

UNIVERSITY *of* WASHINGTON

WASHINGTON STATE APARTMENT MARKET REPORT

WASHINGTON CENTER FOR REAL ESTATE RESEARCH
RUNSTAD DEPARTMENT OF REAL ESTATE
COLLEGE OF BUILT ENVIRONMENTS

4th Quarter 2022

BE BOUNDLESS



EXECUTIVE SUMMARY

NEW LOOK AND CONTENT

Starting with the 3rd Quarter 2022 Apartment Market Report, the Washington Center for Real Estate Research (WCRER) updated the format of the report, reorganized the content, and added some new information. The new content includes an Executive Summary as well as data about rent and vacancy rate trends. Also, county-level annual growth percentages for rents and vacancy rates have been included in the statistical tables. Finally, the report will be published on a quarterly (rather than semi-annual) basis going forward, providing more timely data for users.

OVERVIEW

This report provides a summary of rent and vacancy rate trends for the state, the Puget Sound region, and the rest of the state, as well as detailed rent and vacancy rate statistics for 17 counties or pairs of counties that have at least 500 apartment units in projects containing at least 20 units each.

Consistent with what is happening in housing markets more generally, apartment rent growth in Washington state is tapering off, with a decline of nearly 1.2% in the most recent quarter after high rates of growth during the preceding year and a half. Average rents declined by about 1.4% in the Puget Sound region and were stable in the rest of the state. Vacancy rates also continued to trend upwards, particularly in the Puget Sound region. Vacancy rates averaged 5.2% statewide, 5.5% in the Puget Sound region, and 4.3% elsewhere in the state.

The average apartment rent statewide across all bedroom types was \$1,850, representing a 5.1% increase over a year earlier. Of the individual counties or pairs of counties reported on here, King and Snohomish counties have the highest apartment rent levels (\$2,131 and \$1,918, respectively), while Yakima and Walla Walla counties have the lowest levels (\$880 and \$942). Annual rent growth has been highest in Walla Walla and Skagit counties (10.7% and 12.8%) and lowest in Kitsap County (-0.7%).

Vacancy rates are highest in Whitman and Yakima counties (9.1% and 7.3%) and lowest in Skagit and Whatcom counties (1.5% and 1.6%). Vacancy rates declined year over year in Whitman, Cowlitz, and Grant counties (by 2.9, 0.8, and 0.1 percentage points) but increased in the other counties; the largest increase was in Yakima County (4.3 points).

MARKET ANALYSIS

RENT TRENDS

The high rate of rent growth over the previous two years continued to taper off in the 4th quarter 2022 (see Figure 1). During the most recent quarter, rents fell nearly 2.4% on average across the state, about 2.7% in the Puget Sound region and 1.1% in the rest of the state.

The current statewide annual rate of rent growth is 2.7%; this means that average rent levels for the 4th quarter 2022 were 2.7% higher than those for the 4th quarter 2021. The annual rate as of the 2nd quarter 2022 was 9.2%, while each of the preceding three quarters (3rd quarter 2021 through 1st quarter 2022) recorded annual rates close to 11%.

