Home Buyer's Guide

PRESENTED TO

Our Clients

PRESENTED BY

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Sotheby's INTERNATIONAL REALTY | Canada

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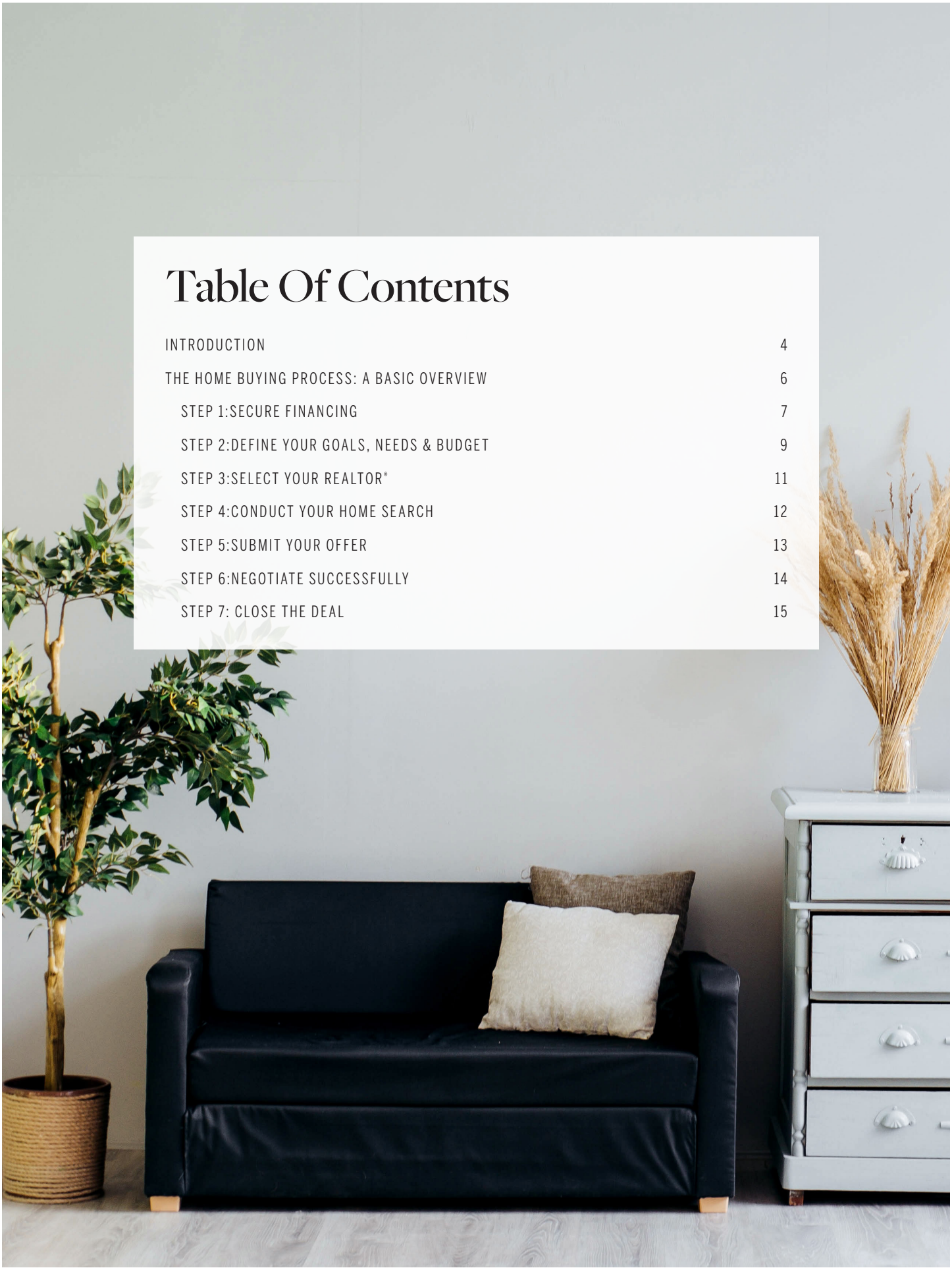

Introduction

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While every financially significant investment poses risks, the Canadian real estate market offers more opportunities than ever before. Whether you are an experienced real estate investor with a sophisticated and diverse portfolio, or a first-time homebuyer contemplating the purchase of your first home, it's important to educate yourself on the latest economic and real estate market trends, the basics of the home buying process and to understand the unique local market trends impacting your neighbourhoods of interest. It's also essential that you select a skilled an experienced real estate advisor to help you navigate the process.

