

Since 1996 the Washington Center for Real Estate Research (WCRER) at Washington State University has been providing valuable apartment market statistics for communities throughout the state of Washington. The main goal of the surveys has been to estimate the vacancy rate for each county in addition to determining the average rent charged to the individuals who occupy these properties. The WCRER has become the largest apartment market researcher in Eastern Washington as well as conducting research in several Western Washington counties. With permission and encouragement from Dupre + Scott Apartment Advisors (D+S), the Seattle-area research firm which conducts apartment research around the Puget Sound, WCRER has positioned itself to facilitate development of consistent, statewide apartment market data—at least in those areas representing a vast majority of the state’s apartments.

Market Coverage/Response Rates

The size of the overall apartment market is based on data from Census 2000 and building permit data collected by the U.S. Bureau of the Census for the last nine years. Once the total number of apartment units was tallied for each county, the rental share of those units was calculated. The rental share of apartments is based on Census 2000 data.

The number of apartment units represented by the responses to the survey is compared to the total number of rental apartments in each market to produce a response rate. Response rates for both the D+S market research and the research conducted by the WCRER are combined to give an overall response rate for all the major counties in the State of Washington. The resulting statistic for the combined surveys was 51%. However, individual local market response rates ranged widely. While a 51% response rate may sound low, there are many contributing factors. Reasons for apartment managers not responding range from their complex not having enough units (D+S surveys are limited to projects with at least 20 units), to a manager’s unwillingness to give out private information for the survey. Neither the D+S survey nor the WCRER survey includes government-assisted housing, but the total number of rental units includes both subsidized and market rate properties. Significantly, in smaller communities larger proportions of the multifamily market are dependent on Federal or state money. Collectively, these reasons often make it difficult for local response rates to exceed half of the rental units. In addition, response rates to surveys generally are declining, regardless of the business value of the aggregated data.

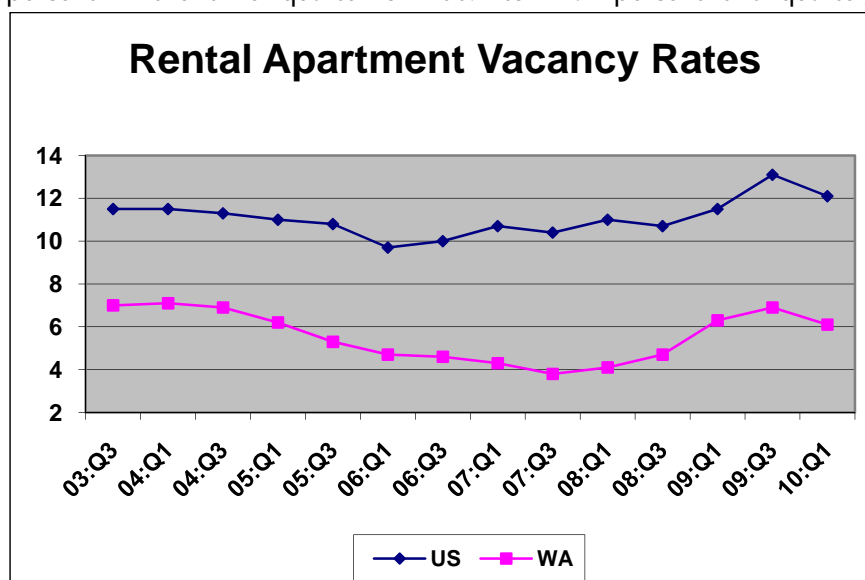
WCRER and Dupre + Scott Apartment Market Surveys Market Coverage

County	2000 Apartments (5+ units)	2000-2009 Apartment Construction	2010 Rental Apartments	March 2010 Survey Responses	Response Rate
Benton/Franklin (Tri-Cities)	10,435	1,941	11,877	6,006	49.9%
Chelan/Douglas (Wenatchee)	3,525	458	3,719	913	24.7%
Clark (Vancouver)	20,500	4,241	23,710	13,125	52.0%
Cowlitz (Longview/Kelso)	4,808	595	5,246	1,128	20.9%
King (Seattle/Bellevue)	227,735	56,531	243,464	121,360	49.0%
Kitsap (Bremerton)	12,242	662	11,984	6,686	53.6%
Kittitas (Ellensburg)	2,538	36	2,522	1,733	68.7%
Pierce (Tacoma)	48,509	7,320	53,816	35,039	65.1%

