Capitol Hill Apartment Market Analysis

Prepared for:

Sound Transit

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Executive Summary

The purpose of the assignment is to assess the demand for multi-family housing on Sound Transit's Capitol Hill Light Rail Station properties, looking forward to 2015.

Market Rate Apartments

Regional Apartment Market

There are 213,556 existing apartment units locate in the region. Of this number, 6.2% are currently vacant. It is anticipated that vacancy will gradually improve as the economy recovers and by 2014 it is expected to be in the 4% to 5% range. Job creation drives the demand for new apartments, with roughly one new unit needed for every 8 jobs created. Over the next five years it is anticipated that 24,000 new rental apartments will be needed in the region.

Secondary Apartment Market

The Seattle neighborhoods of Belltown, Capitol Hill/Eastlake, Central, First Hill, Madison/Leschi and Queen Ann constitute Seattle's close-in market or the Secondary Market Area (SMA). There are an estimated 153,502 people living within the SMA, up from 138,722 in 2000. There are currently 83,858 households in the SMA, a figure that is expected to increase to 90,205 by 2015.

Of the 83,858 total households, 56,502 or 67% are renter households. A total of 25,448 or 43% of renter households, rent units in apartment buildings with 20 or more units.

The vacancy rate for apartment units within the SMA is 4.73% and for units built since 2000 vacancy is currently 4.79%. The average rent for apartment units built since 2000 within the SMA is $1,471 per unit or $1.87 per square foot, down from a fall 2008 peak of $1,608 per unit or $2.14 per square foot.

Primary Market Area

The 12 census tracts surrounding the Capitol Hill Station are used to define the subject's Primary Market Area (PMA). There are currently 58,557 people living within the PMA, up 9% from 53,779 in 2000. The population is expected to grow by 2,751 to 61,308 by 2015. There are currently 31,056 households in the PMA of which 23,624 or 76% are renters. Of this figure, 9,412 or 40% are in apartment buildings that are 20 units and larger.

Demand

In the PMA the 25 to 34 age group consists of 9,124 households or 39% of the total renter households; the 35 to 44 age group consists of 4,458 households or 19% of the total renter households; and the under 25 age group consists of 3,309 households or 13% of the total renter households.

The 25 to 34 year age group is expected to grow by 605 households by 2015, making it the fastest growing segment. This group can be characterized as smaller households who are moving into the housing market. The majority have incomes of less than $100,000 making them more likely to be renters. This also the group that is looking for alternatives to owning automobiles and is most likely to rent units in transit oriented developments.

The demand for apartments comes from two sources. The first is rollover or people moving in and out of apartments, which is expected to account for 4,976 of the apartment renter households by 2015. The second is new apartment renter households entering the market in 2015, expected to be 108. After adjusting for vacancy, combined these figures represent demand for 5,351 units in 2015.

Supply

Within the PMA there are currently 9,956 market rate apartment units in buildings with 20 or more units. During the last ten years, 1,675 new units have been added in the PMA, or an average 168 units per year. After accounting for demolitions and conversions to condominiums or other uses, total inventory has only increased by 105 units or 11 units per year. Within the Capitol Hill and First Hill submarkets there are currently 389 units under construction and scheduled for completion in 2010 and, while some new projects are in the early stages of planning, no units are actually scheduled for completion in 2011 and beyond.

Vacancy and Rent Forecasts

The vacancy rate for all apartments in the PMA is 4.84% and for units built since 2000, vacancy currently stands at 3.98%. It is anticipated that vacancy will experience a slight increase in the short term as two large projects come on line, however, by 2015 most of the new inventory will have been absorbed and vacancy rates will be in the 4% and 5% range.

The average rent for apartment units in the PMA, built since 2000, is $1,292 per month or $1.81 per square foot, down from a fall 2008 peak of $1,398 per month or $1.91 per square foot. In the newest projects in the PMA rental rates currently exceed $2.00 per square foot. Rental rates generally run inversely to vacancy and are expected to return to positive growth once the current excess of new inventory is absorbed, sometime in 2011 or 2012. Beyond 2012, as the apartment market expands, rental rates are likely to increase rapidly for several years, which bodes well for new construction.

Absorption

An apartment project constructed at the Capitol Hill Station will consist of new units, offering superior amenities, and have location advantages including immediate access to transit. Because newer properties almost always lease up at the expense of older properties, adequate demand is likely to exist to fill a new apartment project. With annual demand for apartments in the PMA equal 5,351 units in 2015, it is reasonable to expect a new project could absorb 5% of the annual apartment demand or 268 market rate units.

Unit Mix and Size Distribution

A well accepted apartment development risk management practice involves creating a range of unit sizes and configurations to cater to several market segments. The unit mix distribution found in apartment's built since 2000 within the PMA demonstrates this practice; 26% studios, 44% one bedroom units, 24% two bedroom units, and 6% other units.

The appropriate unit mix and size distribution, as shown in the table below, for a market rate apartment project at the Capitol Hill Station is based on current vacancy, demographic trends, and comparable projects in the area.

Unit Type	Unit Mix	SF/Unit
Studio	33%	475
1 Bedroom/1 Bath	44%	675
2 Bedroom/2 Bath	23%	875
Overall Project Avg.	*100%*	*655*

Affordable Family Housing

Supply and Demand

Within the Close-in or Secondary Market Area (SMA), there are 17,177 households qualified to rent income restricted units under 60% of Area Median Income (AMI), and only 8,554 units serving this group, suggesting substantial unmet demand.

A common technique used by affordable housing analysts to determine which segments are underserved, is to measure the penetration rate at specific income levels in contrast to the demand. The market penetration rates within the SMA is currently 63% at the 30% AMI level, 6% at 40% of AMI, 13% at 50% of AMI, and 23% at the 60% of AMI, suggesting a need for additional housing at all income levels.

Absorption

The data suggest that the annual demand for income restricted units in the SMA will equal 9,982 units in 2015. It is anticipated a new project located in the SMA could absorb 3% of annual affordable apartment demand, or 299 units.

Unit Mix & Size Distribution

Modern mixed income apartment projects do not differentiate between market rate and affordable unit mix and size distribution, accordingly the appropriate unit mix is consistent with the market rate unit mix table above.

Affordable Senior Housing

Supply and Demand

Currently, there are only 1,792 units in the SMA operating under all of the affordable housing programs that are restricted to seniors. Of the 17,117 income qualified renter households under to 60% of AMI (all ages) within the SMA, 4,878 are qualified to rent units dedicated as affordable senior housing. The senior housing market penetration rate is currently 37%, suggesting ample unmet demand.

Absorption

Total annual household renter demand in the year 2015 is estimated to be 2,015 income restricted units. A new project located at the Capitol Hill Station could be expected to capture 9% of the annual demand, or 181 units.

Unit Mix & Size Distribution

The table below outlines the recommended unit mix and size distribution for an affordable senior project built at the Capitol Hill Station. The unit mix reflects a study of comparable senior properties and input from market participants.

Units/Type	Unit Mix	SF/Unit
1 Bedroom/1 Bath	65%	520
2 Bedroom/1 Bath	35%	710
Overall Project Avg.	*100%*	*587*

Conclusion

Assuming no new unknown projects are completed, it is anticipated that by 2015 demand for new market rate apartment units located on Capitol Hill will exist to support a new project. In addition, demand for income restricted apartments, both family and senior units, will exist in 2015. Feasibility analysis, based on project specific conceptual design work, is the subject of additional study.

Assignment Purpose

The purpose of the assignment is to assess the demand for multi-family housing on Capitol Hill and is being completed in anticipation of Sound Transit disposition of its properties located at the Capitol Hill Light Rail Station. The scope of work involves the evaluation of supply and demand characteristics of the following real estate products.

1. Market Rate Apartments
2. Income Restricted Family Housing
3. Income Restricted Senior Housing

Future work can utilize the results of this study to determine the appropriate product mix, test physical feasibility, and measure financial feasibility of a proposed project.

Property Description

Sound Transit's Capitol Hill Station properties are located in the heart of the Capitol Hill Neighborhood on Broadway Avenue East, just south East Denny Way, as shown on the image below. The properties are generally described as follows:

The first property consists of one full block, bounded by East Denny Way, Broadway Ave East, East John, and 10^{th} Avenue East, herein referred to as Parcels A and B. The site measures approximately 360 feet long and 256 feet wide and totals 92,160 square feet.

The second property consists of a partial block, located on the SE intersection of Nagle Place and East Denny Way, referred to as Parcel C. The site measures approximately 180' long and 128' feet wide and totals 23,040 square feet.

The third property, measuring 15,360 square feet, is located on the west side of Broadway starting approximately 60' south of East Denny Way, referred to as Parcel D. The property details are summarized in the following table.

Property details are summarized in the table below:

Parcel Description	Address	Partial Legal Description	Acres	SF
Parcel A & B	100 Broadway East	Block 45/Nagle's Addition/ Addition 2nd	2.1	92,160
Parcel C	1830 Broadway	North Por of Block 35/Nagle's Add	.53	23,040
Parcel D	1827 Broadway	Por of Block 34 / Nagle's Add	.35	15,360

Zoning

The properties are located within the Neighborhood Commercial 3 (NC3) zone and within the Capital Hill Station Area Overlay District. The southernmost parcel lies within the Major Institution Overlay for Seattle Central Community College. Parcels fronting on Broadway and Broadway East within the northern parcels are also zoned Pedestrian (P). The basic height limit for all of the properties is 40 feet. For parcels fronting on Broadway and Broadway East, the maximum building height may be extended to 65 feet, provided all uses above 40 feet are residential, per SMC 23.47.012(A)2.

Regional Apartment Market

Introduction

The regional apartment market is composed of King, Snohomish, and Pierce Counties, which are divided into 56 neighborhood submarkets. The following regional market analysis is based in part on Dupre+Scott Apartment Advisors Inc. survey data.

Demand

Dupre+Scott Apartment Advisors "The Apartment Advisor" December 2009 characterizes demand in the Puget Sound Region (King, Pierce, Snohomish, Kitsap, and Island counties) as follows:

Employment Forecast

The March employment forecast from Conway Pedersen Economics shows our region will add jobs every quarter of 2010. Those quarterly gains will add up to 21,000 more jobs this year. The new job forecast also shows the region added 3,300 jobs in the first quarter.

Between 2010 and 2015 the latest jobs forecast predicts the region will add 206,000 jobs, that's 33,000 more jobs than Conway Pedersen's last quarter forecast.

Demand Forecast

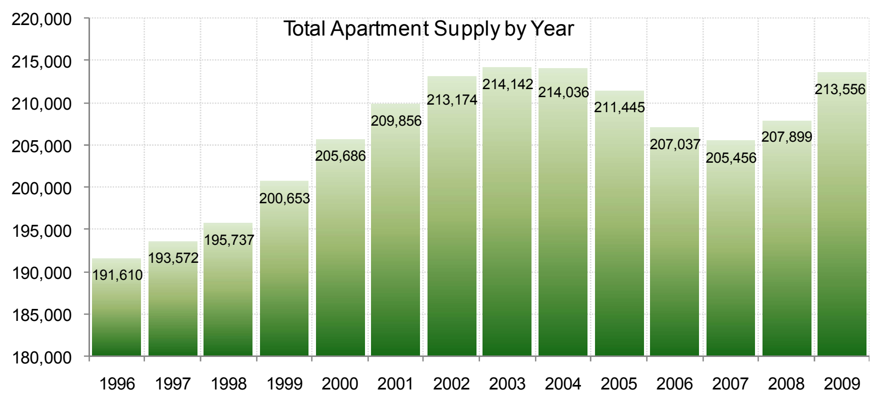
There is a relationship between apartment demand and job growth. There are 1.75 million jobs in King, Pierce, Snohomish, Kitsap, and Island counties, and just over 205,000 occupied apartments in 20-unit and larger properties in the same area. That works out to 8.5 jobs for every occupied apartment.

Based on this relationship, and the "Conway Pedersen Economic Forecaster" job growth forecast, it is expected that there will be demand for about 24,000 additional rental apartment units over the next five years. The jobs-to-demand rule-of-thumb is a guide only, but a useful one. Jobs are not the only factor adding or subtracting demand for apartments. Population growth, net migration, income, demographic changes, and other factors all impact the demand for apartments. Rent, home prices, and interest rates also impact rental housing demand. Still, employment is a major factor in increasing, or reducing apartment demand.

