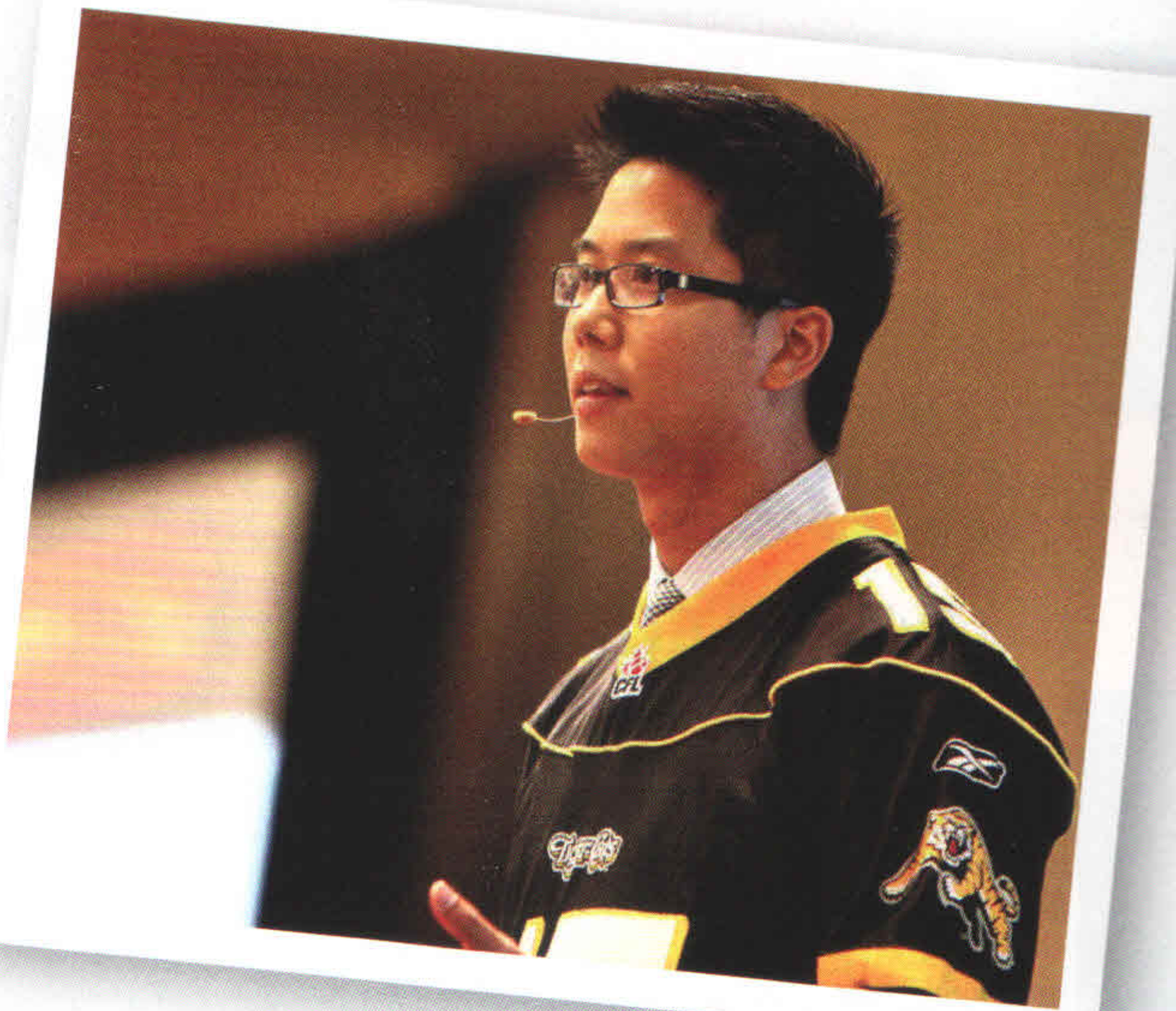


My hidden hotspot

Erwin Szeto knows that when it comes to property investing, location is still king



Erwin Szeto, 33, is a professional real estate investor, realtor and when it comes to property investment, he thinks Hamilton tops the charts.

