

REAL ESTATE

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Rent vs. buy — you make the call

"I love renters," a landlord friend of mine recently told me.

Of course you do, I thought, they rent your apartments.

He went on to say, "My tenants are paying my mortgage payments. I love it when the commentators on television say not to buy a home. That just means more money for me!"

I thought about his comments for a bit and realized he was right. When the so-called experts in the media caution American families not to buy a home, those that listen to them end up poorer while the landlords get their mortgages paid.

Now before all my friends who own rental property call the association looking for equal time, let me explain.

Rental housing is an invaluable part of our housing market. Property owners who provide rental housing do a great service to many in our community. The first step for most families on the road to homeownership is rental housing. This allows them to save money and build up their credit before they

move to a home of their own.

Especially in these challenging times, rental housing is the only option for families dealing with job loss, damaged credit and other problems resulting from the current economic climate.

Finally, homeownership is a terrific long-term investment. Therefore, purchasing a home may not be the best option for those who know their job or family requirements will force them to relocate in the short term.

For most people, however, homeownership is a long-term investment for their family's future. When analyzing whether now is the time to buy or if you should keep renting, there are several factors to consider when making that call.

During the past 10 years, the average cost of rental housing has increased 3 percent per year. That means if you rent a home for \$1,000 per month and stay in that home for 10 years, you will pay a total of \$137,567 in rent. All of that rent goes to your landlord to help maintain their property, pay their mort-

gage and build their equity in your home. None of that money comes back to you either through savings or as an investment.

On the other hand, if you buy a home for \$210,000 with a down payment of \$10,000 and finance the balance with a 30-year fixed-rate loan at 6.5 percent (this figure is for the purposes of this example; actual mortgage rates probably are lower as you read this), you would have an estimated monthly payment of \$1,494, which includes your principle, interest and taxes. On an annual basis you would pay \$15,168 in principle and interest payments on your mortgage and \$2,760 in real estate taxes.

You are right, the money you are paying to own your home is more than the \$1,000 a month in rent, but that is only half the story. Remember, Uncle Sam uses the tax code to encourage homeownership. The money you are paying for mortgage interest and real estate taxes can be deducted on your income tax return.

If you are in the 30 percent tax bracket,

in this example you would have a deduction of \$4,680. In addition, a portion of your monthly payment goes to paying down your loan balance. In a year, in this example you would build \$2,232 in equity.

When all these numbers are taken together, this average home buyer would save about \$1,000 per year by buying rather than renting. These savings will increase in time because your fixed-rate loan payment would stay the same, while in all probability your rent payment would go up every year.

You might notice that the above example doesn't say anything about appreciation in the value of the home you purchase. As I have reported in previous articles, the median price of homes in St. Charles County has fallen 4.3 percent since the high price mark that we saw in 2006. From month to month and year to year, the values of homes, like everything else in the economy, will go up and down. While I wish I had a crystal ball to see the market one year or five years from now, I can't see the future.



YOUR PLACE TO CALL HOME

Karen Vonnard is the 2009 president of the St. Charles County Association of Realtors. E-mail her at comments@StCharlesREALTORS.com if you have any real estate-related questions or comments you would like to see addressed in this column.

However, like any investment, we have to rely on past performance to estimate future returns. During the past 40 years, through good times and bad, the average American home has risen 4.5 percent in value. Home prices will begin to climb again, and your investment in your new home will produce a return on that investment of your down payment far in excess of anything Wall Street can offer.

Call your Realtor today for help in evaluating your particular situation. Chances are you will look at your numbers and make the call to buy now.

REAL ESTATE BRIEFS

Company renamed Payne Family Homes

Payne Family Homes is the new name of a company continuing to develop more than 500 homes and condominiums in six communities in St. Charles County.

Announcing the name change was David Payne, who since 2006 has been a managing partner of Manlin Homes, the entity Payne Family Homes succeeds. Payne and fellow managing partner Allan Schroer and operating partner Michael Manlin launched Manlin Homes.

"Mike is transitioning to lead his own company, MRM Manlin Development, and we wish him well," Payne said in a news release.

"Payne Family Homes is promoting gen-

eral manager Scott Kerns to replace Mike as head of day-to-day operations, assuring continuity and enabling Allan and I to remain in our behind-the-scenes role," said Payne, who also is president of PayneCrest Electric and Communications, an electrical contractor that in 2008 posted revenues of more than \$90 million.

Headquartered at 2154 Bluestone Drive in St. Charles, Payne Family Homes is developing Bordeaux Condominiums in Cottleville; the Townes at Belleau Creek, the Pointe at Heritage Crossing and The Meadows at Ohmes Farm in St. Peters; The Enclave at Heritage in St. Charles County; and Tuscany in St. Charles.

"While we've been affected by the housing downturn like every other builder, the convenience of our locations, the quality of our homes and our willingness to walk the extra

mile with families who are sincere about making a move up is enabling us to continue to sell homes," Kerns said in the news release.

"While we wish sales were stronger, we are fortunate to know that we have the financial wherewithal to weather the storm. When the market rebounds, we will be poised to capitalize. Prior to the downturn, our portfolio performed exceptionally well."

Home & Garden Show continues

The 32nd annual Builders Home & Garden Show is slated to continue today at St. Louis' America's Center and Edward Jones Dome.

The event features more than 400 exhibitors and is designed to showcase the latest in

lawn and garden, kitchen and bath, interior design, pool and spa, and building products, according to the Home Builders Association of St. Louis and Eastern Missouri.

Show hours on Sunday are 10 a.m.-5 p.m. Admission costs \$9 for adults, \$4 for children ages 6-12 and is free to children 5 and younger.

Visit www.stlhomeshow.com for more information.

O'Fallon accepting loan applications

O'Fallon's Community Development Block Grant (CDBG) office provides no-interest loans of up to \$5,000 to a limited number of low-to-moderate income O'Fallon homeowners who qualify.

The loans can only be used for home repair and to address code violations.

Applications may only be made once a year and are reviewed by O'Fallon's CDBG administrator. Priority is given to low-income housing submitted on a first-come-first-served basis, according to a news release from the city. If funds remain after eligible low-income applications are met, candidates from moderate-income housing will be considered.

All applicants will be notified of their status within four to six weeks, according to the news release.

For more information, visit O'Fallon's website at www.ofallon.mo.us or contact CDBG administrator Jessica Hawkins via e-mail at jhawkins@ofallon.mo.us or by phone at 636-379-5411.