Breaking into the Canadian Real Estate Market

Announcer: Welcome to the Empowered Investor Podcast. Have you ever felt overwhelmed by the sheer volume of choices and voices telling you how to plan or invest for your future with a straightforward approach host, Keith Matthews of Tulett, Matthews and Associates cuts through the noise to help you create a winning action plan for you and your family. The decision-making framework discussed in this show can transform you and your investment experiences and will increase your odds of becoming financially secure. Learn more and subscribe today at TMA-invest.com.

Keith Mathews: Welcome to The Empowered Investor. My name is Keith Matthews, and I will be your host for today's episode. Today we welcome Sean Brody from the Brody Windsor Group, a real estate broker and expert in homes. We'll be reviewing how individuals can consider buying their first home, first time homebuyers in a market that's considered difficult, challenging, and perhaps unaffordable. Today's episode is refreshingly optimistic. Whether you're a person in your twenties or thirties, or whether you're a parent like me in their early sixties and thinking about your kids, today's content is for everybody. We will be reviewing strategies for first time homebuyers. and how individuals can enter the market.

We'll discuss what types of homes individuals should target and why. We'll discuss whether individuals should buy on their own, with their partner, maybe with a friend, and then also how parents might be able to help. We'll review What renovation strategies provide the best return? Finally, we'll discuss various ways that individuals can come up with the elusive down payment from either hard work, saving, being creative.

What Sean brings in today's show, I think is an incredible sense of optimism and that opportunities do exist. You just must think outside the box. So, thank you for joining and we do hope you enjoy today's episode with Sean Brody.

Welcome back to the podcast, Sean.

Sean Broady: Keith, I'm happy to be here. Thanks for having me back.

Keith Mathews: We did a podcast, I think it was like three years ago, where you spoke about moving into bigger homes.

Sean Broady: That was the exact podcast that we did.

Keith Mathews: So super grateful that you're back. We're talking specifically about first time homebuyers today and different strategies in terms of getting in the market.
Before we do that, can you take a few minutes and tell us a little bit about your professional background and then a little bit about your background about buying homes?

Sean Broady: Sure. So, I'm a certified real estate broker here in the West Island of Montreal. I've been practicing since 2000. So, this is coming up on my 25th year in real estate.
Together with my wife and my brother, Scott, we manage a small real estate team. We have six full time brokers, three admin, and we primarily service families and investors in the greater Montreal area.
Keith Mathews: Well, fantastic. You've got a tremendous background on the professional side. Talk about your personal side now for a sec.
The last time I spoke, I think you had said you owned nine homes over the last 20 odd years. That's a lot of homes.
Sean Broady: It is. I got into the real estate market as a young man. I think it was my second year after getting my real estate license. I was renting at the time with my brother and my girlfriend, and I started to get serious.

At the time, she was also a real estate broker, and we said to ourselves, you know, it doesn't make sense to be renting here. Why don't we look at trying to buy a property? So that was 2001. Bought our first little starter bungalow and I then slowly. Decided that I was going to climb the property ladder, kind of fell into it.

It wasn't an initial strategy of mine, but it worked out very well. And so, I kind of developed a system, if you will, of how I slowly moved up the property ladder, starting from a little hundred and 16, 000 bungalow in the suburbs and gradually worked my way up to the home we're living in now that we built from scratch.

And it's been a great experience.

Keith Mathews: And we're not talking owning nine different properties at the same time. We're talking about owning nine. you've lived in, you've bought your first starter home, you'd fix it up, and then two or three years later, you'd buy your next home and so on and so forth.

Sean Broady: Exactly. Every couple of years, two, three, the longest I ever stayed in a home was five years. I would buy a property. Optimize it. I like to use the term optimize, so I would find something that maybe needed a little bit of TLC, a little bit of fixing up, and I gradually developed a system, if you will, for the kind of property that I would be looking for, specifically, and I would target those kind of properties, and then I would move in, live for a few years, and then resell, and do the whole process over again.

Keith Mathews: Wow. Well, this is going to be woven throughout today's episode. your history and your experience because the topic is how do individuals break into the market and how do they buy that first home and then what do they do with it and what types of homes should they be looking for. So, let's open the conversation now and get into what is a difficult market for many to consider jumping into.

There's so much press about homes being unaffordable in Canada for the younger generation but there still are opportunities. Maybe tougher to do in some cities. But again, the strategies you're going to talk about, I think are applicable for young Canadians across the country.

Sean Broady: Yeah, absolutely, Keith. I mean, it's a different landscape than it was for me 23 years ago. It's much more challenging now, as you mentioned, and everyone's aware, the price of real estate in Canada has skyrocketed. So, it's very tough for people to get into the market. But looking back at when I started, it was the same. I didn't have any money. I just started a new career. So, you're trying to figure out how can I get into the market. And I wanted to get in sooner rather than later and start to build that equity. So, you're right. Trying to get into major markets across Canada, big cities like Toronto and Vancouver, extremely challenging, unless you have significant financial resources. I think a lot of those areas are unattainable and it's become the same.

