



Another Way to Invest in Real Estate

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TREB PRESIDENT'S COLUMN AS IT APPEARS IN THE TORONTO SUN

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The Greater Toronto Area's real estate boom, one of the strongest on record, has turned 10 years old and many people, who made careful moves with the expert advice of a REALTOR® over the past decade, now have funds to allocate to additional investments.

In light of stock market fluctuations and reports on the United States sub-prime collapse however, it's worth giving serious consideration to where an investment can best be made.

As our market has demonstrated, there is no better long-term investment than real estate. While many people choose to invest in additional property for personal use, it can pay to take the road less travelled.

Commercial real estate is a complex business that can be intimidating to first time investors but with the help of a commercial REALTOR®, the pay-off can be substantial. The benefits of owning commercial real estate are unique.

For example, commercial property is valued differently than residential real estate. Rather than being determined by market comparables, commercial values are based on the income that a property produces. This means that you have more control over the property's value by increasing its income or adjusting operating costs.

As well, unlike many residential properties, commercial real estate can sometimes be divided into multiple units, allowing you to collect several rental incomes. This mitigates risk because rental income is spread over several tenants rather than just one.

Like other types of investment though, it's important to be clear on the costs you will face before realizing a return. Appraisals, engineering, improvements, environmental reports, etc., can add thousands of dollars to the cost of even a small commercial property.

As well, securing a mortgage may not be as simple as the process you experienced when buying a home, as lending

practices are much more stringent when it comes to commercial property.

Lenders will not only want to ensure that you are purchasing a quality property, they will want to substantiate that there is sufficient cash flow after operating expenses to cover the mortgage, property taxes, maintenance, utilities and vacancies.

You will also find that commercial mortgages are generally priced considerably higher than residential mortgages.

Once you have overcome these challenges though, you will find that purchasing Commercial real estate can be an excellent long-term investment.

To get started, visit the Toronto Real Estate Board's commercial property website, TREBCommercial.com

On this site you can access the latest news on the market, search for properties and find a REALTOR® who specializes in Commercial real estate.

The Members of TREB's Commercial Division must meet a strict set of admission criteria and only those who have reached the standards established by their peers are eligible to become Members.

Commercial REALTORS® know the intricacies of buying and/or selling property, from space planning, zoning information, dealing with municipal government, environmental issues, architecture, offer preparation, tax assessments, appraisals, financing and market values, to detailed paperwork and closing procedures.

Be sure to have one on your side before you begin to build your real estate portfolio.

Maureen O'Neill is President of the Toronto Real Estate Board, a professional association that represents 28,000 REALTORS® in the Greater Toronto Area. For more information please visit www.TorontoRealEstateBoard.com.