



**CENTRAL TEXAS**

# **BUY VS. RENT INDEX**

**JULY 2023**

**AUSTIN**board  
of **REALTORS**<sup>®</sup>

RESEARCH

# EXECUTIVE SUMMARY

Homeownership remains the primary mechanism by which households in the United States build wealth. More families own a home (64.9%) than traditional financial assets, including retirement accounts (50.5%), stocks (15.2%), and certificates of deposit (7.7%). Moreover, among low-income families (those earning less than 20th percentile of income), 37.2% owned a home, while 10.7% held retirement accounts; 5.3%, stocks; 2.8%, certificates of deposit. According to the Survey of Consumer Finances, in 2019, the median wealth of homeowners measured \$255,000, more than forty times that of renters (\$6,000). For lower-income owners, homeownership comprises a particularly significant proportion of household wealth. As such, purchasing a home—or forgoing that and instead renting and investing in another asset—is one of the more (if not the most) financially consequential decisions a household will make.

The buy vs. rent index developed in this report models the tradeoff between purchasing a home or renting and investing in stocks, comparable alternative to homeownership. Specifically, this index creates a “horse race” between owning or renting and investing in stocks by comparing the proceeds from the sale of a home to the proceeds from a stock portfolio. The index is generated for three types of homebuyers: first-time buyers, move-up buyers, and luxury buyers for two scenarios, the first of which models retrospective outcomes for buyers who purchased between 2007 and 2022 and sold between 2007 and 2023, while the second models the potential outcomes buyers who purchase in 2023 and sell between 2023 and 2037.

In the Austin-Round Rock-Georgetown MSA, the results of the index indicate that, on average, homeownership would have been more financially favorable for all three types of buyers and for both scenarios. Under the first scenario, homeownership favored renting and investing nearly every 4 times out of 5 for first-time buyers, over 9 times out of 10 for move-up buyers, and nearly 10 times out of 10 for luxury buyers. Under the second scenario, homeownership favored renting and investing nearly every 3 times out of 4 for first-time buyers and in every instance for both move-up and luxury buyers.

While the results of this index are hypothetical, pertaining to general populations of buyers (as opposed to any individual homeowner), the results may help potential buyers navigate the decision to purchase a home, particularly by providing an overview of the “calculus” used to evaluate the tradeoff between purchasing a home or renting and investing in stocks. Furthermore, the index may provide REALTORS® and agents a tool to guide potential buyers through the wealth-building opportunities embedded in homeownership. As still-elevated home prices and higher mortgage rates complicate potential buyers’ decision to purchase a home, understanding the factors involved in such a decision prove particularly salient.

# BACKGROUND

In the United States, households generally select between two housing tenures: buying or renting.\* (Homeownership remains the dominant tenure, comprising nearly two-thirds of households in the U.S. in 2021.) A household's decision to buy or rent depends on a variety of factors—namely, the household's budget, anticipated duration in the unit, and its tastes and preferences with respect to the available inventory of housing units for sale or lease. On average, the first factor—that of affordability—proves the most binding to any individual household. Income, wealth, and credit are the three primary constraints to accessing mortgage credit—most buyers in the U.S. rely on mortgage financing to attain homeownership (according to NAR, an estimated 88%). In other words, the barriers to homeownership are higher than those of renting, and any individual household may not necessarily choose to rent as much as that household is unable to afford homeownership.

Regardless, a household's decision to buy or rent bears numerous long-term financial implications. In the instance of purchasing a home, the buyer forgoes the opportunity to invest the money otherwise spent on the downpayment (as well as the differential between the annual costs of homeownership and the rent payment, provided it is positive) into another financial asset. Should the household opt to rent instead, the household forgoes the opportunity to accrue home equity. However, measuring the tradeoff between the two options proves difficult, and few tools are available to help both REALTORS®/agents and households weigh the projected financial outcomes.

This report examines the hypothetical financial outcomes of buying a home versus renting and investing in stocks through a buy vs. rent index. The model estimates the findings to two scenarios and for three types of buyers: first-time, move-up, and luxury buyers. The first scenario adopts a retrospective lens and estimates the more financially favorable decision for buyers who purchased a home between 2007 and 2022 and sold between 2007 and 2023. The second scenario projects the more financially favorable decision for buyers who purchase a home in 2023 and sell between 2023 and 2037. Findings indicate that, on average, homeownership remains more financially favorable.

