

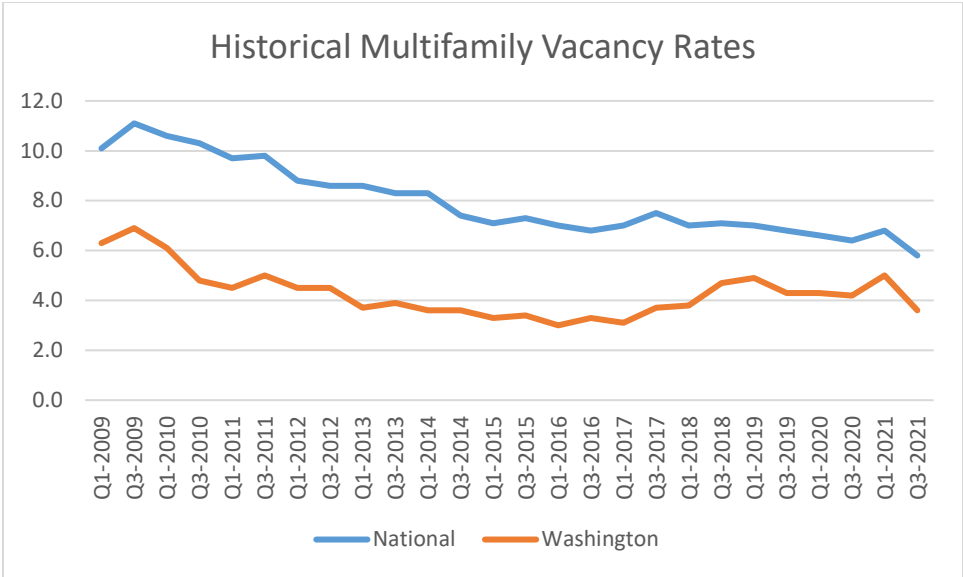
WASHINGTON STATE APARTMENT MARKET REPORT – Fall 2021

Vacancy Summary

The statewide apartment vacancy rate fell from 4.2% in Fall 2020 to 3.6% recorded in Fall 2021. While there is variability among the individual county rates, all of the counties outside of the Puget Sound region included in the survey had vacancy rates below 5% except for the university dominated market of Whitman County (Pullman). While vacancy rates are falling in the Puget Sound region as the economy opens up from COVID-19 restrictions, most other counties seeing continued tightening of the rental market as new rental supply has been slow to materialize and demand has increased sharply.

Market Summary

Apartment markets nationwide have shown declining vacancy rates with a current rate of 5.8%, well below the previous 15-year low of 6.4% recorded in Q3-2019. 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 3.6%, this is primarily driven by higher vacancy rates occurring in areas dominated by universities and more urbanized areas of the state, particularly King and Snohomish Counties. As new supply continues to come into the Puget Sound, Spokane, and Clark county markets, this vacancy rate highlights key regional issues in the rental housing market and an increased divergence of residential housing costs within the state.



Source: US Census Bureau, WCRER

Over the past year, Skagit County recorded the greatest decline in vacancy rates over the past year. Skagit County recorded the lowest vacancy rate (0.9%) but also one of the highest rent levels per square foot outside of the Puget Sound Region. The highest vacancy rate was recorded in Whitman County with a vacancy rate of 5.5 percent. While this rate is difficult to compare with past periods due to methodological changes as well as COVI-19 influences, this vacancy rate represents a slight decrease based upon previous surveys that recorded vacancy rates averaging between 10 and 14 percent.

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). In Spring 2018, surveys were conducted by WCRER in cooperation with several key management companies in the area to produce interim statistics for use in the market report. Since that time, the WCRER was granted permission use to audited statistics from Apartment Insights survey of 50+ unit developments for the 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.

