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Rent Decision Not Just Location, Location

Knowing your short- and long-term financial situations is key when deciding to rent or buy.

By Gregg Greenberg, TheStreet.com Staff Reporter
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NEW YORK (TheStreet) -- Even with home prices continuing to drop, there are places where it makes more sense to rent than buy, according to Peggy Abkemeier, president of Rent.com, an *eBay* ([Symbol: EBAY](#)) company. Furthermore, Abkemeier says there are more important things than location -- believe it or not -- when it comes to the decision to buy or rent, such as knowing your short- and long-term financial situations.

Abkemeier recently spoke with *TheStreet* about the keys to getting the best rental deal possible.

Are there some cities where renting beats buying right now?

Abkemeier: There are cities like that. The rent ratio that we use indicates that there are certain cities where the price of the home is so high that you would need too big of a spike to get your money back. Manhattan and Santa Monica, Calif., are two cities that have a high rent ratio, and therefore it may make better sense to rent.

What about all the foreclosures in the market? Isn't this a good time to swoop in and buy a house on the cheap?

Abkemeier: It's definitely cheaper to buy than it was two years ago, but we always encourage people to look at their own financial situation. That's because there are a lot of costs of homeownership that even if the price of the home is lower than it was in the past, it may not be financially viable for every American.

How do you know whether you should be a renter or a buyer?

Abkemeier: We ask people to look at a few factors. First, their short-term financial situations. These are things like your stability with your job and whether you are comfortable that you will continue to earn the income that you currently do. And then your long-term financial situation, things like whether you can handle hidden costs in the future that may require you to need extra money, like an aging parent or education. And finally your lifestyle choices -- you need to know whether you can afford to buy in the area you want to live in.

If you are renting or planning to rent, how do you make sure you get the best deal possible?

Abkemeier: We always say that information is your friend, so it's important to know for the neighborhood or particular area you want to live in what you can get for your money and also what types of amenities are important to you. Using a site like Rent.com where we list apartments nationally, we allow you to enter your price range, your ZIP code, neighborhood and the amenities that are important to you, and then you can get a feel for all the comparative available properties that there are to rent and use that information to determine how much you should expect to pay in an area.

What are the characteristics of a renting city versus a buying city?

Abkemeier: The characteristics have to do with supply and demand, and therefore the costs to buy and the cost to rent. Using the rent ratio where you look at the average cost of a home to purchase and compare that to the actual rent should give you a feel for whether it makes sense to rent or buy. The higher the rent ratio, the more it may make sense to rent as opposed to buy.

-- Reported by Gregg Greenberg in New York.

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