



Invest In Future

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

April 03, 2009

Buying a home is one of the most important milestones in many people's lives because our homes are not only a source of refuge; they are a foundation from which we build our financial futures.

If you are thinking of making a purchase supplemental to your principal residence, now is an excellent time to take action. Historically low interest rates; moderate prices and an increased selection of property have combined to offer affordability and strong potential for long-term gain.

Many people who invest in real estate begin by choosing the more familiar residential route. Provided that you seek the expertise of a REALTOR® though, investment in commercial property is also an interesting avenue to explore.

Residential real estate mainly refers to single family homes and dwellings that contain up to four units. By contrast, apartment buildings that contain more than four units, office buildings, warehouses and retail plazas are a few examples of commercial property.

While residential properties that you have rented to tenants could cover your carrying costs and even provide a modest income, the most substantial financial return from residential real estate can be achieved once you sell the property.

Investment in commercial real estate, on the other hand, has the potential to provide you with a more sizeable steady income. The rent you can charge per individual unit in a commercial property will likely be much greater than that of a similarly sized single residential space.

The choice between commercial and residential investment also involves a number of other factors.

One aspect to consider is the amount of time you have to spend on your acquisition. It takes time to identify, evaluate and arrange financing for an investment property, time that could be saved if you choose to pursue just one commercial option rather than several residential properties.

Another element to keep in mind is your approach to ownership. Since commercial buildings typically require professional property management, a residential purchase may be suited to you if you prefer a hands-on approach.

Commercial real estate is a sophisticated business that involves cap rates, (which are calculated as net operating income over market value multiplied by 100), different approaches to valuations and considerable financing.

If you're planning to make this type of investment it's imperative that you work with a Commercial REALTOR®. Similarly, to achieve the greatest long-term appreciation of your residential investment, it's important to seek the advice of a Residential REALTOR® who has the expertise to help determine the property value, insight into market trends, neighbourhood information and government programs.

Before you decide which type of investment appeals to you, be sure learn to more by visiting www.TorontoRealEstateBoard.com and www.TREBCommercial.com

Maureen O'Neill is President of the Toronto Real Estate Board, a professional association that represents 28,000 REALTORS® in the Greater Toronto Area.