



MEMORANDUM

DATE: August 15, 2018
TO: Emily Carr, Development Project Coordinator
FROM: Nellie Jerome, Economic Development & Housing Intern
SUBJECT: Apartment Vacancy Survey Results for 2018

Introduction and Key Findings

The City of Brooklyn Park has surveyed all multifamily rentals since 2011, asking about vacancy rates, tenant amenities, and rent amounts for different unit types. This year, we sent the survey out to every apartment community and a little over half of them were completed and returned. The key findings are:

1. Median vacancy was reported to be 5.7%, which is higher than last year's rate of 2.8%
2. The median rent has increased about 6% since last year for 1-bedroom units, and 5% for 2-bedroom units. Median rents for efficiency (studio) units decreased 5% from 2017.
3. Since the beginning of the survey project, in 2011, median rent for a 1-bedroom apartment has risen 70.4%, from about \$630 per month to \$898 per month.

Methods and Response

Paper copies of surveys were sent to all apartment communities, and a second "reminder" survey was sent three weeks later to apartments who had not yet completed one. Approximately half of the responses were received from the emailed survey, and half were either returned by mail or faxed in. Those who did not respond after one month received follow-up notifications

A total of 20 of 35 communities surveyed returned a response, yielding a 57% response rate.

Results

Responding apartment managers reported low vacancy, indicating a reasonably strong rental market, and that there is likely unmet demand for apartment units. This is likely to increase as many areas in the twin cities are seeing rising rents and sometimes issues of gentrification.

The median vacancy for apartment communities in 2018 was 2.8%, and the citywide vacancy for all units is approximately 4.8%. This number is higher in large part because of ongoing renovations at Autumn Ridge and Fairways at Edinburgh.

Median rent and changes from 2017

Rent increased for all unit types between 2017 and 2018, with the most dramatic increases in studio apartments. The degree of increase is not dramatic, but the rent cost is still likely to be burdensome to many households. A rule of thumb for affordability is that households should not spend more than 30% of their income on housing costs. Even a studio requires an income nearly double the minimum wage for a single-earner household.

The results below are the median rents

Table 1: Rent changes and housing-secure income levels (2018)

Type of unit	Median price in 2018	% change from 2011	Hourly wage needed	Annual salary needed
Studio	\$767	+ 21.60%	\$16	\$30,500
1 bedroom	\$898	+ 37.94%	\$19	\$38,500
2 bedroom	\$1070	+ 32.43%	\$22	\$42,750
3 bedroom	\$1295	+ 28.79%	\$27	\$51,600

Source: *Minnesota Paycheck Calculator*. (Before-tax estimates were used.)

<https://smartasset.com/taxes/minnesota-paycheck-calculator#6CKSSHxAY>

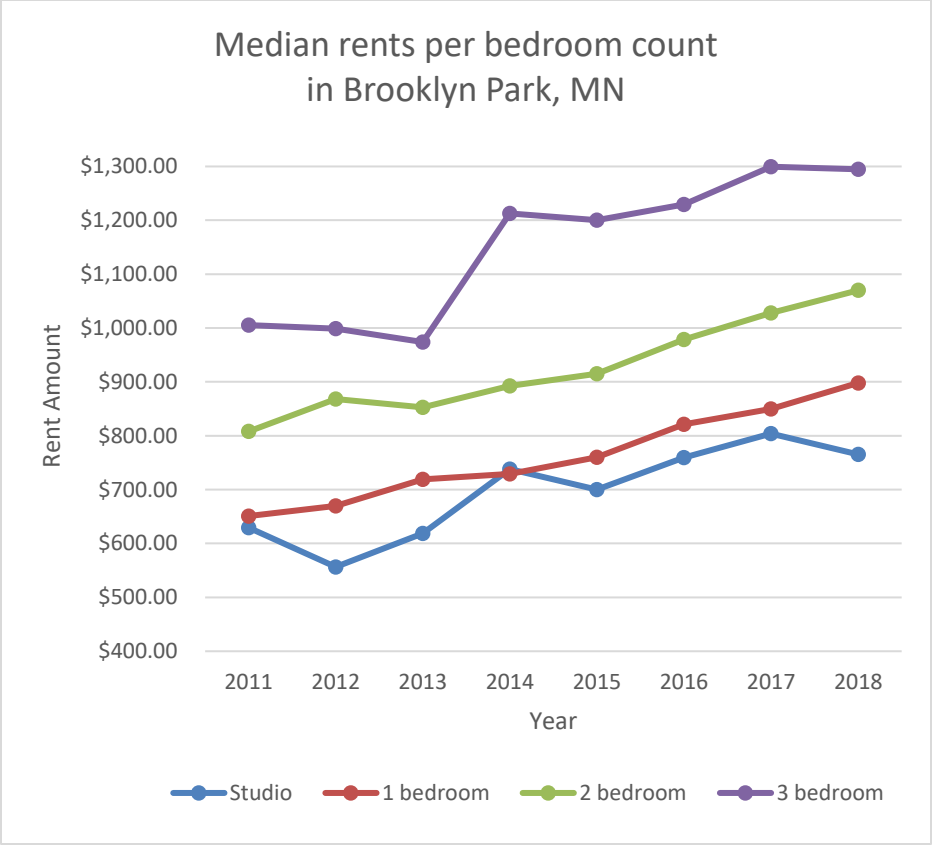
Median prices are significantly higher than they were seven years ago, when the survey was first started. The hourly wage needed for a household with one income is much higher than the state’s minimum wage (\$7.87 per hour).

