

20-somethings get creative to buy first home

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Today's young adults aren't about to let lingering student loans, uncertain career tracks and stratospheric housing prices stop them from finding their first home sweet home.

This investment-savvy generation of 20- and 30-somethings knows a hot market when they see one, and many have developed creative strategies to reach home ownership at a younger age, often without the benefit of a spouse's salary.

Some buy their first home jointly with a friend or sibling. Others become small-scale landlords, renting out basements or extra bedrooms to tenants whose rents offset the mortgage.

"It's something that a lot of people have to turn to because housing prices are just sky-high, particularly in a lot of the larger cities," says Brenda Bouw, author of *Home Girl: The Single Woman's Guide to Buying Real Estate in Canada*. "I think a lot of people have been influenced by their parents, whose best investment has been their house. They're feeling pressure to get into the market any way they can."

About one-quarter of Canadians aged 18 to 34 are homeowners, according to a recent survey by the Canadian Association of Accredited Mortgage Professionals (CAAMP).

Realtors say a few young buyers have even been successful at "flipping" houses and netting tidy profits that help buy the next, bigger, property or pay down student loans.

The increasing number of singles buying property -- particularly women -- has also given new meaning to the question, "My place or yours?"

People are marrying later on average, if at all, leaving some couples to figure out



CREDIT: Ray Smith

Opting for a smaller house is one way to get into the market.

where to live and what to do with an "extra" property when two homeowners move in together.

A Statistics Canada report found that almost one-quarter (22 per cent) of people aged 25 to 39 who owned a home in 2006 bought it by themselves, while 76 per cent became homeowners with a spouse or common-law partner.

About two per cent bought a house with a parent, in-laws, other family member or friends.

"Nobody waits around . . .," says Bouw, who bought and sold three homes in Toronto before her 35th birthday.

Indeed, 83 per cent of renters surveyed for Genworth Financial's first-time buyer report say waiting to get engaged or married plays no role in their home ownership decisions. Rather, prices and the ability to make a down payment are the biggest obstacles.

"It's definitely intimidating," says David Fu, a 25-year-old Edmonton resident. "I think a lot of people want to do it, but it's whether they get the house they're looking for or the location they're looking for. On an individual income, it's damn near impossible."

Last year, he and a close friend who had arrived at the same realization bought a two-bedroom townhouse together. Another pair of friends had already done the same.

Pooling their resources allowed both to buy a better place than either could have alone.

Fu and his co-owner wanted to make sure practicalities wouldn't get in the way of their friendship, so they had a lawyer draw up a legal document spelling out their responsibilities and the procedure if one wants to sell. Experts strongly endorse such a safeguard.

"I love having my house and going home and knowing that it's mine," he says. "It's a sense of maturity, you just feel a bit older and that you've got your own place and you paid for it on your own."

According to the Genworth report, the average age of first-time buyers was 32.5 in 2006, but that is dropping.

"People are definitely buying younger these days," says Jim Murphy, president and CEO of CAAMP. "A lot of people are skipping the rental phase and going into ownership."

It only makes sense, he says, considering that rent on a two-bedroom apartment in many Canadian cities is equivalent to a townhouse or condo mortgage payment that lets people build their own equity instead of their landlord's.

Murphy and others in the field say long-term mortgages with little or no down-

payment requirements are one of the big drivers behind this rise in young homeowners.

A recent CAAMP report showed that 37 per cent of the mortgages in Canada last year had amortization terms longer than 25 years, he says.

"It gets you into the home ownership market quicker, sooner," he says, while also pointing out the downside of paying a lot more interest in the long run.

Today's young home buyers are educated, business-savvy and expect professional treatment, says Deepak Verma, a 30-year-old real estate agent in Mississauga, Ont. who specializes in first-time buyers.

They do hours of Internet research before they ever contact him, he says, and most make decisions without their parents' input.

"By the time they come to me, they have a really good idea of what's available and what the price ranges are, and it makes the process very quick," he says. "I've had clients who call me and they only want to see one property and they buy it."

Of about 30 first-time buyer deals Verma has closed in the last year, he estimates two-thirds plan to live in their first home for a few years and then rent it out when they upgrade to something bigger.

Ironically, young buyers taking advantage of these relatively new long-term mortgages are keeping the heat on in the very market they're struggling to break into, says Craig Alexander, deputy chief economist for TD Bank Financial Group. He and his colleagues have been forecasting a cooling housing market for some time, he says, but it never materialized because they didn't expect 40-year mortgages to create a whole new crop of potential buyers.

"It never occurred to us that it would have such attraction, particularly to first-time home-buyers," Alexander says. "And probably that was very foolish of us."

As a part-time real estate agent and would-be homeowner, Ahmed Abed sees both sides of this "crazy, crazy market." The 30-year-old Ottawa resident has been living in his brother's house, but his brother is about to get married so he's looking for his own place. He's tried to buy several houses in the last month, only to have them snapped up by someone else.

"You have all the tools in front of you, you know exactly how much this house is worth, and then all of a sudden you see people putting down \$10,000 or \$15,000 more than it's worth," he says.

The inflated market has nudged Abed a little above his initial budget to get what he wants, and he's putting in another offer this week.

He'd like to live on his own, but after buying appliances and furniture -- he's already put a deposit on white leather couches -- he suspects finances will require him to take in a roommate temporarily.

Even still, "I'm very, very excited," he says. "It's something I've been waiting for all my life, basically."

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