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Renting by Choice

Some interesting facts about renters:

- 41 percent of rental households rent as a matter of choice, according to a recent survey by Fannie Mae, which promotes homeownership.
- In 1999, nearly four out of 10 renter households lived in single-family homes. Households that rent single-family homes have median incomes of \$26,300, according to a report by the Joint Center for Housing Studies of Harvard University.
- 5.6 million households with incomes over \$50,000 rent their housing. On the other end, two-worker households earning the minimum wage cannot afford a typical two-bedroom apartment.
- There were 35 million rental households in the United States last year compared with 70 million homeowner households.
- The median rent paid in 2000 was \$612 a month and the median mortgage was \$1,307, according to new Census data.



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"Notwithstanding the surge in demand for homeownership, renting still remains the preferred housing choice for many families and individuals," the Joint Center said. "In fact, in many places at many times, and for many holding periods during the past 15 years, renting made better financial sense than owning."

How can you tell when renting makes more sense than buying? The Joint Center looked at six cities--Houston, Boston, Los

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Angeles, Miami, Portland, Ore., and Chicago. It also measured fluctuations in housing prices and the costs of buying and selling a house. Then it calculated the costs of owning vs. renting during various three-, five- and seven-year periods.

"In certain highly cyclical markets, such as Boston and Los Angeles, or weak ones, such as Houston, renting may be cheaper because buyers can face heavy losses after market peaks or during period of price stagnation," the study said. On the other hand, buying a house in Chicago or Portland, where housing prices rose steadily, would be the better option "even if the household moves within a short period of time."

If you are a renter and are considering buying a house, here are some guidelines to consider:

- Find out what housing prices have been doing in your area. Any local real estate agent could probably give you the information or the local newspaper may run charts or stories you will find useful.
- Estimate how long you will be staying in town and whether your job or your wanderlust is likely to take you away in the next few years.
- Use a mortgage calculator to figure out what your basic homeownership costs would be and compare that to your rent, remembering that you'll have a lot of additional costs with ownership--property taxes, insurance, utilities, replacements and repairs.
- If you've done all the calculations and they say "Rent" and you still long to buy a house, buy. You'll probably regret it if you don't. On the other hand, if the thought of all the costs and chores that come with homeownership make you want to walk out onto the balcony in your rental apartment and have a glass of wine, stay where you are.

RESOURCES:

mortgage, loan information and financing

Fannie Mae

Toll Free Phone: 800-732-6643

URL: www.fanniemae.com

Joint Center for Housing Studies

Newsletter available

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