THE PUGET SOUND OWNER'S SERIES | 2026 EDITION

Real Estate Portfolio Checkup 2026

Ten honest checkpoints for Puget Sound rental owners. Each one ends with a question you answer with your own numbers. Keep what is working. Fix what is drifting. And be honest about what has quietly stopped earning its keep.

HOW TO USE THIS CHECKUP

Set aside one evening per property. Have last year's rent ledger, your mortgage statement, your insurance bill, and your property tax statement in front of you. Work the ten checkpoints in order and write your answers down. By the last page you will know, in your own numbers, whether each property deserves another year exactly as it is.

Written for owners of rental houses, condos, and small multifamily in **King and Pierce County, Washington**.

Troy Whitney, Broker | Pellego | seattlerealinvestor@gmail.com
Housing data from Redfin. Market statistics attributed where shown. Estimates from past local sales, not an appraisal or a guarantee.

CHECKPOINT 1 OF 10

Return on equity, not return on purchase price

Most owners quote their return against what they paid, years ago. The property does not care what you paid. Your money is the equity sitting in it today.

Here is the pattern we see over and over in Puget Sound. An owner bought a rental in 2012 or 2016. Rents rose some. Values rose a lot. The result is a property that looks great measured against its old purchase price, and very different measured against what it is worth now. The equity grew. The cash flow did not grow with it.

Return on equity is the one number most owners never compute, and it is the honest one. Take the cash the property actually put in your pocket last year. Divide it by the money you could walk away with if you sold today: value, minus loan payoff, minus selling costs. That percentage is what your equity earned. Not what the house earned. What *your money* earned.

Many long-time owners who run this for the first time find a number under one or two percent. That is not a verdict, and it is not a reason to sell. Some owners happily accept a low cash yield for appreciation, for the paydown, or because they love the property. The point of this checkpoint is only that you should know the number before you decide anything else in this guide.

> **YOUR NUMBERS**
>
> What could this property realistically sell for today? Subtract the loan payoff and roughly 7 to 9 percent for selling costs. That is your equity.
>
> Now divide last year's actual cash flow by that equity. What percent did your money earn?

CHECKPOINT 2 OF 10

Cash flow after everything

Rent minus mortgage is not cash flow. It is the start of the math, not the end of it.

Four lines get left out of most back-of-the-envelope rental math, and each one is real money on a long enough calendar:

- **Vacancy.** One turnover month every two years is about 4 percent of gross rent. One a year is about 8 percent. Zero, forever, is not a plan.
- **Maintenance reserve.** The faucet, the fence, the mystery leak. A common working range is 5 to 10 percent of rent, more for older homes.
- **Management.** If you pay a manager, you know the number. If you manage it yourself, your hours are not free; price them honestly, because a future buyer of your time certainly will.
- **Capital expenses.** The roof, the furnace, the water heater, the sewer line. They are not surprises, they are schedules. Set aside their cost divided by their remaining life, every year, whether or not something broke this year.

Run the number both ways and look at the gap. A property that shows $600 a month before these lines often shows near zero after them. That is not pessimism. That is just the property's real operating statement, smoothed over enough years to be honest.

> **YOUR NUMBERS**
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> Rebuild last year's cash flow with all four lines included: vacancy, maintenance reserve, management (paid or priced), and a capital reserve.
>
> Is the number still positive? By how much per month?

CHECKPOINT 3 OF 10

What your ZIP is doing

You do not own a house in a national market. You own a house on a specific street, in a specific ZIP, and ZIPs behave differently.

Three numbers tell you most of what you need about your local market: how fast homes go under contract (days on market), how much is for sale relative to demand (months of supply), and which direction prices moved over the last year. As of late spring 2026, the median King County home went pending in about 12 days and the median Pierce County home in about 14, with roughly 27 percent of King and 38 percent of Pierce sales closing above list price. Data from Redfin.

Those are county medians, and your ZIP can sit well above or below them. Some Puget Sound ZIPs are still seeing multiple offers on well-presented homes. Others have cooled to a pace where pricing and condition decide everything. These figures are estimates from past local sales, not an appraisal or a guarantee, and they describe what already happened, not what comes next.

Our Puget Sound market report breaks this down by ZIP and is updated with fresh sales data. If you have not looked up your ZIP recently, that is the five-minute version of this checkpoint. The question underneath it: is your rent keeping pace with what ownership in your ZIP now costs and returns?

YOUR NUMBERS

What is your ZIP's median days on market right now, and which way did prices move over the last twelve months?

Which way has your rent moved over the same twelve months?

CHECKPOINT 4 OF 10

Condition drift

No rental gets a little better on its own. Deferred maintenance compounds quietly, then presents its bill all at once.

