Hummingbird Homes Inc.
Property Management

Investment Buyer Handbook

"We take the worry out of owning income properties"

Welcome to Hummingbird Homes Inc. Property Management Investment Buyer Program.

This Booklet is intended to give you an introduction to the fascinating world of Real Estate Investing.

Real Estate Investment does not need to be complicated and this booklet breaks down the process into pieces that are easy to understand.

As you consider whether or not real estate investment is for you, be sure to consult with your power team.

Your power team will give you valuable advice as you consider moving forward with your real estate investment career.

What's Inside

Investment Properties - Is this for me?

Are you ready for retirement? If not, you may wish to add an investment property to your portfolio. But where to start?

Oddly enough, you start where you wish to finish. Before you buy any kind of investment property you need to consider your “Exit Strategy.” There are several different types of Exit Strategies and you need to consider which strategy will work best for you.

Are you looking for a quick In and Out. If you so, you may wish to consider a ‘Fix and Flip’ which will work on a 3 - 6 month plan. A slightly different version of this is the ‘Fix and Rent’. You purchase a Fixer Upper, put money into it to fix it up, then rent it out. This then becomes a long term strategy.

If you like the idea of parking your money for a time, you may wish to look at ‘New Builds’. This would be a 2 - 5 year plan and is a strategy that should only be pursued after much consideration and analysis. While this is a strong strategy, it does carry risk the average investor is not aware of. Be sure to consult with your Financial Planner, Lawyer and Realtor before pursuing this or any other strategy.

A fourth strategy is ‘Buy and Hold’. This is a long term strategy and one where you purchase a property without ever intending to sell it. You may ask yourself “why would I never want to sell it? You do not want to sell the golden goose that lays the golden egg... each... and.. every... month.

Another consideration with this long term strategy is how involved you wish to be with your rental property. If you do not like the idea of getting your hands dirty or getting too involved, you should look at condominium ownership where most of the work is done for you. Your return on investment (ROI) may not be as high as you would like, but this is the trade off for easy ownership. If you are looking to take a *Hands On* approach, you may be better served to consider a detached home.

There are other strategies to consider and a strategy should be tailor made to meet your objectives be they short or long term. Other considerations include how involved you wish to be on a day to day basis, your comfort level with debt and whether or not real estate is the right investment product for you.

Once you have determined your strategy, you can then concentrate on what type of product you wish to purchase.

Investment Properties - Product

On the previous page we talked about different types of strategies in Real Estate Investing, and once determined, you can then concentrate on what type of Product you wish to purchase.

Perhaps the easiest type of property to own is a Condominium. You can purchase a Condominium as either an apartment unit or townhouse. There are also condominium projects made up of detached homes, but these are the exception rather than the norm.

Condominiums are the easiest type of real estate ownership as most of the work is taken care of for you. The Condominium Corporation (CC) is a legal entity whose responsibility is to manage the complex. They take care of the financial management of the complex as well as maintain the common element areas of the building such as roof, windows, doors, painting, grass cutting and snow removal. For taking care of these items, you will pay a monthly amount to the CC known as a Condominium Fee. This fee is often times based as a % of the sq. footage of your unit to the overall square footage of the building. You are then left to only take care of your unit.

Another type of ownership of a rental property is a Co-op. This is different from Condominium ownership in that you do not actually own real estate...you own shares in a company. As such, financing is often times more difficult as you are really financing “paper” rather than real estate. Also, depending on the co-op, you may have maintenance responsibilities involving maintenance items in an effort to limit the maintenance costs.

There is then the single family unit - a house. This can take many forms such as a bungalow, side-split, back-split or two storey home. For those with a little experience and wishing to try something more advanced, you may consider a duplex, triplex or fourplex. The basics of owning these types of properties is similar to owning a single unit, but you have the added dynamic of how the tenants all get along. Further, your financing will still be considered a residential purchase versus a commercial purchase.

Besides residential real estate, there is also raw land, industrial and commercial type properties. Whatever product you decide upon should match with your Exit Strategy. Further, you need to pay attention to your Return on Investment (ROI) and at all times consult with your Power Team, your lawyer and accountant before making any moves.

Return on Investment is expressed as an annual percentage on the amount of money invested with real estate. There are several areas where you may calculate ROI and your ROI needs to be calculated to ensure your Real Estate Investment goals are being met.

Investment Properties - Return on Investment

As you consider the type of product you may wish to purchase, you also need to consider your Return on Investment, otherwise known as your ROI, and your Return on Asset, otherwise know as ROA.

When it comes to investment properties, there are several ways to calculate your ROI and ROA. One way is Capital Appreciation, another is Cash-on-Cash.... and there are also the allowable expenses you cannot forget about related to owning investment properties.

To calculate the ROI on your investment property for Capital Appreciation, you will need to consider your purchase price and your sale price. Before discussing the ROA in this situation, please know that I am very much a strong advocate for *not selling* your investment property. Why sell the golden goose that lays the golden egg...each...and...every...month. Now, there are situations where it makes sense to sell and we will discuss this at a later time. For now, Let us consider your Return on Asset.

If you purchase an investment property at $300,000.00 and sell it in ten years for $450,000.00, your ROA would be 50% or 5% per year over this ten year period (Profit of $150,000.00 on purchase of $300,000.00 = 50%) however, this assumes you paid cash. Now let us consider what your Return on Investment equals. If you had put 25% down when you purchased this $300,000.00 property , you would have put up a cash downpayment of $75,000.00. Your Return on Investment - ROI equals 200% or 20% per year. This is calculated by taking your profit of $150,000.00 and dividing it by your initial investment of $75,000.00.

