

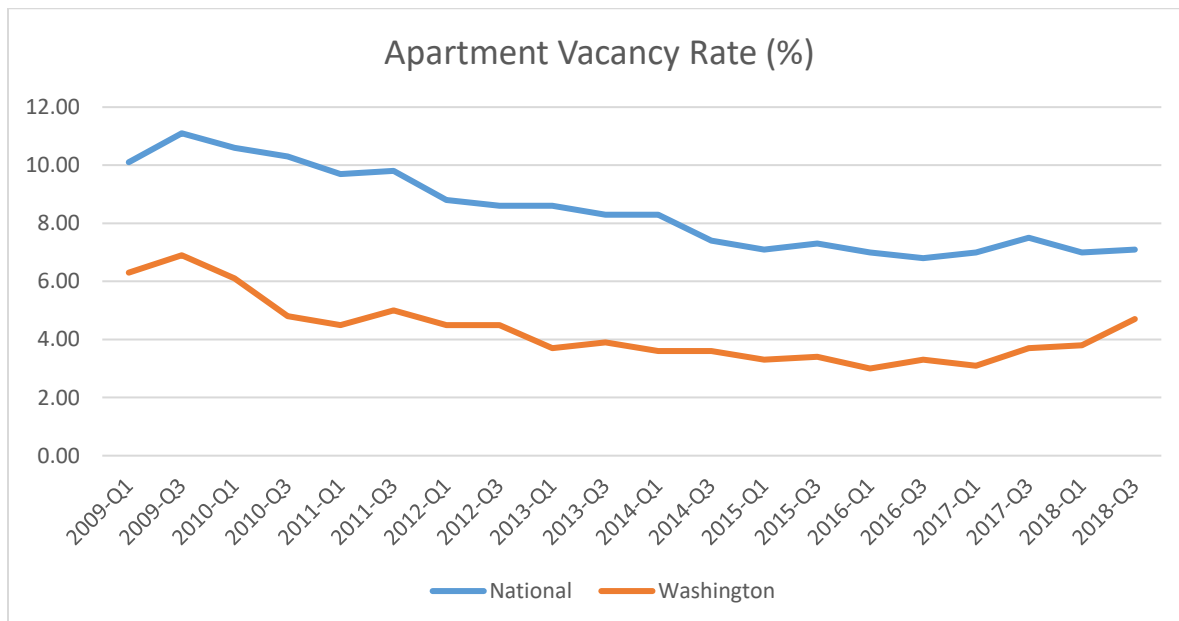
WASHINGTON STATE APARTMENT MARKET REPORT – FALL 2018

Vacancy Summary

The statewide apartment vacancy rate increased from 3.7% to 4.3% in Fall 2018. While there is variability among the individual county rates, all but 3 counties included in the survey had vacancy rates below 5%, which is usually considered the threshold for a tight rental market. An acute shortage of rental units is typically characterized as a vacancy rate below 3%. This was the case in thirteen counties. While vacancy rates are rising in the Puget Sound region as well as Spokane and Clark Counties, most other counties are experiencing a tightening of the rental market as new rental supply has been slow to materialize.

Market Summary

Apartment markets nationwide have shown declining vacancy rates with a current rate of 7.1%, slightly higher than the 15 year low of 6.8% recorded in Q3-2016. Washington has shown a more exaggerated trend thanks to inward migration and increased demand for housing, particularly in more urbanized areas of the state. While the statewide vacancy rate stands at 4.7%, a significant increase. As new supply continues to come into the Puget Sound, Spokane, and Clark county markets, this vacancy rate highlights key regional issues in the rental housing market and an increased divergence of residential housing costs within the state.



Over the past year, Benton/Franklin counties (Tri-Cities area) recorded the greatest decline in vacancy rates falling to 1.1%. Out of the 18 counties covered, 7 saw an increase in the number of vacancies while 11 showed a decrease or no change in the percentage of units vacant. The lowest vacancy rate was observed in Kittitas County with a vacancy rate of 0.2%, a slight change from 0.5% recorded in the same period last year. The highest vacancy rate was recorded in King County with a vacancy rate of 5.2%. While this rate is difficult to compare with past periods due to methodological changes, this vacancy rate is the highest recorded for the county on any broad survey since 2016.

