Newcomer's Guide to Finding your Home in Canada

Contents

Overview

You're getting ready to begin a new chapter of your life in Canada, which may feel both exciting and a little daunting. Many aspects of your new life will likely be different from what you are used to in your current country, and your banking partner, RBC®, hopes to be able to help you adjust so you can thrive in your new home.

The objective of this guide is to inform newcomers about the processes of renting a home and buying property in Canada. So, whether you're looking to find temporary accommodation for your first few days in Canada, need to secure a long-term rental home, or are exploring the idea of purchasing your first home in Canada, this guide will provide resources, tips, and advice to ensure you are making the right decisions on housing for yourself and your family.

Here's a brief overview of key topics you'll find in the guide

- **Finding temporary, short-term accommodation in Canada**: An overview of the different types of accommodation available and criteria to keep in mind as you look for a place for your first few weeks or months.
- **Choosing between renting and buying property**: The pros and cons of both options so you can make an informed decision.
- **Finding a long-term rental accommodation**: A step-by-step approach to renting, including tips on finding a rental unit without a credit score or job letter, and knowing your rights and obligations as a tenant.
- **Buying a home in Canada**: An overview of the process of buying a home in Canada, how mortgages work, and hidden costs you'll need to budget for.

Finding temporary, short-term accommodation

Many newcomers begin their life in Canada with some form of short-term accommodation, giving them an opportunity to assess which neighbourhoods and types of homes they want to live in, as well as visit and apply for a rental, or purchase a home. Depending on the Canadian city you are moving to, it may take a while to find long-term accommodation. Some newcomers may stay with close friends or relatives living in the city they are moving to, while others may choose to book temporary accommodation, such as a hotel, hostel, bed and breakfast, short-term rental, or homestay for a couple of weeks or even the first few months in Canada.

4 things to keep in mind while searching for short-term rental accommodation

1. Online reviews and ratings: A majority of newcomers book their short-term stay before landing in Canada, which means there's limited or no opportunity to inspect the place in person before booking. In this scenario, it's good to look at online reviews and ratings and communicate with the host before finalizing the rental. Keep an eye out for issues other guests may have flagged (like bed bugs, excessive noise, cases of theft, cleanliness, etc.).

2. Time of booking: Timing matters and accommodation prices may fluctuate based on demand and supply. For instance, spring and summer (from March to August) is a popular time for newcomers to move to Canada, as well as for tourism. Increased demand during these months leads to a rise in accommodation costs. Booking in advance will help you find more places within your budget.

3. Location or neighbourhood: Accommodation that is located away from the city centre is usually more affordable and may be easier on your budget. However, do take into consideration commute time to the city as well as transportation costs, as many offices and networking events are downtown or closer to the city centre. Some locations may be difficult to get to without a private vehicle.
   - To find out more about specific neighbourhoods while you are still in your home country, you can speak to friends and family in Canada, or do some online research.
   - As you evaluate a location, consider access to essential stores, services, and public transportation.

4. Budget: While accommodation costs will most likely constitute a major portion of your expenses, there is usually a range of housing options for many different budgets. Doing thorough research on multiple websites will help you understand what's available and compare prices before you book – thus ensuring you're getting a good deal.

TIP:
If you're exploring short-term accommodation listings on classified ad websites, check the price range and photographs carefully. If the price looks too good to be true for the home and neighbourhood, it could be a scam.

TIP:
Keep track of all your addresses, including temporary ones. For certain landing formalities as well as subsequent immigration or citizenship applications, you may be required to provide your current address and/or a list of all the previous addresses where you resided.

Long-term housing: Choosing between renting and buying property

Once you've gotten your bearings for your new life in Canada, you will likely look for more permanent accommodation to truly settle in. Some newcomers choose to buy a home, whereas others start by renting one. Here are some general pros and cons to help you decide which option might be better for you.

	Renting a home	Buying a home
Pros	• More flexibility and mobility: you can choose a neighbourhood that you want to explore without too much commitment. • All costs considered, it is usually less expensive. • Good alternative if you don't have enough money saved up for a down payment or do not yet qualify for a mortgage. • You don't have to pay any maintenance costs or pay for repairs.	• Can be a good investment: you own an asset that usually appreciates over time. • You are building equity with each mortgage payment you make. • With a fixed-rate mortgage, payments are set in advance, providing you with the security of knowing how much your payments will be throughout the entire term. • You'll have privacy and freedom: you can renovate and make changes to the home to fit your tastes. • No landlords to worry about.
Cons	• As a tenant, you don't earn any equity in your home. • You must comply with the landlord's rules and may not be allowed to make changes to the unit. • Your landlord can decide to sell the property or evict you (provincial rules apply). • Your rent may increase (within the legal framework) every year.	• It is a major financial commitment. • You may be committing to a neighbourhood long-term. • The down payment and closing costs may strain your finances and reduce your disposable income. • You are responsible for all repairs and maintenance as well as property taxes.

Your current personal and financial situation, as well as your goals and location, will largely determine whether renting or owning your own home is right for you. Speak to a financial advisor and a licensed real estate agent to gain more clarity – they will be able to guide you and help you decide.

Renting permanent, long-term accommodation

For more permanent accommodation, many newcomers choose to lease or rent their first home in Canada; though they may intend to buy a home later. This is because renting has a lower upfront cost, and gives newcomers the opportunity to get to know a new city and neighbourhood without committing to a major life purchase.

That said, the time needed to find a place to rent can vary depending on the demand-supply ratio and vacancy rate in the rental market of the Canadian city you are moving to, as well as your budget and requirements.

How to find a home to rent

Step 1: Choose your approach to finding a rental – self-search vs. real estate agent

There are two ways you can go about finding accommodation in Canada:

1. **Search on your own through various online and offline methods**: You can explore rental websites or apps to get an idea of the rent in different areas. Some social media platforms may also have groups dedicated to renting and leasing homes in specific cities or neighbourhoods, and can provide a forum for tenants to connect with landlords directly.

