UrbanLand
COMPANY
Real Estate Brokerage

May 4, 2015

Lloyd Jordan, Chairperson
Board of Zoning Adjustment
441 4th Street NW, Suite 220 S
Washington DC 20001

Re: 3209 13th St, NW

Dear Chairman Jordan:

I have been asked to give my opinion on the application for a variance to allow the conversion of the existing structure at 3209 13th Street, NW into a 3-unit apartment house or condominium.

I am the real estate broker for UrbanLand Company, LLC, a real estate brokerage licensed in DC, Maryland and Virginia, with a principal place of business at 913 Florida Avenue, NW, and I have been in the real estate business for the past 32 years. I started UrbanLand Company 12 years ago, after having worked for 6 years as a real estate salesperson with Coldwell Banker and Pardoe Real Estate, and for 14 years as an owner and operator of apartment buildings. My relevant experience is in selling property in DC's active markets including U Street, H Street, Capitol Hill, Eckington, Brookland, Brightwood, Petworth, Ledroit Park, Shaw, Trinidad, RFK, Columbia Heights, Anacostia and Deanwood.

Having brokered the sale of over 1,178 residential units and numerous land parcels, I have extensive knowledge and experience in the sale of residential property in DC. I regularly speak to 10 or more buyers each day – in person at the hundreds of open houses I have held, or at the weekly homebuyer workshops I run at my office, or over the phone – and I am very familiar with urban buyers' interests and concerns. In addition, through my own sales transactions and those of my 15 sales agents whom I supervise, I am well informed of the sales and rental prices and trends in the various city neighborhoods in which we work.

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The subject property is located in the Columbia Heights neighborhood in Northwest Washington at 3209 13th Street, NW. It is currently configured as a multi-dwelling property, with 2 apartments and a rooming house.

I have been asked to provide my opinion on the marketability at the subject property of the following:

(i) 2 units which are configured as 2-level, 3BR, 2.5BA units of approximately 2,300 Square Feet (SF); and

(ii) 3 units, 2 of which are configured as 2BR, 2BA flats of between approximately 1,096 and 1,200SF, and 1 of which is configured as a 2-level, 2BR, 2BA unit of approximately 1,934SF.

Using the MRIS multiple listing service, I researched the sales of comparable properties in the Columbia Heights subdivision in the last 6 months. Below is my analysis. Please see the attached Exhibit A for additional detail.

Sales of very large condominium units (2,000SF+) were uncommon in the subdivision, with only 1 unit (an upper-level, 2,007SF, 3BR, 3BA) sold at a price of $850,000. An additional unit is currently under contract, a 2,000SF 4BR, 3 BA unit, with a list price of $799,900. Even broadening the search area into adjacent neighborhoods reflects only 6 sold units of over 2,000SF in the past 6 months, at an average sale price of $835,417. Notably, all of these units were just over 2,000SF in size, compared to the 2,300SF size of the units considered for the subject property. *Overall, this data reflects the low inventory and low market demand for units of this size*.

Comparatively, in Columbia Heights, there were 23 sales of units (all 2BR and 3BR units) between 1,300 and 2,000SF, at an average sale price of $712,999. The majority of these units were between 1,300 and 1,600SF. Most common were the sales of 2BR units between 800 and 1,300SF, with 36 sales at an average sale price of $513,526.

The sales data indicates that the larger the unit size, the smaller the Per Square Foot (PSF) sales price a builder is able to realize. This reality is a disincentive to builders to construct very large units because the sales prices that can be achieved are less likely to be commensurate with their increased construction costs. *For a small developer, this risk is magnified*. In my data sample, compare $402PSF for units over 2,000SF (including adjacent neighborhoods) to $459PSF for units between 1,300 and 2,000SF and $526PSF for units between 800 and 1,300SF.

If the applicant were to build 2 units of 2,300SF each at the subject property, they would be among the largest and most expensive in Columbia Heights. At the current PSF price for units of a similar size, the applicant's units would be priced between $922,300 and $972,900, far higher than anything comparable. With a much smaller buyer pool for such units, it would be a real challenge for the applicant to sell at those prices. He would likely have to sell at lower prices to compete with those of smaller, more desirable, more affordable units, and, because he would still have the construction costs of the larger units, realize a smaller return.

An additional negative to the 2-unit project is that the price of the lower-level unit would have to be discounted significantly off the price of the upper-level unit, because buyers would consider it less desirable in comparison to the same-sized unit upstairs. And in this scenario, a significant portion of the applicant's return is tied up in one, lower-level, less-desirable unit, adding additional risk.

The scenario proposed by the applicant for a 3-unit project is much more in keeping with the market in Columbia Heights. As described above, smaller units of the sizes proposed (1,096, 1,200 and 1,934SF) are much more commonly found, less expensive, and more popular with buyers in this area. As such, the applicant would benefit from the broader market for these units, making it more likely that he can achieve a return commensurate with his construction costs. An additional benefit is that only one-third of his return is tied up in the less-desirable, lower-level unit.

An analysis of rentals in the subdivision reflects similar findings. Of the 21 units that rented in Columbia Heights in the last 6 months, 11 were 1BR units, 8 were 2BR units and 2 were 3BR units. The difference in average rental rates between the 2BR units and the 3BR units was not significant, at $2,325 and $2,673, respectively. In addition, in renting 2,300SF units, the applicant would be competing with single family home rentals, which are more appealing to many renters in the market for lifestyle reasons. The applicant, therefore, is not likely to realize an increased rental income commensurate with the costs of constructing the larger units.

Additionally, on the question whether the presence of the additional unit in the 3-unit scenario is likely to impact neighborhood parking, I would note that the subject property has excellent and convenient transit nearby, with the Columbia Heights Metro and 10 Metrobus lines within 0.2 miles. In addition, there are 10 carshare (Zipcar, RelayRides or Hertz on Demand) locations within 0.2 miles. The neighborhood is flat with good bike lanes and 2 Capital Bikeshare stations within 0.1 miles and a total of 10 stations within

0.6 miles. According to Walkscore.com, the subject property is located in a walker's and biker's "paradise" where "daily errands do not require a car." The site gives the subject property walk and bike scores of 95 and 85, respectively.

During my extensive and active condominium brokerage experience, I have observed that many DC condominium buyers today do not have a car, are not looking for parking with their unit purchase, and are intent on finding a property with great transit options and convenient amenities nearby, such as at those offered near the subject property. The subject property will have 2 parking spaces in the rear, which should be more than adequate to satisfy the unit owners in a 3-unit scenario, given the likelihood that 1 or more of the new owners will be car-free.

Thank you for the opportunity to present my opinion.

Sincerely,

Gerard V. DiRuggiero
Broker and Managing Member

Attachment