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Choosing a place to live: Should you buy or
rent?

Goals

- ▶ Investigate the financial aspects of condos
- ▶ Compare costs of renting and buying a house



Housing alternatives

- **Condominium (condo)**– multiple unit building, a townhouse in a development, or a semidetached living unit with common areas.
- **Mobile home**–a portable structure build on a chassis, designed to be used without a permanent foundation. Usually parked in a long term location
- Often the owner must rent the space on which the dwelling resides

▶ Reasons to buy a house

- Mortgage interest is tax deductible
- Earn equity, investment
- Independence, freedom
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▶ Reasons to buy a condo

- Mortgage interest is tax deductible
- Earn equity
- Reduced maintenance costs
- Common areas such as swimming pools, club houses, game rooms, patios, yards, etc.

- ▶ Reasons to buy a mobile home
 - Cost is lower than other forms of housing
 - Can move to new location easily
 - Limited outdoor maintenance
 - Compact size limits house work



Other stuff

- ▶ Home owner's association
 - Street lights
 - Entrance signs
 - Holiday lights



**“I think the seller will accept your offer,
but the Homeowners Association will
never approve that shirt.”**

Compare

- ▶ Renting an apartment for \$480 per month vs. buying a condo for \$70,000 with 20% down and 4.75% APR for 20 years. Which would require a greater monthly expenditure?

Example

- ▶ Bob can rent an mobile home for \$250 per month, he can obtain a series of 2 year leases and the rent will increase by 5% at the end of each 2 year period. What is the total of all the rental payments at the end of 10 years.

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- ▶ MR 3-7