

# ENDLESS VIEWS. ENDURING VALUE.

Actual View

## FIFTEEN TWENTY-ONE *second avenue*

### THE VALUE OF VIEW

By William Justen

#### “Location, Location, Location.”

It’s the real estate mantra we rely on, but does this formula apply in downtown Seattle? Urban density suggests that high-rise’s can be on the same block or immediately across the street so “location” is just part of the equation. New trends suggest that long term sustainability of “view” and its effect on “value” have become far more critical in home sales today. And as the next development cycle rises, so will sensitivity on the topic.

#### Buyers’ Desires

Today’s residential towers are competing for buyers by offering greater amenities, larger floor plans and higher quality finishes. But ultimately, sales records have sent a clear message. It’s not what’s inside that impacts value the most – it’s what’s going on outside. Design features can be replicated, but panoramic views will always command the highest premium – particularly views that are sure to last. Statistics confirm that unobstructed views of Elliott Bay and the Olympic Mountains are in top demand; followed by vistas of downtown’s skyline and the Space Needle.

#### The Gold Coast

Like prime theater seats or season tickets on ‘the fifty yard line’, the most preferred position in the skyline is front and center. In downtown Seattle, a two-block by six-block neighborhood centered on Pike Place Market has become the most sought-after and most valuable condominium property in the city. Over the past 18 months, 123 units have been sold within six condominium towers with an average purchase price of \$2 million. The top property sale was more than \$9 million. In 2009, the vast majority of King County’s condo sales valued at more than \$1 million

were located within a single address: Fifteen Twenty-One Second Avenue, just a half-block east and high above the Pike Place Market. What’s the secret to such success? A protected view of Elliott Bay.

#### Built to Last

Discerning homebuyers focused on current value and long term appreciation want assurances their panoramic views are secure. The developer of Fifteen Twenty-One Second Avenue purchased perpetual view easements from adjacent properties at considerable cost. When combined with existing historical landmark height restrictions (including the Pike Place Market) the view protection is unrivaled. In 2007, consumer concern heightened when the westerly views at a condominium tower at 9th Avenue & Lenora Street were threatened by a proposed office tower. Considering the reduction of natural light, loss of privacy and potential for decreased home values, the homeowners association appealed the development application but lost. Today, that office tower stands as a reminder that views are not a “right” in the urban environment – they are the result of preferred positioning and careful planning.



#### Growing Pains

In April 2006, the Seattle City Council approved zoning incentives to stimulate residential and commercial development within the city center. A new tower spacing requirement limiting towers to two per block (in most cases) was included to mitigate tower crowding. This policy took time to implement and meanwhile, savvy land owners rushed the permit desk to entitle projects. They wanted to ensure their development plan wasn’t elbowed off the block. Most of these entitled projects are located between 1st and 3rd avenues. Why? Developers know it costs the same to build in a preferred location that offers views than a secondary neighborhood that could easily lose them. And while the commercial credit crunch has curtailed development for now, it’s these higher-value projects that are most likely to kick off the next development cycle ahead.

#### The West Rising

Sales absorption suggests that consumers prefer to be closer to Elliott Bay and are willing to pay for the view. Between 2006 and 2009 there were 15 new condominium buildings delivered in the center city comprised of 2,138 units. The majority were built between Western and 3rd Avenues, in a west to east ‘wave pattern’. Today about 175 units remain unsold within four condominium buildings west of 2nd Avenue. This compares to 481 units remaining between 4th and 8th Avenues to the east. These view

premiums can range from 25% to more than 50% over a comparable home, especially if the view is protected. That’s why the west side of 2nd Avenue may soon look like Park Avenue - there are four permitted condominium towers planned between Pine and Lenora Streets, and the City of Seattle recently extended all permit holder’s development rights for six years to maintain this trajectory.

“*The real estate mantra should be amended in the city - perhaps Location, View, Value is more appropriate.*”

#### View Matters

In 2010 the new condominium pipeline shuts down. No major project has broken ground downtown since 2007 and likely won’t for a while. Remaining inventory will find its market and many “wait-and-see” buyers will place their bets. Their choices range greatly from in-fill inventory offering discounts (or auctions) to the view-protected condominiums that command greater values. Prospective buyers can agree there’s far more to consider than just proximity or price point. In-city condominiums are not commodities and cannot be compared based on a price per square foot only. Each has its own values and considerations within the marketplace.



#### About William Justen

As a former Planning Director for the City of Seattle, William Justen advocates urban living and is a noted opinion on development trends downtown. In addition to being the Managing Director of The Samis Land Company (owner of 22 properties in downtown Seattle), he is the founder of The Justen Company, a firm that develops and advises land owners on planning and development. Over the past thirty years, Mr. Justen has lived in seven condominium properties within three blocks of Pike Place Market including Market Place Tower and the Pike and Virginia Building, which he developed with view protection. More recently, he collaborated with Opus Northwest on the conceptualization of Fifteen Twenty-One Second Avenue, which is his current residence. The Justen Company has also obtained permits for two more 440’ towers on the northwest and southwest corners of 2nd Avenue and Virginia Street. Each development has been planned to offer permanent views of Elliott Bay.

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