SEABREEZE APARTMENTS

FOR SALE | 3125 N OAK HARBOR RD | OAK HARBOR, WA

Kidder Mathews

TABLE OF CONTENTS

01

OFFERING SUMMARY

Executive Highlights
Investment Overview

02

LOCATION OVERVIEW

Area Description
Economic Outlook
Top Employers

03

PROPERTY MAPS & AERIALS

04

FINANCIALS

Unit Mix
Current Rents & Expenses
Proforma Rents & Expenses

05

COMPARABLES

Sale Comparables
Rent Comparables

EXCLUSIVELY OFFERED BY

BRIAN RICHARDSON
Vice President
206.276.6811
brian.richardson@kidder.com

KIDDER.COM

Kidder Mathews

The information contained in the following Marketing Brochure is proprietary and strictly confidential. It is intended to be reviewed only by the party receiving it from Kidder Mathews and should not be made available to any other person or entity without the written consent of Kidder Mathews.

This Marketing Brochure has been prepared to provide summary, unverified information to prospective purchasers, and to establish only a preliminary level of interest in the subject property. The information contained herein is not a substitute for a thorough due diligence investigation. Kidder Mathews has not made any investigation, and makes no warranty or representation, with respect to the income or expenses for the subject property, the future projected financial performance of the property, the size and square footage of the property and improvements, the presence or absence of contaminating substances, PCB's or asbestos, the compliance with State and Federal regulations, the physical condition of the improvements thereon, or the financial condition or business prospects of any tenant, or any tenant's plans or intentions to continue its occupancy of the subject property. The information contained in this Marketing Brochure has been obtained from sources we believe to be reliable; however, Kidder Mathews has not verified, and will not verify, any of the information contained herein, nor has Kidder Mathews conducted any investigation regarding these matters and makes no warranty or representation whatsoever regarding the accuracy or completeness of the information provided. All potential buyers must take appropriate measures to verify all of the information set forth herein.

This information has been secured from sources we believe to be reliable. We make no representations or warranties, expressed or implied, as to the accuracy of the information. References to square footage or age are approximate. Recipient of this report must verify the information and bears all risk for any inaccuracies.

01

OFFERING SUMMARY

EXECUTIVE HIGHLIGHTS

INVESTMENT OVERVIEW

INVESTMENT SUMMARY

The Seabreeze Apartments consists of four well-maintained apartment buildings that are currently an estimated 33% below market. The property is centally located between downtown Oak Harbor and Naval Air Station Whidbey Island. The property has been well maintained throughout the current ownership. The ownership has made it a focus to stay on top of any issue that comes up. The owners have replaced all of the roofs with long lasting commercial grade TPU membrane roofs, the entire asphalt parking lot, new stair system, one new septic system, new water well pump, remodeled laundry room. Other improvements includes septic monitoring system, new hardie board roof fascia, new bathroom ventilation, electrical & plumbing upgrades, replaced section of walkway deck, and replaced appliances and water heaters as needed.

This multifamily investment opportunity offers investors a well-maintained asset with significant rental upside. An investor can capitalize on the income upside through increased rents in-line with the current market, creating additional amenities, and capturing or increasing additional revenue sources such as pet rent or utility bill-back.

EXECUTIVE HIGHLIGHTS

VALUE-ADD OPPORTUNITY with an estimated 33% increase in rent available

LACK OF AVAILABLE UNITS in surrounding area, with high demand

POTENTIAL to add 30th unit (needs confirmation from governing municipality)

6.45% CAP RATE on current income and expenses

6.55% estimated pre-tax Cash-on-Cash return on current income and expenses

WELL MAINTAINED property

ON-SITE laundry

2 MINUTES from Naval Air Station Whidbey Island

2 MINUTES to downtown Oak Harbor

30 MINUTES to Coupeville Port Townsend Ferry Terminal

INVESTMENT OVERVIEW

Address	**3125 N Oak Harbor Rd**
Parcel Number	**R133264440700**
Price	**$3,795,000**
Number of Units	**29-units**
Year Constructed	**1962**
Number of Floors	**1, 1, 1, and 2**
Number of Buildings	**4**
Land Area	**70,132 SF**
Building Size	**17,543 SF**
Asking Price	**$3,795,000**
Cap Rate	**6.45%**
Year 1 Pre-Tax Cash-on-Cash Return	**6.55%**
Year 1 Debt Coverage Ratio	**1.41x**

COMMUNITY AMENITIES

OFF-STREET parking

OWNER OWNED coin operated laundry

PARK LIKE landscaping

LOWER utility costs through an on-site septic system and water well

TWO MINUTE drive to downtown Oak Harbor

TWO MINUTES to Naval Air Station Whidbey Island

INTERIOR

INTERIOR

INVESTMENT OPPORTUNITY

Unique Opportunity

Well maintained

Below average utility costs

Strong cash-on-cash return on current income and expenses

Park-like setting

Value Add Opportunity

Significant value-add potential with the opportunity to increase rents by over 33%

High demand from renters looking for lower living costs with no new construction for multifamily

Strong rental pool with nearby Naval Air Station Whidbey Island and high demand from renters looking for lower living costs

Potential for 30th unit, needs to be confirmed through the governing municipality

Ideal Location

Public transit bus stop located at the property

Two minute drive to downtown Oak Harbor

Two minute drive to Naval Air Station Whidbey Island

Five minute drive to Hillcrest Elementary, Oak Harbor Intermediate, North Whidbey Middle School, and Oak Harbor High School

35 minute drive to Interstate-5

02

LOCATION OVERVIEW

LOCATION OVERVIEW

COUNTY

Island County is situated in the Salish Sea in Northwest Washington. As its name suggests, it is made up of several islands. The two largest are Whidbey and Camano. Island County is one of six counties included in the Seattle-Tacoma Consolidated Metropolitan Statistical Area (CMSA).

