BRE, Essex Report Bay Area Troubles

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SAN FRANCISCO-Competing Bay Area-based apartment REITs BRE Properties and Essex Property Trust each are reporting declining profits from their Northern California portfolios. The data was included in the companies' year-end earnings reports, which BRE issued on Tuesday and Essex issued last week.

BRE Properties, which owns more than 3,000 units in the San Francisco area, says its 2004 NOI from its properties there was down 8.7% compared to 2003. Related to that, the report shows San Francisco area revenues were off 4.3% in 2004 while expenses (including rent concessions) were up 8.3%. San Francisco-area occupancy stands at 93%, down from 94% last quarter and up from 92% the end of the fourth quarter of 2003.

Essex, which owns about 5,200 units in Northern California, says its revenue from the region was down 4% for the year compared to 2003 while its operating expenses were up 0.5% and its NOI was off 6%. Occupancy in the Northern California portfolio fell more than 100 basis points during the year, from 96.4% to 95.2%.

Both companies' Northern California results were offset by improved performance in their Southern California portfolio. More than half of Essex's 25,000 units are located in Southern California while BRE has about 8,300 units in Southern California representing about 42% of its 20,000-unit portfolio.

Revenue from Essex's Southern California portfolio rose 3% and operating expenses declined 3.7% for a 6% rise in NOI compared to 2003. Its occupancy in Southern California, at 96.5% at the end of December, was down only 50 basis points from the start of 2004.

BRE breaks its Southern California portfolio down into LA/Orange County and San Diego. Its 4,577 units in LA/Orange County performed well, with revenue up 3.6%, expenses up 1% and NOI up 4.8%. In San Diego, revenue was up 1.9%, expenses were up 3.3% and NOI was up 1.3%.

Portfolio wide, BRE in 2004 saw revenue up 0.2%, expenses up 3.1% and NOI down 1.1% from 2003. In the same comparison, Essex saw revenue rise 0.9%, expenses rise 1.5% and NOI up 0.6%.

Meanwhile, both companies are beefing up their holdings in the Pacific Northwest, especially Seattle, where the multifamily market appears primed for improved performance.

Along with its year-end report, BRE Properties announced plans to restate financial statements going back nearly four years to adjust for accounting errors.