To calculate your Cash-on-Cash return, look at your monthly revenues and expenditures, then annualize them. If your rental property generates $2,500.00/mo. in income and your expenses total $2,000.00/mo., your annual numbers would show Revenue of $30,000.00, expenses of $24,000.00 resulting in a profit of $6,000.00 which equals a Cash-on-Cash ROI of 25%. This is calculated by dividing your cash flow of $6,000.00 by the expenses of $24,000.00.

Further to these returns on investment, Revenue Canada allows you to deduct costs associated with managing and running your investment property. Examples of allowable expenses would be interest costs, management fees, new lights or other items intended to improve your property and mileage to check out your property. Be sure to check with your accountant on these and all other allowable expenses open to you before submitting your tax return.

At this point we have discussed various strategies you may wish to utilize for your rental properties, we have talked about the various types of products out there and today we talked about the ROI - Return on Investment and ROA - Return on Asset. What do we do now, you may ask?

There are several things to consider when you look to get involved with real estate investing and we will explore several of these items on the following page

Investment Properties - What do I do next?

Rental Properties are not for everyone and one of the first things to consider is if a rental property will work for you? For some, it is simply too much work and they prefer working with paper assets such as stocks, bonds and mutual funds. For others, the thought of owning bricks and mortar - something they can touch and feel - is a much more appealing asset to own.

To determine if real estate investment will work for you, consult with your Power Team. Talk to your lawyer, accountant, Realtor and significant other and ask questions. They will offer insights into real estate ownership to help you determine if this is an asset you should invest in.

If the decision has been made to invest in real estate, it is time to start looking at properties. By this time, you will know how much you wish to spend, what your exit strategy is and you will have a pretty good idea what type of product you wish to buy...you now need to find it! I know you have heard this over and over again, but it is worth repeating - when you buy, you must consider location, location and location. Be sure to work with your Relator on this.

Once you have found a property, it is time to structure an offer. Your Realtor and lawyer are the best people on your Power Team to help you with this. Understanding your objectives, and the circumstances surrounding the property, your offer can be structured to best suit you. Your offer can highlight elements that are important to the Seller, but have to cost to you. For example, an extended closing date may be important to the Seller, but would not cost you anything allowing you to either get a better purchase price or be able to use this as leverage on something that is better for you...such as payment terms or a deposit.

No matter what kind of offer you put together, your Realtor will strive to protect your interests by putting certain conditions in place on your behalf. Some common conditions are finance, inspection, water tests and if you are purchasing a condominium, you will wish to have your lawyer review the Status Certificate. With these (and other similar conditions) in place should you or a member of your Power Team uncover something unexpected about the property that is not to your liking, you can then walk away from the deal.

When it comes to investing in real estate, there are many more issues that need to be addressed in terms of researching, analyzing and acquiring real estate. Be sure to check with your Power Team as you work towards building your real estate portfolio.

Investment Property - How Hummingbird Homes Can Help You

The challenge for most people dealing with investment properties is they don't know where to start. Everyone seems to like the idea of owning properties, but not knowing what kind of property to buy, how to finance the deal and then having to deal with tenants, keeps people from moving forward. We can help you with all this.

Hummingbird Homes Inc. is a small Waterdown company that "takes the worry out of owning income properties." If you currently own investment properties or are looking to get into the market, we can help.

If you currenlty own rental properties, we may be able to help you by either managing your property for you or by helping you locate a tenant.

At Hummingbird Homes our first step is to meet with you to discuss what your objectives are. With real estate, there are many ways to get involved and some times sorting through all the options is tough to do on your own. Based on your plans and objectives we will offer advise on how to get started. We can help with all aspects of the investment property from helping you develop a strategy, to finding a location and securing tenants. From there, we can handle the day to day management of the property allowing you to be as involved as you would like to get. If you would like to be a hands- on owner, that will work or if you would rather only receive a monthly statement of income and expense leaving Hummingbird Homes to handle the details, we can do that as well. Perhaps you would like to use the buy-fix-sell approach!

There are many, many ways to get involved with Investment Properties. If you would like to talk about what options may work for you, please feel free to give Sandy a call at 905.975.6002. If you are already involved with investment properties and would like to consider getting away from the day to day management of your properties, we would be happy to talk to you about this as well.

The Game Plan - Our Goal

Our goal is to help you purchase an Investment Property that will work towards meeting your long term investment plans.

Our commitment is to go above and beyond your expectations in the pursuit of your investment property.

*We understand that purchasing an Investment Property is possibly the **single largest investment** that you may ever make.*

We will help you purchase a property by:

1. *Determining how much property you can afford by helping you to get a pre-approved mortgage.*

2. *Forward information to you on properties that meet your criteria.*

3. *Helping connect you with the professionals that will help your purchase go smoothly.*

4. *Negotiate on your behalf with the least amount of inconvenience on you.*

With professionalism, loyalty, and dedication we will do everything possible to help make your investment dreams come true.

Sincerely,

Sandy Cullen and Joe Malec
Hummingbird Homes Inc.

Real Estate A Great Investment!

The power of leverage magnifies your return since you've earned gains not only on your down payment, but on the entire purchase price including what you mortgaged. If you buy a $250,000 Investment Property and five years later it's up 5%, you've made 1% a year, but that assumes you paid cash for the property. With a 25% down payment, you've really earned 4% a year tax-free on the money you invested. And if you buy Investment Property with only 10% down, over five years your annual tax-free return is 10%. Keep in mind that when you buy an Investment Property your mortgage interest is tax deductible. When tax-free capital gains are added to the power of leverage, Real Estate remains a good investment.

The Real Estate Buying Process - Where Do We Start?

Buyer and Agent Interview -

- Setting the Game Plan: one of the most important steps in the Investment process is meeting to discuss what your goals are and planning a strategy to meet those goals.

