



TO RENT OR TO OWN ?
Finding your Home in Victoria

**PEMBERTON
HOLMES**
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For many renters, owning a home is a lifelong goal. If you have ever wondered whether you would be further ahead owning rather than renting, consider these facts. As a short term option, renting almost always outpaces buying because buying costs such as transfer taxes, legal fees and closing costs take time to recover. But as a renter, you can also expect to pay rents that move upward at roughly the rate of inflation. That means your costs for accommodation never really decrease. As well, renters can't ever recover any portion of their monthly housing costs. In contrast, when buying a home, the equity or the value of the home minus the debt owed increases with each monthly mortgage payment made. Typically mortgage payments combined with the cost of insurance, property taxes and repairs and maintenance, will not exceed rent payments for an equivalent house. However, over time this tends to change as rents increase and the principal portion of your mortgage payment increases. In a way this is equivalent to an enforced savings account.

This means over time your equity grows until you own your own home. Over the long run, more of your monthly payments become recoverable, since the payments are actually paying down the principal. Owning also provides you with the opportunity to recover improvement and maintenance costs.

When making a choice whether to rent or to buy, consider this rule of thumb. If you plan on living in your home long enough for price appreciation to cover buying and selling costs, owning is a better alternative than renting. While price appreciation is not guaranteed overtime, the value of real estate in Victoria and surrounding area has increased. The increase is usually at a higher rate than inflation.

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