



Signature
INDEPENDENTLY OWNED & OPERATED REAL ESTATE BROKERAGE

An overview of the buying process and
all the people you will need along the way.

A large-scale construction site in an urban environment. In the foreground, a multi-story building is under construction, with its steel framework visible. Several large tower cranes are positioned around the site, with one yellow crane on the left and a red one in the center. In the background, the CN Tower stands prominently against a clear blue sky. The overall scene depicts a busy urban development project.

PRE-CONSTRUCTION GUIDE

“When people are making the decision of the magnitude of buying a house, it’s the biggest decision a great many families will ever make. They want to know who they’re working with .”

Warren Buffet, CEO

About Royal LePage Signature Realty and Kyle Bridson.

Royal LePage Signature Realty is a real estate brokerage designed for today's real estate market.

From first time home buyers to luxury markets and pre-construction real estate, The Bridson Realty team is down to earth, nimble and local experts. When our name is on a real estate sign, it means something so much more. It represents a promise of trust, integrity, stability, longevity and the highest standards of work. A promise which we don't take lightly. As a client, you will see first-hand how these values are reflected in every aspect of the real estate business and transaction. Royal LePage Signature Realty and Bridson Realty Group is the name buyers and sellers trust.



Kyle Bridson
Team Lead & Sales Representative



Table of Contents

Buying pre-construction is a step by step process.
Let's walk through it.

1. PRE-CONSTRUCTION AS AN INVESTMENT
2. CHOOSING A REALTOR
3. CHOOSING A BROKERAGE
4. CHOOSING A DEVELOPMENT
5. MORTGAGE PRE-APPROVALS
6. UNDERSTANDING DEPOSIT STRUCTURES
7. RETURN ON INVESTMENT
8. CAPITAL GAINS EXPLAINED
9. USING A LAWYER
10. COMPLETING THE TRANSACTION

Profits in new construction are made by
getting absolute first access.

Our clients are first in line
at GTA's top developments.

Pre-Construction as an Investment.

Many investors like purchasing new condos because it is a low maintenance investment. It's a new property that doesn't require much work or attention. Once completed, owners can choose to lease out their unit and begin to receive continuous rental income year after year.

Low Maintenance

Pre-construction condos and homes are covered by warranties and require minimal involvement compared to houses, flips and renovated properties.

Higher Return

Compare pre-construction returns to your RRSPs, stocks, bonds and mutual funds over the last decade—there is no competition. Real estate out performs every time, decade after decade.

Build Equity

Having the opportunities to invest in high- demand real estate when they are below market value allows you to build equity during construction. When your investment comes to fruition, you can see a high return on your initial investment.

Ability to Leverage

You are putting less money down over a longer period of time than with other real estate investments. Using this strategy, our investors see great returns and out-pace other investments.

Choosing a Realtor®

Realtors® wear many hats, which is why selecting the right one is such an important step in the buying process. The difference between a good agent and a not-so qualified one, not only lies in their ability to find you a great investment, but more so in their ability to make the experience a positive one. Below are some of the qualities you should look for in your Realtor®:

- Knowledge of the trends and directions of the market as well as in specific neighbourhoods.
- Ability to navigate floor plans and be able to advise you on how saleable the unit may be in the future.
- Has knowledge on closing a transaction and provides after signing service. Are they willing and capable of being there for you during the pre-closing inspections?
- Are they willing and capable of helping you sell your unit (assignment sales) before construction is complete?
- Do they have a network of proven professionals. From lawyers to contractors, an agent's network is a valuable asset to their clients.
- A Realtor® that has true First Access to developments

Working with Royal LePage Signature Realty

There are two key aspects of purchasing a new construction property.



1. Select the right project from the right developer.



2. Get in on the ground floor with absolute first access

At Royal LePage Signature we offer a full service approach to new construction purchasing. It starts with educating our clients on where and who to invest with. We then use our deep industry relationships to provide absolute first access to even the most sought after projects.

Choosing a Development

Some condo builders will require a mortgage pre-approval from you for your contract to be in good standing. This is a safety measure put in place to help curb speculative investment from over-leveraged parties and to ensure that the purchasers can afford to close on the property when the time comes, rather than to default. You will require a mortgage pre-approval letter after signing your agreement within 10 business days but this is not an actual mortgage.

The Mortgage Pre-Approval

Some condo builders will require a mortgage pre-approval from you for your contract to be in good standing. This is a safety measure put in place to help curb speculative investment from over-leveraged parties and to ensure that the purchasers can afford to close on the property when the time comes, rather than to default. You will require a mortgage pre- approval letter after signing your agreement within 10 business days but this is not an actual mortgage.



