

2014 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 2014 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 2014 survey primarily took place during the months of October and November, with follow-up outreach to non-responding property managers in December. 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 facilitates longitudinal comparison. Similar to the 2013 survey, the 2014 survey was administered primarily as an online questionnaire, using the SurveyMonkey web survey hosting service. BAE mailed hard copy invitation letters to 184 apartment complexes, property management companies, and property owners. Another 120 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 the online survey tool at UCDavisApartmentSurvey.com. The invitations also informed participants that a paper copy of the survey was available upon request. On three separate occasions throughout the survey period, BAE mailed reminder postcards 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.

2014 Survey Results

In 2013, BAE mailed 181 paper surveys and received responses for 126 unique apartment complexes, representing 9,772 rental units. In 2014, a total of 134 apartment complexes and property management companies responded to the survey, representing 9,922 rental units. This represents a 6.3 percent increase in the number of respondent complexes and a 1.5 percent increase in the number of rental units covered in the respondent pool. Estimates from the American Community Survey (ACS) indicate that there were approximately 11,707 multifamily housing units, on average, on the UC Davis campus and in the City of Davis,

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Sacramento

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530.750.2195

Los Angeles

706 South Hill St., Suite 1200
Los Angeles, CA 90014
213.471.2666

Washington DC

1400 I St. NW, Suite 350
Washington, DC 20005
202.588.8945

New York City

49 West 27th St., Suite 10W
New York, NY 10001
212.683.4486

between 2009 and 2013.¹ This suggests that the units captured in the 2014 survey account for around 85 percent of the total multifamily housing stock in the Davis community.

Of the 134 respondents, 27 reported leasing units at below market rents (i.e., require an income eligibility test to qualify for reduced or subsidized rents). Fifteen of these respondents reported renting all of the units in the complex at below market rates, while the remaining 12 complexes rent some units at below market rates and some units at fair market rates. The remainder of this analysis excludes units rented at below market rents, as reported by respondents, but does include units rented at market rates in mixed-income properties that offer both market rate, and below market rate, units. While all survey respondents reported total unit numbers, not all respondents provided detail regarding other unit characteristics, such as the number of beds leased under individual 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 Apartment Units

One of the more complex dynamics of the local rental housing market is the practice of renting out units 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 agreement. 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 rented under a single master lease and all of the tenants living in the unit are jointly responsible for the complete monthly rent. For the purposes of this survey, this arrangement is called a “unit lease.”

Bed Leases

Of the 9,247 market rate apartment units reported by survey respondents, 898 were reportedly 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 the bed-leased units, nearly 94 percent, had between two and four bedrooms. Four-bedroom units were by far the most common, accounting for 46 percent of the total. Two- and three- bedroom units accounted for 23 percent and 24 percent of all reported bed-leased units, respectively. Survey respondents reported a total of 2,800 leased beds. Some respondents did not report the number of beds provided within bed-leased units. The following figures reflect the number of leased beds, as reported by respondents. The distribution of leased beds, by unit size, reflects the same overall distribution shown for bed-leased units. On average, bed-leased units typically contain one bed per bedroom. Fifty nine percent of the leased beds reported by respondents were located in four-bedroom units, while 23 percent were in three-bedroom units and 16 percent were in two-bedroom units. One-bedroom units that were reported as rented under bed lease agreements accounted for only two percent of the total. Respondents reported 35 vacant bed lease spaces, for a vacancy rate among reported leasable beds of around 1.3 percent. All of the vacant bed leases are reportedly located in units with between two- and four-bedrooms. In 2013, the only other year in which the survey collected information on bed-leased units, the vacancy rate was notably higher at 3.5 percent.

¹ U.S. Census Bureau. 2009-2013 American Community Survey 5-Year Estimates, Table B25024. Retrieved from: <http://factfinder2.census.gov/>