For thousands of years, Island County was inhabited by several groups of Coast Salish Indians. In the late 1700s and early 1800s. Settlement by non-indigenous people began in the 1850s. Early industries included logging, fishing, and farming, as well as some related manufacturing industries.

In 1941, the U.S. Navy started construction on an air station (NASWI), which transformed Oak Harbor into a booming community due to the creation of construction jobs and an influx of Navy personnel. NASWI remains a strong economic stabilizing force in Whidbey Island. NASWI has also brought many highly skilled workers to Whidbey Island.

OAK HARBOR

Oak Harbor is named for the Garry Oak trees which grace its skyline. Oak Harbor is situated on the northern portion of Whidbey Island, approximately a two-hour drive north of Seattle, and is accessible by both land and ferry. The City includes a vibrant historic downtown, expanding commercial and retail business community, and a growing local Skagit Valley College campus.

Oak Harbor's history can be traced back to the early 1850s when two settlers staked claims where the city now stands. Houses and businesses sprouted up along the shores of Oak Harbor as the pioneers relied entirely on water transportation until the 1900s. For the next 30 years, steamers and freighters carried passengers and freight from the Island to the mainland and back as well as Fidalgo Island to the north. Oak Harbor flourished as a small country town until the city's growth coincided with two major events: the building of Deception Pass Bridge on July 31, 1935, and the completion of Naval Air Station Whidbey Island on September 21, 1942, which connected the city to the rest of the region and the world.

Oak Harbor is Whidbey Island's largest incorporated city and offers an excellent small-town ambiance. Often referred to as Puget Sound's Largest Artist's Colony, Whidbey Island, and Oak Harbor are home to numerous working artists, writers, and performers. These include many well-known painters, sculptors, glass artists, woodworkers, metal workers, mixed media artists, photographers, authors, poets, actors, and musicians.

In addition to being a haven for artists, Whidbey Island and the city of Oak Harbor also serve as a minor bedroom commuter community for the nearby cities of Everett, where the Boeing Everett Factory is located, and Seattle. Commuters to and from those areas use the Washington State Ferries systems run between Clinton and Mukilteo.

Oak Harbor also offers an excellent and a wide range of businesses to support the community's needs. The economy of Oak Harbor is strongly influenced by the presence of Whidbey Island Naval Air Station near Oak Harbor (N.A.S. Whidbey). N.A.S. Whidbey is Oak Harbor's largest employer; thus, Oak Harbor has a predominantly service-based economy and several national chain stores have been attracted to the Oak Harbor area. The economy of Whidbey Island south of Oak Harbor relies heavily on tourism, small-scale agriculture, and the arts.

Tourism is especially important for both Whidbey and Oak Harbor. On Whidbey, tourists find a wide range of amenities in the towns of Oak Harbor, Coupeville, Freeland, and Langley. Coupeville's Penn Cove Mussel Farm exports large quantities of its highly renowned Penn Cove Mussels. This aquaculture facility, along with several small farms, reflects the rural agricultural nature of most of central Whidbey Island. Many of these small farms host farm stands on-site, where customers may buy produce, flowers, meat, eggs, and other locally raised products directly from the farmers.

Oak Harbor is within an hour's drive of two post-secondary schools.

SKAGIT VALLEY COLLEGE (SVC)

Skagit Valley College (SVC), was founded in 1926 and serves the greater Skagit, Island, San Juan, and northern part of Snohomish Counties. The SVC district includes two campuses and three centers: the Mount Vernon Campus, SVC's main campus, is located in Mount Vernon, Washington, and the Whidbey Island Campus is located in Oak Harbor, Washington. The San Juan Center is located in Friday Harbor, and the Marine Technology Center is in Anacortes, Washington. SVC also serves many military and their dependents at the college's Whidbey Island Campus. SVC offers three Bachelor of Applied Science Degrees: Environmental Conservation, Applied Management, and Healthcare Management.

WESTERN WASHINGTON UNIVERSITY

Western Washington University (WWU), is a public university in Bellingham, Washington within an hour's drive from Oak Harbor. WWU was founded in 1893 as the state-funded New Whatcom Normal School, succeeding a private school of teaching for women founded in 1886. In 1977, the university adopted its present name. WWU offers a variety of bachelor's and master's degrees and its athletic teams are known as the Vikings. Which competes in Division II of the National Collegiate Athletic Association.

ECONOMIC OUTLOOK

Prior to the pandemic-induced recession in 2020, Island County had experienced six consecutive years of growth. From 2019 to 2020, the average annual nonfarm civilian employment in Island County contracted by 670 or 3.9 percent. This proportional drop in employment was lower than the proportional drops statewide or nationally.

From 2020 to 2021, most industries expanded employment on an annual average basis. The greatest increases were attributable to hiring in leisure and hospitality (up 13.1%), professional and business services (up 10.6%), construction (up 11.4%), trade, transportation & utilities (up 10.9%), and retail trade (up 12.1%).

As a whole, Island County has been showing strong signs of recovery, especially in industries that indirectly benefited from telecommuting. Construction, retail trade, information and financial activities, professional and business services, and leisure and hospitality have all exceeded pre-pandemic employment tallies as of March 2022.