# METHODOLOGY

The buy vs. rent index computes the ratio of the sales proceeds to the investment proceeds at the end of each year. Should the sales proceeds exceed the investment proceeds (i.e., the index exceeds 1.0), homeownership would have been or would be more financially favorable. (The former—“would have been”—applies to the first scenario, in which retrospective outcomes are modeled for buyers who purchased from 2007 to 2022, while the latter—“would be”—applies to the second scenario, in which the potential outcomes are estimated for buyers who purchase in 2023.) Should the investment proceeds exceed the sales proceeds (i.e., the index measures below 1.0), renting would have been or would be more financially favorable. Should the sales proceeds equal the investment proceeds (i.e., the index measures exactly 1.0), the household would have been or would be indifferent to the two options.

The model assumes that the household purchases a home or rents and invests in stocks at the beginning of any given year. For the first scenario—i.e., the retrospective scenario, the household buys or rents and invests at the beginning of each year from 2007 to 2022. Meanwhile, the household divests from either buying or investing at the end of any given year (i.e., from 2007 to 2023). This yields 152 possible outcomes. (If the buyer purchased a home at the beginning of 2007, there are 17 possible outcomes as the buyer could sell at the end of 2007, 2008, 2009, ..., 2023. Meanwhile, if the buyer purchased a home at the beginning of 2008, there are 16 possible outcomes; if the buyer purchased a home at the beginning of 2009, 15 possible outcomes, etc.) For the second scenario, the household buys or rents and invests at the beginning of 2023, and divests at the end of any given year from 2023 to 2037, yielding 15 possible outcomes. On average, homeowners remain in the same house for 9-10 years. Generally, the tenure for first-time homeowners is lower, but higher for older homeowners.

The addition of three components—the remaining mortgage balance, the value of the home, and the sales expenses—equals the sales proceeds. The remaining mortgage balance represents the hypothetical amount owed by the household at the end of any given year. It involves the mortgage rate, mortgage insurance premium (if applicable), number of years left in the loan, and the mortgage payment. The home value signifies the estimated value of the home at the end of any given year based on the home price appreciation rate. The sales expenses equal the value of the home at the end of the year minus the commission paid to the REALTOR®/agent.



Meanwhile, the investment proceeds reflect the opportunity cost of not purchasing a home—i.e., the initial lump sum that would have been invested in homeownership (the downpayment plus closing costs) as well as the differential between the annual cash outflows for homeownership and the rent payments. (For any given year, total cash outflows for homeownership include the sum of the monthly mortgage payments, the property tax and insurance payment, and maintenance.) Capital gains tax is deducted from the sum of the initial investment and the differential between the annual cash outflows for homeownership and the rent payments.\*

The model operates independently of home price, instead deriving the maximum affordable home price from household income, the total monthly mortgage payment—i.e., the mortgage rate, mortgage insurance premium (if applicable), loan term, and loan-to-value ratio, annual property tax and insurance payments, and debt-to-income ratio. Household income reflects 80% of median family income (MFI) for first-time buyers, 120% of MFI for move-up buyers, and 250% of MFI for luxury buyers. Income figures reflect the Department of Housing and Urban Development annual income limits.

The model assumes the buyer obtains a 30-year, fixed-rate mortgage. The average mortgage rate for each year reflects data collected by Freddie Mac and compiled by the Federal Reserve Economic Database. **Table 1** depicts the average mortgage rate. (The model uses the average mortgage rate for the first half of 2023.) The model assumes a loan-to-value (LTV) ratio of 95% for first-time buyers, 80% for move-up buyers, and 60% for luxury buyers. As the LTV ratio measures above 80% for first-time buyers, a mortgage insurance premium of 0.5% is added to the loan balance. The debt-to-income ratio for first-time buyers measures 31%; move-up buyers, 28%; and luxury buyers, 20%.\*\* The model assumes that the commission is split evenly between the buyer and the seller, with each paying 3%. In other words, closing costs equate to 3% of the purchase price, while sales expenses equate to 3% of the sales price.

