



BRIDSON
REALTY GROUP

LUXURY REAL ESTATE



Signature

INDEPENDENTLY OWNED & OPERATED REAL ESTATE BROKERAGE

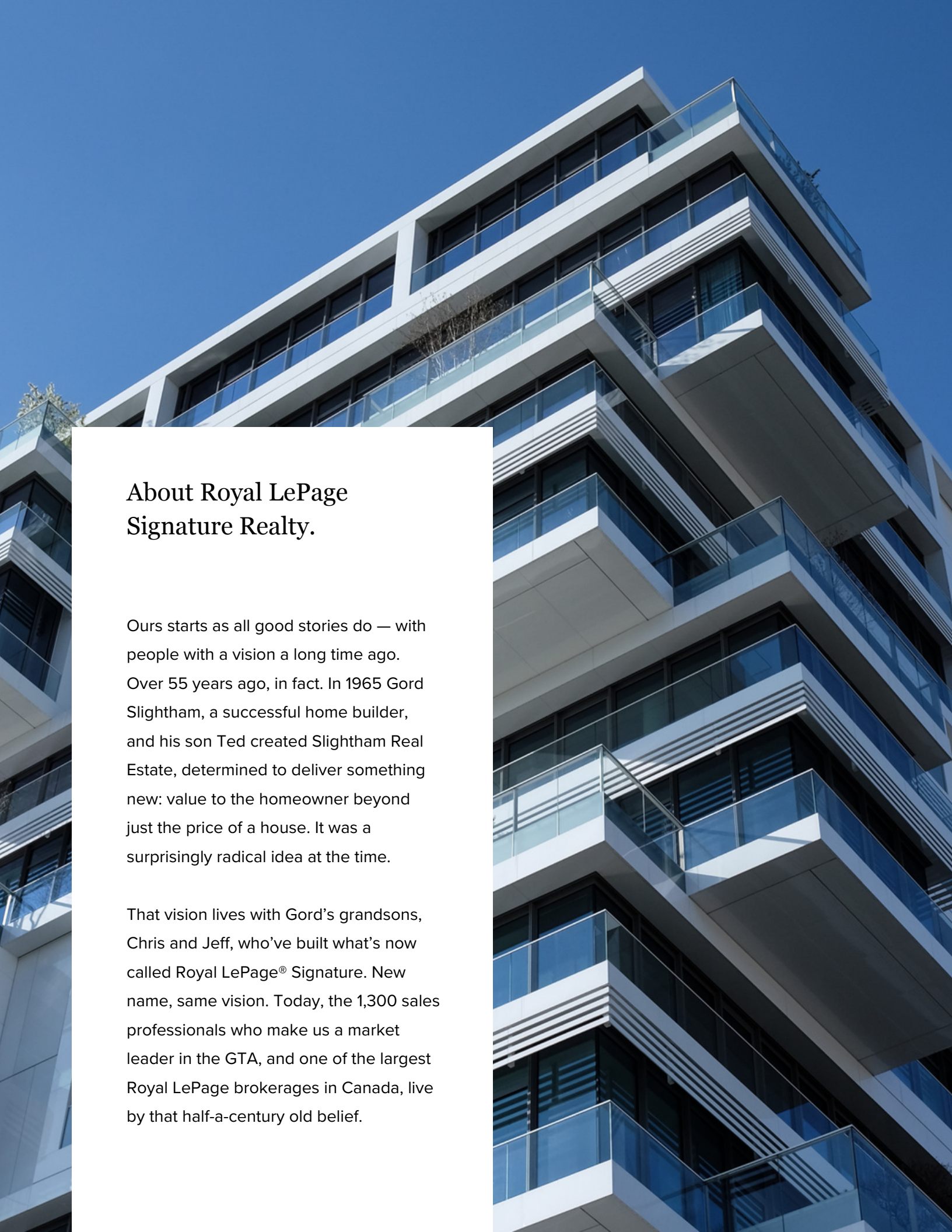
RESOURCES

Real Estate Investing Guide

At Royal LePage Signature Realty, we want you to be prepared for any and all types of real estate transactions. This guide is a great start!



Access all of our guides and resources on our website.



About Royal LePage Signature Realty.

Ours starts as all good stories do — with people with a vision a long time ago. Over 55 years ago, in fact. In 1965 Gord Slightham, a successful home builder, and his son Ted created Slightham Real Estate, determined to deliver something new: value to the homeowner beyond just the price of a house. It was a surprisingly radical idea at the time.

