

2013 Apartment Vacancy and Rental Rate Survey

Presented on behalf of the UC Davis Office of Student Housing

Overview

The annual Apartment Vacancy and Rental Rate Survey collects data on vacancy and rental rates, as well as other characteristics, for rental units located within the Davis community. The objective of the survey is to provide information that will help inform planning decisions on campus, and throughout the broader Davis community. For example, survey results help campus officials to assess the current housing market conditions faced by UCD students, and to determine the likely feasibility of proposed housing projects. For the 2013 survey, the Office of Student Housing partnered with BAE Urban Economics, a private real estate consulting firm located in downtown Davis, to administer the survey and report on the results.

The administration of the 2013 survey primarily took place during the months of November and December, with follow-up outreach to non-responding property managers in January. The timing of the survey reflects the desire to capture information on housing market characteristics during peak occupancy (e.g. after the final day to add or drop classes, when enrollment for the academic year has stabilized). This approach is consistent with that used in prior years, which helps to allow for longitudinal comparison. Unlike prior years, the 2013 survey was administered primarily as an online questionnaire, using the SurveyMonkey web survey hosting service. BAE mailed hard copy invitation letters to 181 apartment complexes, property management companies, and property owners. Another 132 email invitations were sent to those for whom electronic contact information was available. Each of these communications provided a brief description of the survey and its intended purpose, while directing participants to fill out the survey tool online at UCDavisApartmentSurvey.com. Participants were also informed that a paper copy of the survey was available to them upon request. On three different occasions throughout the survey period, BAE mailed reminder post cards to non-respondents requesting their participation in the survey. At the end of the survey period, BAE also contacted non-respondents via telephone, to solicit participation, to update contact information, and to ask why they had not yet responded. BAE used a secret shopper methodology to validate survey responses for a sample of the larger respondent complexes. The results of the secret shopper validation indicated that the survey responses generally correspond to the information being provided to individuals seeking rental accommodations.

2013 Survey Results

In 2012, the Office of Student Housing mailed 177 paper surveys and received 101 responses, representing 7,798 rental units. In 2013, a total of 126 apartment complexes and property management companies responded to the survey, representing 9,772 rental units. This represents a 25 percent increase in the number of respondents and the number of rental units covered in the respondent pool. Estimates from the American Community Survey (ACS) indicate that there were approximately 11,718 multifamily housing units located on the UC

San Francisco
1285 66th Street
Second Floor
Emeryville, CA 94608
510.547.9380

Sacramento
803 2nd Street
Suite A
Davis, CA 95616
530.750.2195

Los Angeles
5405 Wilshire Blvd.
Suite 291
Los Angeles, CA 90036
213.471.2666

Washington DC
1436 U Street NW
Suite 403
Washington, DC 20009
202.588.8945

New York City
121 West 27th Street
Suite 705
New York, NY 10001
212.683.4486

Davis campus and in the City of Davis, between 2008 and 2012.¹ This suggests that the units captured in the 2013 survey account for around 83 percent of the multifamily housing stock.

Of the 126 respondents, 14 reported renting units at below market rents (i.e., require an income eligibility test to qualify for reduced or subsidized rents). These respondents represent 486 rental units. Nine out of the 14 properties that reported below market rate units also rented units at fair market rates. Only five charged below market rents for all of their units. The remainder of this analysis excludes units rented at below market rents, but does include units rented at market rates in mixed-income properties that offer both market rate, and below market rate, rental units. While all survey respondents reported total unit numbers, not all respondents provided detail regarding the other unit characteristics, such as the number of beds leased individually under bed lease agreements. As a result, the unit and bed lease totals discussed below may not equal those reported above, in some cases.

Leasing Beds Versus Complete Units

One of the more complex dynamics of the local rental housing market is the introduction of units that are rented out under multiple lease agreements. Under this type of arrangement, known as a “bed lease,” each bed, or bedroom, in an apartment is associated with a separate lease. Each resident is, thereby, contractually responsible for only a portion of the total rent. This is compared to the more conventional approach, wherein each unit is leased under a single master lease. Each tenant living under this type of arrangement is jointly responsible for the monthly rent. For the 2013 survey, this type of arrangement is known as a “unit lease.”

