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Lloyd Gallman Advertiser

Bo Evans, a Realtor in Prattville, manages a number of rental properties.

Rental properties

Typical tenants changing with economy

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Bo Evans knows the routine, but says it is changing.

Evans, who operates Bo Evans Realty in Prattville, knows that if he represents a rental home that is not occupied by early June, it will be a little more difficult finding a tenant.

Rental homes in Prattville had been the traditional territory of Air Force families moving in and out of town for assignment at Maxwell. Even the traditional lease period in Prattville runs according to the military schedule.

Evans said the rental market is becoming less dependent on the military and is going through other changes as a result of the overall real estate downturn. Those changes don't mean the rental market has gone sour, but the typical renter has changed, Evans said.

A couple of years ago, military renters made up about half of the tenants in homes Evans manages. Now, he said, it is little more than a third.

Some of it is because there are fewer military tenants, and some of it is because families that would have looked to purchase a couple of years ago are now renting for longer periods.

Even though the type of tenant has changed a little, Evans said the overall market is pretty stable.

"I would say it is in balance," he said.

"Rents continue to rise, but not dramatically. The demand is still strong."

Evans said the "for rent" signs that dotted neighborhoods in Autauga and Elmore counties in July and August last year probably will be harder to find this year.

Brandt Wright, who operates Brandt Wright Century 21 Realty, largely agreed with Evans, especially on the overall direction of the market.

"Most of the properties we have are rented," he said. "Rents aren't going up much, but maybe a little."

Both men said there are two opposite, but related, forces at work in the rental market. One force pulling tenants away from the market is house prices. Homes, they say, are more affordable than before, making it tempting for renters to purchase.

On the other hand, they say fewer tenants are able to buy, often because they have married credit reports, meaning they stay in rental properties longer.

Leonard Zumpano, a real estate professor at the University of Alabama, said those two forces can be expected to work on any rental market in the current economy.

"If you have a property, you might keep renting it out as long as you are making a significant amount," he said. "Prices have been coming down, so there is a segment that is more active."

Wright predicted that segment, basically entry-level homes, will become even more active in the next year or so. That will mean fewer rental homes, he added.

That could lead to higher rents for tenants moving in over the next year.

Evans said current tenants are seeing just modest rent increases this year. His firm raised rents on most properties by about \$25 per month.

Perhaps it is the stable rents or maybe the soft market for sales, but Evans said more renters are staying in homes from one year to the next.

"We are seeing more renewals than before," he said. "A few years ago, many of our tenants were buying houses."

He also said the retention rate is up because fewer military families on one-year assignments are renting. In some cases, the family decides to stay in its current location for the year so that a spouse can keep a job or children don't have to change schools.

"The military guys, more of them are getting roommates," he said.

Wright said he had seen a handful of homes move from the for-sale listings to the for-rent listings at his agency. It is a trend that has passed its peak, he said.

"I think we have seen the biggest part of that," he said.

That will fuel a trend that he said will lead to both fewer rental homes in the Montgomery market and fewer renters.

Wright said that could mean rising rents next year.

"I could see that happening a little bit," he said when asked if the supply-and-demand balance was going to tip one way or the other.