

# Home foreclosures, economic downturn fuel apartment demand

## *Rents rising as credit markets curtail development of new units*

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Demand in Southern Nevada's apartment market rose in the third-quarter, fueled by a rise in home foreclosures and a lack of new rental products, reports Applied Analysis, a local business advisory firm. Valley apartment occupancy rates were nearly 94 percent at the end of September, up 0.2 percent from a year ago. Average asking rents, meanwhile, were \$890 per month or \$7 more than 12 months ago.

"As overall demand appears to be on the rise, rent is expected to follow despite the difficult economic environment," Applied Analysis principal Brian Gordon said. "We expect continued volatility in the for sale market, tight capital markets, global financial uncertainty and low consumer confidence to press residences toward rent options."

Unemployment reached 7.34 percent in the third quarter, exceeding the national average of 6.1 percent, while 35 valley foreclosure occurred a day. The economic instability for working families, many of which are losing their homes, is creating greater demand for rentals. Yet tightening credit markets have curtailed the volume of new apartments expected to enter the valley in the next year. It's creating greater pent-up apartment demand, which, in turn, is fueling rent growth.

The southwest had the valley's highest third-quarter rents at \$1,014 per unit; the northeast was lowest at \$769 per unit. The strongest annual rent growth area was the north valley, which posted a 2.6 percent gain; the central/east submarket, by contrast, saw a negative 1.6 percent growth.

"The recent rise in occupancies provides some relief for landlords," Gordon said. "Pricing is unlikely to pull back. With only modest levels of new supply expected to enter the market in the coming year, fundamentals for market owners remain stable."