



WHY YOU SHOULD RENT AND NOT SELL YOUR HOME IN NORTHERN COLORADO



THE TEMPTATION TO SELL

Northern Colorado is currently experiencing a record-breaking real estate market with all-time high home values and starter and mid-range homes selling in a matter of weeks, often for more than the asking price. According to the Colorado Association of Realtors, the average sale price of a single family home in Larimer County in March 2017 is up 5.6% year over year, while the average sale price of a townhome-condo is up 14.1% year over year.

[Source](#)



If you're a home owner in this booming market, you might have considered selling your home to cash in on the increase in home equity. While it might be a tempting opportunity, we believe strongly that it is in fact not a good time to sell, and that **it would be smarter to move out of your current home and convert it into a rental!**

RENTAL DEMAND IS HIGH

Rental rates have increased just as much, if not more than real estate prices in the past few years in Northern Colorado.



According to the most recent data from the US Census Bureau, median rent in Fort Collins in 2014 was at an all-time high of \$1,022, up 5.69% in 3 years. They also reported that in 2014 Fort Collins had a rental vacancy rate of 3.77%. In the past two years, **the average rental rates have continued to climb**, and vacancy has remained incredibly low.

[Source](#)

Because of the high rental rates and low vacancy, you could potentially earn extra money every month (after covering the mortgage and all expenses) by converting your home into a rental. When managed effectively and vacancy is kept to a minimum, a rental provides a consistent and lucrative cash flow every month, instead of a one-time cash-out of equity during a sale. Why not hold onto an asset that is increasing in value in a high-demand area, while allowing tenants to pay down the mortgage?



COLORADO LEADS THE NATION IN POPULATION GROWTH

Northern Colorado continues to be an attractive place to live, and Colorado's population consistently grows every year; **it's a good bet there will be a continued demand for quality rentals in the area for decades to come.**

According to the most recent data from the US Census Bureau, Colorado's population increased 1.89% year over year from 2014 to 2015, making it the 2nd highest percentage growth in the country.

[Source](#)

GROW YOUR CASH FLOW



Even with a high mortgage payment, you can likely cash flow a profit every month by keeping your home as a rental.

If you own a 4 bedroom/2 bathroom house in good condition worth \$300,000 in Fort Collins, your mortgage payment is likely around \$1,400 per month. In 2016, houses of that size rented in Fort Collins for \$2,000+. A covetable location or nice amenities (2 car garage, quality dishwasher, newer washer & dryer, kitchen upgrades, etc.) can bump the rental rates even higher.

PROPERTY MANAGEMENT: WORRY FREE RENTALS



If you'll be living outside of the area, or otherwise don't have the time or patience to manage a rental property, **then property management might be a great service to consider.** Property management fees are affordable (usually around 10-12% of rents) and can be calculated into your cash flow equation.

A property management company will take care of finding and screening tenants, collecting rent, and dealing with any property issues. **Often a property management service pays for itself by reducing vacancies and improving the professionalism of your rental offering.**

SELLING A HOME CAN COST A LOT



Remember that the profits you are looking forward to with the sale of your house will be reduced by the costs associated with selling a home. Generally, a seller can expect to pay:

- Maintenance and fixup costs
- Mortgage and utilities for any time the house is empty
- 5-6% commission to real estate agents
- Thousands of dollars in closing costs
- Potential capital gains taxes on increased value (up to 20%)

These costs can significantly reduce the amount of cash you end up with after a sale. Sometimes it makes more sense to hold onto a property instead of paying all of the expenses to sell. If you really need to access some of the equity in your home, you may be able to get a home equity line of credit with very low set up fees.

RETIRE TO NORTHERN COLORADO?

Even if you're planning to move out of the area for work or family reasons, there's no denying that Northern Colorado is an awesome place to live. If there's even a small chance you may want to move back to the area for work, or to retire here later in life, holding onto a property is the smart long-term plan.

You might think of owning a rental as an annoyance you don't have time to deal with now, especially if you're living outside of the area, **but with good property management it can be completely stress-free.**



Call: 970.663.6311



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