



## **Are you a real estate investor, or thinking of becoming one?**

If so, you will find the following information helpful.

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Buying and owning real estate is an investment strategy that can result in long term 'returns on investment' that are off the charts, if you can weather the ups and downs of real estate markets.

One advantage over investing in stocks and bonds for real estate investors is they can use leverage to buy a property with a down payment, then taking out a mortgage for the balance owed which they pay off over time. This provides the investor with 'Asset Control' whether their intention is to flip the property, conduct an assignment sale or manage it as a revenue/rental property.

Here are three investment options you may want to consider;

### **1. Future Development Holding Properties:**

**Short Term** investments that are most common are properties where the municipal zoning bylaws allow for a property to be subdivided, usually into two parcels/lots and in some case multiple lots. The timelines to subdivide can vary depending on the municipality but generally this is a one to year timeline to receive approvals if no zoning change application is required. These types of properties are commonly purchased by builders/developers although it is not unusual for an investor to buy such a property, have it subdivided and then sell the lots at a sizeable profit.

**Long Term** investments are the most common type of property investment in the Greater Vancouver, Fraser Valley real estate markets which over time, pay out the highest R.O.I

**A real estate agent who is experienced in researching and marketing properties that possess excellent future development potential** is in fact the most important first step any investor needs to take. Knowing what the OCP (Official Community Plan) for a given municipality contains with respect to future development will provide timelines for anticipated zoning changes and what uses will be permitted... such as commercial, residential (high, medium or low density housing) and mixed use designations.

In some cases, the actual timelines may be vague, and **permitted uses** may not as yet be determined, but that is where an educated, experienced real estate agent can conduct market studies and gather information from a number of sources to show what might be taking place with respect to development in surrounding properties and neighbourhoods.

As an example; a ten acre property could be located in an 'Urban Reserve' that is set aside for future residential development, but there is no specific timeline. An investor might purchase this ten acre property for say **\$3 million** and in seven to ten years sell it for three or four times that amount to a developer who could place six or seven building lots per acre.

As the Fraser Valley continues to be where the lower-mainland population is gravitating to, more land is being rezoned for development and these opportunities are commonplace.

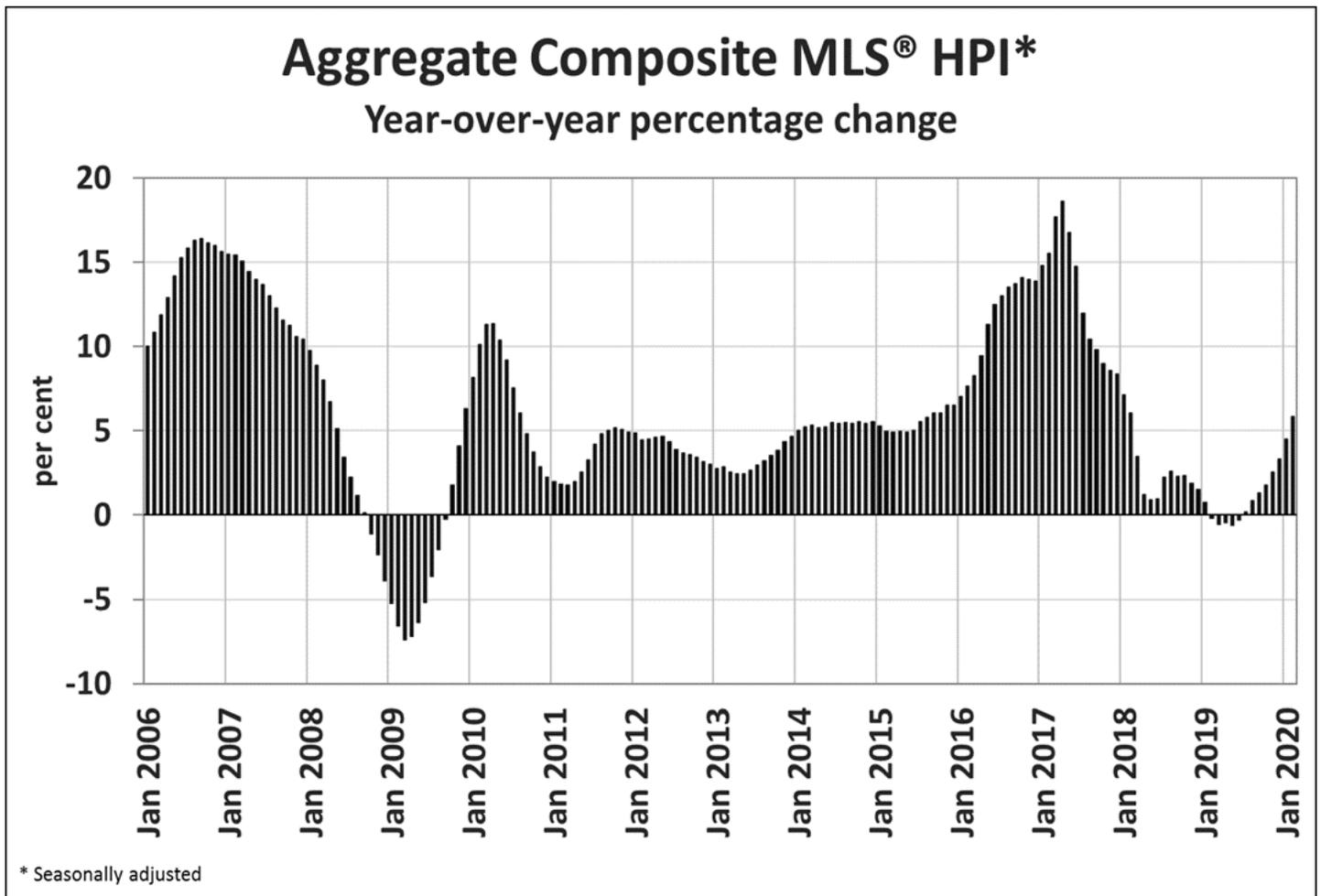
## 2. Owner / Landlord

Rental properties in the Greater Vancouver, Fraser Valley region are an excellent real estate investment, if the investor has the capital to cover the down payment and creditworthiness to secure a low interest mortgage rate. Having good people skills to handle tenants is a big plus as is some basic house maintenance experience.

As you will see in the graph below, the year-over-year appreciation of house prices when viewed over a ten year period shows just how a great a R.O.I. can be in this marketplace.

There are excellent 'Mortgage Calculator' programs your real estate agent can access on your behalf to crunch all the numbers and show the R.O.I. on a projected five year, ten year or longer timeline.

***The Aggregate Composite MLS® Home Price Index (MLS® HPI) rose 0.7% in February 2020 compared to January, marking its ninth consecutive monthly gain.***



### **3. Property flipping**

This would be considered a 'Short Term' investment property. Many educated real estate investors study the market prices and trends and will pounce on an opportunity to 'Buy Low' and then 'Sell High'.

Other investors who have renovation skills or know of reliable trades/contractors who can do the work for them will buy homes that need renovations, updating and often times landscaping and exterior clean up work as well. Depending on the neighbourhood the return on such short term flips can result in a fair to excellent R.O.I.

In summary, working with a real estate agent you trust, who has a good deal of experience with buyers and sellers of investment properties will smooth the process and result in a positive end result.