Erwin has been championing the merits of investing in Steeltown through his website mrhamilton.ca for the last two years and personally started investing in the area five years ago.

He's transacted on nine investment properties, over half of which are in the Hamilton area and is currently in acquisition mode.

"The cash flow numbers in Hamilton are so much better in terms of affordability and job growth [compared to other areas]. Hamilton is such a large city as well compared to, say, Barrie. The Hamilton CMA is the same size as Kitchener-Waterloo and Cambridge combined. Hamilton just has such a massive engine behind it, whereas Waterloo has taken a step back with their licensing and they're losing jobs with RIM, so they're kind of shaky now. And it looks like Kitchener is going to get licensing as well, so it's almost as if we're winning by default," he says.

Erwin also says Hamilton's proximity to Toronto is contributing to the city's appeal and massive job growth is a key economic growth driver.

"Jobs, jobs, jobs – 20,000 of them were added to Hamilton in 2011 mostly by SMEs and some large employers such as Canada Bread," he says.

"Hamilton's unemployment is going in the opposite direction and bucking the trend for Ontario in general, especially when Hamilton is quite manufacturing heavy –

20% of its economy is manufacturing and that's why Ontario is suffering in general, but not Hamilton, it's bucking the trend."

The other key driver is both new and existing transportation infrastructure. "Hamilton has trains, planes, automobiles and boats. Name another city in Ontario other than Toronto that has a major port – it's actually the largest in the Great Lakes in terms of cargo and land size, a 24/7 international airport, and rail lines that are heavily integrated with the port and connecting to the US at Buffalo and Detroit."

According to Erwin, the newer Red Hill Valley Parkway also played an important role in attracting major employers such as Canada Bread, Maple Leaf, Bell ExpressVu, and Canada Post to the East Hamilton Mountain.

Hamilton also wins on affordability. Erwin says buyers just need to look next door to Burlington to realize you can save more than 15% when buying a starter home in Hamilton.

Investors should be on the lookout for properties in the neighbourhoods of West Harbour and lower Stoney Creek, because that's where the city is planning to locate the new Hamilton GO Stations, says Erwin.

"Plus tenants want to live in those neighbourhoods. The downside is so do regular home owners."

Small and large multifamily and student rentals near Mohawk and McMaster are all pretty hot, he says, but warns buyers to expect to be in multiple offers for the really good ones and even the half-decent multis.

In terms of price points, Erwin says properties in West Harbour are low \$200,000, lower Stoney Creek are mid to high \$200,000, and a triplex in a good neighbourhood will cost \$240,000 to \$320,000 depending on condition, location and potential cash flow. Meanwhile, Mohawk College student rentals are mid \$200,000 and McMaster student rentals range from \$300,000 to \$360,000 depending on the number of bedrooms.

"West Harbour and lower Stoney Creek return minimal cash on cash after mortgage, taxes, insurance, vacancy allowance, property management, repairs and maintenance are paid unless one is adding secondary suites," Erwin says, adding that cash on cash return on student rentals and small multi-families range from 6% to 8%.

When it comes to appreciation, Erwin says it's hard to find an area better than West Harbour. "But this may not be the right investment for a novice as the properties here tend to be old and require renovation and more ongoing repairs and maintenance." The areas with the best fundamentals are close to downtown and McMaster.

He also advises buyers avoid areas in the lower city. As you progress north and east in Hamilton, income levels decline, property values decline, crime increases, and tenant profile declines.

Erwin advocates investors consider a long-term hold strategy. "I don't advise flipping, especially when you consider the opportunity to invest in Hamilton long term. You're much better off holding on to your properties, rather than trying to do anything short term." ■