

This story is taken from Sacbee / Business

Apartment occupancy rates fall in Sacramento area

dvsmith@sacbee.com

Published Thursday, Jan. 22, 2009

It was turning into another long day Wednesday at the offices of Natomas Village apartments. In fact, it had been slow since before Christmas even with the yellow two-story sign out front calling out "Move-in specials."

This 262-unit building at Truxel and San Juan roads in Natomas, nearly full in 2007, saw occupancy fall to 89 percent by the end of 2008.

"It's really slow right now," said James Ng, the building's leasing consultant. "Even the calls have been slow, not to mention the walk-in traffic."

Sacramento-area rental occupancy dropped nearly a percentage point – 0.7 percent – in the fourth quarter of 2008 compared with the year-previous quarter, according to a survey released Wednesday by Novato-based rental industry analyst RealFacts.

One local analyst cited a "cacophony" of factors contributing to the drop, from overbuilding, to single-family homes turning to rentals in a disastrous housing market, to a struggling economy.

Add a state budget crisis and growing numbers of Californians leaving the state and the outlook becomes more murky.

"When we go through these cycles, people are moving in with friends, or they're moving back home. We're seeing a lot of overbuilding for housing. That's stopped, but we still have oversupply," said Bruce Hester, a senior vice president at the Sacramento offices of commercial real estate brokerage Colliers International.

"We used to be affected by people moving out of apartments and moving into a house," Hester said. "Now, people are renting out their houses. That's our competition for a while until the market bottoms out."

Nearly every city in the Sacramento metropolitan statistical area saw year-over-year dips in occupancy, led by Rocklin, Elk Grove and Fair Oaks, which each saw declines of about 3 percent. Sacramento posted a 0.9 percent drop.

West Sacramento occupancy rates rose 5.6 percent to 86 percent, and the city remains one of the region's best bargains with an average rent of \$779.

About 93 percent of area rental properties were occupied, one of the lowest occupancy rates in the state and tied with the Modesto area. The Inland Empire in Southern California posted the lowest occupancy rate with 91.5 percent.

Sacramento-area rents rose just 0.4 percent to an average of \$966, on pace with the national average of

\$993, RealFacts reported.

It's not happy news for property owners, but Hester said the rental sector is still faring better than others.

"The crux of the problem is the single-family (housing) market. Now, we're waiting to see when the end of the downward slide will be," he said. "We've done comparatively well because people have to live someplace."

But coupled with the amount of vacancies, the region's flat rental rates will be good news for renters and apartment hunters in 2009.

Already, renters can find deals. The Sacramento-area market remains one of the most affordable in the state, ranked 14th of the state's 24 metropolitan statistical areas.

"I anticipate rents will be flat for a while. On average, the renter will find a lot of choices," Hester said.

While the downtown Sacramento market will remain tight, most of the best opportunities for renters are in the Arden area and Carmichael, two areas with concentrations of rental properties, along with Elk Grove and parts of Natomas.

For folks like Ng of Natomas Village, getting renters into apartments is the challenge. He's throwing in a month's free rent on a \$760-a-month, one-bed, one-bath unit as part of a move-in promotion and doesn't have plans to pull the deal anytime soon.

Still, his office is quiet, and he sees problems in the housing market as the main reason.

"We had 95 (percent) to 97 percent occupancy last year, but today some renters are moving into houses – there are a lot of houses on the market for rent," he said. "It's a hard time."

Call The Bee's Darrell Smith, (916) 321-1040.