Sotheby's International Realty Canada provides homebuyers with expert advice, accurate market and property information, prompt access to coveted properties and the highest level of service and discretion. We offer skilled and authoritative assessment of real estate opportunities, as well as exclusive access to some of the best properties on the market —many of which may never be available to the public on MLS.

This Home Buyers' Guide provides a general overview of basic essentials you need to understand in order to navigate today's real estate market. To receive full-service support and real estate advice tailored to your needs, visit sothebysrealty.ca to schedule a personalized and complimentary consultation.

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The Home Buying Process:

A Basic Overview

The Home Buying Process: A Basic Overview

Finding and purchasing a home involves the general steps outlined in the following section; however, most homebuyers and real estate investors have unique financial, property and personal requirements that demand advice from a real estate advisor with specialized expertise. These include instances when you wish to purchase a:

- Home that is dependent on the sale of another property
- Vacation home
- Canadian property from overseas
- Property located outside of Canada
- Secondary or multiple investment property
- First home

If you are interested in buying a home, a Sotheby's International Realty Canada associate can help. Visit sothebysrealty.ca to schedule a complimentary consultation.

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Step 1: Secure Financing

Before starting your home search, it's important to evaluate your financial situation, confirm your budget, familiarize yourself with mortgage options and secure pre-approval from your lender. This will help you conduct your search with confidence and negotiate your desired home successfully.

ESTABLISH YOUR BUDGET

As a general guideline, total monthly housing costs for your primary home, including mortgage payments, taxes, maintenance fees, insurance, interest charges and utilities, should not exceed 32% of your gross monthly household income.

Many financial advisors also suggest that total monthly debt, including mortgage payments, credit card and car payments, should not exceed 40 per cent of your gross monthly income.

Those purchasing a real estate investment property should consult their real estate and financial advisor to understand tax and financial implications of their purchase.

CONFIRM DOWN PAYMENT

If your down payment amount is less than 20 per cent of the total purchase price, you will need to purchase mortgage loan insurance that guarantees the debt against default. In most cases this will be added to the mortgage loan.

CHECK YOUR CREDIT RATING

Your credit report plays an important role in your mortgage approval process and in determining the interest rate and other loan terms that a lender offers you. Before meeting with a potential lender, you may wish to confirm your credit rating so you have time to resolve any issues. Contact Trans Union of Canada: 1-800-663-9980 or Equifax Credit Information Services Canada: 1-800-465-7166 for more information.

UNDERSTAND MORTGAGE BASICS

Interest Rates

Mortgage interest rates are fixed, variable or adjustable.

- Fixed: A fixed mortgage interest rate is a locked-in rate that will not change for the term of the mortgage.
- Variable: A variable rate fluctuates pending market conditions while the mortgage payment itself remains unchanged.
- Adjustable Mortgage Interest Rate: With an adjustable rate, both the interest rate and the mortgage payment change based on market conditions.

Open or Closed Mortgage

Closed Mortgage: A closed mortgage cannot be paid off, in whole or in part, before the end of its term. A closed mortgage is a good option if you'd prefer a fixed monthly payment and wish to predict your monthly expenses. However, because there are often penalties or restrictive conditions if you pay an additional amount, a closed mortgage may be a poor choice if you decide to move before the end of the term or if a decrease in interest rates is anticipated.

Open Mortgage: An open mortgage is flexible. You can typically pay off part of it or the entire amount at any time without penalty. This may be a good option if you plan to sell your home in the near future or if you intend to off a large sum of your mortgage loan. Most lenders allow open mortgages to be converted to closed mortgages at any time, though often for a small fee.

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Step 1: Secure Financing

UNDERSTAND MORTGAGE BASICS

Amortization

Amortization is the length of time the entire mortgage debt will be repaid. Many mortgages are amortized over 25 years, but longer periods are available. The longer the amortization, the lower your scheduled mortgage payments, but the more interest you pay in the long run.