What to Expect -

- Searching for the Perfect Investment Property: purchasing an Investment Property is different that buying your own home, you need to consider other factors and we will work towards educating you on these finer points.

The Process -

- Finding and Purchasing your Investment Property: View Investment Properties and Meeting Your Criteria - once a plan is set and the process understood, it is time to start looking at properties.

Preparing for your Closing -

- Sold! there are several steps necessary to close your Investment Property, and we will help you with these.

- **Closing!**

Understanding Our Role

In order for us to properly search for all possible investment properties, you need to “hire” me for the job. A Buyer Agency Contract gives me - your Realtor - authority to contact possible sellers and represent you in considering these investment properties. This is critical in the current fast paced market.

A Buyer Agency Contract says that I will be paid a fee of the purchase price, and the fee is included in the price that you pay.

As a Buyer Agent, I will never disclose to the Seller's Agent anything about you and your position. In a situation where my firm or I represent both the seller and buyer, I cannot discuss with the seller how much you are willing to pay or how motivated you are to purchase the property.

Designing An Investment Property Buying Strategy

Before shopping for an Investment Property, every buyer needs "a game plan" that reflects your unique needs and wants. That means developing a pre-determined shopping list of what an Investment Property must provide (the needs) and the "would-like-to-haves" (the wants).

To properly prepare an Investment Property buying strategy buyers must first examine their lifestyles and budgeting priorities and then do their Investment Property strategy. Asking questions, demanding answers, researching everything from closing costs to mortgage financing, and making all the major decisions before an offer to purchase is ever signed. In fact, signing an offer is the climax to the Investment Property buying process, not the first step.

When buying an investment property, preparation and planning are the essential keys to your success. To help define your wants and desires, we recommend that you spend as much time with your Power Team as possible discussing your various options. Your Power Team is there to guide you not only as you get started, but also as you continue to grow and add to your real estate holdings.

The Market Is Always Changing

You may not see many properties before you find the perfect investment property! It is not uncommon for investment property buyers to find the perfect investment property within 1 or 2 days of viewing potential properties. If you have done a good job of planning and preparation before going to view properties, the actual finding of a property may happen very quickly. However, as we go through the investment property buying process you may see some investment properties that do not meet your criteria. These may help you better identify what it is you are looking for.

You may instinctively know when you have found the perfect investment properly. If you have planned sufficiently all your ground work will lead to view a handful of properties so is should not be surprising when you find just the right property.

On the other hand, if it does not feel right - it isn't so don't buy it. It does not make any sense to try and push through a property just to say you purchased an investment property. It is better to continue looking and not push a bad situation. Be sure to take emotion out of the process and stick to your plan.

Investment Property Needs And Wants

My Needs In An Investment Property: What do I absolutely *need in my next Investment Property…..*

1. Good Location	3. ______________________
2. Multi-Units	4. ______________________

My Desires In An Investment Property: What I would absolutely *love in my next Investment Property…..*

1. Walking distance to schools	3. ______________________
2. Turn key property	4. ______________________

> *Our Promise: Whether you see 5 investment properties or 50 investment properties,*
> *We will do whatever it takes to find you the right property.*
> *You will never feel pressure from us* to buy.

What Can You Afford?

There is nothing more frustrating than finding an Investment Property and then finding out you cannot afford it! Set out to find your Investment Property with your ‘tool box’ in hand filled with the tools that you will need! The first, and possibly most important tool is your Mortgage Pre-Approval.

A mortgage pre-approval will help you determine what you can afford to spend and this will help you decide how much you want to spend. Further, it will make you aware of the necessary down payment you will need to move forward.

Benefits Of A Pre-Approved Mortgage

1. Locked in interest rate
2. Better negotiating position with a Certificate of Pre-Approval
3. Knowing what you can afford
4. Taking advantage of the many possibilities of Mortgage Financing
5. Having the opportunity to shop around and secure the best financing package for you!
6. Our strategic alliances provide the very best Mortgage Financing. We encourage you to speak with our Mortgage Specialists. And remember, you are never under any obligation.

Pre-Approved Mortgage - A Powerful Tool For Investment Property Buyers

Most people buying a an Investment Property need a mortgage. Too often, in the past, arranging a mortgage was left to the very end, sometimes even after a property was purchased, forcing borrowers to scramble for financing. How times have changed!

Today it's important to shop for a mortgage before you purchase an Investment Property, as lenders will “pre-approve” you for a mortgage. Some lenders will even do it over the phone. It is a no cost, no obligation deal that lets you know before you go house hunting or sign an offer to purchase, how much you can afford to buy based on how much you can afford to borrow.

When getting pre-approved for a mortgage, it is important to determine how long the rate commitment is good for. With a pre-approved mortgage, you can confidently negotiate the purchase of an Investment Property, knowing the mortgage financing is arranged, subject to final property appraisal.

Costs To Be Aware Of When You Buy

This is a list of possible extra costs involved in buying an Investment Property. Some are one-time costs and others, will be ongoing. The good news is not all of these may apply in your circumstance.

Don't forget the tax. HST applies to new housing. However, there is a rebate, if your Investment Property costs less than $450,000. There is no HST on resale investment properties unless the Investment Property has been substantially renovated, and then the tax is applied as if it were a new Investment Property. Be sure to check with your accountant.

Appraisal Fee. If your loan is not insured, your lender may require a property appraisal at your expense. A basic appraisal for mortgage purposes will cost between $150-$250.

Property Insurance. This insurance covers the replacement value of the structure of your Investment Property. Your lender will insist on this because your Investment Property is the security for your mortgage.

Prepaid Taxes or Utility Bills. You will have to reimburse the vendor on a prorated basis if some bills have been prepaid beyond the closing date.

