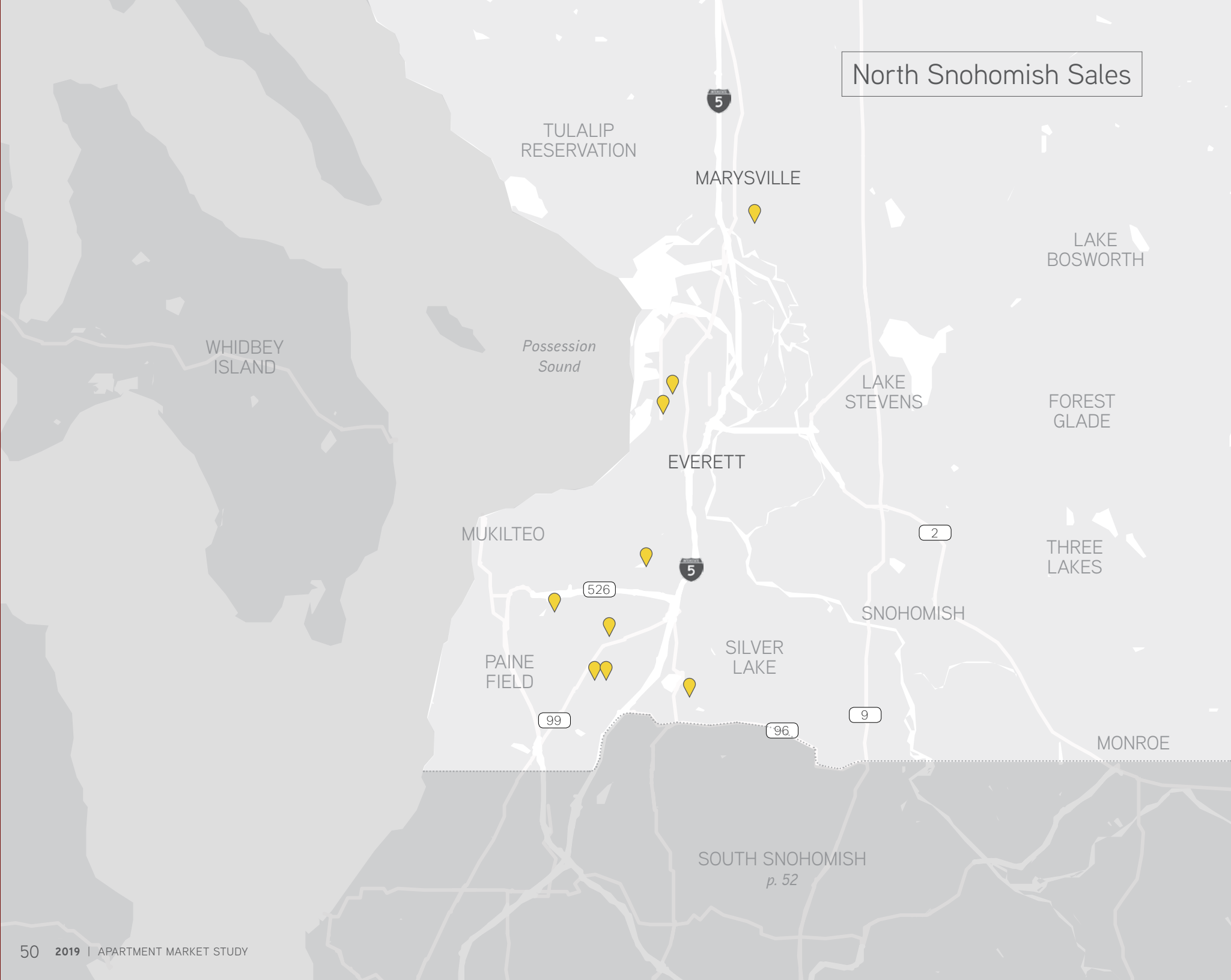
2018 Sales by Size & Age — North Snohomish

SIZE	20+ UNITS			TOTAL
Built	Pre-1995	1995–2010	Post-2010	All Ages
Total # Sales	7	2	—	9
Sales Volume	\$124.5M	\$28.8M	—	\$153.3M
Avg PPSF	\$196	\$257	—	\$209
Avg PPU	\$160,857	\$259,630	—	\$182,807
Avg Cap Rate	5.5%	5.9%	—	5.6%

Historical Performance & Sales Trends — North Snohomish



North Snohomish Sales



NORTH SNOHOMISH

Avg Price Per Unit

\$182,807

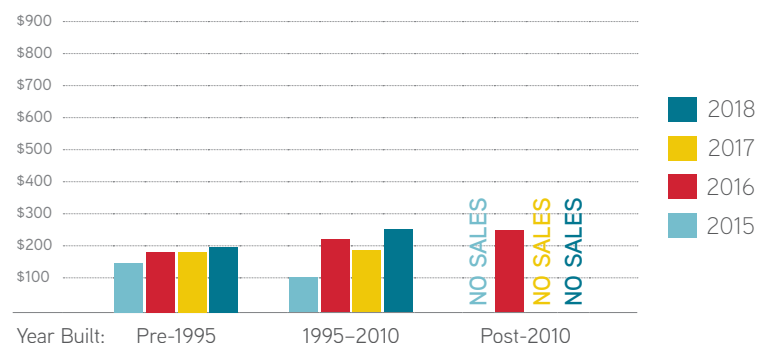
Avg Price Per SF

\$209

Avg Cap Rate

5.6%

Sales Trends — Price Per SF by Age



Pricing on a per-unit and per-square-foot basis remained consistent for the last three years, demonstrating that buyers are waiting out deals to find strong-yield plays.

For the last decade, North Snohomish has experienced approximately 10 sales per year; therefore, sales metrics leave a bit to be desired in order to understand dynamics.

Investor confidence in North Snohomish remains strong, yet few factors are leading to acceleration of pricing in the market. Expect investors to continue buying into this “blue chip” of a “blue-collar” market and, as a result, pricing to remain strong yet affordable for renters and investors alike.

