Renting a Home

What are some advantages and disadvantages to renting a home instead of buying?

Advantages

Disadvantages

Terminology:

Tenant: someone who rents accommodations

Landlord: a person or organization that owns and rents

accommodations to others

Lease: a written agreement that outlines the conditions

and terms of the property rental

Fixed

Expenses: regularly occurring expenses that are the

same from one period to the next (often

monthly) ex. rent payments

Variable

Expenses: expenses that may change in frequency

and/or amount ex. groceries, utilities

Utilities: services such as water, electricity, and heating

Example 1 Melanie is in her third year of college and is a tenant in the basement apartment of a house. Her rent is \$525 per month plus utilities. Every two months, she receives an electricity bill that averages \$130. Every four months she receives a water bill for approximately \$220. Every month, she receives a cable bill for \$53. She also purchases a \$10 cell phone time card each month.

a. Calculate Melanie's average monthly expenses.

b. Estimate her total expenses from September to April.

Example 2: Often renters pay a rental deposit equal to one

month's rent. This is commonly called paying first and last month's rent. Sometimes, utility providers require a deposit from new customers before the utility is connected.

John and Susan are moving into a townhouse. Monthly rent is \$875. Their landlord wants them to pay first and last month's rent before moving in. The local electricity provider requires a \$200 deposit to set them up as customers. The local natural gas provider requires a \$150 deposit. How much will John and Susan be required to pay before they move into their apartment?