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Prevalence peaks for rentals

Buy-rent decision still weighs on residential real estate

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Heading into the busiest time of year for residential real estate brokers, listings continue to pile onto the market in Greenwich -- from a condo at Old Greenwich Gables going for \$3,900 to a Byram Shore Road estate for \$20,000. Per month, that is.

The properties underscore a growing trend in the local real estate scene of listings being put up for rent in an effort to draw income until the price that the seller is aiming for arrives.

It is only one factor affecting the rental housing market in 2015, agents say, with larger forces at play such as the jobs market, credit availability for would-be buyers, interest rates and family demographics. But the dual lease-sale listings are a contributor as well as the rental market looks to continue a recent run.

"Right now when you look at the inventory of single-family homes, a good percentage of them - almost 40 percent -- are for sale and rent," said Helen Dennis, an agent in the Stamford office of William Pitt Sotheby's International Realty who has a rental listing on Homestead Lane in Greenwich. "Sellers are trying to hedge their bets both ways ... Really (renting) comes up as an option if they don't think they can get their price."

If the supply side of the market is more open to renting, that has been the case for several years on the demand side. 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.

"One of the tragedies of this housing boom and bust was the dramatic climb in foreclosures," said Joe Tracy, executive vice president of the Federal Reserve Bank of New York, speaking last week in Stamford 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



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where we basically needed to repurpose our housing stock from owner-occupied to rentals."

Not cheap

If buying in Greenwich is an expensive proposition, that is no less the case for renting, with the real estate website Zillow estimating a median rent of about \$5,200 as of the fourth quarter of 2014. Zillow carried about 160 Greenwich rental listings in the early part of March. Using Zillow's "breakeven horizon" statistic, one would have to live in a [Greenwich house](#) 5.3 years before reaching the tipping point where owning the home would be more advantageous than renting it.

A HelloWallet study last November that was cited widely put some numbers around the decision of whether to buy or rent circa 2015, 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 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 owns Fairfield Apartments at 100 Morgan Street in Stamford, said on a conference call last month.

"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."

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