

**For many young Canadians, the dream of homeownership feels like an impossible reality. After graduating and starting your desired career, do you think homeownership will be attainable for you?**

### **The Canadian Dream**

“We’ll know we are true Canadians when we buy a house, you’ll see”. These were the words my mother would often say to me when I would beg to move back to our small but homey apartment in Tehran, Iran. Having immigrated to Canada in 2012, owning their own home had been a priority in my parent’s lives. Having finally achieved their dream only in July of this year, my mother’s words rang true and made me understand the importance of owning a home. Aside from financial benefits, owning our home has promoted a sense of community and social belonging for my parents and I; one we were unable to feel while renting an apartment. Therefore, homeownership has become engrained in my “Canadian dream” and is a top priority when I graduate from my post-secondary institution.

However, with an average price of \$1,045,488 in Toronto homes, with average selling prices continuing to rise, it is hard to imagine that such a dream can be made into a reality. From January 2020 to 2021 alone, there was a 14.9% increase in the average selling point in Toronto (TRREB Market Watch February 2021). Further, Toronto homes are projected to cost “between \$2.26 million and \$3.582 million by 2026” (Tencer and Ferreras). A recent study found that it would take the median-income household 32 years simply to save up the amount necessary for the downpayment on a Toronto home (Febbraro). Given these statistics, it would be simple to say that homeownership in Toronto as a first-time buyer is not an attainable dream. Regardless, I believe that with a plan that starts many years before I have the financial means to be a

homeowner, it can be possible. After starting to work as a receptionist at a real estate agency this past October, that is exactly what I intended to do: learn about real estate and the market in order to be able to make a plan how to become a homeowner in the foreseeable future. Most notably, I interviewed a real estate agent, Sergio Khadem in order to gain valuable knowledge in attempts of preparing early on for homeownership after entering my desired career.

### **Budgeting and Credit Score**

The most essential part of my strategy is to budget and save the money I make throughout the next four years. Currently, I save 90% of my income from my part-time job and have plans to continue doing so during my post-secondary studies. Further, I have been applying to numerous scholarships in hopes of lessening the debt and student loans that I have to pay back after I have completed my studies. If I am able to fund my education in this way, the money my parents have set aside in my Registered Education Savings Plan can instead be invested and used to help put a downpayment on a home after I graduate.

After graduating from university, it is crucial that I continue to strictly budget the money made from my career while creating other sources of income. As well, I would live at home in order to cut costs associated with renting an apartment or living in a dorm. In order to ensure I am successfully budgeting, I would set up automatic deposits of 80% of my income into a high-interest savings account, while trying to minimize other expenses. “[I]n Canada, more than a third of those 20 to 34 live at home with at least one parent. (This percentage is comparable in the United States, Britain and Australia). In Toronto, this ratio rises to 47.4 percent” (Londerville). Although in the past, it may have been socially unacceptable to live at home after having graduated, it is now the more economically feasible option which I would choose.

In addition to saving the necessary downpayment, it is important to continually build a good credit score in order to qualify for lower interest rates and be eligible for bank loans. In order to improve my credit score, I would ensure to make payments on time, use less than 30% of my available credit and make all debt payments in full (Financial Consumer Agency of Canada). By combining a high credit score and a stable financial situation, it will be much easier to qualify for a mortgage on a property.

### **Purchasing a Property Outside Toronto**

The next step would be to look for properties that are within a 45 km radius of Toronto as it will be unlikely that I will have saved enough for the downpayment of a property in Toronto. By choosing locations such as Ajax, Pickering or Milton, it will allow me to stay within a target range of Toronto that is commutable, while also making it more affordable to buy a property. Aside from affordability, these are still high-demand locations and will be enticing to renters in the area since they are close to Toronto while also being a more economical option. It is clear that surrounding areas have become higher in demand, especially in the circumstances of the pandemic. “More than 50,000 people left Toronto for other parts of Ontario during that 12-month period, and — hit hard by pandemic lockdowns — the region now has one of the highest unemployment rates in the country, at 10.7 percent . . . High living costs and few job opportunities make the conditions ripe for an exodus” (Tencer). Although the pandemic will not extend to the following five years, during which time I would be purchasing a property, an increasing population and inevitable immigration after travel bans are lifted from the pandemic will result in a similar outflow of residents from Toronto. This would mean that surrounding areas such as those mentioned above and even those in a larger radius of Toronto would be great investment locations. A current study conducted by TRREB shows this outward trend away from

the GTA which is likely to affect patterns of renting and ownership in the future: “We also discovered more buyers are looking to purchase homes outside of Toronto’s core” (Patel). The outflow of buyers from the city also indicates that areas such as these are good investment opportunities as they will have a greater potential of selling later on. Therefore, it is not only important to assess the potential for renters but buyers as well in deciding where to buy the property.

### **A Property as a Long Term Investment**

While interviewing Sergio, he stressed the importance of buying a property as a long-term investment: that is, buying a property for five years or more. This will allow the property to build equity as well as appreciate; selling the property too quickly would be a mistake. Thus, I believe it will be important for me to look for properties in which I can see myself being able to live in or rent for a long period of time. He also mentioned the importance of choosing properties that have low days on the market as a way to ensure they will be a good investment. Further, I would rent the property as mentioned above, living at home while allowing the renter to pay off approximately 70% of the mortgage of the home.

According to Cedric Stewart of Entourage Residential Group: “In a healthy market, you are likely to build equity year-over-year, while having your mortgage covered by a renter” (Kielar). By purchasing the property and renting it, I would be able to use the rental income from the property, with a 10-20% downpayment, which would cover 70% of expenses. By only having to pay the shortage, I would further save money to later be able to invest in a home closer to the GTA for myself. Of course, property taxes, utilities and miscellaneous costs will be incurred but I would still be making a net profit by deciding to rent rather than live in the property. After 5-7 years, I would be able to sell the property, either having rented it for the entire duration of the

time or having lived in it for the last half of the maturity time. With the property value having appreciated, I would be making a profit that can either be invested in a home in the GTA or can be invested in a property for myself farther away from Toronto.

### **An Attainable Dream**

Overall, it is clear that becoming a homeowner will continue to become increasingly difficult in the next decade given the growing GTA population. However, I believe that given the right strategy which starts as early as now, as well as the ability to set realistic goals regarding homeownership, it is an attainable dream. Although it is impossible to tell the circumstances I will face after graduating, I am hopeful that I will be able to make this dream a reality. Every day I wake up in my new home, I am grateful for the sacrifices my parents made to establish themselves in this country. I wake up motivated, that despite their struggles they achieved their dreams, propelling me to work towards achieving my own “Canadian dream”.

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