



## *What is an Assignment?*

Basically, an assignment is the re-selling of a property before it is complete and ready for occupation. An example would be a condominium during the construction phase.

An Assignment Sale occurs when the Original Buyer sells and/or transfers all the rights and obligations of the original contract between themselves and the Seller/Developer to another party before the completion date of the property. A title transfer of the property will not occur until the city has issued the necessary permits and the property is ready for occupancy.

In an Assignment Sale, you are buying the contract of purchase and sale from the original Seller/Developer and will not own the property until the property is ready for occupancy.

## *How does an Assignment Work?*

The Original Buyer purchases a condo unit for the Seller/Developer in 2007 for \$300,000. The unit is scheduled for completion in Summer, 2009. A down payment of 10% of the purchase price has been paid to date (\$30,000).

In 2008, the Original Buyer decides to assign the property to a New Buyer for the sale price of \$400,000.

The following two scenarios demonstrates what a New Buyer could pay in order to assume the assignment contract, however these are not the only options. Call us to discuss other options.

### **SCENARIO 1**

Original Deposit (10% of the Original Sale Price) \$ 30,000  
 (Paid to the Original Buyer by the New Buyer)

Plus: Difference in Assignment Price from Original Price \$ 100,000  
 (New Price \$400,000 less Original Price \$300,000)

Total Deposit and Cost *today* to purchase the Assignment \$ 130,000  
 (This amount is payable to the Original Buyer to take over the Contract)

In 2009, when the property is ready to be occupied, the New Buyer will complete the sale with the Seller/Developer under the same terms and conditions as set out in the Original Contract of Purchase and Sale.

Original Sale Price \$ 300,000  
 Original Deposit Paid \$ (30,000)  
 Funds necessary for the New Buyer to complete the sale in 2009 \$ 270,000

To summarize Scenario 1, the Total Cost of the property is **\$400,000**. \$130,000 payable to the Original Buyer and \$270,000 payable to the Seller/Developer upon completion and occupancy.

## SCENARIO 2

The Original Buyer may allow the New Buyer to purchase the Assignment with only a 10% deposit, with the difference in Assignment Price from Original Price due on Completion:

New Deposit payable <i>today</i> (10% of the New Sale Price) (Paid to the Original Buyer by the New Buyer)	\$ 40,000
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In 2009, when the property is ready to be occupied, the New Buyer will complete the sale with the Seller/Developer under the same terms and conditions as set out in the Original Contract of Purchase and Sale.

Original Sale Price	\$ 300,000
Difference in Assignment Price from Original Price	\$ 100,000
New Deposit Paid	<u>\$ (40,000)</u>
Funds necessary for the New Buyer to complete the sale in 2009	\$ 360,000

To summarize Scenario 2, the Total Cost of the property is **\$400,000**. \$130,000 payable to the Original Buyer and \$270,000 payable to the Seller/Developer upon completion and occupancy. In this Scenario, the New Buyer has a much smaller upfront cost.

In both Scenarios 1 and 2 above, the new Buyer pays the GST on the Original Sale Price only. The Original Buyer is responsible for the GST on the difference in Assignment Price and the Original Sale Price.

***The above scenarios are a guideline provided to help you understand what is involved in purchasing an Assignment. We strongly recommend that you consult your own legal and financial advisors.***

## *Why Buy an Assignment of Sale instead of Pre-sale?*

- A chance to purchase a brand new unit close to pre-sale prices with less than 10% down.
- Often, the “undesirable” units are the units still available for sale by the Developer. An Assignment offers Buyers an opportunity to purchase the best floor plans.
- You are closer to the Completion date and can likely drive by the development site to monitor progress, resulting in less risk to the Buyer.
- You pay GST only on the Original Price – the Original Buyer must pay the GST on the Assignment Amount.

## *What Else?*

- Unless otherwise expressed in writing, Assignments are legally permitted, however, written consent from the Seller/Developer is mandatory.
- An Assignment Fee may be charged by the Seller/Developer which is usually paid by the Original Buyer.
- The Seller/Developer remains the legal owner of the interest in the real property until such time as the transfer of title has occurred (upon Completion).