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## Housing Bust Means Multifamily Boom

By Carl Cronan

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FORT MYERS, FL-Lee County has been singled out in various media reports as "ground zero" for US home foreclosures, yet it's also identified as one of the nation's strongest apartment markets. That's good news for Southwest Florida multifamily investors, according to local brokers.

"When a home is lost to foreclosure, the owner doesn't typically become homeless," says Jim Garinger, principal and managing director of the Fort Myers office of Clearwater-based Colliers Arnold. "They manage to find another roof to live under."

In many cases, that roof may involve fellow tenants living above, below or beside, just like the good old days when apartment dwellers looked forward to buying their own house and yard. Since the housing market appears to have crashed harder in Lee County than anywhere else in Florida, former homeowners are forced to resort to other living options.

One out of every 65 homes in the Fort Myers-Cape Coral metropolitan area went into foreclosure in February, according to a report by RealtyTrac. Roughly 2,000 new foreclosure filings have been recorded in Lee County over the past three months.

Meanwhile, Southwest Florida was recently ranked first in the state in apartment occupancy growth by Novato, CA-based RealFacts, which tracks complexes with at least 100 units. While rental homes were previously considered competition for apartment communities, owners of those individual properties have run into mortgage problems.

"Since the tenants are tired of being kicked out of foreclosed homes, they return to apartments, which they view as a more tried-and-true approach to renting," says Andrew Falde, an investment specialist with Colliers Arnold in Fort Myers. He believes that increased demand for reliable rental housing will continue well into this year.

Colliers Arnold points to Park Crest at the Lakes as a prime example of the resurgence for local apartment demand. The 360-unit complex near Daniels Parkway recently reached full occupancy from 70% last fall.

"Stronger demand is causing apartment units to fill up and we anticipate rents will slowly begin to follow," Garinger says. Average apartment rents range from approximately \$800 per month in the Naples-Marco Island market to nearly \$900 per month in Fort Myers-Cape Coral.

Garinger adds that the oversupply of houses built in Southwest Florida over the past three years is selling off quickly, with some reportedly going for as little as \$1,000. As those homes return to the market as affordable rentals, he says, the spread in rents between detached and multifamily units should stabilize this year.

However, Falde points out that foreclosed homeowners could have trouble getting a new mortgage in years to come because of credit issues, which may translate to sustainable demand for apartments as far out as 2016. "We believe multifamily investors should return to acquisition mode during 2009," he says, adding that they should focus on building value by increasing occupancy rather than waiting on inflation.

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