



2023 Homebuying guide for newcomers to Canada



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PART 1 INTRODUCTION

Welcome to Canada!



Welcome to Canada!

Every year, thousands of newcomers such as yourself take their first steps to settling in this country – and this includes buying your first home in your new community. While the process may seem challenging, having the right information can help you on the path to home-ownership as a newcomer.





Who is considered a newcomer to Canada?

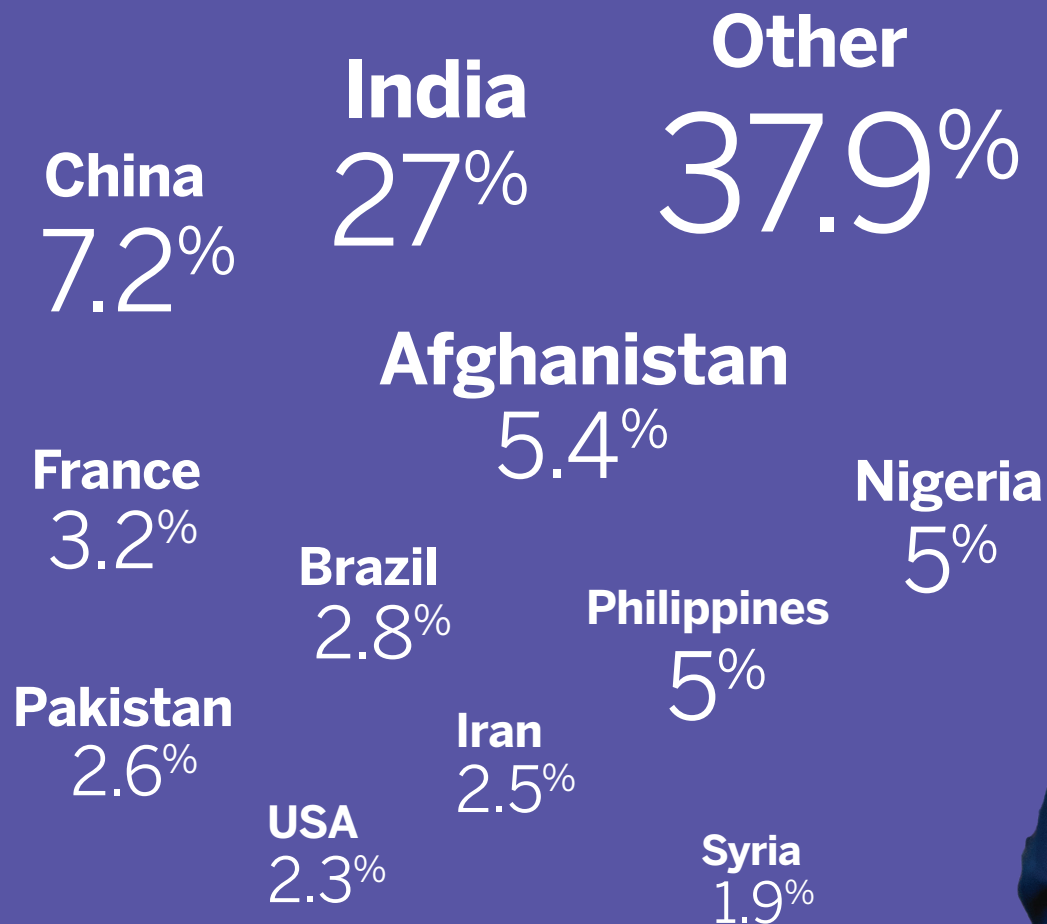
Statistics Canada (StatCan) defines a newcomer as a permanent resident (also known as a landed immigrant) who “had been in Canada for five years or less.” Data from Immigration, Refugee and Citizenship Canada (IRCC) shows that the country has welcomed **more than 437,120** new permanent residents across 2022.

Can I buy a home in Canada?

As a permanent resident, you can buy and own property anywhere in Canada. Applying for a mortgage loan to help you finance your purchase is also possible.



