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*Building tomorrow's living space today*



**BUYERS GUIDE**  
**TO PURCHASING**  
A NEW CONDO



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# 1. DETERMINE WHAT YOU CAN AFFORD

Useful indicators such as your household budget and your credit score as well as dynamic tools such as mortgage calculators can help you get a preliminary idea of what you can afford before you head to the bank.

## HOUSEHOLD BUDGET

How much are you spending each month? A [household budget worksheet](#) such as the one available on the CMHC website can help you get a realistic look at your current monthly expenses.

## CREDIT SCORE

Based on information contained in your credit report, your credit score is a three digit number that represents your financial health and shows your likeliness to be able to pay off future debts. Credit scores are generally measured on a scale that ranges from 111 (no credit score) to 850 (high credit score). Most financial institutions would prefer your credit score to be no less than 700 before giving you a mortgage.

## HOW TO CHECK YOUR CREDIT SCORE

- To receive a copy of your credit report and find out your credit score, you can contact Canada's two main credit-reporting agencies: **Equifax Canada** and **TransUnion Canada**.
- If you find errors in your credit report, make every effort to have them removed from your report before you begin the mortgage approval process.

## HOW TO IMPROVE YOUR CREDIT SCORE

- If you have no credit score, start building a credit history by applying for — and responsibly using — a credit card.
- Always pay your bills in full and on time. If you cannot pay the full amount, try to pay at least the required minimum shown on your monthly statement.
- Pay off your debts (such as loans, credit cards, lines of credit, etc.) as quickly as possible.
- Never go over the limit on your credit cards, and try to keep your balances below the limits.
- Reduce the number of credit card or loan applications you make.



# 1. DETERMINE WHAT YOU CAN AFFORD

## **MORTGAGE CALCULATOR**

A mortgage calculator can help you estimate the size of mortgage that you can handle given your income, household budget, debt load (including car payments, credit card debt, loans, etc.) as well as expected expenses related to purchasing a condo (including the down payment and other one-time fees). There are a several different interactive calculators available online, including a convenient [mortgage calculator on DevMcGill's website](#).

## **PRE-APPROVED MORTGAGE**

After you have roughly gauged your financial capacity on your own, you should apply for a pre-approved mortgage from your bank or financial institution.

Obtaining a pre-approved mortgage will more accurately determine what you can afford, allowing you to narrow your search for a condo based on your true financial capacity. You can also use your pre-approval letter to assure a seller that you are a qualified buyer. This can give you an edge when you are in a competitive situation where multiple parties would like to purchase the condo of your choice.

## **BELOW IS A GENERAL LIST OF THE DOCUMENTATION THAT WILL BE REQUIRED FOR THE BANK TO CONSIDER YOUR PRE-APPROVED MORTGAGE APPLICATION.**

- A letter from your employer stating: your position in the company, starting date and salary, or hourly wage and hours per week
- Dated pay stubs
- Proof of employment for a minimum of two years with the company
- Or, if you have been with your current employer for less than two years, or you are an hourly employee or a commission based employee, the lender may request your T4s for the previous two years



## 1. DETERMINE WHAT YOU CAN AFFORD

### **MORTGAGE TYPES AND YOUR DOWN PAYMENT**

In Canada there are two main types of mortgages; **Conventional mortgages** and **Insured mortgages**.

By law, financial institutions cannot lend more than 80% of the value of a home unless the mortgage is insured. If you can put at least 20% of the final purchase price cash-down as a down payment on your condo, you can apply for a Conventional mortgage.

For most home buyers, the down payment they can afford is likely to be less than 20% and may often be as low as the minimum allowable 5%. If the down payment you put toward the mortgage is less than 20% of the purchase price, you will need to apply for an Insured mortgage. These mortgages are insured by the **Canada Mortgage and Housing Corporation (CHMC)**. Before approving the insured loan, the CMHC will evaluate your finances and consider your eventual monthly housing costs and your debt load with respect to your total household income.

