NEWS ON
FINANCING
REALTY
PROPERTY
MANAGEMENT

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THE TREND!

California	
Median Price-SFH	**Date**
$295,300	**06/11**
$292,420	**05/11**
$313,890	**06/10**
Sales change Prior Month -1.2%	
Sales change Prior Year -3.6%	
Sacramento	
Median Price - SFH	**Date**
$165,850	06/11
$168,200	05/11
$196,220	06/10
Sales change Prior Month 4.8%	
Sales change Prior Year –2.5%	
Source C.A.R Research Dept.	

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Next Issue:

Why is the Rental Market strong?

Why is The Rental Market Strong?

During the boom years of the real estate market, most renters jumped into the homeownership wagon, hoping to enjoy the trek of the fast moving trajectory of the real estate market. Guess what happened in the bust years, these patriots (they have nothing to do with Tea Partiers) have been decamping the flaming train, wary of the destructive strew left behind. This has created an opportunity for landlords to ditch their once noticeable incentives, such as free rent, and other alluring packages in order to attract prospective tenants. Is this revenge of some sort by landlords? Maybe, but these landlords are in the business to make a buck or more. Noticeably, this has not played out as well for landlords in the commercial real estate market.

In a down market like we have, the rental market has been quite strong, with many landlords slowly raising the rents to offset their once reduced revenue stream. In some of our managed properties which have come up for rental, especially those in decent locations, there were quite an uptick in the pool of prospects. This has presented a great opportunity for landlords to get a fair market rent for their properties. What we have been lacking is the investor pool to jump in the market, and make up for what has been lost by decamping principal owners.

Unfortunately, the impact has been considerable on homeownership; the Census Bureau recently reported that the nation's homeownership rate fell from 66.9% in second quarter of 2010 to 66% in the same quarter of this year. This is the lowest since early 1998, according to the board, translating to as many as one million more renters than a year ago. This has created an opportunity for investors and landlords who own both apartments and single family homes.

The pot has been sweetened for landlords, since according to REIS Inc., only 5.9% of apartments nationwide were vacant in the second quarter, down from 7.8% a year earlier. This good tiding, has enabled landlords to increase rents in competitive locations, for instance, these landlords say they have raised rents and lease renewal rates by 5% or more in some areas. And more especially, they have been reducing concessions used to lure tenants to their properties.

The low inventory of residential rentals has been a result of reduced construction during the recession, as population has grown during this period, nevertheless. But this is not expected to last long, recently, more construction has started nationwide and thus the shortage is expected to ease within the next three years. For instance, according to the Orange County Register, Orange County multi-family permits skyrocketed nearly 500% to 2,174 units in the first half of the year, up from 445 a year earlier. Additionally, the glut of foreclosed properties which may end up as rentals will help to increase inventory.

The key is for landlords to be judicious in cost increase to tenants, such as rents and other miscellaneous items. Another option for landlords is to consider negotiating longer term contracts with tenants, in order to guarantee revenue flow for a specified period. As it will inevitably happen, as the employment picture gets better, current renters may be forced to do the rent/own analysis, which will lead them to the conclusion that owning may still be a better option, getting them back into the homeownership wagon. As a full service real estate firm, we offer services in financing, sales and purchase, and property management.

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