Land Transfer Tax. This varies as a percentage of the property's purchase price, usually 1%-4%.

Lawyer Fees. Even a straightforward Investment Property purchase requires a lawyer to review the Offer to Purchase, search the title, draw up mortgage documents and tend to the closing details. Lawyers' fees range widely depending on the complexity of the deal but will probably start around $700.

Mortgage Loan Insurance Premium & Application Fee. If you have a high-ratio mortgage, your lender will require mortgage loan insurance provided by CMHC or a private company. The insurance will cost between .5% and 3.75% of the amount of the total mortgage and can be included in the mortgage. The application fee will range from $75 to $250 depending upon how the lender processes your application.

Status Certificate. A certificate that outlines a condominium corporation's financial and legal state. The certificate and supporting documents will cost you $100.

Condominium Fees. Condominiums charge monthly fees for common-area maintenance, such as grounds keeping and carpet cleaning. Fees range widely depending on the type of structure.

Investment Property Inspection Fee. Inspectors are unregulated in many provinces, so fees range widely, from $150-$350 for an Investment Property priced under $300,000. Larger, more expensive investment properties cost more.

Contents Insurance. This insurance covers the replacement costs of your tenants personal affects and at the cost of the tenant. If your tenant does not have this insurance, you should get them to sign a waiver that they have declined to get this type of coverage.

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Rental Property Analysis

Property Address: ______________________

Purchase Price: $ ______________________

					10 yrs	15 yrs
Financing:	______ % of $	______	@ ______	% = $	______ /	______
	______ % of $	______	@ ______	% = $	______ /	______
	______ % of $	______	@ ______	% = $	______ /	______
				Monthly Mortgage Costs $	______ /	______

Expenses:

Insurance	$ ______	Taxes	______
Accounting	______	Advertising	______
Management	______	Lawn/Snow	______
Pest Control	______	Security	______
Services	______	Condo Fees	______
Other	______	Other	______
Other	______	Vacancy:	______ x 5% ______

Monthly Expenses $ ______________________

Total Monthly Costs $ ______________________

Income:

1st Unit @ $ ______________________

2nd Unit @ $ ______________________

3rd Unit @ $ ______________________

Total Monthly Income $ ______________________

/

Monthly Cash Flow - or + $ /- or + $

Amortization

This is the amount of time over which the entire debt will be repaid. Most mortgages are amortized over 15, 20, or 25 year periods.

The longer the amortization, the lower your scheduled mortgage payments, but the more interest you pay in the long run.

Payment Comparison Over Various Amortization Periods* A shorter amortization means savings on interest payments.

This example is based on a $100,000 mortgage at a 5% interest rate.

Amortization Period	Monthly Payment	Total Payments	Total Interest Paid	Interest Savings**
25 years	$895.00	$268,500	$168,500	N/A
20 Years	$952.00	$228,480	$128,480	$40,020
15 Years	$1,063.00	$191,340	$91,340	$77,160
10 Years	$1,311.00	$157,320	$57,240	$111,260

* These are rounded numbers for illustrative purposes only. ** Assumes a constant interest rate for the entire amortization period, and represents the savings realized by paying your mortgage off sooner.

Schedule of Payments

A monthly loan is repaid in regular payments, either monthly, biweekly, or weekly.
The more frequent your payments in a year, the lower the overall
interest you pay on your mortgage as more of your payment is applied to the mortgage principal.

This example is based on a $100,000 mortgage, 25-year amortization and a 5% interest rate.

	Payment	Total Interest Paid	Interest Savings*	Mortgage-Free
Monthly Payment (12 per year)	$895.00	$168,500	N/A	25 years
Biweekly Payment (26 per year)	$447.50**	$118,927	$49,573	18 years 10 months
Weekly Payment (52 per year)	$223.75**	$118,111	$50,389	18 years 9 months

These are rounded numbers for illustrative purposes only.

* Assumes an interest rate of 5% for the entire 25 years.

** $895.00 extra paid annually

Mortgage Financing Language - Know The Lingo

Deposit Money that you use for the purchase of your Investment Property.

Down Payment This will include all the money you are paying for the real estate, except for the mortgage. The down payment that is not the deposit, will be brought to your lawyer several days before possession. Your down payment can take many forms including cash, RRSP savings, and even gifts from family.

Term The length of the time you have a set interest rate. In the case of a closed term, this can be as long as 5 years and as short as 6 months. Sometimes Investment Property buyers opt for variable rates or open terms with no set interest rates.

Amortization The total length of the Mortgage Contract.

Conventional Mortgage A first mortgage for up to 80% of the property's appraised value or purchase price, which ever is lower.

Gross Debt Service Ratio Annual mortgage and other housing related costs, expressed as a percentage of the borrower's gross annual income.

Total Debt Service Ratio The total of annual mortgage payments and all other debts, expressed as a percentage of gross annual income.

High-Ratio Mortgage A mortgage for more than 80% of the property's appraised value or purchase price, which ever is lower. You must be aware that in some cases, a standard first mortgage may be only 65% of the property appraised value.

Buyer Profile Service

The **Buyer Profile Service** is designed to put you in control of the real estate buying process.

We create your Buyer Profile by following these steps:

1. Entering your unique investment criteria into our custom computer database.
2. Our computer program automatically searches the MLS to find properties that match your specific criteria.
3. We e-mail you only those properties that meet your criteria. Each listing has a photo, as well as a description of the property.
4. You may then review the properties on line and do a ‘drive by’ to determine if the property looks as good as the picture and the neighbourhood is one in which you would like to invest.
5. If everything seems good and you would like to see the property, we will make arrangements for you to view it. Also, we can arrange previews, where we view the property in advance to make sure it meets your criteria, to help move the process along for you.

