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Prevalence peaks for rentals

Buy-rent decision still weighs on residential real estate
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In a preview of 2015 a little more than a month ago, executives with AvalonBay Communities predicted millennials and other renters will continue to drive solid growth in its suburban Northeast markets, with the apartment giant owning complexes in Shelton, Stratford and Trumbull among other locales in Fairfield and New Haven counties.

If AvalonBay has any one problem, it is that other residential property owners are eyeing the

same dynamics, whether apartment companies or owners of single-family homes not averse to renting them out for the time being.

The homeownership rate in lower Fairfield County tumbled last year to 67.7 percent of all occupied housing from 70.7 percent in 2013, reaching a nadir not seen since at least 2005, according to the [U.S. Census Bureau](#).

Connecticut's rate of homeownership last year was 67.4 percent, according to the U.S. Census Bureau, the lowest seen statewide since 1994 when innovations in the home mortgage securitization industry spurred a spike in homeownership up through 2008. When borrowers stuck with ballooning rates were unable to keep up on their mortgage payments, that created waves of foreclosures with a domino effect on home sales and by extension the rental market.

Building boom

Add to that the millennial generation hitting their earning years in the mid-20s, and companies like AvalonBay and Stamford-based Building and Land Technology have been quick to capitalize, building at a breakneck pace the past several years to bring new apartment units online in time for the economic recovery.

"We are expecting a fair amount of (apartment) supply coming online, particularly as you get into Hudson County (New Jersey) and right along the waterfront there, all the way across the Gold Coast (of Connecticut)," [Sean Breslin](#), chief operating officer of AvalonBay, said during a conference call with investment analysts in January.

At least some of that supply is in the form of single-family homes that owners would sell rather than rent if they could get the right price. [Helen Dennis](#), an agent in the Stamford office of William Pitt [Sotheby's](#) International Realty, reckons 40 percent of single-family homes in her

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market are available for sale or rent, with many buyers still lacking the funds or confidence to make a purchase at the current going rate in Fairfield County.

"One of the tragedies of this housing boom and bust was the dramatic climb in foreclosures," Joe Tracy, executive vice president of the Federal Reserve Bank of New York, said last week at an economic outlook conference organized by the Business Council of Fairfield County. "You have a very significant decline in the homeownership rate in this country. The median family who used to own now has to rent, and so we were in a situation where we basically needed to repurpose our housing stock from owner-occupied to rentals."

Rental rates steady

The real estate website Zillow calculated estimated recent median rents in eastern Fairfield County ranging from \$1,650 in Bridgeport to \$2,800 in Fairfield in the fourth quarter, with rents trending upward. Across Fairfield County, the median rental rate was up 4.4 percent from a year earlier, Zillow determined.

"The rents are high and the rental demand is still high," said Tammy Felenstein, director of sales in the Stamford office of Halstead Property. "We're seeing the rise in rentals for a lot of reasons -- the millennials all have a lot of debt, there's a lot of reasons that go into it."

A HelloWallet study last November that was cited widely around the decision of whether to buy or rent today, saying more than 40 million homeowners nationally bought their homes during time periods when they could have built more wealth by renting and investing the money they otherwise plowed into the costs of owning a house. The study added that the prospective homebuyer today making a median income would increase their net worth by 50 percent by opting to rent rather than buy.

Betting that message will continue to hit home, particularly for millennials, Fairfield County developers have come out of the recession on a building binge that has added swaths of new housing in Stamford, Norwalk, Danbury and the Bridgeport area.

"We ... benefit from the continued decline in single-family home ownership rates across the country," David Neithercut, CEO of Equity Residential which has apartment complexes in Stamford and Norwalk. "It remains to be seen if ... a long term historical average of 64 percent becomes a bottom or not. But across our portfolio, we continue to see fewer residents leave us to buy a home, either due to the lack of desire to actually own one or the financial inability to do so."

For her part, Sotheby's Dennis does not think that the new apartment housing will have much of an impact on people looking to rent their single-family homes, saying those listings tend to draw a different demographic of family -- often with children coveting yard space.

But she agrees that the financial motivations for both types -- renters and buyers -- are linked.

"Some people looking at rentals are wanting to buy -- but not wanting to buy yet, so they think of renting for a year," Dennis said. "There's still some buyers that are a little squeamish about investing in the market right now."

Alex.Soule@scni.com; 203-964-2236; www.twitter.com/casoulman

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