

2015 Apartment Vacancy and Rental Rate Survey

Presented on behalf of the UC Davis 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 City of 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 UC Davis students, and to determine the likely feasibility of proposed housing projects. For the 2015 survey, UC Davis 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 2015 survey primarily took place during the months of October and November, with follow-up outreach to non-responding property owners and managers in late November and early 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. The survey is primarily administered as an online questionnaire, using the SurveyMonkey web survey hosting service. BAE mailed hard copy invitation letters to 138 apartment complexes, property management companies, and property owners. Email invitations were sent to 129 of 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 available at UCDavisApartmentSurvey.com. The invitations also informed participants that a paper copy of the survey was available upon request. On two 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 corresponded with the information provided to individuals seeking rental accommodations.

2015 Survey Results

In 2014, BAE received responses for 134 unique apartment complexes, representing 9,922 rental units. In 2015, a total of 143 apartment complexes and property management companies responded to the survey, representing 9,905 rental units. This represents a 6.7 percent increase in the number of respondent complexes and a 0.2 percent decrease in the number of rental units covered in the respondent pool. Estimates from the American

San Francisco

1285 66th St.
Emeryville, CA 94608
510.547.9380

Sacramento

803 2nd St., Suite A
Davis, CA 95616
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

Community Survey (ACS) indicate that there were approximately 11,922 multifamily housing units, on average, on the UC Davis campus and in the City of Davis, between 2010 and 2014.¹ This suggests that the units captured in the 2015 survey account for around 83 percent of the total multifamily housing stock in the Davis community.

Of the 2015 survey's 143 respondents, 29 reported leasing units at below market rents (i.e., requiring an income eligibility test to qualify prospective tenants for reduced or subsidized rents). Eighteen of these respondents reported renting all of the units in the complex at below market rates, while the remaining 11 complexes rent some units at below market rates and some units at 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."

Unit Leases

Survey respondents provided unit size detail for 8,143 units that are rented under unit lease arrangements, which account for 91 percent of all reported market rate rental units. Note that the survey results reported below exclude units for which unit size detail was not reported. Figure 1 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 32 percent of the total, while two-bedroom units accounted for 45 percent. Three-bedroom units represented 14 percent. Four-bedroom apartments represented six percent of reported units, while studio units represented slightly under three percent.

Table 1 provides more detailed unit totals, along with the number of vacant units, and the associated vacancy rate by unit size. Again, the results reflect only those survey responses that provided unit size and vacancy details. According to survey respondents, there were 16 vacant apartments available for lease on a unit-lease basis, which translates to a vacancy rate of 0.2 percent. By comparison, the 2014 and 2013 surveys presented vacancy rates of 0.3 percent and 1.9 percent, respectively. Broken down by unit type, the 2015 survey results

¹ U.S. Census Bureau. 2010-2014 American Community Survey 5-Year Estimates, Table B25024. Retrieved from: <http://factfinder2.census.gov/>

indicated that the vacancy rate was highest among three-bedroom units at 1.0 percent. Two-bedroom units had the next lowest rate at 0.1 percent, while one-bedroom units reported a vacancy rate of less than 0.1 percent. The remaining unit sizes reported zero vacancies. This is notable, since in prior years, the survey identified vacancies among units of all sizes.