County	2000 Apartments (5+ units)	2000-2009 Apartment Construction	2010 Rental Apartments	March 2010 Survey Responses	Response Rate
Skagit (Mt. Vernon/ Anacortes)	4,065	654	4,538	1,307	28.8%
Snohomish (Everett)	47,359	8,746	49,881	29,833	59.8%
Spokane	21,683	8,452	28,644	10,025	35.0%
Thurston (Olympia)	11,289	1,802	12,666	9,124	72.0%
Walla Walla	2,470	227	2,640	464	17.6%
Whatcom (Bellingham)	11,919	3,823	14,612	3,169	21.7%
Whitman (Pullman)	4,270	1,418	5,569	4,279	76.8%
Yakima	7,441	569	7,590	1,954	25.8%
STATEWIDE	440,788	97,475	482,478	246,145	51.0%

Market Summary

Apartment markets nationwide registered record vacancies in the second quarter of 2004. For the next two years national apartment rental markets improved consistently, but increased multifamily construction thereafter resulted in a modest increase in rental vacancies. However, most recently the apartment rental market saw a decrease in rental vacancies. As of the first quarter of 2010, the statewide vacancy rate was recorded at 6.1 percent reflecting a slight decrease from Spring 2009 which registered at 6.3 percent. The national vacancy rate in multifamily apartments fell from a record high of 13.1 percent in the third quarter of 2009 to 12.1 percent this quarter, still substantially higher than Washington levels.



In 2009, many rental prospects were purchasing or renting homes rather than renting apartments for a number of reasons, resulting in a decrease in the average apartment rental price. Due to the economic recession, house prices were declining, some homeowners were better off renting their properties than selling at distressed prices and the government was providing a first-time home buyers tax credit. However, as new homeowners began defaulting on mortgage

loans, banks became illiquid, unable to finance additional loans, resulting in many bank failures. Inability to receive additional financing from banks has resulted in numerous foreclosures throughout the country. Decreased apartment rental prices and inability to obtain additional financing for home ownership has encouraged real estate market participants to start renting apartment units instead of trying to purchase new homes, which has caused a decrease in average vacancies, not only across the state but across the country as well.

Benton/Franklin counties saw the greatest improvement in the vacancy rate, a drop from 2.9 percent to 1.2 percent. This is consistent with the relative strength of the Tri-Cities economy in the last year. Meanwhile, ten counties recorded increased vacancies, led by a 3.5 percentage point increase in Whitman County, moving the Pullman area to the position as having the highest vacancy.

Average rents ranged from a low of \$537 in Yakima and Cowlitz counties to a high of \$1,017 in King County. Since the largest share of apartments are located in the more expensive urban communities, it comes as no surprise that the statewide average rent of \$899 is closer to the prevailing level in greater Seattle than it is to the average rent in Yakima and Cowlitz. The statewide average rent decreased by 3.3 percent in the last year— while a 7.0 percent increase occurred from Spring 2008 to Spring 2009.

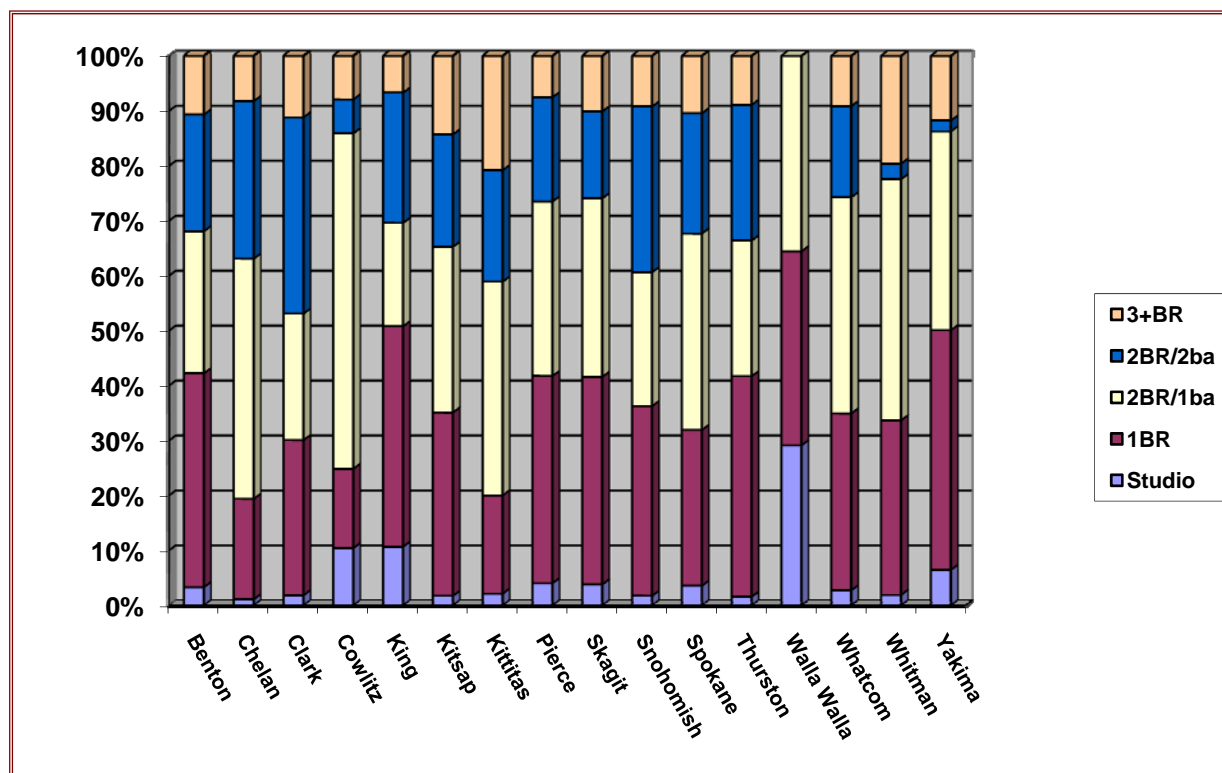
Summary Apartment Market Statistics—March 2010