I think in most major cities, if you're looking at property around the downtown core or desirable areas. They've become unaffordable for first time home buyers. When I jumped into my first property, I was able to buy a detached bungalow. For many people today, that's just not a reality. They're going to have to start with something much smaller and maybe much further out in terms of secondary locations. So, by secondary location, maybe you're going further out in the suburbs. Maybe you're moving a little bit out of the city, or maybe even you're looking at other markets in other provinces that are much more affordable. Perhaps you decide that you're going to get into a starter home, and you're going to make some compromises, and then you're going to climb your way up.

Keith Mathews: So, let's talk about that, a starter home. Everybody knows what the concept is. It goes back for decades. It typically was that home that you started your home buying experience. It was typically individuals that were young, possibly married. Possibly even having their first child, so now it looks a little different and you're seeing people without kids, even single individuals looking to buy into property.
What does that look like to start a home? Can you give us an idea of the feel?

Sean Broady: Sure. I think it's different for everybody and I think it depends on your income level, your geographic location, your needs. As you said, there are a lot of young people now, single young people, and particularly the biggest demographic we've seen in terms of an increase of single people buying homes is women.

We're seeing a lot more single women getting into the real estate market much earlier and at a much higher rate. So, I think people are realizing that they want to diversify their investments, and real estate is a big part of that. And with the price of rent now in some of the major markets, and we're experiencing this very much in Montreal, and I know a lot of the other major cities in Canada, people are looking at the numbers and saying, hey, the rents are so high that I think I'm going to accelerate my strategy.

And rather than renting for. 2, 3, 4, 5 years after university. I want to get into property and buy something and start to build that equity sooner rather than later. So, a first-time home for some people might be a small, detached bungalow in a secondary market. It might be a condo. It might be a duplex or a three plex that they're buying with a friend or a sibling to get into the market, or it might be a detached home if they've got those financial means.

If they're partnered up, they've got a spouse or a life partner, and they've got two good jobs and great income, they may be able to jump right into a larger, perhaps detached home closer to the city. So, I think the definition of a first-time home is very wide and it depends on your particular situation.

Keith Mathews: Well said. So, what were the ideal conditions that you look for? Let's piggyback off your personal experience. So, if I'm a first-time buyer and you were to give me guidance, what would you say to look for?

Sean Broady: Sure. Well, I think the principles that I came to use to qualify a home that was, to me, a good investment applies not only to detached homes, but they would apply to a townhome, a semidetached home.

They might even apply to a duplex or a three plex, and they would even apply to a condo. I specifically look for properties. That I felt I could improve without investing a ton of money. So, typically those were homes that maybe needed cosmetic updates. I really wanted to stay away from the classic money pit. I didn't want to buy a home that needed major structural work. I didn't want to buy homes that required major investment in terms of what I call systems, things like a roof, windows, furnace, the non-sexy stuff, right? I wanted to get in there and buy a home that needed cosmetic things like maybe a new bathroom, maybe a new kitchen, maybe the hardwood floors were covered by 1960s wall to wall and there was beautiful pristine oak under there and I realized that I could pull up the carpet, sand the floors, maybe I could just My first one wasn't major at all.

Really what we did is we went in there with paint, and we did a bathroom where we didn't even gut the thing. We just put in, you know, a new vanity, a new toilet and some new fixtures and painted the house. And then we were very intentional on decorating the home and increasing the value of it so that when the time came for us to sell and we stayed for a couple of years, we turned around and sold it, we made a small profit.

We're not talking a hundred thousand dollars here. We're talking made a few thousand dollars. We're able to increase the equity. We'd paid down the mortgage a little bit. That first two years took that money. And then we were able to climb the property ladder, buy a little bit bigger one, and then just continued that.

And as I sort of gained experience, maybe I took on a little bit more in projects. The second one, we did a full bathroom gut. The third one, I did a bathroom, a full floor sanding, and I did a full kitchen renovation. So, I sort of slowly got into this. I sort of thought, walk before you run, gain the experience. And as we started to climb up the property ladder, we were able to get into bigger homes, a little bit more expensive homes, homes in better locations. Looking back now 20 years, it was just a linear climb. I got to a point where the equity had built up. And rather than just selling the home after two years, I decided with the help of my mortgage professional at the time, the guy that I'd worked with, with our clients, said, hey, maybe you should think about turning some of these into a revenue property.

That's where we sort of changed the strategy a little bit, looked at the numbers and said, maybe we can refinance the property, pull out enough equity to buy the next house and turn the property into a rental property. So that was much further in my journey. But I think these are sort of. out of the box concepts that people maybe want to think about if that's something that appeals to them.

Keith Mathews: That's a hell of a journey. It's a lot of renovating Sean, over the years.

Sean Broady: I enjoyed it, Keith, like it's not for everybody. And I'm the first to say that not everybody wants to move every two, three years. Not everybody wants to take on design and renovation. I really enjoyed that process. I enjoyed the process of design.

As I got into more major renovations, moving walls, reconfiguring rooms and really improving the flow of an old house was something that I really enjoyed.

