

# FRANKLIN EASTLAKE

7-Unit Value-Add Opportunity with Upside in  
Pivot-Point Seattle Eastlake Location



2711 Franklin Ave E, Seattle, WA 98102

**BERKADIA**<sup>®</sup>

a Berkshire Hathaway and Jefferies Financial Group company

# investment sales

PRIMARY CONTACT

## PATRICK HARMON

Associate Director  
206.799.5322  
[patrick.harmon@berkadia.com](mailto:patrick.harmon@berkadia.com)

## CHAD BLENZ

Senior Director  
206.491.2008  
[chad.blenz@berkadia.com](mailto:chad.blenz@berkadia.com)

## MITCHELL BELCHER

Managing Director  
425.891.9594  
[mitchell.belcher@berkadia.com](mailto:mitchell.belcher@berkadia.com)

## STEVEN CHATTIN

Managing Director  
425.269.3826  
[steven.chattin@berkadia.com](mailto:steven.chattin@berkadia.com)

## JAY TIMPANI

Managing Director  
206.999.3206  
[jay.timpani@berkadia.com](mailto:jay.timpani@berkadia.com)

## BRANDON LAWLER

Senior Director  
206.484.8114  
[brandon.lawler@berkadia.com](mailto:brandon.lawler@berkadia.com)

exclusively offered by Berkadia Seattle



ADDRESS:	2711 Franklin Ave E
CITY, STATE, ZIP	Seattle, WA 98102
UNITS:	7
PRICE:	\$1,950,000
YEAR BUILT:	1927
BUILDING SIZE:	4,496 NRSF
PARKING:	4 secured garage spaces
MARKET PRO FORMA CAP RATE:	5.90%
PARCEL:	195970-1220
LOT SIZE:	5,500 SF / 0.13 acres
ZONING:	LR2 (M)
COUNTY:	King

## OPPORTUNITY

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# well-maintained with upside in A+ location

- / Pivot-Point Location: Proximity to transit, amenities, and major employers like Amazon, Apple, Google, Facebook, and the University of Washington.
- / Well-maintained, owner-operated property with minimal deferred maintenance. In recent years, ownership has upgraded plumbing, water heaters, electrical panels and partially replaced roofing
- / Value-Add Offering with Upside: partially renovated over recent years and comprised of seven units across two buildings, the property is an ideal fit for new ownership to implement a value-add program while continuing to raise rents to market rate
- / Immediate Upside Potential: In-place rents currently achieving \$117 below market on average; renovations project an additional \$100 per unit premiums in submarket with strong effective rent growth projections
- / Secured Parking: further upside potential for additional parking; four dedicated secured garages project to increase current rental income by \$5,100 annually
- / Conveniently located with easy access to Interstate 5, Highway 99, and Downtown Seattle; multiple bus routes to employment sectors within walking distance
- / Consistent Rental Demand: Average effective rent in the Lake Union submarket was \$2,664 per month in 4Q24, and year end occupancy at 95.4%, representing a 1.9% year-over-year increase compared against 0.8% average in the Seattle Metro

## PROPERTY

# property overview

- / Franklin Eastlake will attract young, working professionals who value proximity to transit, amenities, and employers
- / Appreciating home values in Eastlake submarket provide tenants with more affordable rental options and immediate access to modern conveniences, South Lake Union, and major employers
- / Centrally located, the property supports consistent future rental demand with effective rent growth of 5.1% projected by the end of 2025
- / The building consists of large footprint one-bedroom units across two buildings, with average unit sizes of 642 square-feet; well-maintained original hardwood floors throughout each unit, and updated cabinetry, granite-style countertops and appliances in top-floor units
- / Suggested future renovated include granite-style countertops throughout, further replace of stainless-steel appliances, undermount kitchen sinks, and modern fixtures and finishes throughout
- / ADU-style unit approximating 504 square-feet and private access and balcony offers further upside potential with further renovation scope

### Unit Mix

Unit Type	Count	Avg. Unit SF	Current Rent	Market Rent	Renovated Rent
1 Bed/1Bath	7	642	\$1,783	\$1,900	\$2,000
<b>Total/Average</b>	<b>7</b>	<b>642</b>	<b>\$1,783</b>	<b>\$1,900</b>	<b>\$2,000</b>

