

How To Increase Your Chances Of Buying A Good Condo?

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1. Hire an Independent Inspector who is free of influence from any realtor or their firm.
2. Items your inspector must address and make certain you receive.

He/she must read the MLS or other listings to review how the realtor has described the property. Why is that important?

One realtor described a building we were inspecting as having a new "rain screen" wall design. Investigation by the Independent Inspector determined that the strata council was informed by a Building Envelope Engineer's report that all the walls of the building were at risk of failure due to water damage. The strata council decided to only repair one wall. They were in fact a penny pinching group.

The danger for a buyer would be that eventually they could face large unexpected assessments to pay for these deficiencies. It would be just a question of time before a council member would be banging on the new owner's door asking for thousands of dollars

That the inspector ensures that you receive a copy of the Property Disclosure Statement (PDS). This is an important document that is often overlooked by realtors.

The PDS will tell you in writing what your entitlements are. For example, do you have a locker or parking space? We have seen examples where the seller will tell the buyer's agent that parking spot number so-and-so goes with the suite. To a recent buyer's surprise, the strata council had a long list of persons that wanted that parking area. The reality was that this vehicle space, which was to be assigned to the buyer (or so she believed), was placed on a waiting list for current owners to bid on. The new owner would receive a dimly lit, uncovered parking area outside. What a let-down. Needless to say, once the prospective purchaser learned of this the sale did not proceed.

WHEN YOU ARE CONSIDERING BUYING A CONDO, KNOW WHAT YOU ARE BUYING INTO.

The PDS will also advise you who to contact on council if you require more information before removing your subject clauses. Never be pressured into

removing your subjects until you are satisfied with the information provided to you.

An unscrupulous realtor may not want you to dig too far into a building's history but it is rare for a council president to lie to someone he knows may be his neighbour. As you probably noticed in our Condo Smarts section, one strata council was caught hiding information.

3. The Inspector must review the Information Certificate (Form B). That is a very important document. It will advise, amongst other things, how much money is in the Constituency Reserve Fund (CRF).

This is an emergency account in effect. Under the Strata Property Act the owners are obliged to contribute a certain percentage of their maintenance fees to cover large expenditures that may hit them by surprise. Some examples would be water damaged/rotten building envelope or old plumbing and roof replacement.

Realtors will often boast that there is lots of money in the emergency account. They may say we have \$200,000 or more. Here's the acid test to determine just how much money they have in their rainy day fund.

Divide the number of units, for example 150, into the \$200,000. That equates to only \$1,333 for repairs to an individual unit condo. The average cost of replacing sliding doors onto a patio, with faced sealed acrylic stucco walls, is about \$3,000. All of a sudden that \$200,000 appears insignificant. What if all the acrylic stucco walls have to be replaced? The strata may need to raise over a million dollars to do that. The real cost to each owner in this example would be about \$67,000. Farfetched, you say? Not at all. A recent report in the newspaper stated the owners of a Vancouver condo building could face personal assessments of up to \$160,000.

How many Vancouver condo buildings have you seen covered in tarps? Too many I think.

Although there are professional realtors available to help you, one of their own has reported in the press that insufficient information about a building's repair history is being provided to buyers. See the article entitled "Leaky Condo Costs Realtor \$20,000" under our "Interesting Articles" section of the website.

The Form B will also alert you to any monies the current owner owes in maintenance fees, outstanding fines, or if the strata council is involved in a legal problem.

The last bit of information that is important to know is how many renters are living in the complex. Most strata councils soon learn that more than 10% of the total number of units is trouble. Renters don't have the same pride of ownership. Our experience reveals that renters are often accused of internal thefts, vandalism and assaults in a building. There is also another major problem with renters and that is the investors who own the suites. As the number of leased suites increases, the owners lose control of their building.

Think of it this way. An investor only makes money if he/she receives the rent payments without having to dip into that money for building maintenance and repairs. Investors know that it is not uncommon for owners not to attend their strata council meetings. The investors rarely miss a meeting, especially when it comes time to spend money. With poor attendance of owners and full attendance of investors, they can either delay repairs to the building or stop them. That is the real danger.

