

5 things you need to know before buying a pre-construction home in Ontario



Purchasers in Ontario have to navigate a wealth of information during the home-buying process and if you choose to purchase a "pre-construction" home, it can come with a certain set of risks.

For a number of reasons, the completion of your home could be delayed, or **the project could be cancelled outright**.

While these might be some of the worst-case scenarios, every pre-construction homebuyer should understand that things don't always go as planned — so it's important to know your rights as a buyer.

If you're confused about the process, there's one not-for-profit consumer protection organization here to help Ontarians know their rights.

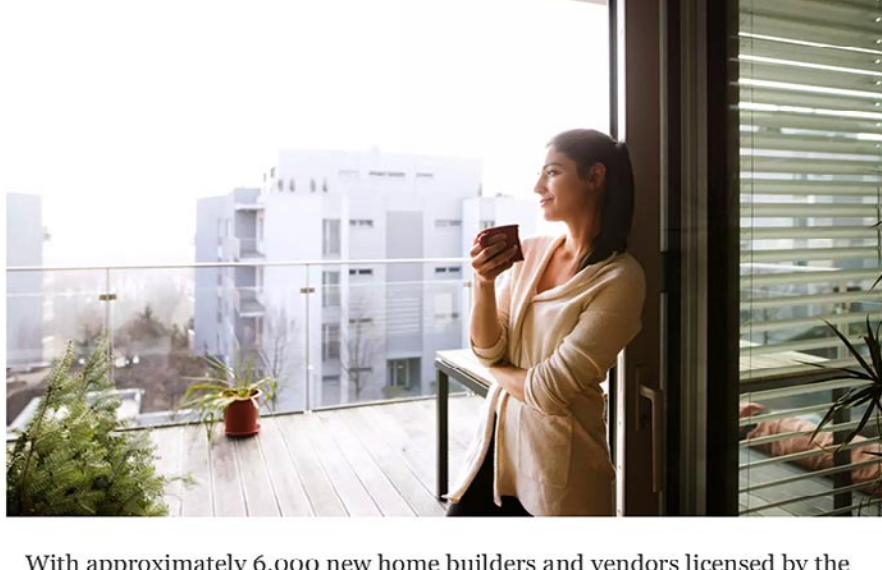


Established by the provincial government, **Tarion** helps give new home buyers and owners protection and peace of mind that they're getting what they paid for through fair issues resolution, education, and outreach.

To help you understand some essential rights and responsibilities when buying pre-construction, we've partnered with **Tarion** to discuss the things you need to look out for before making that deposit.

Check if your builder is licensed

The first thing you can do before purchasing a pre-construction home is to check the **Ontario Builder Directory** to make sure your builder is licensed.



With approximately 6,000 new home builders and vendors licensed by the **Home Construction Regulatory Authority**, the Ontario Builder Directory is the official source for licensing information before you purchase.

In just a quick search, you can see all the past projects of your builder and see if they have any disciplinary activities, court charges, or convictions. You can also see your builder's past warranty record.

Get to know what your warranty covers

In Ontario, most newly built homes come with a warranty that's provided by the builder and supported by Tarion. In cases where the vendor and the builder are separate entities, the warranty coverage is the vendor's responsibility.

Before you take possession, this warranty includes some deposit protection, delayed closing/occupancy coverage, and financial loss protection for contract homes.



After you take possession of your home, the builder's warranty on work and materials lasts for a total of seven years from the warranty start date — which is the date you take possession of your home or occupy your condominium unit.

This warranty is broken up into three coverages: one-year, which protects you against Ontario Building Code violations and defects in workmanship and materials; two-year, which covers water penetration and any defects and Ontario Building Code violations that affect health and safety; and seven-year, which covers major structural defects.

Know your deposit protection

When you put down a deposit or invest more towards upgrades and other extras on your new pre-construction home, there's a certain amount that gets protected.



