4 Reasons to Buy a Home Instead of Renting

The financial benefits of buying a home compared with renting have yoyoed over the years, especially of late. If you're sitting on the fence, here are four circumstances in which it may be a better bet to buy.

If interest rates remain low

From a financing perspective, if this isn't the best time to buy a house, it's pretty darn close.

The average interest rate on a 30-year fixed mortgage, the most common variety, has hovered below or near 4% for a while now. For comparison's sake, if you bought about 10 years ago, the average interest rate was 6.41%. In 1996, it was 7.81%, and in 1981 it was a whopping 16.63%.

Although the Federal Reserve has begun to inch rates upward, it is likely that it will do so slowly and that it will be a while before the cost of borrowing to buy a home stops being historically low.

If home prices level off

Home prices rose steadily in the 1970s, '80s, '90s and 2000s before plunging around 2007, and in the past few years they have been climbing again. Different markets have seen different trends, of course, but generally what's at play is supply and demand: More potential buyers than houses available means sellers can dictate terms and get top dollar.

But something interesting is happening: The oft-told story that millennials are renting for longer or living with their parents nowadays is not entirely accurate. No, people in this age group (born between 1981 and 1997) want very much to own a home, but they are putting it off because of real and imagined difficulties in affording it.

That could mean fewer potential buyers and a cooling of the upward surge in home prices. While others wait, you could pounce.

If rental costs continue rising

Real estate researcher Reis Inc. reports that apartment rents rose 4.6% in 2015. In hot housing markets such as California and the Pacific Northwest, rents are going up by about 14% per year. According to Zillow, the median asking price nationwide for a rental was $1,575 per month in early 2016.

The monthly payment on a $200,000 mortgage — about the average in the U.S. — with a 4% interest rate would be just over $950. Even with taxes, insurance and maintenance, it's tough to make a financial case in favor of renting.

If you want to save money

Home values over the past 70 years have generally tracked with inflation. Yes, you could make more money in the stock market. But we're talking real life, not investment advice. Consider two things:

- Your rent is locked in for a year or two, then will go up. Your mortgage payment can be the same for 30 years.

- If you are raising a family, it seems all but impossible to save money. But when you sell the house after 30 years (or 20 or 10), someone will hand you hundreds of thousands of dollars, money that could put the kids through college or finance your retirement.