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To buy or to rent? That is the question

Written By: Preeti Upadhyaya on March 8, 2012 No Comment



Despite an attractive buyer's market, consumers are still opting to

rent.

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We all know the story of how the American [housing market](#) turned into the housing bubble, which collapsed, and left us in the worst [financial crisis](#) since the Great Depression. This is old news by now, right? So how has this changed the nature of our American dream?

[Interest rates](#) and home prices are both at record lows, but consumers are not flooding open houses and clamoring to buy homes. Let's take a look at the current climate of the housing market as it stands today.

“The instability and uncertainty in the market is really playing a factor here. Although the interest rates are obviously extremely low, and prices are down as well, the instability and that fear is motivating them towards the rental market,” says Daniel Hedaya, president of Platinum Properties, a real estate services firm based in Manhattan. He says fear of committing to a home is also a factor.

“They're not sure if they want to be rooted and have that liability in the event that something does happen, so I'm not sure if its just the housing market itself but it's the overall economic climate that we're experiencing as a country.”

Matt Zifrony is a director with Tripp Scott, a Florida-based law firm. He says the difficulty of accessing credit has been another major factor in the trend towards renting.

“People are having problems getting [mortgages](#). Before 90 percent of people could get them and 10 percent couldn't. Now its flipped around, 10 percent seem to be able to obtain their financing through a bank and the 90 percent are given a hard time.”

He adds that the process of appraising properties has also slowed down the flow of buying and selling homes.

“It seems that the appraisers are so concerned with how the values of the homes have dropped significantly that they're just not appraising out the properties for the same or in some instances even close to what the purchase price of the properties would be. That again gives the bank the ability or opportunity to say, “I'm sorry we're just not going to lend on this property.”

So given the combination of great rates and home prices with widespread uncertainty and hesitation, who should be making the leap into buying a home? Hedaya says, “If you're sure that you're going to be somewhere and you're in a stable position and you need a good amount of space and your rent is going to be high. I think in that situation it would make more sense to purchase a home. There are a lot of [tax deductions](#) and incentives for primary homebuyers.”

But, buyer beware. The rental market is undeniably attractive to those of us who fear commitment.

“It's a lot less liability and I think that sums it up as best as possible. Liability for the apartment itself or the property, liability for the maintenance as well as liability financially when you're on the hook when you own a home or have a mortgage,” says Hedaya.

So what does the future hold for the real estate market? Is it a permanent shift towards renting, or will the American dream of owning a home thrive once again? Matt Zifrony is a true believer in the market fixing itself.

“I don’t believe that any outside force can cause the real estate market to improve and to suddenly turn from a down market into an up market, but the natural market conditions will ultimately do that. The real question in my mind is whether that will happen today or tomorrow, a year from now or five years from now?”

As with much of the economic recovery in America, time will tell how quickly the housing market will bounce back.

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- Soon... though I'm not looking forward to writing that check
- As soon as possible... I want my refund
- No rush... I'm extending mine.
- I'm already finished!
- The last possible minute on April 17

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