6. We will show you as many properties as necessary to ensure you are comfortable with the property prior to putting any offers together which is designed to remove any pressure to buy.

When you find a property you would like to put an offer on, we will help you:

1. Prepare the Offer 2. Present the Offer 3. Negotiate the Offer.

These services are all done for you and do not cost you anything.

We Found Our Investment Property. Now What?

Once you decide on pursuing a particular Investment Property, we will sit together and write up an offer. We will focus on your best NEGOTIATING position. There are a number of factors that make a BIG difference in the strength of your offer.

Negotiating Strength

1. Price
2. Meeting possession day of seller
3. Good sized deposit
4. Proof the deposit is already held in trust
5. Few or no conditions

Negotiating Weakness

1. Over negotiation
2. Too many conditions
3. Weak deposit
4. Too much thinking time, condition time etc.
5. No pre-approval

Competing With Multiple Offers

You may not always be the only hopeful buyer. If your offer is competing with another buyer, you should consider:

1. Writing an offer for the most that you would want to pay; that way you have nothing to regret if you don't get it, as you may not get a second chance.

2. Removing unnecessary conditions.

3. Be aware that properties can and DO sell for more than the listed price.

A Note On Buying Condominiums

The word condominium refers to a type of property ownership rather than to a style of house.

- Condominiums can be townhouses, high rises or low rises. They can be attractive to first time Investment Property buyers as they are generally less expensive than single detached investment properties in the same neighbourhood... and be sure to allow for monthly condo fees.
- When you buy a condo, you're investing in something you own, but likely eliminating maintenance such as yard work and snow removal. Condos also can offer extras you won't get in a similarly priced detached Investment Property, such as security systems and recreation facilities.
- Be prepared to pay monthly condo fees that contribute to the corporation's reserve fund and go toward covering the cost of property maintenance, repairs, replacements and insurance.
- When buying a condo, many of the same considerations as buying a detached Investment Property will apply. For example, the choice of location or the decision between a new or resale.

Now that we have put your offer together, it is time to present it to the Seller. Upon receipt of your offer, the Seller has three choices. Choice 1 is to reject your offer with no further comment. Choice 2 is to accept the offer exactly as it has been presented with all the terms in tact and nothing changed. Choice 3 is for the Seller to give you a sign-back. This is the most likely scenario as there are many variables when it comes to an Agreement of Purchase and Sale. It is often time difficult to get a complete agreement on all the details from the start. From here, we negotiate.

While all aspects of an offer are negotiable, the key negotiating points usually come down to the closing date, items to be included, and price.

SOLD - Congratulations!

There are several things that must be done in order to have the purchase “firm-up”.

- Conditions need to be removed by the date specified in the offer.
- Get all-important documents to your financial institution. Arrange interim financing if necessary.
- Transfer all utilities: Gas, Water, Power to the new property.
- Get your insurance in order and a Binder Letter of Insurance for your lawyer.
- Meet with your lawyer approximately 1-2 weeks before possession to sign all paperwork and address any last minute concerns.

Closing Day

You may not get your keys until late in the afternoon from your lawyer. Your plans should allow for this situation.
Fridays are great closing days, as you have the entire weekend to organize, but try to stay away from the end of the month to give lawyers and moving companies time to meet their commitments to you.
Be calm. Hope for, but do not always expect a clean property.
If something is not the way you expected it, contact your lawyer immediately.

Tenants

Now that you have purchased your investment property, the next step is to get tenants in as soon as possible...the sooner the better. However, this is a step you do not necessarily wish to rush. It is more important to get the RIGHT tenant versus getting any tenant.
If you wish to handle this part of the process on your own, it is recommended that you familiarize yourself with the *Landlord and Tenant Act at* www.ltb.gov.on.ca/en/index.htm. The Act will give you all the information you need to get started on the process of leasing out your investment property.

Should you wish to use a property management company to locate tenants and/or manage the property for you, we at Hummingbird Homes Inc. Property Management would be happy to sit down with you to discuss what it is we can do to help in locating a tenant or manage your property.

Frequently Asked Questions About Buying an Investment Property

Q. If we drive by an Investment Property and really like it, do we call the listing agent?
A. No. Call us, Sandy Cullen or Joe Malec, your Buyer Specialists are at Hummingbird Homes Inc. and we will show you the Investment Property immediately.

Q. Should I look for investment properties on the Internet?
A. Yes. www.realtor.ca or www.icx.com are excellent sites. When you find properties that interest you, simply e-mail Sandy at skc@hummingbirdhomes.ca or call Sandy at Hummingbird Homes Inc. at (905) 975-6002 and she will immediately respond with your requested information.

Q. I heard anybody can now buy an Investment Property with 5% down. Is that true?
A. You need to consult with your mortgage specialist as the market is always changing. While you may be able to do this - we strongly recommend putting together a larger down payment.

Q. In what geographical area can you help me buy an Investment Property?
A. Our areas of specialty are Waterdown, Flamborough, Burlington, Hamilton and Dundas. Further, our system allows us to give you detailed information on properties in Oakville and the surrounding areas. When it comes to commercial properties, the criteria is often different depending on the situation and we need to discuss all the possibilities.

Q. If we use your services to buy an Investment Property, how much does it cost us?
A. There is no cost for our services in helping you find an Investment Property as the seller pays the fee. If you would like us to help with the management of your investment property we offer an a la carte menu of services, the costs of which we would be happy to discuss with you.

Top Real Estate Tips

Look here to find some great tips in obtaining an Investment Property

Tip 1. The Advantages of a Resale Investment Property

While many buyers shy away from used cars, that's not the case with “used” or resale investment properties. As a resale Investment Property exists, you don't have to visualize what it will look like - you see what you get, and get what you see. Also, resale investment properties are usually sold in more established communities and neighbourhoods. This means recreational facilities, transportation links, support services, schools and shopping centres are likely already in place, all of which are important for your tenants.

