Is buying or renting a property more cost efficient in today's economic market?

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Has your rent drastically increased and left you wondering how you are going to manage the new price? Do you want to buy property but do not qualify for the general requirements and financing needs to purchase the home? The present market's fluctuations have influenced many individuals and families (Swango, 2020). The market's dynamics and supply and demand chain are determined by the economy. Between 2020 and 2022, society has been presented with not only a new virus, but also problems about how to survive in the aftermath of the pandemic due to inflation. Every factor in the economy impacts the real estate market and the prices that will be presented in the market. With inflation, housing prices rise due to the lack of supply and the great deal of demand. The circumstances dealt over the last two years have caused people to move out of cities into suburban areas driving up the residential market (Dowell, 2021). With unemployment rates and lumber prices at an all time high, there is a lack of new development causing the demand to remain low. The current real estate market is at an abnormal phase. Prices have risen, interest rates have decreased, and lumber and construction prices have skyrocketed. Every aspect in the economic market influences these changes. There is currently an imbalance in supply and demand that is changing how people need to navigate the real estate market. This paper aims to evaluate whether it is better to buy or rent in the current market. Specifically, the paper explores economical trends in the market, the trends attached to the 2008 Recession and the Coronavirus pandemic, fair housing rules and regulations, the rental perspective and the purchasing perspective. In the end it is concluded that neither option is particularly the better choice. The choice depends on each individual’s financial situation and the better option for them.

Key Terms

These keywords offer an in-depth explanation of the real estate market and the sorts of properties that can be purchased through an agent and brokerage in order to clarify the information in this paper.

Adjustable-Rate Mortgage - A loan characterized by a fluctuating interest rate, usually one tied to a bank or savings and loan association cost-of-funds index (Williams, 2018, 491)

Agent - one who acts or has the power to act for another (2018, 492)

Agricultural Property - farms, timberland, ranches, and orchards (2018, 4)

Artificial Intelligence - the theory and development of computer systems able to perform tasks that normally require human intelligence (*Artificial Intelligence Is Transforming the Real Estate Market*, 2022)

Broker - one who acts as an intermediary on behalf of others for a fee or commission (2018, 494)

Brokerage - the bringing together of parties interested in making a real estate transaction (218, 494)

Civil Rights Act of 1866 - an act that prohibits racial discrimination in the sale and rental of housing (2018, 495)

Commercial Property - Pieces of property used to generate income. Some examples of commercial real estate are: apartment buildings, shopping malls, schools, hotels, office buildings, etc. (2018, 4)

Credit - an amount entered in a person's favor – either an amount the party has paid or an amount for which the party must be reimbursed (2018, 497)

Equal Credit Opportunity Act (ECOA) - the federal law that prohibits discrimination in the extension of credit because of race, color, religion, national origin, sex, age, marital status, or recpit of public assistance (2018, 500)

Fair Housing Act - the federal law that prohibits discriminatino in housing based on race, color, religion, sex, disability, familial status, and national origin (2018, 501)

Familial Status - one or more individuals under age 18 living with a parent or guardian; also includes a woman who is pregnant and anyone who is in the process of assuming custody of a child under age 18 (2018, 501)

Industrial Land - Includes manufacturing buildings and warehouses that are available to be used for research, production, storage, or supplying goods. (2018, 4)

Housing for Older Persons Act of 1995 (HOPA) - amended the Fair Housing Act to provide that housing intended for persons aged 55 or older no longer needs to have significant facilities and services designed for the elderly (2018, 504)

Interest - a charge made by a lender for the use of money (2018, 505)

Lease - a written or oral contract between a landlord and a tenant that transfers the right to exclusive possession and use of the landlord's real property to the lessee for a specified period of time and for a stated consideration (2018, 506)

Mixed-use Property - Any piece of property that allows two or more commercial or residential uses in the same building (2018, 4)

Mortgage - a conditional transfer or pledge of real estate as security for the payment of a debt. Also, the document creating a mortgage lien (2018, 508)

Personal Property - items, called chattels, that do not fit into the definition of real property; movable objects (2018, 510)

Real Estate - land; a portion of the earth's surface extending downward to the center of the earth and upward infinitely into space, including all things permanently attached to it, whether naturally or artificially (2018, 512)

Real Property - the interests, benefits, and rights inherent in real estate ownership; often used as a synonym for real estate (2018, 512)

Rent - a fixed, periodic payment made by a tenant of a property to the owner for possession and use, usually by prior agreement of the parties (2018, 513)

Residential Property - Any piece of property that is used for single-family or multifamily housing (2018, 4)

Special Purpose Property - publicly and privately owned properties used for religious places of worship, schools, cemeteries, parks, and municipal service buildings (2018, 4)

Vacant Land - Any piece of land or farm that is undeveloped or at the beginning of development (2018, 4)

