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MARKET REPORT

Volume 6 – Issue 3

Maximum news on the Victoria real estate market.

Rental Property Mistakes!

David Ingram, president of West Vancouver-based Centa Real Estate Realty Group who has owned 3,000 rental apartments across Canada and the United States, reveals the 7 deadly mistakes that landlords should never make.

1. **Not claiming all the interest.** If you borrow money from any source, especially high-interest rate charge cards, to cover taxes and other landlord expenses make sure you deduct the interest paid in your tax return.

2. **Not using the rental property to make your own mortgage interest deductible.** Rental income can be used to pay down your own non-deductible mortgage. Then you can use the increased equity in your house to open a credit line to pay the deductible expenses on the rental property. Voila, you have converted non-deductible debt to deductible debt.

3. **Not borrowing money when you should.** Take the cash money from the rent and put it into a term deposit for a year or two. Whenever you need money for the rental house, borrow it on a line of credit. After two years of saving \$1,200 a month rent, you will have that \$30,000 cash to pay for the boat you always wanted and no interest to pay that isn't deductible.

4. **Keeping a separate bank account.** This is a really hard one to get across, according to Ingram, because it goes against general advice, but there is no real need for a separate bank account. In fact, it usually works against you because you tend to deposit all the rents into that account and use that money to pay for the rental expenses first. Use the rents to buy your food, pay for your car, or take a vacation when you are short. Then borrow the money for the

rental expenses. The interest on the loan is tax-deductible.

5. **Not keeping tax receipts.** Label several envelopes with a topic: Advertising, accounting, repairs and maintenance, mortgage interest, second mortgage interest, taxes, utilities, car, etc. At the end of the year, open each envelope and add up all the bills. Staple the calculator tapes to the bills, write down the amount on the outside of the envelope and put the receipts back in the envelope. Put them in a file or a box, in a safe location.

6. **Not screening tenants.** Landlords will turn a \$500,000 property over to a complete stranger because they like their looks. That is why so many rented expensive homes are found with marijuana grow ops in them. No matter what they look like, do not turn your property over to a tenant without having them vetted first. Two good sources of tenant information can be found on the Web at www.tenantverification.com or www.TenantCheck.ca.

7. **Not inspecting the property on a regular basis.** Be a caring landlord for the first six months, particularly if it is a detached house. Each province has different rules for inspection. Find out what yours are and make it a point of giving notice to inspect once a month or once every six weeks for the first six months and let the prospective tenant know that you are going to do so. It will, by itself, weed out the undesirables.

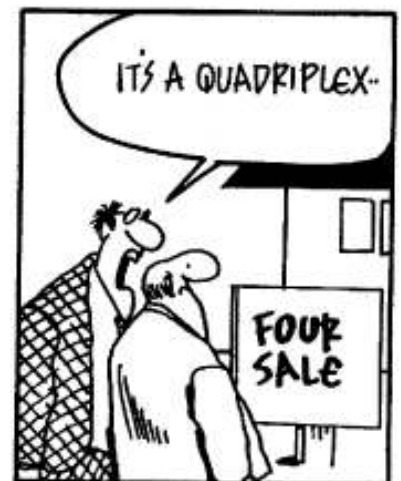
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Townhouses and Strata Duplexes

Average Prices as of September 2004

Victoria	\$198,127
Victoria West	\$409,838
Oak Bay	\$260,375
Esquimalt	\$158,322
Saanich East	\$161,138
Saanich West	\$160,183
Central Saanich	\$175,350
Sidney	\$237,857
Waterfront (all districts)	\$435,406
Greater Victoria	\$232,808

Source: Victoria Real Estate Board



Marijuana Taints British Columbia Real Estate

How big is the Marijuana grow operations problem in BC? Police estimate that between 15,000 and 20,000 homes are being used as marijuana grow operations across BC's Lower Mainland.

A crackdown on the grow-ops has been called for, the most visible manifestations of a provincial pot industry that may be worth \$15 billion to \$20 billion a year.

