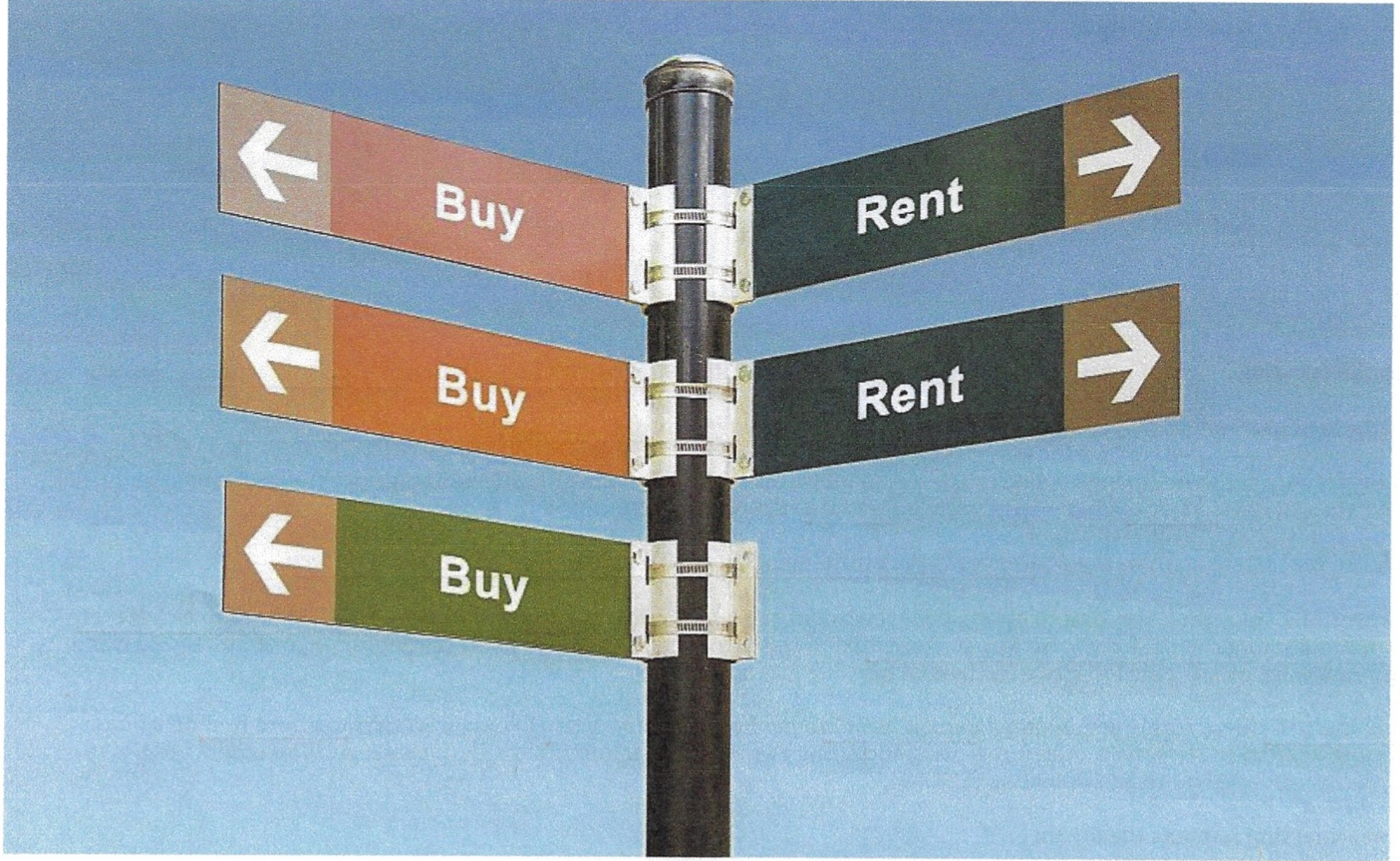


11-27-2024

Renting vs buying a home in Denver: Which is the smart choice?