*Even if your expected down payment is less than 20% and you intend to apply for an Insured mortgage, it's smart to start saving for your down payment as soon as you start thinking about buying a condo. The larger your down payment, the less you will have to borrow from the bank and the lower your interest costs will be.*



## 2. FINANCIAL ASSISTANCE PROGRAMS AVAILABLE FOR THE PURCHASE OF A NEW CONDO

There are a number of programs intended to help home buyers with the expenses involved with purchasing a new condominium. If you are thinking of buying a condo, do your research. The federal government of Canada, the government of Quebec and the various municipal governments all offer various programs to help you make the leap to home ownership.

### **CITY OF MONTREAL HOME OWNERSHIP PROGRAM**

The City of Montreal Home Ownership Program offers home buyers if you are a family with at least one child who is under 18:

- A lump sum payment of up to \$6,250 on the purchase of new property;
- A 100% refund of the “welcome” tax;
- 6 months of free public transit with the purchase of a one-year OPUS full-fare pass (one free pass per family);
- 2 *Accès Montréal* cards with discounts on many activities offered in the city.

### **FIRST-TIME HOME BUYERS’ TAX CREDIT (HBTC)**

The \$5,000 non-refundable HBTC amount applies to qualifying homes acquired after January 27, 2009, and provides up to \$750 in federal tax relief.

- **You qualify for the HBTC if** you or your spouse or common-law partner acquired a qualifying home; and
- You did not live in another home owned by you or your spouse or common-law partner in the year of acquisition or in any of the four preceding years.
- **A qualifying home** is a housing unit located in Canada acquired after January 27, 2009. (Existing homes and new construction, single-family, semi-detached, townhouses, mobile homes, condominiums, apartments in duplexes, triplexes, fourplexes, or apartment buildings).
- **You can claim the HBTC by** entering \$5,000 on line 369 of Schedule 1 in the Federal tax return.
- You do not have to submit documents supporting your purchase transaction with your return. However, you have to make sure that this information is available if the Canada Revenue Agency asks for it.



## 2. FINANCIAL ASSISTANCE PROGRAMS AVAILABLE FOR THE PURCHASE OF A NEW CONDO

### **NEW HOUSING REBATE (GST & QST REFUND)**

This program allows home buyers to get a rebate (or partial refund) on the taxes paid on the purchase of newly constructed homes used as a primary place of residence.

- The GST rebate is equal to 36% of the GST paid, up to a maximum of \$6,300;
- The QST rebate is equal to approximately 50% of the QST paid, up to a maximum of \$9,804.
- Many developers directly deduct the rebate from the purchase price of your new condominium home and then simply deduct that amount from the net amount of tax that they are required to remit.
- The amount of the rebate is progressively reduced for homes valued from \$350,000 to the maximum eligible value of \$450,000.

### **CANADA'S HOME BUYERS' PLAN (HBP)**

The Home Buyers' Plan (HBP) is a program that allows you to withdraw funds from your registered retirement savings plans (RRSPs) to buy a qualifying home. You can withdraw up to \$25,000 from your RRSPs in one calendar year. Generally, you have to repay all withdrawals to your RRSPs within a period of no more than 15 years.

- **To qualify for the HBP** you must be considered a first-time home buyer;
- You must enter into a written agreement to buy or build a qualifying home;
- You must intend to occupy the qualifying home as your principal place of residence no later than one year after buying or building it;
- You have to complete Form T1036, *Home Buyers' Plan (HBP) Request to Withdraw Funds from an RRSP* for each eligible withdrawal.



### 3. DETERMINE YOUR NEEDS AND YOUR WANTS – A CHECKLIST

Before you begin the hunt for the perfect new condo, it is essential that you know exactly what you are looking for. Here is a checklist of some important elements to consider. Read through the checklist and create a profile of your ideal residence. There may be other elements important to you that are not listed here. Be sure to note them down as well and then **determine what your actual needs are, what your ultimate wish list is and what you are willing to compromise on.**

#### NEIGHBOURHOOD

Do you already have a preferred neighbourhood? If not, what would you like to be close to?

