

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 10 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. Because of significant condominium development and conversion during the last decade, the rental estimates may be a bit high.

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 52.0%. However, individual local market response rates ranged widely. While a 52% 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.

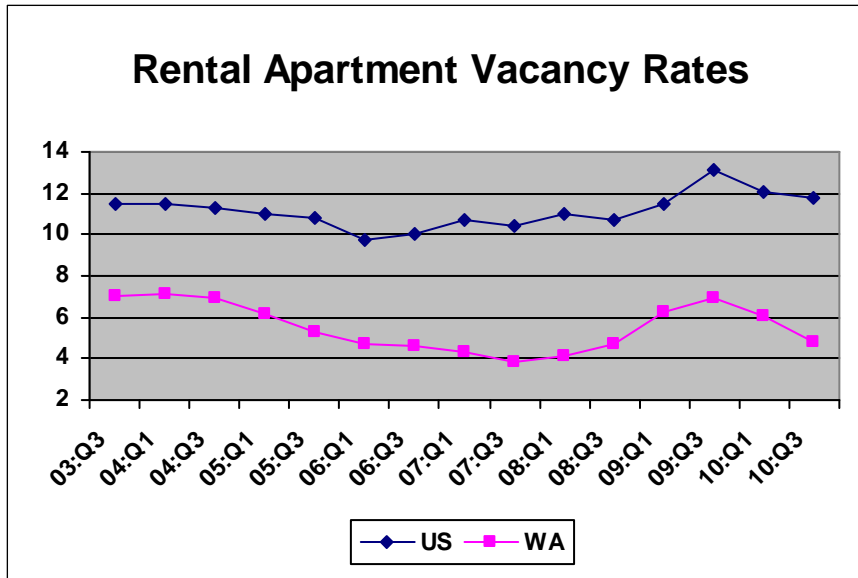
### WCRER and Dupre + Scott Apartment Market Surveys Market Coverage

| County                       | 2000 Apartments (5+ units) | 2000-2009 Apartment Construction | 2010 Rental Apartments | September 2010 Survey Responses | Response Rate |
|------------------------------|----------------------------|----------------------------------|------------------------|---------------------------------|---------------|
| Benton/Franklin (Tri-Cities) | 10,435                     | 1,941                            | 11,877                 | 5,881                           | 49.5%         |
| Chelan/Douglas (Wenatchee)   | 3,525                      | 458                              | 3,719                  | 948                             | 25.5%         |
| Clark (Vancouver)            | 20,500                     | 4,241                            | 23,710                 | 13,225                          | 55.8%         |
| Cowlitz (Longview/Kelso)     | 4,808                      | 595                              | 5,246                  | 1,151                           | 21.9%         |
| King (Seattle/Bellevue)      | 227,735                    | 56,531                           | 243,464                | 124,951                         | 51.3%         |
| Kitsap (Bremerton)           | 12,242                     | 662                              | 11,984                 | 6,486                           | 54.1%         |

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|-------------------------------|----------------------------|----------------------------------|------------------------|---------------------------------|---------------|
| Kittitas (Ellensburg)         | 2,538                      | 36                               | 2,522                  | 1,748                           | 69.3%         |
| Pierce (Tacoma)               | 48,509                     | 7,320                            | 53,816                 | 35,638                          | 66.2%         |
| Skagit (Mt. Vernon/Anacortes) | 4,065                      | 654                              | 4,538                  | 1,291                           | 28.4%         |
| Snohomish (Everett)           | 47,359                     | 8,746                            | 49,881                 | 30,277                          | 60.7%         |
| Spokane                       | 21,683                     | 8,452                            | 28,644                 | 10,010                          | 34.9%         |
| Thurston (Olympia)            | 11,289                     | 1,802                            | 12,666                 | 9,235                           | 72.9%         |
| Walla Walla                   | 2,470                      | 227                              | 2,640                  | 452                             | 17.1%         |
| Whatcom (Bellingham)          | 11,919                     | 3,823                            | 14,612                 | 3,377                           | 23.1%         |
| Whitman (Pullman)             | 4,270                      | 1,418                            | 5,569                  | 4,369                           | 78.5%         |
| Yakima                        | 7,441                      | 569                              | 7,590                  | 2,079                           | 27.4          |
| <b>STATEWIDE</b>              | <b>440,788</b>             | <b>97,475</b>                    | <b>482,478</b>         | <b>251,118</b>                  | <b>52.0%</b>  |

### Market Summary

The statewide vacancy rate for Fall 2010 was 4.8 percent reflecting a decrease from Fall 2009 which registered at 6.9 percent. 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 recent increase in rental vacancies. The national vacancy rate in multifamily projects surged to a record 13.1 percent in the third quarter of 2009, but then decreased to 11.8 in the third quarter of 2010, still substantially above the Washington level. During the worst of the recession, many rental prospects found different ways of saving money, primarily



by adding more roommates per unit or moving in with relatives. As word of the "recovery" spread, and frustration with cramped quarters increased, some of the doubling-up began to unwind, resulting in decreased vacancy in many markets.

