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Garden Court Apartments
3410 Colby Avereet
Everett, WA 98201

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O'Connor Consulting Group
500 Union Street, Suite 650
Seattle, WA 98101

Brian O'Connor, MAI, CRE
Reilly Peavey, Associate

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Prestige Properties NW, LLC
c/o Jason Decker

425.922.9043
Jason@windermere.com

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February 20th, 2020

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March 6th, 2020

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O'CONNOR
CONSULTING
GROUP, LLC
Commercial Real Estate Appraisers and Consultants
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SEATTLE, WA 98101

March 6th, 2020
OCG Ref. No. 20-104

Prestige Properties NW, LLC
c/o Jason Decker

425.922.9043
Jason@windermere.com

RE: Appraisal of:
3410 Colby Ave
Everett, WA 98201

Dear Mr. Decker:

In accordance with your request, we have written an appraisal and formed an opinion of the current Market Value of the Fee Simple interest in the above-referenced property. The accompanying appraisal report identifies the subject property, describes the market for this type of property, and presents the specific market data and analysis leading to our estimate of value.

The subject property consists of two 6-unit multifamily buildings totaling 12 multifamily units. The buildings are recorded as having been built in 1989 and 1990. The buildings are situated on three parcels totaling 18,296 square feet located at 3410 Colby Avenue in the Port Gardner neighborhood of Everett. The subject's units are both townhouse and flat style and include 3 levels of living area plus covered off-street parking accessible from the alley. Four units are one-bedroom one-bathroom flats, four units are two-bedroom one-bathroom flats, and four units are two-bedroom two-bathroom townhouses. In this report, we have estimated the subject's current market value effective on the date of inspection, February 20th, 2020.

The report has been prepared with the intent to comply with the Standards of Professional Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation. It has also been prepared with the intent to comply with Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as amended in August 1994, governing appraisals used for federally related transactions.

This appraisal is intended to comply with the OCC's amended Appraisal Rule, effective June 7, 1994, as published in the Federal Register, Volume 59, No. 108, and with the Interagency Appraisal and Evaluation Guidelines, dated October 27, 1994, and updated December 2010.

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As a result of the inspection, investigation, and analysis, it is our opinion that the Fee Simple market values as of February 20th, 2020, recognizing the assumptions and limiting conditions contained in the following report, are:

Value Premise	Effective Date	**a l·₪ʅŜű ±l·ƭdzŜ**	
Current Market Value	2/20/2020	**ÞнΣсллΣллл**	$216,667/Unit

Thank you for the opportunity to work with you on this assignment.

Sincerely,

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Brian R. O'Connor, MAI, CRE

Reilly Peavey, Associate

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The subject is a 12-unit apartment building located at 3410 Colby Avenue. It is located on three separate parcels spanning six and a half standard Everett lots. The subject is located in R-5 zoning, allowing for development with no unit density maximum. Development in Everett has increased over the past five years, with successful lease-up periods and relatively inexpensive land attracting regional investors. Regional and local job growth is expected to continue to rise, and supply and demand for new multifamily units appears to be in equilibrium, both locally and regionally. As of our last vacancy survey (December 2019), Snohomish County vacancy rates match the regional average of 3.8% of all units, which is considered a healthy vacancy rate. Snohomish County also lead our absorption survey with the highest average new building absorption at 25.2 units/month, indicating continued healthy demand for units in the Snohomish County submarket.

The subject improvements consist of two 6-unit buildings built around 1990 in excellent condition. The improvements' exterior and landscaping are very attractive and well-situated on the subject parcels. The interiors have also been well-maintained in comparison to other similarly aged properties. In consideration of highest and best use, we considered the financial outlook of condominium conversion, but ultimately concluded that continued use as leasehold apartments yielded an overall higher market value.

Rents for many of the subject units are leased on a month-to-month basis and can reasonably be increased to better meet market rental rates. The following page displays our proforma rents and expenses, concluding with an indication of market value. We have utilized a capitalization rate of 5.000% for the subject property. While other comparable sales have transacted at lower and higher capitalization rates, 5.00% was chosen for this assignment due to the subject's excellent maintenance, attractive exterior/access, and continued compression of capitalization rates in the Everett area.

The table below displays some metrics of sales for the comparable properties analyzed:

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San Juan Apartments	16	14.4	$ 1.27	3%	14.9	$4,124	4.27%
3617 Hoyt Avenue	8	11.6	$ 1.87	3%	12.0	$4,218	6.04%
Everett 4-plex	4	17.0	$ 1.35	5%	17.9	$3,743	3.84%
3726 Wetmore	6	13.9	$ 1.32	5%	14.6	$5,486	4.78%
Nassau Terrace Apartments	10	9.8	$ 1.72	4%	10.2	$4,222	6.81%
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The scope of this appraisal called for us to perform two approaches to value: An Income Approach and a sales comparison approach. The Income Approach is our best indicator of market value; the Sales Approach is also useful but treated as a secondary indicator of market value. We have reconciled the two approaches' value conclusions accordingly and have reached a market value of $2,600,000 ($216,667/unit) for the subject.

The proforma income/expenses, as well as relevant proforma metrics, is displayed on the following page.

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Unit No.	% of Total Units	Unit Type	Avg. Size (S.F.)	Net Rentable Area (S.F.)	Mkt. Rent per S.F.	Average Rent/Unit	Annual Total
4,9	17%	1/1 Middle	762	1,524	$1.61	$1,225	$29,400
1,12	17%	1/1 End	762	1,524	$1.64	$1,250	$30,000
3,10	17%	2/2 Middle	1,126	2,251	$1.33	$1,495	$35,880
2,11	17%	2/2 End	1,109	2,218	$1.36	$1,505	$36,120
5,8	17%	2/1 1st Floor	1,150	2,300	$1.26	$1,445	$34,680
6,7	17%	2/1 2nd Floor	1,150	2,300	$1.27	$1,465	$35,160
12	100%	All Units	1,010	12,117	$1.38	$1,398	$201,240

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Parking Income: Carport	15 stalls @	$20 /Stall/Month	$0.30	$300	$3,600
¢2űI-f DW2ăă LyŎ2YŜ			Þмс¢фм	Þмт∑лтл	Þнлп∑упл
Less : Vacancy & Credit Loss @		5%	($0.85)	($854)	($10,242)
Utility Income (W/S/G) Recaptured at		80%	$0.83	$840	$10,080
Pet Income	$10 /Month, for	25% of all tenants	$0.03	$30	$360
Non-Refundable Pet Deposit		$250 /Unit/Year	$0.06	$63	$750
Misc. Income		$10 /Unit/Month	$0.12	$120	$1,440
9ŦŦŜŎűʌØŜ DW2ăă ! LJI-WúYŜyű LyŎ2YŜ ó9DLú			Þмт¢мл	Þмт∑нсф	Þнлт∑ннy
[ŜăăY ! LJI-WúYŜyű 9ÈLJŜyãŜă					
Fixed Expenses					
Real Estate Taxes			$1.91	$1,927	$23,123
Insurance			$0.33	$338	$4,056
		Fixed Expenses Subtotal:	Þн¢нп	Þн∑нср	Þнт∑мтф
Variable Expenses					
Prop. Management @		8.00% of EGI	$1.37	$1,382	$16,578
Advertising/Promotion			$0.12	$125	$1,500
Administrative/Misc.			$0.35	$350	$4,200
Utilities (Gross)					
Electricity/Gas (Vacant Units & Common Space)			$0.10	$100	$1,200
Water/Sewer			$0.64	$650	$7,800
Garbage			$0.40	$400	$4,800
Landscaping			$0.30	$300	$3,600
Repair & Maintenance			$0.45	$450	$5,400
Turnover			$0.20	$200	$2,400
		Variable Expenses Subtotal:	Þо¢фн	Þо∑фрт	Þпт∑пту
Capital Reserves			$0.25	$250	$3,000
¢2űI-f hLJŜWI-úʌyƎ ! LJI-WúYŜyű 9ÈLJŜyãŜ		37.47% of EGI	Þс¢пм	Þс∑птм	Þтт∑срт
bŜű hLJŜWI-úʌyƎ ! LJI-WúYŜyű LyŎ2YŜ			Þмл¢сф	Þмл∑тфу	Þмнф∑ртм
Capitalized @ 5.00%	EGIM: 12.50	GRM: 12.87			Þн∑рфм∑пмо
LyŘʌÓI-úŜŘ ±I-fdzŜ ōè úKŜ LyŎ2YŜ ! LJLJW2I-ŎK			Þнмо¢тр	Þнмр∑уоо	Þн∑рфл∑ллл

As displayed above, the Income Approach indicated a market value of $2,590,000. As discussed in greater detail later on, the Sales Approach indicated a market value of $2,640,000. Reconciling the two approaches, with more emphasis placed on the Income Approach, we have concluded that the market value for the subject site and improvements to be $2,600,000, or $216,667/unit.

tW2LJŜNúè LŘŜyúΛ₸ΛÖI·úΛ2y˝ Garden Court Apartments
3410 Colby Avenue
Everett, WA 98201

Client: Prestige Properties NW, LLC
c/o Jason Decker

425.922.9043
Jason@windermere.com

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Shape and Area: Rectangular-shaped parcel assemblage with a total land area of 18,300 square feet, or 0.42 acres.

Access: Direct from Colby Avenue. Alley access.

Topography: Generally level.

Utilities: All available to site.

Flood Map: According to the Federal Emergency Management Agency's (FEMA) Flood Insurance Rate Map (FIRM) No. 53061C1030F, dated September 16th, 2005, the subject is located in Zone "X", outside 500-year floodplain.

Earthquake: Earthquakes are a potential hazard for properties located throughout the Puget Sound region. Since 1870, seven earthquakes with estimated magnitudes of 6.0 or higher have occurred. The most recent incidents of high magnitude quakes were in 1965 with a magnitude 6.5, and a 6.8 magnitude quake in 2001.

The subject is located in Seismic Design Category (SDC) D2. Buildings in this category "could experience very strong shaking". The potential effects of the shaking are "very strong shaking – damage slight in specially designed structures; considerable damage in ordinary substantial buildings with partial collapse; damage great in poorly built structures".

Zoning: R5. This zoning allows for multi-family developments, mixed-use, offices, clinics, and various other businesses. The subject parcels lie outside of the Metro Everett and are not affected by zoning overlays.

LID/Easements: We are not aware of any existing LID or easement that would adversely impact the value of the subject property.

Density: There does not appear to be any density limits for the subject property. The subject is currently improved at a density rate of 28.5 units/acre.

Lot/Long. 47°58'18.6" North by 122°12'31.2" West

Tax Acct. Nos. 00436982302200, 00436982302400, 00436982302700

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Year Built: 1989/1990. The subject has an effective age of 2005.
No. of Units: 2
Stories: Three, plus carport parking (15 stalls).

Exterior Finish: The subject building consists of two 3-story, wood frame buildings with a carport-style parking structure accessible from the alley at the rear of the subject parcels. The exterior is finished with wood siding. The subject has vinyl double-paned windows. The roof is made of traditional incline shingles and is in moderate condition.

Interior Finish: The apartment units are flat and townhouse style and are of very good quality, superior to other existing apartment projects of similar age in the Everett area. The finish package includes carpet in the living areas (living room, bedroom, and hallway) with linoleum in the kitchen areas, laundry rooms, and bathrooms. The countertops are made of a plastic-laminate. The kitchen has contemporary wooden cabinetry and average hardware. The kitchen sinks are stainless steel, with no garbage disposals installed. The appliance package includes a full-size refrigerators/freezer, dishwasher, stove/oven combination units, and washers/dryers in-unit. Bathrooms are single-vanity with traditional tub/shower units. Units are furnished with utility rooms and are heated by baseboard heaters with individual thermostats.

Project Amenities: The Garden Court Apartments contains above-average landscaping for the neighborhood. Off-street parking.

Unit Mix: The following table summarizes the subject's unit mix:

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4	1/1	33.3%	762	-	762	762
4	2/1	33.3%	1,150	-	1,150	1,150
4	2/2	33.3%	1,109	-	1,142	1,117
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Average Apt. Size: 1,010 square feet
Parking/Ratio: 1.25 stalls per unit in community carport
Condition: Currently in excellent condition

Highest and Best Use – As Improved Current use, rental apartments

Value Indications:

Income Approach	$2,590,000
Cost Approach	N/A
Sales Comparison Approach	$2,640,000

Concluded Market Value, As Is **$2,600,000**

Market Value/Unit:	$216,666/Unit
Market Value/Square Foot:	$214.57/Square Foot

Important Dates:

Effective Date:	February 20th, 2020
Date of Report:	March 6th, 2020
Appraisers:	Brian O'Connor, MAI, CRE
	Reilly Peavey, Associate
OCG File No.	20-104

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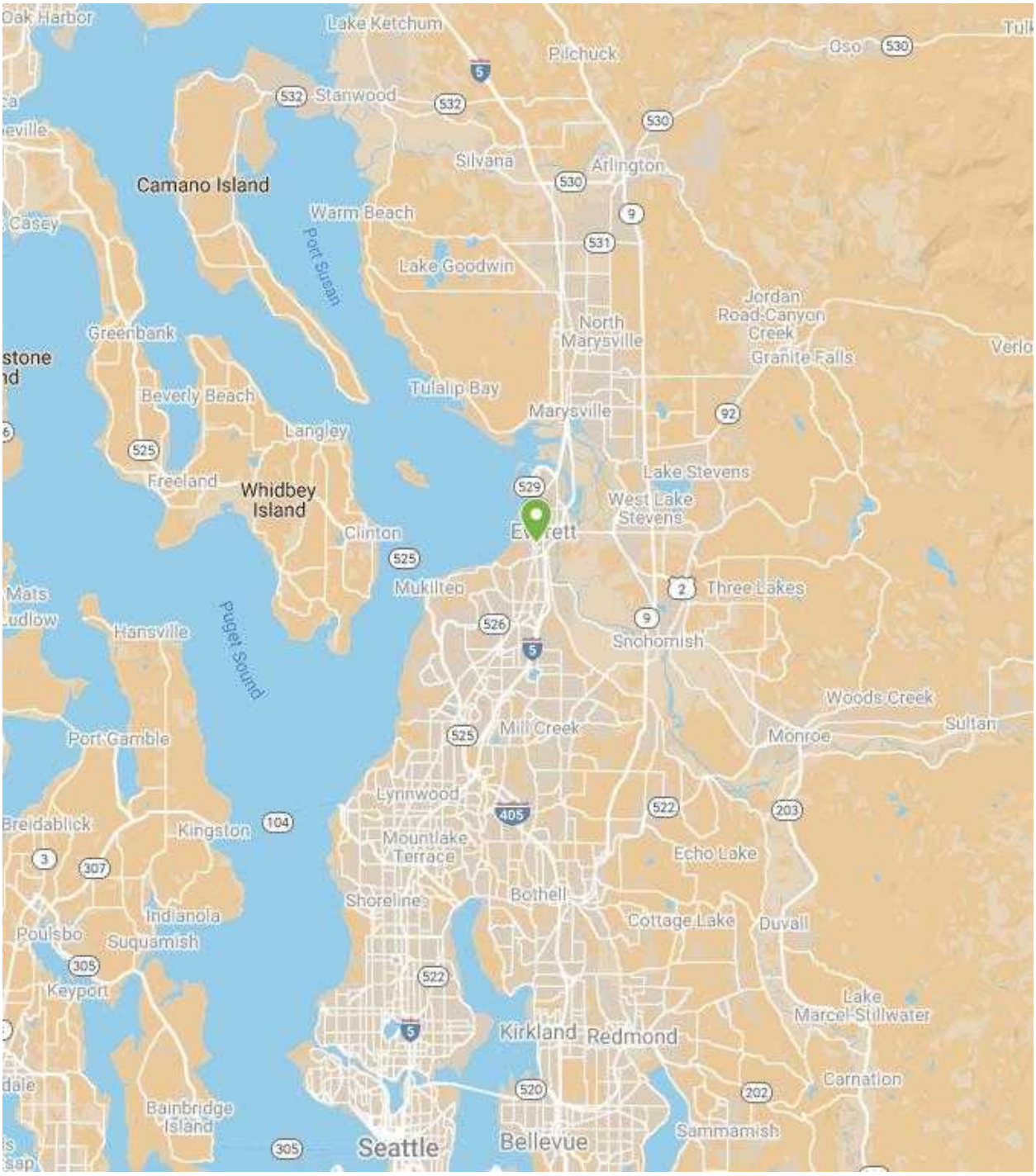
Oak Harbor
Lake Ketchum
Pilchuck
Oso
530
532
Stanwood
5
Silvana
Arlington
Camano Island
Warm Beach
Port Susan
9
531
Lake Goodwin
Jordan
Road-Canyon
Creek
Granite Falls
Greenbank
North
Marysville
Tulalip Bay
Beverly Beach
Marysville
92
Langley
525
Freeland
Whidbey
Island
Lake Stevens
529
West Lake
Stevens
Clinton
Everett
525
Mukilteo
2
Three Lakes
Mats
Ludlow
Hansville
Puget Sound
526
9
Snohomish
5
Woods Creek
Sultan
Port Gamble
525
Mill Creek
Monroe
Lynnwood
405
522
203
Breidablick
Kingston
104
Mountlake
Terrace
Echo Lake
3
307
Shoreline
Bothell
Indianola
Cottage Lake
Duvall
Poulsbo
Suquamish
305
522
Keyport
Lake
Marcel-Stillwater
5
Kirkland
Redmond
Carnation
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Bainbridge
Island
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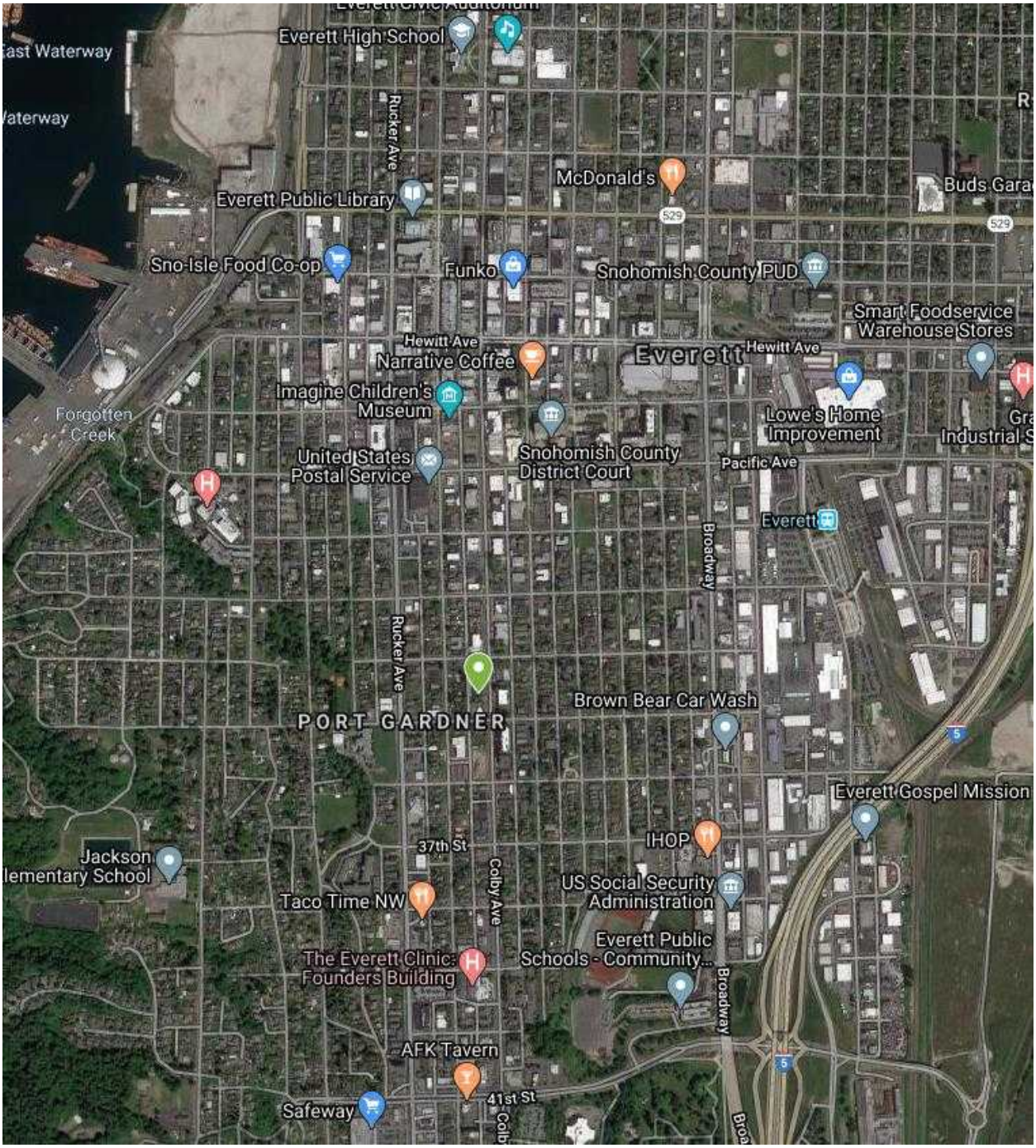
Seattle
Bellevue
Sammamish


Everett High School
Rucker Ave
McDonald's
Everett Public Library
Buds Gara
529
Sno-Isle Food Co-op
Funko
Snohomish County PUD
Smart Foodservice Warehouse Stores
Hewitt Ave
Narrative Coffee
Everett
Hewitt Ave
Imagine Children's Museum
Forgotten Creek
Lowe's Home Improvement
United States Postal Service
Snohomish County District Court
Pacific Ave
Everett
Broadway
Rucker Ave
PORT GARDNER
Brown Bear Car Wash
Everett Gospel Mission
IHOP
37th St
Jackson Elementary School
Colby Ave
US Social Security Administration
Taco Time NW
Everett Public Schools - Community...
The Everett Clinic: Founders Building
Broadway
AFK Tavern
41st St
Safeway

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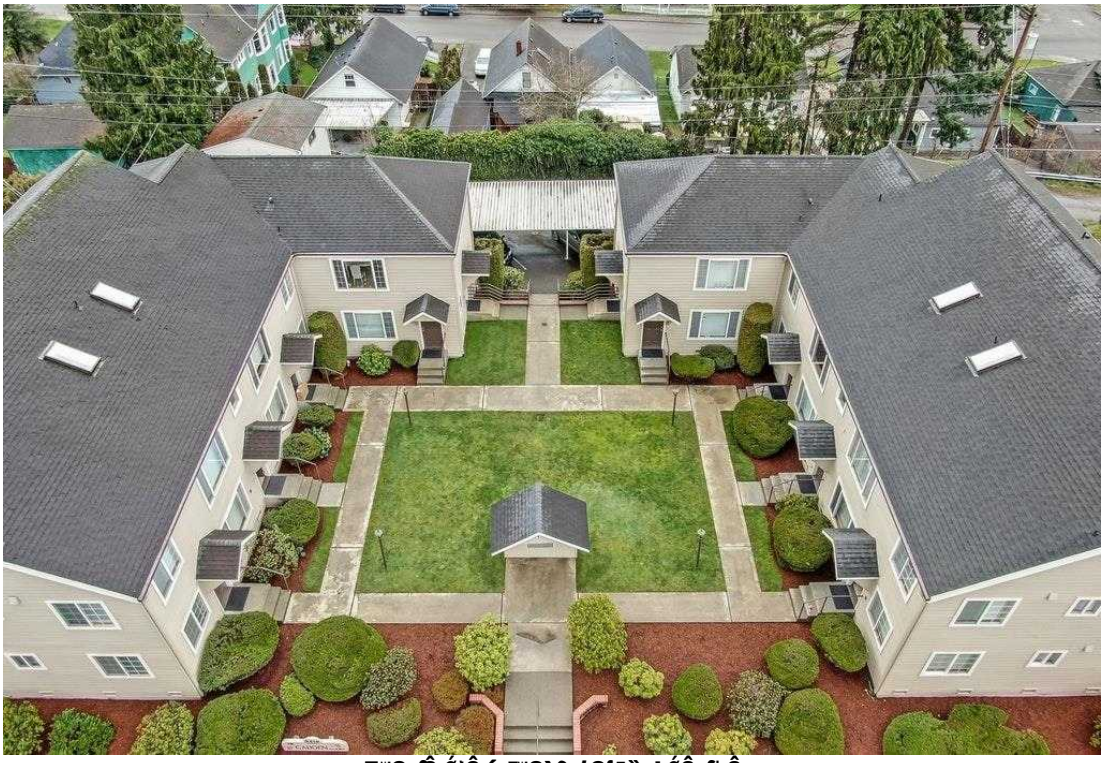

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This regulation implements Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). It applies to all real estate appraisals for federally related transactions under OCC jurisdiction that occurred on or after August 9, 1990. As revised effective March 31, 1999, it provides five Minimum Appraisal Standards, as follows:

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We believe this appraisal conforms to USPAP standards. These standards are addressed specifically and individually in the next subsection and Premises of the Appraisal.

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An appraisal may contain an Income, Cost, and/or Sales Approach to value. The scope of work determines which approaches to value are appropriate. The appraisal report may be a restricted report or standard appraisal report that is similar to what was known as a summary report. The standard format is an appraisal report that summarizes the appraisal process and may reference outside information or documentation. A restricted format is an appraisal, which contains virtually no descriptions, reasoning, or analyses. The agreed upon scope of work may include a written report that is more similar to the format that was known as a self-contained report, but this would need to be clearly communicated between the client and O'Connor Consulting Group. The client has requested that this report be a full Standard Appraisal Report.

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Deductions were not required for this assignment.

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"Market Value" is defined as:

> "The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
>
> a) Buyer and seller are typically motivated;
> b) Both parties are well informed or well advised, and acting in what they consider their own best interest;
> c) A reasonable time is allowed for exposure in the open market;
> d) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
> e) The price represents the normal consideration for the property sold, unaffected by special or creative financing or sale concessions granted by anyone associated with the sale."
>
> Market Value Definition Source:
> (12 C.F.R. Part 34.42(g); 55 *Federal Register* 34696, August 24, 1990 as amended at 57 *Federal Register* 12202, April 9, 1992, 59 *Federal Register* 29499, June 7, 1994).

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(12 C.F.R. Part 34.42(g); 55 *Federal Register* 34696, August 24, 1990 as amended at 57 *Federal Register* 12202, April 9, 1992, 59 *Federal Register* 29499, June 7, 1994). This definition is applicable to specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical assumptions or conditions.

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Brian R. O'Connor, MAI, CRE is a certified General Appraiser in the State of Washington. Certification No. 270-11 1100 529 (expires June 15, 2021).

As of the date of this report, Brian R. O'Connor, MAI, CRE has completed the requirements under the continuing education program for designated members of the Appraisal Institute.

Reilly Peavey is a Certified Real Estate Appraisal Trainee in the state of Washington. Certification No. 1002226 (expires on February 14th, 2022).

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Members or affiliates of the Appraisal Institute are required to adhere to professional standards set forth by the Appraisal Standards Board of the Appraisal Foundation. Selected standards are noted below; additional standards are noted in the Premises of the Appraisal.

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This appraisal was prepared without pressure from anyone desiring a specific value.

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The appraiser has appraised numerous apartment buildings (both proposed and existing projects) in the Seattle Metropolitan region, and therefore has the knowledge and experience to complete the appraisal assignment in accordance with the Competency Provision of the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.

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The appraiser's certification is found following the Reconciliation and Final Value Estimate section of this report.

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The subject property is located at 3410 Colby Avenue in the Port Gardner neighborhood of the City of Everett. The subject contains three parcels. The subject has a total land area of approximately 18,300 square feet, or 0.42 Acres, per Snohomish County Records. The property's legal description is as follows:

EVERETT DIV A PLAT OF BLK 823 D-00 - N1/2 OF LOT 22 - ALL LOTS 23, 24, 25, 26, 27, & 28

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Ownership is currently vested to Prestige Properties NW, LLC. There have not been any transactions in the last 5 years.

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The subject's 2019 assessed value is $355,800 for land and $1,262,800 for improvements. This equals a total assessed value of $1,618,600. The 2020 property tax for the subject property is $17,635.

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00436982302700	$87,900	$0	$87,900	0.01115347	$980
00436982302400	$110,000	$0	$110,000	0.01115345	$1,227
00436982302200	$177,900	$1,266,100	$1,444,000	0.01115350	$16,106
Total	$375,800	$1,266,100	$1,641,900	0.01115350	$18,313

The 2020 assessment of $1,641,900 is 63% of our current market value conclusion of $2,600,000.

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The assignment is an appraisal of the Fee Simple interest.

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The purpose of this appraisal is to assist the client in preparing the property for listing for sale.

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The intended use of this appraisal is to assist in selling the property at an appropriate market price. There are no other intended uses.

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The intended users of the appraisal are Prestige Properties NW, LLC, and Jason Decker of Windermere Real Estate. There are no other intended users.

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The effective date of the appraisal is set to February 20th, 2020. The property was inspected on January 28th, 2020.

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In this report, we have reported the subject's current Market Value as of the effective date.

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The value opinions reported in this appraisal were first through analysis of the regional market that encompasses the subject. This view discusses the regional economic and demographic forces that influence real estate values. Current and historical employment levels and migration data are analyzed to evaluate population growth, household income levels, and the overall economic condition of the metropolitan region.

From our market evaluation, we then focused on the subject's neighborhood area, along with the corresponding submarket. Pertinent product supply and demand data, as well as vacancy rates, if applicable, are presented in order to formulate market trends.

A neighborhood description where the subject is located is discussed to convey locational influences, including districts and access to and from them, local zoning ordinances, and surrounding land uses.

A physical inspection of the subject property was performed. A site analysis of the subject property is described to offer a conclusion of the physical utility of the site for existing and/or proposed improvements. An improvement description, including building area, construction materials, age and condition, and parking ratios are presented.

A Highest and Best Use analysis was performed on the subject property. This analysis was done both "As Vacant" and "As Improved". Discussions concerning physical possibilities, legal permissible uses, and financially feasible uses are presented to indicate the maximally productive use of the subject property.

In particular, the client was interested in initial value conclusions between a condominium conversion and an apartment building value in regard to the current improvements. As part of our highest and best use analysis, we have concluded that apartments present a greater market value than condominiums.

The Income Approach to value is based from market-derived and subject-specific data from research of rental, expense, and sale activity in the subject's market area to indicate an overall value of the property from the projected net operating income. In the Income Approach, we have used rental comparable properties that are located in the Port Gardner neighborhood. We have capitalized the Net Operating Income based on the market capitalization rates of recent apartment sales.

In the Cost Approach to value, we typically would estimate replacement value of a similar structure as the subject. However, we have excluded the Cost Approach considering the age of the subject's improvements.

In the Sales Comparison Approach, we have reflected the actual price investors/developers in the marketplace are paying to indicate what the subject should sell for. We have used four apartment sale comparable properties that are located in the City of Everett.

Those sale comparison properties were physically inspected, and all data confirmed with rental agents, buyers, and/or sellers (or their representatives) of each property by employees of O'Connor Consulting Group.

Brian R. O'Connor, MAI, CRE, a State certified appraiser and the principal of O'Connor Consulting Group, oversaw and supervised all data collection and analysis. Brian R. O'Connor also inspected the site.

Reilly Peavey, a State certified Appraiser trainee and an associate at O'Connor Consulting Group collected and organized the market data, performed the preliminary analysis of all applicable approaches to value. Brian R. O'Connor, MAI, CRE reviewed and critiqued the analysis and concluded to the market value. Reilly Peavey wrote the draft of the report and Brian O'Connor reviewed, critiqued and edited the final document before publication.

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The Highest and Best Use of the subject's improvements is for continued use as for rent apartment uses. Condo use was also extensively analyzed and described later in the "Highest and Best Use" section of this report.

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The introductory page to each of the approaches to value outlines the general appraisal procedures followed in each of the approaches.

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Marketing time is concerned with market conditions in the future. Advisory Opinion 7 states:

"The reasonable marketing time is an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market level during the period immediately following of the appraisal."

Review of recent apartment property sales activity in the subject's market area indicates that a marketing period of 3 to 6 months would likely be required to place this property type under contract to purchase. Closing terms typically would take an additional 90 days for financing.

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Exposure time is concerned with market conditions in the past. Exposure time is defined within the USPAP statement #6 as:

"The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market."

Exposure time is established based upon the experience of recent sale comparables. Based on sales activity in the immediate market place, an exposure period of 3 to 6 months of its initial offering is estimated. Closing date would typically be within 90 days from the agreement date.

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According to 4th Edition of the Dictionary of Real Estate Appraisal, the definition of furniture, fixtures, and equipment (FF&E) is as follows:

> *The movable property of a business enterprise not classified as stock or inventory or leasehold improvements; frequently found in the ownership of hotels or motels, restaurants, assisted living facilities, service stations, car washes, greenhouses and nurseries, and other service-intensive properties. Furniture, fixtures, and equipment frequently wears out much more rapidly than other components of those properties.*

The subject property is improved with a full appliance package (refrigerator, range, hot water tank, washer, dryer and dishwasher) with an approximately value at $2,000 per unit. Thus, the value of the subject's FF&E should be approximately $24,000.

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A complete set of standard Assumptions and Limiting Conditions is found near the end of this report.

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Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property: or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.
In this report, we have assumed no hypothetical condition in estimating the subject's Market Values.

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In this report, we have assumed no extraordinary assumptions hypothetical condition in estimating the subject's Market Values.

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The Seattle Metropolitan Area is composed of three primary counties: King County, which is the largest and includes the City of Seattle; Snohomish County, which is immediately to the north and has Everett as its principal city; and Pierce County, immediately to the south, with Tacoma as its principal city. As of April 1, 2019, these three counties have a combined population of 3,933,300.

The Seattle-Bellevue-Everett Metropolitan Division (Seattle MD) is composed of King County and Snohomish County. Pierce County is considered separately since its economic base is different from King and Snohomish Counties. In this section of the report, Seattle MD will refer to King and Snohomish Counties. The current population (as of April 1st, 2019) of the Seattle MD is estimated to be 3,045,000, representing a 1.6% increase over April 1st, 2018.

Seattle is the commercial, financial, and cultural center of the Pacific Northwest. The region has acquired a reputation as a desirable place to live and a good place to conduct business, particularly in recent years. Seattle is considered a global city due to its ties with Asia and world trade, and has a tradition of innovation, stewardship, and reinvention. With a large pool of talented, educated workers and high national ranking as one of the most educated cities in the nation, Seattle has become a major center of forward-looking sectors such as software, aerospace, and biotech.

The Seattle MD is currently characterized by positive job growth with 40,500 new jobs in 2019, totaling 1,764,500 jobs. This represents a 2.35% increase in overall employment, comparatively in 2018 the region added 38,700 new jobs.

Seattle enjoys a reputation as a haven for commercial real estate investment since its rapid recovery from the Great Recession eight years ago. Recently, the Seattle MD has been noted in prominent publications for its strong economic fundamentals and continued growth relative to the national landscape. The regional apartment market is arguably the most popular real estate investment sector, having displayed healthy demand and generous rent growth over the medium-run. However, this rent growth is expected to soften and perhaps reach a steady equilibrium over the next few years.

The Seattle MD office and industrial markets have also been experiencing positive growth in part due to the strength of the local economy and strong employment growth. Both industrial and office sectors have seen vacancy rates decline as demand for space has steadily increased across the metro region. This trend is expected to continue in the short run as supply for commercial space lags behind ever-pressing demand.

The exact effect of current national and political affairs on the local economy is difficult to estimate at this time. Broad questions about regulatory reform, immigration reform, changes to the Federal tax code, world trade, and the Federal Reserve's changing intentions to restore interest rates creates uncertainty for investors, lenders, and consumers. This increased uncertainty makes investors nervous, and therefore creates upward pressure on capitalization rates across the board.

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In June 2019, The Counselors of Real Estate (CRE) published a report detailing the top ten issues affecting real estate in 2019-2020 to put current and emerging issues and trends front and center and help facilitate decision making.

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Compared to levels of international investment that have been made in infrastructure around the world, the US is seen to be lagging in contrast to other nations. This results in a drag on our economic competitiveness not only in goods flow, but in telecommunications and data management capacity. Much of America's future economic growth depends upon improved productivity, which in turn will be a function of efficiencies across the core systems in the economy. The report cites that roads, bridges, tunnels, railways, airports, the power grid, water systems, and levees are giving way with greater frequency. While the White House and Congressional leadership have discussed funding of up to $2 trillion, it remains unclear what action government leaders will take.

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Both housing supply and demand have contributed to the crisis of housing affordability, with the gap widening between increasingly expensive supply and the decreasing level of ability to pay. The range of population facing difficulties in securing an appropriate place to live extends from those who are homeless, to Millennials and Gen Z members entering the workforce in thriving cities where apartment rents have soared beyond their capacity to pay in neighborhoods close to where they work. The ability to manage housing expenses has become a juggling act for younger households who are burdened with student loan debt as well as healthcare costs that continue to run ahead of general inflation.

While job creation has been strong and unemployment is at a fifty-year low, income growth has been almost exclusively seen in the upper 20 percent of earners, meaning that increased housing costs for the remaining 80 percent of the population must be funded by real incomes that have diminished over the past two decades. This widens the gap between an increasingly expensive supply of housing and a decreasing level of effective ability to pay. The current level of housing stress is a threat to the stability of the middle class, which has the potential to affect many other important aspects of the economy.

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Many investors feel as though they can no longer rely on historic performance to predict future returns. Climate risk has emerged as a new, and likely permanent, aspect of fiduciary duty and what it means to assess, disclose, and manage these risks for real estate investments. As a result, investors are demanding that climate risk be assessed and factored into future return projections, as well as being incorporated into the day-to-day decision-making process.

Additionally, climate change is driving a host of new building laws and ordinances. Seattle, along with 29 other major US cities such as San Francisco, Austin, Chicago, and New York, now require building laws that range from mandatory energy and water benchmarking to ambitious climate goals. Property owners and investors have a new set of rules to understand and strategic responses to be developed in order to comply with these laws and maintain projected returns. Weather and climate-related risks put forth many implications onto the real estate industry; from building certifications and rating systems, to new underwriting and lending products, to more stringent building codes and standards, to an already antiquated infrastructure. Investors and policy makers response is having a dramatic and indelible mark on the real estate industry.

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In today's world, technology has an effect on nearly every aspect of our lives, and the business of real estate is no exception. Significant technological advancements helping to streamline a business are taking place at such a rapid rate, it is forcing companies to staff and prioritize a high level of understanding in order to stay on pace with competitors. Emerging technologies could cause future on supply chains, warehouse space demand, delivery of medical services, data proliferation, property security and marketing.

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Most macroeconomic indicators seem to point to economic conditions that can be fairly described as "robust" or even "the best we've ever seen". The unemployment rate is descending below four percent, we continue to see employment expansion, and some improvement in incomes. The US is ready to set a record for the duration of a rising business cycle. However, the excitement created from the economic success may be causing us to ignore the very nature of cycles – that they peak just as a downturn is near.

Interest rates are signaling trouble with the inversion of the yield curve, and with an overhang of public and private debt, the end of a cycle could impact liquidity if a shift in the cost of funds seeps into real estate valuations. Neither the capital markets generally nor the real estate markets in particular, seem prepared for a US economy that is likely to grow in the 2020s at a rate of only 40 to 50 percent of its 2012-2019 pace in terms of GDP and jobs increase.

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The adversarial conditions taking place in the political arena may present major issues affecting real estate directly and indirectly through economic impacts. Political differences make our options more limited, increase the cost of solutions, and as a result we lose more and more of our competitive advantage around the world. An improved political dialogue domestically, would likely result in better prospects for real estate conditions including farmland values, the level of demand for industrial properties, and levels of risk affecting investment flows into commercial property as an asset class. America today has ample opportunity to advance economically, socially, and in the development of its cities, towns and rural areas. To do so, establishing a middle-ground is crucial in order to elevate pragmatism over partisan purity.

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Transactions, whether debt or equity, used for acquisition or refinance and recapitalization of existing investments rely on the liquidity provided by active capital market participants. Liquid capital markets provide an underlying tone for other top issues on this list, such as Infrastructure, Housing, Technology Effect, and Climate-Related Risk. The domestic and global infrastructure needs cannot be met without an effective leveraging of a multitude of capital options. Risk factors affecting the real estate capital markets include tariffs on various property types, the relationship between corporate yields versus commercial mortgage-backed securities and other securities, and the probability of agency reform. The capital markets are complex, global and everchanging.

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There are many influences on the movement of people, changing business conditions, legal policies, new opportunities, as well as climate related motivations. The map of population changes from 2010-2018 shows large demographic gains in major coastal cities. Big cities in California, the Pacific Northwest, Florida, the major Texas metros, and the Atlantic corridor from Boston to Washington, D.C. Secondary cities are also adding population, in metro areas such as Denver, Salt Lake City, Nashville, and Charlotte. However, there has been notable demographic shrinkage in the rural Midwest and South, in "Rust Belt" industrial states, and in Appalachia. Long-term trends, largely technological, have altered opportunities for workers in agriculture, heavy industry, and mining.

Population moves in search of prosperity, which in turn is a function of innovation. Innovation has been led by the knowledge economy of the big cities, with secondary cities across all regions benefiting from their ability to find applications in production for the creative ideas spawned in Boston, New York, Seattle, the San Francisco Bay Area, and Southern California. Data from the Bureau of Economic Analysis on the concentration of GDP by metro area, confirms this.

Capital is gravitating disproportionately to major markets. The top 10 Metropolitan Statistical Areas (MSA) tallied $266 billion, or 46.4% or real estate investment dollars in 2018, though they had just 33% of the population. The next 20 largest MSAs registered $123 billion, or 21.4% of investment dollars on 19.4 % of the population. All other US places saw $128.7 billion, or 32.2% of invested dollars, despite having 52.4% of the national population. This suggests that real estate investors focus is more on the economic vitality of a handful of primary and secondary cities, as opposed to strictly population numbers.

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Market psychology is mercurial, and sentiments are prone to change rapidly and sometimes quite dramatically. The measurement of sentiment factors such as confidence has become part of the toolkit for market analysts, but the use of such statistics for predictive purposes is often misinterpreted. Consumer confidence reports typically reach high points just prior to a recession, suggesting that the data is a rear-view mirror rather than a windshield view. Yet analysts will commonly extrapolate results of such sentiment polls as signals of what consumers intend to do over future time periods.

The deceleration in employment over the first five months of 2019 may combine with financial jitters over tariffs and the inverted yield curve to weaken confidence, along with end-of-cycle discussions becoming more prominent in the business and popular press. Confidence is fundamental to decisions on investment, as well as a business leaders' decision on hiring and capital expense commitments for the future. According to data from Real Capital Analytics, levels of commercial property investment already appear to be reflecting such concerns about uncertainty. Investment in existing and new property is an expression of expectations in future performance, and the data suggests that confidence in sustained demand for residential and commercial property assets is faltering.

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Real estate is a business that uses debt as a tool on a regular basis. There is approximately three dollars of debt for every dollar of equity in the US universe of investment property. In the wake of the Global Financial Crisis, more stringent underwriting standards have caused the current lending market to pull back to an average Loan To Value (LTV) of about 66 percent, according to 2018 data from Real Capital Analytics. Previously mentioned in the report is the inversion of the yield curve, and this is crucial to understand in the context that the entire curve has trended downward this past year. This trend results in an already low interest rate environment becoming even lower, and borrowers see this as a "sale" on the cost of funds and have responded enthusiastically. International investors have flocked to the safe harbor of US Treasuries, which will at least provide positive returns. This would appear to be an ideal time for America to invest in long-term assets, yet our Federal budget deficit has widened with a combination of tax cuts and increased military/boarder operations that do little to leverage the low cost of funds to effect superior long-range returns.

Concerns about indebtedness across the economy fall into a few separate categories. The first concern is the impact on markets, including real estate markets, when today's low interest rates rise. It's almost certain this trend would result in significant negative effects on property values nationwide. The second concern focuses on the debt burden on US individuals and households. In March 2019, US consumer debt rose 3.1% to $4.052 trillion, more than half of the total consumer debt is non-revolving debt comprised primarily of education and auto loans. As debt growth out paces income growth, stresses on household budgets increase considerably. The third major concern regarding indebtedness is the unfunded future liabilities in the public sector. While large Federal programs such as Social Security and Medicare have been a target of debt hawks for decades, it has become apparent that at the national level there will be relatively minor and readily feasible tweaks to the system. The emphasis of concern looks at state and local liabilities. This is because it is at the state and local level that government revenue turns to property and real estate transaction taxes to cover operations, and virtually every state is constitutionally obligated to maintain a balanced budget.

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The Federal Open Market Committee made the decision to cut interest rates by 25 basis points for the first time since the Global Financial Crisis a decade ago. With that decision, interest rates are now historically low, which means banks have little room for error in the event of an economic downturn. For consumers, this decision may lead to a relief in ways such as lower borrowing costs, home loans, credit cards, student loans and car payments. The cut is warmly welcomed by the American public as it provides a friendlier environment for investment opportunities for individuals and businesses alike.

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With rising construction costs, developers are finding it increasingly more difficult to achieve financial feasibility. During 2018, the Mortenson Construction Cost Index has risen 7.8%; it is expected to increase another 4.5% - 5.5% throughout 2019. These increases in costs affect not only total costs of development and improvements, but also impact construction timelines. Companies may need to consider relocation of development, altered project scopes, or phasing their developments to better align the economics of their investment with future cost projections.

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Shifts in job movement and capital flow are essential to the real estate market. The deductibility of state and local taxes in the Tax Cuts and Jobs Act of 2017 suggests will likely be advantageous for states with low tax levels and disadvantageous for higher tax states.

In the past year, high-tax states have generated 195,500 more jobs than low-tax states, but have done so with a slower growth rate because of their larger economies. Another benchmark to consider is the difference in productivity between high-tax and low-tax states. High-tax states have an 18.1% higher productivity rate than lower-tax states; if economic activity is redirected to lower-tax states, the output per worker on a national basis could weaken.

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There are many opinions about what millennials will do in the upcoming years in relation to the urban/suburban lifestyle divide. Those fortunate enough to have the ability to move choose locations based on preferences and benefits offered. Urban areas have been known to offer job opportunity, entertainment, night life, and diversity, but previously have had negative connotations regarding price, crime, traffic, and a lack of quality institutions available. Over the decades, some of these trends have reversed, and young populations started to prefer the city life with smaller, more expensive living with a closer commute.

Though the overall population is tending to urbanize, suburbs are still developing. Developers are optimistic that older millennials will want to move into larger suburban spaces with urban like amenities close by. As geographic and lifestyle preferences evolve, various sectors in real estate are also changing (i.e. mixed-use residential, boutique office and retail spaces, live-work units, transit-oriented developments).

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Millennials are increasingly looking beyond the bottom line and have a peaked interest in more social and environmental improvements. Because of this, many companies are rethinking their real estate footprint. To progress with this type of activism, more decisions are being made to combat issues such as homelessness, environmental impacts, and housing affordability. Increased tax incentives for these kinds of programs are also bolstering this trend.

One of the most impactful shifts in the past two years has been the increase in women spearheading discussions on otherwise dormant issues. Within real estate, especially in commercial property business and construction, women are holding more executive positions. Many STEM-oriented industries have also made progress in hiring and promoting more women and minorities within their ranks, and have established programs within education to promote women entering STEM majors and programs.

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Economic trends are among the most critical determinants of real estate values because they have a direct impact on population growth and a market area's attractiveness to investors. Principal economic criteria include the economic base of an area and the distribution of the work force in the various economic sectors.

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The economic base of an area may be viewed both by a summary of its major employers and by an analysis of the various kinds of employment in the area.

The following table lists the top employers in Washington State, most of which are major employers in the Puget Sound region. This table illustrates the continuing importance of Boeing and the aerospace industry in the Seattle economy. Even though the region is continuing to diversify, Boeing is still by far the largest employer. Notably, the technology sector is continuing to expand rapidly, and adding significant increases in annual employment availability. Military employment continues to serve as a strong economic force in the region as well.

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1	Boeing	Aerospace	Everett/Renton	69,830
2	Joint Base Lewis-McChord	Military	Fort Lewis	54,000
3	Amazon.com Inc	Online Retailer	Seattle	52,000
4	Microsoft Corp	Software	Redmond	51,362
5	University of Washington	Education	Seattle	46,824
6	Navy Region Northwest	Military	Silverdale	46,015
7	Providence Health & Services	Non-Profit Health Care	Renton	43,000
8	Safeway Inc. & Albertsons LLC	Retail Grocery	State-wide	21,320
9	Wal-Mart Stores Inc	Retail Grocery	State-wide	19,412
10	Costco Wholesale Corp	Retail Grocery	Issaquah	18,010
11	MultiCare Health System	Health Care	Tacoma	17,170
12	Fred Meyer Stores	Retail Grocery	State-wide	16,069
13	King County Government	Government	Seattle	15,851
14	Starbucks Corp	Coffee Retailer	Seattle	14,132
15	CHI Franciscan Health	Health Care	Tacoma	12,368
16	City of Seattle	Government	Seattle	11,664
17	Seattle Public Schools	Education	Seattle	11,431
18	Alaska Air Group Inc.	Aerospace	Seat-Tac	9,594
19	Nordstrom Inc.	Retail	Seattle	9,200
20	Virginia Mason Health System	Health Care	Seattle	8,759

Source: Puget Sound Business Journal, 2019 Book of Lists, WWU Center for Economic and Business Research

Updated as of December 2019. Source: OCGP via media outlets

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Seattle observers are well aware of the tech industry's role in the city's economic boom; it is a clearly-noticed change in new job creation. According to CBRE's Tech-30 Report, more than nine of every 10 office jobs created over 2015 – 2017 came from the tech sector (26% in overall tech job growth). Office rent increased by 14% over the same time period. In 2014 – 2018, Seattle-based tech companies have expanded by approximately nine million square feet in office space. Total population has grown 18.7% from 2010 – 2017 (making Seattle the fastest growing city in the U.S. this decade), due largely to local tech expansions.

Tech workers have more disposable income in Seattle than other major cities, according to a report by real estate listing site Zillow and networking site LinkedIn. Seattle's tech employees make up roughly 9% of total employment in the city with an average salary of $100-$140K per year. This is the second highest salary wage for tech employees in the nation (bested by San Francisco Bay Area). For each new tech worker hired, there are estimated to be four additional supporting jobs created.

Boeing

- The Boeing Company has faced intense scrutiny in the early parts of 2019, in the wake of two fatal crashes occurring in October of 2018 and March of 2019. Both accidents involved Boeing's 737 Max airliner, the company's top selling plane. All 737 Max airplanes have been grounded with no definitive timeline for when they will be put back into operation, some speculate they will remain out of operation into 2020.
- Despite a large amount of backlash and disapproval from the public and industry, Boeing appears to be stable as a whole. Several airlines did cancel purchase plans for the 737 Max, instead opting for Airbus' competing plane. However, Boeing secured a sale worth 24 billion dollars for 200 of their 737 Max planes at the annual Paris Air Show. This was a very significant vote of confidence for Boeing, helping its reputation in the face of all the critics.
- Boeing confirmed an increase of 767 cargo plane production from 2.5 to 3 planes per month by 2020. As Amazon and other air cargo users continue to build their fleets, the 767 is also now being utilized as military tankers.
- The first 777X model planes will start flight tests in 2019, and will eventually replace the traditional 777 model in the long-run. Improvements on the traditional 777 include carbon-fiber wings, folding wingtips, improved fuel efficiency, and increased range.
- The Boeing 787 continues to be well received by airlines, with increased distance capacity and reduced fuel consumption. One hundred and forty-five "Dreamliners" were delivered in 2018, though are produced entirely in Boeing's North Charleston, South Carolina facility.
- Japan recently announced plans with Boeing to explore the development of an electronically-powered aircraft, forgoing the effects of jet fuel prices on airline profits.

