

A person in a dark suit and light-colored shirt is leaning over a desk, holding a yellow pencil. The desk is covered with architectural plans and a laptop. The background is slightly blurred, showing an office environment.

YOUR GUIDE TO BUILDER INCENTIVES FOR PRE-CONSTRUCTION HOMES



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It's easy to get impressed by flashy builder incentives. Free appliances, closing credits, or limited-time discounts can distract you from the main purchase. Many buyers discover they don't qualify or the savings aren't as straightforward.



WHAT ARE BUILDER INCENTIVES?

Builder incentives are perks or financial offers designed to make pre-construction homes more appealing. They help builders stand out in a competitive market or speed up sales. For the buyer, these can help you save thousands, but only if you know how to qualify.

Deposit Structure Incentives

Deposit structure incentives are flexible payment schedules that let buyers spread out their down payment instead of paying a large lump sum at once. For many families, this is one of the most useful incentives because it eases the financial burden in the early stages of a purchase.

Instead of handing over 15 or 20 percent at signing, you might see offers like “\$5,000 on signing, balance of 5% in 90 days.” For long-term competition, these payments spread across 4-5 years.

Closing Cost Credits

A closing cost credit is a cash allowance from the builder that reduces what you owe on the day you officially close the deal.

Common costs a credit can cover:

- Ontario Land Transfer Tax: Provincial tax due at closing based on the purchase price.
- Municipal Land Transfer Tax (Toronto only): Extra city tax on top of provincial LTT for Toronto purchases.
- Legal Fees and Disbursements: Your lawyer's fee plus courier, searches, and registration costs.
- Title Insurance: One-time premium that protects you and your lender from title defects or fraud.
- Development Charges and Levies: Municipal fees that fund local infrastructure for new builds.
- Tarion Warranty Enrollment Fee: Fee the builder pays to enroll your home in Ontario's new home warranty program.
- Utility Connection and Meter Fees: Charges to set and activate hydro, gas, and water meters.
- HST Rebate Shortfall or Assignment: Credit applied if the builder assigns the rebate or covers a gap you do not qualify for.
- Assignment Fee: Charge to transfer your Agreement of Purchase and Sale to another buyer.
- Reserve Fund Contribution (condos): One-time contribution to the condo reserve fund at closing.
- Admin and Adjustment Fees: Builder administration charges and standard adjustments listed in your agreement.

Credits either show as a dollar amount off your total or as a cap on a line item. A cap means the builder limits your exposure on that cost and pays the rest.

Free or Discounted Upgrades

These are complimentary improvements to your home's finishes or features. Instead of paying extra for better flooring, countertops, or appliances, the builder includes them at no cost or a reduced price.

You might see promotions such as "Free stainless steel appliance package valued at \$8,000." It's a good savings option because new construction homes don't come with appliances.

HST Rebate Incentives

An HST rebate incentive means the builder applies the federal rebate directly to your purchase price instead of leaving you to claim it from the government.

To qualify, you must meet Canada Revenue Agency rules, such as living in the property as your principal residence for a minimum one year. If you don't meet these conditions, you'll owe the rebate amount as part of individual taxes.

Assignment Fee Waivers

An assignment fee waiver allows you to transfer your purchase agreement to another buyer without paying the usual penalty. Normally, assignment fees run upwards of \$5,000, but some builders waive the fee as an incentive to attract investors or first-time buyers.

TERMS AND CONDITIONS BUYERS SHOULD WATCH FOR

Every incentive has conditions that can affect its value. Some expire quickly and only apply if you sign within a specific promotional period. Others are tied to particular units, such as corner lots or lower floors. Incentives are also almost always non-transferable, which means they only apply to the original buyer.

The HST rebate is one of the most misunderstood areas, since only buyers who meet federal guidelines can benefit.

Finally, remember that an incentive doesn't always mean a lower overall price, sometimes the base cost of the home is adjusted to offset the promotion.