TOP EMPLOYERS

ISLAND COUNTY

Company	Employee Count
Naval Air Station Whidbey Island	9,788
Boeing	867
Oak Harbor School District	729
Whidbey Health Hospital	720

SKAGIT COUNTY

Company	Employee Count
Skagit Regional Health	1,802
Island Hospital	785
Janicki Industries	706
Skagit County Government	649

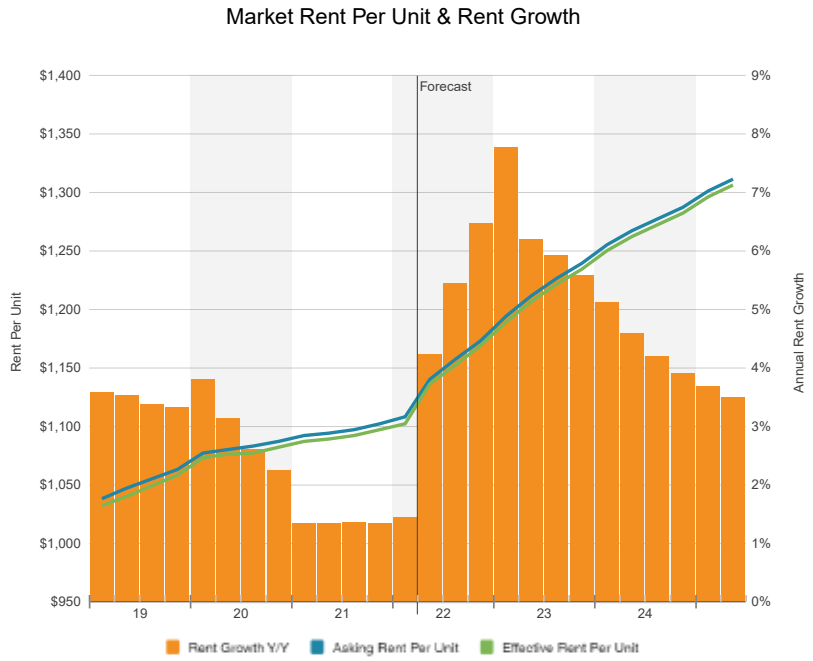
SNOHOMISH COUNTY

Company	Employee Count
The Boeing Company	27,700
Providence Regional Medical Center	7,350
The Everett Clinic	6,951
Naval Station Everett	4,300
The Tulalip Tribes	3,413
Washington State Government	3,319
Snohomish County Government	2,877
Edmonds School District	2,850

RENT GROWTH

As residents continue to be priced out of core markets, they are choosing to live in outlying communities. Combined with net in-migration from other states and the lack of development, this is creating strong organic rent growth in these surrounding markets through constrained supply and demand. According to HUD Fair Market Rent, the greater Island County market has averaged 4.47% Year-over-Year rent growth across all unit types.

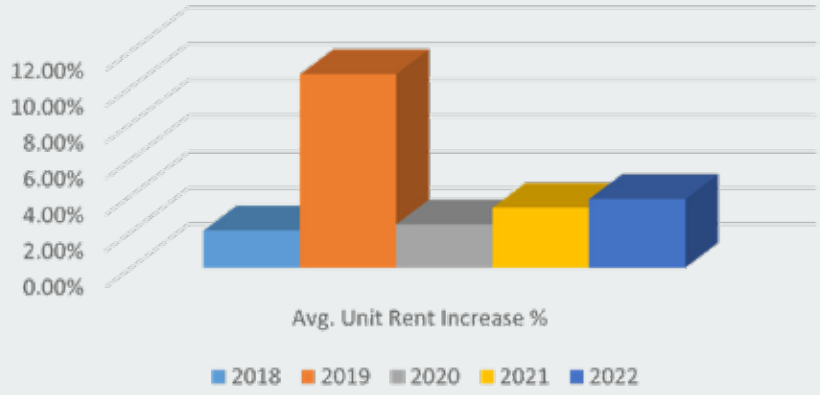
HUD Fair Market rent information is provided by huduser.org



ISLAND COUNTY

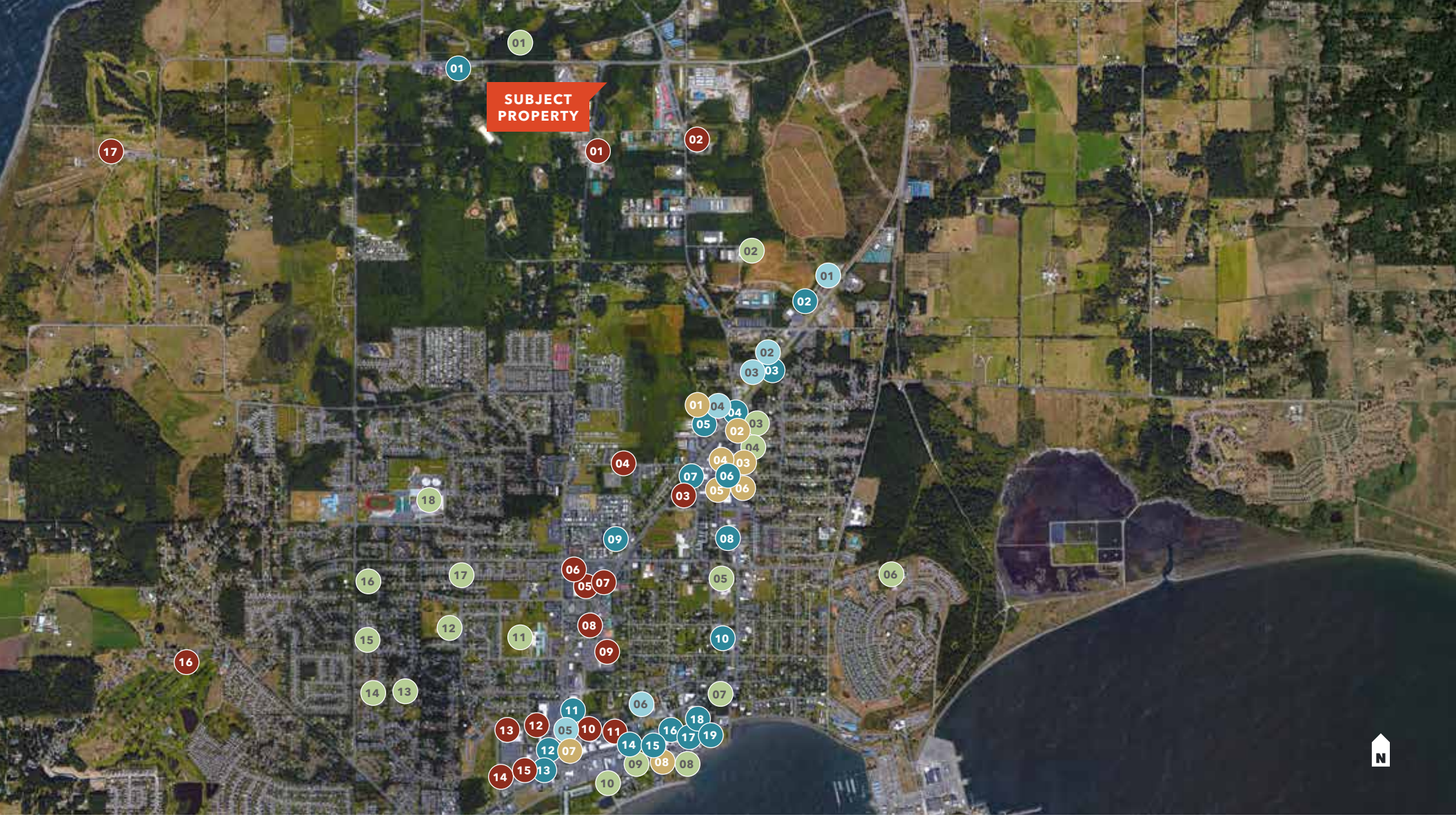
Island County is projected to see an average of 6.0% rent growth over the next seven quarters according to CoStar.