Demographic Data and Context

Based on demographic data, \$35,743 was the median household income for renters in Brooklyn Park in 2015. This annual income puts many Brooklyn Park residents just on the edge of being “housing insecure” and if their income is below this amount they could be one medical or financial emergency away from eviction due to unpaid rent. For reference, the median income for all of Brooklyn Park residents in that same year was estimated to be \$65,695 annually. Racial disparities also come into play in this context, as the average income for White workers was \$58,606 while Black workers in the city made only \$39,239 on average.

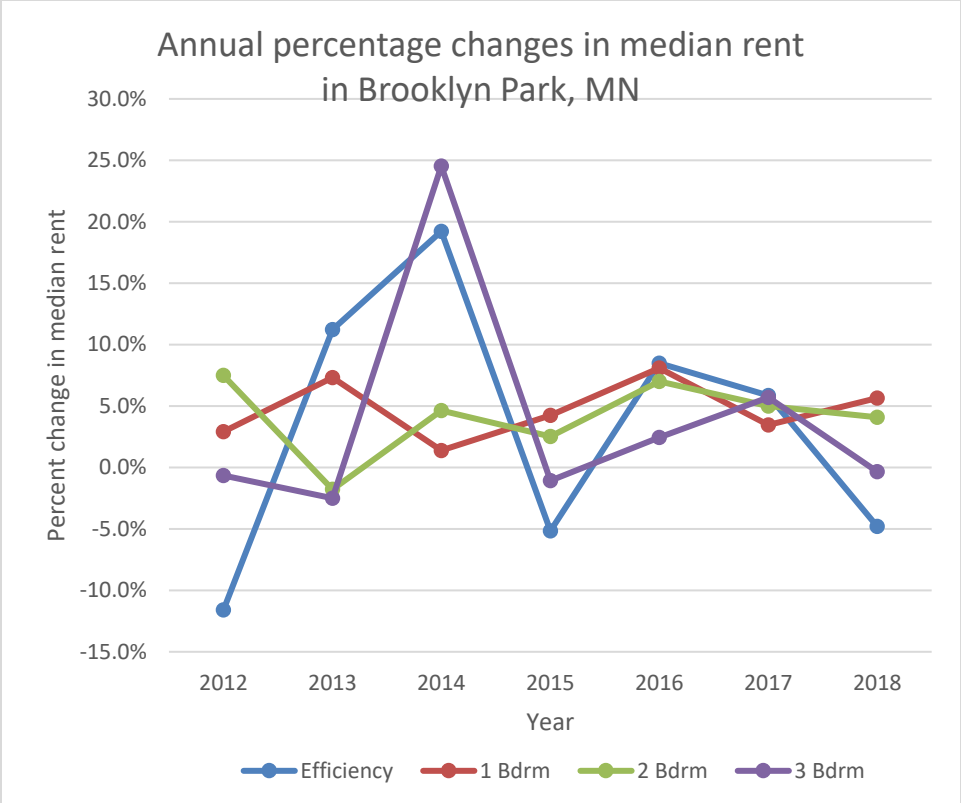
Changes since 2011

Figure 3: Price increases since 2011 (not adjusted for inflation).



Rent prices have indeed increased significantly since 2011. If these prices were adjusted for inflation, the changes would not be so extreme but would still be increasingly significant. In 2011 rent for a 1-bedroom apartment was \$651, which would be about \$729 in 2018 dollars. This is still significantly below the median rent, \$898, for a 1-bedroom today in Brooklyn Park. It is likely that these prices will continue to increase over time.

Figure 4: Percentage change increases since 2011. Nearly every year has seen an increase, but growth has been more modest in 2017 than in 2016.



Percent changes in median rents since 2011 have been very diverse for certain units and more stable for others. Rents for 1-bedroom apartments seem to steadily increase around 5% per year, while 2-bedroom apartments fluctuate a little more but have been increasing steadily along with 1-bedroom units in the past few years. Efficiency and 3-bedroom unit rents fluctuate most, but that could be due to the smaller pool of units and the response rates in each year that the survey is sent out. In general, however, rents seem to hover around 5% increases each year.