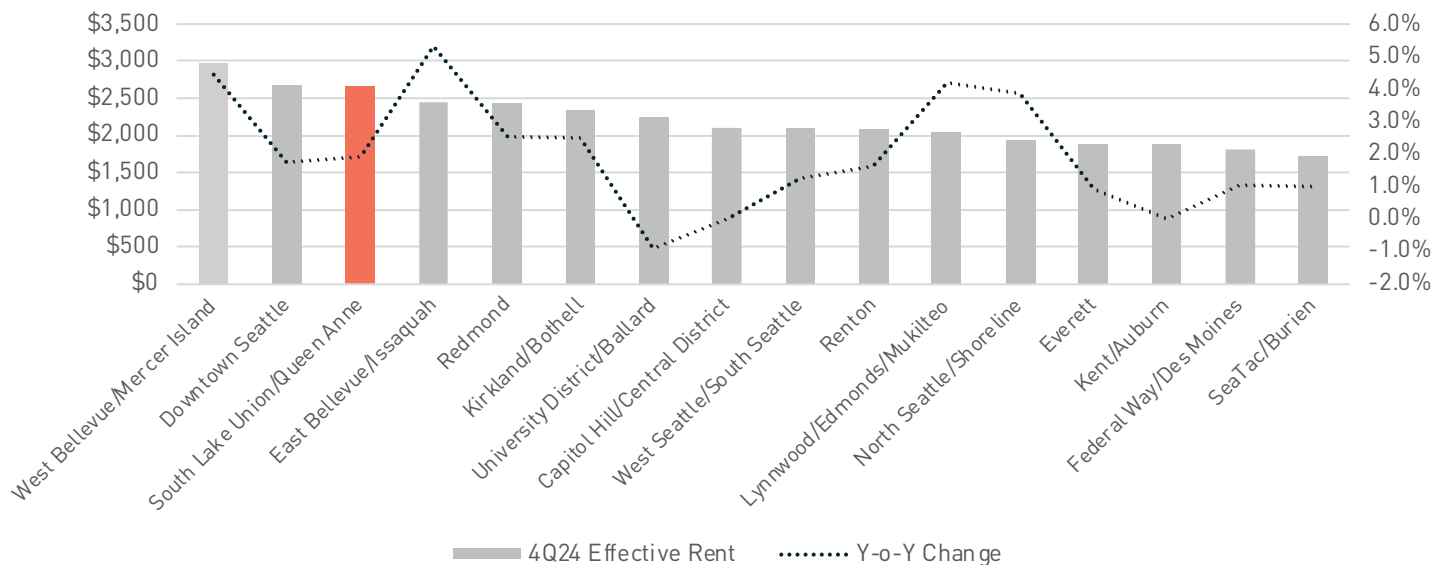


# MARKET

# strong rental submarket

- / Average effective rent in the Lake Union submarket was \$2,664 per month in 4Q24,; third-highest mark in the Seattle Metro
- / 2,709 total net move-ins estimated during 2024
- / Average mortgage payment in the submarket is more than four times the average effective rent, favoring renting over homeownership; 51% of housing units are renter occupied versus 38% of housing units throughout the Seattle metro
- / The current median household income (\$153,232) is projected to grow 31.5% over the next five years and is 34.9% higher than residents of the metro
- / Median home price in the ZIP code 98102 increased 20.6% year-over-year as of November 2024