Where did most of Canada's new permanent residents who arrived in 2022 come from?



Source: Immigration, Refugee and Citizenship Canada



PART 2 CANADA'S HOUSING MARKET

What does
**Canada's housing
market** look like?

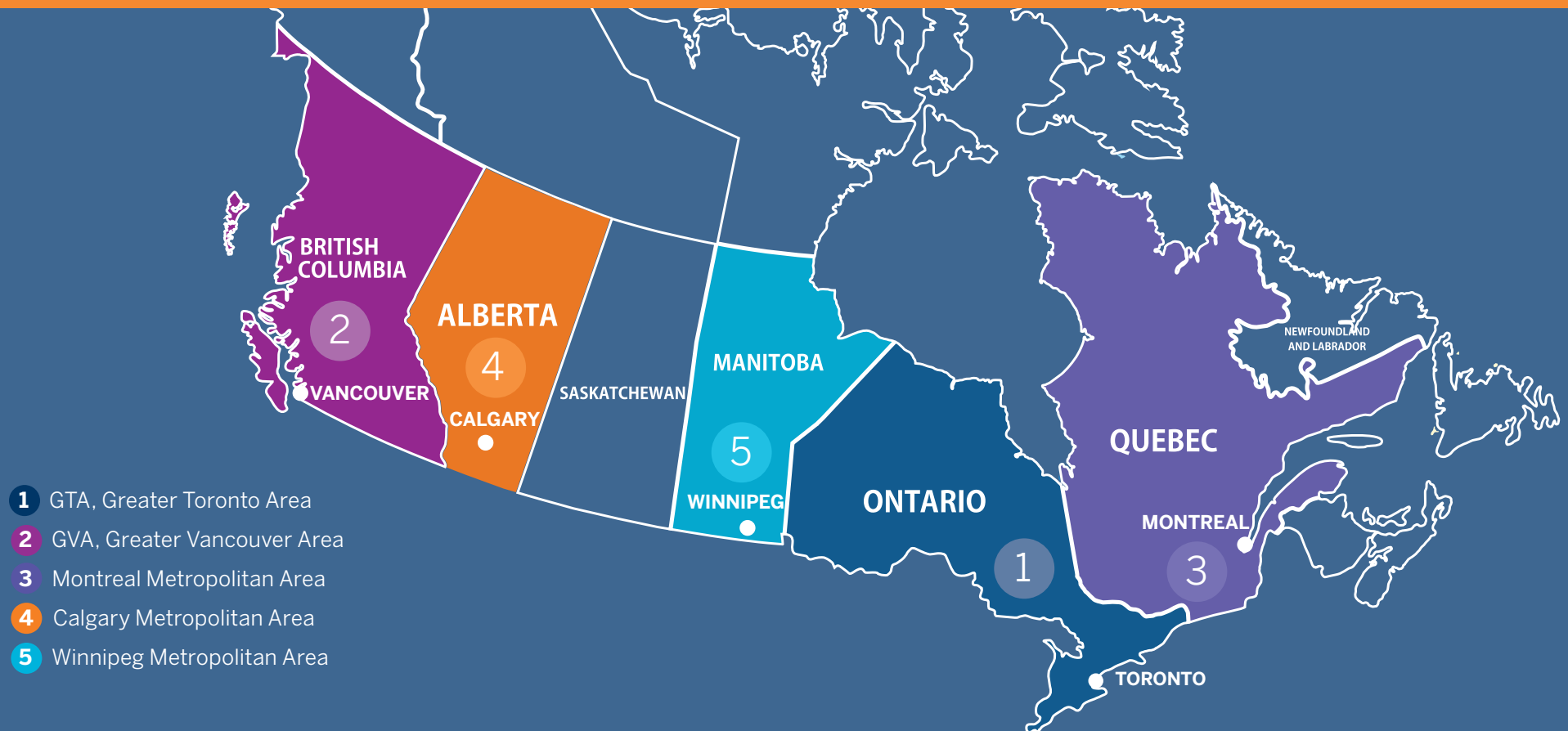


PART 2 CANADA'S HOUSING MARKET

Since Canada is a large country, it's not surprising that many types of homes can be found across several different areas – from small cottages in rural villages and towns to larger homes in big cities. However, IRCC data from 2022 shows that most newcomers intend to settle in five provinces:

Ontario, British Columbia, Quebec, Alberta and Manitoba.