- Work
- school
- Family
- Friends
- Shopping
- Parks and green spaces
- Cultural sites
- Busy nightlife
- Festivals
- Quiet neighbourhood

#### CONDO FEATURES

- High rise, mid-rise, duplex, triplex, fourplex...
- How many bedrooms
- Office space
- Floor height (1st floor walk-out, mid-level or upper floors, penthouse)
- Balcony, ground-floor patio, rooftop terrace
- Views (city scape, green spaces, water view)

- Direction of windows (for sun exposure)
- Amenities (pool, common terrace, common BBQ area, courtyard, gym, other)
- Storage locker

#### PARKING REQUIREMENTS

- Don't need parking
- Parking for 1 vehicle
- For 2 vehicles
- Bicycle storage area

#### ACCESSIBILITY

- Close to highways/expressways
- Close to public transportation (bus, Metro, commuter train)
- Walkability\*

**\*Walk Score:** Walk Score is a rating index that assigns a numerical walkability score (a percentage) to specific addresses and neighbourhoods. Some condominium developers can provide you with the Walk Score for their projects. However, you can easily check the Walk Score of a condominium development by entering the neighbourhood or address in [Walk Score's search base](#). Walk Score will let you know exactly what services and conveniences are within easy walking distance of your possible future home.



## 4. STARTING THE SEARCH

Now that you know what you can afford and what you are looking for, you can begin the hunt for your new condo. Below is a basic research guide to help get you started.

### RESEARCH THE DEVELOPERS' AND BUILDERS' REPUTATIONS

- How long have they been in business?
- Have they built in the city of your choice before?
- Were their projects delivered on time?
- Do they have any completed projects that illustrate their good reputation?
- What is the overall satisfaction level of those who purchased units from the developer in other projects?
- Do they subscribe to a New Home Warranty? (see section 5 "Buyer Protection")

### VISIT...

#### ...Online

Most developers have information available for you to consult on their websites, including some examples of floor plans, info about the amenities and interior finishes and more. If you like, you can usually register for e-newsletters from your favorite projects. This is a good way to keep informed about any special promotions offered by the project.

#### ...Sales offices

At the sales office, you will usually be able to consult all the projects' different floor plans, get detailed information about condo pricing, learn more about each project's amenities and see samples of finishing materials.

#### ...The sales reps

When you visit the sales office, come armed with your questions. Ask the sales representatives about condo deposits, parking options, storage options, the expected delivery date, condo fees and more. Get explanations and details about the floor plans. And don't forget to ask about any ongoing promotions that could help save you money.

#### ...Model units

If you are buying a resale condo, you can visit the actual condo. However, in the case of pre-construction condominiums, there is usually a model condo available for visitation. Even if the condo is not the same size or layout that you are looking for, a visit of the model condo can give you a good idea of the quality of the workmanship and the finishes offered.

*After learning more about the projects you are interested in, compare them according to the factors that are most important to you (location, expected delivery date, condo fees, amenities, developer's reputation, finishing materials, etc.). Perhaps one particular project will stand out above all the rest. If not, then dig a little deeper about the projects that interest you.*



## 5. BUYER PROTECTION

The Guarantee plan for new residential buildings ensures that your condo is properly constructed and that the builder's obligations to you as the buyer are fulfilled. If they are not fulfilled, these warranty programs also provide the buyer with a certain level of compensation. If you're buying a new condominium, you should find out if the contractor and/or developer subscribes to a guarantee plan and determine what is and is not covered by that warranty.

### QUEBEC'S GUARANTEE PLAN FOR NEW RESIDENTIAL BUILDINGS

This plan is mandatory and guarantees the performance of certain lawful obligations of the builder. You may not waive this guarantee, even if you sign a document to this effect. Certain protections are offered before and after the delivery of your property.

#### BUILDING TYPES COVERED:

- New single-family detached, semi-detached or row-type houses, as well as prefabricated houses;
- New duplexes, triplexes, quadruplexes and quintuplexes;
- New condominiums of **no more than four (4) private portions** stacked one above the other.

#### PROTECTIONS OFFERED:

- Protection of buyers' deposits;
- Guarantees for the completion of the work and any necessary repairs;
- Certain guarantees against poor workmanship, apparent and non-apparent defects, defects in design and construction;
- Compensation in the event of late delivery.

For more details about Quebec's mandatory *Guarantee Plan for New Residential Buildings* you can visit the *Régie du Bâtiment Website*.