Conventional vs. High Ratio Mortgages

Conventional Mortgage: A conventional mortgage is a mortgage loan that is equal to, or less than, 80 percent of the lending value of the property. The lending value is the property's purchase price or market value — whichever is less. For a conventional mortgage, the down payment is at least 20 percent of the purchase price or market value.

High-ratio Mortgage: If your down payment is less than 20% percent of the home price, you will typically need a high-ratio mortgage. A high-ratio mortgage usually requires mortgage loan insurance. CMHC is a major provider of mortgage loan insurance. Your lender may add the mortgage loan insurance premium to your mortgage or ask you to pay it in full upon closing.

Mortgage Term

The term is the length of time that the mortgage contract conditions, including interest rate, are fixed. The term can be from six months up to ten years.

There are generally several term options for a mortgage and it's important to weigh the benefits and costs of each. A longer term (five years, for example) may allow you to plan ahead and protect you from interest rate increases, but may not offer you flexibility, should interest rates fall.

Optimizing Your Mortgage

Work with your lender to optimize your mortgage payment schedule for your unique situation. Many primary homeowners aim to pay off their mortgages as quickly as possible, which can be achieved with more frequent installments. Your mortgage may also be structured to allow an increase in payments as cash flow permits, and there may be anniversary lump sum payment opportunities each year to be applied directly to the principal.

If you are purchasing real estate solely for investment purposes, other considerations such as tax implications come into play. Consult your real estate and financial advisor for assistance.

Get Written Pre-Approval

In markets where there is high demand and a low volume of the type of home you wish to purchase, written pre-approval is essential and will give you the competitive edge in securing your desired home. For example, in a scenario where a seller receives two similar offers, one accompanied by a letter that confirms financing pre-approval, and another other without supporting documents, the former offer is frequently considered first.

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Step 2:
Define Your Goals, Needs & Budget

Prior to meeting with your real estate advisor, it's important to clarify your budget, personal property preferences and any anticipated life stage and lifestyle requirements that may impact the purchase of your home.

As a starting point for your consultation, complete the worksheet and review with your Sotheby's International Realty Canada associate.

BUDGET RANGE

Target Budget _____ Maximum Budget _____

PREFERRED PROPERTY TYPE

☐ Condo/Apartment ☐ Townhouse ☐ Single-Family Home

☐ Multiplex ☐ Vacation Home ☐ Other _____

PRIMARY PROPERTY USAGE

☐ Primary Family Home ☐ Vacation/Secondary Property

☐ Investment/Revenue Property ☐ Other

PROPERTY FEATURES	Need	Want
How many bedrooms do you need?	_____	_____
How many bathrooms do you need?	_____	_____
Do you need space for a home office?	☐	☐
What kind of parking facilities do you need? For how many cars?	_____	_____
Do you require air conditioning? If so, what type?	_____	_____
Do you require storage or hobby space?	☐	☐
Do you require garden/outdoor space?	☐	☐
Is a fireplace or swimming pool high on your list?	☐	☐
Do you want special features to save energy, enhance indoor air quality, or to reduce environmental impact?	☐	☐

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Step 2:
Define Your Goals, Needs & Budget

LIFESTYLE AND LIFE STAGE

Most people aim to find a home and neighbourhood that will meet their needs for the next five to ten years. Your real estate advisor can help you assess how your lifestyle and life stage needs may impact the property or neighbourhood that is right for you.

How long do you plan on staying in this home?

Will you need a home that can accommodate different stages of life?

Do you have children or plan to have children?

Do you have teenagers who will be moving away soon?

Do you have family members with special needs?

Are you close to retirement?

Do you have an older relative who might come to live with you?

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Step 3: Select Your REALTOR®

A REALTOR® represents your interests when purchasing a home, one of the most significant financial investments you can make. For this reason, it's essential to select an advisor with in-depth knowledge of your local real estate market and specialized experience in the property types you are interested in.

If you are interested in buying a home, a Sotheby's International Realty Canada associate can help. Visit sothebysrealty.ca to schedule a complimentary consultation. We offer our clients:

LOCAL EXPERTISE

Our associates offer in-depth knowledge of your local real estate market, from advice on the homes and developments with the best potential return-on-investment, to insight into the properties and neighbourhoods that best match your life stage and lifestyle.

