

ORLANDO SENTINAL

Fewer 'for rent' signs in Orlando

A survey shows 5,041 vacant apartments in Metro Orlando, the smallest total since 1998.

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Finding a vacant apartment in Metro Orlando is harder now than at any time since 1998, as thousands of condo conversions and scarce construction have squeezed the vacancy rate to another record low.

"If you're on the street looking for an apartment, you're not going to find much," said Jim Lewis, president of Charles Wayne Consulting Inc., a Maitland company that has tracked the market for nearly two decades. "You very well may end up on a waiting list."

The number of available apartments in the four-county metro area shrank to 5,041 in the company's March survey, the smallest total since September 1998. The number of vacant units has fallen more than 11 percent in the past six months -- and more than 60 percent in the past two years.

The vacancy rate in the March report was 3.6 percent -- the lowest level recorded since the company first began its twice-a-year census in March 1987, Lewis said. The previous low, 3.9 percent, was set just six months ago in the September 2005 survey.

J.T. McWalters tried scouting for an apartment on his own as he prepared to move here from Long Island, N.Y. But "that wasn't going anywhere," he said. So he turned to Apartment Hunters, a free service that charges landlords a referral fee, and was offered a one-bedroom unit in Altamonte Springs not far from his job in Maitland.

"This market is tight. I needed help," McWalters said.

Condo conversions are partly to blame, according to Lewis. More than 7,700 units have been converted in the past six months alone, he said.

The other problem is a lack of construction: The March census found just 3,308 apartments in the works, the smallest total since September 1993. And nearly 900 of those apartments were existing units undergoing renovation, not new units.

Meanwhile, the area's population has continued to grow.

"It's our expectation that things will get worse, until rents rise substantially to get new development going," Lewis said. For that to happen, he said, area rents would probably have to rise an average of 10 percent or more a year for a couple of years, compared with a historic annual average of 3 percent to 4 percent.

Tenants and those who make a living helping them will tell you rents are already soaring.

Margie Clark, manager of the Apartment Hunters' office near the University of Central Florida, said finding available units "is very challenging. It's tough right now." She said small, one-bedroom apartments in the UCF area are averaging about \$750 a month -- compared with \$50 to \$100 less than that a year ago.

Just two years ago, a tenant could have signed a one-year lease that included one month rent-free.

"Families looking for affordable apartments are on waiting lists, with nothing likely until September," Clark said.

Bob Miller, an apartment specialist with CB Richard Ellis in Orlando, said three-month waiting lists are now common. Rent increases last year averaged 8.6 percent, he said, and "we see double-digit increases this year."

Apartment developers face obstacles other than inadequate rent levels, however, including scarcity of cost-effective land, competition from new-home builders, zoning prohibitions and fast-rising building costs.

Ed Kleiman, president of Concord Management Inc., an affiliate of CED Cos., a major apartment developer that owns more than 12,000 units in Central Florida, said the company's properties are about 98 percent occupied on average, though vacancies crop up "because people come and go."

Kleiman said the company is not planning much in the way of construction. "We can't make the economics work."

He said the tight market may not be quite as tight as the census of large apartment complexes may indicate, because an unknown number of units converted to condos are put back into the rental pool by the investors who buy them. "You see condo-for-rent signs on a lot of corners, but no one has a number" for how many such units are available, he said.

The condo-conversion craze -- Metro Orlando was the nation's second-busiest conversion market last year, behind only Tampa-St. Petersburg -- may begin to slow as the nation's housing markets generally continue to cool, and that could help stall further depletion of the area's apartment inventory.

But Pat Jones, senior vice president of Engler Financial Group LLC, an Alpharetta, Ga., real-estate company that has done a lot of business in Central Florida, doesn't expect the waves of conversions to go away.

"Sales are a little slower, but that's mostly because investors have backed off," Jones said. "Generally, we're hearing sales are still pretty good."

And converters are still calling, looking for apartment complexes to buy, he said.

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