These provinces have the largest cities in Canada, which means they have more employment opportunities and a larger support network that can come from established immigrant communities.



What are the most common types of homes in Canada?

In this section, we look at common home types in the largest urban centres of these five provinces, how much each home type could potentially cost and the different homeownership forms that may be available to you.



The detached house

A detached house, also called a single-family house, is a free-standing single-family residential structure that is not attached to any other dwelling except its own garage or shed. According to StatCan, a detached house should also have “open space on all sides.”

While this type of house offers the most space and privacy of any house type, it is also typically more expensive to purchase and maintain.

The semi-detached house

A semi-detached house is a dwelling that is attached to either the side or (less commonly) the back of another residential property. StatCan also notes that this type of house has no dwellings “either above it or below it, and the two units together have open space on all sides.”

Since this type of house is usually smaller than its detached counterparts, it tends to be less expensive to purchase and maintain, making it ideal for smaller households. However, they are also less private since you can potentially hear your neighbours depending on the material the separating wall is made from and how it was built. You may also need to contribute to the maintenance of common elements in the property, such as the roof or driveway.

The townhouse

A townhouse, which StatCan defines as a type of rowhouse, is part of a line of dwellings attached to each other’s sides (and sometimes, each other’s backs). Additionally, StatCan states that dwellings attached to a high-rise building can also be classified as townhouses.

While townhouses are generally smaller and less expensive than detached and semi-detached houses, they still likely have outdoor areas such as patios and yards which may be suited to the needs of small families or young couples. However, keep in mind that you might also need to pay for the regular upkeep of common areas, such as walkways.

The condominium apartment

Condominium apartments are dwellings in larger residential buildings. According to StatCan, apartment units in condominium developments are owned individually while “land and common elements are held in joint ownership with others.” While condo apartments typically have less space and privacy than other house types, owners can benefit from fewer maintenance responsibilities and may even have access to a wider range of amenities such as fitness centres and swimming pools. A condominium corporation maintains these amenities by charging a monthly condo fee, which forms part of your occupancy costs.

What is the **typical price** of each house type?

The price of each house type largely depends on the location. Additionally, realtor associations across Canada's housing markets have different ways of tracking prices. This includes the average price, which is the average selling price of all houses in a category; the median price, which is the figure at the mid-point between the highest and lowest priced house sold in a category; and the benchmark price, which is the typical price of a given house type derived from data from a Multiple Listing Service (MLS) home price index.



Greater Vancouver Area, British Columbia

In Greater Vancouver, the benchmark price for a detached house was \$1,801,300 in January 2023, according to the Real Estate Board of Greater Vancouver². Meanwhile, the benchmark price for a townhouse during the same period was \$1,020,400, and \$720,700 for a condo apartment.



Calgary Metropolitan Region, Alberta

The average price of a detached house in Calgary was \$622,800 in January 2023, according to data from the Calgary Real Estate Association⁴. The average prices of a semi-detached house, row house, and condo apartment during the same period were \$559,200, \$361,400 and \$277,600, respectively.



Winnipeg Metropolitan Region, Manitoba

In Winnipeg, the average price of a detached house was \$367,977 in January 2023, according to the Winnipeg Regional Real Estate Board⁵. Meanwhile, during the same period, the average price of an attached house (*which includes single-attached houses and townhouses*) was \$330,998 and the average price of a condo apartment was \$231,549.



Greater Toronto Area, Ontario

The average price of a detached house in the Greater Toronto Area was \$1,341,848 in January 2023, according to data from the Toronto Regional Real Estate Board¹. Meanwhile, during the same period, the average price for a semi-detached house was \$1,019,668, while the average price of a townhouse was \$887,610. Lastly, the average price of a condominium apartment was \$687,696.



