

Bankrate

Renting is Now Cheaper Than Buying in All 50 of the Largest U.S. Metros

Metros in the West have the biggest differences between renting and buying costs

NEW YORK - April 29, 2024 - Renting a typical home is now cheaper than buying one in all 50 of the largest U.S. metros in 2024, according to a new Bankrate study. Bankrate analyzed typical monthly mortgage payments and typical monthly rent for all homes across all 50 of the largest metro statistical areas (MSAs) in the United States to compare the monthly cost of renting vs. buying a home. The complete methodology for the study is included below. For the full report, please visit:

<https://www.bankrate.com/real-estate/rent-vs-buy-affordability-study/>

Bankrate's report found that the typical monthly mortgage payment of a median-priced home (\$412,778, per Redfin) in the United States was \$2,703, as of February 2024. In comparison, the typical national monthly rent was \$1,979 as of February 2024, showing a nearly 37% gap between the typical cost of rent vs. the typical monthly mortgage payment nationwide.

In 21 U.S. metros, the typical monthly cost of owning is at least 50% more expensive than the typical monthly cost of renting.

“For those weighing whether they should rent or buy right now, all signs point to renting as the most cost-effective option in most major U.S. cities,” said Bankrate Analyst Alex Gailey. “The combination of high home prices, elevated mortgage rates and low inventory creates a strong headwind for aspiring homeowners. Compared to a few years ago, Americans in the market for a home now either need to be able to make a significantly larger down payment or must allocate a larger portion of their monthly budget to their mortgage payment.”

The West sees the biggest difference between renting and buying according to Bankrate's report, with four out of the top five metros with the biggest gaps being located in the region and tend to have a higher cost of living.

Metro Areas With the Biggest Gap Between Renting and Buying Costs			
Metro Statistical Area (MSA)	Typical monthly rent (February 2024)	Typical monthly mortgage payment (February 2024)	Buy-to-rent ratio
1) San Francisco-Oakland-Berkeley, CA	\$3,024	\$8,486	180.7%
2) San Jose-Sunnyvale-Santa Clara, CA	\$3,255	\$8,539	162.3%
3) Seattle-Tacoma-Bellevue, WA	\$2,191	\$4,930	125%
4) Salt Lake City, UT	\$1,673	\$3,161	89%
5) Austin-Round Rock-Georgetown, TX	\$1,753	\$3,269	86.5%

Rounding out the 10 metros with the biggest difference in renting vs. buying are Los Angeles-Long Beach-Anaheim, CA, Portland-Vancouver-Hillsboro, OR-WA, San Diego-Chula Vista-Carlsbad, CA, Denver-Aurora-Lakewood, CO, and Dallas-Fort Worth-Arlington, TX.

On the other end, the metros with the smallest price gaps between renting and buying costs are located in the Midwest and Northeast and tend to have a lower cost of living. While these gaps are smaller, it is still cheaper to rent in these areas, as with all the metros in Bankrate’s report.

Metro Areas With the Smallest Gap Between Renting and Buying Costs			
Metro Statistical Area (MSA)	Typical monthly rent (February 2024)	Typical monthly mortgage payment (February 2024)	Buy-to-rent-ratio
1) Detroit-Warren-Dearborn, MI	\$1,395	\$1,423	2%
2) Pittsburgh, PA	\$1,415	\$1,488	5.2%
3) Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	\$1,829	\$1,988	8.7%
4) Cleveland-Elyria, OH	\$1,377	\$1,537	11.6%
5) Buffalo-Cheektowaga, NY	\$1,295	\$1,556	20.2%

The remainder of the 10 metros with the smallest gaps between renting and buying costs are Indianapolis-Carmel-Anderson, IN, Chicago-Naperville-Elgin, IL, St. Louis, MO-IL, Cincinnati, OH-KY-IN, and Tampa-St. Petersburg-Clearwater, FL.

“The rent vs. buy decision isn’t just a financial decision, but also a lifestyle choice,” added Gailey. “If you crave flexibility, freedom from maintenance and repairs, and have found other ways to build long-term wealth, you’re more likely a renter. If you’re in a financially sound position, plan to stay put for several years, and want to build long-term wealth, you’re more likely a buyer.”

Methodology:

Bankrate's Rent vs. Buy Study analyzed typical monthly mortgage payments and typical monthly rents for all homes in the 50 most populated U.S. metros to compare the monthly cost of buying vs. renting.

Typical monthly rents are measured by Zillow’s Observed Rent Index (ZORI) as of Feb. 29, 2024, which is the average of the middle 30 percent of asking rent prices (35th to 65th percentile) — or what someone in the market for a rental would expect to pay today. ZORI accounts for changes in the types of homes available to rent in any given month by calculating price differences for the same rental unit over time, and then aggregating those differences. For typical monthly rents, Bankrate factored in the monthly cost of renters insurance for every metro. Bankrate used one percent of typical monthly rent as an approximation for the monthly cost of renters insurance.

Bankrate utilized Redfin’s median sale price data from February 2024 to calculate typical monthly mortgage payments for the 50 largest metros. When estimating typical monthly mortgage payments for every metro, Bankrate assumed a 20 percent down payment, no HOA fees or PMI, the average homeowners insurance rate for that metro, average property taxes for that metro and the national average rate for a 30-year mortgage (7.01%) as of March 27, per Bankrate’s survey of large lenders. Bankrate utilized 2022 average property tax data from ATTOM and average homeowners insurance rates as of April 2024 from Bankrate’s Quadrant Information Services data.

With the exception of property taxes, homeowners insurance and renters insurance, the study didn’t factor in upfront and ongoing costs associated with renting or buying (closing costs, maintenance costs, rental application fees or security deposit). Home equity built over time, the ability to refinance a mortgage for a lower rate or homeowner tax benefits were also not factored in the study. The quality of rental homes may not match the quality of homes for sale, and seasonality in the housing market may impact the analysis. Results in this study in no way indicate approval or financing of a mortgage.

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