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## Best Cities To Rent Your Next House

By [Ilyce Glink](#) | May 17, 2010 | [0 Comments](#)

There are millions of Americans for whom buying a house is simply not an option at the moment:

- **You're unemployed** or worry you are in danger of losing your job.
- **Your credit has been trashed** as you've struggle to cope in the worst recession since the Great Depression.
- **You haven't saved up enough money for a down payment, closing costs, and cash reserves**, all of which are now required by lenders.
- **You aren't ready for the responsibilities of owning a home**, like maintaining the property and making sure the taxes are paid.
- **You aren't sure where you want to live for the next 5 to 10 years**, or may be up for a transfer at your job.
- **Your personal life isn't settled** and it might be hard to predict where you'll want to live, or with whom (partner, spouse, or perhaps future children) and how much space you'll need.
- **It's cheaper to rent than buy.**

**Peggy Abkemeier**, president and CEO of **Rent.com**, tells me that her company looks at the "**Rent Ratio**" to figure out whether it's financially smarter to rent or buy a home in cities across America.

### *Calculating the Rent Ratio*

The rent ratio is calculated by taking the purchase price of a home and dividing it by the annual rent of a home of similar size, shape and amenities, and located in the same neighborhood.

"In a market where a 3-bedroom home costs \$500,000 to buy but \$24,000 per year to rent, rent ratio is 21," she explains.

"Experts vary in opinion where the tipping point is, but most agree its around 15. If the rent ratio is 15 or below, it makes more sense to buy a home rather than rent from a purely financial perspective," she said. "The higher the ratio, the higher a housing price spike is needed in future years to justify the purchase price."

I'd like to point out that the rent ratio is calculated on just the cost of the mortgage. It does not include taxes, insurance, or the cost to maintain or upgrade your home. So just imagine that the rent ratio is that much higher based on all of these other, regular costs to own and maintain your property. (And if your rental unit comes with free heat and air conditioning, that would raise the rent ratio even further.)

### ***Rent Your Next House Here***

For those who aren't ready to buy a home, the good news is that there are plenty of rental units available, many with great amenities and in great locations. And some come along with fabulous perks, like free rent and a furniture allowance, depending on the length of the rental. (The very best perks are for long-term leases.)

I asked Abkemeier to put together a list of the 5 best cities to rent your next house. Here are her suggestions, as well as the monthly rental costs for a 3-bedroom, 2-bath rental unit in those cities:

#### **#1: Best City to Rent: San Francisco**

**Rent Ratio:** 37

[1475 Fillmore Street San Francisco, CA 94115](#)

**Monthly Rent:** \$3,200-\$3,300 for a 3-bedroom, 2-bath unit

According to Abkemeier, it can cost twice as much to own in **San Francisco** as it does to rent."It varies by neighborhood, but renting could be a much better decision financially than buying."

In this rental property, you'll get all the modern amenities in this 3-bedroom, 3-bath rental unit, in a fantastic location with great views (depending on the way you face) of the city. The development offers a bunch of great amenities, including a clubhouse, fitness center, game room, pool, racquetball court, spa, hot tub, and parking.



#### **#2: Best City to Rent: New York City**

**Rent Ratio:** 21

Abkemeier says that in **New York City**, both the rental and and sales price vary widely based on type of building, location, and the "extent or lack of amenities." According to Trulia, the median sales price for 3-bedroom home is \$980,000 and average rent for 3-bedroom unit on **HotPads.com** \$3,800.

[271 West 47th New York, NY 10036](#)

**Rent:** \$4,000 to \$5,500 for a 3-bedroom, 2-bath unit

Billed as "Midtown's Premier Luxury Residence," this property has 270 units, and provides loads of recreational amenities, including this game room, a theatre, lounge, gym and complementary breakfast. There is also a 24/7 doorman, concierge, modern appliances and utilities are included.



### #3: Best City to Rent: Honolulu

**Rent Ratio:** 24

"In **Honolulu**, (we calculated) a 3-bedroom, 2-bath home can be purchased for \$540,000 or rented for about \$1,875 per month. That's a rent ratio of 24. Until housing prices come down, renting than buying is a better choice," Abkemeier explained.

[94-207 Waipahu Street Waipahu, HI 96797](#)

**Monthly Rent:** \$1,875 to \$1,949 for a 3-bedroom, 2-bath unit. As a bonus, only an \$800 deposit required

These three bedroom townhomes are set in a private gated community, according to the Rent.com listing. The Oasis at Waipahu offers swimming pools, business center, fitness center, and laundry facilities.



### #4: Best City to Rent: Tucson

**Rent Ratio:** 15 to 24

**Tucson**, like **Phoenix**, was grossly overbuilt during the housing boom. Homes that would have previously sold for a lot of money are now in oversupply, and not enough demand, Abkemeier says.

New houses rent for between \$740 per month to \$1,270 per month. The median sales price for Tucson is \$230,000, which is what gives the city a Rent Ratio of between 15 and 24, depending on where you buy.

"The question is, how long will it take to sop up the excess inventory? If there are great new single family homes, you might want to rent rather than buy. You don't want to risk buying a property but not being able to sell it. It's borderline from a Rent Ratio perspective, but I'd lean

toward renting," Abkemeier adds.

[1921 W. Hunter Road Tucson, AZ 85755](#)

**Monthly Rent:** \$5,000 for 4 bedrooms plus a loft, on two acres

This house is bigger than the 3-bedroom, 2-bath homes we've been profiling, but I really liked the grounds that come with the property. The main home is 3,400 square feet and there is an attached 1,900 square foot game room. The house has four bedrooms, a sleeping loft, four full baths, an eat-in gourmet kitchen, big-screen television in the family room, plus a newly-tiled Versacourt with tennis, basketball, and shuffleboard (or basically what my 12-year old son has been dreaming about).



## **#5: Best City to Rent: Los Angeles**

### **Rent Ratio: 24.5 to 32.9**

In major metro areas, housing costs can vary neighborhood by neighborhood. That's particularly true in **Los Angeles**. According to Trulia, the median sales price for a 3-bedroom, 2-bath unit is \$305,000. But if you want to buy a 3-bedroom condo in **Beverly Hills**, [foreclosures are listed for as little as \\$791,300](#).

Monthly rents vary as much. "Renting a 3-bedroom unit in the city can cost \$1,000. If you rent in **Brentwood** or near the beach, you might pay as much as \$6,700 for a 3-bedroom rental unit," Abkemeier explains. If you [rent a three bedroom condo in Beverly Hills](#), you might pay \$2,000 to \$3,700."



"Los Angeles can be an area where it makes sense to rent depending on neighborhood. If you're renting at the beach or in Beverly Hills, it may make more sense to rent because house prices are so expensive," she adds.

[11950 Idaho Avenue Los Angeles, CA 90025](#)

**Monthly Rent:** \$2,108 to \$4,800 for one to three bedrooms, and one to three bathrooms in West Los Angeles

This property offers poolside cabanas (does this remind anyone else of **90210?**), fitness center, spa, dry sauna, controlled entry access, and parking facilities.