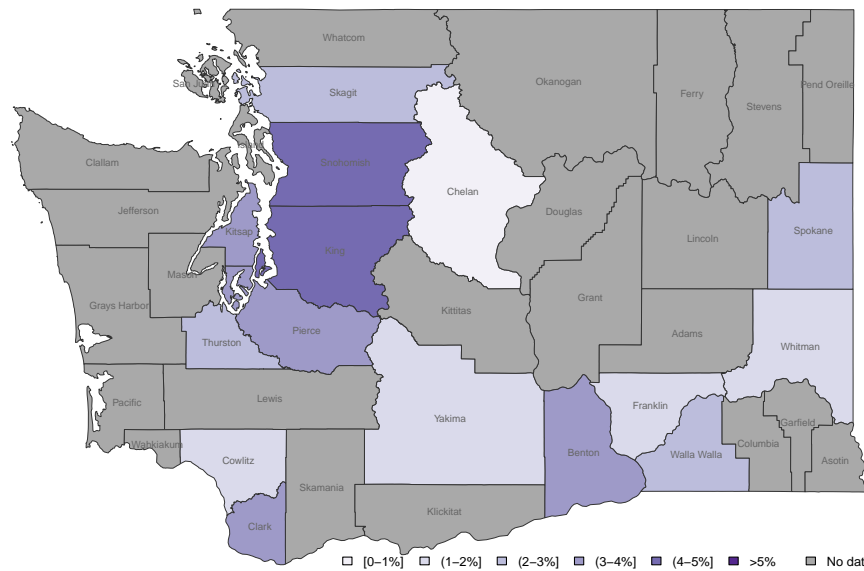
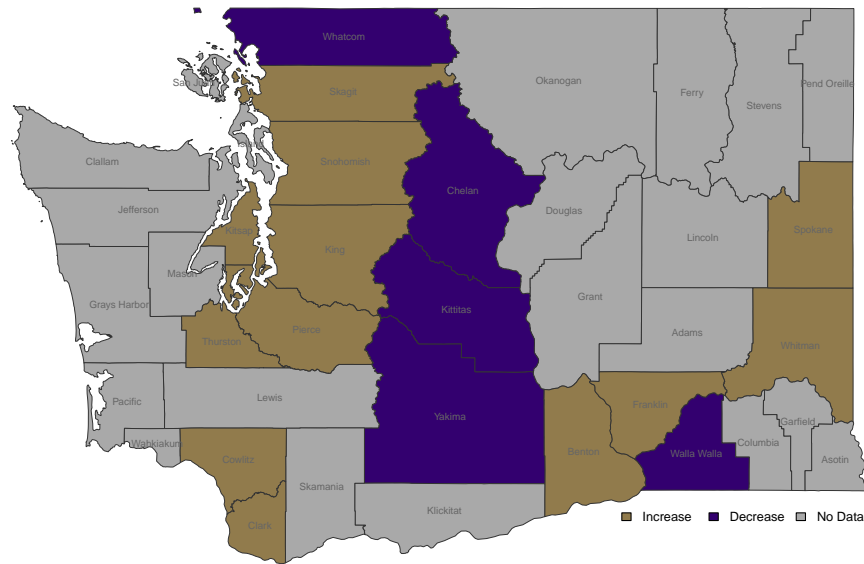


Washington State’s apartment vacancy rate increased from 3.1% to 3.7% in fall 2017. While there is variability among the individual county rates, all counties included in the survey had vacancy rates below 5%. This includes Kittitas county, where vacancy data is often skewed because of the difficulty in gauging occupancy of a handful of buildings that typically house students at Central Washington University. Of the rest, thirteen counties have rates below three percent indicating a shortage of rental units. Three of the nineteen counties included in the survey had decreasing vacancy rates compared to the same time period one year ago.