EVERETT

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
Pre-1995	Heritage Manor	2501 Colby Ave	1908	22	689	11/13/18	\$3,200,000	\$145,455	\$211	5.0%
	Lakeside	747 75th St SE	1969	45	1,210	12/28/18	\$6,400,000	\$142,222	\$118	
	Brentwood Park	10012 4th Ave W	1973	53	675	9/18/18	\$6,325,000	\$119,340	\$177	
	Timberline Court	1020 112th St SW	1986	126	849	10/22/18	\$21,000,000	\$166,667	\$196	
	CentrePointe Greens	8600 18th Ave W	1990	186	827	10/22/18	\$35,600,000	\$191,398	\$231	
	Silverlake	12115 19th Ave SE	1989	204	946	1/31/18	\$47,054,000	\$230,657	\$244	6.0%
	AVERAGES		1969	106	866		\$19,929,833	\$165,956	\$196	5.5%
1995-2010	Ormonde Gate	1221 113th St SW	2008	20	1,590	10/9/18	\$6,200,000	\$310,000	\$195	
	Lumen	1315 Pacific Ave	2010	108	656	11/15/18	\$22,600,000	\$209,259	\$319	5.9%
	AVERAGES		2009	64	1,123		\$14,400,000	\$259,630	\$257	5.9%

MARYSVILLE

Pre-1995	The Marysville	1830-1928 1st St	1969	38	672	12/19/18	\$4,950,000	\$130,263	\$194	
	AVERAGES		1969	38	672		\$4,950,000	\$130,263	\$194	

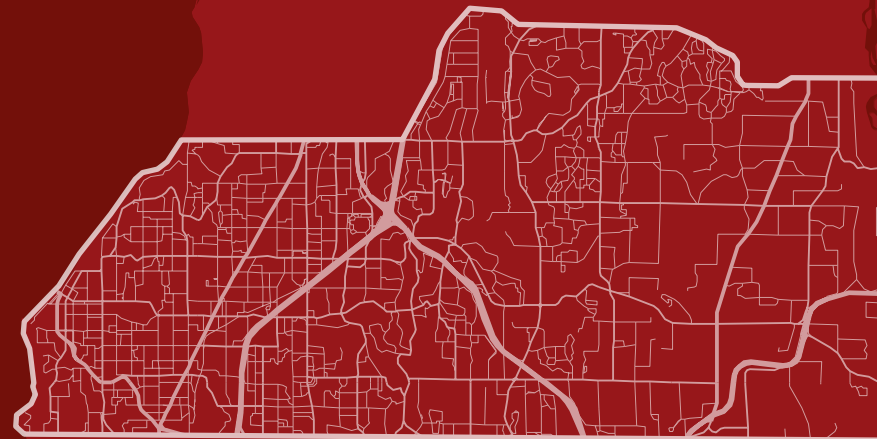
South Snohomish

South Snohomish is developing some of the best attributes of East King and South King combined. Renters with growing affluence, proximity and accessibility to multiple job centers, and the emergence of great retail collectively make South Snohomish an exciting market to watch.

Capitalization Rates Compress: Few markets can boast the capitalization rate compression experienced by South Snohomish in 2018. Although there were only five sales from which to measure investor demand, an average capitalization rate of 4.4% demonstrates investor confidence in the market, now and into the future. With the combination of renter demand continuing to push rental rates and newly-built apartments setting higher prices / lower capitalization rates, South Snohomish is expected to continue performing well through 2019 for both owners and sellers.

Buyers Prepare for the Future: South Snohomish's previous claims to fame were great freeway access and the Alderwood Mall in Lynnwood, and now both the transit and retail stories have much longer legs. The light rail's Lynnwood Link Extension is providing a vision for the future of transit, and high-quality markets such as Edmonds and Mill Creek are offering affluent renters great neighborhoods, retail, and schools — all of which are making South Snohomish an attractive alternative to the now-way-too-pricey Bellevue.

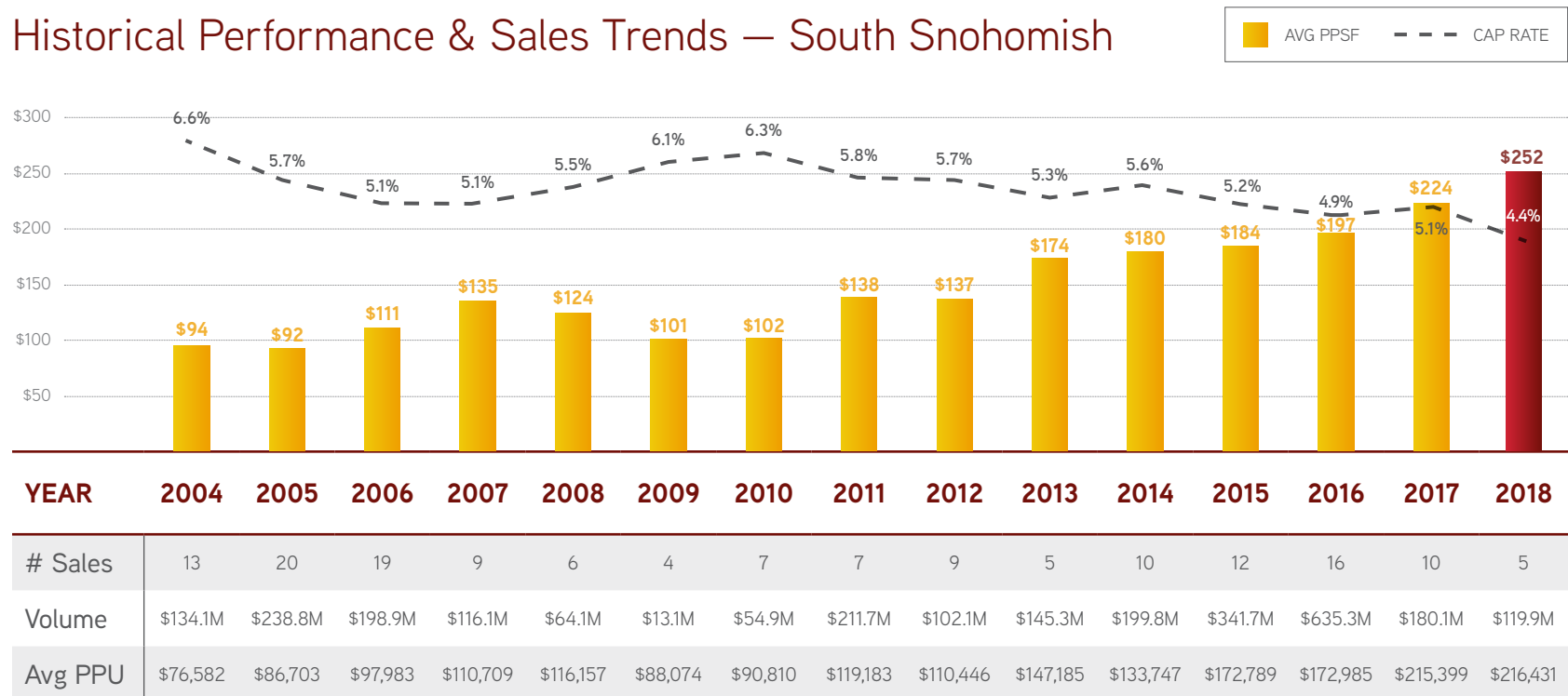
Renters Love It: For renters, South Snohomish provides a great in-the-middle solution to expensive Seattle / Bellevue and still-a-bit-“sleepy” Everett. Its great location appealed to developers early this cycle, and as a result nearly 3,000 new apartment units were added across South Snohomish. Renters, fleeing Seattle's expensive urban neighborhoods, found great new and refurbished apartment communities across South Snohomish — and were willing to pay a premium to stay close to urban job centers and avoid moving too far north.