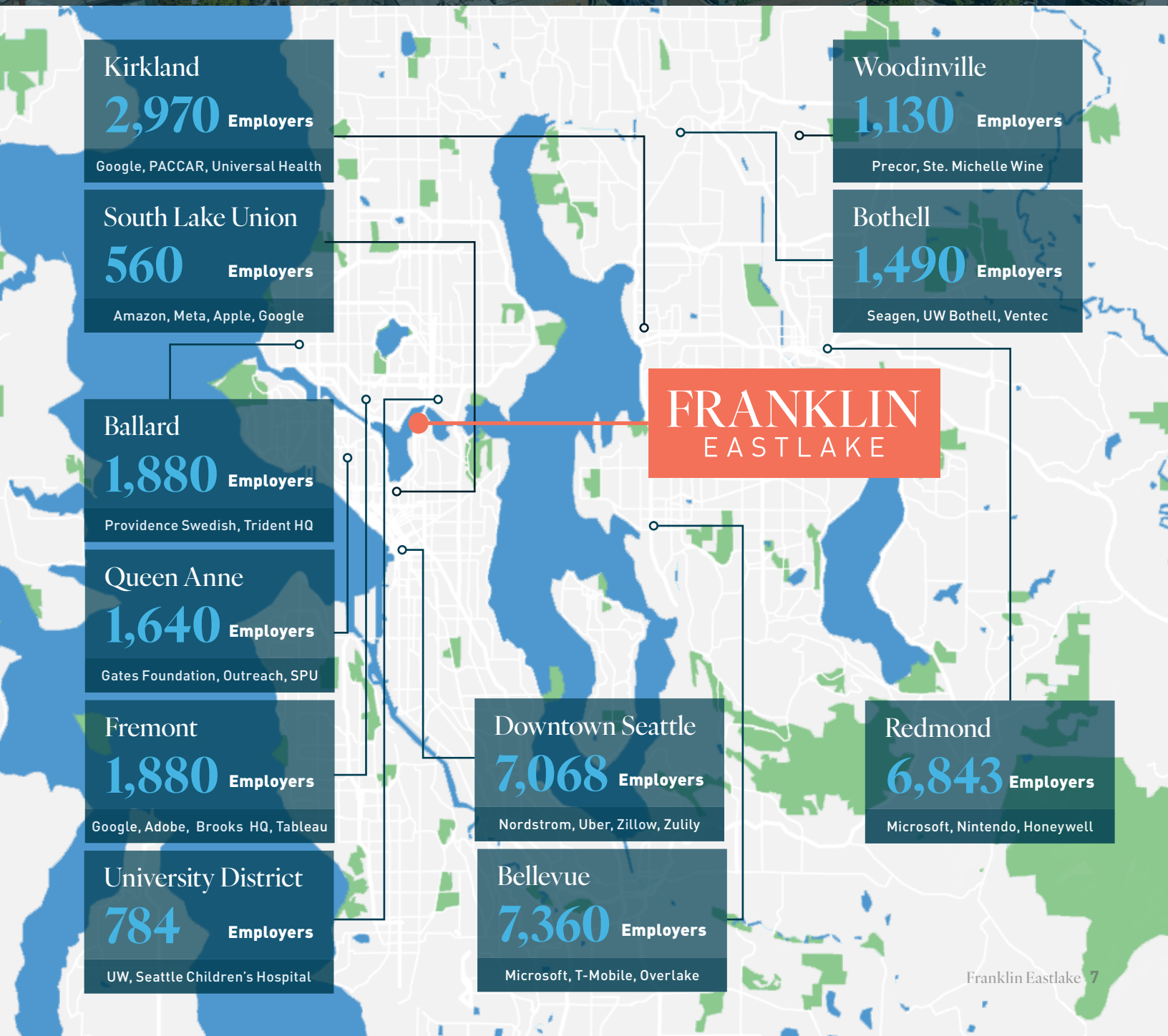
Seattle MSA Submarket	2024 Rent	YoY Change
West Bellevue/Mercer Island	\$2,972	4.5%
Downtown Seattle	\$2,684	1.7%
<b>South Lake Union/Queen Anne</b>	<b>\$2,664</b>	<b>1.9%</b>
East Bellevue/Issaquah	\$2,436	5.3%
Redmond	\$2,424	2.6%
Kirkland/Bothell	\$2,341	2.5%
University District/Ballard	\$2,238	-0.9%
Capitol Hill/Central District	\$2,107	0.0%
West Seattle/South Seattle	\$2,092	1.3%
Renton	\$2,089	1.6%
Lynnwood/Edmonds/Mukilteo	\$2,039	4.2%
North Seattle/Shoreline	\$1,943	3.9%
Everett	\$1,886	0.9%
Kent/Auburn	\$1,875	0.0%
Federal Way/Des Moines	\$1,817	1.0%
SeaTac/Burien	\$1,725	1.0%



## LOCATION

# pivot point location

- / Situated on the eastern side of Lake Union, Eastlake is a popular place for high-earning young adults
- / Immediate access to Interstates 5 and 90, and SR 520, with quick commutes to the area's largest employment hubs
- / Renter hotspot: within one-mile radius of Franklin Eastlake, 51% of housing units are renter-occupied versus 38% throughout the Seattle metro
- / Short walk to Lake Union waterfront