Market (County)	Average Size (sq. ft.)	Average Rent	Number of Units	Number Vacant	Vacancy Rate
Benton/Franklin (Tri-Cities)	855	\$722	6,006	72	1.2%
Chelan/Douglas (Wenatchee)	846	\$725	913	45	4.9%
Clark (Vancouver)	910	\$739	13,125	604	4.6%
Cowlitz (Longview/Kelso)	730	\$595	1,128	37	3.3%
King (Seattle/Bellevue)	n/a	\$1,017	121,360	7,282	6.0%
Kitsap (Bremerton)	n/a	\$848	6,686	501	7.5%
Kittitas (Ellensburg)	793	\$624	1,733	107	6.2%
Pierce (Tacoma)	n/a	\$811	35,039	2,663	7.6%
Skagit (Mt. Vernon/Anacortes)	827	\$753	1,307	90	6.9%
Snohomish (Everett)	n/a	\$876	29,833	1,700	5.7%
Spokane	844	\$627	10,025	782	7.8%
Thurston (Olympia)	n/a	\$805	9,124	593	6.5%
Walla Walla	730	\$545	464	22	4.7%
Whatcom (Bellingham)	786	\$733	3,169	110	3.5%
Whitman (Pullman)	773	\$694	4,279	338	7.9%
Yakima	718	\$537	1,954	63	3.2%
STATEWIDE	n/a	\$899	246,145	15,010	6.1%

The WCRER survey includes the average size of units within each apartment complex. The smallest apartment units are found in Yakima County where the average size is 718 square feet. The largest apartments are found in Clark County where the average apartment is a significantly larger at 910 square feet. While these aggregate statistics are interesting, it is important to compare similar types of properties across the markets. As illustrated in this graphic, 1-bedroom or 2-bedroom units with one bath are most prevalent in virtually all communities, and will be the basis of subsequent comparisons.

The following graphic clearly illustrates the differences in the composition of the apartment market from community to community. Studio apartments are more prevalent in Walla Walla, King and Cowlitz counties, while 2-bedroom/2-bath units are most frequently encountered in the more suburban Clark and Snohomish county areas. One-bedroom units are especially dominant in Thurston, King and Yakima counties, while units with three or more bedrooms are most significant in Whitman and Kittitas counties, where student renters may choose to share large units to save money.

Composition of Apartment Market Selected Washington Communities, March 2010



1-Bedroom Apartments

One-bedroom apartments are the most popular type of apartment unit in the state, accounting for 37.2% of all the units in the combined WCRER and D+S surveys. The statewide vacancy rate for 1-bedroom units increased in March fell from the third quarter of 2009 to 5.9 percent, the same vacancy rate recorded one year ago. The average rent for 1-bedroom units declined by about 30 dollars from last March to \$803. Vacancy rates varied from county to county throughout the state, with five counties reporting fewer than 4.0 percent of one-bedroom apartments vacant. The highest vacancy rate for these small units was 10.1 percent in Spokane County. Average rent also ranged widely from a low of \$481 in Walla Walla County to \$917 in urban King County. The average size for a 1-bedroom unit was 676 square feet. The largest 1-bedroom apartments were found in Benton/Franklin counties where the average size was 706 square feet, while in Whitman County the average 1-bedroom unit was only 576 square feet, roughly 23 percent smaller.

