

Buying and selling homes has become very expensive, thanks to elevated house prices

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A house for sale sign is shown in front of a house in Oakville, Ont., in February, 2023.

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A decade ago, Joe Bladek's clients typically put down deposits of between \$1,000 and \$5,000 when making an offer on a new home. Today, the Barrie, Ont.-based mortgage broker said, those deposits are more commonly in the range of \$5,000 to \$10,000 – and recently, he worked on an offer where the buyer put down a \$50,000 deposit and had to ask family for help to scrounge up the funds.

“A lot of clients don’t realize that deposits are quite large these days,” Mr. Bladek said. It’s partly owing to the higher cost of homes themselves, since deposits are typically between 1 to 10 per cent of the sale price. But it’s also a holdover from the pandemic bidding wars, when buyers sought to compete with firm offers. And while deposits come from the down payment, buyers need to have the money on hand.

It’s just one example of how the costs linked to buying and selling a home have crept up over the years, largely because of higher housing prices.

Experts say buyers should typically expect to spend between 1 and 5 per cent of a home’s purchase price on moving and closing costs.

Twenty years ago, if someone were to buy a house at the national average price of \$245,149, they would have likely spent between \$2,450 and \$12,250 to close on their house and to move. At the end of 2023, someone who bought at the national average price of \$657,145 would have needed to pay between \$6,571 and \$32,857 for moving and closing costs.

A statistic used often by the real estate industry, though hardly ever with a citation, says that Canadians move every seven years on average. If true, a hypothetical buyer who moved three times in the past 20 years could have spent a total of between \$15,000 and \$62,000, roughly, depending on the value of their homes.

In Toronto, where the average house price was \$1.126-million at the end of 2023, moving and closing costs would range from \$11,260 to \$56,300. Now imagine today’s first-time buyers moving multiple times over a lifetime.

Rona Birenbaum, certified financial planner and the founder of Caring for Clients in Toronto, said moving costs can hurt someone’s financial plan in the short term. While she said they’re often not enough to derail someone’s financial picture, “they don’t give you any kind of return on investment; they are absolute expenses,” she said.

“That money that comes out of the client’s financial picture – if it was *in* the financial picture, it would be compounding. So you lose the compounding on that money, on that wealth.”

Ms. Birenbaum added that in particular for older Canadians, multiple moves later in life can eat into funds that should be earmarked for necessary living expenses and end-of-life care.

For some buyers at the margin, the costs associated with closing on a home and moving house can change the economics of buying.

“They can be very prohibitive,” said Mr. Bladek. “Some clients of mine who’ve come to me wanted to move into a new home and can qualify for that new home, but with all the fees involved and the market the way that it is ... can’t make it at the end of the day.”

There are plenty of costs linked to buying or selling a home in Canada, including land transfer tax (in most provinces), lawyer and realtor fees, title transfer and insurance, deposit money, property appraisal fee, home inspection, a status certificate for condo owners, and of course, movers, among others.

The biggest cost for many buyers is the land transfer tax, said Daniel La Gamba, a real estate lawyer and founding partner of LD Law LLP in Toronto. Ontario, Quebec, British Columbia, Manitoba, Nova Scotia, New Brunswick and Prince Edward Island have such taxes, and Toronto homeowners pay double the tax of buyers elsewhere in Ontario. Montreal also has its own land transfer tax.

Land transfer taxes are based on property value and often run in the thousands of dollars, though each province takes a slightly different approach. New Brunswick and Prince Edward Island charge a flat rate of 1 per cent of the purchase price or assessment value; Nova Scotia’s is 5 per cent; the other provinces have marginal tax brackets. While the taxes themselves have remained consistent for years, steadily climbing home prices mean that someone buying today is likely facing a heftier upfront tax bill than they would have in years past.

Mr. La Gamba said that someone buying a million-dollar home in Ontario would pay \$16,475, and that amount would increase to \$32,950 for someone buying in Toronto.

Sellers also pay the commission for both their agents and the buyer’s, which come to a combined 5 per cent plus sales tax, though Mr. La Gamba noted there is the potential to negotiate.

The cost of moving services themselves also spiked during the pandemic as fuel and labour shortage costs hit local and long-haul movers. According to Statistics Canada, moving company rates increased a whopping 18.9 per cent in the third quarter of 2021, and have continued to post small increases in the years since.

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