Trends Within the Economic Market

Affordability

One of the major issues within housing is affordability. Due to the lack of supply and high demand, prices will skyrocket and there will be a competitive housing market. The market can also appear vice versa, the demand is stable, supply is stable which means the prices will also be moderately stable and the market will be less competitive. According to the Swango study, "The trend is toward a reduction in the share of housing made up of detached single-unit residences. The report observes that "price recovery [following the Great Recession] has outstripped household income" (2020). The value of real estate, specifically focusing on single-family homes, has made a quicker and better recovery than the value and rate of

household income. This means that individuals and families are struggling or cannot afford homes even after the market is beginning to recover due to their income not supporting the recovering housing market. Moreover, “Rental apartments are also feeling the squeeze. ...universally [housing affordability conditions] are ‘challenging...’ with “construction costs accelerating well beyond the level of inflation and the increase in nominal incomes” (2020). Within the rental market, costs of construction are at skyrocketing levels due to inflation and both parties of the rental transaction are being impacted. The landlord is having difficulty obtaining products to build and/or construct the homes due to increased fees, costs, expenses, etc. which then leads to a spike in the monthly rent that is being charged. Because the cost of lumber and construction is increasing the cost of rental properties, a majority of tenants are struggling to pay for the monthly rent. Therefore, some landlords are not profiting even with the increase in rent (2020). However, this trend is inevitable due to inflation combined with the laws of supply and demand.



This chart displays US Households and the average price that could be afforded based on income. It presents that more than 45% of the US population cannot afford a home past the $175,000 mark. Depending on location, there are not many homes, or many options,

that are below that price. As the price of homes increases, the percentage of households that can afford those homes decreases.

Technology

Technology is taking over the world by its rapid growth and increasing productivity (Wolf, 2021). Specifically, the real estate sector is being transformed by artificial intelligence. Regardless of the fact that most real estate data is public, going through public property records to obtain title documents, purchase prices, and even mortgage liens may be a time-consuming effort. While it is common for people looking for records to travel to local offices and directly search through files, according to several brokerages, AI makes the home-buying system more efficient (*Artificial Intelligence Is Transforming the Real Estate Market*, 2022). Artificial intelligence is a tool used to help simplify timely work that is done by humans which "…helps real estate professionals access property values, debt levels, home renovations, and even some of a homeowner's personal information in the blink of an eye" (2022). Moreover, real estate websites and apps, such as Zillow, gather the numbers behind a particular property and allow a convenient, accessible location for consumers to view the information in a timely manner.

Considering artificial intelligence is a significant selling feature in the buying process. Without seeing the property in person, properties are being purchased directly through platforms like Zillow. With property values skyrocketing and recent advances in technology, determining a property's worth, through computer systems and evaluation, has never been easier. However, being aware of values of present day properties is vital when renting or purchasing a home or property.

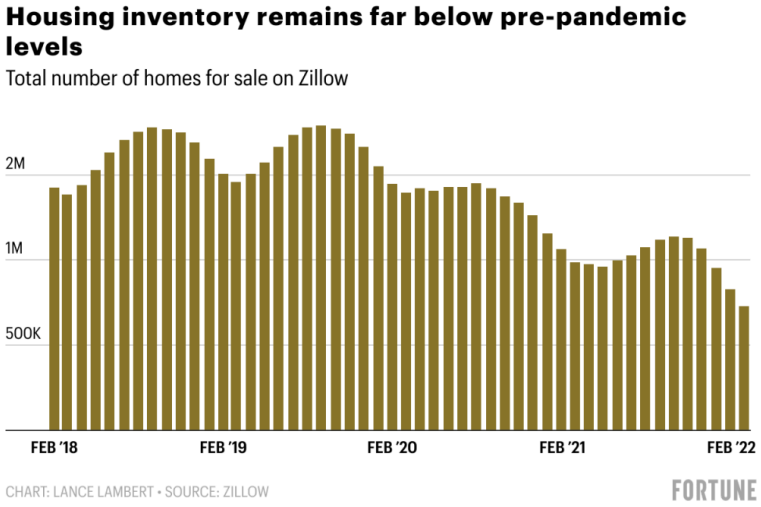
Interest Rates

The year 2008 was the year of the recession, with mortgage rates averaging around 6.03% (Funaro, 2022). 6.03% is considered high because interest rates have been lower and ultimately, when locking in on a rate, the 'lendee' wants the lowest rate available. In 2016, rates had dropped to an all-time low of roughly 3.65%, several years after they had soared, due to changes in the economy (2022). In 2018, the average rate was 4.54 percent, but in 2019 it was 3.94 percent. The lowest thirty-year mortgage rates in history were attainable in 2021. It launched at 3% in 2020 and declined to 2.65% in January 2021. The year 2022 will have far more normalcy, stability, than the previous few years, which caused interest rates to rise from 3.76 percent to 4.16 percent. Interest rates result in a buyer's decision on the budget available to purchase a home. If an interest rate is high, the buyer has to intend on spending a specific amount of money to pay back interest on the loan.

The COVID-19 pandemic in Connecticut has generated a real estate market with low housing inventory and high sale prices. Low mortgage interest rates have also been a feature of the market for much of the last two years. Current Connecticut mortgage rates are 5.33% for a 30-year fixed, 4.47% for a 15-year fixed, and 3.04% for a 5/1, which means the first five years of the loan, adjustable-rate mortgage as of April 2022 (Ostrowski, n.d.). Interest rates have a big influence on whether or not a property is affordable. Despite the equity of the houses, more people have been attracted to buy because of the recent rates. In Funaro's view, "...30-year fixed-rate mortgages had an average interest rate of 3.45 percent in March 2020… By December of the same year, that interest rate dropped to an average 2.68 percent. While interest rates fluctuated between 2.74 percent and 3.08 percent throughout 2021" (2022). Therefore, interest rates are a positive factor on the affordability consideration scale.