## 5. BUYER PROTECTION

### PRIVATE OR OPTIONAL NEW HOME WARRANTY PLANS

Optional warranty plans cover buildings that are not covered by Quebec's mandatory Guarantee Plan for New Residential Buildings. *Developers and contractors are under no obligation to subject their property to such warranty plans, so be sure to verify that the condo project you are considering is covered by a new home warranty.*

### BUILDING TYPES COVERED:

- New condominium buildings **of more than four (4) private portions** stacked one above the other;
- Existing buildings that are being converted for residential purposes (condos).

### PROTECTIONS GENERALLY OFFERED:

- The refund of deposits made, usually up to a maximum of \$30,000;
- The completion of work and repair of defects for your private portion;
- A guarantee against hidden or latent defects (usually up to a year);
- A guarantee against building construction defects (usually up to 5 years).

There are two authorised administrators of private warranty plans in Quebec, including the Plan de Garantie Abrisat inc. and the Garantie Habitation du Québec inc. (Qualité Habitation), which offers the Plan de garantie ACQ inc. and the Plan de garantie Qualité Rénovation.



## 6. BUYING YOUR CONDO

### EARLY BUYER PRIVILEGES

Many developers offer discounts and first-selection privileges to the first buyers in a new condominium development. At the preliminary or priority launch of a project, potential buyers are sometimes offered the opportunity to purchase a priority or VIP reservation at a nominal refundable fee. These reservations will then allow them to be among the first to select from the complete list of available condos at the time of the official launch of sales and will usually also give the holders the advantage of the developer's early buyer discounts.

### THE PRELIMINARY CONTRACT

When a builder sells a home that is new or under construction to a buyer who intends to live in it, the transaction must be preceded by a preliminary contract. By signing it, the buyer commits to buying the property and to paying the agreed upon price; The builder promises to build the home according to the specifications outlined in the preliminary contract, to hand it over to the buyer, and to transfer legal title of the property to the buyer.

### CAN THE CONTRACT BE CANCELLED?

The Québec civil code allows for a 10-day cancellation period for the buyer who has signed a preliminary contract. However, the seller may require compensation equal to 0.5% of the sale price if the buyer exercises this right.

### THE FOLLOWING MUST BE CONTAINED IN THE PRELIMINARY CONTRACT:

- The name and address of the promising Buyer and the developer (the Seller)
- The address of the building property, the dimensions of the building and the unit
- The date the property is to be delivered  
The detailed sale price including method of payment
- Description of work to be completed by the Seller
- The obligations of both the Buyer and the Seller
- The deadline to finalize the contract
- The signatures of both parties



## 6. BUYING YOUR CONDO

### CONDO DEPOSITS

When purchasing a newly constructed condominium, instead of remitting the down payment in a lump sum at the notary's office at the closing of the sale, developers usually require a deposit at the signing of the Preliminary Contract followed by increment instalment deposits throughout the construction of the project.

Deposit amounts and payment schedules will vary from project to project. Generally condominium developers will ask for a total amount of between 10% and 15% of the final purchase price as a minimum deposit. You can usually expect to pay about 5% at the actual signing of the Preliminary Contract, another 5% 60 days later, again 90 days later, and so on, depending on the total amount requested.

*Details about the amounts and the schedule of all deposits are provided in the Preliminary Contract.*

### CHOOSING YOUR FINISHES AND OTHER OPTIONS

Early during the construction process, you will be invited to select the finishes and various options for your condo. This may include basic choices such as the style and colour of flooring, cabinetry and tiles. For a number of standard items, home buyers are offered choices that won't affect the purchase price. The inclusions vary from one builder to another. However, the standard of quality of these products is generally high, offering you great value for the money.

Most builders also offer a full range of upgrades of an even higher quality. Upgrades will add to the price of the condo, but typically the builder will credit you with the cost of the item you are replacing, so the extra expense is limited to the difference between the items.

Depending on the developer, when it comes time to select your finishes you will either have a form to fill out, or you will have a one-on-one meeting with the developer's design professionals. In either case, be sure to consult the samples of the finishing materials that can usually be found at the condominium sales office.