2018 Sales by Size & Age — South Snohomish

SIZE	20+ UNITS			TOTAL
Built	Pre-1995	1995–2010	Post-2010	All Ages
Total # Sales	4	1	—	5
Sales Volume	\$80.9M	\$39.0M	—	\$119.9M
Avg PPSF	\$242	\$291	—	\$252
Avg PPU	\$200,394	\$280,576	—	\$216,431
Avg Cap Rate	4.5%	4.3%	—	4.4%

Historical Performance & Sales Trends — South Snohomish



South Snohomish Sales

Puget Sound

NORTH SNOHOMISH
p. 48

MILL CREEK

CATHCART

MARTHA LAKE

NORTH CREEK

MALTBY

BOTHELL

MOUNTLAKE TERRACE

LYNNWOOD

EDMONDS

NORTH KING
p. 32

99

5

405

SOUTH SNOHOMISH

Avg Price Per Unit

\$216,431

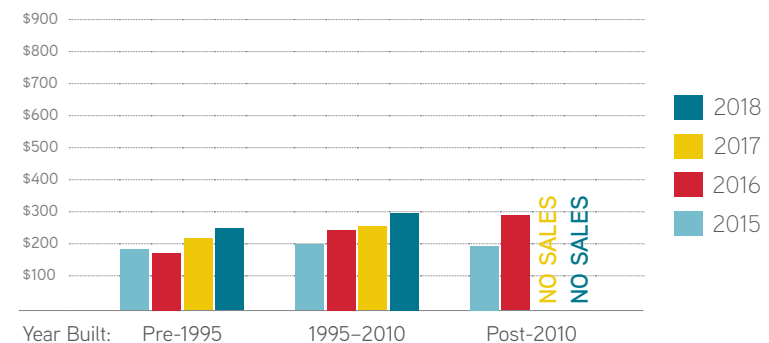
Avg Price Per SF

\$252

Avg Cap Rate

4.4%

Sales Trends — Price Per SF by Age



Though the total number of transactions declined, South Snohomish experienced strong growth in 2018.

Cap rates fell 70 basis points as investors were hungry to break into this market, despite the lack of supply.

With the light rail's Lynnwood Link Extension scheduled for completion in 2024, easy accessibility to both Seattle and the Eastside, as well as proximity to Boeing, will keep South Snohomish fundamentals strong for years to come.

LYNNWOOD

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
Pre-1995	Cedar Ridge	1805 Filbert Rd	1968	48	663	9/7/18	\$7,950,000	\$165,625	\$250	4.3%
	Highlander	16101 36th Ave W	1979	64	762	11/26/18	\$10,560,000	\$165,000	\$217	4.0%
	Bradford Park	16604 48th Ave W	1989	100	946	8/30/18	\$24,625,000	\$246,250	\$260	4.7%
	Collins Junction	4727 200th St SW	1969	168	931	8/28/18	\$37,750,000	\$224,702	\$241	4.8%
	AVERAGES		1976	95	826		\$20,221,250	\$200,394	\$242	4.5%

MILL CREEK

1995-2010	Monterra	13401 Dumas Rd	2004	139	965	1/11/18	\$39,000,000	\$280,576	\$291	4.3%
	AVERAGES		2004	139	965		\$39,000,000	\$280,576	\$291	4.3%

