

# The Big Picture with Erin Brereton: Consumers Are Ready to Rent—But Not So Eager to Own

By [Paul Rosta](#)

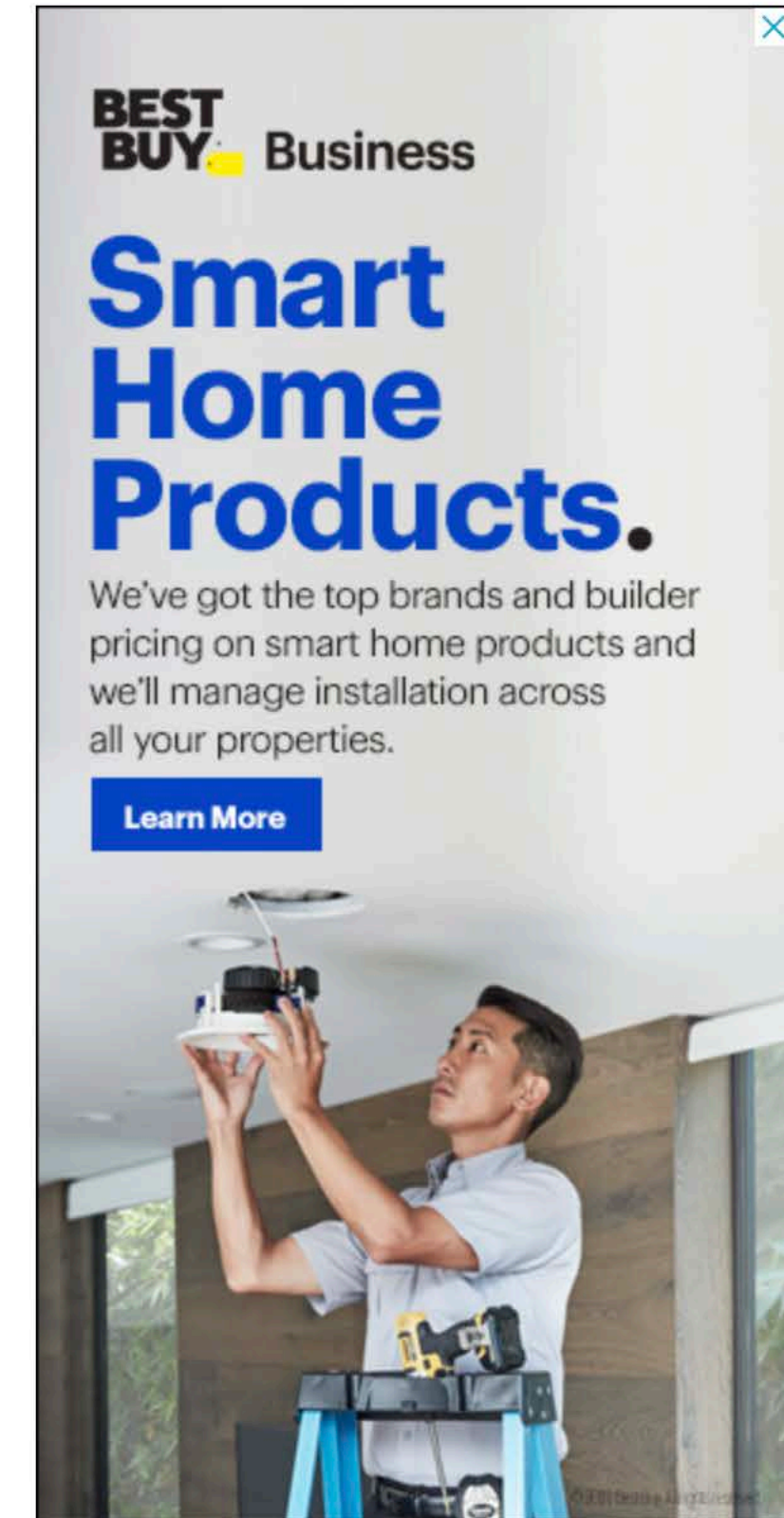
October 16, 2008



More homeowners are opting to rent, rather than buy, according to a recent Apartments.com survey. As MHN reported last week, the survey found that a majority of U.S. renters are families who want to rent instead of owning a home. The survey found that 11 percent have been renters for less than a year; 41 [...]