Since 1996 the Washington Center for Real Estate Research (WCRER) has collected, analyzed, and published apartment market statistics for each of the 39-counties within the state of Washington. Produced semi-annually by the Runstad Center for Real Estate Studies at the University of Washington, the results provide an estimate of the overall apartment vacancy rate for each county in the state. In addition, an average unit size and corresponding rental rate is calculated, with a particular emphasis on one and two-bedroom apartment units. Data specific to the 5-county's that constitute the Seattle Metropolitan Area is provided with permission from Dupre + Scott (D+S), a prominent real estate research firm whose market attention and analysis is focused exclusively on the Puget Sound region. It is in combination with Dupre + Scott that the WCRER is able to provide the most comprehensive resource of apartment market data on a statewide basis.

## Market Coverage / Response Rates

The current size of the overall Washington State apartment market is established by the total number of rental apartments quantified by the 2010 American Community Survey (ACS). As the base-line statistic, this number is adjusted by the total number of building permits authorized, which is published annually by the U.S. Bureau of the Census. Further, this information is disaggregated down to the county level, which serves as the unit of measurement in this report. The exception occurs within several counties where the level of market activity is relatively small by comparison. In these situations, particularly where the counties are contiguous, they are combined to form a single "market" area.

To generate a response rate for each individual market, the total number of apartment units identified by the completed and returned WCRER survey is compared to the total estimated number of rental apartments in each individual market. Once achieved, response rates from the D+S market research and the research conducted by the WCRER are combined to generate an overall statewide response. The resulting statistic for the combined surveys was nearly 61 percent, slightly higher than the previous survey.

While an overall response rate of 64.5 percent may sound low, the result is due to several contributing factors. First, there is a wide range of variability in the response rate among many of the more local markets with lower levels of inventory. Second, there are a significant number of apartment managers who do not respond to the survey due to the limited numbers of units within their respective projects. (D+S surveys are limited to projects with at least 20 units) Further, there is reluctance among some apartment manager's to share what they believe to be private information for the survey.

