BY KEVIN GRAY
PHOTOGRAPH BY MAURICIO ALEJO

Why You Are Right to Rent

Feeling stigmatized for having missed out on the big housing boom? Read this and relax.

AS SOON AS HE LANDED A JOB AFTER GRAD SCHOOL, MAKING A HIGH-PROTEIN $155,000 A YEAR IN salary and bonuses, Dan Cook began to hear voices: *got to buy, got to buy, got to buy.* They came from hard-charging friends, powerful partners at his Chicago law firm, even zealous strangers in gritty bars. The message was this: If you don't own property, you're a loser. Not just as a member of the vertebrate set, but as a breadwinner. As a man. ¶ "All these people who own property, it's like a club," Cook says. "And they always have that smug look when you say you rent instead of own." So, of course, Cook went

house hunting, armed with his fat pay stubs and his white-shoe credentials. But he quickly learned a humiliating lesson. "Here I am, working in the big time, getting top pay for my age and my profession, and brokers are showing me what amounts to a closet, for a half-million dollars," says Cook, a 27-year-old with a master's degree in federal tax law. "Or else they want to push me into the suburbs. I'm too young—I have too much energy to be hanging out with the stroller crowd."

As the historic run-up in housing prices seems to be coming to a close, men like Cook are surveying the picked-over landscape and feeling like Dickensian wretches. It's not that they can't afford to buy a home. It's that those affordable to them usually look like doll houses of the damned, and these guys can't easily cram their egos inside. So instead, they throw their money away renting. And friends just cluck their tongues at the shamefulness.

It turns out, however, that these browbeaten first-of-the-monthers may actually be onto something.

While housing prices in some bubble markets like New York, Las Vegas, and Miami have almost tripled in the past five years, rents have gone up only 20 percent, and in some areas less than 10 percent. In part, that's due to a central irony of the housing boom: As millions have rushed to buy homes, they've left behind an inventory of rentals. At the same time, speculators in the market, who typically buy one-bedroom units and try to rent them until their price balloons, helped push vacancy rates for those units to more than 10 percent.

As a result, guys like Cook can now live like mini-Trumps. Rather than taking out a massive loan on a dinky studio, whose monthly costs of mortgage, maintenance, and taxes would bleed him dry, Cook is now renting a sprawling two-bedroom with a monster balcony, near some trendy bars, just north of downtown, for $1,950 a month. Had he bought a similar place, he'd be shelling out at least twice that much. He's clearly happy with his choice. "As a young professional working his tail off, I want to be able to enjoy my life, have spending money, not be working for some glorified box," Cook says. "I don't want to worry if I drop $700 one weekend on clothes, which I like to do."

It's that type of grasshopper-versus-ant mentality that has the wise men chuckling. Because really, opting for bespoke suits over solid walls is a failure of character, isn't it? Some sort of ethical turpitude? "Buying property is a no-brainer, the first thing you do after college, even before you pay off the student loan," says Jerry Feeney, a New York City real-estate attorney whose clients include high-profile names. "When you don't buy, people naturally wonder what you're hiding. Do you have bad credit? Did the co-op board turn you down because you have some kind of STD?"

Like Cook, many high-income renters (10 percent of renters have salaries that top $60,000) are refusing to buy, some so that they, too, can hang on to their flexible lifestyle, and some simply to avoid the risks of buying in an uncertain market. "People who are willing to pay more to own than rent are making a certain bet, speculating that prices will continue to double or triple," says Dean Baker, codirector of the Center for Economic Policy and Research, a Washington, D.C., think tank. "If they're wrong, they'll lose, and the renters could come out ahead."

A lot of smart guys who have sat out the housing boom and have felt stung by the snobbery of the ownership class are now starting to gloat. Ken Shubin Stein, 36, who runs a successful hedge fund, prefers to rent his 1,000-square-foot apartment in a luxury building on Manhattan's Upper West Side, for $3,400 a month. "For me, it doesn't make sense to take on a lot of debt for something I think is overvalued," says Shubin Stein. "I think it's a fallacy that you have to own real estate. It just sucks people in—until it doesn't anymore."

Still, whether housing is overvalued is beside the point in most people's minds. In Miami, where a Ferrari and a pneumatic girlfriend are de rigueur for any self-respecting 30-year-old, to rent is to admit not only to penury but to a certain human failing. "If you're renting in Miami, you are a second-class citizen," says Mario Ojeda, a 31-year-old Realtor with the Carson Realty Group, which did $400 million in sales in South Florida last year. "You go to South Beach and say you rent, it's a stigma. You're not hooking up. You're out."

But renting actually leaves you room to play with the player class. Let's say you did fork over 20 percent for that $800,000 harbor-front unit on Biscayne Bay, a short motorcycle ride from South Beach. You'd end up paying nearly three times the $3,200 a month that Tolga Onsipahioglu pays to rent that same three-bedroom apartment with the same perks—sauna, Jacuzzi, pool, and world-class gym. "How else can I get all that?" says the 34-year-old native of Turkey, who owns a $6 million wrought-iron company that makes fixtures for the local rich and famous, "and still have money left over for my toys?" They include a BMW, a Mercedes, and a Honda CR600 that he rides to the beach on weekends.

A building boom in such full-service rentals has lured a lot of would-be buyers over to the rental camp. But many of the defections can be attributed to pure uncertainty as the supposedly unstoppable real-estate market starts shuddering to a crawl in some markets. In fact, the fence-sitting crowd has become so big that the media has a name for it: the bubble sitters. Their newfound temperance is keeping homes on the market far longer than even just a year ago.

"Since the big issue right now is uncertainty, people are no longer just laying down money to get in on the gold rush," says Rado Varchola, a broker for New York's biggest rental agency, Citi Habitat. "A lot of people are just holding off, taking a wait-and-see attitude. And that's smart for newbies."

Renting, of course, will always mean giving away money. But if you buy at a steep price, and stay only three to five years, and if your home's value creeps up only slightly, then the overall costs could screw you. That's a lot of *ifs*. But they matter when the goal is to make money. If you really are in it for the long haul, for, say, 10 years or more, the market cheerleaders still say "Jump in, the buying is fine."

"No one wants to feel like they bought in at the absolute peak," says Greg Heym, chief economist at Halstead Property, which deals in New York's upscale listings, and which sold $3.3 billion in apartments and townhouses last year. "But we tell people: If you're buying for the long term, you can't try and time it."

Still, that Just Do It attitude tends to rankle guys like Dan Cook, whose old economics professor used to tell him: You don't eat in the long term. "I know a lot of people on the buying bandwagon who are making, like, $200,000 a year and are broke by their monthly payments," Cook says. "It's painful the way the housing market is set up. It's a squeeze. But it's no fun to live your life thinking, *What am I gonna end up with when I die?*" ■