

The Boiron Report

*"Make the most of yourself,
for that is all there is of you" -
Ralph Waldo Emerson*

OWNER OR A TENANT?

With borrowing costs at historic lows, the opportunity has never been better in making the transition from being a tenant to becoming an owner. Forty years of historical data from the Toronto Real Estate Board has shown that real estate is still a fantastic way to invest and create wealth. The data shows that real estate has increased in value at a compounded rate of 7.36% per year. At this rate, real estate prices double every 10 years. Let's look at a calculation that compares ownership versus being a tenant. Let's assume a 2,500 square foot retail building, with a sale value of \$312,500 (\$125/sq.ft.) and a yearly net rental income of \$27,500.

Cap Rate = \$27,500/\$312,500 = 8.80%
Property Appreciation @ 7% = \$21,875
Capital Cost Allowance @ 4% of \$180,000 (building only) = \$7,200
Property is Mortgage Free.

As a tenant, occupancy cost = \$27,500
As owner/user, yearly cost of occupancy is \$27,500 - \$21,875 (appreciation of 7%) = \$5,625

In addition, as owner, the income tax treatment is beneficial:
CCA on building @ 4% is deducted from income = \$7,200
Taxable income (\$27,500 - \$7,200) = \$20,300

Total direct and indirect income (27,500 + \$21,875) = \$49,375
Taxes are paid on only \$20,300.

If you decide to borrow by way of a mortgage, for example 50% of the price, the return on your investment (downpayment) due to appreciation, doubles to 14%. If the mortgage is placed against your home to purchase a plaza, the interest on that

mortgage is tax deductible.

CHOOSING A REALTOR

You've run through a series of numbers, looked at costs and potential gains, and you've come to the decision that you wish to buy commercial real estate. You need a professional to assist you in revisiting those numbers and match up your needs with what is out in the market. How do you choose an agent? Here are some important points to consider:

a) Is the Realtor a commercial specialist?

You may be tempted to call the Realtor that helped you buy/sell your last house, as you liked working with him/her. Commercial real estate, however, is different from residential. Contracts are more complex, with many more conditions to satisfy. Also, there exists selection criteria for commercial properties that do not exist for residential. For example, customer parking, visibility, accessibility to public transport, traffic counts, highway access, zoning considerations, and many more come into play when prospective tenants are considering your property. A residential agent may not take these details into account, and may not have access to some of the data when helping you choose a property.

b) How experienced is the Realtor?

Has your prospective Realtor been around for awhile? The longer they have been around, the more successful they have been in satisfying their clients. Do a Google Search on the agent's name. For example, type "Pierre Boiron". Also, does the Realtor have references? Check those. Does the Realtor do something special in the field such as teaching, authoring, or public speaking? Public exposure allows you to judge reputation.

c) When speaking to the Realtor, does he/she listen well and ask questions?

You need a great working relationship with your Realtor in order for your purchase to be successful. That starts with building trust and meeting needs. An agent should listen intently to you, and ask many questions in order to understand what it is you want to accomplish, and in return, provide valuable advice in reaching your objectives. A good Realtor educates his client in making sound decisions without manipulating the client to close on a deal that does not meet objectives.

d) Working with a Realtor

When you receive properties, get back to your Realtor. Tell him what you like and dislike. If you like a property, pounce on it. Present a conditional offer at once.

Hot Listings

3+1 Bed - Semi, 9 Tillplain Rd \$459K
Toronto - SOLD

10 Room Housing Operation in Toronto
\$466K - 8.5% Cap Rate

Annex(Bathurst/Bloor) semi, fully
renovated - \$759K

[Retail Space for lease in Barrie](#)
11.95/sq.ft. - 1,140 sq.ft.

[Barrie Plaza for Sale](#)
\$1,070,000 - 7.59% Cap Rate

[Retail Space-Lawrence Ave E. Toronto](#)
650 sq.ft., 1267 sq.ft., 1917 sq.ft.

[87,000 SF Shopping Centre](#)
\$14.5 M - 7.5% Cap Rate

Pristine 40,000 sf ind. bldg. For sale vacant, or Sale and Leaseback, in excellent Mississauga location.

Investors

We are looking for people interested in participating in land development. Minimum \$300,000.

Subdivision For Sale - Meaford Haven: We will soon have a subdivision for sale in Meaford (25 minutes west of Collingwood). It is a Three Seasons Community™, on 38 acres, comprising 106 bungalows (in clusters), 168 condominium apartments in 3 storey buildings with elevator, a 130 unit Retirement Residence and a 24,000 sq ft medical centre. Approval of the draft plan is expected in July. Pre-marketing of the homes is underway and looks promising. If interested, send us an email and we will contact you. See www.meafordhaven.ca for details.

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