Figure 1: Distribution of Bed Leases by Unit Size

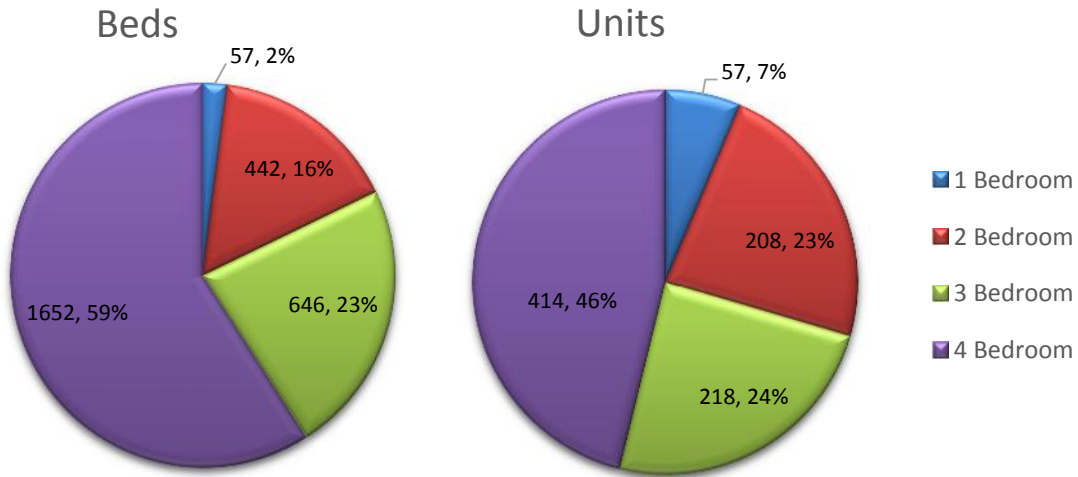


Table 1: Vacancy Rate for Bed Leases, by Unit Size

Unit Size	2014 Survey Results						Vacancy Rate (d)	2013 Vacancy Rate (d)
	Bed Leased		Number of		Number of Vacant			
	Units Reported (a)	Percent	Beds Reported (b)	Percent	Beds Reported (c)	Percent		
Studio	0	0%	0	0%	0	0%	n.a.	n.a.
1 Bedroom	57	6%	57	2%	0	0%	0.0%	0.0%
2 Bedroom	208	23%	442	16%	15	43%	3.4%	5.6%
3 Bedroom	218	24%	646	23%	8	23%	1.2%	4.9%
4 Bedroom	414	46%	1,652	59%	12	34%	0.7%	2.7%
5 Bedroom	0	0%	0	0%	0	0%	n.a.	n.a.
Other	1	0%	3	0%	0	0%	n.a.	n.a.
Total, All Sizes	898	100%	2,800	100%	35	100%	1.3%	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.
- (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 8,274 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 had between one and three bedrooms. One-bedroom units accounted for 30 percent of the total, while two-bedroom units accounted for 46 percent.

Three-bedroom units represented 13 percent. Four-bedroom apartments represented seven percent of reported units, while studio units represented slightly under three 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 were 24 vacant apartments available for lease on a unit-lease basis, which translates to a vacancy rate of 0.3 percent. By comparison, the 2013 survey identified a total of 160 vacant unit-leased apartments, which equaled a vacancy rate of 3.5 percent. Broken down by unit type, the 2014 survey results indicated that the vacancy rate was highest among four-bedroom units at 1.4

Figure 2: Distribution of Unit Leases by Unit Size

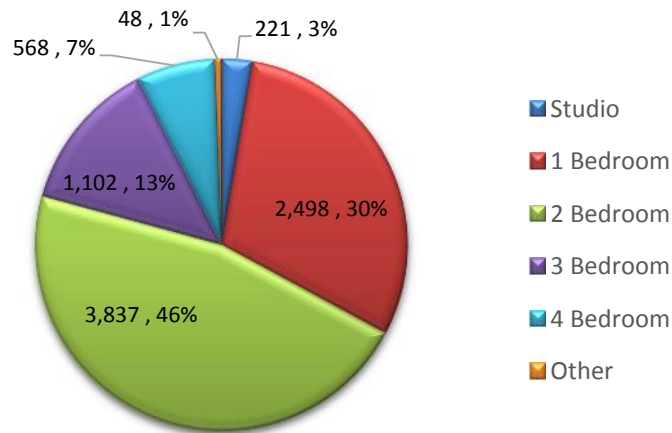


Table 2: Vacancy Rate for Unit Leases, by Unit Size

Unit Size	2014 Survey Results					2013 Vacancy Rate (c)
	Units Reported (a)		Number of Vacant Units Reported (b)		Vacancy Rate (c)	
	Number	Percent	Number	Percent		
Studio	221	3%	1	4%	0.5%	3.0%
1 Bedroom	2,498	30%	3	13%	0.1%	1.2%
2 Bedroom	3,837	46%	5	21%	0.1%	1.9%
3 Bedroom	1,102	13%	7	29%	0.6%	3.7%
4 Bedroom	568	7%	8	33%	1.4%	2.2%
5 Bedroom	0	0%	0	0%	n.a.	n.a.
Other	48	1%	0	0%	n.a.	n.a.
Total, All Sizes	8,274	100%	24	100%	0.3%	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.

percent. Three-bedroom and studio units had the next lowest rates at 0.6 percent and 0.5 percent, respectively. The lowest vacancy rates were among one- and two-bedroom units, which both had reported vacancy rates of only 0.1 percent.