We are Canada's largest, most prestigious real estate brokerage, with multiple offices in Canada's major cities of Toronto, Montreal, Vancouver and Calgary. We also are located in other popular locations such as Victoria, Salt Spring Island, Whistler, Lion's Bay, North Vancouver, West Vancouver, Kelowna, Sun Peaks, Canmore, Mississauga, Oakville, Niagara-On-The-Lake, Muskoka, Creemore, Mont-Tremblant, Knowlton, West Island Montreal, and Quebec City.

EXCLUSIVE ACCESS

In some areas, many homes are sold within hours and days of being listed on MLS. Other properties are marketed exclusively and privately within the Sotheby's International Realty network without ever being made available to the public. Our connection to over 22,000 associates worldwide gives you direct and priority access to real estate opportunities that would otherwise be difficult to view.

GLOBAL CONNECTIONS

With a network of over 960 offices in 72 countries, Sotheby's International Realty provides unparalleled access to the global real estate market. We have the experience and contacts to facilitate international real estate transactions and to assist clients who wish to buy Canadian real estate from abroad.

Our associates provide service in over a dozen languages including English, French, Chinese, Spanish and German. We also offer professional translation services when needed.

REAL ESTATE SPECIALIZATION

We assist clients in the purchase of real estate in more than a dozen real estate categories: single-family homes, condos, townhomes and multiplexes, as well as properties that demand specialized knowledge such as waterfront real estate, luxury real estate, golf properties, ski resort properties, rural real estate, vineyards and islands.

PROFESSIONAL SERVICE AND DISCRETION

We commit to providing you with confidential, knowledgeable and responsive service. We guarantee discretion, monitor and promptly deliver listings that meet your criteria, facilitate viewings and property tours according to your individual needs and schedule, and facilitate the negotiation and purchase of your home professionally.

SEAMLESS SALES & MARKETING

If buying a home depends on the sale of your current one, we make the process efficient and seamless. Our real estate marketing program reaches the most targeted and qualified buyers through exclusive international, national and local publications, as well as online marketing that generates over 1 billion annual media impressions.

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Step 4:
Conduct Your Home Search

Once your Sotheby's International Realty Canada associate has an understanding of your budget and property preferences, you can expect them to provide you with:

AUTOMATIC PROPERTY UPDATES

As soon as a property that meets your desirable home criteria is posted on MLS, your real estate associate will send you an email alert to direct you to that listing.

ADVANCE ACCESS TO EXCLUSIVE PROPERTIES

In some neighbourhoods, homes are sold within days, or even within hours, of being listed on MLS. Others are marketed and sold within a real estate company's network without ever being made available to the public. In some cases, your REALTOR® may be able to arrange for advance access to properties that are represented within their professional and company network.

PROPERTY TOURS

Your real estate agent will schedule walk-throughs of properties matching your preferences and needs. You may also review properties on realtor.ca, on sothebysrealty.ca or by visiting open houses, then contact your REALTOR® to schedule a private tour, should there be one that matches your needs.

EVALUATION OF OPTIONS

It can be challenging to determine the fair market value of a home and to assess whether it is "good value" for its listed price or for your budget. Variables that impact the value of a home or property include its location, neighbourhood, community plan, proximity to amenities, lot attributes, views, property size, interior and structural condition, construction type, age, unique features, and the state of the local real estate market.

Your Sotheby's International Realty Canada associate will assist you in assessing the pros and cons of the home(s) you are interested in, and provide insight on recent comparable property sales so you have the information you need to place an offer and negotiate effectively.

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Step 5: Submit Your Offer

It's important that you sit down with your agent or lawyer to prepare your offer. Real estate laws vary widely from region to region, and it's essential that you protect your legal interests and account for any specific contractual contingencies that are unique to your area and desired property. Some general considerations include:

LEGAL AND CONTRACTUAL OBLIGATIONS

In Canada, an offer commits you to legal and contractual obligations as soon as the other party has accepted it. Prior to submitting an offer, ensure you are clear on the legal obligations you are undertaking, should the offer be accepted.

