



KETAN PATEL'S GUIDE TO SELLING PRECONSTRUCTION IN ONTARIO



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Selling Preconstruction Projects in Ontario

I. Introduction

A. Overview of the course

1. The different terminologies involved in selling preconstruction.
2. The various incentives provided by builders, including deposit structures and cool-off periods.
3. The differences between preconstruction closing fees and resale residential closing fees.
4. The pros and cons of various elements of preconstruction sales.
5. How to build relationships with builders to market and sell their projects.
6. Marketing strategies for preconstruction projects, including social media, email marketing, and Facebook Ads.
7. Best practices for generating buyer leads, including the use of landing pages.
8. Techniques for demonstrating expertise in the preconstruction market to builders.

B. Importance of preconstruction sales

1. **Provides funding for the development:** Preconstruction sales provide developers with the funds needed to finance the construction of a new project. By selling units before the construction is completed, developers are able to secure funding that they can use to pay for the various costs associated with construction.
2. **Helps with project planning:** Preconstruction sales give developers insight into the demand for the project and can help them refine their plans and make changes to meet the needs of their buyers.
3. **Offers unique investment opportunities:** Preconstruction sales allow buyers to invest in a new development at a lower cost compared to purchasing an existing property. Additionally, preconstruction sales often come with incentives, such as discounts and upgrades, that are not available with resale properties.
4. **Provides an advantage for sales agents:** Sales agents who specialize in preconstruction sales can differentiate themselves from other agents and offer a unique set of services to their clients. By understanding the preconstruction market, agents can help their clients make informed decisions and secure the best possible deal.

II. Terminologies Involved in Selling Preconstruction

A. Explanation of key terms used in preconstruction sales

1. **Deposits:** A deposit is a sum of money paid by a buyer to secure their purchase of a preconstruction unit. Deposits can be paid in installments or as a lump sum, and the terms of the deposit can vary from project to project.
2. **Cool-off period:** A cool-off period is a specified time frame during which a buyer can cancel their purchase of a preconstruction unit without penalty. During this time, the buyer can review the terms of their purchase and make changes if necessary.
3. **Agreement of Purchase and Sale (APS):** The Agreement of Purchase and Sale is a legally binding contract between the buyer and the builder that outlines the terms of the preconstruction sale. This agreement includes details such as the purchase price, deposit structure, closing date, and any incentives or upgrades provided by the builder.
4. **Mortgage Approval Letter:** A Mortgage Approval Letter is a letter from a lender indicating that the buyer has been approved for a mortgage to purchase their preconstruction unit. This letter is required before the builder can release the unit to the buyer.
5. **Tarion Warranty:** Tarion Warranty is a mandatory warranty program for new homes in Ontario that provides coverage for a number of key items, such as defects in workmanship and materials, and coverage for deficiencies in the delivery of services such as water and heat.
6. **Builder's Brokerage:** Builder's Brokerage is a brokerage that represents the builder in preconstruction sales. Agents working for a Builder's Brokerage are responsible for marketing and selling the builder's projects.
7. **Assignment Sale:** An Assignment Sale is a sale in which the buyer assigns their rights to purchase a preconstruction unit to another buyer. This is a common practice when a buyer is unable to complete their purchase for personal or financial reasons.
8. **Closing Date:** The Closing Date is the date on which the buyer takes possession of their preconstruction unit and the sale is complete. The Closing Date is specified in the Agreement of Purchase and Sale.
9. **Occupancy Date:** The Occupancy Date is the date on which the buyer can take possession of their preconstruction unit and move in. The Occupancy Date is specified in the Agreement of Purchase and Sale and is usually several months after the Closing Date.
10. **Development Fees:** Development Fees are fees charged by the builder to cover the cost of building the preconstruction project, such as site preparation, construction costs, and infrastructure upgrades. Development Fees are typically added to the purchase price of the preconstruction unit and are paid by the buyer at Closing.
11. **Right to Lease During Occupancy:** The Right to Lease During Occupancy is the right of the buyer to lease their preconstruction unit prior to the Occupancy Date. This can be a valuable option

for buyers who want to generate rental income from their preconstruction unit before they move in.