HUD SKAGIT COUNTY FAIR MARKET RENT



03

PROPERTY MAPS & AERIALS



EAT + DRINK

1	Island Pizza
2	The Mill at The Kasteel
3	China City
4	McDonald's
5	Frank's Place Family Dining
6	Agave Taqueria
7	Starbucks
8	Mai Thai Restaurant
9	Flyer's Restaurant and Brewery
10	Oak Bowl & Mario's Pizza
11	Seabolt's Steakhouse
12	Dairy Queen
13	Esteban's Mexican
14	Oak Harbor Cafe & Lounge
15	Orlando's Southern BBQ
16	Whidbey Island Bagel Factory
17	Noe Jose Cafe
18	Whidbey Coffee
19	Alfy's Pizza at Water's Edge

HOTELS

01	Auld Holland Inn
02	Candlewood Suites
03	Best Western Plus
04	The Coachman Inn
05	Acorn Motor Inn
06	Oak Harbor Inn

SHOPPING + FITNESS

01	Millard's Landing Nursery
02	North End Fitness Center
03	Thrive Community Fitness
04	Greenhouse Florist & Nursery
05	Planet Fitness
06	Saar's Super Saver Foods
07	Island Drugs
08	Big 5 Sporting Goods
09	The Home Depot
10	Walgreen's
11	CrossFit Amethyst
12	Haggen's
13	Walmart
14	Petco
15	Safeway
16	Whidbey Golf Club
17	Gallery Golf Course

BANKS

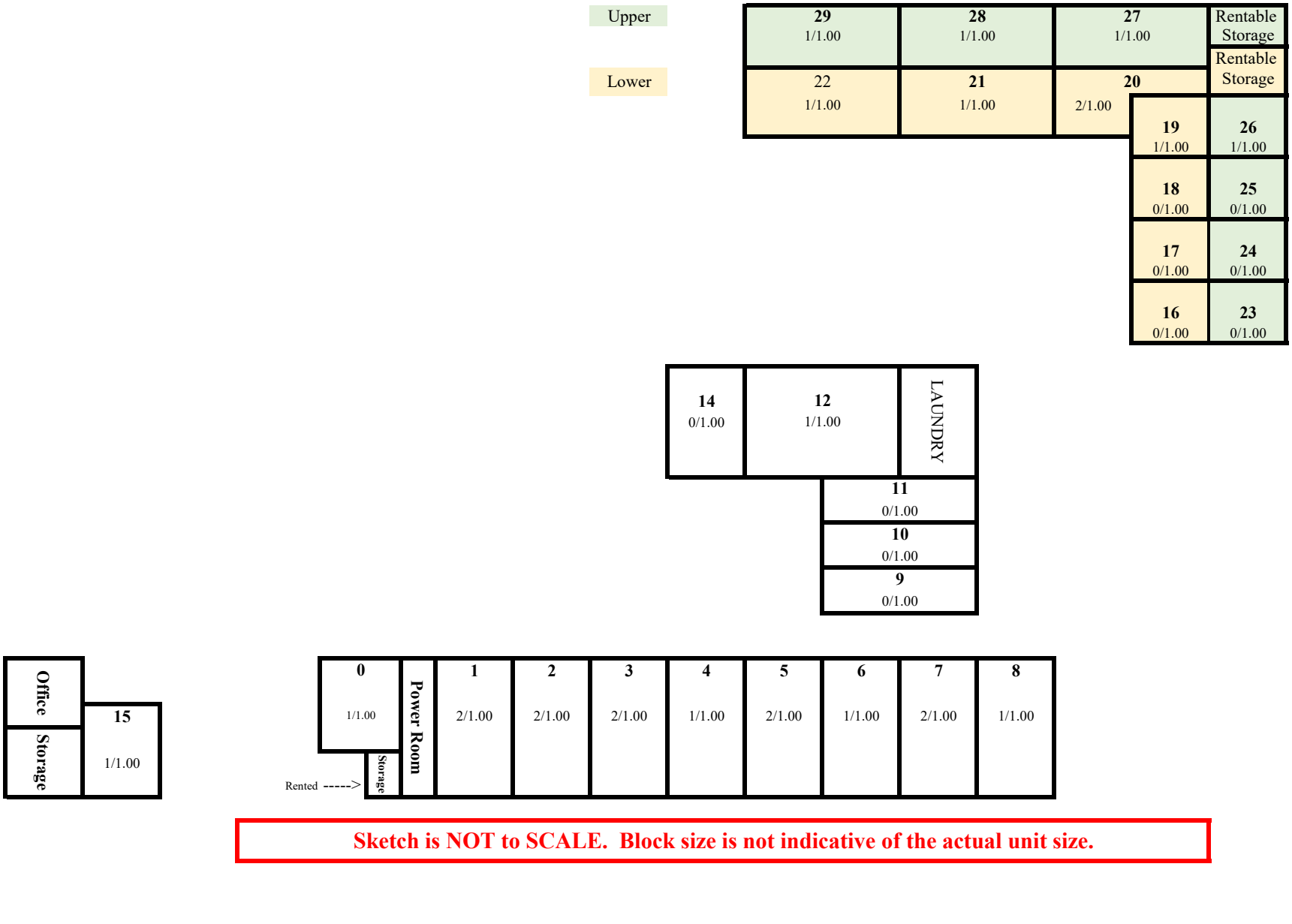
01	Navy Federal Credit Union
02	U.S. Bank
03	Alaska USA Federal Credit Union
04	Whidbey Island Bank
05	People's Bank
06	Key Bank
07	Wells Fargo Bank

