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Fewer apartments for rent

As apartment vacancy rates begin to decline at the Jersey Shore, some landlords are doing away with concessions and rents are poised to rise.

By **DAVID P. WILLIS** • STAFF WRITER • December 5, 2010

With the apartments at Pier Village in Long Branch nearly booked, its landlord is about to start eliminating a perk designed to attract tenants — one month's free rent.

In West Long Branch, apartments at Avalon West Long Branch, which opened in late October, are starting to fill and the complex is about 60 percent leased. It will have 180 units when it is completed next year.

AvalonBay Communities Inc., which also has communities in Tinton Falls, Freehold Township and Aberdeen, and Pier Village's owner, Applied Development Co. of Hoboken, have something in common. Both real estate companies are doing away with concessions as the market for apartments improves.

"We are now going to start burning off concessions" at Pier Village, said Greg Russo, principal at Applied Development. "In other markets closer to New York, we have been."

Vacancy rates, which are used to gauge the health of the rental market, tell part of the story. In central New Jersey, including Monmouth and Ocean counties, the rate stuck at 4.1 percent through the first three quarters of the year, up from 3.9 percent in the third quarter of 2009, according to real estate analyst and appraiser Jeffrey Otteau, president of Otteau Valuation Group in East Brunswick. But they are expected to fall soon, he added.

Vacancies in New Jersey were hit as the economy suffered in 2008 and into 2009. Landlords were not able to pass along rent increases and apartment owners saw increased competition from unsold condominiums that were put on the rental market, said Mike Fasano, vice president at Marcus & Millichap, an investment real estate brokerage.

Another piece — monthly rent — is changing. After falling in 2008 and 2009, average apartment rent

has edged slightly higher this year to \$1,160 a month in central New Jersey, up 0.5 percent, Otteau said.

"What is significant here is that they are no longer falling. They have turned the corner. They are starting to rise," Otteau said. "Rent concessions have been disappearing and vacancies have been falling. We're still in tough times, but there's less and less of that with each passing month."

Fasano said he expects to see rent increases in 2011.

"As soon as you start to see some consistent job creation, you can be rest assured that all of the incentives will be gone and you will start to see some rental increases," Fasano said.

What's behind this? The demand for apartments is growing. "There will be year-after-year large increases in rental demand going forward," Otteau said.

It's picking up demand from 20- to 40-year-olds who don't have the income or savings to qualify for homeownership based on today's lending standards, he said. "As young people come out of college, become employed, even take on a roommate or get married, they'll be renting much later in life than earlier generations until they buy their first home, because the troubles that we are in are not going to go away anytime soon."

At the same time, aging baby boomers who find they don't have the savings to sustain their retirement are

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taking apartments, he said, Otteau said.

The economy is also playing a role in the decision to rent, Fasano said.

"Purchasing a home is a very big commitment," he said. "People are saying, "You know, I am doing OK by renting.' "

Thirty-year-old Dana Dombish moved into an apartment at Pier Village in October. Dombish, who also owns a condominium in Point Pleasant that she is renting out, said she did not want another mortgage.

"Right now, in the position I am in, I didn't want to get involved in another mortgage because I didn't know where I was going to be," Dombish said. "You don't know if you are going to have a job today or tomorrow. You really don't want to get stuck somewhere."

AvalonBay has seen the demand for rentals increase, said Ronald Ladell, vice president of development in New Jersey. The company started construction of Avalon West Long Branch late last year, seeing the opportunity in the rental market.

"There are no longer concessions in most of our communities," Ladell said. "In some cases, we have begun to raise rents over the last year or so."

There are more than 500 apartments at Pier Village, which sits along the Atlantic Ocean. Russo said he saw the market soften late last year when vacancies start to spike. "We started giving a month away in order to get that occupancy back up," he said. Tenants were offered a month's free rent on a 13-month lease, he said.

Like others, he sees improvements. "As you approach 95, 96 (percent) full occupancy, the market is telling you that there is the ability to move the rent up," Russo said.

With the resurgence of the rental market comes a new class of rental properties than garden apartment complexes, Otteau said.

They have more amenities, such as better quality counters and appliances, as well as club rooms and fitness centers, Otteau said. "What they are geared toward is people who want and can afford a higher rental payment but who either don't qualify or prefer not to be homeowners," Otteau said.

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