



SELL OR RENT

MAKING THE RIGHT CHOICE

Rent or Buy?

The decision to rent or buy in your new location is dependent upon many considerations unique to your personal situation. Some of the potential factors involve the tax implications, down payment, other investment vehicles, the length of time you are anticipating being in your new location and whether or not your current home has sold.

If you decide to buy, should you purchase an existing home or build a new one? Again, many factors have to be considered. Will an existing home need a lot of repair or remodeling to bring it to your standards? What about the difference in the cost of operation and maintenance between new and an existing structure? How should you finance a renovation? Which home will appreciate faster? Will it be difficult to get a construction loan? Is it better to rent for a while to become familiar with neighborhoods in your new city? What about capital gains tax if you don't close in time?

We suggest you seek the advice of a certified financial planner and a realtor to thoroughly clarify your options. These choices can become quite complex.

Some Advantages to Renting

Whether you're in your first apartment or a longtime resident, there are many advantages you are afforded by choosing apartment living.

Mobility: You enjoy the freedom to move, to accept that better job, to take the vacation you've dreamed of.

No maintenance: Just relax and delight in the grounds and facilities maintenance technicians keeps attractive for you.

Flexibility: You have the ability to increase or decrease your living space without the burden of sales pitches, closing costs, interest rates or the high cost of maintaining a home and property.

Location: The choice is yours!

Recreation: Chances are, you've chosen an apartment community with a swimming pool, tennis court, weight room or sauna. Apartments have the equipment and people to maintain them, which is no small task for the homeowner.

No waiting: If you're like most apartment residents, moving into your apartment was easy and fast. You settled into your new home without lengthy paperwork, a loan approval period or a large financial investment.

Your Current Residence

As you prepare to move, a big decision may include whether to sell or rent your current property. Ask yourself the following questions as you make this decision. You may also want to ask advice from a real estate agent.

Financial

Is this property good for rental income? Can you charge more for rent than you pay for mortgage, taxes and upkeep? How will selling affect your federal and state tax situation? Furthermore, if your property does not sell quickly, can you afford to keep the home vacant while it's on the market? If not, do you feel you will be able to find a renter on a short-term basis? Are you likely to want to move back into the home some day?

Market

Is it a seller's market? Signs include low interest rates and shortage of homes for sale. How long have similar homes been on the market and how long are you willing to let your home be on the market? Or is it a good rental market and do rental units have tenant waiting lists? Is your property in a trendy area? Desirable areas typically garner higher rents and seldom have vacancies.

Rental Tips

Apartment experts say that some detective work is needed to conduct a search that finds the most livable rental residence for the money.

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After you have weeded out a good apartment complex from many rent signs and/or listings, scanned the neighborhood you like for the best rental possibilities, you will be ready to scrutinize each property and landlord for shortcomings. It is easy for a prospective tenant to gather quick clues about the general care, maintenance of the building, and cleanliness of the area overall. Try to talk to the tenant who is vacating the apartment you are planning to rent. He or she can tell you a great deal about the pluses and minuses of living there. Here are some tips for inspecting the inside of the apartment:

Is it clean? Carpet should be cleaned and walls/ceilings should be freshly painted. Does the apartment have a bad odor? It could be a tip that the prior tenant had a pet or cooked spicy foods.

Check room sizes with a floor plan. Make sure the furniture that you will be moving will fit. Is the bedroom near the bathroom? Does the dining room adjoin the kitchen?

Inspect kitchen appliances. Check the stove to see if all burners work. Does the range have a hood with a fan? Is the oven self-cleaning? Is the stove gas or electric? If it is gas, you may have an extra monthly charge for cooking gas. This would also be true if you had a gas clothes dryer in your unit. Check out the refrigerator/ freezer for storage space. Is there enough counter and cabinet space? Don't forget to keep an eye out for bugs, especially in a high-rise building.

Inspect the central air conditioning and heating systems. Ask other tenants if there is enough heat in the winter. It can be costly if you have to buy or rent window air conditioning units. Is there enough storage space? Do you have enough closets for clothes, linens and general items. Are there built-in shelves and bookcases for books and DVDs? Do you also get a storage space that is not adjacent to the unit?

Does the building have special amenities such as a swimming pool, game room, barbecue area, and exercise room or tennis courts? Keep in mind that recreational amenities generally will increase your rent. You should consider what features you will really use.

How is the noise level in the complex? Have neighbors been playing music louder than you prefer? Are you located by a major airport, freeway or train tracks?

Do you need an apartment that takes pets? If not, do you want to live in an area that does? Do tenants appear to be cleaning up after their pets? What is the management policy for pet size and maintenance?

Rental experts suggest that tenants should tour several apartment complexes before placing a deposit on a unit. The minimum deposit to hold a unit is usually \$100. Prospective renters still need to fill out an application and pay an application fee. This will hold your unit while your employment, credit and rental histories are being checked out. This process usually takes 7 to 10 days to complete.