**TABLE 1**

## **MORTGAGE RATE BY YEAR**

Year	Mortgage Rate
2007	6.34%
2008	6.03%
2009	5.04%
2010	4.69%
2011	4.45%
2012	3.66%
2013	3.98%
2014	4.17%
2015	3.85%
2016	3.65%
2017	3.99%
2018	4.54%
2019	3.94%
2020	3.11%
2021	2.96%
2022	5.41%
2023	6.44%*

**SOURCE: FREDDIE MAC, FRED**

\*The average mortgage rate for the first half of 2023.

## METHODOLOGY CONT.

The property tax and insurance rates measure 2.5% and 1%, respectively, of home value. The model assumes the buyer spends 2% of the home value annually on maintenance. The Home Price Index from the Texas Real Estate Research Center provides data on annual changes in home price in the Austin-Round Rock-Georgetown MSA from 2000 to 2022. Meanwhile, annual changes in rent reflect data from the Bureau of Labor Statistics and FRED on the consumer price index for rent of primary residence in the Dallas-Fort Worth-Arlington MSA from 2000 to 2022

(**Table 2**).

(The index is not published for the Austin-Round Rock-Georgetown MSA, but given the correlation in both the movement in and magnitude of home prices between the two regions, the Dallas-Fort Worth-Arlington MSA is a comparable substitute.) For the second scenario, which computes the values of the index for buyers who purchase in 2023, the model assumes the average annual changes in home price and rent from 2000 to 2022 (6% and 3.4%, respectively).

Per estimates from American Community Survey data, the model assumes that first-time buyers would otherwise spend 22.5% of income on rent. The model assumes that move-up buyers—likely more inclined to rent a single-family unit—would spend the equivalent of the total monthly mortgage payment (i.e., mortgage principal and interest plus property taxes and insurance) on rent. (This equates to roughly 0.66% of the home price each month, or 7.9% of the home price annually.) Meanwhile, the model assumes that luxury buyers spend 1% of the home price on rent monthly (i.e., 12% of the home price on rent annually), a standard often applied by landlords (regardless of the renter’s income level) to determine rent. As such, the model applies a very conservative approach to estimating the rent that would otherwise be spent by first-time or move-up buyers. (In other words, this is more likely to lower the value of the index, thereby increasing the financial favorability of renting.)

The model assumes a short-term capital gains tax rate of 35%, the standard rate for households that divest from stocks within the first year of purchasing those stocks. The long-term capital gains tax rate measures 15%, also the standard rate for households that divest from stocks after the first year of purchasing those stocks. The annual returns for the S&P 500 stem from calculations made by Professor Aswath Damodaran at New York University, and average 7.8% annually from 2000 to 2022 (**Table 2**). Those figures are publicly available on his website, [pages.stern.nyu.edu/~adamodar/](https://pages.stern.nyu.edu/~adamodar/).

**TABLE 2****ANNUAL RETURN FOR THE S&P 500 BY YEAR**

Year	Home Price Index	Consumer Price Index for Rent as a Primary Residence	S&P 500 Return
2000	14.3%	0.1%	-9.0%
2001	6.8%	22.6%	-11.9%
2002	-1.5%	3.4%	-22.0%
2003	-3.3%	2.7%	28.4%
2004	1.1%	0.3%	10.7%
2005	5.3%	-0.2%	4.8%
2006	7.5%	-11.8%	15.6%
2007	5.8%	4.0%	5.5%
2008	-0.1%	11.8%	-36.6%
2009	-2.3%	-2.5%	25.9%
2010	-1.1%	4.6%	14.8%
2011	-0.2%	0.9%	2.1%
2012	4.5%	2.7%	15.9%
2013	8.7%	6.2%	32.2%
2014	9.3%	2.3%	13.5%
2015	7.7%	-2.2%	1.4%
2016	6.6%	7.2%	11.8%
2017	4.4%	6.1%	21.6%
2018	3.6%	4.7%	-4.2%
2019	4.4%	5.1%	31.2%
2020	8.6%	3.1%	18.0%
2021	34.4%	5.8%	28.5%
2022	13.2%	1.2%	-18.0%

**SOURCE: FREDDIE MAC, FRED**

The annual returns include dividends, which generally positively biases the return, thereby lowering the value of the index and increasing the financial favorability of renting. For the second scenario, which computes the values of the index for buyers who purchase in 2023, the model assumes the average annual return for the S&P 500 from 2000 to 2022.