That vision lives with Gord's grandsons, Chris and Jeff, who've built what's now called Royal LePage® Signature. New name, same vision. Today, the 1,300 sales professionals who make us a market leader in the GTA, and one of the largest Royal LePage brokerages in Canada, live by that half-a-century old belief.

What are your investment goals?

If you've decided to invest in real estate, you're already off to a great start by reading this guide. Being prepared is the first step in ensuring a smooth transaction.

Before going out and looking at properties, you're going to want to determine what your goals are; are you looking for something completely hands off and turnkey, or are you looking to passively build wealth while also providing yourself with a place to call home?

Consider the following in order to help you create a plan of action for your investment. Once you have decided what your goals are, your Realtor can help you create a plan of action, and advise on which types of investments are right for you (we cover the three main types of residential real estate investments on the next few pages).

CASH RETURN

Is it important that you break even or maintain a cash-flow positive income each month?

APPRECIATION

Are you looking for something you can hold onto, and then sell for a higher amount when the time comes whether or not you're living in it?

MORTGAGE PAYDOWN

Is it important that your involvement is minimal, and your main goal is to have someone else (a tenant) help pay down your mortgage every month?

MAINTENANCE

How involved are you willing to be in the day to day? Will you be able to maintain the property yourself, (either with the skill set or available time) or will you need to hire a property manager to keep everything running smoothly?



What investment is right for me?

The following page outlines the three main types of investments. Remember, you'll need to consider factors like capital gains, income taxes, maintenance and landlord responsibilities/time when deciding which of these options may be right for you! (we strongly encourage/suggest you consult with an accountant and mortgage specialist to ensure you have all the accurate information necessary to make this decision).

Investment Options Overview



Buying a Condo

Pros:

- Generally low maintenance
- Amenities/parking/storage locker are appealing to renters
- Easy to find comparables when pricing (other units of same size/layout in the building or area)
- Generally lower initial investment, easier to get into the market
- Often more utilities covered in rent by way of maintenance fees, translating to higher rental rates
- Access to a wider range of buyers on the resale side (can cater to first time buyers or investors)

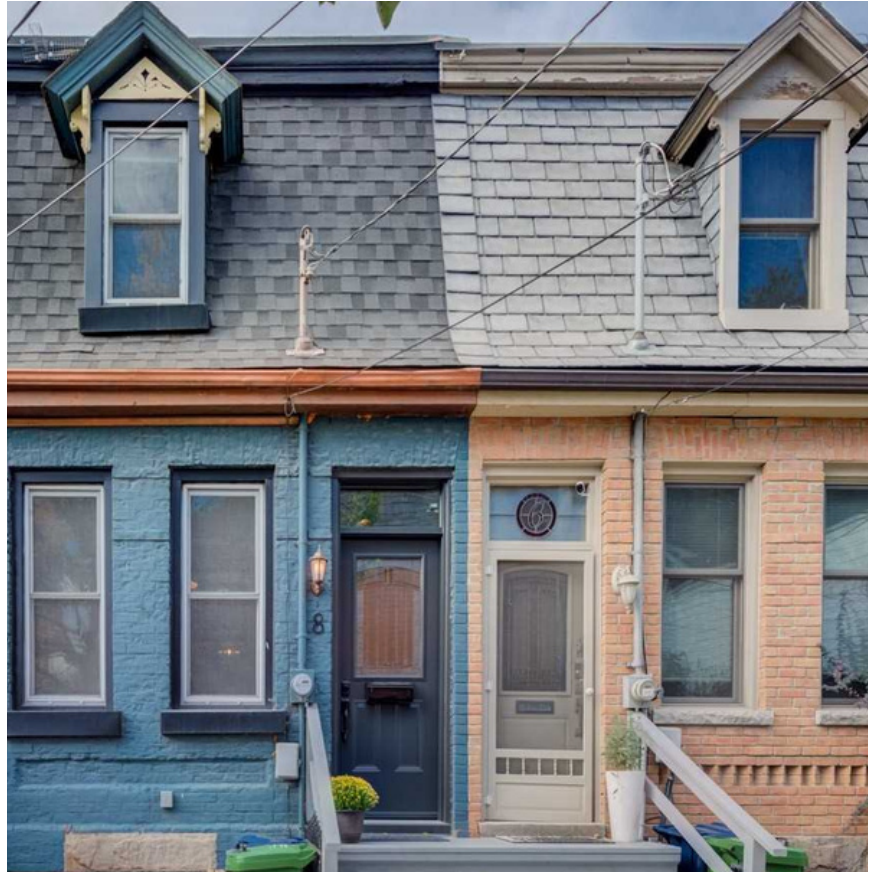
Cons:

- Less room for improvements and value; no option to create multiple units for more tenants
- Easy to hit your cap on value when going to re-sell (there are only so many improvements you can make to a one bedroom condo to increase it's worth!)
- Rental rates and sale prices are often dictated by similar units in the area or direct vicinity. Buildings with a lot of units are more vulnerable to sellers who can drive the price down (the need to sell, don't properly showcase the unit etc.).

