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Suburban apartments rents show first annual gain since 2008



By: [Alby Gallun](#) June 01, 2010

(Crain's) — Suburban apartment landlords are pulling out of a two-year slump amid signs that the job market has stabilized.

The median suburban net rent rose to \$1.10 a square foot in the first quarter, up 2.8% from \$1.07 in both the fourth quarter and the year-earlier period, according to [Appraisal Research Counselors](#), a Chicago-based consulting firm.

It was the first year-over-year rent increase since the third quarter of 2008, before the economy plunged, dragging demand for apartments down with it.

The suburban occupancy rate, meanwhile, rose to 92.7% in the first quarter, vs. 92.2% in the fourth quarter and 91.3% a year earlier.

“We’re still not where we were a few years ago, but we’re definitely heading in a pretty positive direction,” says Appraisal Research Vice-

President Ron DeVries.

The bad job market has forced many younger renters to double up or live with their parents, depressing demand for apartments and weighing on occupancies and rents. But the housing crisis has helped landlords, as would-be buyers of single-family homes or condominiums have deferred purchases and continued to rent.

While those opposing forces remain, the local economy added jobs in March and the employment outlook has improved. Increasingly confident that they won’t lose their jobs, more renters are ditching their parents or roommates — or getting kicked out — and getting their own apartments, Mr. DeVries says.

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"It's not like we're seeing a big increase in employment, but some of that retrenchment where everybody was doubling up has started to reverse course," he says.

Net rents, which include concessions like free rent, dipped as low as \$1.06 a square foot in second-quarter 2009, a 7% decline from their peak of \$1.14 in first-quarter 2008. The suburban occupancy rate dropped as low as 91.3% in the first three months of 2009 after peaking at 97.1% in mid-2006.

As many as 70% of suburban apartment complexes were offering concessions last year, but just 57.1% were using them in the first quarter, according to Appraisal Research. Most landlords relying on concessions are offering a month of free rent per lease year.

Mr. DeVries predicts rents will increase about 5% on an annual basis by the fall and that the suburban occupancy rate will hit 95%.

"Chicago is certainly stable and improving," says Greg Mutz, CEO of Chicago-based AmlI Residential Partners LLC, which owns about 4,300 apartments in the area. "It's bottomed."

AmlI's Chicago-area rents have started rising again, and its local occupancy rate exceeds 95%, up from about 92% last year, he says.

The Appraisal Research report covers 226 properties with 75,643 units in seven Chicago-area counties. Nine out of 10 submarkets tracked by the firm recorded annual net rent gains in the first quarter, led by southern Cook County, with a 13.4% increase. Rents fell 3.8% in Will County, the only submarket to post a decline.

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