Bed Leases

Of the 9,886 market rate apartment units reported by survey respondents, 818 were rented under bed lease arrangements. Figure 1 illustrates the distribution of bed leases, and bed leased units, by unit size, reported in Table 1. The majority of units rented under this type of arrangement have between three- and four-bedrooms. The minority, around 24 percent, are smaller one- and two-bedroom units. Survey respondents reported 2,302 total bed leases. Some respondents did not report the number of beds within bed leased units. The following figures reflect only those specific numbers of bed leases reported by respondents. The distribution of leased beds, reported by respondents, by unit size, reflects the same overall distribution shown for bed-leased units. Of the reported bed leases, 86 percent, are in three- and four-bedroom units, 14 percent, are in one- and two-bedroom units. Respondents reported 81 vacant bed lease spaces, for a vacancy rate among reported bed leases of four percent. All of the vacant bed leases are reportedly located in units with between two and four bedrooms.

¹ U.S. Census Bureau. 2008-2012 American Community Survey 5-Year Estimates, Table B25024. Retrieved from: <http://factfinder2.census.gov/>

Figure 1: Distribution of Bed Leases by Unit Size

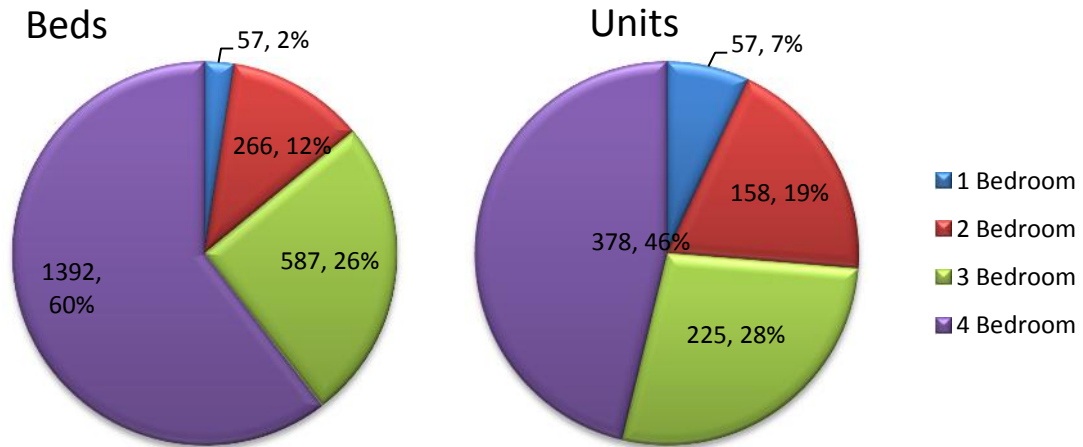


Table 1: Vacancy Rate for Bed Leases, by Unit Size

Unit Size	Bed Leased Units Reported (a)		Number of Beds Reported (b)		Number of Vacant Beds Reported (c)		Vacancy Rate (d)
	Number	Percent	Number	Percent	Number	Percent	
Studio	0	0%	0	0%	0	0%	n.a.
1 Bedroom	57	7%	57	2%	0	0%	0.0%
2 Bedroom	158	19%	266	12%	15	19%	5.6%
3 Bedroom	225	28%	587	25%	29	36%	4.9%
4 Bedroom	378	46%	1,392	60%	37	46%	2.7%
5 Bedroom	0	0%	0	0%	0	0%	n.a.
Other	0	0%	0	0%	0	0%	n.a.
Total, All Sizes	818	100%	2,302	100%	81	100%	3.5%

Notes:

- (a) Includes the number of units, by unit type, reported by survey respondents as rented on a per bed basis (i.e., bed lease).
- (b) Includes the number of beds located within bed leased units, by unit type, as reported by survey respondents. May exclude some beds in cases where the survey respondent reported bed leased units, but did not report the associated number of leased or vacant beds.
- (c) Includes the number of leasable beds reported as vacant, by unit type, as reported by survey respondents. May exclude some beds in cases where the survey respondent reported bed leased units, but did not report the associated number of leased or vacant beds.
- (d) The vacancy rate for bed leases was calculated based on the number of leased and vacant beds only, as reported by survey respondents.