Keith Mathews: Well, you know, I think the big point you're bringing here is that if you're a first time homebuyer, you have to go into a home and look for, you know, Homes that don't show amazing may not have a pristine look and you've got to roll up your sleeves and do elbow work and get involved and rip up carpets and sand floors and paint and get the landscaping done and clean the house up.
There are incredible videos now online. I'm a gardener, I love gardening, and I see these videos where somebody goes in with a whippersnapper and cleans up an entire backyard and the place looks like a jungle and suddenly with maybe a weekend or two weekend or three weekends of work, it can be completely changed.

Sean Broady: Absolutely, Keith. You've hit the nail on the head and that's what people can do with homes. You often have buyers who want to walk into something that's turnkey and especially with first time buyers. It's like champagne taste on a beer budget. I often must sit down with them and say, look, what's the goal here? What's your budget? And these things must align and walking into a property that maybe has three bedrooms in a prime location near the city, that's all renovated in turnkey, like that's just not a reality. So, by coaching people to maybe lower their expectations with a goal that we're going to get there one day.

It's not free money. Like you said, there is sweat equity involved. I was working after work in the evenings. I would spend my weekends. I was there managing the renovation. If I wasn't doing the work personally, I was helping the guy. I would be the assistant. Like he'd be demolishing. I'd be putting the stuff in the dumpster, all that kind of stuff.

So, by putting some sweat equity in, you're really going to reduce the cost of renovations. Like hiring someone to do the whole thing, turnkey, very expensive.
My wife and I had the good fortune of being able to buy a cottage 30 years ago. It wasn't expensive. But I spent the first six months working Saturday and Sunday every single weekend, and you're just exhausted.

However, it did allow us the opportunity to take on that property in a time where cash was a little bit tighter, and then we rented the cottage for the next three years, didn't even stay in it. And then five years later, we had a place that we were able to really enjoy and take our family on the weekends all through winter and summer. So, working on property can be a really rewarding experience. It has been for me extremely rewarding.

Keith Mathews: So, are there better times in the year to be looking for these properties?

Sean Broady: Absolutely. The busy spring market, when you are going to have most buyers out there looking, so there's going to be much more buyer competition, it usually gets going in mid-January and it goes right through the summer and into Labor Day.

The hottest market is probably January to June. You then have somewhat of a lull in the market during construction holiday here in Quebec. So that's sort of the last two weeks of July. It then picks up again around Labor Day. I think out of all the properties that I have purchased in my life, 90 percent of them were bought in the late fall.

I have always bought property in late October. Early November and even into December. And I found some great deals. I always tell clients the profit on home, when you're looking at it from that perspective, the money's made on the purchase. You've got to get a great deal. If you're in a spring market and you're in a bidding war and you're going to pay top dollar for something, you may not get that return you're looking for when you turn around to sell it in two, three years.

I've always looked for the fall. The reason why Keith, is that less buyer competition, and I've looked for homes that have been sitting around on the market for a while.

Keith Mathews: Can you find that in today's market? Homes sitting around for a while?

Sean Broady: Absolutely. We come across them all the time.

You've got vendors out there who, for one reason or another, may have overpriced their home. We see a lot of that. Speculative pricing. So, the home has sat on the market for 2, 3, 4, 5, 6, 8, 10 months. Maybe they've had an offer that didn't work out, and they've now reduced their price. So, I've always looked for that type of property.

I've looked for basically, a seller that has been on the market for a long time and is very motivated. And so, in November, December, particularly if it's vacant, if they've moved out. I think three or four of the homes I bought were vacant, where they've moved out already. It doesn't show well. They're looking at the prospect of having to heat it, insure it, and maintain it over the winter.

And I've gone in in November or December and said, I'll take the house in 30 days. But boy, I got a good deal on the price.

Keith Mathews: That makes total sense. So, the three pieces that you've brought right now are find a home with great bones, be prepared to renovate. Superficial renovations, not big mechanical, if possible, and by late fall. Those are three great points. What else? What else comes to mind when you think about what is ideal for first time home buyers?

Sean Broady: Well, I think there's some other creative strategies that are not on a lot of people's radar. We're sitting down with clients now who are looking at the market and saying, how can we get into the market in a more creative way? There are some other strategies. It might be partnering with somebody, particularly people who are single, who don't have that spouse, who are trying to do it on their own.

We had clients recently this year that the two siblings came in and they were thinking of buying properties separately. After our meeting they decided, hey, maybe for our first one, we'll pool our resources and buy something together. And, and one of them had a boyfriend who was in the trades and well, there you go. You've got someone who can help you do some fixing up. So, they went from wanting to buy turnkey separate condos to saying, hey, why don't we partner together, buy a little detached home that needs some work and stay in it for a couple of years and then we'll sell it.aybe at that point we've got enough equity and enough, maybe the salaries increased by then they can go and buy each their own separate home.

So, there's that, there's partnering. Then there's, maybe looking at the duplex market. So maybe you go in and you partner with somebody, you don't necessarily have to live together. You could say, I'm going to take the main floor. My friend or my brother, my sister is going to take the middle unit and we're going to rent out the third unit to help offset the cost of the mortgage. The bank will take that into consideration that the third unit is a rental property. So that might help you get into the market.

