

Fiscal Highlights

Rent or Own? - Andrea Wilko

Homeownership rates are at all time lows for a variety of reasons, including stagnant incomes pushing homeownership out of reach for many, and financing remains difficult for many potential homeowners. The dip in the number of Americans owning homes translates to an increase in demand for rental homes. Rental properties have seen an average annual increase of about 7%. As Millennials (ages 18-34) entering the workforce and Baby Boomers begin downsizing, the demand for rentals continues to increase. Many Millennials do not want to be anchored to a mortgage, and the aging Baby Boom population needs something more manageable.

As mentioned earlier, tighter home-lending standards are also responsible for fueling the trend towards rentals. While there is a need for apartments in general, the biggest increases have come in single family homes. As home values increase, individuals who were previously renting their homes have decided to sell. This has resulted in a tighter rental market. As the tight rental market continues in the short term there will be upward pressure on rentals.

A recent study by Trulia found that rents on average are increasing faster than home prices. In fact, homeownership remains 38% cheaper than renting nationally. However, with real median household incomes remaining flat last year, the economic situation of American families is not improving dramatically, keeping homeownership out of reach for many.