

DUNCAN & BROWN APARTMENT REPORT

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Apartment Vacancy Rates

The Duncan & Brown Apartment Report is published each fall and is designed to measure changes in occupancy and rental rates in the Eugene/Springfield metropolitan area apartment market.

The metropolitan area apartment inventory is approximately 25,000 units. The information contained in this report is based on a survey of 11,115 units (44%). Due to the sampling technique used, the survey is composed primarily of professionally-managed complexes larger than 20 units. The exceptions are mostly in the campus neighborhood, where smaller complexes are common. The data was collected during October 2006 and represents the state of the market at that time.

The vacancy rates are not to be construed as representing an annual vacancy rate or indicating vacancy and collection loss. Vacancies are counted based on physically vacant units as of the date of the survey. Notices to vacate are not included in the count.

The results of the Fall 2006 apartment survey show the community-wide vacancy rate for Eugene/Springfield remains below historic levels. The vacancy rate was 2.04% overall in the Eugene/Springfield metropolitan market, which is slightly higher than the 1.21% surveyed in Fall 2005. However, the current survey includes units located in three recently completed complexes that have not yet reached stabilized occupancy. The indicated vacancy rate drops to less than 1% when these complexes are removed from the survey. The overall vacancy rate has not been below 1% since 1994 and has only been below 1% twice in the history of this survey. The surveyed vacancy rate has been steadily declining since Fall 2003, when the rate was at an all-time high of 5.26%. All surveyed neighborhoods show similar historically low vacancy rates.

The chart on the following page illustrates vacancy by neighborhood and unit type. The highest vacancy rates are a result of new complexes that are still absorbing units. The west Eugene neighborhood includes both the new Heron Meadows apartments and Westmoreland Village, the former University of Oregon housing project. Both of these complexes are in the absorption phase. Heron Meadows completed approximately 100 of the 300 total units and began renting these units earlier this fall. The remaining 200 units will be completed in phases over the next six months. Westmoreland Village is a 404-unit apartment complex purchased from the State Board of Higher Education by a private owner. The current owner is in the process of renovating the individual units and began renting renovated units earlier this fall. The vacancy rate drops from 3.68%

to 1.10% when these two complexes are removed from the neighborhood survey. Brentwood Estates, a 297-unit complex in Springfield is also in the absorption phase. The vacancy rate in this neighborhood drops from 4.13% to 1.10% when this complex is removed from the survey.

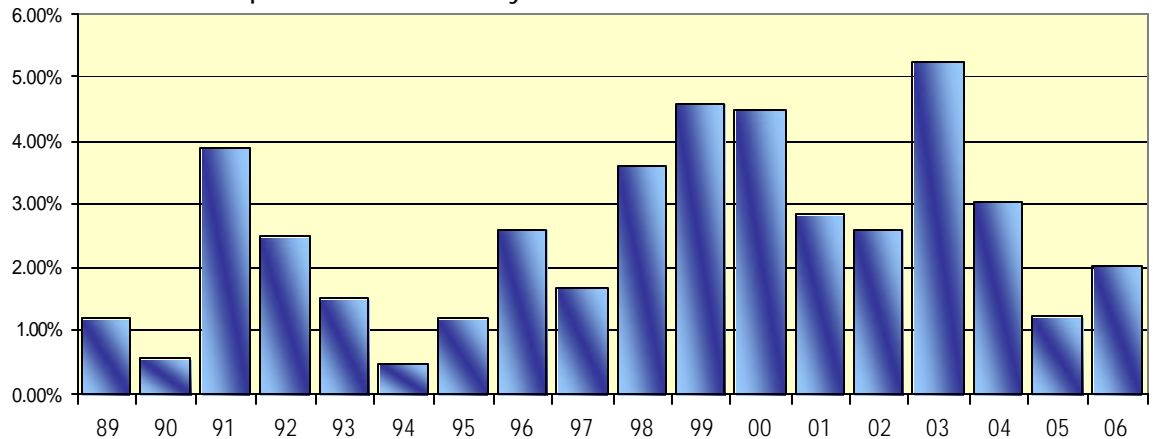
The vacancy rate by unit type indicates a similar drop when adjusted for units still in absorption. The remaining neighborhoods indicate rates of 1.11% or lower. As in past surveys, the campus neighborhood indicated the lowest vacancy rate of all neighborhoods surveyed. Campus property managers reported that most units were reserved for the 2006 school year by early summer.

Newer units continue to enjoy the highest demand. These units are typically leased for a full year (12 months) and are generally pre-leased well before actually becoming vacant. Leases in the campus neighborhood have become standard, with units in older complexes achieving 9 to 10-month leases. Leases are also becoming more prevalent in non-campus neighborhoods. While most non-campus complexes do not require leases, many complexes offer discounts on the monthly rental rate if a tenant signs a 6- or 12-month contract.