Moreover, persistently high foreclosures are forcing former homeowners back to the ranks of renters, often with the intention of remaining a renter long term. These factors have caused decrease in average vacancies, not only across the state but across the

country as well.

Thurston County saw the greatest improvement in the vacancy rate over the last year, a drop from 8.6 percent to 3.3 percent. Meanwhile, three counties recorded increased vacancies, led by a 1.7 percentage point increase in Kitsap County. The highest recorded vacancy among the 18 counties studied was 7.2% in Skagit County, while Walla Walla County had the least vacancy (1.1%).

Average rents ranged from a low of \$544 in Yakima County to a high of \$1,033 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 \$913 is closer to the prevailing level in greater Seattle than it is to the average rent in Yakima. The statewide average rent increased by 0.3 percent in the last year. These stable rents are consistent with a market which has become more balanced in the last year.

### Summary Apartment Market Statistics—September 2010

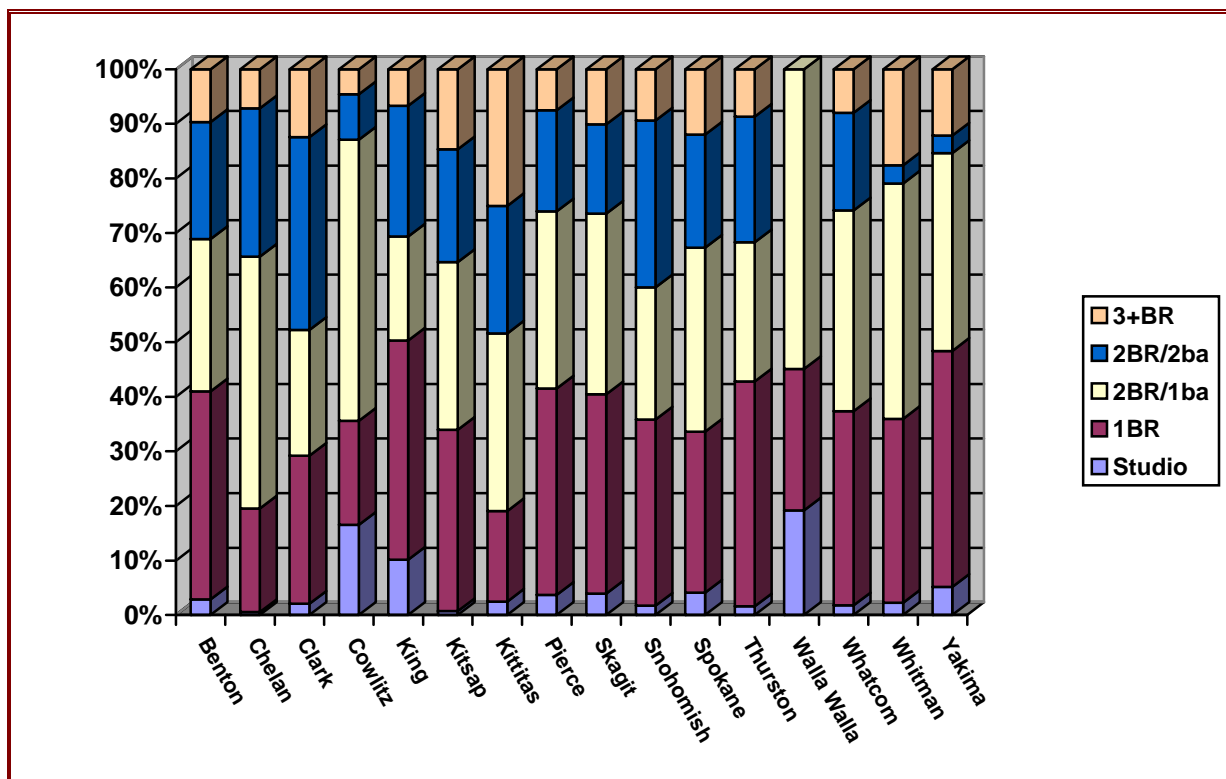
| Market (County)               | Average Size (sq. ft.) | Average Rent | Number of Units | Number Vacant | Vacancy Rate |
|-------------------------------|------------------------|--------------|-----------------|---------------|--------------|
| Benton/Franklin (Tri-Cities)  | 832                    | \$764        | 5,881           | 88            | 1.5%         |
| Chelan/Douglas (Wenatchee)    | 833                    | \$718        | 948             | 38            | 4.0%         |
| Clark (Vancouver)             | 921                    | \$751        | 13,225          | 410           | 3.1%         |
| Cowlitz (Longview/Kelso)      | 797                    | \$598        | 1,151           | 67            | 5.8%         |
| King (Seattle/Bellevue)       | n/a                    | \$1,033      | 124,951         | 6,123         | 4.9%         |
| Kitsap (Bremerton)            | n/a                    | \$861        | 6,486           | 415           | 6.4%         |
| Kittitas (Ellensburg)         | 808                    | \$670        | 1,748           | 21            | 1.2%         |
| Pierce (Tacoma)               | n/a                    | \$819        | 35,638          | 1,782         | 5.0%         |
| Skagit (Mt. Vernon/Anacortes) | 834                    | \$741        | 1,291           | 93            | 7.2%         |
| Snohomish (Everett)           | n/a                    | \$871        | 30,277          | 1,726         | 5.7%         |
| Spokane                       | 848                    | \$663        | 10,010          | 651           | 6.5%         |
| Thurston (Olympia)            | n/a                    | \$820        | 9,235           | 305           | 3.3%         |
| Walla Walla                   | 752                    | \$572        | 452             | 5             | 1.1%         |
| Whatcom (Bellingham)          | 807                    | \$746        | 3,377           | 54            | 1.6%         |
| Whitman (Pullman)             | 767                    | \$680        | 4,369           | 188           | 4.3%         |
| Yakima                        | 726                    | \$544        | 2,079           | 56            | 2.7%         |
| <b>STATEWIDE</b>              | <b>n/a</b>             | <b>\$913</b> | <b>251,118</b>  | <b>12,022</b> | <b>4.8%</b>  |

