



Business

Inland apartment rents rise, but at slower pace

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The Press-Enterprise

Apartment rents in the first quarter were up 4.1 percent from a year ago in Riverside County and 4.5 percent in San Bernardino County, as the Inland region saw increases drop significantly from a year ago amid a slowing housing market.

Local rents remained a relative bargain, as average rents and rates of increase for both Inland counties were below those for Southern California and the state, according to the latest quarterly survey by Novato-based research firm RealFacts.

The average monthly asking rent in Riverside County was \$1,138 and \$1,154 in San Bernardino County.

RealFacts spokesman Chris Bates said Wednesday that the Inland region has joined much of Southern California in seeing a decrease in the rate of rent increases compared with the past two years. A year ago, Inland rents were rising at an annual rate of 7.3 percent, but that number has been dropping for the past several quarters, registering a 4.3 percent rise in the latest survey.

"The rates of increase there are declining rapidly," Bates said. "For renters, it's probably good news."

RealFacts' quarterly survey covered 12,134 apartment properties in 15 states, mostly in the West and Southwest. That included 355 Inland properties with 83,251 apartments.

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AP photo

Faced with rising prices for gasoline, some renters are staying put rather than seeking out pricier new apartments.

Experts said new Inland apartment construction during the past two years has boosted competition among landlords hoping to attract tenants.

Kevin Assef, a vice president in the Ontario office of brokerage and research firm Marcus & Millichap, said Wednesday that the Inland region is now seeing rental concessions by apartment operators at a level not seen in five years. Those include offerings of free months and assistance in paying moving costs.

"The market now is harder than it was a year ago," said Nadine Lewis, assistant manager at the Acacia Park apartment complex in San Bernardino.

Lewis said rents at that 304-unit complex are about the same as they were a year ago, with two-bedroom apartments ranging from \$1,135 to \$1,160 per month.

To lure tenants and raise its current 92 percent occupancy rate, the complex has been offering incentives such as one month's free rent for new move-ins.

Assef said the overall housing slowdown is impacting the apartment market, as builders cut back and new apartment complexes compete for tenants, often luring them from older buildings. Faced with rising costs for gasoline and other living expenses, some renters are staying put rather than seeking out pricier new apartments, while others have opted to buy a home instead of rent.

Assef said while apartment vacancy rates of 3 percent were the norm in 2005, it is now common to see buildings with 7 percent to 10 percent vacancies. RealFacts' Bates noted that overall Inland apartment-occupancy levels have slipped, going from 95 percent in the first quarter of 2006 to 92 percent in the first quarter of 2007.

"New (apartment) stock is the main thing affecting the vacancy rates," Assef said. "We had thought that apartment demand and prices would rise as home prices rose, but that didn't really materialize."

In February, Marcus & Millichap listed the Inland region at No. 11 in its annual ranking of the nation's top 42 apartment markets, based on factors such as supply and demand.

The research firm forecast an overall 5 percent increase in Inland asking rents for 2007. It projected that builders would be scaling back, with developments totaling 2,400 apartments scheduled to be completed this year, compared with 3,900 units in 2006.

Average apartment rents

First Quarter 2007

(Annual increase in parentheses)

Riverside County: \$1,138 (4.1 percent)

San Bernardino County: \$1,154 (4.5 percent)

Southern California: \$1,446 (6 percent)

California: \$1,368 (6.2 percent)

Source: RealFacts