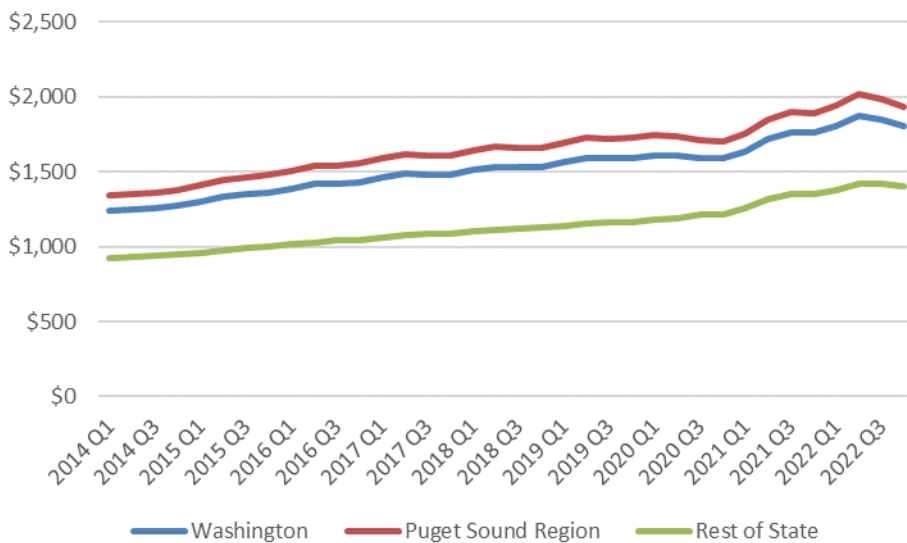


Figure 1. Historical Apartment Rents

VACANCY RATE TRENDS

Figure 2 shows a significant uptick in vacancy rates during 2022, particularly in the Puget Sound region. The current statewide vacancy rate is 6.1%, which represents an increase of about 1.3 percentage points over a year earlier. There is some divergence between the average rates in the Puget Sound region and the rest of the state, which currently have vacancy rates of 6.5% and 5.1%, respectively. For almost all the period shown, vacancy rates in the Puget Sound region have been higher than elsewhere in the state. Year over year, vacancy rates increased 1.7 percentage points in the Puget Sound region and a half of a percentage point elsewhere in the state.

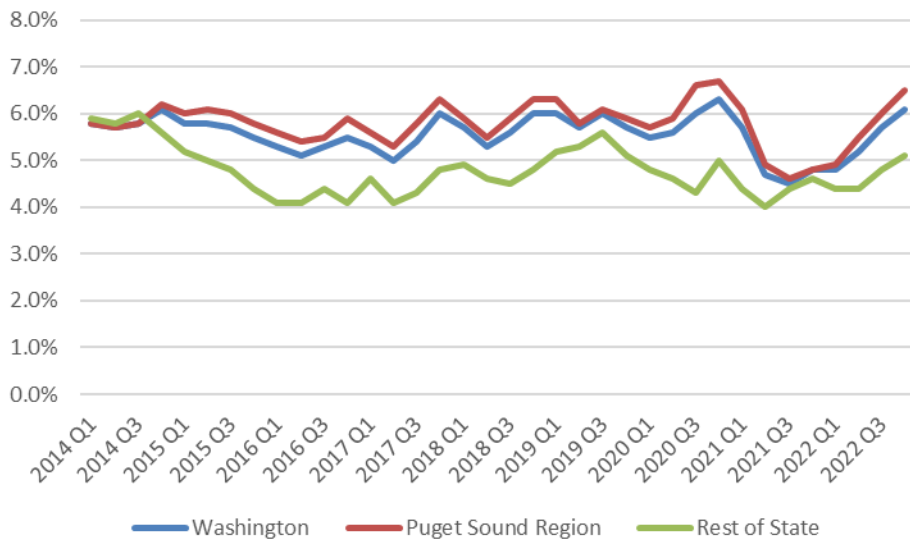


Figure 2. Historical Apartment Vacancy Rates

STATISTICS BY UNIT TYPE AND COUNTY

For the counties covered by WCRER’s survey, rents across all apartment types averaged \$1,799, ranging from a low of \$903 in Yakima County to a high of \$2,023 in King County (see Table 1). Annual rent growth rates averaged 2.9%, with a low of -3.2% in Kitsap County and a high of 9.7% in Walla Walla County. The lowest rents per square foot are in Yakima and Whitman counties, while the highest rents per square foot are in Snohomish and King counties.

Table 1. Statistics for All Types of Units

County	Number of Units	Average SF	Average Rent	Rent Per SF	Rent Growth/Year	Vacancy Units	Vacancy Percent	Vacancy Growth/Year
Benton-Franklin	12,122	904	\$1,288	\$1.44	2.4%	519	4.7%	1.4%
Chelan-Douglas	1,824	864	\$1,553	\$1.76	0.4%	101	6.3%	3.0%
Clark	28,845	941	\$1,602	\$1.73	5.9%	997	3.7%	1.1%
Cowlitz	2,094	812	\$1,211	\$1.50	3.9%	79	3.8%	0.2%
Grant	1,372	869	\$1,294	\$1.50	8.7%	53	4.1%	-1.1%
King	232,350	794	\$2,023	\$2.57	2.4%	9,663	5.3%	0.9%
Kitsap	8,679	862	\$1,695	\$1.96	-3.2%	409	5.0%	1.8%
Kittitas	1,372	918	\$1,332	\$1.46	4.8%	16	1.2%	-0.2%
Pierce	51,599	857	\$1,585	\$1.85	3.0%	2,123	4.4%	0.7%
Skagit	1,433	892	\$1,473	\$1.64	4.5%	42	2.9%	2.3%
Snohomish	42,810	978	\$1,849	\$2.09	3.7%	1,778	4.9%	1.2%
Spokane	28,747	904	\$1,281	\$1.41	3.2%	1,163	4.2%	0.7%
Thurston	12,746	874	\$1,537	\$1.77	2.1%	578	4.6%	2.0%
Walla Walla	742	687	\$990	\$1.44	9.7%	29	4.1%	1.2%
Whatcom	7,864	777	\$1,417	\$1.85	5.2%	121	1.9%	0.7%
Whitman	2,558	765	\$1,006	\$1.32	5.1%	150	6.0%	-1.5%
Yakima	3,265	800	\$903	\$1.12	4.0%	224	6.9%	0.2%
Total	440,422	843	\$1,799	\$2.19	2.9%	18,045	4.9%	0.9%

Vacancy rates across these markets averaged 4.9%, ranging from 1.2% in Kittitas County to 6.9% in Yakima County. Changes in vacancy rates from a year earlier averaged a positive 0.9 percentage points, ranging from -1.5 points in Whitman County to 3 points in Chelan and Douglas counties.

