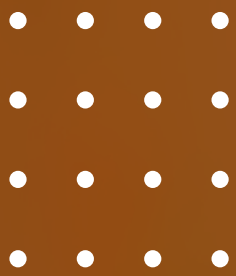


RENTING VS. BUYING: GUIDE TO MAKING THE RIGHT DECISION



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Abstract

Navigating the choice between renting and buying a home in Adelaide can be complex. Our concise guide provides essential insights into both options, helping you weigh the pros and cons effectively. Whether you're a first-time buyer or considering a change in housing, this resource empowers you to make informed decisions tailored to your needs.

1. Introduction

Discovering whether to rent or buy a home in Adelaide can be daunting. Luckily, our new PDF guide is here to assist you. Packed with valuable insights and information, it's your essential tool to making the best decision for your housing needs. Don't miss out – explore the PDF today for clarity and confidence.

2. The Pros And Cons of Renting Versus Buying

Whether you're a renter or prospective buyer, there is no right or wrong decision when it comes to property. Both options have positive and negative aspects but deciding which situation best suits you ultimately comes down to evaluating your financial means, your lifestyle, where you are in life and what your personal goals are.

According to findings by the 2016 Census, 30.9 per cent of Australians are renting. In Sydney more than half of households are renting and the Melbourne percentage of renters isn't too far behind. Across Australia, the same Census results found that just 31 per cent of Australians own their home outright, and 34.5 per cent own a home but are currently paying off a mortgage. Regardless of which option you choose, you certainly aren't alone.

Read on for a no-nonsense pros and cons list of renting versus buying.

Renting

Pros

You have the flexibility to move as often as you want, to where ever you want. If you dislike the new developments in your area, or an up-and-coming suburb offers the lifestyle you want, you can move as soon as your current lease is up.

Maintenance and repairs are included. If paint peels, the oven stops working or there's a leak in the roof, it's up to your landlord to get it sorted quick smart – at no cost to you.

You can live in areas you couldn't afford to buy in. In some areas, it's cheaper to rent a property than it would be to buy and make mortgage repayments. The benefits of a better location may mean access to better schools for your children and public transport.

As renting can be significantly cheaper than making mortgage repayments, renters may find themselves with a surplus of cash that allows them to either indulge in life's little luxuries, save or invest.

Cons

The money you spend on rent essentially disappears into the pocket of your landlord, never to be seen again. You aren't building any equity or working towards paying off an asset.



Your rent can increase year on year, regardless of whether you move or if the property is maintained.

Getting repairs and maintenance taken care of in a timely manner can be a challenge if you have a lacklustre landlord or property agent.

Your ability to decorate and make the home your own is limited. You will need permission to paint anything, hang shelves or pictures on the walls or have pets.

Buying

Pros

You begin building equity from the moment you purchase property and start paying it off.

It offers stability and the freedom to decorate and renovate as your heart so desires, within your available budget.

You can increase the value of your property buy making small improvements.

Your property is your home and what you do with it is entirely up to you, from starting a family to having pets, building a fence or planting shrubs.

You can use the equity in your home to fund an investment such as shares or a managed fund.

Cons

Long term financial commitment means that while your home will be an asset, it will take years to see the returns on it, and you'll be paying interest and fees over the life of your loan.

You will be committed to your location. Although you can change anything you like about your property, you can't change its location. Noisy neighbours, new bars, clubs or shopping precincts opening up near your home will have to be endured.

You will need to put down a large deposit on your home, which sometimes means years of saving and budgeting to meet the minimum requirement.

All the maintenance, repairs, rates and bills are your burden to wear alone, you need to ensure you are ready for that commitment.

The third option

Rent-vesting

If you can't afford to buy in the area you want to live, but you want to invest in a property, rent-vesting is a good idea. Buy in a neighbourhood that is affordable and likely to be a good investment, and rent in a more convenient or desirable location. It's more affordable to rent in an inner-urban area than to purchase there, so by buying an investment property that you can afford, and continuing to rent close to work, near the beach or in the city, you won't be compromising your lifestyle. This option is good for people whose lifestyle or work situation isn't permanent, if you aren't sure where you want to settle or you don't see the burden of a large non-tax deductible mortgage on your home as the best use of your money.

3. Renting vs. Buying a House: Which Is Better?

Homeownership has long been a sign of success, but comparing renting to buying isn't all that clear cut. Renting is less capital intensive, and it gives you the freedom to move when you please. But buying a home will help you build equity and wealth.