Montreal Metropolitan Area, Quebec

The Quebec Professional Association of Real Estate Brokers (QPAREB) tracks the prices of single-family houses (*a category that contains both detached and semi-detached houses*) and condominium apartments. And according to QPARED data³, the median price of a single-family house in Montreal was \$500,000 in January 2023, while the median price of a condo apartment during the same period was \$370,000.

¹TRREB Market Watch for January 2023, <https://trreb.ca/files/market-stats/market-watch/mw2301.pdf>

²REBGV Monthly Market Report for January 2023, <https://www.rebgv.org/market-watch/monthly-market-report/january-2023.html>

³QPAREB/FSMI Residential Real Estate Market Statistics for January 2023, <https://com.apciq.ca/sam/pdf/stats/2023/stats-202301-en.pdf>

⁴CREB Monthly Statistics Package for January 2023, https://www.creb.com/Housing_Statistics/documents/01_2023_Calgary_Monthly_Stats_Package.pdf

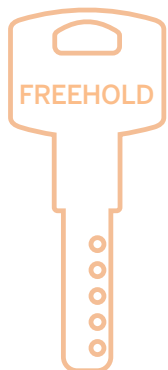
⁵WRREB Market Release for January 2023, <https://www.winnipegregionalestateboard.ca/market-statistics/archived-market-releases/article/580/winnipeg-regional-real-estate-market-balances-out-for-more-choice>

What are the most common property ownership types in Canada?



Freehold

A freehold property is a type of home where you own both the building and the land that building is on, though you are still subject to municipal zoning laws, bylaws and permits. Most detached homes are freehold homes.



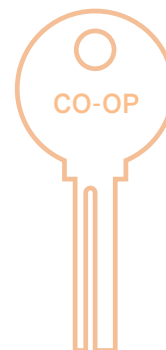
Strata

Under a strata arrangement, you own your living space but common areas such as walkways, parking spaces and rooftops are jointly owned by all residents and are maintained with a monthly fee, known as a strata fee. You usually see this ownership type among condo apartments and townhome complexes.



Co-op

In a co-op, you own membership shares in a corporation that owns your building complex. The corporation, through its board, then gives you the right to live in one of its units. The board, which is elected in by members, has the right to approve or deny new members, set property rules and collect monthly fees for property upkeep and maintenance.



Leasehold

A leasehold property is a type of home where you own the building but lease the land the building is on. A common example of this is when a home is on land owned by the federal government. Leases are typically set at 99 years but can be longer or shorter.



PART 3 COSTS AND BUDGETING

**Are you ready
to buy a home?**





Are you ready to buy a home?

Applying for a mortgage to purchase a home in Canada is a big financial decision, so how do you know you are ready? Some signs that you might be ready to buy a home include:

- Having enough savings to put towards a down payment
- Securing a stable flow of income to make regular payments to service a mortgage
- Finding a home in an area and neighbourhood that suites your lifestyle
- Being comfortable managing your debt
- Having an emergency fund on hand





Some strategies for a **down payment**

What is a mortgage?

Unless you have enough savings to pay for the full price of a home, you will likely need to apply for a mortgage. A mortgage is a type of loan often used to buy a home or other real property which is secured by the property itself. You can apply for a mortgage either directly at a lender such as a bank or through a mortgage broker, who will have access to different lenders and can give you a range of financing options.

Saving for your down payment

Your down payment is the payment made at the beginning of a mortgage that represents a percentage of the full purchase price of the property you are buying. The size of your down payment will affect both the amount you need to borrow and the range of financing options you qualify for.

Some strategies that can help you start saving for a down payment include:

Planning your budget around a clear and realistic goal

The best way to start saving is determining how much you need and planning around that amount. A great way to do this is by speaking to a professional such as a real estate agent or mortgage broker, who will be familiar with the ins and outs of the housing market and can help you come up with a realistic target.

