

THE BAYLEY *BH* HAY TEAM



DETERMINING
YOUR NEEDS



Hallmark Chay Realty, Brokerage
*Sales Representative
Each Office Independently Owned and Operated

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FOREWARD AND ACKNOWLEDGEMENTS

This guide has been prepared to introduce you to the process of home ownership.

I have attempted to be as accurate as possible using all data current at the time of development. Please note that different programs and legislation affecting various aspects of real estate change frequently.

In light of that, the reader should always verify any information regarding any concerns that he or she may have with an appropriate source, be it Realtor, lawyer, financial institution or government agency.

Here's to Your Wealth Through Real Estate,

Neil

Thank you to Re/Max Atlantic Canada for the extensive knowledge base they have provided from which I could draw. Without that, along with my years in real estate and the expertise of my team, this would not have been possible.

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Your Lifestyle

So, you've decided you want to own a home. It's a popular dream. For most people, with the right planning, it can become reality. But there is a lot to know before you begin moving. We'll take you through the planning process step-by-step, to determine exactly the kind of home that's perfect for you.

What Does Your Future Lifestyle Hold?

How many bedrooms will you one day require? Your preschoolers will be teens some day. Are you planning to stay in your home that long? Perhaps your teens are ready to move out on their own. What will you do with all the extra space? When you're thinking about accommodating your family's needs, think of things like parking. How many cars will require space? You'll also want to consider proximity to — and the reputation of — schools in the area.

How is your work situation? These days people tend to change jobs frequently, and sometimes the best way to get a promotion is to move to another company. If you might be transferred, will you be able to sell quickly? Keeping work in mind, how long do you want to spend commuting? Do you drive or rely on public transportation?

As you can see, you will want to give some thought to how long you intend to stay in your home. It may be difficult to answer before you've even found your home, but if it's your first home give some thought to the resale value when it is time to upgrade. On the other hand, if you're planning to stay in your home for a long time, consider your future needs and purchase a home that will accommodate them.

Do You Live a Maintenance-Averse Lifestyle?

When you're looking at homes, consider the advantages of brick over a wood frame house when it comes to painting. Take a look at the garden. If you don't enjoy cutting grass, then an expansive lawn may not fit into your lifestyle. You can also evaluate the possibility of future maintenance and repairs based on the age of the house. If you don't like the idea of major renovations, a newer home may be your best option.



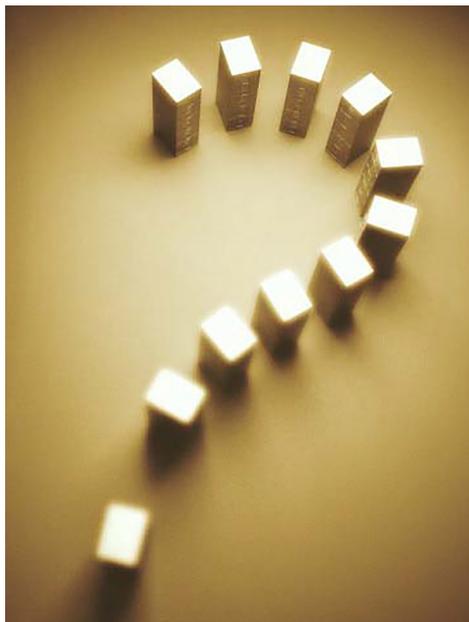
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Is Your Lifestyle More Geared to a Fixer-Upper Fantasy?

Many first time buyers have them. It goes something like this: You find a big home in a great neighbourhood that's well below what you'd expect to pay for that house in that neighbourhood. You see a couple of coats of paint, new broadloom, a few repairs and voilà, a dream home without the nightmare price.

