

From: Dick Loman

Sent: Monday, January 03, 2011 3:00 PM

To: 'emelie@psmt.biz'

Cc: Joan McGilton; Rose Clark; Gordon Shaw; Lucy Krakowiak; Brian Bennett; Jack Block Jr.; 'gerryr@burienwa.gov'; Mike Martin

Subject: Apartments at Town Sq.

Your e-mail concerning the possibility of renting the existing condominiums at Town Sq. has been referred to me for reply. Please be advised that the City of Burien does not own, nor do we have a financial interest in the condominium project you mentioned in your e-mail. The City has no jurisdiction over private property rights and the owner's ability to manage their property as they see fit. Our best information is that they continue to plan a serious marketing program for early in this new year.

Dick Loman

Economic Development Manager

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CFTR: a/124/11

Lisa Clausen

From: Public Council Inbox
Sent: Monday, January 03, 2011 9:14 AM
To: 'emelie@psmt.biz'
Subject: RE: seattletimes.com: Apartments are red-hot despite cool real-estate market

Thank you for sending a message the Burien City Council. It will be provided to the Councilmembers and appropriate staff.

L. Clausen
City Manager's Office

-----Original Message-----

From: emelie@psmt.biz [<mailto:emelie@psmt.biz>]
Sent: Saturday, January 01, 2011 9:38 AM
To: Public Council Inbox
Subject: seattletimes.com: Apartments are red-hot despite cool real-estate market

This message was sent to you by emelie@psmt.biz, as a service of The Seattle Times
<http://www.seattletimes.com>.

Comments from sender: Given the difficulty of selling condos in the downtown Burien complex, I wonder if it wouldnt behoove the city to begn leasing the units for a time. This Seattle Times article indicates that the rental market is hot, and leases would promote the continued

Apartments are red-hot despite cool real-estate market
Apartment developers in Seattle are racing to get projects permitted, financed and under construction.

http://seattletimes.nwsourc.com/html/business/technology/2013818237_apartments01.html

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The Seattle Times Winner of a 2010 Pulitzer Prize

Originally published December 31, 2010 at 10:03 PM | Page modified December 31, 2010 at 10:03 PM

Apartments are red-hot despite cool real-estate market

Apartment developers in Seattle are racing to get projects permitted, financed and under construction.

By Eric Pryne

Seattle Times business reporter



After hunkering down for several years, Seattle commercial real-estate developers are mustering up the courage to start building again in 2011.

But, almost without exception, they want to build just one thing: apartments.

Condos? Don't expect any big new projects for years, observers agree.

Office towers? No way, unless there's a big tenant like Amazon.com lined up in advance.

Apartments, in contrast, are red-hot. Developers are racing to get projects permitted, financed and under construction.

"They're chomping at the bit with the market coming back like it is," said Tom Cain, principal with research firm Apartment Insights Washington.

The turnaround began last year as rents in King and Snohomish counties edged up. The vacancy rate dropped. Landlords cut back on incentives like free rent. New buildings leased up quickly.

All are signs of increasing demand. Cain and other analysts say a convergence of economic, demographic and cultural forces should keep the market stoked into 2011 and beyond.

And, because construction tailed off after the economy tanked, relatively few new projects are slated to open this year to accommodate those new renters.

Hence the rush to start building.

HB Capital of Seattle hopes to break ground this month on a 122-unit building in Belltown. Bellevue-based Wallace Properties plans to start building a 105-unit project near Seattle University in February.

R.D. Merrill Properties, an affiliate of retirement-community chain Merrill Gardens, expects to start construction around March 1 on a 234-unit complex on Capitol Hill that will target young adults. The company has three similar projects in the works, in Wallingford, Ballard and Lower Queen Anne.

"Would I love to have all those buildings open right now? Absolutely," CEO Bill Pettit said.

There's much more in the pipeline. Longtime Seattle developer Harbor Properties, which broke ground on a 17-story apartment tower in Belltown last month, hopes to start building a 125-unit complex in Columbia City next summer.

Avalon Bay Communities, one of the country's biggest apartment developers, plans to start work around that same time on a 272-unit project on the site of the old Sunset Bowl in Ballard.

The hot Seattle market prompted Atlanta-based Wood Partners, another big national developer, to open an office here in November. Steve Orser, hired away from Harbor to run Wood's Seattle shop, said the firm should break ground on its first local project next year.

