

RENTAL/INVESTMENT

— PROPERTIES —

ROB'S UPDATE

SUMMER/FALL 2005

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Food for thought ...
“Man’s capacity for justice makes democracy possible, but man’s inclination to injustice makes democracy necessary.”
... Reinhold Niebuhr

Courtesy of
ROB DRYSDALE



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SHOULD REALESTATE INVESTMENTS

Be Held in a Company?

We are often asked if it is more tax beneficial to hold real estate investments 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 may be true in light of current corporate and personal tax rates. Consider the following example which illustrates approximately how much cash may be left in your hands when an investment is held in your company vs. when it is held personally.

<i>Assumptions:</i>	Company	Personal
Net rental income	\$1,000	\$1,000
Corporate tax	(493)	N/A
Dividend refund available	267	N/A
Dividend available to be paid to individual	774	N/A
Personal tax @ top bracket	(244)	(437)
After Tax Cash in Hand	\$530	\$563

BC/Federal tax rates are those in effect at time of writing, results are rounded and various other assumptions apply.

Note that based on the assumptions applied in this scenario, slightly more cash would be retained when the investment is held personally. You must 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 those of Canada Revenue Agency (“CRA”).

There may still be valid reasons to use a Holdco for holding your real estate investment, however, it is possible that tax savings may not be one of them! In order to ensure that your personal objectives are being met, your specific circumstances are contemplated, and that current tax laws are considered, we strongly recommend that you obtain professional advice before selecting any strategy.

Contributed by Kathryn Edwards, CA

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Nearing completion hopefully by the end of July, so please bear with me. On my site you will find the last 6 years of my Investment Update newsletter, some of my rental and residential property listings and sales, along with links to various websites such as City Halls, Residential Tenancy Office, School Districts and more. Also you can e-mail or call me to be removed from the list.

Please note if you do not wish to receive information or be contacted by phone please e-mail or call me to be removed from the list. Apologies to one lost deletion request, please let me know if you want to be removed from mailout.

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CURRENT MARKET

STATISTICS

Housing sales in the Fraser Valley in June smashed all previous records for that month and represent the second highest month ever for sales processed on the Multiple Listing Service®. There were 2,517 sales processed on the MLS® in June 2005, compared with 2,067 in May and compared to 1,825 sales in June 2004, an increase of 22 and 38% respectively. June 2005 sales are second only to March 1991, with that month recording 2,720 sales. However, please note that included in this month's sales statistics are 283 condominiums in Surrey's Infinity Tower that were processed on the MLS® service.

The average price of a single family detached home in the Fraser Valley is at \$389,330 which is 12.5% higher than July 1, 2004 when the average price was \$346,093. The average price in Surrey is now \$388,377 (up 9.5%) and in Delta \$364,785 (up 6.5%).

If you are considering taking advantage of the highest prices ever call me.

Buying or Selling:



Residential Mortgage Rates

Two mortgage alternatives for the investor could be:

- .80% below prime for 5 years variable rate mortgage special currently at 3.45% or:
- Secured Line of Credit mortgage at Prime. Refinance your home and receive interest only payment option and free legal with a minimum draw down of \$50,000.

All offers subject to change without notice, some conditions apply.

For great rates and service call Chris Landry @ TD Canada Trust 604-531-6158 (office)

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 at Cathy's new number: 604-575-4037

Thought of the Month:

"Life is like playing a violin solo in public and learning the instrument as one goes on."

... Samuel Butler

PROTECTING YOUR INVESTMENT

In order to assist in screening tenants for your rental investment property we previously suggested a clause in the tenancy agreement to allow access with 24 hours notice every 2 months. Another suggestion is to visit the property personally to collect rent or oversee repairs or maintenance. We are enclosing with this newsletter an "Addendum for Crime Free Housing". Enforceability will be determined, however it is certainly another step to protect your property by hopefully weeding out undesirable tenants.

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 20 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 Realty with 9 offices and 300 salespeople is a major force in the Fraser Valley Real Estate market