Sources: BAE, 2014.

Unit Leases

Survey respondents provided unit size detail for 8,206 units that are rented under unit lease arrangements. Note that the survey results reported below exclude units for which unit size detail was not available. Figure 2 illustrates the distribution of unit leased apartments, by unit size. The majority of reported units have between one- and three bedrooms. One-bedroom units account for 31 percent of the total, while 2-bedroom units account for nearly 46 percent. Three-bedroom units represent around 14 percent. Four-bedroom apartments represented 6.5 percent of reported units, while studio units represented only two percent.

Table 2 provides more detailed unit totals, along with the number of vacant units, and the associated vacancy rate. Again, the results reported reflect only those survey responses that provided unit size and vacancy details. According to survey respondents, there are 160 vacant apartments that are offered on a unit lease basis. The distribution of vacant units generally corresponds to the distribution of all units, as discussed above. The vacancy rate for unit leased apartments is 1.9 percent. Broken down by unit type, the vacancy rate is highest for three-bedroom and studio units at 3.7 percent and 3.0 percent, respectively. Four-bedroom units have the next lowest rate at 2.2 percent. The lowest vacancy rates were among one- and two-bedroom units, which have vacancy rates of 1.2 and 1.9 percent respectively.

Figure 2: Distribution of Leased Units by Unit Size

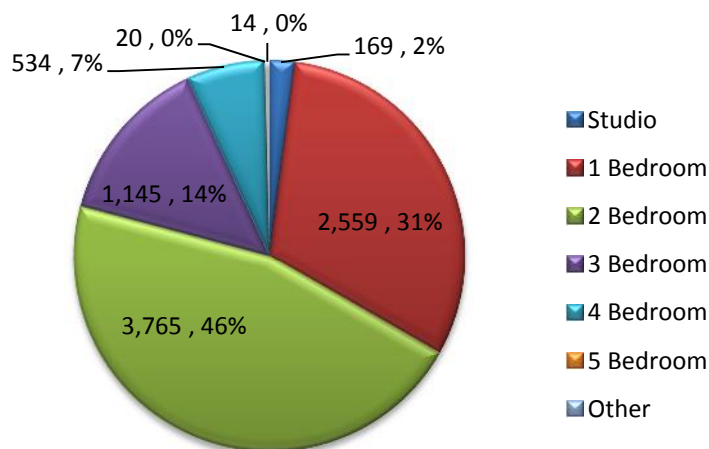


Table 2: Vacancy Rate for Unit Leases, by Unit Size

Unit Size	Units Reported (a)		Number of Vacant Units Reported (b)		Vacancy Rate (c)
	Number	Percent	Number	Percent	
Studio	169	2.1%	5	3.1%	3.0%
1 Bedroom	2,559	31.2%	31	19.4%	1.2%
2 Bedroom	3,765	45.9%	70	43.8%	1.9%
3 Bedroom	1,145	14.0%	42	26.3%	3.7%
4 Bedroom	534	6.5%	12	7.5%	2.2%
5 Bedroom	20	0.2%	0	0.0%	0.0%
Other	14	0.2%	0	0.0%	0.0%
Total, All Sizes	8,206	100%	160	100%	1.9%

Notes:

- (a) Includes the number of units, by unit type, reported by survey respondents as rented on a per unit basis (i.e., unit lease).
- (c) Includes the number of units reported as vacant, by unit type, as reported by survey respondents. May exclude some units in cases where the survey respondent reported the total number of units, but did not report the associated number of vacant units.
- (d) The vacancy rate for unit leases was calculated based on the number of leased and vacant units only, as reported by survey respondents.

Sources: BAE, 2014.

Rental Rates

The majority of survey respondents reported static or increasing rents, year over year. Only 18 respondents reported reducing rents, since the fall of 2012.