Inventory

Visualize a scale that explains supply and demand: if one side rises, the other falls, and vice versa. When there is a shortage of something and there is a great demand for it, prices rise. Prices, on the other hand, tend to decline when supply increases and demand decreases. The demand for real estate outnumbers the supply. Despite a minor fall in 2019 when inventory plummeted below two million, Zillow's inventory was over two million from February 2018 to February 2020. Inventory began to decline in February 2021, constantly falling below two million, and eventually falling below one million in February 2022. The graph below shows the previous data from a visual standpoint.



Historical Events

Historical events have major influence on the present market and predict future trends that may occur in the future. Professionals have worked to determine the possible outcome of the Coronavirus pandemic, while studying data provided from the 2008 Recession. During the COVID-19 outbreak, mortgage suspension has been a huge help to homeowners. Naturally, industry experts will look to the Great Recession for perspective and insights. When they do, it's critical that they understand the distinctions between the two economic crises. (*Understanding the Differences Between the COVID-19 Recession and Great Recession Can Help Policymakers*

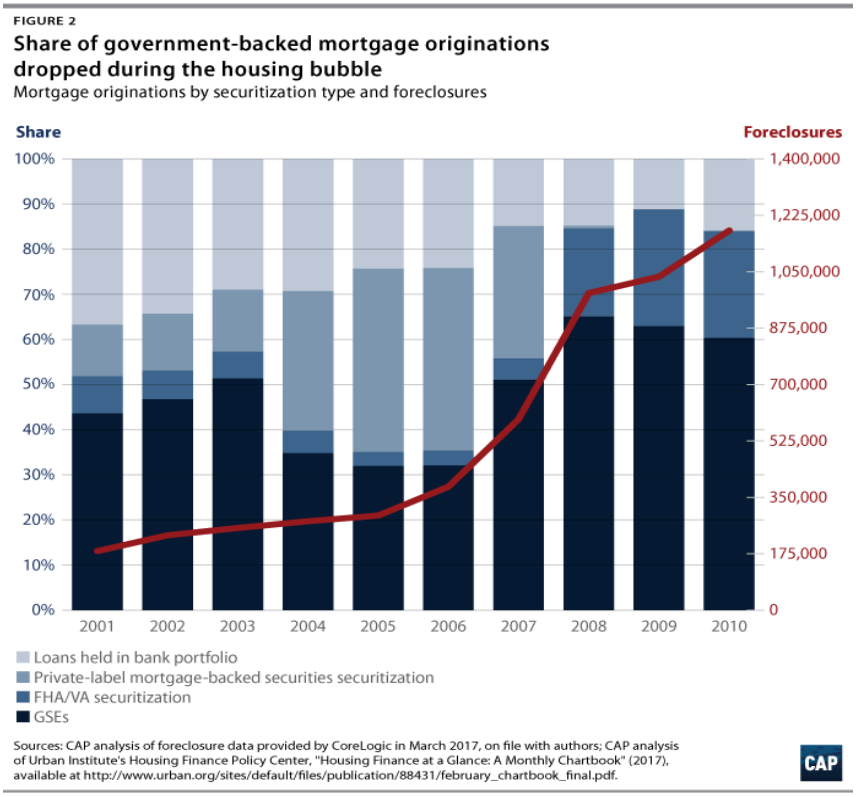
Implement Successful Loss Mitigation, 2021) The following historical events had a significant impact on economic trends, affordability, technology, interest rates, and inventory.

The Great Recession of 2008

The global financial crisis quickly escalated from the housing bubble in the United States to the worst financial collapse the world has seen in over six decades. The Great Recession began at a high point in the economy in 2006 and dramatically declined beginning in 2007 and continuing through 2008 into 2009. Financial markets and institutions became distressed and crashed. Between the 1990s and mid 2000s, the housing market was in a period of growth, "Average home prices in the United States more than doubled between 1998 and 2006… Home ownership in this period rose from 64 percent in 1994 to 69 percent in 2005, and residential investment grew from about 4.5 percent of US gross domestic product to about 6.5 percent over the same period" (Weinberg, n.d.). The expansion occurring during this period was influential and created approximately 40% of jobs between 2001 and 2005 (n.d.). The growth period was followed by a widening in home mortgage borrowing. In 1998, mortgage debt was 61% of GDP and increased to 97% in 2006. One of the several factors that increased the debt, "the Federal Open Market Committee (FOMC) maintained a low federal funds rate, and some observers have suggested that by keeping interest rates low for a "prolonged period" and by only increasing them at a "measured pace" after 2004, the Federal Reserve contributed to the expansion in housing market activity" (n.d.). The low interest rates in the United States led to low interest rates throughout the world.

During the financial crisis, all varieties of loans experienced a significant drop in new lending. Some of the drop could be attributed to a drop in demand as companies cut back on plans to expand during the recession. Nonetheless, we show that there was a supply effect: banks

with less accessibility to deposit financing and a greater risk of credit-line drawdowns cut their lending more than other banks. The impact of a fall in credit supply is significant. Because of the depreciation on interest rate spreads, there would have been some dampening of the fall in loan demand if supply had declined. The decrease in supply, on the other hand, impacts directly on interest rate spreads, resulting in a greater reduction in lending than in a typical recession. The combination of a recession and a banking crisis is very difficult to manage. (*Bank Lending During the Financial Crisis of 2008*, n.d.) The idea that certain banks were impacted far worse could have an influence on credit distribution in the economy. If bank–borrower relationships are important in the lending process, borrowers of a capital bank may consider it difficult to transfer to a less capital one. On the contrary, while some banks may have sufficient funds to grant loans, they are reluctant to do so to companies with which they have no prior experience. (n.d.)



