

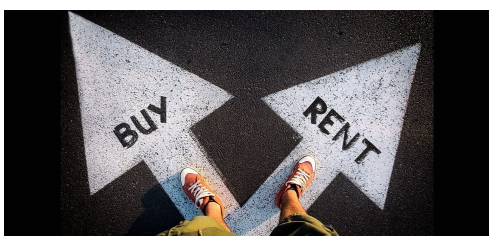
# Al Gage Report

May 2022

## Buy vs Rent Revisited!

Maslow's hierarchy of needs emphasizes that the most basic human need is shelter. It provides protection from the elements, and provides a place of storage and security for other basic human needs – food and clothes, and the “stuff” that all of us have.

For many of you, the letter from the landlord raising the rent again is a very real problem. We are currently experiencing the most expensive time in our history to obtain housing - either by renting or buying! But the rent versus buy decision is still essentially the same. You may have to adjust your wish list based on budget and qualification concerns, but that math is the same whether you rent or buy!



I was watching the news and they gave a quick line of 4 questions to determine whether you should rent or buy. Those four questions were

1. Where do you live?
2. How long will you live there?
3. What are your monthly payments?
4. Are you financially fit?

None of these address the question that was asked, with the possible exception of the first two, and even then not directly. Where you live can alter the rent or buy question based on the relative price of rent in an area

versus the price of buying in the same market. Generally, one part of town varies greatly from another part of town on price, quality of life and ease of travel, but there is not much disparity between the two on rent prices versus sales prices. Demand to live in a good area is universal across rent or buy situations within a location.

The other question about how long you intend to live there is important but misleading. Everybody intends to live in their current home for the rest of their lives when they purchase the home and indeed some make it for a very long time. Those pesky statistics say the average time in a particular home is between 3 and 7 years. With the front end of that statistic being 3 years. Unless you know you are moving to another location in less time than that, it really does not apply to the situation. Many factors can alter this equation: changes in marital status (good or bad); changes in job status (job loss, promotion or transfer); or changes in health status (illness or even death) are just a few.

The last two questions are solid advice questions, but they really don't help you determine whether to rent or buy. IN MOST CASES, the financial difference in the ability to qualify to buy and the ability to qualify to rent a single-family home are very close to the same.

Financial institutions will allow you to qualify for a monthly payment equivalent to 29-33% of your gross monthly income. Professional management companies require 2.5 or

Continued on page 2

1

Buy vs Rent Revisited!

2

Cover Article Continued

Terri's Tips: Moms!

3

Subscribers Win

Featured Listings

What's My Home Worth?

4

Sales Statistics



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3 times the gross income to qualify to rent.

The only real difference in the qualification is the debt-to-income ratio and credit scoring differences between the two scenarios. Credit scores and debt to income ratios are slightly more lenient for renting than buying. The nature of our question assumes that you have the ability to either rent or buy, so we won't discuss the differences any further. The real question is "**SHOULD** you rent or buy?"

The answer is probably rent if you **KNOW** you will be transferring within 18 months, can't qualify to buy, don't have the required down payment and closing costs (although the entry funds to rent are not insignificant) or are really pretty unsure of your employment future.

In almost all other cases (and even in some of those cases), you are going to be better off to buy rather than rent. The math on this equation is pretty simple as is the logic. As opposed to renting, and assuming that you do not refinance and pull equity out of your home, you are locking in the maximum monthly

payment you will have to pay for your home except for increases in taxes and insurance. With rents continuing to increase year after year, this alone should be enough to solidify this decision to buy.

If I throw out the insane appreciation, we have seen in 85392 the past year of 35% and in 85340 of 22% (I think this is wrong but this is what MLS says), and go back to historical averages of 3-5% appreciation this is how the math works. I buy a home in our neighborhood for the average price of \$450,000 in today's prices. My monthly payment on a mortgage of \$400,000 is \$2436 PITI versus my current rent price of \$2500. The home appreciates the minimum of 3% per year for the 3 years that I own the property. Rent also raises at an average of 3% per year. In three years, my house payment is still \$2436 I owe \$375,989, but my home has appreciated to \$490,500 so I have gained \$40,500 in appreciation and paid off \$24,011 in debt making a net gain of \$64,511. As opposed to my rent having now raised to \$2775 and I literally

have nothing to show for it except the smile on my landlord's (likely a big corporation) face.

I would love to sell all of the tenants reading this a home, but for you seller's this is also good news. As long as this math equation remains the same, there is not likely to be the big, dramatic market crashes that we saw in 2008 and 2009. That does not mean to say that this market of 30% increases a year is sustainable. It has to slow to a crawl at some point and return to historical averages. I am shining up my crystal ball to have that answer for you next month.

