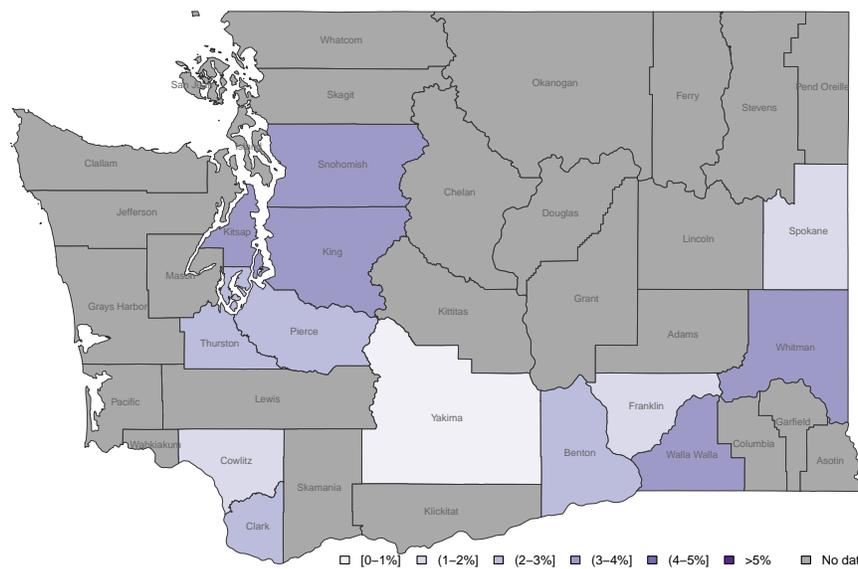
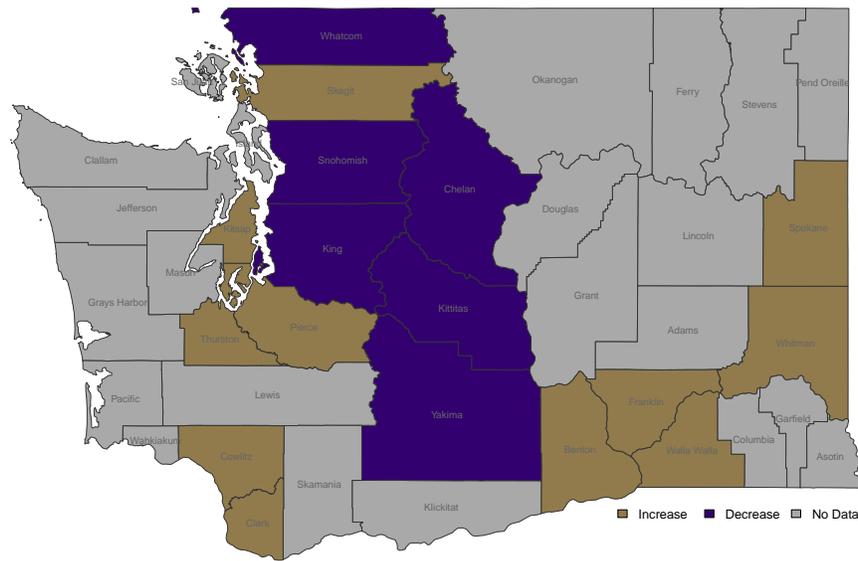


Washington State’s apartment vacancy rate decreased from 3.3% to 3.1% in spring 2017. While there is variability among the individual county rates, all counties included in the survey had vacancy rates below 4%, including Kittitas county. The Kittitas county data is often skewed because of the difficulty in gauging occupancy of a handful of buildings that typically house students at Central Washington University. Of the rest, fourteen counties have rates below three percent indicating a shortage of rental units. Seven 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 61 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.

