[**savvy** special report]

This Decade, the American Dream is for Rent

Owning a home is considered a wealth accumulation tool for Americans. As The Meyers Edge recently noted, "While the longer-term benefits of homeownership are well-documented, those considering buying a home will often start with the basics: How much will I pay for my mortgage versus how much will I pay in rent each month?"

"While the Great Recession may have pushed people to rent out of necessity, the economic expansion that followed, coupled with changing attitudes toward family and homeownership, led to the rise of the renter by choice. The share of renters now makes up 34% of the general population and is the largest it's been since 1960, when 36% of Americans were tenants. Rentership rates expanded across the board — from young families to seniors, from city cores to suburbs, many Americans have shifted away from homeownership," says RENTCafé's recap of its end-of-decade report. Developers have responded to demand with a construction boom unseen since the '80s, and apartment buildings themselves have become increasingly sophisticated to accommodate quality-seeking lifestyle renters.

Here are a few other highlights from the RENTCafé® report:

Housing costs and college tuition saw significant rises. Over the last decade, the national average rent increased by $390, or 36%, propelled by increasingly valuable land, progressively urbane apartments, and a booming job market. The median home price went up by 31% in the same time frame, while the median household income grew by 27%. Additionally, the price of higher education increased even more than housing costs, shooting up by 39%.

The renter population grew twice as fast as the owner population. Since 2010, the number of renters increased two times faster than the number of homeowners, signaling a considerable shift in the American lifestyle. Texas had the most metro areas in the top 20 where the suburban renter population grew the fastest — Austin, Dallas-Fort Worth, San Antonio, and Houston all made the list.

More high-earning Americans are making the choice to rent. Nationally, the number of households earning more than $150K per year who rent increased two times faster (+157%) than the number of high-earning homeowner households (+78%) since 2010.

The nation's most expensive metros have lost residents in the past decade. California lost the most residents. Florida dominates the top 20 metros in population increase, with six metro areas in the ranking, followed by Texas with four.

Renting vs. Buying by the Numbers

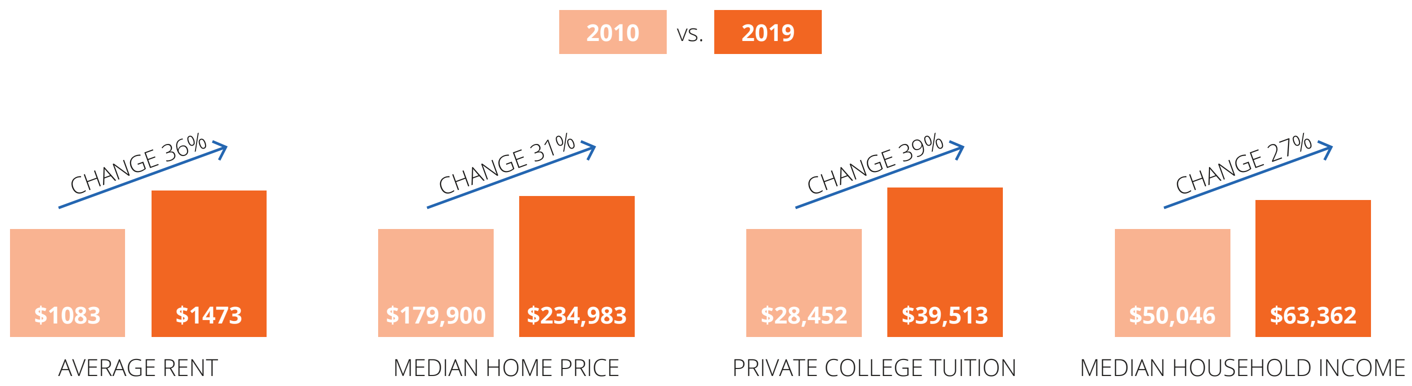
The Meyers Edge concurs that, in today's affordability-constrained market, the rental market is for-sale housing's direct competition. Meyers Director of Economic Research Ali Wolf notes, however, that in today's low-rate economy, the monthly payment favors homebuying in certain instances. With incomes rising, home price appreciation slowing, and mortgage rates sub-4.0% for the sixth consecutive month, Wolf wanted to explore how housing payments stack up against the rental market. For this exercise, Meyers considered different down payments using a baseline of 4.0% for the mortgage rate.

