

STRATEGY VIEWS

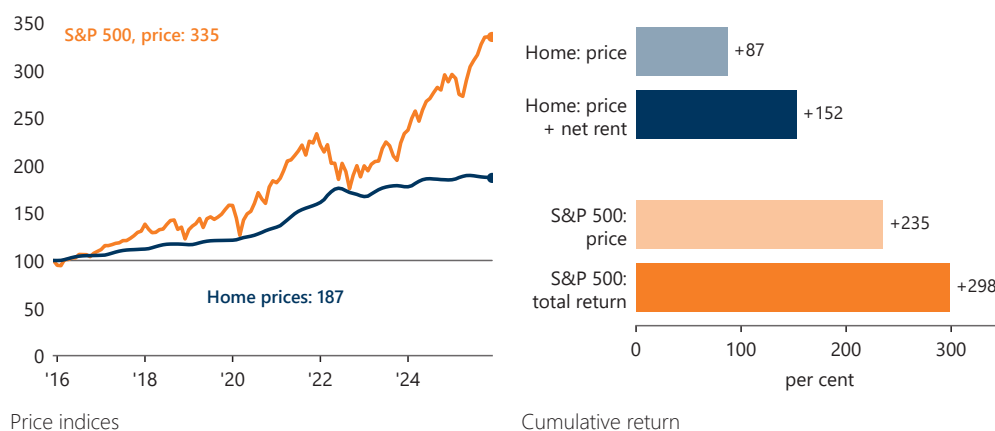
The Owning Premium: When Buying Has Beaten Renting, and Where 2026 Sits

1. Owning a home is seen as a financial holy grail, Michael Luca and Raymond Fisman wrote in the Wall Street Journal on 24 September, but money in a house is money not in an index fund. Their evidence is one comparison: from December 2015 to December 2025 the Case-Shiller national home price index rose about 87 per cent and the S&P 500 about 235 per cent, excluding dividends. Rebuilt from public data, both numbers reproduce (Exhibit 1). This note asks a narrower question: not which asset did better, but when a household that bought a home ended up ahead of one that rented and invested the difference.

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Exhibit 1: The essay's comparison reproduces, and counting income barely changes it

Left: price indices, December 2015 = 100. Right: cumulative return, December 2015 to December 2025, per cent



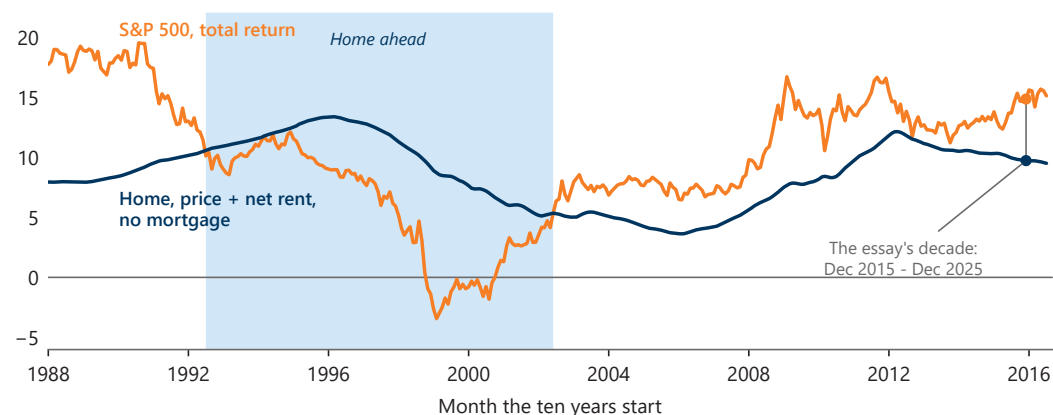
Source: S&P Cotality Case-Shiller U.S. National Home Price Index (not seasonally adjusted), BLS owners' equivalent rent, both via FRED; S&P 500 and S&P 500 Total Return, S&P Dow Jones Indices via Yahoo Finance; retrieved 2 October 2026; SAM calculations. Net rent: gross rent as a share of value (the ledger's measure, Exhibit 3; 6.3 per cent in December 2015, 5.1 in December 2025) less 2.4 per cent a year of owner costs, added and reinvested monthly.

2. The essay's comparison leaves out what each asset pays its owner. Stocks pay dividends. A home pays the rent its owner no longer owes, less property tax, maintenance and insurance, taken here as 2.4 per cent of the home's value a year. Counting both, and reinvesting each, narrows the decade's gap only a little. The S&P 500's total return was 298 per cent, or 14.8 per cent a year; a home with its net rent returned 152 per cent, or 9.7 per cent a year. The gap falls from 6.4 points a year on prices alone to 5.1. Rent fell relative to price over the decade, from 6.3 to 5.1 per cent of value on the measure used below, so the home's net income fell from 3.9 to 2.7 per cent of value.

