

*“...25% of all new condos being built in Canada are expected to be rental apartments.”*



## Consider adding a rental property to your investment portfolio

For Canadians with good credit and good income, a rental property can be a solid long term investment. Approximately 25% of all new condos being built in Canada are expected to be rental apartments. Other multi-unit properties – duplexes, triplexes and four-plexes – are also expected to provide housing for renters. Investors look to have the rent from these investments at least cover their costs and provide a reasonable investment return over the long term. “But it’s impossible,” you think. Mortgage insurance is required when there is less than a 20% down payment. And you are required you to have a relatively high net worth and prove that you can carry the mortgage payments on a rental property on your own – without factoring in any rental income. And if you do qualify for an insured mortgage on a rental property, you may find the cost of qualifying too high.

Alternatively, you need to have a good amount of equity in your principal residence to take out in order to get a big enough down payment that qualifies you for a regular first mortgage. This certainly doesn’t leave room for many Canadians who want an investment property. It’s true that – not long ago – the rental business seemed to belong to a group of very affluent investors, but some innovative mortgage options are putting rental properties within reach of more Canadians. These mortgages can in some cases provide up to 95% financing for single family units or up to a four-plex in major urban centres. For a condo, 80% financing is available. In all cases, of course, the property is expected to generate a positive cash flow.

A rental property can be a great addition to an investment portfolio. And if you’re excited about the low rates on your home mortgage, consider that a mortgage on a rental property actually goes one better: like all investments, the interest on the loan to purchase a rental property is tax-deductible. Like any investment, rental property isn’t an investment that you should jump into without doing your homework first.

**Consider your own aptitude for managing a real estate investment, and then talk to an independent mortgage professional about your mortgage options.**



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