

## Buying a Home: What Expenses to Expect

Budgeting for a new home can be tricky. Not only are there mortgage installments and the down payment to consider, there are a host of other—sometimes unexpected—expenses to add to the equation. The last thing you want is to be caught financially unprepared, blindsided by taxes and other hidden costs on closing day.

These expenses vary: some of them are one-time costs, while others will take the form of monthly or yearly installments. Some may not even apply to your particular case. But it's best to educate yourself about all the possibilities, so you will be prepared for any situation, armed with the knowledge to budget accordingly for your move. Use the following list to determine which costs will apply to your situation prior to structuring your budget:

### 1. Purchase offer deposit.

Deposits are part of virtually every real estate transaction and you need to be prepared for them. They are held in Trust at your agents broker's office and will form part of the purchase price. Normal deposits are \$5000, however, they can be 10% of the purchase price or even higher in some instances where you want to reflect a 'strong' offer. Deposits are often due within one day of an accepted offer so you will need to have this money set aside and ready when placing an offer..

### 2. Inspection by certified building inspector.

Building inspections by a certified building inspector are recommended on every real estate purchase. Typically, inspection fees vary between \$350 and \$450, however, this can vary depending upon the size of the home or work involved.

### 3. Appraisal fee:

Your lending institution may request an appraisal of the property. The cost of this appraisal is your responsibility and can be \$400 or even more in some cases.

### 4. Survey fee:

Although not common, if the home you're purchasing is a resale (as opposed to a newly built home), your lending institution may request an updated property survey. The cost for this survey will be your responsibility and will range from \$700 to \$1000.

### 5. Mortgage application at your lending institution.

Fees are less common for this activity, however, certain lenders still do charge to prepare mortgage applications. Please check this up-front with the mortgage broker you are planning to work with.

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#### 6. 5% GST:

This fee applies to newly built homes only, or existing homes that have recently undergone extensive renovations. Please check with your REALTOR® to find out if GST is attached to the home you are purchasing.

#### 7. Legal fees:

A lawyer should be involved in every real estate transaction to review all paperwork. Experience and rates offered by lawyers range quite a bit, so shop around before you hire and allow for a budget of \$1100 - \$1400...or more.

#### 8. Homeowner's insurance:

Your home will serve as security against your loan for your financial institution. You will be required to buy insurance in an amount equal to or greater than the mortgage loan.

#### 9. Property Transfer Tax (PTT):

This tax applies in any situation in which a property changes owners. In Canada the Transfer tax is 1% of the first \$200,000 and 1% on the remainder. If you are a first time home buyer you may be exempt from paying this tax if your home is less than \$425,000. For more information on this tax go to:

<http://www2.gov.bc.ca/gov/topic.page?id=44BE9E3F54994721A06EEFFBC5FA06DB>

#### 10. Moving expenses.

Obviously, moving expenses will vary – it is an important cost that cannot be avoided, however.

#### 11. Service charges:

Any utilities you arrange for at your new home, such as cable or telephone, may come with an installation fee.

#### 12. Interest adjustments.

This is another cost that you will want to find out about from your REALTOR® and/or lawyer as it will vary with each transaction.

#### 13. Renovation of new home:

In order to “make it their own,” many new homeowners like to paint or invest in other renovations prior to or upon moving in to their new home. If this is your plan, budget accordingly.

#### 14. Maintenance fees:

If you are moving to a new condominium, you will likely be charged a monthly condo fee which covers the costs of common area maintenance. For new and existing homes you should try to get as much information on maintenance and upkeep costs as you can from the previous owner to allow accurate forecasting.

If you would like Dean can provide a formatted Excel document where you can quickly forecast what any new home purchase will cost - simply email [dean@realestateincomox.ca](mailto:dean@realestateincomox.ca) and he will send to you.