



WISBUSINESS.COM

Wisconsin's Business News Source



Poll findings stir debate: Is home ownership a good investment?

4/5/2014



The [latest Wisconsin Economic Scorecard survey](#) illustrates a trend that has some financial advisers at odds with real estate professionals on this key question: is home ownership a good investment?

The latest Scorecard quarterly results released last month included a question about homeownership and whether respondents believed it to be a good investment. Among respondents who own homes, nearly 87 percent said yes. But only 66 percent of renters thought homeownership would be a good investment, and nearly a third (28 percent) of renters said it's not a good investment.

Related links

* [Poll topline](#)s

* [Poll analysis](#)

The Wisconsin Economic Scorecard is produced quarterly by the University of Wisconsin-Milwaukee's Center for Urban Initiatives and Research, in conjunction with WisBusiness.com and WUWM public radio. Joseph Cera, who manages the CUIR Survey Center, says a closer look at survey responses reveals something intriguing: Younger homeowners were significantly less likely to say their homes are good investments. Those with children in the home are also less likely to think their homes are good investments.

To longtime Wisconsin real estate professional Bob Larson, the economic worthiness of homeownership is a no-brainer. Larson says the housing market nationally has returned to pre-recession levels and thinks young adults, likely influenced by the recent recession, will come around to his way of thinking.

"Most of us who have been around for a few years know that real estate has always and always and always been a good investment," said Larson, a broker with First Weber Realtors in Waukesha and chairman of the Greater Milwaukee Association of Realtors. "The only time in our whole last century that it hasn't was in the last 10 years when we actually had a Great Recession and home values went down."

But Jason Lacey, a portfolio manager and certified financial planning professional, disagrees.

"To look at your home as an investment, I would disagree with that," said

Lacey, who works for PJS Investment Management, based in Cedarburg.

Lacey defines an investment as a savings vehicle to save for education or retirement. "I don't believe a home is a good investment for that," he said. "Your home is an asset, but it's one that you are using."

For 39-year-old Lacey, who is married with young children, buying a home in Wauwatosa made sense. "We're going to be here for a long time. Our kids will be starting school," he said. "But do we look at it as an investment? No, not really."

Lacey's viewpoint that homeownership is more of a lifestyle decision than an economic investment echoes the Scorecard findings.

The Wisconsin Economic Scorecard results reflect a nationwide trend. According to a 2012 Pew survey, only 45 percent of Americans now view homeownership as key to a middle-class life. Having a "secure job" was the top link, listed by 86 percent.

In addition, a 2013 MacArthur Foundation commissioned survey found that seven out of 10 Americans believe the housing crisis hasn't ended; and three out of five say renting ranks with owning for achieving the American dream.

In Madison, veteran financial consultant Daniel G. Stafford says there are a lot of variables that determine the ultimate return on real estate investment.

"It can be a good investment," he said, "if you sell the home for more than you paid for it, and for more than you paid in real estate taxes, home improvements, heat, light, gas, and for more than you paid in depreciated interest." Stafford advises his clients to add miscellaneous costs like furnishings and real estate commissions, then compare the sum to rental costs over the same period of time.

"If you do that, it's very easily compared to the return on a CD or an investment portfolio, because it's a hard number," said Stafford.

Stafford and Lacey say they ask clients about their lifestyle before recommending investing their money in a home.

"If 87 percent of people (in the latest Scorecard) feel that a home is a good investment, that's because a home is a lifestyle," said Stafford. "There's a return on investment there that's not calculable in simple dollars."

For real estate agents, the question is a bit more complex. While acknowledging the impact of the recession and housing crisis, they've glimpsed other reasons why younger people are less likely to see homeownership as a good investment.

Tina Balaka, a Shorewest Realtor, says high student loan debt is making it hard or impossible for many young adults to get home loans. She's seen an upswing in parents accompanying young couples to house showings. The parents often are the ones encouraging their sons or daughters to buy a house -- and helping pay for it, she said.

Dan Kruse, a Century 21 agent in Madison, says many young buyers are wary because they expect to move in a few years due to job demands.

"If you have to move in a year, you're probably not going to make money on a home," he notes. Kruse has learned to be creative -- he has helped some buyers choose a property that can be rented, if need be, and even works to help owners find tenants. Examples of such clients might be young doctors completing a two-year residency or employees of the University of Wisconsin, who expect to be transferred for awhile but ultimately hope to return to Madison.

On the other hand, Balaka says one lifestyle priority for today's young adults is drawing them toward homeownership: pets.

"I hear all the time, 'I'm buying a home because I have a dog' or 'I can't wait to get a dog,'" she said, adding that a fenced yard has clinched many a sale.

The Economic Scorecard survey also asked renters a followup question about how much emphasis they'd place on property taxes when deciding whether to buy a home. More than half (58 percent) said it would be a significant concern.

Realtors strongly agree.

"It's a huge concern for buyers," said Larson. "I've been in the business for 19 years. People didn't used to do search criteria for properties based on the tax bracket in that particular neighborhood. Now it's a much bigger deal. They're saying 'It's going to make or break me.' Buyers sometimes won't even look in communities with higher taxes."

Balaka says \$4,000 in annual property taxes seems to be a breaking point with many buyers in her Milwaukee-area market. "For a starter home, say a three-bedroom, one-bath house, taxes might be \$3,200 to \$3,500 in the city of Milwaukee," she said. "In Greenfield or Greendale you might be looking at \$3,700, \$3,800. Hales Corners is usually over \$4,000, but you're getting bigger homes, a different school district."

But for many buyers, "If they're looking at two properties and one's \$4,000 and one's \$3,700, even though it's only a \$300 difference, it's over that threshold," she said.

-- *By Kay Nolan*

For WisBusiness.com

