

Is Buying a Condo as an Income Property in Toronto a Good Idea?

Categories : [Condos](#), [NRRP Rebate](#), [Uncategorised](#)

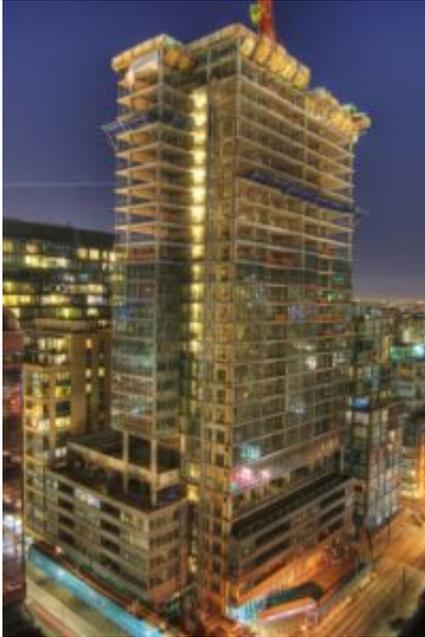
With such a dynamic real estate market, many investors are asking themselves whether buying a condo as an income property in Toronto is a good idea. The good news is that real estate investment offers a number of different options. The important thing is to determine which option is right for you.

Buying a condo as an income property in Toronto: what you need to know

The question about buying a condo as an income property in Toronto will have a different answer for every investor. It's a fabulous investment under certain circumstances, and can be a lousy investment for others. The key is to weigh the pros and cons (like any real estate purchase) and decide smartly.

Before buying a condo as an income property in Toronto it's essential to understand how it differs from a typical residential home or a freehold townhouse. From legalities, to occupancy, to ownership, the pros and cons of condo ownership will determine if it's a good option for investment or not.

Is buying a condo as an income property a bad investment in Toronto?



Before jumping in, it would be wise to explore the reasons why buying a condominium might be a bad investment. There are various conflicting opinions, and particularly if this is your very first real estate investment. To begin with, the pre-requisites for financing an “investment” condo can be stricter than a typical single-family dwelling. As well, the Condo Corporation may have specific rules for units to be owner-occupied, and therefore investors may be excluded. As for the condo fees (on a monthly basis) a calculation must be made to include this cash outlay in your bottom line. Worst case, some condos may limit the number of renters overall, and depending on when you purchase, you may well be excluded.

Is it good to invest in a condominium in Toronto?

Toronto as a real estate market is unique - hundreds of thousands of people moving in every year – more condo construction than house construction – and very high demand for the condo living option. In fact, according to industry stats, Toronto doesn’t actually have enough new condos for the projected future growth. Some real estate agents will tell you that if you’re buying a condo as an income property in Toronto you simply can’t go wrong. While condo values have [increased quite significantly](#) over the last few years, the more realistic appreciation rate (about 5%) should be based on the last few decades. The most important factor, without doubt, is that condo investment should be viewed as long term.

Can you negotiate new condo prices in Toronto?

Even if you’re a seasoned investor, it’s good to have an experienced real estate agent on your

side. That's not to say that an amazing deal is assured – it just means that every aspect of the “deal” will be addressed professionally. If you're buying a new condo from “plans”, most developers have incentives to get in early. If sales are slow in a project, the developer might want to incentivize sales by paying your land transfer taxes or closing costs. At the same time, in a hot market like Toronto, making a deal or negotiating may be out of the question. The one advantage of such a competitive market is that you can selectively pick and choose which building and which package of “sweeteners” offers the best deal.

Some of the mistakes new condo investors make

The truth is, condo marketing can be enticing – and everything looks fabulous online or in a brochure. One of the most common mistakes is assessing square footage. This is where you need to make certain that the so-called “living space” is as advertised. Needless to say, an existing condo will advertise actual square footage based on actual measurements (pre-sale condo listings don't). Another problem with a new-build is that a builder can change a floor plan or layout without consequence. Here, condo experts recommend hiring an experienced lawyer to evaluate the purchase agreement and conditions of sale. This is a foolproof way to avoid making unnecessary mistakes, and protecting yourself completely.

Can you buy a condominium and rent it out?

If you're thinking of buying a condo as an income property in Toronto, the rental income has to cover your overhead costs in order to make it worthwhile. For a few investors, an annual loss might be good for income tax purposes, but for most a break-even scenario is the preferred scenario. Clearly, if you are a seasoned real estate investor you'll have different priorities than a first time investor. However, except for speculators, a condo investment should be viewed as a long-term commitment. Another important caution before buying is to review the Condo Corporation budget and determine if there's a potential for any “special assessments” – this can dramatically increase your monthly condo fees.

Do you pay HST on a rental income property?

A common question when purchasing a rental property is about paying the HST upfront. If you are buying a property as a “primary residence” the purchase price will likely include HST and the seller will qualify for the [New Housing Rebate](#). At the same time, if you are buying a property for the sole purpose of creating rental income, you must pay the HST upfront. For those paying the HST upfront (on a rental property), Canada Revenue Agency offers the New Residential Rental Property Rebate. This essentially assures a full rebate on the HST that was paid out. Of course, your newly purchased property must be officially recognized as a rental property (applies to a new house or a condominium).

Getting relevant answers from the experts

Once you've decided on buying a condo as an income property in Toronto, the experts at Rebate4U can help answer many of the questions associated with property investments and rebates. We can help you to make astute decisions and capitalize on rebates like the [New Residential Rental Property Rebate](#).

When the rebate process gets complicated, the tax experts at Rebate4U can streamline the process and provide a stress-free experience, particularly for a [first time landlord](#). We oversee the rebate process from initial paperwork to rebate cheque. And our people don't get paid until you've received a cheque.

In the end, buying a condo as an income property in Toronto is all about smart decision-making. With Rebate4U on your side, outstanding questions are easily answered, and tax-related issues are easily explained. Find out more by calling 1-800-610-4510 or visit our website at <https://www.rebate4u.ca>.