

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 six Western Washington counties. With permission and encouragement from Dupre + Scott (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 five 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 49.9 percent; however, individual local market response rates ranged widely. While a 50 percent 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. 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. When new communities are added to the surveys it typically takes a few cycles before some owners/managers are comfortable in the knowledge that project-specific information will remain confidential. 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)	2000-2005 Apartment Construction	2006 Rental Apartments	September 2006 Survey Responses	Response Rate
Benton/Franklin (Tri-Cities)	10,435	1,720	12,155	6,258	51.5%
Chelan/Douglas (Wenatchee)	3,525	130	3,655	908	24.8%
Clallam (Port Angeles/Sequim)	2,392	195	2,536	193	7.6%
Clark (Vancouver)	20,500	2,839	23,339	14,987	64.2%
Cowlitz (Longview/Kelso)	4,808	448	5,256	1,289	24.5%
Grant (Moses Lake)	1,976	174	2,075	332	16.0%

County	2000 Apartments (5+ units)	2000-2005 Apartment Construction	2006 Rental Apartments	September 2006 Survey Responses	Response Rate
Grays Harbor (Aberdeen/Hoquiam)	2,684	197	2,749	264	9.6%
King (Seattle/Bellevue)	227,735	28,374	256,109	107,211	41.9%
Kitsap (Bremerton)	12,242	388	12,630	6,185	49.0%
Kittitas (Ellensburg)	2,538	0	2,538	2,110	83.1%
Lewis (Centralia/ Chehalis)	1,996	166	2,151	169	7.9%
Pierce (Tacoma)	48,509	4,791	53,300	32,892	61.7%
Skagit (Mt. Vernon/ Anacortes)	4,065	531	4,596	544	11.8%
Snohomish (Everett)	47,359	6,017	53,376	28,946	54.2%
Spokane	21,683	4,628	26,311	9,125	34.7%
Thurston (Olympia)	11,289	541	11,830	7,712	65.2%
Walla Walla	2,470	209	2,679	690	25.8%
Whatcom (Bellingham)	11,919	3,184	15,103	2,665	17.6%
Whitman (Pullman)	4,270	1,008	5,278	4,550	86.2%
Yakima	7,441	198	7,639	1,992	26.1%
STATEWIDE	430,265	37,896	468,161	229,014	49.9%

Market Summary

The statewide vacancy rate for the fall of 2006 was 4.6 percent reflecting a continuing overall improvement in the apartment market. Apartment markets nationwide have retreated from record vacancies despite the continued strengths of the home purchase market and the resulting competition from rental single-family homes. The national apartment vacancy rate for the third quarter of 2006 was 10.4 percent, still representing a relatively high vacancy by historical standards, but below the cyclical high of just under 12 percent from late 2003 through mid-2004. Comparison to the year-ago statistic is most meaningful since no seasonal differences should be present. That national comparison reveals a decline in vacancy amounting to 0.4 percent. The market improvement in Washington has been even more dramatic, declining 0.7 percent from a much lower starting base.

Lewis County saw the greatest improvement in the vacancy rate, a drop of 4.0 percent to a very tight 0.6 percent, the lowest vacancy among the areas studied. Meanwhile, the highest recorded vacancy among the 23 counties studied was 9.8% in Benton/ Franklin counties.

Average rents ranged from a low of \$463 in Grays Harbor County to a high of \$920 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 \$811 is closer to the prevailing level in Seattle than it is to the average rent in Aberdeen/Hoquiam. The statewide average rent increased by 4.6 percent in the last

