



Buying a property with a rental unit? Read this first

(NC) As housing prices rise, homeowners may look to income from a rented suite to help carry a mortgage. This can be a great strategy if you follow the rules and are well-prepared for being a landlord. Here are five key things to know.

1. There are new rules. The Canadian Mortgage and Housing Corporation now allows homeowners to count 100 per cent of the expected rent from a tenant suite towards their income for a mortgage approval. However, there are strict conditions. The owner must live on the premises; there can be no more than two units, including the rental unit, which must be self-contained and have a separate entrance; and the rental unit must either be legal or “legal non-conforming.”

2. Rental units must be legal. Provincial and municipal laws determine whether an apartment is legal. Considerations include what the unit is to be used for, whether there is legal parking, minimum square footage, number of units allowed by zoning, legality of the rent charged, and the fire and safety condition of the property. The best way to confirm the legality of a rental unit is to consult a real estate lawyer before making an offer on the property.

3. Condos and boarding houses have special rules. A lawyer can also inform you about condominium corporation rules that apply to owners renting to tenants. Houses that include rooms for rent with a shared kitchen and bathroom are often considered boarding houses and may fall under different laws and requirements. Also, renting part of your home may affect the tax treatment of your principal residence.

4. There are rules for rent increases. Although rent can usually be increased once a year, the amount of any increase may be limited by law. Existing tenants may already have leases that limit when and how you can raise the rent. If repairs are needed, a landlord may not be able to increase the rent for a tenant until they are complete. If tenants stop paying rent, the eviction process takes time and you may never fully recover missed payments.

5. Talk to a real estate lawyer. A lawyer can answer many of your questions and help with a lease agreement that clearly sets out both the landlord and the tenant’s rights and responsibilities.

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