Figure 1: Distribution of Unit Leases by Unit Size

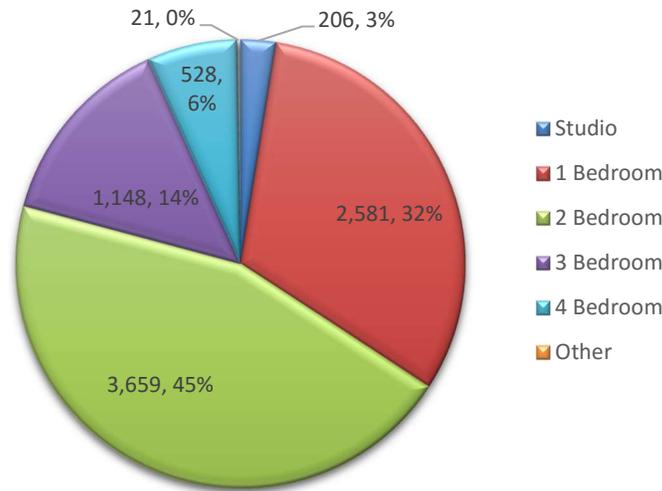


Table 1: Vacancy Rate for Unit Leases by Unit Size

Unit Size	2015 Survey Results					2014 Vacancy Rate (c)	2013 Vacancy Rate (c)
	Units Reported (a)		Number of Vacant Units Reported (b)		Vacancy Rate (c)		
	Number	Percent	Number	Percent			
Studio	206	3%	0	0%	0.0%	0.5%	3.0%
1 Bedroom	2,581	32%	1	6%	0.0%	0.1%	1.2%
2 Bedroom	3,659	45%	3	19%	0.1%	0.1%	1.9%
3 Bedroom	1,148	14%	12	75%	1.0%	0.6%	3.7%
4 Bedroom	528	6%	0	0%	0.0%	1.4%	2.2%
Other	21	0%	0	0%	0.0%	n.a.	n.a.
Total, All Sizes	8,143	100%	16	100%	0.2%	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).
- (b) 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.
- (c) 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, 2015.

Bed Leases

Of the 8,963 market rate apartment units reported by survey respondents, only nine percent, around 820 units in total, were reportedly rented under bed lease arrangements. Figure 2 illustrates the distribution of bed leases and bed-leased units, by unit size, which are also reported in Table 2. The majority of the bed-leased units, nearly 93 percent, had between two and four bedrooms. Four-bedroom units were by far the most common, accounting for 42 percent of the total. Two- and three-bedroom units accounted for 24 percent and 26 percent of all reported bed-leased units, respectively. Survey respondents reported a total of 2,520 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 a similar overall distribution shown for bed-leased units. On average, bed-leased units typically contain one bed per bedroom. Fifty-five percent of the leased beds reported by respondents were located in four-bedroom units, while 25 percent were in three-bedroom units and 17 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 128 vacant bed lease spaces, for a vacancy rate among reported leasable beds of roughly 5.1 percent. According to survey respondents, all of the vacant bed leases are located in units with between two- and four-bedrooms. The reported vacancy rate for bed leases is notably higher than the rates identified through both the 2013 and 2014 surveys, which reported bed lease vacancy rates of 3.5 percent and 1.3 percent, respectively. It is not possible to determine, based on survey responses alone, whether this represents structural vacancy (i.e., leasable beds held vacant intentionally to accommodate demand for housing outside of the normal leasing season) or a softening of demand for bed lease accommodations. The increase in vacancy is not due to growth in the supply of bed-leased units, since the number of reported bed-leased units decreased between the 2014 and 2015 surveys.

