Power of Attorney

BC Home Sales Set to Rise 9.8% in 2014: BCREA

BUY FOR EQUITY
Rent For Lifestyle

In this pricey Vancouver market, do you have to give up the lifestyle and neighbourhood you love to buy a home you can afford? Not at all.

There's a back door to the real estate market, and not many people use it. The plan is, you don't buy your home. You rent where you want to live, with the lifestyle you love. And you buy an investment property in an area you can afford, and rent it out.

That way, you're building equity in a market that you otherwise wouldn't be able to afford to break into. And eventually, you'll raise enough equity to buy your own home, or pay off a mortgage so you can live rent free, as your income from your investment property covers your own rent payments.

"If you're doing it properly and you have an appropriate amount of capital, eventually you'll be living rent free," says Don R. Campbell of the Real Estate Investment Network.

REW.ca talked to him about how this strategy works.

REW.ca: How is buying investment property different from buying your own home?

Don Campbell: We have 12 questions we ask when identifying a neighbourhood that has a good future for investment. None of those is "Would you want to live here?"

You've got to remove the emotion, think like a business owner and consider tenants as customers. "What do my customers want and are they willing to pay for it?"

To be successful, you need positive cash flow, which is more rental income than all of your expenses, including your mortgage.

So where are all the paying customers now?

If I wanted to live downtown or in the West End, where would I put my capital? I would put my capital in Surrey, Maple Ridge and Abbotsford. And because it does not matter geographically, I would look at Dawson Creek, Fort St. John and Edmonton.

Isn't it conventional wisdom that to buy rental properties close to where you live?

That is one of the worst myths on the planet! It will drive you around the bend if you can see that property every day. They're not going to look after it as well as you, no matter how well they look after it.

You should be buying where you'll get the biggest yield. You need to look at the economics behind the property... where's the job growth, the population growth, where are average incomes increasing? And where do millennials want to live, and what kind of properties do they want to live in? Put your money there and let the market carry you.

What housing types should investors look at?

Two to three bedrooms is what I would buy. Townhouses are fantastic. The millennials will be coming into the market in 2016, and townhouses have that sense of community that they really appreciate.

What are the big "don'ts" for people interested in real estate investing?

• Don't choose a region where something might happen. For instance, I would avoid northwest BC towns until the whole pipeline debate is finalized.

• Don't invest when interest rates are over 16 per cent – not an issue for now.

• Don't invest in an area that's becoming unaffordable. Get in before that happens.

• Don't buy just because it's close or the builder's giving you a cheap deal. Do your research.

Scan this page with your Layar app to read Don Campbell's 12-question checklist for identifying a great investment neighbourhood.