

MONDAY MORNING QUARTERBACK

SHOULD I SELL MY HOME OR RENT IT OUT?

NOVEMBER 6, 2006

Since the real estate market in California has cooled, many homeowners have become frustrated with selling and are considering taking their homes off the market, renting them out and re-listing their homes in a year or two.

Although it may feel tempting (and relieving) to get out of the selling game, know what you are getting into before you rent. In this issue of *Monday Morning Quarterback*, we help you make a realistic assessment of whether renting is right for you.

Are You Willing to be a Landlord until 2012?

Given the cyclical nature of real estate, keep in mind that the value of your property will likely be *less* over the next five to six years than it is today. It might seem like a good idea to wait a year or two to sell, but be prepared to wait much longer for your home price to increase.

The Real Costs of Renting

If you're willing to weather the buyer's market, then becoming a landlord may be a viable option. Here are other factors to consider:

1. **The full cost of ownership.** Most potential property owners think that if the amount they pay on a mortgage is less than the amount they collect in rent, they will make a profit. In reality, however, the total monthly cost of holding a rental property can be 30 to 50 percent higher than the mortgage payment, depending on the type of property.
To calculate the complete cost of rental ownership, factor in property taxes, maintenance, management and insurance. To properly assess these costs, retrieve and review the past several years of your bills and tax records.
2. **Likelihood of vacancies.** Consider no property stays rented 100 percent of the time, so factor in that your home may be vacant at least part of the time during its rental period. To calculate a realistic vacancy rate, you can turn to property managers in your community for statistics on your neighborhood. You may also want to consider whether there are large employers near your home that are vulnerable to sudden changes in workforce—either gearing up or scaling back.
3. **Having a financial cushion.** Some homeowners become *forced* to sell their homes for prices lower than the value of their homes when they haven't prepared for factors such as vacancies or nightmare

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tenants. A quick rule of thumb is to go into the business of renting real estate only if you have a financial cushion sufficient to pay the mortgage—with or without a renter—for at least six months.

To Sell or Rent?

Does renting your home still seem attractive? If so, then please use the guidelines above to be a smart and savvy landlord.

If not, then let us help you sell your home.

Many homeowners turn to renting simply because they are frustrated by the inability of their home to sell. However, homes *do sell* in a buyer's market, and for good value.

Call us to find out what makes a home sell in a buyer's market!

We'll help you sort out why your home may not have sold to date and provide you with powerful, practical advice and results-producing service to help you succeed and claim the most for your home.