Realtors and landlords, however, are not waiting for government action, especially since the Provincial Legislature building, itself, was raided by police this year, as part of an investigation linked to the drug trade.

The Real Estate Board of Greater Vancouver and the Fraser Valley Real Estate Board, the two largest boards in BC, have called for a special vendor (seller) disclosure. The written disclosure would be mandatory and require that vendors disclose to prospective buyers whether the property has ever been used to grow marijuana, or other drug related businesses.

"This is something that has to be nipped in the bud," say realtors and the police alike. Grow-ops are a huge problem. Realtors are also concerned with the health and safety of the community. They want to make sure the buyers of property are getting complete information.

The BC Real Estate Association and a committee of Realtors and lawyers are carefully studying the proposal and its implications. If the committee approves the proposal, it could be in place on real estate contracts as early as next year.

Meanwhile, British Columbia landlords are applauding new provincial legislation that came in Jan 1 of this year, which makes it easier to evict tenants who are running a marijuana grow operation. The revised Residential Tenancy Act gives landlords the option of evicting tenants who are engaged in illegal activities that could threaten the property, the residents or neighbours.

Police say it is fairly easy to prevent a tenant starting up a grow operation. By screening prospective tenants and conducting regular inspections of the property, you can virtually eliminate the likelihood of a grow operation being set up in your property. If you suspect or discover a grow-op, do not confront your tenant. Call you local police department.

Revised.
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CMHC's Rental Residential Rehabilitation Assistance Program Rental RRAP

This program offers financial assistance to landlords of affordable housing to pay for mandatory repairs to self-contained units occupied by low-income tenants. Mandatory repairs are those required to bring properties up to minimum levels of health and safety.

Owners (landlords) of affordable self-contained housing units are eligible to apply if:

- the household income of their tenants is at or below the established ceilings (these vary based on household size and area of the country).

- the projects have pre-and post-RRAP rents at or below the median market rent for the local area (CMHC can assist with market rent information).

- the property lacks basic facilities or requires major repair in one or more of the following five categories: structural, electrical, plumbing, heating and fire safety.

- tenants are not family relatives of the owner.

The assistance available is a fully forgivable loan covering up to 100% of the cost of mandatory repairs with certain conditions attached.

Landlords must also:

- agree to place a ceiling on the rents that may be charged after the repairs are completed

- limit rent increases during the term of the agreement

- agree to limit new occupancy to tenants with incomes at or below the income ceiling

- cover cost of mandatory repairs above the maximum forgivable loan available

NOTE: Work carried out before a loan is approved in writing is not eligible for funding under this program.

For complete information about this opportunity contact Canada Mortgage and Housing Corporation in BC at Toll-Free 1-800-639-3938

SINGLE FAMILY HOMES (Single detached houses, duplexes and triplexes)

WATCHING THE MARKET – September 30, 2004

Victoria Real Estate Board statistics are available at <http://www.mls.ca/boards/vreb/>

All active MLS listings online at <http://www.mls.ca>

Area	Number of Sales	Average Price (\$)	Total Volume (\$)
Victoria	59	342,401	20,201,680
Victoria West	1	268,000	268,000
Oak Bay	16	524,781	8,396,500
Esquimalt	13	266,523	3,464,800
View Royal	21	329,459	6,918,638
Saanich East	80	401,505	32,120,400
Saanich West	24	326,329	7,831,900
Central Saanich	21	408,071	8,569,500
North Saanich	15	457,593	6,863,900
Sidney	9	292,944	2,636,500
Highlands	1	446,000	446,000
Colwood	17	367,415	6,246,050
Langford	33	343,630	11,339,800
Metchosin	9	381,433	3,432,900
Sooke	28	272,014	7,616,381
Waterfront (all districts)	10	843,050	8,430,500
Total Greater Victoria	357	377,545	134,783,449

MLS SALES & PRICES/MARKET SUMMARY: Last month's sales included 380 single family homes, 142 condominiums, 59 townhomes and strata duplexes and 25 manufactured homes.

Source: Victoria Real Estate Board

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