

## **Can't Sell Your Home? Consider Renting It**

In today's environment, selling a house is a lot more difficult than in the recent past. The housing crisis that has seen the sales of existing homes decline the past two years creates a dilemma for many homeowners who want or need to change addresses.

What can you do if you have already purchased another home, need to relocate to a different city and are no longer able to occupy your existing home? If selling hasn't worked out, consider the option of renting your home instead. It can help you cope with the financial challenge of keeping up with the costs of multiple dwellings. But, you also need to be prepared to take on the role of landlord.

Dealing with a harsh reality

The bursting of the so-called "housing bubble," when average home prices shot up dramatically and then collapsed, has put many homeowners in a difficult position. In much of the country, home values have taken a significant hit and there are fewer buyers on the market due to the struggling economy.

According to the National Association of Realtors, sales of existing homes fell by approximately 13 percent from 2006 to 2007 and again from 2007 to 2008. The average sales price of an existing home nationally declined from \$221,900 in 2006 to a low of \$166,600 in April 2009.

Renting is a financial alternative

If you choose to rent your home, study the market in your area to determine a fair asking price. If your home is in good shape and in a favorable location, it may be easier to find renters in today's market. Your primary goal is to try and generate enough in monthly rent to cover your expenses, such as the mortgage payment, insurance and property tax that you must continue to pay as the owner of the property. You must consider, however, that you are constrained by what the current rental market will bear, so it may not necessarily match your ongoing costs.

There are other factors to consider as well when you rent your home:

- Maintenance – for tasks like mowing a lawn or shoveling sidewalks, you may want to strike an agreement with the renter. If the home needs repairs (fixing a leaky roof, hiring a plumber to deal with a clogged drain, etc.) that cost is the responsibility of you, the property owner.
- Tax considerations – income from rent is taxed as ordinary income, typically a higher rate for individuals than the capital gains tax rate.

There are some ways depreciation methods can be used to reduce the current tax burden, but that also creates more complications when you sell the house.

- Wear and tear on the property – will a renter care for your property as much as you do? The motivation to do so often isn't there, so renters can take a toll on a home that you hope will once again be attractive to buyers when the housing market recovers. On the other hand, a vacant house can be more difficult to sell than one that is occupied, even if the owner does not live there, so renting the home can also have advantages.

However, the biggest factor in determining whether to choose the rental option is whether you can sell your home in a timely manner and for the price you want given the realities of today's market.

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