

372 Bel Marin Keys Blvd., Suite H  
Novato, CA 94949  
415-884-2480

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### **THIRD CONSECUTIVE DECLINE IN APARTMENT RENTS & OCCUPANCY**

RealFacts has just concluded its first study of rental market conditions in 2009. Rents and occupancy continue to go down, but there was no big drop this quarter as some people predicted. However the cumulative effect of the past three quarter decline is beginning to make itself felt.

Only three MSAs have shown any rent increase in the 1Q09; Houston at 0.8%, Oklahoma City at 0.3%, and Vallejo-Fairfield, CA at 0.2%. The annual rent trend shows 40% of the markets surveyed sustained an annual rent loss of more than 2%. Declines were found in Oxnard, CA at -5.3%, Phoenix and Orlando at -4.9% and Inland Empire at -4.5%. Average rents haven't been this low since early 2007.

What do these average percentages mean? The average rent for the entire database is \$978/mo. So, a 1% decline would be a loss of \$9.78. Just to put this in perspective, the average renter in Marina Del Rey, CA pays \$2,398/mo., so a reduction of \$9.78 is no more than a check book balancing error. On the other hand, renters in Tulsa pay an average rent of \$587/mo. The \$9.78 is almost 2% off their rent.

Three quarters of the surveyed MSAs showed an annual occupancy decline of more than 1%. That compares to 30%-less than half the number-in the previous quarter. Only two MSAs showed occupancy gains in 1Q09: Boise, with a quarterly occupancy rate gain of 0.8% (and a similar rent loss), and Oklahoma City at 0.3%. More typical was a loss of about 1%. To be specific that means 32,833 units are vacant which were occupied in December of 2008.

The RealFacts survey corroborates other reports of a decline in apartment construction. In the first quarter 2009 a mere 1,737 new apartment units were added to the supply. If the present rate of construction continues that would add only 6,948 units for the entire year. Compared to 13,560 in 2008, and 33,750 in 2007.

With this survey, RealFacts introduced its new coverage of the Raleigh-Durham market. (Guess the RealFacts staff was watching UNC win the basketball tournament earlier this month.) The RealFacts North Carolina database now includes 229 apartment communities or 63,076 total units. Highest average rents in the state are found in the city of Cary at \$880/mo., and the best bargain in North Carolina can be found in Charlotte at \$658/mo.