There are many financial implications and lifestyle factors you should consider when you're making the choice of whether to rent or buy. Learn more so you can make the best decision for you.

Cost Factors

You're not only responsible for your monthly mortgage payment when you're a homeowner. You have to pay for repairs, maintenance, taxes, homeowner's insurance, upgrades, and possibly HOA fees. These additional costs can easily make owning a home more expensive than renting, and not all home-related costs build equity. Renters are generally responsible for only rent and utilities. The property owner is responsible for everything else.

The upfront costs of renting and buying are dramatically different. You may have to pay an application fee and security deposit to move in as a renter. Buying a home means a much more significant down payment, origination fees, closing costs, taxes, and other expenses.

Building Wealth

You'll build equity in your home as you pay down your mortgage balance. Equity also increases as your home value goes up due to your local real estate market. Home equity adds to your net worth and can serve as collateral for a loan or line of credit if you need to borrow money in the future.

Homeowners who itemize their tax deductions may be able to reduce their income tax bill by deducting the mortgage interest they paid, but you must itemize to claim this deduction. You can deduct home mortgage interest on the first \$750,000 of indebtedness, or \$375,000 if you're married and filing a separate tax return.¹

Wealth building isn't impossible for renters, but you'll need another plan. You can increase your net worth by consistently investing the difference if renting is less expensive than buying.



Responsibility for Repairs and Maintenance

Owning a home is a major commitment. Ryan McCarty, CFP and owner of McCarty Money Matters, says the first question he asks young buyers is whether they're ready for the responsibility. You're fully responsible for maintenance and upkeep as a homeowner, whether that means doing the work yourself or hiring a professional.

Your landlord will handle the bulk of the maintenance and repair needs if you rent. But the landlord will require you to pay for the damage in most cases if you're the one who caused it.

Flexibility To Make Changes

Renting is a more flexible option if you think you might want to move in the future. You can move at the end of your lease, or you can break your lease and pay any fee that's called for in your rental agreement if your job changes or you want to relocate.

But renting generally means that you have to accept the space as is. You don't have much flexibility to make cosmetic changes to the premises. You have creative freedom over your living space as a homeowner. You can paint, redesign, or remodel the interior however you like without anyone's approval or consent.

Homeownership doesn't provide much flexibility when it comes to relocating, either. You'd have to sell or rent your home, or even leave it vacant. But homeownership does protect you from the risk and consequences of eviction. And you have full control over when you leave the home, if ever, McCarty notes, assuming you don't default on your mortgage.

How To Decide If You Should Rent or Buy

Understanding how both renting and buying will impact you financially is a major part of making the decision. Comparing your local market rent to your estimated mortgage payment can give you an idea of which option is better for you.

Calculating your price-to-rent ratio can help you determine whether it makes more financial sense to rent or to buy. You can calculate your price-to-rent ratio using the formula below from the National Association of Realtors:

median home price / median annual rent = price-to-rent ratio

Buying is the better decision when the price-to-rent ratio is 15 or less. A ratio of 21 or more means that renting is the better choice because house prices may be overpriced.

You can still build wealth by investing if you're not ready to buy a home. McCarty recommends first maxing out the employer match on your 401(k) if you have one, then maxing out your Roth IRA. Finally, consider contributing to an S&P 500 fund in a brokerage account.

Purchasing a home comes with a lot of upfront expenses. It will take several years for you to break even on your costs. Staying in your home longer gives you the best chance to gain equity as you pay down your balance and the value of your home increases.

Renting offers more flexibility if you travel a lot or think you might want to relocate soon. "The world is your oyster when you rent," said McCarty. "Live near your job so that your commute is easy. Find a nice downtown area in the suburbs that sits near the train and your favorite bagel shop."

When To Reconsider Renting vs. Buying

It's smart to reevaluate your living situation as your life and the real estate market change so you can be sure that your choice is still the most beneficial option. A growing family and the need for more space could be motivating factors for buying a home. Increasing rent prices or falling home prices may make buying a better choice.

Having an idea of your ideal homebuying scenario can make it easier to recognize the right time to purchase your dream home. Once you're ready to buy, don't delay, McCarty advises.

4. Six Reasons Renting Can Be Smarter Than Buying

We tend to think of buying a home as a mandatory part of the Adelaide dream. But despite the constant messaging telling us to buy, homeownership may be overrated. A lot of people who shop for homes would actually be better off renting.