Rental Rates

The majority of survey respondents reported static or increasing rents, year over year. Only three respondents reported reducing rents, since the fall of 2013.

Bed Leases

Table 3 illustrates the weighted average of the reported rental rates for bed leases. Note that the reported survey results only include those responses that identified the total number of bed-leased units, by type, the total number of beds per unit, and the associated rental rate information. According to survey respondents, the average rental rate for a bed lease in units of all sizes was \$827 per month.² This represents an increase of 0.3 percent over the 2013, when the average monthly rental rate was \$825. The average rental rate for bed leases in one-bedroom units was virtually unchanged, at \$1,659.³ The average rent for bed leases in two-bedroom and three-bedroom units increased by 3.1 percent and 1.5 percent, respectively. This corresponded to average rental rates of \$940 and \$837. Four-bedroom units had the

Table 3: Average Rental Rate for Bed Leases, by Unit Size

Unit Size	2014 Survey Results			2013
	Minimum	Maximum	Weighted Average (a)	Weighted Average (a)
1 Bedroom (b)	\$1,659	\$1,659	\$1,659	\$1,660
2 Bedroom	\$635	\$1,004	\$940	\$912
3 Bedroom	\$625	\$861	\$837	\$825
4 Bedroom	\$550	\$814	\$765	\$774
Total, All Sizes	\$550	\$1,659	\$827	\$825

Notes:

(a) Figures represent weighted average rental rates and include only those complexes where the respondent identified the number of units by type, the number of beds per unit, and associated rental rates.

(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 accordingly.

Source: BAE, 2014

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.

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 accordingly. A second “registered guest” is permitted with approval, 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.

lowest average rental rate at \$765, which represents a decrease from 2013 of 1.2 percent. Because the reported values represent weighted 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.

Unit Leases

Table 4 illustrates the weighted average of the reported rental rates for apartments leased under unit lease arrangements. 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 unit type or rental rate information was provided. According to survey respondents, the average rental rate for all units was \$1,414 per month.⁴ This represents a seven percent increase since 2013, when the average rental rate for unit-leased apartments was \$1,321. Lease rates for studio units were virtually unchanged from 2013, at \$900 per month. The average rental rate for one-, two-, and three-bedroom units increased between seven and eight percent, with the 2014 rent for one-bedroom units averaging \$1,072, two-bedroom units averaging \$1,373, and three-bedroom units averaging \$1,907. Rent for four-bedroom units increased by four percent, reflecting an average of \$2,442.

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

Unit Size	2014 Survey Results			2013
	Minimum	Maximum	Weighted Average (a)	Weighted Average (a)
Studio	\$579	\$1,169	\$900	\$911
1 Bedroom	\$755	\$1,330	\$1,072	\$1,005
2 Bedroom	\$900	\$2,100	\$1,373	\$1,275
3 Bedroom	\$1,148	\$2,985	\$1,907	\$1,764
4 Bedroom	\$1,519	\$3,043	\$2,442	\$2,338
Total, All Sizes	\$579	\$3,043	\$1,414	\$1,321

Notes:

(a) Figures represent weighted average rental rates and include only those complexes where the respondent identified the number of units by type, with associated rental rates.

Source: BAE, 2014

Furnished and Unfurnished Units

The majority of surveyed properties indicated that they did not offer furnished units in the 2014 leasing season. Figures 3 and 4, on the following page, illustrate the number of respondents that offered furnishings, by unit size. Only seven respondents reported offering furnished bed-leased units, which represents a marginal decrease from 2013, when eight respondents indicated that they offered furnished bed-leased units. Similar to the responses received in 2013, the only furnished bed-leased units that were on offer were two-, three-, and four-bedroom units. A total of eight properties indicated that they offered furnished apartments under unit lease arrangements in 2014. This represents a decrease from 2013,

⁴ See footnote 2.

when 20 properties indicated offering furnished unit-leased apartments. The most common units offered with furnishings under a unit lease arrangement include one- and two-bedrooms.