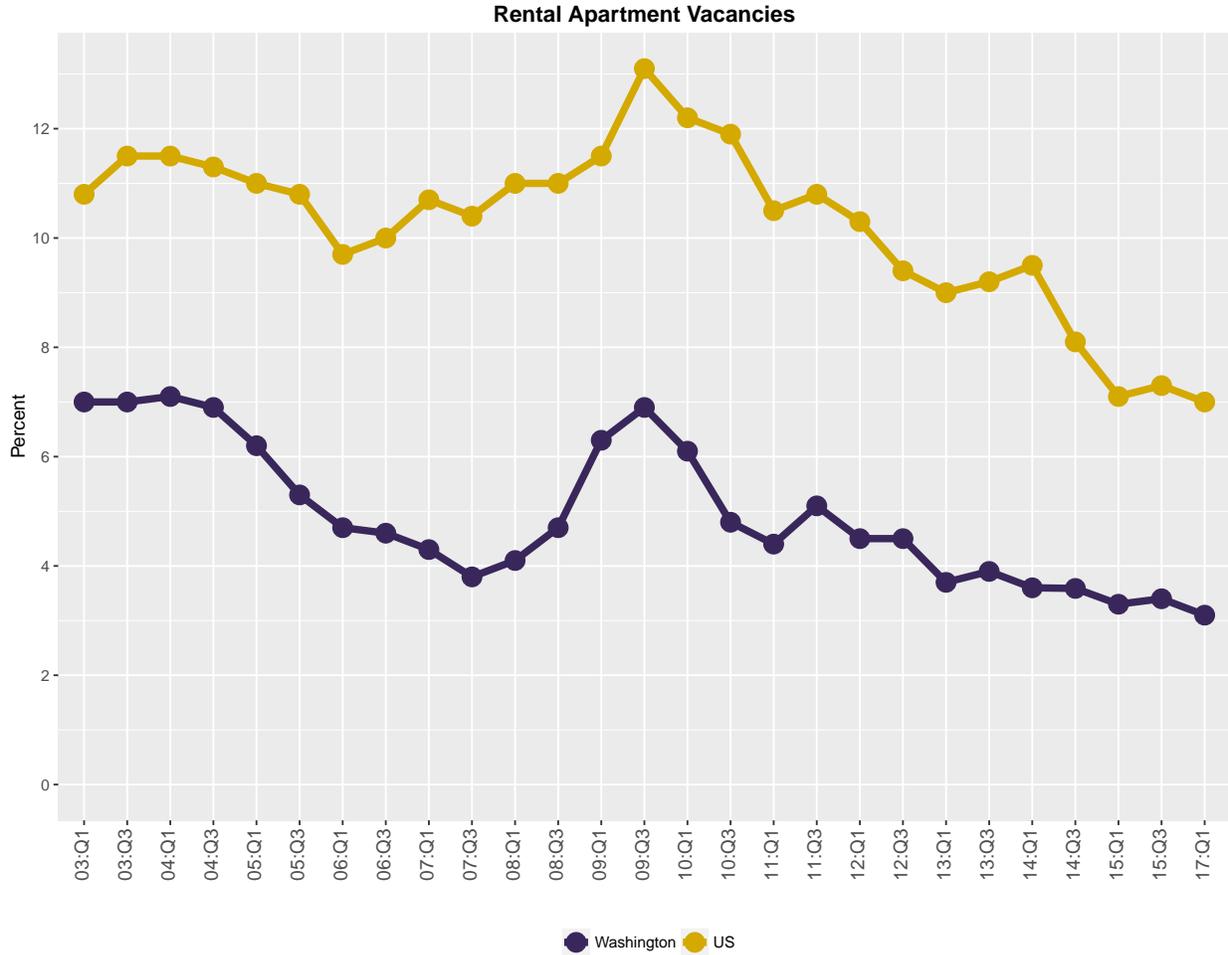
While neither the D+S survey nor the WCRER survey includes government-assisted housing, the total universe of rental units within the state includes both subsidized and market rate properties. This is a significant exception, particularly within the smaller communities where a greater proportion of the 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	March 2017 Survey	Response Rate (%)
Benton/Franklin (Tri-Cities)	13,987	7,084	50.6
Chelan/Douglas (Wenatchee)	3,986	1,245	31.2
Clark (Vancouver)	24,570	14,749	60.0
Cowlitz (Longview/Kelso)	5,166	752	14.6
King (Seattle/Bellevue)	240,182	162,864	67.8
Kitsap (Bremerton)	13,229	6,720	50.8
Kittitas (Ellensburg)	3,030	2,238	73.9
Pierce (Tacoma)	52,801	39,912	75.6
Skagit (Mt. Vernon/Anacortes)	5,028	948	18.9
Snohomish (Everett)	47,369	32,463	68.5
Spokane	35,922	10,256	28.5
Thurston (Olympia)	15,770	10,077	63.9
Walla Walla		730	
Whatcom (Bellingham)	16,375	2,333	14.2
Whitman (Pullman)	5,890	4,170	70.8
Yakima	7,946	1,761	22.2
STATEWIDE	491,252	300,003	61.1