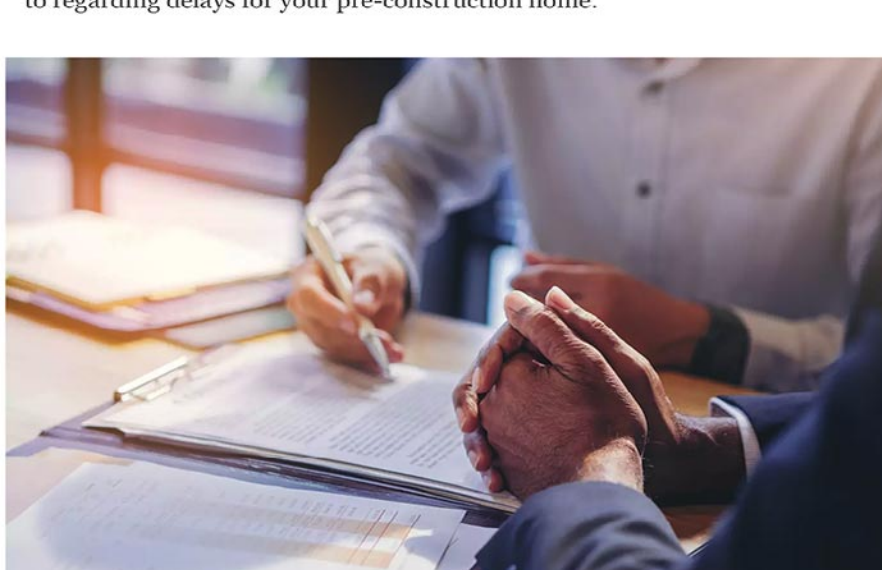
For **freehold homes**, you can get up to \$60,000 in deposit coverage for purchases up to \$600,000 or 10% to a maximum of \$100,000 for anything that exceeds that amount.

If you purchased a condominium unit, the Condominium Act states that the deposit you provide to your builder must be placed in trust. If your purchase agreement is terminated by your builder or the condominium project is cancelled, your deposit must be returned to you within 10 days. The new home warranty protects your deposit for up to \$20,000.

You'll also be protected up to these amounts if your builder goes bankrupt, if they fundamentally breach the purchase agreement, or if you're allowed by law to terminate the agreement.

What happens when your pre-construction home gets delayed?

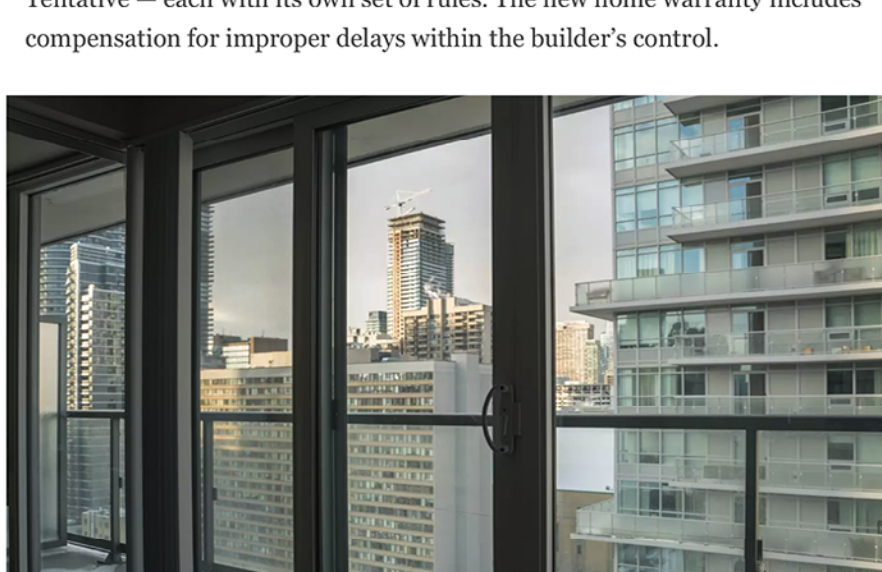
There are several factors that contribute to how much you're legally entitled to regarding delays for your pre-construction home.



While the specifics vary whether you've purchased a **condo unit** or **freehold home**, every builder in Ontario must provide warranty coverage for delays and the details are outlined in an addendum attached to the purchase agreement.

The delay warranty guarantees that your condo unit will be ready for occupancy by a mutually agreed-upon Occupancy Date, or by an Occupancy Date that has been properly extended. For freehold homes, the same applies, except that it's referred to as a Closing Date.

In the addendum to your purchase agreement, your builder has the option of providing one of two types of Occupancy or Closing Dates: Firm, or Tentative — each with its own set of rules. The new home warranty includes compensation for improper delays within the builder's control.



If your closing or occupancy date is delayed beyond the allowable limits set out in your delay warranty, you may be able to claim compensation of \$150 per day up to a maximum of \$7,500.

Review your purchase agreement with a lawyer

Buying a pre-construction home means you're going to be getting a lot of paperwork. Not only do you have to review your purchase agreement and make sure you understand its terms and conditions, but there are addendums, a warranty information sheet, a condo information sheet, and more.



It's always best to have all this paperwork reviewed by a real estate lawyer to make sure you understand the terms of the sale, including potential delays and terminations, and what is and is not included in the purchase price.

For more resources on your rights and responsibilities when purchasing a pre-construction home, you can check out **Tarion's Homeowner Resources Hub** to help you better understand the process.