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 726 square feet. The largest apartments are found in Clark County where the average apartment is a significantly larger 921 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 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, September 2010**



### **1-Bedroom Apartments**

One-bedroom apartments are the most popular type of apartment unit in the state, accounting for 31.7% of all the units in the combined WCRER and D+S surveys. The statewide vacancy rate for 1-bedroom units decreased in September to 4.7 percent, compared to 6.5 percent a year ago. The average rent for 1-bedroom units increased by about 14 dollars from last September to \$855. Vacancy rates varied from county to county throughout the state, with five counties reporting fewer than 3.0 percent of one-bedroom apartments vacant. The highest vacancy rate for these small units was 6.7 percent in Skagit and Spokane Counties. Average rent also ranged widely from a low of \$501 in Whitman County to \$935 in urban King County. The average size for a 1-bedroom unit was 682 square feet. The largest 1-bedroom apartments were found in Clark County where the average size was 697 square feet, while in Whitman County the average 1-bedroom unit was only 576 square feet, roughly 17 percent smaller.

## Apartment Summary Characteristics — September 2010 One-Bedroom Units

| County           | Average Size (Sq. Ft.) | Average Rent | Vacancy Rate |
|------------------|------------------------|--------------|--------------|
| Benton/Franklin  | 676                    | \$667        | 1.4%         |
| Chelan/Douglas   | 670                    | \$598        | 3.9%         |
| Clark            | 697                    | \$635        | 3.3%         |
| Cowlitz          | 618                    | \$548        | 5.4%         |
| King             | 688                    | \$935        | 4.5%         |
| Kitsap           | 661                    | \$727        | 4.3%         |
| Kittitas         | 618                    | \$514        | 2.1%         |
| Pierce           | 662                    | \$695        | 5.6%         |
| Skagit           | 636                    | \$669        | 6.7%         |
| Snohomish        | 690                    | \$752        | 5.4%         |
| Spokane          | 668                    | \$557        | 6.7%         |
| Thurston         | 667                    | \$707        | 3.5%         |
| Walla Walla      | 614                    | \$513        | 0.9%         |
| Whatcom          | 628                    | \$658        | 1.3%         |
| Whitman          | 576                    | \$501        | 2.1%         |
| Yakima           | 610                    | \$505        | 3.8%         |
| <b>STATEWIDE</b> | <b>682</b>             | <b>\$855</b> | <b>4.7%</b>  |

### 2-Bedroom/1-Bath Apartments

The second most popular unit type in the state was the 2-bedroom/1-bath apartment, which accounted for 18.2% of all the units responding to the survey. Average rent for a 2-bedroom/1-bath unit was \$887, a \$43 (5.1%) increase from the Fall 2009 survey. Average rents for 2-bedroom/1-bath units ranged from \$582 in Yakima County to \$965 in King County. The vacancy rate for 2-bedroom/1-bath units throughout the state decreased from last September, with the current reading 5.2 percent, compared to 7.3 percent last fall. Vacancy rates ranged from a high of 8.3% in Cowlitz County to a low of 0.4% in Wall Walla County. In terms of unit size, Skagit County had the largest average size in the state (898 sq. ft.) while the smallest 2-bedroom/1-bath apartments were in Kittitas County (708 sq. ft.).