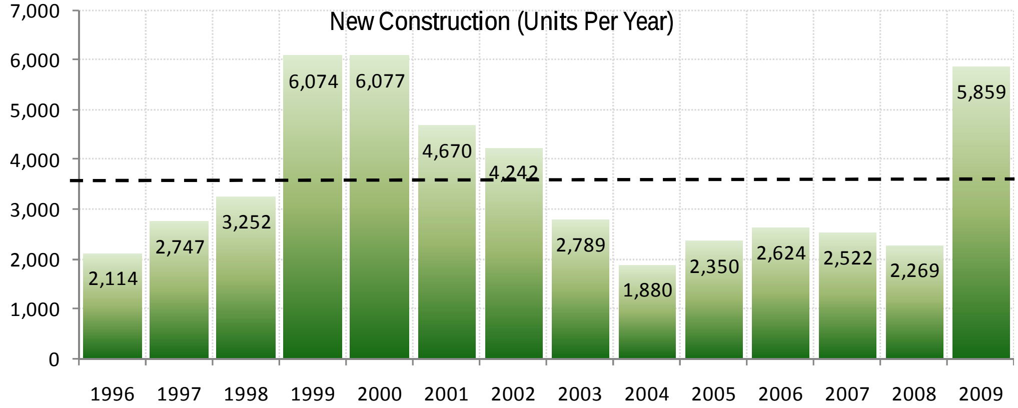
The Puget Sound Region should see the population of 20-34 year olds increase in number by 83,000 between 2010 and 2015. This is important, as the majority of this population rent. In the past five years this age group grew by 63,000 people. During this period of time, an abnormally large share of this group bought condominiums and single family homes instead of renting. Going forward, more stringent financing requirements will cause a larger portion of this age group to rent.

Supply

There are 213,556 are apartment units in buildings 20 units and larger in the King, Pierce and Snohomish counties (not including vacancy). The graph below shows the change in inventory since 1996.

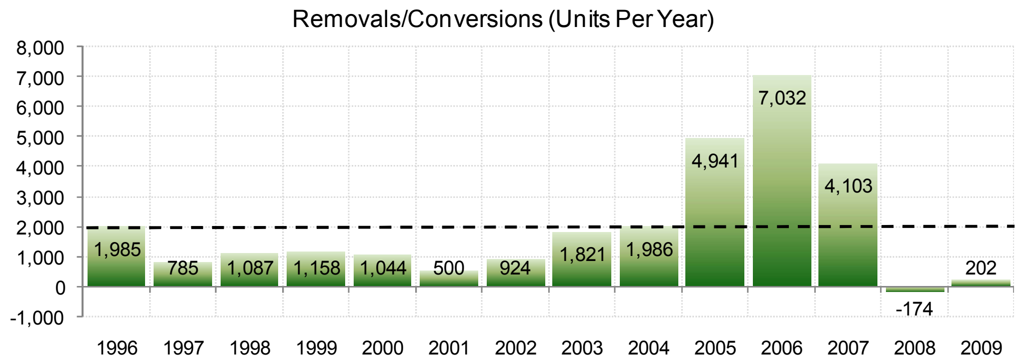


Since 1996, new construction has averaged 3,543 apartment units per year in the region, as shown in the graph below. From 2003 to 2008, this rate decreased to an average of 2,406 units per year, before substantially increasing in 2009 to 5,859 new units delivered.



As shown on the graph below, offsetting new construction is the loss of apartment units as a result of demolition or conversion to other uses. Between 1996 and 2005, demolitions/conversions have averaged 1,254 units per year in the region. From 2005 to 2007, this rate spiked to an average 5,359 units per year, which had the effect of decreasing the overall inventory. This loss of units was mostly driven by condominium conversions which grew from about 50% of removals to more than 80% during this period.

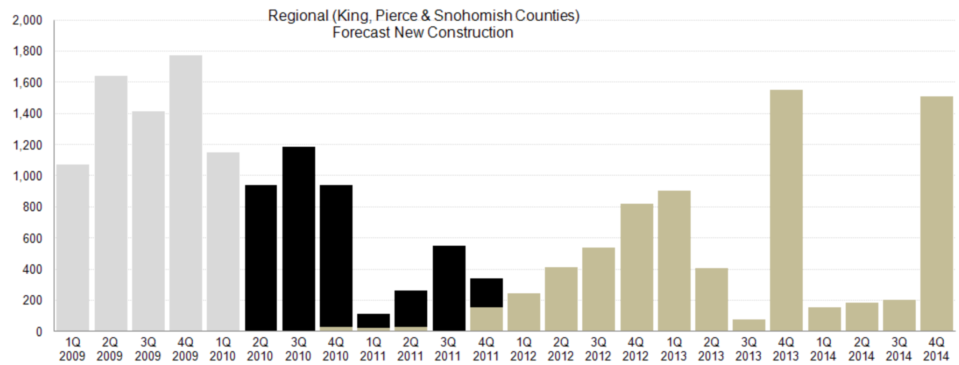
From 2004 to 2007, 19,173 units were pulled out of the market. This set the overall apartment inventory in 2007 back to the 2000 level. In 2008, this trend reversed as condominium units were converted back to apartments or taken out of the supply for affordable housing purposes.



Future Supply

Beginning in 2007 and continuing until the recession hit in late 2008 new apartment construction became feasible in the vacuum left by the collapse of the condominium market. This spurred a number of new recent apartment deliveries including projects still under construction.

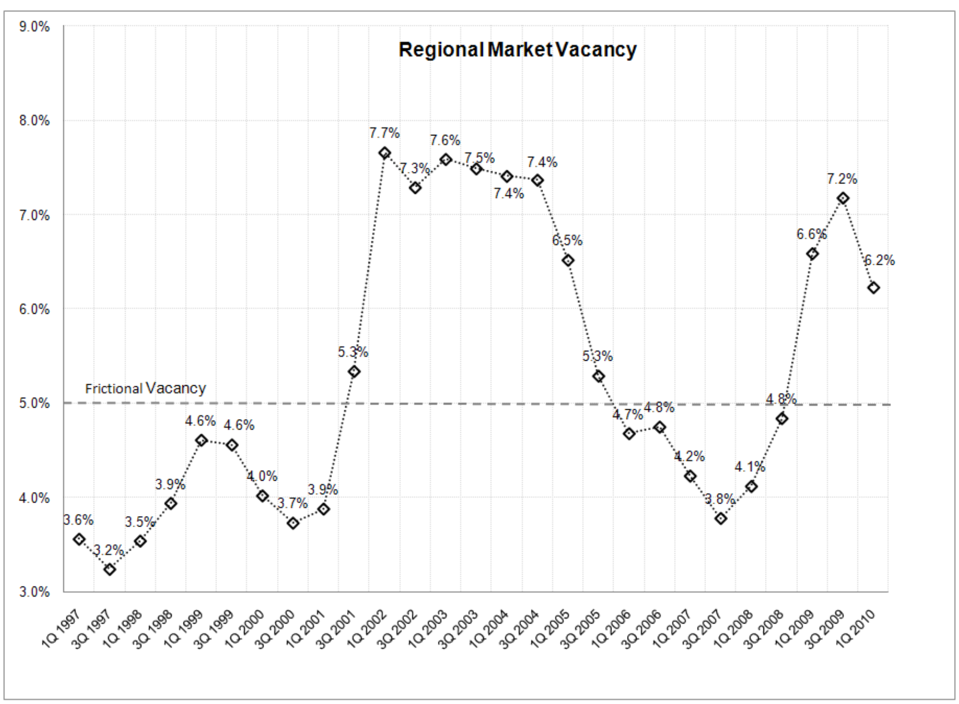
The latest Dupree+Scott figures show that 5,859 new units were brought to market in 2009. Currently there are 4,092 units under construction of which 3,036 units are expected to open in the last three quarters of 2010. The remaining 1,056 units currently under construction are scheduled for delivery in 2011. There are a very limited number units planned for 2011. In fact, According to Dupree+Scott, 2011 will be the lowest level of production in 40 years. The majority of known projects in planning are scheduled for 2012 and beyond.



	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014
Completed	1,074	1,639	1,413	1,771	1,150	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Under Construction	0	0	0	0	0	937	1,187	912	90	233	551	182	0	0	0	0	0	0	0	0	0	0	0	0
Planned Construction	0	0	0	0	0	0	0	28	21	30	0	156	243	415	540	822	905	406	75	1,552	153	184	200	1,506

Vacancy

When vacancy is 5% a market is considered to be in equilibrium (sometimes referred to a frictional vacancy. When vacancy is less than 5% supply is constrained and when vacancy is in excess of 5% it is oversupplied. In 1997, the regional apartment market was strong for apartment building owners with vacancy of only 3.2%. By 2002 vacancy had increased to 7.7% and by 2007 vacancy returned to a low of 3.8%. In the third quarter of 2009 vacancy rose to 7.2% and it stands at 6.2%.

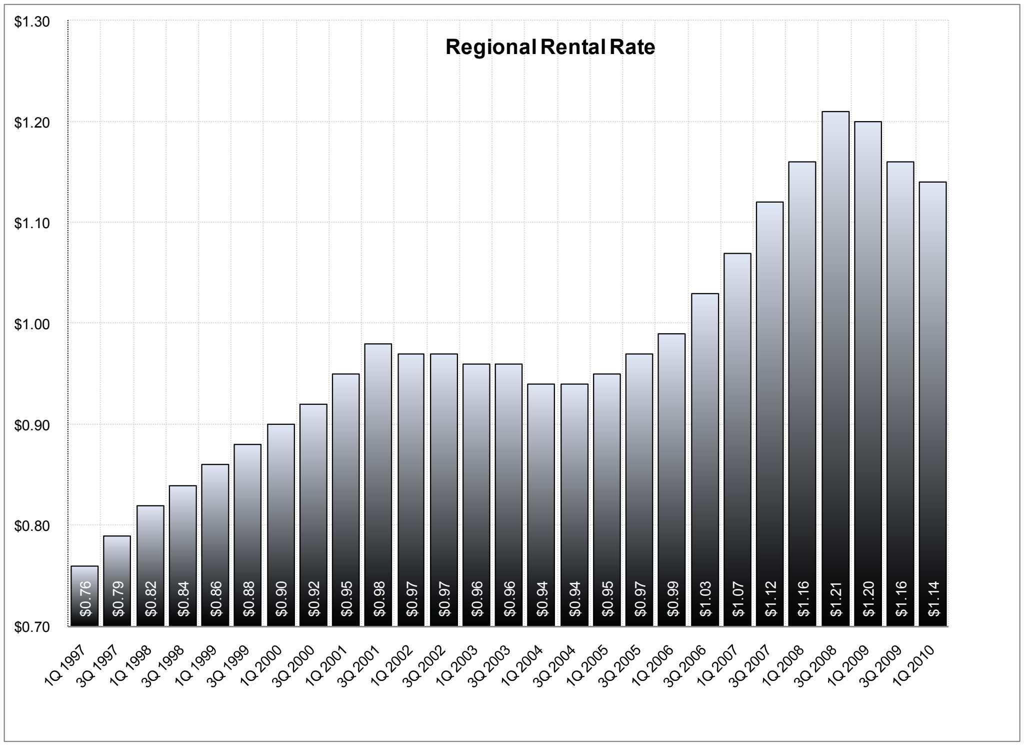


As shown in the table below, during the first quarter of 2009, the regional vacancy rate was 6.6%. One year later, as of the first quarter 2010, vacancy decreased to 6.2% This is a measure of the "market" vacancy, which excludes units in lease-up and those undergoing significant renovation. Including these units, the "gross" market vacancy is 7.3%. The greatest changes were in King County - Eastside where vacancy decreased from 6.6% to 5.0% and in Pierce County where the vacancy increased from 6.0% to 7.5%.

	Market Vacancy		
SubRegion	**1Q 2010**	**1Q 2009**	**Change**
King - Seattle	5.2%	5.5%	-0.3%
King - Eastside	5.0%	6.6%	-1.6%
King - South	7.2%	7.6%	-0.5%
King County	6.0%	6.7%	-0.7%
Snohomish County	5.7%	6.8%	-1.1%
Pierce County	7.5%	6.0%	1.6%
Tri-County	**6.2%**	**6.6%**	**-0.4%**

Rental Rates

In 1997, apartment rental rates in the region averaged $0.76 per square foot. As shown in the graph below, as of the first quarter 2010, they stand at $1.14 per square foot of rentable apartment area. The change reflects an average compounded annual increase of about three percent per year.

