

Tips to Maximize your Real Estate Investment

Legal advice is key to avoiding additional costs



Getting the most out of an investment property means having a clear picture of the risks involved and knowing how to best navigate them. Understanding the fine print of your purchase is extremely important. Legal advice is key to avoiding additional costs, says LMR's Crystal Sun.

"People need to understand what the possibilities are so they can assess whether these are risks they're willing to take and so they're prepared and have contingencies set up," says Sun, a member of the Low Murchison Radnoff Real Estate Law Group.

Maximizing your investment, she adds, begins with a good look at the sale price. You may be told that it's all-inclusive, but only if you or immediate family members will be residing in the property. If it's an investment property, you don't qualify for an HST rebate that's built in to the price.

Tax clarity

"There is additional HST that has to be paid on top of that at closing," Sun explains. "It's important people ask their lawyers about this."

Investors can benefit from a different rebate program offered by the Canada Revenue Agency: the New Residential Rental Property (NRRP) Rebate, she adds.

"It's important to let your lawyer know from the beginning that you plan to use it as an investment property."

"Maximizing your investment begins with a good look at the sale price."

-Crystal Sun

Unavoidable delays

Sound legal counsel can also help buyers be fully prepared for those unexpected delays that can occur. When buying a re-sale property, a mutually satisfactory closing date is built in, but things change significantly if the property is new construction. In those cases, delays can last a year or more and the buyer has little recourse.

"No builder wants to delay a closing but where it can't be avoided," Sun says, "it's

important for the buyer to carefully review the Taron Statement of Critical Dates with a lawyer and ask questions."

Long delays can hamper real estate investors in several ways. For example, closing may be pushed back to less temperate times of the year when prospective tenants are less likely to be looking.

A buyer's recourse may be limited in this context, Sun adds, but consulting with a lawyer will reveal potential remedies, including delay compensation.

Walking away

"There's also a window for walking away from the deal and getting all of your deposit back investors should be aware of. That window is exactly 30 days; another reason it's important for investors to work with a lawyer."

New condos also present challenges that a lawyer can help you navigate. Closing most new condo purchases is a two-step process: interim closing and final closing. At the time of interim closing the buyer will receive the keys and can occupy the property but does not yet formally

own it and must still pay associated fees. Final closing occurs once the condo is legally declared and the title has been transferred.

If it's an investment property, the builder agreement may have a clause precluding you from renting the property prior to final closing without builder consent. As with delays, the interim period is variable and can last over a year, delaying returns on your investment.

"If the investor is looking to make a quick sale of the unit they may be barred from doing so. Part of the reason is that the builders don't want to create competition if they have remaining units to sell in the building. That's also something to address with a lawyer who will review those lengthy agreements in detail."

Maximize your real estate investments with Crystal Sun as your guide.

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