Microsoft

- Microsoft is a significant driver of the local economy, employing more than 46,000 people in the Seattle metro area. As the company enters its Q1-2019 fiscal year, they reported earnings of $29.1 billion in revenue, a significant improvement over earnings in 2018 at $24.5 billion.
- In late 2017, Microsoft announced they would be building nearly 3 million square feet of new workspace on their 72-acre Redmond campus. The project has broken ground, and according to Microsoft is expected to complete in 2022. The expansion will add 18 new buildings, which will each be 4-5 stories tall. $150 million will go towards 6.7 million square feet of renovated space, transportation infrastructure improvements, and sports fields. When complete, the main campus will hold 131 total buildings.
- In 2018, Microsoft has announced that their "Dynamics 365" business management software will offer subscription-based cloud offerings, including a multi-cloud environment which will compare to Salesforce's model. In addition to their newest 365 application offerings, Microsoft has announced a partnership with Qualcomm for a "vision AI developer kit" which will include the hardware and software needed for developers to create camera-based IoT innovations. Qualcomm and Microsoft have previously partnered before for projects such as Cortana and Windows 10. Microsoft's continued investment in AI technologies, developer kits, and cloud services have boded the company extremely well in recent earnings reports.

Amazon

- Amazon occupies and has plans to build or lease as much as 13.5 million square feet across 44 buildings throughout the Seattle MD by 2023, which will cover over 20% of Seattle's office space. This would be enough space for more than 76,000 employees compared to the 5,000 employees it housed in 2010. However, many office brokers believe that Amazon will end up leasing closer to 15-million square feet of office space by that time.
- In October 2017, Amazon announced that it will lease all of the office space in the Rainier Square redevelopment project (722,000 square feet), as well as the top six floors of the Macy's building (312,000 square feet). However, a source via the Puget Sound Business Journal confirmed rumors in January 2019 it plans to initially sublease the entirety of their Rainier Square space.
- According to the company, about 20% of their employees live in the same zip code where their headquarters are located; about 15% of employees walk to work.
- Bellevue also reaps the benefits of Amazon's huge Seattle presence. Amazon is the sole tenant at Centre 425, securing its foothold on the Eastside to retain and attract employee workforce there. The property sold in mid-October for a whopping $313-million ($877 per square-foot). In addition, Amazon has also signed a 16-year lease for over 400,000 square feet of space in Bellevue for the space that was once filled by Expedia HQ employees. This will give Amazon the space for an additional 2,500 Amazonians in 2020.
- In the spring of 2019, Amazon announced their long-awaited destination for their HQ2. The company elected Crystal City, Arlington, Virginia as the sole location for their new second headquarters. The company planned to hire 50,000 new employees in their original projections for HQ2. Amazon is expected to create 25,000 new jobs and lease 6 million square feet of office space in Crystal City by 2030. They will allocate the other 25,000 jobs between their 17 existing hubs.

- Outside of their office space, Amazon is now looking to up its retail space with the talk of opening up to 3,000 cashierless stores by 2021 according to Bloomberg News. There are nine stores open as of now, four of which are based in the home city of Seattle. The largest store operating is 2,100 square feet, and expansion stores have been confirmed for the cities of San Francisco and New York City.

Google

- Construction of Google's large-scale mixed-use project in South Lake Union broke ground at the end of 2016. The first two blocks are slated for completion in June 2019; the plan is projected as 607,000 square-feet of office space and residential towers. A third block being built will add roughly 322,000 additional square feet which will begin construction in Q4 of 2019 and has an estimated completion date of 2021. Google plans to keep their expanded Fremont offices in addition to their new campus. While Google has not yet confirmed how many people will work in the new location, a Google Exec announced at the Geek Wire Cloud Tech Summit that the SLU campus will house the company's growing cloud division.
- Currently Google employs more than 3,000 employees in the region (the third-largest concentration of its employees outside of Silicon Valley). If all construction is completed as planned, the Google campus would compromise about 930,000 square feet, and house up to 6,000 employees. It has been rumored that Google is considering buying or renting a significant portion of the "Kirkland Urban" mixed-use project. Currently, Wave has leased out 88,000 square feet in the Central building as their headquarters, while Tableau is leasing 90,000 square feet of the North building. If Google buys out these leases, they will accumulate a total of 417,750 square feet of office space and 1.2 million square feet of commercial/residential space.

Facebook

- In May 2017, Facebook took possession of its new home, the Arbor Blocks in Westlake, occupying 384,000 square feet of office space. In addition to their other buildings along South Lake Union, Facebook is approaching 1 million square feet of office space in Seattle. Currently, Facebook employs more than 2,000 people in the region. According to a Tech Crunch article, Facebook is said to have spent $88.3 million in 2018 alone on Oculus related permits for up to 8 new offices, 5 of which have been listed in Redmond. Paired with other recent Bellevue leases, Facebook can occupy around four million square feet of office space in the region, increasing their office footprint tenfold.
- Among Facebook's most intriguing new real estate projects is a new R&D structure, known only as "Building X". Located in Redmond, "Building X" will support their Reality Labs (Oculus) project. Construction is expected to start mid-2019, and complete at the end of 2021. Facebook has been leasing an enormous quantity of office space in recent months, and are projected to cover 4 million square feet across the Puget Sound region in leases and real estate. Facebook executives have been largely secretive of their expansion into the Puget Sound region.
- While Facebook appears to be growing rapidly in the region, dozens of new lawsuits could affect their business. Their recent failure to protect its users from analytics company Cambridge Analytica (as well as other user data breaches) could affect the overall well-being of the company. Despite recent changes to their interface, Facebook is still a popular platform to spread political misinformation, and if left unchecked, may impact their long-term growth.

Apple

- While other "Big Five" tech companies have aggressive plans to expand their presence in the Seattle Metro Region, Apple seems to be more focused on other markets. Based out of Silicon Valley, Apple recently announced a new 15,000-person campus in Austin, TX, and expansions in other cities. Apple plans to grow their current Seattle-area office from 500 employees to around 2,000, adding around 75,000 square feet in office space. However, lower Q1 2019 sales projections due to a faltering Chinese economy and US tariffs may put a damper on these plans.

T-Mobile

- Bellevue-based T-Mobile is currently in the process of acquiring Sprint, amidst its Factoria HQ renovations. If the merger is successful, T-Mobile plans to operate a "second headquarters" out of Sprint's office space near Kansas City in conjunction with their Factoria offices. While T-Mobile was successful in its acquisition of MetroPCS in 2013, the Sprint merger (if approved federally) is far larger and is expected to be much more complicated. Currently, T-Mobile continues to lease and renovate various properties throughout the region and remains a major employer.

Salesforce

- Cloud-based CRM giant, Salesforce, plans to build their second headquarters in the Emerald City. Based out of San Francisco, Salesforce already has a moderate presence in the region with around 1,000 employees. Their new headquarters plan was announced by the company's CEO shortly after news broke that Salesforce will acquire the Seattle based data visualization company Tableau, for $15.7 billion. The deal was announced in June of 2019 and is expected to be finalized by October of the same year. Executives at both Salesforce and Tableau have confirmed each company will operate independently. No additional information regarding the second headquarters for Salesforce have been released.

Tableau

- In March 2017, Tableau Software moved its headquarters to the NorthEdge building in Wallingford, just a mile from their previous location. The four-story mixed-use facility houses the company's 1,700 employees, and sublets 4,000-square-feet on the second floor to retail tenants. The company has since leased out an extra 92,000 square feet on 3 floors of the Kirkland Urban north building beginning in early 2019.

Expedia

- Expedia is projected to finish moving its headquarters into Seattle's Interbay neighborhood by mid-2020, following the acquisition of the former Amgen campus on the East shore Elliott Bay for $229-million. The online travel giant cites alignment with the Seattle tech hub and a recruiting advantage as instructive to the move. Currently Expedia employs around 4,500 employees in the region.

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- Seattle's population is growing substantially quicker than that of Silicon Valley, driven by strong job growth in fields like tech and healthcare, a relatively lower cost of living, and lifestyle benefits of the Northwest (despite Seattle's increasing housing prices, rental rates, and commute times). From 2005 through 2015, the STEM talent pool for technology and innovation grew by more than 60%, whereas San Francisco's pool only grew 22% for this time period. Abundant out-of-state in-migration is a major factor in Seattle's employee base, as well as the University of Washington's highly-ranked technical programs.
- While not as hot as tech office space, the local biotech industry has recently been expanding, with building and leasing activity growing in Seattle's South Lake Union neighborhood. With existing biotech companies (such as Fred Hutch, Seattle Cancer Care, etc.) expanding in nearby neighborhoods, Seattle seems likely to see more growth in this industry.
- According to CBRE's annual "Scoring Tech Talent Report", which ranks cities based of metrics such as the number of tech employees, population trends, wages, education level, etc., Seattle is ranked the second strongest tech market in the U.S. and Canada thanks to the growing population. San Francisco's Bay Area is ranked at number one, while Washington D.C., Toronto, and NYC round out the rest of the top five.
- Of Seattle's up and coming projects, the expansion plans for University of Washington has caught the eyes of many. City Council has given their approval for UW's growth plan to build a West Campus Green and construct new high-rise towers. Over the next decade, this will create an additional six million square feet of space for 7,000 more students, faculty, and employees. Three million square feet of this space will be used as an Innovative District for students to partner with local businesses, government institutions and nonprofits according to source Seattle Times. 450 units of affordable housing are included in the UW's plans.

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Iн Best Cities for Coffee Lovers – WalletHub
Ip "Best States Rankings" nationally, and **Iм** on the West Coast – *U.S. News & World Report*
Iф "The Best Big Cities in the U.S." – *Condé Nast Traveler*
Iмр "The 20 Best Cities for Runners Training for a Marathon" – *Shape.com*
Iн Coolest City in America 2017 – *Forbes*
Iм "2018's Best Big Cities to Live In" – *WalletHub*
Iмл "125 Best Places to Live in the USA" rankings – *U.S. News & World Report*
Iм Mayflower Park Hotel selected Best Historic Hotel in America – *Historic Hotels of America*
Seattle is named one of "The 10 Most Intriguing Travel Destinations for 2019" – *WSJ*
Seattle included in "Guide to America's 10 Greenest Cities" – *Hertz*
TripAdvisor names Seattle one of the nation's fastest-growing tourist destinations – *TripAdvisor*
Seattle Named One of the World's Must-See Literary Destinations – *Expedia*
Washington's Beauty Makes the List Twice for Top U.S. Road Trip Destinations – *Travel + Leisure*

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Io 2018 Best City for Successful Women Entrepreneurs – *Business.org*
Iм Best Metro Area for STEM Professionals – *WalletHub.com*
Iф Safest City in the U.S. – *Federal Bureau of Investigation*
Iн Best Place to Live in the U.S. – *Livability.com*
Iм City in the Nation for Entrepreneurs – *Forbes*
!Ь rating for Amenities and Housing – *AreaVibes.com*
Þфмc∑ллл median home value; the highest median home value in King County – *Zillow.com*
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мc∑олл people live in Downtown Bellevue

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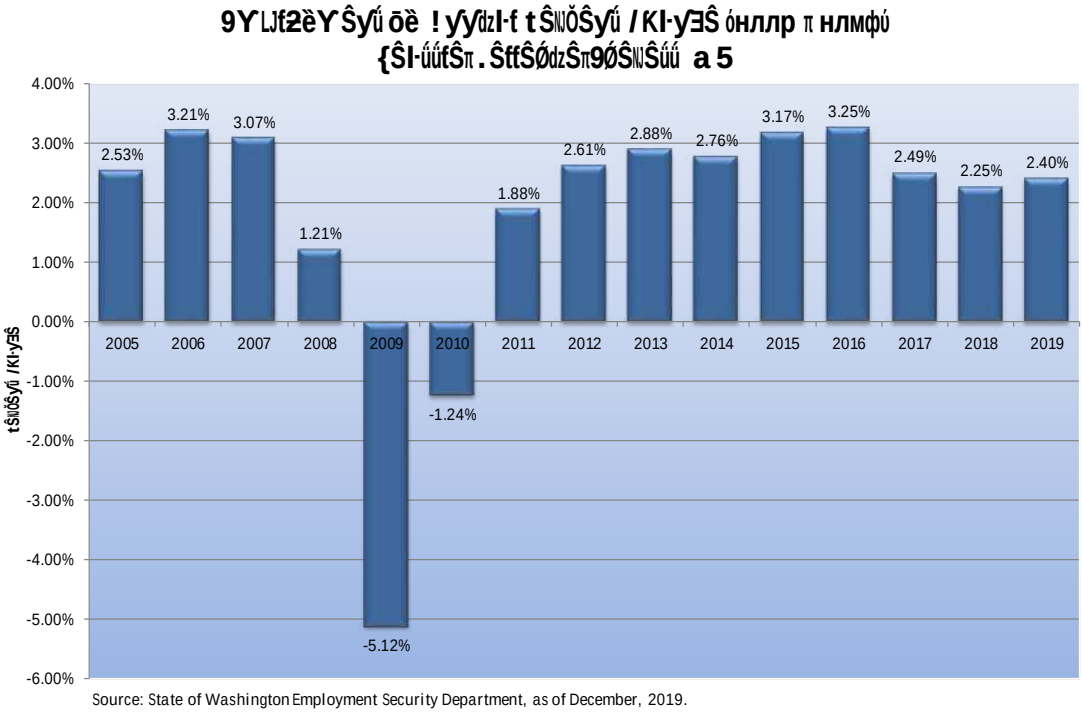
Total levels of employment, employment change, and distribution of jobs are vital to understanding a region's economy. This is especially true of the Seattle MD, serving as the region's largest employment center and GDP driver.

The following chart and table detail employment growth in the Seattle region spanning from 2005 to 2019:



Source: State of Washington Employment Security Department, as of December, 2019.

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D22Rã tN2RűŐlyƎ	235,150	252,825	267,308	264,625	231,181	217,017	222,542	234,058	243,417	249,233	258,467	262,183	259,592	264,667	271,800
{ŜNØlŐŜã tN2ØlŘlyƎ	1,149,357	1,176,034	1,205,511	1,225,974	1,183,080	1,179,642	1,200,358	1,225,992	1,258,733	1,294,450	1,334,225	1,382,242	1,425,683	1,458,633	1,492,783
¢2úl·f	1,384,500	1,428,900	1,472,800	1,490,600	1,414,300	1,396,700	1,422,900	1,460,100	1,502,200	1,543,700	1,592,700	1,644,400	1,685,300	1,723,300	1,764,600
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Source: State of Washington Employment Security Department Labor Area Summaries, BLS CES Series Regional Data as of December, 2019

- As displayed in the chart above, the Seattle MD has experienced nine successive years of employment growth (2011-present) following the 2009-2010 recession.
- 2019 employment data showed a 2.40% increase (40,500 jobs) since year end 2018—a slight increase in growth rate from the 2.25% change in 2018, and down considerably from the 2016 change which was the largest year-over-year gain (3.29% increase) in recent memory.
- In 2011, employment grew 1.88%, for a gain of 26,200 jobs. By 2016, employment grew 3.29%, representing 51,700 jobs and the highest annual total since 2008. By the end of 2013, jobs lost in 2009 and 2010 had been revived and employment regained 2008 post-crash levels.

The following chart illustrates more recent years' employment growth by job sector:

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D2ƨŘă tᵾ2ŘᵾÔlyƎ	**нопĺлрф**	*+5.18%*	**нпоĺпмс**	*+4.00%*	**нпфĺноо**	*+2.39%*	**нруĺпст**	*+3.70%*	**нснĺмуо**	*+1.44%*	**нрфĺрфн**	*(0.99%)*	**нспĺссс**	*+1.95%*	**нтмĺулл**	*+2.70%*
Durable	140,917	*+7.05%*	143,925	*+2.13%*	142,908	*(0.71%)*	142,892	*(0.01%)*	139,600	*(2.30%)*	132,358	*(5.19%)*	132,158	*(0.15%)*	136,658	*+3.41%*
Non-Durable	26,633	*(1.84%)*	26,983	*+1.31%*	27,683	*+2.59%*	28,642	*+3.46%*	29,383	*+2.59%*	29,642	*+0.88%*	29,675	*+0.11%*	30,300	*+2.11%*
Mining & Logging	717	*(1.10%)*	725	*+1.12%*	725	*+0.00%*	800	*+10.34%*	775	*(3.13%)*	792	*+2.19%*	800	*+1.01%*	800	*+0.00%*
Construction	65,792	*+4.36%*	71,783	*+9.11%*	77,917	*+8.55%*	86,133	*+10.54%*	92,425	*+7.30%*	96,800	*+4.73%*	102,033	*+5.41%*	104,042	*+1.97%*
{ŠᵾØlÔŠă tᵾ2ØŘlyƎ	**мĺннрĺффн**	*+2.14%*	**мĺнруĺтоо**	*+2.67%*	**мĺнфпĺпрл**	*+2.84%*	**мĺоопĺннр**	*+3.07%*	**мĺоунĺнпн**	*+3.60%*	**мĺпнрĺсуо**	*+3.14%*	**мĺпруĺсоо**	*+2.31%*	**мĺпфнĺтуо**	*+2.34%*
Trade	259,958	*+2.56%*	269,550	*+3.69%*	281,192	*+4.32%*	291,825	*+3.78%*	301,850	*+3.44%*	316,533	*+4.86%*	323,033	*+2.05%*	329,933	*+2.14%*
Transportation/Utilities	47,308	*+0.80%*	47,792	*+1.02%*	50,717	*+6.12%*	53,108	*+4.71%*	55,367	*+4.25%*	57,242	*+3.39%*	58,708	*+2.56%*	59,800	*+1.86%*
Information	86,850	*+1.08%*	88,167	*+1.52%*	91,642	*+3.94%*	94,633	*+3.26%*	102,183	*+7.98%*	108,533	*+6.21%*	116,158	*+7.03%*	125,875	*+8.37%*
Financial Activities	77,825	*(0.89%)*	80,283	*+3.16%*	80,975	*+0.86%*	82,058	*+1.34%*	83,242	*+1.44%*	84,275	*+1.24%*	86,658	*+2.83%*	88,300	*+1.89%*
Professional & Business	215,742	*+4.70%*	224,392	*+4.01%*	231,350	*+3.10%*	240,933	*+4.14%*	249,508	*+3.56%*	255,642	*+2.46%*	261,592	*+2.33%*	267,883	*+2.40%*
Educ. & Health Care	191,200	*+1.38%*	193,258	*+1.08%*	197,075	*+1.98%*	200,258	*+1.62%*	207,767	*+3.75%*	213,842	*+2.92%*	221,442	*+3.55%*	226,167	*+2.13%*
Leisure & Hospitality	138,050	*+3.43%*	143,917	*+4.25%*	148,667	*+3.30%*	154,992	*+4.25%*	161,642	*+4.29%*	166,858	*+3.23%*	171,550	*+2.81%*	174,925	*+1.97%*
Other Services	53,700	*+2.99%*	54,392	*+1.29%*	55,808	*+2.60%*	56,633	*+1.48%*	58,225	*+2.81%*	58,708	*+0.83%*	59,675	*+1.65%*	63,608	*+6.59%*
Government	202,667	*+0.24%*	204,775	*+1.04%*	207,742	*+1.45%*	212,892	*+2.48%*	217,825	*+2.32%*	221,292	*+1.59%*	218,525	*(1.25%)*	216,092	*(1.11%)*
¢ƨûl-ĺ 9YˬlƒƨèYŠyû	**мĺпслĺмлл**		**мĺрлнĺмлл**		**мĺрпоĺтлл**		**мĺрфнĺтлл**		**мĺсппĺплл**		**мĺсурĺолл**		**мĺтноĺолл**		**мĺтспĺслл**	
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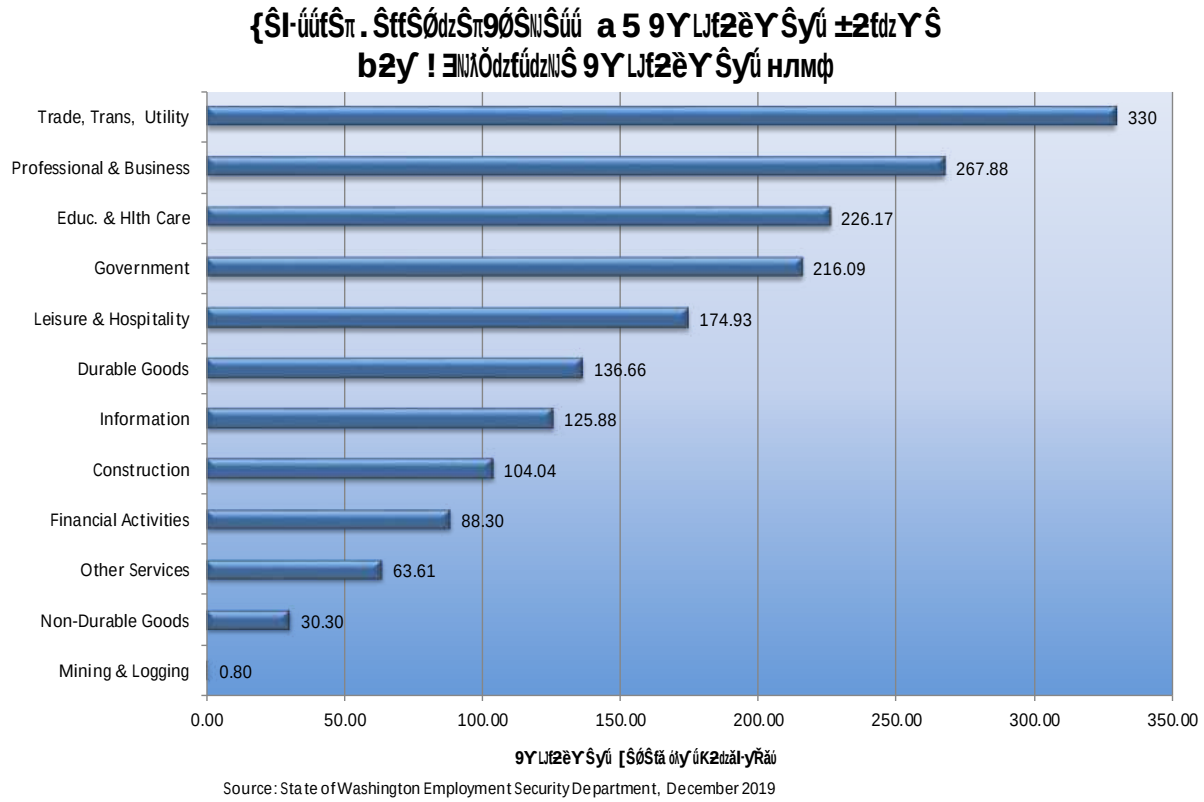
- In 2013 the area experienced a 2.8% annual growth rate, adding 42,000 jobs. This was first time since 2006 and 2007 that total new jobs surpassed 40,000 in two consecutive years. Notably, the Construction sector had the highest growth at 8.55%, which equated to almost 8,000 new jobs, and accounting for 20% of all new jobs for the year.
- Through 2012 – 2019, construction (56% employment growth), information (40% employment growth), leisure/hospitality (28% employment growth), and trade (27% employment growth) grew the most relative to industry size.
- In 2019, the Information sector saw the highest increase in percentage of job growth at 8.37%. The Other Services sector also experienced significant growth at 6.59%.

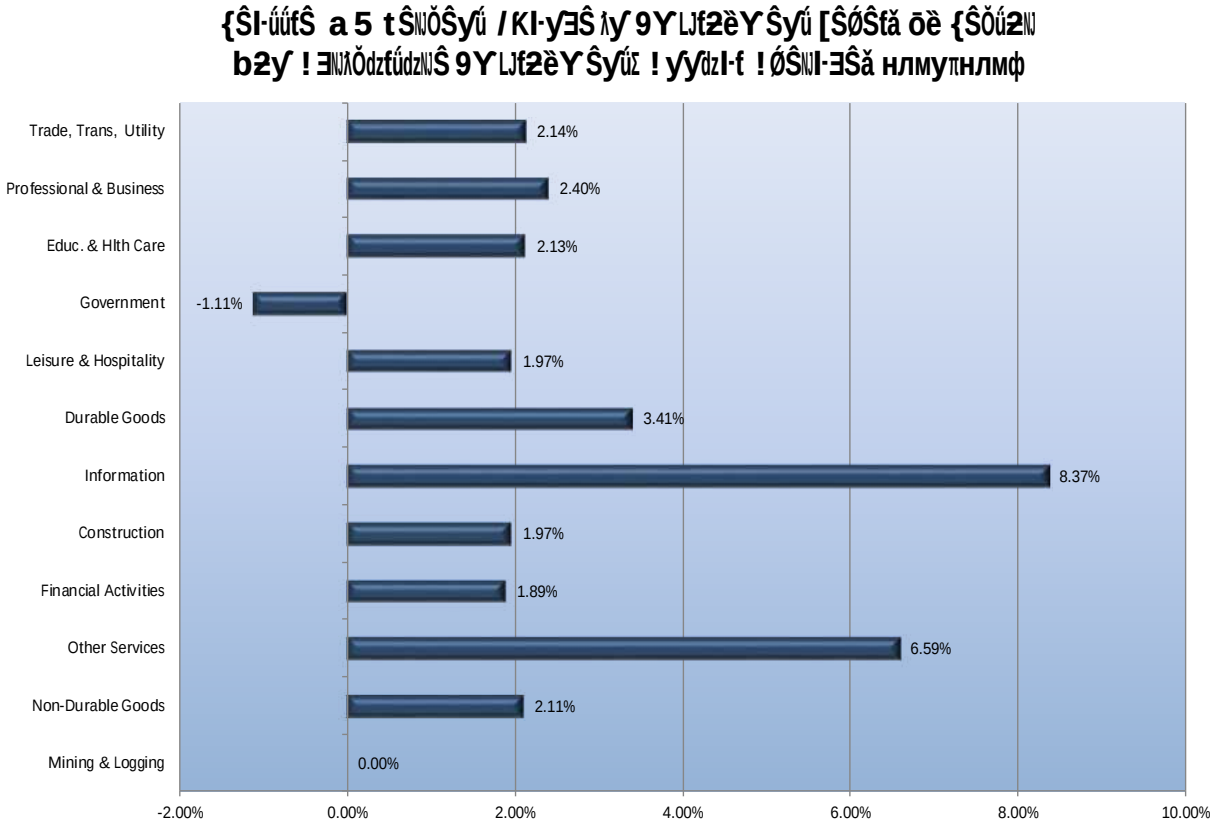
The following graph illustrates the average levels of employment for various employment sectors in the Seattle-Bellevue-Everett MD through the middle of 2019:



Source: State of Washington Employment Security Department, December 2019

- As of December 2019, Trade, Transportation & Utility is the largest employment sector in the Seattle MD, at 330,000 estimated jobs.
- Professional and Business services followed in second with 267,800 estimated jobs.
- Mining and logging remain the lowest employment sector, with an estimated 800 jobs in the region.

The following graph illustrates the change in employment levels by sector over the past year:



Source: State of Washington Employment Security Department, as of December, 2019.

- Notably, Other Services employment levels gained employment and broke positive throughout 2019. In the 2018 calendar year, the sector demonstrated a -0.35% decrease from 2017.
- The information sector saw the greatest year-over-year growth in 2019, driven by the expanding technological resources in the region (8.37% overall sector growth). This was followed by Other Services at 6.59%.
- Ten of 12 sectors showed average employment increases when comparing 2019 average gains to 2018 average gains.
- Government saw a decrease in employment over the course of 2019. Government subsectors saw decreases in state and federal government employment levels, but a healthy increase in local government employment.

The following table details the Seattle MD employment change during the most recent 12 months for which data is available, as well as the rate of change month-over-month. Please note that the data used is not seasonally-adjusted, so fluctuations month-over-month are to be expected:

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Goods Producing	266,600	263,700	269,400	269,500	271,800	274,200	275,200	275,800	274,800	273,100	273,400	274,100
Services Providing	1,464,900	1,457,000	1,471,900	1,478,300	1,490,600	1,503,500	1,508,600	1,506,900	1,501,300	1,502,600	1,511,800	1,516,000
Total	1,731,500	1,720,700	1,741,300	1,747,800	1,762,400	1,777,700	1,783,800	1,782,700	1,776,100	1,775,700	1,785,200	1,790,100
Monthly Change (%)	πлϕyŵ[::	πлϕcв[::	мϕнπ[::	лϕoэ[::	лϕyŋ[::	лϕyэ[::	лϕoв[::	πлϕлє[::	πлϕoэ[::	πлϕлн[::	лϕpπ[::	лϕнэ[::
Absolute Change	πмпΣнллл	πмлΣуллл	нлΣслл	сΣрллл	мпΣслл	мрΣоллл	сΣмллл	πмΣмллл	πсΣслл	ππллл	фΣрллл	пΣфллл
Previous Year Total	1,692,700	1,695,200	1,704,600	1,707,900	1,722,000	1,733,900	1,732,900	1,732,800	1,730,800	1,736,800	1,744,300	1,745,700
Year-to-Year Change (%)	2.29%	1.50%	2.15%	2.34%	2.35%	2.53%	2.94%	2.88%	2.62%	2.24%	2.34%	2.54%

Source: State of Washington Employment Security Department Labor Area Summaries as of December, 2019

- The percentage of change in monthly employment averaged 0.18% growth each month for the 12-month rolling period, January 2019 through December 2019.

The data above is graphed in the following chart. Seasonally-adjusted estimates (per BLS standards) are also graphed as reference:

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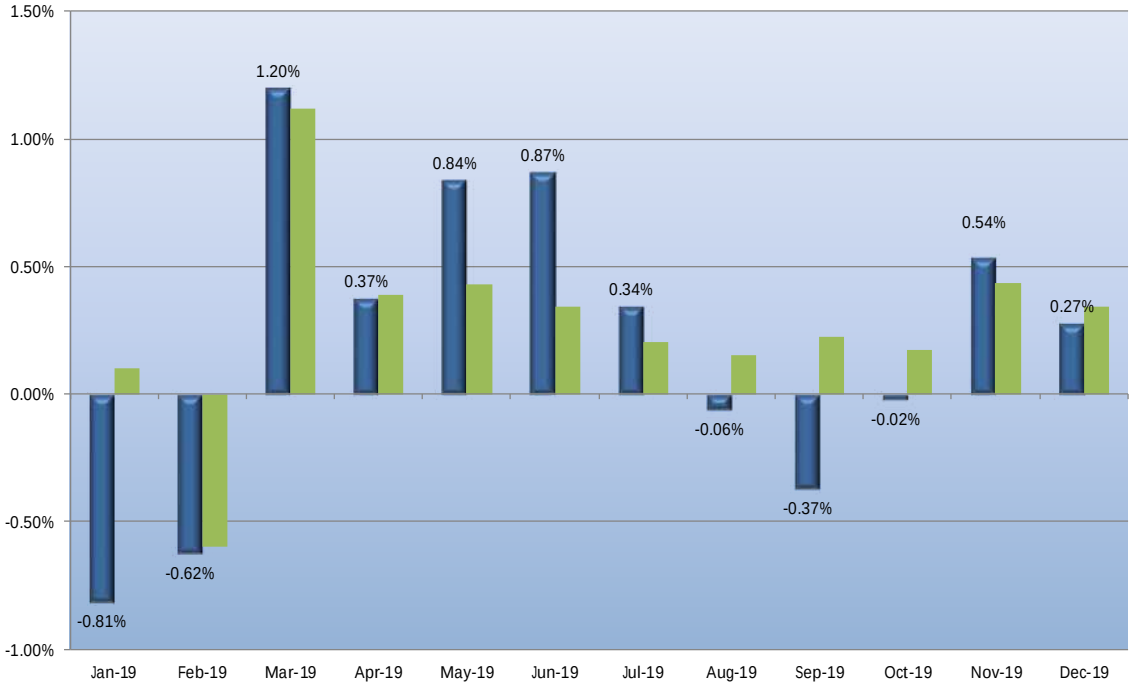

Source: Washington State Employment Secuirty Department, as of December 2019

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- January 2019 saw the most significant employment loss, which is common due to many holiday workers jobs being cut. Much of the rest of the year saw strong employment gains.
- December 2019 followed standard seasonal employment gains, as retail and other seasonally-sensitive sectors "ramp up" employment to meet employment demand. However, we didn't see as strong of an upward trend as we have in the past.

- March 2019 experienced the highest increased rate of employment, at 1.20%. Looking more closely at the numbers we can see the employment gains came heavily from the Service Providing and Total Private sectors.

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GDP measures the overall strength of an economy. Comparing growth rates of GDP across different areas determines how quickly a region is growing economically. The following table and chart display the annual growth (in the form of percent change) of the national gross domestic product (GDP) as well as that of Washington, California, and Oregon.

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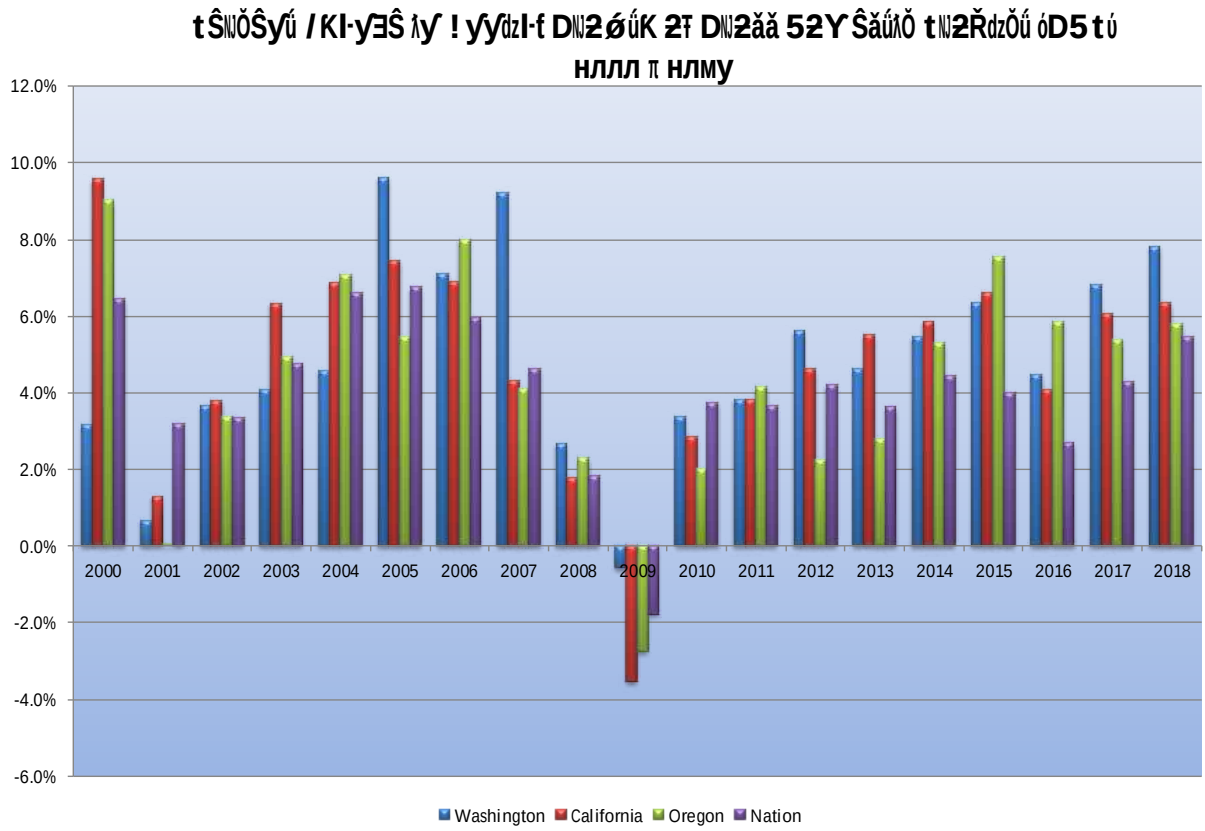
	нллл	ннлм	ннлн	ннло	ннлп	ннлр	ннлс	ннлт	ннлу	ннлф	нлмл	нлмм	нлмн	нлмо	нлмп	нлмр	нлмс	нлмт	нлму
² l·ăKlyƎűƨy˝	3.2%	0.7%	3.7%	4.1%	4.6%	9.6%	7.1%	9.2%	2.7%	-0.6%	3.4%	3.8%	5.6%	4.6%	5.5%	6.4%	4.5%	6.8%	7.8%
/l·ftT2ℕyΛl·	9.6%	1.3%	3.8%	6.3%	6.9%	7.5%	6.9%	4.3%	1.8%	-3.5%	2.8%	3.8%	4.6%	5.5%	5.9%	6.6%	4.1%	6.1%	6.3%
hℕŜƎƨy˝	9.0%	0.0%	3.4%	4.9%	7.1%	5.4%	8.0%	4.1%	2.3%	-2.8%	2.0%	4.1%	2.3%	2.8%	5.3%	7.6%	5.9%	5.4%	5.8%
¦{	6.5%	3.2%	3.4%	4.8%	6.6%	6.7%	6.0%	4.6%	1.8%	-1.8%	3.8%	3.7%	4.2%	3.6%	4.4%	4.0%	2.7%	4.3%	5.4%

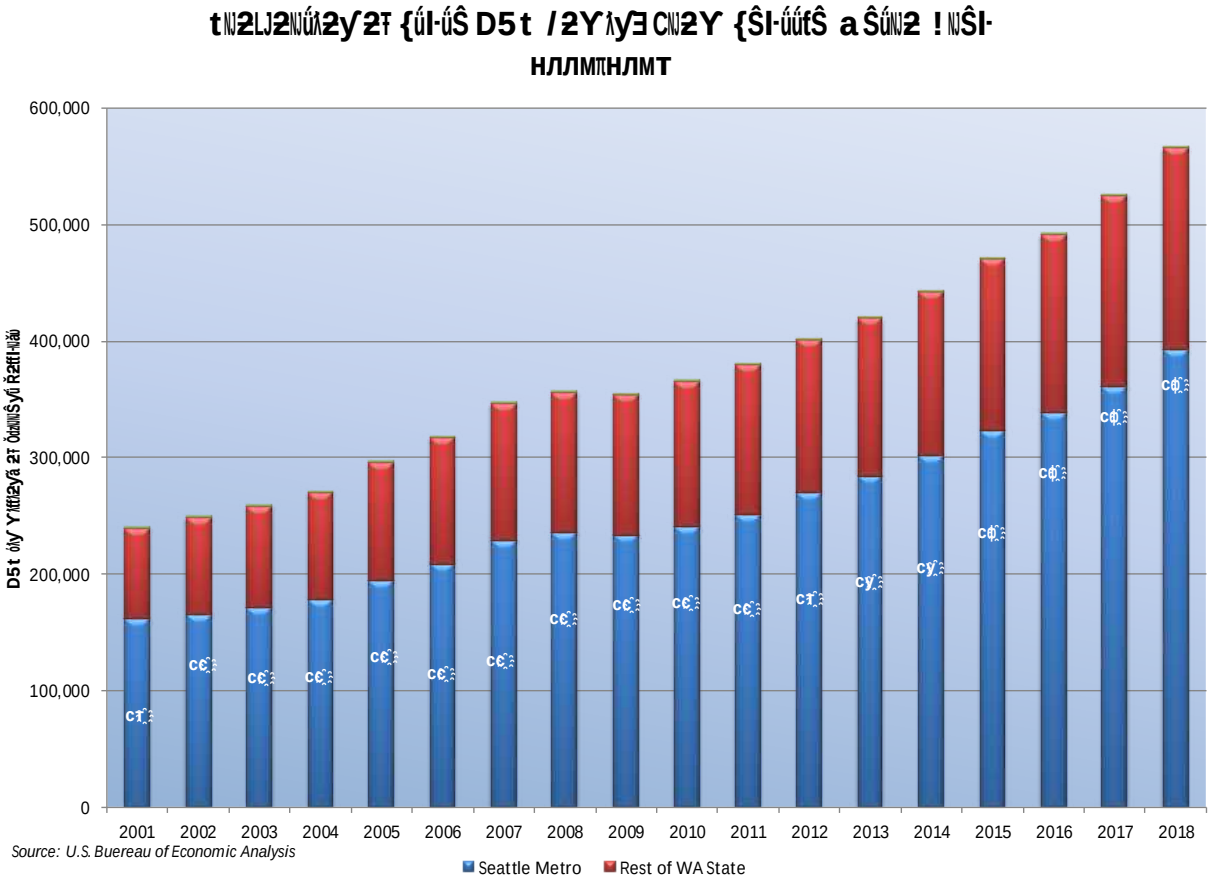
Source: Bureau of Economic Analysis, January 2020



- In 2018, Washington State GDP increased by 7.8% over the previous year, representing a three-year trend of increased rates of growth. Since 2011, Washington has out-performed the nation in GDP growth.

- GDP measures for Washington, Oregon, California, and the United States, have risen for the past five years.

- The Seattle MD contributed, on average, 67% of Washington State's GDP from 2001 to 2018. The following graph illustrates this:



Source: U.S. Buereau of Economic Analysis

- Washington State real GDP has doubled in the last 15 years. This fact is well-reflected in Washington's employment growth and increasingly high-value employment sectors.

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Measuring unemployment is also helpful to determine the health of a region's economy. A high unemployment rate indicates disconnect between labor supply and labor demand. High unemployment will also decrease job movement, leaving workers in employment positions that might not match their skills or preferences. Low unemployment rates (below the "natural unemployment" level, estimated by the Fed to be around 4.5% - 5%) could indicate a labor shortage in a market, due to any number of reasons. Labor shortages can also hamper regional growth, as companies expand to other market with untapped talent pools.

Unemployment rates are officially measured at U3 levels, which only include active workers and unemployed persons actively seeking jobs. This rate does not measure discouraged workers, marginally attached workers, or workers in part-time jobs for economic reasons. The following graph displays U3 unemployment in the Seattle MD, Washington State and the nation as a whole since the year 2005:

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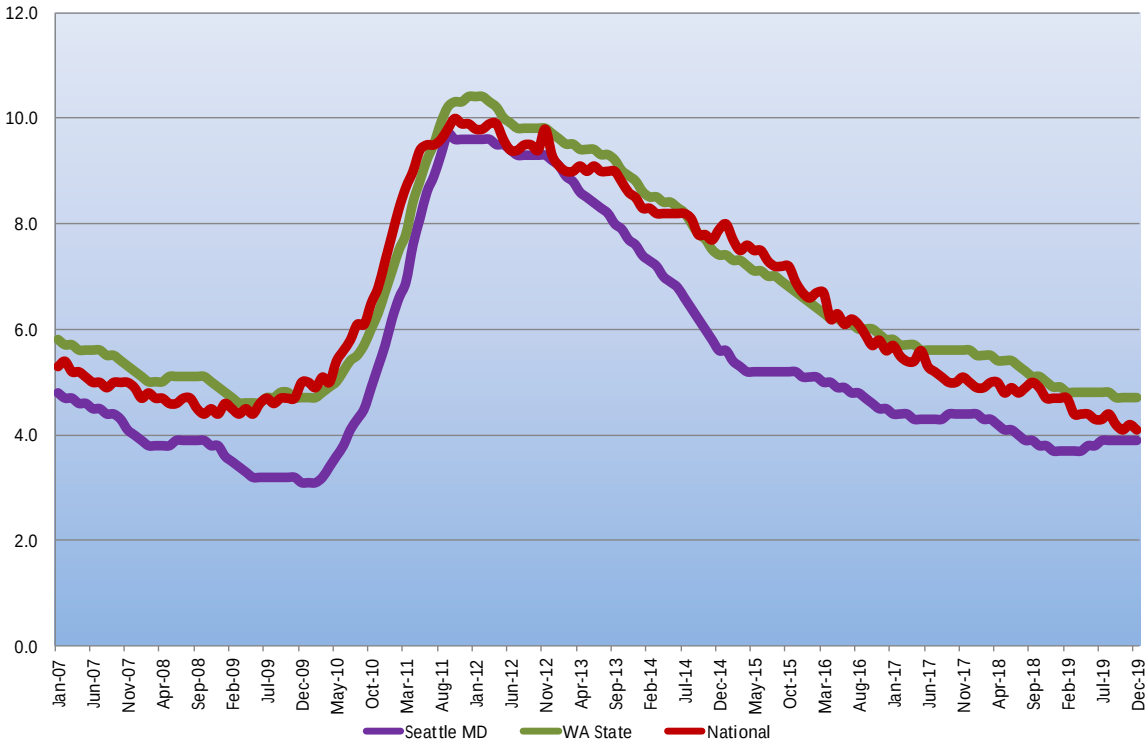

Source: US Dept of Labor Burea of Labor Statistics, as of December, 2019.

- Historically, Seattle MD always measures lower unemployment rates than Washington State, and almost always measures lower than national rates. This illustrates the region's continued demand for workers, continuing to attract large levels of net migration and real estate investment.
- The lowest Seattle MD unemployment rate since January 2008 (3.1%) is estimated to be the current rate (as of December 2019), measuring just 2.7% unemployment.

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In 2019 employment grew by 30,200 to 1,766,100—a 1.74% increase from 2018.

Our employment forecasts are based upon those made by Western Washington University as published in the Puget Sound Economic Forecaster, and Matthew Gardner, Chief Economist at Windermere. Please see the chart and tables below as a reference:

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Year	Employment	New Jobs	As %
2013	1,502,200	42,100	2.97%
2014	1,543,700	41,500	2.76%
2015	1,592,700	49,000	3.17%
2016	1,644,400	51,700	3.25%
2017	1,685,300	40,900	2.49%
2018	1,724,100	38,800	2.30%
2019	1,764,600	40,500	2.35%

Source: WA State Employment Security Dept.

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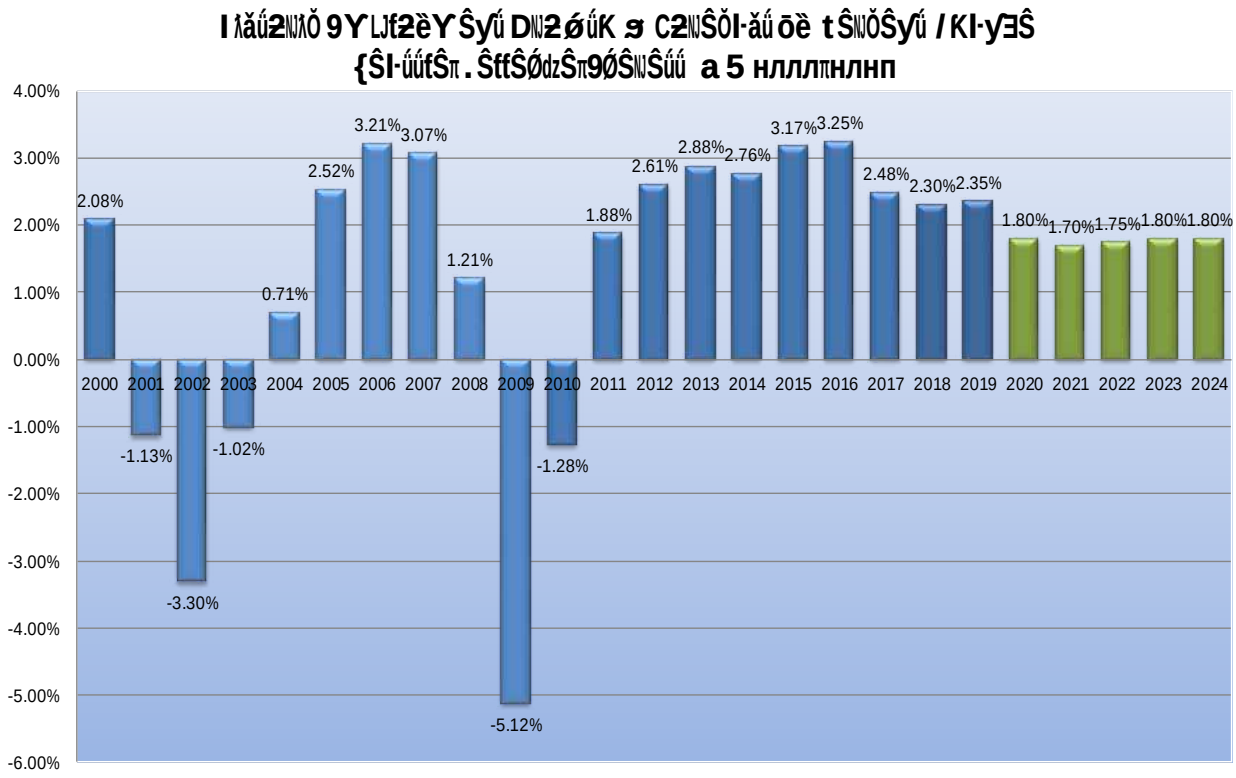
Year	Employment	New Jobs	As %
2020	1,796,300	31,700	1.80%
2021	1,826,900	30,600	1.70%
2022	1,858,900	32,000	1.75%
2023	1,892,300	33,400	1.80%
2024	1,926,400	34,100	1.80%

Source: WA State Employment Security Dept., Puget Sound Economic Forecaster, Matthew Gardner, Chief Economist of Windermere, OCG Predictions

- Employment is expected to decrease in growth, though remain positive in the foreseeable future. Indicators that factor into these predictions are a continued strong economic base in the Seattle metro region, a flattening yield curve, and expected rental rates stagnating in the near future.

- As the current business cycle matures, it is predicted that employment and population growth will be reined in to more modest, albeit positive levels. Many economists predict a minor recession in the near future, through which the region is expected to perform relatively well.



Source: Washington State Employment Security, Puget Sound Economic Forecaster, Matthew Gardner - Chief Economist of Windermere, OCG, as of December 2019.

- The region saw employment growth continue through 2019, slightly out-performing the previous year. Expectations of recurrent growth remain through 2024, albeit down from a 3.34% high in 2016, reaching a low point at 1.7% growth in 2021. Starting in 2022, employment percent change is expected to trend upward through 2024.