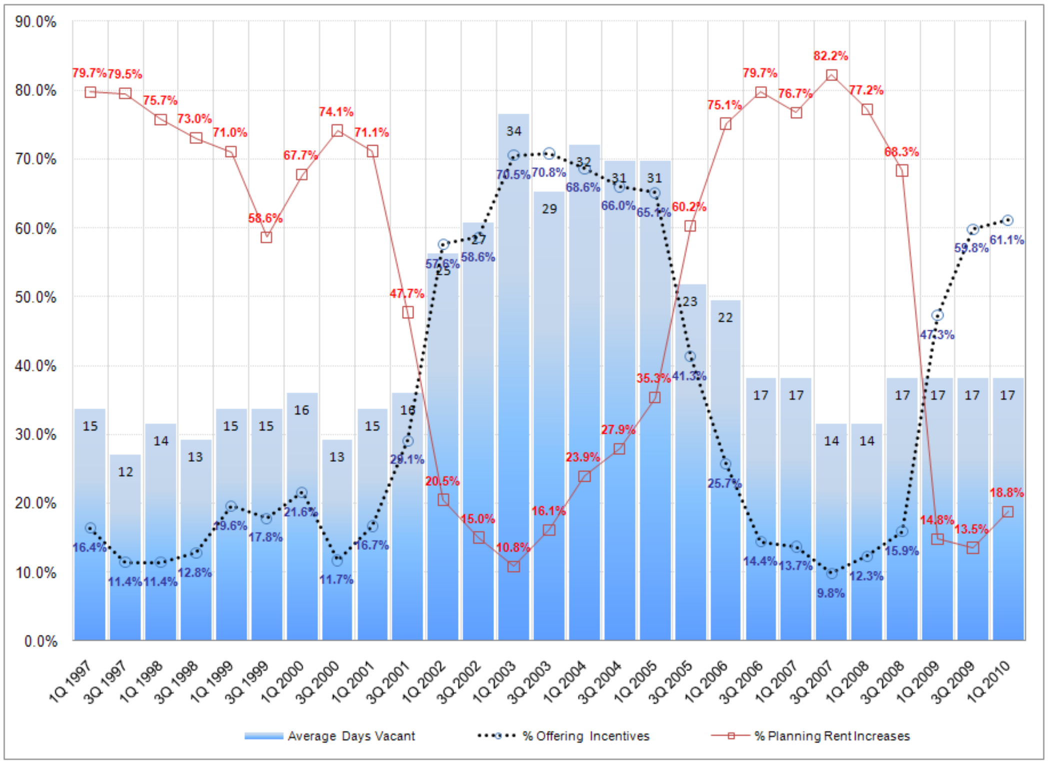


The following table shows rental rates by unit type and averages for all unit types as of the first quarter of 2010. Rental rates by county were $1.20 per square foot in King County, $.99 in Snohomish County, and $0.97 in Pierce County. Seattle rents are the highest in the region, averaging $1.55 per square foot, followed by Eastside at $1.27 per square foot.

	Spring 2010 Average Rent Rates					
SubRegion	All	Studio	1BR	2BR/1BA	2BR/2BA	3BR/2BA
King - Seattle	$1.55	$1.77	$1.49	$1.37	$1.46	$1.45
King - Eastside	$1.27	$1.66	$1.34	$1.22	$1.23	$1.20
King - South	$1.02	$1.37	$1.11	$1.00	$0.98	$0.97
King County	$1.20	$1.67	$1.33	$1.18	$1.18	$1.15
Snohomish County	$0.99	$1.30	$1.08	$0.96	$0.93	$0.98
Pierce County	$0.97	$1.36	$1.03	$0.91	$0.93	$0.93
Tri-County	$1.14	$1.64	$1.26	$1.10	$1.13	$1.09

Concessions

The graph below shows average number of days a unit is vacant, the percent of managers offering incentives, and the percentage of managers planning rent increases. Over the past six months, the percentage of property managers anticipating increasing rent increased slightly to 18.8% from 13.5%. At the same time those properties offering concessions increased slightly to 61.1% from 59.8%. Regionally, the average giveaway is $743 (averaging about 3 weeks free rent); equivalent to a further 6.3% loss in revenue. Combined, rent reductions plus concessions reflect a downward impact of more than 10% to a property's revenue on average.



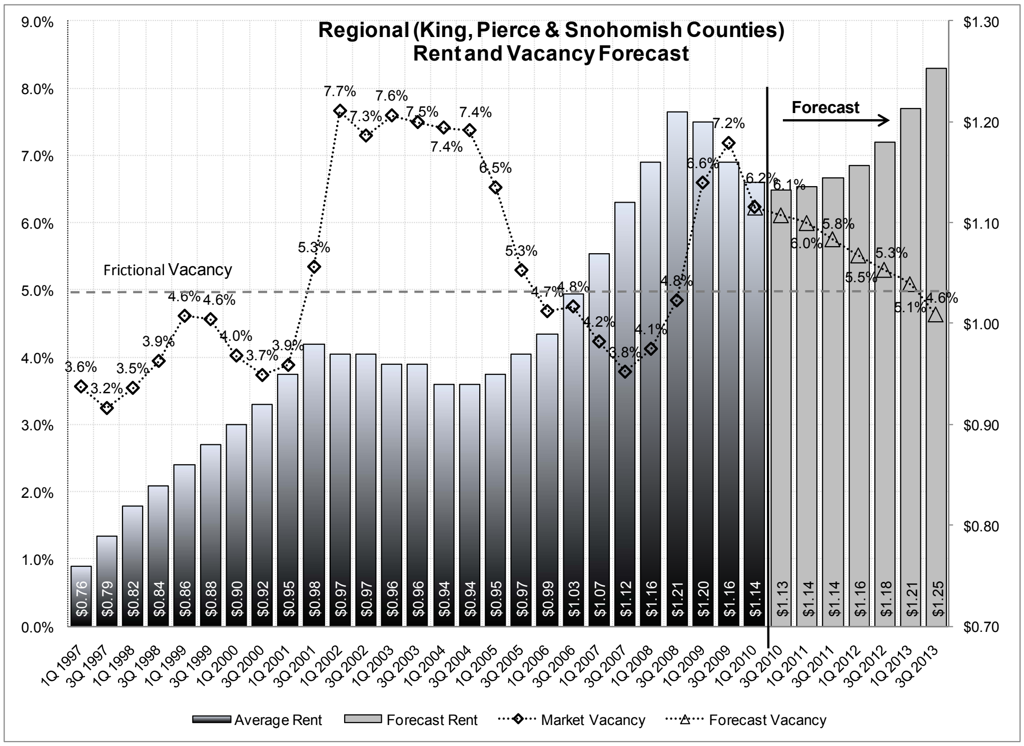
Rent and Vacancy Forecast

As shown in the graph below, vacancy rates generally have an inverse relationship with changes in rent; as vacancy rates increase the rate of rent growth generally decreases. During the last recessionary period for the apartment market, 2001 to 2004, regional vacancy remained in the mid seven percent range. Over the same period, rents dropped from $0.98 to $0.94 per square foot per month – a decrease of about 4.1%.

The apartment market has again moved into the recessionary phase of the real estate cycle. The regional vacancy rate increased from 4.8% in the fall of 2008 to 7.2% a year later. Over the last 24 months, the average rent has dropped to from $1.21/sf to $1.16/sf – a loss of 2.1% annually.

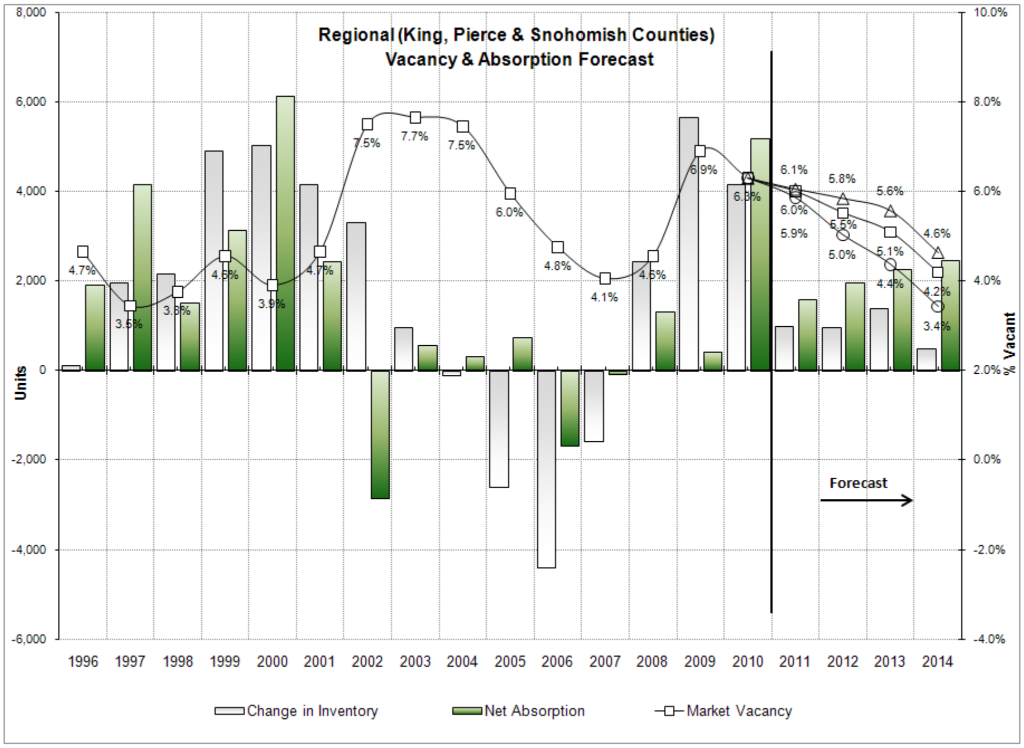
Improvement is on the horizon however; the latest economic forecasts show positive employment growth occurring in the second quarter 2010 with slow but gradual (1.9%) growth in 2011 and 2.8% growth in 2012. This is an improvement from the previous forecast which indicated 1.8% growth in 2011 and 2.1% growth in 2012. At the same time, very little new construction is projected through 2012. Given these assumptions our forecast calls for gradually decreasing vacancy rates through 2013.

Over the past two years, market vacancy has exceeded long term equilibrium and property managers have struggled to maintain occupancy while apartment revenue deteriorated. As such, the market favored the renter with landlords reducing rents along with increased use of concessions. This trend is forecast to shift going into 2011 with positive rent growth gradually returning along with decreasing use of concessions.



Absorption

The graph below forecasts vacancy and absorption based on projected employment and population growth, and projected future supply. When the net "change in inventory" exceeds "net absorption" (i.e. the change in occupied space) market vacancy increases. The forecast applies baseline, optimistic and pessimistic assumptions to the 'employment based' anticipated demand and projected apartment completions. Based on these assumptions, regional vacancy is forecasted to continue decreasing gradually from its 2009 peak of 6.9%, to between to between 3.4% and 4.6%, (4.2% considered most likely) by the end of 2014.



Risks to Forecast

This forecast is a function of both the timing and magnitude of the anticipated turnaround of the economy primarily relating to employment growth. The other item impacting future demand is the amount of inventory delivered. At this time it is reasonable to assume that most projects already under construction will be completed. The forecast of timing and completion of the planned projects beginning in 2012 and beyond is less certain. The market looks favorable for new construction in the coming years, with a less than normal supply anticipated in 2011 and 2012.

Investment Activity

Sales in the Puget Sound Region slowed to an anemic pace in 2009. Over the past 18 months, lenders have become considerably more cautious and are requiring greater participation by investors. With more stringent financing and continued low cap rates, there is virtually no positive leverage, which is a factor in the slowing transaction volume.

In 2009 the region ended the year with 51 apartment sales reflecting a combined sales volume of about $336 million. This compares to the $1.52 billion in sales in 2008 (106 sales) reflecting a year over year decrease in transactional volume of 78%.

The average actual capitalization rate has edged up from 5.3% to 6.2% in the past year, showing where the trend is headed. Part of the increase in capitalization rates is the increased equity requirements in the available financing, but also the moderated forecasts of rent growth and a return of a risk factor in the overall rates. Close-in apartments should be one of the better product categories as overbuilding was less of an issue and demand has remained relatively strong. There is still a very large amount of capital out there looking for real estate investments, and apartments are one of the favored classes looking forward to a normalization of the market.

The table below summarizes the regional investment market since 2000.

