

Arbors

Status

Sold August 2006

Location

Renton, WA

Asset Type

Multi-Family Apartment Community

Date of Investment

May 2004



Investor Return to Date

The final net return to an investor was an 18.07% internal rate of return and a 40.45% return on invested equity. The investor return exceeded Ratel's original projection for the project.

Overview

Built in 1973, Cascade Heights is a 284-unit apartment community consisting of one and two bedroom, one bath units. Common area amenities include two laundry rooms, two swimming pools, two saunas, a fitness center, play area, basketball court and barbeque/picnic areas.

Value Add:

The Upfront Challenge

At the time of the investment, the property was under managed, tired in appearance and had deferred maintenance:

- ◆ Interior units had not been upgraded for many years.
- ◆ The leasing office and common areas were poorly maintained and unattractive.
- ◆ Landscaping throughout the property was inadequate.
- ◆ 10 roofs leaked and caused tenant challenges.
- ◆ The property's submarket had experienced several years of depressed rents and high vacancy. At the time of purchase, the market was beginning to turn more positive due to an improving local economy.

The Solution

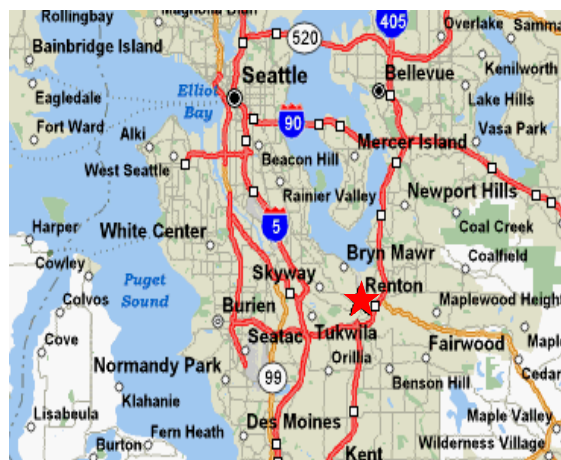
- ◆ A new property management team was put in place to capture the upswing in demand for rental units, including the first Spanish-speaking leasing agent.
- ◆ The property was repositioned and renamed the Arbors (formerly Cascade Heights) in order to attract a more affluent clientele.
- ◆ New, more prominent entrance signage was installed.
- ◆ The marketing/advertising program was expanded to target new potential tenant communities.
- ◆ Select units were upgraded; new model units were created.
- ◆ The leasing office was redecorated and the front entrance was remodeled.
- ◆ Roofs were replaced and the landscaping was improved.

The Results

- ◆ Occupancy rose and rents increased.
- ◆ The tenant mix became more diverse and stable due to new marketing outreach programs.
- ◆ The final net return to an investor was an 18.07% internal rate of return and a 40.45% return on invested equity. The investor return exceeded Ratel's original projection for the project.

The Property:

- ◆ The Arbors was purchased at a substantial discount to comparable sales; the purchase price was well below replacement cost.
- ◆ The property is located in the desirable submarket of Renton called the Highlands. The Arbors benefited from land constraint as well as a stable job base provided by nearby manufacturing and industrial warehouse jobs.
- ◆ Low density of the property (284 units situated on 10 acres) provided an unusual amount of open space and privacy for tenants.



The Market: Seattle, WA

- ◆ The region had suffered 6 years of economic decline driven in large part by the decline in dot com jobs. However, in the six months preceding Ratel's purchase of the property, Seattle was beginning to experience a renewal of job growth.
- ◆ Boeing had begun to report far stronger economic results due to the success of its new 7E7 commercial aircraft and the continued strength of its 737/757 line after a decline caused by 911.
- ◆ Renton's size (10th largest city in Washington state) and central location (near SeaTac airport and situated at the juncture of four state highways) made it a highly attractive location for transportation-based companies and big-box retailers.

About Ratel Investments:

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