

Selling YOUR CONDO?

What you need to
know to get a fair
price in a “Leaky
Condo” market.

Special Report Presented
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SELLING YOUR CONDO?

What you need to know to get a fair price in a “Leaky Condo” market.

Condo ownership is still an attractive choice for empty nesters and young professionals **despite** the “Leaky Condo” fiasco that resulted in millions of dollars in damage to condominiums in the mid-90’s. That’s because condo ownership provides a buyer with the equity provided by home ownership without the headaches of exterior maintenance, landscaping, snow shoveling and other responsibilities shouldered by the owners of individual homes. It is a home ownership choice that suits a growing section of the population (Boomers and Gen X’ers as well as seniors) and the problems caused by poor construction, faulty regulation and lack of enforcement of building codes do not change this fact. But it does tend to make buyers very wary.

If you own a condo that was affected by these problems and live in it, or rent it, you will have faced the problem of remediation. If you are entering the real estate market to sell a condo you must pay particular attention to ensuring that your building is problem-free or that measures have been taken to solve any problems that may exist. You can be assured that the buyer and their real estate agent will be paying close attention to the condition and value of the property they are considering as a home or investment.

Damaged or not, will you be tarred with the same brush? **YOU BET!** Even if your building has had no problems you need to know that your unit, building and association will be put under a microscope by people looking to buy.

Don’t sit on the sidelines – it’s important to be involved in your condo association.

As a condo owner you have a choice when it comes to your level of participation in the activities of the condo association (the organization of all the owners is called the Home Owner’s Association, Strata Corporation or other name, depending on the area). The current situation makes your participation as owner and/or resident more important than ever, especially if you are planning to sell.

It is the condo association that is responsible for periodic inspection, detection and correction of problems affecting the building. If you are fortunate enough to live in a condo that has not been adversely affected, you will still need to have a certain level of knowledge of the problem facing the sector. This knowledge will put you in a position to reassure buyers that thorough and timely inspections of your building have been carried out and that it has passed with flying colors.

If you are putting your unit on the market, you should consider that you have no choice but to be a pro-active member of your association and to inform yourself of the overall situation. There is little doubt that potential condo buyers and their advisors will require detailed proof that problems have been identified and resolved, and that the association has the mechanisms in place for early detection of any future problems.

Do you know what a buyer is looking for? Reassurance (and proof)!

Consider the property from the perspective of a buyer. A buyer wants to be assured that the property is in good condition and free of defects that will result in costly repairs and reduced re-sale value. A buyer will be advised to carefully study the compulsory disclosure documents (like the Property Condition Disclosure Statement now required in BC). This document details the condition of the building structure and the electrical and plumbing systems as well as whether there are any taxes, charges or other assessments affecting the property. This document will be used by the buyer to determine whether or not to hire a building inspector to conduct a detailed inspection of the unit and the building itself.

Make like a Boy Scout and BE PREPARED!

In preparation for selling your unit you should review the minutes of the meetings of the condo association for the previous two years. These will show what measures have been taken to complete or schedule any necessary repairs. The minutes will also indicate if a building inspection should be ordered by the condominium association or yourself as the owner of an individual unit. They will identify existing problems and give you the opportunity to correct them **before** you put your unit on the market.

Note: an informed buyer will be reading these minutes so you definitely need to know what they say. If an inspection reveals problems that fall within the responsibility of the condo association you can initiate action through the Association **before** you put up your "For Sale" sign.

Information is Power.

The infamous "Leaky Condo" syndrome of the 90's has resulted in financial consequences for thousands of condo owners. Developers, architects, builders, building inspectors and municipal government have all, to one degree or another, been held responsible. In various jurisdictions lawsuits have resulted in damages being awarded to condo owners.

In British Columbia, where the problem has been particularly severe, an estimated 50,000 new condominiums had leakage problems in the mid-1990's. In response the provincial government has provided no-interest reconstruction loans and provincial sales tax relief for repairs. Since June 30, 1999 building permits issued in British Columbia are not issued without effective third-party warranties and a licensed builder. New warranty standards provide two years protection on labor and materials, five years on defects in building envelope, and ten years protection on structural defects.

Other jurisdictions have taken similar action to assist condo owners and protect future owners. For information on programs and regulations in your area contact local, state or provincial and federal agencies, as well as associations of homeowners and realtors.

In a "Buyer Beware" market YOU, the seller, MUST BE INFORMED.

Condo purchasers are probably the best-informed consumers in the housing market today. Because of the publicity resulting from the leaky condos of the nineties, the general

public and prospective buyers in particular are well aware of potential problems with any condo. A condo buyer is likely to be extremely diligent in checking out new properties.

The condo owner (that's you) is obligated to disclose all that they know about the state of the building, including inspection results, any known problems that exist and the results of remediation and repairs.

Be prepared to give the buyer the minutes of the condo association for the past two years (we told you they'd ask!), which will show what measures the association has taken to ensure that the building itself and all major systems are in good order. Active participation by an owner in the affairs of the condo and in solving the problems of the building will inspire confidence in a prospective buyer.

Are you sure you fixed the problem?

