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HOW TO WIN THE BATTLE FOR AN APARTMENT

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How to win the battle for an apartment

Tips to get the apartment you want during a landlord's market

CHICAGO (MarketWatch) — Competition for apartments is becoming fierce in some markets. And it's about to get worse.

The apartment vacancy rate is expected to fall below 5% this year, crossing a benchmark into what it is commonly considered a "landlord's market," said Brad Doremus, senior analyst for Reis, a commercial real-estate research company. That means securing an apartment will become more difficult and rents are likely to be higher by the end of the year.

Nationally, the apartment vacancy rate is expected to fall to 4.6% by the end of this year, according to the most recent forecast from Reis. The vacancy rate was 5.2% in the fourth quarter of 2011, down from 6.6% in the fourth quarter of 2010. In its research, Reis looks at mainly at apartment buildings that contain 40 or more units.

Blame the wounded housing market for this surge in the popularity of renting over homeownership: In Fannie Mae's fourth quarter National Housing Survey of 3,000 homeowners and renters, 48% of renters said they don't think they can afford the purchase or upkeep of a home and 47% said they don't have good enough credit for a mortgage. A separate survey of 3,000 visitors to Apartments.com in January found that 33.6% of those looking for an apartment this year are previous homeowners.

Also, as the economy improves, more young workers will have the income needed to move out on their own and into rental.

Making quicker decisions

For many renters planning a search for a new place this year, the tighter conditions mean a quicker decision process.

"You may be put in the situation where you have to make a decision on the spot," said Chris Brown, vice president of product management for Apartments.com, an apartment listings website. "When they say 'We have a lot of other people interested in this apartment,' it's probably true, not just a sales pitch."

Obviously, some markets are tighter than others. New Haven, Conn., had a vacancy rate of 2.1% in the fourth quarter and New York had a rate of 2.4%, according to Reis data. On the other end of the spectrum, Memphis, Tenn., had 9.9% vacancy rate and Jacksonville, Fla., had a 9.1% rate.

Markets have been competitive enough to allow for rising rents over the past year in major markets represented on Apartments.com, Brown said.

Nationally, average advertised one bedroom rents have gone up by 4.1% between March 2011 and March 2012, according to Apartments.com. But rent hikes in some cities have been much steeper.

For instance, average advertised one bedroom rents in Chicago are \$1,451 in 2012, up 11% from \$1,302 in 2011, according to the site. In Denver, rents are \$1,067 this year, up 12% from \$950 last year and in Charlotte, rents are \$876 this year, up 13% from \$774 last year.

While tight conditions will cause many current renters to stay put, "on the other side, there will be people who are forced to move because they can't afford the [rent] increase" at their current apartment, said Mark Sperry, vice president of Urban Edge, an apartment listings website for markets in New York, New Jersey and Connecticut.

But there are ways that apartment hunters can prepare themselves to make a speedy move when they find a place that suits their needs.

1. Know what you want

Before starting a search, decide what your "must haves" are, such as central air conditioning, laundry hook-up, garage and fitness center, said Daniel Hedaya, president of Platinum Properties, a real-estate services firm based in Manhattan.

"Parking, for example, might be something you really want to have, but having a parking space may limit your choices," Brown said.

Set your price range as well, aiming for a place where 25% to 30% of monthly gross income is used for rent, Brown added. It's also a good idea to consider what your commuting costs would be.

2. Be realistic

In markets like these, you're not likely to get everything you want. You'll likely have to compromise on neighborhood, size of the apartment or amenities, including whether you have a doorman, Sperry said. That's why it's important to figure out what your money will buy at the start.

Start your research 60 days before your move date to get a feel for what's available in your range, Sperry said. That way, you'll have an idea of what you can afford and can seriously look for your apartment 30 days out.

3. Research buildings and management companies

Many people read online reviews of apartments and management companies during their research and that's a good idea, Sperry said — as long as you take them with a grain of salt. Someone with an axe to grind with the landlord may put up a particularly nasty review, for example.

The Apartments.com survey found that 32.6% of people said a review website, including ApartmentRatings.com or Yelp, was an important tool in their apartment search.

Other sites, including the newly launched RentSocial.com and PlaceOfMine.com incorporate social networking capabilities that help people tap their friends and family for opinions and advice.

4. Come prepared to showings

Have copies of all your paperwork when you visit an apartment, and be ready to fill out an application on the spot.

What you need to bring will depend on the apartment and market customs. In New York, coming prepared could include money for a credit check or application fee, a letter of employment, bank statements, tax returns and current landlord name and contact information, Sperry said. In other parts of the country, you may not need as much.

In highly competitive markets, Hedaya also suggests coming with a reference letter from a previous landlord, acknowledging that you made payments on time and took care of the property.

5. Consider using a broker

In some of the bigger markets, it may pay to consider using a broker to help you find a place. They'll have special knowledge of the best available apartments and could save you time, Hedaya said.

But be aware from the start of what the service will cost you: While in some markets, the landlord will pay for broker services when the place is leased, in New York, payment often falls to the renter, Sperry said.

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