Many people believe they get better value buying a resale Investment Property, since appliances, light fixtures, floor and window coverings can be negotiated into the deal. Improvements like fences, paved driveways and landscaping automatically go with the Investment Property, too.

The survey needed by both you and the lender often is available from the seller, but make sure it's up-to-date. And you can reduce the risk of being saddled with hidden defects, by having an Investment Property inspector examine a resale Investment Property before the offer becomes firm. For buyers on a tight budget, a resale Investment Property in move-in condition is always an appealing choice.

Tip 2. Develop a "Power Team"

A Power Team is a group of professionals you will need to help you buy or sell an Investment Property. These Power Team members are vital in that they are your best resource for accurate and timely information. They will give you advice based on your situation and what is in your best interest.

If you are buying or selling for investment purposes it is strongly suggested that your first step is to develop your Power Team. You will want to discuss your plans with them in detail to ensure they have all the relevant information to give you good sound advice.

Your Power Team should consist of a lawyer, accountant, mortgage lender, house inspector, insurance agent, and of course, a realtor. Depending on your specific goals, you may need to expand your Power Team to meet your needs.

As you develop your Power Team, choose your team members based on their knowledge and their ability to help you meet your goals. A decision to include a team member based solely on the fees charged could prove to be a costly mistake.

Tip 3. Professionals: Investment Property Inspectors
What Every Buyer Needs to Know

If you're buying a resale Investment Property and don't want to inherit the seller's headaches, an Investment Property inspection is a must. Usually the offer to purchase is conditional on the buyer being satisfied with the inspection - so if the Investment Property fails the grade, there's no deal. Investment Property inspectors examine the major systems in the Investment Property - plumbing, electrical, heating - plus the roof, foundation, and insulation, and give the buyer a written report. The cost? Several hundred dollars, a small price to pay for the information provided. an Investment Property inspection gives you the ability to walk away from the deal or make arrangements with the seller on how to correct a new found problem. Further, they also will give you a 1-3-5 + 10 year plan on maintaining your property.

Something you should know about the Investment Property inspection industry; it's unlicensed, ungoverned, and unregulated. Anyone can establish an Investment Property inspection business with absolutely no training or credentials. So before hiring an Investment Property inspector, check out his or her background and expertise as carefully as the inspector will check out the Investment Property. Ask friends, family or your Realtor for a referral - we only recommend certified Investment Property inspectors and would be happy to refer one to you. And make sure the inspector has liability insurance, just in case a mistake is made; such as a hole in the roof or a leaky basement being overlooked.

Tip 4. Lawyers - Not Just Anyone Will Do

Buying and selling Real Estate has become very specialized. So when looking for a lawyer, make sure it's a Real Estate Lawyer - one who spends most of the time closing Real Estate deals. And don't wait until after the deal is struck before choosing a lawyer; then you lose the valuable input he or she can provide scrutinizing the offer before your pen hits the paper.

A lawyer knowledgeable in your area can be a strong member of your Power Team and will help your deal move forward smoothly.

Since a lawyer's role is part advisor, part confidant and part nursemaid, a good rapport with your lawyer is a must. How can you find a good Real Estate Lawyer? Ask friends, family, neighbours and co-workers whom they've used in the past; and get several names from me or your banker, as well. As with any other professional, quality and experience are the key, not just price.

Tip 5. Accountants

These professionals provide excellent advice when it comes to buying or selling your Investment Property. Having a knowledgeable accountant on your Power Team is a must.

Tip 6. Chattels and Fixtures - What's The Difference?

Chattels are items of personal property in an Investment Property "by their own weight alone", though they might be connected by pipes and wires. Examples: fridge, stove, washer and dryer. Fixtures are items that have been attached to the property, becoming part of the Investment Property itself. Examples: built-in shelving, broadloom and light-fixtures. In an offer, buyers must list which chattels the seller will leave behind, while sellers must state which fixtures they can remove.

But there's a vast gray area between chattels and fixtures. How do you classify an electronic garage opener plus the hand-held units, a central vac system and its accessories or the garden statue on the patio? Whether you're a buyer or seller - leave nothing to chance. If in doubt, spell it out in the offer. Clearly state if a particular item stays with the Investment Property, or goes with the seller because a mistake classifying chattels and fixtures can prove very costly.

Tip 7. "Hidden" Closing Costs When Buying an Investment Property

"How Much Money is Needed to Close?" is a question high on every buyer's list.

Besides the basic purchase price, buyers face legal fees, disbursements, and out-of-pocket expenses a lawyer incurs, all with HST added. There are closing adjustments including but not limited to, the seller-taxes, rental income, condominium maintenance, and some utility charges. And don't forget about the costs of arranging a new mortgage - including application and appraisal fees.

For a resale Investment Property, these "extras" can easily add 1.5% to 2% onto the basic purchase price. For brand-new investment properties, that figure can easily reach 2.5% - especially if the Investment Property is enrolled in a provincial new Investment Property warranty program.

Tip 8. Important Dates in Every Real Estate Transaction

Every Real Estate transaction has four key dates. Each must be clearly spelled out in the offer and adhered to.

The first: the irrevocable date - how long the seller has to accept a buyer's offer.

The second: the conditional date - the latest date the conditions of the offer must be met.

The third: the requisition date - when any issues arising from the title search must be addressed.

The last: important to both buyers and sellers, the closing date, when money, title and keys change hands.