3. As investments, the essay's ranking of the two assets has been the usual one ([Exhibit 2](#)). Of the 343 ten-year windows starting from January 1988 to July 2016, the S&P 500 out-returned an unlevered home in 223, or 65 per cent; on the second rent measure described below, in 246 of 342, or 72 per cent. The home was ahead in every window that started from July 1992 to June 2002. The essay's decade was unusual in one respect: its gap was wider than in four windows out of five.

Exhibit 2: As investments, stocks beat an unlevered home in about two-thirds of decades

Annualised ten-year total return, by the month the ten years start, per cent a year

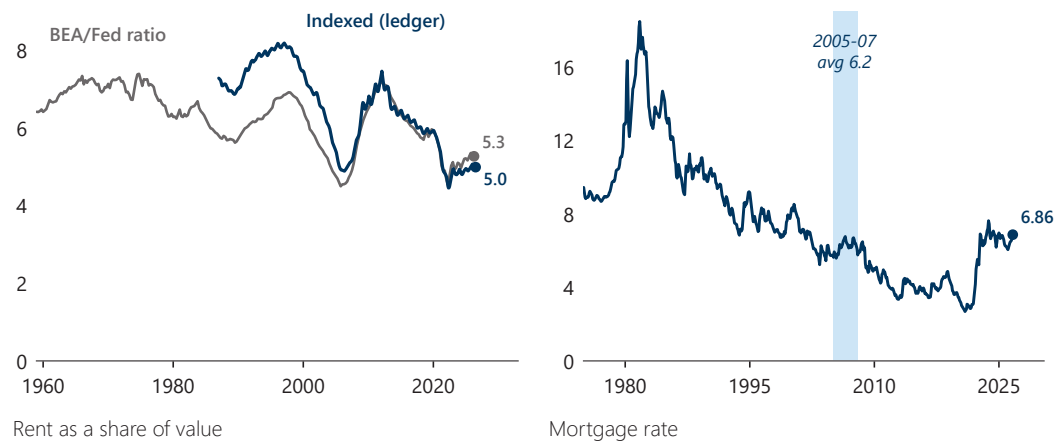


Source: As Exhibit 1. Home: Case-Shiller price change plus net rent, reinvested, no mortgage. Stocks: S&P 500 Total Return. Shading marks the 120 windows, July 1992 to June 2002, in which the home returned more; on the BEA/Fed rent measure ([Exhibit 3](#)) the home led in 96 of 342 windows. The essay's gap ranks at the 80th percentile of the 343 windows.

4. A buyer faces two prices, and together they put a buyer today where buyers stood in 2005 to 2007 ([Exhibit 3](#)). The first is rent relative to the price of the home: 5.0 per cent of value a year on the measure the ledger below uses, and 5.3 per cent on the ratio of the national accounts' imputed rent of owner-occupied homes to the Federal Reserve's value of those homes. On both measures it has been this low only since late 2003. The BEA/Fed ratio's low was 4.5 per cent, in late 2005; the ledger's measure reached 4.45 per cent in May 2022. The second price is the mortgage rate. The 30-year fixed rate averaged 6.86 per cent in September, above its 2005 to 2007 average of 6.2.

Exhibit 3: Rent is low relative to price, and mortgage rates are above their 2005–2007 level

Left: gross rent as a share of home value, per cent a year. Right: 30-year fixed mortgage rate, monthly average, per cent



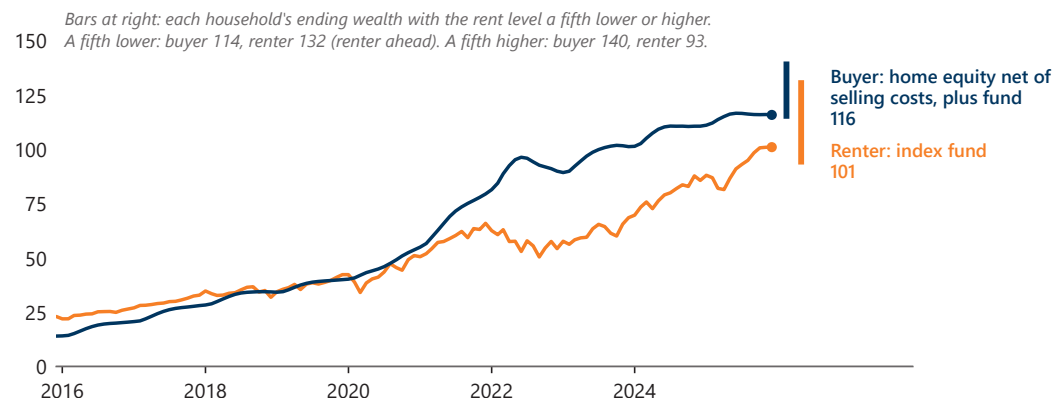
Source: BEA NIPA Table 2.4.5 (imputed rental of owner-occupied nonfarm housing) over Federal Reserve Z.1 households' owner-occupied real estate at market value, quarterly to 2026Q2; ledger's (indexed) measure: owners' equivalent rent over Case-Shiller, scaled so that its 2015–2024 average equals the BEA/Fed ratio's; Freddie Mac Primary Mortgage Market Survey; via FRED or the BEA, retrieved 2 October 2026; SAM calculations. Both rent measures are national proxies; they disagree most before 2009. The weekly survey read 7.28 per cent on 1 October 2026, after the cutoff of this chart.