TIP:
If a listing seems too good to be true, it's probably a scam. Do not make any payments until you verify the place in person and sign the appropriate paperwork.

2. **Hire a real estate agent (sometimes called a realtor)**: There are many real estate agencies that can assist you in finding a place. Ask around in your neighbourhood for reliable real estate agents or reach out to the realtors mentioned in online listings you're interested in.

Each approach has its advantages and disadvantages. Here are a few to consider:

	By yourself	Using a real estate agent
Advantages	• You can look at a variety of options online and take your time to shortlist places. • You may find good deals (cheaper or more budget-friendly options). • Your search may include options like sub-leasing and flat-sharing.	• No need to pay commissions to the real estate agent; commissions are paid by the landlord, not the tenant. • Agent can handle the lease process and offer their expertise. • Access to only authentic and genuine listings (less probability of getting scammed). • Saves time and is less stressful. • Realtors may have access to properties that aren't listed yet.
Disadvantages	• Time-consuming, requires a lot of research and effort. • You might get scammed if the listing is not legitimate. • You might inadvertently agree to terms that aren't favourable. • You will need to figure out and manage all the paperwork. • Some landlords may be reluctant to lease to newcomers unless they are coming through a realtor they trust.	• Since the landlord pays a commission to the real estate agent, that cost may be built into the rent. • You may have to make decisions faster. • Options are limited to the ones the realtor has access to. • May be difficult to find budget-friendly deals. • In some places (like BC), real estate agents don't handle rental properties.

Step 2: Identify the neighbourhood

Some factors that you should consider while researching neighbourhoods are:

- Average cost of rentals in a specific neighbourhood
- Commute time to core downtown/city centre or major business hubs
- Monthly travel costs
- Walk and transit scores
- Proximity to schools, your workplace, grocery stores, transportation, shopping malls, places of worship, etc.
- Parking
- Crime rates
- Noise levels

Step 3: Decide the type of accommodation

There are different types of accommodation you should be familiar with:

- **Apartment**: Apartment buildings are typically owned by property management companies and include rental-only units. They vary from walk-up units in low-rise buildings to units located in buildings with elevator access. Available amenities can vary from a single onsite washer and dryer to full laundry rooms, common rooms, and fitness facilities.
- **Condominium (condo)**: Condominiums are units (similar to suites or flats) in a high-rise building. Unlike apartments, condos are individually owned and owners may choose to rent out their units. Condo residents usually have access to shared amenities such as a gym, swimming pool, party room, etc. in the building.
- **House**: They can be townhouses, duplexes, semi-detached, or fully detached houses. A house may have two or three separate apartments, one on top of another. A house divided into two units is called a duplex, while one that's split in three is known as a triplex. House rentals provide more space than most apartments and usually provide the advantage of having access to some outside spaces, including patios, lawns, gardens, and parking.

- **Rooming house**: A house in which rooms are rented out to individuals. The kitchen, bathroom, and living room are usually shared with other tenants.
- **Bachelor units/studios**: Bachelor units or studios are single-room units where the space serves as both the bedroom and living area, with a small kitchen corner and a separate washroom. These can be found in apartments as well as condos.
- **Basement apartments**: A partially below-ground unit in a house. Although the requirements for legal basements vary across provinces and municipalities, in general, a basement apartment must function as an independent living space, equipped with windows, necessary utilities, as well as a kitchen, bathroom, and access to laundry facilities.

TIP:
Basement apartments are a preferred rental choice for some newcomers as they are more budget-friendly and spacious than apartments or condos. Moreover, individual landlords may be more flexible with rental requirements and may be willing to rent to newcomers without a Canadian credit history or job letter.

Step 4: Look for listings that meet your criteria

As you look for suitable accommodation, use filters online to narrow the options, or if using a real estate agent, be sure to convey your preferences.

Decide which criteria are must-haves and which are nice-to-haves.

While shortlisting, here are some questions to ask the landlord or realtor:

- **Rent breakdown**: Inquire about rent inclusions and exclusions – utilities, parking space, availability of a furnished kitchen, laundry, access to a storage locker or shed, furniture, etc.
- **Pets**: If you own pets or intend to get one, check if the building has any restrictions on them.
- **Guest policy**: Depending on the type of accommodation, there may be rules and limitations to having guests over and abiding by "quiet hours."
- **Interior decoration rules**: Some landlords may not allow permanent changes to the property. Personalizing your space by hanging pictures or wall art, installing technology on a wall, etc. may be allowed, but it's always good to confirm.

- **Lease duration**: Not every rental unit will have a year-long lease; some landlords may want you to commit to a shorter or longer lease.
- **Move-in date**: Units or apartments are typically listed for rent one or two months before the move-in date (for instance, an apartment advertised on August 1 may be available on October 1). Also, most rentals begin on the first of the month. However, there are always exceptions, so it's a good idea to check with the realtor or landlord in advance.
- **Acceptable payment methods for the rent**: Ask the landlord if they accept all methods (cash, cheques, e-transfers, bank transfers, etc.) or if a certain type of payment is preferred.

TIP:
When you visit a potential accommodation, take pictures to ensure you have a record of any damages or visible issues – this could be useful while negotiating the rent with the landlord.

Budgeting for rent in Canada

Rent can differ based on several factors such as the neighbourhood, size of the unit, supply and demand of rental units, amenities and utilities included, etc. A casual search on rental websites or apps will give you a fair idea of what to expect.

Air conditioning and heating are a majority of the cost component. Hydro (electricity) costs will depend on your usage as well as the size of your home and the electricity rating of your appliances. You may need to factor in water bills as well, although in some apartments or condos, the cost of water is included in the rent. Internet and cable TV will cost extra. Depending on the type of accommodation, there may also be additional charges for garbage removal and waste management.

TIP:
For an in-depth analysis and rental market trends in major towns and cities across Canada, you can refer to the latest rental market reports published by CMHC.

Remember that your total spend per month on accommodation will likely be more than just rent as you will have to factor in utility bills (hydro, heat, AC, internet, home phone, cable TV) and things like parking, renter's insurance, and transportation. So what may initially seem like an affordable unit could turn out to be expensive.