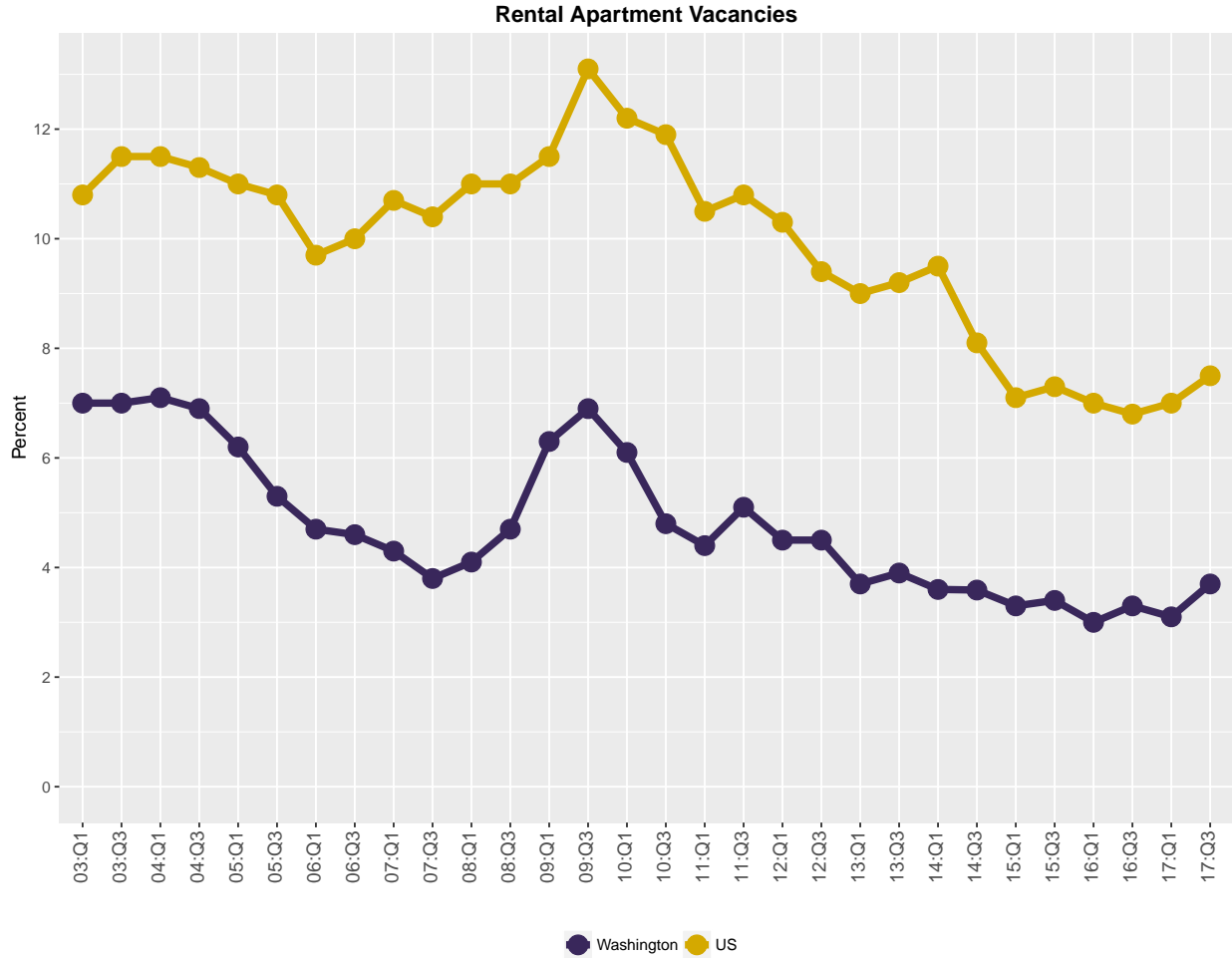
While neither the D+S survey nor the WCRER survey includes government-assisted housing, the total universe of rental units within the state includes both subsidized and market rate properties. This is a significant exception, particularly within the smaller communities where a greater proportion of the multifamily market is dependent on some form of Federal, state or local funding. In combination with all of the above factors, it is often difficult for local response rates to exceed half of the total numbers of 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	2014 Rental Apartments	September 2017 Survey	Response Rate (%)
Benton/Franklin (Tri-Cities)	13,987	9,935	71.0
Chelan/Douglas (Wenatchee)	3,986	1,464	36.7
Clark (Vancouver)	24,570	16,592	67.5
Cowlitz (Longview/Kelso)	5,166	1,000	19.4
King (Seattle/Bellevue)	240,182	165,198	68.7
Kitsap (Bremerton)	13,229	6,663	50.4
Kittitas (Ellensburg)	3,030	2,286	75.4
Pierce (Tacoma)	52,801	39,250	66.7
Skagit (Mt. Vernon/Anacortes)	5,028	1,126	22.4
Snohomish (Everett)	47,369	31,603	68.5
Spokane	35,922	18,260	50.8
Thurston (Olympia)	15,770	9,838	62.4
Walla Walla		853	
Whatcom (Bellingham)	16,375	3,871	23.6
Whitman (Pullman)	5,890	4,257	72.2
Yakima	7,946	2,019	25.4
STATEWIDE	491,252	316,861	64.5

### Market Summary

Historically, apartment markets nationwide registered record vacancies in the second quarter of 2004. For the next two years national apartment rental markets improved consistently before once again rising slightly due to an increase in multifamily construction. Recently, particularly in the nation's major metropolitan areas, the apartment rental market has seen rental vacancies decline to their lowest levels in over a decade. But those rates have inched higher over the last two quarters. As of the third quarter of 2017, the statewide vacancy rate rose to 3.7 percent, a significant increase from the record low of 3.0% set in the first quarter of last year. Much of the long-term decrease in vacancies can be attributed to an increase in household formations, coupled with a surge in relocation to Washington State as a result of robust job growth.



Over the past year Whitman County has recorded the greatest decrease in vacancy rate with a drop of 1.3 percent (from 3.2% to 1.9%). Meanwhile, 14 counties have seen an increase in vacancy, led by an increase in Whitman County area (from 1.7% to 3.2%). All of the counties included in the survey had vacancy rates below five percent. The lowest vacancy was in the Kittitas county market, with a vacancy rate of only 0.5%, and the highest was in Snohomish County market recorded the highest vacancy, with 4.3 percent of units unrented.