Streamlining your monthly expenses

Once you know how much you need, plot out your monthly expenses and see where you can reduce costs.

Crafting a budget you can stick to

Finding a good balance between your needs, wants and savings is key to crafting a budget you can follow. One effective way to do this is by using the 50/30/20 ratio, which allocates 50% of your income for needs, 30% for wants and 20% for savings or debt repayment.

Asking your bank to automate your savings

Most banks now offer tools that can automatically transfer a portion of your pay cheque to another account. These services can help remove the temptation to spend your savings, keeping you on track to reaching your down payment goal.

Additional costs when buying a home



Additional costs when buying a home

There is more to the cost of buying a home than its final purchase price, so you should ideally factor in these costs when planning your budget. Much of these expenses come at the closing of your purchase transaction and are called closing costs and may include:



- Professional fees for real estate agents, brokers and lawyers
- Land transfer tax
- Appraisal fees
- Home inspection fees
- Having an emergency fund on hand
- Home insurance
- Land survey
- Closing adjustments

While there is no set number, in general it is a good idea to budget around 3% to 4% of your home's price for closing costs.

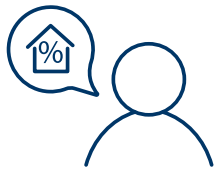


PART 4 REAL ESTATE PROFESSIONALS

Key professionals you will meet on your home buying journey



When you are buying a home, there are several **professionals** that you can work with to **help facilitate the transaction.**



The mortgage broker

Mortgage brokers are licensed professionals who have relationships with different lenders, allowing them to offer home buyers a range of mortgage solutions. Good brokers are also very familiar with the housing market and can act as trusted advisors when you have questions about financing the purchase of your home.



The real estate agent

A real estate agent is a licensed salesperson who helps home buyers and sellers come together in real estate transactions. Agents also list property, arrange open houses and conduct viewings.



The home inspector

A home inspector is a trained professional who will visit the home to visually inspect the major systems of the house, like the heating, air conditioning, roof, eavestroughs, plumbing and electrical. They can provide you with an estimate of the life-span they can expect from these major systems and the anticipated costs to replace them.



The real estate lawyer or notary

In most provinces, a real estate lawyer is a professional who can handle legal transactions and documents on behalf of home buyers and sellers. You can ask your real estate lawyer for guidance on land titles, purchase and sale contracts, and title insurance.

In Quebec, a notary performs many functions of a real estate lawyer, including title searches and document reviews.



The real estate appraiser

A real estate appraiser is a professional who will provide an expert, unbiased opinion on the value of the property for financing purposes.



PART 5 MORTGAGE TERMS

Mortgage basics and common terms





Mortgage basics and common terms

Your credit score

The Financial Consumer Agency of Canada (FCAC) defines your credit score as a number on a credit report from one of Canada's two credit bureaus – **Equifax** and **TransUnion** – that shows “how well you manage credit.”

While the two credit bureaus don't share the exact formula for determining your credit score, FCAC says some factors that can affect your score include how long you've had credit, your payment history, how much of your credit limit you have used, the types of credit you are using, the number of inquiries on your credit file and whether you have any record of insolvency or bankruptcy.

What are the benefits of working with a mortgage broker?

Mortgage brokers are professionals who are familiar with the details of the mortgage application process, so they will be able to break down the complexities in a way that is easy to understand. A skilled mortgage broker will also understand that your background as a newcomer may not always fit a bank's qualification requirements, so will work with you to find out exactly what you need to achieve your homeownership dreams in Canada – including introducing you to alternative lenders such as Home Trust.



Your mortgage term

Your mortgage term is the period in which your mortgage agreement is in effect.



Your amortization period

Typically expressed in years or months, amortization is the length of time it takes to pay off the mortgage balance in full if all payments are made on time and the terms of the mortgage stay the same.



Your interest rate

The interest rate is the rate charged for the use of borrowed money, calculated as a percentage of the amount of the loan.



Fixed interest rate mortgage

A type of mortgage where the interest rate and monthly payments remain the same for the entire mortgage term, according to the FCAC.