## 6. BUYING YOUR CONDO

### INSPECTION

Before you take possession of your new condo, you will be asked to jointly conduct an inspection of the finished product along with the builder. Any item that is damaged, incomplete, missing or not operating properly will be noted on a checklist provided by the Guarantee plan for new residential buildings. Once you have completed the checklist, sign it and keep it for your records. Your builder will be required to address each item within a reasonable time period. If you and your builder disagree on any issue, be sure to document this on the checklist. You may then call upon the provider of the Guarantee plan for new residential buildings to settle the dispute under the warranty.

During the inspection, the builder may also demonstrate how to operate the home's systems such as the ventilation, plumbing and heating.

### CLOSING AT THE NOTARY'S OFFICE

The developer of your new condominium will inform you in a timely fashion when it is time to make your appointment at the notary for the closing of the sale, usually at least 30 days before the delivery of your new unit. They will communicate a summary of the amount of deposit still owed for your condo that you will have to remit at the signing of the Deed of Sale. At the notary's office, you will pay this remaining installment, if any, as well as the notary fees, municipal and school tax adjustments and the condo fees and you will sign the Deed of Sale.

The notary will provide you with a copy of the Co-ownership Declaration, your certificate of location as well the signed Deed of Sale and the keys to your unit and any other keys required (building main entrance, storage area, garage, etc.).



## 6. BUYING YOUR CONDO

### CLOSING COSTS

Here is a list of some of the one-time costs and supplementary recurring fees that you will have to pay when acquiring a new condominium home:

#### ONE-TIME FEES:

- **Applicable GST and PST** — When buying or building a new home, you are required to pay both taxes on the purchase price. However, you may qualify for a partial tax refund on the GST and QST if this home is to be your primary residence. **Notary fees:** If you deal with the developer's notary, they may offer you a discount on the notary fees.
- **Insurance:** Most financial institutions now require new owners to have home and life insurance in place before closing.
- **Land Transfer Tax:** This tax, also referred to as the "Welcome Tax", is payable to the municipality when you are buying a new or existing property. *The City of Montreal Home Ownership Program offers a refund of the "Welcome Tax" to buyers of a new property with at least one child.*

#### • Moving costs:

**The movers:** This can include the cost of the move as well as moving insurance. Make sure to book the movers well in advance to ensure they are available for your scheduled move-in date.

**Décor and installation costs:** These can range from new furniture purchases, minor changes like installing a new light fixture or faucet and having a room painted to more costly changes like adding built-in furniture.

**Miscellaneous costs:** including mail forwarding, utility disconnections and hook-ups, changing your address on legal documents (such as driver's licence), etc.



## 6. BUYING YOUR CONDO

### RECURRING PAYMENTS:

**Municipal and school taxes:** You will not have to pay property taxes during the construction of your home. You only start paying property taxes at the closing of the sale. Municipal and school taxes are determined based on the city's assessed value of your unit and not on the purchase price.

*For more information on municipal and school taxes, or to learn the most recent tax rates for your neighbourhood, you can contact the City of Montreal by dialing 311 and contact the School Tax Management Committee at 514-384-5034.*

**Condo fees:** Condo fees are a recurring monthly contribution made by each condo owner to the condominium association to cover the operating costs of the building. The amount of the monthly contribution payable by each condo owner is calculated according to the owner's share. **A detailed list of all the units in a condominium complex and their designated shares is provided in the condominium governing documents.**

### WHAT DO THE CONDO FEES COVER?

- Building repair and maintenance;
- Landscaping, lawn care and snow removal;
- Maintenance of the building's mechanical systems;
- Maintaining the amenities (i.e. pool, gym, common lounge, etc.);
- The building's insurance policies;
- Property management fees;
- Salaries of condominium employees (i.e. superintendent, security guards, concierge) and;

**\*Reserve fund:** A portion of your condo fees will always go to the reserve or contingency fund. The purpose of a reserve fund is to provide financing for any major repairs and renewal projects necessary over the lifetime of the building. Under the Civil Code of Québec, the minimum amount of the reserve fund must be 5% of the building's operating budget.

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