Figure 2: Distribution of Bed Leases by Unit Size

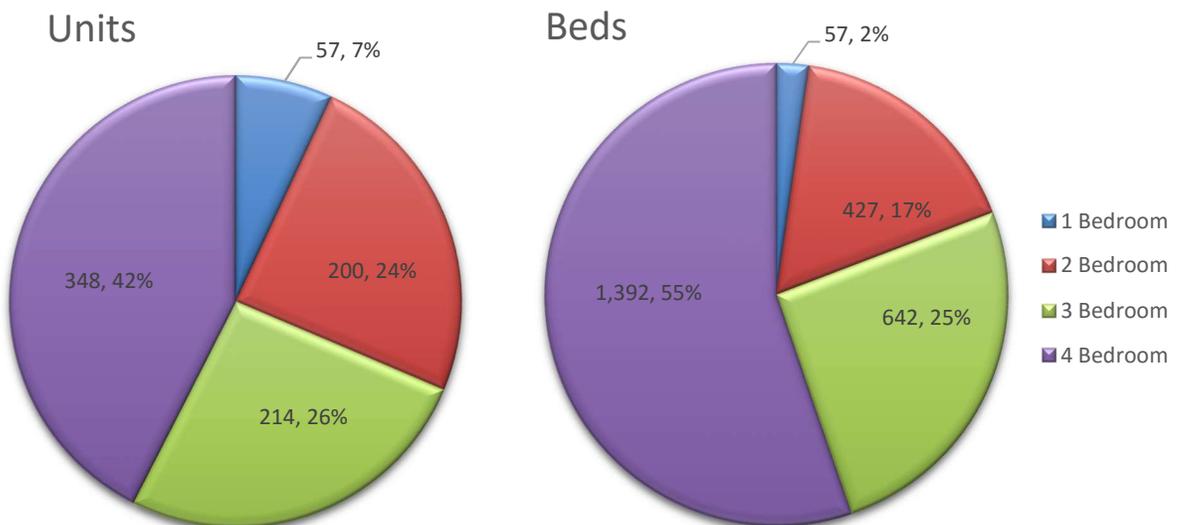


Table 2: Vacancy Rate for Bed Leases by Unit Size

Unit Size	2015 Survey Results							2014	2013
	Bed Leased		Number of		Number of Vacant		Vacancy	Vacancy	Vacancy
	Units Reported (a)		Beds Reported (b)		Beds Reported (c)				
	Number	Percent	Number	Percent	Number	Percent	Rate (d)	Rate (d)	Rate (d)
Studio	0	0%	0	0%	0	0%	n.a.	n.a.	n.a.
1 Bedroom	57	7%	57	2%	0	0%	0.0%	0.0%	0.0%
2 Bedroom	200	24%	427	17%	27	21%	6.3%	3.4%	5.6%
3 Bedroom	214	26%	642	25%	49	38%	7.6%	1.2%	4.9%
4 Bedroom	348	42%	1,392	55%	51	40%	3.7%	0.7%	2.7%
Other	1	0%	2	0%	1	1%	50.0%	n.a.	n.a.
Total, All Sizes	820	100%	2,520	100%	128	100%	5.1%	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 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 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, 2015.

Rental Rates

All survey respondents reported static or increasing rents, relative to 2014. None of the respondent complexes reporting lowering rents in 2015 in order to fill vacancies.

Unit Leases

Table 3 illustrates the weighted average of the reported rental rates for apartments leased under unit lease arrangements. Note that the survey results reported here represent properties for which 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 \$1,489 per month.² This represents a 5.3 percent increase over 2014, when the average rental rate for unit-leased apartments was \$1,414. Lease rates for studio units increased the least relative to 2014, at 1.8 percent, or \$916 per month. The average rental rate for one-, two-, three-, and four-bedroom units increased between four and six percent, with the 2015 rent for one-bedroom units averaging \$1,119, two-bedroom units averaging \$1,462, three-bedroom units averaging \$1,993, and four-bedroom units averaging \$2,587.

² See footnote 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.

Table 3: Rental Rates for Unit Leases, by Unit Size

Unit Size	2015 Survey Results		2014	2013
	Minimum	Maximum	Weighted Average (a)	Weighted Average (a)
Studio	\$588	\$1,252	\$916	\$911
1 Bedroom	\$770	\$1,693	\$1,119	\$1,005
2 Bedroom	\$925	\$2,178	\$1,462	\$1,275
3 Bedroom	\$1,350	\$2,888	\$1,993	\$1,764
4 Bedroom	\$1,750	\$3,175	\$2,587	\$2,338
Other	\$1,186	\$3,700	\$2,297	n.a.
Total, All Sizes	\$588	\$3,700	\$1,489	\$1,414

Note:

(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, 2015.

Bed Leases

Table 4 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 \$905 per month.³ This represents an increase of 9.4 percent over the 2014 survey results, when the average monthly rental rate was \$827. The average rental rate for bed leases in one-bedroom units increased the most, at 11.5 percent, reflecting an average rental rate of \$1,850.⁴ The average rent for bed leases in two-bedroom and three-bedroom units increased by 5.1 percent and 7.7 percent, respectively. This corresponded to average rental rates of \$988 and \$901, respectively. Bed leases within four-bedroom units had the lowest average monthly rental rate, at \$841, which represents an increase of 10 percent relative to 2014. Because the reported values represent weighted average rates, differences in pricing may reflect a variety of factors. These include, but are not limited to, the 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.

³ See footnote 2.

⁴ 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.