Variable interest rate mortgage

The FCAC defines a variable interest rate mortgage as a type of mortgage where your interest rate can increase and decrease during the term.



Mortgage renewal

A Renewal extends the mortgage agreement with the same lender at the maturity date. If the mortgage is not renewed, it must be paid out on or by the maturity date.



PART 6 DOCUMENT CHECKLIST

What **documents** do
I need to prepare?





What **documents** do I need **to prepare?**

When you are ready to apply for a mortgage, having these supporting documents on hand can help lenders look at your entire financial story. Just remember that this is only an initial list of documents that could be required and your lender might require more depending on your financial circumstances.

- Agreement of Purchase and Sale
- Proof of residence, such as your permanent resident card or work permit
- T1 general tax form
- T4 slips
- Notices of assessment from the Canada Revenue Agency
- Employment contract and pay slips
- Employment letter
- Bank statements
- Financial statements
- List of assets and investments
- References
- Gift letter if you received your down payment as a gift
- VOID cheque or pre-authorized debit form issued by your financial institution



Print this page for
future reference



PART 7 THE HOME BUYING PROCESS

What to **complete** **before** closing day



What to **complete before** closing day

Here is a rundown of the buying process and what you might expect to complete before closing day, which is the date the property is transferred to you.



Determine if you are ready for home ownership.

Remember that purchasing a house is a big financial decision, so it's important to determine if you have enough savings for a down payment and whether you can comfortably manage the necessary monthly expenses of home ownership.

Speak to a mortgage broker about your financing options and pre-approval.

When you feel you are ready, the next step is to get a clear understanding of the requirements you need to apply for financing. A mortgage broker can help with this by outlining your financing options and the mortgage pre-approval process, connecting you with lenders and explaining the documents you will need to prepare.

Prepare and submit your documents.

At this point, you will need to start gathering all the documents needed to complete your mortgage application. A mortgage broker can help you submit your documents and explain what else your lender might need.

Speak to a real estate agent.

A real estate agent will often have expertise in certain geographical areas and neighbourhoods and can coordinate and schedule viewings of properties you may be interested in.

Make an offer and negotiate the agreement of purchase and sale.

When you have found the right home, your real estate agent will negotiate and prepare an offer to purchase, which acts as the contract to buy the home.

According to CMHC, your offer must include your legal name; the name of the seller and the address of the property; the amount you're offering to pay (the purchase price) and the amount of your deposit; any extra items you want to include in the purchase; the date you want to take possession (or your "closing day"); a request for a current land survey; the date the offer expires; and any other conditions that must be met before the contract is finalized, such as a satisfactory home inspection.

And if your mortgage lender requires it, your agreement could also include a requirement to have a real estate appraiser assess the value of the property. It's also good practice to have a real estate lawyer or notary review the offer before submission.

Work with your real estate lawyer or notary to finalize your transaction.

If your offer is accepted, your lawyer or notary can help you finalize your purchase by ensuring that all parties satisfy the purchase agreement; conducting a search on the title of the home to check for any liens registered against the property; checking if property tax payments are current; obtaining title insurance on your home; and signing any additional paperwork and documentation.

Prepare for closing day.

Before closing day, your lawyer or notary will prepare a statement that summarizes what has been paid and what is still owed. They will then arrange to transfer these costs – including the down payment and other closing costs – to the appropriate parties. Then on closing day, your lawyer will give you the keys and the house will be transferred to you.

Congratulations!

You are now a homeowner in Canada!



Print this page for future reference

About Home Trust

Home Trust provides access to a wide range of financial products, including mortgages, credit cards, and deposits. Our approach to lending makes Home Trust different. We take the time to listen, look at all the facts and then offer prudent lending solutions that are tailored to individual financial situations. At Home Trust, stories matter.

We are a proud Canadian company. From our headquarters in downtown Toronto and our offices in Vancouver, Calgary, Montreal and Halifax, the people at Home Trust help Canadians from all walks of life and all parts of the world find their way forward.



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