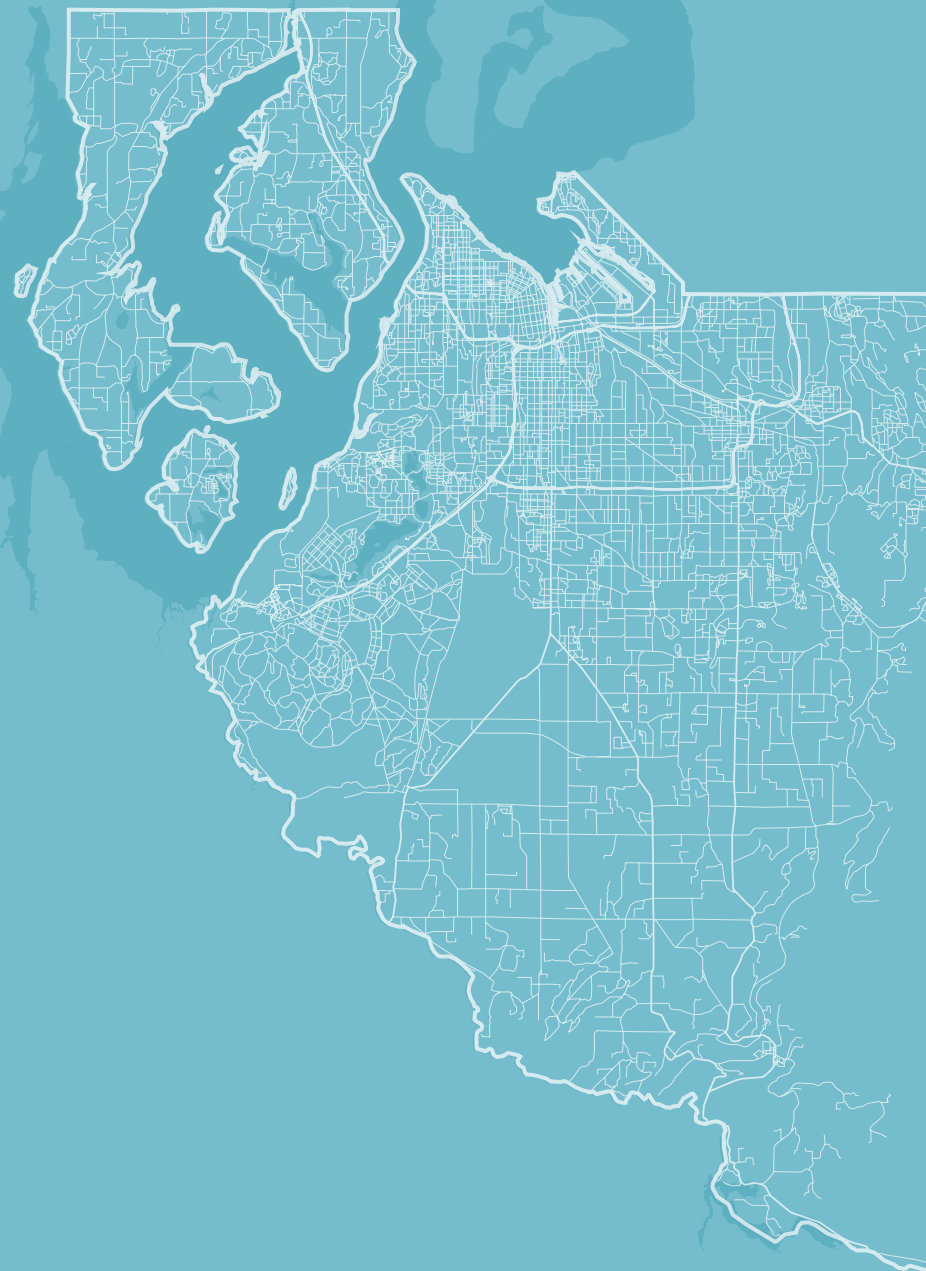
Pierce

Our reason for covering Pierce County in this latest research is simple — we’re chasing renters and investors, both of whom flocked to Pierce County in the last few years chasing opportunity!

Massive Value Growth: Apartment pricing in Pierce County surged this decade. Based on price per square foot, average pricing from 2010 to 2018 grew by 270%. Transaction volume grew to 20 sales in 2018 — the second-highest reported number of sales in the last 15 years. On average, pricing remains well below replacement cost and capitalization rates still offer handsome returns.

Playing the Cycle: Since the peak of the apartment market cycle in 2015, apartment investors continue to search for return on investment. As more investors sought opportunities in South King and North Snohomish, returns were bid down by competition, naturally leading investors further south. By all accounts, the current expansion cycle is long in the tooth, yet investors that see value in owning at a low-cost basis continue to find opportunities to buy in Pierce County.

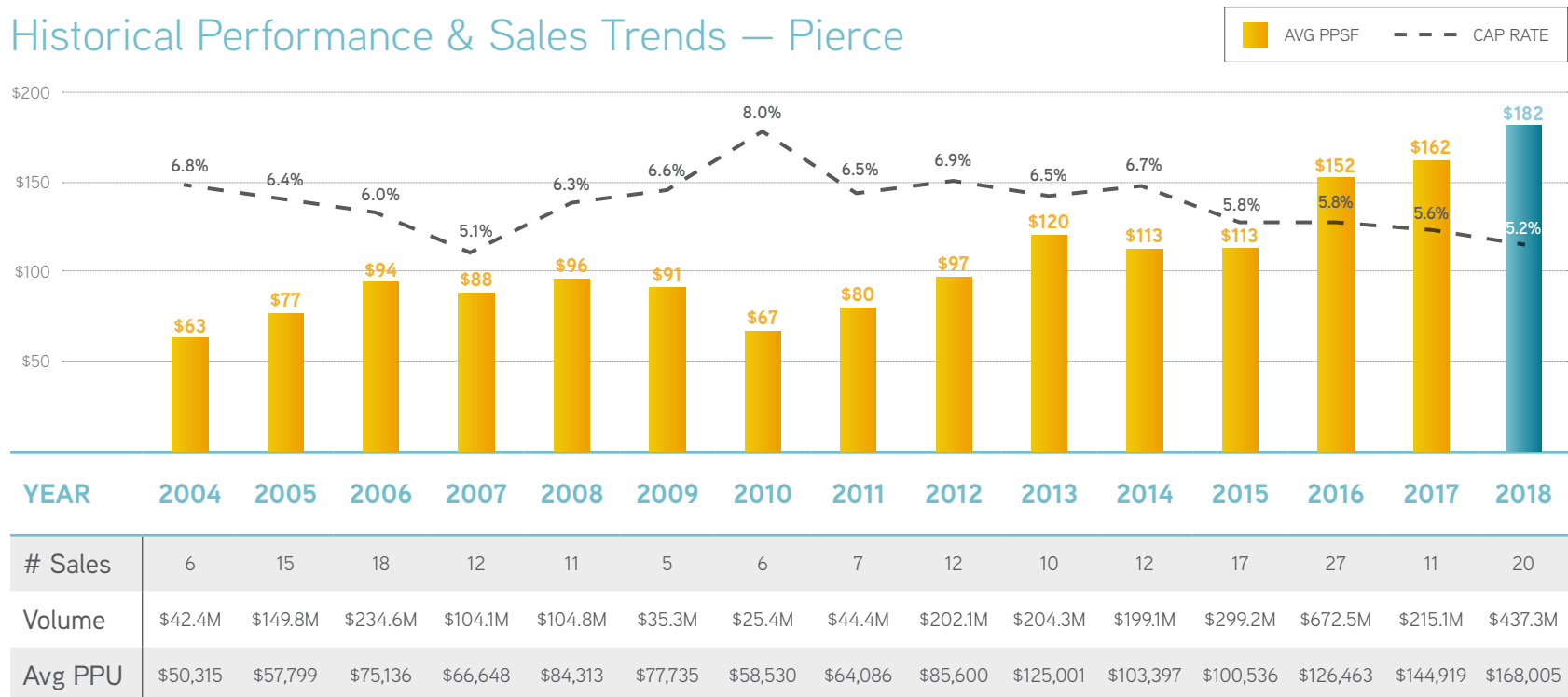
What to Watch: Growing investor demand in Pierce County continues to push pricing upward, closer to pricing found in South King and North Snohomish. Both job growth and income growth in Tacoma and surrounding markets make rental-rate increases viable, yet a slow in this growth can quickly impact renters’ ability to pay ever-increasing rental rates. A fine balance exists when buying in more affordable markets, with the possibility of tipping the scales so that those markets lose their “affordable” edge.

