

Personal Finance: Still Renting After All These Years

The Trend Toward Rentals Shows No Signs of Easing—Even Among Those Who Could Easily Afford to Buy a Home

By [M.P. MCQUEEN](#)

As appeared in [The Wall Street Journal](#) January 8, 2011

Mortgage rates are near historic lows and homes are more affordable than they have been in memory. Yet some five years after the housing bust began, many people who could easily afford to buy are still choosing to rent.

Real-estate experts had been expecting a turnaround in the housing market by now, prompted by historically low mortgage rates, lower home prices and a broad, if tepid, economic recovery. In the fall of 2009 and spring of 2010 there were even minibursts of sales increases in many U.S. markets, thanks to temporary tax credits.

But now expectations for a broader housing recovery are being pushed to midyear or even 2012. Blame it on job insecurity, tougher lending requirements, fears of further housing price drops and stingier corporate relocation packages for new hires, say real-estate professionals and recruiters.

A Thriving Rental Market

If anything, the rental trend even may be accelerating: In the last quarter of 2010, apartment vacancies fell below 7% nationally for the first time since the last quarter of 2008. Nationally, apartment rents increased by 2.3% in the fourth quarter of 2010 over the same period a year earlier, according to data from Reis Inc., a national real-estate research firm based in New York. It was their fourth consecutive quarterly increase.

In Barrington, Ill., a suburb of Chicago, the number of homes rented increased 20% in 2010 over 2009, according to one local real-estate agent. In the Hancock Park area of Los Angeles, there is a shortage of three-bedroom, two-bathroom homes for rent, local agents say. And in New York, sales of apartments priced below \$1 million—middle-class housing in that high-priced market—are slow, while the rental market is thriving and rents are rising again, local agents say.

Amanda Oberhausen of Alpharetta, Ga., near Atlanta, was enticed by low prices and incentives for first-time home buyers, and dipped her toe in the market last summer and fall. She looked at two-bedroom, 2½-bath townhouses—much like the one she was renting—selling for \$100,000 to \$150,000.

But as an account manager for a company that helps repossess printing equipment at defunct businesses, the 26-year-old couldn't shake her concerns about job security and whether she would be able to sell if she had to relocate. Ultimately, after looking at four or five homes, some of them foreclosures and short sales, she decided to keep her \$925-a-month rental.

"I started thinking about buying because homes were so cheap, but I couldn't commit," Ms. Oberhausen says. "I was just too nervous."

Even affluent clients who have lots of cash on hand are renting instead of purchasing homes, say real-estate agents and brokers in markets such as Chicago, Los Angeles, New York, Miami and Kansas City, Mo.

In New York, rents rose last year over 2009, and landlord concessions such as a free month's rent are disappearing for high-end rentals. About 22% of landlords offered concessions in December, compared to 60% a year earlier, according to Citi Habitats, a Manhattan real-estate brokerage.

Citi Habitats had a 25% increase in rentals of apartments costing at least \$7,000 per month in 2010 over 2009. "There's definitely a portion of the buying population that is concerned whether this is a good time to buy or not," says Gary Malin, the firm's president.

There is a shortage of single-family homes for rent in Bronxville, N.Y., and other parts of upscale Westchester County, real-estate agents say. Rentals also are becoming more popular in markets traditionally associated with vacation homes and investment properties, such as Miami and the tony Hamptons on New York's Long Island.

About 57 homes priced above \$5 million have sold in Southampton and East Hampton in 2010, compared to 128 in 2007, the peak selling year, says Diane Saatchi, senior vice president of Saunders & Associates Inc., a real-estate brokerage in Bridgehampton, N.Y.

"Buyers think if they wait the price will come down, and sellers think if they wait the price will go up," Ms. Saatchi says. Transactions occur mainly if one party has a pressing need to move.

In Miami Beach's South Beach district, strong demand for high-end waterfront condos is driving up rents, says Claudia Lewis, a real-estate agent in Coral Gables, Fla. Three-bedroom units range from \$10,000 to \$30,000 a month and can go for as much as \$75,000 a month for certain oceanfront properties.

Financial advisers such as Matthew Tuttle, a wealth manager in White Plains, N.Y., say home buyers who want to purchase a house for their own comfort and enjoyment should not sit around trying to wait for the exact market bottom.

"I think you cannot time the market for real estate just like you cannot time the stock market," he says, "so if you are planning to buy anyway you could do a lot worse than buying now."

To be sure, rising interest rates have energized the market a little: Sales of existing homes rose a seasonally adjusted 5.6% last November to 4.6 million from 4.43 million in October—but still far below the 6.49 million in sales a year earlier and well off the long-term historical average of about 5.5 million, according to the National Association of Realtors.

Pushing the Trend

Other factors are pushing the rental trend. In Barrington, the Chicago suburb—where the median sales price of house is about \$450,000—the ceiling of \$417,000 for a government-backed conventional mortgage is helping suppress demand for higher-priced homes, says Paul Wells, a local real-estate broker.

Meanwhile, the weak job market means fewer people are moving. Paul Bishop, research director of the National Association of Realtors, says purchases of second, or trade-up homes in the age group of 45 to 54 tend to be driven by job relocations, but "fewer people are moving because the economy is weak."

And companies have cut back on relocation benefits, recruiters and real-estate agents say. Instead, they are offering a flat sum to offset expenses for all but the highest-echelon executives. Even candidates earning \$200,000 to \$500,000 may not get full packages, says Lisa Chenofsky Singer, an executive consultant in Millburn, N.J.

Many would-be purchasers, like Steven Weissman, 49, a chemist who works for a pharmaceutical start-up in the Boston area, are renting small apartments or other temporary quarters near their new jobs and commuting hundreds of miles every week.

Mr. Weissman, whose 18-year career at Merck & Co. in Whitehouse Station, N.J., ended in 2008, gets up at 4:30 a.m. every Monday to make the 225-mile trek, leaving his wife and two children behind in Millburn, N.J. He's part of a group of six extreme commuters from the New Jersey-Philadelphia area who get together for dinner once a week. One member of the group has been commuting from New Jersey to the Boston area for five years.

"I'm the newcomer at 11 months," Mr. Weissman says.

Write to M.P. McQueen at mp.mcqueen@wsj.com