## NEIGHBORHOOD FEATURES

# ideally situated within highly-coveted eastlake submarket

- / Eastlake Neighborhood home to a variety of restaurants, amenities, and eclectic boutiques, including swimming and boat launching
- / Flanked by numerous pocket parks and recreational amenities such as South Lake Union Park, the Center for Wooden Boats, Gas Works Park, UW Waterfront Activities Center, and the Burke Gilman Trail
- / Proximity to major employers, including Amazon, Apple, Google, Facebook, and University of Washington
- / **Enhanced Connectivity:** New protected bike lanes on Eastlake Ave (90% complete, expected by end of 2024) and the South Lake Union Streetcar extending from downtown's Westlake Center through South Lake Union.
- / South Lake Union Streetcar offers another mode of transportation and extends from downtown's Westlake Center through the new employment center of South Lake Union neighborhood



## THE COMMERCIAL BUSINESS DISTRICT

# downtown seattle's transformation

- / From 2010 to 2019, Seattle grew at an unprecedented rate, with Downtown Seattle owning the largest share of the decade's economic expansion
- / Downtown is home to 11 of the state's top 15 financial services firms, making it a major global information and technology hub
- / Since 2010, an average of 28 projects were completed each year in Downtown Seattle, adding 8,300 apartment units in the area
- / Although the pandemic slowed down the economy in 2020, the region still held a strong position in construction activity across nearly all sectors
- / In 2022, 24 building projects were completed downtown, adding nearly 1.2 million SF of new office space
- / Through the second quarter of 2024, there have been 8,465 net move-ins to the Greater Seattle area, surpassing the 2023 annual total and necessitating the development of new housing
- / In the next three to four years, approximately 1.6 million SF of office space will be added downtown

1.2M

### Square Footage

New office space added downtown in 2022

12.5%

### Ridership Increase

Year over year, King County Metro in April 2023

15,236

### Avg Daily Worker Foot Traffic

Last week of April 2023, Denny Triangle neighborhood

## EMPLOYMENT HUB

# minutes from the south lake union tech scene



amazon

Google

Meta

BILL & MELINDA  
GATES foundation

- / South Lake Union neighborhood, heart of city's tech scene, is minutes from the property
- / Home to e-commerce giant Amazon as well as leading tech companies Meta, Apple, and Google
- / Thriving hub for the biotech and life science industries
- / Geographical center of Seattle, attracting residents and businesses for its pedestrian-friendly infrastructure and modern approach placemaking
- / 560+ workplace establishments with 13,500+ full-time equivalent workplace employees
- / 220 existing office buildings and 15.7 million SF of existing office space
- / 1.4 million SF of office space under construction
- / \$45.18 market rent PSF in the SLU office market

## ADDITIONAL DEMAND

# the nearby university district

- / 8 minutes away by bus, the U District Station is located in a rapidly expanding submarket with 6.3 million square feet of office space and 349,000 additional square feet of office space under construction
- / Neighborhood is home to the University of Washington's (UW) 634-acre flagship campus; as of Fall 2022, 49,520 students enrolled
- / University supports more than 30,000 jobs, equates to one out of every 37 jobs in the state
- / Receives more money from federal entities than any other public university at more than \$1.67 billion in total research awards
- / Currently constructing Behavioral Health Teaching Facility, a \$244 million project for six-story facility with 150 beds; expected completion June 2024

## \$15B

### Annual Economic Impact

UW is a major contributor to the state and regional economy

## 34,170+

### Students in Need of Off-Campus Housing

Less than a third of students live on campus

## FINANCIALS

# pro forma

INCOME	T-3	Market Pro Forma	Renovated Pro Forma
Scheduled Market Rent	\$147,922	\$159,600	\$168,000
Less: Loss to lease (1%)		(\$1,596)	(\$1,680)
Less: Vacancy (5%)		(\$7,980)	(\$8,400)
Net Rental Income	\$147,922	\$150,024	\$157,920
Other Income			
Plus: RUBS (85% Collections)		\$11,312	\$11,312
Plus: Other Income		\$3,500	\$3,500
Plus: Parking Income	\$900	\$6,000	\$6,000
Total Other Income	\$900	\$20,812	\$20,812
<b>Total Operating Income</b>	<b>\$148,822</b>	<b>\$170,836</b>	<b>\$178,732</b>
EXPENSES	T-3	Market Pro Forma	Renovated Pro Forma
Administrative		\$1,050	\$1,050
Advertising & Marketing		\$525	\$525
Repairs & Maintenance	\$9,834	\$4,550	\$4,550
Management Fee (5.00%)		\$8,542	\$8,937
Utilities	\$14,514	\$13,308	\$13,308
Contract Services	\$7,511	\$2,100	\$2,100
Real Estate Taxes*	\$20,036	\$20,036	\$20,036
Insurance*	\$4,550	\$4,550	\$4,550
Replacement Reserves*	\$1,050	\$1,050	\$1,050
Total Expenses	\$57,495	\$55,711	\$56,106
<b>Net Operating Income</b>	<b>\$91,327</b>	<b>\$115,125</b>	<b>\$122,626</b>
Less: Debt Service	(\$78,750)	(\$78,750)	(\$78,750)
Projected Net Cash Flow	\$12,577	\$36,375	\$43,876
Total Economic Loss	0.00%	6.00%	6.00%
Cash-on-Cash Return (Target)	1.48%	4.27%	5.15%
Cash-on-Cash Return (Competitive)	1.67%	4.83%	5.83%
Cash-on-Cash Return (Strong)	1.93%	5.57%	6.72%
Debt Service Coverage	1.16	1.46	1.56