PARKS + SCHOOLS

01	Clover Valley Park
02	Technical Drive Off-leash Dog Park
03	Rotary Park
04	North Whidbey Junior High
05	Oak Harbor Elementary
06	Skateboard Park
07	Smith Park
08	Flintstone Park
09	Hal Ramaley Memorial Park
10	Windjammer Park
11	Oak Harbor Intermediate
12	Broad View Elementary
13	Ridgehaven Park
14	Lueck Park
15	Kimball Park
16	Spring Tree Park
17	Hawthorne Park
18	Oak Harbor High School

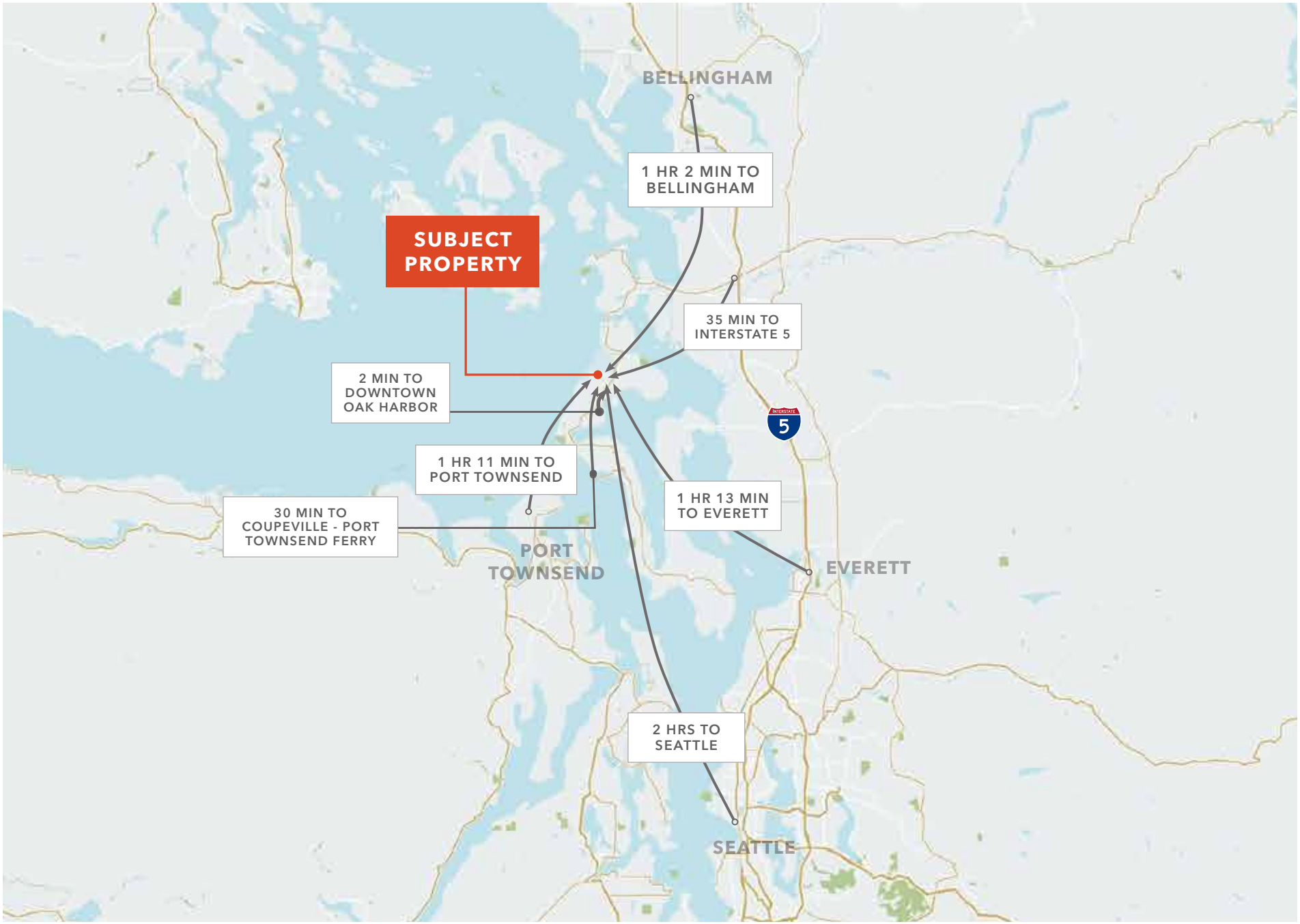
N OAK HARBOR RD
SUBJECT PROPERTY
SCHAY RD

SITE PLAN



Sketch is NOT to SCALE. Block size is not indicative of the actual unit size.