We tend to overlook the historical factors that made homeownership so ubiquitous. Long ago, most families rented or (more rarely) built their homes. Since the New Deal era, the federal government has subsidized homeownership through loan guarantees and the mortgage interest deduction. This policy framework has greatly benefited the real estate industry, as well as millions of homeowners (particularly those who are already wealthy). But owning a home doesn't make sense for everyone, and in some areas renting could be the smartest move.

(Full disclosure: I own my Adelaide coop but I often wonder why—Adelaide has great rental stock and regulated landlords.)



Here is one of the biggest joys of renting. When things go wrong, renters call the landlord. The stove breaks or the roof leaks—the landlord pays. The average annual cost of home repair and maintenance costs is typically something like 2-4% of the value of the home, and that doesn't include thousands more in insurance and other costs.

What's worse is that repair expenses don't come in nice even charges. Depending on the nature of the repair, it can get quite costly in one year. Those tempted to skip maintenance are participating in the destruction of their own property.

Renters Get Nice Stuff Too Expensive For Owners

One of the most wasteful aspects of Adelaide life is the existence of dead pieces of capital that many of us own but use only 5% of the time. The two-ton car parked in the garage, the dusty gym equipment, the in-ground pool, the pricey washer and dryer: these consumer durables sit unused because you alone own and operate them. (Some people rent out their unused automobile capital with Lyft and Uber, but you have to apply your own labor to that.)

Who can own a pool? Answer: far fewer people than can open a fraction of a pool! As it happens, we typically only use a fraction of a pool. Luxuries such as a gym or a luscious garden come standard at many apartment complexes. Owning a home often means owning deadweight capital.

Renters Don't Tie Up Their Money

Another advantage is not having to put up a huge upfront cost like a down payment. Although renters often pay a security deposit and first and last month's rent, these costs are small in comparison to those made by owners. When purchasing a home with a mortgage, you're required to have a sizable

down payment far more than the renter's upfront costs. If you put down a chunk of money, say \$50,000, towards a down payment to buy a home, that is your asset. That \$50,000 could instead be earning high risk-adjusted returns on a low-fee investment—say a Vanguard mutual fund—which is a lot more liquid and a lot less expensive to manage than putting all those eggs in one basket.

A note about prices: If the house you are looking to buy costs more than 20 times the annual rent the home could fetch, the house may be overvalued. For example a \$400,000 home should rent for \$1,667 per month or more. If so, it is a good deal. This ratio is based on a price earning ratio of 20. In times of low interest rates the breakeven ratio can be higher, especially in areas with soaring home prices.

Renters Have More Bargaining Power at Work

You need to be able to credibly leave a job to be well treated by employers. Mobile workers can move for a pay raise or to make a career move. Monopsony power is tied to low mobility and anchoring yourself to a place just gives that power to the employer.

Renters can also live in neighborhoods beyond their reach, whereas home owners stay with their socio-economic spheres. Renters can live virtually anywhere—a tiny apartment in Greenwich Village or a townhouse in Queens. Homeowners are more restricted to neighborhoods they can afford.

Renters Have More Flexibility In Recessions

Some of the worst-hit families in the Great Recession were those who lost their jobs and were stuck in their homes. It was even worse if you had to sell assets in your 401(k) at depressed values to pay a mortgage for a house that was underwater (that is, where the mortgage was more than what the house was worth).

By contrast, renters can move to a cheaper place without the hardship of selling assets or paying a mortgage in a recession. Landlords bear the risk of financial hardship, but they are usually more able to plan and capitalize losses.

Renting Can Be Good For The Economy And The Climate

Renting is better for the earth than buying, thanks to better-managed properties and the sharing of amenities and capital. Since landlords bear the risk of utility costs rising during the term of the lease, they have an incentive to keep costs low through better energy efficiency.

Rentals are also usually smaller than houses, which keeps down insurance and utility costs. That said, renters do pay some portion of insurance costs because they are folded into the rent, as are property taxes. (A side note: Some people might think that a benefit of renting versus owning is that renters don't pay property taxes. They do. Taxes are folded into the rent. There are good reasons to rent and not buy, but property tax is not one of them.)

Homeownership does have its merits, of course. Owning a home might be beneficial over the long run if the house price appreciates more than a diversified financial portfolio, or if people don't have to move for their jobs or family, or if marriages last, or if neighborhoods and financial situations don't change.

Crucially, the housing market is often segmented, meaning rental stock can be of lower quality for the same carrying costs as homeownership—in that case, buying might make sense. Some people really like to improve their homes and renovate, while your landlord will only make “necessary repairs.”

