



The Hidden Costs of Home Ownership



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Today, the knowledgeable buyer understands that a home's sale-price isn't all they will pay.

Some costs are apparent to the buyer from the outset of the purchase process, and require immediate attention. Others may be hidden, developing during or after the sale and many are longer-term, occurring either at regular intervals (taxes) or as the need arises (repairs).

Knowing these potential costs will help you prepare to buy a home and help calculate your mortgage loan.



1. Home Appraisal or Current Market Assessment

The Home Appraisal is performed by a qualified professional to provide a market value of the home based on several factors such as area of the property, location, age of the home, etc. A home appraisal costs between \$300-\$400 and along with providing security to all parties involved, it is also used to satisfy mortgage requirements. Mortgage financing companies want to know the value of the property they are providing a loan for, should the buyer not be able to pay their mortgage. By getting a home appraisal, all parties can feel secure in the sale with the knowledge that they are receiving a fair arrangement or are making a good investment.

A Home Appraisal is not to be confused with a Current Market Assessment (CMA). Typically a CMA is provided by your local real estate agent during the listing process and is complimentary. This report assists with determining the asking price of the home, using current housing market information such as supply and demand, seasonality, home information like location, age, square footage and more.

Although both reports are similar in nature and use relatively the same set of criteria, a CMA is ultimately determined by what a buyer is willing to pay for the home, in a range acceptable to the seller. A Home Appraisal is based on the physical attributes of the home.

2. Home Inspection

The home inspection is performed to identify any existing or potential underlying problems in a home. This not only protects the buyer from risk, but also gives the buyer leverage when negotiating a reduced selling price. A home inspection can range from \$250-\$450+ depending on the size of the home and location. Not a major expense, but it will help determine if you'll be faced with significant post-purchase repairs.



3. Mortgage Loan Insurance

If your down payment is less than 20% of the purchase price of your home, you will need mortgage loan insurance, also known as high-ratio mortgage insurance. It protects your lender — not you — in case you default on your mortgage. Premiums are calculated as a percentage of the amount you put down, changing at the 5%, 10% and 15% thresholds but there is no break for anything in between. Premiums range from 0.5% to 3% and increase if you are self-employed.

This type of insurance is mandatory for high-ratio mortgages, and is only offered through two carriers: CMHC and Genworth Financial.

4. Surveying

A professional survey of your home's property will precisely determine its boundaries. While not required for the purchase of your home, it is highly recommended (in some cases, your mortgage lender requires a survey), as it gives the buyer an understanding of where on the property the owner has jurisdiction. This is important if issues emerge with neighbours or your municipality and should the owner wish to make changes in the future such as installing a pool, fences or other renovations involving property lines. Hiring a professional surveyor will cost between \$350 - \$500+

5. Land Transfer Tax

Land transfer tax is exactly as it sounds; it is a tax payable to the province in which the transaction occurred upon transferring land. Depending on your municipality, the size of the land and other factors the amount varies.

Most provinces have Land Transfer Tax, though it may have a slightly different name (such as property purchases tax). Alberta, Saskatchewan, and parts of Nova Scotia do not have Land Transfer Tax at all, while other provinces use a tiered system.

If you are a First Time Home Buyer, there are rebates that you may be eligible to receive. The rebate is typically processed at the same time as having the land registered in your name, so the costs can be off-set.

6. Title insurance

Title insurance is yet another type of insurance you will require. Your lawyer will advise you of this type of protection, which insures you against any defects of title to the property. For example, if the previous owners undertook major renovations of the property without proper permits, you would be protected against any costs required to bring the house up to code. Typically, this one-time premium costs less than \$500.

7. Insurance

Home insurance protects the owners of potential risks that could occur, such as fire, damages or theft. It also covers liability for anything damaging that can occur on your property such as injury or damage of belongings. Insurance is required by mortgage companies in order to mitigate risk for the property.

The cost of home insurance will vary, but takes into consideration:

- Size of the home
- Age and condition of wiring, plumbing, heating systems, etc.
- Property size
- Neighbourhood
- Local weather conditions

Insurers also check your financial past. If you've had credit or similar problems, insurance costs rise. Like lenders, insurers will charge you for this credit check. Typically, your home insurance should cost between \$400 - \$1200+ annually, but will vary depending on the factors listed above. In Canada homeowners pay on average \$840 annually for home insurance.

8. Moving

The expense of getting your belongings into your home can be substantial. Professional help will be more expensive and while local moves are less expensive, the costs do add up. Depending on the distance of the move and the volume of your possessions, this cost can range anywhere between \$500 - \$5,000+. Even food and drinks for friends' help can cost up to \$200.



9. Property Taxes

These costs fluctuate depending on the funding needs of your municipality for a given year. The cost for property taxes is expressed as a dollar rate for every \$1,000 estimated to be the market value of your property. These rates can range from \$3.79 per \$1000 in Vancouver to as high as \$14.10 per \$1000 in Winnipeg.

Metropolis	Residential			
	2012	2013	\$ Change	% Change
Vancouver	\$ 4.05	\$ 3.79	\$ (0.26)	-6.4%
Calgary	\$ 6.17	\$ 6.32	\$ 0.16	2.5%
Edmonton	\$ 7.68	\$ 7.82	\$ 0.14	1.8%
Winnipeg	\$ 12.73	\$ 14.10	\$ 1.37	10.7%
Toronto	\$ 7.71	\$ 7.46	\$ (0.25)	-3.3%
Ottawa	\$ 12.21	\$ 11.73	\$ (0.48)	-4.0%
Montreal	\$ 8.18	\$ 8.69	\$ 0.51	6.2%
Halifax	\$ 12.44	\$ 12.19	\$ (0.25)	-2.0%
Average	\$ 8.90	\$ 9.01	\$ 0.12	1.3%



Maintenance and Energy Costs

Potentially your largest ongoing homeowner expense, these costs include lawn care/yard work, professional services, additions/upgrades and the cost of keeping the house running year-round.

Professional services include plumbing, rewiring/electrical work, oil burner or other heating repair, air conditioning, and the costs of cable, phone and Internet.

From additions such as a deck or new garage, to the cost of your lawn mower and the gas to power it, this includes all repairs and updates, inside and outside the house.



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