Table 4: Average Rental Rate for Bed Leases, by Unit Size

Unit Size	2015 Survey Results			2014	2013
	Minimum	Maximum	Weighted Average (a)	Weighted Average (a)	Weighted Average (a)
1 Bedroom (b)	(c)	(c)	\$1,850	\$1,659	\$1,660
2 Bedroom	\$566	\$1,050	\$988	\$940	\$912
3 Bedroom	\$538	\$933	\$901	\$837	\$825
4 Bedroom	\$550	\$890	\$841	\$765	\$774
Other	(c)	(c)	\$1,200	n.a.	n.a.
Total, All Sizes	\$538	\$1,850	\$905	\$827	\$825

Notes:

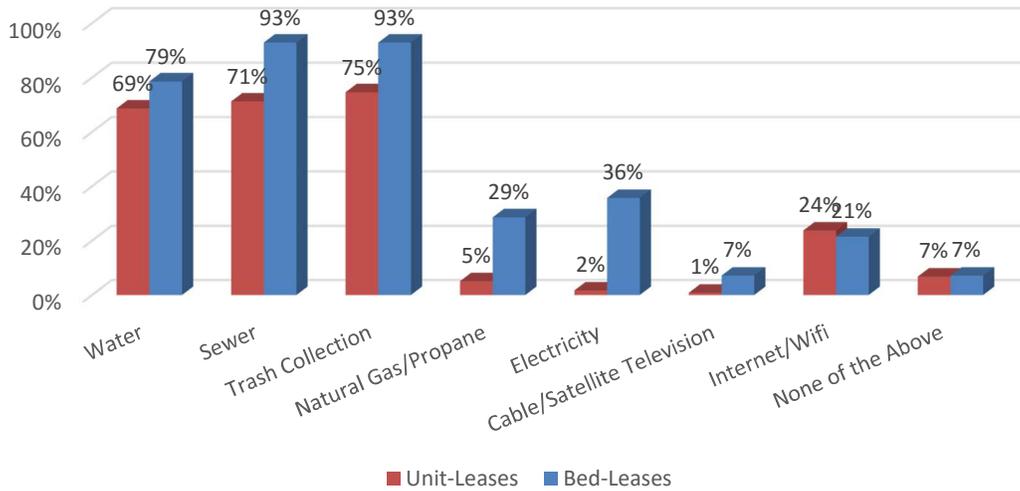
- (a) Figures represent weighted average rental rates and include only those complexes where the respondent identified the number of units by type, the number of beds per unit, and associated rental rates.
- (b) One-bedroom bed-leased apartments are intended for occupancy by a single individual, but 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.
- (c) Data are suppressed to prevent the disclosure of proprietary information.

Source: BAE, 2015.

Utilities and Appliances

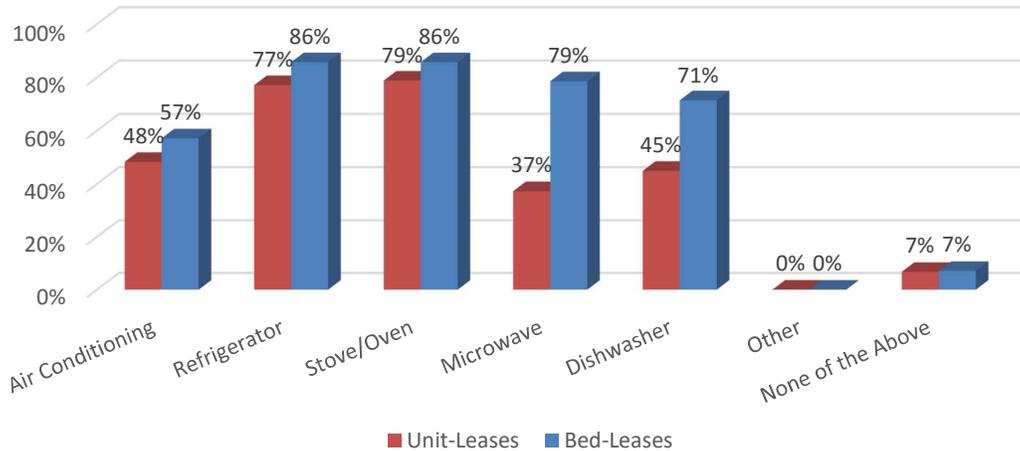
The 2015 survey incorporated additional questions regarding utilities and amenities that were made available to tenants at no additional charge (i.e., included in the monthly rental rate). Of the 118 respondents that offer unit-leased apartments, 75 percent reported that they include trash collection, 71 percent include sewer service, and 69 percent include water service. Only two percent included electricity, while five percent included natural gas or propane. However, 24 percent of unit leased properties include internet or Wi-Fi service as part of the monthly rent, while less than one percent included cable or satellite television service. Of the 14 respondents that offered bed-leased units, 93 percent reported that they include sewer and trash collection, while 79 percent also include water, 36 percent include electricity, and 29 percent include natural gas or propane. Only seven percent include cable or satellite television service, though 21 percent included internet or Wi-Fi service.

