

Home Update

Current real estate and market trends from Windermere

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Are You Ready for the Great American Dream?



Renting vs. Owning Your Home

Homeownership has long been called the Great American Dream, and more people own homes today than ever before—about 70 percent of all Americans. A changing market can open new opportunities if you're thinking of making a change to your living situation. Here are a few things to consider if you're trying to decide between owning and renting.

When to rent

While most people prefer to own a home, there are some circumstances in which the benefits of renting make sense:

Flexibility. If you're a free spirit or like staying mobile, it's a lot easier to pick up and move if you rent. Selling a home when you move takes time.

Timing. There are costs associated with buying and selling a home. If you see yourself moving in a couple of years, it probably makes financial sense to rent in the interim, and then buy when you're settled.

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Should you rent or buy? The answer to that question depends on your individual circumstances. In this issue of Home Update, you will read about different situations in which either buying or renting makes the most sense.

A home is one of the most important purchases you will make. If you think that you're ready for homeownership, I would love the opportunity to help you find the perfect home for your lifestyle.



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Windermere
Real Estate



Are You Ready for the Great American Dream?

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Convenience. The toilet backs up? No problem; just call the landlord. Renters have little or no responsibility for the time and expense that go into home maintenance.

Cost. Normally, renting is cheaper than owning. While monthly mortgage payments and rents may be similar, a homeowner also has to pay for property taxes, homeowners insurance and maintenance. In cities where the cost of homes is particularly high, renting allows you to afford to live in a neighborhood that might be out of your price range if you were to buy.

While renting can seem simpler than owning a home, there are downsides:

Your monthly payments go to your landlord—you don't build any equity.

You have no control over rent increases, which makes long-term budgeting

difficult. And if your landlord sells the property, you may be looking for a new place to live.

You can't really make the place your own. Most landlords won't permit tenants to make substantial changes to a rental property, and many don't allow even simple cosmetic changes such as paint. You can long for red walls, but you'll be stuck with beige.

The owner is responsible for the maintenance. That can be a good thing if your landlord is particularly responsive and has pride in his property. If not, you'll have to learn to live with the rusty bathtub and overgrown yard.

When to buy

Financial guru Suze Orman calls owning a home "the absolute best investment out there, bar none."

In many cities across the country, the last five years have seen dramatic growth in the value of real estate, with annual increases in the double digits. Most experts agree that the market is taking a much-needed correction, and expect appreciation rates to settle down to their historical average of about 4 to 5 percent a year. Even at that rate, homeownership is a great way to build wealth over time with a relatively small cash investment.

Jane Bryant Quinn, the personal finance columnist for *Newsweek*, agrees:

"You can make splendid profits even in a mediocre market, thanks to the leverage you're allowed," she writes. "Leverage is the great advantage that homeowners hold over owners of bank accounts or stocks. You control the property for a down payment of only 5 to 20 percent."

Let's say you buy a home for \$300,000 and put 10 percent down. That's an investment of \$30,000. If your house appreciates 4 percent, you realize a gain of \$12,000. The first year, you make \$12,000 on a cash outlay of \$30,000—a 40 percent return on your investment. That's tough to beat.

There are plenty of other reasons why buying a home makes sense. Here are a few more to think about.

It's all yours. You can paint the walls whatever color you want, add a room, remodel the kitchen, plant a big shade tree. There are freedom and pride in owning a home that renters just don't experience.

You're building equity. When you write a rent check, you're paying for the right to live in someone else's property; when you write a mortgage check, you're building up ownership in your own home. You can also borrow against that equity to make major purchases, pay for your child's education or make other investments. Plus, all the interest expenses associated with a home equity loan are tax-deductible. Let's say you're renting, and have credit card debt of \$10,000 at 15 percent. None of the interest you pay is deductible. But if you

take out a home equity loan for \$10,000 to pay off your credit card, all the interest is deductible, and the rate on your home equity loan will be much lower than 15 percent.

Great tax benefits. The IRS lets you deduct your mortgage interest as well as your property taxes. Plus, when you go to sell, you get to take the first \$250,000 in profit if you're single, or the first \$500,000 if married, without paying capital gains tax. The cost of home improvements is also deductible when you sell your home. There are other tax advantages available. For example, if you work out of your home, you may be able to take deductions for your home office.

You're in the game. For most buyers, their first home isn't their ultimate dream home, but it is the first step towards that dream home. Your home appreciates over the years, and perhaps you do some improvements that increase the value even more. Over time, the equity in your home builds into a great down payment on that dream home in the future.

Security for retirement. Rent goes on forever, but the mortgage on your home will eventually be paid off. Having a "rent-free" place to live provides a lot of security in your retirement years and allows you to spend that extra money enjoying yourself.

The timing is great for buyers. In most markets, there's plenty of inventory, which means lots more choices for you and more room to negotiate.

The bottom line? Buying a home is one of the most important decisions in life. The time to buy a home is when it makes sense for you: You're ready to own a home, you can afford it, and you plan to live there for a while. Over time, you'll be able to ride out any downturns in the market and benefit from the upturns ... and you'll spend that time in a place that you can really call home.

Home Pricing Guide: Following are average 3-bedroom home sale prices for some of the neighborhoods served by Windermere. Figures are based on multiple listing data for homes sold February 1 to July 31, 2007. For information on other market areas, please call me.

