



## **CASE STUDY:** **Investment Property: To Buy or Not to Buy?**

Our team was recently called out to inspect an old, run down House in Burnaby. Our client was hoping to create some passive income by renting this 3brm home and adding a Suite with 3 additional bedrooms, for the next 2-5 years. Then he intended to rebuild on this nice view lot area and secure future investment income. He asked if we thought the price offered was reasonable and if it was a worthwhile investment...

We told our client that an acceptable price was really a matter of “simple math” and also a personal choice. The maximum price of this property needed to be the actual lot value (+1\$ for the old, decrepit house) minus demolition costs, taxes, repairs and renovations.

There are many responsibilities that go along with being a landlord. Any landlord needs to factor in the costs of repairs and renovations to make the building safe and habitable. These costs may include replacing weak wooden framing, leaky roofs, old windows, ancient appliances, old water heaters, insufficient insulation & an old plumbing system.

If “catastrophe” happens it’s going to be the landlord’s responsibility. If the windows were too old and the heating costs a fortune, angry tenants would likely demand that you install better insulation at significant cost and /or subsidize that. If the roof leaked like a sieve, the repair could cost you \$10 - 15 thousand. If the floor collapses, causing injury to your tenant, you could be sued.

In the case of our client, we observed that the structure of this house was quite solid, so at least that didn’t pose a safety risk to potential renters. Our report helped him establish a fair purchase price by pointing out all the additional costs he would need to be prepared for.

***“Owning Investment Property can be very Smart;  
just be sure you REALLY KNOW what you’re getting into.”***

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***We will provide professional advice  
& ensure your safety and security.”***