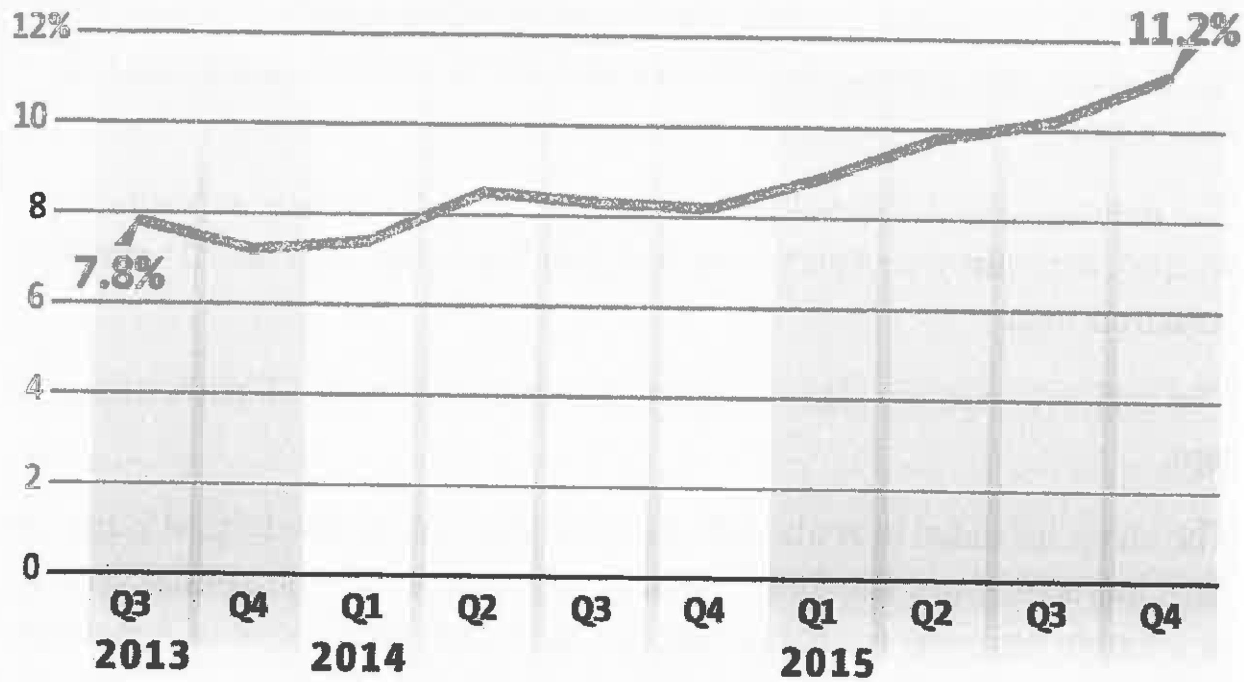
Average rent hike hits new high

The average rent in King and Snohomish counties in the fourth quarter was 11.2 percent higher than a year ago – the steepest annual gain since 2006.

Annual rent growth, 2013-2015



Source: Apartment Insights Washington MARK NOWLIN / THE SEATTLE TIMES

Apartment rents leap again, but softer market may be ahead

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In some of the priciest areas, rents actually fell in the fourth quarter while vacancy rates increased. From the landlord's point of view, such changes signal an "alarming deterioration"

in the market, a new report says, though renters may welcome the shift.

By Sanjay Bhatt

Seattle Times business reporter

Apartment rents in King and Snohomish counties rose 11.2 percent over the year in the fourth quarter, the fastest climb in nearly a decade, but the market could be starting to turn in favor of renters, according to a new report.

The average rent for new leases at properties with at least 50 units was $1,460, according to Apartment Insights Washington, a Seattle market-research firm.

The region's vacancy rate was 4.3 percent, down from 4.6 percent a year ago.

The steep increase in rents over the past year marks the largest jump the firm has seen since the fourth quarter of 2006, when the annual growth in average rent was nearly 12 percent, said Tom Cain, head of Apartment Insights.

But there's strong evidence the market is getting softer and that rent hikes will slow down in 2016, he said.

Four of the five most expensive submarkets — downtown Seattle, downtown Bellevue, Belltown and Sammamish/Issaquah — saw their average rent decline in the fourth quarter by an average of $59 per month. Only South Lake Union's average rent didn't decline.

Moreover, all five submarkets saw the average vacancy rate increase nearly a full percentage point, Cain said.

The rents in these five submarkets range from $1,849 to $2,140 per month.

"Rents have gone up so fast that people are looking for more affordable units," Cain said.

Landlords also are working harder to sweeten the deal: Twenty percent of properties in the two counties are offering move-in incentives, up from 16 percent in the third quarter.

Also, the amount of concessions on a unit doubled in the fourth quarter to $15 a month.

Taken together, these signals indicate an "alarming deterioration" in the market, from the landlord's point of view, and could spell trouble for developers of new apartments opening in 2016, Cain said.

Across the two counties, there are 21,592 units under construction; just over half of them are in Seattle. Cain expects 13,854 units to be completed next year and an equal number in 2017.

With all those new properties competing to lease up, "next year the rent increases are going to be less," Cain said.

The galloping pace of rent hikes in King and Snohomish counties may have driven more renters to less expensive Pierce County, spurring rent hikes there.

A report by Dallas market-research firm Axiometrics found the annual rent growth in Tacoma metro hit a five-year high in October, outpacing the annual rent growth in the Seattle-Everett market.

Axiometrics reported the average monthly rent was $1,148 in the Tacoma, compared with $1,660 in Seattle.

"If I was working in downtown Seattle, I'd probably think it would be worth the 45-minute commute to save $500 on rent by living in Tacoma," said Stephanie McCleskey, the firm's vice president of research, in a statement.

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