



Kay Four Quarterly

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The Benefits of Renting vs. Buying

There are many advantages to renting an apartment as opposed to buying a house or condominium, even with today's low mortgage rates. The biggest advantage to renting is that it costs less money than ownership and carries much less responsibility.

Renting requires a much smaller up-front investment. The security deposit for an apartment renting for \$1,000 is a mere \$500, which the landlord pays interest on until the end of tenancy. In many cases, a careful and diligent tenant will have their deposits returned in full (plus interest) when they move out.

By contrast, a minimum 5% down payment on a house or condo priced at \$200,000 would require an initial lump sum of \$10,000 plus up to 4% of the price of the home for closing costs (such as land transfer tax and lawyer's fees). In total, that could be up to \$18,000. Any mortgage with a down payment of less than 20% (which would require a \$40,000 down payment, plus closing costs) is considered to be a high-ratio loan and is subject to CMHC Mortgage Loan Insurance. In this scenario, the insurance premium would be as high as \$7,600, which must also be paid either up front, or added to the mortgage (which would result in interest charges). For many people, this substantial sum of money would give higher and more stable returns if it was instead invested elsewhere or used to contribute to RRSPs and high interest savings accounts.

Also, renting does not carry the potential for financial loss, like home ownership does. Although home ownership builds equity over the long term, equity does not automatically translate to profit. Property values can decrease or become stagnant for many reasons, some which being recession, an increase in interest rates (such as the period between 1973 and 1991 where five year fixed mortgage rates never fell below 10%), or your neighbourhood becoming undesirable.

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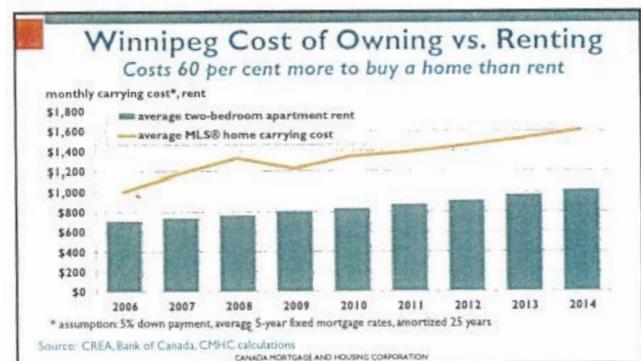
Water Leaks

All water leaks should be reported as soon as possible.

We often receive reports from tenants of water leaking into their suites through a washroom or kitchen fan, light fixture or through the ceiling. In many cases, these tenants will wait until it stops or until it has been going on for quite some time before reporting it to the office or their resident manager. Water leaking from above is never normal. Please report any sort of water leak to your resident manager or directly to the office immediately.

Any sort of water leak is considered to be an emergency and must be reported so we may investigate and determine the source. Failure to report it in a timely manner can result in the leak causing serious damage to your apartment, your possessions, and the building. It can also make it harder for our staff to determine the source.

Please assist us in keeping maintenance costs down and report any water leaks as soon as you see them.



Source: CREA, Bank of Canada, CMHC calculations

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In these cases, the value of your home would decrease and you may take a significant loss if you needed to sell it. Renting does not build equity, but it also eliminates the risk of owning a depreciating asset. This is especially important if you are relying on using the proceeds from the sale of your home to fund (or significantly contribute to) your retirement income.

Aside from financial risk and high initial investment, home owners will face higher and more unexpected costs than renters, which can make it more difficult to stick to a monthly budget. Rent is a fixed monthly cost that includes (in most cases) utility costs and maintenance. This allows you to budget accordingly and have the freedom to put extra money towards things you want to have and do, such as new cars and vacations.

A home owner will likely find their extra money going toward necessities, as you can never know when you'll need to call a plumber or electrician (minimum \$150 per average call), suddenly replace an appliance (\$700), buy a new furnace (\$4,000) or replace windows (\$15,000).

Condo owners will have most if not all of their utility costs included in their monthly condo fees, but still need to have extra money set aside for repairs to their own units and to pay into a reserve fund, often thousands of dollars held by the Condo corporation. They also need to have emergency funds available if a major renovations project is required in their building (such as a roof or boiler system replacement) and the reserve fund is not big enough to cover it. When that happens, a condo owner will face a sudden (and likely substantial) bill they will have to pay.

There are certainly benefits to home ownership, but the above outlines some very important factors that must be considered at length before deciding if buying is appropriate for your lifestyle and personal situation.

Tenant Responsibility

There have been several recent reports of damages to our property caused by children ranging in age from 6—17 years old. A few of the events witnessed by staff members include purposefully hitting and breaking an exit light, kicking at weatherstripping until it fell off, and kicking door handles to open the door. Alarmingly, some of these incidents took place in full view of the adults who were accompanying their children and failed to correct their behaviour.

We would like to remind tenants that they are responsible for the actions of all people living with or visiting them regardless of their age. This responsibility includes their guests and children belonging to their guests. While we know that the majority of our tenants would not allow their children to conduct themselves in this manner, unfortunately the behaviour of some has necessitated a reminder to all residents. If they witness someone causing damage to your building or grounds, please report it to your resident manager or the office as soon as possible.



Did you know...

Gustave Eiffel, the engineer and architect behind the Eiffel Tower in Paris, France, built a secret apartment at the top for entertaining friends. Once accessible to no one but him and his select guests (including Thomas Edison), it has been recently restored and opened for public tours.