Seattle developer Goodman Real Estate has scrapped city-approved plans for an office building near the downtown ferry terminal, and now is seeking new permits to build — you guessed it — a 16-story apartment tower. Another developer on Queen Anne Hill is pulling the same switch.

By Cain's count, the number of apartments in the early permitting stages in King and Snohomish counties jumped 48 percent in the fourth quarter alone.

What's behind this apartment boom? Developers, investors and economists say it's partly because homeownership has lost its allure for many — at least for now — since the real-estate boom went bust.

"They are no longer convinced it's an economic benefit for them to buy," said John Orehek, president and CEO of Seattle-based Security Properties, one of the nation's largest apartment companies.

That could change, said Seattle land-use economist Matthew Gardner, but for now there's no sense of urgency about buying a house or condo. Prices aren't increasing; interest rates haven't risen much yet.

Plus "a lot of people are still just unsure," Gardner said.

So they rent.

'Echo boomers'

The apartment market typically improves when employment grows, insiders say. But this time it has bounced back despite anemic job gains.

Analysts say this turnaround is rooted partly in the real-estate downturn and partly in the 1980s.

That's when baby boomers began having their own babies in large numbers. Those "echo boomers" are mostly in their 20s now. There are a lot of them. More are entering the housing market every year.

And Seattle is attracting a disproportionate share of them. Orehek says they're moving to Seattle for the same reason he relocated here from his native Cleveland 30 years ago: Seattle's prospects seemed brighter.

"It's an incubator that will continue to grow," he said.

State demographers affirm that: They project migration to Washington will nearly double from recession lows by 2012.

The Urban Land Institute, a growth think tank, ranked Seattle the nation's fifth-best market for apartment investment in its commercial real-estate forecast for 2011. One reason: Its attractiveness to young workers seeking "24-hour lifestyles."

During the recession's darkest days many young adults — even those with jobs — lived in their parents' basements, or doubled up in apartments with roommates. Now, landlords say, they're increasingly finding places of their own.

"They went into safe mode," Orehek said. "Now the fear has gone out of a lot of people's minds."

Many are renting rather than buying, by choice rather than necessity. "It's almost a lifestyle for them," John Swanson, who oversees commercial real-estate lending for Umpqua Bank, told a recent industry forum.

They want walkable, vibrant neighborhoods outside rather than a lot of space inside, he said. And they don't want to be tied down with a mortgage.

If they could even get one, that is. It's tougher for people of all ages to qualify for home loans now than before the real-estate bubble burst. And the drop in home values and rise in foreclosures has made many think twice about buying.

"Leveraging into an asset where the value is declining doesn't make any sense," said Cain of Apartment Insights Washington. "People don't want to lose money."

Apartment construction is just about the only kind of commercial real-estate development lenders will consider financing, Swanson and Tracy Edgers, a senior vice president at Wells Fargo Bank, recently told industry leaders.

The downtown Seattle office vacancy rate remains near record highs. "If you talk to me about [financing] office, it would be a short conversation," Swanson said.

And any demand for new condos over the next few years should be met by recently completed complexes, like The Bravern in downtown Bellevue and Thornton Place near Northgate, that were built as condo projects, then converted to rentals when faced with sluggish sales.

They'll convert back when the market improves, Edgers said. As for financing new condo construction, "we haven't even thought about it, because it's so far out there."

Most of the apartment projects now queuing up in the pipeline are low- to mid-rise buildings, cheaper to construct and easier to finance.

But Su Development hopes to start building a 21-story tower in downtown Bellevue this spring. And Matt Griffin of Pine Street Group said he thinks he'll be able to persuade his equity partners to break ground around then on a twin-tower, 24-story project at Sixth Avenue and Lenora Street.

Security Properties holds permits to build two 40-story towers in central Seattle — one at Ninth Avenue and Pine Street, the other on Minor Avenue in the Denny Triangle. It isn't ready to start building them yet — rents haven't risen enough for the projects to pencil out, Orehek said.

However, he added, the market's turnaround has prompted the company to start updating and fine-tuning the towers' designs and cost estimates, to get a clearer picture of when the time might be right.

No one expects that all the projects scheduled to break ground this year actually will. Some almost certainly will encounter permitting delays. At some point, analysts say, lenders will conclude the market is saturated and pull back.

But, until then, "everybody's trying to get their project built quickly," said Wood Partners' Orser, "because the last one is going to be the odd man out."

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