

# Which Makes More Sense: Renting or Buying?

## The Short Answer

If you answer 'no' to *either* of the following questions, then you would most likely be better off renting rather than buying:

- 1** Can you see with pretty good clarity into the next three years of your life and what they will bring (employment situation and location, changes in family composition, size or marital status, etc.)?
- 2** Multiply your monthly rent by 180. Can you buy a comparable home for less than that number?

## Further Analysis

Deciding whether to rent or buy is an important decision that requires careful consideration of a variety of factors that can have a major impact not only on your financial situation, but your quality of life and the number of choices available to you down the road. There are a few important factors everyone should consider when trying to decide to rent – or continue renting – or buy a home:

- Access and Location

If life brings you repeatedly to a certain part of town — whether for work or play — renting can instantly give you access and shorten your daily travel time. If you live in a metropolitan area, renting close to work could mean a savings of hundreds each year on commuting costs, not to mention the time you don't have to spend in the car or on public transportation. If your friends and after-hours activities keep you out until late hours, you can skip leaving your car somewhere and simply walk home. Not to mention being able to rent in a more upscale area for less than it would cost to buy. No down payments or paperwork — just instant access to the place you want to be with a deposit and rent check. You might be able to stay parked or ditch the car entirely.

- Travel

Got wanderlust? Maybe work takes you to a new place every few years. If so, buying doesn't really fit your lifestyle. Renting allows you to sign leases of varying terms and plan future travel without being locked into a long-term living obligation like buying.

- Timing

If work or your career is looking like it could take you elsewhere, renting is an ideal fit. With the costs of closing on a home (including down payments) and the uncertainty of being able to sell your current home when — and for the amount — you need to, you might be better off renting. Moving out of a home you rent will never cost you more than it costs to move your belongings. Moving out of a home you own could have a substantially greater downside — like the possibility that you may need to pay the bank the difference between your loan balance and the sale price of your home.

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- Life Stage

When kids come along, schools are a major decision-making factor in determining where best to live. Better public schools can often be found in suburban areas. You might find that renting a home in an urban area is not only more appealing until you have children nearing school age, but may also be a once-in-a-lifetime opportunity that won't be around forever.

- Maintenance and Repairs

Some folks just aren't handy or simply don't want to be, nor are they prepared to absorb the highly variable costs to have others make repairs on their behalf. When renting, the constant drum beat of maintenance and repairs that come with home ownership – not to mention their often highly unpredictable cost - are someone else's responsibility and headache.

- Financial Impacts of Home Ownership

As anyone who owned a home during the last downturn in the real estate market could tell you, homes don't always appreciate in value – sometimes they lose value and the drop can be substantial. The Atlanta market finally hit bottom in March of 2012, with property values having slid anywhere from 20% to 50% or more, depending on the neighborhood, from their pre-crash peak. And a housing market recovery can be a long, slow journey. It has taken more than a decade for average home prices in Atlanta to recover to their pre-crash levels.

- Neighborhood

If you're new to an area, renting is a powerful tool to help you get to know an area and the neighborhood. You can spend a few years living in different parts of town until you find the perfect area that feels like home. This keeps you from buying in an area that looks great but later discover you didn't really know well enough – and worse, may not be able to easily move out of if you own.

- Don't Underestimate the Costs of Owning

Many prospective home buyers fail to fully consider all the costs associated with home ownership. One of the biggest expenses after a principal and interest payment on a home loan is property taxes. In general, Atlanta property taxes cost about 2 ¼ percent of the value of your home – *every year*. That means that as a renter, anywhere from 10% to 20% of every rent payment you make to your landlord goes directly into the city and county coffers to pay for schools, police and fire protection, trash pickup, parks and the multitude of other expenses paid for by local government. The next most frequently overlooked expense after property taxes is the cost to maintain and repair a home. These costs run, on average, between 1% and 2% of the home's value *every year*. To put that in the perspective of a renter, about 15% of one's monthly rent payment is either paid out by the landlord for regular home maintenance expenses that recur annually or monthly (appliances, heating and air conditioning, lawn care, etc.) or that must be set aside to pay for larger maintenance and repair costs that come along less frequently but are more expensive - like exterior painting, siding repairs and roof replacement. For readers that are adding up the numbers, about 30% of an average renter's monthly rent payment is gone even before any mortgage payment for the property is made – and that should better inform an estimate of what owning a home will cost when making an 'apples to apples' comparison between renting and owning.

Although the monthly cost of renting vs. buying is only one of the many important considerations that must be made in making the right decision for your particular situation, there are many 'rent vs. buy' calculators available on the web to help you make an more informed choice. You can find one such calculator on the *realtor.com* web site that allows you the flexibility to customize several variables to get a more accurate result. You can find their calculator at: <http://www.realtor.com/mortgage/tools/rent-or-buy-calculator/>.