Fact Sheet
Fannie Mae Own-Rent Analysis
Key Findings

The *Fannie Mae 2010 Own-Rent Analysis* is based on extensive primary research with homeowners and renters (including focus groups and a quantitative survey), U.S. Census Bureau data, and micro- and macro-economic parameters, and explores the factors influencing consumers’ decisions to buy or rent a home. The reports are available on [www.fanniemae.com](http://www.fanniemae.com).

**SURVEY FINDINGS**

**Impact of Housing Crisis**
- Fifty-one percent of those surveyed reported the housing crisis has not affected their overall willingness to buy a home.
  - Twenty-seven percent of respondents said they are more likely to buy and 19 percent were more likely to rent.
  - Among renters, 31 percent say they are more likely to rent as a result of the housing crisis, compared to 19 percent among overall responses.

- The housing crisis has had the greatest impact on younger Americans. Since the housing crisis, homeownership for those 25 to 29 years old has declined 10 percent since peak rates, compared with a decline of 5 percent among those 35 to 44 and less for those 45 and older.

**Has the housing crisis made you...?**

<table>
<thead>
<tr>
<th>Respondents grouped by current housing situation</th>
<th>More likely to buy</th>
<th>The crisis had little or no impact on my intentions to buy or rent</th>
<th>More likely to rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Population</td>
<td>19%</td>
<td>30%</td>
<td>51%</td>
</tr>
<tr>
<td>Renters</td>
<td>36%</td>
<td>31%</td>
<td>42%</td>
</tr>
<tr>
<td>Owners with negative equity</td>
<td>18%</td>
<td>18%</td>
<td>34%</td>
</tr>
<tr>
<td>Owners with positive equity</td>
<td>23%</td>
<td>82%</td>
<td>1%</td>
</tr>
<tr>
<td>Owners without mortgage</td>
<td>21%</td>
<td>11%</td>
<td>9%</td>
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</tbody>
</table>

- Recent experiences in the real estate market do not appear to have reduced the appetite for homeownership.
- Underwater borrowers are more likely to report that the crisis has increased their intentions to buy likely due to improved affordability from lower house prices.

- The housing crisis has had the greatest impact on younger Americans. Since the housing crisis, homeownership for those 25 to 29 years old has declined 10 percent since peak rates, compared with a decline of 5 percent among those 35 to 44 and less for those 45 and older.
Homeownership rates have fallen 3.3 percent from their highs in the fourth quarter of 2004 to 66.9 percent in the third quarter of 2010.

The median square footage of new homes has declined 6 percent since the peak of the housing bubble in 2006.

Beliefs about Owning vs. Renting

- The substantial majority of homeowners (89 percent), as well as nearly half of renters (44 percent), believe they would be better off owning their homes, given their current financial situations.
- One-third of Americans (33 percent) would be more likely to rent their next home than buy, up from 30 percent in January 2010.
- From January 2010 to third quarter 2010, the percentage of renters who say they will probably continue to rent in their next move increased from 54 percent to 59 percent.
  - Thirty-six percent of renters think it is a bad time to buy, relative to 21 percent of mortgage holders and 28 percent of outright owners.
- When it comes to purchasing a home, lifestyle considerations such as a sense of security, having a good place to raise a family, location and quality of living space were more likely to influence consumers’ decisions to buy.
  - Eighty percent of Americans would prefer to live in a neighborhood where most people own their homes.
- By contrast, the decision to rent is driven primarily by financial constraints. More than half (57 percent) of renters believe financial benefits are the best reason for renting a home. Based solely on current household finances, 52 percent of renters believe they are better off renting, compared to 24 percent who believe this is true among the population at large.
  - Per Fannie Mae calculations, 64 percent of renters who do not plan to own and half (50 percent) of those who do probably do not have sufficient income to qualify for the mortgage on a median-priced home.
- The most common barriers that renters identify as major reasons preventing them from transitioning to ownership include:
  - Not having good enough credit for a mortgage (major reason for 52 percent of renters).
  - Not being able to afford the purchase or upkeep of a home (major reason for 46 percent of renters).
  - Thinking it’s not a good time economically to buy (major reason for 43 percent of renters).
**Economics of Owning vs. Renting**

- The complexity of weighing both financial and lifestyle factors when deciding whether to own or to rent may result in some people favoring homeownership over renting, even if renting is the more beneficial housing decision.
  - Sixty-six percent of respondents say they believe that housing is a safe investment – as safe as a savings or money market account.
  - More than half say they believe that owning is a good idea, even if they plan to stay in the home less than three years.
  - Eighty-six percent identify tax benefits as a reason to buy, even though tax benefits are small or non-existent for many homeowners.