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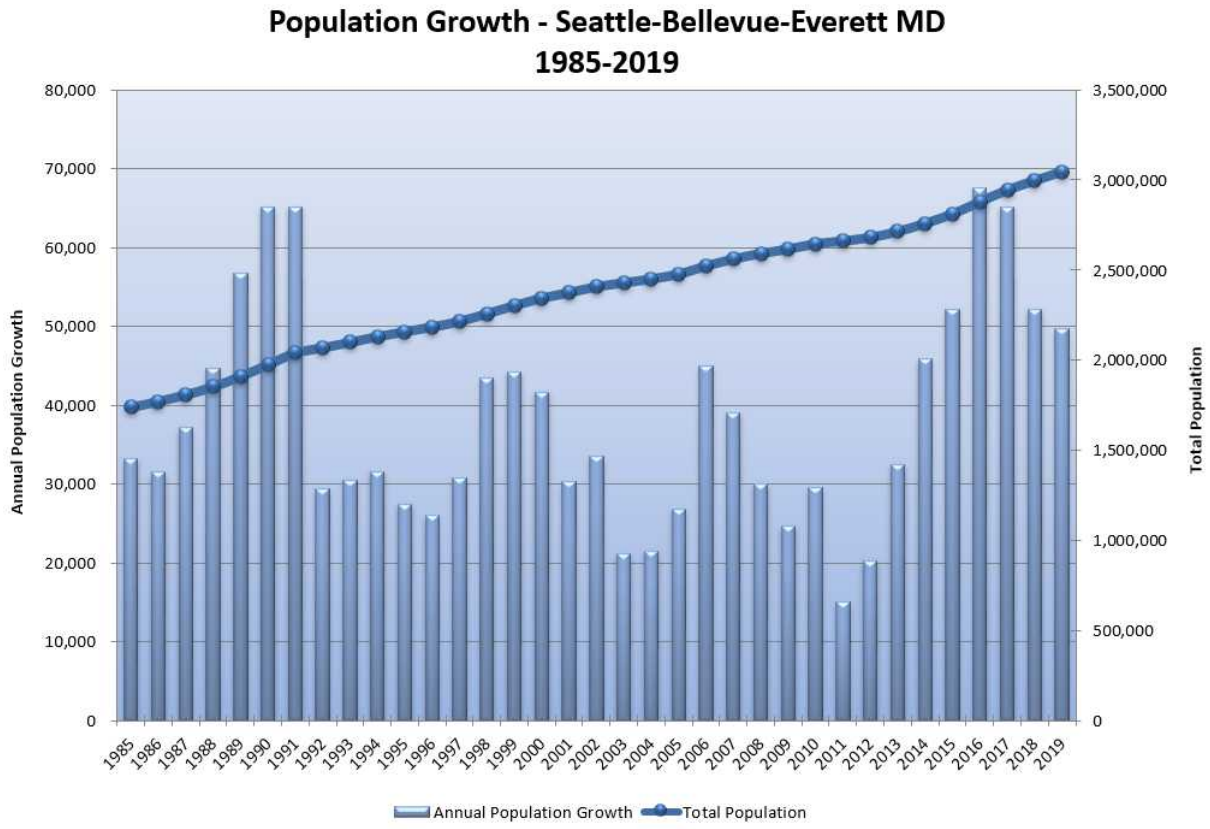
Observing population trends, as well as the factors of movement that make up a population, can lead to some insights as to how a region will change over time. Changes in population are comprised of two main components: natural increase and net migration. Natural increase is measured by the difference of births over deaths, and has impacts over the long run on familial makeup, generational preferences, and the demand for family-based resources like schools and childcare. Net migration has a much stronger impact on local real estate trends, as it fluctuates with employment growth and has recently been the majority of population growth in the Seattle MD.

On the following graph, annual population change and total population is displayed. Population is estimated by Washington State Office of Financial Management, and correlates to April 1st of each year:



- The population for the Seattle-Bellevue-Everett MD grew by 49,680 in 2019; net migration was positive at 33,552.
- The Seattle MD has experienced positive population growth for the past 30 years.
- During the 1980's, the Seattle region's annual population growth rate of 2.1% was nearly twice the national growth rate of about 1.0%.
- Since the year 2000, the Seattle-Bellevue-Everett MD has experienced annual population increases averaging 1.4%, which is relatively close to the national average growth rate.

The annual rate of population growth has been demonstrated to be highly linked to the rate of job creation in the region. This phenomenon is demonstrated in the following table:

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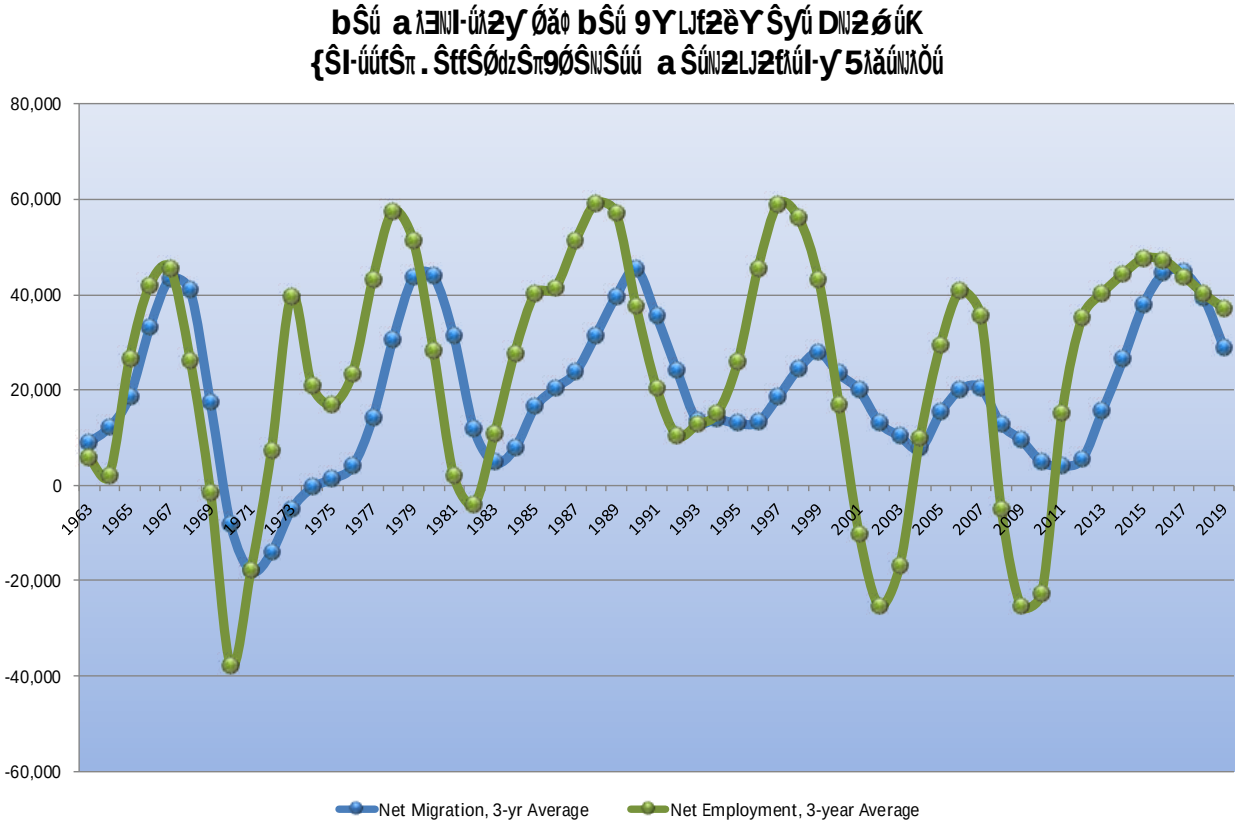
¸ŜI-ℕ	9YLJf2èYŜyú	bŜø W2ōă	t2LJdzfI-úΛ2y˝	bŜø tŜℕă2yã	bŜú aΛ∃ℕI-úΛ2y˝	hØŜℕI-ff tŜℕă2yã tŜℕ W2ō	a l-ℕ∃ΛyI-f bŜø tŜℕă2yã tŜℕ bŜø W2ō
2000	1,417,400	31,300	2,343,100	41,700	26,800	1.65	1.33
2001	1,401,400	-16,000	2,373,400	30,300	14,700	1.69	(1.89)
2002	1,355,100	-46,300	2,406,800	33,400	18,600	1.78	(0.72)
2003	1,341,300	-13,800	2,428,000	21,200	6,300	1.81	(1.54)
2004	1,350,800	9,500	2,449,600	21,600	6,200	1.81	2.27
2005	1,384,900	34,100	2,476,300	26,700	10,800	1.79	0.78
2006	1,429,300	44,400	2,521,300	45,000	28,800	1.76	1.01
2007	1,473,200	43,900	2,560,400	39,100	21,000	1.74	0.89
2008	1,491,100	17,800	2,590,500	30,100	11,700	1.74	1.69
2009	1,414,700	-76,300	2,615,100	24,600	5,900	1.85	(0.32)
2010	1,396,700	-18,100	2,644,600	29,500	11,100	1.89	(1.63)
2011	1,422,900	26,200	2,659,600	15,000	-1,900	1.87	0.57
2012	1,460,100	37,200	2,679,900	20,300	3,300	1.84	0.55
2013	1,502,200	42,100	2,712,400	32,500	15,400	1.81	0.77
2014	1,543,700	41,500	2,758,300	45,900	28,600	1.79	1.11
2015	1,592,700	49,000	2,810,400	52,100	34,900	1.76	1.06
2016	1,644,400	51,700	2,878,000	67,600	50,000	1.75	1.31
2017	1,685,300	40,900	2,943,100	65,100	48,500	1.75	1.59
2018	1,724,100	38,800	2,995,300	52,200	36,000	1.74	1.35
2019	1,764,600	40,500	3,045,000	49,700	33,600	1.73	1.23
Average		муΣфлл		отΣнлл	нлΣрлл	м♦ту	м♦фт

Source: WA Office of Financial Management, WA Employment Security Department, OCG as of December 2019.

- Statistical analyses have established that local job growth tends to strongly influence the net migration component of population growth.
- Migration rates are sensitive to both local economic conditions as well as economic conditions elsewhere. The region peaked in net migration in 2016 with 67,600 net new residents from out-of-area (over 1,000 new residents per week).
- The pattern of future net migration is principally based on expectations for future job growth. Strong job formation rates within the Seattle Metropolitan Division are the underpinnings of net in-migration, whereas job losses or even slower growth rates relative to other regions in the country will tend to lead to net out-migration.
- The pattern of future job growth will determine the pattern of net migration, and thus population growth and household growth.
- Growth in number of households ultimately determines demand for housing, as well as general economic consumption of regional consumer goods.

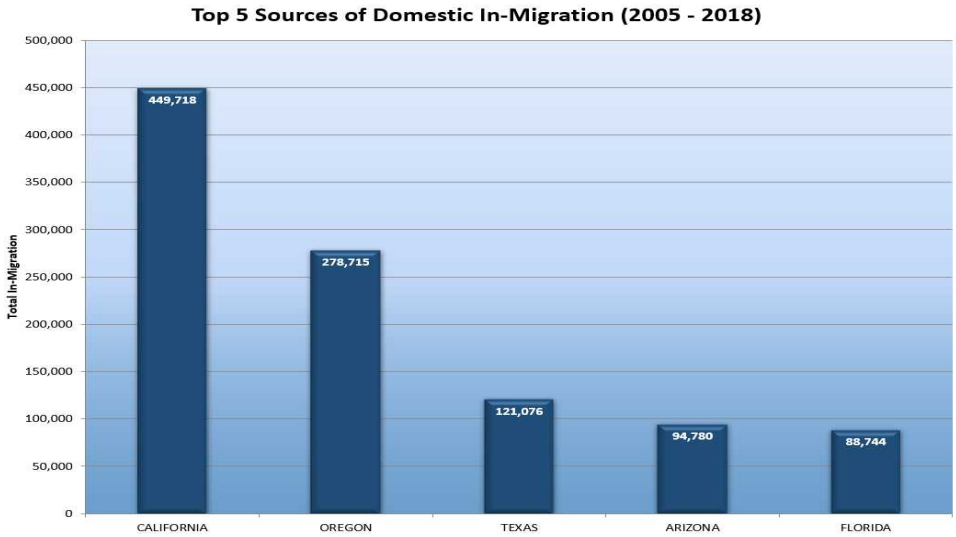
The following chart further illustrates the relationship between net jobs and net migration:



Net migration is calculated on April 1st of every year, whereas employment is measured and updated monthly, and is subject to benchmarking from a variety of agencies. Here, annual averages of employment are used as reference points both to eliminate seasonality, as well as to match granularity of data with net migration. To better compare the methods in which employment and net migration is measured, a 3-year average was performed on both sets of data.

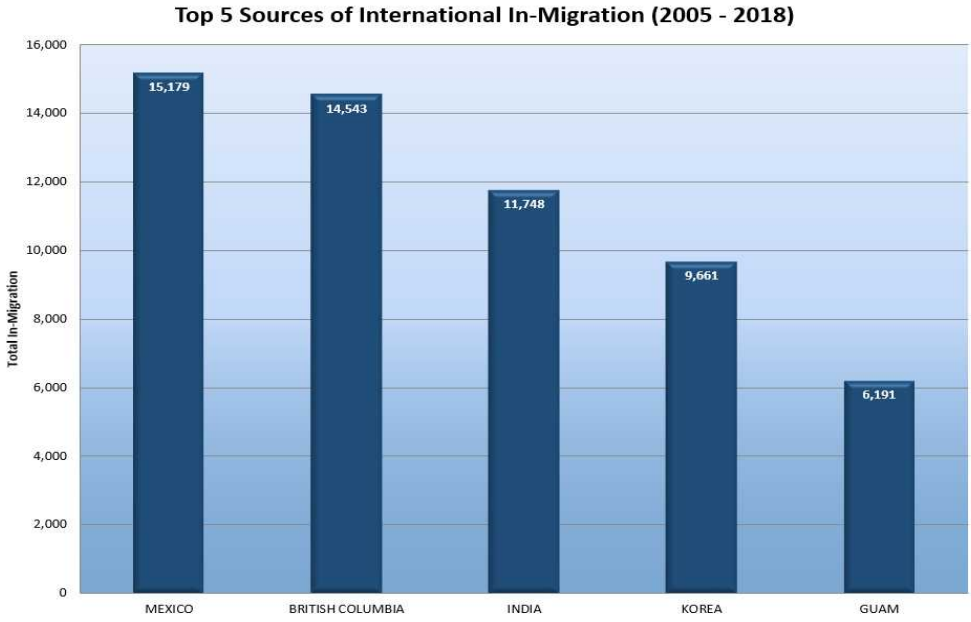
It is observed that net employment gains and losses tend to precede trends observed in net migration. Therefore, looking at employment data can be an extremely useful tool to determine the effects of future net migration on household formations (and therefore future housing demand).

The following graph displays the top sources of in-migration since the year 2005 for the entire state. The data is collected by the Washington State Department of Licensing based on driver's license activity:



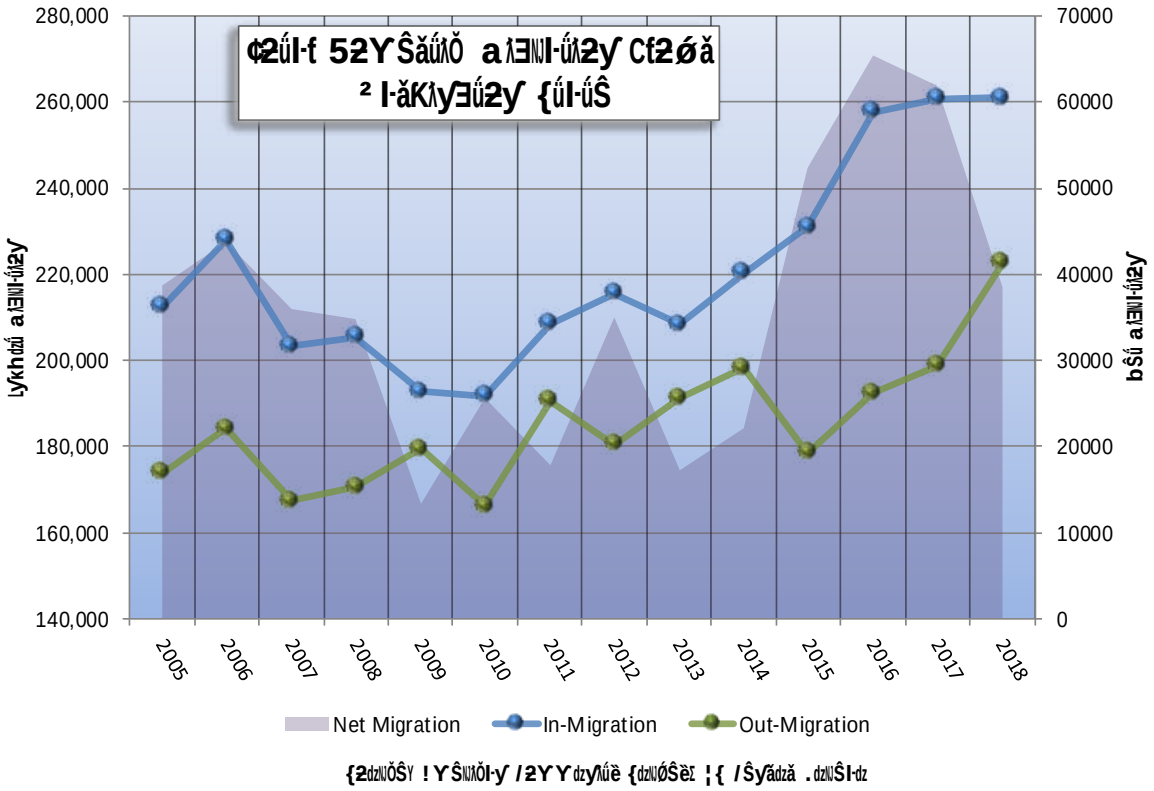
- California is by far the largest source of net migration to Washington State, with an average of 31,670 people a year, between 2005 and 2017.

In addition to migration from other states, foreign migration makes up a large portion of people migrating to Washington State. The following graph illustrates the top five foreign sources of in-migration since 2005:



- From 2005 through 2019, Mexico provided the largest amount of in-migration to Washington State, with 15,179 persons, averaging about 1,168 people per year. British Columbia and India accounted for 14,543 and 11,748 persons, respectively. In all, Washington State received a total 124,631 individuals from 123 different countries between 2005 through 2018.

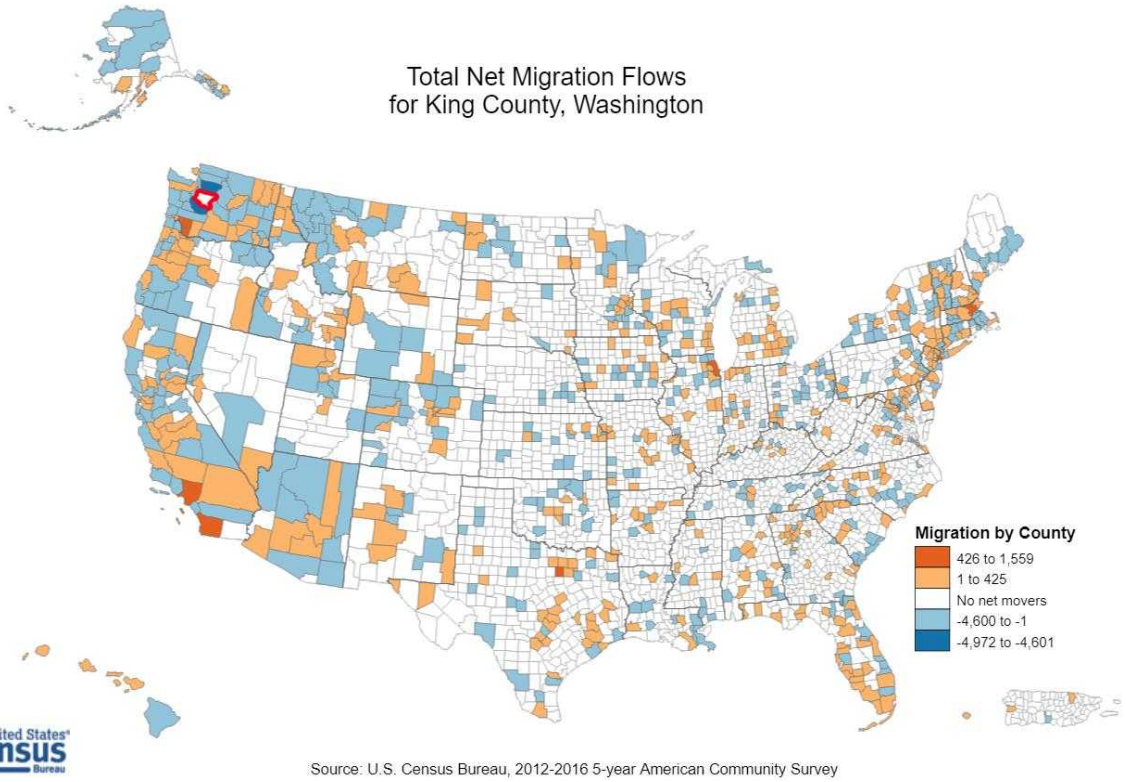
The following graph illustrates net migration in Washington State, illustrating the effects of in-migration and out-migration over time:



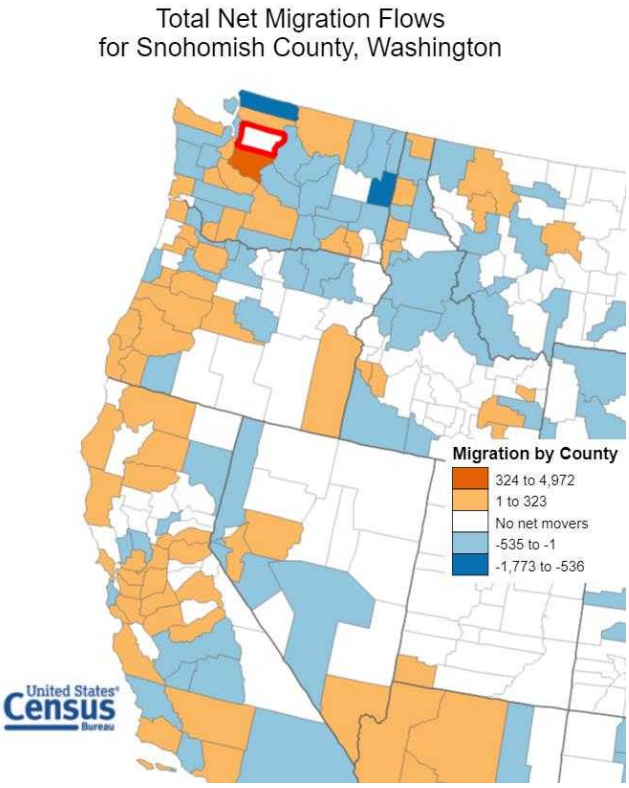
- The above graph is representative of all Washington State, but there are some similarities to the Seattle-Bellevue-Everett MD (see table below). The region exhibited negative net migration in 2011 (contrary to statewide positive net migration), and exceeded statewide net migration in 2014 (indicating a negative net migration for the rest of the state).

Year	Net Migration	In-Migration	Out-Migration
2005	38,649	10,815	0.28
2006	43,828	28,756	0.66
2007	35,906	21,005	0.58
2008	34,783	11,660	0.34
2009	13,304	5,949	0.45
2010	25,622	11,103	0.43
2011	17,863	-1,924	-
2012	35,032	3,328	0.09
2013	17,162	15,439	0.90
2014	22,059	28,621	-
2015	52,379	34,921	0.67
2016	65,366	50,004	0.76
2017	61,974	48,096	0.78
2018	38,434	35,946	0.94

The following maps show migration flows for King and Snohomish Counties:



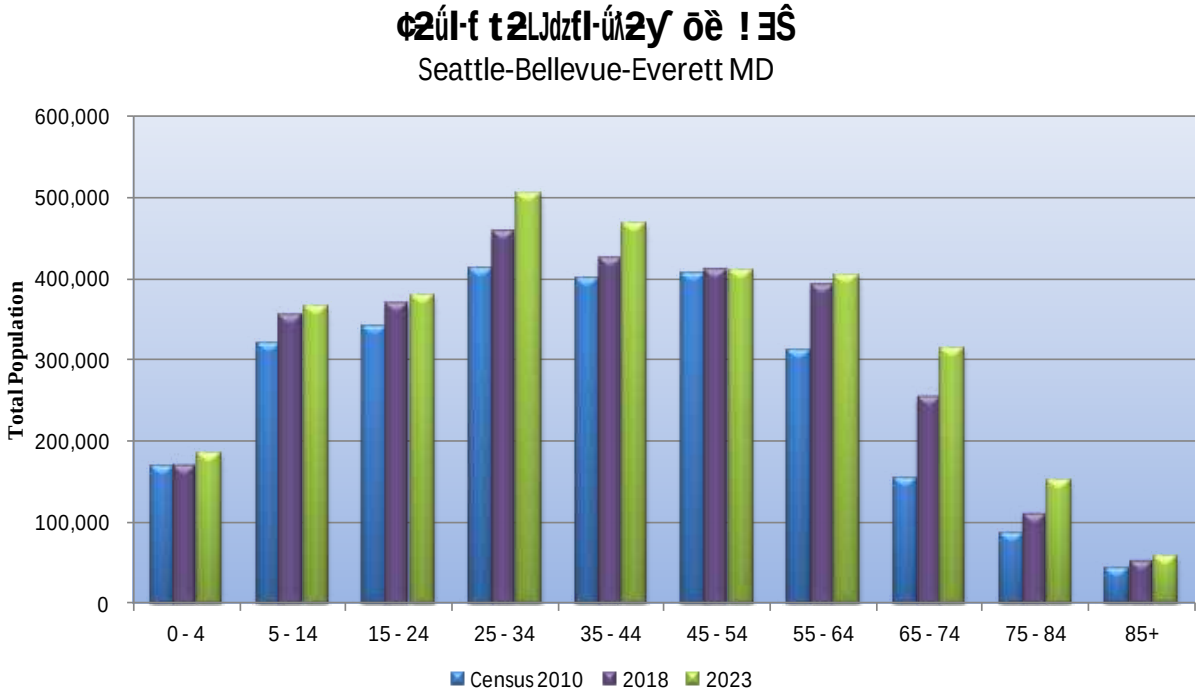
Source: U.S. Census Bureau, 2012-2016 5-year American Community Survey

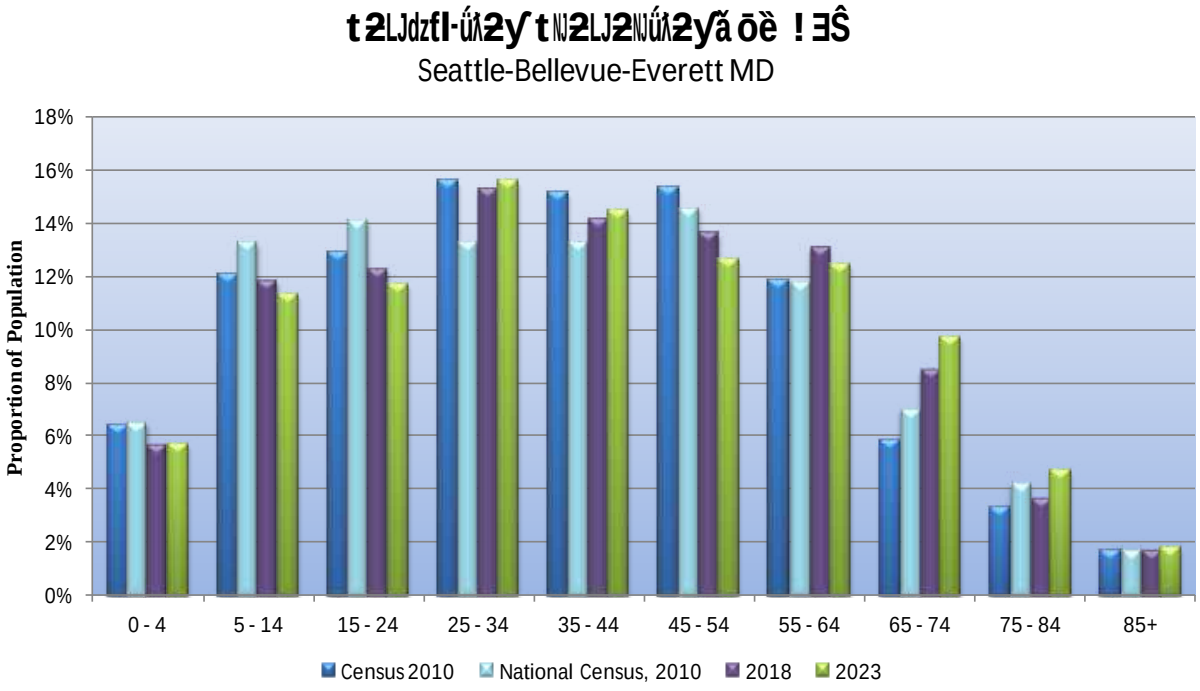


- Based on these maps, a flow of residents from larger cities moving to King County (Chicago, Los Angeles, San Diego, and Boston) can be observed, while current residents tend to move outwards to neighboring counties.

- Snohomish County receives in-migration primarily from King County. Because both counties share the same economic base, a large commuter population exists, with the Snohomish-King commute totaling about 114,000 workers according to the American Community Survey (as of 2013). The Pierce-King commute totals around 86,000 workers. This suburbanization of King County's workforce creates both a larger and more diverse housing market for the region.

The following graphs indicate the age-breakdown of the region's populace:





Source: Site to do Business, US Census Bureau

- The 2018 Seattle-Bellevue-Everett population was estimated at 2,995,320.
- The Seattle-Bellevue-Everett MD continues to attract young professionals (ages 25 – 34), as evidenced by comparing the region's age proportions to the United States as a whole.

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A number of factors (including age, marital status, and relative wealth of segments of the population) affect the rate at which the local population forms households. Throughout the country, domestic birth rates have been steadily decreasing, and foreign in-migration is playing an increased role in national population growth. Average household sizes have also been on the decline as a result of changing societal patterns. Urban areas have tended to exhibit a more rapid decline in the average household size, as younger, single, migrant households tend to settle close to cities' cores.

Locally, STEM-based companies tend to attract more and rely on international in-migration, giving the region's reliance on net migration considerable weight as a population driver.

The following table illustrates how jobs population growth can have an impact on new households:

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нлмо	1,502,200	42,100	2,712,400	32,500	1.81	1,090,900	16,100
нлмп	1,543,700	41,500	2,758,300	45,900	1.79	1,103,900	13,000
нлмр	1,592,700	49,000	2,810,400	52,100	1.76	1,130,900	27,000
нлмс	1,644,400	51,700	2,878,000	67,600	1.75	1,166,100	35,200
нлмт	1,685,300	40,900	2,943,100	65,100	1.75	1,188,600	22,500
нлму	1,724,100	38,800	2,995,300	52,200	1.74	1,216,300	27,700
ғнлмф	1,764,600	40,500	3,045,000	49,700	1.73	1,231,200	14,900

Source: Washington State Employment Security Dept., Office of Financial Management, OCG, as of December 2019.
**Population figures are as of April 1.*

- Consistent employment growth year-over-year has led to a consistent flow of new persons entering the region. While natural increase (the difference between net births and net deaths) does impact total new persons in our region, this figure has a minimal impact on employment figures.
- Net migration resulted in about 33,500 persons moving into our region in 2019, comprising 80% of new persons. The other portion of new persons is from natural increase.
- While there was a dip in new household growth in 2017, there was a significant rebound in 2018 creating 27,700 new households.

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The market demand for new housing directly results from growth in the local number of households. The average household size for all occupied units in the King County is 2.5 persons, while the City of Seattle average is 2.1. The average household size for renters is 1.9 persons per household in the City of Seattle, while 2.2 for King County, according to the American Community Survey. The difference in households between renters and owners remains a significant distinction for developers.

Household formation rates are largely driven by growth in the employment base, the rate at which job growth draws new people to the region, and the manner in which new people form households. Other factors, such as the character of new employment, wage growth, and housing affordability can influence the relationship between these factors, however for the short term, it can be expected that the recent past would provide a reasonable basis for predicting growth. The following table illustrates predictions of how these factors influence total household growth:

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нлнл	1,796,300	31,800	3,078,100	33,100	1.71	1,244,300	13,100
нлнм	1,826,900	30,500	3,110,700	32,600	1.70	1,257,700	13,300
нлнн	1,858,900	32,000	3,144,200	33,500	1.69	1,271,200	13,500
нлно	1,892,300	33,500	3,178,100	33,900	1.68	1,285,300	14,000
нлнп	1,926,400	34,100	3,213,500	35,400	1.67	1,299,900	14,700

Source: Washington State Employment Security Dept., Office of Financial Management, OCG, as of December 2019.

**Population figures are as of April 1.*

- These figures result from an expectation of healthy employment growth in 2020, positive employment growth but beginning to slow in 2021, and the assumption of a consistent relationship between job growth and its effect on population change and household formation rates.
- As discussed earlier, many economists see a minor recession beginning in the near future. Strong local economic foundations are predicted to keep its effects minimal.

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A number of demographic factors influence the rate of household formation in a region. While factors such as age and marital status play small roles in household formation, their effects are minor in comparison to the relative wealth of persons and households in the local market.

Relative wealth can be measured in a number of ways. For the purposes of this analysis, household income serves as the principle element of relative wealth. The employment sector of growth can also be indicative of the type of household growth. Tech employment attracts young, city centered, progressive-minded workers, gravitating toward small, dense, modern-style units (thus generating more households per job than a more traditional pattern of job growth).

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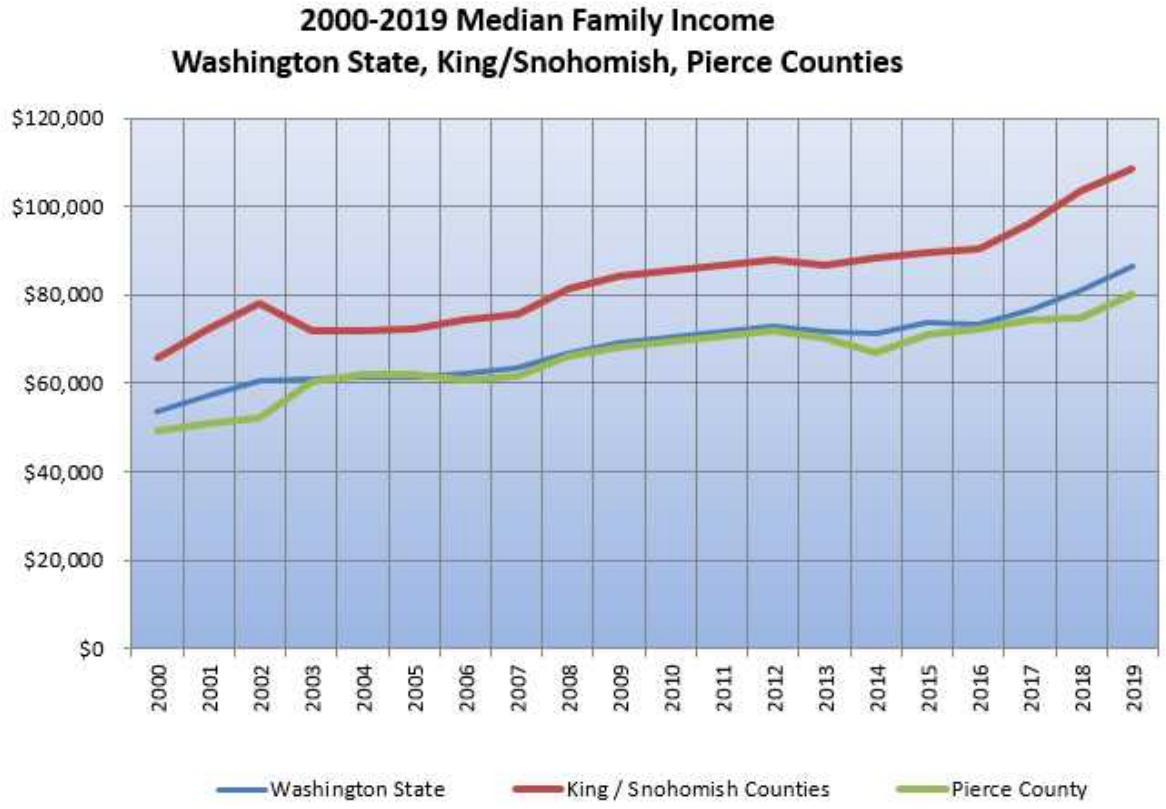
¸ŜI·℠	a CL	⁂ /KI·yƎŜ	a CL	⁂ /KI·yƎŜ	a CL	⁂ /KI·yƎŜ
2012	$72,900	1.4%	$88,000	1.4%	$71,700	1.3%
2013	$71,600	-1.8%	$86,700	-1.5%	$70,200	-2.1%
2014	$71,400	-0.3%	$88,200	1.7%	$67,000	-4.6%
2015	$73,600	3.1%	$89,600	1.6%	$71,000	6.0%
2016	$73,300	-0.4%	$90,300	0.8%	$72,300	1.8%
2017	$76,500	4.4%	$96,000	6.3%	$74,500	3.0%
2018	$81,100	6.0%	$103,400	7.7%	$74,600	0.1%
2019	$86,300	6.4%	$108,600	5.0%	$80,200	7.5%

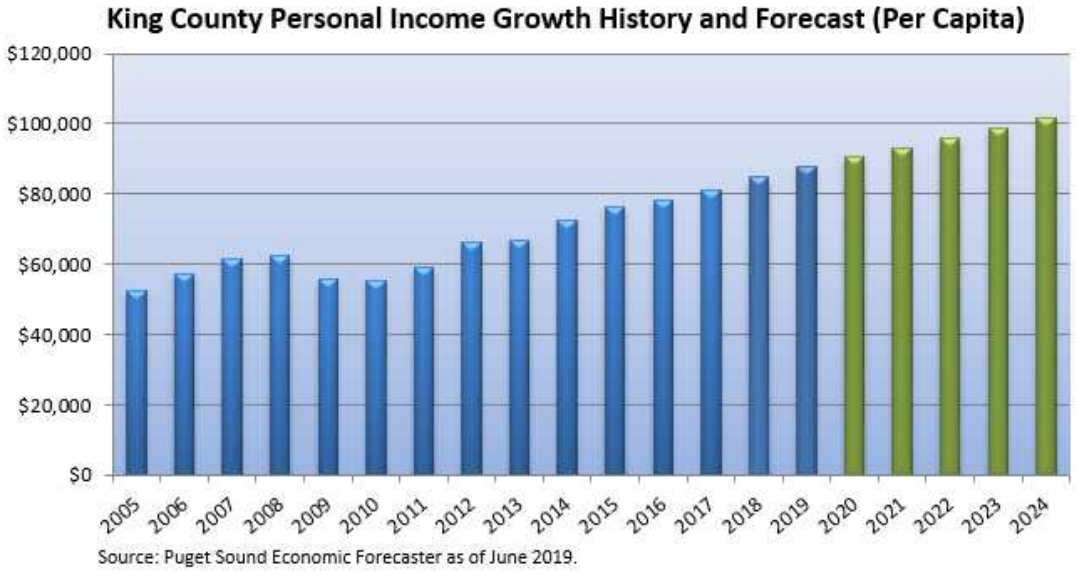
Source: U.S. Department of Housing and Urban Development, as of December, 2019.



- The U.S. Department of Housing and Urban Development use "Median Family Income" and "Area Median Income" used interchangeably; MFI is also known as the HUD Area Median Family Income.
- From 2005 to 2019, the median household income in Washington State has risen by $24,800, or by an average of 2.3% per year.

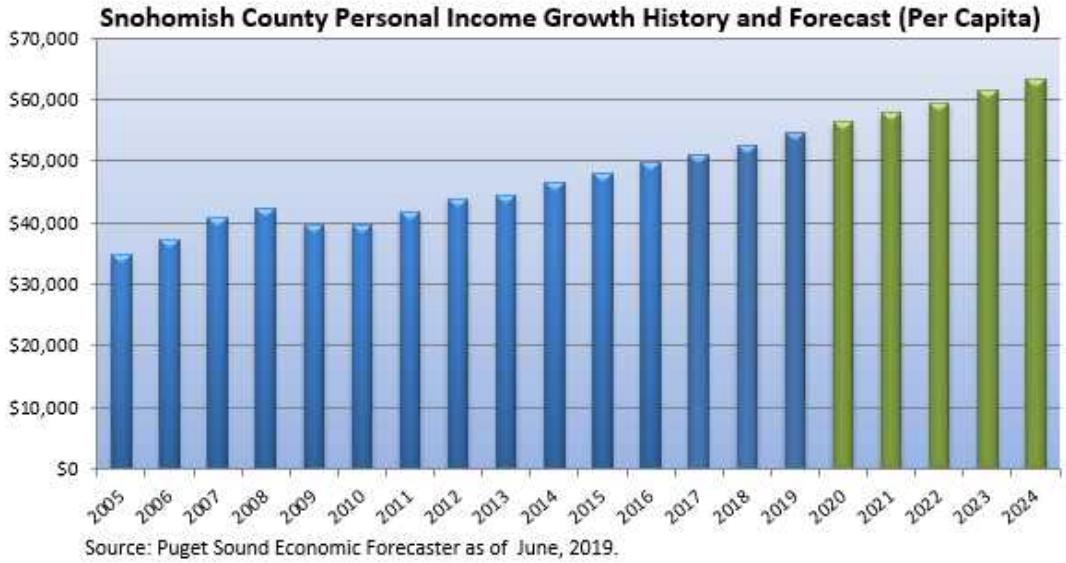
- During this same time period, median household incomes in King/Snohomish Counties grew by a slightly greater rate, at an average annual change of 2.7%, while Pierce County had a lower growth rate of 1.4% per year.

The following graphs display King and Snohomish County's personal income growth from 2005 through 2018 and forecast through 2023:



Source: Puget Sound Economic Forecaster as of June 2019.

- Since a low point in 2010, personal income has grown by more than $30,000 up to $87,928 as of June 2019.
- King County personal income will grow by $13,941 over the next five years to $98,748 by the end of 2023, as predicted by The Puget Sound Economic Forecaster.

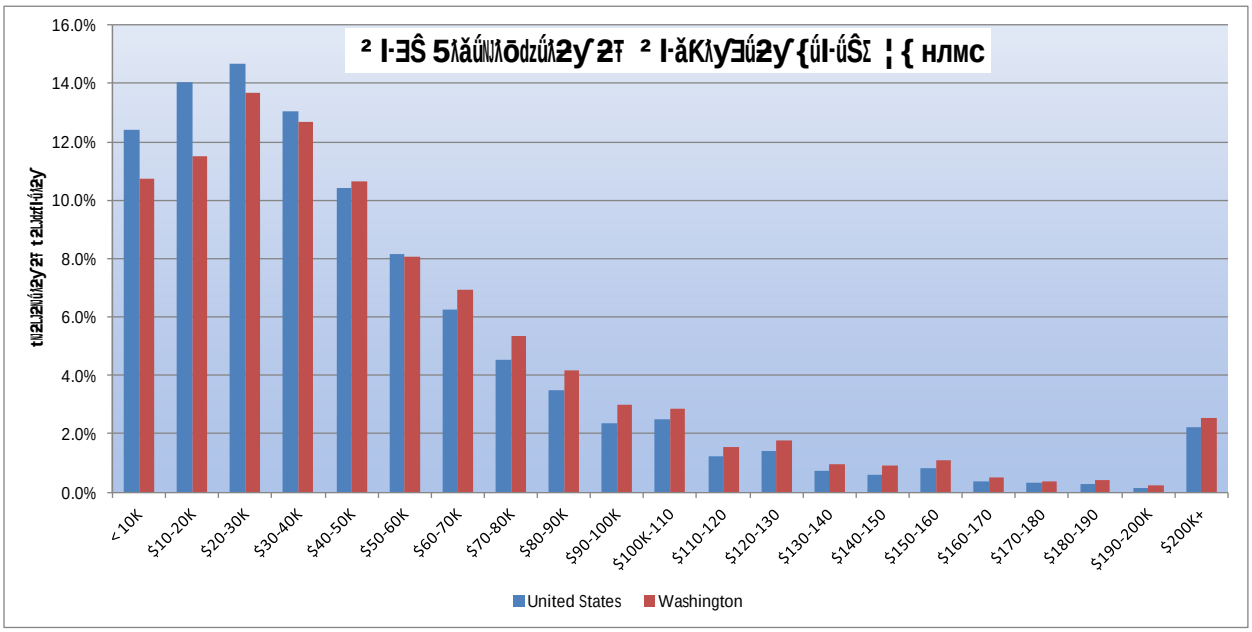


Source: Puget Sound Economic Forecaster as of June, 2019.

- Snohomish County personal income has been on a steady upward trend since 2010, reaching $54,617 by June 2019. Since 2005, personal income has increased by $19,865 per capita.

- Snohomish County personal income will increase by $8,774 to $61,357 by the end of 2023, according to The Puget Sound Economic Forecaster.

In interpreting the previous graphs, the reader should take notice the differences in data sets between per capita (mean) income and previously mentioned household median data. In order to compare between the mean and median income to infer skew, one can divide the median family income by average household size (2.5 for King County), arriving roughly at $41,360 median individual income. While this might not be a perfect representation of the median (differences in household vs. family), this falls considerably lower than the mean income of $84,806, indicating a heavy rightward skew, or a large concentration of the population bunched in the lower income bracket. A brief look at Washington State's income distribution confirms this trend:



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Tracking building permits issued can be a helpful way to understand future changes in housing supply. While not all structures permitted will be built, observing historical trends in single and multi-family permits can give a good scope of how counties differ, as well as what kinds of short-term trends to expect in the construction pipeline.

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2000	4,483	38%	7,243	62%	3,821	63%	2,290	37%	8,304	47%	9,533	53%	N/A	N/A	N/A	N/A
2001	4,444	44%	5,641	56%	3,787	70%	1,612	30%	8,231	53%	7,253	47%	4,085	72%	1,606	28%
2002	5,705	55%	4,741	45%	4,061	78%	1,141	22%	9,766	62%	5,882	38%	4,750	88%	627	12%
2003	6,379	64%	3,520	36%	4,249	76%	1,343	24%	10,628	69%	4,863	31%	4,393	85%	752	15%
2004	6,934	58%	5,072	42%	4,921	80%	1,243	20%	11,855	65%	6,315	35%	4,411	74%	1,563	26%
2005	6,363	53%	5,750	47%	5,719	86%	940	14%	12,082	64%	6,690	36%	5,622	82%	1,262	18%
2006	5,771	41%	8,456	59%	4,557	80%	1,105	20%	10,328	52%	9,561	48%	4,763	77%	1,396	23%
2007	5,220	34%	10,252	66%	3,619	74%	1,241	26%	8,839	43%	11,493	57%	3,567	70%	1,561	30%
2008	2,935	28%	7,382	72%	1,795	66%	909	34%	4,730	36%	8,291	64%	1,799	76%	569	24%
2009	1,992	62%	1,228	38%	1,782	82%	401	18%	3,774	70%	1,629	30%	1,245	59%	849	41%
2010	2,532	43%	3,425	57%	1,859	87%	267	13%	4,391	54%	3,692	46%	1,706	90%	192	10%
2011	2,750	45%	3,378	55%	1,823	72%	700	28%	4,573	53%	4,078	47%	1,495	58%	1,072	42%
2012	3,903	34%	7,489	66%	2,179	60%	1,439	40%	6,082	41%	8,928	59%	2,010	81%	472	19%
2013	4,430	36%	7,865	64%	1,984	46%	2,375	54%	6,414	39%	10,240	61%	2,390	84%	469	16%
2014	4,179	29%	10,428	71%	2,074	60%	1,409	40%	6,253	35%	11,837	65%	2,374	62%	1,433	38%
2015	3,936	21%	14,531	79%	2,386	67%	1,197	33%	6,322	29%	15,728	71%	2,265	78%	652	22%
2016	4,238	24%	13,505	76%	2,689	69%	1,219	31%	6,927	32%	14,724	68%	2,469	64%	1,396	36%
2017	4,269	23%	14,432	77%	2,660	72%	1,042	28%	6,929	31%	15,474	69%	3,014	61%	1,954	39%
2018	4,352	23%	14,176	77%	2,181	55%	1,784	45%	6,533	29%	15,960	71%	2,501	46%	2,956	54%
2019	3,789	21%	14,140	79%	2,411	54%	2,015	46%	6,200	28%	16,155	72%	2,556	60%	1,673	40%
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Source: US HUD SOCDS Database.

- King County building permits for both single and multifamily were issued at a lesser rate than the previous year. King County saw a decrease of about 500 single family permits issued, while the multifamily number lessened by only 36. Snohomish County saw an increase in both categories, considerably so in multifamily with an increase of over 200 permits issued. Pierce County's single-family permits increased minorly, while their multifamily permits reduced by more than 1,300.

- In King and Snohomish Counties in 2018, 15,960 units of multi-family permits were issued, representing 71% of all units in housing permits issued. 6,533 single-family permits were issued, representing 29% of all units issued.
- By the end of 2017 in King County, the proportion of multifamily units permitted increased by one percent compared to 2016 levels (from 13,505 in 2016 to 14,432 in 2017). Multifamily units permitted saw an absolute increase of about 7% from 2016 levels. Single Family permits also saw an absolute increase, from 4,238 in 2016 to 4,269 in 2017.
- In 2017, the Snohomish County mix of multifamily permits decreased by three percent, from 31% to 28% of total permits issued. By 2018, the multifamily share increased to 45% of total units permitted. Single family permits accounted for 72% of all 2017 permit activity and represents the end of a four-year increasing trend.

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We surveyed key performance indicators in December of 2019 in order to provide context as to what happened throughout the year, as well as to look forward concerning supply & demand and the resulting expectations of market vacancies.

In 2019 vacancies ranged from year-end 2018 at 3.9%, to 2.8% at mid-year 2019, and then rising to 3.7% at year-end 2019. Over the past year, the Seattle MD market saw vacancies decrease while absorbing over 9,200 new apartments units and close to 200 existing units. This brings our 2019 annual demand estimate to 9,428.

From the beginning of 2020 through Q1-2022, we expect a tapering but still active construction pipeline that will continue to deliver thousands of units for a total of 7,435 units in 2020. Of which 3,609 are expected to be delivered in the first half and 3,826 are expected in the second half of 2020. In 2021 we expect 8,718 new units to be delivered. Through the first quarter of 2022 we are anticipating 1,667 new units to be delivered. Our analysis indicates annual net demand will likely lessen by one to two thousand units relative to 2019. We expect annual demand to be about 8,000 units per year in 2020 and 2021.

Throughout 2019, we observed that vacancies returned to reassuring levels as of year-end at 3.7% across the Seattle Metro and the absorption of 9,428 apartment units. Each submarket demonstrated similar year-end vacancy: Seattle, 3.7%; Eastside, 3.4%; Snohomish, 3.8%; Southend, 4.2%. Thus, during the entirety of 2019, the market absorbed over 9,200 new units, as well as experiencing a decline in vacancy rates. Comparatively, in 2018 the MD absorbed 6,984 units.

Looking forward, we expect to see increasing levels of supply in the Seattle Metro from 2020 through 1Q 2022, as vacancy settles around 3.7%, while rent increases moderately between 1.5% - 3.5% annually.

Of course, inventory is not equally distributed across the Metro region, sub-market vacancy rates will vary through Q1-2022. Throughout the forecasted period (Q1-2020 to Q1-2022), the Eastside sub-market is expected to vary most, with vacancies likely climbing from a low of 2.3% to a high of 3.7%. The Seattle sub-market will vary between 2.4% to 3.8%. The Snohomish market is expected vary between 2.7% and 3.7%. The Southend market is expected to vary between 3.3% and 4.2%.

