



## Business

### Vacancy rates rise for rentals

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#### From Staff and Wire Reports

More U.S. apartments stood vacant last year as higher rents, low mortgage rates and Americans' preference for homeownership drove down demand, according to a report by Reis Inc., a New York-based research firm.

The vacancy rate in the 79 largest U.S. metropolitan markets rose to 5.9 percent from 5.7 percent a year earlier, the highest since 2004, Reis said. Rents rose 4.4 percent in 2006 to an average of \$930.

"We're not seeing runaway demand for rentals," said Sam Chandan, chief economist for Reis. "The market for homeownership may be slowing, but more households would rather buy than rent."

However, demand from renters in Riverside and San Bernardino counties will keep the Inland apartment vacancy rate low at 4.6 percent this year for an average \$1,065 per month, according to Marcus & Millichap, a real estate consulting firm with an office in Ontario.

In its annual report, Marcus & Millichap said the high price of for-sale housing and a scale-back in new apartment construction will favor the Inland Southern California rental market, although demand for apartments will not grow as fast as in 2006 because employment growth also is expected to slow.

Nationally rental demand picked up in the first half of last year as a series of 17 interest rate increases by the U.S. Federal Reserve pushed up mortgage rates and crimped demand for home purchases. As the supply of rental apartments expanded, mortgage rates started coming down in the second half, making home buying more attractive than renting to many Americans.

Four of the six areas with the lowest vacancy rates were in the New York region. New York City had the country's lowest number of vacant apartments, with 2.3 percent of rentals standing empty; Fairfield County, Conn., with 3.4 percent; central New Jersey, with 3.5 percent; and Long Island, with 3.7 percent, followed.

Los Angeles (3.1 percent) and Orange County (3.3 percent) were second and third, after New York City, on that list.

Colorado Springs, with an 11.8 percent vacancy rate, had the highest number of empty rental apartments.

Bloomberg News and Press-Enterprise reporter Leslie Berkman contributed to this report.