Data and Methods

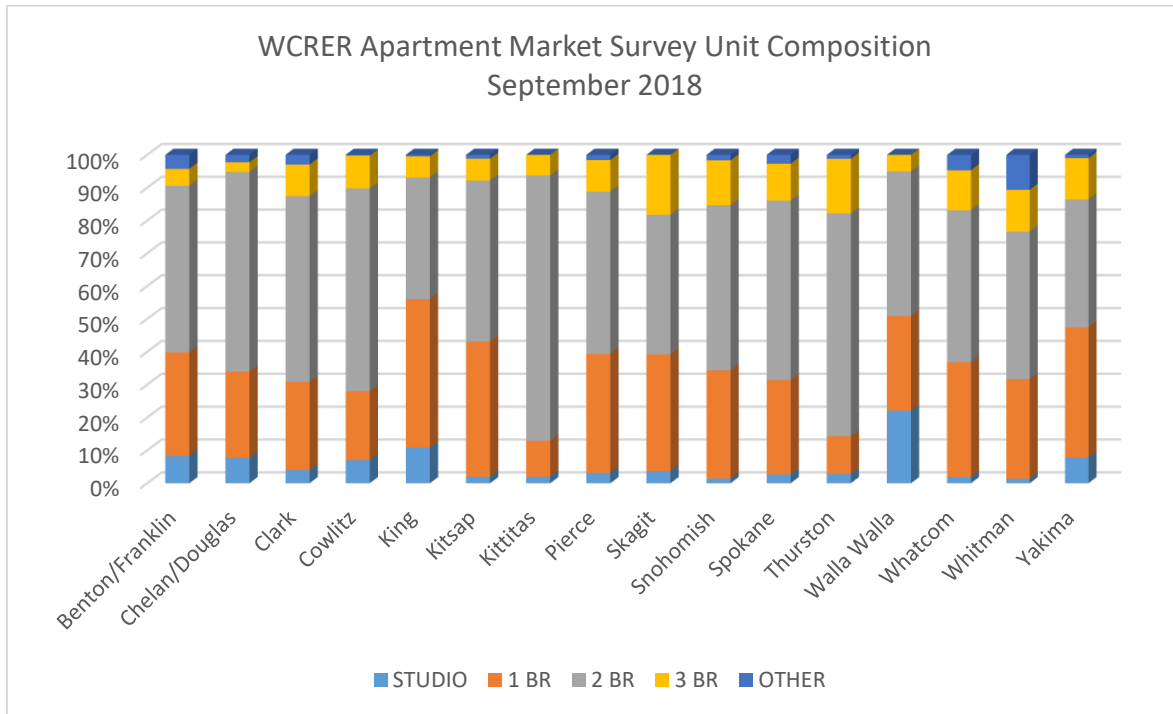
Since the Fall 2017 survey, Dupre + Scott Apartment Advisors (D+S) ceased operations and no longer provide market data for 5 counties in the Puget Sound region (King, Pierce, Snohomish, Kitsap, and Thurston). In Spring 2018, surveys were conducted by WCRER in cooperation with several key management companies in the area to produce interim statistics for use in the market report. Since that time, the WCRER was granted permission use to audited statistics from Apartment Insights survey of 50+ unit developments for the region. Survey and field data was then cross referenced with other sources (such as appraisers and brokers) in order to provide a reliable base for comparison in relation to geography and unit mix.

Caution is advised in using this data as a substitute for D+S for investment decision making, particularly when comparisons are made between the past rental data provided in previous WCRER reports. While all due and reasonable care has been used, response rates differ markedly between the surveys and there are significant sample differences between the Apartment Insights survey of 50+ unit developments, past WCRER surveys, and past D+S surveys of 20+ unit developments. As a result, the rental rate data contained in this report for King, Snohomish, Pierce, Kitsap and Thurston counties is not directly comparable with past reports. Further, weights in computing statewide averages will vary considerably from past reports because of the relatively high number of multi-family units in the Puget Sound Region and different in response rates. Methods in surveying rents and vacancies in other counties of the state remain unchanged and data for other areas of the state is comparable between surveys subject to sample and response rate differences.