Keith Mathews: Oh, it's interesting. Buying duplexes in Canada was the classic immigrant story. You go back into the 1950s and 60s and 70s, when European immigrants or immigrants from anywhere in the world came to Canadian cities, they liked the duplex. They couldn't afford the full semidetached or detached home, but they could afford the duplex and renting a unit or two.

Sean Broady: So that's a great comparison. I think that still holds true today. I think the duplex is a great way to get into the market. And then at some point, if you decide, okay, we've stayed there. And if you've occupied one or two of those plex units, you can do the same thing. You can get something that maybe needs some cosmetic fix ups, optimize it. You're going to put in durable, less expensive materials, thinking that maybe I'm not going to sell this property. I'm going to now move out. I'm going to refinance, pull my equity, and I'm going to now turn it into a three plex rental. I think that's a great way, if the means and the numbers work out, great way to start your first property.

Keith Mathews: Yeah, we're going to come back to this whole financial side of acquiring a property through partnering, through renting rooms, a whole bunch of different things. I want to come back for a sec to the types of renovations that you think are the best to do.

So let's list what gives you the best return. Paint, superficial, landscaping, kitchens, bathrooms, structure. How would you rate those in terms of what you should do for the best return on your renovation investment dollar?

Sean Broady: I think you were pretty good there with your list. Paint, number one, always has been. So fresh coat of paint makes a huge difference and the return on the investment is usually more than what you would expect. What you put in can be as much as 200%, but if you're looking at the whole landscape of the home, if you will, there's other things like you talked about, landscaping is a big one, curb appeal, and sometimes that's just clearing out overgrown bushes and making the front of the house look nice.

Painting the front door, kitchens. I might stay away from a full kitchen gut job, but I might do what we call a kitchen update. So, I'm going to change the countertop, put a new backsplash in, put new appliances in there that you're going to take with you when you sell. Other provinces, the appliances usually stay.

But again, what you're doing is you're making the kitchen look much more attractive. And maybe if you've got wood cabinetry, and it looks dated, and it's the old colors. But it's solid wood and it's heavy. I did that. I had a whole kitchen painted to a creamy color. And maybe the oak now, you're refinishing it to make it look like white oak.

There are a million different videos on YouTube and Instagram. So, all this kind of stuff, you can do. on a budget, especially when you're in a resale market where you're going to be selling it to the next generation of first-time home buyer and they're not expecting a hundred-thousand-dollar kitchen. They want to come in, they want something that looks nice and they're going to pay for that.

I think that was a smart move. So, floors, if they've got hardwood floors, sanding and refinishing floors, great return on investment. Bathrooms, kitchen, And paint and floors. And then the last piece would be the landscaping outside. Those are your big ones. Those are your best return on investments.

Keith Mathews: That's a great list. What's your general impression of the first-time buyers that you might have worked with? I know that you work with a whole series of property owners. Are most young people open to fix it uppers or are they closed to it? Do you have a sense?

Sean Broady: Yes. Typically, they are not very open to it.

Keith Mathews: Why is that?

Sean Broady: Well, I just think they're worried about what they're getting into. They've heard horror stories about fixer upper homes as a Money Pit. They don't want to get into something where they're above their skill level. They don't understand renovation. They don't know renovation. Some of them don't even know how to put a nail on the wall.

So, for them, it's very intimidating. So often their vision of their first home is a turnkey, beautiful space, nicer than what they were renting. And so, it's often an education where it's about we're taking time, we're slowly educating them, slowly bringing them to homes, showing them before and after pictures. Of somebody who's done it.

Keith Mathews: You need a TV show, you need to put a TV show together and a visual show. You have a great YouTube station, but do you have a YouTube on how to fix up homes for the younger generation? For starter homes?

Sean Broady: HGTV has done a good job of that. Although I will say a lot of the shows on the fixer upper love it or list it in these kind of things don't necessarily reflect reality. It looks like they come in and do a quick renovation and it doesn't cost much money and turn around and make a huge profit. So I think got to be careful on that but I think with the help of a good advisor there to help people they can really get into a property and have a successful experience.

I think it's the key is just surrounding yourself with the right people, the right advice, the right advisor.

Keith Mathews: Yeah, well said. I also think that individuals must be prepared to do the work. So, if you've got a regular job that's taking up, call it a five day a week job, if you're going to go down this path of getting into the property market, fixing things up, you've got to be prepared to work on the weekend. And sometimes that weekend might last for a year and then you'll have an amazingly different experience. But It'll be fixed. It'll be updated. It'll feel great.

Sean Broady: And it'll be an investment. Absolutely. And then decorating it. That's a huge part of it that people overlook. It's not just the kitchen in the bathroom.

It's furnishing it and making it look really inviting for when you do put it on the market. Buyers walk through there and people underestimate how much what we call staging and decor increases the value of a property. And so that can be done very strategically. And that stuff, don't forget, if you move, that's all going to come with you. The furniture is not going to be included. The curtains you can take with you.