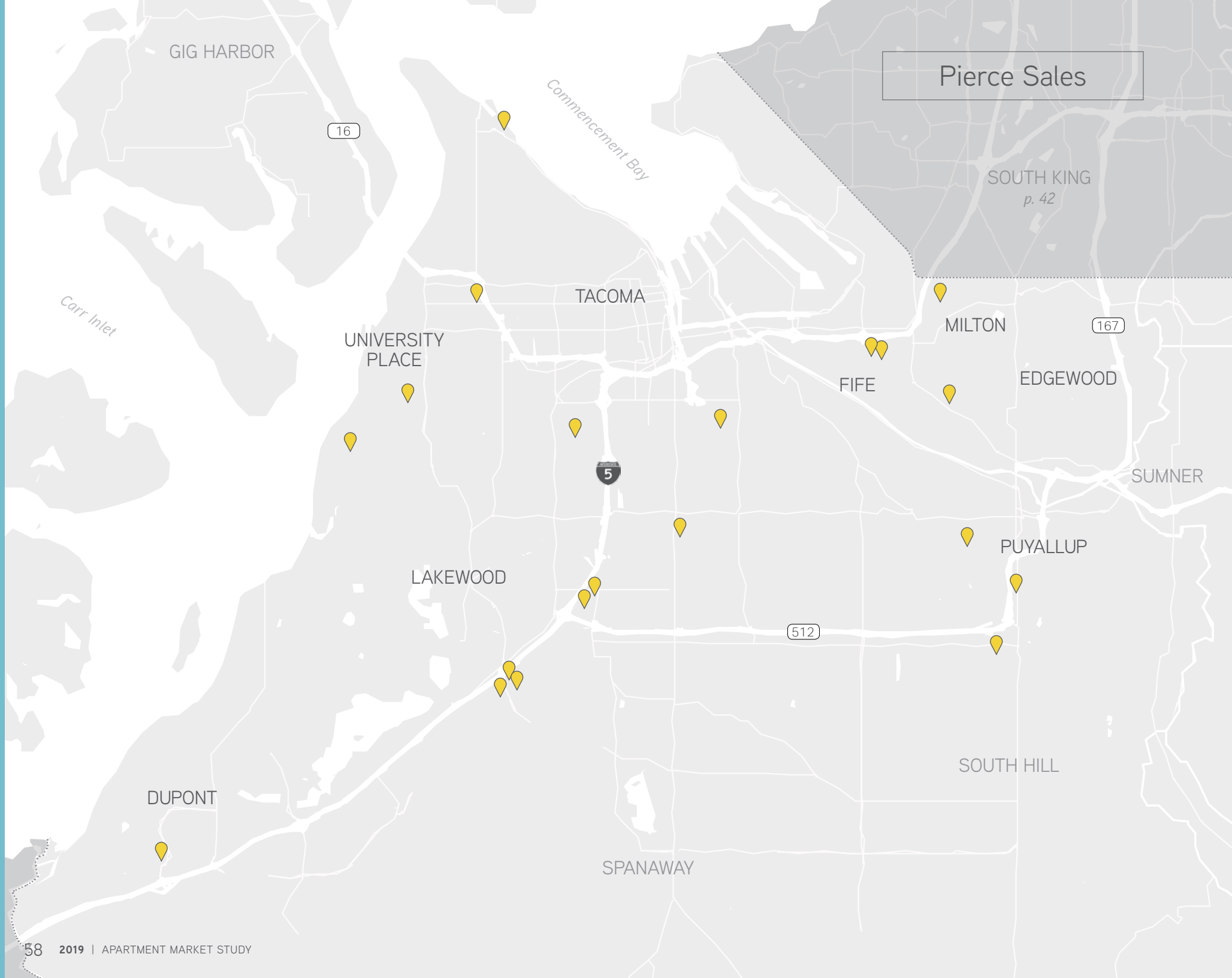


2018 Sales by Size & Age — Pierce

SIZE	50+ UNITS			TOTAL
Built	Pre-1995	1995–2010	Post-2010	All Ages
Total # Sales	12	5	3	20
Sales Volume	\$212.4M	\$110.0M	\$115.0M	\$437.3M
Avg PPSF	\$155	\$205	\$256	\$182
Avg PPU	\$117,140	\$207,410	\$305,795	\$168,005
Avg Cap Rate	5.3%	5.4%	4.9%	5.2%

Historical Performance & Sales Trends — Pierce





PIERCE

Avg Price Per Unit

\$168,005

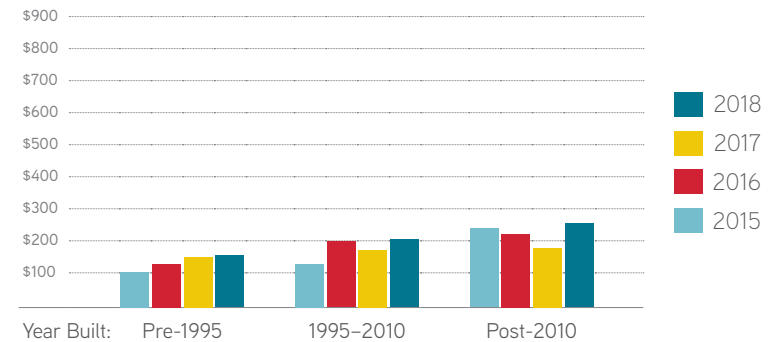
Avg Price Per SF

\$182

Avg Cap Rate

5.2%

Sales Trends — Price Per SF by Age



The forward momentum does not show any signs of slowing down in Pierce County.

As Tacoma continues to grow, numerous large, urban-infill developments are set to transform the city. These projects, from the Point Ruston master-planned community to the Downtown Tacoma Brewery Blocks, would fit right in to urban Seattle.

Much of Pierce county is suburban in nature, but the growing renaissance of Tacoma has the potential to shape the entire county in the way that Seattle's runaway growth has caused an explosion of development and rising rental rates in the North and East King suburbs.