Tip 9. The HST and Real Estate

One of the most confusing areas of Real Estate is the HST. Most resale investment properties are exempt from HST, but buyers should still ask the appropriate question and deal with it in their offer to purchase, to be safe. For brand new investment properties and condos, the offer should say whether the purchase price is "Plus HST" or "HST Included", and who gets the HST new Investment Property rebate. Buying a vacant cottage/chalet lot or a hobby farm is even more confusing:

If an individual is selling, the sale is HST exempt; But if the seller is a corporation, HST is payable

Residential rents are exempt from HST, as are condo maintenance fees. HST is payable on Real Estate commissions, legal fees, some disbursements, and the cost of a new survey or an Investment Property inspection. If in doubt about the HST, check it out before signing an offer because if you're wrong, it's a 13% mistake.

Tip 10. Should You Go Short-Term or Long-Term on Your Mortgage?

That's one of the toughest decisions borrowers face. Much depends on your unique needs and circumstances, your character and personality. Are you a first-time buyer anxious for the security a long-term mortgage offers? Or are you an Investment Property owner with equity, who can afford to take a chance going short-term? Are you a risk-taker, prepared to face the interest rate merry-go-round every six months? And how long do you plan to own the Investment Property?

A lot depends on market conditions, too. If rates are falling, you might opt for a short-term or variable-rate mortgage. If they are climbing, long-term may hold more appeal. And if the rate spread between long and short-term mortgages is small, does it make more sense to go long-term? When choosing a term, there's no “right” or “wrong” answer - it depends on you.

Tip 11. What is CMHC Insurance?

If your mortgage is “high-ratio” (exceeding 80% of a property's value), it m

ust be insured. The most well known insurer is CMHC - Canada Mortgage and Housing Corporation, although a new firm, GE Capital Corporation is now on the scene. CMHC insurance protects lenders by guaranteeing them the payment if you default; but you're still responsible for the debt and it doesn't come cheap. Borrowers must pay an insurance premium on the amount to be insured based on a sliding scale with which your lawyer may help you.

Tip 12. A Little-Known Benefit of CMHC-Insured Mortgages

When interest rates fall, many borrowers wish to re-negotiate their mortgages. Few have the right to do so, unless their mortgages are fully open, but if you booked a long-term mortgage insured by Canada Mortgage and Housing Corporation (probably because it was high ratio - for more than 75% of the purchase price), then you can re-apply or renegotiate it after 3 years, on payment of 3 months interest.

CMHC-insured mortgages are open after 3 years, by paying a penalty of 3 months interest (and that usually is cheaper than any interest rate differential - the difference between the mortgage rate and current rates, on the outstanding balance, for the rest of the mortgage term). It's one of the advantages of having your mortgage insured by CMHC.

Unsure whether your mortgage qualifies? Then go back to your lawyer or lender and check if your long-term mortgage is CMHC-insured. If so, you might be able to break it, and profit from a drop in interest rates.

Tip 13. Get an Interest Rate Break Today!

One of the best kept secrets in Canada is that below market interest rates are available for mortgages. First, with what's called “Relationship Pricing”, the posted rate isn't the only rate any more. Depending on the business you bring a lender or already have, such as, RRSP, car loan, credit card, line of credit, GIC or term deposits, 1/4 to 1/2% can be knocked off the posted mortgage rate.

Another way to get a discounted interest rate is by assuming an existing mortgage. If you take over the mortgage on closing, you get that reduced rate. If it isn't big enough for your needs, you can assume it, and increase the amount owing. The rate payable will be a blend of old money and new combined which will be less than today's going rate.

Tip 14. Boosting your Mortgage Payment

Today, most lenders will allow a mortgage holder to accelerate their pay down period in a number of ways. One is by allowing an annual pre-payment of 15-20% of the initial borrowed amount. A second way is by allowing mortgage holders to increase their payment amounts by 15-20%. A third way is by allowing mortgage holders to increase the frequency of their payments from monthly to bi-weekly. These are effective ways to pay down your mortgage quickly.

If you booked a conventional $100,000 mortgage at 8%; your monthly payment would be: $763.21. If you boosted that payment by $5 next year (to $768.21), and by another $5 each year after that, your mortgage would be paid off more than 3 years faster, while you'd save over $15,500 in interest. All by simply adding $5 more than what you were paying the previous year to your monthly payment.

Mortgage lenders today have a wide range of options available to you. If they are taken advantage of, you will save thousands of dollars and take years off your mortgage. Be sure to find out what is out there!

Tip 15. Insuring Your Mortgage?

What if you die while your mortgage is outstanding, or if you take sick, then how will your mortgage be paid? By arranging life insurance, either directly or through your lender, the necessary funds will be available to fully retire the mortgage on death. But before booking it, carefully assess whether the amount of insurance coverage you currently carry is adequate to cover your mortgage and your family's ongoing day-to-day and investment needs.

Since a mortgage is one of the largest financial commitments you'll ever make, it's the ideal time to review your insurance needs and coverage - and make any necessary changes.

Tip 16. What Can You Do When Your Mortgage Comes Due?

When a mortgage matures, borrowers have always had three options - the 3 R's: Retire, Renegotiate, and Renew. In the past, changing lenders was expensive, so most borrowers renewed their mortgages with the same lender on maturity. Today, borrowers have a fourth option - the switch or transfer-in, allowing you to change lenders for nearly the same cost as renewing.

Instead of registering a new mortgage and de-registering the old one, the existing mortgage is transferred from the old to new lender. As that's done without a lawyer, switching is much cheaper than refinancing. However you may be charged a “switch-in” fee (up to $250), and require a new appraisal when you “switch-in”.

Not every mortgage can be switched; its' limited to owner-occupied investment properties, and mortgages held by institutional lenders. Switching is also possible when the amount owing is to be increased, however, you'll have to pay additional legal and appraisal costs.

Tip 17. An After-Firming Up Check List

You've just firmed up your house purchase - now what?

