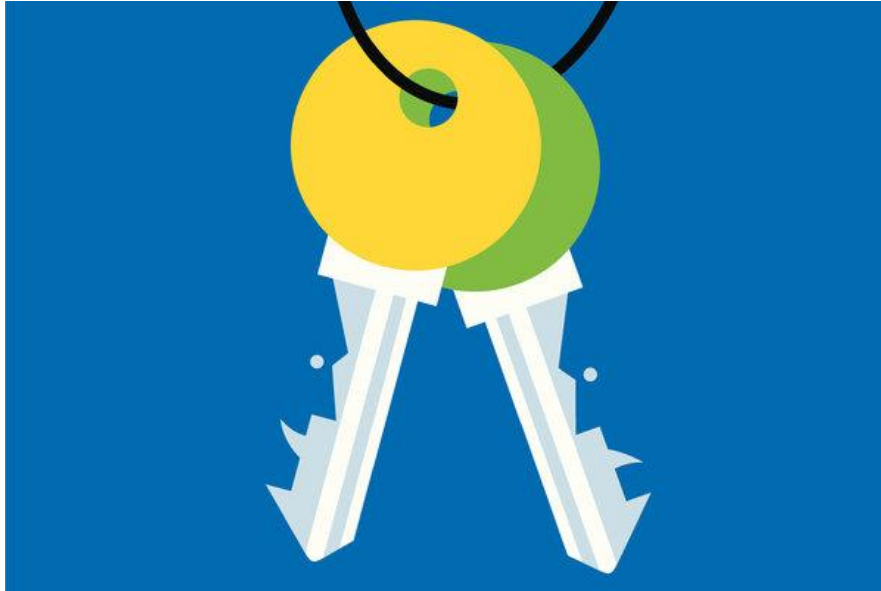


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Homeownership, the Key to Happiness?



If trying to buy an apartment in New York City has been making you miserable, consider this: actually getting that home may not make you happy.

A growing body of research suggests that spending money on real estate doesn't necessarily mean investing in contentment. Indeed, the conventional advice to cut back on vacations, restaurant meals and other extras in order to save money for a home may actually be detrimental to felicity. Experts in happiness — an increasingly popular field focused on the scientific understanding of emotional well-being — say that people are happier when they spend money on experiences instead of material goods, whether it be a new car or a bigger apartment.

“People are making so many trade-offs in order to have that home,” said Elizabeth Dunn, an associate professor of psychology at the University of British Columbia who studies consumerism and happiness. She recently explored the impact of housing on people's happiness while compiling studies for a new book, “Happy Money: The Science of Smarter Spending,” which she wrote with Michael Norton, who teaches at the Harvard Business School.

The recession forced many people to curb their spending habits and re-evaluate their overall lifestyles. But after saving money for years, buyers encouraged by low mortgage rates are re-entering the housing market. They find the pickings slim. In Manhattan, the number of apartments for sale for the second quarter was at a 13-year low, stoking competition and driving up prices.

Now there is research like Dr. Dunn's, emphasizing that when it comes to your overall happiness, "there are a lot of better things you could be putting your money toward" than real estate.

This isn't necessarily bad news in a place like New York City, where nearly 70 percent of the housing stock is rentals. And it may offer some solace to frustrated buyers facing bidding wars and all-cash offers they simply can't top.

"People still view housing as a central component of happiness and a critical aspect of the American dream," Dr. Dunn said. "But there is little research to support that."

A 2011 study of about 600 women in Ohio found that homeowners weren't any happier than renters. The study was conducted by Grace Wong Bucchianeri, then an assistant professor of real estate at the Wharton School at the University of Pennsylvania. Indeed, homeowners spent less time on leisure activities with friends and reported that they derived some pain from homeownership. What exactly caused that pain wasn't indicated in the study, but financial experts say that people who make the leap from renting to buying can be caught off guard by the nuts and bolts.

"The reality of maintenance and repairs, and being 'house rich but cash poor,' can negate much of the perceived happiness people may have had about homeownership," said Greg McBride, the senior financial analyst for Bankrate.com. Even if a low mortgage rate means you spend less each month than you did when renting, upkeep can drain a bank account faster than a leaking water heater.

What about the pleasure of living in a beautiful house in a coveted neighborhood? In a delightful screed posted in May on Medium.com, an online publishing site, Lindsey M. Green, a publicist for start-up and technology companies, writes about how even a lovely town house in a sought-after neighborhood can be a letdown.

Ms. Green moved to New York City in 2003 and sublet what she described as a "cramped, cheap, Far West Village studio." She moved eight times within Manhattan over the course of nearly 10 years, even as her friends decamped for Brooklyn and sang its praises. "I was happy as could be as the last dinosaur in Manhattan," she wrote.

In 2011 she moved to a two-bedroom two-bath in South Street Seaport in Lower Manhattan with her then-boyfriend, now fiancé, Lockhart Steele, the founder of Curbed.com. But in October 2012, flooding caused by Hurricane Sandy forced them to evacuate. So with all of the hype that Brooklyn was getting, they jumped at a six-month sublet in a newly renovated Cobble Hill town house.

"I could feel all the magazine headlines becoming my reality," she wrote. "All of the 'Best of New York' picks in Brooklyn would suddenly make so much sense. I could become one of those people talking about how much better her life was, now that I finally made the move to Brooklyn."

