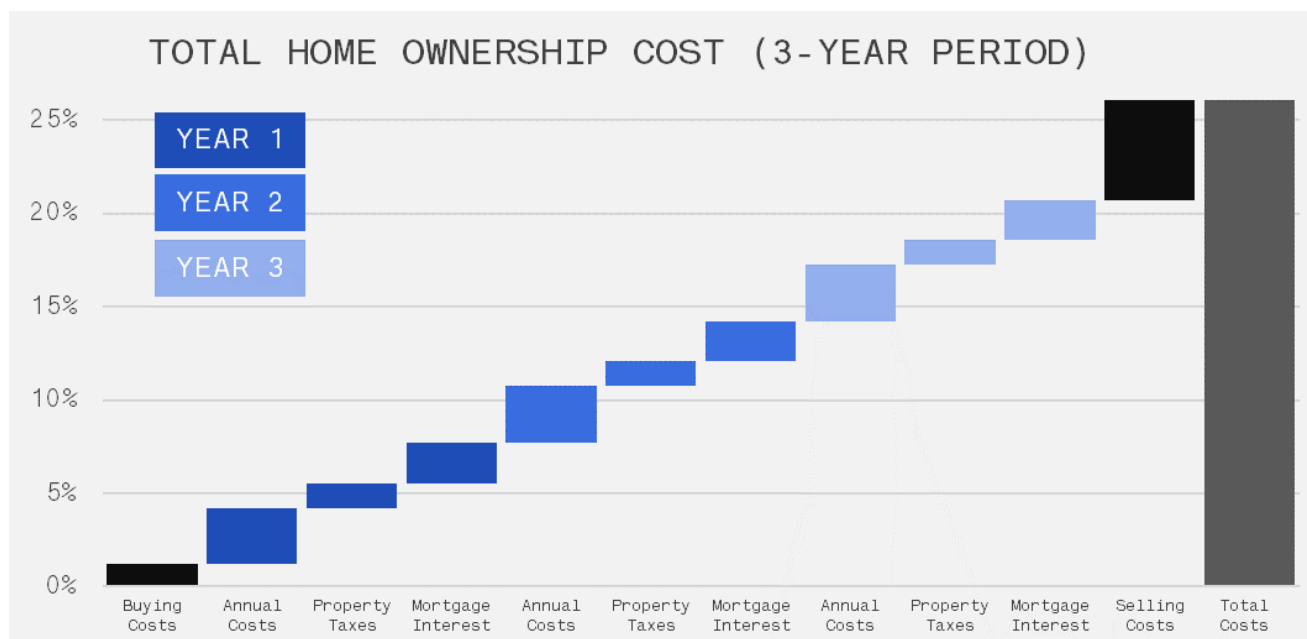


THE REAL ESTATE COMBINE

01 THE COST OF BUYING A HOME

To assess the true gain or loss realized by a real estate investment, we need to consider the transaction costs and the ongoing expenses of owning a home. Costs to buy and/or sell a property often include transfer taxes, origination fees, real estate commissions, legal invoices, and a variety of costs related to the title, surveys, inspections, appraisals and staging. Meanwhile, the outflows associated with operating a home may include mortgage interest, property taxes, homeowner's insurance, furniture, moving expenses, utilities, maintenance and association dues. In summary, the chart below illustrates these expenses as a percentage of a home's value. The findings show that owning a home for a short-period (3-years in this scenario), can easily represent more than 25% of the purchase price. In this example, a player would need to ask themselves before purchasing if they can sell their \$1,000,000 home for over \$1,250,000 in three years.



02 IS RENTING A "WASTE OF MONEY"?

The alternative to owning is obviously renting. In the below example, we summarize a player's actual experience of buying a home in a Canadian city. This exhibit demonstrates that while the player sold the condominium at a higher value than the purchase price, there was a clear loss on the investment. As a result, it would have been possible for the player to rent a unit for over \$6,000 per month with the same outcome. In fact, in this scenario, it is easy to argue that the \$437,700 loss is understated. If the purchaser borrowed money to finance the home, the accumulated interest expense would have added to the loss.

CONSIDERATIONS (6-YEAR HOLDING PERIOD)	COST
Purchase Price	(\$3,150,000)
Transaction & Legal Costs	(\$5,000)
Land Transfer Tax	(\$118,000)
Property Tax	(\$90,000)
Maintenance Fees	(\$162,000)
Sale Price	\$3,250,000
Real Estate Commissions	(\$162,500)
Net Gain/Loss	(\$437,700)
Equivalent Rent	\$6,080 Per Month