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∞ Monthly rents edge up

By: CHRIS BAGLEY - Staff Writer

Another three months of muted increases in apartment rents underscore a lingering gap between the costs of renting and owning and hint that housing markets are due for a correction, analysts said.

Complexes with at least 80 units were charging an average \$1,138 in monthly rent in Riverside County, about 4.1 percent higher than during the first three months of 2006, research firm RealFacts said in a quarterly survey this week. In other Southern California counties, rents rose 5 to 7 percent, according to the survey.

A RealFacts spokesman attributed the modest local increases to vacancy rates that have remained above 10 percent since September, with new apartments continuing to open in large complexes in Murrieta and Moreno Valley.

Faced with an unusually large number of new empty apartments, Riverside County landlords are easing up on rent increases, but high home prices could soon translate into higher rents, one economist said Wednesday.



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Historic increases in home prices in Orange County and Los Angeles are beginning to push up rents in those areas, as some homeowners cash out their equity gains and move into apartments, Chapman University economist Esmail Adibi said. That exodus is also taking more steam out of the region's market for houses, he said.

Average monthly rent in the Southern California region rose 6 percent to \$1,439, according to the survey RealFacts released Wednesday. Including rental houses and condominiums, Los Angeles-area rents increased 6.9 percent between March 2006 and March 2007, the federal Labor Department said in a report Tuesday.

At current rates of economic growth, landlords could become more aggressive in raising rents once the new complexes fill, Adibi said.

Move-in bonuses are now the rule at many local complexes, including Vista Pointe, off Hancock Avenue in Murrieta, and its sister complex, Silverado, off Los Alamos Road. The two luxury complexes, both of which have opened since October, are offering one

rent-free month upon the signing of a 13-month lease.

Catherine Perrotta, business manager for the two complexes, said both are attracting families who have recently sold their homes, either to escape debt or because they wanted to take advantage of equity gains in case home values fall in the next two years.

A family paying 2,000 in monthly rent could have monthly mortgage and tax payments totaling \$4,000 to \$5,000 on a comparably sized dwelling, Perrotta said.

Monthly ownership costs have always been somewhat higher, but industry analysts say the gap has rarely been so large. A 4 percent increase does little to close it, Adibi said.

"Our rents are significantly lower than what their adjustable rates are going to," Perrotta said.

"We're in a market right now where people are running from their homes because of the foreclosures."

In interviews this week, analysts and real estate professionals cited rising monthly payments as a factor in many foreclosures in Riverside County, which rose to 1,460 in the first three months of the year, 10 times the 144 recorded in early 2006, the

research firm DataQuick reported Monday.

Meanwhile, home prices remain at or near unprecedented highs throughout Southern California, though prices in most areas of Southwest County have fallen slightly

since last spring, according to DataQuick. In Murrieta, the price of a typical home fell to about \$470,000 last month from about \$480,000 in March 2006. It had risen from about \$275,000 in early 2003.

Adibi said the continuing contrast between monthly rents and home-ownership costs will probably lead to steep increases in rents while undercutting home prices. Homes are overvalued by an average of about 17 percent in the two-county area of Riverside and San

Bernardino, Laguna Hills-based GeoStat Advisory said last week in a study that analyzed the relationship between rents and prices in several dozen metropolitan areas.

A more comprehensive study released last month concluded that homes in the region were overvalued by 60 percent, making Riverside-San Bernardino the eighth-most overvalued of 319 metro areas in the United States. The study, by Global Insight and National City Mortgage analyzed home values based on household incomes, population densities, historical trends and other factors.

"Home prices and rents are out of whack," Adibi said, referring to Southern California. "Home prices doubled in the last five years. But rents didn't double. Renting has become more attractive."

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Snu wrote on April 19, 2007 1:09 PM: "Rents increasing because housing has increased? That's not how that works. Rents can only rise when desirability (demand) increases or supply contracts AND when people's paychecks can support the increase. Judging by the number of motorhomes and boats for sale in the area, I'm willing to speculate peoples paychecks are not increasing."

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