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## 'When renting makes sense:' Durham's real estate columnist to longtime homeowners

Sometimes selling your home and renting makes sense, writes Lindsay Smith



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I had a conversation a few years ago with a couple in their late seventies. They had decided to sell their home and rent an apartment. They shared with me that they had been in the home for decades and wanted to remain, but when they reviewed their situation, renting became the best option.

I did some work researching their decision, and it made perfect sense. If you live in Durham Region, property taxes on a home are in the \$5,000 to \$8,000 range. As people age and begin to hire companies to do maintenance, it is not uncommon to spend upwards of \$2,500 yearly on yard maintenance and snow removal. Add to that insurance that is upwards of \$1,500 a year, and the cost of living in a home with no mortgage can be in the range of \$10,000 to \$15,000 a year.

Rentals in Durham Region for a two-bedroom apartment range between \$2,000 and \$2,500 per month. That means on the high side, an apartment will cost around \$30,000 a year. So, a homeowner trades \$15,000 a year in home costs for \$30,000 in rental accommodation. How does this make sense? Let's take a deeper dive.

The average detached home in Durham Region is selling for around \$1,000,000, and after selling expenses, moving costs and other expenses, the seller would pocket around \$930,000 (assuming the seller has no mortgage.) Invested in a low-risk investment that pays a four per cent return, their home equity would generate around \$35,000 per year in after-tax income. Once the homeowner sells and rents, their investment pays for more than their rental accommodation.

I have spoken with many older homeowners about how inflation and the rising costs of home ownership is stressing them out, such that renting has become a consideration. Many homeowners have their life savings invested in the home they live in and, given the up and down values of our market pre- and post-pandemic, the risk of values dropping is another factor in whether to move into a rental.

Another reason is the rising cost of rental apartments. With so many people opting for rentals, rents have been rising, in many cases faster than home values. Over the past year, rents in Toronto have increased more than 20 per cent, and closer to home, Oshawa rents have jumped up by 12 per cent. A two-bedroom apartment in Pickering is on average \$2,560 a month.

We are at a time in Ontario where there are too few homes for sale to meet demand and too many tenants looking for rental stock that is hard to find. We have not seen a “normal” market for the longest time, and it looks like we are in uncertain times for the next few years. My advice to the clients I am chatting with, if they find themselves stressed out by home ownership, is to do a breakdown of the costs of owning their home along with what they can expect if their equity is invested. Then they should do some research on available rental accommodation. Sometimes selling and renting makes sense and, with more mortgage rate increases in the future, this might be the right time to make a move.

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