HUMBOLDT VACANCY & RENTAL RATES
FIRST QUARTER, 2020

For property owners and investors with a current portfolio of properties, the Humboldt County housing market is trending positively. For those looking to invest in property, because of surprisingly low-interest rates, competition may be stiff. There is a decrease in the vacancy rate - an all-time low of 2.6% in Humboldt, and a slight increase in rental rates which, if historical patterns repeat, generally leads to increases in new home construction, ultimately benefiting Renters.

1. **Rental property investors looking to buy high cash flow rental homes will face challenging market conditions.** Foreclosure levels dropped to a 14 year low in 2019 and will likely remain so, making bargain properties more difficult to find. Affordability in the single-family home market is expected to decrease slightly as home prices grow to a forecasted increase of 0.8% and existing home sales drop by 1.8%. Source: Realtor.com 2020 Forecast

2. **Mortgage rates will decrease.** This decrease is in response to geopolitical uncertainty and a slowdown in the global economy. This means a potential increase in competition for affordable properties. This decrease could potentially entice new home buyers and also make it more affordable to finance new rental property purchases. "*Interest rates will, on average, remain lower for longer given the somewhat cloudy economic outlook. These lower rates will, in turn, support both purchase and refinance origination volume in 2020*," said Mike Fratantoni, MBA's Chief Economist and Senior Vice President for Research and Industry Technology. Source: mba.org 2020 Forecast

3. **Rent growth is a modest 2.5%.** Our national rent index increased by 0.1 percent from November to December, and has now remained essentially flat since last June. In fact, nearly all of the rent growth over the past year occurred during the three month stretch from last March to June, during which rents increased by 1.3 percent. Although this was the fastest growth over any three month period since the summer of 2017, this spike was short-lived, and rents have otherwise remained stable over the past twelve months. Rent growth tends to be slower in the fall and winter months due to seasonality in the market. Currently, rent growth is trailing the overall rate of inflation, which stands at 2.1% as of the latest data release. Source: Apartmentlist.com Rentonomics

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4 **Vacancies will be easy to fill.** The current rental market is dominated by millennials and others who have decided to delay buying property. There is the possibility of a surge of homebuyers as Millenials and Gen Xers may gain confidence in the economy despite the mention of a potential recession and try to take advantage of current mortgage rates. These final two predictions are good news for investors looking to enter the market, or those looking to purchase additional rental properties. Although obtaining bargain rental properties will be difficult, the outlook for strong rental demand and raising rents make single-family rentals an attractive long-term investment. This could ultimately benefit renters too, as more investment flows into construction of housing, there will be more non-owner occupied homes increasing the supply of homes available to renters, which would be a real benefit in our area which has an increasingly high demand for rental housing, and simply not enough to house everyone in need.

5 **Vacancy rates in Humboldt and nationally are in decline.** According to the US Census Bureau reports national vacancy rates in the third quarter 2019 were 6.8% for rental housing which is a decrease from 2018's 7.1%. According to our data, **Humboldt's vacancy rates are at an all-time low of 2.6%** - a decrease from rates this time of year in 2018 at 3.6%. We are pleased to see that our market rates are not dramatically increasing, adversely affecting the residents in our community; our medial market rents are $1005 (US Census 2019) unlike much of California where median rents for single-family homes are upwards of $2,000 and it gets exceptionally difficult to afford housing. It is especially exciting to see a decrease in vacancy rates, a typically stagnant data point. This is fantastic news, as this means landlords are getting people housed quicker and it is a positive trend for investors considering purchasing rental properties in this area. *Source: Census.gov Housing Press Release*

Conclusions

What does this mean for Investors? A low vacancy rate is a reliable indicator of a competitive rental market. This is generally beneficial to Investors who are looking to lease their property with minimal vacancy loss. This decreased vacancy loss may spur demand for the development of more housing. With Eureka & Arcata City's efforts to streamline new development, investors may take advantage of this support and build much needed new housing in Humboldt.

What does this mean for renters? Although increased rental rates are not a direct immediate benefit to Renters, the long term impact on the development of new housing is positive. A decrease in vacancy rates and an increase in rent could increase confidence in investing in properties as rentals, and ideally, new construction, which, over time, adds to the stock available housing. If there is a substantial increase in investment, and thus a larger supply of properties available, demand and thus prices would continue their market cycle.

Our Mission at RPM is to improve lives and our community by continuously elevating property management standards. By conducting research and preparing real estate market predictions, Real Property Management is investing in the education and success of both Property Owners & Residents of our community. We hope to not only provide the data but answer any questions you may have about rental housing in our area, please don't hesitate to reach out with any questions or suggestions. **Visit Report.RPM101.com for future releases.**