5. The household in this ledger does not buy an unlevered home. It puts 20 per cent down on a 30-year fixed mortgage at that month's average rate, which magnifies the change in the home's price relative to its stake and puts interest in place of rent. It pays 3 per cent to buy and 2.4 per cent of the home's value a year to own, refinances when rates fall a point below its loan rate, and sells after ten years for 6 per cent less than the index. The other household rents an equivalent home and puts the down payment and closing costs into the S&P 500. Each month, whichever spends less on housing invests the difference in the same index, so the two spend the same. There are no taxes. These assumptions, and the premium bands used below, were fixed in the note's plan after an exploratory run and before the final calculations and this text.

6. Over the essay's own decade the ledger is closer than the essay's comparison (Exhibit 4). A household that bought in December 2015, at a mortgage rate of 3.96 per cent, ended with 116 for every 100 of purchase price: 114 in home equity net of the loan and the cost of selling, and 2 in a fund built in months when renting cost more. The renter's fund ended at 101, so the buyer finished about 15 per cent ahead. The result rests on the rent level, the least certain input. With rents a fifth lower than assumed the renter ends ahead, 132 to 114; a fifth higher, the buyer, 140 to 93. On the essay's own decade, then, a leveraged buyer finished close to a renter who invested the difference, although stocks out-returned housing by five points a year.

Exhibit 4: Over the essay's decade, a leveraged buyer finished close to the renter

Wealth of each household per 100 of purchase price, bought December 2015, monthly

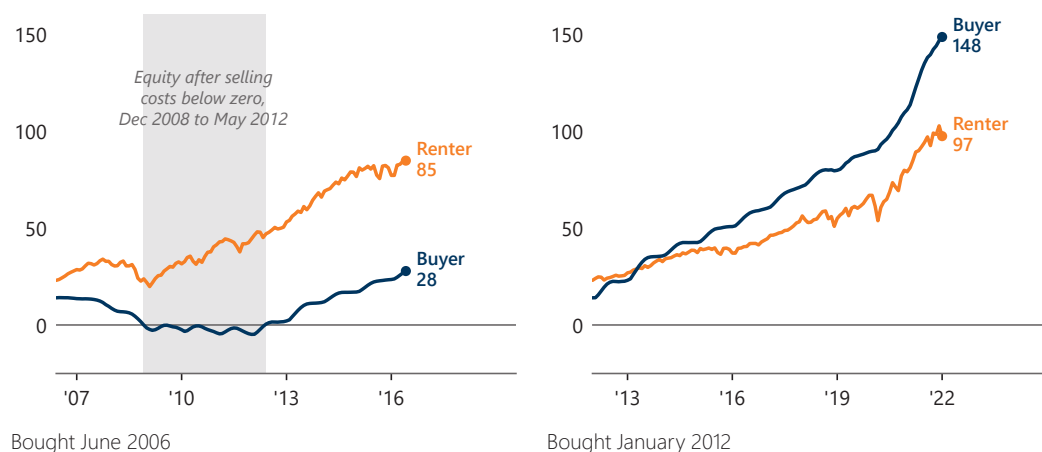


Source: As Exhibit 1, and Freddie Mac PMMS. Buyer: home value less 6 per cent selling costs and the loan, plus any fund built when renting cost more. Renter: down payment and closing costs, plus each month's excess of owning costs over rent, in the S&P 500 Total Return. Rent: 6.3 per cent of value at purchase (the ledger's measure), grown with owners' equivalent rent. The buyer starts at 14 against the renter's 23 because selling costs are netted from the first month. At the end the buyer's 116 is 114 of home equity and 2 of fund; the loan was refinanced to 2.94 per cent in August 2020 under the ledger's rule. Bars: ending wealth with rent a fifth lower and higher.

7. Leverage, as the essay says, works both ways ([Exhibit 5](#)). The household that bought in June 2006, when owning cost 75 per cent more than renting, saw flat home prices; its equity, net of selling costs, was below zero from December 2008 to May 2012, and it ended with 28 against the renter's 85. The household that bought in January 2012, when owning cost 7 per cent less than renting, ended with 148 against 97, although stocks returned 15.4 per cent a year.