Investment Options Overview

Live-in Property

DUPLEX, TRIPLEX, ETC.



Pros:

- Option to live in the home while having a tenant contribute to the mortgage pay down
- Reduced living expenses for yourself, as hydro/internet/heat etc. can be shared among units
- Close proximity to your tenants will make it easier for you to respond to requests/repairs faster (this availability could also be viewed as a con!)

Cons:

- It can be difficult to deal with noise/cooking smells/any shared spaces with tenants
- It may pose a challenge when selling if your tenant wants to continue their lease
- Higher entry price points for initial buy-in
- If issues arise, they can pose challenges when selling (timing up tenant's leases, and new owner possibly wanting vacant possession)

Investment Options Overview

Buying a House



Pros:

- Option for multiple units = more income potential
- Generally faster appreciation
- Options to add value for a higher eventual sale price with renovations, additions, landscaping, etc.
- Opportunity to own a more unique space. Toronto is saturated with many condos and many tenants seek rentals that are unique or may cater to a home for families ie. backyards, neighbourhoods etc.

Cons:

- Responsible for all maintenance and repairs
- Older homes may need renovations before listing them for lease
- If there are more units, there's more turnover with tenants which can add expenses and time spent
- Higher entry price points for initial buy-in
- If issues arise, they can pose challenges when selling (timing up tenant's leases, and new owner possibly wanting vacant possession)

Terms You Should Know

ROI: Your Return on Investment is the percentage of invested money that you recouped after you deduct associated costs.

Duplex: A building consisting of two individual units.

Triplex: A building consisting of two individual units.

Secondary Suite: A self-contained residential unit with a private kitchen, bathroom facilities, and sleeping areas within a dwelling or within structures ancillary to a dwelling (ie. laneway house).

Capital Gains: The profit from a sale of a property - this is what you will pay if the property is not used as your principal residence, and is strictly an investment.

Cash Flow: The total amount of liquid assets (money) being transferred into and out of a business.

Investment Income: Profit made through an investment vehicle of any kind, in this case a property. You will need to pay tax on any income you receive from a secondary suite or investment unit/property (there are strategic ways to manage the financials on an income property, such as incorporating, that your Realtor can advise you on).

Vacancy Rate: is the percentage of available units in a condo or apartment complex.

Cap Rate (capitalization rate): The expected rate of return from a rental property. You can calculate the cap rate by dividing the net operating income by the current market value.

Gross Rent: A flat rate rent where the tenant pays an all encompassing cost that can include rent, tax and utilities.

Net Rent: The rent paid by the tenant, including some of or all of the landlord's expenses for maintaining and owning the property (i.e. property taxes or maintenance expenses).



Terms You Should Know

REIT (real estate investment trust): A company that owns, finances or operates real estate. Investment in a REIT is a hands-off method of generating real estate income, where profits are divided amongst investors without the need to buy, sell or finance properties themselves.

Laneway House: Secondary residences built on existing properties with a street facing home. Toronto zoning laws allow for properties backing onto city lanes to build and operate laneway houses, in order to create better quality affordable housing.

Operating Expenses: Deductible expenses associated with managing a property (condo complex, apartment building, commercial building, etc). These can include basic repairs and maintenance, utilities, landscaping and other regular expected costs.

Maintenance Fees (for condos): A cost per square foot that is collected to maintain the shared spaces of a condo complex. Condo fees cover things like the maintenance of amenities, landscaping, snow removal and the reserve fund for unexpected repairs.

Appreciation: Property appreciation refers to the increase in value of a property due to the increasing demand. This can be due to inflation, increase in demand for homes in a particular area or other factors.

Portfolio: A collection of real estate investments that are recorded and monitored in order to meet financial goals. These can include real estate deals and REIT investments.

You can access our complete glossary of real estate terms via our Buyer's Guide, available for download on our website!





**The secret to a great investing
experience is simple...**

just work with us.



**BRIDSON
REALTY GROUP**

LUXURY REAL ESTATE



Signature

INDEPENDENTLY OWNED & OPERATED REAL ESTATE BROKERAGE

Not intended to solicit those already under contract with another brokerage.