

# The Pros and Cons of Renting vs Buying: 4 Things You Need to Consider | GD Home

Making the decision to buy or rent a house is one of the biggest decisions you will ever make. There are many factors to consider when making this decision, and when you throw a pandemic, inflation, and one of the most chaotic real estate seller's markets in recent history into the mix, making a clear-cut choice can feel difficult -- if not impossible.

In this article, we will discuss the pros and cons of both renting and buying a house, and we'll also highlight 4 things you need to consider as you decide which option is best for you.

## First, The Pros and Cons of Renting

Renting a house has strong advantages and some serious downsides.

On the plus side, renting gives you the flexibility to move if your job or lifestyle changes. Rental agreements are becoming more and more flexible, with even month-to-month contracts becoming more prevalent. Generally, the longer your contract the lower your monthly payment, but the flexibility can be a strong advantage. The [average lease agreement](#) in the Boston area is one year. Usually you can move into a rental property more quickly and easily than if you were buying and there is generally less paperwork involved in renting.

As a renter, you don't have to worry about maintenance and repairs, as these are typically the responsibility of the landlord. Ask any college student and they'll tell you there is a great advantage to having the phone number of a competent maintenance person when issues arise.

And let's talk about money. Renting can be a more affordable option than buying a home, particularly if you're not ready to commit to a long-term mortgage. You may not need to put down as large a deposit as you would for a

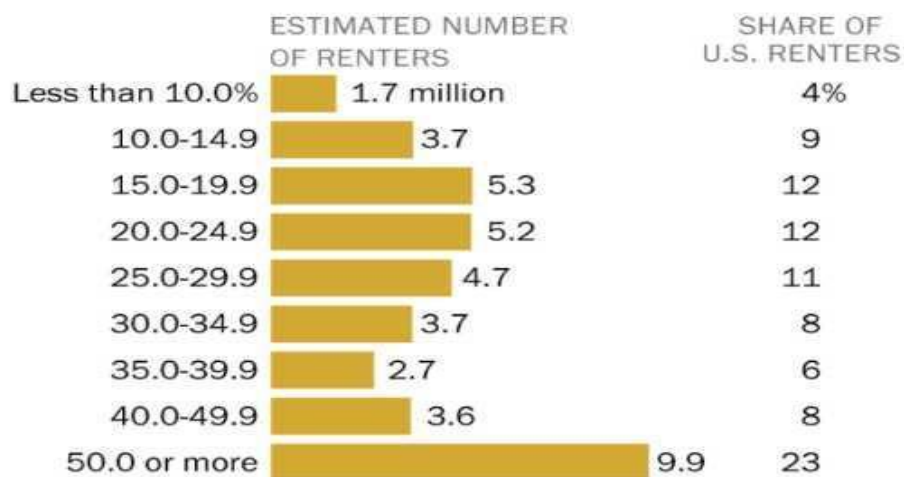
mortgage. Historically, the monthly costs associated with renting have been lower than the costs associated with buying a house, although rental rates in the US have continued to rise steeply. Both one- and two-bedroom rentals have [climbed over 25%](#) since April 2021, and American renters are spending more and more of their income on rent. In fact, nearly a quarter of renters in America are [spending more than 50%](#) of their income on rental costs. It's a trend expected to [continue into 2023](#), with rental costs reaching the highest rates we've seen in more than 30 years, and that makes the historic cost-savings of renting vs buying less of a factor.

KEY FACTS ABOUT HOUSING AFFORDABILITY IN THE U.S.

### How much of their incomes American renters spent on housing costs in 2020

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*Share of renters spending \_\_\_\_ % of their income on housing costs in 2020*



Source: U.S. Census Bureau, American Community Survey.

PEW RESEARCH CENTER

Source: [Pew Research Center](#)

There are some downsides to renting as well.

For starters, you will not have the opportunity to build equity in your home because... it's not your home. The investment belongs to the property owner, and the property owner reaps the rewards. You will also be at the mercy of your landlord when it comes to rate increases or even the possibility of your landlord making a decision to sell the property to cash in on a crazy real estate market.

As a renter, you're borrowing the property of someone else. The inability to make improvements or change the paint color on the walls may frustrate some renters.

## Now, The Pros and Cons of Buying

Buying a house is a big commitment, and for many people it is a key life goal and the definition of the American Dream. There are plenty of benefits to owning your own home.

For one, you own the property. That means that you enjoy the freedom to decorate and renovate however you like without having to get approval from a landlord.

Additionally, your monthly mortgage payments will be contributing to the equity you have in your home and your equity will almost always [increase over time](#). That equity can come in handy if you ever need to borrow money or want to sell the house down the road.

As a homeowner, you will have more control over your living situation. You won't have to worry about being suddenly uprooted if your landlord decides to sell the property or raise the rent.

