

ABSTRACT

Homeownership is considered one of the achievements in the life of a person and brings lots of associated benefits with it. Homeownership yields in the shape of more local opportunities, better health (physical and mental), acceptance in social networks, better schooling, wealth accumulation to name a few. Owning a home carries long-term impacts on several dimensions of individuals and social lives. For example; as the single largest investment of most families, it will provide financial security in long term for lower-middle-class income families who can purchase it, a personal house increases personal wellbeing, personal esteem, life satisfaction, and more productive members of society. Residents in their own homes improve neighborhood quality and stability due to a long time stay in the area which leads to improved neighborhood upkeep, curbing crime, and politically active, demand for personal housing leads to the revival of several sectors of the economy and creates jobs, better upbringing and increased productivity for children raised in the owned house. They may be better managers due to the finance and maintenance decisions involved in homeownership.

Consequently, there are cons to not owning a home, and people have to bear the opportunity cost of not living in their own home, the tenants. Tenants or renters face a lot of social, mental, and financial problems during their residence in rented units. This study is an attempt to measure the opportunity cost besides the financial cost of living in rented facilities.

Mix Methodology approach was used to analyze the opportunity cost of not owning a home; sixteen people were interviewed including tenants, owners, and real estate agents to get an insight into the pros and cons of living in rented units. Thematic analysis was done to fetch the results. For the quantitative section future value, rental value, and the comparative cost of rent and interest were calculated to find the less expensive product.

Results of the study revealed that there is a huge opportunity cost of living in a rented unit, which includes social value, personal esteem, mental and physical health besides the huge financial cost. These costs are comparatively bigger than the price of the mortgage.

The implication of the study can be used to ease the mortgage process in order to increase homeownership in the country.

Keywords: Opportunity Cost, Tenants, landlord, Real Estate Agent, Mortgage, Time Value of Money