

RENTING VERSUS OWNING

Home ownership is surprisingly affordable. You may be able to carry a home of your own for little more money each month than what you are currently paying in rent.

A home purchase allows you to build equity with every payment. As your payments progress, so does equity.

A mortgage can be paid in full over time thereby allowing you to live mortgage payment free whereas rent never ends and in fact will become more and more costly over time as inflation causes rent to increase. The value of your home may also increase. Assuming an average of 3% per year, on a compounded basis, a \$300,000 home today could be worth over \$628,000 after twenty-five years!

In these examples a homeowner who purchases a \$300,000 home today and pays his mortgage off over 25 years could then be living mortgage payment free and have over \$628,000 in equity in his home. The tenant on the other hand would have no equity and his rental payment, assuming the same 3% inflation would have increased from \$1,400 a month today to \$2,931 a month in 25 years.

The table below illustrates an example of the difference of renting versus owning. Based on a typical semi-detached home with a purchase price of \$300,000, a 30 year amortization, 3.4% interest rate and 5% down payment versus renting the same home for \$1,400 per month.

Rent for \$1,200 (monthly)		Own for \$1,546 (monthly)	
Purchase Price	\$0	Purchase Price	\$300,000
Down Payment (Security one month rent)	\$1,400	Down Payment	\$15,000
Total Loan	\$0	Total Loan (with CMHC Premium)	\$296,400
Monthly Costs		Monthly Costs	
Monthly Rent	\$1,400	Principle & Interest	\$1,311
Property Rent	\$0	Property Tax (Approx.)	\$235
Monthly Cost Renting	\$1,400	Monthly Cost Owning	\$1,546