

Land Lease - The *Boring* Facts

Originating over a century ago in the UK and now a fixture in North America, land lease offers a unique housing solution, particularly popular in warm locales like Florida and Arizona. Even in Ontario, where communities are typically smaller, land lease presents an attractive option.



Traditionally, homebuyers purchase both the house and the land it occupies. It's not unusual for the lot component to be 1/3 of the total cost. In Napanee, for example, a single-family lot can cost \$175,000-\$200,000. Is it any wonder that the average sale price of a home in Napanee is \$575,000 (MLS April 2024). In a land lease arrangement however, ownership of the land remains separate. Residents lease the land, enjoying access to communal amenities such as roads, sidewalks, and parks, along with standard municipal services.

So, what is the difference? Legally, the distinction lies in documentation. While traditional homeowners receive a deed for their property, land lease residents sign a lease, equally enforceable and registered, ensuring exclusive use of their plot. Moreover, protections under the Residential Tenancies Act safeguard tenants' rights.

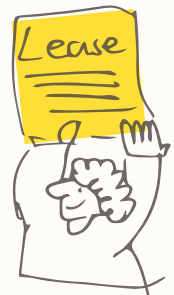


save the
\$175,000

The financial appeal of land lease becomes evident when comparing costs. A big difference with the Sunday Place Community is that you save the \$175,000 that you would normally pay for a lot in a sub-division. Here, where land lease is the norm, buyers circumvent hefty lot prices, redirecting those funds towards a manageable monthly fee. This fee, covering land rent and maintenance, often includes amenities like recreational facilities. In today's financial environment, the money you save on the lot can bring you \$5,000-\$6,000 per year in interest, which pretty much pays your monthly fee.

But your financial freedom extends even further. By leasing rather than purchasing the lot, homeowners save substantially on mortgage expenses and associated taxes, with savings of approximately \$854 per month in mortgage costs.

**Lot cost of
\$175,000 minus
20% down payment
=
\$140,000 @ 5.29%
interest with a 25 year
amortization**



As well you would save the Ontario Land Transfer tax of around \$7,500, not to mention the lower municipal taxes you would normally pay. It may be boring, but when you do the math, land lease is the better alternative to purchasing your lot.