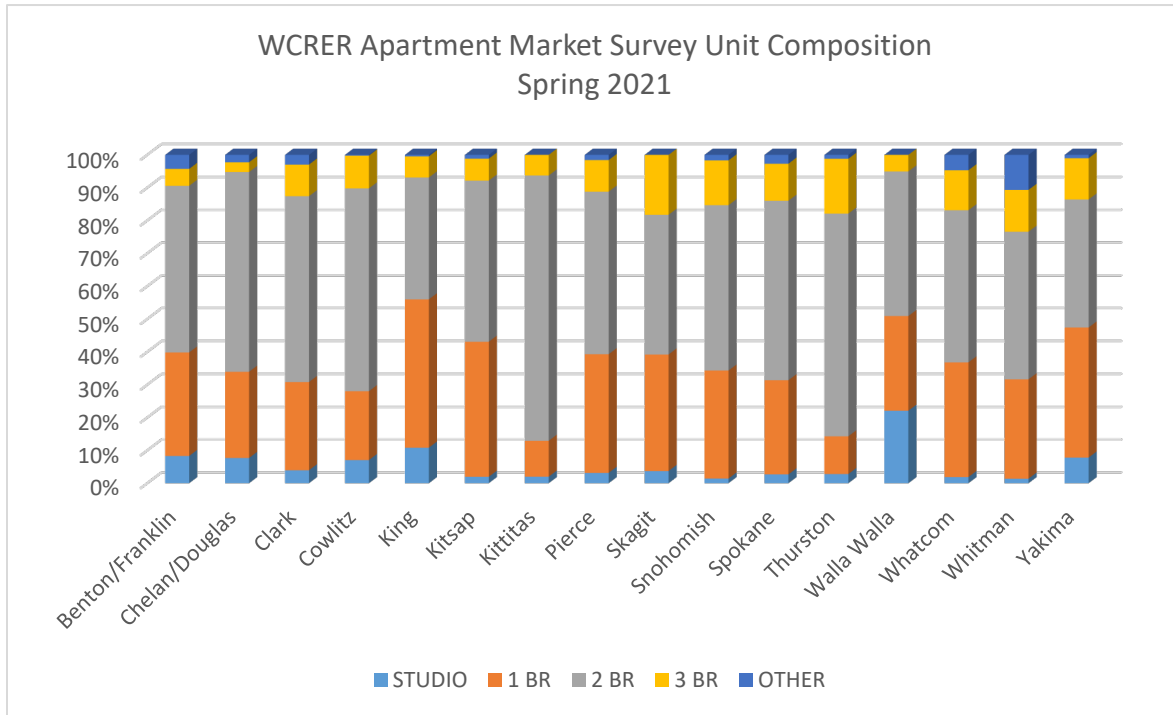
Caution is advised in using this data as a substitute for D+S for investment decision making, particularly when comparisons are made between the past rental data provided in previous WCRER reports. While all due and reasonable care has been used, response rates differ markedly between the surveys and there are significant sample differences between the Apartment Insights survey of 50+ unit developments, past WCRER surveys, and past D+S surveys of 20+ unit developments. 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 different in response rates. Methods in surveying rents and vacancies in other counties of the state remain unchanged and data for other areas of the state is comparable between surveys subject to sample and response rate differences.

Coverage Statistics – Apartment Market Surveys

| | Units Surveyed | 1 Bedroom Units | 2 Bedroom / 1 Bath units |
|------------------|-----------------------|------------------------|---------------------------------|
| Benton/Franklin | 11,018 | 3,320 | 2,359 |
| Chelan/Douglas | 1,245 | 413 | 275 |
| Clark | 25,720 | 7,175 | 6,506 |
| Cowlitz | 1,552 | 343 | 703 |
| King | 166,285 | 71,141 | 24,593 |
| Kitsap | 7,355 | 2,585 | 1,984 |
| Kittitas | 1,122 | 268 | 450 |
| Pierce | 38,880 | 14,197 | 10,343 |
| Skagit | 1,229 | 319 | 391 |
| Snohomish | 34,033 | 13,763 | 7,137 |
| Spokane | 26,112 | 8,674 | 6,477 |
| Thurston | 10,832 | 4,201 | 2,262 |
| Walla Walla | 670 | 155 | 279 |
| Whatcom | 5,949 | 2,133 | 1,657 |
| Whitman | 3,221 | 1,186 | 1,353 |
| Yakima | 2,740 | 1,213 | 846 |
| STATEWIDE | 337,963 | 131,086 | 67,615 |

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 now found in Spokane County with an average unit size of 932 square feet. On average, the smallest units are found in Walla Walla County with an average floor area of 662 square feet.

As noted in the graph above, one-bedroom apartments are the most numerous types of unit in the state, accounting for about 29.4% of all units. The statewide vacancy rate for one-bedroom units has steadily fallen for the past 12 years from a peak of 6.5% in September 2009 to 0.9% in Fall 2019, excluding the Puget Sound counties.