12. **Upgrades:** Upgrades are additional features or improvements that the buyer can add to their preconstruction unit at an additional cost. Upgrades can include items such as upgraded flooring, kitchen cabinets, or bathroom fixtures.
13. **Incentives:** Incentives are promotions or special offers provided by the builder to buyers of preconstruction units. Incentives can include discounts on the purchase price, free upgrades, or waived development fees.
14. **Floor Plans:** Floor Plans are drawings that show the layout and dimensions of a preconstruction unit. Floor Plans are used by buyers to help them visualize the unit and make decisions about which unit to purchase.
15. **Show Suite:** A Show Suite is a model unit that is set up by the builder to showcase the finishes and features of a preconstruction project. Show Suites are typically open to the public and allow buyers to see what the finished units will look like.
16. **Model Home:** A Model Home is a fully furnished and decorated preconstruction unit that is used by the builder to showcase the features and finishes of a preconstruction project. Model Homes are usually located on site and are open to the public for viewing.

B. Understanding the role of the sales agent

1. **Identifying suitable preconstruction projects:** A sales agent will help the buyer identify preconstruction projects that meet their needs and budget, and provide information on the builder, location, and available units.
2. **Negotiating terms and incentives:** A sales agent will negotiate the terms of the purchase on behalf of the buyer, including the purchase price, incentives, and closing costs.
3. **Explaining the preconstruction process:** A sales agent will explain the preconstruction process to the buyer, including the key terms and milestones, such as the Occupancy Date, Development Fees, and Cooling-Off Period.
4. **Reviewing contracts and agreements:** A sales agent will review the Agreement of Purchase and Sale, Disclosure Statement, and other contracts related to the preconstruction purchase, and provide advice to the buyer on any concerns or questions and ultimately have this reviewed by a lawyer.
5. **Facilitating communication with the builder:** A sales agent will act as a liaison between the buyer and builder, facilitating communication and ensuring that all parties are kept informed throughout the preconstruction process.
6. **Assisting with mortgage pre-approval:** A sales agent will assist the buyer in finding a mortgage agent who can provide a mortgage pre-approval, and provide information on financing options and requirements.

7. **Providing market knowledge:** A sales agent will provide market knowledge and insights to the buyer, including information on current market trends, comparable sales, and future growth potential.
8. **Representing the buyer at closing:** A sales agent will represent the buyer at closing, ensuring that all closing documents are completed accurately and on time, and that the buyer's interests are protected.

C. Overview of the deposit structure

1. **Initial deposit:** The initial deposit is typically due upon signing the APS. This deposit can range from 5% to 10% of the purchase price and is often held in trust by the builder's lawyer.
2. **Interim deposits:** Interim deposits may be required at various stages of the construction process, and the amount and timing of these deposits will be outlined in the APS.
3. **Final deposit:** The final deposit is usually due at or near the closing of the preconstruction unit. This deposit is typically between 20% and 30% of the purchase price, and is held in trust by the builder's lawyer.

D. Explanation of the cool off period

The cool off period in preconstruction in Ontario refers to a period of time during which the buyer can cancel the Agreement of Purchase and Sale (APS) without any penalty. The cool off period is designed to provide buyers with an opportunity to review and reconsider the terms of the APS, and to make sure they are comfortable with the purchase.

In Ontario, the cool off period is set at 10 calendar days from the date the APS is signed, or from the date the buyer receives a copy of the APS, whichever is later. During this period, the buyer has the right to cancel the APS for any reason and receive a full refund of the deposit.

It is important to note that not all preconstruction projects have a cool off period, and that the terms of the APS can vary between builders. It is important to review the APS and discuss the cool off period with a lawyer before making a purchase.

E. Understanding mortgage approval letters

A mortgage approval letter is a document issued by a lender that states the amount of money a buyer is approved to borrow for a mortgage. This letter is often required when buying a preconstruction unit in Ontario.

In preconstruction sales, buyers are typically required to provide a mortgage approval letter as part of the Agreement of Purchase and Sale (APS) process. The mortgage approval letter is used to demonstrate that the buyer has the financial capability to complete the purchase and that the lender is willing to provide financing for the purchase.

The mortgage approval letter should be based on the full purchase price of the preconstruction unit, including the cost of any upgrades or extras, and should reflect the projected occupancy date of the unit.