Regional Investment Overview

Item	County	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	YTD '10
No. of Sales	King	83	72	82	80	105	177	158	132	67	29	3
Total Units	King	6,620	5,487	7,820	5,815	10,127	16,713	13,331	11,089	8,072	2,235	488
Avg. Price/Unit	King	$73,724	$77,185	$81,025	$78,721	$87,056	$105,719	$126,640	$135,378	$135,838	$129,904	$108,943
Avg. Price/SF	King	$101.40	$107.42	$106.30	$110.77	$120.58	$137.72	$164.74	$184.81	$178.27	$160.65	$157.38
Avg. Age	King	1967	1969	1973	1970	1972	1974	1974	1971	1974	1976	1988
Cap Rate (Act.)	King	7.4	7.6	7.4	6.9	6.1	5.6	5.1	4.7	5.1	6.0	6.6
Avg. Rent/SF	King	$1.00	$1.09	$1.10	$1.11	$1.10	$1.14	$1.19	$1.23	$1.27	$1.36	$1.57
Avg. Expense/Unit	King	$3,159	$3,315	$3,606	$3,526	$3,691	$4,109	$4,073	$4,077	$4,288	$4,376	$4,682
No. of Sales	Snohomish	16	24	19	15	24	43	43	27	17	6	0
Total Units	Snohomish	1,055	2,907	1,262	1,448	2,702	5,507	5,051	2,955	2,191	184	0
Avg. Price/Unit	Snohomish	$62,123	$64,884	$62,697	$64,942	$70,505	$77,856	$85,755	$111,955	$110,832	$85,231	$0
Avg. Price/SF	Snohomish	$71.46	$70.72	$72.59	$73.81	$85.16	$82.76	$99.89	$127.28	$127.80	$101.52	$0.00
Avg. Age	Snohomish	1982	1984	1983	1987	1981	1986	1981	1984	1982	1981	0
Cap Rate (Act.)	Snohomish	8.3	7.9	7.8	7.2	6.4	5.8	5.4	5.1	5.4	6.1	0.0
Avg. Rent/SF	Snohomish	$0.84	$0.85	$0.88	$0.86	$0.89	$0.87	$0.90	$0.99	$1.01	$1.00	$0.00
Avg. Expense/Unit	Snohomish	$3,152	$3,426	$3,522	$3,595	$3,601	$4,152	$3,979	$4,101	$3,975	$4,360	$0
No. of Sales	Pierce	43	29	34	54	38	50	49	34	22	16	2
Total Units	Pierce	2,447	1,633	2,029	3,543	1,815	3,371	3,617	2,096	1,351	747	45
Avg. Price/Unit	Pierce	$35,653	$34,790	$39,803	$42,837	$48,912	$54,830	$72,965	$63,101	$78,240	$66,602	$61,979
Avg. Price/SF	Pierce	$50.44	$47.40	$55.11	$60.59	$65.37	$76.21	$92.91	$91.77	$100.49	$84.24	$107.66
Avg. Age	Pierce	1968	1972	1968	1969	1974	1975	1969	1970	1966	1965	1951
Cap Rate (Act.)	Pierce	8.7	8.9	7.9	7.8	7.3	6.4	6.0	5.8	5.9	6.5	7.1
Avg. Rent/SF	Pierce	$0.71	$0.74	$0.72	$0.83	$0.82	$0.85	$0.89	$0.93	$0.95	$1.02	$1.12
Avg. Expense/Unit	Pierce	$2,710	$2,920	$2,864	$3,014	$3,167	$3,302	$3,443	$3,505	$3,723	$3,971	$3,098
No. of Sales	Region	142	125	135	149	167	270	250	193	106	51	5
Total Units	Region	10,122	10,027	11,111	10,806	14,644	25,591	21,999	16,140	11,614	3,166	533
Avg. Price/Unit	Region	$60,889	$64,988	$68,064	$64,329	$75,998	$91,858	$109,088	$119,368	$119,874	$104,789	$90,158
Avg. Price/SF	Region	$82.60	$86.45	$88.67	$88.86	$102.93	$117.58	$139.51	$160.37	$154.03	$129.72	$137.50
Avg. Age	Region	1969	1973	1973	1971	1974	1976	1974	1973	1974	1973	1973
Cap Rate (Act.)	Region	7.9	8.0	7.6	7.3	6.4	5.7	5.3	4.9	5.3	6.2	6.8
Avg. Rent/SF	Region	$0.90	$0.96	$0.99	$0.98	$1.00	$1.04	$1.08	$1.15	$1.16	$1.22	$1.39
Avg. Expense/Unit	Region	$3,028	$3,243	$3,429	$3,344	$3,563	$3,976	$3,936	$3,992	$4,119	$4,265	$4,048

Source: Online Investment Report [Dupre+Scott] surveyed on 03/29/2010

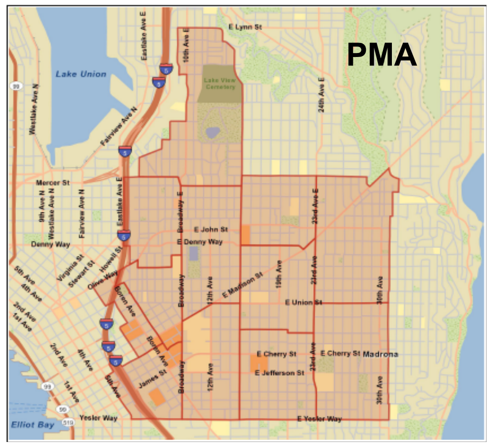
Conclusion

The regional apartment market appears to be reaching an inflection point with slow but gradual improvement anticipated as 2010 progresses. Employment appears to be stabilizing. At the same time, very little new construction is projected with 2011 forecasted to be one of the lowest apartment production years on record. Given these assumptions, our forecast calls for gradually decreasing vacancy rates through 2013. In recent months, property managers have struggled to maintain occupancy while apartment revenue deteriorated. Consequently, the market has favored the renter with landlords reducing rents along with increased use of concessions. This trend is forecast to shift going into 2011 with positive rent growth gradually returning, along with decrease use of concessions.

Market Area Definition

Primary and Secondary Market Area

The primary market area (PMA) is the geographic area that provides the majority of demand (i.e. renter households) to support multifamily properties. For this analysis, the 12 census tracts surrounding the subject are used to define the subject's primary market area. The Secondary Market Area (SMA) is made up of the following Seattle neighborhoods as defined by Dupree+Scott Apartment Advisors; Belltown, Capitol Hill/Eastlake, Central, First Hill, Madison/Leschi and Queen Anne.



Demographic Analysis - SMA

This section is an analysis of the demographics of the SMA. An analysis of the SMA is important for providing context to a more in-depth analysis of the PMA demographics.

Population

Housing needs are determined by characteristics of existing and projected population. For this analysis, current estimates and forecasts are based on ESRI figures as viewed and reported by CCIM's STBD.com (a leading industry data resource) during March 2010.

There are currently an estimated 153,502 people living within the SMA, up from 138,722 in 2000. This figure is forecast to grow to 163,022 by 2015, representing an annual growth of 1.01% or 1,587 people each year between 2009 and 2015.

Household Size

In the SMA, the total number of households is expected to increase from its current total of 83,858 households to 90,205 households in 2015. The average household size in the SMA decreased from 1.86 people in 2000 to 1.83 people in 2009 and is expected to decrease further to 1.81 people by 2015.

Percentage of Renter Households

In the 2000 census, renter households accounted for 68.1% of all households in the SMA. Renter households currently account for 67.4% of all households, however it is forecasted that the percentage of renter households will rise again to 68.4% by 2015.

Percentage Renter by Age

The highest concentration of renter households by age in the SMA, according to the 2000 census, is those under 25 years old, with approximately 96% of all households in this age category renting. This concentration gradually drops off until the age of 65, as the head of the household gets older and is more likely to own their home. The propensity to rent begins to increase at age 65 as empty nesters downsize to apartments.

Existing Renter Households by Age

Existing renter households within the SMA is dominated the 25 to 34 year old age group. The 25 to 34 group consists of 20,304 households or 36% of the total renter households; the 35 to 44 age group consists of 10,287 households or 18% of the total renter households; and the 45-54 year old age group consists of 7,354 households or 13% of the total renter households. Combined, these three age groups account for about 67% of the total renter households within the SMA.

Projected Renter Households by Age

By 2015 the 25-34 year old age group is expected to increase by 2,329 renter households and make up 26% of the total renter households within the SMA. The 35-44 age group is forecasted to drop by 341 households, and represent 16% of the total renter households. The 45-54 year old group is forecasted to increase by 523 households, and represent 13% of the total renter households.

Apartment Renter Households

Of the 56,502 current renter households, 25,448 households or 43%, rent units in apartment buildings 20 units and larger.

Vacancy and Rental Rates

The vacancy rate for market rate apartment units within the SMA for all units is currently 4.73% and for units built since 2000 the vacancy is 4.79%.

The average rent for apartment units built since 2000 within the SMA is $1,471 per unit ($1.87 per square foot), down from a fall 2008 peak of $1,608 per unit ($2.14 per square foot).

Demographic Analysis - PMA

Demographic characteristics vary widely across the region; accordingly, careful demographic analysis of the PMA is critical to understanding market depth and demand for housing.

Population

Housing needs are determined by characteristics of existing and projected population. For this analysis, current estimates and forecasts are based on ESRI figures as viewed and reported by CCIM’s STBD.com during March 2010.

There are currently an estimated 58,557 people living within the PMA, up from 53,779 in 2000. This figure is forecast to grow to 61,308 by 2015, representing an annual growth of .77% or 459 people each year between 2009 and 2015.

Household Size

As shown in the table below, the total number of households within the PMA is expected to increase from its current total of 31,056 households to 32,815 households in 2015. The average household size remained constant at 1.89 from 2000 to 2009 and is expected to decrease to 1.87 by 2015.

Base Household Demographics	Census 2000	Estimate 2009	Projection 2015
Population	53,779	58,557	61,308
Household Size	1.89	1.89	1.87
Households	28,512	31,056	32,815

Percentage of Renter Households

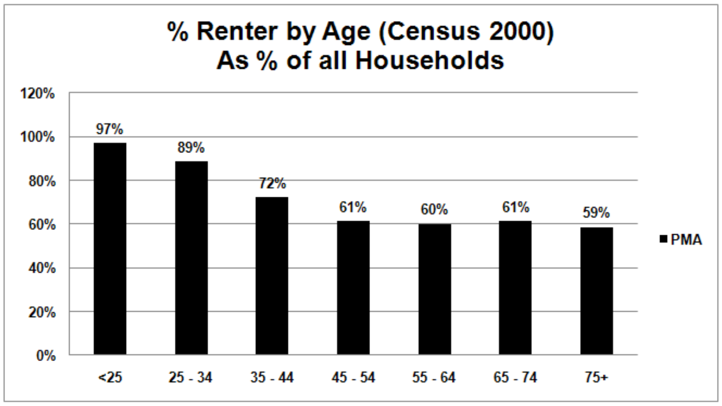
In the 2000 census, renter households accounted for 77% of all households in the PMA. Renter households currently only account for 76.1% of all households, however it is forecasted that the percentage of renter households will rise again to 77% by 2015.

As shown in the table below, in the subject's PMA, the total number of renter households is forecasted to increase from 23,624 in 2009 to 25,248 by 2015. This represents a total increase of 1,624 renter households between 2009 and 2015.

Base Household Demographics - PMA	Census 2000	Estimate 2009	Projection 2015
Households	28,512	31,056	32,815
Percentage Renter	77.0%	76.1%	77.0%
Renter Households	21,943	23,624	25,248
Net New Renter Demand (2009-2015)			1,624

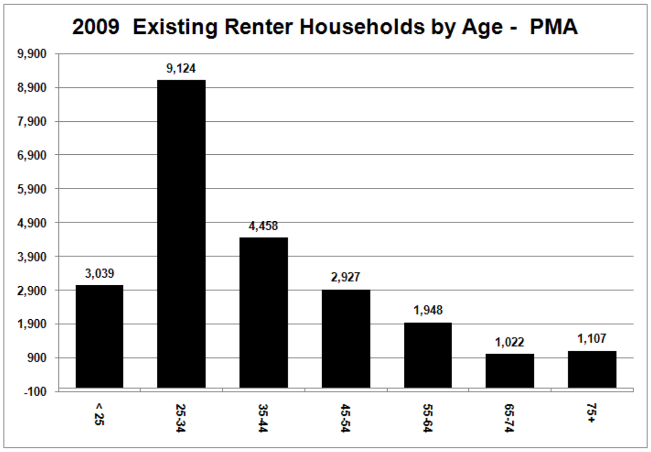
Percentage Renter by Age

As shown in the following graph, the highest concentration of renter households in the PMA by age is those under 25 years old, with approximately 97% of all households in this age category renting. This concentration gradually drops off as the head of the household gets older and is more likely to own their home. The propensity to rent begins to level out at age 45 and remains relatively constant from there on.



