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RESOURCES FOR INVESTORS | VOLUME 2



## 10 Insider Tips On Condo Investing

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With freehold homes at astronomical prices and attractive rental units few and far between, condos have become not only a good choice of homeownership for families but a terrific investment for those looking for something low maintenance with a high rate of return. But as with any big decisions, it's best to be prepared, so here are our top ten tips for informing yourself before you buy.

Make an educated decision before ensuring a condo investment is right for you!

Read up more with CMHC's guide to Condo's. [www.cmhc-schl.gc.ca/en/Buying/Condominium-Buyers-Guide/Chapter-1-Condominium-Basics](http://www.cmhc-schl.gc.ca/en/Buying/Condominium-Buyers-Guide/Chapter-1-Condominium-Basics)

## 1.

### CHOOSE YOUR PROJECT WISELY

The amenities are amazing and the suite looks stunning on the drawings but there is more to a development than just pretty pictures. Make sure you have chosen a desirable, amenity-rich location with growth potential that isn't saturated by competing projects.

## 2.

### KNOW YOUR RENTER

Are you looking for students? Families? Executives? Each of these target renters bring with them their own set of benefits and challenges. Consider if the amenities and location for the building that you have chosen going to support the renter you want to attract? And of course, ensure that renters are allowed in your building! Some properties cap rental units at a certain percentage.

## 3.

### DEPOSIT STRUCTURE

Typically, you can expect to pay 20% of the purchase price before the project is complete. Some builders want this 20% up front, and some space out the deposit until closing. Either way, this can be advantageous in many ways as the value of your unit grows in equity while construction takes place. A condo purchased at \$500k by the time of move in could be worth \$600k or more over a 4-year build.



## 4.

### KNOW YOUR CLOSING FEES

Generally, put aside 1.5 - 4% of your purchase price for your closing costs. Before you sign on the dotted line, make sure you know what to expect and what is capped including Land Transfer Taxes, Utility Connection Fees, HST on Appliances, Reserve Fund Contributions, Development Levies and more.

# 5.

## EXPECT CONSTRUCTION DELAYS

Builders do our best to plan accordingly but sometimes things happen we can't always control and impact the timing. To be safe, make sure you add 3-6 months onto your expectations for completion.

# 6.

## EXPLORE YOUR REBATE OPTIONS

If your suite is not going to be owner occupied, be aware that as an investor HST will be charged to you on the final closing. But, if you provide a lease agreement and file for your rebate within 1 year you'll get 100% of that back. Talk to your accountant for more information.

# 7.

## CLOSING VS INTERIM OCCUPANCY

This might come as a surprise, but just because you have the keys and moved in doesn't mean you own the unit yet. There is a period of 6 months or so where the builder is required to pass inspections before the building is approved and becomes officially yours.

# 8.

## CONDO FEES

Builders are required to estimate the cost of Condo Fees many years before the project is built. Be prepared for things to change over the first few years of your ownership.

# 9.

## READ ALL ABOUT IT

Make sure to read your Tarion agreement from front to back so you understand (among other things) what extensions are available to the builder and what your rights are if they don't meet them.

# 10.

## HAVE AN ASSIGNMENT CLAUSE IN YOUR CONTRACT

Many investors are looking to sell to another buyer before occupancy to make a speedy ROI. Double check your contract with your Real Estate lawyer to ensure it's possible if that's your plan. History shows that condos increase in value year over year, so whether you choose to move in or to sell, a condo is a smart move.