Figure 3: Number of Respondents Offering Furnished Bed Leases, by Unit Size

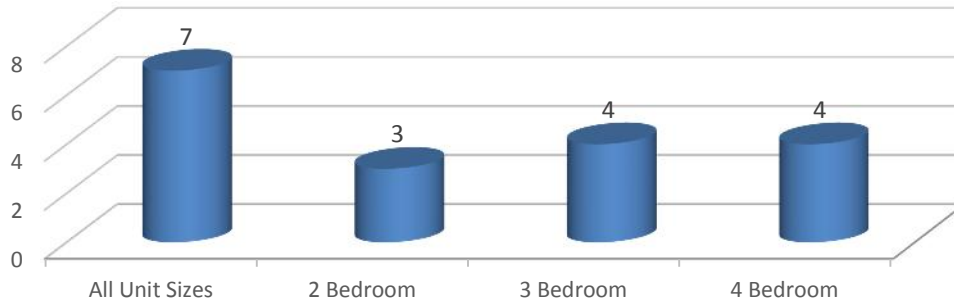
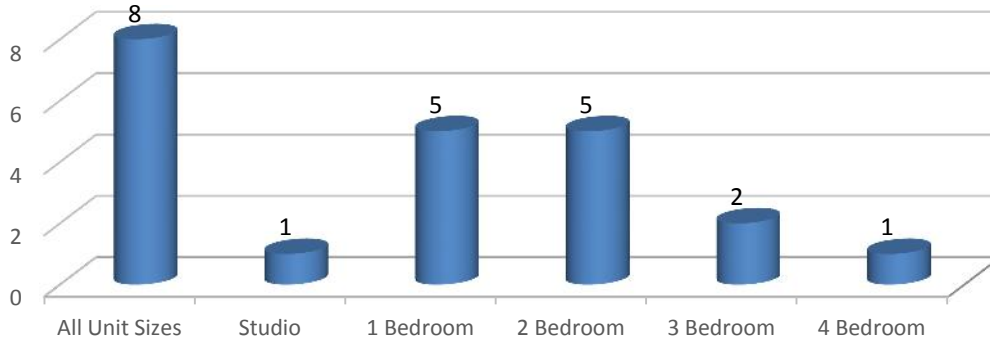


Figure 4: Number of Respondents Offering Furnished Unit Leases, by Unit Size



Parking Availability

In a change from previous years, the 2014 survey included questions regarding parking availability. More specifically, the survey requested that respondents identify the total number of parking spaces. The survey asked respondents to distinguish between those parking spaces that are reserved for use by residents and those that are reserved for use by visitors. In total, 97 complexes responded to these survey questions. Based on the reported number of units and parking spaces provided at each complex, respondent complexes average around 1.5 parking spaces per unit. Only eight complexes maintain a ratio of less than one space per unit. A total of fifty units maintained between one and two spaces per unit, while 39 complexes had more than two parking spaces per rental unit, with a maximum of 3.1 spaces per unit, excluding outliers.

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, stating their interests and preferences in a roommate. The property manager then works to match roommates based on their estimated compatibility, based on stated

interests and preferences. In 2013, all of the respondents that indicated that they offered bed-leased units also indicated that they offered roommate matching programs. For the 2014 survey, only 16 properties responded to the question inquiring whether the complex offers a roommate matching program for bed-leased units, with all but three properties indicating that they do a matching service. For the 2013 survey, 123 properties responded to the question inquiring whether the complex offers roommate matching for unit-leased apartments, with six properties indicating that they offered a matching service. For the 2014 survey, 114 properties responded to this question, with five indicating that they do offer a roommate matching program for unit-leased apartments.

Twenty-five apartment complexes reported offering other incentives and move-in specials in the 2014 leasing season to help fill vacancies and attract new residents. Nine respondents offered some form of free or reduced rent. Another five respondents reported offering reduced move-in deposits and/or waived application fees. An additional eight respondents reported other incentives, including free utilities, resident referrals, gift card giveaways, and entries into raffles and other prize drawings. Three complexes stated they offered move-in specials, but did not specify the incentives offered. Note that most of the complexes that reported providing incentives offered more than one type during the 2014 leasing season.

Planned Renovations

Thirty-eight respondents, around 31 percent, reported having plans to undertake renovations within the next 12 months. Most of those that reported planned renovations conduct periodic updates, as units turn over. Other common upgrades, in order of frequency, include upgraded cabinets and countertops, as well as carpet/tile/other flooring. Five complexes indicated that they were undertaking exterior upgrades, including exterior paint, landscaping, repaving of driveways and parking areas, and resurfacing of pool and spa areas.