\*Normalized

# pro forma notes

### **Scheduled Market Rent:**

Pro forma scheduled market rent is based on 10/5/24, rent roll and an analysis of multifamily rental trends in the surrounding submarket.

### **Vacancy & Loss-To-Lease:**

Pro forma vacancy was underwritten to a traditional 5% and loss-to-lease was underwritten to a traditional 1% of scheduled pro forma market rent, which reflects an industry standard.

### **RUBS Income:**

Pro forma RUBS income was underwritten to \$1,616 per unit. This represents an 85% reimbursement ratio over the pro forma utility expense, which reflects an industry standard.

### **Other Income:**

Pro forma other income is \$500 per unit. This can include pet rent, security deposit forfeitures, and other operating income.

### **Parking Income:**

The pro forma parking income is \$857 per unit, reflecting current operations.

### **Administrative:**

Pro forma administrative expenses are \$150 per unit, which reflects current operations at comparable properties in the same submarket. This can include banking fees, tenant screening, and other miscellaneous expenses.

### **Advertising & Promotion:**

Pro forma advertising and promotion expenses are \$75 per unit, which reflects current operations at comparable properties in the same submarket. This can include online rental marketing, physical advertising, and other marketing materials.

### **Repairs & Maintenance:**

Pro forma repairs and maintenance expenses are \$650 per unit, which reflects current operations at comparable properties in the same submarket. This can include appliances, electrical, plumbing, and other turnover expenses.

### **Management Fee:**

Pro forma management fee expense is 5% of the total operating income or \$24,405 per unit, which reflects current operations at comparable properties in the same submarket.

### **Utilities:**

Pro forma utility expense is \$1,901 per unit, reflecting current operations at a 3% growth rate.

### **Contract Services:**

Pro forma contract services expenses are \$300 per unit, which reflects current operations at comparable properties in the same submarket. This can include landscaping wages, pest control, and other contracted work on the property.

### **Real Estate Taxes:**

Pro forma real estate taxes are \$2,862 per unit, which represents the estimated stabilized tax liability. This tax expense is based on the 2023 assessed value of 2,134,000, the 2022 levy rate of 9.05, and other charges of \$718.

### **Insurance:**

Pro forma insurance expenses are \$650 per unit, which reflects the current insurance agreement.

### **Replacement Reserves:**

Pro forma replacement reserves expenses are \$150 per unit, which reflects the industry standard. This includes allocated reserves for periodic replacement of building components that wear down over time.

## COMPS

# rent comparables

Property	Address	Distance	Units	Built	Avg. Unit Size
<b>Franklin 7</b>	<b>2711 Franklin Ave E</b>	-	<b>7</b>	<b>1927</b>	<b>642</b>
1	2726 Franklin Ave E	0.04	3	1965	700
2	2310 Yale Ave E	0.35	2	1901	557
3	2919 Franklin Ave E	0.20	2	1927	689
4	2366 Yale Ave E	0.24	5	1966	686
<b>Total / Average</b>					<b>669 SF</b>

