

## Apartment rents expected to rise 5%

By Noelle Knox, USA Today  
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 Source: [Marcus & Millichap](#) Research Services

If you're a renter trying to save for a down payment, or you're just trying to move out of your parents' home, it'll likely get harder this year. Rents are rising faster than they have in six years.

Apartment rents are expected to increase 5.3% this year — about double last year's increase — the National Association of Realtors says. That's the highest jump since 2000, when the Internet boom created lots of jobs for young adults out of college. In April, rising rents were largely to blame for a sharp jump in consumer inflation.

"This is going to be the highest rental increase year since 2000, and it's going to be a broad-based increase in rents, not just limited to a few markets," said Hessam Nadji, who manages research for [Marcus & Millichap](#), a real estate firm in Northern California.

"Renters are already facing higher energy prices and relatively moderate wage growth," Nadji says. "This is going to really squeeze a lot of households."

<p><b>Low vacancy may bring higher rents</b></p> <p>Markets with the lowest apartment vacancies in 2006<sup>1</sup>:</p> <table border="1"> <tbody> <tr> <td>Fort Lauderdale</td> <td>2.7%</td> </tr> <tr> <td>New York-Manhattan</td> <td>2.8%</td> </tr> <tr> <td>Las Vegas</td> <td>3.0%</td> </tr> <tr> <td>Los Angeles</td> <td>3.0%</td> </tr> <tr> <td>Orange County</td> <td>3.1%</td> </tr> <tr> <td><b>U.S. average</b></td> <td><b>5.3%</b></td> </tr> </tbody> </table> <p><small>1 — year-end forecast</small></p> <p><small>Source: <a href="#">Marcus &amp; Millichap</a> Research Services</small></p>	Fort Lauderdale	2.7%	New York-Manhattan	2.8%	Las Vegas	3.0%	Los Angeles	3.0%	Orange County	3.1%	<b>U.S. average</b>	<b>5.3%</b>	<p><b>Rents take bite out of incomes</b></p> <p>Apartment rent as percentage of renter household income:</p> <table border="1"> <tbody> <tr> <td>New York-Manhattan</td> <td>65%</td> </tr> <tr> <td>Los Angeles</td> <td>38%</td> </tr> <tr> <td>Boston</td> <td>34%</td> </tr> <tr> <td>New Haven, Conn.</td> <td>33%</td> </tr> <tr> <td>Miami</td> <td>32%</td> </tr> </tbody> </table> <p><small>Note: As of Q1 2006; Based on median household income of 18-to-34-year-old households and average apartment rents for each market</small></p>	New York-Manhattan	65%	Los Angeles	38%	Boston	34%	New Haven, Conn.	33%	Miami	32%
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No one needs to tell Rosa Shephard. The \$1,600 rent she pays for a two-bedroom apartment in Laguna Beach, Calif., will rise by \$100 a month this Friday. It's a 6.3% increase, and Shephard's salary as an administrative assistant isn't rising as much, so she's trying to find a cheaper place to live.

"I'm trying to find a one-bedroom for \$1,200," says Shephard, 53. "It just doesn't exist."

There are four driving forces:

- **Job growth.** U.S. businesses have generated 4 million new jobs in the past two years. New hires typically look for rental property.
- **Rising home prices.** From 1980 to 2000, the median price of a home was 12 times higher than the annual average rent. By this spring, it was 21 times higher, Nadji said. The median-priced home now costs \$223,000, making the American dream a fantasy for more renters, whose competition for apartments then drives up rents. There's little relief in sight in such areas as Phoenix and South Florida, where home prices soared more than 30% in the first quarter of this year over the same quarter last year.
- **Condo conversions.** When the housing market was at its blazing peak, many investors who owned apartment buildings kicked out tenants and sold the units as condos. One out of three apartment buildings sold last year were converted into condos for sale. That took 191,400 apartments off the market, according to the NAR. In addition, the number of new apartment buildings under construction is down this year.
- **Hurricane Katrina.** About half the 100,000 displaced families in the New Orleans area haven't returned. Most of them were renters, says Lawrence Yun, an NAR economist, and "that's putting additional pressure on rental units throughout the country."