However, for those who want bargaining power at work, would like to avoid the hassles and financial uncertainty of homeownership, and don't like owning so much durable consumer capital, renting might be a better option.

5. Unexpected Things You Didn't Know You Needed for Your New Rental



Whether it's a house or an apartment, you're going to want to make sure these items are in your new place.

Whether you're new to renting or you're putting moving tips to work to get into a new rental, it's always tough to figure out what you need to get before you're completely settled in. You may have checked off everything on your first apartment checklist, but a second (or third, or more) rental has its own needs.

There are some things we don't think are necessary, especially when moving, but later on we realize that it's difficult to live without them. Other things are just easy to forget. Save yourself a bit of stress and take a look at these seven unexpected things you didn't know you needed to bring to your new place—whether you had them and lost them in a move or never had them at all, you'll wonder how you ever lived without them.

Security system

Feeling safe wherever you're living is important. Take every precaution you possibly can. Whether you're living by yourself, with friends, or have children and a family of your own, installing a home security system in your rental can help protect you and whoever else may be in the house. Systems

that require no installation are even available, so you can install motion sensors and cameras without losing your security deposit.

Dehumidifiers, moisture absorbers, or humidifiers

In some areas of your new rental, there may not be a lot of airflow, and moisture can build up. This may result in mold over time, often in bathrooms, under sinks, in closets, and behind the refrigerator. Not only is it costly to take care of, but mold can also grow quickly and be harmful to your health. To help prevent it, use a dehumidifier or moisture absorbers for damp areas at risk of growing mold. If you live in a dry climate, you might consider doing the opposite and purchasing a humidifier to maintain your comfort in your new space.

Vacuum

Not all rentals have vacuums for you to use, and those that have one don't always have a good one. You might be charged a hefty fee if the carpets aren't in good shape when it comes time to move out, so save yourself the headache of having to deal with matted carpet and dirty rugs and get a good vacuum. If you don't have carpet in your rental, it's still smart to get a hand vacuum. That way, you don't need to break out the broom and dustpan if you drop food crumbs on the ground and you can clean up quickly after eating your midnight snack in bed.

Renters insurance

Although your rental property itself is covered by your landlord's insurance, your stuff isn't included in that. Your landlord isn't responsible for damage caused to your belongings in the case of a flood or fire, and you don't want to be left empty-handed if disaster strikes. Renters insurance will compensate you for your ruined belongings, and some policies will even cover temporary living expenses in case you need to look for somewhere else to live.

Iron and ironing board

You may not iron your clothes often, but when you do need to, it's helpful to have an iron and an ironing board handy. You won't need to try steaming your clothes in the bathroom or blow-drying the wrinkles out: It's much quicker to whip out your iron and press your clothing on a surface that won't be ruined by the heat.

Damage-free hooks and hanging strips

Most landlords don't allow you to put holes in the wall, which can make it difficult to hang decor or hooks for coats and keys. Damage-free hooks and hanging strips can save the day by giving you all the functionality of a regular hanging hook without putting a hole in the wall. Plus, they're quick and easy to install, and you can remove them in a cinch.

Storage ottoman

Whether your rental is a tiny studio apartment or a large house, you can't go wrong with a storage ottoman. It allows you to store often-used things out of sight while keeping them accessible. A storage ottoman is also a great piece of furniture decor that can easily spruce up your living space—perfect if you didn't move many furnishings.

6. What Is A Rental Bond, And How Does It Work?



The demand for rental properties has increased in Adelaide, South Australia, due to various factors, including affordability crisis and strong population growth. According to the Australian Bureau of Statistics, around 49.9 per cent of people in Adelaide were renting privately in the year 2020-21. The majority of households are choosing leased properties over buying new homes in metropolitan cities because of affordable rents. However, it is important for tenants to thoroughly read the rental agreement and know their rights and responsibilities, especially related to a rental bond. Many tenants lose their hard-earned bond money at the end of a tenancy due to cleaning. So, this guide will help you understand everything about a rental bond and how it works in the tenancy agreement. That's why the majority of them prefer hiring an experienced company for expert end of lease cleaning Adelaide. They follow a proper checklist and help you pass the rental inspection without any conflict. Let's Get Started!

What Is A Rental Bond?