Condition drift is the slow slide from "solid rental" to "dated unit": the 1990s cabinets, the worn carpet that got one more lease, the exterior paint that went from due to overdue. Each deferral looks free in the year you make it. Together they change what the property can rent for, who applies to live in it, and what it would sell for.

The sales record is blunt about this. In recent King and Pierce County closings, homes described as dated or sold as-is closed several percent below comparable neighbors, while renovated and well-kept homes closed above them. Data from Redfin. Those are patterns from past sales, not promises about any one property, but the direction is consistent: condition is priced, both by tenants and by buyers.

The trap for landlords is that a sitting tenant hides the drift. The rent keeps arriving, so the unit feels fine. The truth shows up at turnover, when the vacancy runs long, or at sale, when the inspection report and the buyer's contractor set your price for you.

> **YOUR NUMBERS**
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> Walk the unit like an applicant seeing it for the first time. What would they flag in the first five minutes?
>
> What has been on your someday list for more than two years, and what does it cost more to fix now than it did then?

CHECKPOINT 5 OF 10

Tenant and lease posture

Your lease is not paperwork. It is the control panel for every option you have with the property.

Month-to-month and fixed-term leases trade flexibility in opposite directions. A term lease locks in your income and your tenant, and also locks up the property until it ends. Month-to-month keeps your options open, and the tenant's too. Neither is wrong. What matters is whether your current posture matches what you might want to do in the next year or two: hold, renovate, refinance, or sell.

Washington's rules around tenancies have tightened meaningfully in recent years. Notice periods for rent increases are longer than many owners remember, ending a tenancy generally requires a recognized cause, and some cities, Seattle in particular, layer their own requirements on top of state law. The specifics change and they differ by city, so we will not summarize them here. This is general information, not legal advice: before you act on a lease decision, spend an hour with a landlord-tenant attorney. It is some of the cheapest insurance in this business.

The practical point: options take lead time now. An owner who decides in March to sell an occupied rental by June may discover the calendar was decided months earlier, by the lease.

> **YOUR NUMBERS**
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> If you needed this unit empty in six months, to renovate, sell, or house a family member, what does your current lease actually allow?
>
> How many months of notice would you owe, and when would you have to start the clock?

CHECKPOINT 6 OF 10

Insurance and tax escalation

Two of your biggest expense lines are set by other people, and lately they have been moving faster than rents.

Many Puget Sound owners have watched landlord insurance premiums jump by double digits at renewal, sometimes more than once, while property tax assessments reset to values that grew far faster than local rents. Neither line negotiates with you. Both compound.

This checkpoint is simple arithmetic with your own bills. Pull three years of insurance premiums and three years of property tax statements. Compute the total percent change. Then put your rent's percent change over the same three years next to it. If the expense lines are growing faster than the income line, the property's margin is shrinking on a schedule, even if this year's cash flow still looks fine.

There are honest responses on both sides: shop the insurance, appeal an assessment you can document is high, bring rent to market where the lease and the law allow, or accept the thinner margin knowingly. The only bad response is not knowing the trend line exists.

YOUR NUMBERS

Over the last three years, what is the combined percent change in your insurance premium plus property taxes?

What is your rent's percent change over the same three years? Which line is winning?

CHECKPOINT 7 OF 10

Concentration risk

A portfolio of one is not a portfolio. It is a single bet that has been paying so far.

Concentration hides in three layers. One **building**: a single roof, a single sewer line, a single foundation, where one bad year of capital expenses can erase several good years of cash flow. One **ZIP**: a neighborhood-level change, a big local employer, a zoning shift, a new assessment, moves your whole real estate net worth at once. One **tenant profile**: if every unit you own rents to the same kind of household, one change in that group's circumstances hits every door at the same time.

For many owners the honest picture is starker than they expect: a majority of their net worth outside retirement accounts sits in one structure, on one street. That can still be a reasonable choice, especially in accumulation years. But it should be a choice, made with the number in view, not a default that grew while nobody measured it.

There is no rule for the right percentage. The question is whether a single bad event, one sewer line, one long vacancy, one local downturn, would change your family's plans. If yes, the concentration is making decisions for you.

> **YOUR NUMBERS**
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> What share of your total net worth sits in this one property? In this one ZIP?
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> If it had to sit vacant for six months, or absorb a $30,000 repair, what would that change for you?

CHECKPOINT 8 OF 10

The 1031 clock and your horizon

A 1031 exchange can defer capital gains tax when you sell one investment property and buy another. It is a powerful tool with a stopwatch attached.

When deferral tends to fit: you want to stay invested in real estate for years to come, and the trade improves your position, more doors, less management, a better market, a property that matches your next decade instead of your last one. The tax you defer keeps compounding on your side of the table.

When it tends not to fit: you want liquidity, you are done being a landlord, or your horizon is short. An exchange does not eliminate the tax, it postpones it, and it obligates you to buy replacement property on a strict timeline. Owners who exchange just to dodge one tax bill sometimes buy a property they did not really want, which is a more expensive mistake than the tax was.