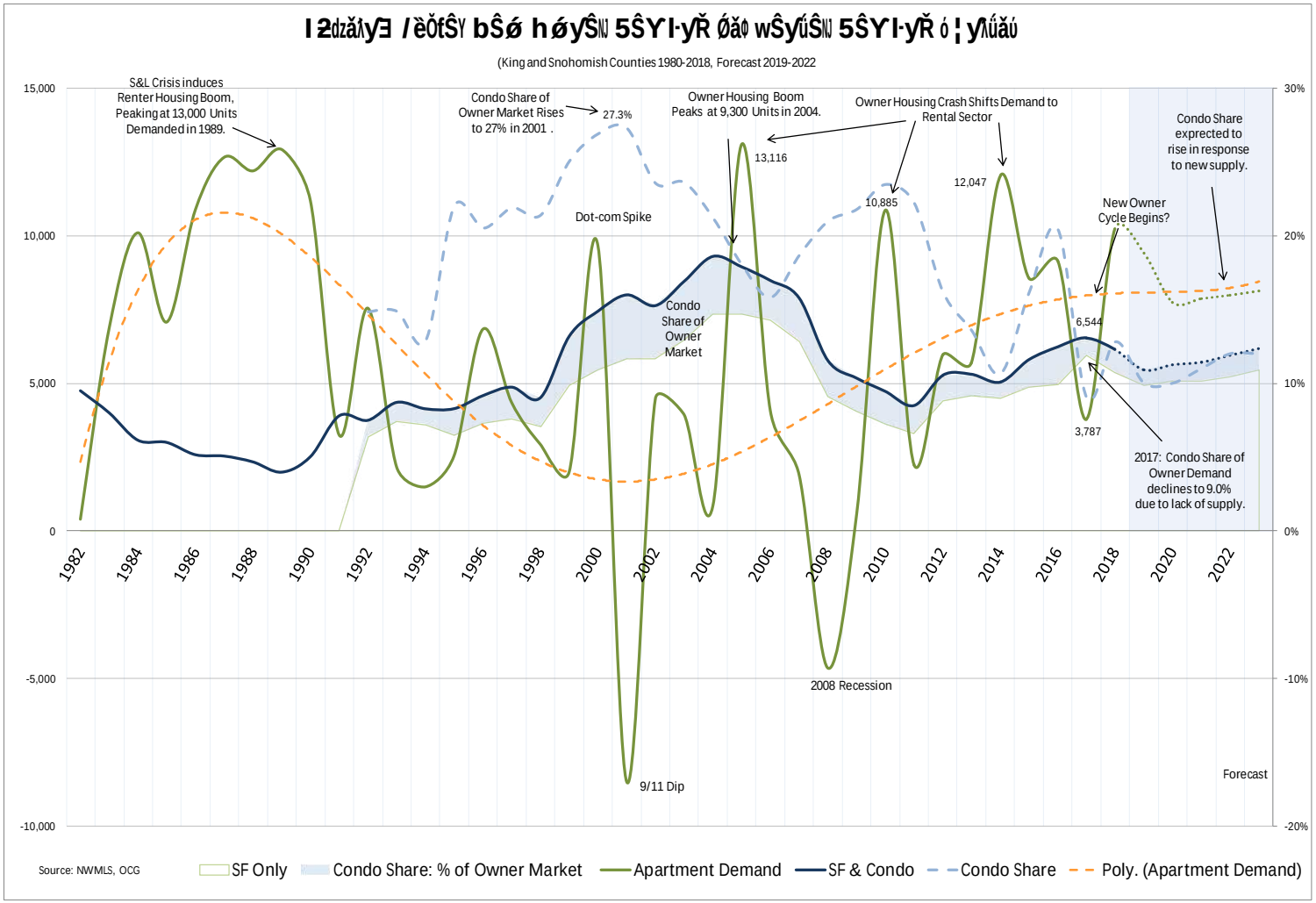
Recent market conditions in the single-family market now call into question its health and vigor—including the viability of condominiums. Beginning in Q1-2019, single-family sales volume, sale price, and velocity slowed. Sales volume increased by only 3%, while pricing increased by 1% overall for the Seattle Metro region. However, new single-family construction sales volume increased by 21%, but experienced a 15% decline in average pricing.

Existing condominiums experienced a slight decline in sale vlume (-2%) and zero overall appreciation. New condominiums had a robust increase in sales volume of 32%, but only a 4% increase in pricing. We expect to see condominiums start to perform better once new suburban product becomes available.

While 2017 and 2018 were years of change, testing the limits of the commercial real estate market, 2019 proved to be the year where the market found its balance between having high levels of supply while still having the robust demand to keep vacancy rates low. Looking ahead to 2020 and beyond, we expect the market to stay relatively stable with levels of both supply and demand and in turn keeping vacany rates below the 5 percent mark.

The following chart presents the historic relationship between new single-family owner demand and new renter demand, and forecast through 2022.

Chart: (2019) Housing Cycle: New Owner Demand vs. Renter Demand (Units)



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The Seattle-Bellevue-Everett Metropolitan Division includes King and Snohomish counties and will be referred to as the Seattle Metro for the remainder of this report. The Seattle Metro is comprised of four submarkets: Seattle, Eastside, Snohomish, and Southend.

In this report, we'll present the results of our year-end 2019 market survey, and our apartment market forecast (Q1-2020 to Q1-2022.)

Rental apartment vacancy at mid-year 2019 was 2.8%, while it rose to 3.7% at year-end, representing an increase of 0.8 points. Vacancy fluctuates seasonally—lower during the first half of the year and higher in the second half of the year by 0.5% to 1.5%— so an increase of 0.9 fit right into the expected range.

Related, year-over-year absorption rates as of December 2019 had risen over the last year, increasing to 14.8 units/month absorbed on average (compared to 2018's 12.8 units/month absorbed). This provides an optimistic outlook for the regional market.

Over the course of 2019, vacancy and absorption seemed to return to levels expected as vacancy rates settled at 3.7% at year-end across the Seattle Metro (similar to what we observed at year-end 2018 at 3.9%) and new units absorbed (demand) reached roughly 9,400. Which is an average of 14.8 units per month, per property.

Notably, the Seattle submarket ceded market share in 2019, showing a decrease of 7-points (66% at year-end 2019, down from 73% at year-end 2018.)

The Eastside has seen a moderate increase in market share, from 22% to 27% of total regional market share from 2018 to 2019. We expect the Eastside will continue to gain market share over the next few years.

Looking forward to Q1-2022 we expect to see an active pipeline of apartment inventory, delivering 17,910 units by Q1-2022, and we estimate net demand at 17,225 units: delivering 7,744 in 2020; 7,874 units in 2021; and 1,607 units through Q1-2022.

Based on this expected supply and demand forecast, we anticipate that Seattle Metro vacancy rates will settle around 3.5-4.0% in 2020 and will stay at similar levels during most of 2021 and into 2022, with some variation among the four submarkets.

In response to the balanced market, we expect rental rates will level across the Metro to between 2.5% and 3.5%, albeit, with individual variation in the four submarkets as inventory is not distributed, or priced, equally.

Historical Trends

Before we discuss our supply/demand forecast for Seattle-Bellevue-Everett Metro apartment market, we will quickly examine some historical trends of the Seattle Metro apartment market from the last decade.

Table: (2019) Historical Apartment Supply and Demand

Historical Supply and Demand Trends Seattle-Bellevue-Everett Metro Area				
Year	Net Absorption	Completions	Vacancy Rate	Rent Growth
2008	-4,647	1,659	5.0%	1.4%
2009	569	3,884	5.8%	-10.3%
2010	10,885	4,443	4.2%	6.8%
2011	2,244	2,150	4.2%	9.1%
2012	5,967	3,274	3.6%	1.7%
2013	5,695	6,213	3.7%	6.4%
2014	12,047	8,839	2.9%	8.5%
2015	8,755	10,013	3.1%	7.2%
2016	8,887	9,837	3.2%	9.0%
2017	3,787	11,030	4.6%	5.2%
2018	9,945	6,984	3.9%	0.6%
2019	9,428	9,265	3.7%	1.5%

Source: OCG.

Looking back at the Seattle Metro historical provides context for relative changes to current market conditions.

From our last survey period ending in December, 2018 Metro-wide annual net demand was 9,945 units and vacancies decreased to 3.9%, a significant rise from 2017 demand and levels during the previous three years. At year-end 2019, Metro-wide net apartment demand was 9,428. Throughout 2019, 9,265 new units as well as 163 existing units were absorbed. This brings us to our estimated annual net apartment demand number of 9,428.

As we saw significant levels of demand between 2014 to 2016, inventory continued reach the market in near-historic levels. Only by 2017 did the apartment market see a substantive change in demand while supply produced more than 11,000 new units; 2018 showed us that demand rebounded and rent growth leveled while supply continued to arrive. 2019 proved to be another year with high levels of demand and an increase in rent growth, with supply following demand closely, reaching the coveted equilibrium.

Rent increases during 2019 were mostly slight. We've seen a 5.0% increase from Fall of 2018 to Spring of 2019, but from Spring of 2019 through Fall of 2019, rents grew at only 1.0%. We believe the high level of supply dampened the pressure for more significant rent increases.

Current Demand

New demand is closely linked to new jobs and new people. By forecasting both, we can reasonably predict household growth, which can then be used to determine new apartment demand. Below we have detailed this pattern.

Table: 2019 Seattle Metropolitan Historical and Forecast Households (New person calculation)

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Year	Total Employment	New Jobs	Total Population	New Persons	Persons per Job	Total Households	New Households
нлмн	1,460,050	37,150	2,679,900	20,300	1.84	1,074,831	8,739
нлмо	1,502,150	42,100	2,712,400	32,500	1.81	1,090,861	16,030
нлмп	1,543,683	41,533	2,758,250	45,850	1.79	1,103,932	13,071
нлмр	1,592,692	49,009	2,810,400	52,150	1.76	1,130,858	26,926
нлмс	1,644,425	51,733	2,877,960	67,560	1.75	1,166,062	35,204
нлмт	1,685,275	40,850	2,943,100	65,140	1.75	1,188,627	22,565
нлму	1,724,050	38,775	2,995,320	52,220	1.74	1,216,281	27,654
нлмф	1,766,142	42,092	3,045,000	49,680	1.72	1,231,224	14,943

Source: Washington State Employment Security Dept. Office of Financial Management, OCG, Puget Sound Economic Forecaster, December 2019.

Natural changes in population (births and deaths) account for a consistently accurate and steady measure to changes in population. The remaining change in population can be explained by migration.

Migration leads to the formation of new households. We can calculate the marginal tenure rate and homeownership rates in order to predict what number of new households will choose to rent versus own.

The Seattle Metro has experienced a significant amount of in-migration (both domestic and international), and this migration is significantly driven by job growth, especially within the tech industry. While the region is much more diverse than the Boeing-centric cycles of the late 1900's, one trend remains constant: when job growth is high, population increases, and housing demand increases.

As of April 1st, 2019, the Seattle Metro grew by 49,680 new persons. As of December 31st, 2019, the Seattle Metro saw an increase in employment by 42,092 new jobs, demonstrating healthy growth. New persons and new jobs peaked in 2016, at 51,733 and 67,560 respectively. Looking forward, we expect that both population and employment growth will continue in 2020 and 2021, however not at the same levels of growth from 2012 through 2019.

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нлнл	1,797,900	31,800	3,078,100	33,100	1.71	1,244,300	13,100
нлнм	1,828,500	30,600	3,110,700	32,600	1.70	1,257,700	13,300
нлнн	1,860,500	32,000	3,144,200	33,500	1.69	1,271,200	13,500
нлно	1,894,000	33,500	3,178,100	33,900	1.68	1,285,300	14,000
нлнп	1,928,100	34,100	3,213,500	35,400	1.67	1,299,900	14,700

Source: Washington State Employment Security Dept., Office of Financial Management, OCG, as of December 2019.

**Population figures are as of April 1.*

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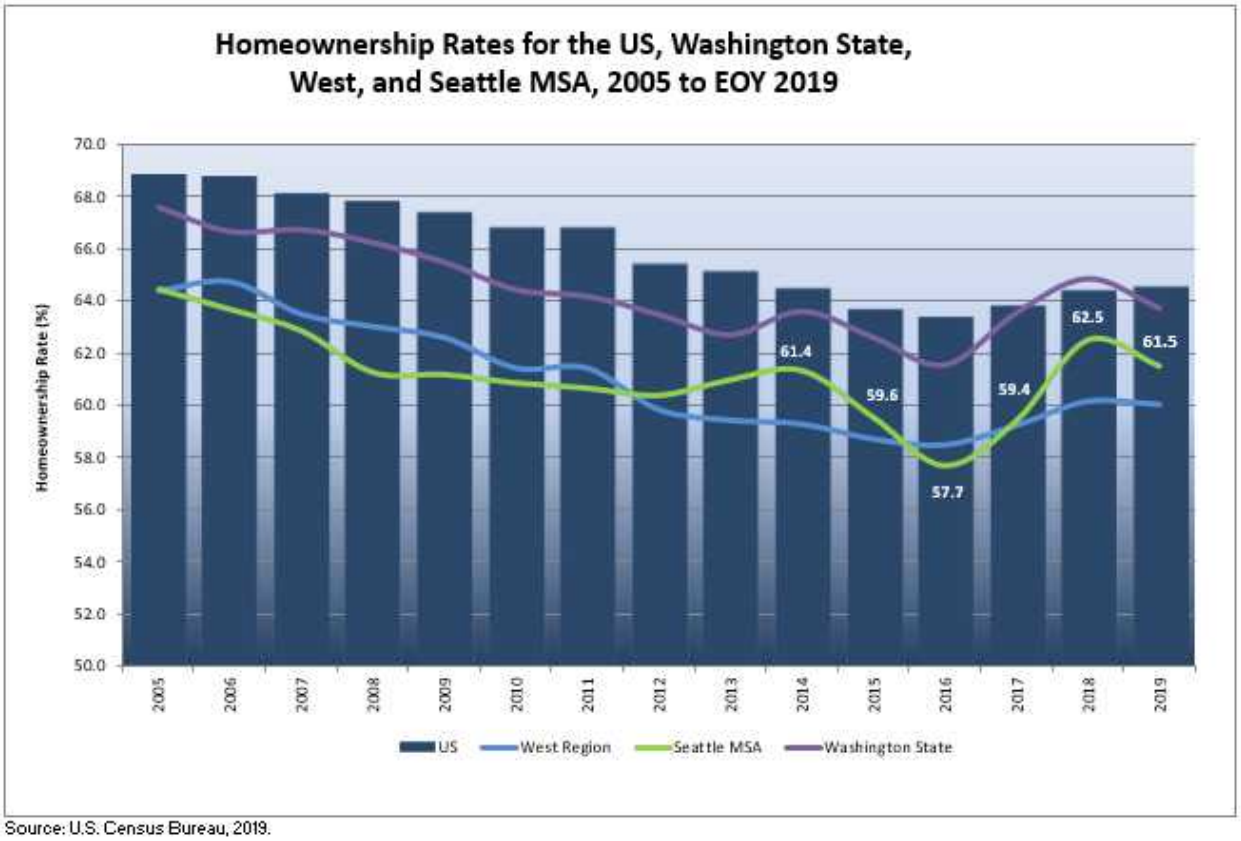
Locally, the Seattle MSA reflected (albeit, with some variation) national and regional homeownership trends. Notably, Washington State recently outperformed the nation in homeownership rates for the first time in recent history, with 65.3% of Washingtonians owning instead of renting their homes (compared to the US rate of 64.3%). Generally, national homeownership rates tend to be higher than any local measurement.

Seattle Metro homeownership rates declined onward, from 62.9 in 2007 to 57.7% in 2016 at their lowest. Rates then increased to 62.5% in 2018, representing a 4.8-point increase from 2016, when ownership was at its lowest point. However, throughout 2019, homeownership rates in the Seattle MSA have dropped slightly to 61.5%.

Chart: (2019) Homeownership Rates for the US, West Region, and Seattle MSA, 2007 through 2019.

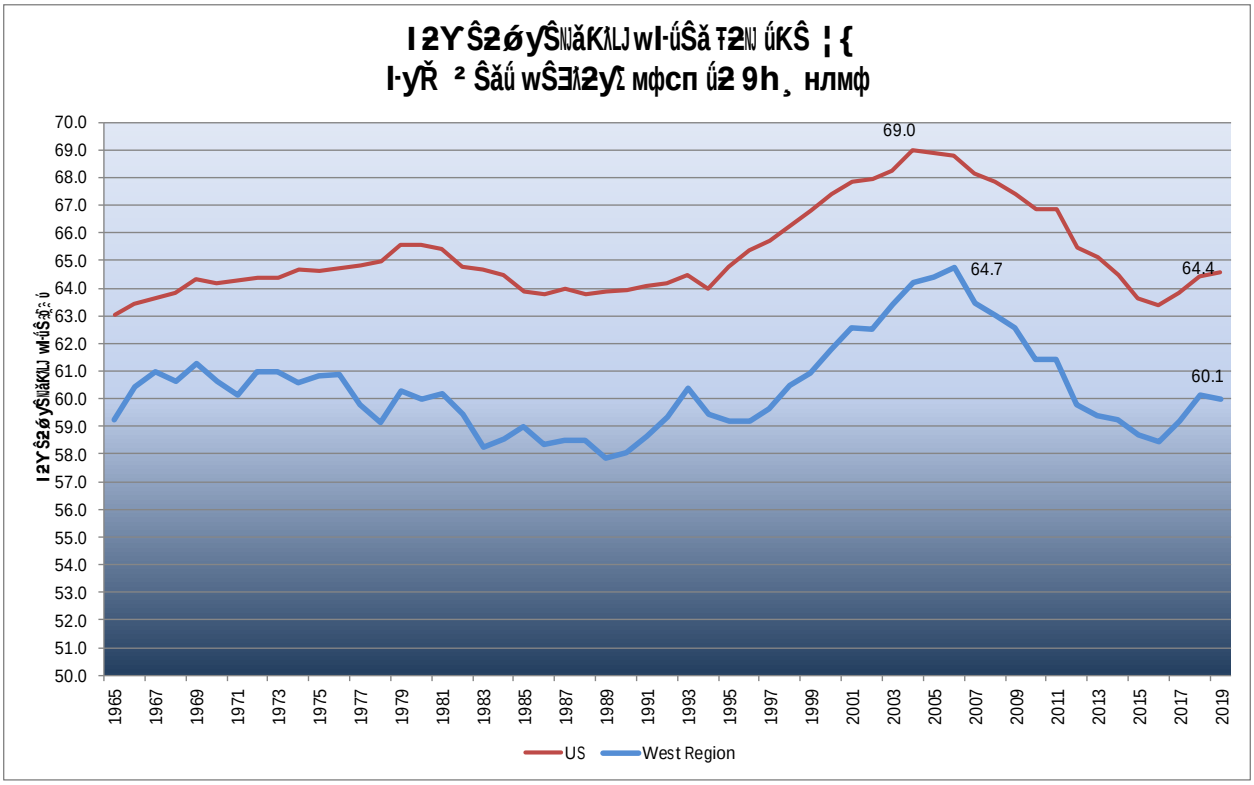


Source: U.S. Census Bureau, 2019.

As presented below, home ownership rates decreased nationally, from a 41-year peak of 69% in 2004 to 63.4% in 2016—a 5.6-point slide. While in 2018, home ownership increased to 64.4%, a 1-point increase over 2016. As of year-end 2019, the West Region perhaps shows the start of a downward trend in ownership rates. While the National rates may begin to trend upward in the years to come.

Similar home purchasing behaviors in the Western Region can be observed; home ownership peaked in 2006 at 64.7%, fell to 58.5% in 2016, but by year-end 2019 ownership increased by 1.6 points, to 60.1%.

Chart: (2019) Homeownership Rates for the US and West Region, 1965 to 2019.

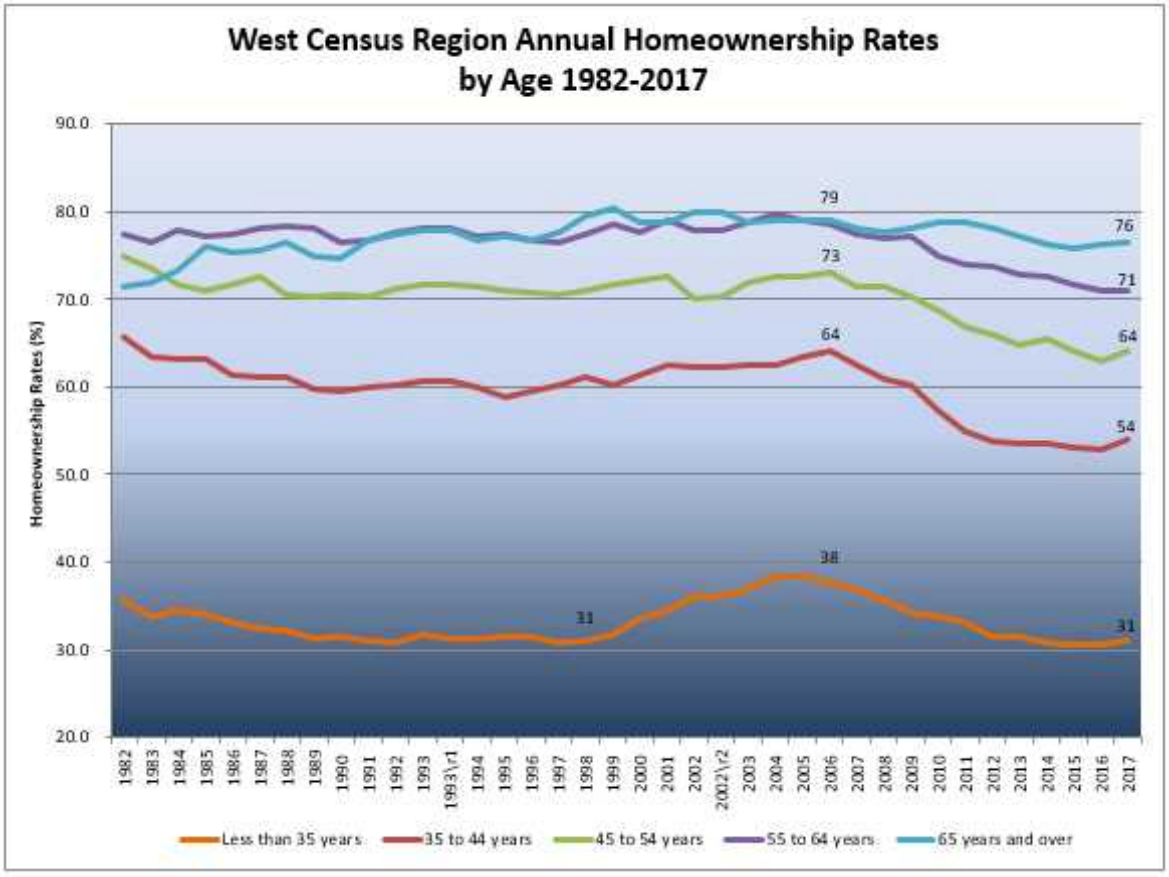


Source: US Census, as of February, 2020.

The current national home ownership rate of 63.6% is bolstered by the large numbers of individuals aged 65+ who bought their homes years prior, and benefitted from a strong economy, more affordable purchasing options, and Veteran's Affairs financing. This trend permeates homeownership patterns in the West Census Region, shown below.

Aside from economic conditions and incentives, it is inarguable that age plays a large role in homeownership, and demographic trends related to age should play a factor in determining future housing trends.

Graph: (2018) West Census Regional Annual Homeownership Rates by Owner Age, 1982-2017



Source: US Census.

Since 2006 and across all age groups, fewer individuals have purchased homes, instead renting homes. Notably, in 2014, only 31% of people 34-years or younger old owned a home, the lowest point since 1998.

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Marginal household tenure (rental) rates reflect the percent of new households that rent homes instead of buying homes; if households don't purchase homes, then they must rent.

Due to significant population influx in the Seattle Metro, from 2012 to 2016 marginal tenure rates averaged 58.1%; reaching as high as 70.5% in 2014, and then decreased to 60% in 2015 and 55% in 2016.

However, in 2017, we've observed a noticeable—and some might say, surprising—decrease in marginal tenure rate in the Seattle Metro—falling to 40.5%. As previously discussed, 4,468 net apartment units were absorbed and 6,550 newly constructed single-family homes and condos were purchased, indicating that 40% of new households chose apartments while 60% of new households purchased homes. This is the lowest marginal tenure rate we have observed since 2011.

From January through December, 2019, we observed apartment demand at 9,428 net units, while supply settled at 9,265 units. New households created in 2019 was around 14,900 and with 9,400 net units absorbed that gives us a marginal tenure rate of roughly 60%.

While we anticipate Metro-wide demand to decrease due to tapering job growth and population, discussed above, for forecasting purposes through 2025, we have assigned the marginal tenure rate at 58%-60% to reflect recent historical norms for the Seattle Metro. We also believe that as single family continues to increase in price, more new households will become rentals.

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Year	Metro Area Household Forecast	Marginal Household Tenure Rate	Metro Area New Renter Demand
2020	13,126	59%	7,744
2021	13,346	59%	7,874
2022	13,546	59%	7,992
2023	14,041	58%	8,144
2024	14,665	60%	8,799
2025	17,653	60%	10,592

Source: OCG

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The following table presents demand and capture rate from 2019 through 2022. It should not be forgotten that the estimated demand capture rates displayed below are tied closely to the available supply in each respective submarket.

The Seattle market absorbed 6% more of the annual market share in 2019 than previously forecasted levels. This is due to sustained pipeline supply, flattening rents compared to outlying markets, and demographic trends indicating new renters want to be close to the Seattle core.

That being said, we believe the city of Seattle will continue to capture a healthy share of new apartment demand in the region due to new supply through Q1-2022.

Table: (2019.2) Projected Apartment Demand and Submarket Capture

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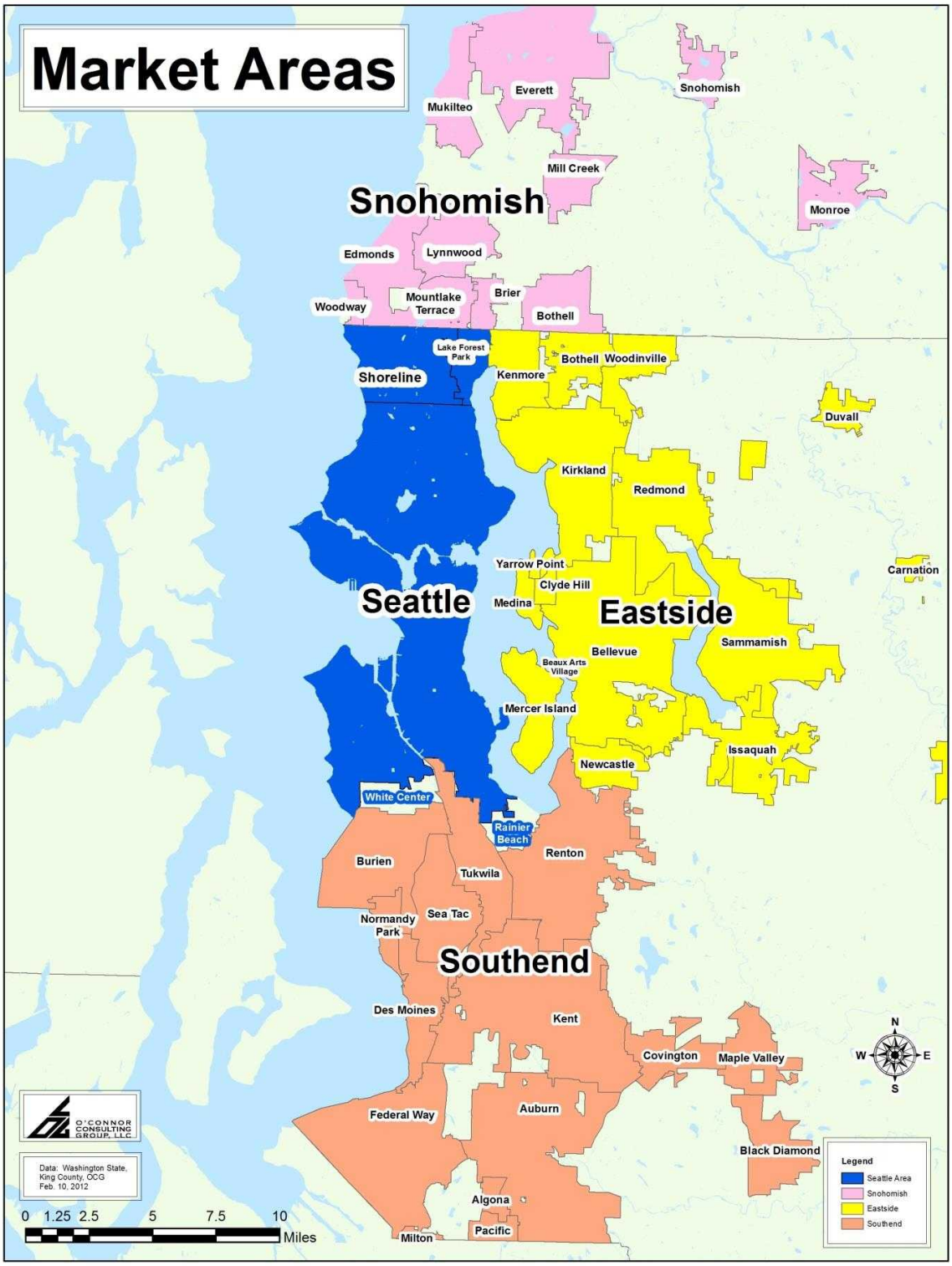
	2019		2020		2021	
Submarket	Demand	Capture	Demand	Capture	Demand	Capture
Seattle	5,374	57.0%	4,414	57.0%	4,252	54.0%
Eastside	2,451	26.0%	2,401	31.0%	2,362	30.0%
Southend	943	10.0%	542	7.0%	732	9.3%
Snohomish	660	7.0%	387	5.0%	528	6.7%
Seattle-Bellevue-Everett MD	9,428	100%	7,744	100%	7,874	100%

Source: OCG

As shown above, the Seattle sub-market captured the majority of demand through 2019 at 57% and is expected to retain the same share in 2020, decreasing in 2021 to 54%. It is anticipated that the Eastside submarket will increase market share as inventory increases and employment grows. The Southend and Snohomish submarkets will remain relatively constant between a low of 7% and a high of 10% of regional demand.

The following map displays the four submarket areas that make up the Seattle-Bellevue-Everett Metro, which we have broken down into Seattle, the Eastside, Southend, and Snohomish.

Graphic: Market Areas



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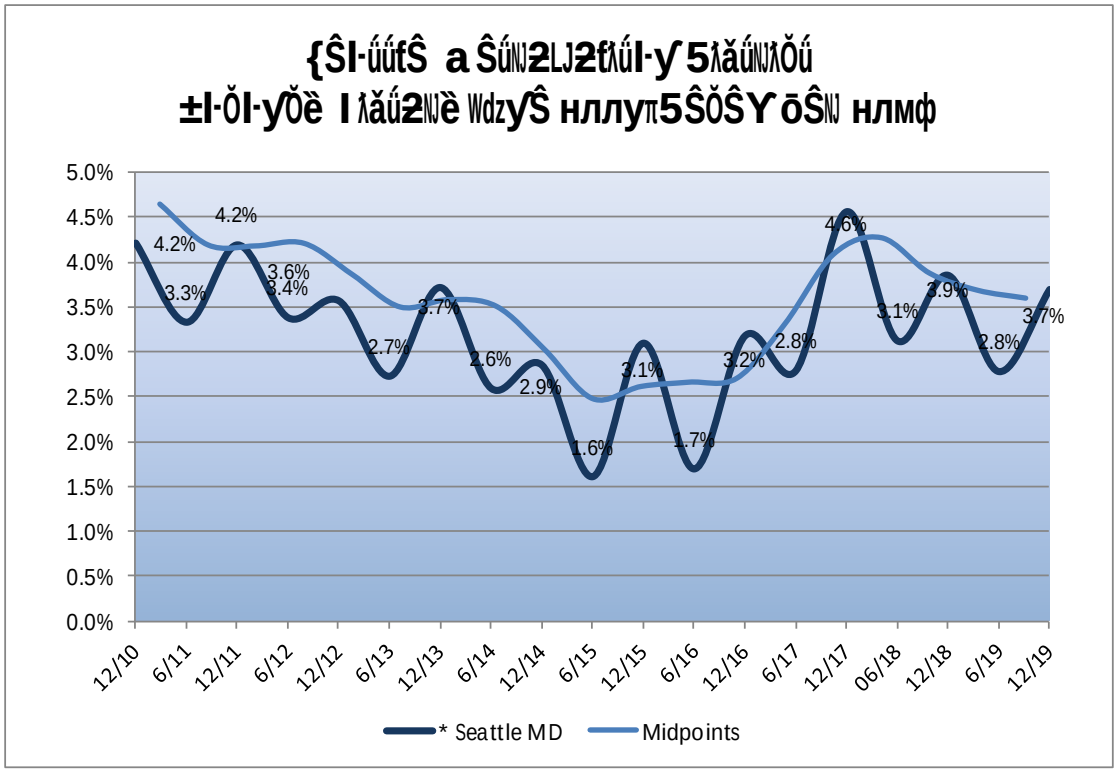
The following chart illustrates the recent historical pattern of vacancy rates for the Seattle Metro.

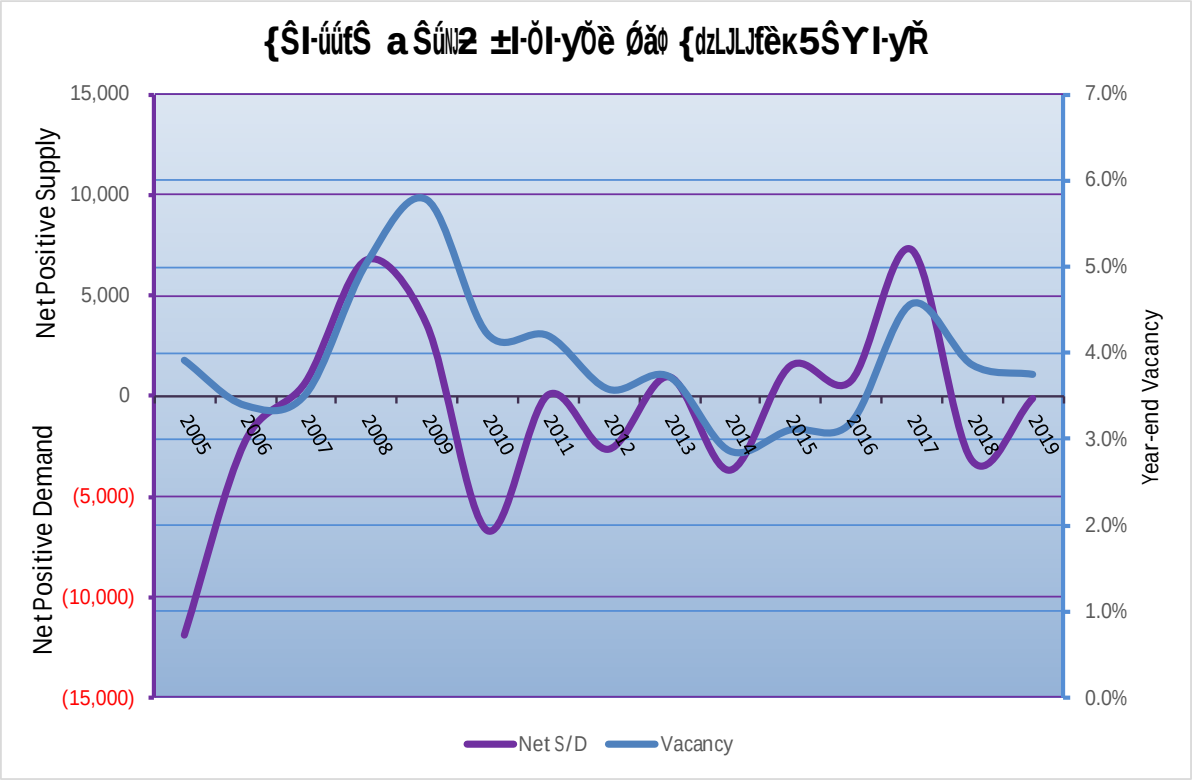


As the reader can see, apartment vacancy is historically lower in the summer and slightly higher in the winter—typically around a percentage point. However, In December 2017, the Seattle Metro jumped by 1.8 points to 4.6% vacancy—more than what would normally be explained by seasonality alone. This increase reflected a short-lived expression of pent up ownership demand and reduced net migration, therefore decreasing rentership demand as ownership demand was realized. Seasonal fluctuation appeared to return back to normal during 2019, and vacancy trends seem to have stabilized for now.

For historical context and as the reader can see above, vacancy rates fell from 2009 through mid-2015 as the Seattle Metro recovered from the Great Recession and then boomed from regional job growth and population influx. Beginning in 2016 vacancy rates began to edge upward as rental inventory came online and supply outpaced demand (average annual supply surpassed average annual demand by 700 units from 2013 – 2018). From 2009 through 2019, summer and winter vacancy averaged 3.5%, and vacancies had not exceeded 4.6% since December 2009, at 5.8%.

The following graph shows how vacancy rates are influenced by supply and demand levels.

Graph: (2019) Seattle Metro Averaged Vacancies compared to Supply/Demand Surplus



The above chart shows the correlation between vacancy rates and supply/demand surplus of rental units. As economic and other factors drive demand higher than supply (purple line negative), a net positive demand will drive renters to fill buildings, and therefore lead to a lower vacancy rate. Developers will respond to increased demand by providing new units as supply. When supply outpaces demand (purple line positive), there are more units on the market that can be filled at existing demand levels, so vacancy rates across a geographic area increase. A well-balanced market will show an equilibrium between supply and demand, as well as a consistent observed vacancy rate.

It is forecasted that vacancy rates will increase in the Seattle Metro and four sub-markets to generally reach (or oscillate closely around) equilibrium, while Eastside vacancies can be expected to fluctuate slightly more (through at least 2020) due to a small surplus of supply in comparison to demand. While tenant's mobility around the region can be expected in response to price fluctuations, the four sub-markets exhibit different aspects of the region's demand to be filled, and thus usually exhibit four unique vacancy and absorption market patterns. Overall, however, a relative balance of supply and demand will result in steady vacancy rates and predictable rent growth.

The following table details the results of our year-end 2019 vacancy survey by region, Metro, sub-market and neighborhood.

Table: Puget Sound Apartment Market 2019 Vacancy Survey

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Ballard	2,523	97	3.8%
Beacon Hill	198	3	1.5%
Belltown	2,901	98	3.4%
Capitol Hill	4,489	148	3.3%
Central District	636	28	4.4%
Delridge	1,167	45	3.9%
Downtown Seattle	7,352	275	3.7%
First Hill	1,736	76	4.4%
Fremont, Wallingford, Greenlake	1,844	90	4.9%
Greenwood	734	24	3.3%
Interbay	465	14	3.0%
Lake City	1,595	75	4.7%
Lake Forest Park	174	4	2.3%
South Lake Union	4,443	159	3.6%
Magnolia	370	17	4.6%
Northgate	1,068	38	3.6%
Pioneer Square and ID	1,519	49	3.2%
Queen Anne	3,292	117	3.6%
Rainier Valley	2,269	77	3.4%
Ravenna and Roosevelt	854	31	3.6%
Shoreline	892	20	2.2%
University District	1,818	61	3.4%
West Seattle	1,699	68	4.0%
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Arlington	267	10	3.7%
Edmonds	665	22	3.3%
Everett	6,167	302	4.9%
Lake Stevens	84	5	6.0%
Lynnwood	4,154	138	3.3%
Marysvillie	695	39	5.6%
Mill Creek	1,262	18	1.4%
Monroe	295	5	1.7%
Mountlake Terrace	643	26	4.0%
Mukilteo	1,550	60	3.9%
Thrashers Corner	2,023	48	2.4%
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	¦yłúă	±Ł-ÔŁ-yÕè	tŠ℠ÔŠyű
Auburn	2,233	105	4.7%
Burien	591	16	2.7%
Des Moines	577	12	2.1%
Enumclaw	70	1	1.4%
Federal Way	5,230	221	4.2%
Kent	7,003	293	4.2%
Renton	5,501	253	4.6%
SeaTac	606	18	3.0%
Tukwila	554	10	1.8%
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{dzōYŁ-℠ĵŠú	5ŠÖmmф		
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Downtown Bellevue	6,084	224	3.7%
Suburban Bellevue	4,961	140	2.8%
Issaquah	2,326	67	2.9%
Kenmore/Bothell/Woodinville	3,386	98	2.9%
Kirkland	4,751	214	4.5%
Mercer Island	1,495	91	6.1%
Newcastle	1,115	32	2.9%
North Bend	281	19	6.8%
Redmond	6,907	182	2.6%
Sammamish	588	17	2.9%
Snoqualmie	220	13	5.9%
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	¦yłúă	±Ł-ÔŁ-yÕè	tŠ℠ÔŠyű
Fife/Milton/Edgewood	2,345	96	4.1%
Fircrest/University/Dupont/	1,078	37	3.4%
Gig Harbor	581	28	4.8%
Lakewood	2,768	111	4.0%
Puyallup, Sumner	4,626	247	5.3%
Tacoma	5,011	204	4.1%
Downtown Tacoma	1,573	69	4.4%
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Bainbridge Island	75	1	1.3%
Bremerton	2,341	81	3.5%
Port Orchard	1,502	81	5.4%
Poulsbo	139	2	1.4%
Silverdale	2,015	98	4.9%
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Summary by County/MD (Weighted)	
County	**Dec-19 Vacancy**
King	3.7%
Snohomish	3.8%
Pierce	4.4%
Seattle-Bellevue-Everett MD	3.7%
Kitsap	4.3%
Region	**3.8%**

Source: O'Connor Consulting Group, LLC in conjunction with Commercial Analytics

The following table summarizes Seattle Metro vacancy rates observed in December, 2018, June, 2019, and December, 2019.

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Seattle	3.7%	2.8%	3.7%
Eastside	3.6%	1.9%	3.4%
Southend	4.3%	3.5%	4.2%
Snohomish	3.9%	2.9%	3.8%
* Seattle MD	3.9%	2.8%	3.7%

Weighted average by submarket size

Above, the reader can see that Seattle Metro vacancy rates lowered in June 2019 from year-end 2018: from 3.9% in December to 2.8% by June, representing a decrease of 1 point. By year-end 2019, we observed vacancy rates at 3.7% across the Seattle Metro; a decrease of .2 points from the previous December.

Across the four submarkets, year-to-year vacancy change was about as minimal as possible. With only the Eastside submarket changing by more than 0.1 percent from the previous year. The Southend and Snohomish markets both decreased by only 0.1%, while the Seattle submarket stayed the same at 3.7%,

However, while comparing June 2019 to December 2019, we can see the clear effects seasonality has on the rental apartment market. Here, we observe almost across the board an increase in vacancy by at least an entire percentage point. This trend is practically a given, with half year vacancy fluctuation thought to differ from at least one to one and a half percentage points.

The following tables presents Metro Vacancy rates by submarket neighborhood, from June, 2019 compared to December, 2019.

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Ballard	2,250	64	2.8%	2,523	97	3.8%
Beacon Hill	544	16	2.9%	198	3	1.5%
Belltown	5,014	148	3.0%	2,901	98	3.4%
Capitol Hill	2,957	49	1.7%	4,489	148	3.3%
Central District	441	18	4.1%	636	28	4.4%
Delridge	970	36	3.7%	1,167	45	3.9%
Downtown Seattle	5,637	195	3.5%	7,352	275	3.7%
First Hill	1,658	65	3.9%	1,736	76	4.4%
Fremont/Wallingford/Greenlake	1,087	44	4.0%	1,844	90	4.9%
Greenwood	377	14	3.7%	734	24	3.3%
Interbay	156	2	1.3%	465	14	3.0%
Lake City	889	33	3.7%	1,595	75	4.7%
Lake Forest Park	270	3	1.1%	174	4	2.3%
South Lake Union	3,374	106	3.1%	4,443	159	3.6%
Magnolia	37	0	0.0%	370	17	4.6%
Northgate	1,088	16	1.5%	1,068	38	3.6%
Pioneer Square and ID	1,125	16	1.4%	1,519	49	3.2%
Queen Anne	2,702	65	2.4%	3,292	117	3.6%
Rainier Valley	2,180	71	3.3%	2,269	77	3.4%
Ravenna and Roosevelt	59	0	0.0%	854	31	3.6%
Shoreline	842	31	3.7%	892	20	2.2%
University District	1,522	32	2.1%	1,818	61	3.4%
West Seattle	1,556	22	1.4%	1,699	68	4.0%
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	¦yûă	±l·Ôl·yÕë	tŠúÔŠyű	¦yûă	±l·Ôl·yÕë	tŠúÔŠyű
Downtown Bellevue	6,928	103	1.5%	6,084	224	3.7%
Suburban Bellevue	5,912	93	1.6%	4,961	140	2.8%
Issaquah	2,230	52	2.3%	2,326	67	2.9%
Kenmore/Bothell/Woodinville	3,003	58	1.9%	3,386	98	2.9%
Kirkland	4,959	87	1.8%	4,751	214	4.5%
Mercer Island	1,452	47	3.2%	1,495	91	6.1%
Newcastle	956	7	0.7%	1,115	32	2.9%
North Bend	322	6	1.9%	281	19	6.8%
Redmond	8,505	196	2.3%	6,907	182	2.6%
Sammamish	891	34	3.8%	588	17	2.9%
Snoqualmie	265	2	0.8%	220	13	5.9%
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Arlington	291	9	3.1%	267	10	3.7%
Mill Creek	1,858	61	3.3%	1,262	18	1.4%
Edmonds	923	15	1.6%	665	22	3.3%
Everett	8,657	271	3.1%	6,167	302	4.9%
Lynnwood	5,406	120	2.2%	4,154	138	3.3%
Lake Stevens	68	0	0.0%	84	5	6.0%
Marysville	510	13	2.5%	695	35	5.0%
Monroe	271	7	2.6%	295	5	1.7%
Mountlake Terrace	1,348	32	2.4%	643	26	4.0%
Mukilteo	1,481	78	5.3%	1,550	60	3.9%
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	¦yûă	±l·Ôl·yÕë	tŠúÔŠyű	¦yûă	±l·Ôl·yÕë	tŠúÔŠyű
Auburn	4,442	149	3.4%	2,233	105	4.7%
Burien	592	18	3.0%	591	16	2.7%
Des Moines	617	24	3.9%	577	12	2.1%
Enumclaw	259	7	2.7%	70	1	1.4%
Federal Way	5,890	237	4.0%	5,230	221	4.2%
Kent	6,965	219	3.1%	7,003	293	4.2%
Renton	8,936	330	3.7%	5,501	253	4.6%
SeaTac	1,611	51	3.2%	606	18	3.0%
Tukwila	795	27	3.4%	554	10	1.8%
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Fife/Milton/Edgewood	1,897	38	2.0%	2,345	96	4.1%
Fircrest/University/Dupont/Ste	2,476	96	3.9%	1,078	37	3.4%
Gig Harbor	949	28	3.0%	581	28	4.8%
Lakewood	3970	103	2.6%	2,768	111	4.0%
Puyallup, Sumner	4,351	134	3.1%	4,626	247	5.3%
Tacoma	7,547	186	2.5%	5,011	204	4.1%
Downtown Tacoma	1,980	46	2.3%	1,573	69	4.4%
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{dzõYl·ú]Šú	Wdzyfmф			5ŠÔmф		
	¦yûă	±l·Ôl·yÕë	tŠúÔŠyű	¦yûă	±l·Ôl·yÕë	tŠúÔŠyű
Bainbridge Island	254	2	0.8%	75	1	1.3%
Bremerton	1,601	33	2.1%	2,341	81	3.5%
Port Orchard	1,026	12	1.2%	1,502	81	5.4%
Poulsbo	394	1	0.3%	139	2	1.4%
Silverdale	1,214	33	2.7%	2,015	98	4.9%
{dzõúi2ûÍ·f	**пLпуф**	**ум**	**м#уд¯:**	**сLлтн**	**нсо**	**п#ø¯:**

Source: O'Connor Consulting Group, LLC in conjunction with Commercial Analytics

The following table presents the vacancy rates from December, 2018 versus December, 2019 across the region, Metro, sub-market and neighborhood.