Considerations

KEY FACTORS

If you are planning to move out of your old home, you have a few options: you can sell it, rent it out, or leave it vacant. Since leaving a home vacant really doesn't do anything for your wallet, your best bet will be to either sell or rent your home. Before making the decision, it is best to consider a few key factors first. Naturally, if prices are skyrocketing and homes are not on the market for extended periods of time, then it would probably be best to sell in the future and reap a gain on your old home. However, if the market has excess inventory and it is a buyers' market, you might want to consider renting it out. Also, you can try using "capitalization rate" online calculator that will give you an assessment on the economic viability of renting or selling your property. And while renting your house is probably not going to make you millions of dollars, it will allow you to reduce your costs and hedge against a slow-down in your market. The following are a few tips and concerns if you are considering the new role of landlord:

- Landlords are entitled to tax advantages on top of their regular deductions of mortgage interest and taxes.
- Recommended that landlords budget 25% to 30% of the rent to put in a reserve for maintenance and repairs. This will leave you with about 70% to take as a profit and cover your mortgage and taxes. Ideally, you will have the renters pay for the utilities and insurance costs.
- You should think about how much you will want to interact with your prospective tenants. A property management company will charge between 3-10% of the rent, but will act as your intermediary.
- If you decide to go with a property manager, select and monitor them very carefully. If they commit a crime, you may be held financially responsible.
- Payments must be made even if the property is vacant and repairs typically cannot be delayed if there is a tenant on the property.
- State and local laws must be followed, with some municipalities requiring a certification for all owners of rental housing properties.
- If the mortgage was originated many years ago, more of the payment may be being applied to principal and you will be able to build additional equity into the home.
- Have the future tenants to fill out a rental application form, which will provide you with enough information to then conduct a background and credit check. These forms can be found online and make sure that you ask for permission before running the credit check. If they do not grant it you can always deny them the right to rent.
- Once you have the rental application, hire a tenant screening company to carry out a background check on your applicants; this will cost between \$20 and \$50.
- Ensure that you have a written and signed lease with your tenants that documents the important conditions and rules that will exist between you and your tenants, such how they will pay their rent, handling complaints and repairs, notice to enter the tenant's apartment, and all other key issues that you will need to address. There are plenty of standardized PDF and Word Document templates on line that you can use as a boilerplate.

- If you are renting out your property, make sure that you buy enough liability and property insurance in order to protect you from lawsuits by tenants due to injury, discrimination, and losses to your rental property due from fire, burglary, storms, and vandalism.

Selling your Home

Selecting an Agent

INTERVIEWING AND DUE DILIGENCE

When you have decided to sell your home, having a professional and experienced real estate agent will be crucial. From setting the right price to finalizing the deal, your agent should be your number one ally every step of the way. Finding an agent with significant experience that is able to be work on your behalf, be brutally honest, and market your property like it is the last home on the block will be essential in order to receive top dollar. For their service and attention you will pay though, according to industry norms the average sales commission is roughly 5%, which is why you need to get the most out of you agent. The following are a few tips that will help you select the most qualified and competent agent in your old neighborhood:

Pick from a Pool

Similar to when you are interviewing agents to assist you in buying a home, you should ask family and friends for references and conduct online searches through the National Association of Realtors and other real estate websites. Additionally, you should attempt to restrict your search to agents with the background and credentials that meet your needs. Agents that specialized in single-family homes, short sales, or condos typically advertise their expertise, this should be your areas of focus.

Review Their Marketing Plan

You will want your agent to provide maximum exposure for your home in the shortest period of time. In order to ensure that this occurs, you will want to review their marketing plan, which will give you an idea of how exactly they are planning on selling your home. Here are a few key items that you will want to see:

- A pre-listing home inspection to determine any possible concerns that you may encounter
 - Staging support and expertise that will help you cast your home in the most positive light possible
 - A single property website location
 - An instant response phone number to provide a personal touch to each potential buyer's phone call
 - "Just listed" notices to the neighborhood with a focus on key target markets likely to buy
 - A professional photographer to create pictures to attract buyers
 - A floor-plan if one is not already available to complement the photos of your home
 - "Take-away" fliers and comment cards for clients and agents alike to make sure your property stays on the top of their mind when they return from seeing your home
 - Online advertising to help generate buyer leads
- An open house schedule to promote your property to prospective buyers

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- Distribution plan for “open house invitations” around the neighborhood and local retail stores

Verify Their Sales Track Record

Perhaps you have interviewed ten agents and now you are down to only two or three and you can't decide between them. You should ask to see a track record of each agent's sales, paying close attention to what the original asking price of each home was and then the final sales price. This should give you a good idea of their ability to price effectively and negotiate on behalf of their clients. Typically, the lowest-fee agent will have the greatest price reductions and longer time on the market for each of their homes. The spread between an agent who may charge 4.5% and 5.5% is 1%, so you should ask yourself if you come out ahead if your price ends up being reduced because you have selected a lower-fee agent. Typically, they will have a track record of not getting the asking price for your home because they did not have the ability to actively market and work on your behalf.

Understand Their Pricing Strategy

According to experts, the optimal time to receive the best offer is typically within 30 days of putting your home on the market, which is why pricing it correctly is so essential. If it is priced too low, yes, you will receive an offer immediately, but you will be leaving money on the table; and if you price it too high, then you will receive little interest. Typically, questionable agents will do one of two things, either they will purposely provide you with an overly optimistic pricing strategy in order to win your business or they will low ball your actual value in order to make a quick sale. The best way to hedge against this is to make sure that they provide a comparative market assessment (CMA) so you can see what similar homes are going for within your area. Additionally, you should ask them if they have any knowledge as to what type of trends are occurring within your neighborhood. For example, maybe the city just announced a new parks development a few blocks away from your home or there is going to be a new monorail station being built in the area, these are all key selling points that can add value to the price of your home beyond the CMA.

If you are still stuck, ask your pool of agents how much they believe that your house could be sold for given the current market. If two of them quote you a price around \$400,000 and then one says \$500,000, then you should question the third's judgment. The higher bid is typically referred to as “buying a listing”, which is when an agent will come in with a higher bid just to get your business and disqualify the others.

Ask Questions

Remember, there are no stupid questions, so don't hesitate to ask as many as you want until you feel comfortable with the agent that you are going to select. Within the “Buying-Selecting a Real Estate Agent” section, there are some additional questions that are still applicable to selling your home. Such as how many clients are you currently working with and what is the level of support and assistance that you receive from your brokerage? Feel free to ask away!