It is important to note that mortgage approval letters are subject to change and may be revised based on changes to the buyer's financial situation, changes to the market conditions, or changes to the construction timeline of the preconstruction project.

F. Overview of lawyer review process

The review of the Agreement of Purchase and Sale (APS) by a lawyer is an important step in the preconstruction buying process in Ontario. The APS outlines the terms and conditions of the preconstruction purchase, and the lawyer review ensures that the buyer understands the terms of the agreement and that the agreement is legally binding.

During the review, the lawyer will examine the APS in detail, paying close attention to the terms and conditions, including the deposit structure, the closing date, the occupancy date, and any other important provisions. The lawyer will also explain the terms of the APS to the buyer, answer any questions the buyer may have, and provide advice on any potential issues that may arise during the preconstruction process.

The lawyer review also serves as a check and balance to ensure that the buyer's rights and interests are protected, and that the APS is fair and reasonable. If the lawyer identifies any issues or concerns with the APS, they may recommend changes or modifications to the agreement before it is signed.

It is important to note that the lawyer review is a separate service from the actual signing of the APS and that there is usually a fee for this service.

G. Common terms in preconstruction

1. **Preconstruction:** Refers to the process of purchasing a property before it is built or constructed.
2. **Agreement of Purchase and Sale (APS):** A legally binding agreement that outlines the terms and conditions of the preconstruction purchase.
3. **Deposit Structure:** Refers to the amount and schedule of payments made by the buyer to the builder during the preconstruction process.
4. **Occupancy Date:** The date on which the buyer can take possession of the preconstruction property and move in.
5. **Closing Date:** The date on which the purchase of the preconstruction property is completed and the title is transferred to the buyer.
6. **Cool-off Period:** A specified period of time during which the buyer can cancel the preconstruction purchase without penalty.

7. **Mortgage Approval Letter:** A document provided by a lender that indicates that the buyer has been approved for a mortgage to purchase the preconstruction property
8. **Development Fees:** Fees charged by the builder for the development and construction of the preconstruction property.
9. **Right to Lease During Occupancy:** A provision in the APS that allows the buyer to lease the property during the occupancy period before the closing date.
10. **Tarion Warranty Corporation:** A non-profit organization responsible for protecting the rights of new home buyers and enforcing warranty coverage for newly built homes in Ontario.
11. **Assignment Clause:** A provision in the APS that allows the buyer to transfer their rights and obligations under the agreement to another party.
12. **Completion Date:** The date on which the construction of the preconstruction property is completed and ready for occupancy.
13. **Builder Upgrade Program:** An program offered by the builder that allows the buyer to make upgrades and customizations to the preconstruction property.
14. **Common Elements:** Refers to the shared or communal spaces and facilities in a preconstruction property, such as elevators, lobbies, and recreation areas.
15. **Maintenance Fees:** Fees charged by the builder for the upkeep and maintenance of the common elements in a preconstruction property.
16. **Parking and Locker:** Refers to the parking space and storage locker assigned to the preconstruction property.
17. **Floor Plans:** Detailed drawings or plans that show the layout and design of the preconstruction property.
18. **Renderings:** 3D images or illustrations that show what the preconstruction property will look like when completed.
19. **Site Plan:** A detailed plan that shows the layout and design of the preconstruction property and its surrounding area.

III. Incentives Provided by the Builder

A. Understanding the different incentives offered by builders

Builders may offer a variety of incentives to attract buyers to purchase preconstruction properties in Ontario. Some of the most common incentives include:

1. **Early bird discounts:** A reduction in the purchase price for buyers who make an early commitment to the project, often before construction has started.
2. **Upgrades:** Builders may offer buyers the opportunity to upgrade their unit at no additional cost, such as upgrades to flooring, kitchen appliances, or countertops.
3. **Free parking or locker:** Builders may offer free parking or a storage locker as an incentive to purchase.
4. **Assignment clauses:** Builders may offer assignment clauses, which allow buyers to sell their unit before the closing date.
5. **Rent-to-Own options:** Builders may offer rent-to-own options, which allow buyers to rent their unit for a set period of time before committing to the purchase.
6. **Tax incentives:** Builders may offer tax incentives, such as a reduction in property taxes or rebates, to attract buyers.
7. **Furniture packages:** Builders may offer furniture packages, which include furniture, decor, and accessories, as an added bonus to purchasing a unit.
8. **Referral bonuses:** Builders may offer referral bonuses to buyers who refer friends or family members to purchase units in the same building.
9. **Capped development fees:** Builders may cap the development fees that buyers have to pay, which can save buyers money and make the preconstruction purchase more attractive.
10. **Right to lease during occupancy:** Builders may offer buyers the right to lease their unit during the occupancy period, which can provide buyers with a source of income and make the preconstruction purchase more appealing.
11. **Rental guarantee:** Builders may offer a rental guarantee, which ensures that buyers will receive a minimum return on their investment if they choose to rent out their unit.
12. **Property management:** Builders may offer property management services, which can make the process of renting out a unit easier for buyers.

