



## How to own a home

Despite the affordability crisis, there are possibilities out there. But first, you have to do some, er, homework

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The recent Vancouver Sun headline says it all: It takes "70% of your income to buy a house" in Vancouver.

Affordability deteriorated in the first three months of 2007, and an analysis of real estate trends in major cities across the country confirms that Vancouver's affordability is off the scales -- and there's no letup in sight as long as unemployment stays low and the commodity boom continues.

Looking down the road, the possibility of a housing slowdown (not "collapse," as others predict) in B.C. exists for after the Olympics and given the slowdown in the forestry industry, but how many people can really wait until then?

While some may wait and hope for the market to cool off, there are a number of strategies prospective homebuyers can use to get in now.

The first one is rent here and invest elsewhere. If you had purchased a house for investment purposes in Edmonton two years ago, the value of the house would have gone up by 90 per cent, while your rental cost here would have stayed the same.

Analysis by the Real Estate Investment Network shows that Edmonton continues to be the No. 1 market in North America for future real estate investment gains. Continuing oilsands development and the accompanying secondary industries means the real estate outlook is very bright in many parts of Alberta for years to come.

Do your homework and analyse the fundamentals of real estate purchasing.

One question to ask is: Where can I find real estate that offers above-average returns in Canada? The answer may involve investing in other provinces or cities that have major job initiatives, such as Fort St. John and Dawson Creek. It's not good enough just to buy any piece of property and hope for the best; you must determine which cities and towns will offer the best returns.

Another key initiative that investors should be paying attention to is any transportation improvements and how these will affect property values. These

days, people measure their commute in minutes, not kilometres. If a transportation improvement can reduce that time, more people will want to live in that area and prices will be stronger.

In the Lower Mainland, the proposed Gateway transportation project will have a positive effect on key areas in the region (our detailed research report on this topic can be downloaded free at [www.reincanada.com](http://www.reincanada.com)). Another example is occurring in Edmonton, where the southern extension of the LRT will boost property values south of the University of Alberta, and the ring road will drive values in the outlying regions of the city.

Another idea involves adjusting your target. Currently in the Lower Mainland, monthly payments for an average townhome are using up only 49 per cent of your income, while condos are 33 per cent, far less than the 70 per cent required for a house.

Look to growing suburbs such as Abbotsford and Surrey. Buying a house in the suburbs or Fraser Valley is more affordable, and may offer more upside and protection against a potential downdraft in the market.

Our analysis released last year on the impact of the B.C. government's Gateway transportation improvements anticipates that the bridge and road improvements will deliver 15- to 20-per-cent increases in property values in selected regions like Maple Ridge and Abbotsford. This is over and above the prevailing value trends.

But do your homework. Don't just buy near a rapid transit line or highway and hope for the best; that's not investing, it's speculating. Our research shows that if you're too close to a new highway, your value may drop for the first few years before it starts to deliver stronger gains.

Carefully analyse all the fundamentals before making a buying decision. Research shows that properties within 800 metres of a new rapid transit station will increase more quickly than the surrounding area.

Also assisting those who want to buy a home in the Lower Mainland are the recent changes in the Canadian Bank Act. The minimum down payment (without getting mortgage insurance) has dropped from 25 per cent to 20 per cent, thus enabling you to buy more house for your dollar. You could also amortize your mortgage over a longer period, up to 40 years.

Help yourself along the way by looking for properties with built-in mortgage helpers. These are the in-law or secondary suites that many municipalities have now legalized. They help provide you with in-come, thus reducing your overall monthly cost of living in the property.

Finally, a trend that is growing increasingly popular in the Lower Mainland and other high-cost areas is the strategy of equity sharing. This is where you work with someone else (often a family member or parent or friend) who has the ability to come up with cash, often from equity in their current home.

They provide the down payment, you pay the monthly operating and mortgage payments and the two of you share home ownership or the increase in equity as

the property value increases.

You get into a property you might never have afforded, and they can put their money to work in the market without the hassles of tenants they don't know. The key is to ensure that you have a clear and written agreement before you do the deal. Have a real estate lawyer review your exit strategy and exactly what will happen when the time comes to sell. Clarity will be vital so that any disagreements are minimized.

The bottom line is, as the market becomes increasingly more difficult for people to get into, homebuyers need to be more creative and think less traditionally. If done right, you won't miss out on the strong equity gains that others are already enjoying.

Always do your homework before you buy, and adjust your thinking so you can get onto the property ladder. The old adage is still in play: "Don't wait to buy real estate . . . buy real estate and wait."

Don Campbell is a Canadian researcher, investor and author of the bestseller Real Estate Investing in Canada.

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