DRIVE TIME MAP



04

FINANCIALS

UNIT MIX

CURRENT RENTS & EXPENSES

PROFORMA RENTS & EXPENSES

FINANCING

UNIT MIX & RENTS

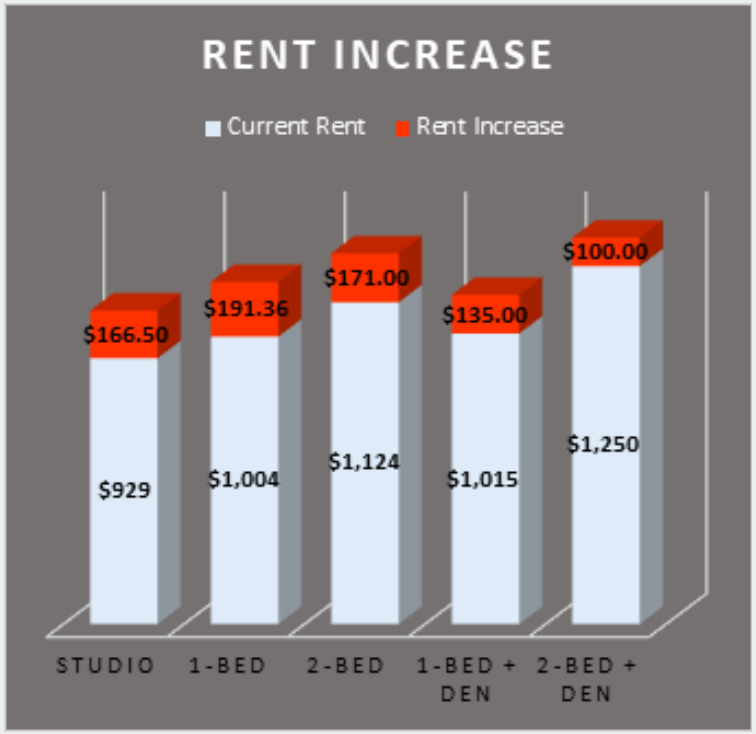
Unit Type	No. of Units	Size	Current Monthly Rent	Current Monthly Rent/SF	Pro Forma Monthly Rent	Pro Forma Monthly Rent/SF
Studio	9	500 SF	$929	$1.86	$1,095	$2.19
One Bed	14	600 SF	$1,005	$1.68	$1,203	$2.00
Two Bed	6	700 SF	$1,145	$1.64	$1,304	$1.86

NEW FINANCING UNDERWRITING

Operations	Current	ProForma
Rent Income	$351,602	$414,240
Total Gross Potential Revenue	$351,602	$414,240
Vacancy @ 5%	($17,580)	($20,712)
Utility Bill Back	$11,222	$14,574
Laundry Income	$2,553	$3,770
Total Other Income	**$13,775**	**$18,344**
Effective Gross Income	**$347,801**	**$411,872**

OPERATING EXPENSES

Property Management Fee @ 8.0%	$27,993	$33,119
Property Taxes	$16,297	$27,578
Insurance	$10,084	$10,387
Utilities	$9,949	$10,247
Repairs & Maintenance	$10,672	$10,992
Water System & Septic Maint.	$4,793	$4,937
Contract Services	$8,946	$9,214
General & Administrative	$2,175	$2,240
Turnover	$5,211	$5,367
Reserves	$7,250	$7,250
Total Operating Expenses	**$103,368**	**$121,162**
Net Operating Income	**$244,601**	**$290,710**
CAP Rate	**6.45%**	**7.66%**



UNDERWRITING NOTES

CURRENT

Base Rental Income	Current Rent Roll
Vacancy	Average market and lender underwriting terms @ 5.0% for multifamily
Utility Bill-Back	Trailing 12-month financial statement
Laundry	Trailing 12-month financial statement
Property Management	8.0% - Management will stay on at the same flat rate of 8.0%
Property Taxes	2022 reported taxes from county assessor site
Property Insurance	Based on 2022 actual
Utilities	Trailing 12-month financial statement
Repairs & Maintenance	Trailing 12-month financial statement
Water System & Septic Maintenance	Trailing 12-month financial statement
Contract Services	Trailing 12-month financial statement
General Administrative	Proforma
Turnover	Trailing 12-month financial statement
Capital Reserves	Average market and lender underwriting terms of $250 per unit

PROFORMA

Base Rental Income	Based on comparable rentals from the rent survey
Utility Bill-Back Fee	Estimated at an Avg. of $42 per unit per month
Laundry	Estimates $1.50 to wash and $1.50 to dry per unit per week
Property Taxes	Increased based on the listing price and calculated on the current millage rate of 10,1259715563
Expenses	Increased 3% over current

FINANCING

Based on multiple quotes from lending institutions. Kidder Mathews can source new debt on behalf of the buyer. If the Buyer closes a loan with the lender sourced through Kidder Mathews the Buyer owes a fee equivalent to 1.5% of the total loan amount at closing.

A Buyer has multiple options for financing. With the assistance of Kidder Mathews, a Buyer can either assume the existing debt and get supplemental loan funds in addition to the existing loan balance. Or, they can get a new loan with portfolio status. Interest Rates are subject to change daily.

ASSUMPTION & SUPPLEMENTAL LOAN SCENARIO

EXISTING LOANS

Est. Existing Loan Balance	$1,700,000
Loan Type	Principle & Interest
Interest Rate	4.99%
Loan Expiration	June 1, 2030

SUPPLEMENTAL LOAN

Combined existing loan + supplemental loan capped at the lower of 65% LTV based on the appraisal, or 1.35x Debt Coverage Ratio

Est. Supplemental Loan	$766,750
Est. Supplemental Loan Interest Rate	6.80%

COMBINED LOANS

Est. Total Loan Amount	$2,466,750
Est. Organization Fee @ 1.5%	$37,001
Est. Down Payment at 35%	$1,328,250
Total Equity Required	$1,365,251
Est. Blended Interest Rate	5.553%

RATIOS

	Year 1	ProForma
Est. Pre Tax Cash on Cash Return	5.69%	9.16%
Est. Debt Coverage Ratio	1.45x	1.72x

PORTFOLIO LOAN SCENARIO

NEW LOANS

Capped at the lower of 75.0% LTV based on the appraisal, or 120x Debt Coverage Ratio. The Buyer must pay 50.0% of the Seller's prepayment penalty.

