

# The Case for Ownership as Affordable Housing

# Cheaper on Day One

Based on these assumptions, and using taxes and insurance cost estimates from the 2019 American Housing Survey, the buyer's monthly mortgage payment is \$1,464.<sup>7</sup> In comparison, during that same time, the typical monthly rent was \$1,734, according to the Zillow Observed Rent Index, meaning the renter is paying \$270 more per month than the homebuyer.

**TABLE 1**  
**Monthly Housing Cost Comparison: Purchase versus Rental**

	Purchase	Rental	Purchase cost advantage
Typical home value	\$263,352	N/A	N/A
Principal and interest payment	\$1,183	N/A	N/A
Property taxes	\$198	N/A	N/A
Insurance	\$83	N/A	N/A
Total housing payment	\$1,464	\$1,734	\$270

Source: 2019 American Housing Survey.

Note: N/A = not applicable.

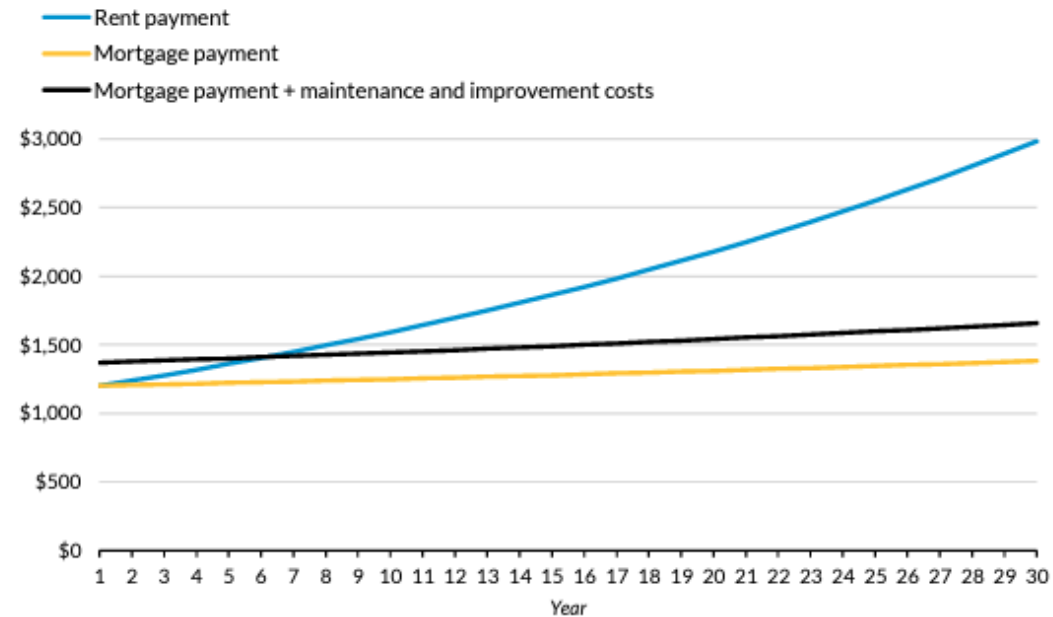
Of course, these are national estimates, and housing costs can vary significantly in different markets. Nevertheless, the reduction in monthly payments owners experience versus renters is consistent across most of the country. It is more affordable to purchase a home than to rent a comparable one in 40 states, according to a geographic analysis of 2018 Zillow data.<sup>8</sup>

Source: Urban Institute article "Homeownership is Affordable Housing" by Mike Loftin, May 2021

# Cheaper Over Time

FIGURE 5

Rent versus Mortgage Payments, with and without Maintenance and Improvement Costs



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Sources: 2019 American Housing Survey and Urban Institute calculations.