So, if you're very strategic about how you present a property and start to really educate yourself during this journey on design and decor, and that's what I did. I really started to pay attention to what the trends were and what, and of course, being in the business, I got to see a lot of homes, which was a benefit for me, and I got to see what buyers really liked.

That information is widely available now. And so, I think that's another part of the puzzle that is often overlooked is you can do this on a budget. Now there are tutorials on Instagram and YouTube, as we talked about, not just for renovating homes, but also for furniture, refinishing and decorating and doing the expensive look on a budget, all the stuff you can get on Amazon now that looks like high end stuff. So, there's all kinds of different things you can do great strategies. And I see some young people who execute it beautifully.

Keith Mathews: Okay. Oh, that's amazing to hear. Let's take a moment now and. figure out some locations within Montreal. Now, our audience is across the country, so we can't go city by city, but let's take a moment in Montreal.

What areas, either on the island or off the island, do you think are great and ripe for first time homebuyers? And it might be they've got slightly older homes, and a lot of homes that come up, it's an older generation that's selling it, they may not be renovated. So exactly the types of homes you're talking about. So, let's talk about some specific locations.

Sean Broady: Sure. Well, again, I think it would depend on the first-time homebuyer, their budget. I think if you're looking at a lower budget, you're probably going to start getting into the market in a condo. If you're looking at detached homes, you're probably going to be looking off island.

You're going to be starting either off Island in the Monte Riguad area, Vaudreuil, Vaudreuil-Dorion. As far out as we go, the further out you go, the more affordable the properties are going to be. You may be looking north into Laval, some of the older mature areas in Laval, Chatauguay in the South Shore, much more affordable there than trying to get into the trendy areas around Montreal, Verdun, Point St. Charles, St. Henri, that used to be working class neighborhoods are now quite gentrified and are very expensive. If you're wanting to stay on the island, which I think if you can get a property on the island as a first-time buyer, great. My goal would be if I can't, go off island and look to move up to get on island.

Because I think Montreal, there's no more land left really for construction. It's an Island. And I think there's a premium for being on the Island and avoiding having to go over bridges to get on the Island. So, your less expensive areas on the Island, you know, you've got the West Island where we live, you've got less expensive areas like Pierrefond, and then you've got the more expensive areas along the water, like Beaconsfield, Pointe Claire.

Those might be your goal down the road to move into those areas. But those areas like Beaconsfield, Pointe Claire, Dorval all have. starter home locations.

Keith Mathews: Yeah, there are small bungalows in all these locations. All these locations. Some of them are going to be a bit more expensive. You mentioned LaSalle for sure. Dorval for sure has a ton of homes that are probably ready to be sold by an older generation that bought them in the 50s and 60s.

Sean Broady: There's a huge amount of these homes that the baby boomers are now going to be selling. You got an aging population that's going to be moving into the retirement homes, freeing up this inventory.

And there's a ton of these little starter bungalows where they've been well maintained. They're a time warp. You walk in and the inside decorating is 1950s. And then you mentioned La Salle and you mentioned Dorval and Pierrefonds and even Saint Anne de Bellevue. These areas all have the plexus, the duplexes, the three plexus, four plexus. So great areas there, opportunities to get in with partners and buy a duplex.

Keith Mathews: Yeah, those are all great places to get into. One of the things I've noticed is within our client base, when we talk to our baby boomer age client base about how long they wish to live in their home, or even older than baby, like say in mid to late seventies.

Pre pandemic, there were classic, well, I figure my late seventies, maybe early eighties, I'll move, and I'll downsize out of my home. I'll sell my home, and I'll go into an apartment or maybe some sort of transition environment. And then the pandemic hit. And for that few years during that pandemic, we used to hear, I will never move out of my home. I am staying here till whenever, because of the pandemic and this whole fear of living in more congested environments. And then, of course, we've had some recent weather, which has created floods, and now owning a home has become tricky and cumbersome and worrisome and requires a huge amount of extra energy.

And I'm now starting to hear from some of our clients, they're ready to sell way faster than what I would have thought. And a lot of that was flood related. They're just like, I'm done. I don't like owning homes anymore. And so, I do think we're going to see an opening up of individuals selling their properties.

Sean Broady: We're seeing the same thing, Keith, in our practice. We're seeing a lot of seniors who are calling up saying, I was going to stay here until I'm 85. And they've just been through a flood and an ice storm. And they're like, you know what? We've had it. We're ready for a condo. We want to get off the main floor.

And so yeah, I agree. I think there's going to be a lot more of this inventory that's going to free up, which is a good thing.

Keith Mathews: Yeah. And flooded homes can be retrofitted, and they can be improved dramatically. I've just, as you know, I went through a personal flood on our home, the one home that we're selling, and we refitted it.

We gutted it. We changed it. We brought in new infrastructure. I mean, this home, I think the basement is now incredibly advanced compared to what it used to be. And so ultimately homes can be remodeled.

Sean Broady: Absolutely. And that's what we're really talking about from a first-time buyer's perspective.