She hated it. "Moving to Brooklyn, even into a four-story town house on a beautiful block, in a neighborhood everyone loves," she wrote, "didn't make our lives better; it made our quality of life worse."

It didn't matter that she was living in a lovely home — she missed the bustle of Manhattan and the sense of belonging she had felt there. As she put it: “Manhattan — its absurd inconveniences, annoyances, high rents, crowded bars and tourist-packed streets — is my yoga.”

Not everyone is crazy about Brooklyn. And at least one study suggests that the emphasis on location and physical characteristics (prewar charm, oak floors, a fabulous view) doesn't have much bearing on our overall happiness.

As an undergraduate at Harvard in the late 1990s, Dr. Dunn, the happiness expert, experienced the annual ritual, akin to the Hogwarts Sorting Hat in the Harry Potter series, whereby first-year students are randomly assigned to spend the rest of their college years in one of 12 dormitories or houses. In a longitudinal study published in 2003 with Timothy D. Wilson of the University of Virginia, and Daniel T. Gilbert of Harvard, both of whom are known for their research on the link between decision-making and well-being, she found that freshmen expected to be much happier living in one of the more desirable — handsome, centrally located — of the 12. But those who landed in plum surroundings ended up no happier than students in less desirable houses.

It is difficult to make a connection between the happiness of Harvard undergrads and real estate contentment elsewhere. But the study indicated that by placing so much weight on the physical characteristics of the houses, including location, room size and architectural appeal, the students overlooked what ended up contributing most to their happiness — the quality of their social life.

Between 1991 and 2007, researchers tracked 3,658 people in Germany who moved to a new home because there was something they didn't like about the old one. Although the participants reported a significant boost in satisfaction with their home for the first five years, they didn't feel any better about their lives overall after they moved, according to the study, which was published in 2010.

“What matters for our happiness,” Dr. Dunn said, “is what we do in the minutes and hours of our day.” When shopping for a home, she recommends asking yourself, “How will this purchase change the way I spend my time next Tuesday?”

Whether you have a maple or a walnut floor won't have a big impact on what you're doing on an average day, she said. On the other hand, if the house has no dishwasher, you may be committing yourself to spending half an hour a day washing dishes. “That aspect of your house will change what you do with your time,” she said.

About three years ago, Dr. Dunn bought a two-bedroom with a view of the mountains on Vancouver's West Side for roughly 550,000 Canadian dollars, or about \$520,000. Moving farther inland would have meant a larger place for less money, but a much longer commute. “I can spend my time biking rather than driving to work,” she said. “That changes the way I use my time.”

Many people understand homeownership as serial trading up with a goal of arriving at some sort of real estate perfection. But that dream house may be more elusive than it seems.

“Like any possession, its impact on happiness diminishes over time,” said Ravi Dhar, a psychology professor and the director of the Center for Customer Insight at Yale School of Management. Citing a theory widely held by happiness researchers called hedonic adaptation, he said, “things give us more joy when they are first acquired than over time, as we adapt to them.”

Based on this principle, to remain happy with your home you need to move periodically. The technique seems to be working for Luis Moreno, 43, a film editor in New York. When he arrived in Manhattan in 1992 after graduating from college, he shared a two-bedroom with five roommates. “I got the dining room and had a sheet for the door,” he said, “but I felt like I made it, because it was my first place in New York.”

Like many young professionals, he went through a series of rentals, more crash pads than true homes.

In 2001 he paid \$245,000 for a sunny corner one-bedroom at the top of a sixth-floor walk-up in the West Village. “I loved that apartment,” said Mr. Moreno, who moved to Texas in high school from Venezuela. And seeing his name in the New York phone book for the first time was a thrill. But whenever friends or family visited, it meant hauling suitcases up five flights of stairs. So in 2003, he upgraded to a two-bedroom one-bath in an elevator building. Then he found sharing a bathroom with guests wasn’t ideal.

That took him to Philip Johnson’s Urban Glass House on SoHo’s western fringe, where in 2007 he bought a two-bedroom two-and-half-bath apartment for \$2.35 million. Not only did the place have that extra bathroom and a clean modern aesthetic bathed in tons of light, but it also represented the success he had always dreamed of achieving.

“That made me happy,” he said. “It cemented me feeling like I belong in the city, and I was able to make it happen here for myself.” He felt as he had when he had found his name in the phone book all those years ago. “It was that kind of thing again,” he said.

Yet, as his business grew, and his work continued late into the evening, he realized he needed a larger place with a dedicated home office. In March, he listed his two-bedroom place for \$2.7 million with Ryan Serhant, a broker with Nest Seekers International who appears on Bravo’s “Million Dollar Listing New York.” It quickly went into contract for \$2.65 million, and he put a down payment on a three-bedroom duplex with a terrace at 93 Worth, a luxury condo conversion under construction downtown. “It’s like a house,” he said. “I will hopefully never have to leave, and that feels great.”

Moving is a headache, it’s true. But maybe Mr. Moreno will succumb to hedonic adaptation or the midlife urge to downsize.

Buying a home is still considered an important step on the ladder to personal fulfillment. But Dr. Dunn isn’t convinced ownership is all it’s cracked up to be. “A very robust finding in psychology is people are highly motivated to justify their own choices,” she said. “It’s very hard to get people to admit they spent hundreds of thousands of dollars in a way not optimal for their happiness.”