Apartment Summary Characteristics — March 2010 One-Bedroom Units

County	Average Size (Sq. Ft.)	Average Rent	Vacancy Rate
Benton/Franklin	706	\$632	1.7%
Chelan/Douglas	677	\$613	4.8%
Clark	687	\$620	5.6%
Cowlitz	629	\$549	2.5%
King	679	\$917	5.6%
Kitsap	667	\$714	6.5%
Kittitas	618	\$519	7.1%
Pierce	674	\$694	7.4%
Skagit	630	\$684	8.2%
Snohomish	698	\$754	6.4%
Spokane	655	\$523	10.1%

County	Average Size (Sq. Ft.)	Average Rent	Vacancy Rate
Thurston	663	\$703	5.9%
Walla Walla	603	\$481	4.5%
Whatcom	602	\$671	2.3%
Whitman	576	\$493	3.0%
Yakima	613	\$495	3.9%
STATEWIDE	676	\$803	5.9%

2-Bedroom/1-Bath Apartments

The second most popular unit type in the state was the 2-bedroom/1-bath apartment, which accounted for 24.4% of all the units responding to the survey. Average rent for a 2-bedroom/1-bath unit was \$830, a \$25 (3%) decline from the Spring 2009 survey. Average rents for 2-bedroom/1-bath units ranged from \$586 in Yakima County to \$960 in King County. The vacancy rate for 2-bedroom/1-bath units throughout the state increased from last March, with the current reading 6.6 percent, compared to 6.3 percent last spring. Vacancy rates ranged from a high of 10.0% in Whitman County to a low of 1.2% in Benton/Franklin counties. In terms of unit size, Skagit County had the largest average size in the state (899sq. ft.) while the smallest 2-bedroom/1-bath apartments were in Kittitas County (720 sq. ft.).

Apartment Summary Statistics — March 2010 Two-Bedroom/One Bath Units

County	Average Size (Sq. Ft.)	Average Rent	Vacancy Rate
Benton/Franklin	889	\$718	1.2%
Chelan/Douglas	881	\$711	6.8%
Clark	879	\$696	3.8%
Cowlitz	804	\$600	4.0%
King	800	\$960	6.8%
Kitsap	858	\$815	6.5%
Kittitas	720	\$692	8.5%
Pierce	868	\$790	7.7%
Skagit	899	\$741	4.8%
Snohomish	866	\$831	5.6%
Spokane	835	\$603	8.1%
Thurston	840	\$781	8.3%
Walla Walla	876	\$649	5.2%
Whatcom	839	\$732	4.2%
Whitman	771	\$664	10.0%
Yakima	814	\$586	2.4%
STATEWIDE	833	\$830	6.6%

Time Trends

Consistency is the key to a more complete understanding of the time trends associated with different apartment markets. For example, seasonal patterns vary from community to community (e.g. academic year in Whitman and Kittitas counties; agricultural cycle in Yakima and Chelan/Douglas counties). Both WCRER and D+S conduct surveys in March and September—months which are less subject to seasonal variation. Results from the March 2009 and March 2010 surveys are shown in the following table. The statewide vacancy rate over the last year has decreased from 6.3 percent to 6.1 percent, following a national trend of decreasing rates. As the demand for apartment units increases and the vacancy rate continues to fall we expect to see an increase in apartment rental rates in upcoming quarters. Average rents across markets fell \$31 (3.4%) in the last year, which has been partially attributed to the decline in apartment vacancies over the past year. The vacancy rate in Benton/Franklin counties decreased 1.7%, resulting in the largest percentage increase in rent over the last year with a 10 percent (\$66) increase. Meanwhile the largest decline in rent came from Kittitas County where average rents fell 12.8 percent (\$80), where the vacancy rate increased .04%. While vacancy rates have continued to increase in some

counties and decrease in others, the statewide vacancy rate has fallen and average rent for apartment units is expected to see an increase in the future as the economy begins to regain its stability.

Vacancy Rate and Average Rent Comparisons—March Surveys

Counties	March 2009		March 2010	
	Vacancy Rate	Average Rent	Vacancy Rate	Average Rent
Benton/Franklin	2.9%	\$656	1.2%	\$722
Chelan/Douglas	4.4%	\$712	4.9%	\$725
Clark	4.8%	\$741	4.6%	\$739
Cowlitz	2.8%	\$573	3.3%	\$595
King	6.8%	\$1,065	6.0%	\$1,017
Kitsap	8.6%	\$851	7.5%	\$848
Kittitas	5.4%	\$704	6.2%	\$624
Pierce	6.0%	\$829	7.6%	\$811
Skagit	6.8%	\$728	6.9%	\$753
Snohomish	6.8%	\$949	5.7%	\$876
Spokane	5.5%	\$639	7.8%	\$627
Thurston	5.3%	\$826	6.5%	\$805
Walla Walla	2.9%	\$624	4.7%	\$545
Whatcom	3.2%	\$742	3.5%	\$733
Whitman	4.4%	\$629	7.9%	\$694
Yakima	4.7%	\$506	3.2%	\$537
STATEWIDE	6.3%	\$930	6.1%	\$899

Washington Center for Real Estate Research/Washington State University

Copyright© 2010 WCRER All Rights Reserved