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Prudent Management of Your Property Assets

What can Richmond, Virginia's residential property owners expect in 2010?

Having specialized as professional residential property managers and advisors here in Richmond, VA for over 10 years, KRS Holdings enjoys a unique vantage point for observing residential property trends. We presently manage over 1,000 units in the municipal area. At the close of each year, it is our practice to evaluate the past year, and share any trends we've identified. This helps us plan correctly and aids us in effectively advising our clients over the coming months. Here are the important trends and projections that will be affecting Richmond properties in 2010:

1. In 2009, demand for rentals declined sharply in Richmond. Apartment communities and single-family homes have experienced higher vacancies than in recent years. According to an online source (www.census.gov) vacanies in Richmond were among the worst in the country in February of 2009! While we believe this statistic is overstated, experts that specialize in property management emphatically state that this has been a very challenging year for renting properties and finding qualified tenants. Some landlords have reduced their rates by as much as 20% to entice new tenants into signing a lease.

2. Richmond's far West End: The battle is on in Short Pump! With hundreds of new apartments and condominiums sitting vacant, tenants are being offered unbelievably reduced rental rates and incentives. For instance, tenants have been given 2 months of free rent on a 1-year lease for an already-discounted 2 bedroom apartment. Some of the older West End communities are offering 2 bedroom apartments at $575 for January, 2010. Competing landlords must provide concessions in these older neighborhoods, or be faced with having their properties vacant for months. The incentives are so attractive in this part of town, that they impact the rentals in the surrounding areas. We predict that this trend will continue throughout most of 2010, until these far West End units are sufficiently leased. We foresee rents beginning to trend upward starting in 2011.

3. The single home shadow market continues to impact the rental market here in Richmond. Due to the troubled real estate market, and tightened credit practices, many homeowners who have left the area are choosing to rent their homes rather than face the frustration of trying to sell them in this downturn. Since this absentee homeowner feels any income from their property is better than none, they are renting their homes at a slight discount compared other rentals in their area. This has enticed would-be apartment renters into home rentals. We believe these tenants will stay in these homes until the sales market picks up more steam -- which may be as late as 2013.

4. The job outlook in Richmond will be flat to slightly positive in 2010. 2008 through 2009 delivered a vicious blow to the job market here. The Bureau of Labor statistics states our area lost approximately 30,000 jobs, equating to approximately 5% of all jobs in the Richmond Metropolitan Area. These jobs will not be returning any time soon. A large percentage of them came from the bankruptcies of Land America, S&K Menswear, Circuit City, and Qimonda. In addition, there were sizable layoffs at Genworth Financial, DuPont, and Phillip Morris -- a few of the largest employers in this market.

When will we get back to 2006-2008 job levels? If the job market improves 1% per year, we will be back to the 2006-2008 job levels in 4 to 5 years. This seems plausible, and appears to be taking place already. Statistics show that from June to November of this year, the Richmond unemployment rate decreased from 8.2% to less than 7.5%.

The average unemployment rate over the past 10 years for Richmond is 4-5%. If the economy continues to grow, we should be back in that range within the next 3 years. Once the unemployment rate falls below 6%, rents will begin to increase and landlord concessions will begin to disappear.

5. New residential construction projects continue to be conspicuously absent from Richmond. We believe the federal bank regulators will directly or indirectly prevent new construction projects from starting over the next 2 years. This is good news for projects nearing completion or for owners of existing residential properties. We believe this is yet another factor preventing the further deterioration of rental rates here in Richmond.

We would be glad to discuss this year-end evaluation with you. We can share strategies you might employ in 2010 for improving the value of your particular residential property assets.

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KRS Holdings, Inc. has specialized in property management since 1990. Our guiding principle has always been to increase the value of our clients' residential assets while decreasing their problems. To accomplish this vision, we've developed proprietary systems with the potential for increasing the value of just about any property we manage.

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