New construction includes Heron Meadows (300 units) and Brentwood Estates (297 units), two complexes that were previously discussed. In addition, Willamette Gardens, a new 240-unit affordable housing project, is under construction in the MLK/Autzen neighborhood. This complex has 80 units finished with the remainder to be finished by early summer 2007. Construction of Turtle Creek, a 27-

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Apartment Vacancy Rates Fall 1989-Fall 2006

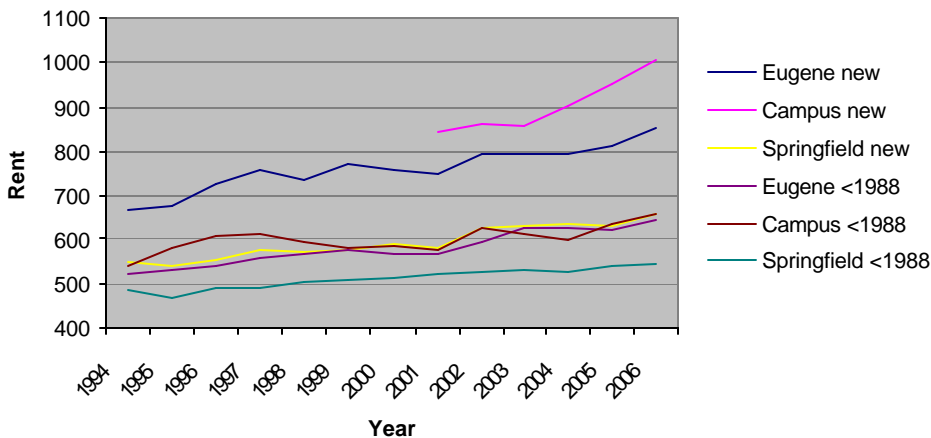


Fall 2006 Vacancy Rates

	STUDIO	1 BR	2 BR	3 BR	NEIGHBORHOOD
Campus	0%	0%	0.75%	0%	0.38%
Downtown	1.44%	0.54%	1.48%	*	0.94%
Ferry Street Bridge	*	0%	0.56%	0%	0.38%
South Eugene	*	0%	1.51%	*	1.04%
West Eugene	0%	1.95%	4.60%	4.64%	3.68%
MLK/Autzen	*	1.96%	0.45%	0%	0.73%
Goodpasture Island Rd.	*	0.56%	1.17%	1.65%	1.11%
Gateway	*	1.74%	.71%	*	0.98%
Springfield	*	1.46%	2.32%	16.67%	4.13%
UNIT TYPE	1.05%	1.11%	2.13%	5.43%	2.04%

*Sample size too small

Average Two-Bedroom Rent



Apartment Vacancy Rates

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unit affordable housing complex, has begun off of River Road in the West Eugene neighborhood. Crescent Village is a mixed-use project under construction in the Ferry Street Bridge neighborhood which will include 100 to 120 units in the first two buildings and will be completed in mid 2007. In the campus neighborhood, a number of new complexes are proposed or under construction. These complexes include at least three complexes of over 20 units, and two complexes over 10 units. There are also a number of 2 to 6 unit in-fill projects occurring in this neighborhood. Campus area complexes have traditionally consisted of one and two-bedroom units of 500 to 800 square feet and many of the new complexes will include very large units featuring two, three, four and even five bedrooms and up to 1,500

square feet.

With vacancy near an all time low, the strong demand for new units will continue. As new units are completed, they will be quickly absorbed by the market. However, neighborhoods with units either proposed or under construction can expect slightly higher vacancy rates than the remainder of the market as these units are absorbed. On a community wide basis, the total number of new units is not large enough to cause a noticeable change in market conditions. Historically, when vacancy rates have reached the current levels, the market has responded with new construction and the vacancy rate increased substantially. However, the lack of available multi-family land, coupled with the current high cost of construction will restrict the number of new units built.

Average Rental Rates & Changes

Rent increases are beginning to occur throughout the market. Rent increases began last year primarily in the newer Eugene and campus complexes, and have now spread to new complexes in Springfield as well as older complexes in Eugene and campus. Many of the newer complexes have increased rents multiple times over the past year. Rent increases are typically \$10 to \$40 per unit per month and many of the newer complexes are also charging tenants for utilities that were previously paid by the landlord. These complexes get reimbursements of \$20 to \$30 per unit, per month, from tenants for water and sewer billings. This is essentially a rent increase that does not show up in the base rent charged.

The above graph illustrates the average rental rate for a two-bedroom unit over time. Two-bedroom units are the most prevalent unit type and a good indicator of market rent changes. The graph indicates that two-bedroom rental rates have increased in the new units as well as the older units in Eugene and campus. Older units in Springfield indicate the smallest increases. Newer campus area units show both the highest average rental rate and the largest rent increase.

Rental rate increases are anticipated to continue on both newer and older units due to the historically low vacancy rate in the market. While new complexes are offering concessions to attract new tenants, very few concessions are offered at stabilized properties.

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