**Demographic Trends’ Impact on Housing Choices**

**Marriage**

- After controlling for age, income, wealth and a number of other factors, regression analysis indicates that married couples are 2.5 times more likely to own than other respondents.
  - Single (unmarried) respondents are least likely to own and report the lowest level of satisfaction with their housing choices.
- Married couples, statistically most likely to own a home, represent a shrinking portion of the population.
  - Married couples represented 50 percent of households in 2009, compared with 56 percent in 1990.

**Children**

- Respondents with children generally have higher homeownership rates than those without children after controlling for age and income.
  - Having children is cited as a major reason to buy a home by approximately three quarters (76 percent) of all households.
- Although having children increases consumers’ propensity to own a home, U.S. Census data indicate that the proportion of renters with children under 18 living at home is slightly greater than the proportion of homeowners who have children under 18 living at home.
  - In particular, 58 percent of single mothers surveyed by Fannie Mae rent, versus 32 percent overall for households with children under the age of 18.
- The percentage of families with children is declining overall, and reached an all-time low of 45 percent in 2009.
Aging

- Americans 50 and older are more likely to believe they are better off owning than renting than any other age group, and are increasingly able to realize homeownership aspirations as they age.
  - After controlling for income and wealth, regression analysis shows that a person age 45-55 is three times more likely to own than a person age 25-35 and eight times more likely to own than a person younger than 25.
  - Homeownership rates increase with age, and the U.S. population is experiencing an aging trend fueled by the baby boomers.
  - Thirty-eight percent of households were headed by someone 55 or older in 2009, versus 35 percent in 1990.

Key Findings on Immigration and Ethnicity

Population Growth

- The immigrant population in the U.S. is projected to grow by nearly 130 million people over the next 40 years, according to the U.S. Census Bureau.
- Much of this growth will driven by immigrants and their descendants.
- By 2050, non-Hispanic whites are projected to compose 46 percent of the population, compared with 65 percent today.
Ownership Among Immigrants & Minorities

- For first generation immigrants and for minorities, the percentages of survey respondents intending to own a home if they were to move in the future are higher than current ownership rates.
- First generation immigrants and minorities are more likely to be living in multifamily housing and more likely to want to own these units.
  - African Americans are most likely to live in multifamily housing, at 41 percent, compared to 18 percent among whites, 26 percent among Hispanics and 28 percent among first-generation immigrants.
- Among all sub-groups surveyed, African Americans are most likely to rent their homes.
  - Fifty-two percent of African Americans rent, compared to 41 percent of first-generation immigrants, 38 percent of Hispanics, and 25 percent of whites.
- If current racial and ethnic homeownership rates remain unchanged, overall homeownership will decrease in the U.S. by four percentage points by 2050, as immigrants and ethnic groups currently have lower homeownership rates than non-immigrants and whites.

Outlook on Future Minority Ownership

- According to U.S. Census data, among ethnic groups, non-Hispanic whites currently have the highest rate of homeownership at 76 percent, compared to 51 percent for white Hispanics, 47 percent for non-Hispanic blacks, and 34 percent for black Hispanics.
- Among survey respondents, whites have a homeownership rate of 71 percent, compared to 44 percent for blacks and 53 percent for Hispanics. However, for blacks whose annual family income is between $50,000 and $99,000, the ownership rate soars to 60 percent (compared to 79 percent of whites) and for Hispanics, 63 percent.
- Immigrants also tend to have lower homeownership rates but the gap quickly narrows over time as tenure in the U.S. increases. Within 30 years of arrival in the U.S., immigrant homeownership rates catch up with overall average U.S. homeownership rates.

Key Findings by Geography

Homeownership Rates

- Overall ownership rates are fairly similar across the three cities with the highest rate of ownership in Phoenix (66 percent) – although with more mortgages than the other cities (49 percent in Phoenix versus 37 percent in Cleveland and 44 percent in Seattle).
- Seattle had the largest percentage of renters (35 percent) among the three cities (compared to 33 percent in Cleveland and 31 percent in Phoenix).
Home price experience in the three cities has varied. Phoenix experienced the biggest house price bust, while prices have stayed at a fairly constant low level in Cleveland. Seattle has the highest prices and experienced a moderate drop during the crisis.

The unemployment rate has generally been highest in Cleveland and lowest in Phoenix.

The serious delinquency rate is highest in Phoenix, at 15.8 percent, and lowest in Seattle, at 7.7 percent.

Phoenix has the highest rate of self-reported underwater mortgage borrowers – 41 percent of all mortgage borrowers in Phoenix say the amount they owe on their mortgage is at least 5 percent more than the current value of their home (compared to 28 percent of mortgage borrowers in Seattle and 27 percent in Cleveland.)

**Impact of Housing Market**

- Residents of Phoenix are more likely (76 percent) to say that given their current household finances they are better off owning than residents of Seattle (69 percent) despite a far greater percentage of underwater borrowers (41 percent in Phoenix versus 28 percent in Seattle.)