A rental bond or bond money is a security deposit that renters/tenants pay to landlords/property managers at the beginning of a tenancy. The bond amount is held by Consumer and Business Services (CBS), which is a government body. The amount is returned to the tenant when a landlord passes the inspection. According to the Residential Tenancy Laws in South Australia, landlords can deduct your rental bond to cover repairing and cleaning costs. This means it is a tenant's responsibility to return the premises in a reasonably clean condition at the end of a tenancy to secure the bond amount.

How Does The Rental Bond Work?

There is no denying that the rental bond system is designed to support both tenants and landlords. It is health as security by the landlord against any unpaid rent, agreement breaches and damage to the property. Here is how it works:

Bond Amount

The amount of the rental bond is equal to 4 week's rent for a property. However, it can vary depending on your tenancy agreement.

Bond Lodgment

The landlord has to lodge the bond with the RTBA after a tenant signs a rental agreement. The Residential Tenancy Bond Authority is a government body that deposits and manages rental bonds on behalf of both parties.

Entry Condition Report

It is a document that outlines the condition of the property at the beginning of a lease. It is important that both the property managers and tenants complete the report after a thorough inspection. Tenants should check the property for existing damages, dirty surfaces and wear and tear and collect proofs in the form of photos and videos. This report can help you determine whether any deductions should be made from the rental bond or not at the end of a tenancy. Make sure you know your rights and responsibilities as a tenant to avoid disputes.

Bond Receipt

It is the landlord's responsibility to provide you with a receipt for the bond payment, which includes the exact amount, the received date and the complete property address.

Bond Claims

At the end of a lease, the property's condition will be compared to the entry condition report. You can claim your bond back in case of no disputes over cleaning or damages. However, the landlord has the right to hold back a part of your bond money in case of dirty surfaces, damaged areas or breach of the agreement. If there is any disagreement about the bond amount, you can apply to the South Australian Civil and Administrative Tribunal to resolve it and get your bond back. Make sure you know your legal aspects of end of lease cleaning when claim your bond. You can book professional end of lease cleaners in Adelaide to secure your hard-earned bond money because they leave no stone unturned to give you quality service.

Landlord's Responsibility

Step-by-Step Guide to Lodge a Rental Bond in Adelaide: Landlords or property managers can follow these steps and lodge a bond with ease.

- Visit the Consumer Business and Services Website and create an account.
- Click on the "Lodge a bond."
- Add the details of a tenancy, such as the landlord's name, property address, tenant's name, and the amount of the bond.
- Pay the bond via credit or debit card
- The official body will issue a bond receipt to both parties.

Note: Landlords must lodge a bond within two weeks after receiving it while property agents have four weeks to lodge the rental bond.



Tenant's Guide: How To Get A Rental Bond Back?

You can get your rental bond back at the end of your tenancy. Here is the process that you can apply to get it back in Adelaide: It is important for both parties to complete a bond refund form. They can register with Residential Bonds Online for an electronic refund of the amount. The landlord has the right to deduct your bond money for unpaid rent, damage to the property and cleaning costs. If the landlord passes the inspection, the CBS will release the bond to you. In case of any dispute, you must provide evidence of your claim to CBS. These claims can be refused due to lack of evidence. After that, you can apply to the South Australian Civil & Administrative Tribunal to resolve the dispute.

Quick Tips To Get Your Rental Bond With Ease

Below are some quick tips to help you get your full bond back without any dispute:

- Carefully read your rental agreement and check your responsibilities
- Take photos of the premises and register existing repairs when checking the entry condition report.
- Cross-check the condition report at the end of your tenancy.
- Fix the property damages, such as broken doors, windows, or a leaky tap. You are not responsible for the existing damages and fair wear and tear.
- Book highly trained professionals for a meticulous end of lease cleaning Adelaide and return the property in a clean and shiny state. You can know the cost of professional cleaning service after doing a research work.
- Pay all the outstanding rent and bills
- Return all the keys

- Notify your landlord about the end of your tenancy in advance.
- Do not breach your rental agreement.

Keep these tips in mind and move out of your rental property without losing your hard-earned rental bond.

Residential tenancies are complicated due to the involvement of rental bonds. It is imperative for tenants to know everything about it before getting into the lease agreement. With the help of this guide, you can understand the importance of a rental bond and how it works for both parties.

7. Conclusion

In conclusion, the decision to rent or buy a home in Adelaide depends on various factors such as financial stability, long-term plans, and personal preferences. Our comprehensive PDF guide offers detailed analysis and considerations for both options, empowering you to make a well-informed choice. Remember to assess your unique circumstances and consult with professionals if needed before making your decision. Happy house hunting!

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