Geographical patterns of rents for one- and two-bedroom units are quite similar to those for all bedroom types as a group (see Tables 2 and 3). Yakima County consistently has the lowest average rents, while King County has the highest rents. Annual rent growth rates were lowest in Kitsap County for both bedroom types and highest in Grant County for one-bedroom units and Walla Walla County for two-bedroom units. Vacancy rates are lowest in Kittitas County for both one- and two-bedroom units and highest in Whitman County for one-bedroom units and in Chelan and Douglas counties for two-bedroom units. Annual changes in vacancy rates were lowest in Grant and Whitman counties and highest in Chelan and Douglas counties.

Table 2. Statistics for One-Bedroom Units

County	Number of Units	Average SF	Average Rent	Rent Per SF	Rent Growth/Year	Vacancy Units	Vacancy Percent	Vacancy Growth/Year
Benton-Franklin	4,018	713	\$1,146	\$1.63	2.7%	182	4.7%	1.6%
Chelan-Douglas	602	687	\$1,384	\$2.01	2.4%	33	6.1%	2.7%
Clark	8,511	707	\$1,422	\$2.01	6.0%	274	3.6%	1.0%
Cowlitz	394	600	\$1,013	\$1.48	5.1%	14	3.6%	0.8%
Grant	565	716	\$1,217	\$1.67	12.1%	23	4.6%	-1.7%
King	98,044	692	\$1,898	\$2.75	2.0%	4,332	5.3%	0.9%
Kitsap	2,993	669	\$1,516	\$2.29	-3.0%	128	4.6%	1.7%
Kittitas	313	622	\$1,014	\$1.70	7.2%	4	1.4%	0.1%
Pierce	19,266	678	\$1,369	\$2.01	3.4%	797	4.4%	0.6%
Skagit	429	649	\$1,304	\$2.08	9.0%	14	3.3%	2.3%
Snohomish	14,011	938	\$1,618	\$2.32	3.8%	631	4.9%	1.2%
Spokane	9,441	694	\$1,092	\$1.57	3.2%	378	4.1%	0.7%
Thurston	4,769	676	\$1,369	\$2.03	2.6%	218	4.6%	2.0%
Walla Walla	115	653	\$985	\$1.51	6.8%	4	3.3%	1.2%
Whatcom	2,628	616	\$1,250	\$2.05	5.0%	42	1.8%	0.5%
Whitman	952	594	\$842	\$1.43	4.8%	73	7.8%	-1.5%
Yakima	1,238	655	\$814	\$1.21	4.3%	78	6.3%	0.2%
<i>Total</i>	<i>168,289</i>	<i>709</i>	<i>\$1,671</i>	<i>\$2.43</i>	<i>2.7%</i>	<i>7,225</i>	<i>4.9%</i>	<i>0.9%</i>

Table 3. Statistics for Two-Bedroom Units

County	Number of Units	Average SF	Average Rent	Rent Per SF	Rent Growth/Year	Vacancy Units	Vacancy Percent	Vacancy Growth/Year
Benton-Franklin	5,909	993	\$1,351	\$1.37	2.8%	272	4.8%	1.3%
Chelan-Douglas	865	1000	\$1,650	\$1.65	-0.3%	58	6.7%	3.2%
Clark	15,946	983	\$1,634	\$1.66	6.0%	571	3.7%	1.2%
Cowlitz	1,099	884	\$1,375	\$1.58	3.8%	46	4.3%	-0.3%
Grant	628	985	\$1,413	\$1.42	7.1%	24	3.9%	-1.2%
King	77,918	988	\$2,307	\$2.34	2.4%	3,185	5.1%	1.0%
Kitsap	4,216	933	\$1,726	\$1.85	-3.5%	204	5.1%	1.9%
Kittitas	708	862	\$1,197	\$1.39	4.2%	9	1.2%	0.1%
Pierce	24,555	957	\$1,682	\$1.76	2.6%	1,033	4.4%	0.7%
Skagit	644	902	\$1,469	\$1.63	2.0%	20	3.1%	2.5%
Snohomish	20,820	969	\$1,907	\$1.98	3.4%	882	4.8%	1.3%
Spokane	14,558	978	\$1,322	\$1.35	3.8%	580	4.0%	0.8%
Thurston	6,063	966	\$1,606	\$1.66	1.7%	267	4.5%	2.1%
Walla Walla	272	888	\$1,215	\$1.37	10.4%	8	3.0%	1.2%
Whatcom	3,149	903	\$1,533	\$1.71	5.8%	52	1.9%	0.8%
Whitman	1,221	825	\$1,024	\$1.24	5.9%	57	4.7%	-1.3%
Yakima	995	925	\$986	\$1.06	4.8%	55	5.5%	1.0%
<i>Total</i>	<i>179,566</i>	<i>974</i>	<i>\$1,916</i>	<i>\$1.97</i>	<i>3.0%</i>	<i>7,323</i>	<i>4.6%</i>	<i>1.0%</i>