Before you jump headlong into this 'once-in-a-lifetime opportunity' consider how you'll do all of the work. Will it be weeknights after a long day at the office, or will you hire someone? Are you ready to live in a dusty mess as you renovate? Do a realistic assessment of the job at hand and be sure to have the house inspected. The last thing you want is a bargain home that turns into a money pit. You're far better to find a house that costs a little more each month but doesn't need much work than to buy a fixer-upper that eats up hundreds of dollars each month. For example, lets say you could buy a really nice house with minimal work required for \$10,000 more than a fixer upper. At today's mortgage rates, assuming you could stay within your monthly budget, that really nice home would cost you only about \$51 per month more than the fixer-upper. If you buy the fixer-upper, you'll be spending a lot more than \$51 each month to whip it into shape, as well as the strain your family will go through living in an unfinished home



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Location, Style and Cost

The first question you're bound to ask is, "How much home can I afford?" That depends on a number of factors:

- Your selected location. Are you set on a specific area? Downtown? The suburbs? A rural setting?
- Your preferred type of home. Detached? Semi? Duplex? High-rise? Link? Townhouse? New or Resale? There are a variety of home styles you will want to explore.
- Your income. After all, it's not just the mortgage you have to take into account. There are property taxes, utilities, and in some cases condo or strata fees. As a general rule of thumb, your monthly home-carrying cost should not exceed 30-35% of your income.
- Market conditions. Is it a buyer's, sellers or balanced market?

There are also additional costs to keep in mind. It's a good idea to work out exactly what you want and what you can afford before you begin the search. Be specific! After all, you don't want to suddenly come to the realization that your dream house has come with a nightmare of bills and expenses. Stick to looking at houses in your price range. The more you've thought it out, the better we can meet your needs.

A part of deciding just what you can afford can be accomplished by meeting with our mortgage specialist and negotiating a pre-approved mortgage. There are many types of mortgages and many different terms. Research all of your options. This ensures that there are no surprises once you're ready to make an offer.

Once you've figured out your monthly expenses and what you can afford, you can start your search. It could happen that the first home you see is the one you want; or you might look at home after home with none of them catching your interest. Rest assured, the home you're looking for is out there, and when you find it, you're ready to make an offer. If your offer is accepted, the next steps are closing and moving into your new home.

Purchasing a home is easy once you put your plans into action.



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Why is Location Important?

Of course, the first step in deciding on a new home is your lifestyle at present and how your lifestyle will change over the next few years. Are you active in sports? If so, a location with a nearby recreational facility would be ideal. Are you a nature lover? Then perhaps an area with parks and walking trails would suit you. Think about yourself and your family and decide what you enjoy doing and what type of lifestyle you would enjoy in your new home.

Which Neighbourhood is Right for You?

Your ideal home may not be ideal anymore if it's downwind from the garbage dump, or if your home is right next to a freeway overpass. Think about the view. Will you like what you see every time you look out your windows? Selecting where you want to live is as important as deciding what type of dwelling you'd like to live in.

Consider how far your selected neighbourhood is from where you work, how far you're willing to commute and your lifestyle. You'll also think about schools if you have, or are planning to have, children. And what about medical facilities, places of worship, public transportation and recreation?

If you're contemplating the move to an unfamiliar neighbourhood, take the time to go exploring. Walk around, drive around, get a feel for the distance to the nearest convenience store, the commute. Make some notes. Take the neighbourhood tour at different times of day and contact the local municipal office to find out what future developments are planned.

You'll also want to check zoning by-laws and fire codes, especially if you plan to rent the basement or conduct a business in your new home. In law suites, student housing, basement apartments and duplexes all have very specific code requirements.



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Choosing a Neighbourhood

An Established Neighbourhood or a New Home?

Established neighbourhoods tend to have their own personalities, mature trees and often larger yards. Older building styles tended to lean toward higher, plaster ceilings, hardwood floors and decorative woodwork. Depending on the age of the home, it may require a little more maintenance. Established neighbourhoods are usually closer to the city.



Urban living usually puts you at the centre of the action. It offers a wide variety of amenities like shops, theatres and restaurants. It may be closer to your workplace. Of course, the drawback of an urban location could be a smaller, older or more expensive home. Look for schools (Public and Catholic), Playgrounds, Parks, etc.