Est. Total Loan Amount	$2,846,250
Est. Origination Fee @ 1.5%	$42,694
Est. Buyer's portion of pre-payment penalty	$101,000
Down Payment at 25%	$948,750
Total Equity Required	$1,092,444
Est. Interest Rate	4.50%
Term (Months)	120
Amortization (Months)	360
Loan Type	Principle & Interest

RATIOS

	Year 1	ProForma
Est. Pre Tax Cash on Cash Return	6.55%	10.77%
Est. Debt Coverage Ratio	1.41x	1.68x

05

COMPARABLES

SALE COMPARABLES

RENT COMPARABLES

RENT COMPARABLES

STUDIO

	Address	Sub-Market	Year Built	AVG. SF	AVG. Rent	AVG. $/SF
	Pioneer Apartments	Oak Harbor	1942	500	$1,000	$2.00
	33020 SR 20	Oak Harbor	1958	350	$895	$2.00
	Oak Grove Apartments	Oak Harbor	1978	550	$1,100	$2.00
	TOTAL/AVERAGE			**467**	**$988**	**$2.19**

1-BEDROOM/1-BATH

	Ridgeway Apartments	Oak Harbor	1975	550	$1,300	$2.36
	Seagate Apartments	Oak Harbor	1985	626	$1,450	$2.32
	2829 N Oak Harbor Rd	Oak Harbor	1942	508	$1,267	$2.49
	TOTAL/AVERAGE			**561**	**$1,339**	**$2.39**

RENT COMPARABLES

2-BEDROOM/1-BATH

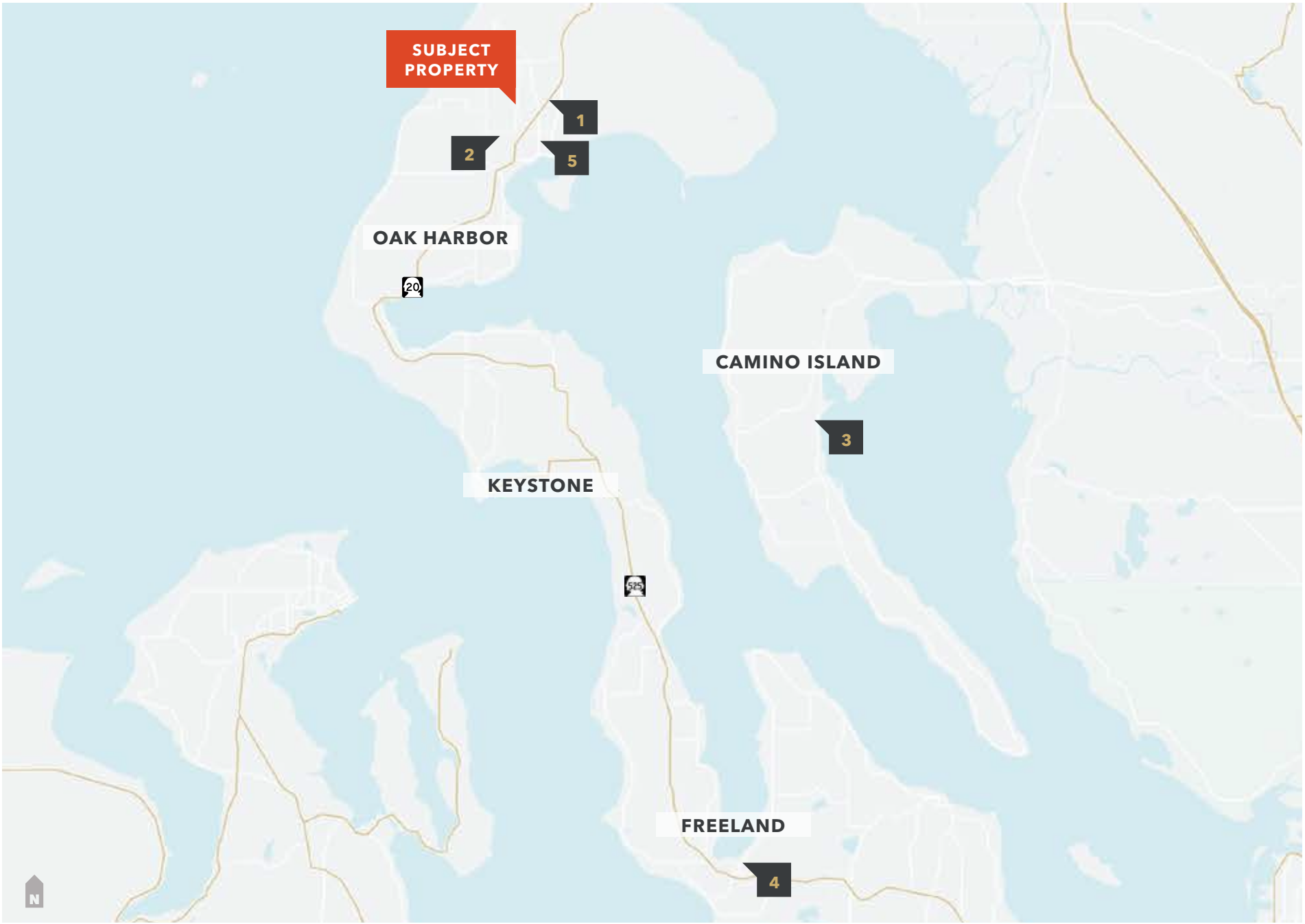
	Address	Sub-Market	Year Built	AVG. SF	AVG. Rent	AVG. $/SF
	910 SE Ireland St	Oak Harbor	1989	900	$1,450	$1.62
	1380 SW Swantown Ave	Oak Harbor	1960	750	$1,625	$2.17
	690 NW Atalanta Way	Oak Harbor	1984	800	$1,425	$1.78
	39201 State Route 20	Oak Harbor	1952	700	$1,450	$2.07
	686 W North Camano Dr	Camano Island	1960	700	$1,550	$2.21
	TOTAL/AVERAGE			**700**	**$1,500**	**$1.97**