DATA AND METHODS

This report includes all counties for which there are at least 500 market-rate apartment units in the survey data in properties with 20 or more units. Smaller markets and smaller properties are relatively difficult to track consistently. We combine two pairs of adjacent counties (Benton-Franklin and Chelan-Douglas) due to the fact that most of the data for those counties pertains to urban areas that cross county borders (Tri-Cities and Wenatchee). We limit the county samples to buildings that were constructed at least two years prior to the survey to avoid issues related to the timing of take-up of new units. Note that this restriction was not applied to the data shown in Figures 1, 2, or 3; consequently, the vacancy rates in Figure 2 are somewhat higher than those in the tables. The numbers of units surveyed in each county or pair of counties are listed in Tables 1 through 3. Note that the All Apartments category includes units of all sizes, ranging from studios to four or more bedrooms.

This report focuses on one- and two-bedroom apartments, which make up the majority of the units across the state, as well as all apartment sizes considered as a group. One- and two-bedroom units comprise 77.1% of apartments in the Puget Sound counties (King, Kitsap, Pierce, Snohomish, and Thurston) and 80.3% elsewhere in the state (see Figure 3). The percentage is lower in the Puget Sound region due to the greater proportion of studio apartments. Note that the term Rest of State is used in this report to refer to all counties other than the five in the Puget Sound region, not just those listed in the tables.

The underlying data analyzed here are sourced from CoStar, a recognized international provider of commercial property data. The data have been compared with our own survey data to verify adequate coverage and to check rents and vacancy rates. Because this report represents a modified approach to data collection and analysis, the statistics presented here cannot be compared directly with statistics in reports published by WCRER prior to the 3rd quarter 2022.

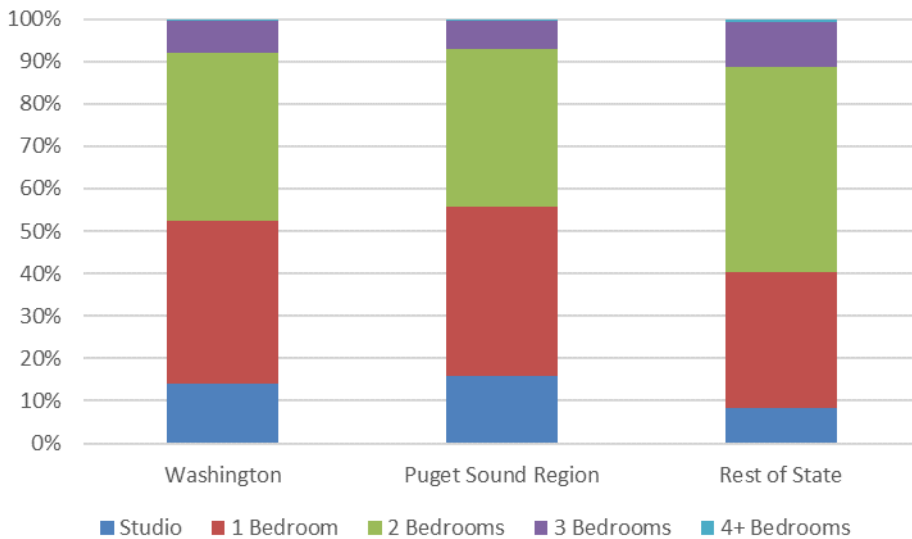


Figure 3. Distribution of Units by Number of Bedrooms

Note that, except for the number of units and the number of vacant units, which are sums, the totals in Tables 1 through 3 are weighted averages, with the weights being the number of units in the survey for each county. The rent growth per year represents a percentage change (i.e., the change in rent levels as a percentage of the rent level a year earlier), while the vacancy growth per year is a percentage *point* change (i.e., the current vacancy rate *minus* the rate a year earlier).

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