DUPONT

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
1995-2010	Clock Tower Village	1584 McNeil St	1997	188	1,033	5/2/18	\$46,606,000	\$248,404	\$240	6.0%
	AVERAGES		1997	188	1,033		\$46,606,000	\$248,404	\$240	6.0%

EDGEWOOD

Pre-1995	Cherrywood Village	4101 Cherrywood Ln	1976	79	429	6/18/18	\$4,300,000	\$54,430	\$127	
	AVERAGES		1976	79	429		\$4,300,000	\$54,430	\$127	

FIFE

Pre-1995	Pointe East	2524 62nd Ave E	1986	124	856	7/13/18	\$21,000,000	\$169,355	\$198	5.5%
	Rainier Pointe	6643 20th St E	1986	241	745	4/26/18	\$39,500,000	\$163,900	\$220	4.8%
	AVERAGES		1986	183	800		\$30,250,000	\$166,628	\$209	5.2%

LAKEWOOD

Pre-1995	Eastwood	5304 Chicago Ave SW	1969	56	775	1/23/18	\$4,730,000	\$83,304	\$109	6.0%
	Sandman IV	10102 Sales Rd S	1964	78	694	7/26/18	\$6,823,000	\$87,474	\$126	5.6%
	Springtree	4810 127th St Ct SW	1980	95	868	10/31/18	\$8,825,000	\$92,895	\$107	
	The James	4828 123rd St SW	1976	144	731	8/28/18	\$18,050,000	\$125,347	\$171	6.0%
	AVERAGES		1972	93	767		\$9,607,000	\$97,255	\$128	5.9%

PIERCE, CONT.

MILTON

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
1995-2010	Copper Creek	102 5th Ave	2000	181	931	10/17/18	\$35,400,000	\$195,580	\$210	4.4%
	AVERAGES		2000	181	931		\$35,400,000	\$195,580	\$210	4.4%

PUYALLUP

1995-2010	The Heights	102 23rd Ave SW	2002	106	943	5/1/18	\$19,500,000	\$183,962	\$195	4.9%
	Willow Springs	608 39th Ave SW	1996	154	939	1/31/18	\$33,800,000	\$219,481	\$242	5.0%
	AVERAGES		1999	130	941		\$26,650,000	\$201,721	\$218	5.0%

TACOMA

Pre-1995	Tiki	1111 S Highland Ave	1965	62	567	4/4/18	\$5,200,000	\$83,871	\$148	2.9%
	Astoria	5700 23rd St E	1982	125	742	6/11/18	\$18,000,000	\$144,000	\$194	5.7%
	The Drake	2220 97th St S	1994	396	1,034	8/7/18	\$29,880,000	\$75,265	\$73	6.0%
	AVERAGES		1980	194	781		\$17,693,333	\$101,045	\$138	4.9%
1995-2010	Pine St Townhomes	2901 S 45th St	2008	53	1,311	1/31/18	\$10,050,000	\$189,623	\$139	6.6%
	AVERAGES		2008	53	1,311		\$10,050,000	\$189,623	\$139	6.6%
Post-2010	Macintosh Court	7637 Pacific Ave	2017	93	760	2/28/18	\$13,755,165	\$147,905	\$195	4.8%
	Century	5105 Grand Lp	2016	95	1,967	10/1/18	\$39,250,000	\$413,158	\$210	5.0%
	The Copperline	5005 Main St	2013	174	981	10/1/18	\$62,000,000	\$356,322	\$363	5.0%
	AVERAGES		2015	121	1,236		\$38,335,055	\$305,795	\$256	4.9%

UNIVERSITY PLACE

Pre-1995	Chambers Pointe	9718 52nd St W	1970	64	801	4/6/18	\$8,000,000	\$125,000	\$156	5.4%
	StonePointe	3806 78th Ave Ct W	1990	240	886	5/24/18	\$48,080,000	\$200,833	\$226	4.8%
	AVERAGES		1980	152	844		\$28,040,000	\$162,917	\$191	5.1%



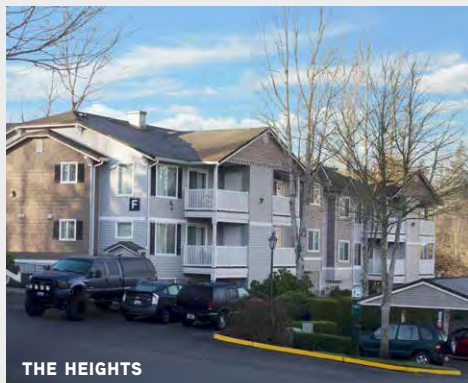
ASTORIA



THE COPPERLINE



CHAMBERS POINTE



THE HEIGHTS



RAINIER POINTE

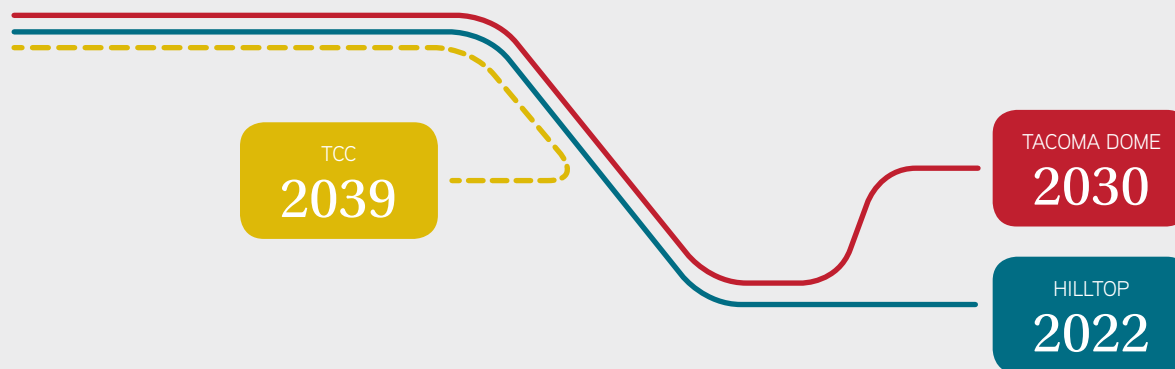


SANDMAN IV

The Future is Light

The expansion of the Link light rail system throughout the Puget Sound region has changed the game for multifamily investors as residents begin to see suburban areas like Lynnwood and Redmond as accessible options to call home, regardless of where they work. This storyline rings true for Pierce County as well, with various extensions reaching across Tacoma.

By 2030, the existing light rail line to Sea-Tac Airport will expand south to create a 35-minute commute to the Tacoma Dome Station. Furthering Tacoma's current light rail line from the Tacoma Dome Station to the Theater District, the Hilltop Extension is under construction and will be completed by 2022. The Tacoma Community College Extension (2039) is currently in the voter approval phase.



