

INVESTMENT PROPERTY

The rules, the math, and the Alberta advantages of buying a rental property — from a broker who's financed hundreds.

PREPARED
BY

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1. Investment Property Mortgages — The Rules

Buying a rental property in Alberta is a proven wealth-building strategy. But the mortgage rules are different from buying your primary home.

Key differences from a personal home purchase:

- Minimum **20% down payment** — no exceptions, no CMHC insurance available
- Interest rates are typically **0.10–0.25% higher** than owner-occupied rates
- You must still **pass the stress test**
- Rental income can be used to help qualify (typically **50–80% of gross rent** is added to your income)
- You'll need a **signed lease or market rent appraisal**
- Some lenders cap the **number of rental properties** they'll finance (usually 4–5)

2. How Rental Income Helps You Qualify

Lenders use a portion of expected rental income to offset the property's carrying costs. The two common methods:

Rental Offset Method (most common):

- 50% of gross rental income is added to your qualifying income
- 100% of the property's costs (mortgage, tax, heat, condo fees) are added to your expenses

Rental Add-Back Method (some lenders):

- 80% of gross rent is used
- More favourable for properties with strong rental income

Example: Property rents for \$2,000/month. Rental offset adds \$1,000/month to your income. With a \$1,800 monthly carrying cost, you only need to cover \$800 from your personal income.

Shawn's Tip: The lender you choose matters enormously for investment properties. I know which of my 20+ lenders use the more favourable add-back method and which are more flexible on rental property counts.

3. Costs Beyond the Mortgage

Budget for these ongoing costs when calculating your return:

- **Property management** — 8–12% of gross rent if you hire a manager
- **Vacancy** — Budget 5–10% for months between tenants
- **Maintenance & repairs** — 1–2% of property value per year
- **Insurance** — Landlord policies cost more than homeowner policies
- **Property tax** — No homeowner grant on investment properties
- **Legal costs** — Lease preparation, potential eviction proceedings
- **Accounting** — Rental income is taxable; you'll want a good accountant

4. Alberta Rental Market Advantages

Alberta has several advantages for rental property investors:

- **No land transfer tax** — Save thousands on every purchase
- **No rent control** — You can adjust rent to market rates (with proper notice)
- **Strong population growth** — Alberta continues attracting interprovincial migration
- **Lower entry prices** — Southern Alberta offers better rent-to-price ratios than Calgary
- **Tax benefits** — Mortgage interest, property taxes, repairs, depreciation are all deductible against rental income

Shawn's Tip: High River and Okotoks are increasingly attractive rental markets. Lower purchase prices with rent levels approaching Calgary suburban rates = better cash flow. I can help you run the numbers.

5. Your Investment Property Checklist

- Get **pre-approved** specifically for an investment property (different qualification)
- Save **20% minimum down payment** plus closing costs
- Research **rental rates** in your target area (Rentfaster.ca, Kijiji)
- Calculate **cash flow** including all carrying costs and vacancy
- Get a **home inspection** — even more important on rentals
- Set up a **separate bank account** for rental income and expenses

- Find a good **accountant** before you close (not after)
- Decide: **self-manage or hire a property manager?**

Thinking About a Rental Property?

I'll help you run the numbers and find the right lender for investment properties. 20+ lenders, one application.

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