



# Buy Now or Rent Longer?

## 5 Questions to Answer Before Purchasing Your First Home

Deciding whether to jump into the housing market or rent instead is rarely an easy decision – especially if you're a first-time homebuyer. But in today's whirlwind market, you may find it particularly challenging to pinpoint the best time to start exploring homeownership.

A real estate boom during the pandemic pushed home prices to an all-time high.<sup>1</sup> Add higher mortgage rates to the mix, and some would-be buyers are wondering if they should wait to see if prices or rates come down.

But is renting a better alternative? Rents have also soared along with inflation – and are likely to continue climbing due to a persistent housing shortage.<sup>2</sup> And while homebuyers can lock in a set mortgage payment, renters are at the mercy of these rising costs for the foreseeable future.

So, what's the better choice for you? There's a lot to consider when it comes to buying versus renting. Luckily, you don't have to do it alone. Reach out to schedule a free consultation and we'll help walk you through your options. You may also find it helpful to ask yourself the following questions:

## 1. HOW LONG DO I PLAN TO STAY IN THE HOME?

You'll get the most financial benefit from a home purchase if you own the property for at least five years.<sup>3</sup> There are costs associated with buying and selling a home, and it may take time for the property's value to rise enough to offset those expenditures.

The longer you own a property, the more you are likely to benefit from its appreciation. If you plan to sell in less than five years, a home purchase may not be the best choice for you.

## 2. IS IT A BETTER VALUE TO BUY OR RENT IN MY AREA?

One helpful tool for deciding is a neighborhood's price-to-rent ratio: just divide the median home price by the median yearly rent price. The higher the price-to-rent ratio is, the more expensive it is to buy compared to rent.<sup>4</sup>

Keep in mind, this equation only provides a snapshot of where the market stands today. We can help you interpret the numbers to determine if buying or renting is the better long-term value in your particular neighborhood.

## 3. CAN I AFFORD TO BE A HOMEOWNER?

To determine your financial readiness, examine how much you have in savings. After committing a down payment and closing costs, make sure you will still have enough left over for ancillary expenses and emergencies. Then consider how your monthly budget will be impacted.

If you want to buy a home but aren't sure you can afford it, give us a call to discuss your goals and budget. We can



give you a realistic assessment of your options and help you determine if your homeownership dreams are within reach.

## 4. CAN I QUALIFY FOR A MORTGAGE?

Every lender will have its own criteria. But, in general, you can expect a creditor to scrutinize your job stability, credit score, savings, and debt obligations to make sure you can handle a monthly mortgage payment.

It's always a good idea to get preapproved for a mortgage before you start house hunting. Let us know if you're interested, and we'll give you a referral to a loan officer or mortgage broker who can help.

## 5. HOW WOULD OWNING A HOME CHANGE MY LIFE?

It's important to consider how homeownership would affect your life, aside from the long-term financial gains. In general, you should be prepared to invest more time and energy in owning a home than you do renting.

However, you might relish the chance to tinker in your own garden or make HGTV-inspired improvements. The great thing about owning a home is that you can generally do what you want with it – even if that means painting your walls fiesta red one month and eggplant purple the next. The choice – like the home – is all yours.

## HAVE MORE QUESTIONS? WE'VE GOT ANSWERS

The decision to buy or rent is among the most consequential you will make in your lifetime. We can make the process easier by helping you compare your options using real-time local market data. So don't hesitate to reach out for a personalized consultation, regardless of where you are in your deliberations. We'd be happy to answer your questions and identify actionable steps you can take now to reach your long-term goals.

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Sources: 1. CNN 2. NPR 3. Bankrate 4. National Association of REALTORS