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Study: Renters Resist Buying Despite Lower Rates

By Elizabeth Renter

Many Americans say renting suits their lifestyle more than owning right now. The decision to rent or buy is a complex one, a new survey found.

NEW YORK – Last year was tough for potential home buyers: Prices and mortgage rates were high, while the number of homes available was low. But even if rates inch down and inventory climbs – trends many experts expect in 2024 – some nonhomeowners will be content to sit this one out. That's because renting a home isn't just a consolation prize, something you do only if you can't buy. For many, it's a deliberate choice.

Well over one-third (37%) of renters plan on renting forever, according to NerdWallet's 2024 Home Buyer Report. For many, it's a lifestyle choice: Three-quarters of Americans who rent their homes say renting suits their life better than owning right now.

Meanwhile, a smaller share has resigned themselves to renting after a discouraging run as a potential buyer: 1 in 20 Americans who began 2023 with plans to purchase canceled those plans because they changed their mind about buying a home, now or ever, according to the

survey.

The decision to rent or buy is complex and goes beyond the financial aspects. Here are four considerations that may make renting not only acceptable but the right choice.

1. Upfront costs of homebuying are substantial

More than half (56%) of renters say they don't think they'll ever be able to afford homeownership, according to the NerdWallet survey. Indeed, average mortgage payments are 37% higher than the average rent in multifamily units, according to a recent analysis from CBRE Research, a commercial real estate services and investment firm.

And these monthly ownership costs are far from the only ones tipping the scales. Even in markets where rents and house payments are comparable, buying a house requires upfront costs that far exceed a security deposit. These upfront homebuying costs, including the down payment and closing costs, can easily run into the tens of thousands of dollars.

Saving for these costs can take years of sacrifice, setting aside money that could otherwise go toward retirement or other long-term financial goals – or fun stuff, such as travel. It boils down to what you value, and if your heart isn't really in it, homeownership might not be worth those sacrifices for the time being.

2. You don't want to feel tied down

Owning a home makes it more cumbersome to move when you receive a job offer or simply desire a change of scenery. If you're uncertain of where you want to live long-term, it can be difficult (and costly) to commit to a mortgage. The 75% of renters who say renting suits their lifestyle better than owning would likely nod their heads to this.

There's no hard-and-fast rule regarding the age at which you should "put down roots." There's really no rule at all. If you prefer the flexibility of shorter-term commitments or want to experience many locations before choosing a favorite, renting can give you that.

3. Homeownership requires more ongoing work

Generally, homeowners are advised to set aside 1% to 4% of their home's value each year for ongoing maintenance costs. The maintenance and repairs of a rental home, on the other hand, are largely left up to the landlord. While the service quality may vary, it rarely comes at an additional cost to the renter. And this isn't lost on those tenants: 55% of renters prefer renting to all of the expenses and effort of homeownership, according to the survey.

While DIY trends have grown significantly over the years – through popular culture on television and social media, and later through necessity during the early pandemic – not everyone wants to invest in the tools and time necessary to maintain their own home. And those homeowners who choose not to would otherwise have to do the work of hiring someone, another dreadful task.

4. You're not convinced it's a good investment

Well over half (59%) of renters don't believe buying a home in the current market is a smart investment, according to the survey. Real estate investments, like most investments, don't come with guaranteed returns. Even if you get a deal on a house and make improvements with the goal of selling it at a profit, things outside of your control (e.g., the economy, a pandemic, etc.) can have a significant impact on the outcome.

About one-third (34%) of renters are embarrassed to admit they rent instead of owning their home, but they don't need to be. People who lease vehicles likely aren't ashamed of their choice. Renting a home can be a perfectly logical decision, made after weighing the costs, benefits and how one option simply fits your life better.

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