

## Multi-Family Housing - 27 October 2006

### Renters scramble to afford apartments as demand soars across the U.S.

LOS ANGELES (AP) -- Oct. 27, 2006 -- Apartment rents and demand are soaring in the United States as the economy produces good jobs and people who might have bought homes a year ago settle for apartments while they wait for housing prices to tumble.

In addition, the supply of rental housing tightened in the past year as many apartments were converted into condominiums in places like Florida and Southern California. Some of those units are now returning to rental markets at high prices as owners struggle to sell them.

In the quarter ended Sept. 30, the average advertised rent reached \$978 (euro 773), up 3.9 percent over the year-ago period, according to an analysis of 75 markets by real estate research firm Reis Inc. in New York. Some of the biggest increases were seen in Florida and Southern California.

Meanwhile, the nationwide vacancy rate for rental housing dropped to 5.4 percent during the quarter from 6.7 percent in the same period of 2004.

"The market is strong enough that landlords are able to reduce the concessions that they're offering to new tenants," said Sam Chandan, Reis' chief economist. "Even more important, vacancies continue to fall."

Traditionally expensive rental markets such as New York City continue to see strong demand because so few new apartments go on the market and home ownership is beyond the reach of most people.

In Houston, the influx of people displaced by Hurricane Katrina helped push vacancy rates down from 10.8 percent to 6.3 percent. In smaller markets such as Portland, Oregon; Richmond, Virginia; and Omaha, Nebraska, demand has outpaced development.

At Rent.com, the most-visited online rental listing service, searches have more than doubled this year over 2005 in the site's top 10 markets, which include Dallas, Seattle, Chicago, Atlanta, Los Angeles and Detroit.

Many landlords are also listing on Los Angeles-based Bidrent.com, a subsidiary of YellowPages Online Corp. The Web site that launched officially in August pits would-be tenants in cities across the nation against each other in bidding wars.

Spokesman Robert Roth said the company does not keep track of auction outcomes, but some landlords have seen asking rents increase, albeit modestly, after using the site.

Property investor Rachel Morton recently listed a one-bedroom condo in the trendy Westwood neighborhood of Los Angeles for \$1,750 (euro1,383) a month. An auction on BidRent involving at least seven people drove the price to \$1,800 (euro1,423) -- \$100 (euro79) higher than the previous tenant was paying.

"Although it was a minor increase, it was still an increase," said Morton. "It went fairly quickly. I was really surprised."

Harold Parton, another Los Angeles-based property investor, saw similar results.

He listed a two-bedroom, 1 1/2 bath apartment in North Hollywood for the rock-bottom price of \$600 (euro474), although he was hoping for \$1,100 (euro869). The ad drew about eight bidders, who eventually kicked up the price to \$1,130 (euro893).

Another Parton listing -- this one for a two-bedroom, two-bath apartment in Westwood -- didn't yield a better price. Bidders ignored his rent-it-now price of \$1,700 (euro1,344) a month and only ratcheted up the price to \$1,295 (euro1,023) -- well short of his goal of \$1,500 (euro1,185).

"For me, the time factor is important," said Parton, who co-owns 24 rental units. "It's really supply and demand."

The surging demand has also benefited owners and operators of large apartment complexes, such as Alexandria, Virginia-based AvalonBay Communities Inc., which has more than 41,000 rental units across the U.S. The company said its revenue rose 6.6 percent in the quarter ended June 30, compared to the same period last year.

Metropolitan areas of California, where the market for homes and condos has seen annual sales and price declines, have shown some of the biggest rent increases.

In five counties around the San Francisco Bay, rents rose 7.5 percent in the third quarter to an average of \$1,443 (euro1,140), according to Novato, California-based research firm RealFacts Inc. In Southern California, the average rent paid in September in Los Angeles and Orange counties rose 7.4 percent to \$1,546 (euro1,222), RealFacts said.

Competition for units has grown along with the rent.

Zimmerman and her roommate, Camille Formosa, combed rental listings for about a month and put out feelers to friends while searching for a new place. They checked out at least 15 apartments -- but to no avail.

"You have open houses and there are like 15 to 20 people looking at the place," Zimmerman said. "Even in the places that are semi-decent, you have everyone going up there, getting an application, offering money to the landlord to take it."

On the Net:

BidRent: <http://www.bidrent.com>

Rent.com: <http://www.rent.com>



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