Understanding Deposit Structures

One of the main differences when purchasing a pre-construction condo, opposed to a resale condo, is the way it is financed. On a resale condo, you can put down as little as 5% towards the purchase price. On a pre-construction condo, however, you are often required to have at least a 20% down payment. That amount may seem high, but the full payment is broken up into smaller instalments, made in what is usually referred to as the deposit structure.

Here is an example of a deposit structure on purchase of \$790,000:

\$5,000 with the offer, or upon signing

Balance to 5% in 30 days	\$34,500
5% in 90 days	\$39,500
5% in 180 days	\$39,500
5% at occupancy	\$39,500

Deposit is 20% of the total purchase price or \$158,000.

Deposits are generally required to be higher in the beginning of a project, as the bank that is financing the building will have this set out as a requirement.

SAMPLE DEPOSIT TIMELINE



Return on Investment

When investing in pre-construction you'll typically want to allow your investment to grow over a 6 year period. It begins with your initial down payment and deposits over the 3 to 4 year build time, followed by 1 to 2 years leasing the property. Historically, market growth is 5% per year, but with the right strategy, some clients have been able to out-pace the market and see higher returns on their investments.

Typical Return

$$\frac{8\% \text{ per year}}{6 \text{ years}} \quad \} \quad 48\% \text{ growth}$$

Sample Client Returns

YEAR PURCHASED	2012	2013	2014	2013
	Purchase price \$373,000	Purchase price \$455,000	Purchase price \$385,000	Purchase price \$399,000
	Selling Price \$575,000	Selling Price \$720,000	Selling Price \$705,000	Selling Price \$826,000
	Gross Profit \$202,000	Gross Profit \$265,000	Gross Profit \$320,000	Gross Profit \$427,000
YEAR SOLD	2016	2017	2019	2019
	54% GROWTH	53% GROWTH	83% GROWTH	107% GROWTH

These returns are based on clients who have recently sold their investments

Capital Gains Explained

When you sell your investment property, you are required to pay a 50% Capital Gains Tax on your Net Profit. You are entitled to deduct expenses used to achieve your investment from these gains. For example:

SELLING PRICE	\$800,000
Purchase Price	\$500,000
Gross Profit	\$300,000
Expenses	(\$100,000)
Net Profit	\$300,000
50% Capital Gains Taxes	(\$100,000)
TAXABLE PROFIT	\$100,000



The remaining \$100,000 (Taxable Profit) is added to the seller's annual income and taxed at the appropriate rate for that individual. We recommend getting advice from your accountant or lawyer at this stage.

Buying a Pre-Construction Property

THINGS TO CONSIDER:

Developer's Fees:

These are fees that are in addition to your standard closing costs, which are charged on new development projects due to the time that elapses between signing of the Agreement of Purchase and Sale and final closing. They include things like school levies, increases in the cost of hydro, gas, and water connection. It is important for a buyer to request for these costs to be capped at a reasonable amount.

HST Rebate:

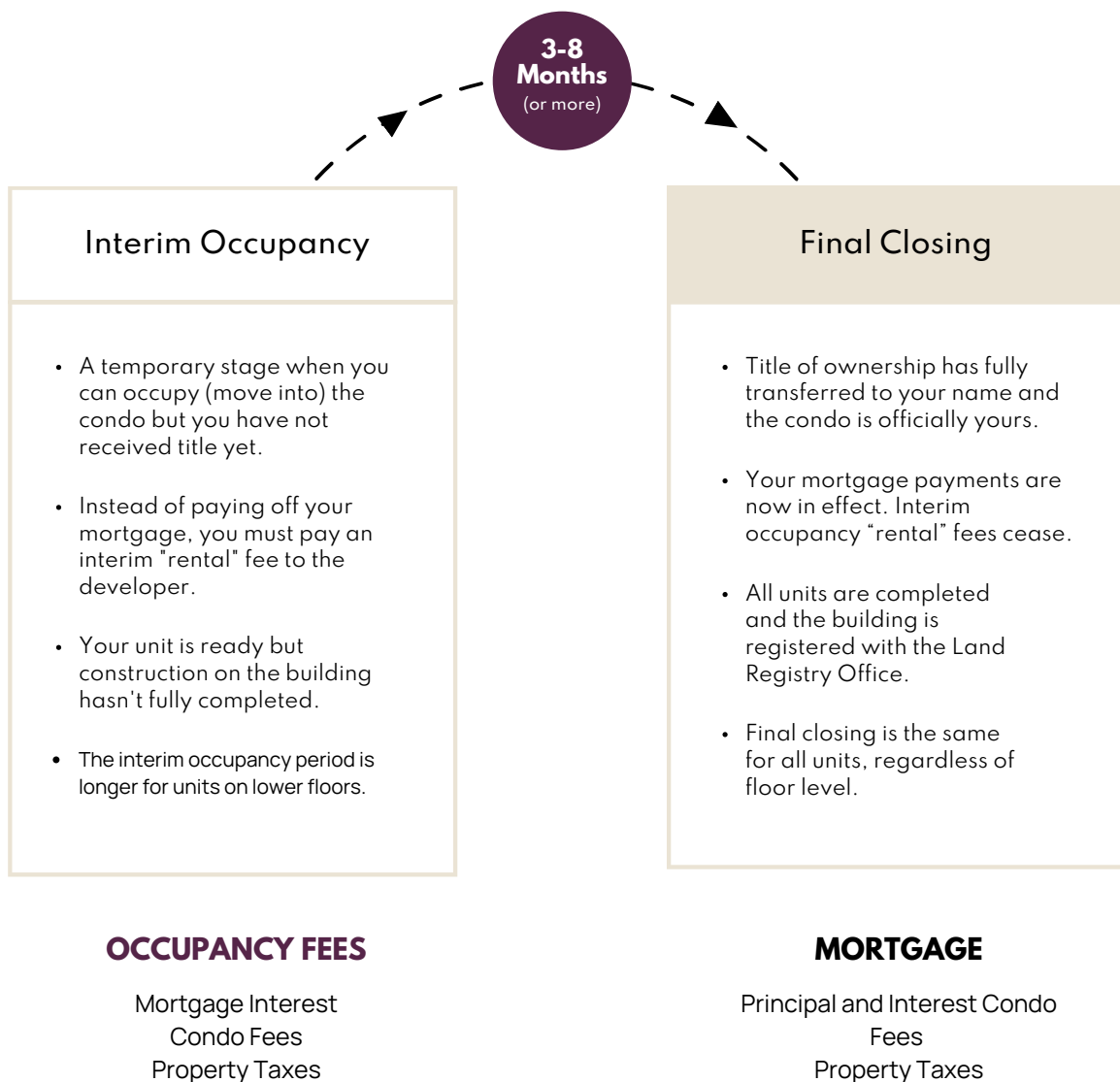
Unlike purchasing an existing home, the purchaser of a new construction property may have to pay HST on closing. If the property is your principle residence, you will qualify for the HST rebate on the spot and will not have to pay HST. However, If the property is an investment you may have to pay the HST on closing and can then apply for the rebate once you meet the qualifying criteria.

Occupancy:

Once a new building has progressed to a certain point in construction the developer will require you to "occupy" the property. This is where construction has not completely finished, but your property is livable. At this point you do not yet own the unit and will have to pay occupancy fees until the project is completed and registered with the city.

Interim Occupancy vs Final Closing

Interim occupancy is when your final 5% deposit is due, you get the keys and can begin renting your property. Registration (Final Closing) is the date when the title is transferred into your name from the builder. Registration is also when your closing costs are due. Closing costs include Land Transfer Tax, development charges, legal expenses and HST, if it's owing.





Buying a Pre-Construction Property

THINGS TO CONSIDER:

Assignment:

When you purchase pre-construction, you are essentially buying the rights and responsibilities to a particular unit within the project. Title transfer does not take place until the building has been constructed and registered with the city. An assignment is when you sell your contract to someone prior to final closing. The person(s) purchasing your assignment are buying all rights and responsibilities of that contract. Buyers should ensure from day one that your deal allows you the ability to assign.

Cooling Off Period:

A purchaser of a new construction property has 10 days to cancel the deal without penalty and will receive their full deposit back.

Using a Pre-Build Lawyer

A pre-build lawyer offers not only legal services, but peace of mind when reviewing sales contracts and closing a transaction. Real estate deals can take many different forms, some more complicated than others. Your lawyer is there to make sure that you and your money are protected no matter what. Like many professions, there is a large disparity between the quality of many real estate lawyers and finding a good one can be difficult. Ask your Realtor® for a referral if you don't currently have a lawyer.