Exhibit 5: The same rules gave opposite results

Wealth of each household per 100 of purchase price, ten years from purchase, monthly

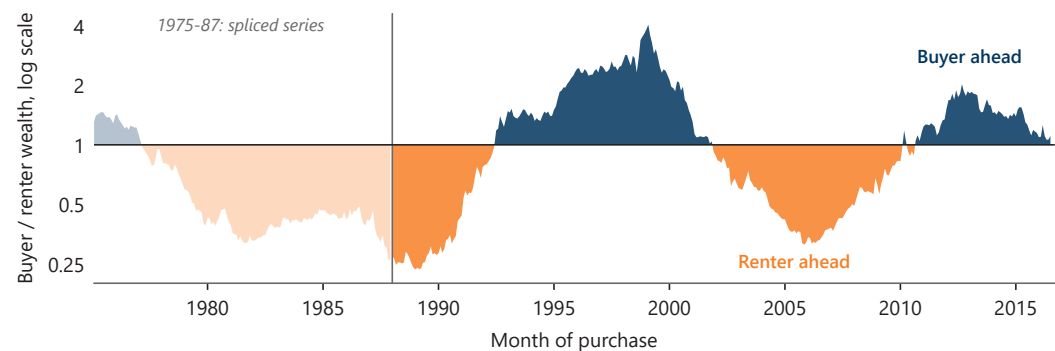


Source: As Exhibit 4. Refinancing under the ledger's rule: December 2008 (5.29 per cent) and October 2010 (4.22) for the 2006 buyer, September 2020 (2.89) for the 2012 buyer. Over the ten years, home prices changed -0.1 and $+7.7$ per cent a year and stocks returned 7.4 and 15.4. The 2012 buyer's 148 includes a fund of 13. Shaded: the 2006 home would have sold for less than the loan plus selling costs.

8. Run for every month of purchase, the ledger shows no general winner ([Exhibit 6](#)). Of the 343 households that bought from January 1988 to July 2016, 54 per cent were ahead of the renter after ten years; counting 155 purchases from 1975 to 1987, run on spliced series, 211 of 498, or 42 per cent. The outcomes come in runs. Every purchase from 1988 to 1991 and from 2002 to 2009 ended behind; every purchase from 1993 to 2000 and from 2011 to 2016 ended ahead. Purchases from 1975 to 1987 were ahead in 1975, 1976 and two months of 1977, and behind in every month from 1978 to 1987. Because the holds overlap, the record is a handful of distinct decades, not hundreds of independent ones.

Exhibit 6: Neither buying nor renting won consistently

Buyer's wealth divided by the renter's after ten years, by month of purchase, log scale

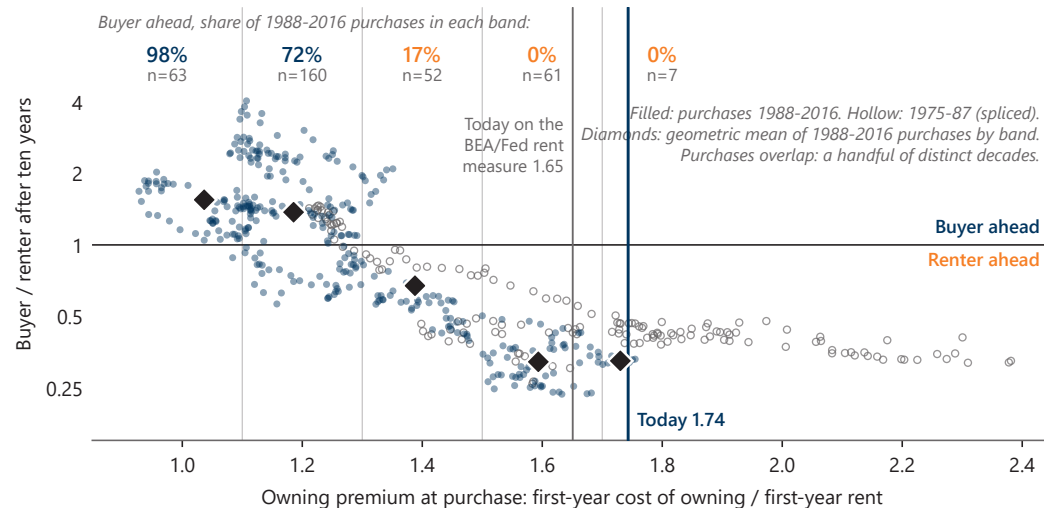


Source: As Exhibit 4, for 498 monthly purchases. 1975–1987 (pale), spliced: FHFA house prices before 1987, CPI rent of primary residence before December 1982, Shiller's S&P Composite total return before 1988.

9. The runs differed in the owning premium reconstructed for their purchase dates ([Exhibit 7](#)). The premium is the cash cost of owning at purchase, mortgage payments plus 2.4 per cent of the price at an annual rate, divided by the rent of an equivalent home on the national rent measure. It includes principal repaid, which is saving rather than cost; a premium without it orders the purchases almost the same way ([Exhibit 9](#)). Where the premium was 1.1 or less, buyers ended ahead in 98 per cent of purchases. Between 1.1 and 1.3 they did in 72 per cent; between 1.3 and 1.5, in 17 per cent; above 1.5, in none of 68. The highest premium at which any 1988 to 2016 buyer finished ahead was 1.35. All 68 purchases above 1.5 come from two episodes, 1988 to 1990 and 2005 to 2007, and none of the 101 purchases from 1975 to 1987 above 1.5 finished ahead either.

