Stability Equals Healthy Rental Market

Rents are up again in nearly every market in the second quarter of 2010. The national average is $950/mo.up $7 from $943/mo.in the first quarter. Rent growth over the past two quarters has been respectable, but not overly aggressive. Encouraged by an increase in demand for rental housing, landlords are adjusting their asking rates upwards, attempting to quickly regain some of the losses they sustained over the past year. It's a precarious balancing act as landlords are cautious not to drive rents beyond the reach of their customer. The average renter's income hasn't necessarily increased but their confidence that they can take on the responsibility of renting an apartment has. Landlords recognize they need to balance increases in rents to existing tenants against the costs associated with moving to a place deemed affordable by the renter.

The largest gains in the second quarter are in markets that appear to be making a comeback. Atlanta posted a 3% increase from $792 to $816. The San Jose MSA in California which is really all of Santa Clara County posted a significant gain for the second consecutive quarter at 2.8%, proving just how resilient this market really is. Its average rent in 2Q10 is $1556/mo, the highest of the $1,000 plus average rent club. The city of San Jose is home to nearly 1 million residents, compared to San Francisco at about 800,000. Seattle has also made an impressive comeback. In the fourth quarter of 2009, Seattle had for the first time since it became a card carrying member of the $1,000 plus club in 2006, dipped below the $1,000 mark to $981. Now in second quarter 2010, Seattle's average rent is $1,019/mo, up 2% from the previous quarter.

Markets that have lost ground this quarter are those that have in recent quarters been pushing the envelope. They are Las Vegas, down 1.5% from $775/mo. to $763/mo. and Jacksonville, Florida down 1.2% from $812/mo. to $802/mo. Salt Lake is down 0.8% from $770/mo. to $764/mo. And both Phoenix and Tucson are down by 0.6% or nearly half a percent. Las Vegas, Phoenix and Tucson' losses are most likely seasonal. These markets traditionally lose ground in the summer months.

Occupancy rates are on the rise in the second quarter of 2010. All but five of the markets we publish have posted an increase. And the year over year is even brighter with just two markets in the red. The most impressive gains occurred in Atlanta up 1.9% from 90.4% to 92.10, Okalahoma City up 2.9% from 90.7% to 93.3% and Raleigh, NC up 2.3% from 89.9% to 92%. Other markets with a marked improvement are Bakersfield, CA up 1.8% from 94.4% to 96.10% and Tulsa, OK up 2.3% from 88.3% to 90.3%. What we know for sure is wherever occupancy goes, rents are soon to follow. The fact that occupancy rates have improved in so many markets across country means that rental rate increases will continue into the next quarter.

Stability in the rental market is good for everyone. It means investors have more dollars to upgrade and maintain their property. It means renters have more choice, financial security and receive better service. And it means that nice, well maintained buildings are raising the value of the community in which the property is located.