

Nationwide Decline in Rents by RealFacts, Inc.

The release of the RealFacts Fourth Quarter 2008 data provides the first comprehensive assessment of the rental market in 2008.

Renters looking for an apartment at the beginning of 2009 will have more choices and be able to get a better value for their rent money. A study of nationwide rents just released by RealFacts, the Nova to data specialists who are marking their 20th anniversary, show that rents declined in nearly every MSA (Metropolitan Statistical Area) in the country between September and December of 2008.

The year end survey found the highest rate of decline in Miami–Fort Lauderdale, Florida (2.4% in the fourth quarter), Riverside-San Bernardino, CA (2.4%), San Jose, CA (2.0%), Oxnard-Thousand Oaks-Ventura, CA (1.8%). Rents also went down by 1.6% in Orlando, Phoenix and Los Angeles. Nationally, the average for an apartment once again dropped below \$1,000 decline from \$1,002 in September to \$993 in December.

The decline in rents was matched by a decline in occupancy. The occupancy rate for apartments in the United States dropped to 92.2% in December, down from 92.9% in September. That decline in occupancy meant that 10,000 apartment units were vacant as the year closed. The RealFacts survey covers an inventory of nearly 3.2 million units of rental housing in 60 MSAs. In 2008, only 9,248 units were added to the supply. This compares to an average for the previous ten years of about 65,000 units per year of new construction.

The decline in rents and occupancy is certainly good news for renters. For people who have invested in income property, the news is less welcome. In essence, while income from rental property remained flat in 2008, inflation drove costs up by 3.85%. This gap is reflected in a smaller number of sales transactions during 2008. **The RealFacts database shows just 386 sales of apartment complexes larger than 100 units, which is about one third of the previous year's volume.**

Market Overview – Fourth Quarter 2008

Metropolitan Statistical Area (MSA)	Average Rent
San Jose - Sunnyvale - Santa Clara	\$1,674
Santa Cruz - Watsonville	\$1,637
Los Angeles-Long Beach-Santa Ana	\$1,636
San Francisco-Oakland-Fremont	\$1,624
Oxnard-Thousand Oaks-Ventura	\$1,515
San Diego-Carlsbad-San Marcos	\$1,394

Napa	\$1,328
Santa Barbara-Santa Maria	\$1,223
Salinas	\$1,220
San Luis Obispo-Paso Robles	\$1,207
Santa Rosa - Petaluma	\$1,201
Vallejo-Fairfield	\$1,166
Riverside-San Bernardino-Ontario	\$1,129
Sacramento-Arden-Arcade-Roseville	\$966
Stockton	\$876
Bakersfield	\$859
Modesto	\$819
Redding	\$809
Chico	\$803
Fresno	\$800
Visalia-Porterville	\$787
Yuba City	\$773
Merced	\$735
Hanford-Corcoran	\$708

City	% Occupancy	Average Rent
Alameda	94.3	\$1,517
Anaheim	94.9	\$1,325
Bakersfield	93.1	\$880
Burbank	97.4	\$1,698
Chula Vista	97	\$1,246
Fountain Valley	94.9	\$1,430
Garden Grove	95.8	\$1,382
Glendale	94.2	\$1,877
Irvine	93	\$1,881
Lancaster	94.3	\$953
Long Beach	93.4	\$1,430
Los Angeles	93.4	\$1,954
Merced	95.7	\$735
Moreno Valley	89.8	\$1,101
Napa	96.2	\$1,287
North Hollywood	89.6	\$1,484
Northridge	95.3	\$1,481
Oakland	81.8	\$1,599
Oceanside	94.8	\$1,297
Orange	94.9	\$1,616
Palm Springs	93	\$909

Palmdale	92.9	\$957
Palo Alto	90.4	\$2,178
Pasadena	91.9	\$2,206
Riverside	92.8	\$1,148
Sacramento	92.6	\$911
San Bernardino	89.9	\$979
San Diego	95	\$1,538
San Francisco	96.7	\$2,388
San Jose	95.1	\$1,587
Santa Ana	93.6	\$1,390
Santa Barbara	98.2	\$1,723
Santa Clara	92.9	\$1,763
Santa Clarita	91.8	\$1,580
Santa Cruz	96.3	\$1,667
Santa Maria	94.4	\$1,084
Santa Monica	94.8	\$3,014
Sherman Oaks	90.8	\$1,614
Simi Valley	94.5	\$1,551
So. San Francisco	91.4	\$1,939
Stanton	94.1	\$1,247
Thousand Oaks	94	\$1,634
Torrance	96.9	\$1,535
Van Nuys	95	\$1,154
West Covina	94.4	\$1,298
Woodland Hills	93.4	\$1,786
Yuba City	94.9	\$798

This data for 2008 indicates that the year's widespread economic problems have affected the rental market by the end of the year. The choice to invest in income property for the last several decades has been based on the assumption that rents would continue to grow. In 2009, investors are likely to evaluate rental properties based on current income alone. *Reprinted with permission of RealFacts, Inc. For more information, please visit www.realfacts.com*