The housing bubble was illustrated in this graph from 2001 through 2010. The figures were statistically low in 2001, with few to no foreclosures. The figures grew larger as time passed. By 2010, the data had generated statistically significant foreclosure figures. The various shades of blue represent the loans that were secured and held by the people facing foreclosure.

Covid-19 Pandemic

The Coronavirus pandemic arised in the beginning of this decade and continues to wear and tear at the economy and financial markets throughout the world, specifically in the United States (*Understanding the Differences Between the COVID-19 Recession and Great Recession Can Help Policymakers Implement Successful Loss Mitigation*, 2021). The conditions of the market became competitive when the supply of houses was minimal and the demand was at an all time high. 2020 was the year of buying because of a great deal of millennials prepared to buy a home and settle down (Dowell, 2021). This group ended their renting journey and were prepared for the expenses of a home, "Zillow found that nearly two million renters unable to afford homes in metro areas could now afford to buy farther out because they no longer had to commute to work. As a result, many renters became homebuyers and home and rental prices diverged around the time the pandemic hit the United States" (2021). Due to the pandemic, there was a major switch of plans in multiple areas, the purchasing and the rental market. The rental market skyrocketed and was so expensive that current, prospective, and future renters were unable to afford the payments and had to resort to a plan b (*Understanding the Differences Between the COVID-19 Recession and Great Recession Can Help Policymakers Implement Successful Loss Mitigation*, 2021).

The cost of housing is at an all-time high. The availability of credit to borrowers and the replication of these mortgages in the residential mortgage-backed financial market, which

continued this flow of money to borrowers everywhere, were all risk factors in the Great Recession that contributed to the collapse. Thus prices adjust up if a great deal of money is available. There are several substantial disparities between the factors we've seen here and those we've seen elsewhere. We are not experiencing a mortgage problem like we were prior to the Great Financial Crisis. We have record low interest rates, which people are racing to lock in before they rise because everyone knows rates will rise. (Pazzanese, 2022) Prices are unlikely to fall, according to expert Gerardo Lietz. Lietz discusses, " I don't see prices really coming down substantially near-term. A 4 percent or 5 percent mortgage is still pretty cheap. It's when rates really climb that affordability becomes an issue of whether somebody can make the mortgage payments. Rates would have to move fairly substantially, just given how low rates are right now. There'll be lots of people who still qualify for loans" (2022). The housing market in the United States is tight and expensive, with little indications of easing. The interview with Lietz provided an understanding of why prices may not ease in the near future.

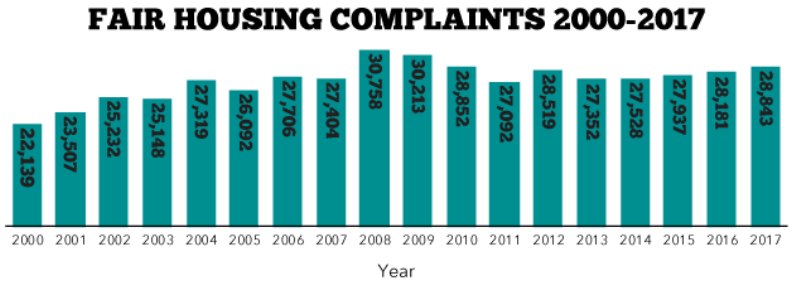
Fair Housing

Fair Housing is an area in business that prohibits people from being discriminated against because of their identity. The Fair Housing Act was inspired by the Civil Rights Act of 1866. The Civil Rights Act of 1866 states, "all persons born in the United States to be citizens, 'without distinction of race or color, or previous condition of slavery or involuntary servitude" (*Civil Rights Act of 1866*, n.d.). In 1968, another Civil Rights Act was signed by President Lyndon B. Johnson. Title VIII of the Civil Rights Act of 1968, "prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, because of race, color, religion, sex (including gender identity and sexual orientation), familial status, national origin, and disability" (*Fair Housing and Related Law | HUD.gov / US Department of*

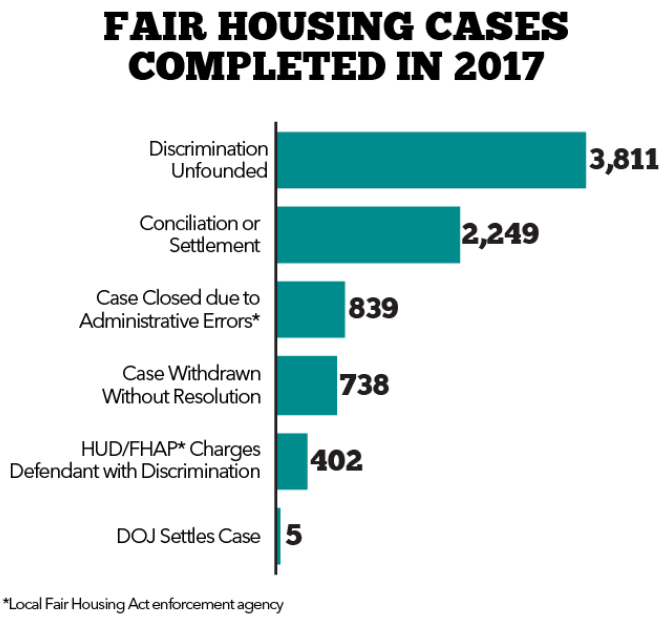
Housing and Urban Development, n.d.). These acts are represented in real estate transactions when individuals rent or buy a property, apply for and receive a mortgage loan, seek housing aid, or engage in any housing-related activities. The Fair Housing Act states, "prohibits discrimination by direct providers of housing, such as landlords and real estate companies as well as other entities, such as municipalities, banks, or other lending institutions and homeowners insurances companies" (*The Fair Housing Act*, 2022). Every individual is protected from discrimination on the basis of race, color, national origin, religion, sex, familial position, and disability.

