

BUILD YOUR NEST EGG

Real estate is a proven investment strategy



One of the wisest individuals I know once gave me a great piece of real estate advice: slow and steady wins the race. I took his advice to heart, and as a young girl I started investing in the real estate market.

At first, the investments were small and started with buying property with friends. We scraped together a few thousand dollars we each earned from our part-time jobs while in school and from full-time summer work. We pooled our money and bought an old run-down house with three apartments in it. We fixed what was needed and what we could, making small changes and redecorating over the years, while renting the apartments out. The rent we earned covered our mortgage and tax expenses, and soon we found our little property to be self-sufficient. Three years later, the house was sold with a \$55,000 increase. Our joint investment enabled us to move on and to start buying property on our own.

This was our experimental foray into the market, and since then none of us has looked back. Collectively, we have bought and sold dozens of properties over the years and we have always made a profit.

So what is a good profit in real estate? Let's take a look.

If you put a 20 per cent deposit down on a \$350,000 property and can make that same \$70,000 back within four years, you have earned 100 per cent of



your original investment. Remember, slowly but surely, the money you invest will not only be returned but will also grow with the value of the property over the years.

As with my debut in the real estate market, house prices have constantly been rising over the years. Since 1996, the GTA has seen major increases in house prices. In 2004, the average house price in Toronto was \$315,231. In a matter of five years, prices increased by 25.5 per cent to \$395,460, and almost 10 years later, the average price rose by 66 per cent to today's average price of \$523,036. Over the past decade, while the real estate market has remained fairly stable, the stock market has been

much more volatile. Whereas stock markets have gone up and down, the price of houses has only increased, and it is fair to say that investing in real estate has been the better buy.

Many buyers worry Toronto's real estate market may be overvalued, but this is not the case. In fact, recent trends have shown that our real estate market is a strong and a wise investment. Contrary to expectations, the prices of homes were even higher than expected in 2013 due to a greater demand than supply in some sectors of the housing market, particularly lowrise developments.

The large demand for lowrise properties has led to more and more bidding wars. As prices are rising, do not hesitate to jump into the market. From 2012 to 2013 alone, the average house price in the Toronto area increased by 5.2 per cent, which shows that profit can be made in just a few years. Although there are slower periods, where the increase in prices are not as high from year to year, investing in real estate is the right move if you want to see your money grow.

Rent has also remained steady in the past decade. When we compare rental prices 10 years ago to current prices, we see prices have almost doubled. In 2004, the average rental price for a one-bedroom condo was \$888, compared to today's \$1,600.

These may seem like small steps, but it is these small steps that leave a large footprint in your future.

Debbie Cosic is president and founder of In2ition Realty (In2ition.ca), an award-winning brokerage that focuses on sales, marketing and merchandising of new home & condominium developments throughout North America. Cosic has been recognized multiple times as the Marketing Person of the Year by both BILD and NAHB.