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Majority thinks renting is better option

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BY DON DEBAT - For Sun-Times Media

Mortgage rates may be at a 50-year low, but a soft job market and consumer worries about obtaining a loan and maintaining a residence is keeping many potential home and condominium buyers on the fence, experts say.

That's probably the biggest reason the national homeownership rate slipped to 66.9 percent in the second quarter of 2010, compared with 67.4 percent during the same quarter in 2009.

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The U.S. Census Bureau's Housing Vacancy Survey reported that overall homeownership has declined five years in a row from a 20-year high of 69.1 percent in the first quarter of 2005.

And, these economic facts are buoying the rental apartment market, rental experts say.

The number of occupied apartments in 64 major U.S. markets nationwide increased by 215,000 in the first half of the year, reports MFP Research. That's about double the additional move-ins recorded in all of 2009.

According to a recent survey of 2,000 adults commissioned by the National Apartment Association, 76 percent of consumers now believe renting to be a better option than homeownership. Half of those respondents cited financial reasons, while 64 percent cited having no responsibility for maintenance and major repairs.

As a result, rents in the Chicago area are rising again and landlords are smiling.

"Over the past three years, net rent growth in the suburbs has amounted to a positive 0.8 of 1 percent," noted Ron DeVries, vice president of Appraisal Research Counselors Ltd. "There is a clear rebound in the rental market."

One-bedroom units now have a median rent of \$890, while two-bedroom layouts are at \$1,105, Appraisal Research noted in its second quarter Benchmark Report.

As a result, concessions—such as a free month's rent—now are being handed out in only 56 percent of Chicago-area rental developments, while occupancy has risen to 93 percent from a low of 91.3 percent in early 2009.

"The Chicago rental market has strengthened over the past six months," agreed Lori Postma, director of marketing for Reside Living, which manages a portfolio of more than 1,600 rental apartments, mostly on Chicago's North Side.

"The year started out strong and really just got better," Postma said. "Our apartment renovations have continued to attract upscale renters. Occupancy levels are in the mid-90 percent bracket and concessions have leveled off for most unit styles."

Another trend that is evolving in the rental market is some major apartment managers phasing out security deposits in favor of move-in fees, Postma said.

"We've found that residents these days are responsible and recognize the importance of maintaining their good credit scores," she said. "It's less necessary today to have a deposit and so much easier for the resident to pay a small administrative fee and the first month's rent. It lightens the financial burden during the move. This has worked out great for both Reside Living and for our residents."

With hundreds of investor-owned condos now in Chicago's "shadow" rental market, Postma said apartment renters should understand the benefits of leasing a unit from a professional management company.

"The benefits of a professionally managed community far outweighs renting a private condo," Postma said. "When you rent an apartment in a well managed, newly renovated building you get a great lifestyle and 24-hour service."

Postma said many private landlords are long-distance or simply unresponsive to their renter's needs. With a professionally managed building renters benefit from 24/7 maintenance team who will respond in an emergency, she noted.

"Help and attention of the management team and a building maintained to a high standard are some of the benefits. At Reside Living communities, you even get a 24/7 concierge team."

When you rent a condo tenants usually just lease a living space, Postma said. "Our residents just pick up the phone or send an email for anything from a service request to set up salsa dance lessons," she said.

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