

REGION (King, Pierce, Sno)

UNITS: 20+

AGE: ALL

MARKET DIARY

	1995	1996	1997	1998	YTD 1999
VOLUME					
Number of Sales	107	136	173	175	90
Total Units	9,824	12,733	16,924	17,611	7,475
Total Volume (\$ Millions)	\$397.0	\$568.8	\$904.3	\$1173.9	\$453.0
PHYSICAL					
Price Per Unit	\$41,000	\$48,268	\$50,150	\$59,611	\$60,573
Price Per Sq. Ft. (NRSF)	\$55.61	\$63.08	\$64.26	\$73.44	\$76.53
Avg. No. of Units	92	94	98	101	83
Average Age	1972	1970	1975	1974	1974
Avg. Unit Size (NRSF)	762	786	789	815	801
Avg. Rent Per Month (1)	\$528	\$591	\$600	\$660	\$675
Avg. Rent Per NRSF/Month (1)	\$0.72	\$0.77	\$0.77	\$0.82	\$0.85
FINANCIAL					
Gross Income Multiplier (Act.) (2)	6.3	6.6	6.7	7.3	7.3
Gross Income Multiplier (Antic.) (3)	6.2	6.4	6.4	6.9	6.9
Capitalization Rate (Act.) (2)	8.6%	8.3%	8.2%	7.9%	8.0%
Capitalization Rate (Antic.) (3)	9.3%	8.9%	8.8%	8.7%	8.6%
Avg. Assessed Value (% of price)	96.2%	88.3%	85.9%	76.0%	71.5%
EXPENSES (5)					
% of Scheduled Gross	41.6%	41.1%	41.7%	39.7%	38.6%
\$/ Unit / Year	\$2,575	\$2,779	\$2,860	\$2,990	\$3,023
\$/ NRSF / Year	\$3.51	\$3.69	\$3.76	\$3.81	\$3.87
SURVEY					
Total with Cap Rate	105	131	169	171	87
% With Financial Response (4)	98%	96%	98%	98%	97%

NOTES

- (1) Avg. rent = Average scheduled gross income (from all sources) per unit.
- (2) Act. = Actual - based on scheduled gross income at the time of sale.
- (3) Antic. = Anticipated - based on scheduled gross 3-6 months after purchase.
The more the anticipated cap exceeds the actual (or the antic. multiplier is below the actual), the more confidence investors exhibit in the market's potential.
- (4) Percentage of total sales with income and expense information.
- (5) Expenses are reported by sale participants.

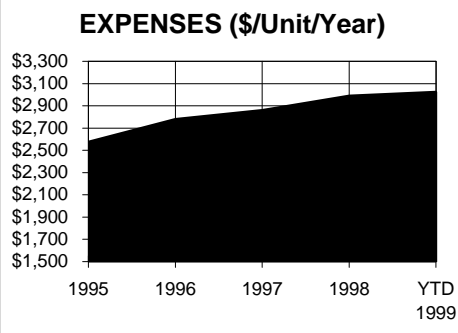
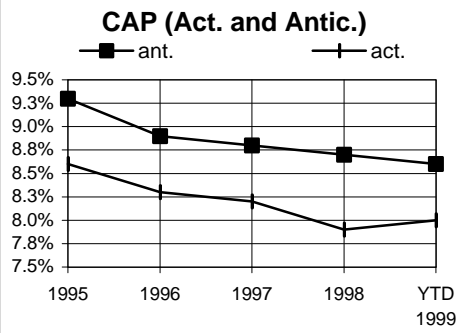
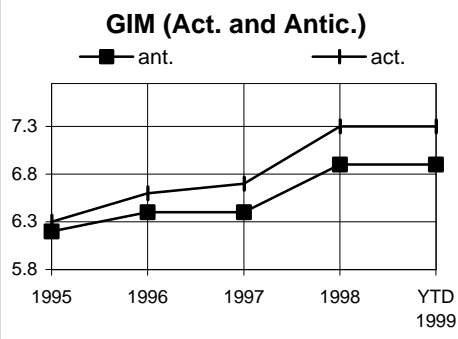
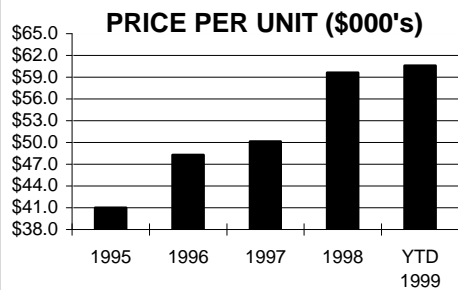


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APARTMENT RESEARCH ADVISORY BOARD

This apartment research has been developed and continuously improved as a result of the encouragement and valuable guidance provided by the Apartment Research Advisory Board. Their input is a key to the usefulness, reliability and success of this research.