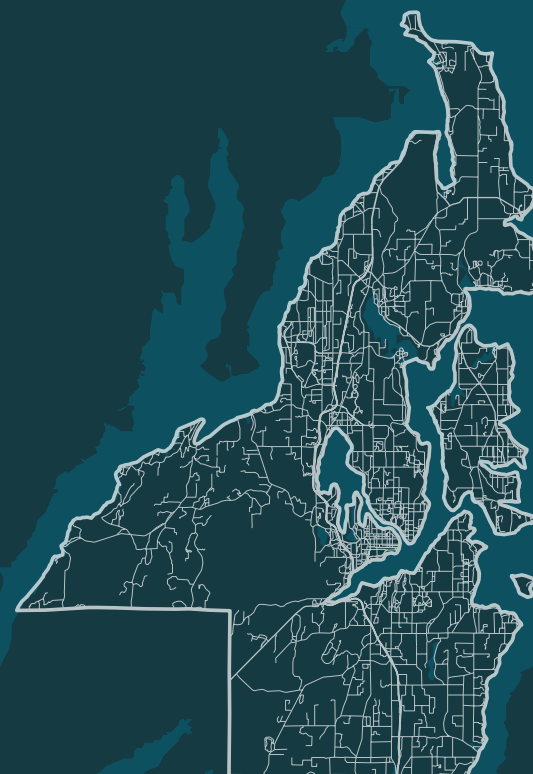
Kitsap

Don't discount the outlier — Kitsap County offers risk-adjusted returns beyond sexier markets, along with long-term fundamentals comparable to the overall Puget Sound region.

Slow and Steady: Averaging fewer than three 50+ unit sales each year over the last 15 years, Kitsap County doesn't offer many data points to measure. Yet the data we do have shows that the sharp increase in values from 2011 to 2014 have held firm, with slight appreciation in the last year. Given the relatively high investment yields the market offers, expect room for further value growth, even in an overall slow growth environment.

Attractive Pricing: Pricing measured against all metrics — capitalization rates, price per square foot, and price per unit — remains extremely attractive in Kitsap County. With few transactions each year, the market remains less transparent than more-heavily-traded markets. This signals fewer, but possibly better, opportunities for investors. The juice may well be worth the squeeze.

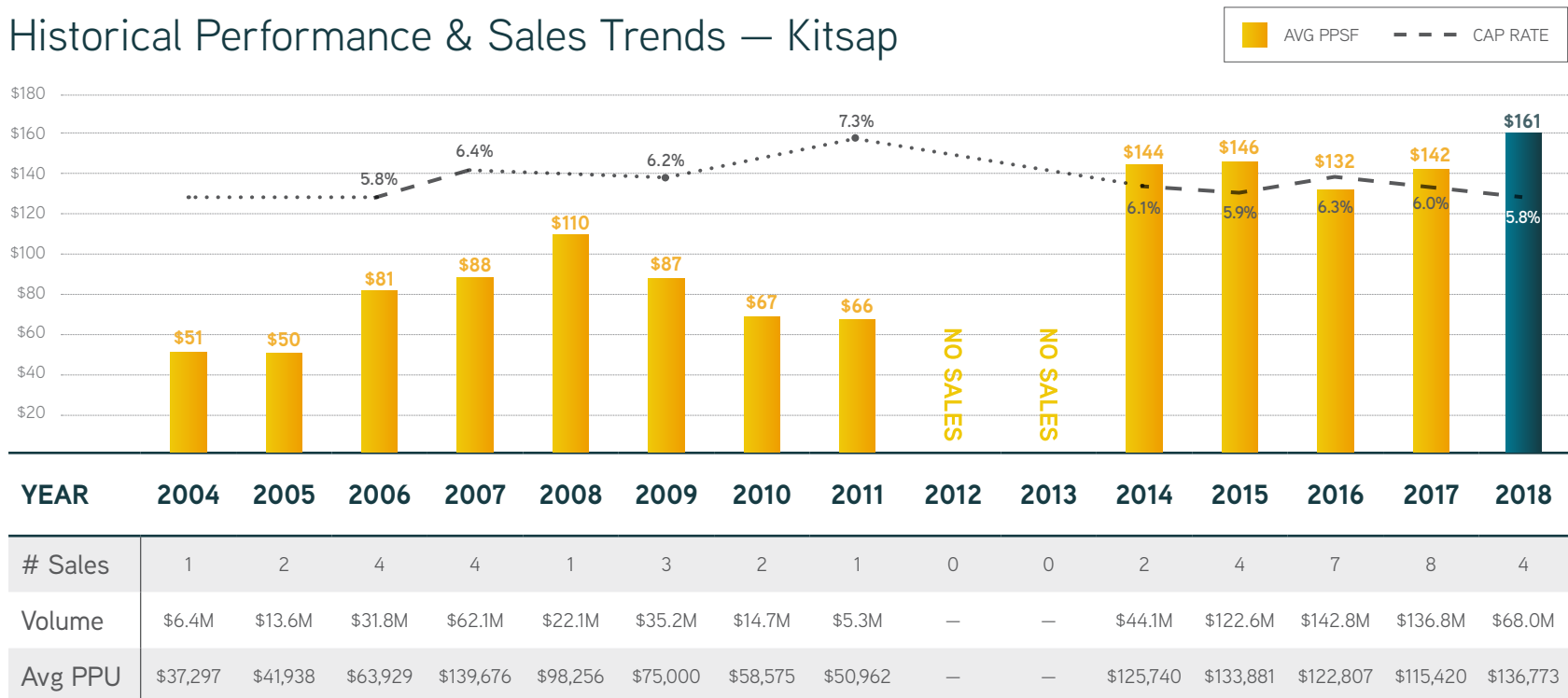
Bright Future: A few evangelists continue to work hard to demonstrate the future of Kitsap County. The Kitsap Fast Ferry system began service in Summer 2017, marking a major milestone in connecting an otherwise military-dependent Bremerton to Seattle's vibrant job centers. Don't expect an overnight transformation, yet long-term livability and affordability offer a great alternative to expensive mainland residential markets.