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The survey found that 11 percent have been renters for less than a year; 41 percent have been renters for less than five.

Renting offers consumers a number of options: Flexibility, lower overall cost, maintenance-free living and the chance to live affordably in popular neighborhoods.

But could the increase in apartment popularity be the result of more than just convenience?

It appears that many potential homeowners may be making the move—literally—to renting because they're concerned about the uncertainty of the current housing market.

And with good reason.

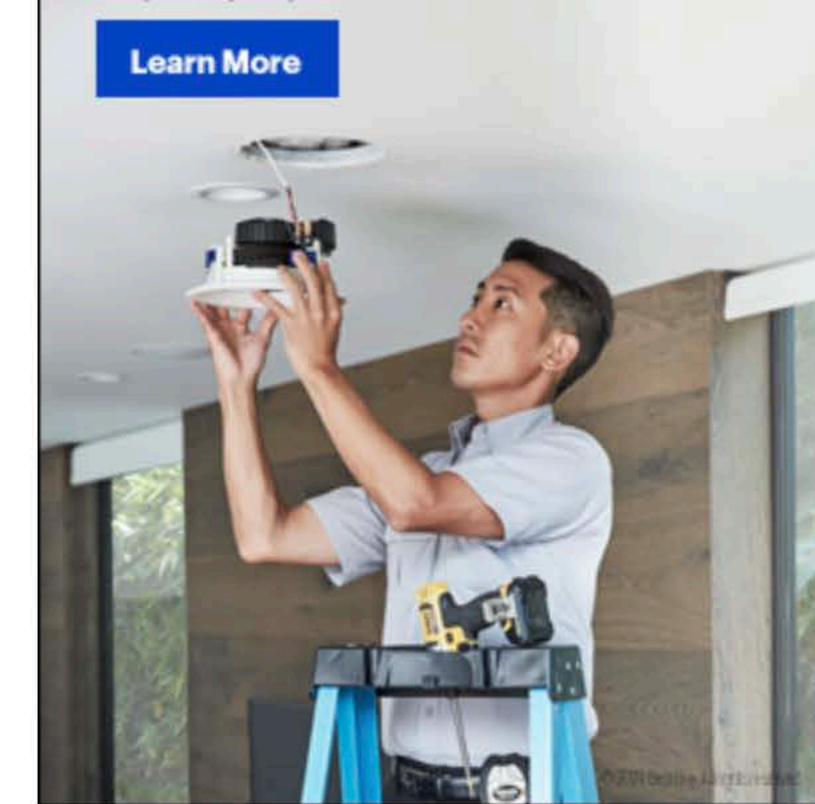
- **Value can be hard to come by:** *The Wall Street Journal* reported last week that nearly one in six U.S. homeowners was underwater—owing more on their mortgage than their home was actually worth.
- **Even California is less than sunny:** Take, for example, California's market. It experienced some of the biggest highs during the housing boom and some of the lowest lows during the bust.

Since values began falling nationwide, California home prices fell rapidly, along with sales.

Sacramento prices dropped 29.2 percent to \$258,500 from last year; Riverside prices plummeted 27.7 percent to \$287,100, [according to the National Association of Realtors](#).

- **And in Miami, the condo market has taken a nosedive.** Consider South Florida. During the housing boom, condos were easy to find—and fund—in the Miami area.

However, as the local and national housing market slowed, condo construction, at least initially, didn't. The result: Miami-Dade County currently has a 41-month supply of condos, according to *The*



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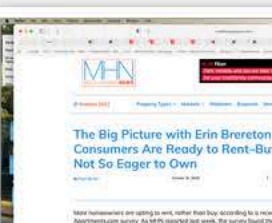
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## The Rental Market is Ready to Go

Yet while the Miami area condo market may be overstocked and selling slowly, its apartment community is thriving.