Figure 3: Percent of Respondents Including Utilities in Rent by Utility Type and Lease Type



In addition to information regarding utilities, the survey also collected information on the appliances that are provided within each rental unit. Among respondents offering unit-leased apartments, 79 percent reported including a stove/oven, while 77 percent include a refrigerator, 48 percent include a dishwasher, and 37 percent include a microwave. Around 48 percent included air conditioning equipment. Among respondents offering bed-leased units, 86 percent include both a refrigerator and an oven/stove within each unit, while 79 percent also include a microwave. Roughly 71 percent include a dishwasher, while 57 percent reported including air conditioning equipment.

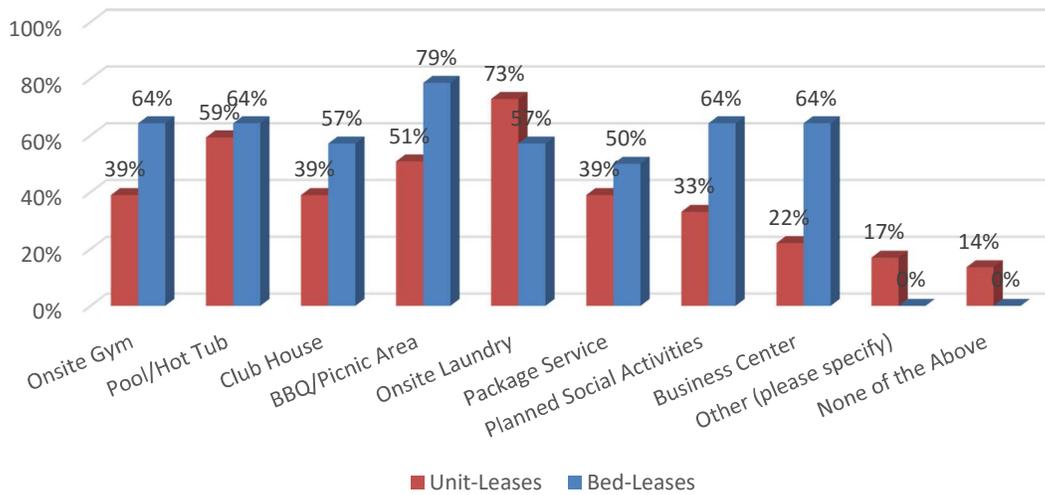
Figure 4: Percent of Respondents Including Appliances in Unit by Lease Type



The 2015 survey also questioned respondents regarding the various amenities offered onsite, such as gym or pool facilities, and some of the services provided by the property management staff, such as package service and organized social activities. Figure 5 illustrates the relative prevalence of these amenities, differentiating between complexes that offer unit leases versus

bed leases. Overall, Respondents that offer unit leases generally tend to offer fewer amenities. For example, only 39 percent offer onsite gym and club house facilities, while 59 percent offer a pool and/or hot tub and 51 percent offer a picnic or BBQ area. However, respondents that offer unit leases were more likely to offer onsite laundry facilities, compared to those offering bed leases. Respondents that offer bed leases were subsequently more likely to offer an assortment of onsite amenities, with most respondents offering multiple types of facilities and services. For example, 64 percent of the respondents that offer bed leases also offer onsite gym facilities and a pool and/or hot tub, while 57 percent offer a club house and 79 percent have onsite picnic or BBQ areas and 57 percent offer onsite laundry facilities.

Figure 5: Percent of Respondents Offering Select Amenities by Lease Type



Furnished and Unfurnished Units

The majority of surveyed properties indicated that they did not offer furnished units in the 2015 leasing season. Figures 6 and 7, below, illustrate the number of respondents that offered furnishings, by unit size. A total of eight properties indicated that they offered furnished apartments under unit lease arrangements in 2015, which was unchanged from 2014. The most common units offered with furnishings under a unit lease arrangement include one- and two-bedroom units. Only three respondents reported offering furnished bed-leased units, which represents a decrease from 2014, when seven respondents indicated that they offered furnished bed-leased units. Similar to the responses received in 2014, the only furnished bed-leased units on offer were two-, three-, and four-bedroom units.

