

REAL-ESTATE

Is it better to rent or buy in Polk County's booming real estate market?



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It's often cheaper to buy a home than rent in Polk County — but the decision to brave the housing market right now might be short-sighted, some experts say.

Earlier this month, three professors at Florida Atlantic University and Florida International University released their quarterly Buy v. Rent Index, which seeks to explain to consumers whether the time is right to rent or buy. The study concluded that of the 23 metro areas studied, it's better to rent in 17 markets.

Polk County was not one of the areas analyzed. But real estate economist and associate dean in FAU's College of Business Ken Johnson, one of the authors of the study, said his advice is the same for Polk residents as most of the rest of the nation: Right now, it makes more sense to rent.

"I think renting right now is better than buying because when you rent, you're looking at a shorter time span that you're committed to that monthly payment," Johnson said.

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According to real estate brokerage Redfin, the median sales price for a Polk County home across all categories was \$317,000 in February, up 32.1% from the same time last year. On average, homes in Polk County are only on the market for 13 days.

The median sales price for a single-family home was \$324,900, up 32.6% from last year. Townhomes came in at a median selling point of \$282,000, up a whopping 49.2% year over year.

On the rental side, one-bedroom apartments are going for an average of \$1,054 a month said Rob Warnock, senior research associate with Apartment List. The average two-bedroom goes for \$1,315.

The overall median rent across the county is \$1,419 a month.

If narrowed to just Lakeland, those numbers rise slightly: \$1,176 for the average one-bedroom apartment, \$1,493 for the average two-bedroom apartment and an overall median of \$1,456.

Both Polk County and the City of Lakeland saw year-over-year rent growth of about 24.6%. That's higher than the national average, which saw a 17.6% increase over the last year, according to Apartment List. Polk County's median rent is also above the national average of \$1,321.

"Florida is kind of the epicenter of the rent boom right now," Warnock said. "Prices have been going up very quickly, much faster than they had historically. Polk County is no exception."

Johnson still sees benefits to renting.

"I would say that even though rents are moving up rapidly in Polk County, in the general area, that rents are temporary while ownership is permanent, or much more permanent. It's easier to get out of a lease than it is ownership," Johnson said. "You're paying a little bit of a premium to avoid a bad financial situation."

Worth the risk?

While rents might be soaring, the housing market doesn't show signs of slowing down, creating a higher barrier to entry for first-time homebuyers.

"We're not in a bubble. We're in a true supply and demand crisis due to the recession," Tonya Lockamy, a realtor with Xcellence Realty, said. "I personally don't see this market turning around for a couple of more years."

Johnson said that those who choose ownership right now have to buy at the top of the market. It may be years before properties bought today will be worth the same asking price again.

"If you do have to sell because you change jobs, your family's grown, for whatever reason you're selling, you could very easily have to sell into a market where your home is worth less at some point in time than when you bought it," Johnson said. "From an investment standpoint, you might be three or four years right now before you see a situation where it's best to own again."

Johnson said consumers have three choices: buy a home and build equity, rent and reinvest money saved on a mortgage, taxes and homeowner's association fees, or rent and spend the difference on "beers and cookies," as he put it.

Johnson said he and his colleagues strongly recommend against the third option. Eli Beracha, director of the Tibor and Sheila Hollo School of Real Estate at FIU and one of the other researchers on the study, wrote that those who struggle with investment and saving should buy a home as a forced savings plan.

"Even if home prices fall, chances are values will rebound in the long run and allow you to do well in the savings game," Beracha said in the study's press release.

Johnson thinks renting and reinvesting money in a stock market portfolio is the best choice right now. Realtors aren't so sure.

David Rodriguez, a realtor with Coldwell Banker Realty who works with both buyers and renters, said he still encourages his clients to buy when they can.

Rents can be higher than a mortgage payment, depending on the size of the home. And even if costs of ownership are higher with taxes and fees, there's long-term equity to consider. At the end of a lease, there's no prize.