The math consistently favors owning when the buyer can contribute a 20% down payment. For reference, the median down payment nationally is 12% for all buyers and 6% for first-time buyers.

The math can still favor owning with a 10% down payment. A down payment below 20% almost always comes with an extra cost in the form of private mortgage insurance. Even still, there are many metros where the estimated mortgage cost is

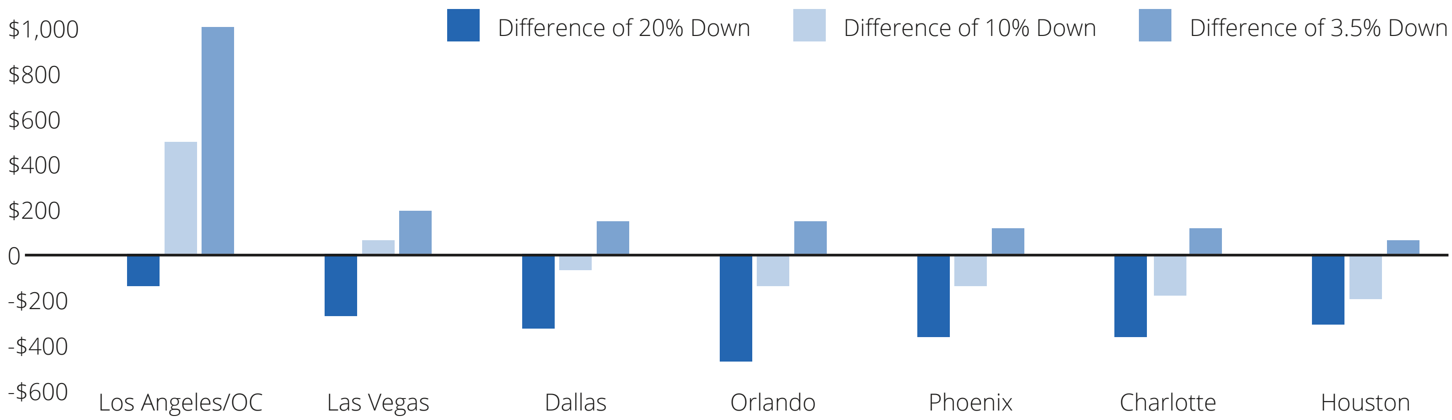
Rent Home Price, College Tuition and Income in the Past Decade

*2019 median household income is based on CPI-adjusted data | Source: Yardi Matrix, PropertyShark, usnews.com, U.S. census | RENTCafé®



Median Rent Payment vs. Median SF Existing Monthly Mortgage Payment Difference*

Source: NAR; Zillow; Freddie Mac ; Wallethub; Meyers Research *Assumes the noted down payment, taxes and insurance



below the median rent. The Los Angeles metro is a clear exception, where the shift in down payments makes owning significantly more expensive than renting.

The monthly cost of owning is generally more expensive with a 3.5% down payment. Meyers' simple calculation illustrates what we already know: Entry-level demand is financially challenged. In some cases, however, the difference between the two payments is equivalent to just one dinner out a month.

Finally, Wolf notes that monthly payment is rarely the end-all. Shoppers will consider, among other things, market conditions, projected appreciation, the ability to use tax deductions, anticipated length of stay, cost and time associated with maintenance, and bang for the buck.

The Meyers advisory team urges builders to remain laser-focused on keeping their average selling price down by introducing smaller products at lower prices and, in some cases, being willing to help with closing costs. "In the meantime, let's hope the 'Bank of Mom and Dad' opens its doors to help their down-payment-constrained children," Wolf concludes.