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Dr. William Kinnard, Jr., SREA, MAI, CRE, President, The Real Estate Counseling Group of Connecticut; **John Reed**, Editor, Real Estate Investor's Monthly; **Dr. Maury Seldin**, CRE, President, Homer Hoyt Institute; **Dr. C.F. Sirmans**, Director, Center for Real Estate and Urban Economics Studies, The University of Connecticut; **Dr. George Sternlieb**, Director, Center for Urban Policy Research, Rutgers University, and in memory of **Dr. James Graaskamp** and **Dr. Richard Ratcliffe**, who helped us lay the foundation for our research in the late 1970's.

Actual capitalization rate (Based on income & expenses at time of sale)

	1994	1995	1996	1997	1998	1999 YTD
Tri-county	8.6%	8.6%	8.3%	8.2%	7.9%	8.0%
King County	8.5%	8.4%	8.1%	8.0%	7.5%	7.9%
Seattle area	7.9%	8.1%	7.6%	7.2%	6.8%	7.1%
East King County	8.3%	7.9%	7.9%	8.1%	7.3%	7.1%
South King County	9.4%	8.8%	8.7%	8.3%	8.1%	8.5%
Pierce County	8.9%	9.7%	9.4%	9.0%	8.6%	8.6%
Snohomish County	8.4%	7.9%	8.1%	8.3%	8.2%	8.4%

higher cap rate sales, so the most recent closings had lower cap rates. That resembles last year's bullishness.

Cap rates are higher everywhere, except East King and Pierce counties. Although Seattle cap rates moved higher, their 7.1% level matches Eastside cap rates and gives both markets the continued distinction of being the priciest areas to invest.

Sales volume

This time last year we reported year-to-date sales volume of 10,356 units totaling just over \$700 million. So far this year, sales activity has reached only about two-thirds the 1998 volume. Sales volume is lower in every sub-market.

With year-to-date sales of \$453 million, representing

Sales volume (\$ millions)

	1994	1995	1996	1997	1998	1999 YTD
Tri-county	\$490.3	\$397.0	\$568.8	\$904.3	\$1,173.9	\$453.0
King County	\$391.2	\$267.1	\$432.2	\$675.8	\$820.3	\$333.6
Seattle area	\$93.6	\$88.8	\$148.1	\$104.9	\$159.5	\$65.0
East King County	\$166.7	\$93.1	\$105.2	\$304.8	\$386.5	\$116.1
South King County	\$130.8	\$85.2	\$178.9	\$266.1	\$274.2	\$152.6
Pierce County	\$33.0	\$49.2	\$38.8	\$73.6	\$103.9	\$19.3
Snohomish County	\$66.1	\$80.7	\$97.8	\$154.9	\$249.8	\$100.1

7,475 units trading hands, we expect the year's total will be just under \$700 million.

1999 isn't turning out to be a great year for sales activity, compared to 1998 or 1997. Even so, 1999 will likely be the third or fourth highest volume year in this region.

Up until just a couple of years ago we thought a half-billion dollars of annual sales volume was a lot. Not any more. Now that our market has processed more than a billion dollars of apartment sales in a year, we're sure everyone will be disappointed when volume dips much below that ten-digit level. We'll soon find out.

Anticipation

The "anticipated" cap rate measures buyer expectations and confidence in the market. It is calculated based on income

HOW TO USE THIS REPORT

The Apartment Investment Report is published three times annually. The report analyzes apartment sales activity and historical trends in detail for each of the submarkets we survey. This report analyzes price per unit, capitalization rates and other investment measures by building age groups as well as by property size and sub-market. It also analyzes sale prices per net square foot, the relationship between assessed values and sale prices, expenses budgeted by investors and more.