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. Today, particularly in the nation's major metropolitan areas, the apartment rental market has seen rental vacancies decline to their lowest level in over a decade. As of the first quarter of 2017, the statewide vacancy rate fell to 3.1 percent, slightly higher than the low of 3.0 percent 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 Chelan County has recorded the greatest decrease in vacancy rate with a drop of 1.7 percent (from 2.0% to 0.3%). Meanwhile, 11 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 four percent. The lowest vacancy was in the Chelan county market, with a vacancy rate of only 0.3%, and the highest was in Snohomish County market recorded the highest vacancy, with 3.7 percent of units unrented.

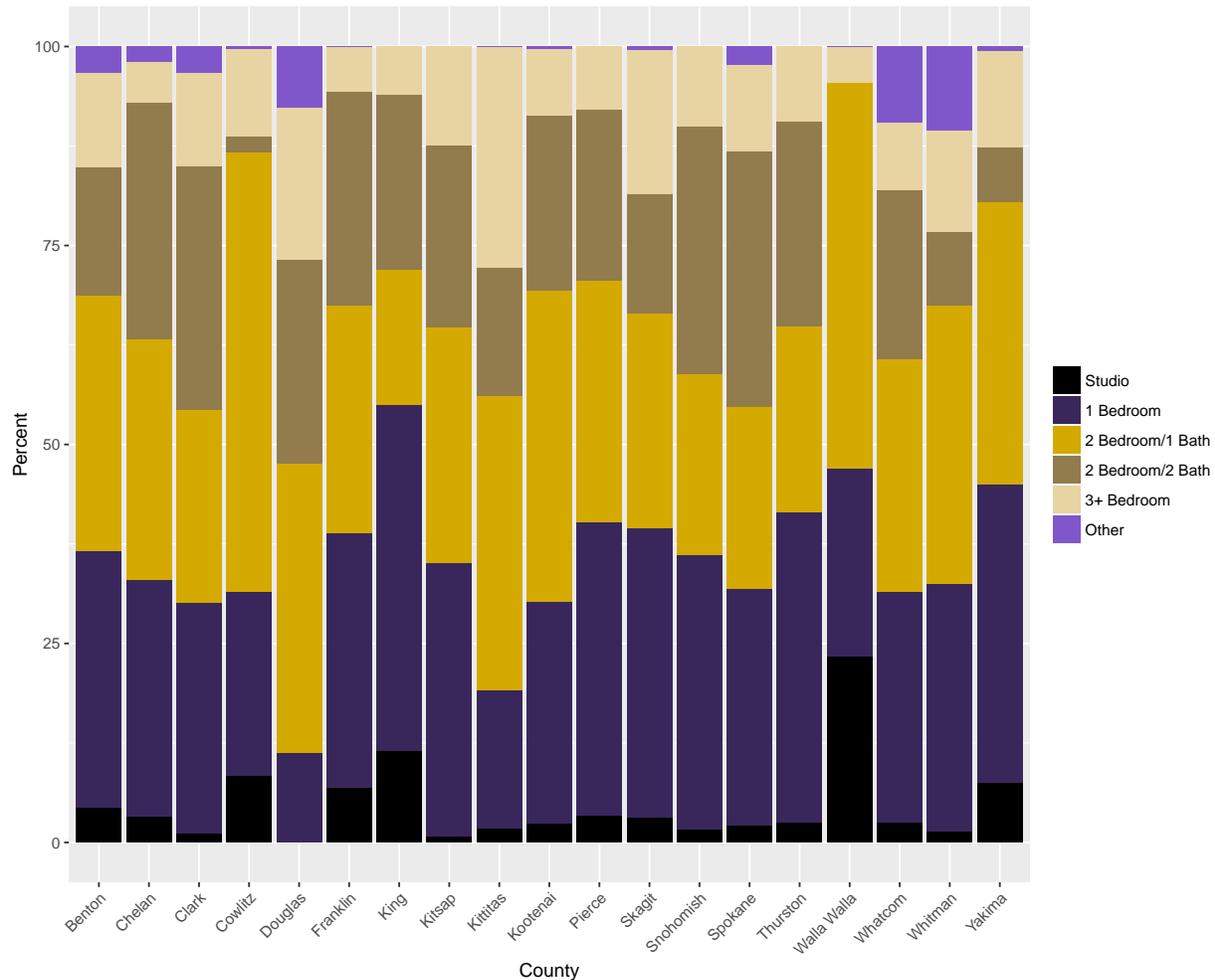
Average rents ranged from a low of \$677 in Walla Walla County to a high of \$1,617 in King County. Since the largest share of apartments are located in the more expensive urban communities (more than 50% are in King County alone), it comes as no surprise that the statewide average rent of \$1,378 is closer to the prevailing level in greater Seattle. The statewide average rent increased by 9.3 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/Franklin	833	861	7,084	161	2.2
Chelan/Douglas	814	1,036	1,245	6	0.3
Clark	909	1,157	14,749	320	2.1
Cowlitz	766	820	752	9	1.2
King	800	1,617	162,864	5,537	3.4
Kitsap	867	1,179	6,720	235	3.5
Kittitas	846	801	2,238	15	0.7
Kootenai	879	784	1,701	7	0.4
Pierce	849	1,070	39,912	1,157	2.9
Skagit	777	992	948	3	0.3
Snohomish	883	1,325	32,463	1,201	3.7
Spokane	882	913	10,256	152	1.4
Thurston	849	1,036	10,077	272	2.7
Walla Walla	720	677	730	26	3.6
Whatcom	783	892	2,333	22	0.5
Whitman	788	898	4,170	133	3.2
Yakima	725	736	1,761	18	1.0
STATEWIDE	827	1,378	300,003	9,274	3.1