Arizona

Phoenix	\$286,000
Prescott	\$430,000
Scottsdale	\$642,000
Tucson	\$226,000

California

Carmel	\$1,863,000
Los Angeles	\$1,052,000
Palm Springs	\$507,000

Hawaii

Kona	\$650,000
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Idaho

Boise	\$230,000
Bonnars Ferry	\$245,000
Caldwell/Nampa	\$162,000
Coeur d' Alene	\$233,000
Driggs	\$230,000
Eagle	\$259,000
Lewiston	\$175,000
McCall	\$371,000
Moscow	\$176,000
Post Falls	\$224,000
Priest River	\$229,000
Sagle	\$348,000
Sandpoint	\$348,000
Schweitzer	\$507,000
Sun Valley-Hailey	\$430,000
Ketchum	\$985,000

Montana

Bozeman	\$310,000
Deer Lodge	\$100,000
Helena	\$217,000
Kalispell	\$242,000
Lakeside	\$323,000
Missoula	\$253,000
Polson	\$243,000
Ronan	\$248,000
Whitefish	\$522,000

Nevada

Las Vegas	\$306,000
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Oregon

Albany	\$153,000
Ashland	\$315,000
Astoria	\$270,000
Beaverton	
(Sunset Corridor)	\$305,000
Bend	\$376,000
Canby	\$322,000
Cannon Beach	\$606,000
Clackamas	\$332,000
Clatskanie	\$217,000
Corvallis	\$282,000
Creswell	\$214,000
Dallas	\$223,000
Eugene	\$273,000
Florence	\$263,000
Gearhart	\$340,000
Grants Pass	\$261,000
Gresham	\$270,000
Hillsboro	\$259,000
Hood River	\$360,000
Jacksonville	\$477,000
Klamath Falls	\$204,000
Lake Oswego	\$555,000
Lincoln City	\$329,000
Manzanita	\$497,000
McMinnville	\$256,000
Medford	\$295,000

Oregon, continued

Molalla	\$263,000
Monmouth	\$210,000
Newport	\$431,000
Portland	
North	\$285,000
Northeast	\$351,000
Southeast	\$290,000
West	\$471,000
Redmond	\$281,000
Roseburg	\$269,000
Salem	\$219,000
Salishan/Glenneden Beach	\$825,000
Sandy	\$282,000
Scappoose	\$266,000
Shady Cove/Eagle Point	\$276,000
Springfield	\$261,000
St. Helens	\$234,000
The Dalles	\$183,000
West Linn	\$479,000
Wilsonville	\$421,000

Utah

Park City	\$1,111,000
Provo	\$278,000
Salt Lake City	\$245,000

Washington

Aberdeen	\$162,000
Allyn	\$307,000
Anacortes	\$431,000
Arlington	\$328,000
Auburn	\$327,000
Bainbridge Island	\$748,000
Belfair	\$271,000
Bellevue	\$669,000
Bellingham	\$343,000
Bingen/White Salmon	\$370,000
Blaine/Birch Bay	\$330,000
Bonney Lake	\$284,000
Bothell	\$435,000
Bremerton	\$267,000
Burien	\$274,000
Camano Island	\$413,000
Camas	\$336,000
Cathlamet	\$236,000
Centralia	\$204,000
Chelan	\$391,000
Chewelah	\$165,000
Clarkston	\$175,000
Cle Elum	\$562,000
Colville	\$176,000
Darrington	\$220,000
Dayton	\$125,000
Deer Park	\$244,000
Edmonds	\$469,000
Ellensburg	\$261,000
Enumclaw	\$363,000
Ephrata	\$135,000
Everett	\$334,000
Federal Way	\$316,000
Friday Harbor	\$183,000
Gig Harbor	\$437,000
Goldendale	\$125,000
Issaquah	\$573,000
Kent	\$356,000
Kettle Falls	\$178,000
Key Peninsula	\$299,000
Kirkland	\$614,000
Lake Forest Park	\$506,000
Lake Stevens	\$360,000

Washington, continued

Lake Tapps	\$471,000
Lakewood	\$293,000
Leavenworth	\$362,000
Liberty Lake	\$327,000
Long Beach	\$233,000
Longview	\$197,000
Lopez Island	\$470,000
Lynden	\$290,000
Lynnwood	\$393,000
Maple Valley	\$384,000
Marysville	\$309,000
Mazama	\$290,000
Mercer Island	\$1,014,000
Mill Creek	\$506,000
Monroe	\$357,000
Moses Lake	\$254,000
Mount Vernon	\$288,000
Mukilteo	\$569,000
Ocean Shores	\$234,000
Olympia	\$318,000
Omak/Okanogan	\$181,000
Orcas Island	\$630,000
Oroville	\$145,000
Pacific Beach	\$292,000
Packwood	\$120,000
Port Angeles	\$297,000
Port Hadlock	\$240,000
Port Ludlow	\$392,000
Port Orchard	\$290,000
Port Townsend	\$407,000
Poulsbo	\$354,000
Pullman	\$256,000
Puyallup	\$290,000
Quilcene	\$382,000
Quincy	\$199,000
Redmond	\$601,000
Renton	\$397,000
Republic	\$178,000
Sammamish	\$587,000
Seattle	
Mid-City	\$535,000
Northeast	\$500,000
Northwest	\$700,000
Southeast	\$440,000
West	\$471,000
Sequim	\$398,000
Shelton	\$228,000
Shoreline	\$407,000
Silverdale	\$297,000
Snohomish	\$434,000
Spokane	\$240,000
Stanwood	\$356,000
Stevenson	\$444,000
Sumner	\$317,000
Tacoma	\$268,000
Tri-Cities	\$175,000
Twisp/Methow Valley	\$298,000
Vancouver	\$259,000
Vashon Island	\$625,000
Waitsburg	\$134,000
Walla Walla	\$185,000
Wenatchee	\$267,000
Westport	\$182,000
Whidbey Island	\$340,000
Woodinville	\$557,000
Woodland	\$340,000
Yakima	\$185,000
Yelm	\$232,000
Wyoming	
Jackson Hole	\$1,152,000



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