Keith Mathews: Okay, so we've really covered off trying to identify the homes, try to figure out what types of renovations, areas, styles. Let's spend a little bit of time in today's show talking about financing, which is the big question. How does one come up with the money? What are the strategies? And what are some of the alternative ways we can think about this? So, start with new changes that might come through here with regards to CMHC financing and amortizations and that whole component of support?

Sean Broady: Sure. Well, I think the two foundational government programs that I would certainly advise people to take advantage of would be the first home saving account and then leveraging the home buyer plan through your RRSP. So, between those two programs, you can really start to save tax sheltered for your first home.

And again, if you're with a partner or a spouse, you times that by two and that'll really help you save for the down payment. So, the government has put those in place to help. They've also recently put in an extension to the amortization of a mortgage. So previously in Canada, you could not amortize a loan more than 25 years.

So that's basically taking your loan amount. And stretching it over 25 years, you'd pay it off in 25 years and your payment would be amortized over that period. You can now do that over 30 years. So, this will again lower your monthly mortgage payment. Now, would I suggest somebody take a 30-year amortization and do that for the next 30 years that they're going to be in the real estate market or 40 years?

No, it's a great tool when you're getting into the market. I would say if you're getting into the market and your intention is to then get a little bit better salaries, you get a little bit older or maybe move up to a bigger home, move up property, then maybe reduce the amortization back to 25 or 20 years because you're going to be paying more interest, of course, over the term of the mortgage, the lifetime of the mortgage.

But I think it's a great tool. way to help young people deal with cashflow because that's what it is right now. Everything's so expensive, home insurance, property taxes, mortgage interest. The onus on homebuyers with all these expenses makes it very difficult. So, the amortization is going to help. And then getting into the market.

The bank has got a stress test in place, which I think is a great program. So, people must qualify at a much higher interest rate than what they're actually going to be getting. That saved us when interest rates went up from mass mortgage defaults, but it does make it onerous for borrowers. For young people, generally the bank is going to want two years of consistent income.

They're going to look at the average of your last two years. You can't be on a new job, on a probationary period. So, there's all these things that you need to qualify. And then they're obviously going to look at your income versus your debt payment, your debt ratios. And they'll come up with a value and say, okay, you were approved to buy a home at this much.

But often they'll preapprove you for more than you can really afford. So, I like to caution our clients in our practice to say, look at your overall budget, don't necessarily look at what the bank's going to approve you for. Look at. Not just the mortgage, but you've got to have property taxes in there, utilities, home insurance, and then you should have a slush fund there for unforeseen expenses.

Things like a furnace breaks down or you have a flood or there's something that breaks down. We suggest people have a slush fund of around 1 percent of the value of the property per year for unforeseen expenses. So, you want to be a little careful in your budgeting. And be very mindful, don't necessarily just buy the maximum amount that the bank will approve you for.

Back to how do we get in and how do we get into these properties. Sometimes if you haven't got the down payment, we're seeing a lot of clients in our practice whose parents want to help. So, we're seeing gifting. And gifting is great because mom and dad can gift. To their children tax free. So, they can gift an amount of after-tax dollars to their children to help them with a down payment.

It may be to help them with fixing up the house, so money that goes to their kids to buy a property. The bank will require a gift letter, and then the gift can become part of the down payment. So, let's say if first time buyer has. More than 5 percent or 10 percent or 20 percent to put down, they may use the gift letter to get the down payment in and then save some of that money for the renovations.
Cause we talked about maybe having some money aside to fix up the house a little bit. Well, if all your money went to the down payment, you've got no money to optimize the house. So maybe you're going to put a little bit less down payment for the first few years and keep some of your, your savings to do some cosmetic fix ups in the house.

So, there's parental support that can happen in the way of a gift letter. And we're also seeing a lot more parents when we sit down and have a consultation with them, maybe deciding they're going to give a loan to their children to help. So that may be in the form of a second mortgage, a private loan from mom and dad.

And there's various ways to structure that. We always advise that that be drawn up by a notary and notarized and becomes a deeded loan on the property. And we've seen parents look at strategies of I'll lend my children X number of dollars, and I only want it to be repaid when they sell the property. If the intention is to stay in the property for two, three years, and then climb up to a bigger property or a more expensive property, maybe they defer the loan. And that can all be drawn up legally. And so that's a great way that parents can help. And then they can also cosign. They can become a part owner of the property.

But we always caution people to be weary of capital gain if they become a 50 percent owner. We've seen people make that mistake. Mom and Dad bought the property with Junior. They're a 50 percent owner. Junior sells the house in three, four years, the value is appreciated and now mom and dad are hit with a capital gain.

I think the savvier parents who've sought out some advice in doing this have notarized this and maybe they become only a 1 percent owner. So, they're a cosigner on the property. They become joint and severally responsible for the mortgage payment, so they're guaranteeing the loan, but they're only a 1 percent owner, so that really minimizes the capital gain.

Keith Mathews: So they're able to get the bank to basically approve because of the co-sign and they're taking on very limited capital gain exposure.

Sean Broady: Exactly.