Of course, buying a house also comes with some downsides and drawbacks. For starters, it is a much bigger financial commitment than renting, and much of that expense comes [at the time of purchase](#). It can be difficult to [obtain a mortgage](#) depending on your earning and credit history.

At least initially, your monthly costs will likely be higher than if you were to rent a house, although according to the National Association of Realtors, the monthly expenses of a home buyer are less than the monthly expenses of a renter after a period of [about 6 years](#).

Years	Rent Payment	Mortgage Payment	Monthly Difference	After Tax Savings	Yearly Difference	After Tax Savings
1	800	1000	-200	-50	-2400	-600
2	840	1000	-160	-10	-1920	-120
3	882	1000	-118	+32	-1416	+384
4	926	1000	-74	+76	-888	+912
5	972	1000	-28	+122	-336	+1464
6	1021	1000	+21	+171	+252	+2052
7	1072	1000	+72	+222	+864	+2664
8-30	Source: Ginnie Mae		Savings increase every year			

The chart shows a cost comparison for a renter and a homeowner over a 7 year period. The renter starts out paying \$800 per month with annual increases of 5% The homeowner purchases a home for \$110,000 and pays a monthly mortgage of \$1,000. After 6 years, the homeowner's payment is lower than the renter's monthly payment. With the tax savings of homeownership, the homeowner's payment is less than the rental payment after 3 years.

Source: [National Association of Realtors](#)

As a homeowner, the property belongs to you, but so does the expense of maintenance and repairs. There is also the potential for experiencing a decrease in property value.

## 4 Important Things to Consider When Deciding Whether to Rent or Buy a House

When you are deciding whether to rent or buy a house, there is no one-size-fits-all answer. The pros and cons of each option vary based on your needs for the future; however, here are four things that you should consider as you decide between renting and buying:

1. Your financial situation
2. The current housing market
3. The amount of space you need
4. Your lifestyle and future plans

### #1 – Your Financial Situation is Critical When Deciding Between Renting and Buying

Your financial situation is one of the most important things to consider when deciding whether to buy or rent a house. If you're [not in a good financial situation](#), buying a house may not be the right choice for you. Can you afford to make a down payment and cover [closing costs](#)? Are you in a stable enough job to commit to a mortgage? And are you prepared to weather any repairs or unexpected expenses that may arise? For some people, renting offers a more flexible and affordable option. But for others, investing in a home can be a sound financial decision and a great investment.

### #2 – Consider the Current Housing Market When Deciding Whether to Rent or Buy

The [current housing market](#) is another important factor to consider. If prices are rising, it may be a good time to buy a house so that you can benefit from appreciation. However, if prices are falling, it may be better to rent since you won't have to worry about your home's value going down.

What do you do when the housing market is absolutely nuts, inventory is low, and homes are receiving multiple offers above the asking price? Is it STILL a good time to buy?

For some people, buying a home is still the best option. If you have a stable job and good credit, you may be able to qualify for a low-interest mortgage. Mortgage rates are at historically low levels. Additionally, if you plan on staying in your home for several years, you'll build up equity that you can tap into later down the road.

### **#3 - How Much Space You Need Can Help You Decide Between Buying and Renting**

The amount of space you need is also an important consideration. [Storage unit companies](#) regularly market their space to the storage-deprived tenants of apartments across the US.

If you have a lot of stuff or need a lot of space for entertaining, buying a house may be the right choice for you. However, if you don't need much space or are downsizing, renting may be a suitable and comfortable option.

### **#4 - Is Buying or Renting Better Aligned With Your Lifestyle and Future Plans?**

Ultimately, the best way to decide whether to buy or rent is to assess your long-term goals and figure out which option aligns better with your future plans.

If stability and the idea of "putting down roots" is important to you, then buying a home may be the better choice. You'll have a fixed monthly payment, and you'll build equity over time. You'll have the freedom to plant fruit trees,

fence in an area for a pet or a playground, and ultimately make your home your own.

On the other hand, if you're planning to travel or move frequently, then renting may make more sense. You'll have more flexibility, and you won't be tied down to one location.

### **So, which option is right for you: Renting or Buying?**

Ultimately, only you can decide. The decision comes down to your personal circumstances and a bit of your own preference. There is no definitive right or wrong answer, and both paths have their share of obstacles and downsides, but also advantages and perks.

Weighing the pros and cons of each option is a great way to help you make an informed choice that's right for you, and consider your current financial situation, your lifestyle, and your long-term goals before making a decision.

If you are still unsure about whether to buy or rent a house, we recommend talking to a financial advisor. They will be able to help you assess your finances and make a decision that is best for you.

Whichever route you choose, we wish you the best of luck!

*Do you have any tips for renting or buying a house? Share them with us in the comments below!*