The following visuals provide a visual representation of Fair Housing cases that can be filed. Graph 1 presents the amount of fair housing complaints filed between 2000 and 2017. These complaints are filed based on all seven of the categories: race, color, national origin, religion, sex, familial status, and disability.

Graph 1:



Graph 2:



In understanding the Fair Housing rules and regulations, individuals will better understand their rights in the home buying or renting process. These discriminatory laws cannot be adjusted or tolerated under any circumstances. The laws stand as they are presented.

Executive Orders

There are several Executive orders put in place to further expand the Fair Housing Act. Executive Order 11063, Equal Opportunity in Housing, "prohibits discrimination in the sale, leasing, rental, or other disposition of properties and facilities owned or operated by the federal government or provided with federal funds" (*Fair Housing and Related Law | HUD.gov / US Department of Housing and Urban Development*, n.d.). This order was placed in November of 1962. The order allows every party in the transaction to be protected against discrimination. Ultimately, this order ties to both the opportunity of renting and buying which discrimination is not allowed to be a reason for the approval or denial of a transaction.

Executive Order 13988, Preventing and Combating Discrimination on the Basis of Gender Identity or Sexual Orientation, discusess, "requires HUD to adminster and fully enforce

the Fair Housing Act to prohibit discrimination because of sexual orientation and gender identity" (*Fair Housing and Related Law, US Department of Housing and Urban Development*, n.d.). This order was assigned in 2021 and is the most recent of the Fair Housing related orders. Discrimination is a wrongful act and this order protects individuals who fall under these categories, gender identity or sexual orientation, from being poorly treated and discriminated against in any real estate related activities. These orders are significant because they protect individuals from being negatively affected by other parties in real estate transactions and other activities.

Housing for Older Persons Act

The Department of Housing and Urban Development, the administration that directs and is in charge of the Fair Housing Act, established an act that specifically discusses housing for elderly people. The Housing for Older Persons Act (HOPA) requires that there is an 80/20 balance of people over the age of fifty-five and under the age of fifty-five. A majority of the housing units contain one person over fifty-five. The Act holds some exemptions, "1. Provided under any state or federal program that the Secretary of HUD has determined to be specifically designed and operated to assist elderly persons (as defined in the state or federal program), 2. Intended for and solely occupied by persons 62 years of age or older, 3. Intended and operated for occupancy by persons 55 years of age or older" (*The Fair Housing Act: Housing for Older Persons | HUD.gov / US Department of Housing and Urban Development*, n.d.). The Housing for Older Persons Act is to allow a safe and intentful community for elderly to live in. However, this Act does not allow discrimintion against race, color, religion, sex, disability, or national origin.

This particular Fair Housing Act is aimed towards elderly people. There have been

established guidelines that support the concerns and legislation of housing the elderly in communities while adering to the structured Fair Housing discriminatory categories: race, color, religion, sex, disability, or national origin. The Housing for Older Persons Act provides significant support and assistance for persons fifty-five or older with an understanding of the routined lifestyle approaching that age, retirement. Finding a retirement house and/or retirement rental becomes much easier as a result of this, as opposed to competing in the regular real estate market.

Discrimination in Mortgage Lending

The Fair Housing Act prohibits discrimination in mortgage lending. Residential real estate loans are eligible to anyone applying for purchasing, constructing, improving, or repairing that estate. Also, mortgaging, refinancing, home equity loans, and home improvement loans are considered under the act (Black et al., 1978). The following are examples of lending discimination based on race, color, religion, sex, familial status, national origin, and disability,

> denying a mortgage or charging a higher interest rate because the property is located in a majority-minority neighborhood, providing a different customer service experience to mortgage applicants, refusing to consider a mortgage applicant's disability-related income, steering a borrower to a loan with less favorable terms, targeting a minority community for fraudulent home loan modification assistance, and refusing to provide mortgages to a person on parental leave. (*Fair Lending | HUD.gov / US Department of Housing and Urban Development*, n.d.)

These examples provide insight on how mortgage companies commit illegal activities that are viewed as discriminatory. During the mortgage process, the applicant does not have to submit information amongst the eight categories. It is optional, to help keep statistics and data to prevent

discrimination in the future (Black et al., 1978).

The Equal Credit Opportunity Act is in place to prevent discrimination against organizations or people who apply for a line of credit. This act applies towards banks, small loan companies, finance companies, mortgage companies, retail stores, credit card companies, and credit unions. This act was brought into the Fair Housing Act by President Gerald Ford in 1974. The law states, "the act also requires creditors to inform an applicant of his or her approval or denial of credit within 30 days of receiving his or her application. The law also requires creditors to provide a reason if credit is denied" (*Equal Credit Opportunity Act*, n.d.). Creditors are not allowed to discriminate against the eight characteristic categories of an individual; this includes an applicant's income. In order for this act to remain credible, the organizations must report every aspect of the mortgage lending process including why it was denied, if applicable.

