



## Buying a Home in Vancouver? Wait 32 Years!

### Description

Saving for a down payment is the first thing you do when you decide to buy a home. Depending on how expensive the home you want is and how much you can set aside for a down payment, it can take anywhere from a few months to several years. But it's not that simple.

The longer you save for the down payment on your dream house, the higher its price is going to go. And if your income (and the set percentage of it you are setting aside) isn't growing at a comparable rate, you might have to play catch up for a very long time before you've saved enough for a down payment, especially if you are going for the full 20%.

The situation will only worsen if you are planning to buy a home in one of the most expensive [housing markets](#) like Vancouver.

## Saving for a down payment in Vancouver

The **National Bank of Canada** estimated the average price of non-condo residences in Vancouver at about \$1.3 million (in February). Assuming they save 10% of their annual income, a median household would need to save for over *three decades* to set aside enough money for a down payment. That's taking the income and home price growth into consideration.

This shows how unrealistic it is for first-time home buyers to consider buying a property in Vancouver. Imagine what the numbers would look like for families with below median income or those who can't set aside 10% simply for a down payment.

## An alternative solution

Let's look at the problem through a relatively simpler lens. Let's assume that instead of setting aside 10% of your income (whatever it is), you are putting away \$5,000 each year in order to save for a down payment. And instead of just keeping the sum in cash, you invest it in a [growth stock](#) like **InterRent REIT** ([TSX:IIP.UN](#)) with an assumed five-year compound annual growth rate of 18.5%.

If the REIT can keep growing at this rate and you keep investing about \$5,000 each year (with dividends re-invested), you might have about \$260,000 in 13 years, which is equal to about 20% down payment for a \$1.3 million Vancouver property in 2021. After 13 years, the home prices might be on a completely different level, but it's safe to assume that if you have \$260,000 saved up for a down payment, you might be able to grab a decent property and land an affordable mortgage rate.

## Foolish takeaway

The housing market is too hot to touch right now, but it's expected to cool off by 2022 unless it crashes first. Even if you have enough saved up for a down payment and you get a good mortgage rate, you *have* to factor in the abnormally high prices into the calculation. If you can get the property that's \$1.3 million today for \$1 million next year, you might still get a profit even with a higher interest rate.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:IIP.UN (InterRent Real Estate Investment Trust)

### PARTNER-FEEDS

1. Business Insider
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