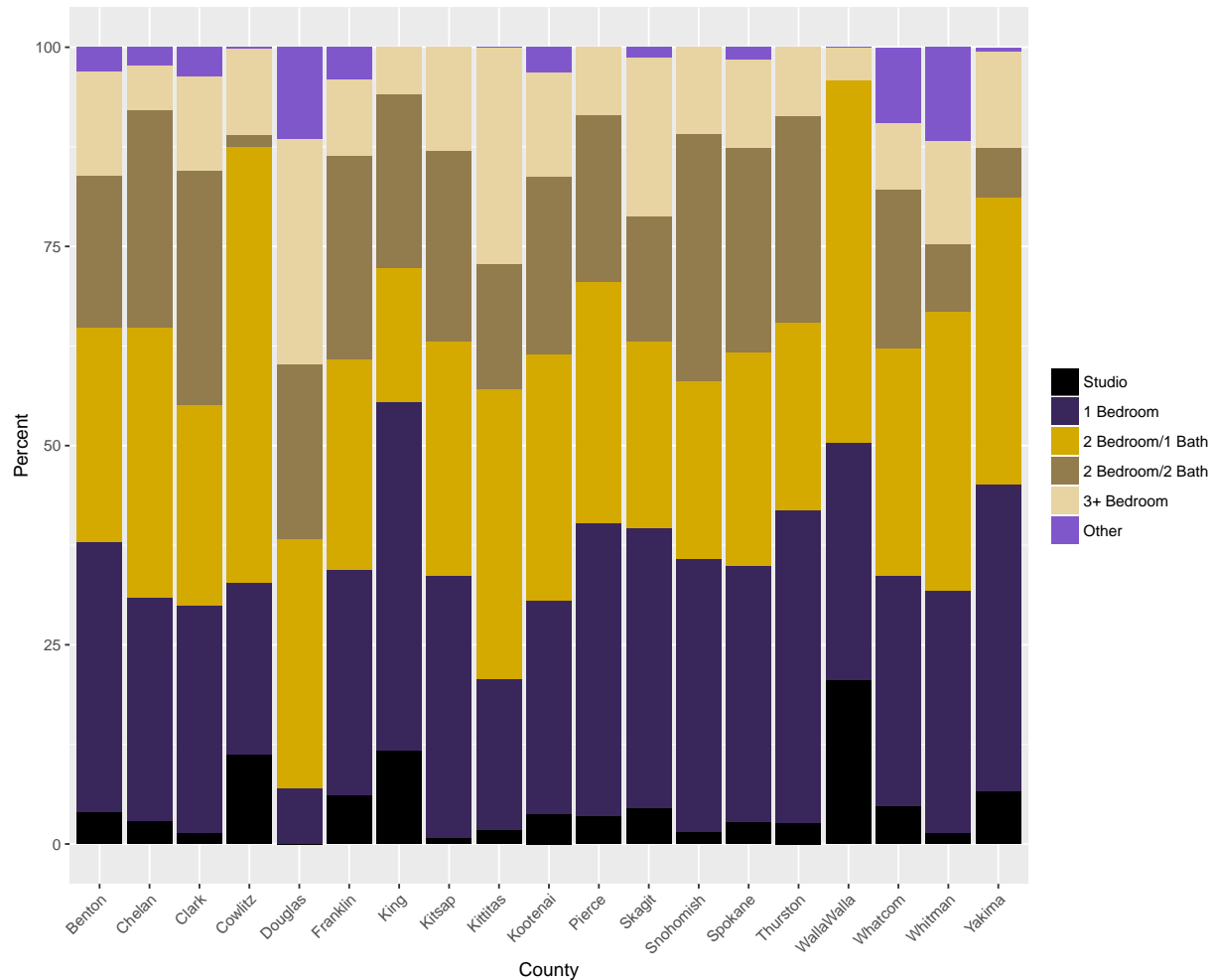
Average rents ranged from a low of \$690 in Walla Walla County to a high of \$1,695 in King County. Since the largest share of apartments are located in the more expensive urban communities (more than 50% are in King County alone), it comes as no surprise that the statewide average rent of \$1,412 is closer to the prevailing level in greater Seattle. The statewide average rent increased by 4.4 percent in the last year, reflecting the improving market conditions (from the perspective of landlords).

