

# Co-buying vs. Renting

Buying together could be cheaper than renting (even over the short-term).

If you're both spending \$1,500 a month on rent, you could be paying off your own mortgage (not a landlord's).



**Real Listing:**  
 New Townhome  
 Georgetown, Seattle  
 \$525,000  
 2 beds / 2.5 baths  
 1,270 sq. ft.  
 Patio, off-alley parking

## Two people buying together vs. renting:

after 3 years → **\$14,293** better off (each)  
 after 5 years → **\$44,333** better off (each)  
 after 7 years → **\$78,419** better off (each)

	Renting	Co-owning (selling at end of term)
Involved Parties	2 renters	2 co-owners
Price Increase	3% per year (rents)	3% per year (home value)
Down Payment + Closing Costs	-	\$13,600 each <sup>1</sup>
Monthly Housing Expense		
Year 1:	\$1,500 each	\$1,666 each <sup>2</sup>
Year 2:	\$1,545 each	\$1,666 each <sup>2</sup>
Year 3:	\$1,591 each	\$1,666 each <sup>2</sup>
Net Housing Expense (3 years)	\$55,636 each	\$41,344 each (net)

### Assumptions

- 30y fixed mortgage with interest at 3.990% and combined down payment at 3.5%. Both co-buyers assumed to be employed, primary occupants of the property, have credit scores >= 720, qualify for a loan, split down payment & PITI payments equally.
- For IRS purposes, both co-buyers are "Individual Taxpayers" with 2017 Standard Deduction \$6,350 and assumed individual marginal tax rates of 25%
- Closing costs (purchase) assumed at 1.75% at purchase, closing costs (sale) include broker fees at 6%, excise tax at 1.78%, plus an additional 0.5% of sale price
- Annual property taxes assumed at 1%

<sup>1</sup> 3.5% down payment + closing costs calculated at 1.75% of the loan amount  
<sup>2</sup> Includes Principal, Interest, Taxes, Insurance, and Private Mortgage Insurance

Based on comparison between total amount spent on housing in rental case (monthly rent over the term) versus as co-owner of a home (down payment + closing costs + PITI over term including PMI + net proceeds upon sale at conclusion of term + tax benefits due to mortgage interest tax deduction, property tax deduction, PMI deduction). Calculations are shown for illustrative purposes. Many factors may impact the cost of buying and owning a home.

