

# Apartment rents on the rise

## Average price up about \$100 a month since 2005.

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Prices for apartment rentals in Austin are on the rise as occupancy rates increase, according to **Capitol Market Research.**

One-bedroom apartments have increased to an average of \$714 a month, about \$100 more than they cost two years ago. Two-bedroom, two-bath units are up to \$938, also about \$100 more than two years ago, according to the Austin-based real estate consulting firm that tracks the market.

**The occupancy rate for 2007 rose to 96.6 percent, up from 94.4 percent two years ago.**

"Everyone is upping their rents like crazy," said Susan Albertson, a broker with Austin City Locators.

Albertson said the market is seeing a mix of newcomers and renters who are shopping around after their rents were raised. Also, more people have moved into the apartment market because of tighter credit standards for getting mortgages.

"There are people who are not able to pay their mortgage, and we're starting to see a lot of people who aren't buying a home," Albertson said.

Charles Heimsath, president of Capitol Market Research, agreed that the **credit crunch has been a plus for landlords.**

"To the extent to which first-time buyers are on the sidelines because of the difficulty in qualifying for home mortgages, I think that's going to tend to keep people in apartments longer and will serve to maintain occupancy," Heimsath said.

**He predicted that occupancy rates will hold at 96 percent this year.**

Strong job growth in the past 12 to 18 months has also kept the apartment market healthy.

"It's still very positive," Heimsath said of job growth, although it has slowed in recent months. Employers in the five-county Central Texas region added 22,500 jobs from November 2006 to November 2007, an annual growth rate of 3 percent. **"The main driver is always job growth."**

Rents have lagged occupancy for nearly three years, Heimsath said, but the market has strengthened to the point that landlords are comfortable raising rents.

"After almost three years of average occupancy being above 92 percent, finally rents are beginning to move upward," he said.

Landlords and leasing agents previously had been hesitant to raise rents, he said, because it had been a tenants' market after the technology bust in 2001.

However, landlords now can afford to be pickier and are becoming stricter in looking at renters' credit histories, apartment locators said. Some homeowners who are nearing foreclosure are finding difficulty renting because of their tainted credit.

Another indicator that the market has shifted in landlords' favor is that some are passing along the costs of utilities, trash service and pest control, helping push rents up.

**Heimsath predicts Austin-area rents will rise 5 percent to 6 percent this year, with ample demand to fill the estimated 6,000 units that are expected to open. Last year, the market absorbed 5,600 units.**

"We should remain very high occupancy and continue to be able to push rents throughout 2008 and into 2009," Heimsath said.

Albertson also expects rents to climb this year, with fewer incentives.

"It's going to be a tough summer if it's already like this in January," she said.

**Courtesy of JB Goodwin**