

# The Fortnighter



**Wealth Management**  
Dominion Securities

Spring 2021 – Issue #72



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Spring is in the air and that means that every Canadian's thoughts turn to... Nicer weather? Vacations? Getting a Covid shot? Nope – once again, it's the insane Canadian real estate market.

Of course, it was just over a year ago that the world-as-we-know-it was imploding and many of us wondered whether we'd have a market for anything in the future – real estate included. Now, the most commonly used term for the sector is “on fire”.

As a financial advisor, I'm always curious about what is the “best long-term investment”. Now, some would say that I have a natural bias towards “the markets” - and away from dirt.... errr, real estate. In fact, my “bias” is so complete, I actually (spoiler alert) **DON'T OWN REAL ESTATE** myself. I know that makes me about as common as a two-headed chicken in Canada, but hear me out.

I rent a very nice condo in North Vancouver and have been in the same place for about 9 years. I won't tell you how much rent I pay, but I suspect most Canadians would look at the number with a mix of fascination and horror. Multiply it by 12 and then again by 9 and it's a big number. “The amount of money this guy is throwing away when he could be building equity! Insanity!”

As you can imagine, though, I've done the math. I don't pay strata fees, taxes or “special assessments”. If something needs fixing or replacing, it's not my problem. My land-

lord is earning less than 3% on the capital he has tied up in the place. And I don't have to deal with the strata council – which in itself, is pretty-much priceless...

Of course, rate-of-return is not the only consideration here – and I get it. But real estate, like stocks or gold or art or whatever, is still an asset that deserves analysis. Unless we're Jeff Bezos, we all have a finite amount of capital at our disposal – it would be “unwise” not to make the most of it.

Getting back to the long-term “best” investment question. Is real estate a good investment? Absolutely. Over the past 25 years, the Canadian housing market has been a great place to invest – returning an average of 5.7% annually (interestingly, Vancouver's house prices over the past 25 years have returned only 5.5%, a touch below the national average). Most investors would be happy with 5.5% per year. And of course for homeowners, it's a tax-free gain.

At the same time, the TSX composite index has returned 8% over the past 25 years. With a lot more volatility, to be sure – but that's a surprisingly good number. And as we know, we're not limited to investing in Canada – U.S. equity markets have been even better to invest.

So... real estate or stocks? Both great investments if you play the “long game”. I've done very well with my rent & invest strategy – which has been really great because some day I'm going to buy a place!