Mixed-use projects like Sunny Plaza, which includes an apartment component, are getting approved.

The trend even rings true in markets that have not seen declines as sharp as California or Miami, like the Quad Cities, where some homeowners who found they couldn't afford their mortgage payments have returned to renting.

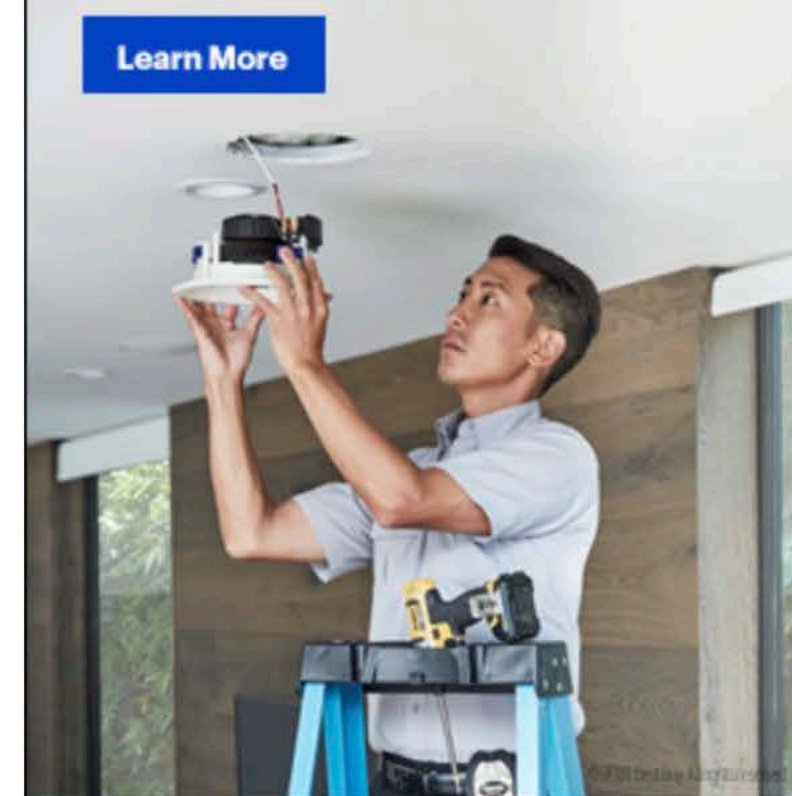
The demand for rental property is related to the increase in home foreclosures and the difficulty many potential homeowners experience when trying to buy a home, according to the [Quad City Times](#).

## Is Ownership Worth the Effort?

As lending restrictions tighten—buyers in the Bay Area trying to take out jumbo loans, which are necessary to purchase many of the homes in the region, have to put down as much as 30 percent in many cases, according to the [San Francisco Chronicle](#). And, it continues to be hard for even borrowers with good credit to get a loan.

High foreclosures and falling home values are causing more consumers to rent, either out of necessity or because of market apprehension. It may be a temporary trend linked to the economy—or a large paradigm shift in the American dream of homeownership.

Either way, it's time to start funding and building more rental properties in areas where home values have declined dramatically. Those cities and regions will have the biggest need for non-permanent housing as the local market rebuilds itself.



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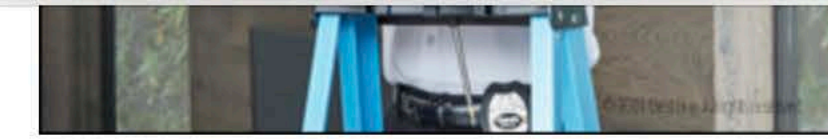
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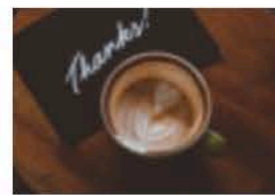
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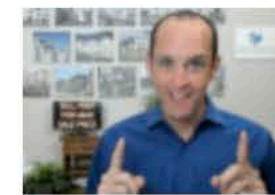


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