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REAL ESTATE

Leasing is in fashion among wealthy house hunters

Niche data and anecdotal evidence point to a surge in high-end rentals. Instability in housing prices is one reason the rich are shying away from purchases.



By Lauren Beale, Los Angeles Times

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Real estate agents have been hustling lately but not necessarily to sell homes. Instead, leasing is in vogue, particularly at the top of the price spectrum.

If phone inquiries are an indication, interest in leasing luxury homes is intense, said Justin Mandile, an agent in the Sotheby's International Realty office in Beverly Hills.

He and partner Mary Swanson received 10 to 15 calls a day for two months on a five-bedroom house in the Sunset Strip area priced at \$3.5 million for sale or \$10,000 a month to rent. After initially holding out for a sale, the owner recently accepted a short-term lease.

"Surprisingly, there are that many people looking for a \$10,000 lease," Mandile said.

No single clearinghouse tracks such data for all of Southern California, and many top-dollar leases are handled privately, away from the prying eyes of the public. Still, niche data and anecdotal evidence point to an upswing in upscale rentals.

Lease offerings priced at more than \$10,000 a month were up 15% through the first part of

April over the same period last year on the Combined L.A./Westside Multiple Listing Service, while those in the \$7,500-to-\$10,000 price range saw a 7% increase. OCHouseRentals.com, which specializes in luxury leases, reports that business has been brisk in Orange County as well.

"We're seeing increased leasing across the board — both luxury and non-luxury properties," said Cary Hoffman, manager of Rodeo Realty's Encino office, which has more than 70 agents and listings from the Westside to the south San Fernando Valley.

Underlying the activity in leasing is consumer uncertainty about the direction of housing, said Paul Habibi, a UCLA lecturer on real estate, investment and development.

"People want to wait to buy when they are sure there is a floor underneath the housing market," Habibi said. "When government intervention pulls back, then we will see where the housing market really is."

Beyond the usual remodelers and divorcees, those seeking leases include people who can no longer qualify for mortgages.

"The high end got hit last with the wave of foreclosures" and short sales, said Hoffman, who has been an agent for 29 years. "People coming out of those homes have to have a place to go."

They may want to stay in the same school districts or close to familiar shops and businesses. For others, it's a matter of keeping up appearances.

"Some people who are losing \$3-million homes are very happy, happy to lease for \$10,000 a month because they want to still look like they are making it," said broker Anita Rich, who oversees the Rich Group Keller Williams in Encino. "It's really important they still have an address that goes along with the lifestyle."

Leasing still represents a relatively small segment of the market compared with sales, but it's not uncommon to see homes listed both for sale or lease these days, creating a safety net for the homeowner if the house doesn't sell right away.

Rich recently completed three leases for \$8,000 a month and up. One was a Hollywood Hills three-bedroom listed for sale at \$1.7 million or for lease at \$12,000.

"They got a lease offer before an offer on a sale," said Rich, who has 30 years of real estate experience.

Adding to the supply of lease houses are absentee owners and investors who haven't been able to sell and decide to take their for-sale homes off the market, put them up for lease and "sit out for six months or a year" or more, Rich said. "They don't want the perception that the property is getting stale or old."

Other houses for lease are owned by people who purchased at the height of the market. The owners are keeping their homes and renting them out to cut costs.

"I know of several cases where people moved into other arrangements that cost them less," UCLA's Habibi said.

Downsizing is the reason that restaurant owner Benny Borsakian gives for leasing out his primary residence.

He recently signed up a two-year tenant for his 4,400-square-foot home in

Encino with the help of Rodeo Realty agent Carol Wolfe, who also represented the renter. His family grown, Borsakian no longer needs a house of that size.

"It's just me, my wife and a housekeeper," he said.

Borsakian, whose house is nearly paid off, plans to re-evaluate the situation when the lease is up.

Although she doesn't agree with the thinking, Wolfe is seeing more potential sellers choose to be landlords rather than sell now. "They are going to hold on to the property longer and sell when the market is better," she said.

It's a sentiment also being expressed on the part of tenants unsure that the housing market has hit bottom. Luc Vanhal, who is renting Borsakian's home, looked at four or five other places before settling on the Encino house.

The first-time leaser needed a place close to his children's schools but didn't want to buy another house. "Why make a huge commitment to something that's clearly not worth it right now?" said Vanhal, president of a direct marketing company.

In Orange County, Jay Gordon of OCHouseRentals.com recently leased out a house on Newport Beach's Lido Isle, where homes can cost from \$3 million to \$25 million, for \$9,500 a month. "You'd spend twice that to live in the same exact area" if you bought, said Gordon, chief executive of the Laguna Beach company.

"Renters are not worrying about losing money," he said. "Leasing takes the guesswork out of where the market is going."

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