

CONDO LIVING

EXPERT ADVICE

Rent-to-own has its advantages

Home buyer programs helps those who are feeling the squeeze

DUNCAN MCALLISTER
Specialist to QMI Agency

Many prospective home buyers have stable income but may not be able to manage the down payment on a property.

Builders have realized this and are devising innovative, new financing plans to help first-time buyers get into the game.

Toronto real estate guru, author and television personality, Brian Persaud explains how it works: "Let's say the average rent for a house is \$2,000. These people are going to be paying \$2,500 a month and that \$500 extra they're paying will go towards their down payment when they're ready to buy. So over three years, \$18,000 will go towards their down payment. That's how these people, in theory, qualify for a mortgage because they're buying a house and they're putting down an \$18,000 down payment that they've been paying \$500 a month to save up."

Perhaps the only developer in Toronto to offer a rent-to-own program specifically for pre-construction condominiums is the Daniels Corporation. Dominic Tompa is the principal broker for City Life Realty, Daniels' high-rise sales arm.

"Over time we found that the greatest barrier to accessing home ownership is accumulating the down payment. What the program does is address

it," says Tompa. "You're taking a portion of the monthly rent that's going towards your down payment. With a one-year program you're accumulating your five per cent down payment you need in order to actually purchase at the end of that year." The programs are currently offered on their NY2 tower at Bayview and Sheppard and their downtown Cinema tower.

Other players in this arena, like Home Owner Soon, a national lease purchase company, matches investors to people looking for a house to be used in a rent-to-own arrangement. These schemes



The Daniels Corporation recently decided to bring back its successful Rent-To-Own Program at its NY Place Boutique Condominiums at Bayview and Sheppard.

typically have a set appreciation rate for the property. Every year that the renter doesn't buy the house, the price goes



up a set amount. So compounded on a \$300,000 mortgage. That's roughly a \$10,000 increase per

year. "It's incentive for them to pay up as quickly as possible. And the investor wins because

next big trend in residential financing? It depends who you talk to.

According to Tarik Gidamy, co-founder and broker of record at TheRedPin.com Realty, it's not an easy thing to get into. "To say that this is going to be the next big thing, definitely not because the lending criteria and everything else that goes along with it is a lot more stringent than just filling out a rental application."

Rent-to-own is not a new idea says Gidamy. "This is just another form of what in real estate, we call a vendor take back. If the vendor is willing to hold back \$30,000 in the form of a mortgage, then that happens every day." And potential buyers need to have all their ducks in a row: "Whatever you want to call it, rent-to-own, a break in the down payment where you agree on a price, the whole point is that whoever is buying these places must have definitely good credit, stable income and proof that they're going to be able to carry the rents while they don't have title."

Purchasers should be aware of the risk in falling behind in their payments, warns Persaud. "From my experience not a lot of these people close and they end up losing all the money they've been paying in and their deposit. They might want to, instead of going the lease-to-own route, just rent a place for a little while and save up the money and work to fix their credit."

The greatest barrier to accessing home ownership is accumulating the down payment. Rent-to-own programs basically take a portion of monthly rent and apply it to that down payment.

they're essentially buying a house, they're guaranteed it's going to go up and they don't have to pay realtor fees when they sell it," says Persaud.

With Toronto housing prices skyrocketing and mortgage lending rules tightening, first-time buyers are feeling the squeeze. Is this to become the