

To Rent or Buy?

For a decade, investing in property looked like a dead cert. All you had to do was buy property and then sit back and watch it soar in value. Then the great crash came along and ended the property boom. It seems as though prices will never stop falling.

But now there are signs of at least a slow down in this decline if not a bottoming out. According to some commentators, house prices are at the bottom. Some pundits even expect them to end this year higher than when they started. So should you get back into the market?

Home ownership builds wealth in two ways: through the forced savings of paying down a mortgage, and through appreciation - the rise in the home's value over time. The earlier you get in the game, the quicker you can get that appreciation working for you. The longer you wait well, the consequences can be stiff.

So should you rent or buy a home and what are the long-term costs?

On the one hand, you feel that rent is 'dead money'. On the other hand, buying a home means borrowing a lot of money. Also, when buying a home you must come up with a down payment or deposit, money that could otherwise be invested or put into savings. What should you do?

When deciding whether to rent or buy there are a number of things you need to consider.

Renting - pros

- Your landlord is responsible for any repairs, maintenance and usually decorating.
- It is easier to move if you are renting compared to when you own your own house. (If you sign a tenancy contract be aware of how long you have committed yourself to renting the property).
- You are protected under legislation.
- There is no chance of falling into the negative equity trap.

Renting - cons

- Some people see rent as money going down the drain because you get no return on it.

- You can get caught in the trap of having to pay for rent and bills and not being able to save a deposit to buy a house.

- Check who you will be sharing with if you are renting a room. Are there communal rooms?

- Check who is responsible for general repairs if you have found the property through an agency. They may be acting on behalf of a landlord so you need to know who to contact if there are any problems.

Mortgages - pros

- You are paying money towards owning your own property, which can be seen as an investment.

- You will not risk having problems with a landlord.

- The benefits that arise from any upswing in property prices

- Your house, your rules.

Mortgages - cons

- The costs involved in buying a house are quite high - on top of having to pay the mortgage you have to consider the solicitors fee, surveyors fees etc.

- Interest rate changes will affect your monthly repayments so it is very important to consider which mortgage is the best one for you.

- You will generally be responsible for any repairs and maintenance of the property.

- You could find yourself in a situation of negative equity where you owe more than your house is worth.

However, a first time buyer couple today can borrow £180,000 on a rate of 2.79% variable for as little as £565 per month. over 35 years & after tax relief.

For those worried about future interest rate increases the cost of borrowing this amount on a five year fixed could be as low as £682 per month after tax relief.

These figures along with the perceived value that is on the property market at present make purchasing a house worth serious consideration.



■ Donal Carey

For further information please contact

Carey Corbett
Financial Solutions

on 065 - 6893540 or at info@careycorbett.com



■ Tom Corbett