


NEW HOMES & CONDOS

Economically speaking, the new home industry rocks


HUGH HERON
ON-SITE INSIGHT

It's a well-known fact that I'm proud to be a new home builder. I look at what our industry does as noble. Creating homes and communities where families grow, thrive and create cherished memories is gratifying. The new home industry also influences society on a broader level, by injecting a substantial amount of revenue into the economy. Let's look at some numbers.

Statistics from BILD, based on 2013 data for the Greater Toronto Area, show that there were 34,719 new housing starts that year, as well as 177,500 jobs created in new-home construction, renovation and related fields — making it one of the largest employers in the GTA.

This translates to \$9.7 billion in wages, which eventually fuel the economy of the entire region via spending by employees, subcontractors and trades people. All of this also represents \$22.6

billion in investment value, the largest single wealth-builder for many families.

On the provincial level, 2013 statistics showed 61,085 new housing starts, 313,400 jobs, \$17 billion in wages, and \$44.1 billion in investment value. When you start talking millions and billions, the impact is incredible. Keep in mind that every home was once a new home, and builders provide municipalities with a way to generate additional taxes outside the general tax base.

Yes, outside forces that are beyond our control can have an effect on our economic situation at any time. For example, mortgage rates may rise, or the terms and conditions for mortgages may change, as we saw happen a couple years ago. There may be shifts in local, regional, provincial, national and even international conditions that affect our economic situation. Of course, we also can't control whether the levels of government raise taxes, fees, levies and development charges,

and whether they also place more regulations on land use.

Remember, though, that we can often trust our government to step in when the economy needs a boost. Many readers will remember the 1980s, when interest rates shot up to over 20 per cent. The entire country was in shock.

The powers-that-be in Ottawa looked for a way to spur the economy with a plan that would bring instant bang for the buck. It would have taken some time for an investment in the automobile or health care industries or the like to spur job creation. The new home industry, however, can react immediately. They came up with a \$5,000 gift for home buyers of residences under \$150,000 in price. The Province of Ontario followed suit with an interest-free loan for any home buyer if the residence was priced under \$115,000.

The result is history — and speaking of history, in the past, the government has also cooled the economy by increasing taxes, a move that immediately affected housing.

On another level, build-

ers give back to the greater community with financial and in-kind help for non-profit organizations and charities, both in the areas where we build, and beyond. Many builders serve on the boards of charities across the GTA, and their staff members and consultants help these causes through financial donations, hands-on involvement and promotion.

It's all part of good corporate citizenship, which people in our industry take seriously. The Building Industry and Land Development Association (BILD), for example, supports worthy causes such as Habitat for Humanity. Since 2003, BILD members have been generous enough to help 11 families realize their dream of homeownership.

On a more personal note, in 2003, Heathwood Homes and The Heron Group of



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Companies established our own charity called The Mikey Network. We named it for our friend and partner, Mike Salem, who experienced sudden cardiac arrest on a golf course in 2002 and died. The Mikey Network promotes heart-healthy living and placing public-access defibrillators called MIKEYS in at-risk locations. We are proud to have placed over 1,600 MIKEYS, and to date, 23 lives have been saved.

In a nutshell, new home builders care about a lot more than our bottom line. We are an important cog in

Ontario's economic wheel, and we are proud to carry on our traditions of working hard and giving back.

— *Hugh Heron is Principal and Partner in the Heron Group of Companies, President of Heathwood Homes and Chair of The Mikey Network, as well as a former Member of the Board of Directors of Canada Mortgage and Housing Corporation, and a Past President of the Toronto Home Builders' Association and the Ontario Home Builders' Association.*

Five tips for international property investors


SABINE GHALI
PROPERTY MANAGEMENT

The Canadian real estate market has been an international success story that has drawn many investors from around the globe to this market. I've seen my share of investors jumping in before understanding the magnitude of their commitment.

Here are five things to consider before you take the plunge into the Canadian real estate market as an international investor.

1. Get the right kind of investment advice: Seek out

reputable real estate advisory services to guide your investment strategy. You need objective expertise that will address your needs as a property investor, including the ins and outs of day-to-day management as well as offer advice specific to your situation be it as a newcomer to Canada or international investor. Don't be shortsighted in your approach: understanding the scope of the investment and your ongoing obligation as the owner of an income property is crucial to the long-term success of your investment.

2. Mortgages: Not long ago mortgage rules in Canada were much laxer than today. A 5-10% down payment was sufficient to be approved for a mortgage. However with the recently introduced mortgage rigors I advise international investors to plan for a 35% down payment. Shop around for your mortgage early in the process. Qualifying in advance of finding the perfect property will save you the stress of a last-minute search as well as give you a solid understanding of the steps involved in securing a loan in Canada.

3. Legal services: As an international investor, retaining the services of a lawyer when purchasing an investment property is more than just prudent. Lawyers with expertise in real estate will alert you to any inconsistencies with the transaction as well as provide you with representation should issues arise in the future. In addition, once your investment property has been purchased, consider finding a paralegal who can represent you at the Landlord Tenant Board in the event of a tenant dispute. Paralegal services are less expensive and can serve your needs well at the Landlord Tenant Board.

4. Property Management: If you don't plan to live locally, it will be especially important to retain professional property management services for your income property. You need someone who will act as your eyes and ears on the ground,

taking care of finding good tenants, collecting rent and day-to-day management and maintenance of the property, all of which helps ensure the investment retains its value. Investors are accustomed to entrusting investment advisors with their derivatives portfolios. Property investors should think along similar lines with their real estate assets and leverage the expertise of property managers to help maximize returns.

5. Using an Accountant: So often skipped, and yet of such fundamental importance is using the services of an accountant. In Canada as a property investor you are obligated to pay both income tax on income generated on the property every year and capital gains on profit when

you sell. An accountant will ensure you are filing the appropriate returns with the government each year and benefiting from any tax treaties or rebates...

When you are ready to make the commitment to buy your real estate investments, being aware of these issues and the kinds of services you may require will ensure you're well informed and positioned to start your long-term real estate wealth creation process.

— *Sabine Ghali is director at Buttonwood Property Management and an entrepreneur at heart who endeavors to help investors create wealth over time. Visit her at www.buttonwood.ca*