"You're just throwing your money out the window," Rodriguez said. "You might as well put a stack on your dashboard and drive down the highway with your windows open."

Rodriguez said that clients looking to stay in a place for only a couple of years would be better off renting. But those looking to settle down and start a family should still own.

Lockamy encourages her clients to keep their options open. But she leans toward the stability of ownership.

"Once you're locked into a mortgage, the only thing that changes your mortgage is if your home insurance or your taxes go up," Lockamy said. "A mortgage system is much more static, whereas when you're renting, you're at the mercy of the landlord and they can raise your rent every time your lease renews."

Real estate news: Polk County Planning approves over 400 apartments for Lakeland

Lockamy said she's seeing people get priced out of the rental market, especially since many complexes or landlords want tenants to make three times the rent.

The median household income for Polk County in 2020 was \$51,535, according to the U.S. Census Bureau. That translates to roughly \$1,724 a paycheck, or \$3,448 a month after taxes, according to an online calculator. Before taxes, that's \$3,964.

To make three times the median Polk County rent, a household would need to make \$4,257 a month.

Apartments on the construction slate for Polk County are projected to range between \$859 and \$1,500 a month for one-bedroom apartments.

ATTOM Data Solutions released a January study that said home ownership is more affordable than renting in most U.S. housing markets. That's true for Polk County, according to the study. It's also cheaper to buy in Hillsborough County, though it's cheaper to rent in Pinellas and Orange counties.

But just because someone can't afford an apartment doesn't mean they can break into the housing market.

And also: Nearly 400 apartments proposed near Lakeside Preserve

Lockamy said she knows someone who is shelling out \$700 a week for a long-term stay in a hotel because her credit history is preventing her and her husband from landing a rental. Income is also an issue.

"With the rents going up so quickly and the salaries not going up at the same rate, it's pricing a lot of people out of the rental market," Lockamy said. "I could get her into a house for a lot cheaper than I could get her into a comparable rental. The challenge is she has to have some money down."

Rodriguez said most of the deals he's closed this year have been second-time, "very affluent" buyers or people looking to invest, often purchasing homes in cash. Both he and Lockamy said the first-time buyers they work with — in their late 20s and early 30s — come in with help, often from their parents, who offer to assist with closing costs or co-sign on a loan.

Sellers are more likely to select cash offers and no longer need to help buyers with closing costs to seal the deal, pricing larger swaths of people out of the market.

"It's made it really hard for those people without cash to be able to buy a home because of the competitiveness of the market," Lockamy said. "I really was hoping that inventory would improve after the holidays and we're just not seeing that happen."

The future of homeownership

The challenges of the current housing market could have long-term effects.

Johnson said typically, shifts in housing values were slight. Historically, homes appreciate value year over year. Movement above or below that general trend would be in the low percentages.

According to research conducted by Johnson and his colleagues, homes in Lakeland are currently overpriced by 47.28% when compared to expected average home prices. Homes have been overpriced in Lakeland and trending upward since 2018.

Homes last bottomed out in 2012, when homes were undervalued compared to expected prices by about 30%. The peak before the crash was in 2006, when homes were overvalued by 62%.

"The last two cycles, we've gotten these violent swings around the long-term pricing trend," Johnson said. "If this persists in U.S. cities, it will destroy housing as an investment idea, homeownership as an investment deal. Because you're going to get stuck always trying to time the market and your cycles are going to be in 10-, 15-year swings."

Warnock with Apartment List said rents are not rising as quickly as they were last year — rents went up by 2% to 3% every month of 2021, whereas it's been mostly flat the first

couple months of 2022. But housing costs are still outpacing wage growth. Nationally, wages went up 4.5% while rent rose about 18%, Warnock said.

"That sort of housing cost versus wage growth comparison leads us to believe that affordability is getting worse as these rent prices are going up," Warnock said.

"The hypothetical rent versus buy is a hypothetical that only people in pretty stable economic situations could likely consider," Warnock added. "Most folks don't have the luxury to have that option."

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