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 720 square feet. The largest average apartment size is significantly larger in Clark at 909 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, March 2016



1-Bedroom Apartments

One-bedroom apartments are the most popular type of apartment unit in the state, accounting for about 29.4 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 3.0 percent in the spring of 2017. Vacancy rates varied from county to county throughout the state, with 15 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 5.5 percent in Whitman County.

The average rent for one-bedroom units has increased by only \$30 (2.4%) from last March to \$1,286. Average rent also ranged widely from a low of \$618 in Yakima County to a high in King County of \$1,511. The average size for a one-bedroom unit was 674 square feet. The largest 1-bedroom apartments were found in Kootenai County where the average size of surveyed units was 712 square feet, while in Whitman County the average 1-bedroom unit was only 573 square feet.

Apartment Summary Statistics: 1 Bedroom Units

County	Avg. Size(sqft)	Avg. Rent(\$)	Units Surveyed	Units Vacant	Pct. Vacant
Benton/Franklin	664	760	2,285	47	2.1
Chelan/Douglas	657	1,090	340	2	0.6
Clark	696	965	4,257	68	1.6
Cowlitz	642	682	174	1	0.6
King	675	1,511	68,860	2,204	3.2
Kitsap	676	1,027	2,255	77	3.4
Kittitas	650	676	386	0	0.0
Kootenai	712	680	475	1	0.2
Pierce	661	919	14,617	365	2.5
Skagit	628	890	344	1	0.3
Snohomish	691	1,167	11,185	425	3.8
Spokane	685	742	3,055	36	1.2
Thurston	664	909	3,881	97	2.5
Walla Walla	610	634	172	3	1.7
Whatcom	612	847	677	7	0.4
Whitman	573	625	1,299	72	5.5
Yakima	636	618	662	9	1.4
STATEWIDE	673	1,286	114,924	3,415	3.0

