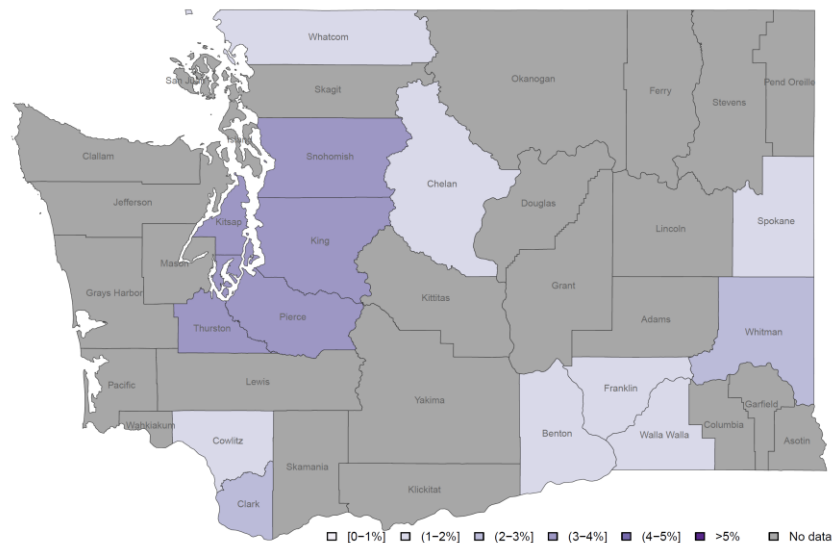
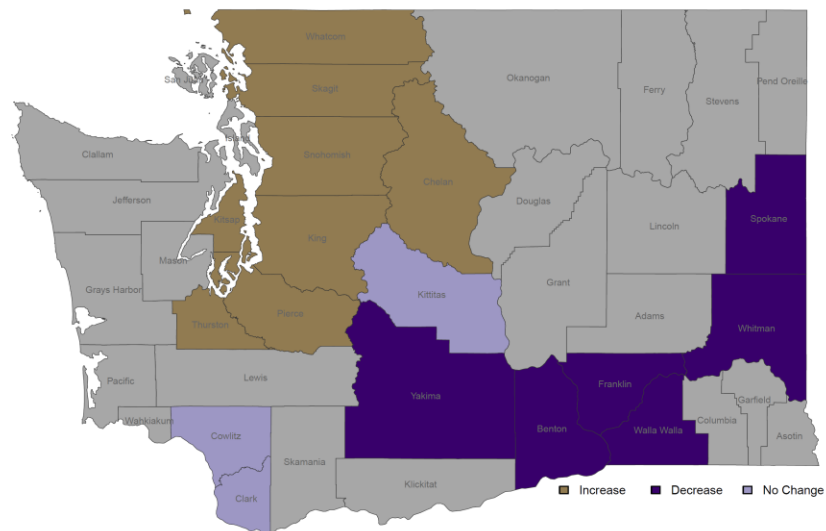