The suburbs usually have the advantage of newer homes, and more square footage for the same price as an urban location, but may not have the other amenities as close as you'd like.

New neighbourhoods tend to have a noticeable lack of foliage and can look barren for years as the landscaping matures. If you purchase a home before it is built, you will be able to take advantage of upgrades during construction, and when you move in you can decorate to your taste. A new home won't have the charm of an old one, but will have warranties covering most major components. Be careful in understanding what the warranty covers. New homes have some real disadvantages that most people don't think of until it's too late.

New vs. Re-Sale

1. When buying a new home, keep in mind that the representative you are dealing with at the new home site may not be a licensed real estate agent. The new home representative's best interest may lie with the builder and not you. In many cases, the builder will not allow us to protect your interests or help you prepare the agreement.
2. The builder's agreements can be very one-sided in favour of the builder. Did you know that many agreements allow the builder to extend closing by 2-3 months twice, and then cancel the agreement if the house still isn't built?

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3. Your team of experts cannot fully protect you when buying a new home. For example, your lawyer will not be able to force the builder to sell you a house that's not there yet. Whereas when buying a used home, we will be able to negotiate the price, and your mortgage expert will be able to arrange the best possible mortgage for you. If you do decide to buy a new home, try not to get confused with terms like "mortgage-paydowns" that are built into the price of the home.
4. Remember, your home inspector will not be able to inspect a house that's not built yet and new homes are not always trouble free.
5. As a new home buyer you may have to spend money on additional expenses like driveways, decks, landscaping, decorating, recreation rooms, air conditioning and fencing. If you want all of the above without having to go through all the hassles a resale home might be the solution for you.



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Your Housing Needs

No matter what kind of home you're looking for, there are some key features to consider. I always remind my clients that they will find large townhouses and small single-family homes, so looking for what you want in a home is as important as the type of dwelling. We will ask many questions before the hunt begins.

Where will your family spend most of its time? Kitchens are a popular family gathering area. Make sure your prospective kitchen can handle the traffic. You may also want an eat-in kitchen or one with a breakfast nook, allowing you to keep the dining room for special occasions.

How much bedroom space do you need? Some people prefer small, plentiful rooms to house children, frequent guests or a home office. Others prefer fewer, larger rooms. Of course, if your budget permits, many large rooms would probably be ideal!

Bathrooms are also a major point to consider. How many bathrooms does your family need to handle peak traffic times? Is one enough? (Not likely!) While one per person might be more like it, that dream may not be affordable. Make sure the home you're ready to purchase has sufficient bathroom space and that the bathrooms are comfortable. When looking at bathrooms, ask yourself how important a window is for light and fresh air.



Note: Hot water is always a problem with a large family. Remember, most hot water tanks are rented from the utility company. You can always have them upgrade the size of the hot water tank for a minimum cost.

When it's time to relax and entertain, how will your prospective home meet your needs? Do you want a formal living room, or a room where your family can stretch out and watch television? Do your children need a play area or your teens an entertainment room? Some homes have a living room and a family room.

Attics and basements can be wonderful storage areas, or can serve as additional living space. If extra space is important, you will want to consider a finished basement. Everyone seems to have their own definition of what this means. Take a good look at the workmanship. Was it done by a professional? Do you see yourself redoing a sloppy job? A poorly finished basement

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can be more work than a completely unfinished area. Some signs to watch out for are moisture along the floor lines and corners of all exterior walls and pungent odours which may also be a sign of moisture, mildew, and/or mold which can be costly to repair.

A brief word about closets. Look at the clothes you have now. Add another half, and then look for closet space to hold it all. If you're like most of us, you'll never have enough closet space!

Heating and cooling systems are also key features to consider. When it comes to heat, natural gas, oil and electric furnaces are all options. Older homes may even have hot-water radiators. Still other homes have baseboard heaters. Make sure you find out about the maintenance and condition of the heating system as well as annual operating costs. If you're thinking about air conditioning, think about how expensive it would be to add central air, or if a window unit would suffice. Try to get on to a "Homeowner's Insurance Plan" with the utility company. For a minimum annual fee you have guaranteed regular maintenance and repair.

