APARTMENTS VS. CONDOMINIUMS
The Real Story
Corbitt Loch, Moderator

Apartments vs. Condominiums

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Discussion Points

I. What is a legal condominium?
- Essentially is the recording of a covenant upon title to real property with the County Recorder’s Office.
- Covenants are private contracts subject to all law of contracts.

II. How can a city regulate condominiums versus apartments?
- A. The scope of municipal police power is broad:
  - Municipal police power is as extensive as that of the state legislature, so long as the subject matter is local and the regulation does not conflict with state laws.
  - The scope of police power is broad, encompassing all those measures which bear a reasonable and substantial relation to promotion of the general safety, health and welfare of the people.

  Weden v. San Juan County, 135 Wn.2d 678 (1996) (County ordinance regulating use and operation of jet skis affirmed as lawful exercise of police power.)
B. Bar to regulating form of ownership of multi-family buildings

➤ Zoning deals with land use, not the owner, operator or occupant of land. (Rathkopf, Law of Zoning and Planning, §2.03 [b].)

➤ Matters not affecting the actual physical use of land are not proper matters for exercise of zoning police power authority. (Catholic Family Services v. City of Bellingham, 25 Wn.App. 33 (1979).)

C. Condominium conversion ordinances

(1) Notice
(2) Right of first refusal to purchase
(3) Inspection of units for building code compliance prior to sale

III. SEPA review – traffic impacts of condos versus apartments


Average Trip Rates for Apartment
- 6.65 daily vehicular trips per dwelling unit
- 0.62 weekday PM peak hour trips per dwelling unit
- Based on ~90 unique trip generation studies throughout the U.S. and Canada

Average Trip Rates for Condo/Townhouse
- 5.81 daily vehicular trips per dwelling unit
- 0.52 weekday PM peak hour trips per dwelling unit
- Based on ~60 unique trip generation studies throughout the U.S. and Canada

These data suggests an Apartment building generates ~15% more daily vehicular trips and ~20% more weekday PM peak hour vehicular trips than a condo/townhouse building of similar size.

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American Planners Association - Washington Chapter

Meydenbauer Center, Bellevue, Washington

Presented by:
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Managing Principal

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The Apartment Market

Transaction Velocities

SOURCE: Gardner Economics – Tri County Area

Boundary of the Future.

The $640M
question is
Whether the Market Can Absorb all the New Supply.

Annual Delivery of New Units

SOURCE: Gardner Economics – Tri County Area

Meeting the Needs of the “I-Generation”

SOURCE: Gardner Economics – Tri County Area

1/12/2014
Who Don’t Drive….. As Much!

Provision of Flex-Use Vehicles is Necessary and There are Tangible Cost Savings.

Homeownership Rates Trending Higher

Homeownership Rate Comparison

Warning Signs

• Markets Always Play Catch Up;

Apartment Trends

Homeownership Has Turned a Corner in the Region; However, Demographics Still Favor Apartment Owners/Developers.

Apartment Outlook

1. Millennials – When they Get a Job – Won’t Live in the ‘Burbs!
2. Rising Interest Rates Can Hurt, But they Can Help Too!
3. Rate of Rental Growth is Peaking; And
4. There are Warning Signs that Need to be Addressed.

GENERAL MARKET TRENDS

Real Estate Markets Are Cyclical, Not Linear
Warning Signs

• Markets Always Play Catch Up;
• I Still See the Potential for Overbuilding in Select Sub-Markets; and
• Home Value Growth & Rising Interest Rates Are Changing Housing Choices.

Vacancy Rate Forecast ('14-'15)

The For Sale Market

Although at Last Years Levels, Available Inventory Levels are Still Woefully Low.

Condominium Values

King County

Listing Activity

King County

The Bigger Picture Tells a Far Worse Story.
Housing Affordability

Technically, the Tri-County Remains Affordable

That Said, the Market Will be Tested as Interest Rates Rise.

SOURCE: Gardner Economics
APA Conference October 3, 2013

Comparisons

APARTMENTS
- Financing Available for Development;
- Long-Term Demographics are Favorable;
- Oversupply Issues are Relative;
- Urban vs Suburban Demand;
- Conversions are Not Likely;
- Rental Growth Will Exceed Inflation – For Now;
- Vacancy Rates Likely to Peak in 2016;
- Mass Transit is No Panacea.

CONDOMINIUMS
- Still Difficulty in Financing Larger Projects;
- Homebuyer Financing Expensive;
- Land Values & Construction Costs are Escalating;
- Demand Limitations;
- Conversions are Unlikely;
- Who are the Buyers?;
- Is the “Forced Savings” Argument Still Valid?
- What About Families?
- Can We “Over-Densify”?
- Maybe Downtown isn’t the Answer!

Downtown Seattle

Economic Trends and Outlook

Questions?

E-Mail Me For a Copy of This Presentation.

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Socioeconomic Issues

Changing Households

SOURCE: Gardner Economics
APA Conference October 3, 2013