The mechanics are unforgiving: identification and closing windows are measured in days, not months, and they start at your sale, ready or not. This is general information, not tax advice. If an exchange is even a maybe, talk to a CPA and a qualified intermediary before you list, not after.

> **YOUR NUMBERS**
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> Is your honest horizon in real estate five more years or longer?
>
> If not, what is deferral actually buying you, and what is it costing in flexibility?

CHECKPOINT 9 OF 10

The redeploy comparison

The fairest test of a rental is not whether it makes money. It is whether it makes more than your equity would make somewhere boring.

One aggregate finding from our research makes the point. In our analysis of 580 King County rentals, the median owner earned about 0.4 percent cash on their equity with amortizing payments; for 87 percent, redeploying net proceeds at a conservative 5 percent would out-earn rent plus principal paydown.

That is one finding about one group of properties, not a prediction about yours, and it is not investment advice. Plenty of individual rentals beat the comparison easily, and cash yield is not the only reason to own real estate: appreciation, inflation protection, and control all count for something, and only you can weight them.

But the comparison itself is the discipline. Whatever your alternative is, a conservative yield, an index fund, paying down your own home, the test is the same: take the return on equity you computed in checkpoint 1, add this year's principal paydown, and put it next to what the same equity could earn with far less work and far less concentration. If the rental wins, great, now you know why you own it. If it loses, you should at least know by how much, and what the gap is paying for.

YOUR NUMBERS

Take your checkpoint 1 return on equity and add last year's principal paydown as a percent of equity.

Now compare it to a conservative yield you could actually get today. Which is higher, and by how much?

CHECKPOINT 10 OF 10

Where are you in your journey

After nine checkpoints of arithmetic, the last one is not math at all. The decision about a property is an owner-stage decision, not a market-timing decision.

The same rental, with the same numbers, can be exactly right for one owner and exactly wrong for another. An owner in building years may happily accept thin cash flow for paydown and appreciation, and should probably be asking how to add a door, not whether to sell one. An owner heading into simplifying years, done with 10 p.m. phone calls and turnover weekends, may look at the same statement and reasonably decide the property no longer fits the life it is supposed to fund.

Waiting for the perfect market moment mostly postpones the real question. Nobody rings a bell at the top, and the years spent waiting for one are years of your actual life, spent managing a property that may or may not still match it. The honest sequence runs the other way: decide what stage you are in first, then let the numbers from checkpoints 1 through 9 tell you whether each property still belongs in that stage.

And sometimes the answer is simply: keep the house. It fits, it earns, you like owning it. That is a fine outcome of this checkup, and we mean that. The goal was never to talk you into anything. It was to make sure the decision, whichever way it goes, is made with your own numbers in front of you.

> **YOUR ANSWER**
>
> Which stage are you honestly in: building, holding steady, or simplifying?
>
> Does this property still match that stage? If you did not already own it, would you buy it today, at today's price, for the life you have now?

YOUR SCORECARD

Ten checkpoints, one page

Score each checkpoint for each property: **Keep** (working as intended), **Watch** (drifting, recheck next year), or **Rethink** (the numbers say this deserves a real decision).

#	CHECKPOINT	KEEP / WATCH / RETHINK
1	Return on equity	____________
2	Cash flow after everything	____________
3	What your ZIP is doing	____________
4	Condition drift	____________
5	Tenant and lease posture	____________
6	Insurance and tax escalation	____________
7	Concentration risk	____________
8	The 1031 clock and your horizon	____________
9	The redeploy comparison	____________
10	Owner stage fit	____________

Mostly Keep: enjoy the property and rerun this checkup next year. A few Watch marks: put dates on them. Two or more Rethink marks on one property: that property has earned a real sit-down with real numbers.

Want a second set of eyes on your numbers? We offer Puget Sound owners a free portfolio checkup conversation: we will walk these ten checkpoints with you, pull the recent sales around your property, and give you our honest read, including when our honest read is keep the house. No pressure, no scripts.

Troy Whitney, Broker | Pellego | seattlerealinvestor@gmail.com

Sources and disclosures. County market statistics: recent King and Pierce County sales; housing data from Redfin. All market figures describe past sales and are historical observations: estimates from past local sales, not an appraisal, prediction, or guarantee of any result for any specific property. The research finding in checkpoint 9 is an aggregate observation about one analyzed group of properties and is not investment advice or a projection for any individual property. This guide is general information only. It is not legal, tax, or investment advice, and it does not create an agency relationship. Consult a landlord-tenant attorney on lease and notice questions and a CPA or qualified intermediary on exchange questions. Troy Whitney is a licensed Washington real estate broker with Pellego. If your property is currently listed with another brokerage, nothing in this guide is a solicitation of that listing.