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 28.9% of all the units responding to the survey. Average rent for a 2-bedroom/1-bath unit was \$1,241, a \$24 (2.0%) increase from the Spring 2016 survey. Average rents for 2-bedroom/1-bath units ranged from \$751 in Walla Walla County to \$1,542 in King County. The vacancy rate for 2-bedroom/1-bath units throughout the state rose slightly from last March to 2.9 percent. Vacancy rates ranged from a high of 4.0 percent in Snohomish County to a low of 0 percent in Kootenai County. Overall, sixteen counties had a shortage of 2-bedroom/1-bath units with vacancy rates less than three percent. In terms of unit size, Clark County had the largest average size in the state (893 sq. ft.). The smallest 2-bedroom/1-bath apartments, on average, were in Kittitas County (714 sq. ft.)

Apartment Summary Statistics: 2 Bedroom/1 Bath Units

County	Avg. Size(sqft)	Avg. Rent(\$)	Units Surveyed	Units Vacant	Pct. Vacant
Benton/Franklin	866	808	2,237	67	2.8
Chelan/Douglas	838	944	387	1	0.3
Clark	893	1,092	3,592	77	2.1
Cowlitz	826	824	415	7	1.7
King	861	1,542	26,753	856	3.2
Kitsap	860	1,126	1,945	72	3.7
Kittitas	714	910	830	10	1.2
Kootenai	873	767	666	0	0.0
Pierce	869	1,034	12,032	325	2.7
Skagit	814	925	257	1	0.4
Snohomish	882	1,244	7,339	294	4.0
Spokane	845	833	2,342	27	1.0
Thurston	847	983	2,331	63	2.7
Walla Walla	851	751	354	8	2.3
Whatcom	836	895	682	4	0.4
Whitman	779	811	1,460	16	1.1
Yakima	828	788	623	4	0.6
STATEWIDE	861	1,241	64,245	1,832	2.9

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 March 2016 and March 2017 surveys are shown in the following table. The statewide vacancy rate over the last year has slightly increased to 3.1 percent, a change of just 0.1 percentage points during the year. Since this rate is significantly 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 four percent vacancy, and eleven of the markets are below three percent, indicating a shortage of rental units.

Average rents across markets increased \$117 (9.3%) in the last year. However, ten 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 the Wenatchee area shedding 1.6 percentage points off its total vacancies. In terms of rent increases, Spokane County has seen the greatest rise in rental rates since March 2016 with an increase of \$86 (38.3%).

Vacancy Rate and Average Rent Comparisons – Previous Year

County	Avg. Rent (Prior)	Pct. Vacant (Prior)	Avg. Rent	Pct. Vacant
Benton/Franklin (Tri-Cities)	771	1.9	855	2.2
Chelan/Douglas (Wenatchee)	1,058	1.9	1,037	0.3
Clark (Vancouver)	1,048	1.8	1,157	2.1
Cowlitz (Longview/Kelso)	758	0.9	820	1.2
King (Seattle/Bellevue)	1,493	3.4	1,617	3.4
Kitsap (Bremerton)	1,038	2.8	1,179	3.5
Kittitas (Ellensburg)	861	0.7	801	0.7
Pierce (Tacoma)	990	2.8	1,070	2.9
Skagit (Mt. Vernon/Anacortes)	921	0.2	992	0.3
Snohomish (Everett)	1,236	3.7	1,325	3.7
Spokane	660	1.3	913	1.4
Thurston (Olympia)	958	2.6	1,036	2.7
Walla Walla	783	3.5	677	3.6
Whatcom (Bellingham)	859	0.8	892	0.5
Whitman (Pullman)	816	1.7	898	3.2
Yakima	682	2.0	736	1.0
STATEWIDE	1,261	3.0	1,378	3.1

Runstad Center for Real Estate Studies / University of Washington

Copyright©2017 Runstad Center for Real Estate Studies All Rights Reserved