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Leasing a Property in Ontario

Introduction

I have prepared this document as a primer to get you up to speed with the process of leasing in Ontario. I myself found the process of leasing and then purchasing property here very different from the UK when I first arrived. I was particularly astonished by the amount of paperwork involved from the outset and felt that I had a ton of questions. I also felt that the agents did not take enough time to explain a system that I was wrapped up in by necessity. I was also concerned that I would choose the wrong neighbourhood which also made me very concerned. I have been where you are about to go so just ask. No question is a stupid question so just ask away. Most of the information below is based on working with a Realtor. Private landlords may require less documentation from you but the basics will be similar ie employment letter, references, application forms etc. What may not be required is a written contractual arrangement between you and the Landlord which for many is essential.

Leasing

Landlords like to make sure that you have the ability to pay the rent before they give you the keys to the castle. It is difficult and costly to remove a bad Tenant from the premises once they are in and therefore they are always cautious. It is possible to rent property privately which in some cases will not require the same amount of paperwork etc. but it is wise to be cautious. There have been some unscrupulous people that have scammed Tenants. One example is that a Tenant that is outgoing has advertised a property for rent on the internet. Shown a number of prospective Tenants around the property and collected deposit checks from these people. They have agreed to meet the people later to give them the keys and then they have never been seen again. One place just recently was simultaneously rented to a number to people this way and the absconding individual made off with over \$40,000.

Real Estate Agents and Brokers can verify that the person claiming to be the owner is actually the owner. They can do this by looking into the land registry record for the property. Agreements are offered and accepted in writing giving you a legal contract with the Landlord. Any deposit monies that are paid are held in a Trust account and not paid directly to the Landlord. The money is not released to the Landlord until you have taken possession of the premises. If this is not going to happen then this money is released back to you.

Areas in, and around Toronto can have very dynamic lease markets. It would not be unusual for premises to lease the same day that it hits the market. Levels of inventory of lease property fluctuate widely and this can be a frustration also. The best advice here is to be ready to jump if there is a property that you want. It may or may not be available the next day. Make sure that you understand how quickly the market is moving in your search area.

Here is the list of papers that are required;-

Credit Report

Employer Letter

Rental Application Form

2 pieces of ID

Agreement to Lease

Confirmation of Cooperation and Representation
Buyer Representation Agreement
Working with a Realtor Acknowledgement

Seems like a lot of stuff but its really not that bad.

Credit Report (You to provide)

Here in Toronto, the majority of landlords are making a credit report part of the documents that they want you to provide to them. They used to run a credit check on you in the past but now they want the prospective Tenant to provide this to them with the offer to lease. Credit report can be obtained on-line through Experian, Equifax or Transunion. You can save this in electronic format so that it can be used with several properties if required.

Employer Letter (You to provide)

Pretty self-explanatory as the Landlord wants to know that you have sufficient income to meet the rent. In some circumstances, i.e. you are arriving with a PR and do not have arranged employment you might find it difficult to rent. One method of getting around this is to pay the complete balance of the years lease on possession of the property. This way the Landlord is confident (as he/she has your money) and you have a place to live.

Rental Application Form

This is a standard form that you will need to complete. It is a one-page document that you can complete, print and then sign.

2 pieces of ID (You to provide)

Suitable ID is drivers licence, Passport, Birth Certificate. This is to satisfy our Federal Government requirements to meet *The Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and also to verify that you are who you say you are. This information is not given to the landlord and remains confidential between you and us (the Brokerage, working on your behalf) we verify to the Sellers agent that this has been complied with in accordance of the law. Here is the URL for more information
www.fintrac.gc.ca/publications/brochure/05-2003/PDF_files/2-eng.pdf

Agreement to Lease

This is a property specific document that I draw up once you have seen a property that you would like to rent. It sets out the terms of the rent and what is included and excluded, possession date etc. Once accepted by both parties this becomes your binding contract with your landlord. You should go through this document in detail before signing so that it can be explained and also get answers any questions that you might have as this is a legally binding document.

Confirmation of Cooperation and Representation

This is a one-page document that essentially says who is representing your interests and the Sellers agent is representing the interests of the Seller/Landlord. It is significant to you because this is how the Brokerages get paid. On this document the two Brokerages involved form an agreement to cooperate with each other and also it binds the Sellers Brokerage to pay the Buyer Brokerage their commission on completion of the transaction. Follow the link for an explanation of the form.

Buyer Representation Agreement

This document sets out the Agency agreement between you and your Buyer Brokerage. Importantly, I should point out that as an agent, I do not make decisions on your behalf but act on your behalf as if I were you under your direction. In law, this agreement ensures you certain rights and privileges that are really fiduciary duties. These duties are briefly, disclosure, competence, obedience, accounting, confidentiality and loyalty. In this document is also the Brokerages expectation of commission. Under this agreement your Agent can give you

expert opinion, guidance and advice but once again, you must make the decisions for yourself. Follow the link for an explanation of the form.

Working with a Realtor Acknowledgement

This is just an acknowledgement that you have been given a pamphlet that explains agency, and that your Agent has discussed Agency and answer your questions.

Deposits and Down Payments

The deposit amount in Ontario is the essentially 2 months rent. This deposit will be applied against the first and last months rent of your Tenancy. The deposit is paid either with your offer to Lease or upon acceptance of your offer. Deposit funds are generally a bank draft, or certified cheque that can be drawn at a Canadian bank. Alternatively cash can be used but is not preferred as it does not leave a paper trail. Rent is always in advance. Please make sure that you have the funds to hand to pay the deposit.