Buyers have lots to do. They must get names and address, payment dates, account numbers and amounts to pay for the mortgage, taxes, condo maintenance and utility charges.

Where “911” doesn't exist, obtain the emergency numbers of police, fire, ambulance, hospital, and poison information centres. Learn when garbage and recycling day are.

And most importantly, change the locks, or at least the tumblers on all doors. Who knows how many keys still remain in circulation and even consider upgrading the locks to deadbolts.

Tip 18. Making Your Mortgage Interest a Deductible Expense

Most people can't write off the interest paid on their personal home. But that's not the case if money is borrowed for a investment purposes to buy income-producing real estate. Then the interest is deductible. How the borrowed money is used determines whether or not the interest can be written off. A 5% mortgage is actually cheaper than an 4% mortgage, if the interest on that 9% mortgage is deductible.

That's why Canadians should strive to pay down their mortgages as quickly as possible. With more equity in your Investment Property, you've got a terrific opportunity to book a new mortgage, use the funds to earn income, and write off the interest. Be sure to speak with your accountant and financial planner as you pursue this strategy as it may not work for everyone.

Tip 19. Investment Property Insurance

Everybody needs to insure their Investment Property - but some people actually over insure it. As the land on which an Investment Property sits won't burn, only the building must be insured. If the amount outstanding on your mortgage is less than the value of the building, there's no problem, but if the balance owing on your mortgage exceeds the value of your Investment Property, insuring the mortgage amount means you're over insuring the building.

Insurance coverage should be determined by the value of the building - not the size of the mortgage. One way to avoid this dilemma, is by having a “replacement cost endorsement” for the building appear in your insurance policy. Replacement cost coverage guarantees that the insurer will pay the full cost of rebuilding the Investment Property, even if the loss is greater than its insured value. This endorsement is available at nominal - and sometimes at no additional cost, but it's limited to owner-occupied investment properties, not income-producing properties. And don't forget - your fire insurance must be in place at the time of closing.

As for the contents in the building, contents insurance is the responsibility of the tenants.

Important Telephone Numbers & Websites

Ambulance 911		
Bell Canada	905-310-2355	www.bell.ca
Burlington Hydro	905-332-1851	www.burlingtonhydro.com
Emergencies	1-877-310-4937	
Burlington Post	905-632-4444	www.burlingtonpost.com
City of Burlington	905-335-7777	www.burlington.ca
City of Hamilton	905-546-2489	www.city.hamilton.on.ca
Cogeco Cable	1-800-267-9000	www.cogeco.com
Direct Energy	1-800-348-2999	www.directenergy.com
Fire	911	
Non-emergency (Burlington)	905-637-8207	
Non-emergency (Hamilton)	905-546-3333	
Hamilton Spectator	905-526-3333	www.hamiltonspectator.com
Horizon Utilities	905-522-9200	www.horizonutilities.com
Hydro One	1-888-664-9376	www.hydroone.com
Emergencies & 24 Hour Outages	1-800-434-1235	
Landlord and Tenant Office	1-888-332-3234	www.ltb.gov.on.ca/en/index.htm
Police	911	
Crime Stoppers	1-800-222-8477	www.crimestopper.com
Non-emergency (Burlington)	905-825-4747	
Non-emergency (Hamilton)	905-546-4925	
Ontario Provincial Police	1-888-310-1122	www.opp.ca
Poison Control	1-800-268-9017	
Reliance Investment Property Comfort	1-877-267-7902	www.reliancehomecomfort.com
Smalls Claims Court Office	1-800-891-0502	www.attorneygeneral.jus.gov.on.ca
Union Gas	1-888-774-3111	www.uniongas.com
Gas Emergencies & 24 Hour Services	1-877-969-0999	

What Does It All Mean? A Glossary Terms

Closed Mortgage a mortgage that cannot be repaid or renegotiated unless the borrower is willing to pay an interest penalty.

Closing Date the date the purchase of the property becomes final and the new owner obtains title and takes possession.

Conditional Offer an offer to buy a property if certain conditions are met.

Deed a legal document that conveys (transfers) ownership of a property to a buyer.

Encumbrance a legal claim registered against a property. It will not necessarily prevent the sale of the property, but may affect its value.

Fixed Rate Mortgage a mortgage for which the rate of interest is fixed for a specific period of time.

Interest Rate the rate of return paid by the borrower (purchaser) to the lender for permitting the borrower to use the funds for the specific item, expressed as an annual rate.

Mortgage a loan used to purchase an Investment Property. The borrower pledges the property as security for the loan.

Mortgage Payment amount of money the purchaser pays to the lender on regular basis to repay the principal and interest on the mortgage.

Mortgage Terms conditions upon which a mortgage is granted

Mortgagee the lender.

Mortgagor the borrower.

Multiple Listing Service(MLS) a computer-based system for gathering details on properties for sale.

Net Worth the difference between total assets and total liabilities.

Open Mortgage a mortgage that can be prepaid or renegotiated at any time and in any amount without interest penalty.

Pre-Arranged Mortgage preliminary approval by the lender of the borrower's application for a mortgage to a certain maximum amount and rate.

Principal the amount of money borrowed for a mortgage.

Statement of Adjustments a document detailing the exact amount owed by the purchaser to the vendor upon closing. It includes the balance of the purchase price, reimbursement for any prepaid utilities or services and lawyer fees and costs.

Survey a document providing details of a property's boundaries, measurements, and structures. It also describes any easements, rights-of-way, or encroachments made by either your property or adjoining properties.

Title the legal evidence of ownership to a property.

Title Search a detailed examination of the ownership documents to ensure there are no liens or other encumbrances on the property, and no question regarding the seller's ownership claims.

Vendor the seller in a Real Estate transaction.