

## **New Year, New Home: Five things to know before making an Offer to Purchase**

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Buying a home is a significant financial commitment. Whether you are purchasing your first property or have been through the process before, it is important to understand the legal and financial considerations involved in making an Offer to Purchase. Careful planning at this stage can help buyers avoid unexpected costs and reduce the risk of issues arising later in the transaction.

Outlined below are five key points to consider before submitting an Offer to Purchase.

### **1. Understand the Market Value**

Before making an offer, buyers should have a general understanding of the property's market value and recent sales of comparable homes in the area. While listing prices can be a helpful reference point, they do not always reflect what a property will ultimately sell for. Factors such as market conditions, demand, timing, and the condition of the home can all influence the final purchase price. Working with a professional realtor may also help with understanding the market conditions.

### **2. Total Cost of Ownership**

The purchase price is only one part of the overall cost of buying a home. Buyers should also account for closing costs, property taxes, insurance, and ongoing maintenance expenses.

Closing costs typically include Land Transfer Tax, legal fees, and disbursements. Land Transfer Tax is calculated based on the purchase price and can be a significant expense, particularly for first-time buyers. As a general rule, buyers should budget approximately 2.5% of the purchase price to cover closing costs. Estimating these expenses in advance helps ensure the purchase remains within budget.

### **3. Financing**

Where a purchase is being financed, buyers should confirm that they are able to obtain mortgage financing before submitting an Offer to Purchase. Some buyers choose to obtain mortgage pre-approval, which can simplify the process and reduce the need for a financing condition in the offer. In competitive markets, a pre-approved buyer may be in a stronger position when negotiating with a seller.

#### **4. Property Condition**

A property's condition is not always fully apparent during an initial walkthrough. For this reason, buyers should choose to obtain a professional home inspection. A home inspector can identify potential issues with the structure, electrical systems, plumbing, or signs of water damage. In most circumstances, the seller does not have an obligation to disclose defects in the property. The onus is on the buyer to do their own inspection.

If an Offer to Purchase is conditional on a satisfactory home inspection, buyers should ensure the inspection is completed within the required time frame. Buyers who choose to waive a home inspection should be aware that any undiscovered defects may result in costly repairs after closing.

#### **5. Timelines and Conditions**

An Offer to Purchase may include conditions such as financing approval, a home inspection, an appraisal, or the sale of an existing property. These conditions are intended to protect the buyer; however, in a competitive market, offers with fewer conditions may be more attractive to sellers.

It is also important that buyers allow sufficient time to satisfy any conditions included in the Offer to Purchase. Missing a deadline can result in the agreement being terminated.

A real estate lawyer or qualified realtor can assist with reviewing or preparing an Offer to Purchase, explaining the legal effect of conditions and timelines, and ensuring the buyer understands their obligations before the offer becomes binding.

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