As you can imagine, each type of home has its advantages and drawbacks and no two buyers will have the exact same wants and needs. The only way to truly evaluate which home is right for you, outside of price, is to consider what you absolutely must have and what you can live without.

Before you go house hunting, prepare a list of 'can't live without' features and a list of 'would be great if...' features.

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Types and Styles of Homes



Single-family detached homes stand on their own lot and are designed to house one family



A duplex has two units, usually one above the other, and is detached from neighbouring homes.



Semi-detached designs offer two single family homes attached by a common wall.



Townhouses join several single-family units by common walls.



A highrise condominium is simply a multistorey residential building.

What is a Condominium?

Condominium is a type of property ownership, not just a style of home. When buying into a condominium complex, your home will usually cost less and you often won't have to worry about snow shoveling or lawn mowing, or major exterior maintenance like fencing or the roof. Condominiums can also come with extras like a security service or recreational facility. Of course, you should be prepared to pay a monthly maintenance fee. This fee goes into a collective cash reserve that is used to cover property maintenance, repairs, replacements and insurance.

Before you purchase a condominium home, do your research. Find out the value of the cash reserve and upcoming projects which the reserve will fund. Ask about annual increases. And compare the maintenance fee to similar condominiums in the area.

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What Can I Afford?

There are two types of costs in buying a home — the initial amount you will need for your purchase and the ongoing costs of paying back your mortgage along with monthly operating costs. The largest one-time cost is the down payment. It usually represents 5-10% of the total price of the property.

Typical One-time Expenses:

- Mortgage application and appraisal fee
- Property inspection (optional), due at time of inspection
- Legal fees, due at the time of closing
- Legal disbursements, due at the time of closing
- Property survey (sometimes provided by seller), due at the time of closing
- Land transfer, deed tax or property purchase tax, due at the time of closing. (in Quebec within three months following signing)
- Mortgage interest adjustment (if applicable), due at the time of closing
- Home and property insurance, at closing and ongoing
- Moving expenses, due on the date of move
- PST on High Ratio mortgages
- Realty Tax Holdback

Typical Monthly Expenses:

- Mortgage payments
- Maintenance (this could be condominium fees, or allocated maintenance fees)
- Property and content insurance
- Property taxes
- Utilities



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The Team You Need and Their Roles

The Bayley-Hay Team

The Bayley-Hay Team are professionals who can save you time and trouble. And possibly even a lot of money. You see, real estate agents have the home buying experience most people lack. They know all of the steps and they are good negotiators who will work on your behalf.

We will

- Fine-tune your wants/needs list
- Get special computer access to listing information
- Screen houses so as not to waste your time
 - Arrange appointments
- Offer helpful advice about the neighbourhood
- Introduce you to trusted contacts who should be on your team, such as mortgage brokers, lawyers, and home inspectors.

Contractors

If you've decided to do some renovations on your home to make it more sellable, it's time to look for a credible contractor. Before anyone begins work on your home, it is important to do your homework.

1. Ask for Referrals

- Your architect will make recommendations
- We will offer some suggestions
- Contact friends or neighbours who have had similar work done
- Ask at your local builder supply store

When you're interviewing contractors, ensure their credibility. Contact their references. Ask to see some samples of the contractor's work and speak to his clients to ensure that they were satisfied with the price, length of time in which the project was completed and overall, how the project was handled. Also, check with your local Better Business Bureau.

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Once you have the names of a few contractors that look promising, arrange to get estimates from them. By arranging for three quotes you'll get a good idea of the costs and quality of work.

When going over the project with your contractor, ensure that he understands your needs and your budget. Each contractor will have a different idea on how to approach the work and they should inspect your home before giving an estimate. If contractors are bidding based on an architect's plans, be certain that they have detailed their approach to the job based on the drawings.