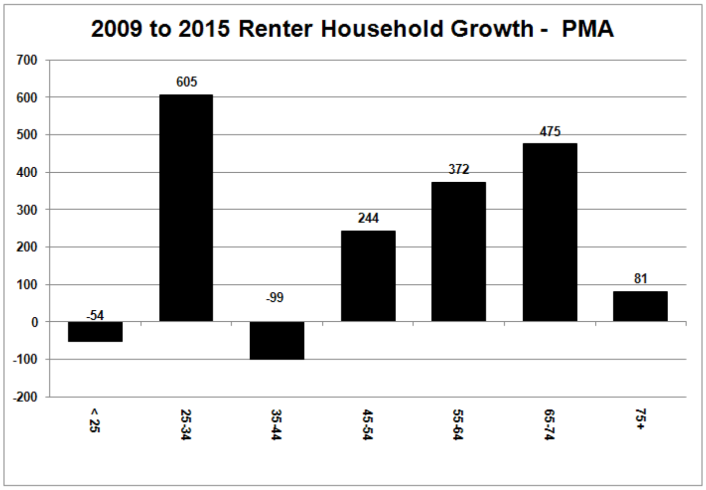
Existing Renter Households by Age

Existing renter households within the PMA is dominated the 25 to 34 year old age group. The 25 to 34 group consists of 9,124 households or 39% of the total renter households; the 35 to 44 age group consists of 4,458 households or 19% of the total renter households; and the under 25 year old age group consists of 3,309 households or 13% of the total renter households. Combined, these three age groups account for about 70% of the total renter households within the PMA. The following graph shows the number of renter households by age group.



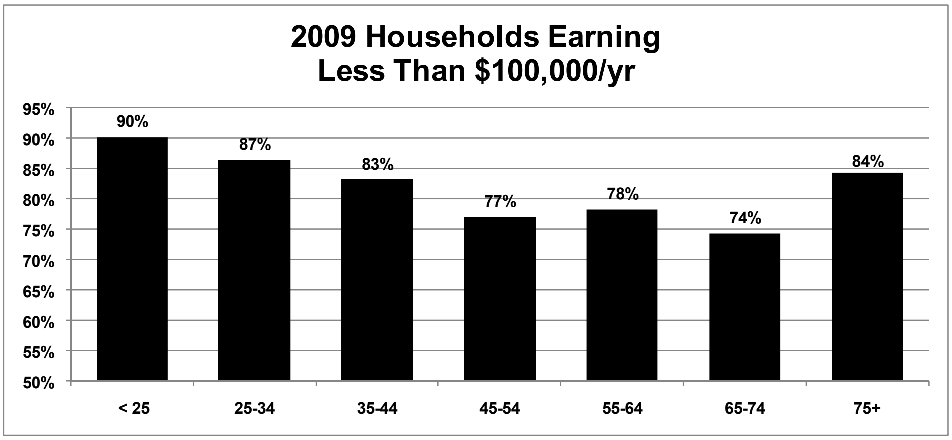
Projected Renter Households by Age

By 2015 the 25-34 year old age group is expected to increase by 605 renter households and make up 39% of the total renter households within the PMA. The 35-44 age group is forecasted to drop by 99 households, and represent 17% of the total renter households. The under 25 year old group is forecasted to drop slightly by 54 households, and represent 12% of the total renter households. The following graph shows the forecasted change in renter households by age group.



Households by Income and Age of Householder

The majority of renter households earn $100,000 or less annually. As household incomes exceed $100,000, the opportunity for renters to qualify for homeownership increases. The Chart below shows the percentage of households by age category earning less than $100,000.



Apartment Demand

Apartment rental demand in the subject's PMA is driven by two factors:

- Normal turnover of existing renter households either relocating or up/downsizing from previously occupied rental units. Historical market data suggests turnover is typically between 50% and 60%.
- Annual net new demand resulting from changes in population that translates to new household growth.

Apartment Renter Household Definition

For the purposes of this report, apartment renter households are defined as, households renting market rate apartments in buildings with 20 or more units.

Existing Apartment Renter Households

According to Dupree+Scott there are 9,412 apartment renter households within the PMA. This equates to approximately 40% of the 23,624 total renter households.

Projected Apartment Renters Households

For the purposes of this analysis it is assumed that the ratio of apartment renters to total renters remains constant through 2015, at approximately 40%.

As shown in the table below, the number of apartment renter households is forecasted to grow from 9,412 households in 2009 to 10,059 households in 2015, an increase of about 1.1% or 108 apartment renter households annually.

Base Household Demographics - PMA	Estimate 2009	Projection 2015	Annual Growth Rate 2009-2015
Population	58,557	61,308	0.77%
Household Size	1.89	1.87	-0.15%
Households	31,056	32,815	0.92%
Percentage Renter	76.1%	77.0%	0.19%
Renter Households	23,624	25,248	1.11%
Existing Apartment Renter Demand (2009)*	**9,412**	**10,059**	**1.11%**

** Apartment buildings with 20+ units*

Apartment Demand 2015

As shown in the table below, to determine the existing number of households demanding apartments in 2015, a 50% turnover rate is applied to the total number of existing apartment renter households.

The additional households forecasted to enter the market in 2015 are then added to the existing demand, to arrive at the annual apartment renter household demand in 2015.

For a balanced market, an ideal 5% frictional vacancy rate is added to the annual household renter demand. The result is an annual household renter demand equal to 5,351.

Total Apartment Renter Demand (2015)		
Existing Apartment Renter Household (2009)		9,412
Additional Apartment Renter Households* (2009 - 2014)	+	539
Existing Apartment Renter Household (2015)		9,951
Apartment Turnover Rate	x	50%
Existing Apartment Renter Household Demand (2015)		4,976
Additional Apartment Renter Households (2015)	+	108
Total Annual Renter Household Demand (2015)		5,084
Frictional Vacancy Adjustment	+	5%
Total Annual Household Renter Demand Including Adjustment		5,351

Years 2010-2012 include projects currently under construction or completed as indicated by Dupree and Scotts New Construction Table. Year 2013 no new supply added. Years 2014 and 2015 based on 10 year historic averages.

Apartment Supply

Existing Inventory

There are currently 9,956 apartment units in the PMA. As shown in the table below, the annual net change in market rate apartments (number of units added/lost) over the last ten years has been 11 units annually.

On average, 168 units have been added to the PMA inventory annually during the last ten years. These units include both new construction and units converted from other uses to market rate apartments. Over the same ten year period, on average, 157 apartments have been demolished or converted from market rate apartments to condominiums or income restricted units.

		Ten Year Total	No. of Years	Annually
Reconversions		87	10	9
New Units	+	1588	10	159
New Supply		1675	10	168
Conversions/ Demolitions/ Subsidized	-	1570	10	157
Net change		105	10	11

Apartment Development

The following table identifies planned, under construction, and recently completed projects within the Capitol Hill and First Hill Submarkets. According to Dupree and Scott, there currently 389 units under construction and scheduled for completion in 2010 and no units scheduled for completion in 2011. There are 2,085 known units planned for development within these submarkets. It is not know how many or when the planned projects will begin construction.

Submarket	Status	Units	End Construction	Project Name	Address	Owner/Developer
Central	Planned	100	6/1/2012		412 Broadway Avenue	Valencia Capital Management
Capitol Hill/Eastl	Planned	75	1/1/2020		1222 E Pine Street	Teshome Family LLC
Capitol Hill/Eastl	Planned	104	1/1/2020		1222 E Madison Street	Wallace Properties Inc.
Capitol Hill/Eastl	Planned	235	4/1/2013		224 Broadway Avenue E	RD Merrill Company
Capitol Hill/Eastl	Under Const.	295	8/1/2010	Joule	523 Broadway Avenue E	Essex Property Trust
Capitol Hill/Eastl	Planned	79	12/1/2012		954 E Union Street	Seawest Investment Associates
Central	Planned	30	12/1/2012	Le Madison	2305 E Madison Street	CR Waterman Company LLC
Capitol Hill/Eastl	Planned	60	3/1/2014	1424 11th Avenue	1424 11th Avenue	Dunn & Hobbes LLC
Capitol Hill/Eastl	Planned	45	1/1/2013	West Side	801 E Thomas Street	WRP Associates
Capitol Hill/Eastl	Planned	78	12/1/2013		1650 E Olive Way	Pacific Crest Property Mgmt
Capitol Hill/Eastl	Under Const.	94	4/1/2010	Broadway	1650 Broadway	Hunters Capital
Central	Planned	92	1/1/2020		2203 E Union Street	JC Mueller
Central	Planned	96	1/1/2020		2051 E Madison Street	JC Mueller
Central	Planned	222	1/1/2020		2026 E Madison Street	JC Mueller
Capitol Hill/Eastl	Planned	84	1/1/2020	11th & Pine	1530 11th Avenue	Pryde + Johnson Urban Environments
Capitol Hill/Eastl	Planned	105	12/1/2013	1111 Madison	1111 E Union Street	J Scott Properties LLC
First Hill	Planned	23	6/1/2012	Bellevue Terrace	1623 Bellevue Avenue	
Capitol Hill/Eastl	Planned	75	7/1/2013		302 Harvard Avenue E	WRP Associates

Competing Apartment Supply

To arrive at the total number of units expected to compete with the subject, a 50% turnover rate is applied to the existing apartment supply in 2015. Then the new apartment supply forecasted to come on line in 2015 is added to this figure, resulting at a total annual competing supply equal to 5,216 units.

Competing Apartment Supply (2015)		
Existing Apartment Supply (2009)		9,956
New Apartment Supply Added (2009 - 2014)	+	456
Existing Apartment Supply (2015)		10,412
Apartment Turnover Rate	x	50%
Existing Competing Apartment Supply (2015)		5,206
New Apartment Supply Added (2015)	+	11
Total Annual Competing Supply (2015)		5,216

Existing Vacancy

The vacancy rate for market rate apartment units within the PMA is currently 4.84% or 482 vacant units out of the total 9,956 units. This is slightly higher than the ten year average vacancy rate of 4.09%. The vacancy rate for apartment units built since 2000 within the PMA is currently 3.98%.

Projected Vacancy

Vacancy in the PMA will increase slightly in the short term as two large projects, the 295 unit Joule and the 94 unit Broadway Building come on line, and as the recently completed 117 unit Chloe Building continues initial lease up. However, this bump in vacancy will not likely last long, as there are no known projects expected to come on line in 2011 and only 208 units expected to come on line annually between 2012 and

2015. Due to the dramatic change in the financial markets, it is likely that many of these planned projects won't get built. By 2015 most of the new inventory will have been absorbed and vacancy rates will remain between 4% and 5%.

Rent Distribution

According to Dupree+Scott's spring 2010 survey, the average rent for apartment units built since 2000 within the PMA is $1,292 per unit ($1.81 per square foot), down from a fall 2008 peak of $1,398 per unit ($1.91 per square foot)

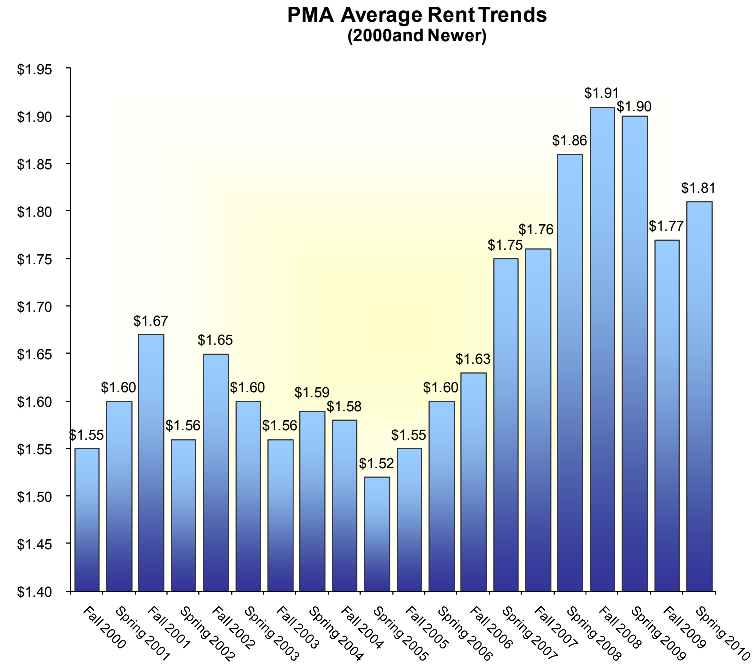
Studios built after 2000 in the PMA rent for a average of $964 per unit ($2.07 per square foot), one-bedrooms for $1,309 per unit ($1.78 per square foot), two-bedroom/one-baths for $1,522 per unit ($1.70 per square foot), two-bedroom/two-baths for $1,545 per unit ($1.67 per square foot) and three-bedroom/two-baths for a median $2,104 per unit ($1.85 per square foot).

The table below reflects a survey of comparable properties completed since 2006 within the PMA, It illustrates the fact that good quality new construction can expect higher rental rates than the average building built since 2000.

