



## 10 Reasons Why Millennials Shouldn't Buy a House

### Description

Ask any real estate agent and they'll tell you, "You need to build equity," or "Renting is throwing your money away." In an era of rising property values and low interest rates, buying a home seems like a smart move. That advice sounds pretty convincing, but I think it's wrong.

Renting is almost always a better financial decision, especially for young people. How could this be? Here are 10 reasons why millennials should take a pass on home ownership.

- 1. Too much debt:** Real estate is a big fixed cost in a variable world. What if you lost your job or were forced to take a pay cut? Your income may change, but your housing costs will remain the same. Remember, zero percent of renters get foreclosed on.
- 2. You're throwing money away:** Keep in mind that in the first few years of your mortgage, you won't be building up much equity. Banks charge a hefty portion of their interest upfront with little going to your principal. Paying interest is like flushing money down the toilet.
- 3. It's a bad career move:** Home ownership provides stability, but that's not always a good thing. If you're looking for a promotion or career change, you may have to relocate on short notice. Owning a home can hold back your career, but you'll never see that listed in the cost breakdown.
- 4. It's a bad investment:** According to Yale economist Robert Shiller, Canadian housing prices adjusted for inflation have increased less than 0.5% annually since 1895. However, Shiller left out the many hidden expenses of home ownership like repairs, transaction fees, and property taxes. Homeowners rarely include these costs when calculating returns.
- 5. Baby Boomers are out to lunch:** Notably, almost all of those gains have been since 1990, right around the time when the Baby Boomers were buying their first homes. This generation has lived through one of the biggest real estate booms in history. No wonder they pressure their kids to become homeowners, but their view is totally skewed.
- 6. Too expensive:** Canada's housing boom has left valuations completely out of whack with their long term averages. According to *The Economist*, housing prices have risen 53% faster than rents since

1975. As a result, it has never been less affordable to own a home relative to renting.

**7. Too much leverage:** Imagine if a broker recommended you invested 100% of your net worth in a penny stock on margin. They would lose their license immediately. Yet owning real estate is the same proposition.

**8. Opportunity cost:** There's an opportunity cost to having so much money tied up in an asset that barely keeps up with inflation. If you have a lot of equity in your house, you could have that money in something much more productive.

**9. Better alternatives:** If you still have dreams of becoming a property mogul, real estate investment trusts are a far better option. Take Canada's largest landlord, **RioCan Real Estate Investment Trust** ([TSX: REI.UN](#)), for example. The firm owns 330 properties totaling over 79 million square feet across North America. This provides way more diversification and can be traded as easily as any stock.

**10. Too much stress:** Dishwasher broken? Call the landlord. Basement flooded? Call the landlord. You don't own it, so you don't have to fix it. Homeowners, on the other hand, do.

Of course, there're some advantages to owning a home. If you plan to live in the same place for decades and want to put down roots in an area, then buying beats renting most of the time. But becoming a homeowner comes with some serious costs, too.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)

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