Mortgage loans play a significant role in the home-buying process. Mortgages, on the other hand, are not prioritized or even used in the leasing process. Mortgage discrimination can make it difficult for a person to get a loan for a property they want to acquire. This may make it difficult to purchase or even afford the property.

Rental Perspective

Rents are escalating at a slower pace than they were in 2021, but quicker than they were in the years leading up to the pandemic (*Apartment List National Rent Report*, 2022). Rent growth is currently at a startling 16.3% year after year. Rents have only climbed by 2.5% in the first four months of 2022, despite the fact that we're just entering the busy season for the rental market, when the bulk of yearly rent increases generally happens (2022).

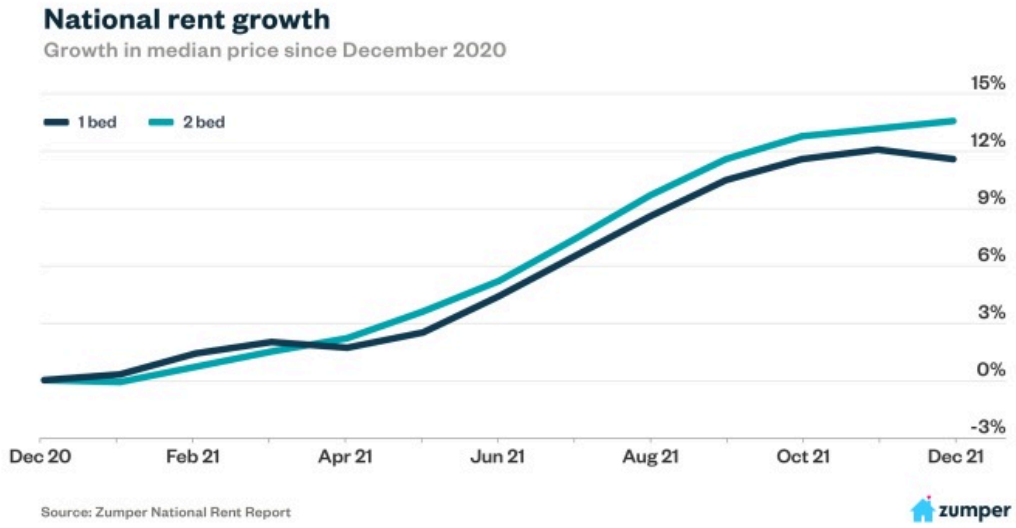
The advantages of renting a property consist of: rent payments may be lower, repairs are not the tenant's responsibility, flexibility, low upfront costs, and no HOA dues. Rent payments

may be lower if an individual is renting an apartment and possibly renting a home, as well. Renting makes more sense than being financially strained if a mortgage is out of reach (Morris, 2021). Repairs are not included in the responsibility of a tenant. The monthly rent and fees, a tenant pays, covers the repairs that the landlord may have to make. The tenant' responsibility to a rental property cannot exceed the term of the lease, and if the property owner can promptly locate a replacement renter, the tenant may be released from their obligations if they depart before the lease expires, flexibility is a prime advantage in the rental market. There is no deposit required, other than a security deposit (2021). Some properties are located in communities with homeowner's organizations that charge monthly dues in addition to all other costs, and these dues are not optional. This is not the case with renting. There are no HOA fees when renting a property (2021).

The disadvantages of renting a property consist of: the tenant cannot change the property, the person renting is not building value, rent may increase, no credit score improvement, and no cosmetic improvements. When renting a property, there are no innovations that can be made. The only decisions that could be made regarding design is the furniture that one decides to purchase to utilize in their home. Renting a property does not benefit the equity of the tenant, rather grows the equity of the property owner (Morris, 2021). When the lease is up for renewal, the monthly rent can alter; depending on the contract, it could be every six months or even a year. While timely payment of a mortgage boosts credit, rent does not provide the same benefit (2021). The last con would be that despite the look of the rental property, the tenant does not have the right to renovate the property.

The following graph illustrates the national rent growth beginning in December 2020 through December 2021. The dark blue line represents a one bedroom home and the light blue

line represents a two bedroom home.



A one bedroom home increased to a little below 12% while a two bedroom home increased to just under 15% within the yearly time frame.

Purchasing Perspective

The purchase of real estate is one of the most significant financial transactions most people will ever make. Buyers purchase a home for a variety of reasons, including career shifts, family problems, and the need for a smaller or bigger living space. First-time buyers accounted for 34% of all home purchases, up from 31% the previous year. This year, the average first-time buyer was 33 years old, while the average repeat buyer was 56 years old, an all-time high. 11% buyers bought a multi-generational property to care for aging parents, to accommodate children over the age of 18, and to save money. Veterans made up 14% of recent house buyers, while active-duty service members made up 3% (*Highlights From the Profile of Home Buyers and Sellers*, n.d.).

Due to the factors that are concealed within the process, purchasing a property appears to be easier than it is (Morris, 2021). Preparing for a house purchase entails a number of steps.

