# Housing market: Is it better to own or rent?

## With recession revealing cracks in ‘dream,’ many no longer consider renting a taboo

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After the steep drop in the housing market revealed cracks in the decades-held belief that there was minimal financial risk in owning a home, does it still make sense to buy a house?

Making that determination always requires a close evaluation of personal circumstances. However, the economy and high unemployment rate have made it only more complex for many families. And that’s in spite of historically low mortgage rates.

Many are reconsidering homeownership as a lifetime goal and no longer consider renting a taboo, says Peggy Alford, president of Rent.com, an online rental listings service. But owning a home is a “mainstay of the American psyche” that offers numerous benefits to the homeowner, says Moe Vessi, president-elect for the National Association of Realtors.

Alford and Vessi, who clearly stand on opposite sides of the fence, walk through many of the common misconceptions surrounding homeownership and its economic benefits:

Homeownership is a good investment.

Home prices over the long term often pay off. For example, the average value of a home in the Boston area is 50 percent greater than it was in January 2000. That’s even though prices have dropped in the last few years.

“Real estate has always been a long-term investment,” says Vessi. “You want short-term? Go to Vegas. If you ask your parents or grandparents what was the best deal they’ve made, eight to nine times out of 10 they will say it was their house.”

Still, nearly 11 million homeowners got caught in the housing slump and owe more than their house is worth. They can’t sell at a profit or refinance. Any down payment they contributed to their home is lost, unless its value rebounds.

“Appreciation is all about timing. If you buy low and sell high, then it is a good investment,” Alford says. “But you should not consider homeownership solely on whether or not you will be able to sell at a profit. That’s because it is likely you will not be able to predict where the housing market is when you want to or have to sell.”

A home is a good way to save money. Renting is just throwing away cash.

Part of every mortgage payment goes to paying back the principal of the loan and building a little more home equity. So, a homeowner is using a house as a piggy bank. What’s more, not all of the mortgage interest paid is lost because it reduces a homeowner’s taxable income.

The mortgage interest deduction returns about an average $3,500 a year at tax-time to the homeowner, says Vessi: “And with every mortgage payment, a homeowner builds wealth. The average equity for a homeowner today is $155,000 to $165,000.”

However, the cost of owning a home is more than just the mortgage payment. Homeowners must pay for maintenance and repairs, expenses that renters don’t have. Also, there are other ways for consumers to save money.

“The problem with rent-versus-buy calculators is they usually don’t take into account property taxes, costs associated with maintaining a home, or unexpected costs like education expenses, medical bills that a family needs to consider when putting money into an illiquid asset,” says Alford. “Especially if it’s large part of their total funds.”

Homeowners are better for the community.

Politicians and housing advocates have long said that homeowners take better care of their homes and, by extension, their neighborhoods. They are more invested in seeing their community flourish because they plan to stay for a long time.

“We find children of folks who own their homes have a greater propensity to make better grades and are healthier,” says Vessi. “We also find that folks who own their homes are better connected to their families and community. We have a whole host of statistics showing that.”

But with the recent downturn in housing, many homeowners with costly mortgages don’t have the money to invest in their homes. Foreclosures dot many neighborhoods, inviting vandals, thieves and homeless people.

“How do you prove that homeownership in isolation causes stability?,” says Alford. “Homeownership is never the right answer if you can’t afford it. If a bunch of people buy houses they can’t afford in one neighborhood and then get foreclosed on, you have a lot of vacant homes. Is that building a better community?”

Homeownership can build a stronger economy.

In the past, construction activity has fueled economic recoveries. Each new home creates an average of three jobs for a year and $90,000 in taxes.

“Every time you sell a home in America, you create 40 jobs, you touch almost 80 occupations and generate almost $60,000 in peripheral activity like painting, roofing, plumbing, furniture, carpeting and landscaping,” Vessi says.

However, many Americans are stuck in their homes, unable to sell. Workforce mobility is at its lowest level since World War II and that’s a drag on the economic recovery if workers can’t move for a new job.

“Many Americans are realizing that the flexibility to be able to move if necessary to get a better job in down economic times is important,” says Alford. “Sure, you can rent out your house if you can’t live in it, but you can’t guarantee the rent will cover your mortgage or that you will find a renter right away.”

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