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{ŧżöŸłч|Šú	5ŠÔтму			5ŠÔтмф		
	¦yÚúă	±ł-Ôł-yÔè	tŠŭÔŠyŭ	¦yÚúă	±ł-Ôł-yÔè	tŠŭÔŠyŭ
Ballard	3,758	280	7.5%	2,523	97	3.8%
Beacon Hill	202	7	3.5%	198	3	1.5%
Belltown	5,062	250	4.9%	2,901	98	3.4%
Capitol Hill	6,117	224	3.7%	4,489	148	3.3%
Central District	1,860	49	2.6%	636	28	4.4%
Delridge	642	25	3.9%	1,167	45	3.9%
Downtown Seattle	4,640	190	4.1%	7,352	275	3.7%
First Hill	2,781	137	4.9%	1,736	76	4.4%
Fremont/Wallingford/Greenlak	1,841	75	4.1%	1,844	90	4.9%
Greenwood	843	40	4.7%	734	24	3.3%
Interbay	396	18	4.5%	465	14	3.0%
Lake City	1,174	40	3.4%	1,595	75	4.7%
Lake Forest Park	445	9	2.0%	174	4	2.3%
South Lake Union	4,764	163	3.4%	4,443	159	3.6%
Magnolia	425	23	5.4%	370	17	4.6%
Northgate	3,384	114	3.4%	1,068	38	3.6%
Pioneer Square and ID	1,613	50	3.1%	1,519	49	3.2%
Queen Anne	3,298	107	3.2%	3,292	117	3.6%
Rainier Valley	1,407	55	3.9%	2,269	77	3.4%
Ravenna and Roosevelt	232	3	1.3%	854	31	3.6%
Shoreline	2,708	51	1.9%	892	20	2.2%
University District	3,121	80	2.6%	1,818	61	3.4%
West Seattle	1,835	73	4.0%	1,699	68	4.0%
{ŧżöúŽûł-ŧ	**рнĭрпу**	**нĽлсо**	**оΦ[:**	**ппĽлоу**	**мĽсмп**	**оΦ[:**

{ŠŀûûtŠ /ŽłŠ	**нлĭопл**	**унп**	**пΦ[:**	**ноĽлмн**	**улт**	**оΦ[:**

9!{¢{Ł59	5ŠÔтму			5ŠÔтмф		
{ŧżöŸłч|Šú	¦yÚúă	±ł-Ôł-yÔè	tŠŭÔŠyŭ	¦yÚúă	±ł-Ôł-yÔè	tŠŭÔŠyŭ
Downtown Bellevue	7,319	320	4.4%	6,084	224	3.7%
Suburban Bellevue	7,486	162	2.2%	4,961	140	2.8%
Issaquah	2,933	106	3.6%	2,326	67	2.9%
Kenmore/Bothell/Woodinville	998	37	3.7%	3,386	98	2.9%
Kirkland	5,387	213	4.0%	4,751	214	4.5%
Mercer Island	1,475	107	7.3%	1,495	91	6.1%
Newcastle	868	31	3.6%	1,115	32	2.9%
North Bend	233	3	1.3%	281	19	6.8%
Redmond	8,081	277	3.4%	6,907	182	2.6%
Sammamish	994	28	2.8%	588	17	2.9%
Snoqualmie	30	0	0.0%	220	13	5.9%
{ŧżöúŽûł-ŧ	**орĭулп**	**мĽнуп**	**оΦ[:**	**онĽммп**	**мĽлфт**	**оΦ[:**

{bh l h a{{ l /h¦b¢¸	5ŠÔтму			5ŠÔтмф		
{ŧżöŸłч|Šú	¦yÚúă	±ł-Ôł-yÔè	tŠŭÔŠyŭ	¦yÚúă	±ł-Ôł-yÔè	tŠŭÔŠyŭ
Arlington	788	37	4.7%	267	10	3.7%
Mill Creek	6,271	249	4.0%	1,262	18	1.4%
Edmonds	848	10	1.2%	665	22	3.3%
Everett	9,628	391	4.1%	6,167	302	4.9%
Lynnwood	6,058	217	3.6%	4,154	138	3.3%
Lake Stevens	236	10	4.2%	84	5	6.0%
Marysville	1,609	69	4.3%	695	35	5.0%
Monroe	222	16	7.2%	295	5	1.7%
Mountlake Terrace	1,620	79	4.9%	643	26	4.0%
Mukilteo	465	20	4.3%	1,550	60	3.9%
{ŧżöúŽûł-ŧ	**нтĭтпр**	**мĽлфу**	**пΦ[:**	**мрĭтун**	**снм**	**оΦ[:**

{h¦¢l9b5	5ŠÔтму			5ŠÔтмф		
{ŧżöŸłч|Šú	¦yÚúă	±ł-Ôł-yÔè	tŠŭÔŠyŭ	¦yÚúă	±ł-Ôł-yÔè	tŠŭÔŠyŭ
Auburn	2,768	124	4.5%	2,233	105	4.7%
Burien	1,460	51	3.5%	591	16	2.7%
Des Moines	1,238	47	3.8%	577	12	2.1%
Enumclaw	324	6	1.9%	70	1	1.4%
Federal Way	8,619	333	3.9%	5,230	221	4.2%
Kent	8,983	612	6.8%	7,003	293	4.2%
Renton	8,751	394	4.5%	5,501	253	4.6%
SeaTac	3,219	140	4.3%	606	18	3.0%
Tukwila	1,091	37	3.4%	554	10	1.8%
{ŧżöúŽûł-ŧ	**осĭпро**	**мĽтпп**	**пΦ[:**	**ннĭоср**	**фнф**	**пΦ[:**

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{ŧżöŸłч|Šú	¦yÚúă	±ł-Ôł-yÔè	tŠŭÔŠyŭ	¦yÚúă	±ł-Ôł-yÔè	tŠŭÔŠyŭ
Fife/Milton/Edgewood	1,670	69	4.1%	2,345	96	4.1%
Fircrest/University/Dupont/	2,238	103	4.6%	1,078	37	3.4%
Gig Harbor	693	25	3.6%	581	28	4.8%
Lakewood	4171	129	3.1%	2,768	111	4.0%
Puyallup, Sumner	6,111	222	3.6%	4,626	247	5.3%
Tacoma	8,980	351	3.9%	5,011	204	4.1%
Downtown Tacoma	1,469	61	4.2%	1,573	69	4.4%
{ŧżöúŽûł-ŧ	**нрĭоон**	**фсл**	**оΦ[:**	**мтĭфун**	**тфн**	**пΦ[:**

Yl¢{!t	5ŠÔтму			5ŠÔтмф		
{ŧżöŸłч|Šú	¦yÚúă	±ł-Ôł-yÔè	tŠŭÔŠyŭ	¦yÚúă	±ł-Ôł-yÔè	tŠŭÔŠyŭ
Bainbridge Island	135	6	4.4%	75	1	1.3%
Bremerton	1,476	65	4.4%	2,341	81	3.5%
Port Orchard	1,182	27	2.3%	1,502	81	5.4%
Poulsbo	38	1	2.6%	139	2	1.4%
Silverdale	1,920	80	4.2%	2,015	98	4.9%
{ŧżöúŽûł-ŧ	**пĭтрм**	**мтф**	**оΦтĭ[:**	**сĽлтн**	**нсо**	**пΦ[:**

Source: O'Connor Consulting Group, LLC in conjunction with Commercial Analytics

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The Seattle Metro absorbed 9,265 new and 163 existing apartment units – totaling 9,428 units through 2019, as shown below. The majority of these *new* units—68% or 6,288— were absorbed in the Seattle sub-market, capturing 66% of all units absorbed.

Table: 2019 Apartment Absorption Summary

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Sub Market	New Units Absorbed 2019	Existing Units Absorbed 2019	Average Bldg Absorption per Month
Seattle	6,288	-78	15.2
Eastside	2,484	77	13.6
Southend	240	44	14.0
Snohomish	253	120	25.2
¢2ůl·ťă	9,265	163	14.8

The following tables details each submarket's share of total units absorbed in the Seattle Metro (new and existing) during that year.

Table: Market Share of Net (New and Existing) Units Absorbed

a l·№ļŜů {Kl·№Ŝ 2ŕ bŜů ¦yńů ! ōă2№LJúÅ2ƴóbŜø ɜ 9Ěʌăúťy∃ú															
Market Area	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
{Ŝl·úúfŜ	203	1,384	-2,268	1,696	4,321	1,518	2,681	3,870	7,325	4,905	6,455	2,890	7,481	6,210
9l·ăúăʌŘŜ	422	194	-181	1,114	2,117	1,409	333	173	1,925	1,873	2,117	1,854	2,244	2,561
{2dzúKŜyŘ	2,535	564	-1,707	-984	3,151	-694	2,102	821	1,559	419	501	-658	53	284
{y2K2Yʌ̃åK	936	-244	-649	-1,240	1,304	4	677	741	1,262	1,362	62	-298	465	373
a Ŝú№2	4,097	1,898	-4,806	586	10,892	2,236	5,793	5,605	12,071	8,559	9,135	3,787	10,244	9,428

Source: OCG

In 2018, the Seattle submarket captured 73% of *all* new and existing units absorbed in the Metro region, a minor decrease of 3 points from 2017, and reasonably above the 5-year average. Throughout 2019, the Seattle submarket captured 66% of the Metro market share; this is slightly behind par compared with the last three years when Seattle captured at least 70%.

In 2017 the Southend held -17% of the Seattle Metro apartment market share. However, by year-end 2018, the Southend submarket gained market share from the rest of the Metro—up to 1% of the Metro. At year-end 2019, the Southend market held a traditional share at 3% of the Seattle Metro market share.

At year-end 2019, the Eastside captured 27% of the Seattle Metro apartment market. When comparing 2018 annual market share to 2017 annual market share, the Eastside decreased from 49% in 2017 to 22% in 2018. Normally, we expect the Eastside to capture 20% to 28% of all regional apartment demand, which is right where they lie within the market at the end of 2019.

Table: Market Share of Net (New and Existing) Units Absorbed by Percentage

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Market Area	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	5 Yr Avg	10 Yr Avg
{ŠI·úűtŠ	5%	73%	47%	290%	40%	68%	46%	69%	61%	57%	71%	76%	73%	66%	69%	co
9l·ăúăiŘŠ	10%	10%	4%	190%	19%	63%	6%	3%	16%	22%	23%	49%	22%	27%	29%	нр
{2ʊúKŜyŘ	62%	30%	36%	-168%	29%	-31%	36%	15%	13%	5%	5%	-17%	1%	3%	-1%	€
{y2K2Y⟧ăK	23%	-13%	14%	-212%	12%	0%	12%	13%	10%	16%	1%	-8%	5%	4%	3%	€
a Šűℳ2	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	млп

Source: OCG

The tables below illustrate monthly absorption rates from 2007 through 2019. The data from these tables was used to derive the market share conclusions presented above.

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2007	849	1,156	126	10.6
2008	1,040	799	368	9.5
2009	3,538	2,681	1,568	15.2
2010	982	2,134	392	13.8
2011	699	878	244	13.5
2012	3,060	2,317	1,808	18.8
2013	5,222	4,602	1,827	16.4
2014	5,757	6,501	1,442	15.8
2015	4,828	6,246	1,821	15.2
2016	4,516	5,477	1,465	14.2
2017	7,846	7,625	2,308	12.2
2018	5,729	4,967	3,307	12.8
2019	4,001	6,288	881	15.2

Source: OCG.

! LJI-ŇúŸŜyú ! ōă2ŇLJúń2y{dzŸŸI-Ň℮π{2dzúKŜyŘ				
¸ŜI-Ň	bŜó ¦yńúă .dzńtú	bŜó ¦yńúă !ōă2ŇōŜŘ	bŜó ¦yńúă ńy¯[ŜI-ăŜ ¦LJ	!ØƎ◊ !ōă◊ tŜŇ a2yúK
2007	410	869	172	16.9
2008	332	504	31	18.2
2009	608	393	327	16.3
2010	550	395	488	14.9
2011	107	360	222	11.9
2012	260	331	129	10.4
2013	0	258	0	10.8
2014	156	118	78	17.3
2015	229	747	43	19.8
2016	486	667	29	18.3
2017	329	570	35	15.9
2018	558	401	340	14.2
2019	0	240	79	14.0

Source: OCG

! LJI-ŇúŸŜyú ! ōă2ŇLJúń2y{dzŸŸI-Ň℮π 9I-ăúăńŘŜ				
¸ŜI-Ň	bŜó ¦yńúă .dzńtú	bŜó ¦yńúă !ōă2ŇōŜŘ	bŜó ¦yńúă ńy¯[ŜI-ăŜ ¦LJ	!ØƎ◊ !ōă◊ tŜŇ a2yúK
2007	166	194	55	10.0
2008	642	584	144	16.9
2009	1,579	1,027	736	17.0
2010	1,594	1,609	638	15.8
2011	140	922	163	12.3
2012	628	274	562	8.9
2013	951	1,040	411	17.3
2014	795	931	253	15.1
2015	2,214	2,243	1,086	17.4
2016	2,914	2,555	1,406	18.4
2017	1,876	2,467	758	11.9
2018	2,714	1,424	1,895	12.2
2019	944	2,484	519	13.6

Source: OCG

! LJI-ŇúŸŜyú ! ōă2ŇLJúń2y{dzŸŸI-Ň℮π{y2K2YńăK /2◊				
¸ŜI-Ň	bŜó ¦yńúă .dzńtú	bŜó ¦yńúă !ōă2ŇōŜŘ	bŜó ¦yńúă ńy¯[ŜI-ăŜ ¦LJ	!ØƎ◊ !ōă◊ tŜŇ a2yúK
2007	92	322	24	13.3
2008	80	24	25	9.2
2009	0	0	0	N/A
2010	22	22	0	5.9
2011	190	82	11	11.1
2012	386	182	209	14.3
2013	443	614	290	10.0
2014	1,286	792	103	15.7
2015	700	847	463	17.9
2016	478	552	168	12.6
2017	126	368	148	11.3
2018	0	192	28	13.0
2019	315	253	21	25.2

Source: OCG

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¸ŜI-Ň	bŜó ¦yńúă .dzńtú	bŜó ¦yńúă !ōă2ŇōŜŘ	bŜó ¦yńúă ńy¯[ŜI-ăŜ ¦LJ	!ØƎ◊ !ōă◊ tŜŇ a2yúK
2007	1,772	2,541	683	12.6
2008	2,094	1,911	625	13.5
2009	5,803	4,101	2,638	15.3
2010	3,148	4,160	1,518	14.9
2011	1,136	2,242	640	13.1
2012	4,334	3,104	2,677	13.2
2013	6,616	6,514	2,528	15.7
2014	7,994	8,342	1,876	15.7
2015	7,971	10,083	3,413	16.1
2016	8,394	9,251	3,068	15.2
2017	10,177	11,030	3,249	12.2
2018	9,001	6,984	5,570	12.8
2019	5,260	9,265	1,500	14.8

Source: OCG

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Across the Seattle Metro as of year-end 2019 we observed an average 14.8 units absorbed per property per month, up from 12.8 at the end of 2018, however down compared to June, 2019 at 16.3 units per property per month.

The Seattle, Southend, and Eastside submarkets demonstrated similar absorption rates: Seattle, 15.2; Southend, 14.0; Eastside, 13.6. The Snohomish submarket experienced a significantly higher rate compared to all the others at 25.2, however they were the submarket with the fewest properties in absorption.

Notably, the Ballard and Lake Union neighborhoods in the Seattle submarket demonstrated the most robust absorption of any neighborhoods across all submarkets in the first half of 2019 at 20.4 and 17.6 units per month respectively.

The following table details representative properties in initial absorption during 2019.

{ŠÎ·ûûtŠ {dzõπ a Î·Ù]Šú									
t½2ŠÕú bÎ·YŠ	{dzõYÎ·Ù]Šú	[ŠÎ·ăŠ {úÎ·Ùú	[ŠÎ·ăŠ {ú2LJ κ {dz½ØŠè	¢2úÎ·ť ¦ yÙúă	¦ yÙúă [ŠÎ·ăŠŘ	¢2úÎ·ť ¦ yťŠÎ·ăŠŘ	[ŠÎ·ăŠŘ	! õă2½LJ» tŠ½2Ř	! õă2½LJ»κ a2yűK
52óýíú2óýk . Šťťú2óýkL5									
Elara at the Market	Belltown	May - 2018	Nov - 2019	145	138	7	95.2%	18.3	7.5
O2 Apartments	Belltown	Jan - 2019	Dec - 2019	132	125	7	94.7%	11.5	10.9
AMLI Arc	Downtown	Jul - 2017	Dec - 2019	393	357	36	90.8%	29.4	12.1
Kinects	Downtown	Oct - 2017	Jun - 2019	357	342	15	95.8%	20.3	16.9
West Edge tower	Downtown	Mar - 2018	Dec - 2019	340	299	41	87.9%	21.3	14.0
Avalon Belltown Tower	Belltown	Apr - 2019	Dec - 2019	275	238	37	86.5%	8.1	29.3
Arrivé	Belltown	Oct - 2018	Dec - 2019	359	333	26	92.8%	11.5	29.0
Stratus	Downtown	Jan - 2018	Aug - 2019	396	378	18	95.5%	19.2	19.7
Metro Line Flats	Downtown	May-19	Sep - 2019	72	69	3	95.8%	4.1	16.8
Hana	International	Nov-18	Jul - 2019	160	98	62	61.3%	8.9	11.1
Broadstone Saxton	Downtown	Nov-18	Dec - 2019	325	296	29	91.1%	13.2	22.5
Cypress (Block 3)	Downtown	Feb-19	Sep - 2019	237	231	6	97.5%	7.1	32.7
¢2úÎ·tă				3,191	2,904	287	91.0%	172.9	16.8
/Î·LJÚû2ť ÎÆťkCÙăú ÎÆťk / ŠyűÙÙÎ·ť									
The Shea Apartments	Capitol Hill	Dec - 2018	Mar - 2019	33	33	0	100.0%	2.4	13.8
Slate on 13th	Capitol Hill	Mar - 2019	Jun - 2019	20	20	0	100.0%	3.1	6.5
Thomas Street Lofts	Capitol Hill	Jan - 2019	Jul - 2019	41	41	0	100.0%	6.0	6.8
The Danforth	First Hill	Aug - 2018	Dec - 2019	265	247	18	93.2%	16.2	15.2
The Perry	First Hill	Jan - 2019	Jul - 2019	209	200	9	95.7%	6.0	33.1
Roxborough Apts Addition	Capitol Hill	Dec - 2018	Feb - 2019	26	25	1	96.2%	2.4	10.6
Pike Flats	Capitol Hill	Nov - 2018	Oct - 2019	90	89	1	98.9%	10.4	8.6
Brava Apodment	Capitol Hill	Dec - 2018	Dec - 2019	60	57	3	95.0%	12.0	4.8
Modera Jackson	Central	Dec - 2018	Dec - 2019	160	145	15	90.6%	12.0	12.1
The Roost Lofts	Central	Feb - 2019	Apr - 2019	33	33	0	100.0%	2.0	16.8
Madrona 12	Central	May - 2019	May - 2019	6	6	0	100.0%	0.9	6.4
Muir Apartments	Central	May - 2019	Dec - 2019	135	122	13	90.4%	7.1	17.1
East Union	Capitol Hill	Apr - 2018	Dec - 2019	145	141	4	97.2%	19.7	7.1
¢2úÎ·tă				1,223	1,159	64	94.8%	100.3	11.6
vťŠŠY ¦ yýŠκ aÎ·ɜy2ťÎ·κLyűŠÙõÎ·è									
Axle Apartments	Interbay	Oct - 2018	Dec - 2019	226	206	20	91.2%	14.2	14.5
2nd & John	Queen Anne	Jan - 2019	Jul - 2019	80	80	0	100.0%	6.0	13.3
Elan Uptown Flats - West	Queen Anne	Apr - 2018	Apr - 2019	182	173	9	95.1%	13.1	13.2
Alexan 100	Queen Anne	Nov - 2019	Dec - 2019	164	21	143	12.8%	1.0	21.0
Werner Apartments	Interbay	Jul - 2019	Aug - 2019	59	59	0	100.0%	1.0	57.1
Zella Apartments	Queen Anne	Apr - 2019	Aug - 2019	127	123	4	96.9%	4.1	30.2
¢2úÎ·tă				838	662	176	79.0%	39.5	16.8
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Orion	Lake Union	Dec - 2018	Sep - 2019	128	122	6	95.3%	9.1	13.4
Ascent SLU	Lake Union	Jul - 2018	Dec - 2019	251	222	29	88.4%	17.3	12.9
Kiara	Lake Union	Sep - 2018	Dec - 2019	461	437	24	94.8%	15.2	28.8
Mera	Lake Union	Apr - 2019	Jun - 2019	70	40	30	57.1%	2.5	16.0
2037 Yale	Lake Union	Dec - 2018	Feb - 2019	28	27	1	96.4%	2.1	13.1
Leeward	Lake Union	Nov - 2017	Feb - 2019	296	282	14	95.3%	15.3	18.4
McKenzie	Lake Union	Mar - 2018	Jul - 2019	450	433	17	96.2%	17.0	25.4
June on South Lake	Cascade	Jul - 2019	Dec - 2019	42	31	11	73.8%	5.1	6.1
624 Yale	Cascade	Feb - 2018	Jun - 2019	206	197	9	95.6%	16.8	11.7
Enve on Eastlake	Cascade	Jan - 2019	Jun - 2019	42	42	0	100.0%	5.0	8.3
Franklin Station Apartments	Cascade	Jun - 2019	Aug - 2019	22	22	0	100.0%	2.0	10.8
Helm	Cascade	Apr - 2019	Dec - 2019	79	57	22	72.2%	8.1	7.0
Tellus on Dexter	Cascade	Aug - 2019	Dec - 2019	98	83	15	84.7%	4.1	20.4
Marlowe Apartments	Cascade	Jan - 2019	Sep - 2019	181	170	11	93.9%	8.1	21.0
Sitka	Cascade	Aug - 2018	Dec - 2019	384	363	21	94.5%	16.2	22.4
¢2úÎ·tă				2,738	2,528	210	92.3%	144.0	17.6
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Sedona Ph II	Wedgewood	Nov - 2018	Dec - 2019	215	201	14	93.5%	13.2	15.3
Maple Leaf Flats	North Central	Apr - 2019	Jun - 2019	36	36	0	100.0%	2.0	17.7
Francis Court	University	Jul - 2018	Feb - 2019	35	33	2	94.3%	7.2	4.6
U Studios	University	Mar - 2019	May - 2019	24	24	0	100.0%	2.0	12.2
U-District Micro	University	Jul - 2019	Sep - 2019	28	28	0	100.0%	2.1	13.5
DXU Apartments (SEDUs)	University	Apr - 2019	Sep - 2019	98	93	5	94.9%	6.1	15.3
U20	University	Mar - 2019	Aug - 2019	64	64	0	100.0%	5.1	12.5
Brooklyn 65	North East	Jul - 2019	Aug - 2019	56	53	3	94.6%	1.0	51.3
Burke + Union	North East	May - 2019	Aug - 2019	60	58	2	96.7%	3.1	18.9
Vida Seattle	North East	Feb - 2019	Dec - 2019	201	181	20	90.0%	10.1	17.9
¢2úÎ·tă				817	771	46	94.4%	51.8	14.9

Seattle Metro Absorption during 2019, cont.

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Paceline Apartments	Shoreline	Jul - 2018	Dec - 2019	221	203	18	91.9%	17.3	11.8
Arabella Phase 2	Shoreline	Sep - 2019	Dec - 2019	81	41	40	50.6%	3.0	13.5
CUBIX North Park	Bitter Lake	Jun - 2018	Mar - 2019	108	103	5	95.4%	9.1	11.3
The Tony Lee Apartments	Lake City	Dec - 2018	Jul - 2019	70	70	0	100.0%	7.1	9.9
Mysa Apartments	Lake City	Feb - 2019	Dec - 2019	116	109	7	94.0%	10.1	10.8
¢2úÎ·tă				596	526	70	88.3%	46.6	11.3
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Giardino	Ballard	Jun - 2019	Aug - 2019	62	62	0	100.0%	2.5	24.8
The Grove	Ballard	Sep - 2019	Dec - 2019	63	58	5	92.1%	3.0	19.1
Bogtown Flats	North West	Feb - 2019	Sep - 2019	85	82	3	96.5%	7.1	11.6
Lane Apartments	Northgate	Jul - 2019	Dec - 2019	217	166	51	76.5%	5.1	32.5
Lucille on Roosevelt/Hive Apartments	Northgate	Feb - 2019	Jul - 2019	106	105	1	99.1%	5.0	21.0
Prism Apartments Seattle 98125 (138 Ur	Northgate	Mar - 2019	Oct - 2019	138	135	3	97.8%	7.1	18.9
¢2úÎ·tă				671	608	63	90.6%	29.8	20.4
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Upton Flats	West Seattle	Mar - 2019	Aug - 2019	104	102	2	98.1%	5.1	20.0
Adell	West Seattle	Jun - 2019	Dec - 2019	76	70	6	92.1%	6.1	11.5
The Huxley	West Seattle	Feb - 2019	Dec - 2019	119	114	5	95.8%	10.1	11.3
¢2úÎ·tă				299	286	13	95.7%	21.3	13.4
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Pax Futura	Columbia City	Nov - 2018	Mar - 2019	35	33	2	94.3%	4.0	8.3
Jefferson Station Apartments	Beacon Hill	Nov - 2018	Sep - 2019	49	49	0	100.0%	9.7	5.1
Ambaum Place II	White Center	Mar - 2019	Jun - 2019	24	24	0	100.0%	3.1	7.8
Sonata East	Columbia City	Feb - 2019	Aug - 2019	91	89	2	97.8%	5.6	16.0
NOCO Flats	Rainier Valley	Apr - 2018	Feb - 2019	56	53	3	94.6%	9.6	5.5
¢2úÎ·tă				255	248	7	97.3%	31.9	7.8
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Seattle Metro Absorption during 2019, cont.

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Anthology	Issaquah	Aug - 2018	Dec - 2019	398	338	60	84.9%	15.5	21.9
Alexan Marymoor	Redmond	Nov - 2018	Dec - 2019	222	220	2	99.1%	13.2	16.7
Arras Apartments	Bellevue	Nov - 2018	Dec - 2019	279	268	11	96.1%	13.2	20.4
Cerasa Bellevue	Bellevue	Jul - 2018	Dec - 2019	154	148	6	96.1%	17.3	8.6
Edition Apartments	Bothell	Apr - 2018	Feb - 2019	135	128	7	94.8%	10.7	12.0
Lux Apartments	Downtown	Jun - 2018	Jun - 2019	137	134	3	97.8%	13.1	10.2
Hyde Square	Bellevue	Mar - 2018	Dec - 2019	618	579	39	93.7%	21.3	27.1
Main Street Flats PH2	Downtown	May - 2019	Dec - 2019	160	126	34	78.8%	7.1	17.7
Ravello Apartments	Redmond	Aug - 2018	Dec - 2019	102	98	4	96.1%	15.9	6.2
Mercantile Apartments	Bothell	Jun - 2018	Dec - 2019	122	113	9	92.6%	18.3	6.2
Redmond Triangle	Redmond	Sep - 2018	Dec - 2019	195	182	13	93.3%	15.2	12.0
Vale Apartments	Issaquah	May - 2019	Sep - 2019	110	109	1	99.1%	4.1	26.6
Sky Sammamish Apartments	Sammamish	Sep - 2018	Dec - 2019	159	144	15	90.6%	15.2	9.5
Station House	Redmond	Sep - 2018	Dec - 2019	196	185	11	94.4%	15.2	12.2
The Junction	Bothell	Nov - 2017	Mar - 2019	130	125	5	96.2%	16.6	7.5
Two Lincoln Tower	Downtown	Jul - 2017	Dec - 2019	218	200	18	91.7%	29.4	6.8
Woodin Creek Village Phase II	Woodinville	Mar - 2019	Dec - 2019	246	82	164	33.3%	9.2	8.9
3040 Apartments (Bell Overlake)	Redmond	Feb - 2019	Dec - 2019	243	204	39	84.0%	10.1	20.2
AVA Esterra Park	Redmond	Nov - 2018	Dec - 2019	323	313	10	96.9%	13.2	23.8
Uptown at Kirkland Urban	Kirkland	Aug - 2019	Dec - 2019	185	83	102	44.9%	4.1	20.4
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Airmark Apartments	Tukwila	Mar - 2018	Dec - 2019	370	303	67	81.9%	20.9	14.5
Monarch Apartments	Maple Valley	Oct - 2018	Dec - 2019	200	188	12	94.0%	14.2	13.2
¢2ůł·fă				**ртл**	**пфм**	**ст**	**ус◊ß₴**	**ор◊м**	**мп◊л**

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The Lodge Phase 3 (Trailside)	Marysville	Jun - 2019	Dec - 2019	200	179	21	89.5%	6.1	29.3
Lake Apartments Pase 1	Monroe	Jun - 2019	Aug - 2019	24	24	0	100.0%	2.5	9.6
The Village at Westgate	Edmonds	Jul-2019	Oct - 2019	91	91	0	100.0%	3.1	29.7
¢2ůł·fă				**омр**	**нфп**	**нм**	**ф◊◊ß₴**	**мм◊т**	**нр◊н**
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Please note that factored into the totals/averages presented above, are properties that started leasing in 2018 and did not reach stabilization unitl sometime into 2019. So the totals/averages do not exactly reflect 2019's absorption figures.

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Our estimate of new multifamily supply is derived from a survey of all units currently in lease-up, projects under construction, and known projects in their pre-development stage from the first half of 2020 through Q1-2022.

The number of units that are in lease-up, will be in lease-up, or constructed in the Seattle Metro during this period totals 17,910.

Of these, 7,435 units will impact the market in 2020, while 8,743 units will impact the market in 2021, and 1,732 units will impact the market through the first quarter of 2022.

Note: The table below details only those units under construction or in lease-up that will affect the market within our forecast, through Q1-2022. It is worth noting that most units currently proposed are unlikely to reach completion within the two-year timeframe detailed in the tables below.

Table: (2019) Seattle-Bellevue-Everett Metro Apartment Two-Year Supply Survey

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Submarket	Year-End 2019 % Vacant	Average Absorption Complex/Mo.	Vacant Units In Lease-Up	Units Under Construction	Anticipated Proposed Units On Line	Total Two Year Pipeline
{ŜI-úűfŜ	3.7%	15.2	935	8,879	285	10,099
9I-ăűăłŘŜ	3.4%	13.6	553	4,624	285	5,462
{2dzúKŜyŘ	4.2%	14.0	79	1,275	100	1,454
{y2K2Yłăk	3.8%	25.2	21	719	155	895
a5Ғ	3.7%	14.8	1,588	15,497	825	17,910

*Weighted average by sub-market size.

Below, a representative sample of projects under construction in the Seattle sub-market, listed by area; map follows.

Property Name	City	Address	Construction End	Year Built	Total No of Units	Property Type
2204 14th Ave S Seattle 98144 (6 Units)	Seattle	2204 14TH AVE S	03/12/2020	2020	6	Apartment
1775 17th Ave S Seattle 98144 (19 Units)	Seattle	1775 17th Ave S	04/12/2020	2020	19	Apartment
2800 S ALASKA PL Seattle 98108 (4 Units)	Seattle	2800 S ALASKA PL	01/12/2020	2020	4	Apartment
Stazione: 25	Seattle	2615 25TH AVE S	06/20/2020	2020	301	Apartment
Mt. Baker Station (South)	Seattle	2715 25TH AVE S	08/12/2020	2020	194	Apartment
Eastlake 33	Seattle	2227 Yale Ave E	04/10/2020	2020	33	Apartment
Stream Dexios	Seattle	1600 Dexter Ave N	04/10/2020	2020	86	Mixed-Use
Onni Block (Phase I)	Seattle	1120 Denny Way	12/10/2020	2020	1179	Apartment
1936 Eastlake Ave E	Seattle	1936 Eastlake Ave E	06/10/2021	2021	79	Apartment
The Edric	Seattle	9021 17th Ave SW	06/12/2020	2019	32	Apartment
Louisa Hotel Conversion	Seattle	669 S KING ST	02/01/2020	2020	85	Apartment
Third and Lenora, Selig	Seattle	2031 3RD AVE	03/14/2020	2020	352	Mixed-Use
Rainier Square	Seattle	1301 5TH AVE	06/11/2020	2020	208	Apartment
12th Ave S & Boren Ave	Seattle	125 Boren Ave S	06/16/2020	2020	288	Apartment
Denny Center Site Tower, BOSA	Seattle	2014 FAIRVIEW AVE	12/11/2020	2021	437	Apartment
Canton Lofts	Seattle	224 S Washington St	05/16/2021	2021	80	Apartment
Denny Site, Westbank	Seattle	1200 STEWART ST	06/13/2021	2021	1014	Mixed-Use
3010 1st Ave	Seattle	3010 1st Ave	06/13/2021	2021	60	Apartment
2019 Boren Ave	Seattle	2019 BOREN AVE	06/16/2021	2021	410	Apartment
2301 7th AVE Seattle 98121 (638 Units)	Seattle	2301 7th AVE	06/16/2021	2021	638	Apartment
Solis	Seattle	1300 E Pike St	05/11/2020	2020	45	Apartment
Former Linc's Tackle Shop Site	Seattle	501 RAINIER AVE S	05/13/2020	2020	105	Apartment
Chole	Seattle	1401 E MADISON ST	01/16/2020	2020	137	Apartment
525 Federal Ave E Seattle 98102 (29 Units)	Seattle	525 FEDERAL AVE E	01/16/2020	2020	29	Apartment
Robins Nest	Seattle	3272 FUHRMAN AVE E	01/16/2020	2020	61	Apartment
36 FH	Seattle	1320 UNIVERSITY ST	02/02/2020	2020	36	Mixed-Use
Capitol Hill Station Apts - Site B-South	Seattle	123 10TH AVE E	02/02/2020	2020	51	Apartment
Avant Apartments	Seattle	2100 E Madison St	01/11/2020	2019	50	Apartment
1029 S Jackson St Seattle 98144	Seattle	1029 S Jackson St	01/13/2020	2020	321	Apartment
Capitol Hill Station Apts - Site A	Seattle	118 BROADWAY E	06/11/2020	2020	150	Mixed-Use
128 Central Seattle 98144 (128 Units)	Seattle	2212 S JACKSON ST Seattle 98144 (128 Units)	06/13/2020	2019	128	Apartment
Capitol Hill Station Apts - Site C	Seattle	1830 BROADWAY AVE	08/11/2020	2020	51	Apartment
Former Redwood Location	Seattle	600 E Howell St	08/11/2020	2020	73	Apartment
Bonney-Watson Funeral Home - Site 2	Seattle	1812 BROADWAY AVE	08/16/2020	2021	133	Apartment
707 Terry Ave Seattle 98104 (440 Units)	Seattle	707 TERRY AVE	12/11/2020	2021	440	Apartment
Bell View	Seattle	736 BELLEVUE PL E	12/16/2020	2021	58	Apartment
Pivot (51 Units)	Seattle	1208 PINE ST	02/28/2021	2021	71	Mixed-Use
953 E. Union St Seattle 98122 (60 Units)	Seattle	953 E Union St	06/10/2021	2021	60	Mixed-Use
Ovation Apartments (by Lennar)	Seattle	1101 8th Ave	06/13/2021	2021	548	Apartment

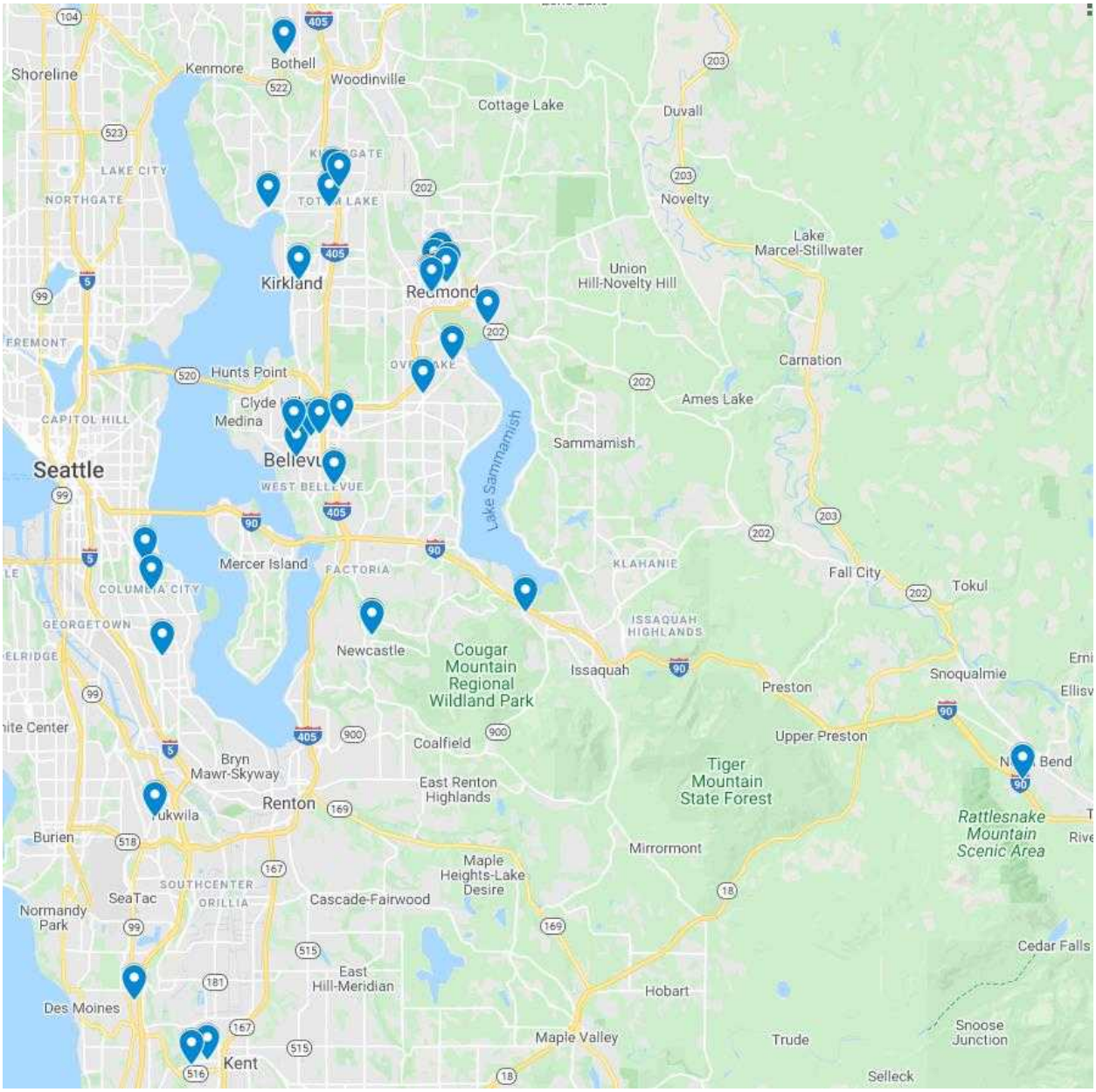
Olympic Tower	Seattle	715 8TH AVE	08/14/2021	2021	77	Apartment
CH Apartments	Seattle	1010 REPUBLICAN ST	05/11/2020	2020	36	Apartment
Capitol Hill Station Apts - Site B-North	Seattle	923 JOHN ST	05/11/2020	2020	110	Apartment
523 15th Ave E Seattle 98112 (75 Units)	Seattle	523 15th Ave E	12/16/2022		68	Apartment
1436 NW 60th St Seattle 98107 (12 Units)	Seattle	1436 NW 60TH ST	03/10/2020	2019	12	Apartment
42 Fremont	Seattle	3825 BRIDGE WAY N	03/10/2020	2020	42	Apartment
28 Fremont	Seattle	3618 2ND AVE NW	04/10/2020	2020	28	Apartment
90 Ballard	Seattle	5512 17TH AVE NW	04/10/2020	2020	90	Apartment
17 Wallingford	Seattle	2508 N 50th St	04/10/2020	2019	17	Apartment
15 Fremont	Seattle	3833 AURORA AVE N	01/10/2020	2019	15	Apartment
Lennar Ballard 2	Seattle	1718 NW 56TH ST	01/10/2020	2019	164	Apartment
30 Ballard	Seattle	1443 NW 63RD ST	01/10/2020	2019	30	Apartment
54 Fremont, Fremont Apt LLC	Seattle	743 N 35TH ST	08/10/2020	2020	54	Apartment
45 Green lake	Seattle	417 NE 73RD ST	08/10/2020	2020	45	Apartment
2226 NW 58TH ST Seattle 98107 (20 Units)	Seattle	2226 NW 58TH ST	03/10/2020	2019	20	Apartment
Iron Flats Apartments	Seattle	802 NE 66th St, 811 NE 67th St	12/10/2020	2020	289	Apartment
20 Roosevelt Seattle 98115 (20 Units)	Seattle	6616 8th Ave NE	12/10/2020	2020	20	Apartment
165 Roosevelt Apts Seattle 98115 (165 Units)	Seattle	1300 NE 65th St	12/10/2020	2022	165	Apartment
U Place Condominium	Seattle	4609 Union Bay Plaza NE	12/12/2020	2020	244	Mixed-Use
Roosevelt Centerline	Seattle	6505 15th Ave NE	12/14/2020	2020	235	Mixed-Use
24 Crown Hill Seattle 98117 (24 Units)	Seattle	8509 14TH AVE NW	05/13/2020	2020	24	Apartment
40 Crown Hill	Seattle	8541 15TH AVE NW	06/13/2020	2020	36	Mixed-Use
320 N 85th	Seattle	320 N 85th	08/13/2021	2022	203	Apartment
141 Greenwood	Seattle	8616 PALATINE AVE N	06/13/2022		141	Apartment
70 Greenwood	Seattle	8403 Greenwood Ave N	12/13/2022	2020	70	Apartment
Greenlake, Stratford site	Seattle	8558 NESBIT AVE N	04/10/2020	2020	75	Apartment
27 Aurora Apts Seattle 98103 (27 Units)	Seattle	8820 Aurora Ave N	06/10/2020	2020	27	Mixed-Use
Alexan 100	Seattle	100 Denny Way	01/27/2020	2020	164	Apartment
215 1st Ave N Seattle 981094 (73 Units)	Seattle	215 1ST AVE N	12/13/2020	2020	73	Mixed-Use
79 LQA	Seattle	417 2ND AVE W	08/13/2021	2021	95	Apartment
Shoreline Apartments	Shoreline	17233 15th Ave NE	06/10/2020	2020	243	Apartment
Alexan Shoreline/Potala Shoreline	Shoreline	15500 Westminster Way N	12/10/2020	2020	330	Apartment
2404 Dexter AVE N Seattle 98109 (70 Units)	Seattle	2404 Dexter AVE N	08/13/2021		70	Apartment
FM Development at LQA	Seattle	701 5TH AVE N	05/13/2020	2020	107	Apartment
Z Apartments	Seattle	1109 N 92ND ST	03/10/2020	2020	23	Apartment
Luna	Seattle	2749 CALIFORNIA AVE SW	03/13/2020	2020	108	Apartment
Harbor Avenue Campus	Seattle	1307 HARBOR AVE SW	03/13/2020	2020	15	Mixed-Use
Legacy	Seattle	4722 FAUNTLEROY WAY SW	06/13/2021	2021	306	Apartment
UNIVERSITY 7 APARTMENTS	Seattle	4263 7TH AVE NE	04/12/2020	2020	14	Apartment
51 U District	Seattle	4710 20th Ave NE	04/12/2020	2020	52	Apartment
31 U District	Seattle	5020 15TH AVE NE	12/12/2020	2020	314	Apartment
Trailside Apartments Redevelopment	Seattle	4801 24th Ave NE	08/12/2021	2021	265	Apartment
Nuovo Tower	Seattle	4512 11th Ave NE	06/14/2022	2022	100	Mixed-Use
Lam Bow Apts	Seattle	6935 DELRIDGE WAY SW	11/30/2021	2021	30	Apartment
Bill Hobson Phase 1	Seattle	1911 22ND AVE S	12/12/2020	2021	85	Apartment

Exhibit: A representative distribution of apartment developments under construction in the Seattle sub-market.

Table: A representative list of projects under construction in the Eastside and Southend sub-markets.

Community Market	Property Name	City	Address	Construction End	Year Built	Total No of Units	Property Type
Bellevue - Downtown	Alamo Manhattan B2	Bellevue	10625 Main St	01/06/2020	2019	163	Mixed-Use
Bellevue - Downtown	Parkside, Continental	Bellevue	25 102ND AVE NE	06/06/2020	2020	136	Mixed-Use
Bellevue - Downtown	888 Bellevue Tower (fka Paragon Tower)	Bellevue	888 108th Ave NE	06/06/2020	2020	157	Mixed-Use
Bellevue - Downtown	Brio, Su Development	Bellevue	1021 112TH AVE NE	06/10/2020	2020	258	Mixed-Use
Kirkland	Lennar Totem Site	Kirkland	11811 NE 128th St	06/12/2020	2020	339	Apartment
Kirkland	Lifebridge Kirkland	Kirkland	11725 NE 118TH ST	12/10/2020	2021	562	Mixed-Use
Kirkland	Parque	Kirkland	312 Central Way	06/10/2021	2021	70	Mixed-Use
Kirkland	9040 NE Juanita Dr	Kirkland	9040 NE JUANITA DR	05/10/2020	2020	12	Apartment
Kirkland	Totem Lake Mall Redevelopment Phase 1	Kirkland	12601 120TH AVE NE	04/10/2020	2019	650	Mixed-Use
Bellevue - Downtown	10050 NE 10th St	Bellevue	10050 NE 10th St	12/10/2022	2021	102	Apartment
Redmond	B&B Apartments	Redmond	9110 Redmond Woodinville Rd Ne	01/09/2020	2019	12	Apartment
Redmond	The Bond	Redmond	6160 E Lake Sammamish Pkwy	01/09/2020	2020	139	Apartment
Redmond	Modera Redmond	Redmond	8709 161st Ave NE	01/09/2020	2019	300	Apartment
Redmond	Parkside Phase 1	Redmond	15551 NE TURING ST	04/09/2020	2019	215	Apartment
Redmond	15806 Bear Creek Parkway	Redmond	15806 Bear Creek Parkway	06/11/2020	2020	360	Mixed-Use
Redmond	Alexan Central Park	Redmond	16110 Redmond Way	08/09/2020	2020	193	Apartment
Redmond	Bear Creek Apartments	Redmond	15810 Bear Creek Parkway	12/09/2020	2020	360	Apartment
Redmond	Towne Apartments	Redmond	8504 166th Ave NE	06/09/2021	2020	150	Apartment
Newcastle	Avalon Newcastle Commons Ph 2	Newcastle	6620 Coal Creek Pkwy	09/23/2020	2020	293	Apartment
Newcastle	Avalon Newcastle Commons Ph 3	Newcastle	6620 Coal Creek Pkwy	01/14/2021	2021	300	Apartment
Redmond	Aria Flats	Redmond	7705 168th Ave NE	06/14/2021	2021	102	Apartment
Redmond	Blackbird Redmond	Redmond	7601 159th PL NE	05/09/2020	2020	159	Apartment
Redmond	The Village Apartments	Redmond	8336 165th Ave NE	05/09/2020	2020	96	Apartment
Issaquah	Revel Issaquah Senior Housing	Issaquah	2450 Newport Way NW	01/14/2020	2020	146	Apartment
Kenmore/Bothell	The Pop	Bothell	9809 NE 188th St	02/14/2020	2020	122	Mixed-Use
Redmond	The Stelvio	Redmond	15815 Bear Creek Pkwy	05/09/2020	2020	34	Apartment
North Bend	Phoenix Plaza	North Bend	564 E North Bend Way	06/11/2020	2020	37	Apartment
Bellevue - Suburban	Spring District Parcel 17	Bellevue	1375 121st Ave NE	06/13/2020	2020	204	Apartment
Bellevue - Suburban	Holiday Inn & Nuovo Apartments	Bellevue	991-1021 118th Ave SE	12/10/2020	2020	135	Mixed-Use
Kent	Meeker Street	Kent	24615 64TH AVE S	12/12/2020	2020	365	Mixed-Use
Des Moines	Waterview Crossing	Des Moines	2810 S 220TH ST	02/21/2020	2020	326	Apartment
Seattle - South	81 Columbia City	Seattle	3616 34TH AVE S	03/12/2020	2019	81	Apartment
Seattle - South	7357 43rd Ave S Seattle 98118 (100 Units)	Seattle	7357 43RD AVE S	06/12/2020	2020	100	Apartment
Tukwila	Tukwila Urban Village Phase 1 Building 2	Tukwila	14406 Tukwila International Blvd	12/10/2020	2020	193	Apartment
Seattle - South	4716 Rainier Ave S Seattle 98118 (242 Units)	Seattle	4716 Rainier Ave S	07/12/2021	2021	242	Apartment
Kent	Marquee on Meeker	Kent	2030 W Meeker St	12/12/2020	2020	492	Apartment

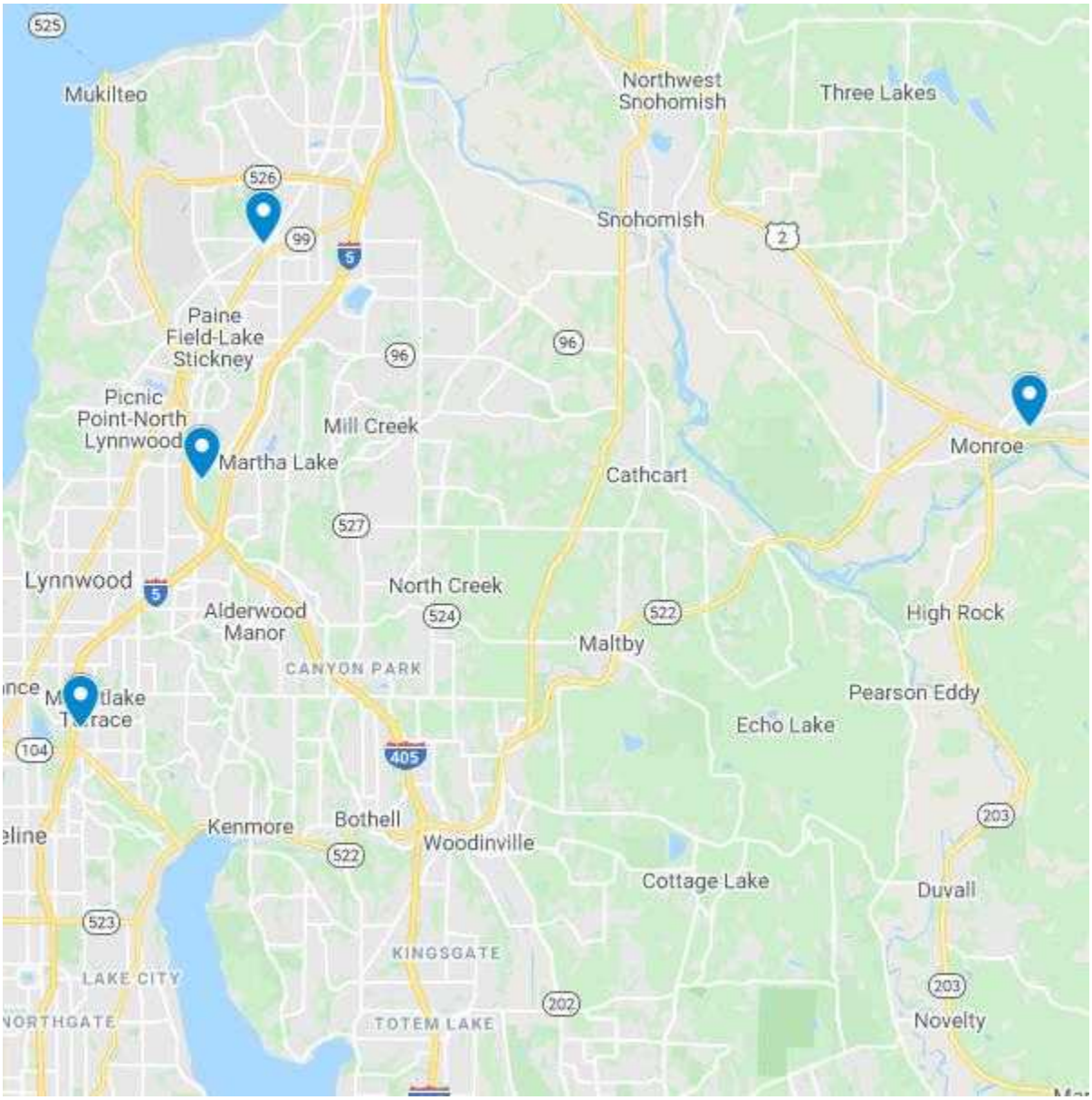
Exhibit: A representative sample of projects under construction in the Eastside and Southend sub-markets.



Below, a representative list of properties under construction in the Snohomish sub-market.

