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Condo Buyers Guide

Should I Buy a Condo?

As single family home prices have risen, many consumers have been looking to condominiums as an alternative. First time buyers like the lower prices, which makes entry into the real estate ownership market easier. Seniors like the low maintenance aspect and the ability to be in a community catering to their lifestyle. Others like the security advantages that the building provides, especially for those who travel frequently.

Condo Concept

When you purchase a condominium, you purchase and have title to your individual unit in a multi-unit property, and share in the ownership of the land and other common property with all the other unit owners. The type of common property varies depending on the type of condominium - high rise or townhouse for example - and would include hallways, elevators, heating system, parking structures, landscaped areas, recreation areas etc.

A condominium is a specific form of ownership and does not describe a type of building.

One of the great advantages to owning a condominium is that in most cases, it is owner-occupied and owner run. Owners ensure their investment is maintained and regard improvements as an investment which increases the value of their individual unit.

Advantages and Disadvantages of Owning a Condo

If a winter holiday is part of your lifestyle, you can leave with your mind at ease, without the worry of a driveway to clear. In the summer the grass will be cut, you won't have any exterior painting projects or fence repairs to look after.

Condo projects are now part of most communities which means being able to stay in the same location where you were a homeowner. Some condo projects are more successful than others in terms of capital appreciation and length of time to sell. Here are some of the advantages and disadvantages of condo ownership:

Advantages

- protection from rent increases
- monthly cost of owning is often less than renting
- easy financing
- wide range of property types, prices, locations, sizes and amenities available
- availability of amenities such as swimming pool, tennis courts, hot tubs, saunas, whirlpools, exercise facilities, health spas, sun decks, community rooms (the cost of which may otherwise not be affordable)
- you are investing in your own home and build equity
- appreciation of capital value
- pride of ownership
- freedom to make interior changes and enhancements to your unit
- enhanced security availability and peace of mind when leaving unit unattended
- maintenance and upkeep is kept down or eliminated
- security of tenure and permanent occupancy
- cost is often less than single family home due to efficient use of land and economies of scale
- very marketable
- wide range of prices depending on features, luxury and location
- sense of community due to permanence of residents and resulting social activity
- developments available geared to a specific lifestyle (restrictions on age, pets, children etc.)
- participation of owners in operation of development including budgeting, decision making, determination of rules and by-laws.

Disadvantages

- some loss of freedom may be experienced due to rules and by-laws e.g. type of pets allowed, right to rent unit etc.
- due to a larger concentration of people you may experience problems with the "5 p's", pets, parties, parking, personality and people.
- money is tied up in equity
- you may be paying for some amenities you never use
- boards of directors vary in terms of skill and effectiveness

Common Element Fees

As a unit owner you will be responsible for your share of expenses known as common element fees or common expenses. These are set out in the condo declaration. It describes what expenses

are to be shared and in what proportion. This can be equal or unequal in cases where they are based on the comparative size of the units.

The exterior and common area maintenance of your condo is covered by your common element fee. The fees are usually paid monthly in accordance with the budgeted expenses. Of course if your condo has more amenities such as a swimming pool, on-site security personnel etc. your fees will reflect the extra services.

Reserve Fund

Reserve or contingency funds are set up by the condominium corporation to cover major or unexpected expenses. The developer of a new condominium usually sets up a fund which is then turned over to the condo corp. The fund becomes an asset of the corporation and each year the unit owners decide on what the level should be. The individual owner does not have any rights to the Reserve Fund.

Questions You Should Ask When Buying a Condo

Pricing

- Is the unit competitively priced with others currently on the market?
- Have you taken into account the amenities offered?
- What is the resale potential?
- Have the units appreciated?
- Are other unit owners in your financial bracket? If higher they may vote for services you can not afford, if lower they may vote down changes you would like to see.

Condo Security

- Security is a key factor in choosing a condominium. The type of security will vary depending on the type of condo you choose and special care must be taken to ensure it meets your lifestyle requirements. What security features exist or are planned - suite alarms, TV surveillance, controlled access? Here are the factors you should consider or the questions you should get answers to.
- Doors - Are they solid wood or metal and equipped with dead-bolts and peepholes? Do patio doors have effective locks?
- Parking - how is access controlled? Electronically?
- Intercom - is there a good working system?
- Lighting - is property well lit in all areas - hallways, parking, fire escapes entrances and exits?
- Balconies - are they accessible from the ground or adjacent units?

- Mailbox - are numbers different from apartment and parking spaces?
- Alarms - is there wiring for home security alarms in every unit or suite?
- If possible check on the condo's record for break-ins and vandalism by asking local authorities or current residents.

Common Elements and Facilities

- What amenities are offered, what are the hours of use, is there a separate cost?
- What is common element fee and what is included? History of increases?
- Are there any exclusive use common elements (reserved for one or more unit holders)?

Parking and Storage Facilities

- What is included in the purchase? Some parking and storage may be separate and legally defined units you own, others are common property allocated to the owner and subject to reallocation by the Board, others are exclusive use elements designated for the use of a unit, pursuant to provisions in the Declaration.
- What parking/storage is required and can you rent or buy additional spots/space?
- Is there visitors parking available?

Quality of Construction

- What types of materials were used in construction? Are the facilities in good condition? How old is the building?
- Find out if the corporation has done a reserve fund study (estimate of the remaining life of the various components, cost of replacement, and contributions needed to ensure funds are available for anticipated repairs and replacements)
- What is the reputation of the developer?

Design and Layout

- Size of suite and rooms - adequate for furniture?
- What exterior changes can you make?
- Can you add solarium to balcony?

Owner Occupied vs. Tenants

- How many units are owner occupied vs. tenant occupied? Is there a maximum? Are there rental policies and what are they?

Management/Appearance

- Is project managed by a professional company, resident manager or self-managed?
- How well has the building been maintained?
- Does it fit your personality/lifestyle?

Restrictions

Ask your RE/MAX agent for the complete set of building rules and regulations. Are there any restrictions you require/don't want - pets, children, age, number of people per suite, carrying on business in a suite? Most condos have a long list of association rules and regulations by which you'll have to agree to abide if you purchase in the building. These rules may limit the number, type, and weight of pets; how many visitors you can have at any one time; how often - and for how long - you can rent out your unit (if at all); when and how you can reserve common facilities like the party room; when you can have work done in your unit; and, what day you can move.

Expenses

- What will be your monthly operating cost?
- Have there been any special assessments in the last two years and are any planned?
- Which utilities are common and which are individually metered?
- What are the property taxes?
- What insurance do you need and what is covered by the corporation?

- Ask to see the past two years worth of condo board meeting minutes, as well as the last two years' of budgets and the current year's projected budget. What are the owners concerns?
- Are there any large-scale improvement projects planned? How much will they cost and how are they to be funded?
- Has there been a review of the reserve fund to ensure it is adequate? Is the building fiscally responsible? Are any fees/owners in arrears?

New Condominiums

- Check the reputation of the developer with people living in other projects they have done or project you are looking at.
- What is the cost for set up of a reserve fund (one time up front fee)?
- What are the landscaping plans?
- What warranties are being offered - is the project covered by a New Home Warranty Program? What are the terms of this warranty? Contact the organization offering the warranty and find out exactly what is covered and what restrictions are involved. What specific timelines builders must work to and what dispute resolution services are offered? What clout does the warranty organization have with builders in settling a dispute?
- How many elevators are there and how fast are they?
- Are units wired for cable TV and telephone at the developers cost?
- Does the corporation have a proposed operating budget? - If so, obtain a copy.