Multifamily magnetism
Apartment market said to be hot for investors, developers

Mike McLean  April 10th, 2014  Spokane Journal of Business

At least three sizable apartment complexes with a total value of $42 million are in the construction pipeline in the Spokane area and several sources say they expect to see more apartment projects proposed and under construction here in the coming year.

That’s on top of apartment projects valued at more than $72 million currently in some stage of construction in the Spokane-Coeur d’Alene area.

Colin Conway, a broker with Spokane-based commercial real estate brokerage Kiemle & Hagood Co., says he expects this area to see continued growth in development and investment in apartment projects.

“Apartments are usually a stable investment vehicle,” Conway says. “Everybody needs a place to live.”

The growth in demand for rental units isn’t necessarily tied to the economy, he says.

“Even while the economy was growing (before the Great Recession), there was a move toward apartment living,” Conway says.

Nationally, a third of the nation’s population now lives in apartment complexes, and a roughly equal proportion of the Spokane population also lives in rentals, he says.
Renter numbers are only expected to grow, Conway says, adding that an analysis sponsored by the National Apartment Association and the National Family Housing Council concludes that half of all new family households formed this decade will live in rental units.

“We’re seeing baby boomers move into more multifamily situations and out of single-family homes,” Conway says. “We’re also seeing echo-boomers choosing apartment lifestyles over owning single family homes.”

Carl Durkoop, an appraiser with Valbridge Property Advisors Auble, Jolicoeur & Gentry Inc., of Spokane Valley, says that even with new construction, apartment occupancy rates in the Spokane market and nationwide are trending upward, which also is putting upward pressure on rents.

Durkoop says the most recent apartment survey here put the occupancy rate at 95.1 percent in the fourth quarter of 2013, up from 92 percent three years earlier.

Average recent monthly rents were $622 for two-bedroom, two-bathroom apartments and $912 for three-bedroom, two-bathroom apartments in the Spokane market, according to the Washington Center for Real Estate at the University of Washington.

In the pipeline

Projects in the pipeline include Ruby Apartments, a $10 million, 61-unit student apartment building envisioned at 940 N. Ruby, on the west edge of the Gonzaga University campus.

That project, which would be developed by Preferred Asset Partners, of San Clemente, Calif., currently is in the city of Spokane’s environmental review stage of the planning process.

David Schneider, asset manager at Preferred Asset Partners, declines to comment about the project.

Baker Construction & Development, of Spokane, is the contractor.

Barry Baker, president and CEO, of Baker Construction, says the company hopes to begin work on the project in May and it would take about a year to complete.

Records on file with the city show the project would include a six-level structure with apartments on five stories atop ground-level parking. Ruby Apartments would have 40 two-bedroom units, 20 three-bedroom units, and one single-bedroom unit, records show.

Baker says he believes Ruby Apartments would be Preferred Asset Partners’ first project in the Spokane area.

He says that Baker Construction, which has specialized in developing and erecting commercial, retail, and medical office projects, likely will expand further into apartment construction.

“It’s a natural progression for us,” Baker says. “When the economy was down, we picked up some folks that have done multifamily projects.”

On the South Hill, two adjacent apartment projects with a total value of $32 million and 240 living units are being planned, the Washington State Housing Finance Commission says.

Commonwealth Agency Inc., a Hayden, Idaho-based nonprofit, plans to develop the projects.
One would be the 120-unit Summit Ridge Apartments. The Summit Ridge site is at 3307 E. 55th, just east of the 55th Avenue Apartment complex, and the Pine Rock site is just east of the Summit Ridge site.

Commonwealth Agency is seeking approval to issue $12.5 million in tax-exempt revenue bonds to help raise capital for the Summit Ridge project, and Pine Rock recently was awarded $10.8 million in low-income housing tax credits, the commission says.

Dan Schilling, a spokesman for the commission, says the developer anticipates starting construction as early as next month.

The complexes tentatively are scheduled to be open for tenants in early 2015, Schilling says.