Individuals must be aware of what is included in their budget and what is affordable. A crucial step in the procedure is gathering the down payment and other fees that must be paid throughout the process. The next step is to find a real estate agent or salesperson to help move forward with the deal and find the perfect property. The real estate agent will assemble a large number of properties that are suitable for the buyer's needs. To be able to move forward and know what the mortgage company/bank is ready to lend, the independent must first be prequalified for a loan. Making an offer on a dream property is the next step. When the buyer's offer is accepted, he or she should be advised to have the property inspected and assessed. Finally, on closing day, the deal will be completed, including the mortgage financing.

Home buyers often look for common characteristics when purchasing a home. At 36%, the majority of recent buyers who acquired new homes wanted to avoid renovations and problems with plumbing or electrical. At 38%, buyers who bought previously owned homes were looking for a greater overall value. Buyers frequently paid 100% of the asking price for their properties, with 29% paying more than the asking amount. The average newly purchased home was 1,900 square feet, three bedrooms, and two bathrooms, and was built in 1993. After the quality of the neighborhood, accessibility to family and friends was the second most important factor in influencing neighborhood choice, exceeding convenience to jobs and affordability, which were more important last year (*Highlights From the Profile of Home Buyers and Sellers*, n.d.).

Buying and owning a property, like many other things in life, has advantages and disadvantages. The advantages of home ownership are not without costs and constraints. The advantages and disadvantages of purchasing a home should be weighed as the buyer deliberates through the process and comes to a decision. It's critical to think about how a house purchase

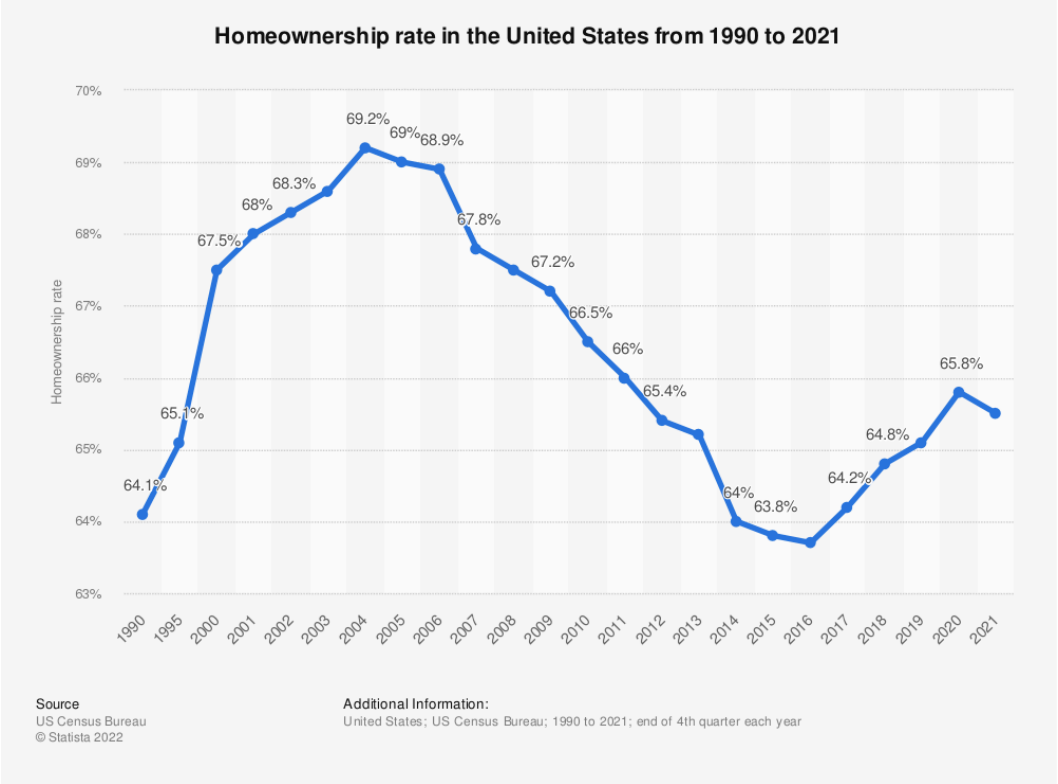
will influence finances and lifestyle before making a decision.

The advantages of owning a home consist of: a good long-term investment, low interest rates, building equity, federal tax benefits, greater privacy, home office, stable monthly payments, and stability. Owning a home is a good long-term investment because homes can lose value, however, this is a rare phenomenon. According to the Federal Reserve Bank of St. Louis, the average price of homes sold in the United States increased by 28% in ten years, beginning in 2009, and by 10% from 2014 to 2019. In the same decade, the housing market appreciated in value by $11.3 trillion. Those rises will continue with COVID-19 driving the market (Morris, 2021). Interest rates will rarely be as low as they are currently. Rates vary depending on credit score and location, but with the lowest rates hovering around 2.75 percent, now may be the best time to buy. One of the reasons properties are selling so quickly is because of this (2021). The difference between the value of a house and the amount someone owes is equity. As the mortgage is paid, equity builds. Over time, more of the monthly payments go toward the loan balance rather than interest, allowing you to accumulate greater equity. Mortgage interest, home equity loan interest, property taxes up to $10,000 if married, and other closing fees are all deductible on the first $750,000 of a home's purchase price. However, the increased standard deduction to $24,800 for married couples makes accruing those interest deductions a little more difficult. Calculating all of these numbers before buying can help see what tax advantages are accessible (2021). When one owns the property, the ability to renovate to your leisure is available, which is something that renters do not have. After the epidemic passes, the work-at-home trend may persist, implying that more of us will require a home office. It makes a difference in terms of comfort and productivity to have the correct setup. Those in need of work-at-home space will be able to find it on the market if they act promptly. A fixed-rate

mortgage means the ‘lendee’ pays the same principal and interest every month until the loan is paid off. Rents can go up every year when a lease is renewed. Monthly payments can be affected by fluctuating property taxes or homeowner's insurance, but this happens less frequently than rent increases (2021). People tend to stay in a property they purchase for a longer period of time, due to the purchasing process being difficult.

