

Home Front: Renting has seldom looked so good

By Jim Wasserman

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Renting has seldom looked so good as now, as homeownership is increasingly associated with instability and fear.

Renters are nimble. They move easily across town to score ever cheaper rent, or effortlessly accept that great job in another city. Renters can rapidly adjust their living space and monthly payments to sudden changes in income.

But homeowners – at least many who bought during the boom – are "trapped." They are "underwater" and "upside down," owing more than their property is worth. Their home is often described as an "albatross," and the only way out is a "distress sale."

As home values slide and foreclosures rise, the ideal of owning a house, once the very definition of stability, has fallen to a low ebb. In the Atlantic magazine, urban theorist Richard Florida now suggests that "government policies should encourage renting, not buying." He cites a study from the Wharton School of Business saying homeowners are no happier than renters. Indeed, Florida goes so far as to say that rising homeownership made our society less nimble, which is bad for the economy "when businesses, industries and regions are rising and falling quickly."

Obviously, thousands in the capital region and millions nationwide have learned the hard way that renting was preferable to their current states.

But these times also make one wonder, given homeownership's current association with trouble and doom, about Warren Buffett's adage: "Be fearful when others are greedy, and be greedy when others are fearful." In other words, is homeownership's bad rap such an indicator of fear and lost confidence that it points toward buying.

Home Front called a pair of behavioral economists Thursday to test the theory. One, Terrance Odean of the University of California, Berkeley, agreed – up to a point.

"If you look at times that were a good time to buy, whether in the housing market or stock market, the times you look back and say, 'I wish I had bought then' are almost certainly times when people didn't want to buy," he said.

Then came the caveat that economists always toss in.

"Sitting here now, it could be a good time to buy because confidence is low," he said. "But if confidence goes lower, you might regret buying now."

Duke University's Dan Ariely said the question of buying depends how long a buyer intends to stay in a house. As an economist he contends it usually takes seven or eight years to hit a break-even point where buying is a better investment than renting.

So if a buyer knows that going in, he said, the current negativity associated with homeownership is part of a climate that favors buyers – again, to a point.

"If you get the opportunities, they are there now. But as a general issue, it's a much more cautionary tale," he said. "It's always been a much more cautionary tale than people realize." In the meantime, for many struggling with the instability of homeownership, renting has seldom looked so good.

Average Buyer closes deal

One of the longest-running and best-known quests to buy a house in this market has come to an end. The blogger Average Buyer closed escrow in El Dorado Hills this month.

"We look forward to designing our backyard and planting fruit trees, starting a real garden and getting to know the neighbors," the blogging buyer said in a recent post.

Average Buyer, the blog run by Jennifer Gentry, has been one of the premier real estate blogs in the region. She cut through sales hype, advised caution for would-be buyers in a tanking housing market, and eventually found a house she loved.

Now that she's bought a house, Gentry said she is uncertain how to continue the blog. Numerous similar blogs have shut down when renters became owners.

"I figure that inspiration will come," she said. In the meantime, Google Average Buyer to see how the garden grows for an Average Owner.

Before we exit the subject, another prominent real estate blog, Sacramento Land(ing), which has chronicled the housing bust for three years, has announced it is scaling back "due to time constraints."

Some loyal Land(ing) readers are seeing the pullback – and departure of other housing bubble bloggers – as a sign that most of the collapse has happened now and the bottom is approaching. Land(ing)'s author – whose identity is not known – was defiantly a bear when most in the real estate industry were bulls. He recently counseled his audience, "The story is not over yet. The 'landing' is still in progress."