

HOUSE PRICES: TO BUY OR TO RENT?



When looking for a new place to live, the first question you ask yourself will help drive the rest of your decision-making. Should you rent or buy? Buying may seem appealing because you will put an end to escalating rent and can build equity. But the reality of routine home maintenance and repairs can quickly drain a bank account.

In general, whether renting or buying is better for you largely depends on your specific circumstances.

Here are some basic questions to consider when thinking about buying a home:

- *How long do you plan to stay there?* If you expect to relocate in just a couple of years, renting is likely a better option.
- *How much home can you afford?* If you can't afford a home large enough to fit your family in a few years, it may be worth it to rent while you save a bit more.
- *What's on the market?* If you can't find a home you like, it's likely not worth tying yourself to something you're unhappy with.

Why you should buy: The struggle to save for a home today may provide Safety and security later

You can find plenty of academics and financial advisers, armed with spreadsheets and economic models, who will be happy to demonstrate how their fiscal wizardry arrived at this conclusive finding: When it comes down to dollars and cents, owning a house just doesn't add up.

If they were analyzing stocks, bonds, or the latest Wall Street product designed to maximize returns, their wisdom would need be needed. But in assessing whether to buy a house, one needs to take qualitative factors into account in addition to those quantitative factors. Because at the end of the day, you need somewhere to live.

Often called the cornerstone of the American Dream, home ownership has always been an important milestone of adulthood. The recession of 2008 resulted in a record number of foreclosures. Three million Americans foreclosed upon their home in 2008, an 81 percent increase from the previous year and a 225 percent increase from 2006. The post-recession economic climate (among other factors) has contributed to the delay of younger Americans becoming first-time homeowners. Despite the delay, Millennials still

view owning as a superior option to renting. According to a TD Bank survey of 18-34-year-olds, 84 percent of those surveyed cited a desire to become a homeowner. Half of the respondents referred to purchasing property as “a vital component of the American Dream.”

1. **House prices tend to rise over time;** a home purchase is one of the best investments you can make.

2. **You'll pay less tax and save money.** You can deduct the interest you pay on your mortgage from your taxable income. New homeowners with recent home loans tend to get the greatest tax benefit. The newer the mortgage, the higher the interest payment each month that means greater tax breaks. Real estate taxes are deductible, providing great benefits to the homeowner. Homeowners often find that owning a home costs substantially less than renting a home.

3. ***Sell your home when you please.***

Sell your home and avoid paying capital gains tax. After selling, you can upgrade into a larger home.

4. **The home will be yours.** Do what you want with the home. Paint it purple, have black carpet, punch a hole in the wall. These types of changes are often impossible when renting but when you own a home, you can design it as you please

5. **Interest rates are currently low.** This means that home loans are currently extremely cheap! In some areas, your mortgage payment could be less than your rent!

6. **You'll have the peace of mind of owning your own home.**

No more worrying about crazy landlords or rent increases, you'll be able to live in your home for as long as you like, and have a fixed payment each month for 30 years! No more unwelcomed surprises!

7. **Its forced savings.** A portion of your payment each month will go to the principal of the loan. This shouldn't be considered a cost but a savings plan. You're just paying yourself by building equity. This will be extremely useful when you're ready to retire.

Source: This is a dataset from Kaggle

<https://www.kaggle.com/c/house-prices-advanced-regression-techniques/data>