## Apartment Summary Statistics: All Units

County	Avg. Size(sqft)	Avg. Rent(\$)	Units Surveyed	Units Vacant	Pct. Vacant
Benton	848	844	8,399	311	3.7
Chelan	817	915	1,195	12	1.0
Clark	903	1,137	16,592	537	3.2
Cowlitz	762	820	1,000	14	1.4
Douglas	942	829	269	5	1.1
Franklin	852	820	1,536	20	1.3
King	800	1,695	165,198	6,773	4.1
Kitsap	870	1,226	6,663	260	3.9
Kittitas	831	834	2,286	12	0.5
Kootenai	868	854	2,646	47	1.8
Pierce	850	1,130	39,250	1,295	3.3
Skagit	780	1,035	1,126	30	2.7
Snohomish	895	1,378	31,603	1,359	4.3
Spokane	863	886	18,260	527	2.9
Thurston	850	1,088	9,838	266	2.7
WallaWalla	708	690	853	25	2.9
Whatcom	786	990	3,871	35	0.6
Whitman	791	927	4,257	83	1.9
Yakima	720	746	2,019	33	1.6
STATEWIDE	829	1,412	316,861	11,644	3.7

The WCRER survey includes the average size of units within each apartment complex. The smallest apartment units are found in Walla Walla County where the average size is 708 square feet. The largest average apartment size is significantly larger in Clark at 942 square feet. While these aggregate statistics are interesting, it is important to compare similar types of properties across markets. The following graphic clearly illustrates the differences in the composition of the apartment market from community to community.

## Composition of Apartment Market Selected Washington Communities, September 2017



### 1-Bedroom Apartments

One-bedroom apartments are the most popular type of apartment unit in the state, accounting for about 38.1 percent of all the units in the combined WCRER and D+S surveys. The statewide vacancy rate for 1-bedroom units has steadily decreased from its peak of 6.5% in third quarter 2009 to a low of 3.0 percent in the spring of 2017. In the fall, the vacancy rate has increased to 3.5 %. Rates varied from county to county throughout the state, with 14 of the 19 counties included in the survey reporting fewer than 3.0 percent of one-bedroom apartments vacant. The highest vacancy rate for these small units was 4.3 percent in Benton County.

The average rent for one-bedroom units has increased (5.1%) from last March to \$1,320. Average rent also ranged widely from a low of \$548 in Walla Walla County to a high in King County of \$1,472. The average size for a one-bedroom unit was 674 square feet. The largest 1-bedroom apartments were found in Franklin County where the average size of surveyed units was 752 square feet, while in Whitman County the average 1-bedroom unit was only 579 square feet.

## Apartment Summary Statistics: 1 Bedroom Units

County	Avg. Size(sqft)	Avg. Rent(\$)	Units Surveyed	Units Vacant	Pct. Vacant
Benton	661	717	2,843	123	4.3
Chelan	659	757	334	6	1.8
Clark	696	999	4,716	124	2.6
Cowlitz	642	659	215	4	1.9
Douglas	674	740	19	0	0.0
Franklin	752	705	434	6	1.4
King	675	1,580	70,109	2,734	3.9
Kitsap	678	1,078	2,148	64	3.0
Kittitas	627	677	434	0	0.0
Kootenai	705	745	709	6	0.8
Pierce	663	974	14,357	431	3.0
Skagit	614	868	397	7	1.8
Snohomish	690	1,214	10,771	452	4.2
Spokane	687	736	5,893	100	1.7
Thurston	668	962	3,830	88	2.3
WallaWalla	596	623	253	2	0.8
Whatcom	616	883	1,116	8	0.4
Whitman	582	655	1,298	10	0.8
Yakima	624	641	778	10	1.3
STATEWIDE	674	1,320	120,654	4,175	3.5