So, for example; we put in an offer to lease a property that is listed by ABC Realty Inc. for \$1,600 pm. The offer is accepted whereby we will have 24 hours to pay the deposit. The deposit will be \$3,200 payable to the Landlords Agents Brokerage. If this is a bank draft or certified cheque it will be made out to: ABC Realty Inc. 'In Trust'. The in trust is essential as the funds will then be deposited into an account held outside of the Brokerage and also the Landlord. The significance is that if the Landlord, ABC Realty Inc. or Royal LePage go broke! Your money is still yours and it is safe. You will provide me with the funds. I will give you a receipt. I deposit the funds with ABC Realty Inc. and they provide me with a receipt and therefore a paper trail is created for the funds.

Let us say your possession date is March 12th 20XX, and you move in. Your first months rent cheque is then due to the Landlord on April 12th 20xx. Common practice is to provide to the Landlord ten post dated cheques for the rent when you take possession. I say common practice because this is not a legal requirement but is one of convenience for both the Landlord and Tenant to cooperate with each other. This makes it easier on the Landlord and also ensures that you do not miss the payment due date. Missing the payment due date is very big leverage for the Landlord to have you vacate the property. The law is on the Landlords side if you do not pay your rent on time.

First and Last is the only legal deposit a Landlord can ask. But, you may also be asked to pay a small deposit on keys if the premises requires electronic tags or swipe cards. This has been particularly with condominium properties where the Landlord has to buy electronic tags etc. from the condo corporation where replacements are charged to the Landlord from the Corporation. Replacement electronic tags can range from \$100- \$250 each.

The Market

Areas in Toronto can have very dynamic lease markets. It would not be unusual for premises to lease the same day that it hits the market. Levels of inventory of lease property fluctuate widely and this can be a frustration also. The best advice here is to be ready to jump if there is a property that you want. This is particularly true in the mid-summer months as we have a large influx of University students, both national and international that snap these places up. It may or may not be available the next day. We can only deal with what is on the market on the day. Some areas of the city have little to no availability and therefore finding a suitable place can be difficult.

The List price is just that. In a free market economy the rules of supply 'v' demand will prevail. It is not uncommon to offer more then the list price if this is a hot property in a high demand market. One indicator to think about is the days on market (**DOM** on the listing sheets). If the property has been on the market for some time then perhaps a lower then list offer would seal the deal. The exception to this is if the Landlord has had the property listed during the time when the outgoing Tenant was in the property and access to the

premises has been limited. Always discuss this with your Agent as they are experienced at reading the situation better on a case by case basis.

Making the Offer

Although we can view properties the responsibility is yours to decide to make the Offer. If you think that we have just walked into the place that you want... Tell the Agent! An offer can certainly be made on a property and then continue the search. Making an offer does not come with a guarantee of success. Some have to pursue a few properties before they have success.

Cost of Service and Commission

So, here is the burning topic, **commission**. Here in Ontario, unless agreed otherwise, the commission is paid to the Buyer Agent by the Sellers Agent from the commission that he/she is being paid by the Seller. I say unless because under some circumstances the Buyer agrees to pay a fixed sum commission to the Agent for the services provided. This applies more to purchasing a property and is more common in commercial real estate than residential. Under general circumstances commission from the Sellers Agent is the norm.

Buyer Agency

I work predominantly as a Buyer Agent. That is to say that the majority of my work is representing purchasers in real estate on the buying side. I have access to all the MLS listings that are within quite a range of Southern Ontario. I am a member of the Toronto Real Estate Board. I am also an associate member of Hamilton and Burlington Real Estate Board and the Real Estate Board of Cambridge. My licence is granted by the Real Estate Council of Ontario (RECO) and I am also a member of the Ontario Real Estate Association (OREA) and the Canadian Real Estate Association (CREA).

If you are working with another agent, it is important that you let me know so that no licensing or ethical boundaries are crossed.

Narrowing the Search

Like most Agents, typically I like to get a brief from you the client as to what you are looking for and also as much pertinent information as possible. For example where your employment is going to be will play a significant part in where you will want to live. Commuting can be a headache especially in the snowy winter months. A little bit about your lifestyle is also good to get a sense of neighbourhood as Toronto is so diverse. For example if having a local park for the kids or near a hockey arena or even a local pub is important then just let me know as this is all helpful.

Clearly property preferences are also important. Number of bedrooms, budget, high rise, low rise, house, apartment, condominium, facilities in the building etc. if you have a preference at all as some do not. From here we can start to look at neighbourhoods and also you can review the listings that are sent to you to say what is of interest and what is not. After that, it is really a case of hitting the streets and go look at the places.

The backbone for Realtors is the ability to search the Multiple Listing Service database from the Real Estate Board. The public has access to the mls.ca site which provides summary information on currently listed properties. As a Realtor, the ability to research the Sold, Terminated and Expired listings is also useful to provide comparative data for clients to make informed decisions. Solds are usually considered as an indicator of current market value. Terminated and expired listings are sometimes a good indicator of above market.

With that said, it is a far better system in many ways from what you are used to in the UK. It is a licensed profession that is highly regulated and therefore Realtors are held in higher esteem than in the UK.

If you have any questions then just let me know and I will do my best to help.

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Useful Links.

Toronto District Maps

www.torontorealestateboard.com/about_treb/districts/index.htm

MLS

www.mls.ca

Neighbourhood information

www.torontorealestateboard.com/about_TO/Neighbourhood/index.html

www.torontolife.com/real-estate/

www.toronto.ca/demographics/profiles_map_and_index.htm

Others.

<http://geo.craigslist.org/iso/ca>

<http://www.101apartments.com/>

<http://viewit.ca/>