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Welcome. My name is Andrew Baron, and this is. Well... It Depends! The podcast where I present the pros and cons of financial decisions so that you, the audience, feel better informed when you are confronted with these decisions in your own life. In this episode, I ask the question, should I buy a home?

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Before we begin a short disclaimer. This is being recorded on September 7th, 2022. The contents of this podcast are strictly for informational purposes only, and nothing said should be taken as investment, tax or legal advice. Any strategies discussed may not be suitable for listeners specifically, and so we strongly encourage consulting with your advisor before implementing any strategies to ensure they meet your individual objectives. Getting into it. Should I buy a home?

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Well... It Depends! Throughout the country, we're seeing fewer home sales and mortgage applications. This is a byproduct of the Federal Reserve's target to tame inflation through higher interest rates. As the Federal Reserve raises rates, this increases borrowing costs, which pushes would be buyers out of the market. In theory, this is what the Federal Reserve wants. By reducing demand, prices should come down.

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However, builders have been reluctant to add homes as potential buyers have been backing out of sales due to these same higher borrowing costs. And so while the times of crazy bidding wars are over, this low housing supply has kept prices high. If you are a first time home buyer or you're relocating, you

might be debating between buying now or later and the experts don't agree on what to do with Fitch Ratings, considering a possible 15% decline in the next year.

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While Goldman Sachs thinks prices in the housing market could continue decline in the single digits. Timing the market is very difficult, especially if you have to sell your current home and buy a new home. It's unlikely that you're going to be able to get top dollar for selling your home and turn around and get a great deal on the home you're buying.

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Remember that while your primary house is an asset, it isn't an investment. Unless you happen to be relocating from a hot real estate market to a cheap market, you shouldn't expect to make money on your primary residence. Everyone needs somewhere to live and being able to support that with your cash flow is the key part of this. Between ongoing maintenance costs, taxes and renovations, homeowners should cost considerably more than just the purchase price of a home.

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That said, home ownership provides a major asset for many Americans, but renting has its merits to. You're not responsible for any of the costs I just mentioned, which can be a headache for your cash flow if you're not prepared and you can pick up and leave at any time. Typically, the break even for owning versus renting is about five years.

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So if that isn't in the cards for you or you're just uncertain and want the flexibility to move, renting may be for you. To recap, recent tight supply has kept housing prices high, while increasing mortgage rates have pushed out some potential buyers. It has also scared off some builders. There isn't consensus between the experts on where we go from here.

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So both waiting to buy and buying now have risks. Ultimately, buying versus renting comes down to personal choices and your cash flow. Because even if you expect the house to dramatically appreciate in value, you must still be able to afford and maintain the property. So to answer the question, should I buy a home? Well... It Depends!

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