## 2-Bedroom/1-Bath Apartments

The second most prevalent unit type in the state was the 2-bedroom/1-bath apartment, which accounted for about 21.6% of all the units responding to the survey. Average rent for a 2-bedroom/1-bath unit was \$1,261, a \$44 (3.6%) increase from the fall 2016 survey. Average rents for 2-bedroom/1-bath units ranged from \$720 in Kootenai County to \$1,619 in King County. The vacancy rate for 2-bedroom/1-bath units throughout the state rose slightly from last September to 3.3 percent. Vacancy rates ranged from a high of 4.0 percent in King County to a low of 0.5 percent in Chelan County. Overall, thirteen counties had a shortage of 2-bedroom/1-bath units with vacancy rates less than three percent. In terms of unit size, Franklin County had the largest average size in the state (896 sq. ft.). The smallest 2-bedroom/1-bath apartments, on average, were in Kittitas County (707 sq. ft.)

## Apartment Summary Statistics: 2 Bedroom/1 Bath Units

County	Avg. Size(sqft)	Avg. Rent(\$)	Units Surveyed	Units Vacant	Pct. Vacant
Benton	865	831	2,267	73	3.2
Chelan	868	1,000	405	2	0.5
Clark	890	1,043	4,186	105	2.4
Cowlitz	821	821	547	9	1.6
Douglas	839	822	84	3	3.6
Franklin	896	744	406	5	1.2
King	861	1,619	26,858	1,074	4.0
Kitsap	863	1,156	1,917	73	3.8
Kittitas	707	913	830	6	0.7
Kootenai	868	720	819	7	0.9
Pierce	873	1,083	11,795	389	3.3
Skagit	818	949	263	5	1.9
Snohomish	886	1,284	7,055	282	4.0
Spokane	842	809	4,870	116	2.4
Thurston	857	1,037	2,292	55	2.4
WallaWalla	842	832	389	11	2.8
Whatcom	852	998	1,109	9	0.7
Whitman	779	825	1,488	10	0.7
Yakima	830	793	725	11	1.5
STATEWIDE	862	1,261	68,305	2,245	3.3

### 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 that are less subject to seasonal variation. Results from the September 2016 and September 2017 surveys are shown in the following table. The statewide vacancy rate over the last year has increased to 3.7 percent, a change of 0.4 percentage points during the year. Since this rate is still below the 5 percent vacancy considered to represent “market equilibrium,” where supply and demand are in balance, rent increases and continued apartment construction should be anticipated in the months ahead. It is notable that all markets included in the survey are below five percent vacancy, and ten of the markets are below three percent, indicating a shortage of rental units.

Average rents across markets increased \$59 (4.4%) in the last year. However, fourteen counties have seen an increase in their overall vacancy rates, led by a 1.5 point increase in Whitman County. Meanwhile, there have been decreases in the vacancy rates in other communities, with Walla Walla County shedding 1.6 percentage points off its total vacancies. In terms of rent increases, Skagit County has seen the greatest rise in rental rates since September 2016 with an increase of \$129 (14.2%).



## Vacancy Rate and Average Rent Comparisons – Previous Year

County	Avg. Rent (Prior)	Pct. Vacant (Prior)	Avg. Rent	Pct. Vacant
Benton/Franklin (Tri-Cities)	863	2.3	841	3.3
Chelan/Douglas (Wenatchee)	1,042	0.6	900	1.0
Clark (Vancouver)	1,172	2.3	1,137	3.2
Cowlitz (Longview/Kelso)	783	1.8	820	1.4
King (Seattle/Bellevue)	1,579	3.7	1,695	4.1
Kitsap (Bremerton)	1,126	2.3	1,226	3.9
Kittitas (Ellensburg)	944	0.8	834	0.5
Pierce (Tacoma)	1,041	2.8	1,130	3.3
Skagit (Mt. Vernon/Anacortes)	906	1.0	1,035	2.7
Snohomish (Everett)	1,296	4.0	1,378	4.3
Spokane	853	1.6	886	2.9
Thurston (Olympia)	1,022	2.6	1,088	2.7
WallaWalla	693	4.0	690	2.9
Whatcom (Bellingham)	935	0.6	990	0.6
Whitman (Pullman)	862	1.4	927	1.9
Yakima	681	1.2	746	1.6
STATEWIDE	1,353	3.3	1,412	3.7

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