

Millennial challenge: Do I rent or do I own?

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Mike Smalling is a mortgage loan originator with F&M Mortgage and is a lifer in mortgage lending. He recently penned a book entitled “Your Mortgage Matters,” and the work provides information for those new to home buying, as well as those that have bought and sold numerous homes.

The book includes a chapter he calls “Rent Versus Own,” which is timely since there is great debate in real estate as to the millennial position on whether to rent or own.

The recent bumper crop of apartments sprouting from Nashville’s fertile soil and their subsequent absorption supports those who feel millennials are more prone to rent than purchase.

Smalling’s book contains a mountain of information and views of Stan Smith, an investment guru. Smith’s view as to why persons choose leasing is that they may fall into one of five categories the first of which is that they cannot qualify for a mortgage – no cash, job or credit.

Others do not want to be strapped with debt, while some worry about prices falling, an understandable concern for those who entered the market before or during the Great Recession.

There also are those who simply do not want to deal with the maintenance involved in home ownership, as well as those that feel the process is too expensive.

Stan Smith, channeled through Mike Smalling, says the reasons people purchase homes are fivefold, as well. “They have to live somewhere anyway, so they might as well get ownership rights,” he begins. Another reason may be “a hedge against inflation” since rental rates might increase, but fixed mortgages remain the same.



He also cites the tax benefits of home ownership and the “forced savings” aspect inasmuch as the mortgage payments reduce the balance of the loan, thereby increasing equity.

Finally, Smalling writes, buyers “realize that buying a home is a leveraged investment if they have a loan. The house goes up in value the same whether there is a loan or not. The leverage of the loan allows for a higher return because the increase in value provides a greater return due to less invested initially.”

Love them or hate them, the Nashville area's trend of building two two-story homes where one house once stood is offering homebuyers amenities they probably wouldn't have gotten in the older model.

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In addition to his book, Smalling also sends a weekly newsletter. This week he quotes Barry Habib – “one of the best-known prognosticators of mortgage interest rates” – as saying interest rates will fall this year due mainly to falling oil prices.

In other good news in the good newsletter, Smalling referred to an announcement by President Obama that FHA would lower its

annual mortgage insurance premiums from 1.35 percent to .85 percent, and that alone would lower the payment on a \$200,000 loan from \$217 to \$137 per month according to Smalling.

Now, if there were only a few houses in inventory....

Sale of the Week

Like 'em or hate 'em, these HPRs are moving.

Throughout the land, horizontal property regimes (HPRs) are dotting the landscape and, in the opinion of some, “blocking up the scenery, breaking their minds” to quote the Electric Five Piece Band/Tesla song. Well not so much the Tesla version, as the original was more suitable for public consumption.

These homes are a bane for some and home, sweet, home for others. They also are gambles that are paying off for developers and builders, while the jury is still out for those who invest in the properties for resale.

There are so many brand-spanking-new HPRs that it is difficult for older, like three- or four-year-old homes to compete.

John Brittle, who leads the Infill Nashville brigade that has charged to the front lines in the redevelopment of standalone lots throughout the city, has achieved startling success for a wide range of builders who all build, basically, the same product.

Proponents of this process, also known as buyers, love the product as they are able to buy – three bedrooms, two and a-half baths with large walk-in closets and kitchens well-appointed with granite, stainless steel and open into gathering, keeping, or family rooms.



2804 Vaulx Lane, B

These houses have new roofs, of course, and new everything such as appliances, roofs, HVACs and siding.

In short, there should be no large, unexpected expenditures in the next 10 years or so, and that is comforting to first-time homeowners – or last-time homeowners, for that matter.

The opponents of HPRs, also known as neighbors, complain about the process, saying it robs their neighborhoods of charm and character. To be fair, updating vintage homes to fit today's lifestyle can be a daunting undertaking, as builders never know what they will discover once the renovations begin.

The older homes that most HPRs replaced had small closets, antiquated bathrooms and kitchens, and nice 35-year-old carpet covering the hardwoods adorned with water stains and, in some cases, evidence of pets long gone.



A larger, modern kitchen is one perk of new construction.

The HPR at 2804B Vaulx Lane is an attached HPR, meaning it shares a common wall, however slightly, with its neighbor. Some HPRs are detached, but they lose the energy savings associated with adjacent neighbor.

Christie Wilson, who was recently named the CEO of Parks, the company formerly known as Bob Parks, was the listing agent.

The house features 2,450 square feet, three bedrooms, two and a-half baths and 10-foot ceilings for \$525,000. Being in the 12South area, the house sold in 14 days for list price, as the 12South area is in high demand.

At \$214 per square foot, the price is reasonable, as some have gone for as high as \$235.

Those had two-car garages, and this one has a one-car garage.

Bob Parks scored a real coup with the acquisition of the Wilson Group, and Wilson is not resting on his laurels, bringing the Cindy Stanton Group into his legion.

Stanton is the current president of the Greater Nashville Association of Realtors and has been the leader in foreclosure transactions for years.

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