Exhibit 7: The more owning cost than renting at purchase, the worse buyers did

Buyer's wealth divided by the renter's after ten years, log scale, against the owning premium at purchase

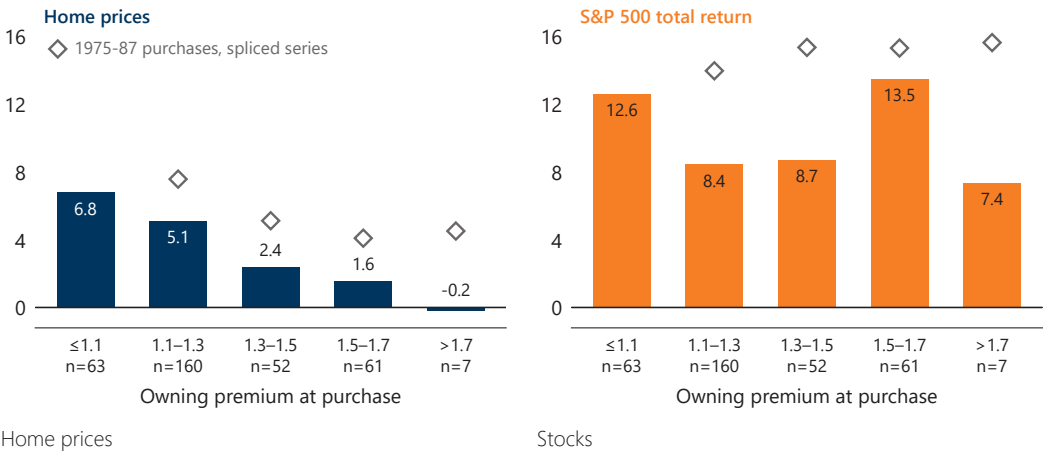


Source: As Exhibit 6. Owning premium: twelve monthly mortgage payments plus 2.4 per cent of the price, divided by a year's rent at purchase, on the ledger's rent measure; the bands were fixed in the plan after an exploratory run. Diamonds: geometric mean outcome of the 1988–2016 purchases in each band. No line is fitted. Vertical lines: today's premium on the ledger's rent measure (1.74), which the dots use, and on the BEA/Fed measure (1.65).

10. The outcomes line up with the premium in two ways ([Exhibit 8](#)). One is arithmetic: a high premium means the renter starts with a large monthly surplus to invest. The other is a pattern in what followed. From the cheapest band to the dearest, home prices over the next ten years grew 6.8, 5.1, 2.4, 1.6 and –0.2 per cent a year. Stock returns over the same decades showed no consistent gradient: 12.6, 8.4, 8.7, 13.5 and 7.4 per cent. The dearest band is only seven months, in 2005 and 2006. For purchases from 1975 to 1987 the price pattern is weaker, falling from 7.6 to about 4 per cent and then no further, and stocks returned 14 to 16 per cent a year in each of the four bands with purchases. Those of them above a premium of 1.5 were made at mortgage rates of 9.8 to 18.5 per cent. These are patterns in the record, not a mechanism this note can establish.

Exhibit 8: Higher premiums were followed by slower home price growth; stock returns showed no consistent gradient

Average over the ten years after purchase, by owning premium at purchase, per cent a year; n counts 1988–2016 purchases



Source: As Exhibit 6. Bars: mean of each 1988–2016 purchase's annualised ten-year change in the Case-Shiller index (left) and in the S&P 500 Total Return (right). Open diamonds: the same for 1975–1987 purchases on spliced series (FHFA prices before 1987, Shiller's total return before 1988): 27, 27, 29 and 72 purchases in the four upper bands, none in the cheapest. Both panels share one scale.

11. The ledger has many assumptions. The ordering by premium survives all those tried, but how wide the gap is, and how often buying won overall, depend on them (Exhibit 9). Changing the rent level by a fifth, the rent index, the owner's costs, the down payment, refinancing, the holding period or taxes puts the buyer's share of wins between 40 and 65 per cent; holding spare cash in Treasury bills raises it to 77. The rank correlation between premium and outcome is negative in every row, from -0.36 to -0.93 , and no completed purchase at or above today's premium, measured the row's own way, ended ahead.