These incentives can vary from builder to builder, and it's important for real estate agents to understand the specific incentives that are available for each project in order to effectively communicate them to potential buyers.

B. Explanation of the benefits of working with builders

Working with the builder in preconstruction offers a number of benefits for real estate agents. Here are some of the key advantages:

1. **Early access to information:** Builders are the primary source of information about a preconstruction project, including floor plans, specifications, pricing, and completion dates. Working with the builder gives agents early access to this information, which they can use to market the project to potential buyers.
2. **Opportunity to build relationships:** Building a relationship with a builder is important for real estate agents as it helps establish trust and credibility. This can lead to more opportunities to sell preconstruction projects and increase the likelihood of being offered exclusive listings.
3. **Increased commission:** Preconstruction sales often offer higher commission rates than resale transactions, which can be an incentive for agents to work with builders.
4. **Marketing support:** Builders typically provide marketing materials and support for their projects. This can include floor plans, renderings, site plans, and promotional events. Working with the builder can give agents access to these resources, which they can use to market the project to potential buyers.
5. **Access to incentives:** Builders may offer incentives such as capped development fees, right to lease during occupancy, rental guarantee, and property management to buyers. These incentives can make the project more appealing to potential buyers and can increase the chances of a successful sale.
6. **Opportunities for upselling:** Preconstruction projects often offer opportunities for upselling, such as upgrades, parking spaces, and storage units. Agents who work with the builder can offer these upgrades to their clients, which can increase the overall sale price and their commission.
7. **First pick of units:** In some cases, agents who work with the builder may be given first pick of units in a preconstruction project. This can be beneficial for agents who want to offer their clients the best options and units with the most favorable views and exposures.
8. **In-depth knowledge of the project:** By working with the builder, agents can gain a deep understanding of the project, including its features, amenities, and location. This knowledge can be invaluable when marketing the project to potential buyers and answering their questions.
9. **Better customer service:** Builders typically have a customer service team in place to help with preconstruction sales. This team can provide support and assistance to agents and their clients, helping to ensure a smooth and successful transaction.

In conclusion, working with the builder in preconstruction sales offers a number of benefits for real estate agents. From early access to information to increased commission and marketing support, there are many reasons why agents should consider building relationships with builders.

IV. Fees Involved in Preconstruction Closings

A. Explanation of the fees involved in preconstruction closings

When it comes to preconstruction closings, there are several fees that must be taken into account. The most significant fee is the development fee, which is an additional fee charged by the builder to cover the cost of development. Other closing costs include the Land Transfer Tax (LTT), which is a tax imposed by the government of Ontario on the transfer of ownership of real estate. In addition, there is the HST, which is included in the purchase price of preconstruction units in Ontario. The HST rebate is only applicable if you plan to live in the unit yourself or rent it out on a long-term lease. If you plan to live in the unit, the HST rebate is given at closing. However, if you plan to lease the unit, you will not receive the rebate amount until after closing once you provide a 1-year lease, then they will rebate you the HST.

Other closing costs in Ontario include legal fees, which cover the cost of hiring a lawyer to review the Agreement of Purchase and Sale (APS) and assist with the closing process. It's important to consider all of these fees when making a preconstruction purchase and factor them into your budget.

V. Building Relationships with Builders

A. Tips on how to build and maintain relationships with builders

Building and maintaining relationships with builders is a crucial aspect of selling preconstruction projects in Ontario. A good relationship with the builder can make a huge difference in the sales process, as it can help you gain access to exclusive projects, information, and promotions. Additionally, it can help you better understand the builder's goals and expectations, and this can help you provide a better experience for your clients.