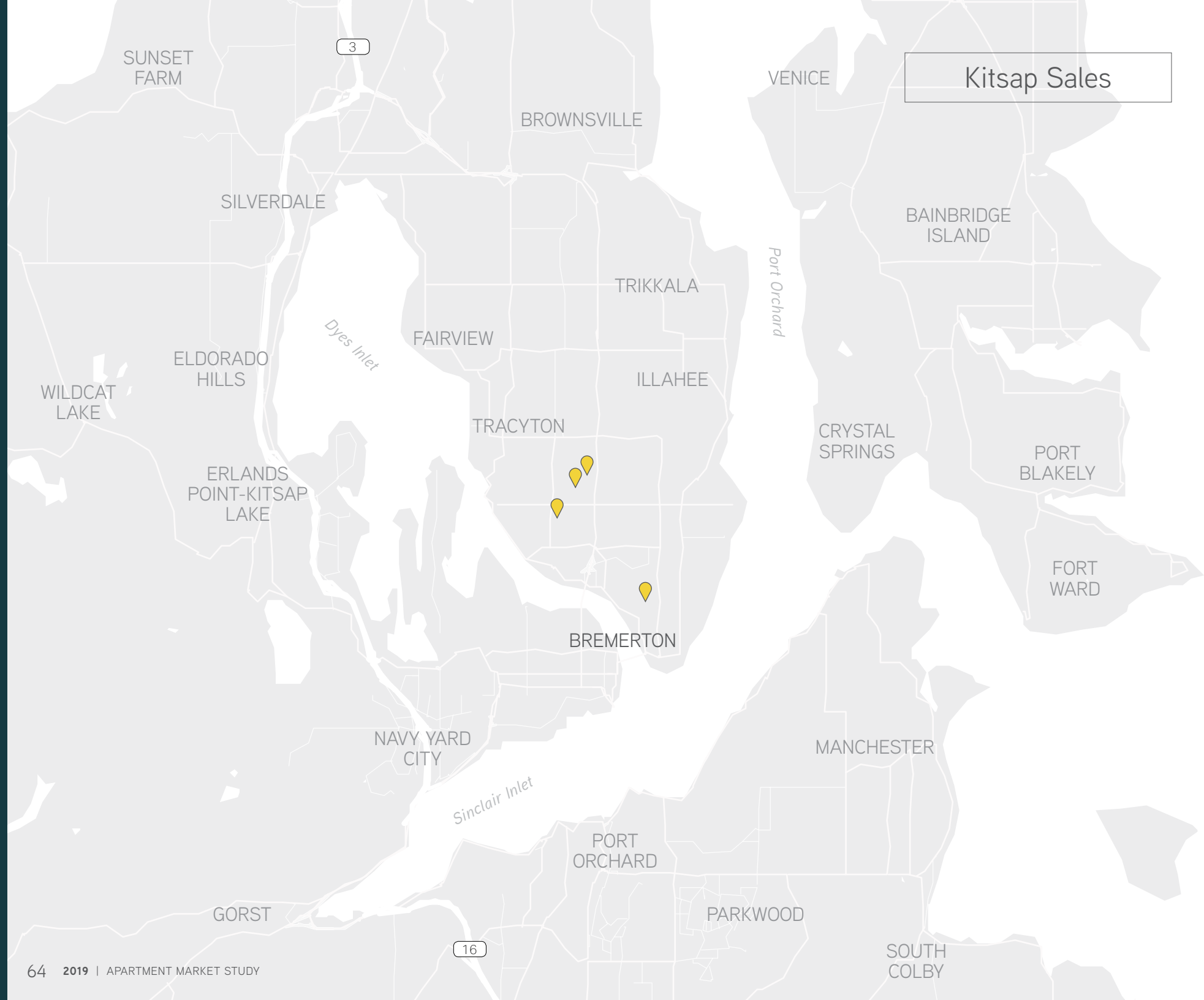


2018 Sales by Size & Age — Kitsap

SIZE	50+ UNITS			TOTAL
Built	Pre-1995	1995–2010	Post-2010	All Ages
Total # Sales	3	—	1	4
Sales Volume	\$38.5M	—	\$29.5M	\$68.0M
Avg PPSF	\$145	—	\$208	\$161
Avg PPU	\$121,665	—	\$182,099	\$136,773
Avg Cap Rate	5.9%	—	5.5%	5.8%

Historical Performance & Sales Trends — Kitsap





Avg Price Per Unit

\$136,773

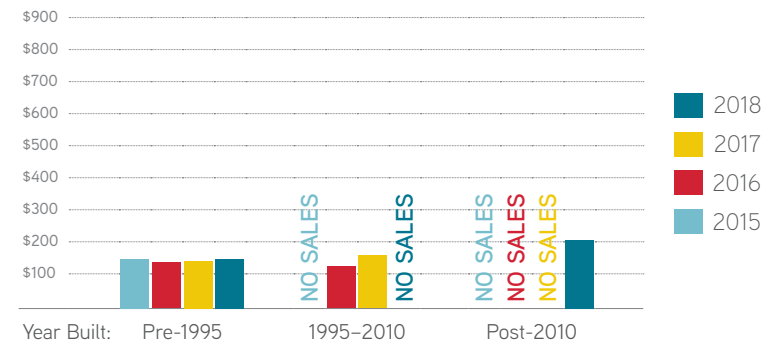
Avg Price Per SF

\$161

Avg Cap Rate

5.8%

Sales Trends — Price Per SF by Age



Kitsap County has several unique attributes that make it an attractive market, especially for investors looking to diversify their holdings in Seattle.

High military employment offers a stable base of tenants who are less affected by economic trends in Seattle. Fast ferry service opened in 2017, providing 30-minute crossings between Bremerton and Seattle.

Kitsap County offers affordable rents compared to Seattle, a distinction that led many Seattleites to move across the Puget Sound — in 2018, Kitsap County was a top-five destination for people leaving King County.

BREMERTON

	Property	Address	Year Built	Units	Avg Unit SF	Sale Date	Price	\$ / Unit	\$ / SF	Cap Rate
Pre-1995	BayBridge	1901 Winfield Ave	1978	88	718	6/29/18	\$9,040,000	\$102,727	\$143	
	Cedar Park	4020 Bledsoe Ave	1975	104	771	6/15/18	\$8,000,000	\$76,923	\$100	6.6%
	Pine Ridge	3232 Pine Rd NE	1993	116	962	12/14/18	\$21,500,000	\$185,345	\$193	5.2%
	AVERAGES		1982	103	817		\$12,846,667	\$121,665	\$145	5.9%
Post-2010	Insignia	1060 Insignia Lp	2018	162	877	7/31/18	\$29,500,000	\$182,099	\$208	5.5%
	AVERAGES		2018	162	877		\$29,500,000	\$182,099	\$208	5.5%

Data Sources

SALES DATA - 2018

Real Capital Analytics
Commercial Brokers Association
CoStar
AXIOMetrics
King County Registrar
Snohomish County Registrar
Geographic Information Systems division of
Kitsap County Application Services

SALES DATA - HISTORICAL

Commercial Brokers Association
Dupre + Scott
Real Capital Analytics
CoStar
Pierce Eislen
AXIOMetrics
King County Registrar
Snohomish County Registrar

LENDING

Economagic (Federal Reserve Data)
Mortgage Bankers Association

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