Coverage Statistics – Apartment Market Surveys

	Units Surveyed/Inventory	1 Bedroom Units	2 Bedroom / 1 Bath units
Benton/Franklin	10,501	3,516	2,880
Chelan/Douglas	1516	353	515
Clark	17,697	4,785	4,624
Cowlitz	1,161	227	606
King	143,909	59,412	23,255
Kitsap	7,115	2,426	1,992
Kittitas	2,717	581	1,028
Pierce	37,807	13,731	10,451
Skagit	1,696	772	411
Snohomish	32,126	12,819	6,957
Spokane	8,439	2,564	2,120
Thurston	10,331	4,077	2,337
Walla Walla	858	257	384
Whatcom	17,413	2,234	2,244
Whitman	4,291	1,319	1,466
Yakima	2,348	999	833
STATEWIDE	299,925	110,072	62,103

While the WCRER survey excludes government-assisted housing, the total universe of rental units within the state includes both subsidized and market rate properties. This is a significant issue particularly within smaller counties where a greater proportion of the multifamily market is dependent on some form of federal, state or local funding. Note that several counties are combined where they are both contiguous and there is urban development to support defining them as a single ‘market area.’



Summary Statistics by Unit Type

Examining the average floor area of apartments throughout the state reveals significant differences in the price per unit floor area within individual markets. The largest apartment sizes are found in Clark County with an average unit size of 909 square feet. On average, the smallest units are found in Walla Walla County with an average floor area of 720 square feet.

As noted in the graph above, one-bedroom apartments are the most popular type of unit in the state, accounting for about 29.4% of all units. The statewide vacancy rate for one-bedroom units has steadily fallen for the past 8 years from a peak of 6.5% in September 2009 to 1.7% in Spring 2018, excluding the Puget Sound counties.

One Bedroom Apartments

While vacancy rates varied throughout the state, every county outside of the Puget Sound surveyed had vacancy rates below 3% for one-bedroom apartments. The lowest vacancy rate for one-bedroom apartments was recorded in Walla Walla County at 0.0%. The highest vacancy rate recorded for one-bedroom apartments was in Spokane County at 2.96%. Data on vacancies by bedroom for the Puget Sound Counties was not available for this survey.

Apartment Summary Statistics – One-Bedroom Apartments

	Average Size (SF)	Units Surveyed	Vacancies	Average Rent	Rent/Unit Floor Area	Vacancy Rate
Benton/Franklin	674	3,516	85	\$835	\$1.24	2.42%
Chelan/Douglas	657	353	7	\$1,143	\$1.74	1.98%
Clark	696	4,785	99	\$1,085	\$1.56	2.07%
Cowlitz	642	227	3	\$691	\$1.08	1.32%
King	675	59,412	-	\$1,660	\$2.45	-
Kitsap	653	2,426	-	\$1,172	\$1.79	-
Kittitas	610	581	1	\$667	\$1.09	0.17%
Pierce	671	13,731	-	\$1,070	\$1.59	-
Skagit	658	772	4	\$930	\$1.41	0.52%
Snohomish	686	12,819	-	\$1,342	\$1.96	-
Spokane	666	2,564	76	\$825	\$1.24	2.96%
Thurston	677	4,077	-	\$1,055	\$1.56	-
Walla Walla	603	257	0	\$662	\$1.10	0.00%
Whatcom	615	2,234	1	\$939	\$1.53	0.04%
Whitman	584	1,319	11	\$686	\$1.17	0.83%
Yakima	624	999	9	\$660	\$1.06	0.90%
Statewide	673	110,072	296	\$1,394	\$2.07	1.68%*

*calculation excludes units in Puget Sound counties lacking bedroom specific vacancy rate information

With an average rent of \$1,143, the Chelan/Douglas county area (Wenatchee) recorded the highest rent levels for one-bedroom apartments outside of the Puget Sound region. Yakima County had the lowest rents at \$660 per month. On a floor area basis, the highest rent for one-bedroom units was found in King County at \$2.45 per square foot with the lowest found in the Yakima market area at \$1.06 per square foot.

Two Bedroom – One Bathroom Apartments

The second most prevalent type of apartment in Washington consists of 2 bedrooms and 1 bathroom (2BR/1Bath) accounting for 28.9% of all apartment units according to the 2010 Census. King County had the highest average 2BR/1Bath unit rent (\$1,741) as well as the highest average rent per square foot (\$2.02). Whitman County recorded the lowest average rent of \$815 while Yakima County had lowest price per square foot (\$1.00).