Community Market	Property Name	City	Address	Construction End	Year Built	Total No of Units	Property Type
Lynnwood	Ashway at Pleasant Creek	Lynnwood	16825 ASH WAY	06/12/2020	2020	265	Apartment
Monroe	Rivers Edge	Monroe	147 S Ann St	12/10/2020	2020	166	Apartment
Mountlake Terrace	Terrace Station (fka Gateway TOD)	Mountlake Terrace	6098 237 St SW	08/10/2020	2020	258	Apartment
Everett	Emerald Court Apartments	Everett	10111 9th Ave W	12/10/2020	2020	42	Apartment

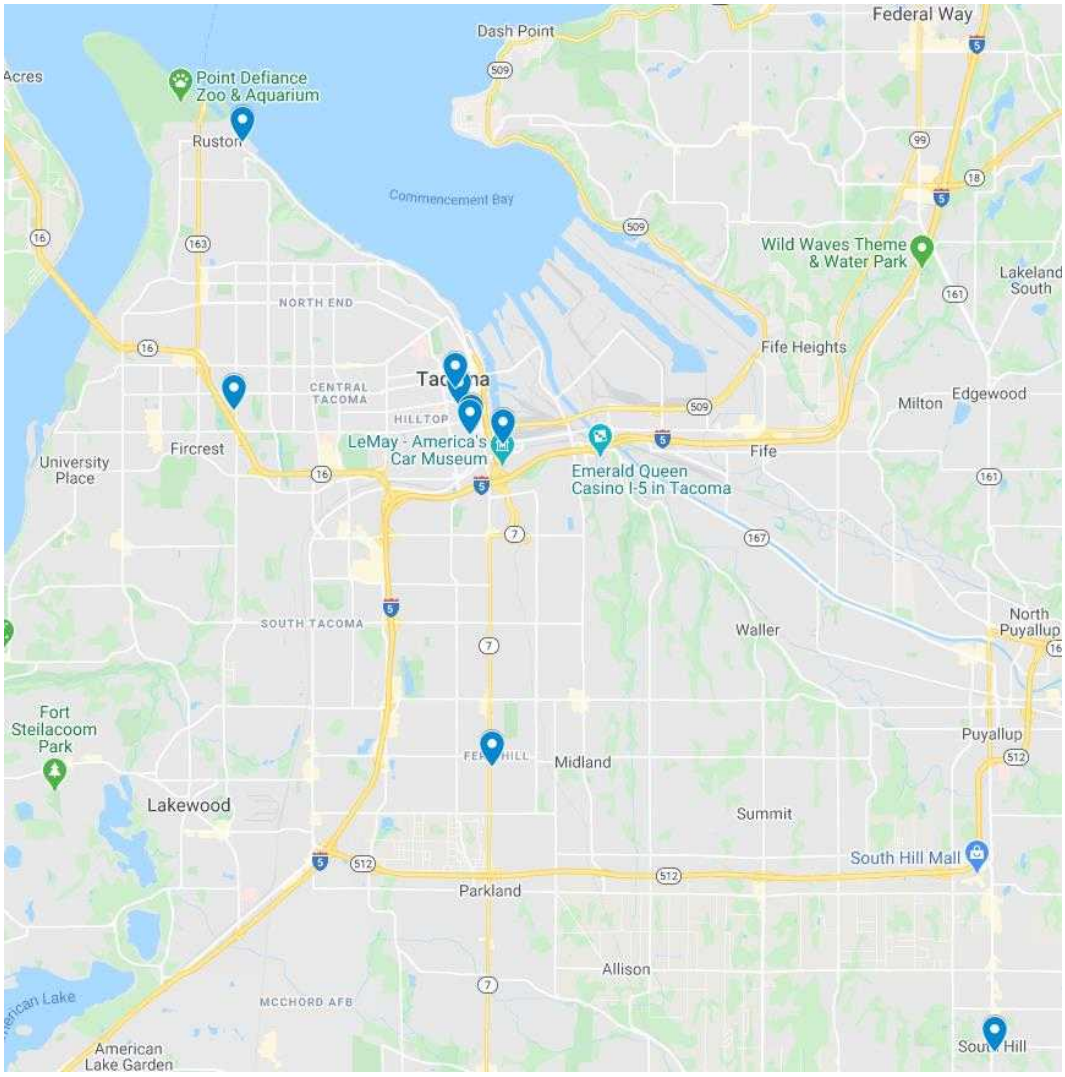
Below, a representative distribution of properties under construction in the Snohomish sub-market as of December, 2019.



Below, representative lists of projects under construction in the Pierce sub-market as of December, 2019.

Community Market	Property Name	City	Address	Construction End	Year Built	Total No of Units	Property Type
Fife/Milton/Edgewood	207 East	Edgewood	207 Meridian Ave E	06/25/2020	2020	292	Apartment
Puyallup	Bonaventure of Puyallup	Puyallup	14503 Meridian E	04/10/2020	2019	174	Apartment
Tacoma - Downtown	Napoleon Apartments	Tacoma	1515 Tacoma AVE S	01/27/2020	2019	135	Apartment
Tacoma - Downtown	Tacoma Town Center Building 1 of 4	Tacoma	2112 JEFFERSON AVE	02/26/2020	2020	224	Mixed-Use
Tacoma - Downtown	Tacoma Town Center Building 2 of 4	Tacoma	2112 JEFFERSON AVE	12/10/2020	2020	130	Mixed-Use
Tacoma - Downtown	Hailey Apartments	Tacoma	1210 Tacoma AVE S	06/11/2021	2020	166	Apartment
Tacoma - Downtown	Koz Dome District	Tacoma	304 PUYALLUP AVE	05/11/2020	2020	152	Apartment
Tacoma - Mid	1500 Orchard Apartments	Tacoma	1502 S ORCHARD ST	03/11/2020	2020	120	Apartment
Tacoma - South	Pacific Ridge at Fern Hill	Tacoma	8439 - 8603 Pacific AVE	01/01/2021		140	Apartment
Tacoma - West End	Point Ruston Building	Tacoma	4907 MAIN ST	06/11/2020	2019	800	Apartment

Exhibit: a representative distribution of projects under construction in the Pierce sub-market as of December, 2019.



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The table below presents our forecast for both apartment supply and demand within each submarket in the Seattle Metro.

Through Q1-2022 we expect the Seattle Metro to add 17,910 new units, while we expect to see demand reach 17,225. During this time, Seattle Metro vacancy will likely stay around current rates at 3.8% through the first quarter of 2022.

We are expecting to see stable levels of demand across all sub-markets throughout the forcasted period, vacancy is not projected to reach above 4 percent in all but one sub-market. This is due to the balanced relationship between the supply and demand we are observing.

Table: (2019) Seattle Metro Two-Year Apartment Market Summary

{ŜI·úúfŜ a5 ¢ø2π¸ŜI·ŇŴ !LJI·ŇŰúYŜyű aI·ŇŴ]Šű {dzYYl·ŇŴè ¸ŜI·ŇŴπ9yŘ нлмф									
Submarket	Market Size	% Vacant	No. Vacant	2 Year Demand	2 Year Supply	S/D Net	2 Yr. Mkt. Size	2 Yr. Vac. Rate**	Total Vacant
{ŜI·úúfŜ	218,548	3.7%	8,010	9,593	10,099	506	228,647	3.7%	8,560
9I·ăűălŘŜ	89,248	3.4%	3,049	5,219	5,462	243	94,710	3.5%	3,310
{2dzúKŜyŘ	107,641	4.2%	4,471	1,398	1,454	56	109,095	4.2%	4,530
{y2K2Yl̀ăK	98,288	3.8%	3,715	1,015	895	-120	99,183	3.6%	3,596
a5Ƒ	513,725	3.7%	19,245	17,225	17,910	685	531,635	3.8%	19,997

*Weighted average by sub-market size.

Source: OCG

The following table further details submarket supply and demand by year, through first quarter 2022.

Table: (2019) Seattle Metropolitan District Two-Year Market Breakdown

{ŜI·úúfŜ a5 ¢ø2 ¸ŜI·ŇŴ aI·ŇŴ]Šű .ŇŴŜI·]Ř2øy ¸ŜI·ŇŴ9yŘ нлмф												
	CŇŴăű II·fŤ нлнл			{Ŝŏ2yŘ II·fŤ нлнл			нлнм			măű vdzI·ŇŰŜŇŴ нлнн		
Submarket	Supply	Demand	Vacancy	Supply	Demand	Vacancy	Supply	Demand	Vacancy	Supply	Demand	Vacancy
{ŜI·úúfŜ	2,249	2,869	3.4%	2,022	1,545	3.6%	4,862	4,252	3.7%	966	927	3.7%
9I·ăűălŘŜ	1,112	1,560	2.9%	1,428	840	3.5%	2,472	2,362	3.5%	450	456	3.5%
{2dzúKŜyŘ	219	352	4.0%	217	190	4.0%	811	728	4.1%	207	128	4.2%
{y2K2Yl̀ăK	29	252	3.6%	159	136	3.6%	598	532	3.6%	109	96	3.6%
a5	3,609	5,034	3.5%	3,826	2,710	3.6%	8,743	7,874	3.7%	1,732	1,607	3.7%

*Weighed average by sub-market size.

Source: OCG

Looking forward, 7,435 units will reach the market by the end of 2020, 8,743 units in 2021 and 1,732 during the first quarter of 2022.

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The table below presents market data necessary to forecast apartment demand, surveyed and measured at six-month intervals, from June, 2016 through December, 2019, and forecast from January, 2020 through Q1-2022.

We have included newly constructed units that were absorbed in each submarket during a six-month period. Thus, total demand is based upon the change in occupied units, which itself is a factor of the change in vacancy.

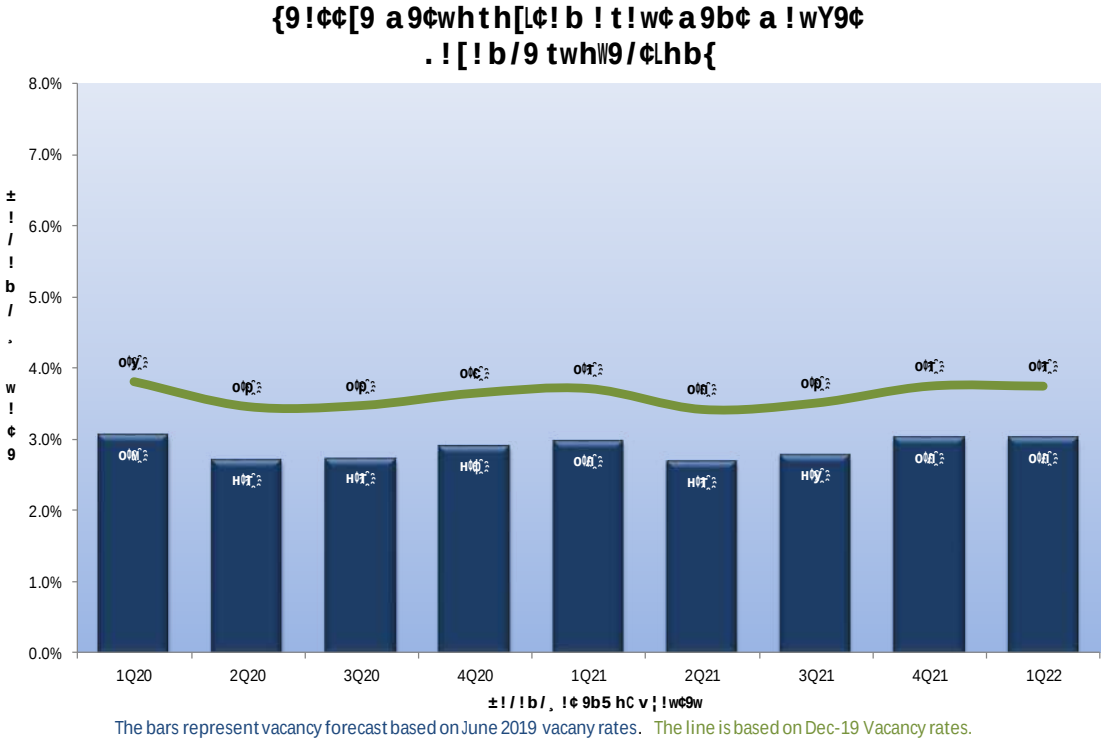
Table: (2019) Seattle Metro Apartment Market

{ŜÌ·úűfŜπ . ŜftŜØdzŜπ9ØŜℕŜúű a 5 ! LJÌ·ℕűŸŜyű a l·ℕ]Ŝű									C₴ℕŜÖÌ·ăű				
	Wdzyfπнлмс	5ŜÖπнлмс	Wdzyfπнлмт	5ŜÖπнлмт	Wdzyfπнлму	5ŜÖπнлму	Wdzyfπнлмф	5ŜÖπнлмф	Wdzyfπнлнл	5ŜÖπнлнл	Wdzyfπнлнм	5ŜÖπнлнм	vмπнлнн
Vacancy Rate	1.7%	2.7%	2.7%	3.9%	2.8%	4.0%	2.9%	3.8%	3.5%	3.6%	3.4%	3.8%	3.8%
Market Size	482,611	486,215	492,376	497,245	501,038	504,229	511,120	513,725	517,057	520,883	524,973	529,626	531,595
Occupied Units	474,423	473,151	479,092	478,016	487,164	484,200	496,453	494,214	499,179	501,889	507,007	509,764	511,598
New Units Absorbed	6,233	3,604	6,161	4,869	3,793	3,191	6,660	2,605	3,609	3,826	4,090	4,653	1,969
Existing Units Absorbed	4,304	-4,876	-220	-2,452	5,355	-6,155	5,593	-4,845	1,425	-1,116	1,028	-1,897	-362
¢₴ůÌ·ť 5ŜYÌ·yŘ	10,537	-1,272	5,941	-1,075	9,148	-2,964	12,253	-2,240	5,034	2,521	5,118	2,756	1,607

Note: Market Size includes New Units Absorbed, therefore Total Demand is based upon the change in Occupied Units.

The following graph depicts our two-year vacancy rate projection for the Seattle Metro. Most noticeable, the rate of vacancy will likely stay low at close 4.0% on the high end, illustrating the Seattle Metro having a stable balance of supply and demand.

Chart: Seattle-Bellevue-Everett Metro Apartment Market Balance Projections: 1Q-2020-1Q-2022



The bars represent vacancy forecast based on June 2019 vacany rates. The line is based on Dec-19 Vacancy rates.

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Similar to the previous page, the table below details historic demand in the Seattle sub-market and two-year forecast.

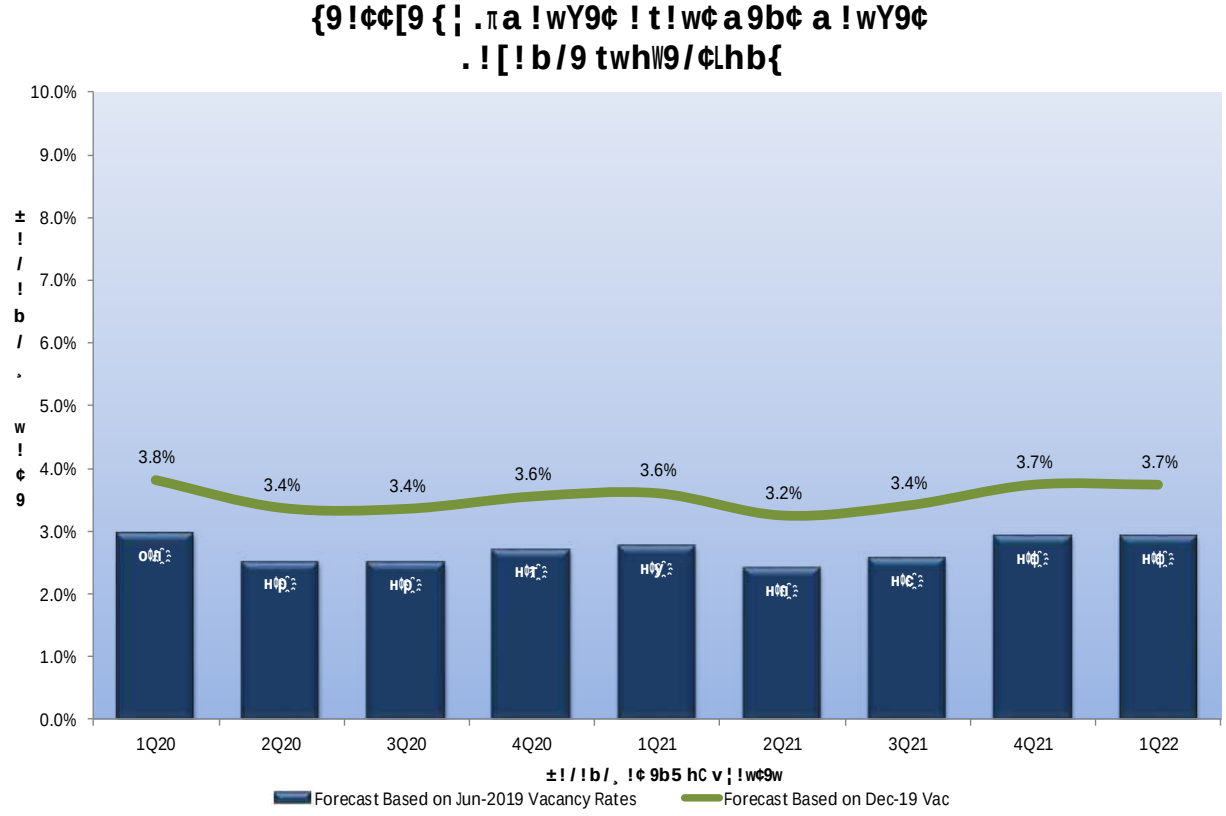
Performing almost exactly in sync with the Seattle Metro throughout 2019, the Seattle submarket will as well likely see vacancy stable around the mid 3 percent range through Q1-2022. As supply and demand continue to be in balance, Seattle vacancy rates are expected to stay low. Overall, the trends are very similar to those of the Seattle MD, as the Seattle submarket makes up a large portion of the MD.

Table: Seattle Sub-Market: June, 2016- December, 2019; Forecast January, 2020- Q1-2022.

{ŜI-ǘǘfŜ a I-₩ ⁀Ŝǖ ² ŜIƎKǖŜR									C2₩ŜÖI-ăǖ				
	Wdzyπнлмс	5ŜÖπнлмс	Wdzyπнлмт	5ŜÖπнлмт	Wdzyπнлму	5ŜÖπнлму	Wdzyπнлмф	5ŜÖπнлмф	Wdzyπнлнл	5ŜÖπнлнл	Wdzyπнлнм	5ŜÖπнлнм	vмπнлнн
Vacancy Rate	1.7%	2.4%	2.5%	4.3%	2.6%	3.7%	2.8%	3.7%	3.4%	3.6%	3.2%	3.7%	3.7%
Market Size	197,317	199,599	203,702	207,224	210,050	212,191	216,956	218,479	220,728	222,750	224,896	227,612	228,578
Occupied Units	193,870	194,712	198,535	198,285	204,551	204,262	210,881	210,472	213,296	214,841	217,605	219,093	220,020
New Units Absorbed	3,559	2,282	4,103	3,522	2,826	2,141	4,765	1,523	2,249	2,022	2,146	2,716	966
Existing Units Absorbed	1,965	-1,440	-280	-3,773	3,440	-2,430	1,855	-1,933	620	-477	618	-1,228	-39
Total Demand	5,524	842	3,823	-251	6,266	-289	6,620	-410	2,869	1,545	2,764	1,488	927

Note: Market Size includes New Units Absorbed, therefore Total Demand is based upon the change in Occupied Units.

The following graph depicts our expectations regarding vacancy conditions for the Seattle sub-market.



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The table below details historic demand in the Eastside sub-market and two-year forecast.

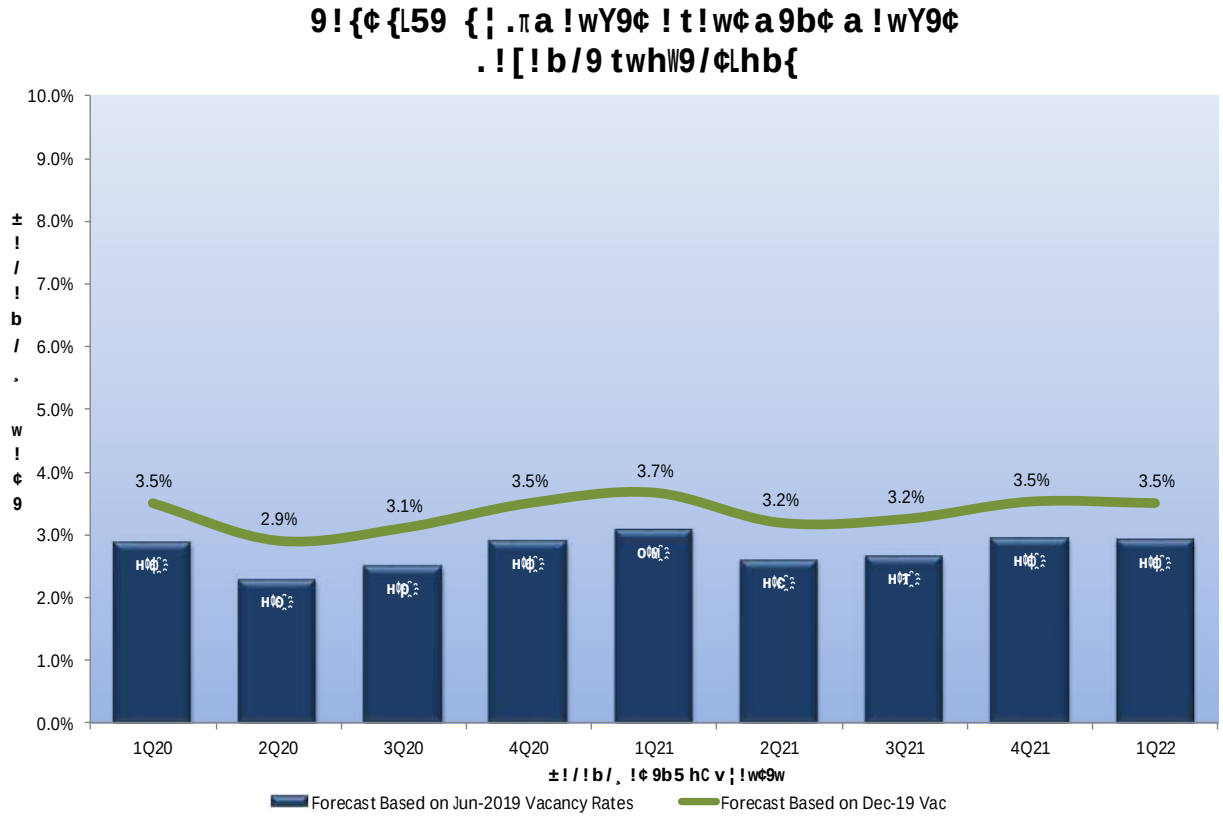
As large developments continue to impact the Eastside sub-market throughout forecast period, we predict demand to follow these attractive new developments. We expect vacancies to stay in the mid to low 3 percent range for the forecasted period.

Table: Eastside Sub-Market: June, 2016- December, 2019; Forecast January, 2020- Q1-2022

9I-ăúăλŘŜ a I-ℕ⟧Ŝű ² ŜIƎKûŠŘ									C2ℕŜÔI-ăű				
	Wdzyπнлмс	5ŜÕπнлмс	Wdzyπнлмт	5ŜÕπнлмт	Wdzyπнлму	5ŜÕπнлму	Wdzyπнлмф	5ŜÕπнлмф	Wdzyπнлнл	5ŜÕπнлнл	Wdzyπнлнм	5ŜÕπнлнм	vмтнлнн
Vacancy Rate	2.2%	3.4%	2.7%	3.9%	2.9%	3.6%	1.9%	3.4%	2.9%	3.5%	3.2%	3.5%	3.5%
Market Size	81,839	82,703	84,089	85,170	85,757	86,594	88,346	89,248	90,360	91,788	93,082	94,260	94,710
Occupied Units	80,071	79,868	81,859	81,810	83,293	83,489	86,638	86,199	87,741	88,581	90,117	90,944	91,400
New Units Absorbed	1,727	864	1,386	1,081	587	837	1,582	902	1,112	1,428	1,294	1,178	450
Existing Units Absorbed	661	-1,067	605	-1,130	896	-642	1,567	-1,340	448	-588	241	-351	6
Total Demand	2,388	-203	1,991	-49	1,483	195	3,149	-438	1,560	840	1,535	827	456

Note: Market Size includes New Units Absorbed, therefore Total Demand is based upon the change in Occupied Units.

The following graph depicts our expectations regarding vacancy conditions for the Eastside sub-market.



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The table below details historic demand in the Southend sub-market and two-year forecast.

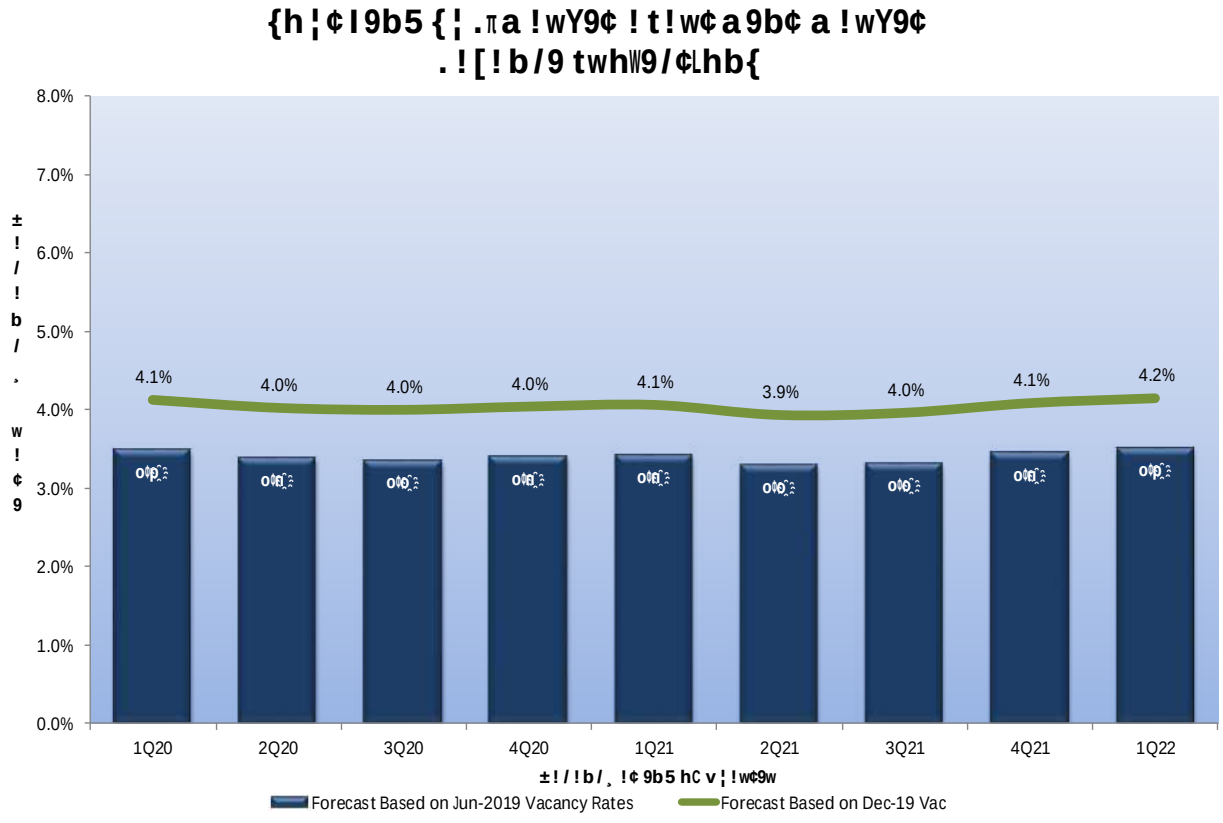
The Southend sub-market has notably maintained relatively low vacancy rates—between 2-5% percent—since late-2016. However, in 2020 and 2021, rental supply will increase likely raising vacancy in turn; looking forward through the forecast, we expect vacancy to hover just around 4.0% for the majority of the reporting cycles.

Table: Southend Sub-Market: June, 2016- December, 2019; Forecast January, 2020- Q1-2022

{2dzűKŜyŘ a l-₩ⅎŜű ² ŜłƎKűŜŘ									C2₩ŜÖł-ăű				
	₩dzyπнлмс	5ŜÖπнлмс	₩dzyπнлмт	5ŜÖπнлмт	₩dzyπнлму	5ŜÖπнлму	₩dzyπнлмф	5ŜÖπнлмф	₩dzyπнллл	5ŜÖπнллл	₩dzyπнллм	5ŜÖπнллм	₩dzyπнллн
Vacancy Rate	1.4%	2.4%	2.6%	3.4%	2.5%	4.8%	3.5%	4.2%	4.0%	4.0%	3.9%	4.1%	4.2%
Market Size	106,171	106,438	106,863	107,008	107,237	107,409	107,615	107,649	107,868	108,085	108,452	108,896	109,340
Occupied Units	104,714	103,880	104,102	103,398	104,522	102,270	103,848	103,177	103,526	103,716	104,190	104,444	104,799
New Units Absorbed	520	267	425	145	229	172	206	34	219	217	367	444	444
Existing Units Absorbed	857	-1,102	-202	-849	895	-2,424	1,372	-705	133	-27	106	-189	-316
Total Demand	мΣотт	πуор	ннο	πтлп	мΣмнп	πнΣнрн	мΣрту	πстм	орн	мфл	пто	нрр	мну

Note: Market Size includes New Units Absorbed, therefore Total Demand is based upon the change in Occupied Units.

The following graph depicts our expectations regarding vacancy conditions for the Southend sub-market.



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The table below details historic demand in the Snohomish submarket and two-year forecast.

Historically, the Snohomish market has emerged as one of the most static markets with consistently low vacancy rates—constrained by very limited supply. In future market studies, we predict the emergence of light-rail transit to further impact the supply and demand aspects of the Snohomish sub-market.

Table: Snohomish Sub-Market: June, 2016- December, 2019; Forecast January, 2020- Q1-2022.

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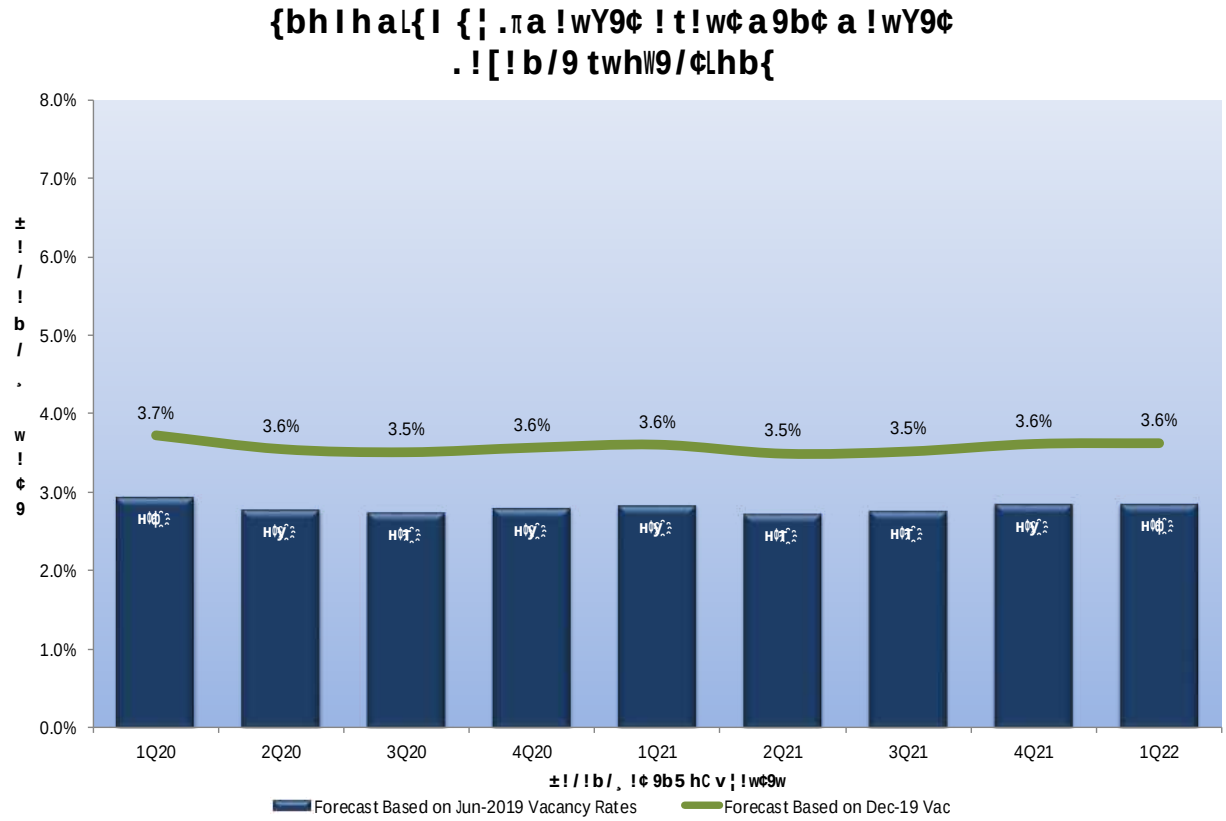
	Wdzyπнлмс	5ŜŎπнлмс	Wdzyπнлмт	5ŜŎπнлмт	Wdzyπнлму	5ŜŎπнлму	Wdzyπнлмф	5ŜŎπнлмф	Wdzyπнлнл	5ŜŎπнлнл	Wdzyπнлнм	5ŜŎπнлнм	Wdzyπнлнн
Vacancy Rate	1.6%	2.9%	3.2%	3.4%	3.3%	3.9%	2.9%	3.8%	3.6%	3.6%	3.5%	3.6%	3.6%
Market Size	97,284	97,475	97,722	97,843	97,994	98,035	97,926	98,072	98,101	98,260	98,543	98,858	98,967
Occupied Units	95,767	94,691	94,596	94,524	94,798	94,180	95,086	94,365	94,615	94,751	95,096	95,283	95,379
New Units Absorbed	427	191	247	121	151	41	107	146	29	159	283	315	109
Existing Units Absorbed	820	-1,267	-343	-193	123	-659	799	-867	223	-23	62	-129	-13
¢2ûÎ·ſ 5ŜYI·yŘ	mΣнпт	πмΣлтс	πфс	ππн	нтп	πсму	флс	ππнм	нрн	мос	опр	мус	96

Note: Market Size includes New Units Absorbed, therefore Total Demand is based upon the change in Occupied Units.

The following graph depicts our expectations regarding vacancy conditions for the Snohomish sub-market.



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Since 2012 the Seattle Metro experienced high year-over-year apartment rental rate increases, garnering national attention. During 2018, Seattle posted an annual decrease in average rents of 1.5%, while the Metropolitan District stagnated at just .6% growth over the year.

Rental rate changes are subject to seasonality similar to vacancy rates: minimal rent growth in the beginning of the year and increasing rates of growth at year's end. This is no coincidence, as scarcity can be a significant driver of value (and therefore price), even when observed over just a few months.

The 2018 rental market absorbed 9,400 units, but growth flattened. Since we see a continuation of a market in the equilibrium, we expect to see mid-range growth rates in rents.

Table: Seattle-Bellevue-Everett Metro Rent Growth Forecast, 2020-2023

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Submarket	2020	2021	2022	2023
{ŜI·űűfŜ	2.5%	3.0%	3.0%	2.5%
9I·ăűăλŘŜ	3.5%	4.0%	5.0%	4.0%
{₴dzűKŜyŘ	3.0%	3.0%	3.0%	3.0%
{y₴K₴Yλăŕ	2.5%	2.5%	3.0%	2.5%
a 5Ƒ	2.9%	3.1%	3.5%	3.0%

The following shows average rents for the Seattle Metro and the four submarkets for 2013 through 2019, and our rental forecast from 2020 through 2022, using the above rent change forecast.

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	Historical							Forecast		
Area	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Seattle	$1,419	$1,559	$1,664	$1,796	$1,894	$1,909	$1,903	$1,950	$2,009	$2,069
Eastside	$1,553	$1,663	$1,780	$1,930	$1,969	$1,972	$2,052	$2,103	$2,166	$2,231
Southend	$1,033	$1,170	$1,253	$1,401	$1,494	$1,551	$1,558	$1,612	$1,661	$1,710
Snohomish	$1,142	$1,223	$1,283	$1,410	$1,515	$1,580	$1,592	$1,632	$1,673	$1,723
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Source: OCG, US Census ACS 2011 - 2017, Zillow Research (ZRI Series)

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In general, there is clear relationship between vacancy rates and rent changes. When vacancy drops below 5.0%, rents tend to climb.

Rental rate growth between 1991 and 1995 was either stagnant or growing at rates approaching the general inflation rate of 2.3% to 3.0%. Rent growth for that cycle peaked in 1997 at 7.6%. The year 2002 is a somewhat special case in that rents declined by 8.4% to combat rapidly increasing vacancy. Since that time, rent growth was minimal and similar to that of the early 1990's. Due to the low levels of demand during 2004, most projects offered concessions during that time. However, by the end of 2005 an increase in demand resulted in a decrease in the frequency and magnitude of rent concessions.

In 2006 and 2007, almost all apartment projects ceased offering concessions as vacancy rates fell to extremely low levels. Strong rental rate increases were observed during this period as demand for apartment housing remained high.

This reflects the relative imbalance between supply and demand. In 2006, rents rose by a dramatic 13%, fueled by a diminishing apartment supply in the wake of mass condominium conversion.

The year 2009 was a period of significant rent adjustment. Rents declined by 10.3% that year, counteracting the growth experienced in 2007 and 2008. In 2009, we saw a push to combat rising vacancies and to fill the 5,725 units that came online that year. The significant decline in vacancies in 2010 stimulated rapid rent growth (6.8%), which typically requires more time to react to a shift in demand.

The year 2011 marked the most significant rent growth since 2006, Seattle Metro rents grew by another 9.1% in 2011, though most gains were experienced during the first half of the year. As demand continued to outpace a limited supply, we witnessed further healthy rent growth of 5.4% in 2012, though at a slightly slower pace. This trend continued but at a lower rate in 2013, increasing by 4.4% throughout the year.

In 2014, rental rates increased dramatically, however as a result of a significant influx of migration due to job growth.

By the end of 2017, we observed rental rates increase by 7.7% for the full year, however decrease during the fourth quarter in response to increasing vacancy rates.

Given the relative foracasted balance of rental apartment supply and demand throughout the Seattle Metro, rental growth plateaued in 2018, due to a significant level of new supply. During 2019, new supply increased and were absorbed at the cost of rent increases. We saw only a 1.0% increase in rents during the middle of 2019. Overall 2019 experienced a rent growth of 1.5%. As discussed above, the four sub-markets will likely demonstrate variation across the Metro area.

The following graph represents the historical rent change and vacancy rate in Seattle over the last 24 years. (1995 to 2019).

Graph: Seattle Metro Vacancy Rent Change History

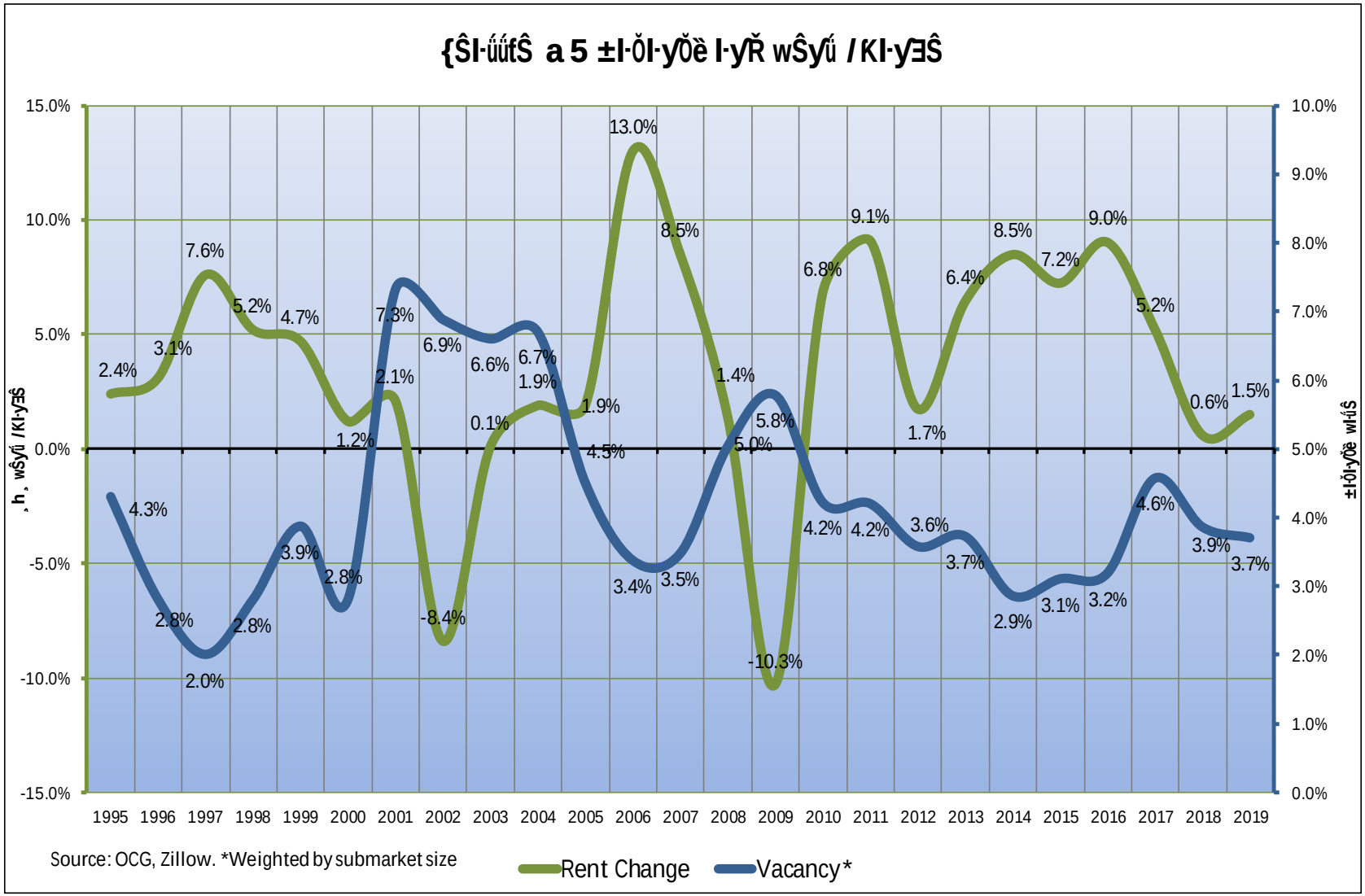

Table: 1994 -2019 Rent Change

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{dzōYI-ЩĵŜű	мффп	мффр	мффс	мффт	мффу	мффф	нллл	нллм	нллн	нллo	нллп
Seattle	2.3%	3.1%	3.2%	7.3%	4.9%	4.5%	3.0%	2.9%	-8.6%	0.3%	2.1%
Eastside	2.5%	2.7%	5.0%	8.8%	5.3%	6.2%	3.6%	1.2%	-13.5%	0.3%	0.9%
Southend	2.1%	1.7%	2.6%	7.2%	5.1%	5.5%	1.7%	2.0%	-2.4%	0.3%	2.2%
Snohomish	-0.5%	1.3%	2.2%	7.6%	5.5%	2.4%	-5.2%	1.2%	-10.4%	-1.3%	2.3%
aŜűЩ2ғ	1.1%	2.4%	3.1%	7.6%	5.2%	4.7%	1.2%	2.1%	-8.4%	0.1%	1.9%
{dzōYI-ЩĵŜű	нллр	нллс	нллт	нллу	нллф	нлмл	нлмм	нлмн	нлмo	нлмп	нлмр
Seattle	1.7%	15.3%	7.6%	0.6%	-8.4%	6.5%	9.0%	3.4%	7.1%	9.9%	7.9%
Eastside	4.3%	12.5%	7.9%	0.8%	-13.1%	7.3%	12.6%	4.3%	7.5%	8.8%	7.3%
Southend	0.8%	7.3%	9.8%	4.8%	-10.0%	2.4%	5.3%	-2.5%	5.6%	7.2%	7.1%
Snohomish	1.7%	15.5%	9.5%	-0.6%	-12.8%	4.6%	10.8%	0.9%	5.4%	6.4%	5.7%
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{dzōYI-ЩĵŜű	нлмс	нлмт	нлму	нлмф							
Seattle	9.2%	4.5%	-1.5%	1.2%							
Eastside	10.5%	3.3%	0.7%	2.0%							
Southend	8.2%	6.4%	4.1%	1.3%							
Snohomish	7.9%	6.9%	1.8%	1.0%							
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* Weighted by sub-market size

Source: OCGP, Zillow.

Table: June-2007 through Dec-2019 Vacancy History.

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{dzōYI-ЩĵŜű	Jun-2007	Dec-2007	Jun-2008	Dec-2008	Jun-2009	Dec-2009	Jun-2010	Dec-2010
Seattle	2.6%	2.6%	2.2%	4.4%	4.7%	4.9%	3.4%	3.6%
Eastside	2.2%	4.2%	3.0%	5.2%	5.0%	5.0%	3.4%	4.2%
Southend	3.5%	4.2%	5.3%	6.3%	7.5%	7.6%	5.5%	4.9%
Snohomish	3.4%	4.0%	3.7%	4.7%	6.3%	6.0%	5.0%	4.6%
aŜűЩ2 ғ	н◊ў	о◊ĝ	о◊ĵ	р◊Ł	р◊ĵ	р◊ў	п◊ĵ	п◊ĵ
{dzōYI-ЩĵŜű	Jun - 2011	Dec - 2011	Jun - 2012	Dec - 2012	Jun - 2013	Dec - 2013	Jun - 2014	Dec - 2014
Seattle	2.8%	3.2%	2.4%	3.0%	2.3%	3.3%	2.4%	2.7%
Eastside	2.3%	3.5%	2.8%	3.4%	2.3%	4.5%	3.0%	3.2%
Southend	5.1%	5.9%	4.8%	4.2%	3.3%	3.6%	2.6%	2.3%
Snohomish	3.4%	4.7%	4.7%	4.2%	3.6%	4.0%	2.8%	3.5%
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{dzōYI-ЩĵŜű	Jun - 2015	Dec - 2015	Jun - 2016	Dec - 2016	Jun - 2017	Dec - 2017	Jun - 2018	Dec - 2018
Seattle	2.0%	3.3%	1.7%	2.9%	2.5%	5.0%	3.1%	3.7%
Eastside	1.2%	3.5%	2.2%	4.0%	2.7%	4.6%	3.4%	3.6%
Southend	2.1%	2.6%	1.4%	2.8%	3.0%	3.9%	3.0%	4.3%
Snohomish	1.4%	3.0%	1.6%	3.6%	3.2%	4.2%	3.3%	3.9%
aŜűЩ2 ғ	м◊ĉ	о◊ĵ	м◊ĵ	о◊Ł	н◊ў	п◊ĉ	о◊ĵ	о◊ĝ
{dzōYI-ЩĵŜű	Jun - 2019	Dec - 2019						
Seattle	2.8%	3.7%						
Eastside	1.9%	3.4%						
Southend	3.5%	4.2%						
Snohomish	2.9%	3.8%						
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* Weighted by submarket size

Source: OCGP.

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{I-fŠ 5I-úŠ	! LJI-ŴŰŸŜyű bI-ŸŜ	! ŘŘŴŠää	¸ŠI-Ŵ . ʤfű	¦ yűă	. ʤfŘIyƎ {C	tŴÓŠ	Þк¦ yű	Þк{Ijтű
01/10/2019	Mark on 8th	285 8th Ave N	2015	174	126,846	$74,100,000	$425,862.00	$584
01/11/2019	Cali Apartments	6040 CALIFORNIA AVE SW	1992	25	26,438	$10,693,750	$427,750.00	$404
01/17/2019	Anew Franklin	2371 FRANKLIN AVE E	2013	43	10,604	$4,700,000	$109,302.00	$443
01/17/2019	Anew 12th	1806 1812 12th Ave	2014	80	32,316	$14,500,000	$181,250.00	$449
01/17/2019	Wally	4111 STONE WAY N	2014	27	18,630	$9,925,000	$367,593.00	$533
01/17/2019	Anew Eleventh	422 11th Ave E	2014	54	15,054	$9,200,000	$170,370.00	$611
01/31/2019	Killarney Apts	3008 HARVARD AVE E	1926	22	24,367	$6,564,000	$298,364.00	$269
01/31/2019	Marina Club Apartments	2445 S 222nd St	1987	77	60,328	$15,700,000	$203,896.00	$260
02/05/2019	Reverb	1023 E Alder St	2016	85	44,978	$31,000,000	$364,706.00	$689
02/06/2019	741 Harvard	741 HARVARD AVE E	2017	41	10,381	$3,033,000	$73,976.00	$292
02/11/2019	Raleigh Manor Apartments	12000 15th Ave NE	2000	39	28,785	$12,278,300	$314,828.00	$427
02/12/2019	MIRO at Dashpoint	31004 19TH PL SW	1978	388	135,265	$71,500,000	$184,278.00	$529
02/12/2019	Kentwood Apartments	22415 BENSON RD SE	1955	95	68,500	$14,081,000	$148,221.00	$206
02/13/2019	Decibel on 12th	301 12th Ave	2016	75	47,582	$26,850,000	$358,000.00	$564
02/15/2019	Metro 112 Phase II	288 111th Ave NE	2017	57	42,932	$20,800,000	$364,912.00	$484
02/19/2019	Metro 112	317 112TH AVE NE	2008	374	81,061	$139,200,000	$372,193.00	$1,717
02/25/2019	Avion Apartments	3351 S 175th St	2007	55	51,601	$13,850,000	$251,818.00	$268
02/28/2019	Footprint 1806	1806 23rd Ave	2013	61	17,666	$7,900,000	$129,508.00	$447
02/28/2019	The Hanover	3117 S 192nd ST	1967	157	133,920	$29,500,000	$187,898.00	$220
02/28/2019	Arbor Wood	1800 S 330TH ST	1991	63	42,855	$10,050,000	$159,524.00	$235
03/01/2019	Bailey Farm Apartments	1225 183RD ST SE	2013	372	182,900	$113,500,000	$305,108.00	$621
03/08/2019	Emerald Vista	3615 NE 73RD Pl	1960	28	4,628	$3,065,890	$109,496.00	$662
03/13/2019	Top of the 5th	1401 5TH AVE N	1963	29	28,100	$10,130,300	$349,321.00	$361
03/26/2019	Altia	16520 LARCH WAY	2014	230	189,848	$52,000,000	$226,087.00	$274
03/29/2019	Windsor Court	219 S 156th ST	1995	54	37,740	$9,384,200	$173,781.00	$249
04/18/2019	Alister Parx Phase 1 and 2	12102 4TH AVE W	1987	442	414,917	$76,000,000	$171,946.00	$183
04/19/2019	The Hudson Apartments	2450 AURORA AVE N	1987	125	120,693	$38,750,000	$310,000.00	$321
04/19/2019	3125 Oakes Ave	3125 Oakes Ave	2000	20	55,452	$3,534,223	$176,711.00	$64
04/23/2019	Pike Motorworks (North & South)	715 E PINE ST	2016	243	176,468	$128,500,000	$528,807.00	$728
04/24/2019	Evergreen Apartments	35929 21ST PL S	1988	132	145,728	$33,350,000	$252,652.00	$229
04/29/2019	University Arms Apartments	201 NE 40TH ST	1957	21	14,169	$5,880,800	$280,038.00	$415
05/01/2019	The 419 Building fka The Hendrix	419 QUEEN ANNE AVE N	1912	28	13,686	$7,395,000	$264,107.00	$540
05/13/2019	Stonemeadow Farms	23028 27TH AVE SE	1998	280	264,253	$81,800,000	$292,143.00	$310
05/16/2019	Taluswood Apartments	4208 236th St SW	1986	512	444,231	$62,000,000	$121,094.00	$140
05/16/2019	Panorama East Apartments	5725 AUBURN WAY S	1979	20	16,776	$2,218,000	$110,900.00	$132
05/17/2019	Sammamish River Manor Apartments	7345 NE 175th St	1995	41	35,030	$10,395,000	$253,537.00	$297
05/17/2019	Rev Fremont	317 NW 41ST ST	2013	49	28,117	$15,900,000	$324,490.00	$565
05/21/2019	Strata	6312 CALIFORNIA AVE SW	1987	62	47,868	$18,700,000	$301,613.00	$391
05/29/2019	Alta Columbia City	4716 Rainier Ave S	2021	242	10,000	$16,693,000	$68,979.00	$1,669
05/31/2019	The 205 Apartments	1795 NE 205TH ST	2018	72	49,360	$21,000,000	$291,667.00	$425
05/31/2019	Waterford at The Lakes	23605 62ND AVE S	1989	344	313,583	$83,200,000	$241,860.00	$265
06/06/2019	Capri Apartments	21416 52ND AVE W	1969	112	75,152	$18,850,000	$168,304.00	$251
06/06/2019	The Legacy at Pratt Park	1800 S JACKSON ST	2008	248	202,488	$91,750,000	$369,960.00	$453
06/10/2019	Bryson Square	24006 108th PL SE	1989	198	180,156	$43,250,000	$218,434.00	$240
06/10/2019	Meridian Gardens	13101 SE 240TH ST	1989	80	59,727	$16,100,000	$201,250.00	$270
06/12/2019	Crew Apartments	8228 GREEN LAKE DR N	2017	70	38,210	$22,250,000	$317,857.00	$582
06/12/2019	La Vanch Apartments	956 10th Ave E	1973	20	11,277	$6,850,000	$342,500.00	$607
06/19/2019	NOVA	4600 36TH AVE SW	2012	62	41,247	$18,300,000	$295,161.00	$444
06/21/2019	Footprint Wallingford	4516 MERIDIAN AVE N	2013	40	16,430	$7,150,000	$178,750.00	$435
06/22/2019	California Dreaming Apartments	3829 California Ave SW	2017	29	12,377	$7,100,000	$244,828.00	$574
06/26/2019	Sheridan Beach Apartments	15530 Bothell Way NE	1965	55	50,216	$14,375,000	$261,364.00	$286
06/27/2019	The Perry	1001 MINOR AVE	2018	209	116,476	$96,000,000	$459,330.00	$824
06/27/2019	Rainier Meadows	29225 Military Rd S	1987	134	106,904	$26,500,000	$197,761.00	$248
06/27/2019	Chroma SLU	1212 Harrison St	2017	275	158,495	$114,000,000	$414,545.00	$719
06/28/2019	Footprint Greenwood	143 N 85th St	2014	38	11,293	$5,300,000	$139,474.00	$469
06/28/2019	Horizon Phinney	8727 PHINNEY AVE N	2014	79	7,201	$10,550,000	$133,544.00	$1,465
07/01/2019	Kirkland Heights Apartments	13319 NE 133RD ST	1971	180	158,220	$22,164,000	$123,133.00	$140
07/12/2019	Mercantile Apartments	18120 102ND AVE NE	2018	122	85,532	$38,375,000	$314,549.00	$449
07/15/2019	Arkona Apartments	107 1ST AVE N	1908	59	36,000	$13,500,000	$228,814.00	$375
07/17/2019	Erwin Estates	8225 11th DR W	1980	30	25,500	$4,600,000	$153,333.00	$180
07/24/2019	Sunwood	320 SW 160th St	1966	25	25,400	$5,600,000	$224,000.00	$220
07/29/2019	Broadstone Clarendon	105 WARREN AVE N	2016	82	82,149	$40,000,000	$487,805.00	$487
08/12/2019	2nd & John	200 2ND AVE W	2018	80	55,010	$40,000,000	$500,000.00	$727

2019 apartment sales list continued.