Step 5: Prepare essential documents

To be able to rent a place, you may need to provide certain documents to prove that you can pay the rent on time and can afford the space. Landlords may ask for:

- An employment letter with your salary details
- Your credit report
- References (from friends, family, or previous landlords in Canada)
- Bank statements

A landlord may ask for your Social Insurance Number (SIN) for the purpose of running a credit check on you. Their intention is to determine if you have a good track record of paying your financial obligations on time, which can be considered a good indication of your likelihood to pay your rent in full and on time. As a newcomer in Canada, you will likely not have a Canadian credit history, and as such, do not need to provide your SIN.

Navigating newcomer challenges:

Some newcomers find it challenging to secure their first rental place in Canada because they lack credit history in Canada, or do not yet have a job. Here are some tips and workarounds that newcomers can use to position themselves as a reliable tenants:

1. **Provide proof of savings from a bank account**: You can demonstrate your reliability as a tenant by showing that you have sufficient funds in your Canadian bank account to cover many months of rent. To do this, you don't need to provide a detailed bank statement. Speak with your banking advisor to ask for a letter indicating that you have enough funds to pay rent for several months.
2. **Provide a local guarantor or co-signer**: A guarantor or a co-signer is someone who agrees to pay rent on your behalf if you are not able to. Being a guarantor or co-signer is legally binding, and usually, only close friends or relatives will agree to act as a guarantor for you. You should also consider the impact on your relationship with them should you fail to hold up your end of the bargain.

- **Look for house-share or apartment-share arrangements**: You can usually find shared accommodation on classified sites or social media groups. These may involve:
  - Sub-leasing from an existing tenant (A sub-lease allows you to rent a unit or room from the original tenant of an apartment. Rent payments are made to the existing tenant who, in turn, pays the landlord. You should make sure sub-leasing is not prohibited in the original tenant's lease.)
  - Co-signing the lease agreement with a roommate who has a good credit history
  - Leasing from a landlord who lives in the same apartment or house
- **If you can, offer more than the expected deposit**: You can offer the landlord a few more months of rent up front – this can be a huge incentive for the landlord to accept your application over another. The landlord cannot legally ask you for any additional amount beyond the specified provincial norms, but prospective tenants are allowed to offer.
- **Explore condos rented out by individual owners**: It might be easier to rent a unit that's owned by an individual landlord versus one owned by a property management firm or large institutional investor. The application process for apartments located in rental buildings can sometimes be very strict with little to no flexibility in terms of credit and employment verification. However, in a condo setting, most landlords are individuals (rather than corporations) and may be open to accepting you as a tenant, subject to your reliability.
- **Consider neighbourhoods that are further away from prime locations**: Finding a place in the city centre can be challenging even for those with credit history and employment records to show. Broadening your search to include neighbourhoods further afield from the city centre, or even in the suburbs, may prove helpful in finding a suitable place.
- **Book temporary accommodation for your first few months**: Arranging temporary accommodation (with friends or family, in a homestay, a sub-lease, a hostel, etc.) for the first few months will give you time to find a job or build your credit (though it can take up to a year or more to build a good credit score from scratch).
- **Take up a survival job**: Getting a survival job is a good way to earn Canadian experience, build your network locally, and gather references for your rental application. Survival jobs can also provide you with an employment letter and cover basic living expenses while you continue to look for your desired role.

How to obtain a credit report

It can take a few weeks to a month for newcomers to receive their first Canadian credit card, and a few additional months of credit transactions to generate a credit history. EQUIFAX[‡] and TransUnion[‡] are the two major credit rating organizations in Canada, and you can choose either one to get your credit report. Detailed instructions on how to obtain the report are available on the respective websites.

Step 6: Sign the lease agreement

A lease is a contract that summarizes your relationship with the landlord. It outlines the rent you'll pay and mentions the dates of your lease, along with any other rules (about things like pets and smoking), what happens at the end of your lease, etc.

Once you decide on the apartment, house, or condo you want to rent, you will be required to submit an application form to the landlord. If you are accepted as a tenant, your landlord will share the lease agreement for you to review and sign. Upon completion of these basic formalities, you will have to make all essential payments (depending on your province, these may include first and last month's rent, a security deposit, a key deposit, a pet deposit, etc.).

TIP:

- Your lease agreement is an important document and should be kept in a safe place. You may need it for other administrative tasks such as applying for a driver's licence, getting provincial insurance, etc.
- Ensure you read the lease thoroughly and are aware of any addendums or schedules that may be added by the landlord. Even if you sign the lease with additional clauses, if they are beyond the ones outlined in the provincial Residential Tenancies Act, legally, you may not be held to them.

At this stage, some landlords may require you to purchase tenant insurance. Shop around and browse different providers to find one that works for you. Once all the paperwork is submitted, and the payments are made, your landlord will hand over the keys to your new home.

TIP:
If you are subletting from an existing tenant, be sure to have a record of all payments you make. If paying cash, get a receipt. Additionally, have the division of utility bills documented.

Step 7: Set up the transfer of utilities

Before you move into your new home, some utilities like hydro (electricity) may need to be transferred to your name from the past tenants or from the landlord. You may also want to get internet access set up promptly, especially if you will be working from home all or part of the time.

Step 8: Move in!

Once you've signed the lease, received the keys, and transferred the utilities, it's time to move in! Check with your landlord or building management for any additional paperwork you may have to fill out after moving in.

TIP:
Most condo and apartment buildings have specific dates and times when the service elevator is available. Ensure you book it in advance to move in your larger items and furniture.

Step 9: Furnishing your home

The final step is to find furniture and home accessories to turn your living space into a home. Depending on your budget, you'll find a variety of home furnishing stores in Canada.

If you're looking for budget-friendly decor options for your first home in Canada, you can also explore local thrift stores, second-hand and antique stores, garage sales, or online marketplaces.