WASHINGTON STATE APARTMENT MARKET REPORT – SPRING 2018

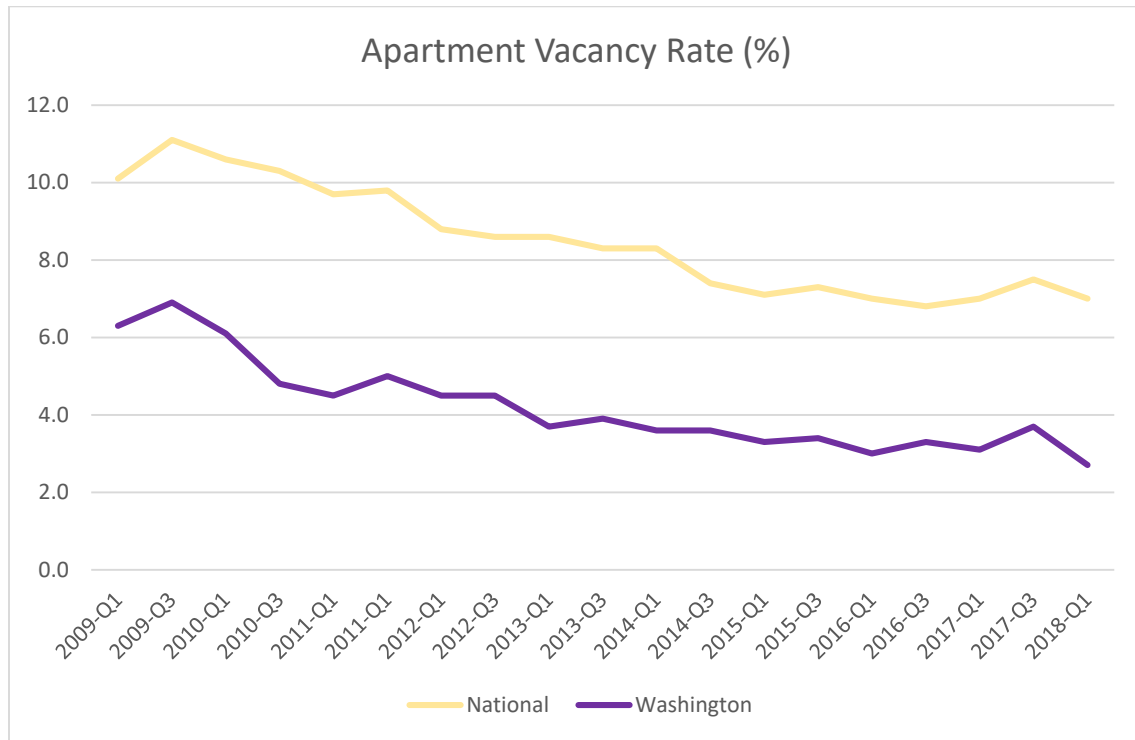
Vacancy Summary

The statewide apartment vacancy rate decreased from 3.7% to 2.7% in Spring 2018. While there is variability among the individual county rates, all 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. The maps below provide details on county vacancy rates and movements since the corresponding period last year, Spring 2017.



Market Summary

Apartment markets nationwide have shown declining vacancy rates with a current 15-year low of 7.0%. 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 2.7%, a record low. As job growth continues throughout the state and unemployment remains historically low, increased demand for rental housing should also continue.



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 surveyed, 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 0.7%, a slight change from 0.5% recorded in the same period last year. The highest vacancy rate was recorded in Snohomish county with a vacancy rate of 4.0%. However, this represents an increase from the 3.7% vacancy rate recorded in Spring 2017.

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). As a result, surveys were conducted by WCRER in cooperation with several key management companies in the area to produce interim statistics for use in this report. In addition to surveys, field research was conducted to obtain occupancy and rent data where survey response rates were not adequate to obtain a reliable picture of markets across the geographic 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 two surveys and there are significant sample differences between the current WCRER survey and past D+S surveys. 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 differences in response rates.

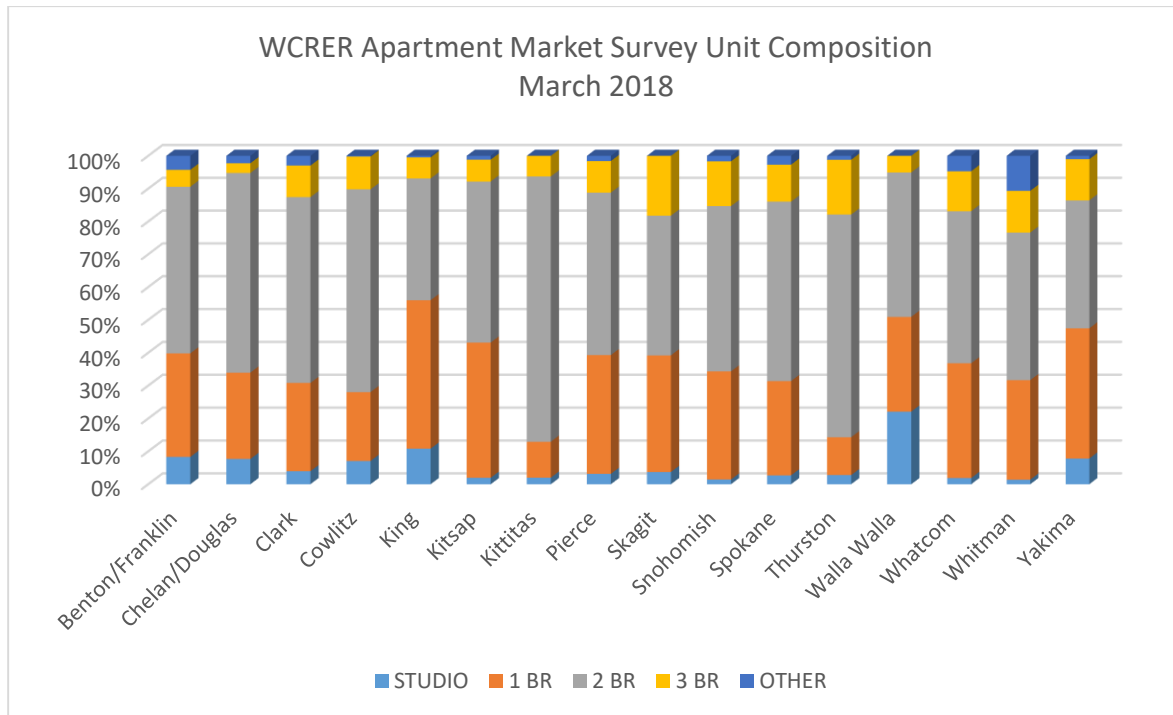
Coverage Statistics – Apartment Market Survey