Keith Mathews: So, you just gone through a whole lot here, Sean. There's a tremendous number of opportunities for individuals to if I could summarize it, I mean, I think what I'm hearing is at first, obviously there's some great financial packages, financial saving through RRSP, first home buyer through the tax-free home purchase account. If you've got good incomes and you're two people, in theory, by the time you're 30, you might be able to save up 40, 000 in your tax-free account and maybe 60, 000 RRSP.

So, each person may have. between 70, 000 and 100, 000. Times that by two if you're two working individuals. Other options are partner up with a good friend or a good friend, sibling, and make that down payment come to fruition. Another strategy is taken either one of those two first combinations and then add some parental support and it doesn't have to be a gift.

It doesn't have to be a gift. I think the latest stat I've seen is one in five Home, starter homes in Canada have been assisted with a parental gift as a down payment and potentially up to 100, 000. I suspect that's happening more in Toronto and Vancouver than everywhere else in Canada, but that gift is available, the loan is available, and the cosigning is available.

And I guess even a loan to help renovations, so all these very different layers. that potentially are available for young buyers and their families.

Sean Broady: And there's one more we didn't even touch on, Keith. There's another one that, again, is not on most people's radars, but is becoming much more popular, is vendor financing.

Okay, so what exactly is that? So that is a situation where the owner of the property Gives a private loan to the purchaser. And it's not something that was done when interest rates were 1. 8 or 2%. We didn't see it, but it's becoming more and more popular. So, let's say we've got your senior who's ready to move into a retirement home or downsized to a condo.

They've got the big family home, or they, maybe they're moving from a starter, a little bungalow. So, this could apply to a move up buyer, buying a bigger home, or it could be a condo could be a small home. If the owner doesn't necessarily need all the money right away, they may decide to loan a portion of the value of the property to the purchaser.

And again, just like with a parent, this can all be notarized. This can all be done legally so that everybody's protected. And the owner of the property basically gives a loan to the purchaser. So, you don't have to go through the bank approval and the interest rate can be negotiated. It might be something equal to what they're getting in their investments, GCIs, whatever.

Keith Mathews: But I would assume that that a buyer who's asking for vendor financing would be ranked way down the list in terms of preference from a seller's perspective. I mean, I wouldn't think that that would be the ultimate way to sell your property.

Sean Broady: No, as I said, this is going to be something that really needs to be done.
Two people who the right professionals in place to explain how this works. If you say this to somebody, if you propose this to a seller out of the blue, their initial reaction is going to be like you, well, this sounds a little bit outside of the realm of something that I'm comfortable with, but it's important to point out that this is an option that could be proposed.

Maybe a property that, like we talked about, that has been on the market, hasn't sold. Maybe you've got a very motivated seller. And you've seen this. I've seen this. Yeah. And then maybe you've got a situation where You're buying it from somebody, you know, maybe it's not a stranger, maybe it's your uncle, or maybe it's your parents, best friend who's got this home. And so, there's a little bit more familiarity there in setting up this vendor financing, but it's much more popular in the Plex market where somebody owns this as an investment. And it's not their principal residence and there's taxation that's going to come into play there. And so, by offering vendor financing or rent to own scenario, that might be a win for the property owner and the purchaser.

So, it's just to put it out there that it's something that maybe people should think about and discuss with their real estate professional. With their lawyer, their notary, their accountant, these are options.

Keith Mathews: Well, what I like about this section of this conversation is we've presented about five, six, seven, eight, nine different ways to think about coming up with your financing, your down payment. And I think the message is clear that individuals who are looking to break into that home market must review all these different things and see what fits them best and see what they can actually come up with and see what works.

Sean Broady: Absolutely. And I think the big takeaway is lower your expectation a little bit.
Maybe be okay with a smaller property to begin with. Be okay to drive a little bit further outside the city for your first property with the goal of maybe it's not your forever property. You're going to move up that ladder and we're seeing more and more of that these years. It's very rare where you'll see a young couple come in and buy the home and stay in it for 30 years now.

They're not at the level where they can buy that size of home that's going to support a family with two kids. So, they're going to start small and maybe that's a tiny little condo. Okay. And then you move up to a townhome, and then you move up to a bungalow, and then you move up to a small two story, and then you move up to the bigger executive two story.
So, this is a journey that a lot of people may find interesting.

Keith Mathews: Well, this is great because you're now segueing into the last section of this discussion, which has been fantastic so far. And the discussion is, when should I sell? So, I'm a first-time home buyer. You buy in, I do everything you've mentioned.

I've gone down, I've been in the house. When do I consider selling? And you had your own personal experience where you kind of sold every two or three years. Maybe not everybody wants to do that. So, what's the right time and how do you think about this?

Sean Broady: I think the answer is that depends and it's different for everybody.
It depends on your situation, it depends on your family situation, what your spouse is comfortable with. If you're thinking of moving, are you moving within the same neighborhood? I tried to do that, so I wasn't disrupting my daughter at the time and moving into a different city every time. So, I think it just depends on what you're comfortable with.

Some people may be fine to take on a new project every two, three years. I know I enjoyed that, and I was comfortable with it. And my wife is fine with doing that. We've done that now since my wife and I have been together. But some people might say that's not for me. I'd rather my side hustle is going to be getting another degree or improving my career.