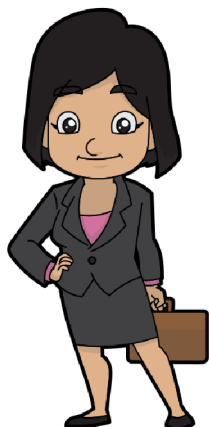
I would also implore you not to fall victim to the high dollar, misleading advertising that is praying on everyone's desire for convenience and getting you a price that is **MORE!** More than what?

If you want to work with a team of professionals with a proven track record of getting the highest price, in the shortest time, with the least amount of hassle, give the Al Gage Team a call at 623.694.9004 or email us at [al@algage.com](mailto:al@algage.com)

Find us on  
/AlGagePC



## Terri's Tips: Moms!



May is the month we celebrate our Mothers! I thought you would enjoy this tribute to moms:

Mom

1. Someone who endures countless sleepless nights, loves unconditionally, leads by example, nurtures, supports and listens.
2. Someone who sees the best in her children even when they drive her crazy.
3. A role where her children will always need her, no matter how old they get.

Anonymous





## Subscribe Online & Get Your Subdivision Report!

Go to [www.al@algage.com/SubscribeToENewsletter.html](http://www.al@algage.com/SubscribeToENewsletter.html) or just send us an email with your address and subdivision. We now offer individual subdivision reports. Stay up to date with the current news, right in your inbox. Subscribers are placed in a drawing to win a set of FREE gift cards! 2 gift cards will be given out this month! Please share this opportunity with family, friends, and neighbors.

## featured listings



### 2334 N 112th Ave

A spectacular Brady Model on the lake in Crystal Gardens that has it all. Granite counter tops, remodeled baths, marble tile floors, lap pool and spa, lakefront, high output solar on a cul-de-sac lot.

**Listed by Al Gage for \$615,000**



### 1805 N. 114th Ave.

A spectacular home featuring over 3200 S.F., 4 BR, 3.5 BA, two owner's suites, two pergolas, sauna, spa and 3 car garage in Donatela Phase 1!

**SOLD by Al Gage for \$565,000**

## What's My Home Worth?

Email Al at [al@algage.com](mailto:al@algage.com) with the address, a list of upgrades, the current condition of the property rated < from 1 being terrible condition and 5 being model perfect > and he will personally prepare a professional market analysis of your home free of charge.

Use "What's my home worth?" in the subject line and also include the purpose of the evaluation in the email.

*No automated valuations here!*

Want a current and local Market Update? Go to [www.algage.com/May2022MarketUpdates.html](http://www.algage.com/May2022MarketUpdates.html)

In 2021, Al Gage successfully represented **133%** more clients than the closest competitor and **216%** more than the average of the Top Ten Agents in your neighborhood! #1 in your neighborhood eight years in a row!



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Goodyear, AZ 85395

# Hello.

Interesting And Helpful  
Real Estate Info  
Just For You

Local Postal Customer

## Over 1400 Homes Sold in Avondale and Litchfield Park!

Subdivisions	Home Levels	2020 Sales #s	2020 Price/SF	2020 Days on Market	2021 Sales #s	2021 Price/SF	2021 Days on Market	% Change In Price per SF	April 2022 Sales #s	April 2022 Price/SF	April 2022 Days on Market
Cortes Sierra/Sage Creek/Las Palmeras	1	61	167.3	23	66	211.0	21	26.12%	2	244.7	5
Cortes Sierra/Sage Creek/Las Palmeras	Multi	31	138.7	36	49	174.7	24	25.95%	5	207.1	28
Crystal Gardens, Crystal Ridge, Crystal Point, Upland Park and Donatella I	1	99	162.1	35	84	212.7	16	31.21%	9	268.2	29
Crystal Gardens, Crystal Ridge, Crystal Point, Upland Park and Donatella I	Multi	32	135.3	37	34	180.1	22	33.11%	1	230.6	29
Garden Park, Palm Meadows, Palm Gardens and Donatella Phase 2	1	29	156.3	27	37	221.6	20	34.77%	2	253.2	4
Garden Park, Palm Meadows, Palm Gardens and Donatella Phase 2	Multi	17	120.5	30	15	162.4	30	41.77%	2	203.9	16
Rancho Santa Fe	1	68	160.2	29	85	213.9	17	33.52%	6	254.9	16
Rancho Santa Fe	Multi	36	136.0	28	39	184.5	25	35.66%	4	224.2	28
Westwind and Glenarm Farms	1	15	168.3	44	17	218.3	15	29.70%	0	0	0
Westwind and Glenarm Farms	Multi	12	128.2	44	12	198.1	27	54.52%	1	202.0	20
Wigwam Creek South and Bel Fleur	1	76	159.2	22	52	215.9	21	35.61%	6	252.8	15
Wigwam Creek South and Bel Fleur	Multi	37	116.0	35	29	148.6	21	28.10%	7	181.4	53