Preliminary sources

We collect information on a regular basis by reviewing various publications and talking to title companies, brokers, investors and others. We also use Experian's on-line database of sales on a regular basis as well as Comps Inc. As a result, *The Apartment Investment Report* includes most, if not all, of the sales through the end of the past month as well as more recent transactions.

Survey

Questionnaires are mailed to buyers of 20-unit and larger apartments that sell for at least \$250,000 in King, Pierce and Snohomish counties. Each survey form is printed with basic physical information about the property it covers. Participants provide information on income, expenses, financing, renovation budgets, expectations and investment goals. They also review and correct physical information.

Each participant who completes and returns the questionnaires by the deadline receives a complimentary six month subscription to *The Apartment Advisor*. After the surveys are returned, the questionnaires are input, proofed and audited.

Analysis of results

All data is proofed in various ways to ensure accuracy. Various test printouts are run to verify accuracy. Atypical results are pulled for careful analysis and/or re-verification from the source. The database we use, as well as all computer programs which produce the results in this study were designed by Patty Dupre, are owned by Dupre + Scott Apartment Advisors, Inc., and are proprietary.

Experts

We draw on a variety of market experts to help us analyze and interpret the results of this research. In addition, we survey our readers on an on-going basis for suggestions on future analyses. We also draw on the expertise of our *Advisory Board* of real estate professionals for their guidance. We also continually seek input from real estate experts and educators nationally.

Exclusions

Sales under 20 units are excluded from this research. Excluded also are: transactions where only a partial interest was sold; internal, in-house, or non-arms-length sales; properties containing substantial commercial (retail or office) space; subsidized housing; and sales packaged as part of a bulk sale transaction where any of the individual sale price allocations appear to be significantly distorted from general market trends.

Adjustments

The sale price for a transaction is adjusted to be net of any excess land or additional real estate, where that information is available.

Using the data

In some instances there will be an insufficient number of sales for a particular sub-market or set of property parameters. If this occurs, a trend cannot be established and the graphs will be left blank. When this happens we recommend that you use a set of property parameters that is still appropriate for your needs but contains a larger group of sales.

As you zero in on the sub-market you want, and then narrow your focus further by property age and size, the number of sales analyzed each year in the tables and graphs decline. Here's how we recommend you "audit" this information:

One Sale: If there is just one sale in any year in the table you are using, we present the physical facts of the sale but exclude the financial information to maintain data confidentiality. One sale is insufficient for determining any market trend, except that it does show that there can be a very low level of activity for the sub-market and the property parameters you are interested in.

Two Sales: If there are only two sales in any year in the table you are using, we will present the financial data, but we caution that this is a very small sample and recommend that you compare this table's results with a table one step less specific by moving up to a larger market area (if you are using a sub-market in King County, consider using the county table instead) or move to more general property parameters for size and age.

3 - 4 Sales: Three or four sales begin to present useful information, as long as the "Survey" statistics (the two rows of statistics at the bottom of each table) confirm that at least 75% of the total sales have reported financial information. The response rate will be less than that in some cases. When that happens, we recommend that you either use a larger grouping of sales by selecting a different table, or at least check the results for reasonableness with information from other tables.

5 Or More Sales: Five or more sales present very useful information as long as the "Survey" statistics confirm that at least 75% of the total sales have reported financial information. The response rate will be less than that in some cases. When that happens, we recommend that you either use a larger grouping of sales by selecting a different table, or at least check the results for reasonableness with data in other appropriate tables.

Insufficient data for confidentiality

To ensure confidentiality of the data provided by respondents, figures are reported only where the available data exist for two or more properties. If there is only one property reporting in any specific submarket, property size and age-group, that property's data will not appear in that sub-section. However, the property will still be used in the overall statistics as well as the sub-market, county and regional tables, as long as there are at least two participating properties.

Continual updates

Data in this report represents the best information available at the time of publication and are not directly comparable with data in any previous report because Dupre + Scott continually updates its database to improve the quality of the data.

Area breakdowns

The tables in this report present information for each of the following market areas. Consult the map in this section for clearly defined boundaries.

Region King, Pierce and Snohomish counties.

King, Pierce or Snohomish County All of any county referenced.

Seattle area This market area excludes some of the southern portion of the City of Seattle and includes the City of Shoreline north of Seattle's city limit. The market area boundaries are I-90 on the south and the King/Snohomish county line on the north. The eastern boundary is Lake Washington and then north along 61st Avenue, then 193rd Street, and then 56th NE. Puget Sound is the western boundary.