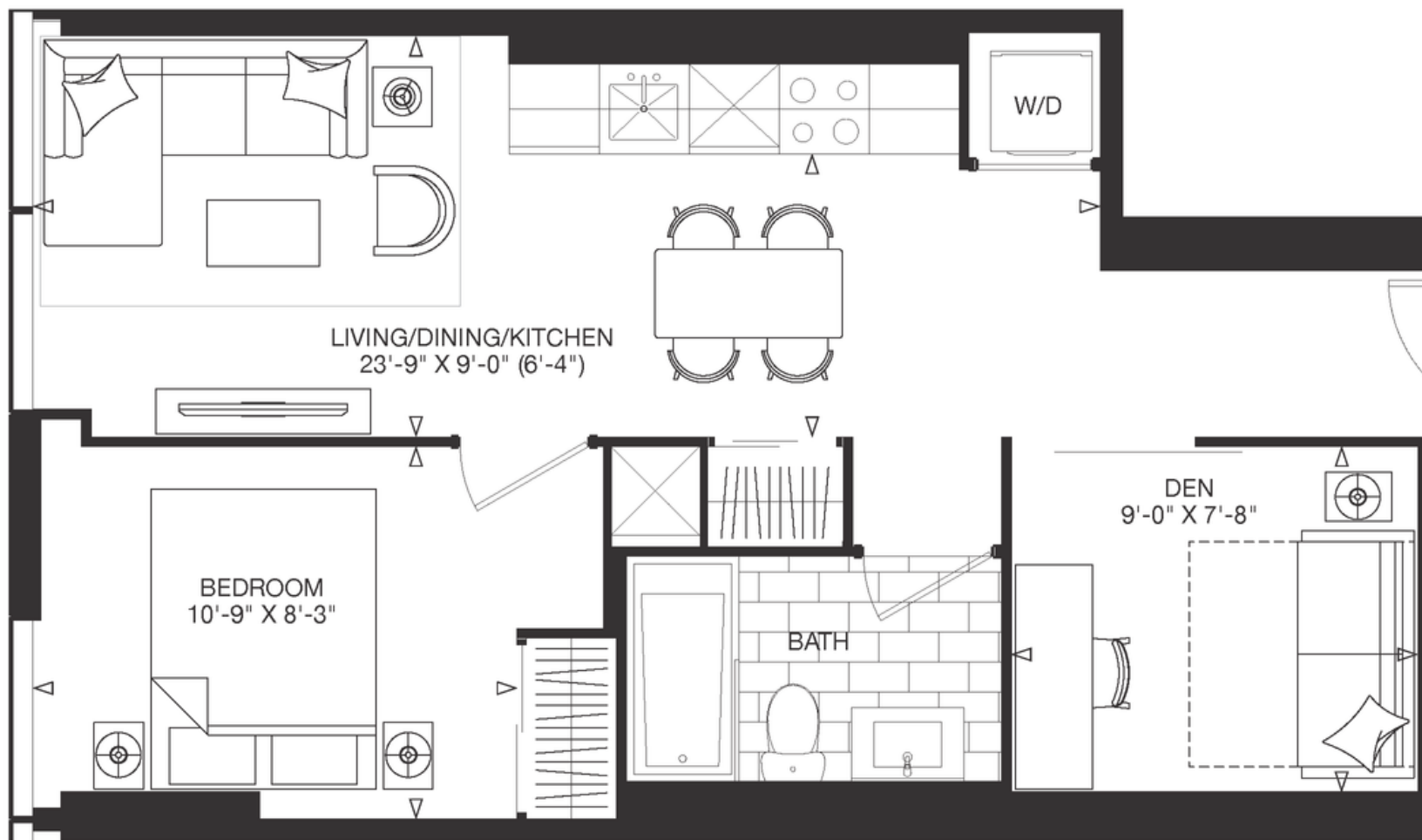
We recommend that any lawyer you hire have adequate experience with the type of property you are buying, and they should absolutely have a focus in real estate.

Completing the Transaction

Once the offer is signed and accepted, there are a number of follow-up steps that need to be taken before you can get your hands on the keys to your new property. Use the checklist below as a guide to make sure everything has been completed.

PATH TO PURCHASE:

- ☐ We work together to choose not just the right location, but the smartest investment for your goals.
- ☐ Once you have selected a development, your agent will work with the developer to receive unit availability.
- ☐ A deposit is required before receiving the sales document. Each development is different, but generally it is \$5-10K.
- ☐ A Sales Contract will be completed and sent to you to review with your pre-construction legal team.
- ☐ Once you receive the Sales Contract, you will enter into what is known as the "cooling period." This period is for 10 days, where you may back out of the investment and your initial deposit may be returned to you in its entirety. After the 10 day period, your purchase automatically firms and we arrange to drop off the remainder of the cheques as per the deposit structure.



The secret to a great buying
experience is simple...

just work with us!

Not intended to solicit those already under contract.



Signature

INDEPENDENTLY OWNED & OPERATED REAL ESTATE BROKERAGE



**BRIDSON
REALTY GROUP**

LUXURY REAL ESTATE