

## **AN INTRODUCTION TO PRE-CONSTRUCTION**

This leaflet is in no way intended to replace proper legal advice for your specific purchase. It is intended to be an overview of the pre-construction process and potential costs (not all) associated with closings of new condominiums purchased from a builder.

### **GET PRE-APPROVED**

A pre-approval letter will be required within 60 days from the date of signing on the Agreement of Purchase and Sale. Speak to a Mortgage Specialist in pre-construction, and do not wait until the last minute before closing to secure your rate and terms.

### **SUBMITTING A WORKSHEET**

Submitting a worksheet does not guarantee you a suite to purchase. If the Builder can allocate a suite based on your suite selection, you will be provided with an opportunity to move forward with the purchase. Suites will not be placed on hold. This window is very limited, and time is of the essence. The more flexible you are in your suite choices, the better your chances to reserve a suite.

### **ONCE A SUITE HAS BEEN RESERVED**

After your suite is reserved, you will receive the

Agreement of Purchase and Sale to sign digitally or in person.

### **AFTER SIGNING**

After the deposit and post-dated cheques are received, the Agreement of Purchase and Sale will be executed by the Builder. Upon receipt of the fully executed Agreement of Purchase and Sale and the Disclosure Documents (Condominium Documents), you will now enter your 10-Day Cooling Period.

### **10-DAY COOLING PERIOD**

When you receive your executed Agreement of Purchase and Sale, all purchases are provided by law with a 10-Day Cooling Period. These 10 days mean calendar days, not business days. This is a critical time period to do your due diligence and have a Real Estate Lawyer review your Agreement of Purchase and Sale. You may rescind the Agreement of Purchase and Sale before the end of the 10-Day Cooling Period.

### **QUALIFY YOUR LAWYER**

A good lawyer will review the documents early, deal with a large volume of pre-construction contracts and closings, understand the

needs of investors and end-users, and know their numbers. It is imperative to work with a Real Estate Lawyer that specializes in pre-construction condominiums.

### **TARION NEW HOME WARRANTY**

By law, all new homes built in Ontario are provided with a warranty by the builder. The warranty starts with the executed date of the Agreement of Purchase & Sale and remains in effect for up to 7 years even if the home is sold. Visit [www.tarion.com](http://www.tarion.com) or speak with your Real Estate Lawyer who specializes in pre-construction condos.

### **\*ADJUSTMENTS ON CLOSING**

In addition to the stated purchase price, most Agreements of Purchase and Sale will have additional closing costs outlined in a schedule under an "Adjustments on Closing" section. Closing costs can be 5-8% of the purchase price + Land Transfer Tax + Legal Fees.

*\*For more details, please speak with your Real Estate Lawyer specializing in pre-construction condos.*

## **\*LAND TRANSFER TAXES**

When you buy land or an interest in land in Ontario, you pay Ontario's land transfer tax when the transaction closes.

*\*For more details, please speak with your Real Estate Lawyer specializing in pre-construction condos.*

## **\*LEGAL FEES, DISBURSEMENTS & TITLE INSURANCE**

*\*For more details, please speak with your Real Estate Lawyer specializing in pre-construction condos.*

## **\*INTERIM OCCUPANCY**

Once a specific unit is fit for occupancy, the purchaser is required to take possession and the carrying costs related to the unit will become the purchaser's responsibility. The period between possession and final closing is called the occupancy period. During such time, the

purchaser is required to pay a monthly occupancy fee to the builder. The occupancy fee is usually comprised of 3 components: interest on the outstanding amount of the purchase price, common expenses, and property taxes.

\*Not all Builders have an Interim Occupancy Period. Although there is no guarantee, a builder's track record is a good reference point.

## **HST**

The Purchase Price includes HST.

## **\*HST REBATES**

Most Agreements of Purchase and Sale from a builder of new residential condominiums have a stated purchase price inclusive of HST but net of the **HST New Housing Rebate** which the builder assumes that the purchasers are entitled to. To be eligible for this rebate the purchasers must be purchasing the property for

their own use as their Primary Place of Residence. If the purchasers are not eligible, then the \$24,000 rebate must be paid in addition to the stated purchase price on final closing.

In the case where the property will be used for rental purposes, purchasers may be entitled to the **New Residential Rental Property Rebate**. The main difference between the rebates is that the \$24,000 rental rebate must be paid upfront on final closing and claimed back from the CRA after completion of Final Closing and once a 1-year lease is in place.

The New Residential Rental Property Rebate must be submitted by yourself or by someone on your behalf (i.e., a lawyer or an accountant); and may take upwards of 3 months to receive the \$24,000 back once the application is submitted.

***\*Please Speak with your Real Estate Lawyer who specializes in pre-construction condos to review the Agreement of Purchase and Sale Contract for more details.***