TIP:

- Measure all your rooms before you buy any furniture. Plan the layout to make sure your new stuff fits (including up stairs and through doorways), without making the space feel too crowded.
- Some furniture retailers offer seasonal deals and discounts – which are a good way to get high-priced furniture for a steal.
- When living in condos and apartments in major Canadian cities, storage space is often an issue. When you decide on which furniture pieces to buy, keep an eye out for those that feature additional storage or that save space.

Know your rights and obligations as a tenant in Canada

The list of tenant rights and obligations is fairly long and specific to each province/territory in Canada. Here are a few important ones for you to be aware of:

Rent increase guidelines:

Rules on rent increase vary by province/territory. In some provinces, the government sets a limit that's subject to change every year. If landlords wish to increase rent over and above the set limit, they need to get approval. Some provinces, such as Alberta, do not have a limit. Rent increases can only occur every 12 months, and landlords must notify their tenants before the change; the number of days for this notice varies by province.

Rent payment and duration of lease:

Each Canadian province has its own rules and guidelines on rent payment. For instance, in Ontario, you are required to pay the first and last month's rent before you move in, and there is no security deposit involved. However, in some other provinces, such as British Columbia, you may be required to pay a security deposit equivalent to one month's rent.

In most provinces, leases are signed for one year, and after that (unless a new lease is signed), tenants are by default considered to be month-to-month – meaning that you don't generally need to sign a new lease for the next year. If you intend to move out, how much notice you need to give varies by province. In some cases, if you are sharing the home with the landlord (in the case of a rooming house for example) the rules around the amount of notice will differ. Be sure to check the guidelines for the province you will be moving to.

You may refer to the individual provincial/territorial websites for specific information and guidance:

[Alberta](#)
[British Columbia](#)
[Manitoba](#)
[New Brunswick](#)
[Newfoundland and Labrador](#)
[Northwest Territories](#)
[Nova Scotia](#)
[Nunavut](#)
[Ontario](#)
[Prince Edward Island](#)
[Quebec](#)
[Saskatchewan](#)
[Yukon](#)

Landlord visits:

Landlords are required to give you notice before entering your unit or apartment for any reason (ranging from housekeeping, renovations, or showing your space to potential tenants if you are moving out).

Ending your tenancy early:

There can be many reasons to want out of a lease, from landing a new job to family emergencies or health concerns. However, if you've signed a lease, it's not as easy as simply handing your landlord back the keys. Your ability to end a tenancy prematurely without paying financial penalties will depend on your specific situation, the paperwork you signed, and your landlord's willingness to negotiate.

TIP:

- The easiest way to end your lease early is to get your landlord to agree to it. Speak to them and see if they understand your situation. Make sure you get their permission in writing to avoid legal issues later.
- Instead of breaking your lease agreement, see if you can sublet the accommodation. You may need the landlord's approval for this, and since you'll still be responsible for the unit, it's important to choose a subtenant carefully.
- If your landlord isn't meeting their legal obligations, such as making repairs in a timely fashion or maintaining the unit to a safe standard, you can approach your province's or territory's tenant board to end your lease early.

Buying your first home in Canada

Many newcomers dream of buying a home in Canada, and some even bring enough savings to cover a down payment when they first move to Canada. A property purchase requires a large financial commitment and the willingness to take on the responsibilities of a homeowner. Here's a step-by-step approach to get started.

1. Know your options: Decide on the city and neighbourhood

As a newcomer, you may want to do some research to compare various Canadian cities before deciding where to settle. Some factors to consider include the cost of housing, the overall cost of living, the job market, and the lifestyle the city offers.

Once you've shortlisted a city and type of home, reflect on your needs (such as transportation and schools), lifestyle preferences, and budget while considering various neighbourhoods. You can choose between an urban or suburban neighbourhood, or even opt to live in a rural area or a smaller town or city.

TIP:
Outline your "needs" and "wants." Classify all the must-have things that you cannot compromise on as **needs**, and those that are good to have (but you can survive without) can be added as **wants**. Also, consider your budget and the variables (like location, parking spot, etc.) that you're willing to give up to find a home that delights you.

2. Choose the right type of house

Generally speaking, you can buy a pre-construction home, one that's brand new and ready to move into, or one that's being resold. Pre-construction homes may be cheaper than their resale or ready-built counterparts but have their advantages and disadvantages.

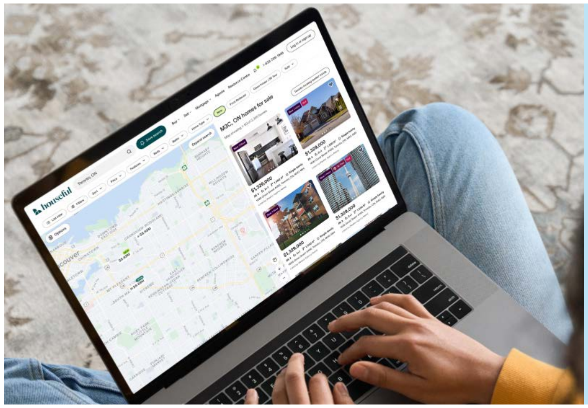
	Pre-construction homes	Resale homes
Pros	• Opportunity to customize some interiors to reflect your personality and tastes. • Typically include modern fixtures and appliances. • Negligible maintenance costs in the initial years because everything is brand new. • New home warranty is mandatory in some Canadian provinces, such as Ontario, British Columbia, Alberta, and Quebec. • Down payment is usually payable in installments (set based on construction schedule).	• May be easier to find resale options in the neighbourhood of your choice. • You can schedule viewings and walk through the home to get a feel for the place before buying. • Home will likely be ready to move into once the deal closes (unless a major renovation is required). • Opportunity to ask the existing owner questions about living in the unit or neighbourhood, such as heating or hydro costs, local schools, etc.
Cons	• You won't be able to see the actual home (model homes may be available for viewing) until it's built. • There may be limited home options in the pre-construction phase in the neighbourhoods you've shortlisted. • Move-in date is typically much further out than in the move-in date for a resale home. • Delays in new construction are not uncommon, so have a back-up plan for housing until the unit is ready. • Budgeting for upgrades can be hard, especially if you want to customize several aspects of your new home.	• Most resale homes are sold "as is" and customizing your living space may require an additional renovation budget. • Fixtures and appliances may have some wear and tear. • You may require a home inspection to avoid unpleasant surprises later. • Keep replacement and maintenance costs for major fixtures, such as the roof, HVAC, deck, or furnace, in mind.

