



Renting Versus Buying: 2011

This year California housing market conditions make a strong and compelling case for homeownership. With prices still well below the historic highs of just a few years ago and attractive mortgage rates, qualified buyers have a unique opportunity to own their own home.

The Monthly Savings of Buying Looks Enticing...

As seen to the right, a rigorous analysis of renting versus buying hears this conclusion out. As shown in the following chart, the monthly housing costs (principle, interest, taxes, and insurance or PITI) associated with buying a median-priced home of \$301,430 is \$1,590 (Fourth Quarter 2010 median priced home in California). This assumes the buyer is making a 20 percent downpayment and financing with a 30-year fixed rate mortgage at 4.62 percent. In comparison, the median rent on a three-bedroom two-bath apartment with renter's insurance in California is \$1,810. That means buying a home would save the homeowner \$220 per month when compared to renting and the homeowner would save over \$2,600 a year.

Renting Versus Buying in 2011

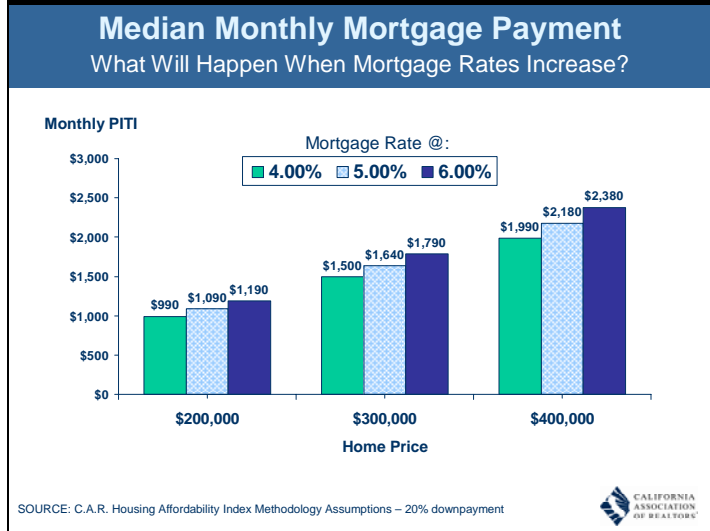
Out-of-Pocket Cost Savings of Buying

Monthly Housing Cost Savings Calculator		
Renting Versus Buying	Buying Median Priced Home	Renting a 3Bdr/2Ba Apartment
Mortgage Payment vs Rent	\$1,240	\$1,790
Taxes & Insurance	\$350	\$20
Total Monthly Housing Cost	\$1,590	\$1,810

Homebuyer Monthly Savings = \$220
 Homebuyer Annual Savings = \$2,640
 Homebuyer 5-Year Savings = \$13,200

Assumes a 20% downpayment, a 30-yr FRM of 4.62%, and all pmts/costs remain constant
 SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

...But the Low Mortgage Rates of Today = The Tipping Point



The mortgage rate is a significant factor in determining just how much a homebuyer can afford. Today's low mortgage rate environment tips the scale—for some—in favor of buying versus renting. For a home priced at \$400,000, with a 20 percent downpayment and a 4 percent mortgage rate, the monthly PITI will be \$1,990 for the homebuyer. The monthly PITI jumps to \$2,180 at 5 percent and to \$2,380 at 6 percent. For each one percentage point increase in the mortgage rate, the payment goes up by almost \$200 under these assumptions. Even for a lower priced home at \$200,000, the difference in the monthly payment is significant as each percentage point rise in the mortgage rate tacks on \$100 to the monthly PITI.

For more: <http://www.car.org/marketdata/currentresearch/rentvsbuy2011/>

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