Section 72 of the Strata Property Act does not allow a strata council to delay repairs; however, we rarely find a new condo homeowner who knows the importance of the Act. If you ever have a problem with a lame duck council, who is either hesitating on making repairs to their building, or refusing to take any action on addressing repairs, raise Section 72 of the Strata Property Act. That usually gets council's attention. Many owners use that as a weapon to protect their interests and to take legal action against councils.

The truth of the matter is the strata council as a Corporation has the power to ensure that the building is maintained in a timely manner. To do this they have the right to borrow money, increase maintenance fees or recommend a special assessment to be paid in stages by the owners. They cannot let your investment fall apart.

Note: A book we believe is required reading for all new condo buyers is entitled "The New Condominium Concept" written by Mr. Gerry Fanaken, President of Vancouver Condominium Services. You can purchase that from their Vancouver offices for approximately \$40.00. The publication explains in simple language how the SPA protects your investment and how to control a poorly organized council. Contact 604-684-6291.

4. Have your realtor write into your Contract for Purchase that you are to receive copies of all Engineers and "Other Contractors" reports that have been submitted to the strata council over the last six years. By putting this language in your agreement you will not be put in the position where the realtor or strata management company can stonewall you by suggesting that to get this information could take weeks. When valuable reports are demanded after the inspection, you may not get them.

The old arguments such as “We have all these other buyers that are willing to take the suite as it is without an inspection”, “It’s Friday and the Strata Management Company closes their office at noon and we cannot get to them until after the weekend” are meant to pressure you into signing the deal. The excuses are many so, whatever you do, don’t wait until the last minute to ask for reports that are sitting in the strata council’s office or in the files of the Management Company.

It is not uncommon for the strata council, especially with older buildings to have on file contractor’s reports, etc. on plumbing/drainage, wiring, mechanical, etc. They need these reports to take back to their membership to alert them to the fact that more money is required to maintain the building(s). If documents are delayed or refused, look elsewhere for a less problematic condo development.

5. Make sure your inspector reads and interprets the minutes for you. Many councils fudge the minutes and don’t always do what their consultants tell them is essential to protect the building’s envelope. They will say they don’t have the money. In response to that position, only a fool would buy into a building that does not have a yearly building envelope inspection performed by a professional. The Homeowners Protection Office recommends that. Further, remember that Section 72 of the SPA requires the council to maintain its assets.

Another way unprofessional realtors have of keeping information from the buyer is to say you are only entitled to 2 years of minutes. That is an in-house rule made by realtors that don’t want to pay for 4 more years of photocopying. Those minutes are already typed and in some strata council or management company’s office. Take note of the following sections in the Strata Property Act and Regulations.

Section 35 of the Act requires the strata council to keep a number of records which amongst them is the Minutes and contracts of their organization.

Section 4.1 of the Strata Property Regulations relates to “Preparation and retention of records”. The Regulations require the strata corporation to keep those records “for at least 6 years.”

Section 36 (1) of the Act provides “Access to records”. A person authorized in writing by an owner, which in most cases is the vendor’s realtor, can get all the important documents to the buyer.

6. Last but not least: **KNOW WHAT YOU ARE BUYING AND KNOW YOUR RIGHTS TO INFORMATION.**

By reading the minutes and consultants reports you can verify what was actually repaired. It is well known in the inspection industry that many strata councils deliberately leave out important information so they don't get labeled as a "Leaky Condo" complex. A buyer needs to know everything good and bad about their new environment in order to make an informed decision.

In one recent case, the council actually noted in their Minutes that in future they were not going to report the actual items that were found defective or repaired. For example, rather than say "Our contractor found more problems with the faced sealed stucco walls on the south and east sides of the building" they stated in the minutes "Regular maintenance was performed last month by our contractor." That tells a buyer nothing and as a matter of fact it sounds like the council is doing a good job of maintaining their complex. Nothing could be further from the truth.

For more information about leaky condo buildings go to www.myleakycondo.com That is a fabulous website to gain more important facts about how to go about your purchase in a prudent fashion.

Here's another important reason to read the minutes. An independent inspector was challenged recently by a realtor as to why he insisted on reading the minutes. She said "that is my job, I read them and everything looks good, I have been in this business for 20 years." The inspector replied, "I review minutes because many realtors don't, that is part of my service." Nothing further was said but the interesting item the inspector discovered in those same minutes the realtor said she studied carefully was a warning from an engineer 5 years previous.