Project Name	Location	Year Built/ Renovated	Studio Avg.Rent $/SF	1 Bed Avg.Rent $/SF	2Bed/1Bath Avg.Rent $/SF	2Bed/2Bath Avg.Rent $/SF
Chloe	Capitol Hill	2009	$2.31	$1.86	$2.20	$2.11
Joule	Capitol Hill	2010	$2.21	$2.09	-	$1.97
The Heights on Capitol Hill	Capitol Hill	2006	$2.10	$2.09	-	$1.93
Pearl	Capitol Hill	2008	$2.44	$2.17	-	-
The Packard	Capitol Hill	2010	$2.21	$2.18	-	-
Broadway on Broadway	Capitol Hill	2010	$2.60	$2.21	-	$2.36

Rent Trends

The graph below shows that in the spring of 2005 rental rates in the PMA reached a low point for the decade; equal to $1.52 per square foot. Between spring 2005 and fall 2008 rental rates made a steady march upward to a high of $1.91 per square foot, reflecting a 26% increase over four years. As of the spring of 2010 rental rates stand at $1.81 per square foot.



Projected Rent Forecast

Rental rates in the PMA will likely remain flat in the short term as two large projects, the 295 unit Joule and the 94 unit Broadway Building come on line, and as the recently completed 117 unit Chloe Building continues initial lease up. By early 2012, the three aforementioned projects will have been absorbed allowing rental rates, to return to positive growth.

Subject's Share of Demand

The subject's share of demand is the ratio of annual renter demand that the subject must capture to achieve a stabilized level of occupancy. It is calculated by dividing the total number of units at the subject, by the total annual apartment renter household demand. The following table shows the percentage of renter household demand that the subject would need to capture to support projects of increasing size.

Subject's Share of
Apartment Renter Demand Sensitivity

Subject's Share	Units
3%	161
4%	214
5%	268
6%	321
7%	375

Newer properties almost always lease up at the expense of older properties. An apartment project constructed at the subject will consist of new units, offering superior amenities, including immediate access to transit. If priced competitively, it is reasonable to assume that the subject could capture between 4% and 6% of the market demand. If the subject captured 5% of the demand, from a demand perspective, a 268 unit apartment project would be supported in the market.

Unit Mix

According to Dupree+Scott, the typical apartment building located within the PMA built since 2000 is made up of the following unit mix; 26% studios, 44% one bedroom units, 24% two bedroom units, and 6% other units. Vacancy rates provide an indication of which units are in the highest demand. Within the PMA 2.4% of studios built since 2000 are currently vacant, 5.1% of one bedroom units are vacant, and 4.5% of two bedroom units are vacant.

The following table details the unit configuration of a representative sample of six apartment projects built in the PMA since 2006. As shown, studios constitute 29% of the total units, one bedroom units 59%, and two bedroom units 12% of the total units. Other unit types, 3 bedrooms and larger, only make up less than 1% of the total distribution.

Location	Year Built/ Renovated	No. Units Studio	No. Units 1 Bed	No. Units 2 Bed/ 1Bath	No. Units 2 Bed/ 2Bath	No. Units Other
Capitol Hill	2009	14	80	18	5	0
Capitol Hill	2010	132	126	0	37	0
Capitol Hill	2006	35	45	0	23	1
Capitol Hill	2008	10	70	0	0	0
Capitol Hill	2010	15	41	0	0	0
Capitol Hill	2010	5	58	0	2	0
Percentage of Total		*29%*	*59%*	*3%*	*9%*	*0%*

Size Distribution

The following table details the unit sizes of a representative sample of six apartment projects built in the PMA since 2006. As shown, studio sizes range from 460 to 630 square feet in size, one-bedroom units range from 667 to 780 square feet, and two-bedroom units range from 734 to 1,304 square feet.

Project Name	Location	Year Built/ Renovated	Avg. Size Studio	Avg. Size 1 Bed	Avg. 2 Bed/ 1Bath	Avg. 2 Bed/ 2Bath
Chloe	Capitol Hill	2009	546sf	670sf	754sf	949sf
Joule	Capitol Hill	2010	504sf	741sf	-	1,163sf
The Heights on Capitol Hill	Capitol Hill	2006	460sf	667sf	-	868sf
Pearl	Capitol Hill	2008	516sf	688sf	-	-
The Packard	Capitol Hill	2010	630sf	764sf	-	-
Broadway on Broadway	Capitol Hill	2010	511sf	780sf	-	1,304sf

Parking

Parking plays a pivotal role in a new project's viability. A project that is over-parked represents funds spent unnecessarily. A project that is under-parked creates a situation where unmet parking demand spills out into the neighborhood resulting in shortages of on-street parking.

According to a study done by GVA Kidder Mathews, the vehicle per renter household ratio in the Capitol Hill/Eastlake Submarket averages .91. This compares to .51 in First Hill submarket, .82 in the Central submarket and .43 in the Belltown submarket. King County as a whole averages 1.25 vehicles per renter household.

Studies of other TOD projects located across the country provide insight into how establish the appropriate parking ratio for transit oriented development projects. The following key research findings can be useful in understanding the demand for parking.

TOD residents are typically young professionals, singles, retirees, childless households, and immigrants from foreign countries.. These groups tend to require less housing space than traditional "nuclear families", and are more likely to live in attached housing units for financial and convenience reasons, regardless of where the units are located.. Most TOD residents tend to work downtown and in other locations that are well served by transit.

Other factors affect car ownership much more than transit proximity. They are household income; number of people in a household; and the size of dwelling units. Households in the highest income category are likely to own twice as many cars as households in the lowest income category, even in areas that are well served by transit. Most TOD residents surveyed were in the moderate to low-income categories.

Studies suggest that parking reductions are feasible for multifamily rental units with smaller households (e.g., young couples, singles, and empty nesters) and where a significant share of workers is likely to use transit to get to key employment centers. An example of TOD parking ratio reductions is the City of Vancouver, BC's policy that allows parking reductions ranging from 14% to 28% from normal levels for new projects in multifamily zones near major transit stations (Skytrain).

Parking ratios for market rate multifamily residential buildings located at the subject can be lower than the average parking ratio in the PMA. Data from other local TOD projects supports a reduction in parking ratios. Given the level of transit service at the site, it is reasonable to suggest a 25% reduction in vehicle ownership, from the market .91 vehicles per household to .68 vehicles per household unit, is feasible.

Recommended Unit Mix and Size

A well accepted apartment development risk management practice involves creating a range of unit sizes and configurations to attract a broader market. Based on the forecasted demographics and comparable projects recently built within the PMA, the recommended unit mix and size distribution, for a market rate apartment project at the subject is shown in the table below.

Unit Type	Unit Mix	SF/Unit
Studio	33%	475
1 Bedroom/1 Bath	44%	675
2 Bedroom/2 Bath	23%	875
Overall Project Avg.	*100%*	*655*

Affordable Housing Market Overview

Introduction

Affordability is a relative term, defined by HUD as paying 30% or less of a household's income toward housing including utilities. According to HUD, households that pay more than 30% of their income are cost-burdened and households that pay more than 50% are severely cost burdened.

Affordable housing programs may have different definitions of affordability and income limit categories used to determine an applicant's eligibility for a program or property. Generally, affordable housing includes any housing that is affordable to households earning 80% or less of the area median income (AMI). Projects targeting incomes 80% or greater of AMI are typically financed by a projects developer. The following table describes the general nature of the income categories and common programs used in financing the categories.

	Income Category		
	Min	**Max**	**Typical Program**
Extremely Low Income	none	30%	Public Housing
Very Low Income	31%	50%	Most Tax Credit
Low Income	51%	80%	Some Tax Credit, Workforce
Moderate Income	81%	120%	
Upper Income	120%+		

Summary of Major Affordable Housing Programs

The affordable housing market is made up of several programs that essentially fall into two categories; HUD programs (public) and Low Income Housing Tax Credit (LIHTC) housing. The HUD sponsored programs date back to the post war era and have a federal focus. In 1986, the LIHTC program was established to promote private investment in affordable housing and has since become the largest affordable housing market. In the current political climate, production of new units under the older programs has been limited. The focus has trended toward preservation of existing housing, privatization of development, and decisions on housing made at the state and local levels.

HUD Assisted Programs

Major HUD assisted programs include but are not limited to the following:

Section 8 Certificate & Voucher Program

This is a HUD rent subsidy administered by the local government or local housing authorities. This program pays property owners the difference between 30% of a tenant's income and the unit rent or payment standard, whichever is lower. This program can be either project based (applied to an entire building) or in the form of vouchers given to income qualified rental households. In general, the tenant's income cannot exceed 50% of the area's median income (AMI) adjusted for family size, with exceptions up to 80% AMI. In practice, most participants have incomes less than 30% AMI.

Public Housing

Public Housing is generally operated by the local or regional housing authority, where capital costs and some of the operating costs are fully subsidized. The rent charged is based on the same formula used for HUD Section 8 assistance.

Section 202 (Elderly) & Section 811 (Disabled)

A federal program, limited to non-profit organizations, which provides affordable housing targeting elderly or disabled households (who have incomes not exceeding 50% of AMI) that combine 100% financing and Section 8 rent subsidies.

HUD 236 Program

A federal program that subsidizes the interest payments on mortgages for rental or cooperative housing owned by private nonprofit or limited-profit landlords and rented to low-income tenants.

Summary of the LIHTC Program

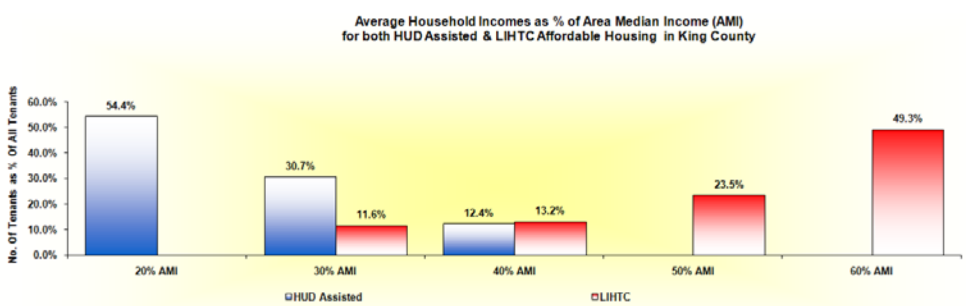
The Low Income Housing Tax Credit (LIHTC) program was established in 1986 by Section 42 of the Internal Revenue Code. Under this program, tax credits are allocated to a project based on the number of qualified low income units and the costs of development. These tax credits run ten years and offset income tax liability of the investing limited partners. These credits are typically sold (in the form of a limited partnership interest) to private investors for a dollar-for-dollar credit against federal income tax. In return, the property owners agree to indirectly subsidize rents for low-income tenants by restricting rents to maximums that are approved annually by the Department of Housing and Urban Development (HUD).

In order to qualify for the LIHTC program, several conditions must be met. First, the project owner must allocate at least 20% of the units to households within incomes at or below 50% of AMI or must allocate 40% of the units to households at or below 60% of AMI. In addition to the tenant income qualifications, the rent charged is based on 30% of the income limit for the household occupying each unit. Additionally, for utilities not provided, the rent limit must be adjusted downward by a utility allowance established by HUD or the Local Housing Authority for each unit type.

The tax credits are allocated over the first 10-year period; however, the low-income restrictions typically run for a minimum period of 30 years; the restriction periods include an initial 15 year compliance period, required by the IRS, and an additional 15 year period referred to as the extended low-income use period. During the compliance period, failure to adhere to the program specifications or reduction in the number of low income units on which the credit is based will result in recapture penalties.

Affordable Housing Residency Characteristics

The income distribution profiles between renters of LIHTC properties and HUD assisted housing differ substantially. HUD projects tend to be supported by housing subsidies to extremely low-income residents. As shown in the following figure, nearly 90% of renter households in HUD assisted housing earn less than 30% of the area median income (AMI). These renters generally consist of low-income families and seniors who receive rent subsidies from the government. LIHTC properties on the other hand, generally tend to reflect residents who earn from 30% to 60% of the area median income and are capable of meeting the rent requirements without rental subsidies. As shown, over 70% of the LIHTC units in King County target households at the 50% and 60% of AMI.



Regional Affordable Housing Inventory

The following table depicts the regional affordable housing inventory for King, Pierce & Snohomish counties as of 2007. As shown, there is a current affordable housing estimate of 48,462 units represented by 722 individual apartment projects. Of this total, 62% (30,007 units) operate under the tax credit program compared to 41% (19,937 units) that operate under the various HUD assisted programs. It should be noted that some projects operate under multiple housing programs at the same time, resulting in overlap among categories. As such, the sum of LIHTC and HUD projects exceeds 100%.