Problems concerning the structure itself and the building envelope are the most costly, time-consuming and difficult to correct. Water leakage can have taken place for a long time before the effects are noticed and the resulting moisture problems can result in the growth of mold, which is a serious (and well publicized) problem in itself. After you've stopped the water ingress professionals must be hired to eradicate any mold and ensure that it will not return. If your building has had a problem with water leakage do the minutes of your condo association indicate that the appropriate action was taken? Is there proof (an inspection) that proves the problem was fixed properly? Your buyer will want to know.

Take care of your investment.

Selling or staying put? Either way there are some basic steps you need to take to protect your property investment. Condo owners should conduct an annual inspection of the property along with the electrical, plumbing, heating and other systems. Condo owners, through their association, are well advised to have annual or even semi-annual inspections performed by professional inspectors, including a building envelope specialist.

Take immediate action if problems are detected. The condo association should establish a building committee to investigate the problems and their resolution. The committee needs to know what builders warranties exist and will be responsible for dealing with inspectors and contractors on behalf of the association.

The condo association should consider retaining experienced legal counsel to determine its legal rights and remedies. The association's annual budget should always include a contingency fund that covers minor repairs and routine inspections (prospective buyers will look for this).

Major repairs may require special assessments and may be eligible for government assistance. Legal counsel experienced in construction/condominium deficiency matters will be an invaluable resource when considering which leaky building experts to hire. The building committee, through its legal counsel, should immediately inform all

concerned parties including the architect, general contractor, sub-contractors, developer, municipality and relevant warranty programs. The information should include a description of the problems with a request for input into potential solutions.

Litigation may be required at some point and a legal firm with first-hand knowledge of the problems will be better able to assist. The building committee will have to keep detailed records, these will be important for condo owners and potential buyers.

Remember that the new owner is not only taking possession of your condo (the space between the walls) but will also become part-owner of the building including whatever problems exist along with the costs involved to fix them.

Don't forget the basics!

In spite of everything the bottom line is that a potential buyer is looking for a home. Don't forget the basics of preparing your condo/home for sale:

- -fix or replace damaged flooring
- -fix drains, faucets or plumbing fixtures including toilets
- -paint, paint, paint – this is perhaps your most effective “quick fix”
- -replace burned out bulbs and broken electrical sockets
- -fix all the doors-exterior, interior & closet
 - replace old locks and loose doorknobs
- -flowers - put potted plants on your deck and buy indoor plants and flowers
- -tried & true, bake bread or cinnamon buns to remind your buyer of home and Mom!

Clean your room! - Or in this case ALL your rooms. Your mother was right on with this advice. You wouldn't believe the number of sales that have been lost due to dirty kitchens and bathrooms, clutter, stains and strange odors. There's no excuse for showing a dirty home. Pretend your mother-in-law is coming to visit and give yourself the “white glove” test, you'll be laughing all the way to the bank!

Ask your realtor for tips on how to show your home. – Knowing exactly what to say and do when you show your home is crucial. There are “do's” that may help clinch a deal and “don'ts” that might sink it. For instance, keep a low profile when your home is being shown, the realtor can do a better job of selling your home if you stay in the background. Don't have crowds of visitors when someone is looking at your home, people feel like intruders when they enter a room filled with people. Keep your pets out of the way (no matter how cute they are) and turn down the volume on your stereo or TV. Little details can make a big difference – ask!

In Conclusion:

The most important thing a seller can do is to participate fully in the condo association's solution of any problems related to the building and to provide accurate and thorough information to prospective buyers.

The existence of a growing sector of the home-owning public that recognizes the benefits of condo ownership means that even if a building has suffered water damage or other problems, there is still a market for the units. Especially if diligent attention has been paid to repairs. A pro-active condo association that has taken charge of the situation and engaged appropriate legal counsel and professional contractors for remediation, inspires confidence in a buyer.

To realize the best price in a difficult market a seller should do serious preparation and provide a thorough record of the history and condition of the building and all measures taken to correct any problems.

Don't forget that even if your building has not been damaged it will still be subject to intense scrutiny by potential buyers. They will want to know that the building has been inspected regularly and that the condo association is active and conscientious in defending the interests of the owners.

Further Information:

1. <http://www.hpo.bc.ca/Overview/Regulations/RepairWarranty/RepairReg.htm> – Homeowner Protection Office, British Columbia. Building Envelope Renovation Regulations.
2. <http://www.fic.gov.bc.ca/strata/> - Government of British Columbia Strata Property Act Information.
3. <http://www.hpo.bc.ca/Loan/index.htm> – Reconstruction Loan Program, BC.
4. <http://www.notaries.bc.ca/article.php3?38> – article on the new Leaky Condo Regulations in BC.
5. http://www3.bc.sympatico.ca/metrohomeinspections/leaky_condos.htm – Leaky Condo info source.
6. <http://www.sands-trustee.com/leakycondo.htm> – financial and litigation information (should I sue, who should I sue, what about bankruptcy).
7. <http://www.bcrea.bc.ca/govt/BCREA%20Position%20Leaky%20Condos.pdf>
8. <http://www.myleakycondo.com/> - web site run by leaky condo owners.