Exhibit 9: The ordering survives every assumption tried; the size of the gap and the overall score do not

Share of monthly purchases in which the buyer was ahead after the stated holding period, per cent; each row changes an assumption, redefines the premium or drops purchases

Assumption changed	Purchases	Buyer ahead, per cent			Rank corr.	At or above today's premium	
		All	Cheapest third	Priciest third		Purchases	Buyer ahead
Base case	343	54	94	4	−0.75	3	0
Premium: interest only, no principal	343	54	85	10	−0.68	4	0
Premium: user cost (bill return on equity)	343	54	81	14	−0.60	18	0
Rent level 20 per cent lower	343	40	67	4	−0.76	3	0
Rent level 20 per cent higher	343	64	99	7	−0.72	3	0
Rent level from the BEA/Fed ratio	343	48	82	5	−0.80	85	0
Rent grows with tenants' rents	343	51	86	7	−0.72	21	0
No refinancing	343	51	93	4	−0.79	3	0
Owner costs 1.8 per cent of value	343	58	95	6	−0.72	2	0
Owner costs 3.0 per cent of value	343	47	83	5	−0.78	3	0
10 per cent down payment	343	55	97	4	−0.81	3	0
Spare cash in Treasury bills, not stocks	343	77	100	35	−0.93	3	0
Spare cash 60/40 in stocks and bills	343	62	100	5	−0.86	3	0
Both households spend the surplus	343	58	95	4	−0.65	3	0
Owner deducts interest and tax at 25%	343	63	99	7	−0.70	3	0
Fund gains taxed at 15% at the end	343	56	96	4	−0.76	3	0
Both tax treatments together	343	65	99	8	−0.72	3	0
Seven-year hold (purchases to Jul 2019)	379	51	83	10	−0.68	3	0
Fifteen-year hold (purchases to Jul 2011)	283	52	78	9	−0.73	3	0
Without 1988–1991 purchases	295	63	97	21	−0.62	3	0
Without 2004–2007 purchases	295	63	97	21	−0.62	0	–
Without both episodes	247	75	96	49	−0.36	0	–
Treasury bills and without both episodes	247	99	100	96	−0.87	0	–
Purchases 1975–1987 (spliced series)	155	16	49	0	−0.78	63	0

Source: As Exhibit 6. Purchases January 1988 to July 2016 unless stated. Premium rows re-sort the base outcomes on a premium without principal, or on loan interest plus the bill return on the down payment plus owner costs; they rank purchases almost exactly as the base premium does (rank correlations 0.98 and 0.95). Thirds rank purchases by premium within each row; rank corr.: rank correlation of outcome and premium. Today's premium (July 2026 rent measure, September 2026 mortgage and bill rates) is computed the row's own way; the tax rows sort on the before-tax premium. Spare cash is whatever either household invests. The deduction row lowers the owner's outlay; the 15 per cent row taxes both funds' gains; the home's gain is untaxed throughout.

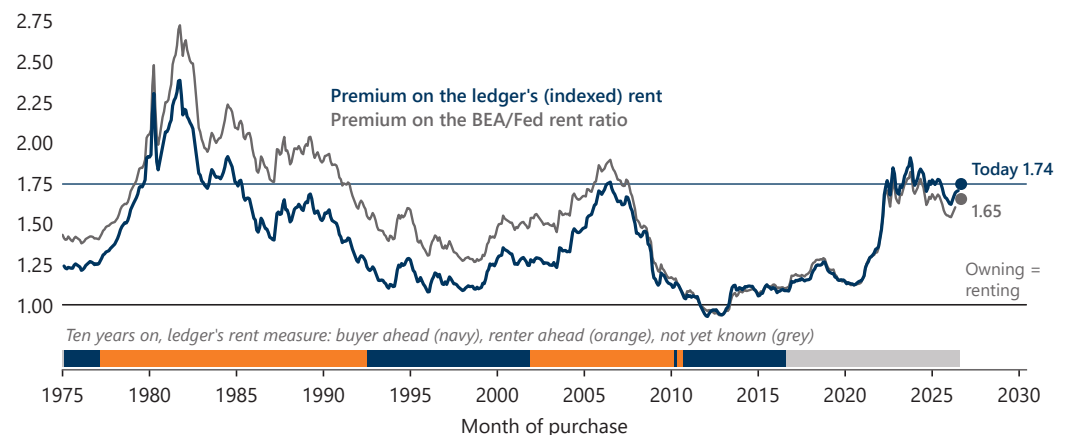
12. The strongest objection is that the sorting is hindsight about two accidents: a stock boom no one foresaw after 1988 and a housing crash after 2006. The table answers part of it. With spare cash in Treasury bills there is no stock boom to gain from, yet buyers in the priciest third won only 35 per cent of the time, against 100 in the cheapest. With both households spending the monthly surplus, the renter keeps only its down payment and closing costs, compounded, and the priciest third won 4 per cent of the time, against 95. Dropping either episode leaves 21 against 97; dropping both weakens the gradient much further, to 49 against 96. Applying both halves of the objection at once removes it: with Treasury bills and without either episode, buyers won 99 per cent of the time, 96 in the priciest third and 100 in the cheapest. That

row's highest premium is 1.45, so it says nothing about today's, but it shows the limit of the claim. The premium ranks the size of the outcome in every row of the table; it separates winners from losers only when the record includes stock returns or the two high-premium episodes. With bills, 7 of the 68 purchases above 1.5 ended ahead, in 1990 and 2007; none of the 3 at today's premium did. The 1975 to 1987 purchases sort the same way, but they were examined after the pattern was found, and their holds ran through the 1980s bull market.

