

The NuCasa Advantage

Reasons to Invest in Edmonton Real Estate

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If you invest in the stock market, which includes an assortment of equities, bonds, mutual funds and options, you are in for a rocky ride. 2002 will record the third straight year of losses for North America's stock market indices. Many financial advisors suggest that if investors can not stomach the rapid rises and falls of a stock, they might want to consider investing elsewhere. Stocks are not for the faint at heart. It takes a great deal of stamina to survive the roller-coaster ups and downs of an investment that is heavily dependent upon economics.

What about real estate? Has it done better than the stock market? Let us take a look at Bill and Marsha, who each have received a \$10,000 inheritance. They are not sure where to invest their proceeds.

Conservative Bill invests his \$10,000 in the stock market. With interest in the Internet still growing, he puts it into a S&P 500 index fund.

A renter, and inexperienced in the stock market, Marsha uses her \$10,000 as a down payment on an \$80,000 condominium. Fast forward – 12 years. Who did better on their investment?



Bill's return:

Since 1990, the S&P 500 more than tripled. From his initial investment of \$10,000, Bill made about \$22,000, pre-tax. During the same period, the value of the S&P 500 quadrupled, so Bill's gain was roughly \$30,000, pre-tax.

Marsha – reaping the benefits of home ownership:

What about Marsha? During the same period, home values increased roughly 4 percent per year nationally. At that rate, Marsha's \$80,000 condominium is now worth about \$126,000. If she sold it, her profit would be about \$46,000, tax-free.

On average, most Canadians invest and earn more in their homes than they invest and earn from their savings accounts, stocks, bonds and other investments. Gordon Pape, recognized Canadian author and financial advisor, suggests that home equity remains a cornerstone of most families' wealth. **Real estate is a solid, familiar investment.**

In addition, there are several other solid reasons for investing in real estate:

Forced savings

Contributing towards a mortgage automatically forces a family to save. Rather than paying rent, these monthly payments contribute to future security.

Appreciation

By nature of the demand and supply, home prices rise. According to the Edmonton Real Estate Board, a home purchased in January 1997 for \$123,530 now sells for \$167,000.

Tax-free profits

When your home is your principal residence, and you sell it, you will not pay tax on any of the profits. This is one of the last and greatest advantages for building wealth left in Canada.

Equity build-up

Your home will naturally rise in price, according to the market. You will be contributing to the reduction of your mortgage. The difference between what is outstanding on your mortgage and what your home is valued at, is your earned equity. Your equity is a valuable commodity that can be used to obtain additional financing, obtain a second mortgage, or move-up to a larger home.

Real estate has long been recognized as an inflation-resistant investment, providing homeowners with a tangible incentive to save. Buying your own home, or investing in one, is widely accepted as one of the soundest financial commitments you can make.