



In the 1960s, this home backing onto a golf course would have cost you about \$20,000, says Hugh Heron.



HUGH HERON
ON-SITE INSIGHT

The more things change

History shows that an increase in interest rates has little effect on the long-term value of a new home

There's an old saying: 'The more things change, the more they stay the same.' I have been involved in the new home building industry for over 40 years, and I can tell you that's true in at least one very important respect.

Over the decades, we have seen enormous fluctuations in the economy and in what people want in their homes, but historically, real estate remains an excellent investment.

This is especially pertinent today, with some people panicking over the prediction that interest rates will go up this year. It's important to keep this in perspective.

Our Canadian economy is healthy right now, and even if interest rates rise, they won't go into double digits. When I first came to Canada from Scotland in 1967, I worked for the new home builder Costain, constructing 2,000 sq.-ft. homes that backed onto a golf course.

They sold for \$20,000, and interest rates at the time were 6%. People thought that was outrageous and that there wouldn't be a mar-

ket at all with rates that high. Trust me — the people who bought those homes are thrilled today. What an investment those turned out to be.

SKY-ROCKETING RATES

And look what has happened since then. Remember the late 1980s and early 1990s, when rates skyrocketed up to 22% and experts said we would never see single-digit rates again?

Our current rates are phenomenal, and the fact that they may rise a bit is not the end of the world. Moving mortgage rates up half a point isn't in the same league as a volcano spewing out ash that shut down airlines for days.

A slight rise in interest rates is not a catastrophe where new homes are concerned. Now is a terrific time to buy a new home. There is tremendous choice out there and a lot of competition, which is always good for buyers.

And another thing that never changes is the desirability of the Greater Toronto Area as a place to live. Our area will continue to grow for decades to come, espe-

cially with the incredible immigration statistics.

WONDERFUL MIX

Nearly 20% of Canadians are foreign born, and in Toronto, almost 46% are immigrants. In fact, more than 80% of Ontario's immigrants settle in the GTA. And why not? We have a wonderful mix of employment, cultural and housing diversity, and we enjoy one of the highest standards of living in the world.

People come to Canada for many reasons, but relative safety is another big one. We have our share of crime, of course, but Canadians are not persecuted for their religious and political beliefs. And the point is, all these newcomers need a place to live, and the demand for new housing will continue.

Canada is also the envy of the world when it comes to banking. Our stable system is fairly conservative, which saved us from the extreme problems the United States has experienced over the past few years. I was listening to BBC recently, and they expressed the idea that their banking system

should be more like Canada's.

It all adds up to the fact that real estate is still a good investment. As you pay down your mortgage and increase your equity, you also increase the financial leverage you have for other aspects in your life and add to your net worth.

What other investment can you live in, and then sell it someday and enjoy tax-free profits? And even with real estate experiencing boom and bust cycles, you can be pretty sure that the home you own today will appreciate in value in the next 20 years.

In the New York Post in 1957, U.S. real estate owner Louis J. Glickman was quoted as saying, "The best investment on earth is earth." Mr. Glickman knew what he was talking about. The more things change, this is one truth that stays the same.

Hugh Heron is president of Heathwood Homes, as well as a former member of the board of directors of the Canada Mortgage and Housing Corporation and a past president of the Toronto Home Builders' Association and the Ontario Home Builders' Association.



Giving back to the community with heart

In 2003, the Heron Group and Heathwood Homes established the Mikey Network to honour the memory of former partner Mike Salem, who experienced sudden cardiac arrest (SCA) and died on a golf course in 2002. This non-profit charitable organization promotes heart-healthy living and places public-access defibrillators called Mikeys in high-risk public places. In Mike Salem's name, the network works with community partners to offer a second chance at life to people of all ages who experience SCA. To support this worthy cause, visit www.mikeynetwork.com.