The Ultimate Buyers Guide for Investors

Planning & research

Owning a rental property can be a great way of diversifying your investment and acquiring an asset that's sure to appreciate in value over time. What's more, your rental income may be used to pay down your mortgage owing, so you wind up owning a valuable property at the end of the amortization period while your tenants have had a good place to call home.

But like anything, buying an investment property requires some careful planning and management. Our Ultimate Home Buyer's Guide for Investors is your path to buying a house as a rental property. So, let's get started!

Financial considerations

Getting your finances in order is crucial if you're thinking of buying a new house and renting it out. But you also need to be comfortable with both the financial benefits and potential risks of investing in real estate.

Benefits	Risks
• Real estate generally increases in value over time, so it's considered an excellent way to diversify your portfolio and build long-term capital. • Because the monthly rent payments can pay for your mortgage, real estate investment means acquiring a valuable asset using someone else's money. • Depending on the rental market, your expenses and other factors, those rent payments could also give you a little extra income each year.	• Return on investment is not guaranteed, especially in the short term when market conditions and other factors could affect the value of your property. You should consider whether you'd be more comfortable with other forms of investment that offer an assured rate of return. • Your property could sit empty for some time if vacancy rates in Ottawa start to rise significantly. Do you have the financial resources to carry your mortgage and other outlays if that happens? • You could incur unexpected expenses and delays in rental income if you need to evict a bad tenant or undertake major repairs because of that tenant. • Real estate is not a liquid asset. That means it could take some time to get your money if you needed to sell your investment property.

Does your budget allow for you to be an investor?

Buying a new house as a rental investment means asking the basic question: “Does it fit my budget?”

Your individual circumstances ultimately dictate the answer, and that means first adding up your expenses (more on that in a minute) and savings. Those savings include equity in an existing home. If you don’t know how much equity you have, contact your banking representative for a bank appraisal.

You also need to answer some basic questions about your own finances:

> Can you make a sizeable purchase like this while still meeting your existing personal and/or business financial obligations? Those obligations could range from buying groceries to paying off debts and saving for retirement.
> Is your credit in good standing? Learn more about credit score reporting.
> Do you already have a mortgage on another property? If you do, it means financial obligations, but you may also be able to use that property (or at least your equity in it) as a financing source for a new home.

Once you have pulled together all the information above, you can work out a rough budget for your proposed new home purchase.

Tip: or call us at 613.332.8884 we will handle everything.