What's more, if there is a significant difference in the price, ask the contractors to explain their estimates. And keep in mind that the lowest price is not always the best. A price that's too low may mean that the contractor has undercut to get the project and then may submit additional project costs once the project is underway. As well, a high price doesn't always mean that you're getting gouged. The contractor may have budgeted for higher quality materials and may offer workmanship that is of an overall better quality.

In every case, before you sign the contract, be certain that it is as detailed as possible to the point of noting the specific finishes and brand names of the products to be installed.

2. Evaluating a Quotation

- Are the specific details of the project outlined?
- Are the specific costs detailed?
- Is there a provision for extra costs?
- Has a cap been set for the total project?
- Is there a firm project timeline?
- Has the contractor allotted time for inspections?
- Have you indicated that you wish to see all material receipts?
- Will the work be subcontracted?

Appraisers

Hiring an appraiser to appraise the value of property you are considering to buy may seem sensible but it is highly unnecessary. Your lender will want their own personal appraiser anyway, so you could be wasting valuable money. We will do a "Comparative Market Analysis" for you, to establish a value range. The only situation where hiring an appraiser would become necessary is where the property is unusual with no comparable sales.

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Lenders

The true test for a buyer is "What else can we buy for the same or less money?"

In short, a lender is anyone who will give you money. There are private lenders and institutional lenders, like banks and credit unions. Even your brother-in-law can be your lender. Of course, when you're looking for a lender, you're looking for a long-term relationship and terms and rates which are beneficial to you.

You really have a few options. You should meet with our Mortgage Specialist who will search the mortgage market for the best rates and conditions based on your circumstances. Usually the broker is paid by the lender without cost to you. Our Mortgage Specialist is connected to all major lenders through the mortgage market.

We'll go into more detail about this process in the arranging a mortgage section.

Our Mortgage Specialist

This is the person who will do the leg work in finding the institution which offers the mortgage terms and conditions that are right for you. Much like an insurance broker, this professional works for you and can offer you an unbiased referral. Although most brokers are paid a finders fee by the lender, some will charge 2% of the total mortgage to find you a lender.

Lawyers/Notaries

A lawyer is there to represent your interest, and to process the documentation required. The legal aspects differ from province to province. We can recommend lawyers to advise you on the steps to be taken before the keys to your new home are presented to you. A lawyer helps ensure you are protected!!!

Home Inspectors

Have the home inspected! Whether you make it a condition of purchase or not, having the property pre-inspected by a qualified home inspector will give you the added confidence that you've made the right decision. Be very careful to verify the qualifications of your home inspector because there are no government standards or licenses for home inspectors. Some home inspectors in Canada do not have any form of accreditation. For your protection make sure your home inspector is a member of (PACHI) or (OAH). This is your assurance that they have met their education requirements, have the experience and carry E & O Insurance.

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Insurance Brokers

You'll want to make sure your property and valuables will be covered. A broker offers independent advice and can save you time, trouble and money. Plus, the bank will insist that you carry full insurance since your property is used as collateral against your mortgage.



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Neighbourhood Features Checklist

Choosing a location depends on where you work, and whether you want to commute as well as on your lifestyle. How close you would like to be from various places and services has a major impact on the your home purchasing decision.

Monthly Expenses

It's great to have a beautiful home, but don't invest every penny so that you have no additional funds to enjoy your lifestyle. As we mentioned earlier, your home buying decision must take all factors into account. Be realistic upfront. If you begin by overestimating the costs, you're less likely to find yourself in a financial bind down the road.

Your Team of Professionals Worksheet

It is essential to have the right people working for you to make it happen. Useful advice and professionalism are key.

BestBuysInBarrie.com

Being realistic is very important at this stage. You would need to determine which features are absolutely essential and which fall into the 'nice to have' category. Don't forget to go online and choose the features you are looking for in a home.

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Looking For A Great Deal?
www.BestBuysInBarrie.com

Want Top Dollar?
www.PriceMyHomeNow.ca

Neil Bayley-Hay's Sales Representative
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