And I'm going to take that route to try and increase my skills and maybe earn more income that way. And I'm going to take a different investment approach and that's fine. If real estate is something that interests you and you feel that you might be open to a little sweat equity on the real estate side of things, then I would suggest maybe you're going to move every two, three, four years.
Maybe you'll do it once or twice. You say, I'm never doing that again. That was an awkward experience.

Keith Mathews: Yeah, yeah. Fair enough. Well, I think your point is extremely valid, which is maybe 20 years ago, if you saved hard enough, you could buy a starter home and maybe you had one or two home switches in your entire life.

Fair If that, that was a very traditional way that Canadians would enter the market and it's just not the way it can be done now, or few people can do it. Most people need to think about multiple switches along the way.

Sean Broady: Yeah, and I think some people just, they're focused on their career and their family, and they'll just buy the house that somebody else fixed up and they're comfortable doing that and they'll move every few years.

3, 4, 5, 10, 15 years, that's fine too. There's nothing wrong with that. It's just, I took a different approach. I was lucky enough to have been in the real estate business and I learned a lot along the way, and I had a lot of fun doing it. And so, if it's something that appeals to people, I'm a big supporter of it. I think it's a great way to climb the ladder and build some equity much quicker than you would if you just stayed in the house for an extended period. And the other thing I like to point out to people is that you stay in a house for. You've got to start doing everything again. You've been through that.
You then must do the roof again, and the windows, and you've got to change the heating system, and you've got to put money into the property again.

Keith Mathews: Yeah, we've lived in our house for 24 years. We've done two major stages of fixing up. So, there you go. So, it just depends on what you like. You mentioned something a few minutes ago I wouldn't mind touching base on, the side hustle.

Because I think that's important. And the side hustle being this concept of working five days a week may not be enough. And people are taking on extra jobs, extra roles. Maybe it's a second job. Maybe it's advancing their current jobs by taking more professional designations. But at the end of the day, there's extra work that must be done.

And maybe that's happening on the weekend. And what you're alluding to is this side hustle can in fact be fixing up your homes and improving your homes and moving up the property ladder.

Sean Broady: Yeah, I think so. I mean, we're lucky in Canada that your principal residence is exempt from taxation. So, if you stay in it for, the rule now is minimum two years.

You can't be doing this as a business. If you start doing this every year, and your house flipping, the government's going to look at it as a business. But if you're simply moving up the property ladder, gradually, and doing it every three, four years, that's perfectly fine, and you're able to really build that equity.

So, I think it's something that, it's a nice way to take advantage of that, and if you enjoy renovating, and you enjoy that process, so much the better.

Keith Mathews: So, I hear a lot of optimism from you in the way you describe this and a lot of hope for young Canadians who are trying to figure out in a world where they think that it's just not affordable that we got to be creative here.

Sean Broady: Yeah. You've got to work hard. You've got to work extra hard and then you've got to find creative ways to do things. Yeah. And just get in the market sooner than later, I think. Get in there and start small.

Keith Mathews: Okay. We're wrapping up now. So, a couple minutes of your parting words. It's been a great show so far. Lots to learn. I think very inspiring. If you're a young buyer or if you're a baby boomer who have young kids in their twenties, you're now seeing a lot of options that have come through thanks to the show today. So, parting words.

Sean Broady: Well, I think my parting words would be put a plan in place. Think about this, think it through, think about what your goals are, think about what kind of strategy you're going to put in place, and then, like anything, you want to leverage the right people around you to help you with this. As a first-time buyer, your parents may not be savvy around doing this kind of thing, so I would say it would be a good idea to get a really experienced and savvy real estate professional to help you. On the real estate side, you're going to want somebody like you, who's going to help on the investment side of things.

And then you're going to want a good accountant and a good legal professional. And when you get yourself surrounded with the right professionals that are going to help and support you, you're going to avoid making big mistakes. And we see big mistakes a lot. But if you put a plan in place, you're intentional about it, you do your homework, and your patient, I think that's the big takeaway, is it doesn't happen overnight.

It's baby steps. And I think there's great opportunities in the Canadian real estate market. if you just take the time to sort of educate yourself and do it intentionally.

Keith Mathews: Wow. Well, Sean, thank you so much for joining us today. I know the audience will be very appreciative on all these different strategies, concepts, and optimism.

I mean, I think that rings through and you have a fantastic brokerage firm, Brody Windsor. You've got an advisory group, which is unique in the sense of providing ongoing advice to individuals who own properties. regardless of whether they're looking to do a transaction in the next 12 months. And I know it's a fantastic service.
So, thank you so much for joining us today.

Sean Broady: My pleasure, Keith. Thanks again for having me on. Always great to be here.

Announcer: You've been listening to the Empowered Investor Podcast hosted by Keith Matthews. Please visit TMA-Invest.com to subscribe to this podcast, learn more about how his firm helps Canadian investors, or to request a complimentary copy of the empowered investor investments and investing strategies should be evaluated based on your own objectives.
Listeners of this podcast should use their best judgment and consult a financial expert prior to making any investment decisions based on the information found in this podcast.