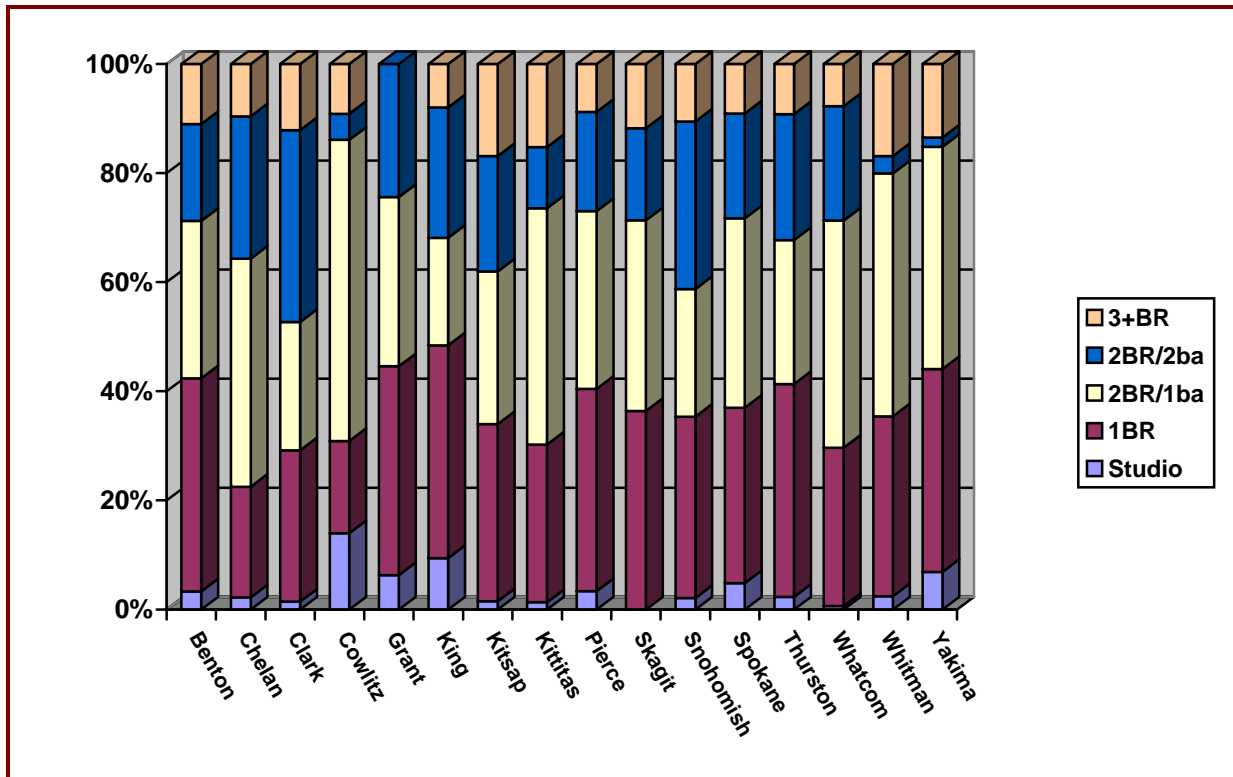
year. While this is the most rapid rent jump since the Fall of 2001, it is still a much lower rate than observed on the sales prices of single-family homes or apartment buildings.

Summary Apartment Market Statistics—September 2006

Market (County)	Average Size (sq. ft.)	Average Rent	Number of Units	Number Vacant	Vacancy Rate
Benton/Franklin (Tri-Cities)	864	\$578	6,258	613	9.8%
Chelan/Douglas (Wenatchee)	843	\$633	908	9	1.0%
Clallam (Port Angeles/Sequim)	685	\$490	193	4	2.1%
Clark (Vancouver)	915	\$708	14,987	450	3.0%
Cowlitz (Longview/Kelso)	798	\$520	1,289	30	2.3%
Grant (Moses Lake)	797	\$500	332	15	4.5%
Grays Harbor (Aberdeen/Hoquiam)	729	\$463	264	8	3.0%
King (Seattle/Bellevue)	n/a	\$920	107,211	4,503	4.2%
Kitsap (Bremerton)	n/a	\$768	6,185	186	3.0%
Kittitas (Ellensburg)	744	\$634	2,110	42	2.0%
Lewis (Centralia/Chehalis)	805	\$546	169	1	0.6%
Pierce (Tacoma)	n/a	\$736	32,892	2,434	7.4%
Skagit (Mt. Vernon/Anacortes)	n/a	\$718	544	38	7.0%
Snohomish (Everett)	n/a	\$813	28,946	1,129	3.9%
Spokane	835	\$579	9,125	356	3.9%
Thurston (Olympia)	n/a	\$717	7,712	355	4.6%
Walla Walla	710	\$505	690	30	4.3%
Whatcom (Bellingham)	n/a	\$694	2,665	101	3.8%
Whitman (Pullman)	728	\$619	4,550	291	6.4%
Yakima	746	\$500	1,992	56	2.8%
STATEWIDE	n/a	\$811	229,014	10,646	4.6%

The WCRER survey solicits information about the average size of units within each apartment complex. The smallest apartment units are found in Walla Walla County where the average size is 710 square feet. The largest apartments are found in Clark County where the average apartment is a significantly larger 915 square feet. While these aggregate statistics are interesting, it is important to compare similar types of properties across the markets. As illustrated in the following graph, 1-bedroom or 2-bedroom/1-bath units are most prevalent in virtually all communities, and will be the basis of subsequent comparisons.

Composition of Apartment Market Selected Washington Communities, September 2006



The graphic also clearly illustrates the differences in the composition of the apartment market from community to community. Studio apartments are most prevalent in Cowlitz and King 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 prevalent in Benton and Thurston counties, while units with three or more bedrooms are most significant in Kitsap and Whitman counties.

1-Bedroom Apartments

One-bedroom apartments are the most popular type of apartment unit in the state, accounting for 36.2% of all the units in the WCRER and D+S surveys. The statewide vacancy rate for 1-bedroom units declined in September to 4.0 percent, compared to 4.5 percent a year ago. The average rent for 1-bedroom units increased by 8 dollars from last September to \$679. Vacancy rates varied from county to county throughout the state, with four counties still reporting fewer than 2.0 percent of one-bedroom apartments vacant. The highest vacancy rate for these units was 8.7 percent in Benton/Franklin County. Average rent also ranged widely from a low of \$419 in Grant County to a high of \$812 in urban King County. The average size 1-bedroom unit was 679 square feet. The largest 1-bedroom apartments were found in Snohomish County where the average size was 715 square feet, while in Whitman County the average 1-bedroom unit was only 557 square feet, roughly 20 percent smaller.

