

The Outstanding Value of Homeownership: By the Numbers

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Homeownership is by far the single largest creator of wealth for Americans, and consumers who take advantage of today's excellent buying climate to purchase a home will find that it is the best investment they ever made.

Here are a few examples of why, dollar for dollar, homeownership is a solid stepping stone to a future of financial security.

Over the long term real estate has consistently appreciated, even through periodic adjustments in local markets in response to economic conditions. On a national level, home appreciation has historically increased 5-6 percent annually.

Five percent may not seem much at first, but here's an example that will put it into perspective. Say you put 10 percent down on a \$200,000 house, for an investment of \$20,000. At a 5 percent annual appreciation rate, that \$200,000 home would increase in value \$10,000 during the first year. Earning \$10,000 on an investment of \$20,000 is an extraordinary 50 percent annual return.

In contrast, putting that \$20,000 down payment into the stock market and getting a 5 percent gain would only yield a \$1,000 profit.

Looking at it another way, over a longer period of time, if someone put \$10,000 into the stock market in 1996, the average annual S&P return would make that investment worth \$21,500 today – an increase of \$11,500. The median home price in 1996 was \$140,000. Today, that same home would have gained nearly \$100,000 in value.

Homeownership is also a more stable investment. Home values tend to increase at a steady pace while alternatives can be extremely volatile. For example, during the stock

market decline of 2001-2002, households lost more than \$1 trillion in stock value, while their housing equity continued to climb.

Don't forget there are also fantastic tax incentives designed to make owning a home more affordable. Home owners save nearly \$100 billion annually on mortgage interest and property deductions alone.

In most instances, all of the interest and property taxes you pay can be fully deducted from your gross income to reduce your taxable income. These deductions can result in thousands of dollars of tax savings, especially in the early years of the mortgage when interest makes up most of the payment.

Plus, the best tax break available to homeowners is when they sell their primary residence. A couple who own and live in their home for two years and then decide to sell can keep up to \$500,000 of the profit tax-free, and a single owner can keep \$250,000. If the homeowner uses these gains to buy and live in a bigger home for at least two years, the same benefits apply when they go to sell that home.

Buying a home is the largest, and smartest, investment most families will ever make. And with the long-term financial benefits, variety of homes for sale in all price ranges, and historically low interest rates, the timing couldn't be better.

For more information on new homes or to find a local builder, contact the Builders Association of Northern Nevada at (775) 329-4611 or visit www.thebuilders.com.