Five ways renting helps improve your bottom line

SAVINGS

1. Save on transportation For downtown living, it's cheaper to rent near public transit and other conveniences than try to buy a home. Bonus: You may be able to ditch your car, or even your metropass, and start walking everywhere. **2. No-cost repairs** Did your bathroom lock fall off? A/C suddenly stop working? No need to pay a handyman — that's your landlord's job. **3. Better budget security** With no surprise bills to plan for you'll know exactly how much to budget every month (with a bit of leeway for hydro). With consistent expenses, it's easier to set up a solid savings plan. **4. Free-up funds to invest** Without a mortgage tying down your money, you'll have spare funds to invest. One of the biggest criticisms of renting is that it doesn't build equity, but there are plenty of stocks, ETFs and mutual funds that have beaten the real-estate market in long-term returns. **5. Access to amenities** Buying a place with a pool, sauna and gym is, for most people, prohibitively expensive, but these amenities are included in your rent in most apartment and condo buildings. *Danielle Kubes*

PERSONAL FINANCE

CONDOS. DON'T BUY. RENT

By Danielle Kubes

Kathy and Henry Fiala put half of their belongings on the kitchen table of their midtown Toronto townhouse last year and invited friends, family and colleagues to take what they wanted. These two boomer professionals had no interest in holding a garage sale — they barely have time to take their Bouvier for her daily walks. Besides, they'd rather spend what free time they do have eating dinner with family and browsing boutiques.

By the time they were done downsizing — having given away more than two moving trucks full of furniture and swearing never to accumulate so much stuff again, they were ready to move into their new luxury Yorkville condo.

But they didn't purchase it, though as two doctors they had the earning power to do so.

Instead, they rent for $5,500 a month, plus hydro.

In the previous century, the majority of Canadians saw home ownership as the coronation of their adult life. A mortgage, taxes and a leaky basement were precious jewels on a crown under which they sometimes staggered, but nevertheless remained certain that the effort required to maintain upright would pay off — both literally, when they sold, and in the legitimacy it lent to being a mature and stable member of their community. Those who rented were unfinished: transient, single, young or irresponsible.

This attitude is changing, it seems, with houses averaging over $1 million in two of Canada's biggest markets.

"The stigma that's attached to renting eventually begins to fade," says Shaun Hildebrand, spokesperson for Urbanation, a firm that researches the Toronto condo market. "I think that's a natural thing that happens when a real estate cycle, when it gets to the point where it has, where housing prices have gotten to the point they have."

In a searing hot real estate market, long-term renting is starting to look like the more prudent option, challenging the traditional view that signing a monthly cheque to a landlord is akin to using hundred dollar bills as fire starters.

In fact, the Fialas, both in their 60s, found it was the opposite.

"Our townhouse was a money pit," Kathy Fiala says. "We had a mortgage — as two professionals, we weren't supposed to have one, but we did — plus taxes, maintenance fees, plus anything that got broken down."

She estimates their previous monthly housing costs were $8,700.

"This," she says, referring to the rental, "is no money pit. We know how much we're paying and we know how much we'll be paying for the next two years, including heating, gas. If something breaks down, we call the landlord and it's fixed."

By moving only a seven-minute walk from their office, they were able to end the lease on their car, plus the accompanying gas, parking and insurance, and pocket an additional $2,000 a month. Overall, renting has reduced their monthly expenses by about $5,000.

Far from an exception, the Fialas are part of a growing number of urbanites, deeply uncertain of the condo market's long-term potential, who are refusing to commit a considerable chunk of change to a few hundred square feet of glass and steel in the sky.

Take another couple — Christine Sweeton and Jason Woods. Both in their early 30s, they perfectly fit the Toronto demographic of would-be condo-buyers. For now, though, they are choosing to stay put in their $1,050 two-bedroom basement rental in a gentrifying neighbourhood just north of the city centre.

"I think the market's being saturated … and that will potentially have a fallout," Sweeton says.

"If there are issues, the ability to fix them is impossible," she adds. "If you buy a house that has any of those problems, like it's falling apart or built badly, you can tear it down because at least you own land. But you don't own anything in a condo."

But experts strongly dispute that the condo market is overheated or oversaturated. Dana Seagman, senior analyst for the Canadian Mortgage and Housing Corp., says anyone claiming a condo bubble is "fear-mongering."

She insists the economic fundamentals are in place, and if interest rates rise, they will do so slowly. Even with a record number of units completed in Toronto so far this year — 24,650, compared to an annual average of 15,000 for the past five years — the prices are still climbing, albeit at a slower rate.

"People get scared at the level of construction and they think there's going to be a glut of units come on the market and the prices are going to be lower," Hildebrand says. "That's a fairly common perception, but it doesn't necessarily translate to what's going to happen in the resale market."

But the strong rental demand is the primary reason a glut in Toronto is unlikely — the condo rental vacancy rate is just 1.3 per cent, which is driving investor demand.

"Most of the buyers downtown are investors, who buy at the early stage of construction. But by and large they're holding on to the units, and in effect, they've become rentals," Hildebrand says.

They're mostly being rented to boomers, millennials and immigrants.

"Put them all together and they occupy the units," Seagman says. "That's what keeps the demand strong; the diversified demand. Every year Toronto net immigration has been about 87,000. That's a lot of people."

In contrast, the demand among those who wish to both own and occupy has been weaker, largely because faith by non-investors in the future value of these units is fragile.

"In all rental groups there's still a lingering level of skepticism for the market," Hildebrand says. "Despite its strong performances and resilience, I think there's a level of worry over whether or not it's a wise financial decision to invest in the condo market and purchase."

For now, many are choosing to embrace renting as a more fiscally responsible choice, and waiting to see what happens.

"If the bubble burst we would revisit the issue," Fiala says. "But if it doesn't, we're happy with where we are."

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