

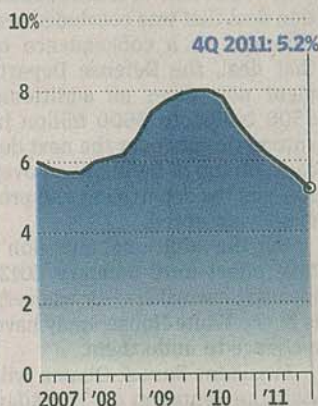


Bryan Derbalis/The Wall Street Journal

In New York, which has a low vacancy rate, renters at the Ten23 building made deposits based on floorplans.

Landlords' Market

National apartment vacancy rates, quarterly

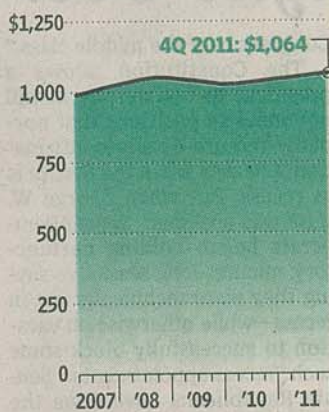


Source: Reis Inc.

Metro markets with lowest fourth-quarter apartment vacancy rates

New Haven, Conn.	2.1%
New York	2.4%
Minneapolis	2.5%
Portland, Ore.	2.7%
San Jose, Calif.	2.9%
Westchester County, N.Y.	3.0%
San Diego	3.1%
Central New Jersey	3.1%
Rochester, N.Y.	3.2%
Syracuse, N.Y.	3.2%

Rent asked for apartments, national average



Apartment-Vacancy Rate Tumbles to 2001 Level

The nation's apartment-vacancy rate in the fourth quarter fell to its lowest level since late 2001 as Americans continued to favor renting homes instead of buying them.

Rents climbed, but data firm Reis Inc. said the increase was less steep than expected. Landlords of properties intended for lower-income renters found it more difficult to raise prices, according to Reis.

Multifamily property has been the star of the real-estate sector for more than a year, generating profits for landlords but headaches for renters struggling with the economic downturn. Demand has swelled from people being foreclosed out of their houses as well as those unable or unwilling to buy.

In the fourth quarter, the vacancy rate fell to 5.2% from 6.6% a year earlier and 5.6% at the end of the third quarter, according to Reis. The vacancy rate rose as high as 8% in 2009.

During the depths of the downturn, landlords had to offer incentives such as flat-screen TVs and months with no rent to attract tenants. But in the fourth

quarter of 2011, landlords in 71 of the 82 of the markets that Reis follows were able to raise rents.

Darlene Shaffron recently moved into a loft apartment that rents for \$2,800 a month in Jersey City, N.J. She considered buying—and was preapproved for a mortgage—but was too scared to put money down on a home that could see its value decline in a volatile market. "If we went into a double-dip recession or something worse, then I would have spent all of the cash," the 40-year-old said. Ms. Shaffron decided to "save the money...and rent for a little bit longer."

Nationwide, landlords raised asking rents an average of 0.4% in the fourth quarter, to \$1,064 a month. That's up from \$1,026 in 2009.

But rent increases showed signs of moderating in some markets and, overall, they were less than Reis had expected. The data firm had projected rent growth in 2011 of more than 4%; the annual rate was 2%. Behind this disparity, Reis said, was the slower-than-expected economic expansion, along with price resistance hitting landlords in some markets.

New York City, for example, was one of the strongest markets for most of 2011. But in the fourth quarter it scratched out only a 0.6% rent gain.

Reis said the market has been weakened by job losses in the financial-services industry. Also, the city has the highest rent level in the nation—\$2,876 a month—making it difficult for landlords to raise prices.

By contrast, San Francisco's landlords managed a 5.1% gain over the past year, while San Jose climbed 5%, fueled by a booming tech sector.

The rental market also has been fueled by a dearth of new supply. Just 8,865 units were delivered in the quarter, the second-lowest quarterly figure since Reis began publishing quarterly data in 1999.

The strength of the market hasn't been lost on developers who are racing to move plans off their drawing boards. More than 173,000 units were likely started in 2011 and some 225,000 and 280,000 starts are expected nationwide in 2012 and 2013, according to Zelman & Associates.

—Dawn Wotapka