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## Food for thought . . .

“The art of taxation consists in plucking the goose as to obtain the largest possible amount of feathers with the smallest possible amount of hissing.”

... J. B. Colbert

Courtesy of:

**ROB DRYSDALE**



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Realty Corp**

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## REAL ESTATE INVESTMENTS ... IN A HOLDING COMPANY?

We are asked if it is more tax beneficial to hold real estate investment in a holding company (“Holdco”) or to hold them personally. Our clients often assume that there are tax benefits to holding such investments in a company, however, the opposite is generally true in light of current corporate and personal tax rates. Consider the following example which illustrates how much cash is left in your hands when an investment is held in your company vs. when it is held personally.

	<b>Company</b>	<b>Personal</b>
Net rental income	\$1,000	\$1,000
Corporate tax	(523)	N/A
Dividend refund	<u>239</u>	<u>N/A</u>
Dividend available to be paid to taxpayer	716	N/A
Personal tax	<u>(257)</u>	<u>(487)</u>
After Tax Cash in Hand	<b><u>\$459</u></b>	<b><u>\$513</u></b>

- Note that 5.4% more cash is retained when the investment is held personally.
- Assumes \$1,000 of investment (rental) income is earned.
- Based upon current tax rates and assuming the top personal tax bracket.

You should also factor into your analysis the added cost of incorporating, as well as the annual legal and accounting fees that will be incurred in order to comply with legal requirements and Canada Customs & Revenue Agency.

There may still be valid reasons to use a Holdco for holding your real estate investments, however, tax savings may not be one of them! In order to ensure your objectives are being met, you are well advised to obtain professional advice before you choose either strategy.

Courtesy of P E

**Pagnanini Edwards & Associates**

(Chartered Accountants)

(604) 299-9274

# RENTAL/INVESTMENT — PROPERTIES —

# ↑ UPDATE

SUMMER/FALL 2001

## CURRENT MARKET STATISTICS

Sales in the Fraser Valley reached a seasonal peak in June after six months of steady growth. The Fraser Valley Real Estate Board reported that 1,473 sales were processed on the Multiple Listing Service in June, up 7 percent from the 1,373 sales reported for May. Year-to-date sales are 26 percent higher for 2001 with 6,651 units sold as compared to 5,279 units sold in 2000.

The number of new listings processed in June decreased by 14 percent to 2,034, as compared to 2,375 processed in May. Year-to-date new listings continue to fall behind last year's totals, with 13,210 new listings in 2001 as compared to 13,477 in 2000, down by 2 percent.

What do all these statistics mean? Without a doubt a busy real estate market – clean well maintained homes sell quickly and I am beginning to notice some upward pressure and movement in house prices.



### Residential Mortgage Rates

Best residential rates as of June 15, 2001

Term	Our Best	Bank Posted
Variable Rate	3.74%	6.25%
1 Year Closed	5.70%	6.70%
2 Year Closed	6.05%	7.05%
3 Year Closed	6.30%	7.30%
4 Year Closed	6.65%	7.65%
5 Year Closed	6.50%	7.75%
7 Year Closed	6.85%	8.20%
10 Year Closed	7.00%	8.55%

Courtesy: Jared Dreyer,  
INVIS: (604) 649-5991

### RENTAL MANAGEMENT SERVICES

To have your rental property operate carefree, have it looked after by Cathy Mantel @ HOMELIFE PROPERTY MANAGEMENT.

Cathy offers a very competitive service with a low monthly fee with **no start up charge**.

*For more information call:  
(604) 590-2037*

### Thought of the Month:

"I am a great believer in luck and I find the harder I work the more I have of it."

. . . Stephen Leacock

### WHAT IS JUSTIFIABLE RENT INCREASE?

The calculation to determine if a rent increase is justified is based on a review of the landlord's costs over the previous 12-month period. It includes increases in local government levies (property tax, water charges,) and capital expenditures (major repairs, new furnace, etc.) and an inflation adjustment factor that reflects the operating and maintenance costs of the landlord, and fair return on the landlord's investment. The rates are revised regularly to reflect market conditions. Courtesy of Cathy Mantel Homelife Property Management.

### MARKET EVALUATION

Whether you are considering selling your rental property in order to take out your equity, take advantage of your capital gains tax exemption reservation made in 1994 or **planning to sell your principal residence** I will be pleased to do an up to date market evaluation at no cost or obligation to you. Please call **(604) 597-7292**.

### EXPERIENCE — TO SERVE YOU BEST



#### Rob Drysdale

For more than 17 years Rob has been working as a professional Realtor in the Fraser Valley. Specializing in residential and investment property sales, his knowledge of the market and community is impressive, and has served his clients exceptionally well over the past years.



#### Company Profile

Benchmark Realty was established in Langley in 1983 with seven salespeople. Within one year additional branches were added in White Rock and Surrey and boasted 75 salespeople. In 1986 a long search for a franchise partner ended by hooking up with Homelife Realty Services. Homelife has maintained the no. 1 market share in its category in the Fraser Valley for the last 8 years.