



## "The Nuts & Bolts of Real Estate!"

By:

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### **The Pros and Cons of Renting verses Owning Real Estate.**

Not everyone is the perfect candidate for purchasing a primary residence. There are times when the decision to purchase a property is not the best choice. When should someone strongly consider purchasing a property instead of renting? When might it be better to rent instead of purchasing a property?

If you were to move into Pocatello and you found a job that you would have for one to two years before moving to a different location, I would consider renting instead of buying a home. Why? Depending on the real estate market, and the price range of the home you were considering purchasing, there might be a limited amount of equity in your property when it came time to sell. If you are concerned about just the cost aspect of moving then you might be discouraged on just that one aspect. There are certain costs associated with selling a property. These fees can discourage people from purchasing a property when they feel they might be in an area for a limited amount of time.

Other people would rather rent a property because they do not want to commit themselves to live in a certain community and they like the freedom they have to move into different properties once the occasion arises. They could live in a condominium and take advantage of the condominium association benefits. Later they decide they did not like neighbors living so close so they rent a single family home. Then they wish they had a property with a larger garage so they rent a different property and so on... Renting a property usually has a bit more flexibility on moving in and out of a property.

Many individuals rent because the property owner might be responsible for certain maintenance and upkeep on the property. If the water heater goes out or if the roof were to leak, most of the time the renter would contact the property manager (or owner) and they would take care of the problem at no expense to the renter. Maintenance and the uncertainty of repairs and upkeep can deter some people from wanting to purchase property.

Some renters do not like the restrictions that may be placed upon them when they live in a property that they do not own. Let's say you want to redecorate the house. Most of the time you would need to get permission from the owner if you wanted to paint a room or two or make some

modifications to the flooring or cabinets. There are restrictions placed on what you might be able to do in the yard as well. When you own a property you are at liberty to use it and to modify it in different ways that suit your needs.

There are tax advantages to home ownership that many renters might not consider. If you were renting a property for \$900 a month, is any of that \$900 tax deductible or is there any other tax benefits one could take advantage of with this rent payment? Typically not. Now if you had a \$900 house payment, part of the payment may be deductible. Mortgage interest payments on first and second homes as well as real estate taxes are deductible. If your payment included taxes and you were paying interest on you loan then there are two deductions for you already.

When you make capital improvements to a property these improvements add value to the property. When you add value to the property you might be able to sell the property for more money. If you live in a property for 6 years and then sell it, you would hope to make money on the property once it sells. If you rented a property for 6 years and then moved, what profit have you made for yourself? None. You may have made money for the property owner, but not for you.

When you are considering renting or purchasing a property take into consideration all of the factors. You might find it necessary to consult with your accountant or tax advisor to determine if buying a property would be in your best interest.

Next time let's talk about finding the right property for you...

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