There are also several distinct types of homes in Canada. While condos and townhomes may have a lower upfront cost, detached or semi-detached homes tend to be more spacious and might work better for you if you have (or plan to have) a large family. Condos typically offer shared amenities, such as a gym, party room, or swimming pool, but you'll need to pay a monthly maintenance fee.

Detached and semi-detached homes, on the other hand, might provide you with access to some outdoor space, such as a front or backyard, and may even come with a basement that can potentially be rented out as an independent unit. Working with a real estate agent will help you get a more realistic sense of the ideal home based on your needs.

Here are a few types of housing:

	Detached	Semi-detached	Condominium (condo)	Townhouse	Duplex/triplex
Type	Independent house	Attached to another house on one side	Like an apartment, an independent unit with common areas and shared amenities	Independent unit with separate entrance, generally grouped as three to six units	Independent unit with separate entrance, typically reserved for two or three families
Land ownership	Yes	Yes	No	Varies; land ownership may be possible	No
Fixed monthly maintenance fee	No	No	Yes	Depends on the property	Depends on the property
Share a wall with neighbours	No	Yes, on one side only	Yes	Yes, on one or two sides	Yes
Number of storeys or floors	Single floor to two or three storeys	Two or three storeys	Multiple floors, usually high-rise or low-rise buildings	Two or three storeys	Two or three storeys
Access to amenities like gym, pool, guest suites, etc.	No	No	Yes	No	No



Houseful is here to meet your home ownership needs

Whether you're just starting out or ready to move in, Houseful offers personalized insights, intuitive tools, and expert advice tailored specifically to you. Visit houseful.ca to see what's out there for you.

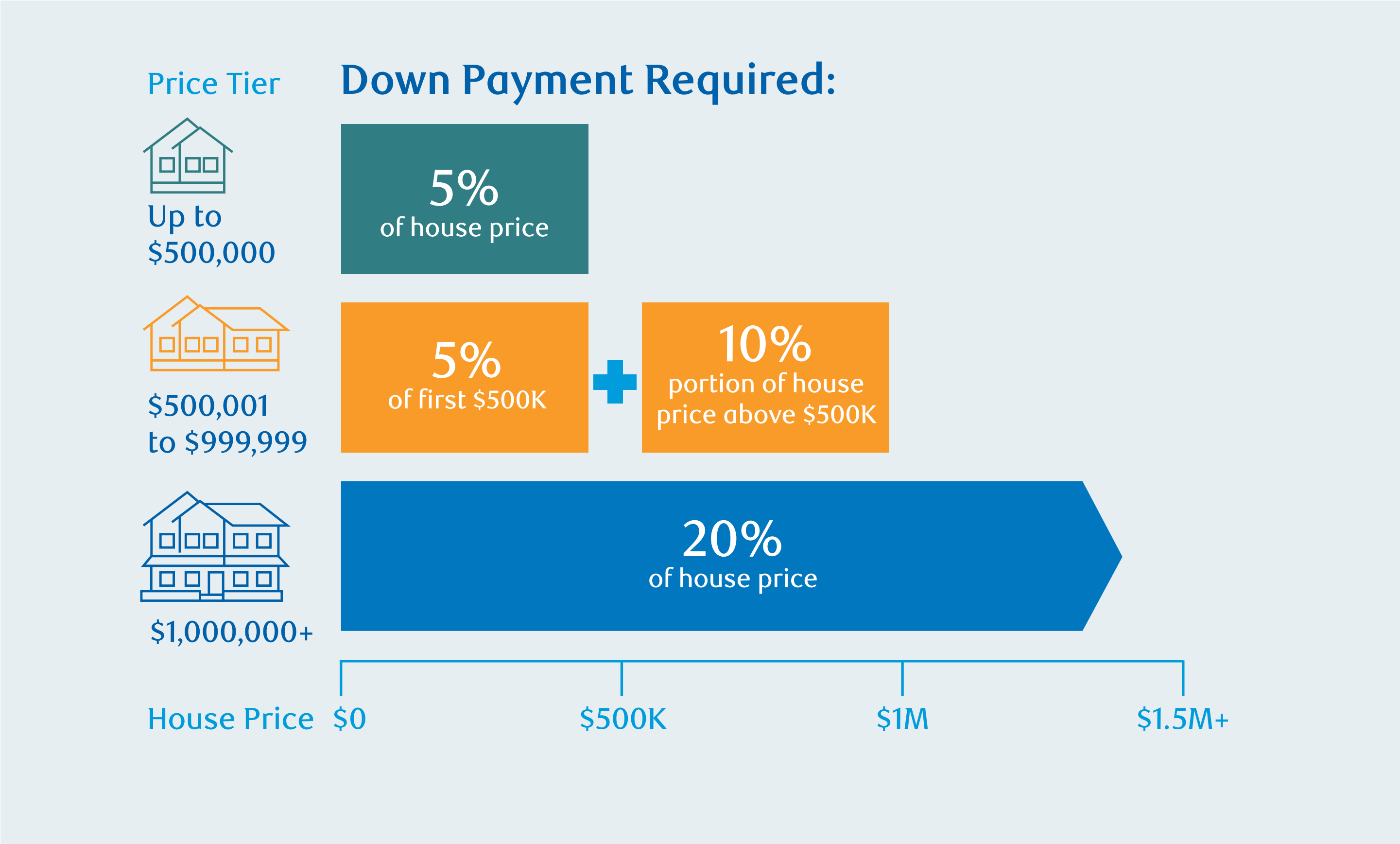
3. Assess, organize, and plan your finances

Being prepared for homeownership involves:

- Assessing your annual household budget and income
- Knowing your credit rating
- Getting pre-approved for a mortgage
- Understanding all the one-time costs (such as down payment, legal fees, title insurance, inspection fees, property transfer and other taxes)
- Being aware of recurring monthly costs (such as mortgage payments, utilities, maintenance, home insurance premiums, and property taxes)
- Evaluating government incentives and registered savings plans (such as the RRSP Home Buyers' Plan or the First Home Savings Account) to see if they're beneficial to your unique situation

4. Saving for a down payment for a home in Canada

When buying a home, the purchase price is covered through two main financial sources: your down payment and your mortgage. In Canada, the minimum down payment you can make on a home ranges between five and twenty per cent of the home's value. The down payment will likely be the biggest expense you need to account for when purchasing a home.