Apartment Summary Statistics – Two Bedroom Apartments

	Average Size (SF)	Units Surveyed	Vacancies	Average Rent	Rent/Unit Floor Area	Vacancy Rate
Benton/Franklin	872	2880	64	\$899	\$1.03	2.22%
Chelan/Douglas	806	515	7	\$1,474	\$1.83	1.36%
Clark	888	4,624	88	\$1,183	\$1.33	1.90%
Cowlitz	821	606	11	\$841	\$1.02	1.82%
King	861	23,255	-	\$1,741	\$2.02	-
Kitsap	858	1,992	-	\$1,284	\$1.50	-
Kittitas	723	1,028	4	\$928	\$1.28	0.39%
Pierce	872	10,451	-	\$1,238	\$1.42	-
Skagit	822	411	1	\$992	\$1.21	0.24%
Snohomish	876	6957	-	\$1,452	\$1.66	-
Spokane	846	2,120	66	\$932	\$1.10	3.11%
Thurston	858	2,337	-	\$1,122	\$1.31	-
Walla Walla	833	384	2	\$865	\$1.04	0.52%
Whatcom	850	2244	5	\$1,048	\$1.23	0.22%
Whitman	779	1466	9	\$815	\$1.05	0.61%
Yakima	832	833	8	\$830	\$1.00	0.96%
Statewide	860	62,103	265	\$1,384	\$1.61	1.20%*

*calculation excludes units in Puget Sound counties lacking bedroom specific vacancy rate information

Among 2BR/1Bath apartments, vacancies were lowest in the Bellingham market area with a vacancy rate of 0.2%. The highest vacancy rate outside of the Puget Sound Region was found in Spokane County with a vacancy rate of 3.1%. Extraordinarily low vacancy rates were noted throughout all counties in the state outside of the Puget Sound Region.

All Unit Types

Using the sample of all units surveyed vacancy rates increased with an overall vacancy rate of 4.3%. Primarily driven by relatively high vacancy rates in the Puget Sound region and the large volume of rental units in comparison to other areas of the state, King County recorded the highest overall vacancy rate at 5.2% while the lowest was found in Kittitas County with a vacancy rate of 0.2%. It should be noted that all Counties within the Puget Sound area as well as Clark and Spokane Counties recorded vacancy rates above 3.5%.

Apartment Summary Statistics – All Apartment Units

	Average Unit Size (SF)	Units Surveyed	Vacancies	Average Rent	Rent/Unit Floor Area	Vacancy Rate
Benton/Franklin	872	10,501	273	\$954	\$1.09	2.60%
Chelan/Douglas	806	1516	21	\$1,088	\$1.35	1.39%
Clark	909	17,697	366	\$1,254	\$1.38	2.07%
Cowlitz	762	1,161	16	\$862	\$1.13	1.38%
King	809	143,909	7,543	\$1,805	\$2.23	5.24%
Kitsap	832	7,115	355	\$1,345	\$1.62	5.00%
Kittitas	818	2,717	5	\$850	\$1.04	0.18%
Pierce	867	37,807	1,623	\$1,258	\$1.45	4.30%
Skagit	773	1,696	8	\$1,072	\$1.39	0.47%
Snohomish	876	32,126	1,571	\$1,514	\$1.73	4.89%
Spokane	874	8,439	472	\$997	\$1.14	5.59%
Thurston	858	10,331	363	\$1,122	\$1.31	3.51%
Walla Walla	705	858	2	\$774	\$1.10	0.23%
Whatcom	783	17,413	42	\$985	\$1.26	0.24%
Whitman	796	4,291	77	\$927	\$1.16	1.79%
Yakima	733	2,348	32	\$770	\$1.05	1.36%
Statewide	833	299,925	12,769	\$1,532	\$1.84	4.26%

With all unit types analyzed, the influence of unit mix plays a significant role in determining the average rent. For example, King, Walla Walla, and Yakima counties have a proportionally high number of 1 bedroom and studio units which will provide downward influence on overall rents compared to places with a high proportion of 3 bedroom units which tend to rent for a higher amount. Given those influences, King county recorded the highest average overall rent as well as the highest rent per unit floor area of \$1,805 and \$2.23 per square foot. Yakima County recorded the lowest average rent of \$770 while Kittitas County recorded the lowest rent of floor area at \$1.04 per square foot.

Time and Seasonality

The WCRER Apartment Market Report uses March and September data so that seasonal variation between markets is minimized. For example, Whitman and Kittitas counties are greatly influenced by the academic year. Yakima and Chelan/Douglas counties are greatly influenced by agricultural cycles. Taking the surveys at 6 monthly intervals incorporating the timing ensures that more accurate reflections of the market are recorded. Please note that there is limited comparability between this survey and previous versions of this report.