

Buying vs. Renting



One question that crosses everyone's mind is: "Should I buy or rent?" Making such a decision is not one that should be made lightly. When making such a decision, one should consider all of the advantages and disadvantages while taking into account factors such as finances, lifestyle, future plans, as well as features in a home that may be of importance.

Understanding the importance of this decision, we have compiled a write-up discussing the advantages and disadvantages of both buying and renting.

Personalizing Your New Home

When purchasing a new home, there are a number of expenses in addition to the actual home purchase. These include costs for appliances, renovations, furniture, closing fees, legal fees, etc. In addition, there are annual fees to consider such as Home Owner's Association ("HOA") fees and property taxes. In the case of a condo unit purchase, there are typically monthly condo fees. However, the ability to personalize a home is one of the reasons many people do purchase their home. Personalization includes painting, decorating, modifying, renovating, and customizing rooms such as bedrooms, kitchens, and bathrooms.

Tax Benefits

Owning a property provides a number of tax benefits, which arise from the ability one has to deduct property taxes and mortgage interest from their income statements — such benefits are not available to renters. Due to these benefits, people can save a great deal of money, which they can then reinvest, leading to far fewer monthly expenses. In other words, if one has enough money to buy, they can save a great deal of money in the long run.

With that said, a potential downside of purchasing is the fact that renters are not tying their capital down. But one can potentially later receive a large capital gain if they resell the property. Consult your accountant for further information.

Creating Equity

One of the main benefits of being a home owner is having something that is actually yours. There are also a number of financial benefits of owning a home.

The first is that you are not spending your money on rent. Rather, this money is going towards something that you actually own or will one day own – basically, equity is being built. Renters can pay for years and years and have no claim to their ‘home.’ The second benefit is the potential to earn rental income in the future. If the homeowner decides to move in the future, he or she can rent their property out and earn rental income, depending on their financial/life situation at that time. The final benefit is the ability to earn income on the sale of the property. Although it is never a guarantee, homeowners often have the ability to make a significant profit on the sale of their property. Like any other investment, there is a risk that the value of the property will go down. Nevertheless, renters do not have the opportunity to make such a profit.

Maintenance

One advantage of purchasing a home is the ability to maintain the property with your own personal level of care. You do not have to depend on a landlord to address issues. If you decide to purchase a condominium, one of the top advantages is that these buildings typically have a higher standard of maintenance. Such buildings are typically consistently maintained and a homeowner can be actively involved in the decision making process. One of the main advantages of buying a cooperative (“co-op”) or condo unit is that these buildings generally have higher standards, better finishes, and amenities. Co-ops and condos are maintained with much greater care and pride than the general Edmonton rental or apartment building. Additionally, a condo or co-op homeowner can be actively involved in making the decisions that affect the building, if he or she so desires.

Disadvantages of Buying

The most significant downside to buying a property is the up-front cost. To purchase, one will need a significant down payment (at or above 20% to avoid CMHC Mortgage Loan Insurance). For example, if one decides to purchase a property for \$300,000, a 20% down payment would be \$60,000. This does not include closing costs, mortgage application fees, legal fees, insurance, etc.

Advantages of Renting

There are a number of advantages to renting. The first is monetary. Renting is typically cheaper on an up-front basis as one is not required to make a large down payment. In addition, the long-term financial commitment is simpler as one can simply move and not worry about selling the property or renting it out. The legal commitments are also simpler,

partially because a renter simply signs a lease agreement rather than mortgage documents. For newcomers, renting allows the individual to discover the city and its neighbourhoods and decide which neighbourhood he or she would like to live in on a long-term basis.

Disadvantages of Renting

The biggest downside to renting is equity. Even if one pays rent for a longer period of time, he or she will not own the property or even a portion of the property. If one decides to move, they will receive nothing in return. Moreover, rental payments are not tax deductible.

In addition, renters have no control over many factors regarding their living conditions. If a property's stairs are poor, or is a home/property doesn't have an elevator (or has a broken one) or has flawed bathrooms and kitchens, there is little a renter can do. Sometimes, a landlord will allow a renter to make customizations to a property, but often the costs are so prohibitively expensive that a renter will decide not to spend that much on something they don't own.

Things can be very unpleasant if one has an unpleasant landlord. When one enters into a rental arrangement, it is therefore always good advice for them to consider a landlord carefully and have a meeting with him or her in order to get a sense of how helpful or not the landlord might be.

**Still have questions? Call our office today to speak
with one of our REALTORS®!**



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