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PRESS RELEASE

U.S. Housing Markets Moving into Rent Territory for First Time in Over Eight Years, Latest BH&J Buy vs. Rent Index Shows

BOCA RATON, Fla. (August 30, 2018) – U.S. housing markets, when viewed as a whole, are now in rent territory, meaning renting and reinvesting, on average, will outperform owning and building equity in terms of wealth creation, according to the latest national index produced by Florida Atlantic University and Florida International University faculty.

The last time U.S. markets as a whole crossed from ownership territory into rent territory was in June 1999. In January 2010, U.S. housing markets crossed back into ownership territory and have remained there until now. U.S. homeowners have, on average, outperformed renting and reinvesting in terms of wealth creation ever since.

Currently, 16 of the 23 cities covered in the [Beracha, Hardin & Johnson Buy vs. Rent \(BH&J\) Index](#) are in rent territory. Those cities include Atlanta, Dallas, Denver, Honolulu, Houston, Kansas City, Los Angeles, Miami, Minneapolis, Philadelphia, Pittsburgh, Portland, San Diego, San Francisco, Seattle and St. Louis, all of which will be experiencing downward pressure on the demand for ownership.

What does this mean for the future of U.S. housing prices? While residential real estate cycles are a relatively new phenomenon, making predictions difficult, the Index does have more than 36 years of quarterly pricing data, which allows its creators to draw some insight as to what is ahead.

“It is clear that we are at a point where markets will begin to see downward pricing pressure, implying in some markets annual pricing increases will begin to slow,” said [Ken Johnson](#), Ph.D., a real estate economist and one of the index’s creators in [FAU’s College of Business](#).

The best buys in the country right now appear to be in the Midwest and Northeast, with Chicago and Cleveland possessing the lowest/best ownership scores. Of all the cities in the BH&J Index, Johnson said, Dallas is most alarming with a score of .888.

“Across all of the data for the Index going back to 1982, only 49 times has a market in any given quarter been at this score or higher,” Johnson said. “All of these markets experienced significant price declines in their residential housing prices.”

Currently, the biggest driver for moving the U.S. into rent territory is the fact that, while both are rising, the cost of ownership is outpacing the cost of renting a like-kind property, said [Eli Beracha](#), Ph.D., co-creator of the index and director of the [Hollo School of Real Estate at FIU](#).

“Cycles appear to be with us to stay and that the tradeoff between renting and reinvesting versus owning and building wealth, as well as the cost of ownership relative to the cost of renting like-kind property, will be fundamental drivers of housing prices,” Beracha said.

[William G. Hardin](#), Ph.D., director of FIU’s [Jerome Bain Real Estate Institute](#) and associate dean of the Chapman Graduate School of Business, believes U.S. housing markets are clearly heading toward the peak of the current cycle. However, the perfect storm that was present in 2007-08, which preceded the last crash of real estate markets, is not around today.

“Interest rates are low and few junk mortgages are out there,” Hardin said. “Additionally, employment, income, and borrower credit ratings are all up. These are all good signs for a smoother transition this time around.”

The BH&J Index is published quarterly and is available online at <http://business.fau.edu/buyvsrent>. Due to data availability and the time necessary to calculate the most current index values, the index is produced two months after the end of the quarter.

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About Florida Atlantic University

Florida Atlantic University, established in 1961, officially opened its doors in 1964 as the fifth public university in Florida. Today, the University, with an annual economic impact of \$6.3 billion, serves more than 30,000 undergraduate and graduate students at sites throughout its six-county service region in southeast Florida. FAU’s world-class teaching and research faculty serves students through 10 colleges: the Dorothy F. Schmidt College of Arts and Letters, the College of Business, the College for Design and Social Inquiry, the College of Education, the College of Engineering and Computer Science, the Graduate College, the Harriet L. Wilkes Honors College, the Charles E. Schmidt College of Medicine, the Christine E. Lynn College of Nursing and the Charles E. Schmidt College of Science. FAU is ranked as a High Research Activity institution by the Carnegie Foundation for the Advancement of Teaching. The University is placing special focus on the rapid development of critical areas that form the basis of its strategic

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