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

| County          | Average Size (Sq. Ft.) | Average Rent | Vacancy Rate |
|-----------------|------------------------|--------------|--------------|
| Benton/Franklin | 870                    | \$738        | 1.8%         |
| Chelan/Douglas  | 855                    | \$702        | 5.7%         |
| Clark           | 891                    | \$697        | 3.7%         |
| Cowlitz         | 820                    | \$623        | 8.3%         |
| King            | 869                    | \$965        | 5.3%         |
| Kitsap          | 862                    | \$819        | 6.8%         |
| Kittitas        | 708                    | \$740        | 1.2%         |
| Pierce          | 865                    | \$796        | 4.6%         |
| Skagit          | 898                    | \$742        | 3.8%         |
| Snohomish       | 882                    | \$829        | 6.1%         |
| Spokane         | 852                    | \$648        | 7.1%         |
| Thurston        | 844                    | \$793        | 3.8%         |
| Walla Walla     | 852                    | \$608        | 0.4%         |
| Whatcom         | 858                    | \$820        | 1.5%         |
| Whitman         | 764                    | \$663        | 6.6%         |

| <b>County</b>    | <b>Average Size (Sq. Ft.)</b> | <b>Average Rent</b> | <b>Vacancy Rate</b> |
|------------------|-------------------------------|---------------------|---------------------|
| Yakima           | 815                           | \$582               | 1.6%                |
| <b>STATEWIDE</b> | <b>869</b>                    | <b>\$887</b>        | <b>5.2%</b>         |

## 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 September 2009 and September 2010 surveys are shown in the following table. The statewide vacancy rate over the last year has decreased from 6.9 percent to 4.8 percent, following a national trend of decreasing rates. In the face of declining vacancies it comes as no surprise that property managers are adjusting asking rents upward to reflect increasing demand. Average rents across markets increased \$3 (0.3%), compared to a 2.7% decrease in 2009. Benton/Franklin counties had the largest percentage increase in rent over the last year with a 10.7 percent (\$74) increase. Meanwhile the largest decline in rent came from Walla Walla County where average rents fell 7.6 percent (\$47). Most analysts agree that multifamily rental housing will be the strongest segment of the housing market during 2011.

## Vacancy Rate and Average Rent Comparisons—September Surveys

| <b>Counties</b>  | <b>September 2009</b> |                     | <b>September 2010</b> |                     |
|------------------|-----------------------|---------------------|-----------------------|---------------------|
|                  | <b>Vacancy Rate</b>   | <b>Average Rent</b> | <b>Vacancy Rate</b>   | <b>Average Rent</b> |
| Benton/Franklin  | 1.9%                  | \$690               | 1.5%                  | \$764               |
| Chelan/Douglas   | 4.0%                  | \$699               | 4.0%                  | \$718               |
| Clark            | 5.6%                  | \$731               | 3.1%                  | \$751               |
| Cowlitz          | 5.0%                  | \$562               | 5.8%                  | \$598               |
| King             | 6.7%                  | \$1,033             | 4.9%                  | \$1,033             |
| Kitsap           | 4.7%                  | \$858               | 6.4%                  | \$861               |
| Kittitas         | 5.2%                  | \$702               | 1.2%                  | \$670               |
| Pierce           | 9.3%                  | \$816               | 5.0%                  | \$819               |
| Skagit           | 9.0%                  | \$732               | 7.2%                  | \$741               |
| Snohomish        | 6.8%                  | \$898               | 5.7%                  | \$871               |
| Spokane          | 7.2%                  | \$651               | 6.5%                  | \$663               |
| Thurston         | 8.6%                  | \$813               | 3.3%                  | \$820               |
| Walla Walla      | 4.8%                  | \$619               | 1.1%                  | \$572               |
| Whatcom          | 2.7%                  | \$737               | 1.6%                  | \$746               |
| Whitman          | 6.7%                  | \$662               | 4.3%                  | \$680               |
| Yakima           | 2.5%                  | \$562               | 2.7%                  | \$544               |
| <b>STATEWIDE</b> | <b>6.9%</b>           | <b>\$910</b>        | <b>4.8%</b>           | <b>\$913</b>        |

**Washington Center for Real Estate Research/Washington State University**

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