



Evaluating Your Housing Options

There's no doubt, an incredibly positive view of this province's financial future is in almost everyone's mind these days, particularly in view of new and exciting oil developments off the province's coast. While the generally held view is that this is overall a good thing, many people have already placed some of their own financial priorities on fast-forward, especially in the area of housing. They fear a prospective boom in the housing market will make the illusive dream of homeownership for them much more expensive and consequently less likely. However, jumping full throttle into "getting a house now", with fear as the chief motivator, is not necessarily a sound financial plan and in many circumstances, has the potential to reek financial havoc in the future. Therefore, a sound, reasoned and practical assessment of your needs, ability to afford and an evaluation of the advantages and disadvantages of your choice are essential.

If you're in a rental situation now, look hard at what's both good and bad about the current arrangement.

By renting, you have few if any maintenance and upkeep costs. Your financial commitment is limited, usually to the term of your lease, and if you decide to move out and move on, it's a relatively uncomplicated process.

But because where we live is so much more than just that, there are some downsides to consider too. Rented accommodations often don't allow tenants to show off their artistic or decorating flare through remodeling. We're also limited in the style, size and quantity of our household goods; and in many cases if we're animal lovers, having them in a rented unit is a no-no. As well we often can't host parties and sometimes parking is an issue. And while we're not bound to stay in one location forever, frequent moves can be expensive too.

There's also the question of a rented house versus a rented apartment. The only real and measurable advantage of one over the other is the additional space a house typically provides. That said, a house also usually comes with higher utility costs than an apartment.

Homeownership, in terms of exactly what's best to acquire should be a consideration too. Do we purchase a new house; or one, which has been occupied by one or more families in the past? One completely positive aspect of either option is the fact that capital gains, - that's the net amount your property grows by between purchase and sale - is exempt from taxation; if the house is your primary residence.

A new house purchase allows you to avoid acquiring someone else's problems. You feel a real sense of pride if you build yourself or hire a contractor, and you get exactly what you want. Quite importantly, you also have fairly well regarded warranty for a number of years. New homes are also very energy efficient and all the whistles, gadgets and technology can usually be built in, thereby limited future costs for upgrades. On the negative side, you've now got a long term financial commitment and chances are you'll have encountered additional living costs which were not present during your renting days, things like municipal taxes, homeowners insurances, mortgage insurance and grounds maintenance, to name just a few.

If you choose to acquire an existing property you may or may not get a warranty depending upon the age of the house. On the upside, you're likely moving into an established area and will be spared the din and roar of construction equipment daily as you try getting some extra sleep on the weekend or on Monday to Friday for that matter if you work nights or evenings.

You might also be facing some serious costs with existing property if you choose to repair or renovate. These costs are often worse again though, if you're forced to repair an older property.

In either choice, your future mobility is limited. If you choose to move, maybe because you've bought into the mindset that after buying and selling 5 houses you'll own the 6th, remember you'll also part company with a significant amount of your equity by the payment of real estate and legal fees. Selling, say 5 houses, for \$100,000.00 each will cost you about \$35,000.00 in associated fees unless you've got a very generous real estate agent and a favourite uncle (or aunt) who's a cheap lawyer.

No matter what your decision; remember the place you call home will have to be maintained. It's always a good idea to anticipate that these costs will generally run about 1% of the purchase price of the property each year.

I've never been able to arrive at any sound argument against the logic that by renting, we're simply paying someone else's mortgage. Just the same, we need to remember that there's more to paying for a house than just paying the mortgage. So don't let that kind of logic get too engrained or be a major factor in your final decision..

The real benefit in owning real estate, be it the house we live in or property acquired as an investment, is the fact that our purchase is an appreciating asset, unlike say, a car. Vehicles are worth less today than they were yesterday. But our houses for the most part are worth more, and judging from this new and generally held enthusiastic view, much more.