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## **Crib Notes**

By Joe  
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## **Crib Notes: Insignia's eye-popping sales prove it: Seattle needs more condos, and fast**

By JOE NABBEFELD  
Special to the Journal

Okay people, it's time to start building condos again.

We're not saying it's about to happen. We're saying it needs to start happening. Let's get going. Let's provide a big boost to our new home inventory in the form of new condos.

We've got a low inventory problem, so where are the new condos?

We can't build new single-family homes in Seattle, not at a rate that makes a difference. It may look like a lot of townhomes are going up, but it's not really a lot compared to the demand. LR-3 sites are nearly gone.

Seattle's method of boosting the for-sale housing supply is going to be condos.

Don't pass go; don't collect \$200; and be darned sure not to blame the bankers. Or the planners. Or the politicians. Or the NIMBYs.



Rendering courtesy of Bosa Development [\[enlarge\]](#)

**In 2010, Nat Bosa started building the Insignia condo complex and the reaction was: What! Are you nuts? Sales for units in the south tower average \$845 per square foot.**

Get excited. Get bold. Get out the pencils and put condos on the drawing boards. You know how to convince bankers and work with planners, and the politicians are as eager as anybody for more inventory.

In fact, here's what bankers have been waiting to hear:

Sales prices at the one new project that we have — Insignia — are now running at more than \$700 per square foot.

Record-high sales prices for new apartments in the past three years (to buyers who keep all the units as rentals) worked against building condos.

If a builder can make as much, or more, selling off an apartment building — at significantly less risk and headache than condos — they'll do it all day.

All those cranes you see looming over the Pike-Pine area on Capitol Hill, the old Huling Brothers site in West Seattle's Alaska Junction, the Ship Canal side of Fremont, the stretch of Ballard around Market and 15th — those are all new apartments. Rentals.

Get 'em built; get 'em rented up; sell them; do it again.

But if you build condos, four years later you're paying lawyers to sort out the inevitable defect claims that spring out of warranties in the state's condo act. That's fine but that just tells you why condo sales prices have to reach a higher threshold, high enough to make the hassle worth it, before a new wave of condo construction begins.

Condo construction tanked right along with the economy in late 2007. Apartments, townhomes and single-family construction also screeched to a halt. The single-family market perked up at the start of 2012 and has roared ever since, with prices in the hottest areas now past the 2007 peak.

But condos are Seattle's form of new construction, and they had a larger overhang to sell off after 2007. So condo prices took longer to come back.

This spring condos really tightened up. Listings now get multiple offers over the asking price in just a week on the market, like it's been for single-family homes over the past three years.

For years we've been predicting a rough patch for condos going forward. A condo project takes at least three years to happen in Seattle. So we've predicted that once the condo market tightened up, it would really TIGHTEN UP. If builders wait for convincing evidence that the market is already there, that leaves at least three more years before new supply arrives. That's a clear drought-and-flood recipe.

The one outlier in all of that — that proves it all — is Insignia. **Nat Bosa**, a well-established Vancouver, B.C., developer with super-deep pockets (both his and his investors'), bought a full block for Insignia in Belltown in 2007. That alone makes him no genius, but Bosa's block happens to be just steps away from where Amazon later declared that it would fill three blocks with office skyscrapers. Bingo! Genius!

Bosa said Insignia would have two 400-foot towers totaling about 707 units. One tower first; then the other. A 75-foot indoor swimming pool stretches across the top floor of the podium between the two towers. How about a lounge on the 41st floor!

In 2010, while every other condo developer was coolin' it on the beaches, Bosa started building. The reaction was: What! Are you nuts?

Bosa responded: Actually, I like putting new product on the market when nobody else is.

Classic, well executed contrarianism. A key, at least at the time, was Bosa could put together hundreds of millions in construction funding without bank loans (since the bankers still were too scared). Bosa had a luxury that others didn't.

Well, Insignia's south tower is just about to start its first sale closings. Buyers start moving in by late July.

Insignia started pre-sales in late 2013. It posts each pre-sale as a "pending" on the Multiple Listing Service. It posted 56 for 2013. Those averaged \$647 per square foot.

It posted 165 for 2014, all in the south tower too. Those averaged \$675 per square foot.

Up to June 1 of this year it has posted 39 in the south tower and 130 in the north tower. The south tower averaged \$845 per square foot, but many of those were higher up in the building. The north tower averaged \$742 per square foot.

Wow!

The bankers want to insist that those be closed sales, and that's about to start. So let's build some condos!

It's always possible that there's some hocus-pocus in those numbers, but I represent a buyer of one of those south tower units and I haven't seen anything but straight shooting. (By the way, the pre-sale process had some stunning aspects: Buyers put down 5 percent of the purchase price, non-refundable, upon signing their contract, and ANOTHER 5 percent six months later — back then that was for nothing but air, a promise and a good builder reputation.)

Recently a 240-foot tower called Luma, with 217 condos, started construction on First Hill at Seneca and Boylston. They're shooting for delivery in 2016.

As Crib Notes predicted, we're in a new round of hand-wringing and City Council candidate posturing about how rising rents and purchase prices are again pricing middle-income folks out of close-in Seattle. As the more-intelligent reports note, there's no single solution. No silver bullet. (Crib Notes espouses buses and light rail.)

Increasing the supply of housing is essential, and that means get going on condos.

Studies say urban dwellers have a tiny carbon footprint compared with rural dwellers. Get them some condos.

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