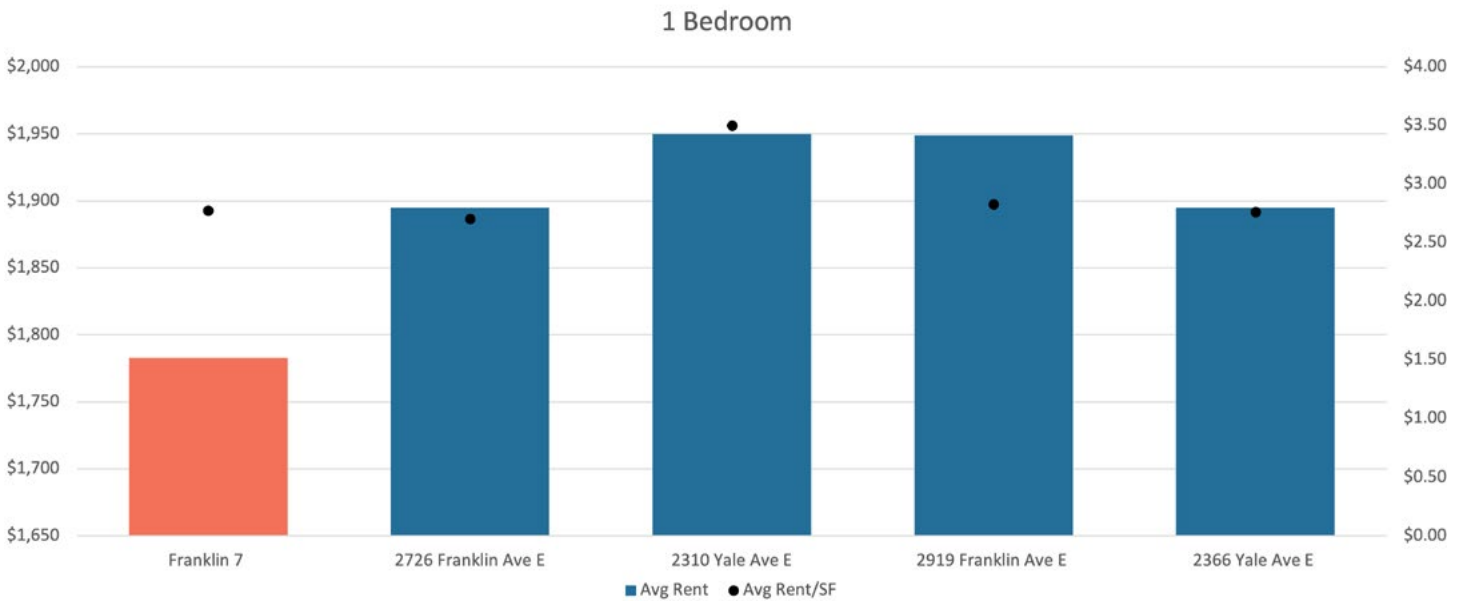


# rent comparison analysis

## SUMMARY

Property	Units	Unit Size	Rent	Rent/SF
<b>Franklin 7</b>	<b>7</b>	<b>642</b>	<b>\$1,783</b>	<b>\$2.78</b>
2726 Franklin Ave E	3	700	\$1,895	\$2.71
2310 Yale Ave E	2	557	\$1,950	\$3.50
2919 Franklin Ave E	2	689	\$1,949	\$2.83
2366 Yale Ave E	5	686	\$1,895	\$2.76
<b>Totals/Averages</b>		<b>669</b>	<b>\$1,913</b>	<b>\$2.86</b>