Here are some tips on how to build and maintain relationships with builders in Ontario:

1. **Be Professional:** When dealing with builders, always be professional, friendly, and respectful. You should always be on time and well-prepared for meetings and calls.
2. **Build Trust:** Build trust with builders by demonstrating your knowledge and expertise in the preconstruction market. You can do this by sharing relevant market data, providing helpful advice, and keeping your promises.
3. **Network:** Attend industry events and conferences, and make an effort to network with builders. You can also join local trade organizations and attend their events.
4. **Provide Value:** Provide value to builders by helping them sell their projects. This can include providing market data, lead generation, and marketing support.
5. **Keep in Touch:** Regularly check in with builders and keep them updated on your sales activities and any relevant market information.
6. **Be Reliable:** Always follow through on your commitments and be reliable in all your interactions with builders.

By following these tips, you can build and maintain strong relationships with builders in Ontario, which will ultimately benefit both you and your clients.

VI. Marketing Preconstruction Projects

A. Explanation of social media marketing

Social media marketing is a powerful tool for promoting preconstruction properties and reaching potential buyers. By leveraging the various social media platforms available, real estate agents and developers can effectively reach their target audience, build relationships, and drive sales. Here are some tips on how to use social media marketing for preconstruction properties in Ontario:

1. **Define your target audience:** Understanding your target audience is crucial for effective social media marketing. Identify their age, location, interests, and pain points, and tailor your messaging and content to their needs.
2. **Choose the right platform:** Different social media platforms cater to different audiences, so choose the platforms that your target audience is most active on. For example, Facebook and Instagram are popular with younger generations, while LinkedIn is a great platform for B2B marketing.
3. **Create visually appealing content:** Preconstruction properties are all about the visual appeal, so make sure to showcase the property in the best possible light. Use high-quality photos, videos, and 3D renderings to give potential buyers a sense of what the finished product will look like.
4. **Utilize influencer marketing:** Partnering with local influencers can help to reach a wider audience and build credibility with potential buyers.
5. **Share insider information:** Share behind-the-scenes information and updates on the construction process to keep potential buyers engaged and informed.
6. **Leverage user-generated content:** Encourage potential buyers to share their experiences and opinions about the property. This can be done through reviews, testimonials, and social media posts.
7. **Engage with your audience:** Respond to comments and messages, and actively engage with your followers to build relationships and credibility.

By following these tips, real estate agents and developers can effectively leverage social media marketing to promote preconstruction properties and reach potential buyers in Ontario.

B. Overview of email marketing using Mailchimp

Mailchimp is an email marketing platform that allows you to create and send targeted, visually appealing emails to your leads. This tool can be very valuable in promoting preconstruction properties as it allows you to build a strong relationship with your leads and provide them with updates and information on the latest developments and incentives offered by the builder.

Here are some tips on how to use Mailchimp to promote preconstruction properties:

1. **Build a targeted email list:** Start by collecting the email addresses of potential leads who have shown interest in preconstruction properties. You can use various sources such as your website, open house events, and other marketing campaigns.
2. **Create visually appealing email templates:** Make sure that the emails you send out are visually appealing, easy to read and contain all the information your leads need to know about the preconstruction property.
3. **Use segmentation:** Segment your email list based on factors such as location, interests, and buying habits to ensure that you are sending the most relevant information to each lead.
4. **Provide updates and incentives:** Keep your leads updated on the latest news and incentives offered by the builder and make sure to highlight the unique selling points of the preconstruction property.
5. **Track and analyze:** Track the success of your email campaigns using Mailchimp's built-in analytics tools. Analyze the open and click-through rates, as well as the number of conversions to see what's working and what's not, and make changes accordingly.

By using Mailchimp, you can create a targeted, cost-effective, and engaging email marketing campaign that will help you build and maintain relationships with your leads, and drive preconstruction sales in Ontario.