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08/18/2019	Met Tower	1942 WESTLAKE AVE	2001	366	336,321	$216,100,000	$590,437.00	$643
08/22/2019	Colony Surf	9551 Rainier AVE S	1967	51	36,394	$9,215,000	$180,686.00	$253
08/23/2019	Auburn Crystal Apartments	3611 AUBURN WAY S	1979	21	23,860	$7,500,000	$357,143.00	$314
08/26/2019	Windhill Apartments	2100 CALIFORNIA AVE SW	1987	23	19,000	$7,035,000	$305,870.00	$370
08/27/2019	Bayview Apts	30911 1ST AVE S	1986	83	60,143	$15,560,000	$187,470.00	$259
08/28/2019	Mulholland Apts	507 HARVARD AVE E	1926	27	22,422	$9,350,000	$346,296.00	$417
08/29/2019	Limestone Court	900 108TH AVE NE	1999	52	60,713	$29,500,000	$567,308.00	$486
09/06/2019	The Addison Apartments	28623 MILITARY RD S	1968	56	37,525	$8,900,000	$161,818.00	$237
09/10/2019	999 Hiawatha Apts	999 HIAWATHA PL S	2014	100	66,825	$30,000,000	$300,000.00	$449
09/11/2019	Indigo Springs	11101 SE 208TH ST	1991	302	276,864	$78,750,000	$260,762.00	$284
09/18/2019	Bell Overlake	3040 148th Ave NE	2017	243	162,850	$96,000,000	$395,062.00	$589
09/19/2019	Park Place Apartments	745 2nd Ave	1985	41	23,534	$10,350,000	$252,439.00	$440
09/25/2019	Pines at Canyon Station	9626 S 252nd ST	1980	168	131,280	$19,734,000	$117,464.00	$150
09/25/2019	GW Apartments	9050 GREENWOOD AVE N	1966	20	11,318	$5,660,000	$283,000.00	$500
09/25/2019	Swansonia Apartments	1017 E HARRISON ST	1925	32	16,767	$10,775,000	$336,719.00	$643
09/25/2019	Lux Apartments Bellevue	1000 100th Ave NE	2017	137	120,861	$95,000,000	$693,431.00	$786
09/25/2019	The Stonecreek Apartments	25124 97th Pl S	1988	70	58,112	$14,766,000	$210,943.00	$254
09/29/2019	The Virginian Apartments	2014 4TH AVE	1917	36	21,130	$8,265,000	$229,583.00	$391
10/10/2019	Ballinger Estates	2609 NE 195th St	1985	72	44,442	$15,400,000	$213,889.00	$347
10/16/2019	Sofi Lakeside	12402 ADMIRALTY WAY	1986	198	18,660	$40,200,000	$203,030.00	$2,154
10/17/2019	STANFORD ARMS APT	2325 10TH AVE E	1929	20	14,198	$6,400,000	$320,000.00	$451
10/17/2019	Aloha House	100 ALOHA ST	1963	48	31,576	$16,900,000	$352,083.00	$535
10/28/2019	Verve	2720 4TH AVE	2014	161	123,385	$75,000,000	$465,839.00	$608
10/29/2019	Joseph Arnold Lofts	62 Cedar St	2013	131	95,832	$74,500,000	$568,702.00	$777
10/31/2019	Cedrus Apartments	4230 12TH AVE NE	1958	20	12,555	$7,828,000	$391,400.00	$623
10/31/2019	Starlighter Apartments	4216 12TH AVE NE	1961	22	10,723	$7,828,000	$355,818.00	$730
10/31/2019	Vue Issaquah	906 NE LILAC ST	2014	298	294,314	$125,000,000	$419,463.00	$425
11/01/2019	Vienna Apartments	3901 15TH AVE S	1960	20	15,059	$4,130,000	$206,500.00	$274
11/01/2019	Tivalli	15631 ASH WAY	2017	383	361,796	$119,200,000	$311,227.00	$329
11/05/2019	Augusta	4041 Roosevelt Way NE	2016	210	150,000	$98,100,000	$467,143.00	$654
11/12/2019	Velo	3635 WOODLAND PARK AVE N	2014	171	120,300	$71,500,000	$418,129.00	$594
11/12/2019	Ray	3636 STONE WAY N	2015	137	102,353	$61,500,000	$448,905.00	$601
11/12/2019	Slate on 13th	316 13TH AVE E	2018	20	13,760	$9,800,000	$490,000.00	$712
11/13/2019	Orion Apartments	910 John St	2018	128	156,327	$68,800,000	$537,500.00	$440
11/14/2019	Encore Apartments	5821 200TH ST SW	1968	60	45,944	$13,400,000	$223,333.00	$292
11/15/2019	Linden Square	13530 Linden AVE N	1993	186	134,448	$52,750,000	$283,602.00	$392
11/15/2019	The Renton Sage	4455 SUNSET BLVD NE	1974	284	122,880	$59,500,000	$209,507.00	$484
11/18/2019	Roxborough Apartments	1720 E DENNY WAY	1920	53	18,063	$17,400,000	$328,302.00	$963
11/19/2019	Delridge Crossing	2425 SW Webster ST	1988	75	57,435	$18,825,000	$251,000.00	$328
11/25/2019	Mosaic Hills	10811 SE 239th St	1981	366	309,710	$81,000,000	$221,311.00	$262
11/25/2019	Colby Creek	923 112th Street SW	1989	337	49,072	$80,300,000	$238,279.00	$1,636
11/26/2019	Salix Juanita Village Apartments	9740 NE 119TH WAY	2010	211	218,666	$101,500,000	$481,043.00	$464
12/02/2019	El Matador	14828 MILITARY RD S	1968	44	30,128	$7,400,000	$168,182.00	$246
12/09/2019	The Summit	14820 Redmond Way	1981	96	96,384	$32,231,000	$335,740.00	$334
12/10/2019	The Gilbert	1529 QUEEN ANNE AVE N	2005	54	52,570	$30,600,000	$566,667.00	$582
12/10/2019	Uptown Apartments	610 2ND AVE W	1953	32	13,272	$7,360,000	$230,000.00	$555
12/13/2019	InnsBruck	3223 S 160TH ST	1964	30	30,711	$5,975,000	$199,167.00	$195
12/16/2019	Ori on the Ave	5260 University Way NE	2017	69	28,424	$19,800,000	$286,957.00	$697
12/17/2019	Eastlake 2851	2851 EASTLAKE AVE E	2008	133	86,768	$56,700,000	$426,316.00	$653
12/17/2019	Mercer Apartments	105 MERCER ST	1929	41	24,276	$12,000,000	$292,683.00	$494
12/18/2019	Greens View	1520 W CASINO RD	1986	144	110,016	$29,400,000	$204,167.00	$267
12/19/2019	Alley 24 North and South Towers	224 PONTIUS AVE N	2006	172	60,272	$72,000,000	$418,605.00	$1,195
12/19/2019	Westwood Vista	2200 SW BARTON ST	1968	41	39,740	$12,500,000	$304,878.00	$315
12/19/2019	Cascade Court Apartments	7001 RAINIER AVE S	1959	28	16,495	$5,800,000	$207,143.00	$352
12/19/2019	Lane Apartments	10720 5TH AVE NE	2019	217	89,870	$85,000,000	$391,705.00	$946
12/20/2019	Alley 24	241 Yale Ave N	2006	172	124,233	$72,000,000	$418,605.00	$580
12/20/2019	The Danforth	1425 SPRING ST	2018	265	210,957	$209,200,000	$789,434.00	$992
12/23/2019	Pure Apartments	17634 NE Union Hill Rd	2016	105	78,360	$38,862,500	$370,119.00	$496
12/23/2019	Village Vista	20060 WHITMAN AVE N	1970	20	20,322	$5,675,000	$283,750.00	$279
12/23/2019	Maple Leaf Residences	2020 NE 89TH ST	1990	25	18,790	$6,500,000	$260,000.00	$346
12/24/2019	Bell Marymoor Park	6335 180th Pl NE	2019	222	161,222	$91,600,000	$412,613.00	$568
12/26/2019	Broadstone Lexington	1050 JAMES ST	2017	75	66,233	$30,700,000	$409,333.00	$464
12/26/2019	Iron Ridge Apartments	455 SW 156TH ST	1959	25	15,920	$2,450,000	$98,000.00	$154
12/26/2019	Madison on the River	8721 S 259TH ST	1989	72	48,156	$14,300,000	$198,611.00	$297
12/27/2019	Silver Shadow	27606 PACIFIC HWY S	1989	132	115,416	$25,700,000	$194,697.00	$223
12/27/2019	Anthology	1610 Anthology Ave NW	2018	398	378,844	$163,000,000	$409,548.00	$430
12/31/2019	Northview Terrace	1412 SW 312TH ST	1986	52	41,452	$8,700,000	$167,308.00	$210
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Source: OCG

Shown on the above two pages are the multi-family sales that took place throughout 2019 in King and Snohomish counties. In whole, there were 130 transactions that combined for a total sales volume of $4.9 billion. The total number of units sold was 15,668, which makes the average price per unit $314,403. The total square footage acquired through the 130 transactions was 11,135,364, which makes the average price per square foot $442. Of all the properties bought and sold in 2019, the average building was constructed in 1990.

hØŜNØ∧Ŝø

The subject property is located in the Port Gardner neighborhood of Everett. The subject site is on the West side of Colby Avenue between 34th and 35th Street. Nearby properties consist of single family residential, condo, vacant land, and neighborhood office buildings. The property is blocks away from downtown Everett, which has over the past several years has been experiencing increased development activity. Convenience to these downtown amenities while maintaining its residential neighborhood character make Port Gardner a desirable place to live.

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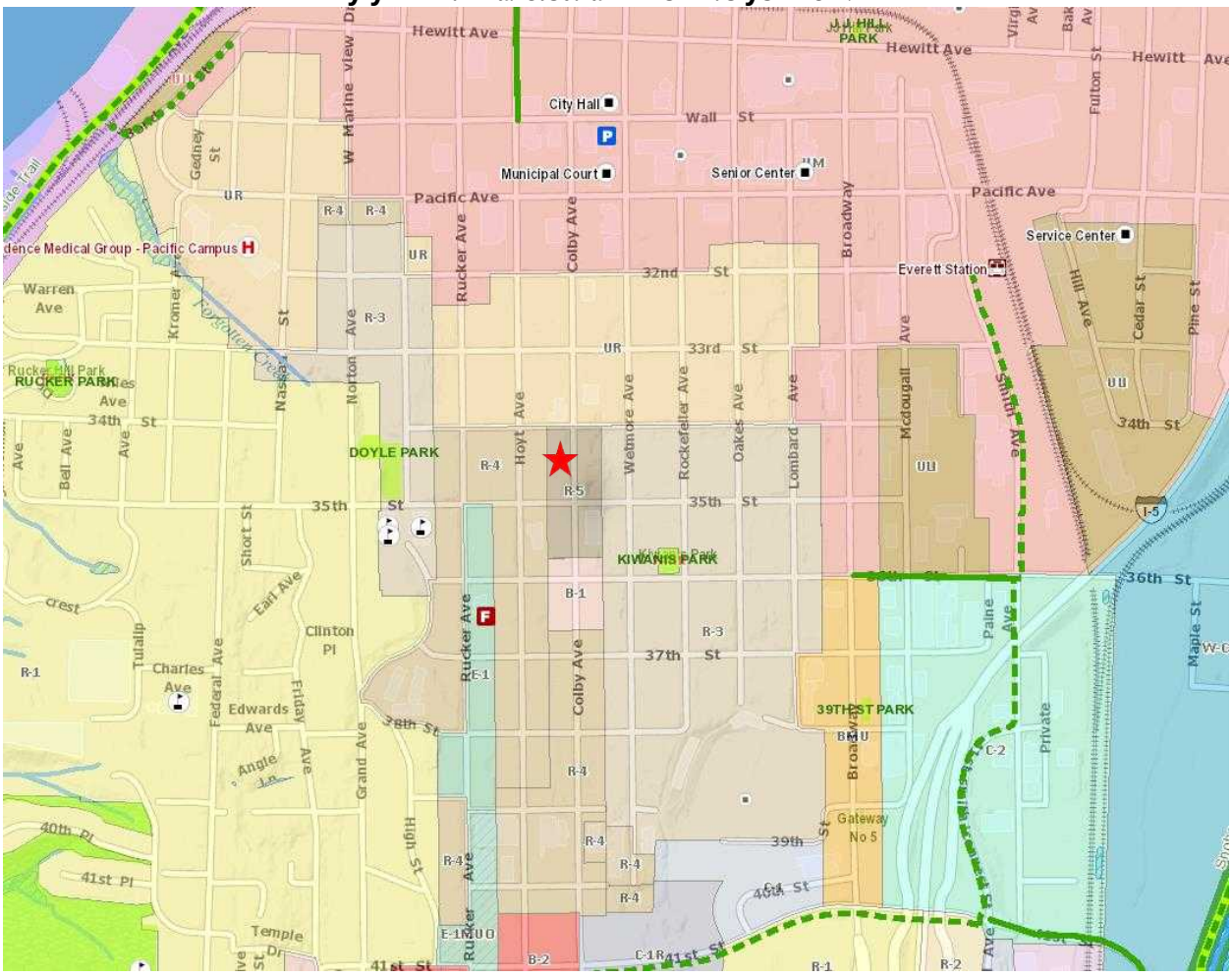

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Primary access to the neighborhood is via Interstate 5 and 41st Street, while local access to the neighborhood is provided by Broadway, Colby Avenue, and Evergreen Way. These roads also provide easy access to the downtown core.

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The Port Gardner neighborhood is predominantly residential, and the uses consist of single-family, low-rise multi-family residential and condominium developments. Nearby downtown Everett includes a variety of mixed uses, including retail, hospitality, education, recreation, and multifamily residential.

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The City of Everett has been the subject of extensive development over the last decade. This development has been spurred by the redevelopment of the Naval Station Everett, the continued influence of Boeing's Paine Field manufacturing location, and the continued expansion of the Seattle Metropolitan commercial real estate market. Many new apartment developments have contributed to Everett's vast residential draw.

Historical population

Census	Pop.	%±
1900	7,838	—
1910	24,814	216.6%
1920	27,644	11.4%
1930	30,567	10.6%
1940	30,224	−1.1%
1950	33,849	12.0%
1960	40,304	19.1%
1970	53,622	33.0%
1980	54,413	1.5%
1990	69,961	28.6%
2000	91,488	30.8%
2010	103,019	12.6%

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The City of Everett provides a convenient location for multifamily housing that provides good access to both Seattle and the Snohomish County business markets, retail, and outdoor recreation. A growing restaurant scene, redeveloping waterfront, and many parks all attract residents and visitors to Everett. Funko, a toys and collectibles store selling iconic characters from pop culture has also helped to put Everett on the map as a unique place to work and live. While Everett's many local residents are drawn to such attractions, many more see Everett as an affordable alternative to a still rapidly-growing Seattle housing market.

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The City of Everett continues to grow into an important and distinct community in the Seattle Metro area. Further expansion of multifamily housing, office/retail spaces and downtown amenities will continue to influence the character of Everett, as well as the region as a whole. Considering its locational strength and historical development, the growing neighborhood provides a positive environment for the subject property.

Highest and Best Use is defined as:

> "That reasonable and probable use that supports the highest present value, as defined, as of the effective date of appraisal.
>
> Alternatively, that use from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible and which results in the highest land value.
>
> The definition immediately above applies specifically to the highest and best use of the land. It is to be recognized that in cases where a site has extensive improvements on it, the highest and best use may very well be determined to be different from the existing one. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use."[1]

In order for a particular use of a piece of real property to be the highest and best use of that real property, several requirements must be met:

1. The proposed use must be legally permissible or reasonably possible.

2. The proposed use must be physically possible on the site.

3. The proposed use must be economically and financially feasible under the projected market conditions then existing.

4. The proposed use must be the most profitable among the alternatives that are legally permissible, physically possible, and economically feasible.

The Highest and Best Use analysis involves two separate studies:

(1) The site as if vacant and ready to be put to its Highest and Best Use; and, if the property is improved, then

(2) A study of the Highest and Best Use of the property as improved.

[1]Byrl N. Boyce, ed., *Real Estate Appraisal Terminology*, revised edition, Ballinger Publishing Company, Cambridge, MA, 1983, page 126.

IʌƎKŜăű I·yŘ .Ŝăű ¦ăŜ ά!ă LYLJℕ2ØŜŘέ

The subject is currently in use as an apartment building with 12 units, though replatting to a condominium development was considered. We believe the highest and best use "as improved" is continued use as rental apartments.

To determine highest and best use "As Improved", we considered the two main uses of multifamily developments: rental apartments and condominiums.

Considering condo development, we used the Sales Approach to determine what the subject units might sell for as condominiums. Because the subject has three different unit types, we compiled three different lists of comparables, and adjusted based on physical characteristics, location, and conditions of sale. We then determined subject condo unit market values, and added them together to determine gross retail value of condominium units. Finally, we subtracted the costs needed to convert, hold, and sell these condo units.

As apartments, we analyzed the apartment building value through the Income Approach, using comparable rents from other buildings to determine income. We used subject expenses and adjusted to the equivalent market expenses to determine total expense as an apartment building. Using these, we determined the subject's proforma net operating income, and capitalized this value using a market capitalization rate.

Comparing the above two value conclusions (as apartments and as condominium conversion), we determined that the highest and best use "as improved" was clearly apartments.

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tĸĖăʌŎI·ffè t2ăăʌōfŜ ¦ăŜăϒ The subject has a total land area of 18,300 square feet or 0.42 acres, with no topography issues. Considering the subject's size and physical characteristics, we believe that the subject could be developed with a low-rise structure.

[ŜƎI·ffè tŜℕYʌăăʌōfŜ ¦ăŜăϒ Legal issues influencing the Highest and Best Use of a site are primarily related to government regulations such as zoning, comprehensive land plans, and environmental restrictions. There are no known private or unusual easement restrictions that affect value. The site is currently zoned R-5 by the City of Everett, indicating there is no density maximum for the site. This code allows for buildings up to 65 feet. Multifamily buildings, office buildings, and clinics are permitted.

CʌyI·yŎʌI·ffè CŜI·ăʌōfŜ ¦ăŜăϒ The subject's zoning code allows for a multi-family residential development. Multi-family use consists of apartments and condominiums. We have analyzed the feasibility of condos in comparison to apartments, as described above. Apartment developments have become increasingly attractive since 2009 as rents have been continually growing and capitalization rates have been compressing.

Overall apartment market conditions have improved since early 2010. Our most recent vacancy survey in December 2019 indicates a vacancy rate of 3.8% for the subject's market area of Snohomish County. The Seattle Metro market area in general has been experiencing generous rent increases since 2010. As Everett continues to develop, we expect the apartment market to remain strong for at least the next several years with low vacancy rates and steady rent increases. Increased demand for affordable housing from the Seattle market will also help bolster the financial feasibility of Everett apartment developments.

Considering the subject's location and current market conditions, sales comparables, and rental data, we believe that apartment development is more attractive than a condominium development. Therefore, we concluded that the financially feasible use of the subject's site would be for a multifamily apartment development.

aÌ·ÈÅŸÌ·ffê tŁ2ŘdžÔűńØŜ ¦ăŜăŸ Based on the subject's physically possible, legally permissible, and financially feasible use, we concluded that the maximally productive use of the subject's site "As Vacant" would be for a low-rise apartment building.

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Our conclusion is that the Highest and Best Use of the subject site, "As Vacant" and "As Improved", is for a low-rise multifamily building.

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The Income Approach is based on the precept that income-producing property is usually purchased as an investment, and therefore the earning power of the asset is critical to understanding the property's value.

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This approach relates primarily to the real estate principle of anticipation, which holds that value is affected by the expectation of future benefits. It also relates to the principle of substitution and acknowledges that investors will consider alternative or substitute uses of their capital in the investment decision.

tN2ŎŜŘdzNŜă

The Income Approach is developed by analyzing the property's income and expenses to forecast the most probable net operating income; this estimated net operating income is then trended into the future. In order to estimate net operating income for each year of the forecast period, projections are made with respect to a holding period of the investment, real growth of rental rate over the holding period, vacancy and uncollected income, and growth of expenses over the holding period. At the end of the holding period, a reversion or sale of the property is hypothesized based on direct capitalization of the following year's income¢

Data used in this approach are rental comparisons of similar properties, vacancy surveys, expense information from similar properties, and finally, discount rates extracted from recent market transactions.

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The subject is currently operated as a 12-unit apartment building. The in-place rents average $1,291 per month for currently occupied units. Financial documents indicate that the Garden Court Apartments aims to increase some rents in the future. We will compare the subject to comparable rental properties to reconcile our estimate of true market rent. A summary of the current rent roll is displayed in the following table:

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						!ØE ¦yΛű	LyπtfI-ÓŜ wSyűă					
l 2ŕ ¦yΛűă	¦yΛű ¢èLJŜ	¢2ûl-f ¦yΛűă	bŜű {0C			{0C0	aΛy		aI-È	!ØE	aΛyk{0C0		aI-Èκ{0C0	!ØE {0C0
4	1/1	33.3%	762	-	762	762	$1,030	-	$1,295	$1,163	$1.35	-	$1.70	$1.53
4	2/1	33.3%	1,150	-	1,150	1,150	$1,325	-	$1,395	$1,350	$1.15	-	$1.21	$1.17
4	2/2	33.3%	1,109	-	1,142	1,117	$1,295	-	$1,495	$1,360	$1.17	-	$1.31	$1.22
MH		MΛΛ0	!ØŜNI-ΞŜ ¦yΛű {ΛÎŜY			MΣΛM	!ØŜNI-ΞŜ ¦yΛű wSyűY			ÞMΣHфM	!ØŜNI-ΞŜ ¦yΛű wSyű κ{CY			Þм0ом

!LJI-ŃűYŜyű wŜyűI·f /2YLJI-ŃI·ōfŜ tŃ2LJŜŃűńŜă

In order to determine the appropriate market rents for the subject we have used five comparable properties within the surrounding area of Port Gardner and Everett. The following table summarizes the comparables, while the location of these properties, in relation to the subject property, is shown on the map on the following page.

! LJI-ŵûŸŠyû wŠyû /2YLJI-ŵI-ōfŠă											
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1	Glacier Vista Apartments	1963	12	1/1	841	- 841	841	$1,095	- $1,095	$1,095	$1.30	- $1.30	$1.30
	3319 Colby Avenue	2010	12	2/1.5	1150	- 1150	1,150	$1,150	- $1,495	$1,323	$1.00	- $1.30	$1.15
	Everett, WA 98201												
	Utilities: Not included												
	Parking: Covered/Uncovered assigned, off alley												
	Pet: No Pets Allowed												
	Concessions:												
	Amenities: Community Laundry, storage, some patios, some new finishes												
			нп										
2	Hoyt Apartments	1978	8	2/1	800	- 800	800	$1,450	- $1,495	$1,473	$1.81	- $1.87	$1.84
	3724 Hoyt Avenue	2010											
	Everett, WA 98201												
	Utilities W/S/G included in rent												
	Parking: Free, uncovered												
	Pet Rent: $150 deposit cats, $500 deposit dogs												
	Amenities: W/D in-unit, balconies, landscaping, new finishes												
	Concession(s): None												
			y				улл						
3	Chester Arms	1969	13	1/1	593	- 662	628	$1,050	- $1,125	$1,088	$1.77	- $1.70	$1.74
	3326 Lombard Avenue	2005	1	2/1	884	- 884	884	$1,225	- $1,225	$1,225	$1.39	- $1.39	$1.39
	Everett, WA 98201												
	Utilities												
	Parking:												
	Pet Rent:												
	Amenities: Community laundry, new finishes, SS appliances												
	Concession(s): None												
			мп										
4	7611 Ridgewood	1990	4	2/2	800	- 850	825	$1,300	- $1,400	$1,350	$1.63	- $1.65	$1.64
	7611 Ridgewood Drive	2015											
	Everett, WA 98201												
	Utilities Not included												
	Parking: free												
	Pet Rent: Pets allowed												
	Concession(s): None												
			п				унр						
5	3432 Hoyt	1968	8	2/1	900	- 900	900	$1,250	- $1,250	$1,250	$1.39	- $1.39	$1.39
	3432 Hoyt Avenue	1990											
	Everett, WA 98201												
	Utilities W/S/G included in rent												
	Parking: Covered												
	Pet Rent: $250 fee, no rent												
	Amenities: Community Laundry												
	Concession(s):												
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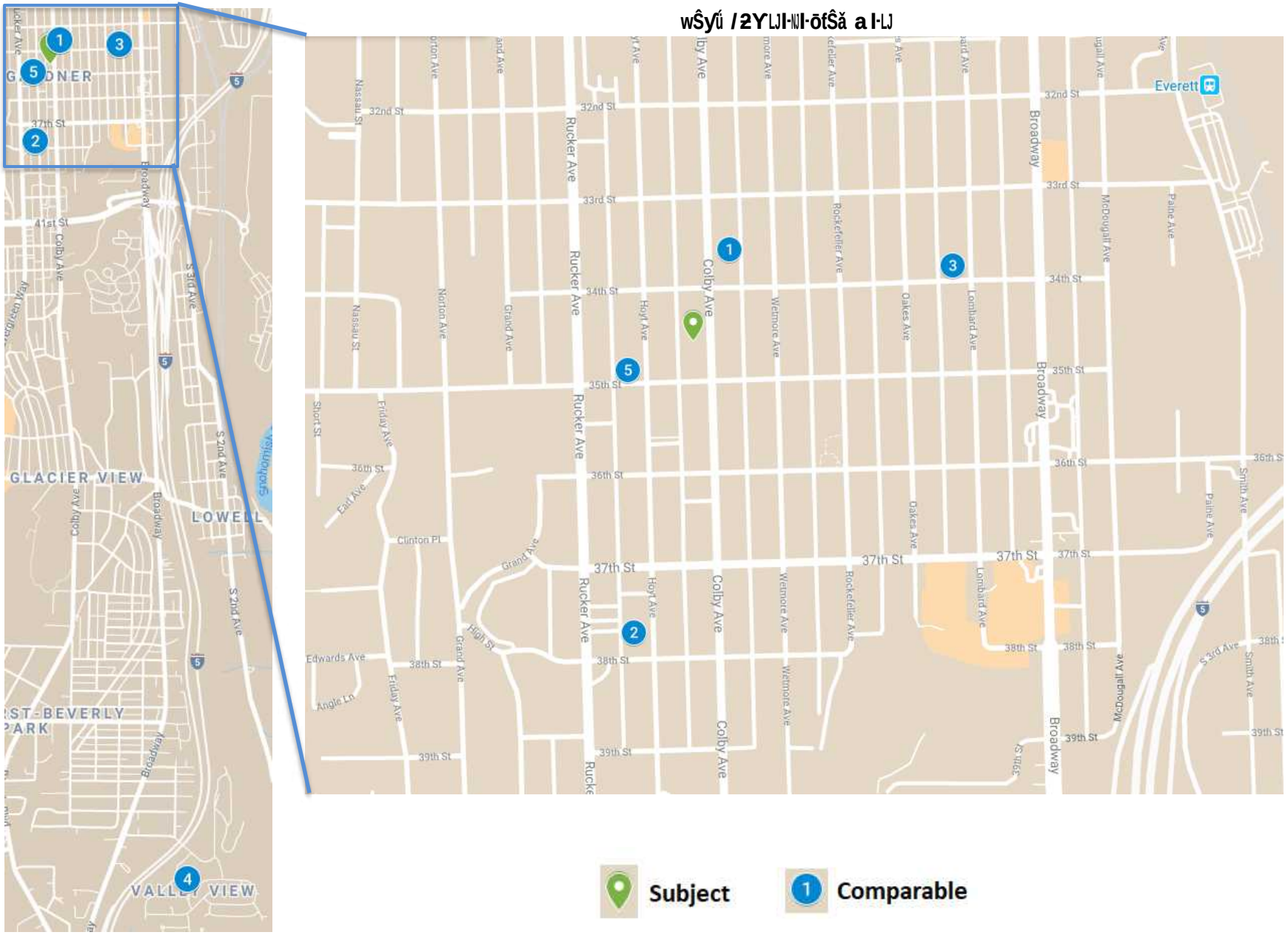

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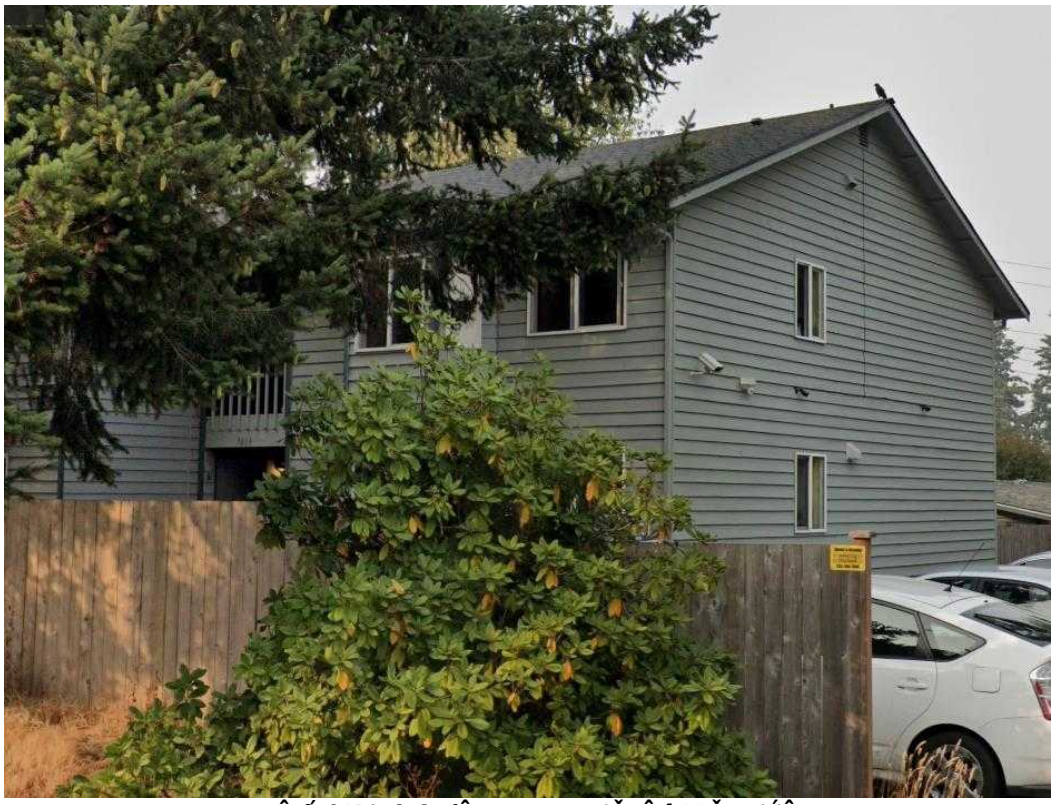

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wŜyű /2YLJl-Ml-õfŜ p ς οποн l 2èű !ØŜyżŜ

wŜyű !yl-fèăłăY In order to estimate the subject's market rents, as of the date of this report, we have reviewed six apartment properties as rental comparables. We have adjusted these comparables for any differences between the subject and the comparables. These adjustments include adjustments for age, design/appeal, recreation facilities, and unit sizes.

Cf22M tfl-yãY There are three different unit types at the subject property. Four units are 1-bedroom 1-bathroom units, four units are 2-bedroom 1-bathroom flats, and four units are 2-bedroom 2-bathroom townhouse-style units.

DŜyŜMl-f !Řżdžăű Y ŜyűăŤ

tM2żŜŐű hŐŐdzLJl-yŐèY None of the properties warranted adjustments for unusually high or low occupancy rates.

9ŦŦŜŐűłØŜ !ƎŜY The subject property was built in 1989 and 1990. We believe that a combination of excellent property upkeep, functional unit layouts, and updated appliance packages improve the value of the subject property compared to a typical building with minimal updates and upkeep. Properties with a newer effective age will have a longer effective life than properties with older effective ages, as good maintenance and upkeep will extend the life of the improvements' use. It is our opinion that the subject currently has an effective age of 2005.

We adjust the comparables based on their relative effective ages in comparison to the subject, at a rate of 0.5% rent adjustment per effective year difference.

/2yŎŜăă12yã: Several comparable properties are offering rental concessions ranging from $200-$250. We have adjusted these effective rental rates to use for further analysis.

[2ŏl·ú12y: The subject is located in the Port Gardner area. Two of the comparables were deemed to be located in superior area. As such, adjustments were applied to these comparables.

vdzl·fúê l·yŘ !LJLJŜl·f: Our inspection of the subject property found it to be in very good condition. We have selected rental comparables with somewhat similar updates and upgrades. While some comparables had inferior interiors to the subject, other comparables had superior interiors to the subject, but inferior exteriors. We considered this adjustment category on the basis of net appeal of both interiors and exteriors.

{ú2Ml·ƎŜ: Many apartment units appeared to offer storage either as separate storage lockers or as storage closets located in units. The subject has storage closets in its units, so no adjustments were made.

tl·M}ly∃: The subject currently does not charge residents for use of the carport located off the alley. Rental comparables also did not charge residents, though some had inferior parking stalls (uncovered) or relied somewhat on on-street parking to accommodate residents. These properties received downward adjustments.

² l·ăKŜMκ5MèŜM: The subject included washers and dryers in all of its units. Three rental comparables had common laundry facilities, warranting a $75/month upward adjustment.

.ŜŘM22Yκ.l·úKM22Y /2dzyú: Some comparable units differed in bedroom and bathroom count from the subject. We have adjusted these units by $50 per bathroom and $100 per bedroom.

!YŜyłúłŜă: This category considered the quality of overall amenities of the subject and comparable units. Because we have already considered other amenities as individual adjustments (landscaping, laundry facilities, parking, etc.), we have made no further adjustments.

{λÎŜ !Řzdzăú'YŜyúă: Size adjustments were made at rates that reflect the marginal utility of relatively small differences in each size for each of the unit types. One-bedroom units received a larger relative adjustment than two-bedroom units. These rates were calculated by taking the slope of the linear trendline of unit rents fully adjusted except for size plotted against unit sizes.

No other adjustments are considered necessary. The adjustments applied are based on market analysis. Adjustments have not been applied for minor differences or where differences are difficult to quantify.

The following tables summarize the above adjustments and reconciles what we believe the subject property can achieve in rents for both unit types:

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		¢ëLJŠ .wĸ.!	¦yłű {℗C℗	wŠyű	Þĸ{℗C℗	!∃Ŝ	[2ô‹-ű‹2y˙	!LJLJŜI-f	² ĸ5	.wĸ.!	!˙Šyłűű‹Šå	{ÀÎŠ	bŠű !Řd℗	!Řd℗ wŠyű	!Řd℗ Þĸ{℗C℗
	{dzôžŠÔű	мкм	тсн			нллр									
1	Glacier Vista Apartments	1/1	841	$1,095	$1.30	$0	$0	$45	$75	$0	$0	-$25	$95	$1,190	$1.56
3	Chester Arms	1/1	628	$1,088	$1.73	$25	-$10	$20	$75	$0	$0	$40	$150	$1,238	$1.62
			735	*$1,091*	*$1.49*								!∅∃℗ a‹-łŇ]Šű wŠyű	Þмŀнмп	Þм℗рс
													/2yŐfdžŘŠŘ a‹-łŇ]Šű wŠyű	Þмŀннр	Þм℗см
	{dzôžŠÔű	нкм	мŀмрл												
1	Glacier Vista Apartments	2/1.5	1,150	$1,323	$1.15	$0	$0	$55	$75	-$50	$0	$0	$80	$1,403	$1.22
2	Hoyt Apartments	2/1	800	$1,473	$1.84	-$110	$0	-$15	$0	$0	$0	$100	-$25	$1,448	$1.26
3	Chester Arms	2/1	884	$1,225	$1.39	$30	-$10	$25	$75	$0	$0	$75	$195	$1,420	$1.23
5	3432 Hoyt	2/1	900	$1,250	$1.39	$95	$0	$25	$75	$0	$0	$70	$265	$1,515	$1.32
			934	*$1,318*	*$1.41*								!∅∃℗ a‹-łŇ]Šű wŠyű	Þмŀппс	Þм℗нс
													/2yŐfdžŘŠŘ a‹-łŇ]Šű wŠyű	Þмŀппр	Þм℗нс
	{dzôžŠÔű	нкн	мŀмул												
1	Chester Arms	2/1.5	1,150	$1,323	$1.15	$0	$0	$55	$75	$50	$0	$10	$190	$1,513	$1.32
4	7611 Ridgewood	2/2	1,179	$1,700	$1.44	-$85	-$85	-$35	$0	$0	$0	$0	-$205	$1,495	$1.27
			1,179	*$1,700*	*$1.44*								!∅∃℗ a‹-łŇ]Šű wŠyű	Þмŀрлп	Þм℗нт
													/2yŐfdžŘŠŘ a‹-łŇ]Šű wŠyű	Þмŀпфр	Þм℗нт

/2yŐfdžå‹2yãY After adjustments were made the table below details the average estimated rents for the subject's units, based upon adjusted comparable data. On the whole, the subject's units display an average market rent of $1.38 per square foot, as of February 20th, 2020.

DI-ŇŘŜy˙ /2dzŇű π !ŐűdzI-f LyŐ2Y˙Ŝĸ9ÈLJŜyãŜå							
LyŐ2Y˙Ŝ !LJLJŇ2I-ŐK I-å 2ŕ WI-ydzI-Ňè nyűKΣ нлнл							
Unit No.	% of Total Units	Unit Type	Avg. Size (S.F.)	Net Rentable Area (S.F.)	Mkt. Rent per S.F.	Average Rent/Unit	Annual Total
4,9	17%	1/1 Middle	762	1,524	$1.61	$1,225	$29,400
1,12	17%	1/1 End	762	1,524	$1.64	$1,250	$30,000
3,10	17%	2/2 Middle	1,126	2,251	$1.33	$1,495	$35,880
2,11	17%	2/2 End	1,109	2,218	$1.36	$1,505	$36,120
5,8	17%	2/1 1st Floor	1,150	2,300	$1.26	$1,445	$34,680
6,7	17%	2/1 2nd Floor	1,150	2,300	$1.27	$1,465	$35,160
12	100%	All Units	1,010	12,117	$1.38	$1,398	$201,240

tI-Ň]łyƎ LyŐ2Y˙ŜY The subject currently does not charge for parking. We have not adjusted for this amenity previously in reconciliation of the market rent; therefore, we have included this as an explicit source of income, assigned at $20/stall.

±I-ŐI-yŐè I-yŘ /2ffŜŐű‹2y˙ [2ăăY When supply and demand are in relative balance, the market expects a complex to remain fully occupied with some rent loss resulting from periodic turnover. It is customary in the market to estimate this vacancy at 5% of the potential rent income.

¦ű‹fűűè LyŐ2Y˙ŜY Currently, the subject appears to be recovering only about 65% of tenant water, sewer, and garbage utility expenses. Most of the comparables are similarly passing through utility costs (except for common spaces and vacant units) to the renters or including this in an increased rental rate. Due to this we have analyzed the subject rents as if the utilities are passed through to the tenants. We have chosen to increase the utility recovery rate at 80% of cost of the water and sewer and garbage expenses, or $840 per unit annually.

tŜű ŇŜyűY Most new apartments are becoming pet friendly. Based on the information from our rent comparables and other apartments in the area, only a few buildings allowed pets, and charged a pet fee of around $250 per pet depending on pet weight, breed, and other factors. We have used this average rate and also added a $10/month pet rent. We believe this will be an income trend for the market in the near future, based on other market tendencies.

aλăÖŜffl·yŜ2dză l·yŘ C2ℕ₮ŜλúdzℕŜ LyÖ2YŜ*:* Revenue in this category is generated by a wide variety of sources including deposit forfeitures, late fees, vending income, etc. Most apartment projects tend to produce miscellaneous income ranging between $25 and $40 per unit per month. However, based on subject expense records, we have selected $10 per month per unit for the subject.

5λăÖdzăăλ2y´2₮ 9ÈLJŜyãŜă
The following sections discuss the subject's expenses, as well as what we believe are market expenses reconciled on our proforma.

CλÈŜŘ hLJŜℕl·úλyƎ 9ÈLJŜyãŜă

wŜl·f 9ăűl·úŜ ¢l·ÈŜăŸ The subject's property tax bill is currently $18,313 per year based upon an assessed value of $1,641,900. The tax burden is calculated at $1,526 per unit. We expect this tax assessment to increase upon sale to better match its market value, up to $1,927 per unit or $23,123 total.

Lyãdzℕl·yÖŜŸ Based on expense records at the subject site, we estimate the insurance expense per unit to be $338 annually.

±l·ℕλl·õfŜ hLJŜℕl·úλyƎ 9ÈLJŜyãŜă

tℕ2LJŜℕúè al·yl·ƎŜYŜyúŸ We have been told that the current property management fee is 8% of effective gross income. We have this rate and applied it to the proforma Effective Gross Income, totaling a management fee of $1,382 per unit annually. Because this property does not include on-site staffing, this rate is higher and accounts for what would typically be allocated payroll expense for the leasing agent.

!ŘØŜℕúλăλyƎkt℠2Y2úλ2yŸ We have utilized a combination of the typical market expense for this category and the historical costs of advertising this property. We have reconciled a rate of $125 per unit annually for this category.

!ŘYλyλăúℕl·úλØŜk aλăÖŜffl·yŜ2dzăŸ General administrative costs generally include business licenses, telephone, office supplies, and employee costs not related to salaries or benefits, and miscellaneous items. We have reconciled the subject's administrative expenses at $350 per unit, based on market rates.

¦úλfŒúλŜăŸ The subject collects utility reimbursements from tenants on top of their unit rental rate. The payments from tenants are considered as additional income and it is discussed in the "Utility Income" section above. Since we have a separate category for "Utility Income", we estimated the subject's utility expense as if it includes all electricity, water/sewer and garbage costs.

> *Electricity*: Relates to vacant units and common space only and has been reconciled at $100 per average unit per month. The subject has outdoor lighting and vacant units that incur this fee.
> *Water/Sewer:* We have selected water/sewer expense for the subject at $650 per unit based on historic subject expense data.
> *Garbage:* We have selected the subject's expense at $400 per unit based on historic subject expense data.

The subject appears to have average utility costs compared to other properties.

[l·yŘăÔl·LJĂyƎ The subject has very attractive exterior landscaping. For our proforma, we chose a rate of $300 per unit on landscaping costs annually to maintain this appealing feature of the property.

wŜLJl·ÅNNă l·yŘ a l·ÅyűŜyl·yŎŜ This category includes building maintenance and repairs, turn-over maintenance, exterior cleaning, fire alarm monitoring, and other building systems maintenance categories. We exclude major repairs and maintenance items in this category, as these are better suited to be paid via a capital expense allocation (described later). Based on historic maintenance and repairs expenses at the subject, the excellent condition the property is in, and market rates for this expense category, we have selected an expense rate of $450 per unit annually.

¢dzNy2ØŜN
This expense category is defined by the costs needed to prepare recently vacated units for new tenants. The property utilizes a variety of services to clean and prepare units. We have selected a rate of $200/unit annually, based on 50% turnover rate and $400 to prepare each vacant unit.

/l·LJĂűl·f wŜăŜNØŜă
Reserves for replacement are an expense category intended to accumulate fund for future repairs or replacements of major capital items. Reserves for replacement have been set to $250 per unit annually. This indicates a combined stabilized expense for apartment turnover, repairs, maintenance, and reserves for replacement at $1,165 per unit per year.

¢2űl·f 9ÈLJŜyãŜă κ bŜű hLJŜNl·ûÅyƎ LyŎ2Y·Ŝ
We have estimated market total expenses for the subject at $77,657 annually, which amounts to $6.41 per square foot, or $6,471 per unit. This indicates an expense ratio of 37.47% of Effective Gross Income. Subtracting from Effective Gross Income, we arrive at a Net Operating Income at $129,571, or $10,798 per unit.

/l·LJĂűl·fÅÎl·ûÅ2y·2ŦbŜű LyŎ2Y·Ŝ

hØŜNØÅŜøY Capitalization is the process of converting a series of future anticipated periodic installments of net income into a present value. There are different methods of capitalization that are appropriate under different circumstances. For apartment properties, *direct capitalization* is the most common method used. The direct capitalization rate for the subject is selected from the range indicated by the apartment sales listed in the following tables.

! LJI-NŰYŜyű {I-fŜ /2YLJI-NI-ōfŜă					
b2¢	tN2LJŜNúè	{I-fŜ 5I-úŜ ˛ŜI-N .dzʌtű 9ŦŦ¢ ˛ŜI-N	b2¢ ¦ yʌúă bŜű {¢C¢	{I-fŜ tNJǍÖŜ tNJǍÖŜĸ ¦ yʌű tNJǍÖŜĸ{¢C¢	! ÖűdzI-fĸ ! Řƨdzǎ ű ŜŘ / I-LJ
Subject	Garden Court Apartments 3410 Colby Avenue Everett, WA 98201	 1990 2005	12 12,293		
1	San Juan Apartments 4230 Hoyt Ave Everett, WA 98203	2/27/2019 1968 2000	16 12,264	$2,695,128 $168,446 $220	4.27%
2	3617 Hoyt Avenue 3617 Hoyt Avenue Everett, WA 98201	4/22/2019 1988 2000	8 5,630	$1,475,000 $184,375 $262	6.04%
3	Everett 4-plex 7611 Ridgewood Dr Everett, WA 98203	2/11/2019 1990 2015	4 3,108	$853,888 $213,472 $275	3.84%
4	3726 Wetmore 3726 Wetmore Ave Everett, WA 98201	2/6/2020 2009 2010	6 7,284	$1,600,000 $266,667 $220	4.78%
5	Nassau Terrace Apartments 3231 Nassau St Everett, WA 98201	1/25/2019 1962 1995	10 7,040	$1,425,000 $142,500 $202	6.81%

From the selection of sales comparables shown in the table above, recent Everett area sales exhibit in-place capitalization rates ranging from 3.84% to 6.86%. Discussion with the brokers who sold these properties said most of the properties were of older buildings that had not received recent updates and reflect properties with considerable upside, such as installing washers/dryers in-unit and modernizing appliance packages. Four-plexes also tend to have lower overall capitalization rates to their comparable sales in the market.

Brokers have stated and we concur that a new or updated apartment building in good condition would sell at a capitalization rate between 4.50% and 5.50%. In considering the quality, condition, and location of the subject, information provided by brokers, and capitalization rates of existing apartment product, we believe that an appropriate market capitalization rate for the subject's proforma would be 5.00%.

We have also analyzed various secondary metrics of sales of our comparable properties to verify our opinion of capitalization rate. We summarize these metrics in the table below:

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tN2LJŜNúè	Dwa		LyÖ2YS κ{C	±I-0I-yÖè ! ff2ǿI-yÖŜ	9DLa	9ELJSyǎSă κ¦yʌű	/ ! t wI-úS óLJNJǍYI-NJèú
San Juan Apartments	14.4	$	1.27	3%	14.88	$4,124	4.27%
3617 Hoyt Avenue	11.6	$	1.87	3%	12.01	$4,218	6.04%
Everett 4-plex	17.0	$	1.35	5%	17.89	$3,743	3.84%
3726 Wetmore	13.9	$	1.32	5%	14.62	$5,486	4.78%
Nassau Terrace Apartments	9.8	$	1.72	4%	10.23	$4,222	6.81%
! ØŜNI-ƎŜY	mo¢n	Þ	m¢pm	ﬂ˚	mo¢¢H	Þnƨop¢	p¢mp˚

For small apartment buildings, the most useful secondary metric (with Capitalization rate being the primary metric of sales price) is EGIM, or Effective Gross Income Multiplier. This is calculated by dividing the sales price (or in this case, the value indication via the Income Approach) by the Effective Gross Income (or after-vacancy income from all sources). Because of the relatively low risk and low expenses of 4-plexes, the EGIM for these sales tend to be higher than their traditional apartment counterparts.

We have calculated the EGIM for the subject to be 12.50. The average EGIM of the non-four-plex properties in our table above is 12.9, which is reasonably close to our proforma calculation. We therefore can further justify the use of a 5.0% capitalization rate in our Income Approach to value.

In applying the capitalization rate of 5.00% to the proforma Net Operating Income, our analysis indicates a market value for the subject at $2,591,413 ($129,082 NOI ÷ 5.00%).

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No deductions have been deemed necessary. We have therefore concluded the Market Value “As Is” for the subject at $2,590,000 as of February 20th, 2019.

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The details of this analysis can be found on the following page.

