

Buying versus Renting

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The debate has been around for a long time; "Am I better off *buying* or *renting*?" There is no *automatic* answer; it depends on your individual situation. Do not make your decision based on someone else's experience or expectations. This is a decision that only you can make and only after careful consideration.

Yes, there are times when it is best to rent. It is equally true that the *American Dream* is to *own your own home*. This page looks at some of the *Pros* and *Cons* of each. The list below is not an all-inclusive list. The list is intended to provide food for thought in allowing you to make your decision. If you think of any additional *pros* or *cons* please pass them on to me.

Buying

Some Advantages of Buying:

- As you pay the mortgage payments, a portion of each payment builds up equity, or ownership, in your property.
- If you buy wisely and maintain your home, your home is likely to increase (appreciate) in value, building even more equity in your property.
- The privilege of ownership allows you to upgrade or change your property to meet your personal preferences and tastes.
- The equity you build up in your home is a value you can borrow against for home improvements, college tuition, vacations or any purpose you choose.
- Provides a deeper sense of belonging and involvement. Property owners tend to be more involved in neighborhood and community issues.
- Interest you pay on your home mortgage and your property taxes are tax-deductible. In addition, any interest on home equity loans may be tax-deductible as well.
- Fixed-rate mortgage payments will remain steady over the life of the loan –easier to budget.
- Paying the mortgage over the life of the loan will give you free and clear ownership of your home; (no more payments).
- You are not subject to the demands or rules of the landlord. You can decide whether to paint the wall, have a pet or plant a shrub.
- You are assured of having a place to live as long as you make the agreed to mortgage payments and meet your tax obligations.
- For first-time homebuyers, there may be first-time buyer programs that provide valuable financial advantages.
- As a general rule, purchasing is nearly always financially favorable to renting if you plan to remain in the property for five or more years.

Some Disadvantages of Buying:

- You no longer have a free maintenance department to call if something breaks. You should become familiar with maintaining your home and be able to make minor repairs yourself. However, home warranty policies can fill that need – ***Ask a Realtor.***
- You may not have saved enough money to use as a down payment or to pay some of the *up-front* costs associated with buying a home. If that is the case, renting may be your best option until you save adequate funds. There may be ways to reduce some of your closing costs. ***Talk to a Realtor!***
- It costs money to buy and sell a house. There are various real estate taxes, commissions, title fees, loan fees, reports and inspections. A home must appreciate approximately 10% in order to sell for a profit – that takes time. If you plan on moving or relocating in the next few years. it may make more financial sense to rent than to own.

Renting

Some Advantages of Renting:

- You have no financial stake in the property and, provided you have a good landlord, no need to worry about housing repairs.
- For a short term, (ownership of 3 years or less) renting is probably less expensive.
- You are not responsible for upgrades, modernizing, or making repairs to the property.
- If your career or lifestyle leads to periodic relocation, it may make more sense to rent. Unless you are consistently moving to an extremely active real estate market, you probably cannot expect enough appreciation in just a couple years to compensate you for the costs of buying and selling a home at each new location.
- If you maintain a good relationship with your landlord (timely payments and caring for the property), you may be able to avoid or reduce a rent increase by negotiating privately with your landlord when rent increases are announced.
- Generally, it is easier to find a place to rent than it is to find a place to buy.
- You have less responsibility and less financial commitment.

Some Disadvantages of Renting:

- You are subject to future rent increases. It is not unreasonable to anticipate annual rent increases of 3% to 5% per year.
- The landlord maintains ownership and control of all decisions that affect the property.
- A landlord can decide to sell the property or make other decisions that can leave you without a roof over your head at the end of the lease period.
- You are assured of having a place to live **ONLY** for the term of your lease, provided you live in accordance with the terms of the lease.
- You may be viewed as an outsider by property owners around you (especially if the appearance of the property is not maintained).