The Summit Ridge project would be restricted to tenants earning up to 60 percent of the median area income, and the Pine Rock project would be restricted to people earning up to 50 percent of the median area income, Schilling says.

The U.S. Housing and Urban Development calculates the Spokane County median area income for a family of four, for example, at $62,900.

The Summit Ridge and Pine Rock projects would be built simultaneously, Schilling says. They would have one-bedroom to three-bedroom units ranging in size from 700 square feet to 1,200 square feet of living space.

Whitewater Creek Inc., is the contractor on the planned Summit Ridge and Pine Rock projects, and ZBA Architecture PS, of Spokane, is designing them.

Schilling says he expects the Housing Finance Commission will see more requests for tax credits and tax-exempt bonding in the coming year.

“Across the state, there seems to be an increase in interest in developing affordable housing,” he says. “It’s very possible we could see another project from the Spokane area.”

Whitewater Creek was the contractor for nonprofit Spokane Housing Ventures on the recently completed $20 million Clare View project that included constructing the 61-unit Clare View senior housing complex, at 3146 E. 44th, and rehabilitating the nearby 124-unit Clare House Apartments, at 4827 E. Palouse Highway.

Spokane Housing Ventures owns or manages 16 housing projects with a total of nearly 900 units that it rents to families with low incomes or special housing needs, says Dave Roberts, senior developer for the nonprofit.

Roberts says the housing provider likely will have another construction project in the pipeline in the near future.

“We do have properties across the spectrum from housing for homeless to large families, the workforce population, and seniors,” he says. “Our occupancy is high across the board.”

Under construction in Coeur d’Alene, Whitewater Creek also is developing two apartment complexes in the Riverstone mixed-use community.

One project is the $9.8 million, 114-unit Riverstone Place apartment complex, which will have five three-story apartment buildings.
The other project is the $3.2 million, 38-unit Riverstone West III complex.

Both projects, which were designed by ZBA Architecture, are located on John’s Loop, which connects to Riverstone Drive in the western half of the Riverstone Development.

The projects are expected to be completed this summer.

One of the largest ongoing apartment projects in the Spokane area is Copper Landing, in Airway Heights. The $23.2 million, 216-unit apartment complex, includes nine three-story buildings, most of which are in various stages of construction.

The project site is located at 10913 W. Sixth, west of Hayford Road, about a half-mile south of the Kalispel Tribe’s Northern Quest Resort & Casino.

Copper Landing LLC, which is affiliated with Inland Group PS, a Spokane Valley developer and contractor, is developing the project on Kalispel tribal land under a long-term lease with the tribe.

The units are reserved for residents who earn less than 60 percent of the median area income.

The developer has begun marketing one- to three-bedroom units for lease with monthly rents listed from $630 to $805.

Other apartment projects currently under construction include:

- Mirabolante Apartments, a $14.8 million, 135-unit project at 16102 E. Broadway, in Spokane Valley. Rudeen Developments LLC, of Liberty Lake, is the project’s developer and contractor.

- Carrington Place, an $11.2 million, 132-unit apartment complex with 22 six-unit apartment buildings, is in various stages of construction in the Landings residential development in northwest Coeur d’Alene. The developer, The Land Co., of Coeur d’Alene, is acting as its own contractor on the project, and RND Architects PLLC, also of Coeur d’Alene, designed it.

- Highline West Apartments, a $6 million, 56-unit complex to be located in the Kendall Yards mixed-use development northwest of downtown Spokane. Ponderosa Ridge Homes LLC is the contractor on the project, and Liberty Lake-based developer Greenstone Corp. designed it.

- Wandermere Glen, a $4.5 million, 48-unit project at 11826 N. Mayfair. McCloskey Construction Inc., of Colbert, is the contractor on the project, which is expected to be completed in July, and Bernardo Wills Architects PC, also of Spokane, designed it.

Mike McLean covers real estate and construction at the Journal of Business. A multipurpose fisherman and vintage record album aficionado, Mike has worked for the Journal since 2006.