The down payment is usually paid in cash or a cash equivalent, and can't be put on credit. The lender will deduct your down payment from the purchase price of your home and will issue a mortgage for the remaining amount.

Keep in mind that mortgage default insurance is required by the Government of Canada when home buyers are putting down less than 20 per cent. To be eligible for mortgage default insurance, you will first have to meet your bank's lending qualifications as well as the underwriting standards of your mortgage insurer. The insurance is offered by several mortgage insurers, including the Canada Mortgage and Housing Corporation (CMHC).

7 newcomer tips to help you save for a down payment

Here are seven strategies to help newcomers save for a down payment on their first home in Canada.

1. Prioritize your financial and life goals

If saving for a down payment is a top priority, try to find other areas of your life where you can cut down on spending. This might involve making hard budgeting decisions and weighing your "wants" versus "needs." It's important to create a detailed financial plan that clearly lays out your path to a down payment.

If you're bringing savings from back home to fund your first home purchase, you may be able to achieve your dream of homeownership in Canada faster.

2. Pay off your debts before considering a mortgage

A mortgage is a big commitment. If you have any existing debt, pay it off before taking on a mortgage. This is especially true of credit card debt; it's hard to save for a down payment if you're paying interest fees every month. Freeing yourself from other debts can also improve your credit score and your ability to qualify for a mortgage at a more competitive rate.

3. Keep your credit score in good standing

You'll want to build up your credit history in Canada by regularly using credit cards or paying back loans for other items like university tuition or a vehicle. This shows potential mortgage lenders that you can be relied on to pay your debts.

If you are planning on buying a home together with a spouse or common-law partner, it will help if you both have good credit history. This means both of you should have credit cards in your own name, even if you choose to have a joint bank account.

It's important to keep your credit score in good standing if you want to qualify for a mortgage at a good rate. Easy ways to do this include paying all your bills on time, never going over your credit card limits, and staying on top of any suspicious activity on your cards or in your bank account.

If you're hoping to buy a home in Canada immediately after you arrive (or starting the home search process in pre-arrival), speak to a mortgage specialist to see if you may be able to qualify for a mortgage based on your credit rating from your home country and the assets in your bank. At RBC, we have a suite of mortgage options to help you qualify with little or no Canadian credit history.

A mortgage specialist can help

Whether you're ready to buy a home or just starting to save for a down payment, an RBC mortgage specialist can help you make the right decisions.

Find a Mortgage Specialist
You can search by language spoken.

Call toll-free: 1-866-756-1107

4. Contribute to a First Home Savings Account (FHSA)

A First Home Savings Account allows prospective first-time home buyers to save money and grow their savings, tax-free, expressly for their first home purchase in Canada. Funds saved in your FHSA can then be used to make a down payment on your first home in Canada, cover construction or renovation costs on your new first home, or make installment payments for a pre-construction residential property.

Once you open a First Home Savings Account, you can make tax-deductible contributions up to a maximum annual limit of $8,000 and a lifetime limit of $40,000. Any contributions you make to your FHSA in a given year can be deducted from your taxable income. Moreover, when you're ready to purchase your first home in Canada, withdrawals from your FHSA will also be tax-free (unless you withdraw funds for a different purpose).

Invest in an FHSA today

Call 1-800-769-2563 (1-800-ROYAL-63) or book an appointment with an RBC advisor.

5. Borrow from your RRSP

A Registered Retirement Savings Plan (RRSP) is a savings plan that is registered with the Canadian government and allows you to save (and invest) for your future (usually for your retirement) on a tax-deferred basis. However you are allowed to borrow up to $35,000 CAD tax-free from your RRSP under the Home Buyer's Plan (HBP) to put towards your first home in Canada. If you and your spouse are both first-time home buyers, you can each borrow from your RRSP for a total of up to $70,000 CAD.

You'll have to pay back the funds withdrawn under the Home Buyer's Plan within a 15-year period, but this is a great way to boost your down payment. In order to qualify for this program, you must plan to use the home as your principal residence within one year of buying or building it.

This means that, if both spouses of a newcomer couple purchasing their first home in Canada have both an FHSA and an RRSP, up to $150,000 CAD from the funds in these accounts can be used to contribute to their down payment.

6. Use savings from your TFSA

A Tax-Free Savings Account (TFSA) is a savings (and investment) account, registered with the government of Canada, where earnings from your investments are not taxed. Funds in your TFSA can be used to contribute to your down payment and, unlike withdrawals from an RRSP, the funds do not need to be repaid into the account. A TFSA can be accessed at any time, for any purpose, without tax implications.

7. Factor in maintenance costs and other fees

Remember that there's more to purchasing a home than just the sale price. Make sure to calculate all costs and fees including legal fees, home inspection fees, land survey fees, appraisal fees, land transfer taxes, new home warranties, in addition to maintenance costs for the home. These fees are usually not optional and can add thousands of dollars to your final bill. It's important to include them in your financial plan.