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LyŎ2YŜ ! LJLJЍ2I-ŎK I-ă 2Ŧ WI-ydzI-Ќè nyúKΣ нлнл							
Unit No.	% of Total Units	Unit Type	Avg. Size (S.F.)	Net Rentable Area (S.F.)	Mkt. Rent per S.F.	Average Rent/Unit	Annual Total
4,9	17%	1/1 Middle	762	1,524	$1.61	$1,225	$29,400
1,12	17%	1/1 End	762	1,524	$1.64	$1,250	$30,000
3,10	17%	2/2 Middle	1,126	2,251	$1.33	$1,495	$35,880
2,11	17%	2/2 End	1,109	2,218	$1.36	$1,505	$36,120
5,8	17%	2/1 1st Floor	1,150	2,300	$1.26	$1,445	$34,680
6,7	17%	2/1 2nd Floor	1,150	2,300	$1.27	$1,465	$35,160
12	100%	All Units	1,010	12,117	$1.38	$1,398	$201,240

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DЍ2ăă t2ăăʌōfŜ ! LJI-ЍúYŜyű wŜyűă			**Þмс¢см**	**Þмс∑ттл**	**Þнлм∑нпл**
Parking Income: Carport	15 stalls @	$20 /Stall/Month	$0.30	$300	$3,600
¢2űI-f DЍ2ăă LyŎ2YŜ			**Þмс¢фм**	**Þмт∑лтл**	**Þнлп∑упл**
Less : Vacancy & Credit Loss @		5%	($0.85)	($854)	($10,242)
Utility Income (W/S/G) Recaptured at		80%	$0.83	$840	$10,080
Pet Income	$10 /Month, for	25% of all tenants	$0.03	$30	$360
Non-Refundable Pet Deposit		$250 /Unit/Year	$0.06	$63	$750
Misc. Income		$10 /Unit/Month	$0.12	$120	$1,440
9ŦŦŜŎűЍØŜ DЍ2ăă ! LJI-ЍúYŜyű LyŎ2YŜ ó9DLú			**Þмт¢мл**	**Þмт∑нсф**	**Þнлт∑ннy**
[ŜăăY ! LJI-ЍúYŜyű 9ÈLJŜyãŜă					
Fixed Expenses					
Real Estate Taxes			$1.91	$1,927	$23,123
Insurance			$0.33	$338	$4,056
		Fixed Expenses Subtotal:	**Þн¢нп**	**Þн∑нср**	**Þнт∑мтф**
Variable Expenses					
Prop. Management @		8.00% of EGI	$1.37	$1,382	$16,578
Advertising/Promotion			$0.12	$125	$1,500
Administrative/Misc.			$0.35	$350	$4,200
Utilities (Gross)					
Electricity/Gas (Vacant Units & Common Space)			$0.10	$100	$1,200
Water/Sewer			$0.64	$650	$7,800
Garbage			$0.40	$400	$4,800
Landscaping			$0.30	$300	$3,600
Repair & Maintenance			$0.45	$450	$5,400
Turnover			$0.20	$200	$2,400
		Variable Expenses Subtotal:	**Þо¢фн**	**Þо∑фрт**	**Þпт∑пту**
Capital Reserves			$0.25	$250	$3,000
¢2űI-f hLJŜЍI-úʌyЭ ! LJI-ЍúYŜyű 9ÈLJŜyãŜ		37.47% of EGI	**Þс¢пм**	**Þс∑птм**	**Þтт∑срт**
bŜű hLJŜЍI-úʌyЭ ! LJI-ЍúYŜyű LyŎ2YŜ			**Þмл¢сф**	**Þмл∑тфу**	**Þмнф∑ртм**
Capitalized @ 5.00%	EGIM: 12.50	GRM: 12.87			**Þн∑рфм∑пмо**
LyŘʌÓI-úŜŘ ±I-fdzŜ ōè úKŜ LyŎ2YŜ ! LJLJЍ2I-ŎK			**Þнмо¢тр**	**Þнмр∑уоо**	**Þн∑рфл∑ллл**

We considered using the cost approach for this appraisal, but the market does not typically employ the cost approach for improvements of the subject's age.

LyűNƵ2ŘdzŎűƛ2y˝

The Sales Comparison Approach provides an indication of property value in what is perhaps the most direct manner possible: it measures what someone is willing to pay for it. An essential premise of the Sales Comparison Approach is that the market will determine the price of the property being appraised in the same manner it determines the price for comparable, competitive properties. Essentially, the Sales Comparison Approach is a systematic procedure for carrying out comparative shopping.

wŜl·f 9ăűl·úŜ tNƵyŎƛLJfŜă

The Sales Comparison Approach reflects primarily the real estate principle of supply and demand. This principle holds that prices, and hence values, are driven by the relative supply of property in the marketplace, in relation to the demand for that type of property.

tNƵ2ŎŜŘdzNŜă

The procedures used in the Sales Comparison Approach are to research the surrounding market to obtain sales and listing information on comparable properties. Relevant measures of comparison are then made between the sale comparables and the appraised property. These units of comparison are then adjusted to the appraised property using market-derived adjustment data. The result of this process is typically expressed as a value-per-apartment unit and is then used to derive an estimated value for the property.

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/ƨ2YLJl-Nl·ōfŜ !yl·fèăƛă l·yŘ /2yŎfdzăƛ2y˝

!LJI-NJűYŜyű /2YLJI-NJI-ōfŜ {I-fŜă 5I-űI-

In order to estimate the subject's value as of the date of this report, we have used five comparable properties, which are summarized in the table below. The locations of these comparables relative to the subject, as well as the detailed information on each comparable, can be found in the following pages.

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b2◊	tNJ2LJŜNJűè	{I-fŜ 5I-űŜ ¸ŜI-NJ . dzʌtű 9ŦŦ◊ ¸ŜI-NJ	b2◊ ¦yʌúă bŜű {¢C◊	{I-fŜ tNJʌŎŜ tNJʌŎŜĸ ¦yʌű tNJʌŎŜĸ{¢C◊	!ŎűdzI-fĸ !Ř2dzăűŜŘ /I-LJ
Subject	Garden Court Apartments 3410 Colby Avenue Everett, WA 98201	 1990 2005	12 12,293		
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2	3617 Hoyt Avenue 3617 Hoyt Avenue Everett, WA 98201	4/22/2019 1988 2000	8 5,630	$1,475,000 $184,375 $262	6.04%
3	Everett 4-plex 7611 Ridgewood Dr Everett, WA 98203	2/11/2019 1990 2015	4 3,108	$853,888 $213,472 $275	3.84%
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5	Nassau Terrace Apartments 3231 Nassau St Everett, WA 98201	1/25/2019 1962 1995	10 7,040	$1,425,000 $142,500 $202	6.81%

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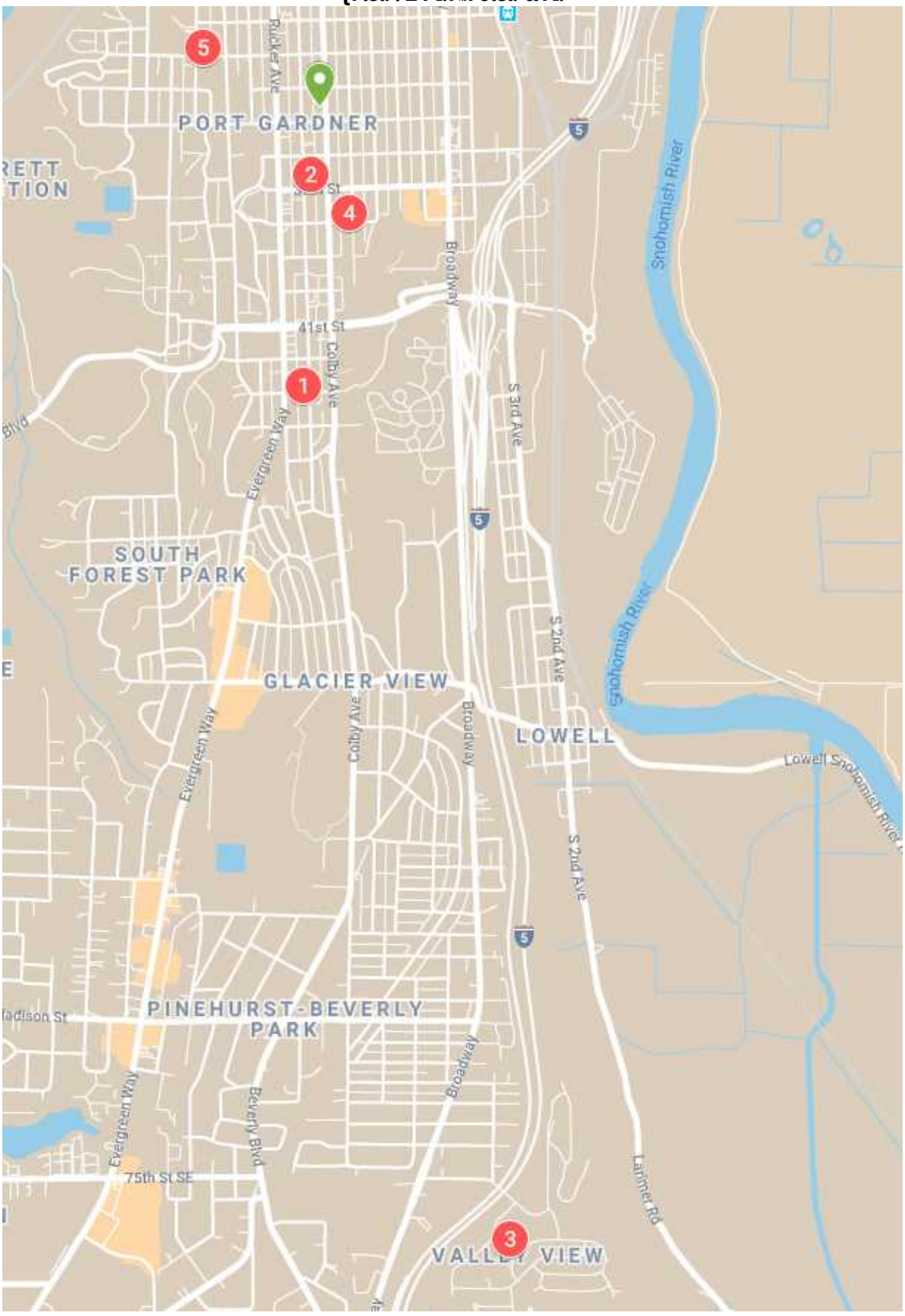

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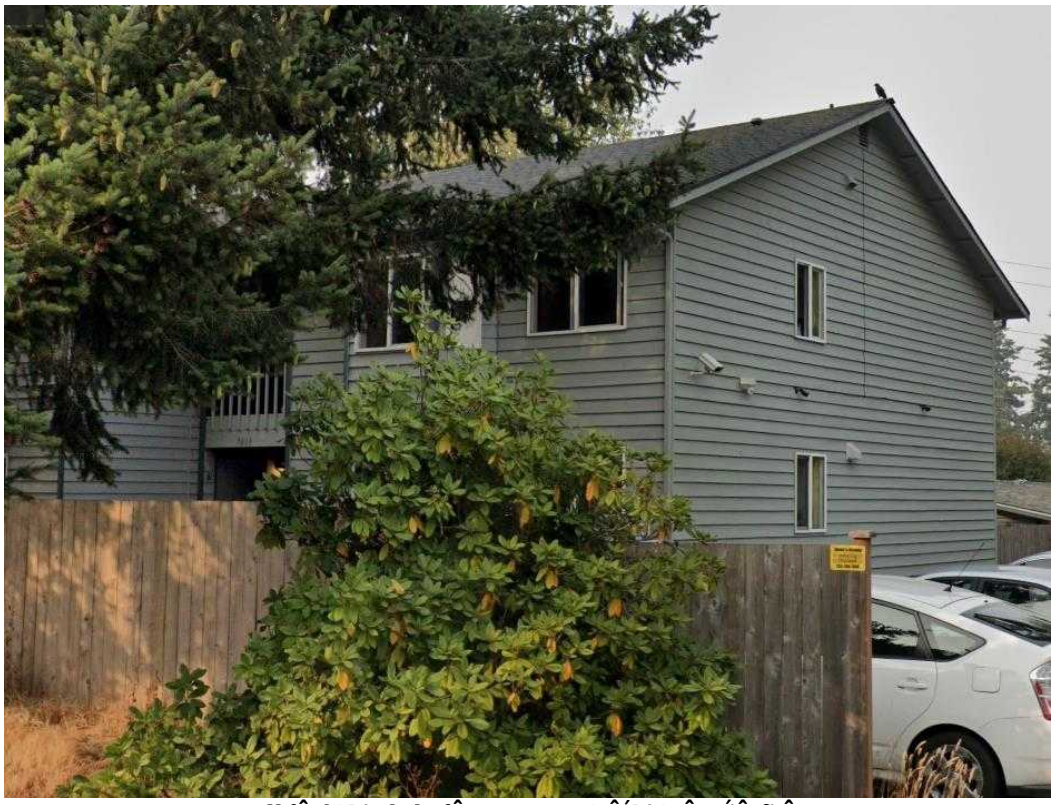

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tĸèăλŎl·f ¦yλúă 2Ŧ /2Y˙LJl·ŃJlăλ2y˙: A discussion of the physical differences between the subject and the comparison properties is included below, along with adjustments for those differences. Adjustment factors vary for each property but may include an allowance for changes in market conditions, and differences in age and condition, location, amenities, views and unit size.

Adjustments for Market Conditions: We have used five sale comparables that were sold between January of 2019 and February of 2020. We made upward adjustments to these comparables for market conditions at a rate of 3.0% per year.

/2Y˙LJl·ŃJlăλ2y˙ tŃ2LJŜŃúè b2¢ мΣ {l·y˙WdzI·y˙ !LJl·ŃűY˙Ŝyúă is a two-story apartment building built in 1968. This property has 16 units and is located at 4230 Hoyt Avenue. This property was sold in February of 2019 for $2,695,128, or $168,446 per unit, and $220 per net square foot.

We made a 2.75% upward adjustment for market conditions and a 7.5% upward adjustment for the comparables inferior effective age. We made further adjustments to this comparable on the basis of overall appeal and average unit size (comparable's average at 767 SF, compared to the subject's 1,024 SF average).

After all adjustments were made, this comparable property suggests a market value for the subject of $220,916 per unit or $288.21 per net square foot.

/2YLJI-NNă2y' tN2LJSNúè b2¢ нΣ ocмт I2ёú !ØSyŒzŜ is two-story 8-unit apartment building built in 1988. This property is located at 3617 Hoyt Avenue, the closest comparable geographically to the subject. It was sold in April of 2019 for $1,475,000, or $184,375 per unit or $262 per rentable square foot.

We have made a 2.25% upward adjustment for market conditions and an upward adjustment of 7.5% due to effective age. The property received a downward adjustment of 3.0% due to superior overall interior appeal. In addition, upward adjustments were made to this comparable for inferior access, landscaping, community laundry facilities, and some uncovered parking for tenants. The last adjustment made to the comparable was an upward adjustment for having a smaller average unit size.

After all of the adjustments were made, 3617 Hoyt Avenue suggested a market value for the subject of $251,225 per unit or $356.98 per square foot.

/2YLJI-NNă2y' tN2LJSNúè b2¢ oΣ .NNŘŕŜǿ22Ř !LJI-NNúYŜyúăΣ is a two-story 4-plex built in 1990. This comparable is located at 7611 Ridgewood Drive, the furthest comparable geographically from the subject. This property was sold in February of 2019 for $853,888, or $213,472 per unit.

We have applied an upward adjustment of 2.75% for market conditions and a 15% downward adjustment for effective age. Additional adjustments were made for superior overall design (granite countertops, for example), which warranted a 5.0% downward adjustment. Upward adjustments were applied for surface parking, low-traffic location, and smaller unit size.

After all adjustments were made, this comparable property suggests a market value for the subject of $223,827 per unit or $288.07 per square foot.

/2YLJI-NNă2y' tN2LJSNúè b2¢ пΣ отнс ² ŜűY2NŜ is a three-story, 6-unit apartment building located several blocks south of the subject at 3726 Wetmore Avenue. It was sold in February of 2020 for $1,600,000, or $266,667 per unit.

We have made adjustments including a downward adjustment for effective age, a downward adjustment for design (each unit features balconies or porches), an upward adjustment for surface parking, and a downward adjustment for higher average unit size.

After all adjustments were made, this comparable property suggests a market value for the subject of $207,467 per unit or $170,90 per square foot.

/2YLJI-NNă2y' tN2LJSNúè b2¢ pΣ bI-ăăI-dz ¢SNNI-ÔŜ !LJI-NNúYŜyúăΣ is a two-story 10-unit apartment building built in 1962. This comparable is located at 3231 Nassau Street, near Providence Regional Medical Center, shortly west of the subject. This property was sold in January of 2019 for $1,425,000, or $142,500 per unit and $202 per square foot.

For this sale comparable we have made an upward adjustment of 3.0% for market conditions, a 15% upward adjustment for inferior overall design/appeal, a 2.0% downward adjustment for surface parking, and a downward adjustment for less desirable community laundry facilities. A final adjustment was made upward to account for the comparables' smaller average unit size.

After all adjustments were made, this comparable property suggests a market value for the subject of $207,340 per unit or $294.52 per square foot.

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The sale comparables suggest an adjusted value range for the subject from $207,340 to $251,225 per unit and indicate an average price of $222,155 per unit. On a per square foot basis the comparables indicate a range in values from $171/NSF to $357/SF with an average of $280/SF. The price per unit is deemed to provide a reliable indicator of value and the price per square foot is considered a supporting indication of value. The most similar comparables to the subject were comparables 1, 2, and 4. Placing the most emphasis on these three comparables while still considering the other comparables, we have selected a value for the subject at $220,000 per unit. This analysis yields a Market Value "As Is" indication for the subject at $2,640,000. No deductions from this indication are deemed necessary.

We therefore conclude our Sales Comparison approach to value at $2,640,000:

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The Sales Comparison adjustment grid is displayed on the following page.

5ЛЩŠÓů {l·fŠă /2Y'LJI-ЛЖă2y' ! LJLJЛЩ2l·ÔK											
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tЛЩ2LJŠЛúĕè bl·YŜ	Dl·ЛЖŘŜy' /2dzЛúů	{l·y'ЖdzI·y'		осмт l 2ёú ! ØŜyŒdzŜ		9ØŜЛЩŠúú пmLJfŜÈ		отнс ² ŠůY2ЛЩŜ		bl·ăăl·dz ¢ŜЛЖЛl·ÔŜ	
Location	Everett	Everett		Everett		Everett		Everett		Everett	
Sale Date (Appraisal Date)	Jan-20	Feb-19		Apr-19		Feb-19		Feb-20		Jan-19	
Sale Price (Appraised Value)		$2,695,128		$1,475,000		$853,888		$1,600,000		$1,425,000	
Total Units	12	16		8		4		6		10	
Total Net Rentable Area	12,293	12,264		5,630		3,108		7,284		7,040	
Gross Income	$185,820	$186,780		$126,660		$50,256		$115,200		$145,066	
Eff. Gross Income	$180,678	$181,177		$122,860		$47,743		$109,440		$139,918	
Expenses	$64,085	$65,991		$33,741		$14,973		$32,917		$42,218	
Expenses/D.U.	$5,340	$4,124		$4,218		$3,743		$5,486		$4,222	
Net Oper. Income	$116,593	$115,186		$89,119		$32,770		$76,523		$97,700	
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tЛЖÓŜк{℠¢		Þнмф℠тс		Þнсм℠ффр		Þнтп℠тп		Þнмф℠сс		Þнлн℠пм	
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9DL a		мп℠уу		мн℠лм		мт℠уф		мп℠сн		мл℠му	
9ÈLJŠyâŜ wl·úł2		ос℠пнĵ:		нт℠пєĵ:		ом℠оєĵ:		ол℠лÿĵ:		ол℠мїĵ:	
/l·LJ℠ wl·úŜ		п℠нїĵ:		с℠лєĵ:		о℠уєĵ:		п℠тÿĵ:		с℠уєĵ:	
Year Built	1990	1968		1988		1990		2009		1962	
Effective Year	2005	2000		2000		2015		2010		1995	
Avg. Apt Unit Size	1,024	767		704		777		1,214		704	
Parking Facilities	Secured	Open		Open		Open		Open		Carport	
Number of Parking Spaces	10	30		6		8		52		8	
Parking Ratio	0.83	1.88		0.75		2.00		8.67		0.80	
Laundry Facilities	Unit	Common		Common		In-Unit		In-Unit		In-Unit	
Fireplaces	Yes	No		Yes		No		No		Yes	
Decks/Patios	All Units	Yes		Yes		Yes		Yes		All Units	
Rec. Facilities	None	None		None		None		Workout room		None	
! Řždzăů'YŜyůă											
Conditions of Sale		0%	$0	0%	$0	0%	$0	0%	$0	0%	$0
Market Conditions		2.75%	$4,630	2.25%	$4,150	2.75%	$5,870	0.00%	$0	3.00%	$4,275
Age		7.5%	$12,635	7.5%	$13,830	-15.0%	($32,020)	-7.5%	($20,000)	15%	$21,375
Condition		0%	$0	0%	$0	0%	$0	0%	$0	0%	$0
Construction Quality		0%	$0	0%	$0	0%	$0	0%	$0	0%	$0
Design/Appeal		2%	$3,370	-3.0%	($5,530)	-5%	($10,675)	-5%	($13,335)	0%	$0
Location/Access		0%	$0	2%	$3,690	2%	$4,270	0%	$0	0%	$0
Views		0%	$0	0%	$0	0%	$0	0%	$0	0%	$0
Landscaping		0%	$0	1%	$1,845	0%	$0	0%	$0	0%	$0
Parking Facilities & Rates		0%	$0	1%	$1,845	2%	$4,270	2%	$5,335	2%	$2,850
Laundry Facilities		0%	$0	2%	$3,690	0%	$0	0%	$0	2%	$2,850
Fireplaces		0%	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%	$0
Rec. Facilities		0%	$0	0.0%	$0	0.0%	$0	0.0%	$0	0.0%	$0
Avg. Unit Size		19%	$31,835	24%	$43,330	18.1%	$38,640	-12%	($31,200)	24%	$33,490
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	Units		NSF
tKĕălÔl·f ¦ yЛůă 2Т	$207,340		$171
/2YLJI-ЛЖl·ôfŜă wl·yЗŜY	to		to
	$251,225	Г	$357
Average:	$222,155	Г	$280

/2yÖfdzăŁ2yY Þннлΐллл к ¦ yЛú Г Þнΐсплΐллл $214.76 tŜЛЩ b{C

Two valuation techniques are considered and are summarized as follows:

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{l·fŜă /2YLJl·NJăă2y !LJLJN2l·ŏK	Þн£сплΣллл

The Income Approach is considered a primary indicator of market value for the subject property. This approach relies on the estimates of market rents, expenses, and a market-derived overall capitalization rate for a Fee Simple estate. For this appraisal our rent comparables provided very strong support for our reconciled rent indications and there were good quality Capitalization Rate data available. Because of the availability of good quality data for the Income Approach, in the process of estimating the final value for the subject property, we put greatest emphasis on this method.

The Sales Comparison Approach is also considered to be an important indicator of value since it is a direct reflection of market and investment activity. It is reflective of market confidence in the sub-market and the general desirability of apartment product in this area. However, most comparable recent sales were all of buildings varying in upkeep and quality. Though adjusted to the best of our ability, the Sales Comparison Approach provides a supporting indication of value; not as much emphasis is put on this method as the Income Approach.

In concluding the subject's Market Value "As Is" we placed more emphasis on the Income Approach, and we reconciled the subject's Market Value as of the date of this appraisal to:

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CERTIFICATION

I certify that, to the best of our knowledge and belief:

- The statements of facts contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are personal, unbiased professional analyses, opinions, and conclusions.
- The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.
- Compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the standards and reporting requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, and also the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Brian R. OôConnor has completed the requirements under the continuing education program for designated members of the Appraisal Institute.
- As of the date of this report, Reilly Peavey, has completed the Standard and Ethics Education Requirement of the Appraisal Institute for Associate Members.
- Both Brian R. OôConnor, MAI, CRE made a personal inspection of the subject property.
- Reilly Peavey, Associate, provided significant professional assistance to the appraiser.
- We have not provided any prior professional services concerning this property within the last three years.

Brian R. OôConnor, MAI, CRE

ADDENDA

O'Connor Consulting Group, LLC

Company Profile

The firm O'Connor Consulting Group, LLC was originally established in May 1994 as Pacific Real Estate Advisors. Originally founded as a Partnership, the firm became a Limited Liability Company in July 1997 when Brian O'Connor, MAI, CRE became the sole principal and managing member of the firm.

While O'Connor Consulting Group, LLC is generally considered to be an appraisal firm, much of our business consists of providing market and feasibility studies for our clients. Over the last ten years, the portion of consulting services vis-à-vis appraisal services has become approximately 50% of our work product. Although we believe appraisal services are the foundation of our firm, we are striving to provide our clients with a higher level of market research, analyses and insight.

In order to provide our clients with sophisticated market analyses and valuations, O'Connor Consulting Group, LLC has assembled a team of senior analysts, consisting of eleven appraisers, five of whom have between 10 to 20 years of experience, including Jennifer Forschler, MAI. Their expertise ranges from complex property valuations to complicated economic modeling of investment properties. Our areas of expertise range from urban mixed-use and feasibility modeling to commercial, subdivision, retail, industrial/office, condominium and apartment appraising. We have developed a specialty of appraising or performing feasibility studies on downtown high-rise developments. We have performed major market studies in King, Pierce and Snohomish counties as well as Lewis and Kitsap counties, and the Tri-Cities area. Outside of Washington State we have performed appraisal and consulting work in the states of Oregon, Idaho, Alaska and Arizona.

Services Provided

Appraisals	Valuation estimates provided for various property types including apartments, condominiums, subdivisions, office/retail, industrial, and specialty properties such as independent and assisted living facilities, senior housing, hotels, motels, gas stations and marinas. Services also include appraisal reviews.
HUD/US Department of Housing and Urban Development	O'Connor Consulting Group, LLC has worked on over 75 HUD projects since 2008 throughout Washington, Oregon, Idaho, and Alaska, making them recognized as one of the leading firms performing HUD 221(d)(4) market studies/appraisals and HUD 223(f) appraisals.
Market & Feasibility Studies	Studies concentrate on evaluating the local economic conditions and forecasting future supply/demand equilibrium for multifamily housing and commercial space. Feasibility studies focus on analyzing probable profit margins and various measures of return on investment. We have performed numerous market and feasibility studies on special use properties. These include age-restricted housing, assisted living, in-patient treatment centers, memory care, and private schools.

Insurance Appraisals	O'Connor Consulting Group is the leading firm within the Puget Sound area providing Insurance Appraisals to home owner associations and insurance companies.
Consultation	Consultation services include participation with development teams, individual product evaluations, feasibility reviews, and general discussion of current market conditions as well as possible development opportunities. Our consulting services also include assisting buyers and sellers with due diligence in regards to pricing, risk, and tenant evaluation.
Court Testimonies	Mr. O'Connor is qualified as an expert witness concerning a diversity of property types in King, Pierce, and Thurston Counties. He also provides his expertise for mediation and arbitration cases.

O'Connor Consulting Group, LLC Client List

Lenders

AEA Bank
AmeriSphere
Bank of America
Bank of Everett
Bank One Berkshire Mortgage
Banner Bank
BBCN
Berkadia Commercial Mortgage
California Bank and Trust
Cascade Bank
Cathay Bank
Charter bank
Commerce Bank
Common Ground
Continental Savings Corporation
Eastside Commercial Bank
The Farmers Bank of China
First Boston Bank
First Horizon Construction Lending
First Interstate Bank
First Mutual Bank
First Republic Bank
First Savings Bank of Washington
First Savings Bank Northwest
First Security Bank of Washington
GE Capital Corporation
Home Street Bank
JP Morgan Chase
Key Bank
M & T Bank
National Bank of Canada
National Cooperative Bank
North American Savings
Pacific Bank
Pacific Continental Bank
Pacific Coast Investment
Pyatt Broadmark Management LLC Company
Plaza Bank
PNC Bank
Seattle Bank
Silvergate Thrift and Loan
St. Paul Federal Bank
Sterling Bank
Taiwan Cooperative Bank
Umpqua Bank
UniBank
US Bancorp
Wachovia
Walker & Dunlop
Washington Trust Bank
Wells Fargo Bank
Washington First International Bank
Weyerhaeuser Realty
Whidbey Island Bank

Investors/Development Companies

Alamo Manhattan
Allegra Properties
Balfour Company
Beckes Homes
Bentall Kennedy
Bosa Properties
Burkheimer Management Company
CBRE Capital Markets
ConAm Development
Citigroup
Create World America Construction Company
Crossbeam Properties
Continental Properties
ConocoPhillips
Daniels Real Estate
FR McAbee
Genoa Pacific Corporation
Geonerco, Inc
GID Development Group
Goodman Real Estate
Greystar
Grosvenor Associates
Guardian Real Estate
Holland Partner Group
Hydra LLC
Interpac Development Corporation
Intracorp
Investco Properties
JC Mueller
John Stone Development
Kahne Corporation
Kauri Investments
Kemper Freeman
Laconia Development
Lear Capital, LLC
Lennar Homes
Lincoln Investments
Lindstrom Development

Lorax Partners
MacFarlane Partners
Mack Urban
Macquire Real Estate
Martin Selig
Martin Smith
Mitsui Fudosan America
Mosaic Homes
Murray Franklin
Oliver McMillan
Pacific West Hotel
Parkstone Investments
Pinnacle Development
Prometheus
Pryde-Johnson
Robertson Capital Consultants
The Rush Companies
Schnitzer Northwest
Seattle Properties
SECO Development
Security Properties
Shea Homes
Sierra Construction Company
Simpson Housing Corporation
Sound Investments
Starwood Capital
SU Development
The Stratford Company
T. Jones, Inc
Tarragon
Trigny Corporation
Tyee International, LLC
Unico Properties
UDR
Vance Corporation
Vance Properties
Vulcan Real Estate
Wathen and Associates
Westward Real Estate
Wells & Company

Government Agencies

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City of Kirkland
City of Redmond
City of Seattle
King County
King County Library System
Puget Sound Regional Council
Port of Everett

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Short, Cressman, & Burgess
Steichen and Martin
Stein, Flanagan, Sudweeks & Hauser
Stokes Lawrence
Ryan Swanson
Keesal, Young & Logan

Property Management Companies

CWD Group, Inc AAMC
CDC Management Services, Inc AAMC
Greystar
Kappes Miller Management
The Copeland Group, LLC
Lorig Management
EMB Management, Inc AAMC
Pacific Rim Investments & Management
Phillips Real Estate Services, LLC
Yates Wood

REITS

Bay Apartment Communities
BRE properties
Equity Residential
Security Capital
United Dominion Realty Trust
MacFarlane Partners
Greystar

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Signature Insurance Group

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O'Connor Consulting Group LLC
HUD work since Nov. 2008

HUD 221 PROGRAMS:

Seneca Tower, Seattle, WA 2008
Market Study and Pre-Application

2nd and Bell, Seattle, WA 2009
Market Study and Firm Commitment
6th Avenue Apartments, Seattle, WA 2009
Market Study and Firm Commitment
Bally's Apartments, Federal Way, WA 2009
Market Study and Pre-Application
Barrett Park, Seattle, WA 2009
Market Study and Firm Commitment
Point Ruston Apartments, Tacoma, WA 2009
Pre-Application
Stone Way Village Apartments, Seattle, WA 2009, Market Study

Azure Ridge, Renton, WA, 2010
Market Study and Pre-Application
Ballard Apartments, Seattle, WA 2010
Market Study and Pre-Application
Beardslee Apartments, Bothell, WA 2010
Market Study and Pre-Application
Coleman Tower, Seattle, WA 2010
Market Study and Pre-Application
Elks on Broadway, Tacoma, WA 2010
Pre-Application
Good Pasture Island Apartments, Eugene, OR 2010, Market Study
Ivanhoe Apartments, Portland, OR 2010
Market Study
Packard Building, Seattle, WA 2010
Market Study
Pine and Belmont, Seattle, WA 2010
Market Study
Regency Park, Richland, WA 2010
Market Study and Pre-Application
River Club, Richland, WA, 2010,
Market Study and Pre-Application
Seneca Tower, Seattle, WA 2010
Market Study and Pre-Application

Smith Tower, Seattle, WA 2010
Market Study

Salpare Bay, Portland, OR 2011
Market Study
Totem Station, Kirkland, WA 2011
Appraisal

25th & McClellan St Apartments, Seattle, WA 2012, Market Study
The Baylor Apartments, Seattle, WA 2012
Market Study
Carnegie Square Apartments, Spokane, WA 2012, Market Study
Cathedral Apartments, Portland, OR 2012
Market Study
Michael Apartments, Spokane, WA 2012
Market Study
Ridpath Apartments, Spokane, WA 2012
Market Study
Spyglass Hill, Bremerton, WA 2012
Market Study
NW 17th and Front St., Portland, OR 2012
Market Study

Oasis Village Apartments, Caldwell, ID 2013
Market Study
Junction Flats, Seattle, WA 2013
Market Study
Asheville Apartments, Boise, ID 2013
Market Study
Cantabria Apartments, Boise, ID 2013
Market Study
Ridgecrest Commons, Nampa, ID 2013
Market Study
Silver Oakes Apartments, Meridian, ID 2013
Market Study
Cordillera Apartments, Boise, ID 2013
Market Study

725 Broadway, Tacoma, WA 2014
Market Study
Boise MSA Apartment Market, ID 2014
Market Study
Central Park Apartments, Moses Lake, WA 2014,
Market Study
Ridpath Club Apartments, Spokane, WA 2014,
Market Study

Sullivan's Gulch, Portland, OR 2014
Market Study
Old City Hall Apartments, Tacoma, WA 2014
Market Study
Chapel Hill, Pimlico Drive, Pasco, WA 2014
Market Study
Post Falls Apartments, Post Falls, ID 2014
Market Study

725 Broadway, Tacoma, WA 2015
Market Study
219 1st Avenue North, Seattle, WA 2015
Market Study
Sullivan's Gulch, Portland, WA 2015
Market Study
Proposed 2912 Beacon Ave. South Apartments, Seattle, WA 2015
Preliminary Market Study
The Alexis Apartments, Portland, OR 2015
Market Study
Central Park Apartments, Moses Lake, WA 2015
Market Study
402 NW 5th Avenue, Portland, OR 2015
Preliminary Market Study
5th & Idaho Apartments, Boise, ID 2015
Market Study
Ridgecrest Commons, Nampa, ID 2015
Market Study
Chapel Hill, Pimlico Drive, Pasco, WA 2015
Market Study
Post Falls Apartments, Post Falls, ID 2015
Market Study
Sonata East, Seattle, WA 2015
Market Study
Silver Oakes, Phase II, Meridian, ID 2015
Market Study
Proposed 25th & McClellan Apartments, Seattle, WA 2015
Market Study

Avalon Apartments, Seattle, WA 2016
Market Study
Mt. Baker Station Apartments, Seattle, WA 2016
Market Study
Marysville Senior Apartments, Marysville, WA 2016
Brief Market Study
Park Place Apartments, Bellingham, WA 2016
Market Study
Chapel Hill, Pimlico Drive, Pasco, WA 2016
Market Study
Evergreen Pointe Apartments, Bremerton, WA 2016
Market Study
Sonata East, Seattle, WA 2016
Market Study
5th & Idaho Apartments, Boise, ID 2016
Market Study Update

Mt. Baker Station Apartments, Seattle, WA 2017
Market Study
320 Queen Anne Apartments, Seattle, WA 2017
Market Study
Park Place Apartments, Bellingham, WA 2017
Market Study
Beacon Station Apartments, Seattle, WA 2017
Market Study
123 Third Apartments, Seattle, WA 2017
Market Study
Admiral Station Apartments, Seattle, WA 2017
Market Study
Junction Landing Apartments, Seattle, WA 2017
Market Study
Tahoma Vista Village, Tacoma, WA 2017
Appraisal
MLK Apartments, Tacoma, WA 2017
Market Study
Beacon Station Apartments, Seattle, WA 2017
Updated Market Study
Esterra Park Apartments, Redmond, WA 2017
Market Study
Junction Landing Apartments, Seattle, WA 2017
Updated Market Study
Mickelberry Apartments, Silverdale, WA 2017
Market Study

HUD 223 PROGRAMS:

Highlander Apartments, Portland, OR 2009
Shangri La Apartments, Klamath Falls, OR 2009
Tahoma Terrace Apartments, Tacoma, WA 2009

Glenridge Place Apartments, Klamath Falls, OR 2010
Heatherwood/Ladera Apartments, Tukwila, WA 2010
Kently Pointe Apartments, Kent, WA 2010
Packard Building, Seattle, WA 2010
Plaza 44 Apartments, Lynnwood, WA 2010
Pyramid Pointe Apartments, Tukwila, WA 2010
Rainier Pointe Apartments, Fife, WA 2010
Veranda Green, Seattle, WA 2010

Kawabe House, Seattle, WA 2011
Lake City Senior Apartments, Seattle, WA 2011
Mable Swan Manor, Yakima, WA 2011
The Parker Apartments, Portland, OR 2011
Stillaguamish Apartments, Seattle, WA 2011

Brittany Lane Apartments, Lacey, WA 2012
Creekside Apartments, Clackamas, OR 2012
College Glen Apartments, Lacey, WA 2012
Davis Pointe Apartments, Boise, ID 2012
Executive Estates, Fairbanks, AK 2012
Four Freedoms Apartments, Seattle, WA 2012
Greentree Apartments, Seattle, WA 2012
Heritage Woods Apartments, Seattle, WA 2012
Hill Crest Apartments, Seattle, WA 2012
Lake City Senior Apartments, Seattle, WA 2012
Marion Court Apartments, Bremerton, WA 2012
Northwest Pointe Apartments, Boise, ID 2012
Rivergreen Apartments, Gladstone, OR 2012
Swiss Gable Apartments, Kent, WA 2012
Westridge Apartments, Bellevue, WA 2012
Willows Court Apartments, Seattle, WA 2012

Abbey Rowe Apartments, Olympia, WA 2013
Arabella Apartments, Shoreline, WA 2013
Balfour Place, Seattle, WA 2013
Illumina Apartments, Seattle, WA 2013
Loyal Heights Manor, Seattle, WA 2013
Marion Court Apartments, Bremerton, WA 2013
True Vine Senior Center, Tacoma, WA 2013
Ventana Apartments, Seattle, WA 2013
Zachary Park Apartments, Portland, OR 2013
Burke-Gilman Place, Seattle, WA 2013
Rent Comparability Study
Lake City Senior Apartments, Seattle, WA 2013
Pre-Application Section 231
Lowman Building Apartments, Seattle, WA 2013

Kenyon House Apartments, Buckley, WA 2014
Rent Comparability Study
Willina Ranch Apartments, Bothell, WA 2014
Appraisal
English Village, Coeur d'Alene, ID 2014
Rent Comparability Study
Stonebrook Apartments, Renton, WA 2014
Appraisal

Village Green Apartments, Port Orchard, WA 2015
Rent Comparability Study
Mountain View Apartments, Bozeman, ID 2015
Appraisal
Minerva Plaza Apartments, Portland, OR 2015
Rent Comparability Study
McKinley Apartments, Portland, OR 2015
Rent Comparability Study

Hutchison House, Issaquah, WA 2016
Appraisal
Heritage Apartments, Bremerton, WA 2016
Rent Comparability Study
Homestead Apartments, Kent, WA 2016
Rent Comparability Study
Benson East Duplexes, Kent, WA 2016
Rent Comparability Study
Tahoma Vista Village, Tacoma, WA 2016
Appraisal

Provail Burke Gilman, Seattle, WA 2017
Rent Comparability Study
River Terrace Apartments, Auburn, WA 2017
Rent Comparability Study
Loyal Heights Manor, Seattle, WA 2017
Rent Comparability Study
Loyal Heights Manor, Seattle, WA 2017
Appraisal

HUD 231 PROGRAMS:

Lake City Senior Apartments, Seattle, WA 2015
Appraisal
Marysville Senior Apartments, Marysville, WA 2015, Market Study

HUD 241 PROGRAMS:

Westridge Apartments, Bellevue, WA 2015
Market Study
Westridge Apartments, Bellevue, WA 2016
Market Study

Brian R. O'Connor, MAI, CRE

O'Connor Consulting Group, LLC
500 Union St, Suite 650
Seattle, WA 98101
Phone: 206.622.5100

Professional Designation

Brian R. O'Connor received his MAI designation in May 1996 and is certified as a General Real Estate Appraiser for the State of Washington, License No. 270-11 1100 529. He is also a State Certified General Appraiser for the State of Oregon (License No. C001024) and a Certified General Appraiser for the State of Idaho (License No. CGA-3315).

Brian R. O'Connor has been inducted into the membership of The Counselors of Real Estate and has been awarded the CRE designation as of November 2014.

Experience

Thirty-one years experience as Market Analyst and Fee Appraiser. Market study experience is concentrated in evaluating local economic conditions and forecasting future demand for multifamily housing and commercial space. Principal author of the Seattle Metropolitan Area Apartment Market Report. Since 1985, the majority of his appraisal experience has been concerned with commercial mixed use and urban residential buildings in Seattle, Bellevue, and Everett, Washington.

Mr. O'Connor, with support from his associates, has provided a wide variety of development feasibility analysis that was intended to solve for equity requirements, financial returns and land residual values. Mr. O'Connor has also developed an extensive expertise in performing complex feasibility and investment analysis for multiple types of commercial properties.

Examples of the more complex properties analyzed are mixed-use rental housing, high rise condominiums, marinas, retail, and office properties, as well as historical preservation easements.

Mr. O'Connor is the only MAI Appraiser in Washington State that is listed in the National Certificate Registry by the Appraisal Institute for "Appraising Historic Preservation Easements." Since 2008, Mr. O'Connor has appraised four historic preservation properties within the tri-county region.

Mr. O'Connor has been qualified as an expert witness concerning various commercial property developments in King, Pierce, and Thurston counties.

Education

University of Washington, Seattle; Two Years Graduate Studies, Economic Geography, 1984-85.

University of Washington, Seattle; Bachelor of Arts in Economic Geography. Graduated 1983 with distinction, Cum Laude and Phi Beta Kappa.

Continuing Education Courses

Conference, Appraisal Institute, Fall Real Estate Conference, 2017
Conference, Counselors of Real Estate, Midyear Meetings, 2017

Seminar, Appraisal Institute, Critical Thinking in Appraisals, 2016
Seminar, Appraisal Institute, Corridor Valuations, 2016
Conference, Appraisal Institute, Fall Real Estate Conference, 2016
Seminar, Appraisal Institute, Point Ruston, The Asarco Copper Smelter & the Appraiser's Role in Litigation Involving Contaminated Properties, 2016
Seminar, Appraisal Institute, Extreme Appraising, 2016
Course, Appraisal Institute, Supervisory Appraiser/Trainee Appraiser Course, 2016
Course, Appraisal Institute, National USPAP Update Course, 2016

Conference, Counselors of Real Estate, Midyear Meetings, 2015
Seminar, Appraisal Institute, The Emerging Marijuana Industry and its Impact on Real Estate, 2015
Course, Appraisal Institute, Supervisory Appraiser/Trainee Appraiser Course, 2015

Seminar, Appraisal Institute, 'Perspectives on Tax Appeals' with Chapter Receptions, 2014
Conference, Appraisal Institute, Fall Real Estate Conference, 2014
Seminar, Appraisal Institute, Going Concerns and Multidisciplinary Appraisals, 2014
Seminar, Appraisal Institute, Extreme Appraising, 2014
Course, Appraisal Institute, National USPAP Update Course, 2014

Seminar, Appraisal Institute, Hotel Valuation Topics and Real World Analysis Case Studies, 2013
Course, Appraisal Institute, Washington Real Estate Law for Appraisers, 2013
Seminar, Appraisal Institute, Business Practices and Ethics, 2013
Course, Appraisal Institute, National USPAP Update Course, 2013

Fall Real Estate Conference, Appraisal Institute, 2012
Seminar, Appraisal Institute, Appraising for Lenders in the New Economy, 2012
Course, Appraisal Institute, National USPAP Update Course, 2012

Seminar, Appraisal Institute, Fundamentals of Separating Real Property, Personal Property, 2011
Seminar, Appraisal Institute, Business Practices and Ethics, 2011

Seminar, Appraisal Institute, Regulatory Takings: Legislative & Judicial Overview, 2010
Seminar, American Bankers Association, Distressed and Depressed Values, 2010
Seminar, Appraisal Institute, Fall RE Conference 2010
Seminar, Appraisal Institute, Lending World in Crisis-What Clients Need, 2010
Seminar, Appraisal Institute, Multi-Family & Single Family Update, 2010
Seminar, Appraisal Institute, Regulatory Takings: Legislative & Judicial Overview, 2010
Course, Appraisal Institute, National USPAP Update, 2010

Seminar, Appraisal Institute, Appraising Distressed Properties, 2009
Seminar, Am. Bankers Assoc, Appraisals of Real Property in Distressed Markets, 2009
Course, Appraisal Institute, Appraising Historical Preservation Easements, 2009

Seminar, Appraisal Institute, Construction Seminar, 2008

Seminar, Appraisal Institute, USPAP Update Course, 2006

Seminar, Appraisal Institute, Mathematical Modeling, 2005
Seminar, Appraisal Institute, The Role of Technology in Commercial Real Estate, 2005
Seminar, Appraisal Institute, 7-Hour National USPAP Update course, 2005
Seminar, Appraisal Institute, Current and Emerging Trend in the PS Office Market, 2005
Seminar, Appraisal Institute, Mortgage Fraud Case Studies, 2005

Seminar, Appraisal Institute, Current and Emerging Trends in the PS Ind. Market, 2004

Seminar, Appraisal Institute, Security and Confidentiality for Appraisers, 2003
Seminar, Appraisal Institute, USPAP part B, 2003
Seminar, Appraisal Institute, Appraisal Consulting, 2003

Seminar, Appraisal Institute, Appraising the Tough Ones, 2002

Seminar, Appraisal Institute, Attacking & Defending an Appraisal in Litigation, 2001
Seminar, Appraisal Institute, Partial Interest, Divided and Undivided, 2001
SSP-A, Appraisal Institute, Standards of Professional Practice, Part A, 2001

Seminar, Appraisal Institute, Land Use and Planning, 2000

Seminar, Appraisal Institute, Washington Landlord-Tenant Act Overview, 1999
Seminar, Appraisal Institute, Commercial Lease Fundamentals and Applications, 1999
Course 430, Standards of Professional Practice, Part C, 1999
Course 720, Appraisal Institute, (Condemnation Advanced Principles), 1999
Course 710, Appraisal Institute, (Condemnation Basic Principles), 1999

Rockwell Institute, Real Estate Law, 1997

Seminar, Appraisal Institute, (Appraising Retail Properties), 1996
Seminar, Appraisal Institute, (Understanding Limited Appraisals), 1996

Course 11, Appraisal Institute, (Report Writing and Valuation Analysis), 1993
SSP-B, Appraisal Institute (Standards of Professional Practice, Part B), 1993

SSP-A, Appraisal Institute, (Standards of Professional Practice, Part A), 1991

Course 10, Appraisal Institute, (Market Analysis of Real Estate), 1989
Course 2-1, Appraisal Institute, (Case Studies in Real Estate Valuation), 1989

Course IB-B, Appraisal Institute, (Capitalization Theory and Techniques, Part B), 1988
Course IB-A, Appraisal Institute, (Capitalization Theory and Techniques, Part A), 1988

Course IA-2, Appraisal Institute, (Basic Appraisal Principles and Techniques), 1986
Course IA-1, Appraisal Institute, (Real Estate Appraisal Principles), 1986

Volunteer Associations

Second Vice President of the North Seattle Baseball Association
Our Lady of the Lake School Finance Committee Member
Four years as CYO youth soccer coach
Five years as CYO youth basketball coach

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made with the following general assumptions:

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.

2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.

3. Responsible ownership and competent property management are assumed.

4. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.

5. All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.

6. It is assumed that there are no hidden or unapparent conditions of the property subsoil or structures that render it more or less valuable. No responsibility is assumed for such conditions, or for arranging for engineering studies that may be required to discover them. In this appraisal assignment, the existence of potentially hazardous material used in the construction or maintenance of the building, which may or may not be present on the property, has not been considered except as noted. The appraisers are not qualified to detect such substances. We urge the client to retain an expert in this field if desired.

7. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.

8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the appraisal report.

9. It is assumed that all required licenses, certificated of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

10. It is assumed that the use of the land and improvements is within the boundaries of the property lines of the property described and that there is not encroachment or trespass unless noted in the report.

11. The distribution, if any, of the total valuation in this report between land and improvements applies only under the state program of use. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

12. Possession of this report, or a copy thereof, does not carry with it the right of publication.

13. The appraisers, by reason of this appraisal, are not required to give further consultation or testimony, or be in attendance in court with reference to the property in question, unless arrangements have been previously made.

14. Neither all nor any part of the contents of this report (especially the conclusions as to value, the identity of the appraisers, or the firm with which the appraisers are connected) shall be disseminated to the public through advertising, public relations, news, sales or other media without the prior written consent and approval of the appraiser.

15. Disclosure of the contents of this report is governed by the By-Laws and Regulations of the Appraisal Institute.

16. All dimensions and legal descriptions are assumed to be correct as found in public records, surveys, or other sources furnished to the appraisers.

17. Except as noted, this appraisal assumes the site to be free of adverse soil conditions which would prohibit development of the property to its Highest and Best Use, using typical construction methods, or result in premature deterioration of the improvements.

18. Except as noted, this appraisal assumes the improvements to be fee of dry rot and insect and/or rodent infestation and mechanical and/or electrical dysfunction.

19. While various approaches to value and various mathematical calculations have been used in estimating value, there are but aids to the formulation of the opinion of value expressed by the appraiser in this report. In these calculations, certain arithmetical figures are rounded to the nearest significant amount.

20. The data inclusions embodied in this appraisal are part of the whole valuation. No part of this appraisal is to be used out of context and by itself alone. No part of this appraisal is necessarily independently correct, being only part of the evidence on which the final judgment regarding the value is based.

21. This appraisal pertains to surface rights only, and no analysis has been made regarding the value of subsurface rights, if any, or whether the property is subject to surface entry for the exploration or removal of such materials.

22. The appraisal is made in accordance with the standards of the Appraisal Institute.

23. This report shall be used only in its entirety, and no part shall be used in conjunction with any other study and is invalid if so used.

24. This report, in whole or in part, may not be used for the sale of shares or similar units or ownership or any form of securities without specific prior approval of Brian R. O'Connor, MAI. No part of this appraisal may be reproduced without permission of Brian R. O'Connor, MAI.

25. This report is prepared based on the assumption that the property is not, nor will it be, in violation of the National Environmental Policy Act, State Environmental Policy Act, Shoreline Management Act, or any and all similar government regulations or laws.

26. The value premises cited above are considered foundational and basic to the values reported herein, and the right is reserved to revise and/or rescind the appraisal opinions in the event that factual information as presented is modified to any extent.

27. These are standard assumptions and limiting conditions. Occasionally, a property has unique attributes which require one or more assumptions unique to that property and/or appraisal. If required, they are found in the "Definitions" section near the front of the report under the heading "Assumptions."

28. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. We have not knowledge of the existence of such material s on or in the property. Further, we are not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.