(\*The model assumes the renter to be a disciplined and savvy investor in that the renter 1) not only anticipates the value of the differential between the annual cash outflows for homeownership and the rent payments, 2) but also deposits the value of that differential into the stock portfolio at the beginning of each year (or deducts the sum of the differential should it be negative). For first-time buyers, the value of that differential is positive (i.e., the annual cash outflows for homeownership exceed the rent payments).

\*\*The model uses the front-end debt-to-income ratio, which reflects the mortgage payment as a percentage of household income. The back-end debt-to-income ratio measures all debt payments—mortgage, auto, credit card, student loan, etc.—as a percentage of household income. Using the front-end debt-to-income ratio is a more conservative approach. The standard front-end ratio for FHA borrowers is 31%. (First-time buyers comprise the majority of FHA borrowers.) The standard front-end ratio for conventional borrowers (i.e., move-up buyers) is 28%. The higher incomes of luxury buyers generally dictates a lower debt-to-income ratio, assumed to measure 20% in this model.

# RESULTS

The results broadly indicate that homeownership tends to prove more financially favorable—i.e., it typically generates more wealth than renting and investing, particularly as the duration of homeownership lengthens. Under the first scenario, which computes the values of the index for buyers who purchased a home from 2007 to 2022, homeownership favored renting and investing nearly every 4 times out of 5 (i.e., in 118 instances out of 152, or 77.6%) for first-time buyers, over 9 times out of 10 (i.e., in 137 instances out of 152, or 90.1%) for move-up buyers, and nearly 10 times out of 10 (i.e., in 148 instances out of 152, or 97.4%) for luxury buyers (**Table 5**). For example, for a first-time buyer who purchased a home at the beginning of 2010, renting would have been more financially favorable if the buyer opted to sell the home at the end of 2010, 2011, or 2012. However, provided the buyer retained the home for at least four years (i.e., until the end of 2013), homeownership proves more financially favorable. In general, for homeownership to be more financially favorable, first-time buyers should have retained their home for upwards of five years, although this figure varies considerably based on the initial year of purchase.

Under the second scenario, which calculates the values of the index for buyers who purchase a home in 2023, homeownership favored renting and investing nearly every 3 times out of 4 (i.e., in 11 times out of 15, or 73.3%) for first-time buyers and in every instance (i.e., in 15 instances out of 15, or 100%) for both move-up and luxury buyers (**Tables 3 & 5**). For example, renting is projected to be more financially favorable if the buyer opted to sell the home at the end of 2023, 2024, 2025, or 2037, but in all other instances, homeownership yields a better financial outcome. Meanwhile, for both move-up and luxury buyers, homeownership is projected to be more financially favorable regardless of the year the home is sold.

Differences in annual changes in home prices and rents and the annual return for the S&P 500 result in differences in the values of the index for any given year in which the home would have been sold. For example, in 2009, the stock market boosted strong gains amid the beginning of the economy's recovery from the Great Recession. The annual return for the S&P 500 measured 25.9% in 2009 and 14.8% in 2010 but moderated to 2.1% in 2011 before posting a more subsequent 15.9% in 2012. Meanwhile, the annual change in home prices was negative for the first three years (-2.3% in 2009, -1.1% in 2010, and -0.2% in 2011), but turned positive (4.5% in 2012). Finally, the annual change in rents was negative for the first year (-2.5% in 2009), before turning positive to 4.6% in 2010 and a more moderate 0.9% and 2.7% in 2011 and 2012, respectively.



