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Strong Performance Expected in Rental Properties

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Anyone who listens to political, financial, and even local news generally comes away confused about the future. There is no clear direction the US economy is going to take in the next decade. This year is an election year. Promises are being made and economic rescue plans are being formulated by Congress and the Administration to save us from the dreaded "R" word — recession.

Now back to ground level. Apartment investors currently holding property in Oregon and Southwest Washington can expect rent growth with low vacancies to continue throughout 2008, and likely beyond.

However, it isn't as simple as saying "rents will go up." The placement of a property is important. Competition with other properties, specific features of your property, and your marketing plan will be the most determining factors in staying full and raising rents.

Tighter lending requirements and prices may help stop the loss of reliable renters to home ownership. Meanwhile, all areas of the Northwest may see continued job growth over the next eight years. The state Employment Department anticipates an increase in employment from 10 percent to 25 percent during the next eight years. This will attract some of the 90,000 new households expected to move to Oregon during the next five years. Many will be renters, at least initially.

Apartment construction has lagged these past five years in the face of the single family housing boom. This is expected to change in the coming years, as apartments begin to make financial sense to developers – but not immediately.

For now, some condos will be converted to apartments, and some new apartments are in the works, but not enough to exceed the demand.

Positive market demand should continue to put upward pressure on rents, which we have seen rise 4.56 percent in the last seven months. Apartment owners may enjoy healthy rent increases and low vacancies in 2008.

What about apartment investors? There are still opportunities for low cost financing, although the days of extreme leveraging are gone. Current owners may wish to take the profit from appreciation they have accumulated during the price run ups of the past few years, and exchange into a newer, larger, or otherwise more desirable asset.

Reading this may give investors some insight into the decisions they will face in the coming years, and hopefully, information that makes those decisions a little easier.

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