VALUATION

Prior to writing your offer, your Sotheby's International Realty Canada associate can provide you with information on recent area sales, local market information and background on whether there are competitive bids, which will help you determine your initial offer as well as your target price for this specific home.

BACKGROUND RESEARCH

With some investigation, your associate may also be able to assess your seller's background and objectives for selling, which may assist you in crafting a competitive offer.

OFFER DETAILS

The details of an offer typically include: your legal name and that of the vendor, the legal civic address of the property, the price you are offering to pay, inclusions (items in or around the home that you think are included in the sale should be specifically stated in your offer, such as appliances, lighting fixtures or window coverings), amount of your deposit, dates you take legal and physical possession of the home, legal "subjects" or "conditions" upon which the contract becomes final (such as satisfactory home inspection report or financing approval), and the date the offer expires.

Your offer is a legally binding document and should be prepared by a real estate professional or lawyer.

PROFESSIONAL INSPECTION

Your REALTOR® can advise you as to whether a professional inspection should be conducted prior to or after submitting your offer. This will depend on the property age and type, and whether competitive bids are anticipated.

TIME FRAME

Ensure that any time frames indicated in your contract are realistic, particularly if your offer is still subject to securing a mortgage loan, a situation we advise against by ensuring you secure pre-approval in advance. Increases in market activity as well as increased vigilance by lenders may mean that mortgage approval requires more time. Consult your Sotheby's International Realty Canada associate and lender for more information.

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Step 6:
Negotiate Successfully

PREPARATION

After submitting an offer, you should be prepared to negotiate, not just on the initial price, but on all key factors impacting the sale of the home including deposit, inclusions, dates for completion and possession, and deadlines for subject removals. Ensure you know your budget and requirements prior to submitting your offer so you don't commit to additional costs in the heat of the process.

MULTIPLE OFFERS

In high-demand, low-inventory areas, you may find yourself bidding against other buyers. Some sellers in high-demand niche markets may also intentionally list their home at a low price hoping to stimulate multiple offers. This doesn't necessarily mean that the price will be bid up significantly over the asking price, but it does mean that due diligence is required on your part and the part of your REALTOR® to ensure the offer you submit is strategic, competitive and reflective of what are ultimately willing to pay for the property.

Whether you are anticipating competition or not, you should be pre approved for your mortgage prior to your home search and well in advance of writing an offer. In a multiple offer situation, this will impact your ability to negotiate successfully, particularly if others making an offer are already pre approved. It also lets you know the maximum you can afford in what may be a stressful situation.

POTENTIAL RESPONSES

» You can expect one of three responses to your offer:

» Accepted as is: the deal is complete and once signed by the seller, the offer becomes a binding legal contract.

» Counter offer: the seller may make changes to your offer, such as adjustments to the price, closing date or conditions. You may accept the counter offer and close the deal by signing the document. Or, you may make another counter offer back to the seller.

» Rejection of the offer: the seller may choose to reject the offer and the sale will not go through.

OFFER ACCEPTANCE

Once both parties come to an agreement, negotiations conclude and you move on to the next steps in the buying process. You will have a set period of time in which to satisfy the legal conditions ("subjects") agreed to in your contract, such as completing a satisfactory home inspection report or securing financing. Only after your subjects/conditions are removed do you have a legally binding document.

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Step 7:
Close the Deal

The closing or completion day is the day you take legal possession or your new property.

PREPARATION

As this day nears, your REALTOR® and lender will monitor the progress of your transaction to ensure there are no last minute issues that need to be dealt with.

COMPLETION (CLOSING) DAY

On completion day itself, legal property ownership is transferred to your name. The mortgage amount is provided to your lawyer or notary by your lender and you will receive a Statement of Adjustments with costs payable, including: balance owing, legal fees, property transfer taxes and other completion costs. Your lawyer or notary will pay the seller, complete necessary documents and register your home at the Land Titles Office in your name.

On your closing day, your lender provides the mortgage money to your lawyer/notary, you provide the down payment (minus your deposit) to your lawyer/notary as well as remaining closing costs. Your lawyer/notary pays the vendor, registers the home in your name and provides you the deed to your new home.

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