One Bedroom Apartments

While vacancy rates varied throughout the state, every county outside of the Puget Sound surveyed had vacancy rates below 2% for one-bedroom apartments. The lowest vacancy rate for one-bedroom apartments was recorded in Kittitas County at 0.4%. The highest vacancy rate recorded for one-bedroom apartments was in Whitman County (Pullman) Chelan/Douglas (Wenatchee) at 1.9%. Data on vacancies by bedroom for the Puget Sound Counties was not available for this survey. Outside of the Puget Sound region, the one-bedroom vacancy rate stands at 1.4%

Apartment Summary Statistics – One-Bedroom Apartments

| | Average Size (SF) | Units Surveyed | Vacancies | Average Rent | Rent/Unit Floor Area | Vacancy Rate* |
|-------------------|--------------------------|-----------------------|------------------|---------------------|-----------------------------|----------------------|
| Benton/Franklin | 713 | 3,302 | 56 | \$1,121 | \$1.57 | 1.7% |
| Chelan/Douglas | 702 | 389 | 8 | \$1,254 | \$1.79 | 1.9% |
| Clark | 708 | 6,986 | 114 | \$1,339 | \$1.89 | 1.6% |
| Cowlitz | 636 | 330 | 3 | \$867 | \$1.36 | 0.9% |
| King | 678 | 71,141 | | \$1,870 | \$2.76 | |
| Kitsap | 654 | 2,585 | | \$1,544 | \$2.35 | |
| Kittitas | 573 | 204 | 1 | \$831 | \$1.45 | 0.4% |
| Pierce | 673 | 14,197 | | \$1,367 | \$2.03 | |
| Skagit | 620 | 303 | 4 | \$1,286 | \$2.07 | 1.3% |
| Snohomish | 671 | 13,763 | | \$1,470 | \$2.19 | |
| Spokane | 697 | 8,325 | 99 | \$1,043 | \$1.50 | 1.1% |
| Thurston | 677 | 4,201 | | \$1,296 | \$1.91 | |
| Walla Walla | 675 | 155 | 2 | \$1,015 | \$1.50 | 1.3% |
| Whatcom | 620 | 1,813 | 16 | \$1,179 | \$1.90 | 0.8% |
| Whitman | 605 | 1,186 | 23 | \$799 | \$1.32 | 1.9% |
| Yakima | 666 | 1,138 | 12 | \$801 | \$1.20 | 1.0% |
| | | | | | | |
| Statewide* | 678 | 130,018 | 338 | \$1,610 | \$2.38 | 1.4% |

*calculation of vacancy by unit type excludes units in Puget Sound counties.

With an average rent of \$1,339, Clark County (Vancouver) recorded the highest rent levels for one-bedroom apartments outside of the Puget Sound region, an increase on \$1,253 recorded in the last survey. Whitman County had the lowest rents at \$799 per month. On a floor area basis, the highest rent for one-bedroom units was found in King County at \$2.76 per square foot with the lowest found in Yakima County at \$1.20 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 (\$1,929) as well as the highest average rent per square foot (\$2.24). Whitman County recorded the lowest average rent of \$876 and Yakima County had lowest price per square foot (\$1.07). Outside of the Puget Sound Region, the average vacancy rate was 2.2% for two-bedroom one bath apartments.

Apartment Summary Statistics – Two Bedroom Apartments

| | Average Size (SF) | Units Surveyed | Vacancies | Average Rent | Rent/Unit Floor Area | Vacancy Rate |
|-------------------|--------------------------|-----------------------|------------------|---------------------|-----------------------------|---------------------|
| Benton/Franklin | 910 | 2,314 | 33 | \$1,164 | \$1.28 | 1.4% |
| Chelan/Douglas | 897 | 275 | 9 | \$1,629 | \$1.82 | 3.3% |
| Clark | 906 | 6,295 | 115 | \$1,458 | \$1.61 | 1.8% |
| Cowlitz | 875 | 679 | 11 | \$970 | \$1.11 | 1.6% |
| King | 861 | 24,593 | - | \$1,929 | \$2.24 | - |
| Kitsap | 858 | 1,984 | - | \$1,731 | \$2.02 | - |
| Kittitas | 796 | 443 | 18 | \$1,076 | \$1.35 | 4.0% |
| Pierce | 874 | 10,343 | - | \$1,547 | \$1.77 | - |
| Skagit | 858 | 365 | 2 | \$1,407 | \$1.64 | 0.5% |
| Snohomish | 868 | 7,137 | - | \$1,661 | \$1.91 | - |
| Spokane | 886 | 6,291 | 101 | \$1,170 | \$1.32 | 1.6% |
| Thurston | 857 | 2,262 | - | \$1,374 | \$1.60 | - |
| Walla Walla | 883 | 279 | 4 | \$1,163 | \$1.32 | 1.4% |
| Whatcom | 859 | 1,492 | 21 | \$1,351 | \$1.57 | 1.3% |
| Whitman | 784 | 1,353 | 134 | \$876 | \$1.12 | 9.9% |
| Yakima | 924 | 835 | 7 | \$989 | \$1.07 | 0.8% |
| | | | | | | |
| Statewide* | 870 | 66,940 | 455 | \$1,606 | \$1.85 | 2.2% |