The disadvantages of owning a home consist of: Covid costs, high upfront costs, less mobility, maintenance costs, equity doesn’t grow immediately, property values can fall, and continuing costs. The property market is booming, with sellers often receiving more than their asking price. This makes it difficult for first-time purchasers who may not have the necessary funds for a down payment. It also makes it difficult for those who enjoy pondering over major decisions (Morris, 2021). A mortgage's closing expenses can range from 2% to 5% of the purchase price, and include a variety of fees, such as property taxes, mortgage insurance, house inspection, first-year homeowner's insurance premium, title search, title insurance, and points, which are prepaid interest on the mortgage. It could take up to five years to recover those expenses (2021). If one of the benefits of home ownership is stability, accepting an appealing job offer that requires picking up and moving to another place may require additional deliberation. The speed with which properties are selling is a counterbalance to this concern (2021). When owning a property, maintenance costs must be factored into the monthly or yearly budget. These expenses might pile up and determine whether or not a person can afford a specific house. In the early years of a mortgage, the majority of payments go toward interest, so equity will not be earned quickly unless property values in the area rise – which has happened in many locations in the post-pandemic market. If creating equity faster is desired, add a small amount to the principal each month, if it fits into the budget. Even an extra $20 to $50 each month applied to the loan

principal can assist (2021). Property values very well can collapse which happened in the 2008 Recession; maintaining properties will eliminate the possibility of deterioration.



Between the years of 1990 and 2021, the rate of home ownership has fluctuated between just above 60% and below 70%. During the 2008 housing crisis, the home ownership rate stood at 67.2%. Recently in 2021, it was reported that the home ownership rate is 65.8%. That is a 1.4% difference between the most recent historical events that impacted the housing market.

Rent has become more expensive than buying a starter home due to rising rents and historically low mortgage rates. According to a new report by Realtor.com, renting is 16.4 % more expensive in central Connecticut than paying off a mortgage on a modest house, which had a countrywide median value of a property of $192,000 (Vasile, 2021). With rent up 16.4%, it leads individuals to wonder how they are able to afford housing. Understanding the benefits and disadvantages of buying and managing a home can help make the simple but difficult decision of

whether or not owning a home is the right choice.

Conclusion

The objective of this research was to determine whether it is better to buy or rent in today's real estate market. The paper provides insights into economic trends, while also trends related to the 2008 recession and the Coronavirus pandemic, fair housing rules and regulations, and the rental and purchasing perspectives. Finally, it is concluded that neither choice is particularly better. The best option for each individual is determined by their financial conditions. The trends in the market, affordability, technology, interest rates, and inventory determine whether renting or housing is a better choice for the individual. These trends have influenced the market to be at its skyrocketing point in today’s economy. The 2008 recession has similar connections to the Coronavirus pandemic in relation to these trends. The 2008 recession faced significant challenges with mortgage loans, whereas during the pandemic the economy has faced affordability challenges and overvalued properties. Within the process of buying or renting a property, individuals of all parties are protected from discrimination which can impact a persons final result of obtaining a property. These laws are under the Fair Housing Act. Lastly, the paper discusses the advantages and disadvantages of both the rental perspective and purchasing perspective. These topics further explain which option is the best choice for a particular person.

Discussion

Simply put, there is no preference or definite answer as to whether renting or buying is more cost efficient in today's economic market. There are too many factors to consider in this discussion, however, financial wealth benefits individuals in the process and their overall decision. I believe that the topic of this paper goes beyond the current market and financial status

and more into the government educating its young adults/students in financial literacy. Nonetheless, not everyone is fortunate enough to have a great deal of money and be able to choose the house of their dreams without worrying about a budget. The United States allows people to purchase a home based on their financial wealth. Many of us dream about living in million dollar homes, however, that is not realistic. A great number of people have the ability to form a budget to purchase or rent the home that best suits them. It is our responsibility to acknowledge our means and live below those means to create a great life for ourselves. This involves knowing what is affordable versus unaffordable in our home buying process.

After gathering this information, I believe that financial literacy should be taught and stressed within the school systems. Opening an educational opportunity within these topics can easily bring individuals to the top of the ladder in understanding finances and helping guide them in future financial decisions. Unfortunately, not everyone has the ability to attend a four-year higher education institution. There are several financial courses taught in these universities and colleges but not all have access to them or are majoring in such an area. By providing high schools, and even possibly middle schools, with financial literacy courses, the next generation of people will have background knowledge on budgeting, borrowing and interest, how credit scores work, bank fees, balancing a bank account, cybersecurity, retirement-saving basics, filing taxes, investments, and financial scams. These courses will allow students to practice being responsible for their finances through module games. I believe that this one step in the United States, will be one step in the right direction in fixing the housing crisis. By providing education, a large group of students may be significantly impacted and understand what to do in the future after high school or even college.

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