Apartment Summary Characteristics — September 2006

One-Bedroom Units

County	Average Size (Sq. Ft.)	Average Rent	Vacancy Rate
Benton/Franklin	705	\$489	8.7%
Chelan/Douglas	646	\$522	1.1%
Clallam	608	\$442	0.9%
Clark	698	\$603	2.2%
Cowlitz	609	\$471	0.5%
Grant	565	\$419	5.5%
Grays Harbor	653	\$467	2.3%
King	679	\$812	3.6%
Kitsap	668	\$640	2.1%
Kittitas	634	\$480	4.4%
Lewis	650	\$455	1.4%
Pierce	673	\$619	6.6%
Skagit	621	\$635	8.1%
Snohomish	715	\$689	3.6%
Spokane	668	\$486	3.7%
Thurston	672	\$626	4.1%
Walla Walla	569	\$452	3.2%
Whatcom	652	\$608	3.5%
Whitman	557	\$459	3.7%
Yakima	607	\$453	2.6%
STATEWIDE	679	\$706	4.0%

2-Bedroom/1-Bath Apartments

The second most popular unit type in the state was the 2-bedroom/1bath apartment, which accounted for 25.2% of all the units covered by survey responses. Average rent for a 2-bedroom/1-bath apartment was \$751, a \$37 (5.2%) increase from the survey conducted last fall. Average rents for 2-bedroom/1-bath units ranged from \$490 in Grant County to \$868 in King County. The vacancy rate for 2-bedroom/1-bath units throughout the state declined from last September, with the current level at 5.3%. Vacancy rates ranged from a high of 10.5% in Benton/Franklin County to a low of 0.0% in Lewis County. In terms of unit size, Lewis County had the largest average size in the state (901 sq. ft.) while the smallest 2-bedroom/1-bath apartments were in Kittitas County (683 sq. ft.).

Apartment Summary Statistics — September 2006

Two-Bedroom/One Bath Units

County	Average Size (Sq. Ft.)	Average Rent	Vacancy Rate
Benton/Franklin	881	\$580	10.5%
Chelan/Douglas	891	\$643	1.8%
Clallam	782	\$559	4.2%
Clark	890	\$654	3.5%
Cowlitz	855	\$543	3.1%
Grant	889	\$490	5.8%
Grays Harbor	878	\$524	2.4%
King	804	\$868	4.7%
Kitsap	863	\$741	2.3%
Kittitas	683	\$642	1.0%
Lewis	901	\$594	0.0%
Pierce	872	\$728	8.1%

County	Average Size (Sq. Ft.)	Average Rent	Vacancy Rate
Skagit	817	\$722	6.8%
Snohomish	884	\$764	4.2%
Spokane	842	\$577	4.5%
Thurston	860	\$702	4.6%
Walla Walla	839	\$568	5.0%
Whatcom	854	\$686	4.3%
Whitman	717	\$593	9.2%
Yakima	817	\$523	2.6%
STATEWIDE	820	\$751	5.3%

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 which are less subject to seasonal variation. Results from the September 2005 and September 2006 surveys are shown in the following table. The statewide vacancy rate over the last year has declined a significant 0.7 percentage points while the average rent of apartment units increased by \$42 (5.5%). Walla Walla County had the largest increase in rent over the last year with a \$67 increase (15.3%). At the other extreme, the average rent in Clallam County declined \$35 (6.7%), even though vacancies dropped and the market would be described as “tight”.

Vacancy Rate and Average Rent Comparisons—September Surveys

Counties	September 2005		September 2006	
	Vacancy Rate	Average Rent	Vacancy Rate	Average Rent
Benton/Franklin	11.2%	\$551	9.8%	\$578
Chelan/Douglas	3.9%	\$589	1.0%	\$633
Clallam	3.9%	\$525	2.1%	\$490
Clark	4.9%	\$681	3.0%	\$708
Cowlitz	6.0%	\$501	2.3%	\$520
Grant	1.6%	\$497	4.5%	\$500
Grays Harbor	2.8%	\$470	3.0%	\$463
King	5.3%	\$860	4.2%	\$920
Kitsap	5.0%	\$765	3.0%	\$768
Kittitas	1.4%	\$595	2.0%	\$634
Lewis	4.6%	\$501	0.6%	\$546
Pierce	4.9%	\$704	7.4%	\$736
Skagit	7.1%	\$696	7.0%	\$718
Snohomish	5.8%	\$762	3.9%	\$813
Spokane	4.1%	\$559	3.9%	\$579
Thurston	4.4%	\$714	4.6%	\$717
Walla Walla	4.3%	\$438	4.3%	\$505
Whatcom	3.3%	\$701	3.8%	\$694
Whitman	3.8%	\$576	6.4%	\$620
Yakima	4.4%	\$519	2.8%	\$500
STATEWIDE	5.3%	\$769	4.6%	\$811