RESTRICTED RENT COMPETITIVE SUPPLY

Market Area	No. of Proj	All Units	LIHTC Units	HUD Assisted	Both HUD & LIHTC	LIHTC Only	Other Units
King Co	507	35,083	21,729	15,500	4,295	17,434	2,149
Pierce Co	100	6,099	3,343	1,870	153	3,190	1,039
Snohomish Co	115	7,280	4,935	2,567	730	4,205	508
Tri-County	722	48,462	30,007	19,937	5,178	24,829	3,696

Workforce Housing

Another market of note is the relatively new workforce housing segment. This is housing intended to appeal and be affordable to members of the workforce such as police officers, teachers, nurses and medical technicians. It generally refers to single-family detached homes for sale at prices that workforce families can afford and is generally located in or near employment centers. However, workforce families often seek alternative housing opportunities in rental apartments, including subsidized housing.

In the City of Seattle there is an incentive program called the Multifamily Tax Exemption Program. It targets 39 areas including Capitol Hill. The affordability requirements for rental projects; the tax exemption is available for all units, and a minimum of 20% of the units must be rented to households with incomes as follows:

At or below 80% of median, for studio and 1-bedroom units
At or below 90% of median for 2-bedroom and larger units

Additional restrictions apply when existing apartment units are being displaced.

Noteworthy Trends

Nationally, the trend in recent years has favored privatization and the tax credit program, while little expansion has occurred in the other affordable housing programs. In fact, many of the older HUD programs represent projects built in the 1960s through 1980s, with many in danger of falling out of the affordable housing pool as their compliance & mortgage periods come to an end. Many non profits and local housing authorities have now turned to the tax credit program as a means to acquire monies needed to cure deferred maintenance and assure these properties remain in the affordable rental housing pool.

The areas considered most likely to be developed with affordable housing tend to be those areas with easy proximity and access to employment, services, shopping and transit. This trend is anticipated to continue in the future.

Family Affordable Housing

Income restricted housing projects generally attract residents from a larger geographic area; accordingly this analysis looks at the larger secondary market area (SMA) instead of the primary market area.

Minimum and Maximum Qualifying Incomes

Income restricted rents are limited to maximums based on the unit type, number of people per unit and affordability factor (lease to income ratio of 30%). The following table summarizes the maximum allowed tax credit rent and the maximum qualifying income based on the market's income restrictions and utility basis. Also shown is an estimate of the minimum income required to afford the rent payment, assuming a reasonable lease-to-income ratio of 50%. It is important to note this percentage can vary depending on the program, lender or owner/manager.

Unit Mix	Maximum LIHTC** Rent/Mo	Maximum* Qualifying Income	Minimum Qualifying Income
30% AMI			
Studio	$442	$17,700	$10,608
1-Bedroom	$474	$18,960	$11,376
2-Bedroom/2 Bath	$569	$22,770	$13,656
40% AMI			
Studio	$590	$23,600	$14,160
1-Bedroom	$632	$25,280	$15,168
2-Bedroom/2 Bath	$759	$30,360	$18,216
50% AMI			
Studio	$737	$29,500	$17,688
1-Bedroom	$790	$31,600	$18,960
2-Bedroom/2 Bath	$948	$37,950	$22,752
60% AMI			
Studio	$885	$35,400	$21,240
1-Bedroom	$948	$37,920	$22,752
2-Bedroom/2 Bath	$1,138	$45,540	$27,312

**Maximum qualifying income published by the WSHFC*
**Maximum LIHTC Rent/Mo before utility adjustment*

As shown in the table below, the income range of renter households considered appropriate for the market's units ranges from $10,500 to $23,000 per year for units restricted to 30% AMI, $14,000 to $30,500 per year for units restricted to 40% AMI, $17,500 per year to $38,000 per year for units restricted to 50% AMI, and from $21,000 to $45,500 per year for units restricted to 60% AMI.

Restricted Income	Maximum Qualifying Income	Minimum Qualifying Income
30% AMI	$23,000	$10,500
40% AMI	$30,500	$14,000
50% AMI	$38,000	$17,500
60% AMI	$45,500	$21,000

**Rounded to the nearest $500*

Affordable Renter Households

The total number of households that qualify between 30% and 60% AMI within the SMA is currently 17,117. This number is forecasted to increase by 264 households annually through 2015, to a total of 18,702.

Affordable Renter Household Demand 2015

As shown in the table below, to determine the existing number of income qualified households demanding affordable units in 2015, a 50% turnover rate is applied to the total number of existing income qualified renter households.

The additional income qualified households forecasted to enter the market in 2015 are then added to the existing demand, to arrive at the annual income qualified renter household demand in 2015.

For a balanced market, an ideal 5% frictional vacancy rate is added to the annual demand, to arrive at total annual household demand for the SMA.

Income Qualified Renter Household Demand (30% - 60% AMI)		
Existing Renter Household (2009)		17,117
Additional Renter Households (2009 - 2014)	+	1,321
Existing Renter Household (2015)		18,438
Turnover Rate	x	50%
Existing Renter Household Demand (2015)		9,219
Additional Renter Households (2015)	+	264
Total Annual Renter Household Demand (2015)		9,483
Frictional Vacancy Adjustment	+	5%
Total Annual Household Renter Demand Including Adjustment		9,982

Subject's Share of Annual Renter Demand

The subject's share of demand is the ratio of annual renter demand that the subject must capture to achieve a stabilized level of occupancy. It is calculated by dividing the total number of units at the subject by the total income qualified renter household demand.

The table below shows the percent of renter household demand that the subject would need to capture to support projects of increasing size.

Subjects Share of Annual Renter Demand Sensitivity

Subject's Share	Units
1%	100
2%	200
3%	299
4%	399
5%	499

It is reasonable to assume that the subject's fair share of demand would be between 2% and 4%. If the subject captured 3%, from a demand perspective, a 299 unit affordable apartment project would be feasible.

Market Capture and Market Penetration Rate

A common technique used by affordable housing analysts is to measure the penetration rate and market capture based on existing demand. For this analysis, as suggested by the demand sensitivity analysis above, a project size of 299 units is used.

Capture Rate

The capture rate is the ratio of income qualified renter households in the SMA that the subject must capture to achieve a stabilized level of occupancy. It is calculated by dividing the total number of units at the subject, by the total number of income qualified renter households.

Typically, the smaller the rate, the better the chance to lease up quickly and remain occupied over time. The rule of thumb used by analysts and market participants is that if a development needs to capture more than 10% of the qualified market, the project carries some additional risk.

As shown in the table below, if 299 units restricted to 30%-60% AMI qualified renters were built at the subject, the capture rate would only be 2%. As the income qualification levels narrow however, the capture rate increases, rising to a maximum of 5% at the 30% AMI level.

Subject Capture Rate - SMA	@ 30% AMI	@ 40% AMI	@ 50% AMI	@ 60% AMI	30% to 60%
Subject Units	299	299	299	299	299
Income Qualified Renter Households	6,152	8,392	10,403	11,952	17,117
Subject Capture Rate	**5%**	**4%**	**3%**	**3%**	**2%**

Penetration Rate

The penetration rate is the ratio of the income restricted inventory in the SMA to income qualified renter demand. When the penetration rate reaches 100 percent (considered the saturation point) or greater, there is no longer demand to support additional units. A penetration rate below 100% indicates unmet demand.

In the subject's SMA there are 8,554 existing income restricted units, plus the subject's potential 299 income restricted units, for a total of 8,853 income restricted units. As shown in the table below, if the subject has a range of income restrictions from 30% to 60% AMI, the market penetration rate would be about 50%. This equates to a potential unmet demand of as much as 8,264 income restricted units.

Market Penetration Rate - SMA	@ 30% AMI	@ 40% AMI	@ 50% AMI	@ 60% AMI	30% to 60%
Existing Affordable Inventory in PMA	3,904	522	1,348	2,780	8,554
Subject Units	299	299	299	299	299
Total Affordable Inventory	4,203	821	1,647	3,079	8,853
Income Qualified Renter Households	6,152	8,392	10,403	11,952	17,117
Market Penetration Rate	**68%**	**10%**	**16%**	**26%**	**50%**

Wait Time

Average wait time for a subsidized unit is another indicator of unmet demand. According to the 2006-2007 Picture of Subsidized Households data, the average waiting time for units restricted to those earning less than 50% AMI within the SMA in 2007 was 11 months. This compares, to a statewide average of 14 months.

Summary

The table below summarizes income qualified renter demand, existing income restricted inventory, and market penetration. This table does not account for the proposed subject units.

NET RENTER DEMAND BY INCOME, AGE & ABILITY TO AFFORD THE RENT - SMA

Base Household Demographics	Census 2000	Estimate 2009	Projection 2015
Population	138,722	153,502	163,022
Household Size	1.86	1.83	1.81
Households	74,425	83,858	90,205
Percentage Renter	68.1%	67.4%	68.4%
Renter Households	50,705	56,502	61,736
Existing Renter Demand (2009)	56,502		
Net New Renter Demand (2009 - 2015)	5,234		

Existing Renter Households by Age & Income 2009

	Total	< 25	25-34	35-44	45-54	55-64	65-74	75+
<$15,000	7,046	1,467	1,443	857	912	841	682	845
$15,000 - $24,999	5,010	1,114	1,413	700	467	467	343	506
$25,000 - $34,999	5,704	973	2,354	895	574	320	236	351
$35,000 - $49,999	6,800	810	2,798	1,402	690	437	273	391
$50,000 - $74,999	9,865	924	4,719	1,705	1,257	556	309	395
$75,000 - $99,999	8,257	635	3,730	1,565	959	748	218	401
$100,000 - $149,999	6,615	373	2,268	1,382	1,133	658	377	423
$150,000 - $199,999	2,939	243	616	665	578	412	183	242
$200,000 - $249,999	1,540	114	282	361	244	282	124	134
$250,000 - $499,999	1,993	57	500	559	388	267	123	99
$500,000 +	734	16	181	196	153	109	46	34
Total	56,502	6,725	20,304	10,287	7,354	5,095	2,914	3,823

Projected Net New Renter Households by Age & Income (2009 - 2015)

	Total	< 25	25-34	35-44	45-54	55-64	65-74	75+
<$15,000	790	129	204	-50	23	128	241	113
$15,000 - $24,999	138	4	77	-72	-6	40	98	-2
$25,000 - $34,999	-203	-83	-13	-89	-45	13	37	-23
$35,000 - $49,999	440	58	265	-77	-4	46	113	40
$50,000 - $74,999	37	-15	187	-198	-59	0	118	4
$75,000 - $99,999	-386	-44	20	-281	-134	-31	89	-5
$100,000 - $149,999	2,690	142	1,154	269	387	246	338	154
$150,000 - $199,999	569	16	127	31	129	119	130	17
$200,000 - $249,999	137	9	35	-21	11	36	55	13
$250,000 - $499,999	789	13	216	124	158	129	120	29
$500,000 +	233	3	57	23	63	38	38	12
Total	5,234	230	2,329	-341	523	764	1,376	351

Maximum Qualifying Gross Income Per Year[1]

Subject Unit Mix	@ 30% AMI	@ 40% AMI	@ 50% AMI	@ 60% AMI
Studio	$17,700	$23,600	$29,500	$35,400
1-Bedroom	$18,960	$25,280	$31,600	$37,920
2-Bedroom/2 Bath	$22,770	$30,360	$37,950	$45,540
Total				

Estimated Achievable Restricted Rent[2]

Subject Unit Mix	@ 30% AMI	@ 40% AMI	@ 50% AMI	@ 60% AMI
Studio	$442	$590	$737	$885
1-Bedroom	$474	$632	$790	$948
2-Bedroom/2 Bath	$569	$759	$948	$1,138
Total				

Minimum Qualifying Gross Income Per Year[3]

Subject Unit Mix	@ 30% AMI	@ 40% AMI	@ 50% AMI	@ 60% AMI
Studio	$10,608	$14,160	$17,688	$21,240
1-Bedroom	$11,376	$15,168	$18,960	$22,752
2-Bedroom/2 Bath	$13,656	$18,216	$22,752	$27,312
Total				

Income Qualifying Range based on Ability to Pay[4]

	@ 30% AMI	@ 40% AMI	@ 50% AMI	@ 60% AMI
Minimum Qualifying Income	$10,500	$14,000	$17,500	$21,000
Maximum Qualifying Income	$23,000	$30,500	$38,000	$45,500

Existing Net Income Qualifying Renter Households by Age & Income 2009[5]

	Total	< 25	25-34	35-44	45-54	55-64	65-74	75+
@ 30% AMI	6,152	920	1,232	841	838	893	629	798
@ 40% AMI	8,392	1,208	2,211	1,287	1,092	998	681	916
@ 50% AMI	10,403	1,363	3,133	1,751	1,375	1,081	720	980
@ 60% AMI	11,952	1,373	3,846	2,220	1,609	1,160	741	1,003
30% to 60% AMI	17,117	2,139	4,855	2,918	2,327	1,919	1,280	1,678

Market Penetration Rate - SMA	@ 30% AMI	@ 40% AMI	@ 50% AMI	@ 60% AMI	30% to 60%
Existing Affordable Inventory in PMA	3,904	522	1,348	2,780	8,554
Income Qualified Renter Households	6,152	8,392	10,403	11,952	17,117
Market Penetration Rate	**63%**	**6%**	**13%**	**23%**	**50%**

Notes:
[1] Maximum qualifying income published by the WSHFC
[2] Estimated Achievable Rent determined later in this analysis
[3] Minimum qualifying income based 50% lease to income ratio applied to the estimated achievable rent
[4] Minimum & maximum qualifying income rounded to the nearest $500
[5] Net qualifying demand based on linear interpolation of the cumulative renter household by age & income

Parking Ratio

In 2006, GVA Kidder Mathews conducted a parking survey of 55 tax credit properties located within the Tri County area. Of the projects surveyed, parking ratios ranged from zero to one stall per unit, with 21 projects or 38% offering no parking. It is worth noting that only three of the 21 projects not offering parking were built since 2000.

