

## *City of Tukwila*

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Jim Haggerton, Mayor

Office of the Mayor  
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Date: September 17, 2008

To: City Council

Copy: Mayor  
City Administrator  
Council Analyst

From: Economic Development Administrator 

Re: Tukwila Village Projected Apartment Rents

One of the risks that I identified in my cover memo for the Fuller/Sears/Ravenhurst report is projecting with certainty that people will pay high enough rents to make the project financially feasible. I would like to provide you with some additional information that I recently received that mitigates some of my concern over that risk.

Gardner-Johnson, LLC performed a market analysis for the City of SeaTac in April 2008 that looked at rents for apartment complexes built after 2000 within the White Center, Renton, and Burien areas. It also included Tukwila/Riverton but I am not aware of any units in Tukwila built since 2000. I attached one page from the study.

The study identified new apartment complexes comprising 510 units and calculated an average rent of \$1.47 per square foot. If you assume a 6% annual rent increase over the 3 years until the development is constructed and leased up, it would average approximately \$1.65 per square foot. This number is still lower than the \$1.85 per square foot mentioned in the Fuller/Sears/Ravenhurst study but at least it is a lot closer than current rents in the neighborhood would indicate.

Please contact me at 206-433-1832 or [dspeck@ci.tukwila.wa.us](mailto:dspeck@ci.tukwila.wa.us) if you have any questions.



The following chart shows the breakdown of all units in the City of SeaTac by unit type. These units come from the Dupre + Scott Apartment Market Advisors, Inc. survey of twenty-plus unit buildings within the City of SeaTac. The SeaTac submarket of South King County shows rental rates averaging \$750 per unit with a market vacancy of 3.9% in buildings containing 20 or more units.

### BREAKDOWN OF ALL SEATAC UNITS

Submarket Area Unit Type	Average Rent/Unit	Market Vacancy	Average Rent/Sq. Ft.	Bldgs. Surveyed	Units Surveyed	Percentage of total stock
<b>Units Built (All Years)</b>						
Seatac Submarket (All Units)	\$750	3.9%	--	16	2,040	100%
Studio	\$538	4.8%	\$1.26	7	311	15%
One-Bedroom/One-Bath	\$684	3.8%	\$1.00	14	759	37%
Two-Bedroom/One-Bath	\$833	4.1%	\$0.93	11	486	24%
Two-Bedroom/Two-Bath	\$832	2.3%	\$0.87	9	351	17%
Three-Bedroom/Two-Bath		5.3%	\$0.95	4	133	7%

Source: Dupre & Scott

3351 8.157<sup>6</sup> → With Sunset Station currently in lease-up, SeaTac does not report rents from any units built after the year 2000. As a result, to ascertain approximate rental rates for new construction apartments a premium must be projected for potential new units within the city market area.

In looking at newer (built in 2000+) apartment complexes located within outlying market areas such as Tukwila/Riverton, White Center, Renton, and Burien, we were able to indentify projects totaling approximately 510 units that gave a more realistic view of rental rates being achieved in new construction rental apartment projects. These projects carried an average unit size of 802 square feet and an average price per square foot of \$1.47 ←

### COMPARABLE RENTAL RATE BREAKDOWN (YEAR BUILT 2000 OR NEWER) /OUTLYING MARKET AREAS

Unit Configuration	Average Sq. Ft.	Average Rental Rate	Average Rent Per Sq. Ft.
Studio	531	\$893	\$1.70
One Bedroom	759	\$1,055	\$1.39
Two Bedroom/Two Bath	1116	\$1,488	\$1.34
Grand Total	802	\$1,145	\$1.47

Source: Pierce-Eislen, Inc./Gardner-Johnson, LLC

Under such considerations, it is our belief that the station areas, as planned, have the ability to achieve an average rental rate in line with current market averages ranging from \$1.40 to \$1.47 in 2008 dollars. This belief assumes a spec. level comparable to other new construction apartments currently on the market located throughout the Puget Sound region.