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The Outlook

THE MORTGAGE CORNER

“Is Real Estate a Good Investment?”

Our local real estate market has gained a lot of attention in the past couple of years. It seems like Saskatchewan was one of the last places in Canada to catch up to current real estate market values. And now with the subprime mortgage crisis that our neighbours to the south are experiencing, people may wonder if buying property is a good idea.

The safest scenario for real estate ownership would be owning your own home versus renting. Everyone needs a place to live, and paying rent every month does nothing for your net worth. Often people are able to obtain a mortgage that has a monthly payment similar to what they were paying for rent. That becomes a win-win situation for the new home owner. Each month you make a mortgage payment, you are building equity in your new property. And homeownership brings peace of mind with the stability gained. A homeowner is able to purchase a home with as little as 5% of the purchase price as a down payment. First time homebuyers are able to access their RRSP funds as a down payment on a home.

More adventurous people may decide to buy a property to rent out – this would be an investment property. These types of real estate purchases are considered a little more risky. They often require bigger down payments, and may also be subjected to higher interest rates.

Often people combine the two by buying a duplex or fourplex – providing themselves with a home as well as an opportunity to earn rental income.

Home ownership is still considered one of the basic foundations for good financial planning. The fluctuations in values that we are currently experiencing will smooth out over time, allowing homeowners to enjoy equity they've built up in their homes as well as pride of ownership. Talking to your mortgage broker can help determine if home ownership is an option for you.

Midwestern Mortgage