East King This market area begins east of Lake Washington. The southern boundary is May Creek and Coalfield Way (south of Newcastle and Issaquah). The northern boundary is the King/Snohomish county line at NE 205th Street. The western boundary is Lake Washington, and north of the lake it is 61st Ave., NE 193rd St., and 56th Ave. NE. From a practical standpoint, the eastern boundary is currently located at the eastern limits of Issaquah, with the additional inclusion of North Bend.

South King This market area begins below the "East King" and "Seattle Area" market areas and extends south to the King/Pierce county line. The western boundary is Puget Sound and the eastern boundary is, from a practical standpoint, the eastern boundary of Maple Valley.

Age & size breakdowns

Within each market area, separate tables and graphs present information for each of nine property parameters. Size breakdowns include all transactions regardless of size (20+ units); 20-99 unit transactions, and 100-unit and larger sales (100+). Age breakdowns present data for all sales, 1985 and older construction, and 1986 and newer construction.

We selected these property parameters based on tests that showed the most appropriate breakdowns to reasonably reflect market trends. Of course, it would be ideal to break out the tables by each architecturally significant age group within each neighborhood and variety of size groups. Unfortunately, greater detail leads to too few sales in each category to be able to present meaningful trends. We can, however, prepare customized reports for subscribers, based on a variety of parameters.

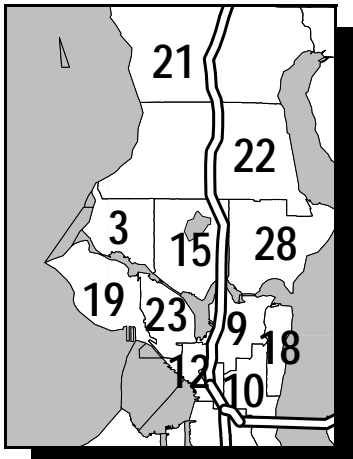


NEIGHBORHOOD MAP

These two maps, King County sub-market area table and neighborhood table show the general boundaries of sub-markets and neighborhoods we use for this report.

A detailed, narrative explanation of the streets and/or other boundaries that describe each neighborhood is available at our website. Go directly to:

<http://www.dsaa.com/boundaries.htm>



King County sub-market areas

Market	Map key
Seattle area	3, 9, 10, 12, 15, 18, 19, 21, 22, 23, 28
East King	5, 6, 7, 17, 20, 25, 32, 33, 34, 35
South King	1, 2, 4, 8, 11, 13, 16, 24, 26, 27, 29, 30, 31, 36

NEIGHBORHOOD KEY

King County	16 KENT	32 FACTORIA	58 SOUTH TACOMA
1 SEA TAC	17 KIRKLAND	33 ISSAQUAH	59 OTHER PIERCE CO
2 AUBURN	18 MADISON/LESCHI	34 JUANITA	
3 BALLARD	19 MAGNOLIA	35 WOODIN/TOTEM LK	Snohomish County
4 BEACON HILL	20 MERCER ISLAND	36 MAPLE VALLEY	41 PAINE FIELD
5 BELLEVUE-EAST	21 SHORELINE		42 EAST SNO COUNTY
6 BELLEVUE-WEST	22 NORTH SEATTLE	Pierce County	43 EDMONDS
7 BOTHELL	23 QUEEN ANNE	50 FIFE/MILTON	44 CENTRAL EVERETT
8 BURIEN	24 RAINIER VALLEY	51 FIRCREST/UNIV PL	45 LYNNWOOD
9 CAP HILL/EASTLK	25 REDMOND	52 LAKEWOOD	46 MTLKE TERRACE
10 CENTRAL	26 RENTON	53 MID TACOMA	47 N SNOHOMISH CO
11 DES MOINES	27 RIVERTON/TUK	54 NORTH TACOMA	48 SILVER LAKE
12 DWTN SEATTLE	28 UNIVERSITY	55 PARKLAND SPANAWAY	49 MILL CREEK
13 FEDERAL WAY	29 WEST SEATTLE	56 PENINSULA	
14 FIRST HILL	30 WHITE CENTER	57 PUYALLUP/SUMNER	
15 GREENLAKE/WALL	31 ENUMCLAW		