RENT COMPARABLES

SALE COMPARABLES

		Property	Year Built	# of Units	Total Bldg. SF	Sale Date	Sale Price	Sale $/Unit	Sale $/SF	Cap Rate
		SUBJECT PROPERTY 3125 N Oak Harbor Road Oak Harbor, WA	1962	29	17,543	Asking Price $3,795,000		Price Per Unit $130,862	$/SF $216.33	6.45%
01		**33020 WA-20** Oak Harbor, WA	1958	12	6,795	10/29/2021	$1,250,000	$104,167	$183.96	4.35%
02		**TOWNVIEW WEST APARTMENTS** 75 W Whidbey Ave, Oak Harbor, WA	1975	19	11,847	8/21/2021	$2,825,000	$148,684	$238.46	3.79%
03		**DRIFTWOOD APARTMENTS** 785 S Vesper Way Camano Island, WA	1978	6	6,384	2/26/2021	$1,295,000	$215,833	202.85	NA
04		**5453 CHERRY ST** Freeland, WA	1979	8	7,278	1/13/2021	$1,400,000	$175,000	$192.36	4.62%
05		**1298 SE 4TH AVE** Oak Harbor, WA	1984	12	9,222	5/22/2020	$1,750,000	$145,833	189.76	5.61%
	TOTAL/AVERAGE							**$157,904**	**$201.48**	**4.59%**

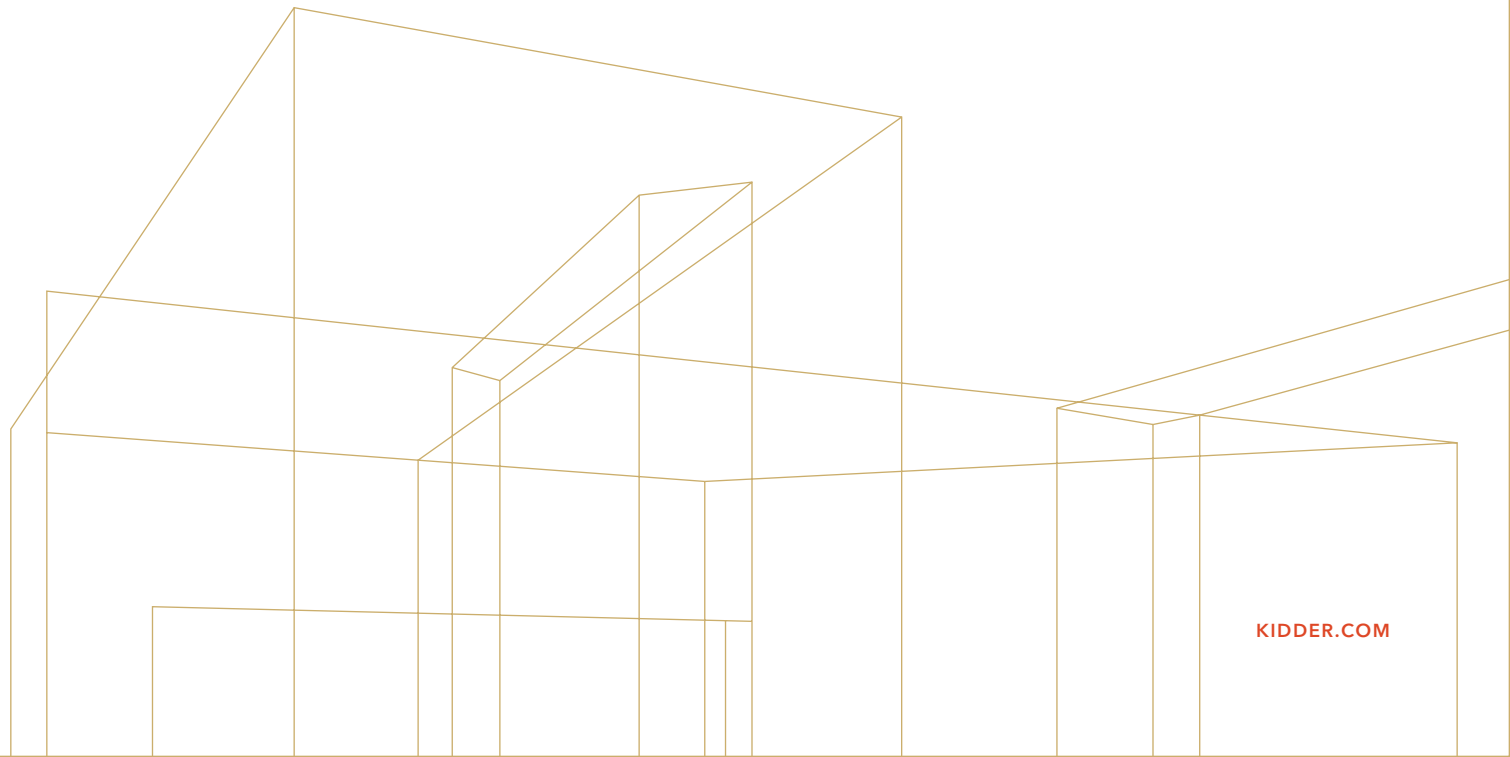
SALE COMPARABLES



EXCLUSIVELY REPRESENTED BY

BRIAN RICHARDSON
Vice President
206.276.6811
brian.richardson@kidder.com

Kidder Mathews



KIDDER.COM