# RETROSPECTIVE RESULTS OF THE BUY VS. RENT INDEX FOR MOVE-UP BUYERS

TABLE 3

		Year Home Sold																
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Year Home Purchased	2007	buy	buy	rent	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
	2008		buy	rent	rent	rent	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
	2009			rent	rent	rent	rent	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
	2010				rent	rent	rent	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
	2011					buy	rent	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
	2012						buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
	2013							buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
	2014								buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
	2015									buy	buy	buy	buy	buy	buy	buy	buy	buy
	2016										buy	buy	buy	buy	buy	buy	buy	buy
	2017											buy	buy	rent	buy	buy	buy	buy
	2018												buy	rent	buy	buy	buy	buy
	2019													buy	rent	buy	buy	buy
	2020														buy	buy	buy	buy
2021															buy	buy	buy	
2022																buy	buy	

SOURCE: ABOR, FREDDIE MAC, FRED

As the annual returns for the S&P 500 considerably outpaced the annual change in home prices, and the annual change in rent was moderate, the values of the index for first-time and move-up buyers who purchased a home in 2009 indicate renting would have been more financially favorable for the first four years (i.e., until the end of 2013, at which point homeownership would have been more financially favorable). In other words, the combination of three factors: 1) the annual returns for the S&P 500, 2) the annual change in home prices, and 3) the annual change in rent can produce different values for the index for any given year in which the home is sold. The timing of the purchase of the home plays a critical role in determining the more financially favorable outcome.

# RESULTS CONTD.

## RETROSPECTIVE RESULTS OF THE BUY VS. RENT INDEX FOR FIRST-TIME BUYERS

TABLE 4

		Year Home Sold																
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Year Home Purchased	2007	buy	buy	rent	rent	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
	2008		rent	rent	rent	rent	rent	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
	2009			rent	rent	rent	rent	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
	2010				rent	rent	rent	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
	2011					rent	rent	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
	2012						rent	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
	2013							buy	buy	buy	buy	buy	buy	buy	rent	rent	buy	buy
	2014								buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
	2015									buy	buy	buy	buy	rent	buy	buy	buy	buy
	2016										buy	buy	rent	rent	rent	buy	buy	buy
	2017												rent	rent	rent	rent	buy	buy
	2018													rent	rent	rent	buy	buy
	2019														rent	rent	buy	buy
2020															buy	buy	buy	
2021																buy	buy	
2022																	buy	

SOURCE: ABOR, FREDDIE MAC, FRED

The foremost reason for the differences in outcomes among the three types of buyers stems from the differences in the methodology for computing rent. For first-time buyers, the rent payment equates to 22.5% of household income, which, depending on the year, ranges from 6.2-8.8% of the home price on an annual basis, or 0.5-0.7% of the home price on a monthly basis. Meanwhile, for move-up buyers, those figures measure 7.5%-9.5% of the home price on an annual basis, or 0.6-0.8% of the home price on a monthly basis. Lastly, for luxury buyers, those figures measure 12% (on an annual basis) and 1% (on a monthly basis). As the proportion of the rent payment to the home price increases (decreases), the value of the index increases (decreases).

# RETROSPECTIVE RESULTS OF THE BUY VS. RENT INDEX FOR LUXURY BUYERS

TABLE 5

		Year Home Sold																
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Year Home Purchased	2007	buy	buy	rent	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
	2008		buy	rent	rent	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
	2009			buy	rent	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
	2010				buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
	2011					buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
	2012						buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
	2013							buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
	2014								buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
	2015									buy	buy	buy	buy	buy	buy	buy	buy	buy
	2016										buy	buy	buy	buy	buy	buy	buy	buy
	2017											buy	buy	buy	buy	buy	buy	buy
	2018												buy	buy	buy	buy	buy	buy
	2019													buy	buy	buy	buy	buy
	2020														buy	buy	buy	buy
2021															buy	buy	buy	
2022																buy	buy	

SOURCE: ABOR, FREDDIE MAC, FRED

One of the more significant implications of the buy vs. rent index is that the outcomes of the index do not fluctuate per the purchase price of the home. The purchase price is derived from the home price-to-income multiplier—in other words, income and the characteristics of the mortgage loan determine the home price affordable to a household. As the initial investment in the stock portfolio equals the downpayment that would otherwise be spent on a home, any change in the home price translates into a comparable change in the initial investment in the stock portfolio.

As such, the outcomes of the index operate independently of the purchase price of the home (or, conversely, the initial investment in the stock portfolio.) In other words, while home prices may affect a potential buyer’s ability to attain mortgage financing, the purchase price of the home is negligible in comparing the tradeoff between buying a home or renting and investing.