Senior Affordable Housing

Introduction

Although the FHAct was amended in 1988 to prohibit discrimination on the basis of disability and familial status, Congress intended to preserve housing specifically designed to meet the needs of senior citizens. Housing that meets the FHAct definition of "housing for older persons" is exempt from the law's familial status requirements provided that:

- HUD has determined that the dwelling is specifically designed for and occupied by elderly persons under a Federal, State or local government program or
- It is occupied solely by persons who are 62 or older or
- It houses at least one person who is 55 or older in at least 80 percent of the occupied units, and adheres to a policy that demonstrates intent to house persons who are 55 or older.

Therefore, housing that satisfies the legal definition of senior housing or housing for older persons described above, can legally exclude families with children. Source: Housing and Urban Development

Income Qualified Renter Households by Age & Income

The following table summarizes the number of renter households by qualifying income and age existing today in the SMA. Of the 17,117 income qualified renter households at 30% to 60% AMI (all ages) within the SMA, 4,878 are qualified to rent units dedicated as affordable senior housing. Through 2015, the number of income qualified senior renter households is forecasted to increase by 75 households annually, for a total of 5,329 households in 2015.

Senior Turnover Rate

Senior units typically turnover at a lower rate than family units. Market data suggests that the turnover rate in senior housing units ranges from 30% to 40%; accordingly the recommended turnover rate for a senior project at the subject is 35%.

Affordable Senior Renter Household Demand 2015

As shown in the following table, to determine the existing number of income qualified senior households demanding affordable units in 2015, a 35% turnover rate is applied to the total number of existing income qualified senior renter households.

The additional income qualified senior households forecasted to enter the market in 2015 are then added to the existing demand, to arrive at the annual income qualified senior renter household demand in 2015.

For a balanced market, an ideal 5% frictional vacancy rate is added to the annual renter household demand. The result is a total annual household renter demand equal to 2,015.

Income Qualified Senior Renter Household Demand (30% - 60% AMI)		
Existing Renter Household (2009)		4,878
Additional Renter Households (2009 - 2014)	+	376
Existing Renter Household (2015)		5,254
Turnover Rate	x	35%
Existing Renter Household Demand (2015)		1,839
Additional Renter Households (2015)	+	75
Total Annual Renter Household Demand (2015)		1,914
Frictional Vacancy Adjustment	+	5%
Total Annual Household Renter Demand Including Adjustment		2,015

Subject's Share of Annual Renter Demand

The subject's share of annual renter demand is the ratio of annual renter demand that the subject must capture to achieve a stabilized level of occupancy. It is calculated by dividing the total number of units at the subject by the total income qualified senior renter household demand.

The table below shows the percentage of renter household demand that the subject would need to capture to support projects of increasing size.

Subjects Share of Annual Renter Demand Sensitivity	
Subject's Share	Units
3%	60
6%	121
9%	181
12%	242
15%	302

It is reasonable to assume that the subject's share of demand would be between 6% and 12%. If the subject captured 9%, from a demand perspective, a 181 unit project would be feasible.

Penetration Rate

The penetration rate is the ratio of the existing income restricted senior inventory to income qualified senior renter demand. When the penetration rate reaches 100 percent (considered the saturation point) or greater, there is no longer demand to support additional units. A penetration rate below 100% indicates unmet demand.

In the subject's SMA there are 1,792 existing income restricted units at the 30% - 60% AMI level, plus the subject's potential 181 income restricted units, for a total of 1,973 income restricted senior units. As shown in the chart below, if the subject has a range of income restrictions from 30% to 60% AMI, the market penetration rate would be about 40%. This equates to a potential unmet demand of 2,905 affordable units.

Market Penetration Rate - PMA	30% to 60%
Existing Affordable Inventory in PMA	1,792
Subject Units	181
Total Affordable Inventory	1,973
Income Qualified Renter Households	4,878
Market Penetration Rate	40%

Summary

The table below summarizes income qualified senior renter demand, existing senior income restricted inventory, and market penetration. This Table does not account for the proposed subject units.

NET RENTER DEMAND BY INCOME, AGE & ABILITY TO AFFORD THE RENT - SMA

Base Household Demographics	Census 2000	Estimate 2009	Projection 2015
Population	138,722	153,502	163,022
Household Size	1.86	1.83	1.81
Households	74,425	83,858	90,205
Percentage Renter	68.1%	67.4%	68.4%
Renter Households	50,705	56,502	61,736
Existing Renter Demand (2009)	56,502		
Net New Renter Demand (2009 - 2014)	5,234		

Existing Renter Households by Age & Income 2009

	Total	< 25	25-34	35-44	45-54	55-64	65-74	75+
<$15,000	7,046	1,467	1,443	857	912	841	682	845
$15,000 - $24,999	5,010	1,114	1,413	700	467	467	343	506
$25,000 - $34,999	5,704	973	2,354	895	574	320	236	351
$35,000 - $49,999	6,800	810	2,798	1,402	690	437	273	391
$50,000 - $74,999	9,865	924	4,719	1,705	1,257	556	309	395
$75,000 - $99,999	8,257	635	3,730	1,565	959	748	218	401
$100,000 - $149,999	6,615	373	2,268	1,382	1,133	658	377	423
$150,000 - $199,999	2,939	243	616	665	578	412	183	242
$200,000 - $249,999	1,540	114	282	361	244	282	124	134
$250,000 - $499,999	1,993	57	500	559	388	267	123	99
$500,000 +	734	16	181	196	153	109	46	34
Total	56,502	6,725	20,304	10,287	7,354	5,095	2,914	3,823

Projected Net New Renter Households by Age & Income (2009 - 2015)

	Total	< 25	25-34	35-44	45-54	55-64	65-74	75+
<$15,000	790	129	204	-50	23	128	241	113
$15,000 - $24,999	138	4	77	-72	-6	40	98	-2
$25,000 - $34,999	-203	-83	-13	-89	-45	13	37	-23
$35,000 - $49,999	440	58	265	-77	-4	46	113	40
$50,000 - $74,999	37	-15	187	-198	-59	0	118	4
$75,000 - $99,999	-386	-44	20	-281	-134	-31	89	-5
$100,000 - $149,999	2,690	142	1,154	269	387	246	338	154
$150,000 - $199,999	569	16	127	31	129	119	130	17
$200,000 - $249,999	137	9	35	-21	11	36	55	13
$250,000 - $499,999	789	13	216	124	158	129	120	29
$500,000 +	233	3	57	23	63	38	38	12
Total	5,234	230	2,329	-341	523	764	1,376	351

Maximum Qualifying Gross Income Per Year[1]

Subject Unit Mix	@ 30% AMI	@ 40% AMI	@ 50% AMI	@ 60% AMI
Studio	$17,700	$23,600	$29,500	$35,400
1-Bedroom	$18,960	$25,280	$31,600	$37,920
2-Bedroom/2 Bath	$22,770	$30,360	$37,950	$45,540
Total				

Estimated Achievable Restricted Rent[2]

Subject Unit Mix	@ 30% AMI	@ 40% AMI	@ 50% AMI	@ 60% AMI
Studio	$442	$590	$737	$885
1-Bedroom	$474	$632	$790	$948
2-Bedroom/2 Bath	$569	$759	$948	$1,138
Total				

Minimum Qualifying Gross Income Per Year[3]

Subject Unit Mix	@ 30% AMI	@ 40% AMI	@ 50% AMI	@ 60% AMI
Studio	$10,608	$14,160	$17,688	$21,240
1-Bedroom	$11,376	$15,168	$18,960	$22,752
2-Bedroom/2 Bath	$13,656	$18,216	$22,752	$27,312
Total				

Income Qualifying Range based on Ability to Pay[4]

	@ 30% AMI	@ 40% AMI	@ 50% AMI	@ 60% AMI
Minimum Qualifying Income	$10,500	$14,000	$17,500	$21,000
Maximum Qualifying Income	$23,000	$30,500	$38,000	$45,500

Existing Net Income Qualifying Renter Households by Age & Income 2009[5]

	Total	55-64	65-74	75+
@ 30% AMI	2,320	893	629	798
@ 40% AMI	2,594	998	681	916
@ 50% AMI	2,781	1,081	720	980
@ 60% AMI	2,903	1,160	741	1,003
30% to 60% AMI	4,878	1,919	1,280	1,678

Market Penetration Rate - SMA	30% to 60%
Existing Affordable Inventory in PMA	1,792
Income Qualified Renter Households	4,878
Market Penetration Rate	37%

Notes:
[1] Maximum qualifying income published by the WSHFC
[2] Estimated Achievable Rent determined later in this analysis
[3] Minimum qualifying income based 50% lease to income ratio applied to the estimated achievable rent
[4] Minimum & maximum qualifying income rounded to the nearest $500
[5] Net qualifying demand based on linear interpolation of the cumulative renter household by age & income

Parking Ratio

The table below lists the parking ratios of five income restricted senior projects built in Seattle since 2000. The parking ratios range from no parking to .52 spaces per unit. It is reasonable to suggest that a senior project at the subject could operate effectively with a lower parking ratio. A 25% reduction, as discussed earlier, would result in a ratio of .37 per unit.

Project Name	Year Built	Location	Total Units	Parking Ratio
New Haven	2007	Seattle	251	0.52
Cabrini	2006	Seattle	50	0
Courtland Place	2008	Seattle	208	0.48
Washington Terrace	2006	Seattle	136	0.49
David Colwell Builiding	2000	Seattle	126	0.14

Unit Mix & Size Distribution

The following table illustrates the unit mix and average size by unit type, found in five comparable income restricted senior projects built since 2006. In these projects, one bedroom units range between 505 and 541 square feet and represent about 63% of the total units. Two-bedroom units range between 669 to 740 square feet and represent about 37% of the total units. Other units make up less than 1% of the total units.

Project Name	Year Built	Location	AMI Range	No. of 1 Bedroom	Avg. SF/ 1 Bedroom	No. of 2 Bedroom	Avg. SF/ 2 Bedroom	No. of Other
New Haven	2007	Seattle	50%-60%	153	505	98	724	0
Terrace	2006	Seattle	50%-60%	85	541	51	718	0
Cabrini	2006	Seattle	30%-40%	49	520	1	740	0
Courtland Place	2008	Seattle	30%-60%	115	518	86	676	7
Cedar Park	2008	Seattle	50%-60%	131	539	75	669	0

Recommended Unit Mix & Size Distribution

The table below outlines the suggested unit mix, size distribution for an affordable senior project built on the subject. This unit mix is based conversations with market participants and a study of comparable senior properties.

Units/Type	Unit Mix	SF/Unit
1 Bedroom/1 Bath	65%	520
2 Bedroom/1 Bath	35%	710
Overall Project Avg.	*100%*	*587*

Nature of the Assignment

The information supplied herein is from sources we deem reliable. It is provided without any representation, warranty or guarantee, expressed or implied as to its accuracy. Prospective Buyer or Tenant should conduct an independent investigation and verification of all matters deemed to be material, including, but not limited to, statements of value, income, and expenses. CONSULT YOUR ATTORNEY, ACCOUNTANT, OR OTHER PROFESSIONAL ADVISOR