- Similarly, given current household finances, 72 percent in Cleveland say they are better off owning than renting, compared with 74 percent for the general population.

- In all three cities, people are willing to spend more money to own their homes rather than rent.

- In all three cities, residents are willing to buy even if they will stay in the home very briefly. Half of respondents will consider buying even if they plan to stay in the home less than three years, including 53 percent in Cleveland, 51 percent in Phoenix, and 46 percent in Seattle.

**Findings by City: Cleveland, Phoenix and Seattle**

<table>
<thead>
<tr>
<th>Cleveland at-a-Glance</th>
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<tr>
<td><strong>Renting vs. Owning</strong></td>
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<tr>
<td>- 26 percent own outright</td>
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<td>- 37 percent own with a mortgage</td>
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<tr>
<td>- 33 percent rent</td>
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<tr>
<td><strong>Housing Market Indicators</strong></td>
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<tr>
<td>- 13.5 percent serious delinquency rate</td>
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<td>- 27 percent of mortgage holders at least 5 percent underwater</td>
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<td>- Average home price $103,724 down 13 percent from 2007</td>
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<td>- According to Fannie Mae's break-even calculator, buying is financially better than renting in this market for those who plan to stay in their homes six years or more, down from nine years in 2006</td>
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<td><strong>Views on Home-ownership</strong></td>
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<td>- 72 percent of residents believe they would be better off owning given their household finances</td>
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<td>- 73 percent believe they would be better off renting given their lifestyle and family situation</td>
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<td>- 58 percent would spend more money per month to own than to rent, in line with the national average</td>
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<td><strong>Outlook on Market</strong></td>
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<td>- 41 percent believe home prices will grow 5-25 percent over the next five years, and 10 percent believe they will grow more than 25 percent</td>
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<td>- The majority of residents (53 percent) would consider owning even for short tenures (less than 3 years)</td>
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# Phoenix at-a-Glance

## Renting vs. Owning
- 17 percent own outright
- 49 percent own with a mortgage
- 31 percent rent or board

## Housing Market Indicators
- 15.8 percent serious delinquency rate
- 41 percent of mortgage holders at least 5 percent under water
- Average home price $144,921 down 45 percent from 2007
- According to Fannie Mae’s break-even calculator, buying is financially better than renting in this market for those who plan to stay in their homes five years or more, down from 17 years in 2006

## Views on Home-ownership
- 76 percent of residents believe they would be better off owning given their household finances
- 78 percent believe they would be better off renting given their lifestyle and family situation
- 62 percent would spend more money per month to own than to rent, compared to 58 percent nationally

## Outlook on Market
- 38 percent believe home prices will grow 5-25 percent over the next five years, and 11 percent believe they will grow more than 25 percent
- The majority of residents (51 percent) would consider owning even for short tenures (less than 3 years)

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# Seattle at-a-Glance

## Renting vs. Owning
- 20 percent own outright
- 44 percent own with a mortgage
- 35 percent rent or board

## Housing Market Indicators
- 7.7 percent serious delinquency rate
- 28 percent of mortgage holders at least 5 percent under water
- Average home price $299,663 down 23 percent from 2007
- According to Fannie Mae’s break-even calculator, buying is financially better than renting in this market for those who plan to stay in their homes four years or more, up from two years in 2006 but down from 14 years in 2008

## Views on Home-ownership
- 69 percent of residents believe they would be better off owning given their household finances
- 72 percent believe they would be better off renting given their lifestyle and family situation
- 58 percent would spend more money per month to own than to rent, in line with the national average

## Outlook on Market
- 43 percent believe home prices will grow 5-25 percent over the next five years, and 7 percent believe they will grow more than 25 percent
- Nearly half of residents (46 percent) would consider owning even for short tenures (less than 3 years)
METHODOLOGY

Penn Schoen Berland, in partnership with Oliver Wyman, conducted telephone interviews with 2,041 members of the U.S. general population plus 1,566 additional respondents from geographic areas of interest. To inform the survey design, focus groups were held in Washington, DC and Phoenix, AZ during July and August 2010. The telephone interviews were carried out during August and September 2010. In addition to the focus groups and telephone survey, additional research was conducted to evaluate the survey findings comparatively with historical market experience.

Fannie Mae exists to expand affordable housing and bring global capital to local communities in order to serve the U.S. housing market. Fannie Mae has a federal charter and operates in America's secondary mortgage market to enhance the liquidity of the mortgage market by providing funds to mortgage bankers and other lenders so that they may lend to home buyers. Our job is to help those who house America.

For more information, visit [www.fanniemae.com/media/releases/own-rent-121610.jhtml](http://www.fanniemae.com/media/releases/own-rent-121610.jhtml)