# THE RESULTS OF THE BUY VS. RENT INDEX FOR BUYERS WHO PURCHASED IN 2023

TABLE 6

	Year Home Sold (Purchased in 2023)														
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
<b>First-Time</b>	rent	rent	rent	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	rent
<b>Move-Up</b>	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy
<b>Luxury</b>	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy	buy

SOURCE: ABOR, FREDDIE MAC, FRED

## CONCLUSION

Homeownership provides a crucial pathway for households—particularly lower-income households—to build wealth in the United States. For most households, housing comprises their single largest expenditure—making the decision to purchase a home one of the more financially consequential. Moreover, as the dominant housing tenure (homeowners accounted for 58.8% of households in the Austin-Round Rock-Georgetown MSA in 2021), understanding the financial implications of the tradeoff between purchasing or renting and investing (a comparable alternative to homeownership) proves especially salient.

The buy vs. rent index developed in this report examines that very tradeoff by comparing the proceeds from the sale of a home to the investment proceeds from a stock portfolio. The index is computed for two scenarios, the first of which models retrospective outcomes for buyers who purchased between 2007 and 2022, while the second models potential outcomes for buyers who purchase in 2023.



By and large, the results of the index indicate that homeownership would have proved or should prove more financially favorable than renting for a myriad of buyers—first-time, move-up, and luxury—who purchased a home and sold it between 2007 and 2023 or purchased a home in the beginning of 2023 and sold it between the end of 2023 and 2037. Under the first scenario, homeownership favored renting and investing nearly every 4 times out of 5 for first-time buyers, over 9 times out of 10 for move-up buyers, and nearly 10 times out of 10 for luxury buyers. Under the second scenario, homeownership favored renting and investing nearly every 3 times out of 4 for first-time buyers and in every instance for both move-up and luxury buyers.

Timing—both the year of purchase and the year in which the home is sold—plays a crucial role in determining the more financially favorable outcome (i.e., owning or renting). The differences in outcomes stem from two factors, the first of which amounts to differences in the characteristics of first-time buyers vs. move-up buyers vs. luxury buyers (for example, the loan-to-value ratio, debt-to-income ratio, etc.). The second factor results from differences in the annual change in home prices and rents and the annual return for the S&P 500.

While the results of this index are hypothetical, pertaining to general populations of buyers (as opposed to any individual homeowner), the results may help potential buyers navigate the decision to purchase a home, particularly by providing an overview of the “calculus” used to evaluate the tradeoff between purchasing a home or renting and investing in stocks. Furthermore, the index may provide REALTORS® and agents a tool to guide potential buyers through the wealth-building opportunities embedded in homeownership. As still-elevated home prices and higher mortgage rates diminish affordability, potential buyers may be more inclined to defer homeownership, but the results of this index indicate that homeownership remains the primary mechanism by which households build wealth.

## ABOUT THE AUTHOR

In her role as ABoR's Housing Economist, Dr. Clare Losey helps unpack complex data and keeps REALTORS® up to date on the latest trends in the Austin housing market and broader economy. She's passionate about providing accurate, timely, and relevant analysis & commentary on the Austin economy and housing market that allows REALTORS® to better understand current conditions in the market and optimize their business practices accordingly.

**DR.  
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Prior to joining ABoR, Dr. Losey worked at the Texas Real Estate Research Center at Texas A&M University for seven years as Assistant Research Economist. In her role, she provided analysis & commentary on the Austin economy and housing market using econometric and statistical models. And very similar to her role here at ABoR, she conducted research and analysis on Texas housing markets and housing affordability for cities, communities, and nonprofit organizations across Texas.

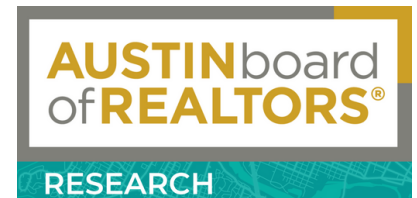
Dr. Losey earned her bachelor's degree at The University of Texas Austin, her master's degree in Land Economics and Real Estate from Texas A&M University, and her doctorate in Urban and Regional Sciences from Texas A&M University.

## ABOUT THE AUSTIN BOARD OF REALTORS®

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