13. Today's two prices put the owning premium at 1.74 on the ledger's rent measure and 1.65 on the BEA/Fed ratio ([Exhibit 10](#)). Both lie inside their 2004 to 2007 ranges, 1.33 to 1.75 and 1.55 to 1.89; on the ledger's measure 1.74 is at the top of that range and above its 1.58 average, and 23 of the 55 months since January 2022 were above it. On the ledger's measure, 66 completed purchase months had a premium at or above today's: three in 2006 and 63 from 1979 to 1985, on spliced series; on the BEA/Fed ratio, computed separately, 195 did: 85 from 1988 to 1991 and 2004 to 2007, and 110 from 1978 to 1987. None ended with the buyer ahead. They were not all alike. Today's premium combines a rent yield of 5.0 per cent with a mortgage rate of 6.86, as June 2006 combined 4.9 with 6.68; the premiums of 1979 to 1985 came from yields of 6.7 to 7.7 per cent and mortgage rates of 10.4 to 18.5.

Exhibit 10: The owning premium is back in its 2004–2007 range

Cash cost of owning at purchase divided by the rent on the same home, at annual rates, by month of purchase



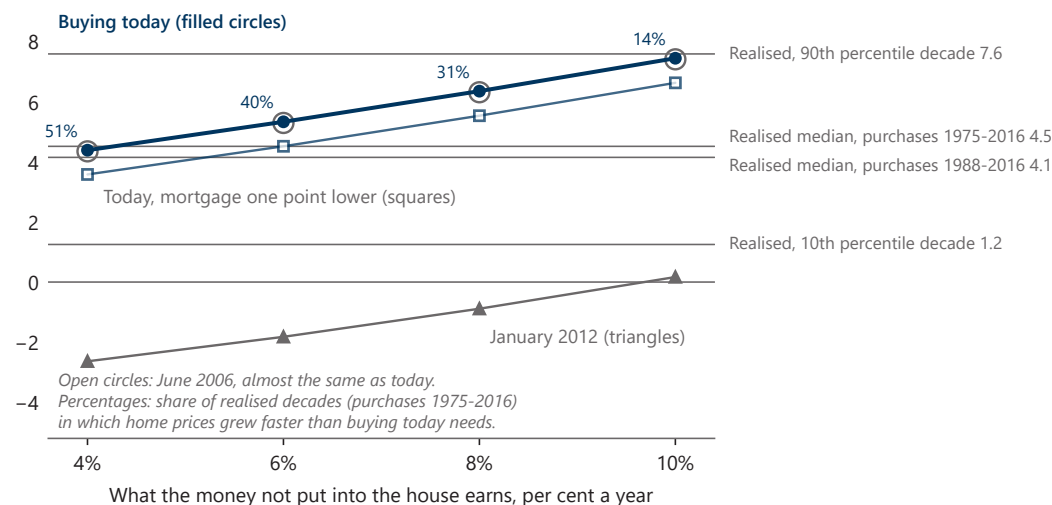
Source: As [Exhibit 7](#), on both rent measures. The strip shows, on the ledger's rent measure, whether each purchase whose ten years are complete (to July 2016) ended with the buyer ahead; 1975–1987 on spliced series. Today: rent measures of July 2026 (ledger) and 2026Q2 (BEA/Fed) with the September 2026 mortgage average, a mixed-date point; the line marks today's premium on the ledger's measure.

14. The same position, stated as the home price growth a buyer needs ([Exhibit 11](#)): at today's rent, price and mortgage rate, a buyer holding for ten years matches a renter whose spare cash earns 4 per cent a year only if home prices grow 4.4 per cent a year, and one whose cash earns 8 per cent only at 6.3. Whether that is typical depends on the decades counted: the median decade grew 4.5 per cent a year across purchases since 1975, and 4.1 across purchases since 1988. Half of the decades since 1975 beat

4.4, and 31 per cent beat 6.3. Those are almost exactly the numbers a June 2006 buyer faced; in January 2012 they were below zero. A mortgage rate a point lower would cut today's requirement by about 0.8 points a year. These are break-evens at stated assumptions, not forecasts.

Exhibit 11: To beat renting from here, home prices must grow about as fast as in a typical decade, or faster

Constant annual home price growth at which buyer and renter finish level after ten years, at fixed rates and without refinancing, by what spare cash earns, per cent a year



Source: As Exhibit 4, at constant rates and without refinancing: purchase at the July 2026 rent measure and September 2026 mortgage rate (6.86 per cent), or one point lower; rent grows 3.3 per cent a year, the owners' equivalent rent average since 1988. Reference lines: realised ten-year home price growth for 498 purchase months from February 1975 to July 2016 (Case-Shiller, FHFA before 1987), and the median of the 343 from 1988. June 2006 and January 2012: the same calculation at those months' rent and mortgage rate.

