

Homeownership Is Overrated

Today's economy requires a more mobile workforce.

By [RICHARD FLORIDA](#)

Several generations of Americans have seen homeownership as a birthright and a necessity. We take it for granted that owning your home is a good thing. It goes along with higher incomes; it causes people to be more diligent, hard-working and productive; it leads to stable families, stable communities, and higher levels of happiness and well-being.

Homeownership certainly contributed significantly to the golden era of American prosperity that began after World War II and continued into the 1990s, fueling demand for the cars and appliances that were rolling off assembly lines. But the foundation of our economy no longer lies in manufacturing, which created stable populations of workers committed to their jobs and communities for life. Today's idea-driven economy requires a more mobile work force that can seize opportunities wherever and whenever they arise.

Owning a home may actually be a drawback given the economic flexibility required to power long-lasting recovery. My colleagues and I tracked homeownership levels across U.S. cities and regions to see how they correlate to other measurable demographic and economic factors. As we expected, the rates of homeownership are greatest where housing prices are lowest. But cities with high levels of homeownership—in the range of 75%, like Detroit, St. Louis and Pittsburgh—had on average considerably lower levels of economic activity and much lower wages and incomes. Far too many people in economically distressed communities are trapped in homes they can't sell, unable to move on to new centers of opportunity.

The cities and regions with the lowest levels of homeownership—in the range of 55% to 60% like L.A., N.Y., San Francisco and Boulder—had healthier economies and higher incomes. They also had more highly skilled and professional work forces, more high-tech industry, and according to Gallup surveys, higher levels of happiness and well-being.

A greater percentage of their residents are younger and more transient; many of them prefer to rent. Higher income levels drive up housing prices, putting homeownership

beyond others' means. But with fewer residents locked into mortgage payments, there is a greater degree of flexibility and resilience in the face of economic shocks and downturns. Workers can downshift as needed or move to take advantage of new opportunities. When the economy rebounds, it's easier to attract new workers to the area if there is an abundance of high-quality, affordable rental housing.

The rate of homeownership in America is already starting to fall back on its own. From a high of almost 70% during the bubble years, homeownership has fallen to roughly 67%; slightly less than 39% of Americans between ages 18 and 35 own their own home, down from 43% in 2005. The Urban Land Institute projects that homeownership may fall to 62% over the next decade or two.

I'm not saying that Americans should give up on homeownership. Those who plan to stay in one place, who have secure jobs, and who can afford to should still buy homes. We need only tilt the balance, reducing the current homeownership rate from our current rate of just over two-thirds to perhaps 55% or 60%, comparable to that of the most economically vibrant regions. It's in our economic interest to help make that happen.

First and foremost, the Obama administration should end its ongoing measures to prop up the housing market. The massive federal subsidies for homeownership, which totaled some \$230 billion in 2009 according to the Congressional Budget Office, should be phased out, and the tax deduction for mortgage interest eliminated.

The next critical step is to encourage the transition to more and better rental housing. Multifamily housing is one of the few profitable bright spots in a ravaged housing industry. There are thousands upon thousands of unsold condos and foreclosed homes that can and should become rentals.

A "home of one's own" has been the emblem of prosperity and stability for a very long time. The idea is rich with psychological and cultural significance, but we have come to an economic juncture where we must re-examine even our most cherished beliefs. We can begin by updating our definition of the American Dream.

Mr. Florida is author of "The Great Reset: How New Ways of Living and Working Drive Post-Crash Prosperity" (HarperCollins, 2010) and director of the Martin Prosperity Institute at the University of Toronto.