Bed Leases

Figure 3 illustrates the average reported rental rates for bed leases. Note that the reported survey results only include those responses that included both the total number of beds, and the corresponding rental rate information. The results exclude beds, and bed leased units, for which no rental rate, or bed total, information was provided. According to the survey responses, the average rental rate for bed leases was \$825 per month.² Bed leases in one-bedroom units were the most expensive, at \$1,660.³ Bed leases in two-bedroom units were somewhat less expensive, at \$912. Bed leases in three-bedroom units cost \$825, while beds in four-bedroom units averaged \$774. Because the reported values represent average rates, differences in pricing may reflect a variety of factors. These include, but are not limited to, number of beds leased per bedroom, identity of the property owner (e.g. university or private), existing vacancy rates, planned renovations, and the applicable utility rates, as well as a variety of other factors. The purpose of this analysis is to identify the broad market trends. Additional site-specific analysis would be required in order to draw any further conclusions regarding pricing.

Figure 3: Average Rental Rate for Bed Leases, by Unit Size (a)



Notes:

- (a) Figures represent the average reported rent for only those bed leased units for which bed counts and rental rates were provided.
- (b) One-bedroom bed leased apartments are intended for occupancy by a single individual, but are located in complexes that only rent units under bed lease arrangements. These complexes offer a greater suite of amenities, compared to the average unit leased complex, and are priced differently.

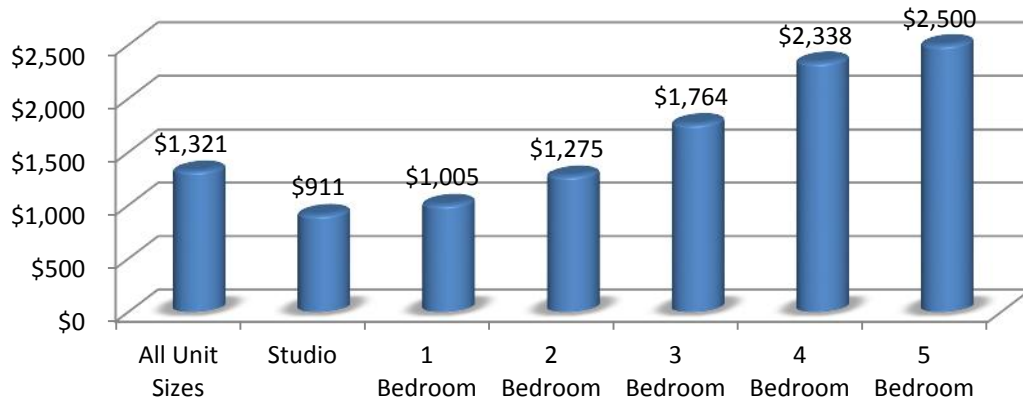
² Average rental rates were calculated based on the rental information provided by survey respondents. In cases where the respondent provided a range of prices, but no associated unit totals, BAE utilized the mid-point of the range as the assumed representative value. The reported values represent weighted averages, which reflect the reported rental rates and the total number of units, or beds, of each type. The figures exclude some complexes that did not provide full details on the number of units and/or bed leases, and/or lease rates.

³ According to the property managers representing complexes with one-bedroom bed leased units, the one-bedroom apartments are intended for occupancy by a single individual and are priced as such. A second "registered guest" is permitted with special permission, but is not permitted as a permanent occupant. Because these units are located in complexes that only offer bed lease arrangements, the suite of amenities associated with one-bedroom bed leased units is similar to that offered with other bed leased units. Due to differences in amenities associated with bed leased units, compared to unit leased apartments, the one-bedroom bed-leased units are reported along with the other bed-leased units.

Unit Leases

Figure 4 illustrates the average rental rates for apartments leased under a unit lease arrangement. Note that the survey results reported here represent instances wherein respondents reported both the total number of units, by type, and the corresponding rental rate information. The results exclude units for which no rental rate information was provided. According to survey respondents, the average rental rate was \$1,321 per month.⁴ Studio units were the least expensive, at an average of \$911 per month. The average rate generally increases by unit size, with one-bedroom units averaging \$1,005, two-bedroom units averaging \$1,275, and three-bedroom units averaging \$1,764. Four- and five-bedroom units commanding the highest rental rates, with averages of \$2,338 and \$2,500, respectively.

