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Frenzy following city's rental houses

Real estate - Portland-area landlords are enjoying a jump in demand for rental homes

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No floors, no doors, the ad read. Reduced rent (\$1,325 a month) in a great Northeast Portland neighborhood.

Might not sound like a dream house. But Tamara Rubin, a landlord and mother of three, showed her Alberta Arts rental home to a half-dozen people -- then wound up watching two duke it out, even offering her incentives.

"They were trying to second-guess what I wanted," Rubin says. One offered to sign a six-month lease. Another said she could stay for a year.

All Rubin wanted was a short-term renter so she could finish the rehab work between tenants and raise the rent to \$1,650. Two days after the ad ran, she had her tenant: a young man heading to law school soon.

Property owners throughout the Portland area rave with similar tales. As the housing market cools, interest rates rise and apartments convert to condos at a dizzying clip, rental houses have become the new darlings of the real estate market, some landlords say. Competitive renters line up to view homes within hours of their being advertised. Others sign leases without bothering to visit. Open houses can draw as many as 50 potential tenants, and some landlords even find themselves in the middle of a bidding war.

"It's amazing how quick a market can turn," says Troy Rappold, who manages 300 single-family homes in the metro area. "The rental market hasn't been that good in Portland for about 4 1/2 years. There's been a real turnaround."

No one tracks the inventory or monthly rents of individual homes in the Portland area. But Rappold and other landlords say people are paying about 10 percent more to rent single-family homes than they did six months ago. And locally, apartment rents rose 5.6 percent the past year, one of the fastest increases in the West, according to a recent report.

High costs deter buyers

Landlords such as Dennis Dillon, who recently raised rent on the eight to 10 homes he owns, say high costs have priced out families and others who would otherwise buy.

A few years ago, "a lot of my tenants moved out to buy houses because interest rates were low," Dillon says.

While the rental market hits its annual slowdown this month, the past several months saw quicker turnarounds for available properties. Usually it takes two to five weeks for a house to rent, Rappold says. In the summer and early fall, it took one to three weeks.

But the rental boom may apply only to certain kinds of homes and renters, cautions Chris Hermanski, whose Mainlander Property Management rents 800 to 900 homes in the metro area.

"The market is better than it was last year," he says. "But we are having to constantly be flexible." Homeowners who work with him, many of whom offer executive-style houses in the west suburbs that would sell for \$450,000, understand they might have to drop their price if the house doesn't rent.

"Pricing a rental is inexact at best," Hermanski says. "We don't have the Multiple Listing Service. We don't have all the direct comparables. We have to all individually come up with what we think the average is."

During the past 25 years, the rental market has remained fairly stable, he says, with a peak in the 1990s when new residents flowed into Portland. Houses that once sold for \$300,000 used to rent for \$1,600 a month, he says. Now they rent for \$1,200 to \$1,300.

The frenzy that some renters find in the market might have more to do with their personal situations than larger market factors, he says.

Some renters carry poor credit scores or references that discourage them from using traditional management companies that might have more stringent requirements, he says.

"They go to rent from private owners," Hermanski says. "They will rent quickly, and they will pay over market. If you get a few of those, you think the market is different than it really is."

Rubin, who rents three homes, says she consistently gets 10 or 20 e-mails each time she posts an ad on Craigslist. Eight people lined up in two days to see Dylan Magierek's three-bedroom, one-bathroom Southeast Portland house, a noticeable shift from when he looked for a renter for the same house at the same time last year.

If the rental-home market really is shifting, some worry the binge will lead to a disappointing headache later, one in which Portland wakes up to find it has turned into San Francisco or Seattle.

"Something's going to crack," says landlord Patrick Hassenfritz. "Either the real estate market is going to pick back up again, or the rental market is going to get crazy. We're going to be a kind of San Francisco/Seattle type situation. Which I don't really like. I don't want Portland to become a city for rich people."

Eventually, he says, it could even hurt the value of his Alberta home, which he bought a little more than a year ago for \$350,000.

For now, though, he's watching the frenzy amp up.

Racing for the rental

One out-of-town couple -- she was from New York, he was from Seattle -- asked him to e-mail photos, even though he told them he'd found a tenant locally. He sent the pictures. They sent back an offer to pay \$2,100 in rent and a \$5,000 deposit. He was asking \$1,800.

"I was shocked," Hassenfritz says.

So was renter Scott Rubens, a 25-year-old graphic designer from Illinois who spent a week in Portland in October hunting for houses.

"It was unbelievable," he says. Houses went so quickly he couldn't act fast enough. He hit one open house in Northeast Portland an hour after it started, and the landlord said 50 people already had come through for the \$1,500-a-month rental. Rubens and his friends offered \$1,600 for a month-to-month lease. But someone else had already offered \$1,650 and pledged to stay a year, Rubens says.

"It was really difficult to find a place anywhere on the east side within 82nd," he says.

Eventually, he found a five-bedroom house in Southeast Portland for \$1,395. To get it, he raced to the rental company, handed over the \$30 application fee and filled out the application on the spot. Rubens also promised to pay three months' rent in advance when he, his girlfriend and a friend move in Monday.

Three minutes later, another group showed up, money in hand, Rubens says.

"They could've charged \$1,800 for it and probably could have gotten it," he says. "We had to be super aggressive."

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