

## BUYERS GUIDE

### First-time Buyers

Why buy?

Two out of three Canadian families own a home – that's one of the highest rates of home ownership in the world. And for good reason.

It's a great investment. And with increasing house prices, it's all the more important for first-time buyers to get a foot on the first rung of the property ladder.

Did you know that...

- Homeownership is the single largest source of savings for Canadian households.
- Unlike other investments, which can be quite volatile, the increase in the value of homes is relatively steady. The average house price in Canada has increased every year since 1998.
- The return on your investment in your home can be substantial. In 2004, the average house price in Canada rose to a record \$227,210 – a 9% increase in just one year and a 27% increase over four years.
- Homeowners can use the equity in their homes as security for other loans.
- Building equity in your first home is the first step on the property ladder. It gets you into the market, keeps you in touch with increasing house prices, and puts you in a good position to trade up to bigger and better houses as your circumstances allow.

Want to know more about the first-time homebuyers market? Take a look at the Royal LePage [First-time Homebuyers' Report](#). It's a great source of information about trends and activity in major markets across Canada.

Looking for a quick way to figure out how much you can afford to spend on your home? Try our [Mortgage Affordability Calculator](#).

### Types of Home Ownership

What type of home ownership is right for me?

There are three broad categories of home ownership:

#### 1. Freehold

The owner owns the house and the grounds.

Freehold homes offer the most privacy and freedom of choice of any type of home. Homeowners are free to decorate and renovate as they please. They are also responsible for all the maintenance both indoors and out.

Freehold is the most common type of home ownership.

#### 2. Condominium

The homeowner owns the unit and shares in ownership of common elements. Condominiums are usually apartment buildings, but also include townhouse developments and developments of detached buildings on private roads.

The homeowner is responsible for the interior area of the unit (everything from the plaster in). The condominium association is responsible for the up-keep of the exterior of the building, common interior elements (halls, elevators and parking garages, for example) and the grounds. All condominium owners pay a monthly fee to the condominium association to cover maintenance costs and common utility fees and taxes.

Condominiums often have strict rules regarding noise, use of common areas, and renovations to units. Condominium residents often enjoy less privacy than residents of detached homes.

Condominiums are usually less expensive than freehold houses.

### **3. Co-operative**

Co-operatives (or co-ops) are similar to condominiums but instead of owning your unit, you own a share in the entire building or complex.

Co-op residents pay for maintenance and repairs through monthly fees and are subject to the rules and regulations of the co-op board.

If you decide to sell your shares and move out, the co-op board has the right to reject your prospective buyer.

## **Viewing Homes**

What should I look for when viewing a home?

You pull up to the curb and there it is – the home of your dreams.

Calm down. Take a deep breath and start again. The hardest thing to do when looking for a home is to remain objective. It is easy to fall in love with a home's appearance, but it's very important to look beyond the window dressing.

Here are some things to consider when looking at a home:

### **General upkeep**

First appearances do count. Is the home dirty and cluttered? Are the lawns uncut? Are the walls chipped and in need of paint? If the owner hasn't bothered to keep the house looking clean and attractive, what problems are lurking below the surface?

### **Water leaks**

Water can do a lot of damage to a home. It rots wood, undermines foundations, and leads to mould and mildew. Reshingling a house, or repairing a cracked foundation to stop water leaks, can be extremely expensive.

It takes an expert eye to find most water leaks (which is why we recommend you have a house inspected before you buy). If you spot stains, bulges and other signs of water damage on ceilings or walls, make special note that there could be a problem.

### **Appliances and fixtures**

Test the lights, faucets, toilets, furnace, air conditioning, and all major appliances that are to be included with the home. Make sure everything is working as it should.

### **Floors**

Floors should be smooth, even, and solid. Soft springy sections, excessive squeaking, and unevenness are all indications that expensive repairs may be needed.

### **Doors and windows**

Check that doors and windows fit snugly and operate smoothly. Look for flaked paint and loose caulking. Check for drafts.

### **Drainage**

Walk around the yard looking for areas where water might collect. Soggy areas near the foundation indicate poor drainage.

### **Grout and caulking**

If the grout and caulking around bathroom and kitchen tiles are loose and crumbling, there is a good chance water is finding its way into the wall or under the floor.

### **Structural**

Look for deep cracks in the foundations or loose mortar and bricks.

### **Furnishings**

If you are not planning to replace all of your furniture (and not many people are), make sure it will fit into the rooms of the new house. Be sure to bring a measuring tape. Rooms can be deceptive.

### **Storage space**

Make sure your new house has enough storage space for all your belongings. And that means more than just your clothes. Think of all the things that need to find a home – tools, gardening equipment, old toys, sports equipment, and all those wedding presents that are still in their original boxes. Check the size of the closets, the attic, the basement, and the garage. Rule of thumb: there's never enough storage space.

### **Inspection**

You should take a long hard look at a house before you put in an offer to protect yourself from disappointment down the road. But, nothing can replace the expert opinion of a qualified home inspector. Inspectors can spot problems that the average person would never find and they can usually advise you on how much it will cost to make the repairs. A home inspection can help you determine whether or not you are going to make an offer on a house, and if you decide to go ahead, just how much that offer is going to be.

## **Making an Offer**

When you're making an offer to buy a home, there are six main elements to consider:

### **1.Price**

The price you offer reflects your opinion of the value of the house and is determined by the condition of the property and local market factors. You can make any offer you like. It does not have to be the same as the seller's asking price.

### **2.Deposit**

The deposit shows your good faith and will be applied against the purchase of the home when the sale closes. Your Royal LePage Realtor can advise you on an appropriate amount.

### **3.Terms**

Include the total price offered and the financing details. You may arrange your own financing or ask to assume the seller's mortgage, especially if it has an attractive interest rate.

### **4.Conditions**

Conditions are items that must be completed or fulfilled prior to an offer being concluded. These can include subject to home inspection, subject to you obtaining financing, or subject to you selling your existing property.

### **5.Inclusions and exclusions**

Your offer may be contingent on certain items being either included or excluded in the sale. These might include appliances, fixtures, and decorative items, such as window coverings or mirrors.

### **6.Closing or possession date**

The closing date is generally the day the title of the property is legally transferred and the transaction of funds finalized, unless otherwise specified (except in Manitoba and Quebec). In British Columbia the possession date is legally one to three days after closing