



Lancaster, Brooks & Welch LLP
Niagara's Lawyers Since 1882

The Costs of Buying & Selling Real Estate



Accessibility and Convenience

Lancaster, Brooks & Welch LLP have offices in both St. Catharines and Welland which are conveniently located in the downtown core.

Regular office hours are Monday to Friday from 8:30am to 5:00pm.

We are happy to make appointments at other times to satisfy our clients' needs.

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People are concerned about costs when buying or selling real estate. It is our experience at Lancaster, Brooks & Welch LLP, that clients want to know how much to budget to avoid expensive surprises.

905.641.1551
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Costs on a Sale

What is the deposit and what happens to it?

The Agreement of Purchase and Sale establishes the selling price and amount of deposit. The purchaser pays the deposit when the contract is signed. Usually, it is held in trust by the real estate agent or the vendor's lawyer. This deposit is held in trust by either the real estate agent or the vendor's lawyer and it forms part of the total amount of money required on closing.

What are adjustments?

The vendor's lawyer prepares a Statement of Adjustments, which shows credits to each party at the closing date. Common examples are:

Realty taxes: On closing, the vendor will have paid more or less than their share of taxes for the current year. One of the parties will get a credit for the imbalance.

Fuel/oil: Houses heated with oil or propane require a fuel adjustment. The vendor "tops off" the tank to give the purchaser a full tank on possession and the purchaser gives the vendor credit for the cost of a full tank of fuel.

Other utilities: Gas, hydro and water are usually on meters, which will be read on the closing date. The vendor pays the bill and the purchaser pays future costs.

Rent: If the property contains rental units, it may be necessary to apportion rent for the month in which the transaction closes and adjust interest on rent deposits.

Common element charges: On the sale of a condominium unit, the monthly common element charges may need adjustment for the month in which the transaction closes.

What happens to the money due on closing?

After various credits are taken into account, the purchaser will pay the vendor the "Balance Due on Closing" on the closing date. Lawyers will have reviewed this figure with their clients and explained how it is calculated. The funds are used to pay off any outstanding mortgage(s), the balance of the real estate commission and legal costs. The remaining funds will be available to the vendor, usually later on the date of closing.

What are normal legal fees and disbursements on a sale?

Fees for lawyers' services vary and it is wise to get a written quotation in advance. At Lancaster, Brooks & Welch LLP, we provide free written quotations on request. Remember, least expensive is not necessarily best, so when choosing a lawyer, don't let price



alone be your guide. It is strongly recommended that client and lawyer establish the legal fees at the outset. Disbursements are costs the lawyer incurs on your behalf throughout the transaction and are difficult to predict, but generally in a sale are between \$150 and \$250. Again, it is wise to have your lawyer provide a written estimate in advance.

Costs on a Purchase

What happens to my deposit?

The deposit is an indication of good faith on the part of the purchaser and is established in the Agreement of Purchase and Sale (the "offer"). The purchaser pays it when the offer is signed and receives a credit for it on closing.

What funds do I need on closing?

The total funds required on closing are used for:

1. Balance due on closing: The Statement of Adjustments gives credit for various items to each party and establishes a figure (referred to as the "Balance Due on Closing") that the purchaser must pay to the vendor.



Real Estate Law Group

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we advise against choosing a lawyer on price alone.

Do I need a survey and how much does one cost?

It is wise to have a current survey of the property. If you are borrowing money to finance the purchase, the lender may require one, although previous survey information from the vendor may be satisfactory. If a new survey is needed, we suggest the purchaser approach a qualified land surveyor for estimated costs. It may be possible to avoid this by arranging for title insurance. This option should be discussed with your lawyer.

What is title insurance?

This is insurance that protects against title and survey problems and many types of fraud. Historically, lawyers have provided their opinion on title when reporting a purchase to their client and mortgage lender. A title insurer can insure against risks and may provide quick, inexpensive protection. Most mortgage lenders insist on the purchaser obtaining title insurance. The purchaser has a choice to have coverage or not, if they are in a position to buy the property without a mortgage. However we usually recommend title insurance in these situations. Although it does not replace the need for a lawyer, it may reduce your overall disbursement costs.

Does the HST fit in somewhere?

HST is applicable on all fees (lawyer, real estate agent, etc.) and on some disbursements. This tax also applies to new homes and commercial property purchases.

At Lancaster, Brooks & Welch LLP, we strive to keep our costs in line with the economy, without compromising service.

Any of our real estate lawyers will be happy to answer further questions.

The information provided in this brochure is designed to provide topical information of a general nature only. You may wish to discuss any specific matter with your lawyer and you should feel free to do so at any time. This material is provided for information purposes only, not as legal advice, and is not intended to be exhaustive of your rights under the relevant legislation.

*Provided by way of public information as a courtesy by:
Lancaster Brooks & Welch, Barristers & Solicitors*

2. Land Transfer Tax: This is a provincial sales tax on real estate purchases, paid by the purchaser on closing and on residential purchases and is calculated as follows:

The tax on commercial purchases is similar but does not increase beyond \$15/\$1,000. Occasionally, the Ontario government introduces rebate schemes to encourage first-time home-buyers – seek advice from your lawyer or real estate agent.

- \$ 5 per \$1,000 for the first \$55,000 (0.5%)
- \$10 per \$1,000 for the next \$195,000 (1.0%)
- \$15 per \$1,000 for the next \$150,000 (1.5%)
- \$20 per \$1,000 for the balance (2.0%)

3. Disbursements: These are out-of-pocket expenses the lawyer incurs on your behalf, such as governmental charges for a search or to register a document, or long-distance phone call costs. These costs vary, but the lawyer should be able to give you a reasonable estimate. Normally, disbursements range from \$300-\$400.

4. Legal Fees: Lawyers' fees vary from firm to firm. Establish this figure in advance. Remember,