Other costs to budget for when buying a home in Canada:

- **CMHC insurance or** mortgage default insurance. Default insurance is usually applied when the down payment is below 20 per cent. Inquire about how it might differ if you increase your down payment.
- A **lawyer** who will assist with the transfer of funds for the purchase and change in property title. Legal fees can vary based on your city, the expertise of the legal team, any legal questions or issues related to the home, and more.
- **Land transfer tax**, depending on the province. It is based on a percentage of the purchase price of the property. The tax varies from province to province and can be a significant cost. For instance, Alberta does not have a land transfer tax, but British Columbia does. Some municipalities also charge a land transfer tax (for example, Toronto) in addition to the provincial tax.
- A **home inspector** who will provide an estimate of maintenance costs and highlight if there are any underlying issues or concerns that need to be addressed. The cost of an inspector can vary based on the size, location, and age of the home.
- **Expenses to fix any issues** (such as termites, foundation cracks, piping, etc.) that are highlighted in the inspection.
- **Maintenance costs.** Homeowners have to cater to various recurring or one-time maintenance costs such as roofing, tree removal, yard maintenance, etc. Maintenance costs vary by the age and size of the home. But as a general guideline, one per cent of the purchase price can be budgeted for maintenance annually. For condos, there is usually a fixed monthly fee for maintenance that gives owners access to shared amenities in the building.
- **Insurance premiums.** Mortgage insurance for death, disability, critical illness, and loss of income are optional and can be added to ensure protection in any unforeseen circumstances. These usually require a premium to be paid, which is included in your mortgage payments.
- **GST/HST** on a new home or a home that's been extensively renovated.
- **Title insurance** to provide coverage for losses related to title fraud, survey issues, problems with the title and challenges to the ownership of your home.
- **Service charges** from utility companies for hook-ups to electricity, gas, internet, and telephone services.
- **Additional taxes and fees**, if you're purchasing property as a non-permanent resident of Canada.
- **Appraisal fees.** Mortgage lenders may ask you to have an appraisal done as part of the mortgage approval process. An appraiser provides a professional opinion about the market value of the home you want to buy.
- **Moving costs.** Before moving in, you may also have to pay for moving costs, storage costs, and mail redirection costs.
- **Furniture and appliances.** You may have to purchase new furniture and/or appliances for your home.

5. Getting pre-approved for a mortgage

Understanding mortgages

A mortgage is a loan from a bank or a lender specifically for the purpose of buying property. It enables a potential buyer to purchase a home or a property without having to pay the full amount by themselves. You'll still need to pay a down payment of at least five to twenty per cent, depending on the purchase price of the house and your repayment plan. Following that, you repay the principal plus interest of the mortgage off in installments over its amortization period (15 to 30 years).

In Canada, a mortgage term is different from the amortization period, and you'll typically need to renew your mortgage before the end of each term. The amortization period is the total number of years it will take to repay the full mortgage amount. Ask your advisor about flexibility with making additional payments and paying off your mortgage early.

Fixed vs. variable mortgage rates

In Canada, mortgages have two types of interest rates:

- **A fixed interest rate** does not fluctuate and is applicable for a pre-defined time period (called a "term"). Mortgage terms in Canada may range from six months to five years.
- **A variable interest rate** fluctuates based on the prime lending rate – which is primarily influenced by the policy interest rate set by the Bank of Canada (BoC). The prime lending rate is the annual interest rate that Canada's major banks and financial institutions use to set interest rates for variable loans and lines of credit, including variable rate mortgages. Depending on your financial institution or the lender, you may be able to switch from a variable interest rate to a fixed rate at no additional cost.

Documents required for a mortgage:

- Proof of income and assets in the form of bank statements, pay stubs, investment records
- Canadian credit history. If you're purchasing a home in Canada before or immediately after moving to Canada, and don't have sufficient Canadian credit history yet, speak to an RBC mortgage specialist. If there are two or more borrowers on a single application, ensure that each person applying has their own individual credit reports.
- Details of other assets and liabilities you may have
- Purchase and sale agreement for the property
- Confirmation of down payment

Mortgage pre-approval

Since the real estate market in Canada is fast-moving, many realtors will only take you seriously if you've already been pre-approved for a mortgage. A mortgage pre-approval is essentially an assurance from a financial institution that states the maximum mortgage amount you can currently qualify for as well as the interest rate the financial institution is willing to offer you, based on your financial situation and credit history.

Having a pre-approval allows you to move quickly and put in offers on homes you're interested in purchasing. Once you've been pre-approved for a mortgage, you'll also have a better understanding of your home affordability and can fast-track your search for your dream home in Canada. Keep in mind that mortgage pre-approvals require a credit check and are only valid for a few months. You should only request a pre-approval when you're actively looking to buy a home.

Buying a house as a newcomer to Canada

- You may qualify for a mortgage to buy a house or property soon after or even before moving to Canada if you're able to meet the basic criteria of a down payment, credit history and/or assets and are able to show a steady income.
- You may be able to qualify for a mortgage with little to no Canadian credit history.
- Canadian employment is not required for a mortgage with the RBC Newcomer High Net Worth Program.
- Qualifying newcomers with a study or work permit can purchase a home. If you are on the path to Canadian Permanent Resident status and your lawyer has verified that you are legally eligible to purchase residential property in Canada despite being a non-Canadian, you may be able to qualify for a mortgage under one of our newcomer programs.
- Newcomer clients who do ***not*** have a 20 per cent down payment may be eligible for a mortgage with the RBC Newcomer Default Insured Program.

6. Find a real estate agent

While house hunting, most people opt for a real estate agent (or realtor) to find a suitable home. While choosing a real estate agent, it's important to determine a good fit – find an agent you can trust, one who will be your advocate, personal advisor, consultant, and negotiator. Note that having an agent represent you is not mandatory, and you may choose to find a home without using one. However, most newcomers are unfamiliar with the Canadian real estate market, and guidance from someone well-versed in the buying and selling process can be invaluable.

Here are a few parameters to consider while evaluating realtors: whether they are licensed in the province, their experience, background, approach, confidence while answering questions, services offered, whether they work solo or as part of a team, communication style, references, primary neighbourhoods they work in, and if there have been any ethical complaints against them by past clients.