That warning was relayed by the council to the owners. It advised that the bay windows on the town homes were unsafe. To repair them would cost each owner \$10,000. The membership was instructed not to let anyone sit on the window seats. These defects have never been repaired due to the limited funds in the Contingency Reserve Fund.

The more you involve yourself in the reading of all correspondence relating to the maintenance and administration of the complex the better your chances are of not having your dream home turn into a house of horrors.

KNOW WHAT YOU ARE BUYING

A few buyers will say to their inspector that they have read the minutes so there is no need for the inspector to review them further. It was widely reported in a Canada Mortgage and Housing (CMHC) survey that buyers who did not request and read all the documents we have alluded to received assessments up to

\$200,000 within one year of purchase. It was also revealed that most new buyers did not really understand some of the information they were reading.

We had an example of that where there was a report in the minutes of one owner requesting a fan in his attic. The buyer read that and thought perhaps the homeowner was just trying to keep his attic cooler in the summer. To the inspector, it signaled the possibility of mold growing in the attics due to insufficient soffit and roof ventilation. That is exactly what was learned later when the inspection was completed.

To inspect only the suite puts the buyer in harm's way. Some unprofessional realtors will try to influence a buyer's decision to not hire an inspector. They may say all they are going to tell you for several hundred dollars is that you will need a set of bedroom doors adjusted and the bathroom fan is defective. That may be true; however, if that is all the inspector is going to check then hire an Independent Inspector who will read all the documents and inspect the common areas.

There are inspectors that will argue that they have no insurance to inspect the exterior of a building. They suggest that if they make comment about one balcony, for example, being in poor condition they must look at the other balconies also. Feeble excuses for not doing a proper job.

All a buyer needs to know is what is the general condition of the exterior of the building and landscaping. A simple 30-minute walkabout with the inspector will provide that insight. It is not necessary to inspect everything. If you see only a couple of downspouts laying on the ground, fences falling over, etc. then you know in an instant that what the minutes say in terms of maintaining the complex is inaccurate. Start looking elsewhere for your new home.

Be aware that some Strata Management Companies or strata councils have been instructed to keep their lip buttoned when it comes to reporting problems with the building.

7. Make sure your inspector draws your attention to the type of wall cladding and the orientation of the building to the weather. A recent leading study on leaky condo buildings "Survey of Building Envelope Failures in the Coastal Climate of British Columbia" CMHC 1996 reported the following facts:

- "Nearly all problems related to wall penetrations not the field of the wall."
- "Of the buildings surveyed, stucco clad buildings had a higher number of problems than other types."

- "Stucco clad buildings cost more to repair."
- "South and east walls had the largest number of problems."
- "Buildings with larger overhangs had fewer problems than buildings with small or no overhangs."
- "Problem free buildings had fewer flat roofs."
- "Faced sealed wall systems are very sensitive and may not be able to perform adequately." It is not a question of if they will leak, but when. Without a yearly inspection of the building envelope, disaster is imminent with a face sealed stucco wall.

Note: A faced seal wall is where the outer cladding, whether it is stucco, wood panels, or vinyl or some other material, sits flat against the building paper next to some form of wood or composite sheathing. If water gets behind the outside cladding wood rot and mold growth can occur. This may not be noticed for a long time. Unlike a "rain screen" wall, there is no way for trapped moisture to escape.

In summary, a faced sealed acrylic coated stucco wall with an open southeast exposure is a disaster waiting to happen. You must have seen the tarps on many buildings in the city.

8. There are many other things to check when buying a condo; however, the points above are the important ones. Another thing a new condo buyer should do is talk to your potential neighbours. Ask about noise levels and security concerns. Try to determine the makeup of the homeowners. Are there families with children, single adults, retirees, etc? Of utmost importance is to read the Bylaws and rules. The largest number of complaints new buyers have is learning afterwards that there are too many rentals permitted in the building, and that they are unaware of their rights to have a pet(s). In some cases, age restrictions may be a factor.

Follow the above 8 points and you will have a much better chance of finding the home of your dreams. Neglecting to request all documentation pertaining to history of the building or failing to read those reports with a critical eye could be fatal to your pocket book.

KNOW WHAT YOU ARE BUYING INTO