Sara B. Hansen



Percentage of Minimum-Wage Income to Rent One-Bedroom Unit

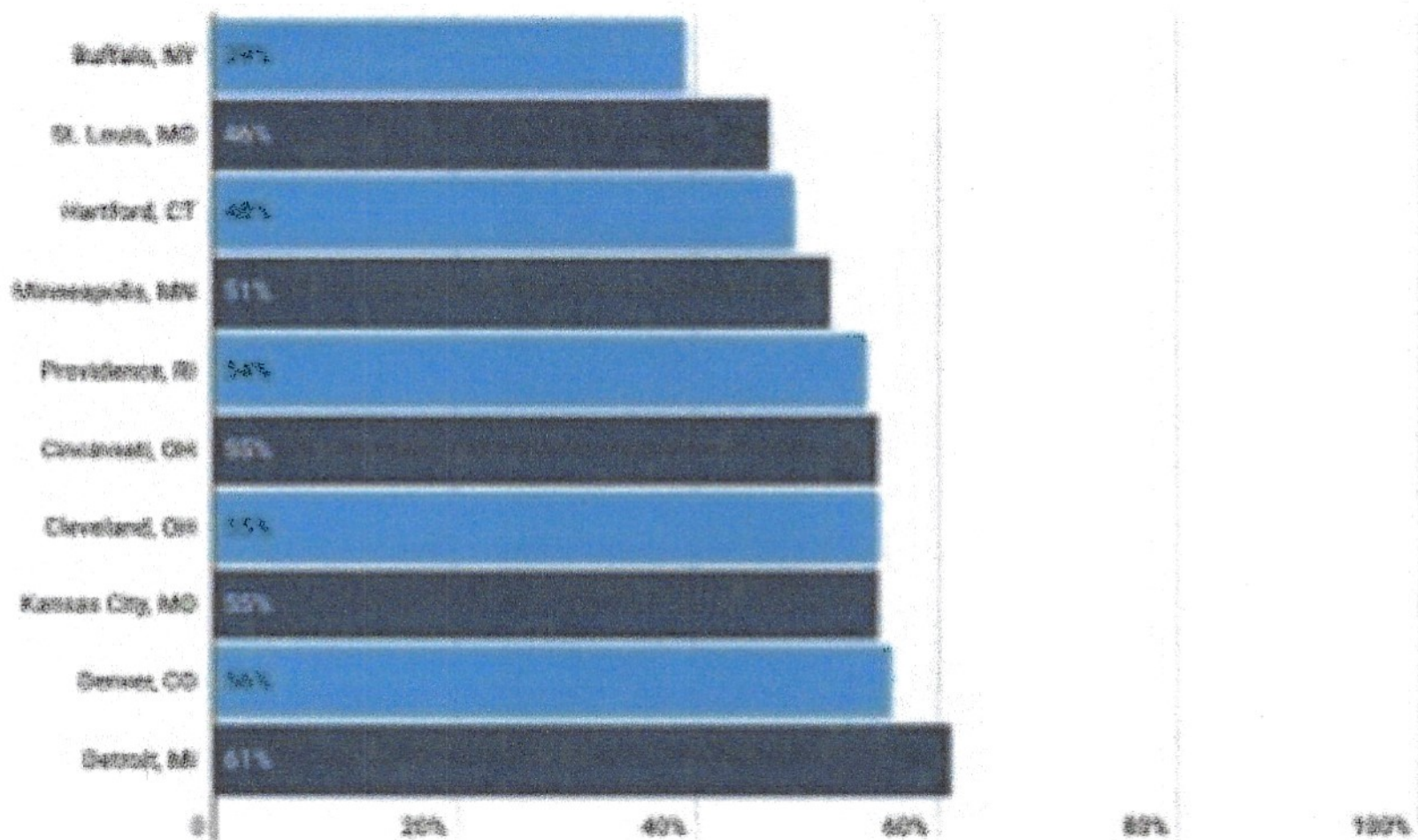


Fig. 10 most affordable, based on single, full-time minimum-wage income, pre-tax



If you're deciding between renting or buying a home, renting could be the better choice in most big cities, including Denver.

A Bankrate home affordability analysis shows the monthly cost is nearly 37 percent more to buy than to rent. *

Renting is cheaper than buying a home in the top 50 metro areas. The average monthly mortgage payment for a median priced home at \$412,778 is \$2,703, while typical rent is \$1,979, a 36.6 percent difference.

A Clever Real Estate analysis shows Denver is the ninth-most affordable city for minimum-wage renters.

However, the study indicates that to afford a one-bedroom apartment in Denver comfortably, rent would need to be \$951, or the minimum wage would have to be \$34.40, compared to the current rent of \$1,789 and a minimum wage of \$18.29. Denver's minimum wage of \$18.29 is far above the federal rate of \$7.25 per hour.

Using the 30% rule, a single person must earn at least \$18 per hour in every metro in Clever's study to afford rent on a one bedroom apartment. However, only three cities, including Denver, have minimum wages at that level. The others are No. 15 Seattle (\$19.97) and No. 26 San Francisco (\$20.96).

Homeownership remains the dream

Most Americans want to own a home, according to the Bankrate analysis.

About 78 percent believe owning a home is part of the American Dream.

The main barriers to homeownership are lack of income (56 percent), high home prices (47 percent), and not being able to afford a down payment and closing costs (42 percent).

In the Denver metro, the median close price for a home in October was \$599,975, up 4% from September's \$575,000 and 3% from \$581,000 in October 2023. *

Are you trying to decide whether to rent or buy a home? Here are the keypoints to consider when weighing the financial pros and cons.

Buying pros: Homeownership builds equity over time. If you have a fixed-rate mortgage, your monthly payments will stay the same. There are also tax benefits, and you can remodel your home.

Buying cons: Up front costs, like the down payment and closing costs, can be high. Property values may decrease.

Maintenance costs can add up, and it can take years to build equity. Homeowners must also pay annual property taxes, insurance, and possibly HOA fees.

Renting pros: Low upfront costs, no responsibility for maintenance or property taxes, potentially included utilities, and lower rental insurance.

Renting cons: Risk of rent increases, no equity building, limited choices in competitive markets, and no tax benefits.

Building wealth Buying a home offers one of the best opportunities to build wealth.

An analysis from First American Financial Corp based on median home prices and rents shows that people who bought homes before the pandemic saw their wealth increase by about \$32,000 annually over the past five years, while those who rented missed historic price appreciation.

The study assumes renters spent only their monthly rent payments while potential homebuyers of a median-priced home took out a 30-year, fixed-rate mortgage with a 5% down payment.

"For someone who purchased a home in 2019, just before the pandemic hit and the housing market turned red hot, the wealth-generating benefit was approximately \$158,000," said Mark Fleming, chief economist at First American. "A renter over that same time period cumulatively lost \$89,000."

Sara B. Hansen has been an editor and writer for more than 20 years. Her professional background includes editing positions at The Denver Post, The Des Moines Register, The Fort Collins Coloradoan, and At Home with Century 21. She's also the founder and editor of DogsBestLife.com and the author of "The Complete Guide to Cocker Spaniels."