	<u>Units Surveyed</u>	<u>1 Bedroom Units</u>	<u>2 Bedroom / 1 Bath units</u>
Benton/Franklin	1,263	398	439
Chelan/Douglas	975	256	374
Clark	6,066	1,630	1,663
Cowlitz	892	187	478
King	12,702	5,737	2,215
Kitsap	3,281	1,349	953
Kittitas	1,052	115	491
Pierce	5,673	2,050	1,684
Skagit	806	286	206
Snohomish	2,919	960	630
Spokane	8,483	2,433	2,119
Thurston	2,182	251	720
Walla Walla	652	188	287
Whatcom	1,429	499	432
Whitman	4,154	1,257	1,500
Yakima	972	385	317
STATEWIDE	53,501	17,981	14,508

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 below, one-bedroom apartments are the most popular type of unit in the state, accounting for about 29.4% of all the units surveyed. 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 2.5% in Spring 2018.

One Bedroom Apartments

While vacancy rates varied throughout the state, 14 of 19 counties 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 0.5%. The highest vacancy rate recorded for one-bedroom apartments was in Snohomish county at 4.3%.

Apartment Summary Statistics – One Bedroom Apartments

	<u>Average Size (SF)</u>	<u>Units Surveyed</u>	<u>Vacancies</u>	<u>Average Rent</u>	<u>Rent/Unit Floor Area</u>	<u>Vacancy Rate</u>
Benton/Franklin	664	398	7	\$686	\$1.03	1.8%
Chelan/Douglas	657	256	3	\$1,217	\$1.85	1.2%
Clark	696	1,630	37	\$1,024	\$1.47	2.3%
Cowlitz	642	187	2	\$741	\$1.15	1.1%
King	675	5,737	211	\$1,624	\$2.41	3.7%
Kitsap	676	1,349	40	\$1,148	\$1.70	3.0%
Kittitas	650	115	1	\$748	\$1.15	0.9%
Pierce	661	2,050	59	\$997	\$1.51	2.9%
Skagit	628	286	2	\$930	\$1.48	0.7%
Snohomish	691	960	41	\$1,241	\$1.80	4.3%
Spokane	685	2,433	20	\$749	\$1.09	0.8%
Thurston	664	251	8	\$979	\$1.47	3.2%
Walla Walla	610	188	1	\$686	\$1.12	0.5%
Whatcom	612	499	6	\$934	\$1.53	1.2%
Whitman	573	1,257	43	\$688	\$1.20	3.4%
Yakima	636	385	6	\$609	\$0.96	1.6%
Statewide	673	17,981	487	\$1,146	\$1.70	2.7%

With an average rent of \$1,217, 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 \$609 per month. On a floor area basis, the highest rent for one-bedroom units was found in King county at \$2.41 per square foot with the lowest found in the Yakima market area at \$0.96 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 (\$1,658) as well as the highest average rent per square foot (\$1.93). Yakima county recorded the lowest average rent of \$690 as well as the lowest price per square foot (\$0.83).