\*Excludes utilities

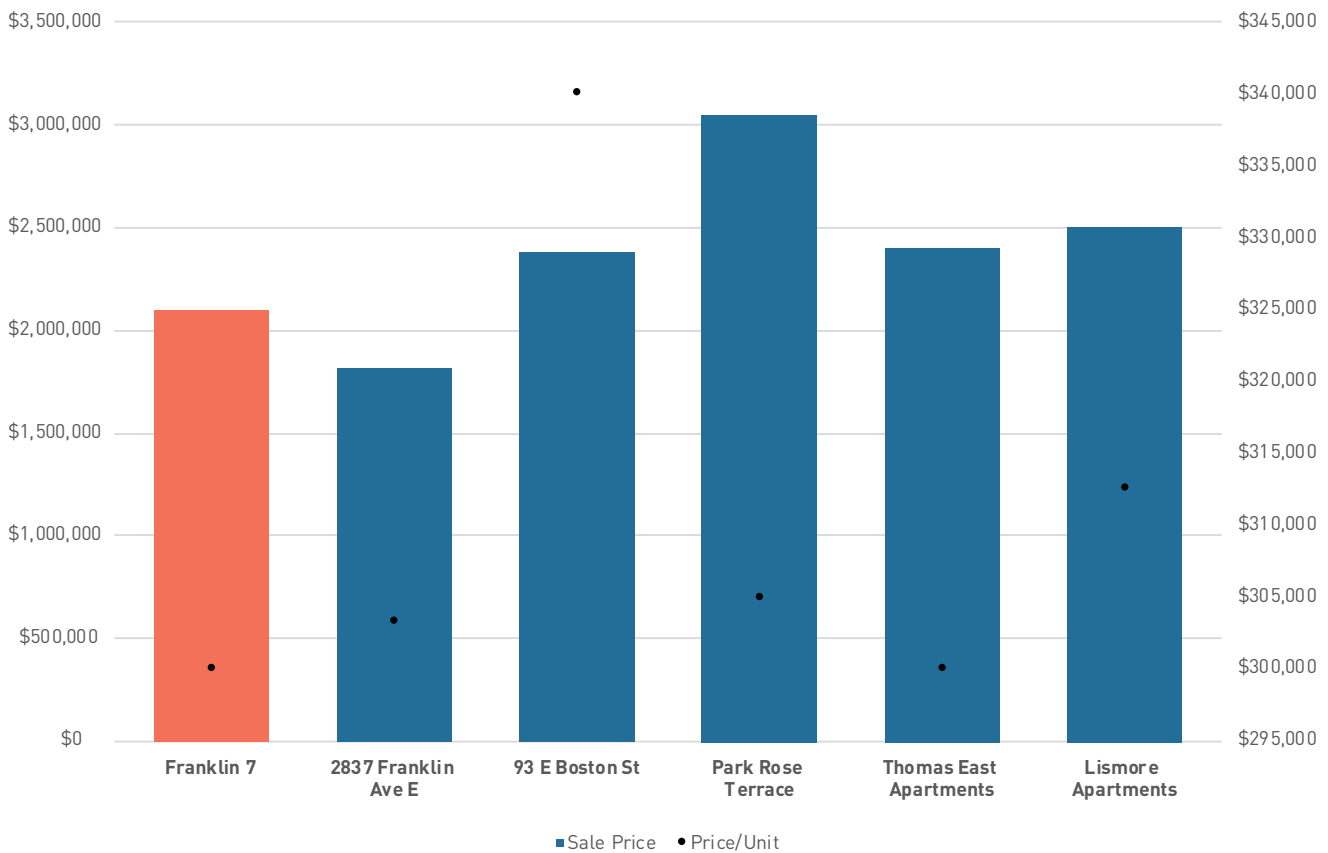


# COMPS

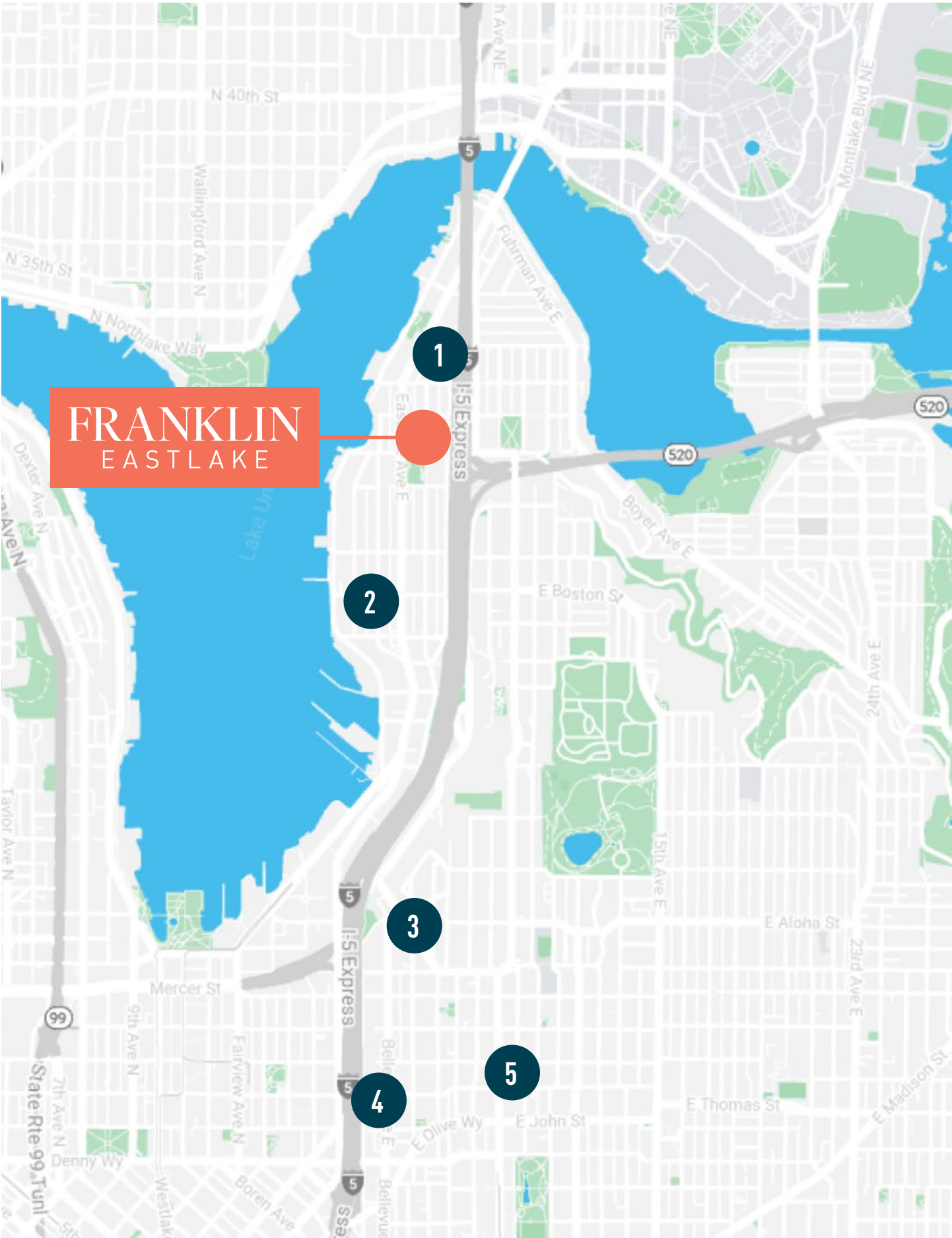
# sales comparables analysis

Property	Address	Units	Built	RSF	Sale Date	Sale Price	Price/Unit	Price/SF
<b>Franklin 7</b>	<b>2711 Franklin Ave E</b>	<b>7</b>	<b>1927</b>	<b>4,496</b>	<b>-</b>	<b>\$2,100,000</b>	<b>\$300,000</b>	<b>\$467</b>
1	2837 Franklin Ave E	6	1942	3,894	2/22/24	\$1,820,000	\$303,333	\$467
2	93 E Boston St	7	1951	5,753	4/17/23	\$2,380,000	\$340,000	\$414
3	Park Rose Terrace	10	1927	8,712	6/23/23	\$3,050,000	\$305,000	\$350
4	Thomas East Apartments	8	1910	4,987	2/15/24	\$2,400,000	\$300,000	\$481
5	Lismore Apartments	8	1908	7,992	6/6/23	\$2,500,000	\$312,500	\$313
<b>Total / Average</b>						<b>\$2,494,359</b>	<b>\$311,538</b>	<b>\$382</b>

\*Excludes utilities







**FRANKLIN**  
EASTLAKE

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# investment sales

## PRIMARY CONTACT

**PATRICK HARMON**

Associate Director  
206.799.5322

[patrick.harmon@berkadia.com](mailto:patrick.harmon@berkadia.com)

**CHAD BLENZ**

Senior Director  
206.491.2008

[chad.blenz@berkadia.com](mailto:chad.blenz@berkadia.com)

**MITCHELL BELCHER**

Managing Director  
425.891.9594

[mitchell.belcher@berkadia.com](mailto:mitchell.belcher@berkadia.com)

**STEVEN CHATTIN**

Managing Director  
425.269.3826

[steven.chattin@berkadia.com](mailto:steven.chattin@berkadia.com)

**JAY TIMPANI**

Managing Director  
206.999.3206

[jay.timpani@berkadia.com](mailto:jay.timpani@berkadia.com)

**BRANDON LAWLER**

Senior Director  
206.484.8114

[brandon.lawler@berkadia.com](mailto:brandon.lawler@berkadia.com)

# mortgage banking

**ROBERT DOXSEE**

Managing Director  
425.777.0235

[robert.doxsee@berkadia.com](mailto:robert.doxsee@berkadia.com)

**MICHAEL MANOLIDES**

Associate Director  
253.670.2143

[michael.manolides@berkadia.com](mailto:michael.manolides@berkadia.com)

**BERKADIA**<sup>®</sup>

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