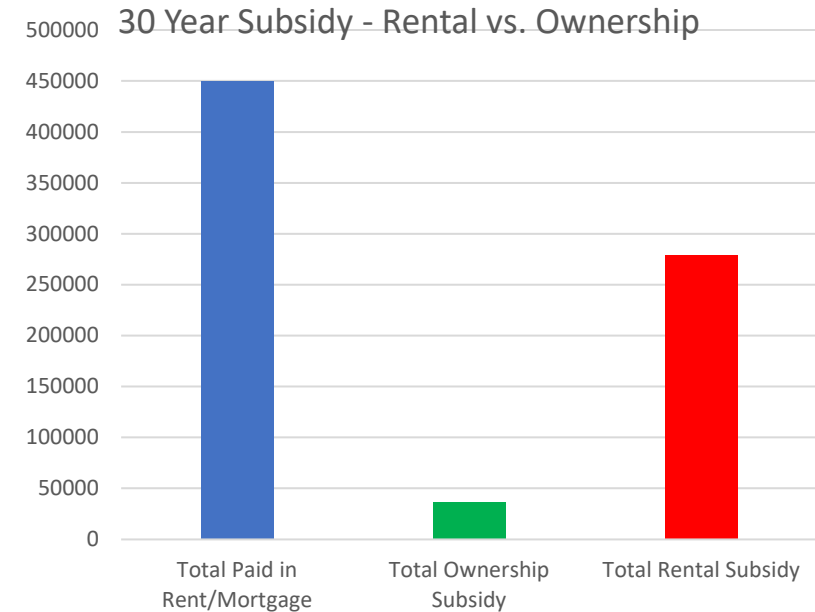
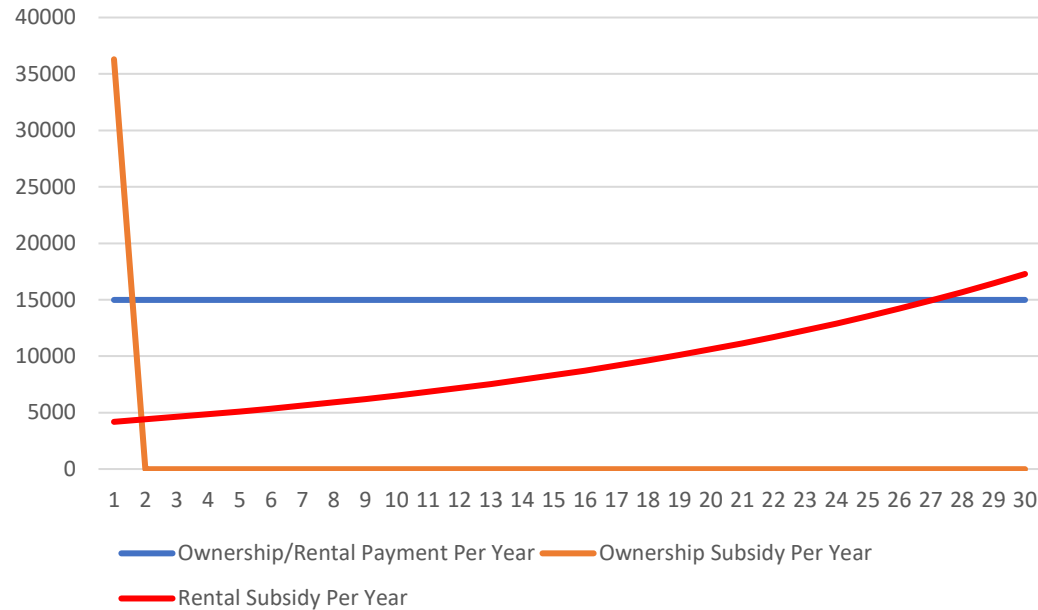
Note: The mortgage payment includes principal, interest, taxes, and insurance.

As this analysis makes clear, even if the renter's monthly cost was initially lower than that of the homeowner, the renter's savings would be short lived (assuming rental market inflation). Which begs

Source: Urban Institute article "Homeownership is Affordable Housing" by Mike Loftin, May 2021

# Less Subsidy Required

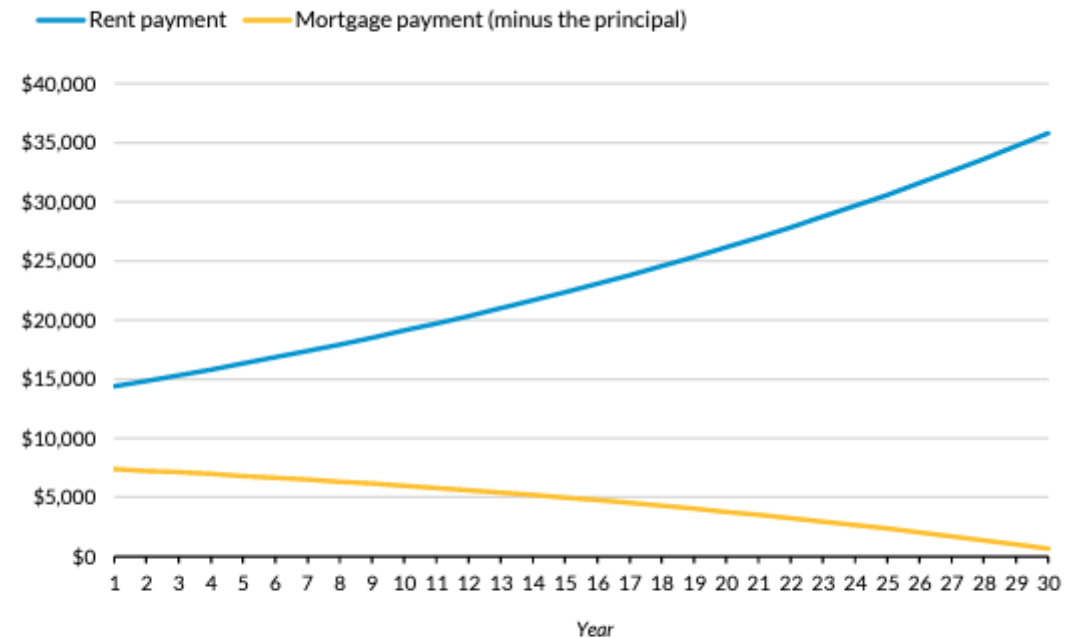
Subsidy Needed:  
Owning Vs. Renting



Based on Chattanooga, TN, family of 3, 70% AMI, \$1250 monthly housing affordability, \$200,000 home price at 6% 30-year loan, \$1600/month rent increasing 5%/year.

# Better for the Family (Wealth ends Generational Poverty)

FIGURE 7  
Absolute Housing Expenses over Time



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Sources: 2019 American Housing Survey and Urban Institute calculations.

Note: The mortgage payment (minus the principal) includes interest, taxes, and insurance.

Put another way, the portion of the money the homebuyer spends on housing—the principal portion—is an investment in real estate. In comparison, cash spent on housing is always an expense for