Apartment Summary Statistics – Two Bedroom Apartments

	<u>Average Size (SF)</u>	<u>Units Surveyed</u>	<u>Vacancies</u>	<u>Average Rent</u>	<u>Rent/Unit Floor Area</u>	<u>Vacancy Rate</u>
Benton/Franklin	866	439	2	\$808	\$0.93	0.5%
Chelan/Douglas	838	374	4	\$1,015	\$1.21	1.1%
Clark	893	1,663	32	\$1,134	\$1.27	1.9%
Cowlitz	826	478	6	\$859	\$1.04	1.3%
King	861	2,215	89	\$1,658	\$1.93	4.0%
Kitsap	860	953	31	\$1,231	\$1.43	3.3%
Kittitas	714	491	3	\$978	\$1.37	0.6%
Pierce	869	1,684	54	\$1,126	\$1.30	3.2%
Skagit	814	206	3	\$971	\$1.19	1.5%
Snohomish	882	630	26	\$1,323	\$1.50	4.1%
Spokane	845	2,119	23	\$911	\$1.08	1.1%
Thurston	847	720	29	\$1,048	\$1.24	4.0%
Walla Walla	851	287	5	\$871	\$1.02	1.7%
Whatcom	836	432	7	\$1,105	\$1.32	1.6%
Whitman	779	1,500	19	\$842	\$1.08	1.3%
Yakima	828	317	2	\$690	\$0.83	0.6%
Statewide	861	14,508	335	\$1,115	\$1.30	2.3%

Among 2BR/1Bath apartments, vacancies were lowest in the Benton/Franklin (Tri-cities) market area with a vacancy rate of 0.5% representing a decline from a vacancy rate of 2.5% recorded in Spring 2017. The highest vacancy rate was found in Snohomish county with a vacancy rate of 4.1%, and increase of 0.1% from the same period last year.

All Unit Types

Using the sample of all units surveyed, vacancy rates remained low throughout the state with an overall vacancy rate of 2.7%. Snohomish county recorded the highest overall vacancy rate at 4.0% while the lowest was found in Kittitas county with a vacancy rate of 0.7%.

Apartment Summary Statistics – All Apartment Units

	<u>Average Unit Size (SF)</u>	<u>Units Surveyed</u>	<u>Vacancies</u>	<u>Average Rent</u>	<u>Rent/Unit Floor Area</u>	<u>Vacancy Rate</u>
Benton/Franklin	833	1,263	14	\$834	\$1.00	1.1%
Chelan/Douglas	814	975	11	\$1,110	\$1.36	1.1%
Clark	909	6,066	126	\$1,205	\$1.33	2.1%
Cowlitz	766	892	11	\$858	\$1.12	1.2%
King	800	12,702	484	\$1,741	\$2.18	3.8%
Kitsap	867	3,281	118	\$1,252	\$1.44	3.6%
Kittitas	846	1,052	7	\$1,028	\$1.21	0.7%
Pierce	849	5,673	207	\$1,119	\$1.32	3.6%
Skagit	777	806	7	\$1,044	\$1.34	0.9%
Snohomish	883	2,919	117	\$1,432	\$1.62	4.0%
Spokane	882	8,483	112	\$955	\$1.08	1.3%
Thurston	849	2,182	80	\$1,187	\$1.40	3.7%
Walla Walla	720	652	11	\$686	\$0.95	1.7%
Whatcom	783	1,429	19	\$1,067	\$1.36	1.3%
Whitman	788	4,154	100	\$928	\$1.18	2.4%
Yakima	725	972	8	\$670	\$0.92	0.8%
Statewide	827	53,501	1,432	\$1,235	\$1.49	2.7%

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 \$1,741 and \$2.18 per square foot. Yakima county recorded the lowest rent on both measures with an average rent of \$670 and a monthly rental price of \$0.92 per square foot.

Time and Seasonality

The WCRER Apartment survey is conducted in March and September 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 the report incorporating rent data from D+S for the 5 counties in the Puget Sound Region.