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

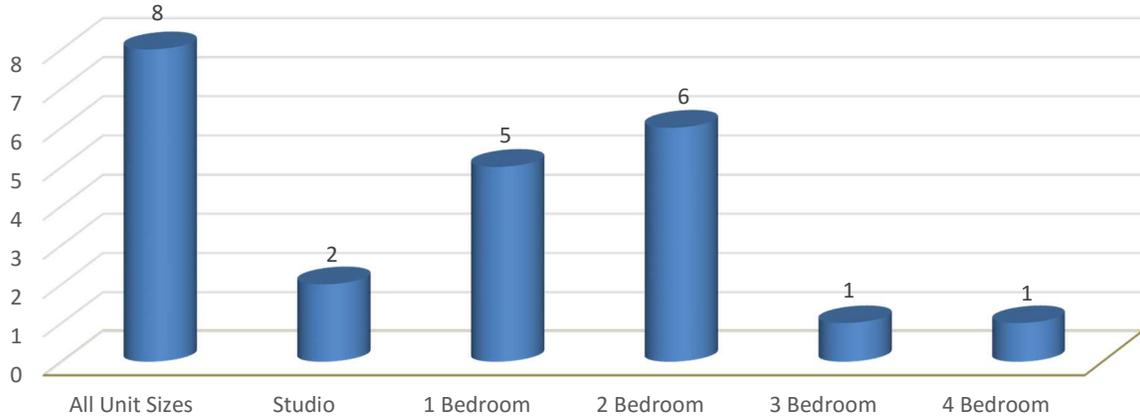
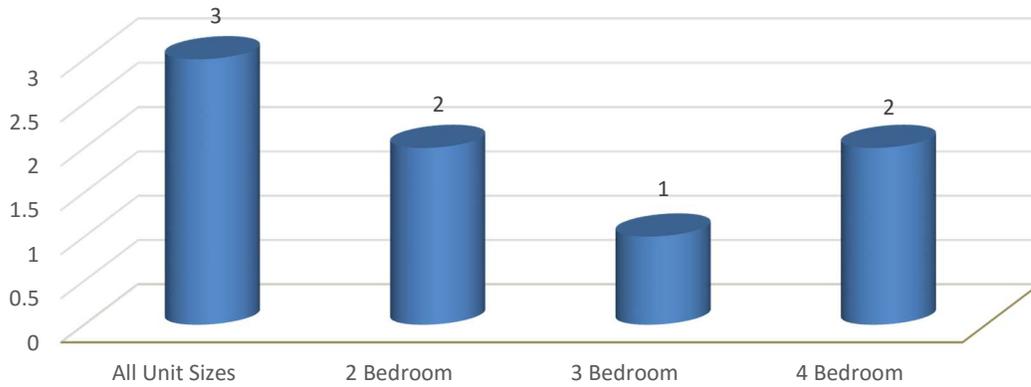


