First-Time Buyers

Two out of three Canadian families own a house – that's one of the highest rates of home ownership in the world. And for good reason.

Real estate is a great investment. Although the market can go up and down, in Toronto, it's a fairly safe investment - especially if you're planning on living in the same place for a number of years.

Advantages of homeownership:

- Your payments build equity (as opposed to renting, where your money goes to the building owner).
- Unlike other investments that can be volatile, when you buy a home the increase in its value is relatively steady. The average price of a house for sale on the Canadian real estate market has increased every year since 1998.
- The return on investment for a house can be substantial. In 2004, the average house price in Canada rose by 9% in just one year. It also experienced a 27% increase over four years.
- Homeowners can use the equity in their homes as security for other loans.
- When you own, you have the freedom to renovate and decorate as you please.

How much can I afford?

So how do you get from here to there? Bridging the gap between dreaming and owning can be costly.

Most lenders say that your monthly housing expenses (principal, interest and taxes) should not exceed 30% of your family income (before personal income tax). This is called your gross debt service ratio (GDS).

Lenders may also look at your total debt service ratio (TDS). Your TDS takes into account monthly housing expenses, plus other debts and loans you may have.
To calculate your TDS:

1. Multiply your monthly gross (before tax) income by the maximum TDS ratio of 40%.
2. Subtract your regular monthly costs (e.g. credit cards, car payments, personal loans).

The figure you are left with represents the maximum amount available for your mortgage payment, property taxes and 50% of condo fees (if applicable).

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