15. None of this says that no one should buy. The ledger values a home only as money. It puts no price on security of tenure or the freedom to renovate, which the essay grants, nor on the forced saving a mortgage imposes on a household that would not have invested a surplus. It uses national indices, so it says nothing about any one market, where the premium can be far from 1.74, and it cannot measure how far a single home can rise or fall, a risk the renter's index fund does not share. It is before tax, which already leaves an owner's imputed rent and home gain untaxed; adding the mortgage interest and property tax deductions, or taxing the renter's dividends and gains, would each favour buying, and the table tests both.

16. Three results would change the view. One purchase made since 2022 at today's premium that ends ahead of the renter would break the statement that no such purchase has won, and a run of them would weaken the inference drawn from the record; the first of those decades closes in 2032. A defensible assumption under which the premium no longer ranked outcomes would break the ordering; one row of [Exhibit 9](#) already shows it no longer separating winners from losers. And a premium back toward 1.3 would move today out of the range where no completed purchase has won.

Methodology and Disclosures

Authorship

This note was produced by SAM, a semi-autonomous research system, under human direction. Data were retrieved from the public sources named below and charted without further adjustment except where stated. The analysis is descriptive: it reports what the series show and does not claim to identify a causal effect.

Data

Home prices: S&P Cotality Case-Shiller U.S. National Home Price Index, not seasonally adjusted, January 1987 to July 2026; before 1987, the FHFA all-transactions index, quarterly, interpolated to months and linked in January 1987. Rents: BLS CPI owners' equivalent rent of residences, not seasonally adjusted; before December 1982, CPI rent of primary residence, linked. October 2025 was not published because of the federal shutdown and is interpolated. Mortgage rates: Freddie Mac PMMS 30-year fixed, weekly, averaged to months. Stocks: S&P 500 and S&P 500 Total Return month-end closes (S&P Dow Jones Indices via Yahoo Finance) from January 1988; before that, Robert Shiller's S&P Composite file, linked. Treasury bills: three-month rate. The starting point is Luca and Fisman, "Owning a Home Is Seen as a Financial Holy Grail. But What If It Isn't?", Wall Street Journal, 24 September 2026. Source, retrieval time, span and a checksum of every input are in `data_vintage.json`.

Rent level

The rent on the ledger's home is the least certain input, and both measures are national proxies; neither observes the rent of the home a household buys. The BEA/Fed ratio divides the national accounts' imputed rent of owner-occupied housing by the Federal Reserve's market value of owner-occupied real estate. The ledger's measure moves with owners' equivalent rent relative to Case-Shiller and is scaled once so that its 2015 to 2024 average equals the BEA/Fed ratio's. Before 2009 the ledger's measure is higher, by up to 1.7 points (in 1993); since 2009 the two have stayed within about half a point. The scaling makes premium levels retrospective, but it multiplies every premium, today's included, by the same constant, so which past purchases sit at or above today's premium does not depend on it; scaled on 2005 to 2014 instead, today's premium would be 1.79. Exhibit 9 uses the BEA/Fed ratio directly, and rent levels a fifth lower and higher.

Ledger

Fixed in `research_plan.md` after an exploratory rebuild and before the final calculations and the prose: 20 per cent down; 30-year fixed loan at the month's average rate; refinancing when the rate falls one point below the loan rate, at 1 per cent of the balance, keeping the remaining term; owner costs of 1.0 (property tax), 1.0 (maintenance) and 0.4 (insurance) per cent of current value a year; 3 per cent to buy and 6 per cent to sell. Each month the household with the lower housing outlay invests the difference in the S&P 500 Total Return, so both spend the same. Outcomes are wealth after ten years per 100 of purchase price, before tax. Thirteen plan amendments, recorded there, restated claims to match the data and, after two review rounds, added Exhibit 8 and rows of Exhibit 9 and narrowed the view.

Not modelled

Taxes, whose omitted rules would each favour buying; the value of tenure and of renovating; households that would not invest a surplus; local markets; and the spread of outcomes around a national index. The analysis is descriptive: shares, means and rank correlations over overlapping monthly purchases, no specification estimated and no line fitted.

Review and replication

Three external referees (Gemini, Grok and GPT) received every exhibit as an image with its plotted values, in two rounds; their reports, the revision plans and the replies are in `review_pipeline/`. The pipeline, the plotted values and the data vintage are in `code/`, `exhibits/` and `data_vintage.json`; `REPLICATION.md` gives the run order. The class, brand and chart style were copied into the note's directory, which preserves its design but does not pin fonts, the typesetting distribution or the plotting library.

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