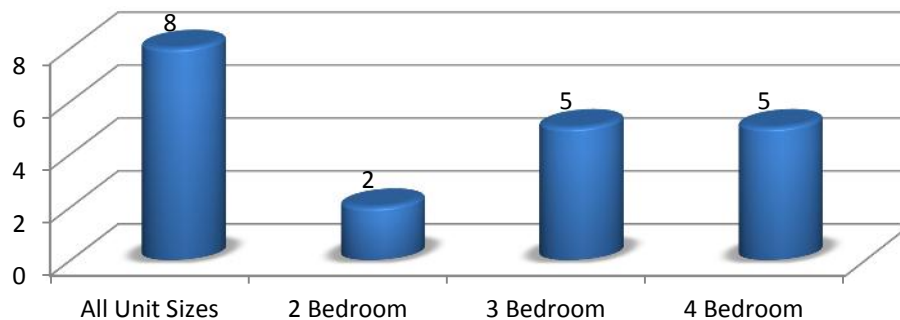
Figure 4: Rental Rates for Unit Leases, by Unit Size



Furnished and Unfurnished Units

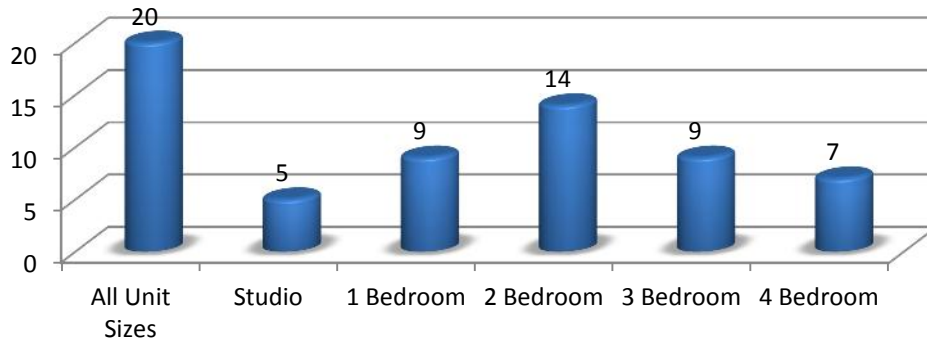
Overall, the majority of surveyed properties did not report that they offer furnished units. Only eight respondents reported offering furnished bed leases, while 20 respondents reported offering furnished unit leases. Figures 5 and 6, below, illustrate the number of respondents that indicated that they offer furnishings, by unit size.

Figure 5: Number of Respondents Offering Furnished Bed Leases, by Unit Size



⁴ See footnote 2.

Figure 6: Number of Respondents Offering Furnished Unit Leases, by Unit Size



Services and Incentives

For a variety of reasons, it is often in a property owner's best interest to provide certain services and incentives to residents. This often helps to encourage resident attraction and retention. For properties that offer bed leases, a roommate matching program can often be an important tool for leasing up units. Under such a program, prospective residents fill out applications that state their interests and preferences in a roommate. The property manager then works to match up roommates based on their estimated compatibility. In the 2013 survey, all respondents that reported offering bed leases, also offered a roommate matching program. Only six respondents reported offering roommate matching for unit leases.

Roughly one third of respondents, 45 in total, reported offering other incentives and move-in specials in order to fill vacancies and attract new residents. The majority of the respondents, 27 in total, that reported offering incentives offered some form of free or reduced rent. Another ten respondents reported offering reduced move-in deposits and/or waived application fees. A minority of respondents, seven in total, reported other incentives, including free utilities, free gym and country club memberships, gift card giveaways, and entries into raffles and other prize drawings.

Planned Renovations

A total of 37 respondents, around 29 percent, reported that they planned to undertake renovations within the next 12 months. Most of those that reported planned renovations conduct periodic updates of units as units turn over. Other common upgrades, in order of frequency, include upgraded cabinets and countertops, exterior upgrades (e.g. siding, landscaping, etc.), appliance upgrades, flooring, and windows.