



DOWNTOWN COTTAGE \$714,900
2 BD/2 BTH, ART STUDIO
LOUISE MCKAIG, 637-4774



STORKE RANCH \$699,000
3 BD/2.5 BTH
JULIE BARNES, 895-9498



OPEN SUNDAY 1-3
518 W LOS OLIVOS \$679,000
3 BD/2.5 BTH
AARON GILLES, 895-1877



OPEN SUNDAY 2-4
ESTANCIA LUCERO \$675,000-\$599,000
4 UNITS, 2 BD/2.5 BTH
ROSS, 886-2264/PAUL, 455-8055



OPEN SUNDAY 1-4
6955 GOBERNADOR CYN \$649,000
1 BD/1 BTH
JIM WITMER, 448-3921



HOPE SCHOOL \$629,000
3 BD/2 BTH
ROSS HARRIS, 886-2264



EL ESCORIAL VILLA \$569,000
1 BD/1 BTH
BILLY MANDARINO, 570-4827



2 LIVE IN PARADISE \$565,000
1 BD/1 BTH
FLORENCE FORMBY, 695-7268



OPEN BY APPT.
30 S. SALINAS \$549,000
3 BD/2 BTH
ELIZABETH WAGNER, 895-1467



BEST LOCATION \$535,000
3 BD/2 BTH
ALYSON SPANN, 637-2884



DUPLEX, SINGLE STORY \$500,000
DUPLEX, EACH UNIT 1 BD/1 BTH
JOANN POMATTO-GOMEZ, 705-3798



OPEN SUNDAY 1-4
2624 STATE ST #1 \$499,000
2 BD/2 BTH
DIANA FORNAS, 895-2777



BEAUTIFUL CONDO \$479,000
2 BD/2 BTH
DON & CECILIA HUNT, 895-3833



POLO CONDO \$439,000
1 BD/1 BTH, MIDDLE LEVEL POLO CONDO
SUSIE MAYBERY, 565-8884



LIGHT AND BRIGHT \$399,000
2 BD/2 BTH
CARLA REEVES, 689-7343

Is Rental Real Estate Reviving?

By Harlan Green

There are signs investors are returning to the rental market as vacancy rates fall, and rents rise. The latest data is that the apartment industry's recovery continues briskly, according to the National Multi Housing Council's (NMHC) latest Quarterly Survey of Apartment Market Conditions.

The Market Tightness Index, which examines vacancies and rents, rose to a record 90 from 78 last quarter, said NMHC. For all indexes, a reading above 50 indicates improving market conditions. Almost four in five respondents (79 percent) said markets were tighter (lower vacancies and/or higher

rents) and—for the first time ever—not a single respondent thought conditions were looser.

"The apartment industry rebounded strongly in 2010 as demand for apartment residences outpaced the sluggish recovery in the job market nationally," said NMHC Chief Economist Mark Obrinsky. "These results show the apartment industry continues to do well even though the nation's overall rate of economic growth has slowed. This is driven largely by the increased appeal of renting generally but also by the large number of young people entering the housing market for the first time—and young people are much more likely to rent than buy."

Calculated Risk shows rental vacancy rates have plunged from 11 to 9.5 percent, and probably have further to go. The most recent data show vacancies stabilizing around 8 percent. If so, that would corroborate Amy Hoak of Bloomberg Marketwatch's contention that real estate investors are now picking up

bargains.

"In fact, investors bought 20 percent of all the homes sold in April, according to the National Association of Realtors," said Hoak. "Some of them are buying with cash."

But even if they do finance part of the purchase, they're able to turn around a profit much quicker than they would have been able to in the past, said William King, director of valuation services for Veros Real Estate Solutions, a supplier of housing data to the country's largest banks, as well as government organizations. "And the return on rentals can be much better than returns on other investments these days," he added.

This is boosting construction spending, as we said last week. Strength for the latest month was led by a 3.1 percent improvement in private residential spending, following a 0.7 percent decline the month before. However, the gain in this component was improvements as non-new home spending (i.e., remodels) jumped a monthly 7.6 percent after a 0.1 percent slip in March. For the latest month, new one-family home outlays fell 1.0 percent while new multifamily dipped 0.1 percent. Essentially, new construction—at least for the single-family component—is still depressed.

Calculated Risk has tracked residential construction jobs since 2002, and sees it again turning positive. Construction jobs have turned the corner in 2011, from a 149,000 loss in 2010, to a 31,000 jobs increase to

date in 2011. And rental vacancy rates have declined from an 11 percent high to 9.5 percent, as we said.

Lastly we may see Pending Home sales jump in May. According to Calculated Risk, "I estimate that the NAR's Pending Home Sales Index will show a seasonally adjusted gain from April to May of around 11% — suggesting that weather, flooding, oil prices, and "other stuff" may have had a temporarily negative impact on contract signings in April and closed sales in May, as well as a temporarily negative impact on other data for May".

We will see. April existing-home sales showed a big drop in inventory. This graph shows existing home sales, on a Seasonally Adjusted Annual Rate (SAAR) basis through April. Sales in April 2011 (5.05 million SAAR) were 0.8% lower than in March, and were 12.9 percent lower than in April 2010.

Based on Calculated Risk's estimate, this will be the lowest level of inventory in May since 2006 when sales could decline 15.5 percent YoY. Of course sales in 2010 were boosted by the homebuyer tax credit.



Harlan Green is a syndicated columnist and the owner of Bankers Pacific Mortgage, Inc. Questions and comments are welcome, please email Editor@populareconomics.com

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