Figure 7: Number of Respondents Offering Furnished Bed Leases, by Unit Size



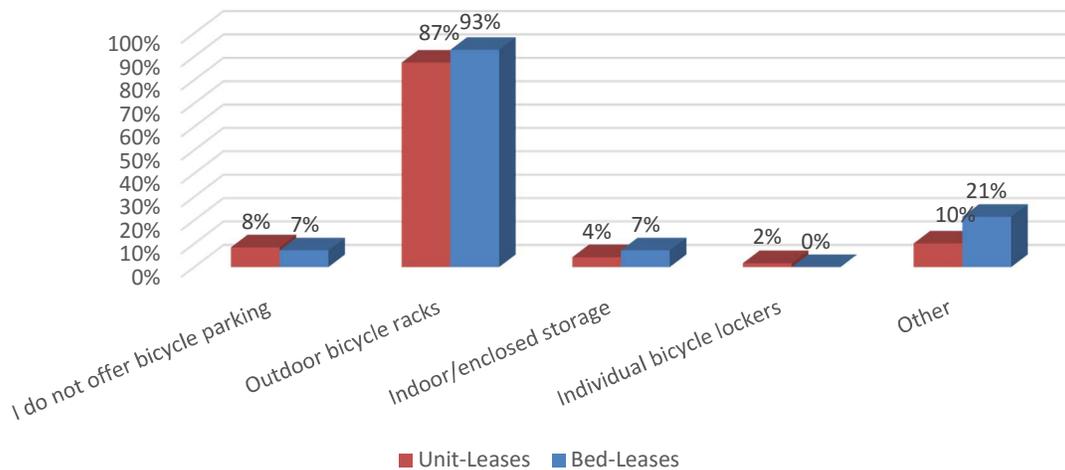
Parking Availability

As in 2014, the 2015 survey included questions regarding parking availability. The survey requested that respondents identify the total number of automotive parking spaces, distinguishing between those reserved for use by tenants and those reserved for use by visitors. In total, 111 complexes responded to these survey questions. Approximately 86 percent of respondents reported offering assigned parking, which represented a total of 10,685 parking spaces. The remaining 14 percent offered open parking (i.e., no assigned spaces), representing 1,838 parking spaces. Based on the number of housing units and parking spaces offered at each complex, respondent complexes average around 1.3 parking spaces per unit. Only nine complexes maintain a ratio of less than one space per unit. A total

of 79 complexes maintained between one and two spaces per unit, while 23 complexes had more than two parking spaces per unit, with a maximum of 3.3 spaces, excluding outliers.⁵

In addition to questions regarding automobile parking availability, the 2015 survey included a new question regarding the availability of various types of bicycle storage. Figure 8 illustrates the relative prevalence of a number of bicycle storage options, differentiating between complexes that offer unit leases versus bed leases. The most common approach to bicycle storage is the provision of outdoor bicycle racks. Of the complexes that offered unit-leased apartments, 87 percent featured outdoor bicycle racks. This percentage was slightly lower than for complexes offering bed-leases, where 93 percent (13 complexes) offered outdoor bicycle racks. While relatively few complexes offer indoor or enclosed bicycle storage, complexes that offer bed leases were more likely to offer these amenities, compared to complexes that offer unit leases. Only two complexes offered individual bicycle lockers onsite. A small number of complexes reported other types of bicycle storage options, including the option of storing bicycles in patio and balcony areas, as well as within private backyards.

Figure 8: Percent of Respondents Offering Bicycle Storage by Storage Type and Lease Type



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. In 2014, a total of 16 properties responded to the question inquiring whether the complex offers a roommate matching program for bed-leased units, with all but three indicating that they do provide a

⁵ Outliers primarily included rental properties that shared parking spaces with nearby commercial land uses. As a result, the average number of parking spaces per unit greatly exceeded what would be necessary within a typical residential context.

matching service. In 2015, a total of 13 properties responded to the question, with nine indicating that they offered both bed-leased units and a roommate matching program. For the 2014 survey, 114 properties responded to the question inquiring whether the complex offers roommate matching for unit-leased apartments, with five properties indicating that they offered a matching service. For the 2015 survey, 117 properties responded to this question, with only six indicating that they offer a matching program for unit-leased apartments.

Nine apartment complexes reported offering other incentives and move-in specials in the 2015 leasing season to help fill vacancies and attract new residents. Three respondents offered some form of free or reduced price rent. An additional two respondents reported offering reduced move-in deposits and/or waived application fees. Two respondents reported other incentives, including various gift card and television giveaways, and early move-out specials.⁶ Two complexes stated that 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 2015 leasing season.

Planned Renovations

Thirty-eight respondents, around 30 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 countertops, carpet/tile/other flooring, and kitchen cabinets, followed by exterior paint, appliances, interior paint, and windows. Four complexes indicated that they were undertaking exterior upgrades, including exterior paint. A number of properties also indicated that they were in the process, or planned on, renovating offices, study rooms, and fitness centers.

⁶ With an early move-out special, the complex offers incentives, such as the ability to break a lease agreement without being held liable for the remaining lease term. This is beneficial to the property manager in those cases, for example, where they have limited resources or staff available to prepare units for re-leasing (e.g., to conduct repairs and improvements) when all units turn over within a relatively narrow window of time.