C. Explanation of how to create ads using Canva to post Facebook Ads

Canva is a graphic design platform that can be used to create visually appealing ads to promote preconstruction properties. With Canva, you can easily create and customize eye-catching designs that will grab the attention of potential buyers and help you stand out from the competition. The platform offers a wide variety of templates and design elements that can be used to create ads for Facebook, as well as other platforms such as Instagram and LinkedIn. With Canva, you can create high-quality visuals for your preconstruction properties that showcase the key features and benefits of the property, including floor plans, location, and community amenities. Canva is easy to use and offers a simple drag-and-drop interface, making it accessible to users of all skill levels. Additionally, Canva also offers tools such as resizing and crop features, so you can easily adapt your designs to fit different ad sizes and formats. By using Canva to create your Facebook ads, you can effectively reach your target audience and increase your chances of making a successful preconstruction sale.

Explanation of how to create landing pages

Landing pages are a valuable tool for promoting preconstruction properties and generating buyer leads. A landing page is a standalone web page specifically designed for a marketing or advertising campaign. The purpose of a landing page is to convert visitors into customers by providing information and capturing information such as name, email, and phone number. When promoting preconstruction properties, landing pages can be used to provide detailed information about the development, including floor plans, unit specifications, location, and more. Landing pages also allow for easy tracking of visitor behavior, such as how long they stay on the page, what links they click on, and what information they provide. By capturing information from visitors, landing pages can help real estate agents build a database of interested buyers who can be nurtured and converted into sales. Additionally, landing pages can be optimized for search engines, increasing the visibility of the preconstruction property and making it easier for potential buyers to find.

D. Overview of the importance of showcasing expertise in preconstruction market

The importance of showcasing expertise in the preconstruction market is crucial in order to establish credibility and trust with potential buyers. A real estate agent with a deep understanding of preconstruction sales can help buyers make informed decisions and navigate the complexities of the preconstruction process. By demonstrating expertise in the preconstruction market, agents can position themselves as a trusted resource for buyers, making them more likely to receive referrals and repeat business. Additionally, agents who specialize in preconstruction can offer valuable insights into upcoming developments, market trends, and incentives offered by builders, which can help buyers make informed investment decisions. By showcasing their expertise in the preconstruction market, agents can differentiate themselves from competitors and build a successful preconstruction sales business.

VII. Common Questions from Buyers

A. Overview of the top 10 most common questions asked by buyers

When it comes to buying preconstruction properties in Ontario, buyers often have many questions and concerns. Here are the top 10 most common questions that buyers ask:

1. What is the estimated occupancy date for the unit I'm interested in?
2. What is the deposit structure for the preconstruction purchase?
3. How does the cool-off period work in Ontario for preconstruction purchases?
4. What are the closing costs associated with a preconstruction purchase?
5. Can I receive an HST rebate if I purchase a preconstruction unit to live in?
6. What is the warranty coverage for preconstruction units?
7. How does the builder determine the price of a preconstruction unit?
8. What incentives might the builder offer for preconstruction purchases?
9. Can I see a floor plan and renderings of the unit I'm interested in before I make a purchase?
10. What is the process for obtaining mortgage approval for a preconstruction purchase?

Answers to these questions can help buyers better understand the preconstruction process and make informed decisions when it comes to purchasing a preconstruction property in Ontario.

B. Discussion of how to provide buyer clients with the best possible experience

Providing a great experience to your buyer clients is crucial when it comes to selling preconstruction in Ontario. Here are a few key things you can do to ensure your clients have the best experience:

1. **Educate your clients on the process:** Before jumping into the buying process, make sure your clients have a good understanding of what they can expect. This includes the steps involved, the timeline, and the role you will play as their sales agent.
2. **Be available:** Make sure your clients can reach you whenever they have questions or concerns. This means being responsive and accessible, whether by phone, email, or in-person.
3. **Be proactive:** Don't wait for your clients to bring up issues or ask questions. Anticipate their needs and proactively address any concerns they may have. This shows them that you are truly looking out for their best interests.
4. **Stay organized:** Keeping track of all the details and deadlines involved in a preconstruction purchase can be complex. Make sure you have a system in place to keep everything organized and ensure nothing falls through the cracks.

5. **Provide regular updates:** Your clients will appreciate regular updates on the progress of their preconstruction purchase. This can include updates on construction progress, information on financing and closing, and more.

By following these tips, you can help ensure your clients have a positive experience when buying preconstruction in Ontario. This will not only make the process smoother for them, but it will also help establish trust and build a strong working relationship that can lead to repeat business and positive referrals.