Advantages of using a real estate agent:

- Real estate agents can offer a wealth of knowledge and experience from working in the field.
- Get access to authentic and genuine listings, with less probability of getting scammed. They can help you focus your home search and set up visits of homes and neighbourhoods that are the best fit for your budget and criteria.
- Real estate agents have a vast network and may get access to homes even before they get listed.
- Real estate agents can provide guidance on all documentation and handle the buying process from start to end.
- Real estate agents can help evaluate if you are eligible for government homeownership incentive programs.
- Some agents may have working relationships with real estate lawyers, home inspectors, and movers, which can save you the hassle of looking for these contractors yourself.
- The real estate agent’s commission is paid by the seller – not the buyer. Note that the commission is based on the purchase cost.

7. Start your home search and visit properties to find one you want to buy

Most newcomers begin their home search online and then go on to visit the properties they are interested in. Online real estate platforms such as houseful.ca can give you easy access to listings that match your search criteria. You can typically filter homes by location, price range, number of rooms, home type, and even amenities.

If you’re working with a real estate agent, they can help shortlist homes for you to view as well. If you don’t have an agent yet, houseful.ca can connect you with an expert who’ll help narrow your search based on your preferences.

Get matched with an expert

Being a homeowner doesn’t mean you have to be a do-it-aloner. Houseful is here to introduce you to experts who don’t just know their stuff, they know you too. Get matched with a real estate agent in your area for local insights and connect with an RBC mortgage advisor for financing guidance. Visit houseful.ca.

Some sellers arrange open house events that multiple interested buyers can attend, while others prefer one-to-one showings arranged by the buying and selling agents. When attending a showing, investigate the property thoroughly and ask questions. A few things you may want to check are storage space, water pressure and plumbing, mold, ventilation, potential water damage or cracks on walls or ceilings, parking space, and the general condition of the property.

8. Make an offer

Found a property you like? The next step is to make an offer.

An offer is a formal, legal agreement to purchase a home and is legally binding once accepted by the seller. Offers can be conditional, contingent on factors such as financing or a home inspection. If any of the conditions are not met, you can walk away, even if the seller has already accepted it. Alternatively, you can also make a firm offer with no conditions attached.

Depending on the property you wish to buy, there might also be room for negotiation. It's worthwhile to know that negotiations aren't just limited to the purchase price but can also extend to more favourable terms as part of your purchase agreement, such as repairs, inclusions, and a longer or shorter closing date.

On the flip side, if the property you're eyeing is located in a prime area or has other interested buyers, it is not uncommon for sellers to receive multiple offers for their home. Depending on the province you're in, the selling process may involve blind bidding or bidding without insight into what other interested parties have offered to pay. This could result in a bidding war with each buyer trying to raise their offer over the asking price.

Hiring a home inspector

Before you formally close the purchase, you may want to hire an inspector to inspect your home for defects and overall condition. As you choose a home inspector, ensure they are a member of a recognized professional organization. Some financial institutions may require a home inspection to be conducted before final approval of the mortgage while others assign their own inspectors or appraisers to visit the property.

9. Close the purchase and move in

Once you receive the report from the inspector and decide to proceed with the purchase, you'll need a real estate lawyer to protect your best interests. The lawyer will help review the contract and assist with the title transfer. Your realtor and lawyer will complete most of the closing formalities and outline some action items for you to seal the deal.

Upon completion of all formalities, it's time for you to move in!

Keeping up with financial requirements while buying a house can be challenging. As a first-time home buyer in Canada, ensure your financial advisor or mortgage specialist is experienced, knowledgeable, and is fully aware of the home buying process. And once you've found the home or property you want to buy, be sure to iron out all the details with a trusted financial advisor because you're in it for the long haul.

Summary

Finding your first home in Canada can be a time-consuming and exhausting process. Some of the things that can help you stay at ease is having a clear idea of your finances and outlining your wants and needs. There are hundreds of thousands of properties all across Canada. With support from your real estate agent and RBC, you will definitely be able to find one that's right for you.

Key takeaways

1. Plan and book your temporary accommodation prior to arrival

Finding permanent, long-term accommodation as a newcomer in Canada can take a while. Therefore, booking temporary accommodation, hotel, hostel, homestay, or bed and breakfast, for a couple of weeks or even the first few months is a good idea.

2. Get a Canadian credit card to start building your credit history

In Canada, credit scores and credit history play a huge role in securing accommodation – be it renting or buying property. The sooner you get started with building your credit history and complement it with good spending habits, the more beneficial it will be for you down the line, especially with obtaining loans or mortgages and securing attractive interest rates on them.

3. Explore options to overcome the challenges of renting as a newcomer

Without a credit history and an employment letter, finding a long-term rental can be challenging. Providing proof of savings from a bank account, having a local guarantor or co-signer, looking for house-share or apartment-share arrangements, and offering more than the expected deposit are some of the ways you can navigate these challenges to find suitable accommodation.

4. Consult with a mortgage specialist at your bank to know your options when buying property

Property purchase requires a large financial commitment and the willingness to take on the responsibilities of a homeowner. There are many factors that go into evaluating whether you qualify for a mortgage. A mortgage specialist can assist with explaining the options applicable to your unique scenario and guide you on how to go about the purchase.

5. Working with a real estate agent is not mandatory, but certainly has some advantages

In Canada, tenants or home buyers are not required to pay a commission to the real estate agent; those costs are borne by the landlord and homeowners, respectively. Real estate agents bring a wealth of industry and market experience, which can be very helpful in securing the right accommodation to suit your budget and needs.

Moving to a new country, a new city, or a new province and finding a place to live can be challenging and overwhelming, but RBC newcomer advisors and mortgage specialists are your allies to help you feel at home in your new home.

Disclaimers

This guide is intended as general information only and is not to be relied upon as constituting legal, financial, or other professional advice. A professional advisor should be consulted regarding your specific situation. The information presented is believed to be factual and up-to-date, but we do not guarantee its accuracy and it should not be regarded as a complete analysis of the subjects discussed. All expressions of opinion reflect the judgment of the authors as of the date of publication and are subject to change. No endorsement of any third parties or their advice, opinions, information, products, or services is expressly given or implied by Royal Bank of Canada or any of its affiliates.

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