

SEATTLE POST-INTELLIGENCERhttp://seattlepi.nwsourc.com/local/359900_apartment21.html**Rent at an all-time high -- if you can find a place****But housing slump could help apartment dwellers**

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By AUBREY COHEN

P-I REPORTER

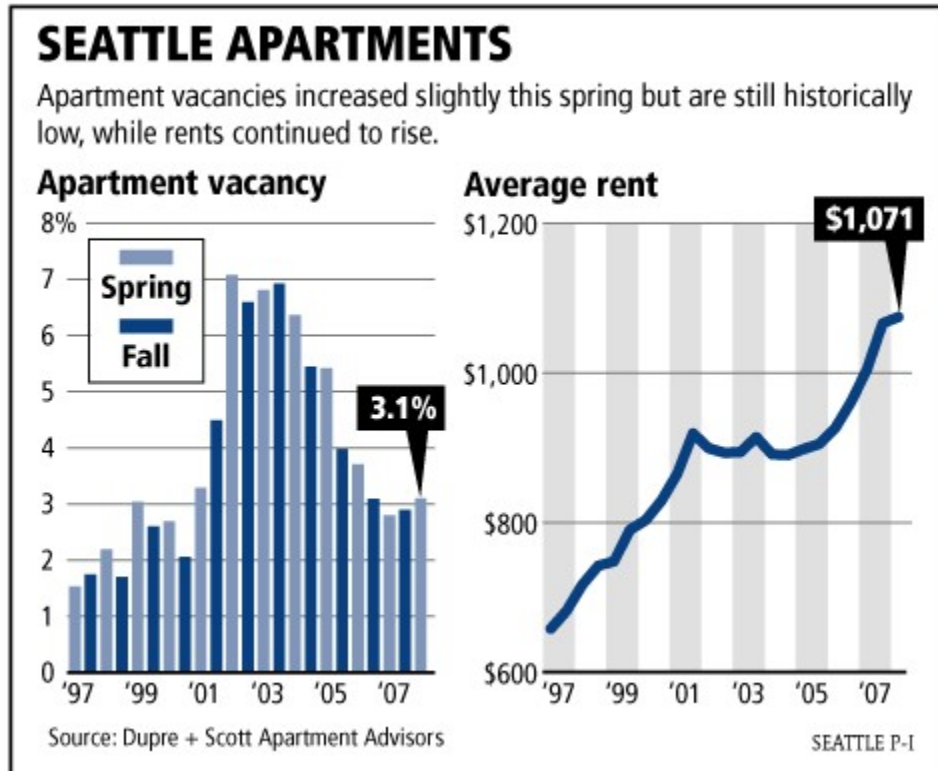
Byron Kilbourne has been looking for an apartment in Seattle since February.

"There are a lot of apartments available, but the desirable ones seem to rent very quickly," said Kilbourne, a University of Washington student who must move out of his dormitory by mid-June and is about to start graduate school.

"Seems like you have to find a place within the first day of it becoming available, or it's gone."

A new report affirms that apartments are about as hard to find now as they have been any time in the past three decades and rents are on the rise.

But it also offers some hope for renters.



"Vacancies weren't lower very often in the past 27 years," says the report, by Dupre + Scott Apartment Advisors, a Seattle company that tracks the rental market. "Even so, we expected vacancies would be

lower by now."

In March, 4.1 percent of King County apartments and 3.1 percent of those in Seattle were vacant, according to Dupre + Scott.

That's much tighter than the rates of a few years ago, but up from March 2007, when vacancies were at 3.9 percent in the county and 2.8 percent in Seattle.

One big reason vacancies have started increasing is that the housing slump has all but ended conversion of apartments into condominiums.

Surging conversions -- from 900 in 2003 to 1,800 in 2004, 3,600 in 2005 and more than 6,000 in 2006 -- fueled the drop in the vacancy rate during those years, Dupre + Scott said. But conversions fell to 2,800 last year (subtracting 1,200 units that started to convert, then reverted to rentals) and just 168 units have converted or are scheduled to convert so far this year, according to Dupre + Scott.

"Conversions in the past three years outpaced new development by a total of 5,400 units," they wrote. "Developers will open fewer than 2,000 apartment units this year, but with conversion activity stalled, 2008 will be the first year since 2004 where the region's rental housing stock increased."

Inventory also has grown as homeowners rent out homes they have been unable to sell, said Dean Foggitt, a broker at Brink Property Management, a Bellevue company that manages about 600 rentals in and around King County. He said his portfolio of rental houses is up 15 percent to 20 percent from a year ago.

"As far as tenant demand, we haven't seen that huge increase that we thought we would have, given the slowdown in the sales market," he said. "What we've seen more is people staying put, less tenants giving notice."

Apartments generally rent within 30 days of hitting the market in most areas and within about a week in central areas, Foggitt said.

Traffic and high gas prices have driven up the desirability of areas closer to people's jobs, he said. "As you get further out, the responses drop dramatically."

Apartment rents averaged \$1,026 in King County and \$1,071 in Seattle in March -- up 2.5 percent and 1.9 percent, respectively, from September and about 8.5 percent in both cases from March 2007.

"Even though rents have increased significantly over the past couple of years, there is still room for more increases because rents have not kept pace with consumer incomes," Dupre + Scott wrote. "Rents today are still 10 percent to 15 percent below what renters can afford to pay."

These rising rents have combined with falling mortgage payments (thanks to lower prices and interest rates) to narrow the gap between the average King County rent and median condo mortgage payment, from 70 percent a year ago to 50 percent this spring, Dupre + Scott said. The gap between the average house rent and median house mortgage payment is 34 percent, down from 60 percent a year ago.

"The gap should narrow more this year, increasing the attractiveness of homeownership again, but minimally," Dupre + Scott wrote.

Brink Property Management has raised rents about 5 percent on average and up to 10 percent in central areas such as Ballard, Queen Anne, Capitol Hill and downtown Bellevue, Foggitt said.

Kilbourne is looking for a studio for less than \$900 a month in a location convenient to the university.

"There is a great deal of competition for certain neighborhoods and price ranges," he said. "You have to be quick and charming and possibly slip a bribe to get the place you want."

P-I reporter Aubrey Cohen can be reached at 206-448-8362 or aubreycohen@seattlepi.com. Read his Real Estate News blog at blog.seattlepi.com/realestatenews.

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