

HOMEOWNERSHIP

A WISE INVESTMENT



As a realtor, I'm often asked for advice regarding the best approach to building a solid financial future.

While investing in the stock market is often seen as a direct route to accumulating wealth, it's a domain that is not familiar to everyone. The good news is that even if you find the complexities of the financial markets confounding, homeownership offers a straightforward and more advantageous alternative to growing your nest egg.

Today, a household earning the average income in the GTA can comfortably afford mortgage payments on a home or condo. If you're planning to make the transition to homeownership, you can buy with the confidence that you're investing wisely in a world-class city that consistently achieves strong global rankings.

Between June 2004 and June of this year, the value of the S&P/TSX Composite Index, which includes the largest companies listed on the Toronto

Stock Exchange, appreciated by 77 per cent. While this represents a sizeable increase, the value of residential real estate over the same period increased by an even greater amount in some parts of the GTA.

In June 2004, an average home price in the Toronto Real Estate Board's (TREB) market area was \$316,532. Last month, the same home would have cost \$568,953, representing a cumulative increase of 80 per cent. In the City of Toronto, the cumulative increase was comparable to the overall figure, coming in at 79 per cent, from an average house price of \$345,792 in June 2004 to \$617,854 last month.

In York and Halton regions the increases were robust. The June 2004, the average price for a home in York Region was \$356,226 compared to \$679,687 last month, resulting in a cumulative increase of 91 per cent. In Halton Region the cumulative increase has been 94 per cent, from an average price of \$320,599 in June 2004 to an average price of \$623,420

last month. Increases in Durham and Peel were also healthy at 62 and 74 per cent respectively. The fact that a home purchase works double duty, offering the backdrop for important life events while it quietly builds your wealth, should also be considered when measuring its return on investment.

In short, regardless of the part of the GTA that you call home, housing has experienced a substantial increase in value historically. While past gains aren't necessarily a perfect guide for the future, it seems reasonable to assume that as the population and economy of the GTA grows, so, too, will the value of residential real estate. It is also important to consider the fact that investment in homeownership offers something that no other investment can: the opportunity to live in your investment while establishing yourself and your family in a vibrant community.

While it's wise to be cautious of debt associated with large purchases, it's important to note the difference between good debt and bad debt. The latter involves indulging in life's luxuries, while good debt involves spending your money so that it will work for you as an asset to build more wealth. Provided that you are spending what you can reasonably afford, a home or condo purchase unquestionably represents good debt.

For more advice on forging a path toward a solid financial future talk to a Greater Toronto realtor and for the latest updates on the housing market, be sure to visit torontorealestateboard.com.



Paul Etherington is president of the Toronto Real Estate Board, a professional association that represents 39,000 realtors in the Greater Toronto Area. Write to Paul to share your thoughts and questions at trebpres@trebnet.com.