*calculation of vacancy by unit type excludes units in Puget Sound counties.

Among 2BR/1Bath apartments, vacancies were highest in the Pullman market area with a vacancy rate of 9.9 percent. This is primarily due to the fact these are university towns with campus closures related to COVID-19. The lowest vacancy rate outside of the Puget Sound Region was found in Skagit County with a vacancy rate of 0.5%. Extraordinarily low vacancy rates were noted throughout all counties in the state outside of the Puget Sound Region with the exception of university dominated communities.

All Unit Types

Using the sample of all units surveyed vacancy rates remained the same as the last survey with an overall vacancy rate of 3.6%. Primarily driven by relatively high vacancy rates in the Puget Sound region and the large volume of rental units in comparison to other areas of the state, King County recorded the highest overall vacancy rate in the Puget Sound Region at 4.4% while the lowest was found in Skagit County with a vacancy rate of 0.9%. It should be noted that Outside of the Puget Sound Region the average vacancy rate is 1.7% and no counties recorded a vacancy rate above 3% except for those adversely impacted by COVID-19 (Whitman County), indicating that rental markets are extremely tight outside of the Seattle/Tacoma/Olympia areas. Some of the extraordinarily low vacancy rates are possibly due to both COVID-19 economic reopening occurring simultaneously with the statewide eviction moratorium remaining in place. This would act to accelerate the downward vacancy trends that were occurring prior to the outbreak of the pandemic.

Apartment Summary Statistics – All Apartment Units

| | Average Unit Size (SF) | Units Surveyed | Vacancies | Average Rent | Rent/Unit Floor Area | Vacancy Rate |
|------------------|-------------------------------|-----------------------|------------------|---------------------|-----------------------------|---------------------|
| Benton/Franklin | 910 | 9,874 | 147 | \$1,275 | \$1.40 | 1.3% |
| Chelan/Douglas | 871 | 1,221 | 28 | \$1,465 | \$1.68 | 2.2% |
| Clark | 928 | 24,995 | 403 | \$1,532 | \$1.65 | 1.6% |
| Cowlitz | 823 | 1,500 | 22 | \$956 | \$1.16 | 1.4% |
| King | 816 | 166,285 | 7,345 | \$1,795 | \$2.20 | 4.4% |
| Kitsap | 830 | 7,355 | 217 | \$1,299 | \$1.56 | 3.0% |
| Kittitas | 819 | 1,051 | 23 | \$1,161 | \$1.42 | 2.0% |
| Pierce | 865 | 38,880 | 1,401 | \$1,220 | \$1.41 | 3.6% |
| Skagit | 893 | 1,166 | 11 | \$1,498 | \$1.68 | 0.9% |
| Snohomish | 832 | 34,033 | 1,324 | \$1,386 | \$1.67 | 3.9% |
| Spokane | 932 | 24,857 | 374 | \$1,247 | \$1.34 | 1.4% |
| Thurston | 861 | 10,832 | 397 | \$1,162 | \$1.35 | 3.7% |
| Walla Walla | 662 | 670 | 9 | \$970 | \$1.46 | 1.3% |
| Whatcom | 776 | 5,274 | 58 | \$1,311 | \$1.69 | 1.0% |
| Whitman | 760 | 3,221 | 177 | \$953 | \$1.25 | 5.5% |
| Yakima | 799 | 2,619 | 29 | \$894 | \$1.12 | 1.1% |
| | | | | | | |
| Statewide | 847 | 333,833 | 11,965 | \$1,547 | \$1.83 | 3.6% |

With all unit types analyzed, the influence of apartment 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 \$1,795 and \$2.20 per square foot. Yakima County recorded the lowest average rent of \$829 as well as the lowest rent of floor area at \$1.04 per square foot.

Time and Seasonality

The WCRER Apartment Market Report uses March and September data 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 this report.