

Condo Smarts

Headline: Buyer's crisis

Topic: Buying & Selling

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Dear Tony: Please print our letter. Our situation is something every first time home buyer should be aware of. We purchased into an older 4 floor wood frame apartment building in Richmond in September of 2016. At the time we were aware of a new roof being planned from the contingency fund but nothing else was disclosed in the minutes of the strata meetings or as an immediate issue in the depreciation report. What we didn't realize at the time is that the depreciation report was written by a volunteer and did not include an assessment of all the building components. We purchased the unit because it was 3 bedrooms and affordable on our budget; however, buyer beware. Older affordable homes are not necessarily a bargain as we discovered. We are now facing a \$37,000 special levy for major exterior repairs and that is just the beginning.

Brad and Margaret M.

Dear Brad and Margaret: Buying a new home whether it is a condo or detached house is often charged with nothing but enticement and it's exciting the day we sign the papers on our first home. Because we are so intent on purchasing our first home, we are unwilling to look at the disadvantages that may discourage our purchase. As buyers, we are often willing to accept information as reliable on face value without closely scrutinizing the source, reliability of the writers and whether the information is relevant or dated. The strata corporation provided you with a depreciation report attached to your Form B information certificate. It was the obligation of the strata corporation to ensure the report met the requirements of the *Strata Property Act and Regulations*. If the strata failed to provide you with a reliable report, you may have a valid claim against the strata corporation for the undisclosed liabilities (the additional repairs they were hiding). As a result, you may want to file a claim through the Civil Resolution

Tribunal for damages against the strata corporation for the undisclosed projected repairs.

There are 3 conditions in depreciation reports that I always double check:

1. Who was the writer and their qualifications
2. Is the writer insured for the purpose of providing a depreciation report?
3. A summary of the common property/assets and their projected renewal dates.

I am surprised at how frequently the summary of common assets often omit critical items like an elevator, or pipe replacement. Even if the strata is planning for a new elevator there is no authority to remove it from the report as it only exposes the owners in the strata corporation to a possible claim from a buyer.

The BC Home Partnership Interest Free loan program which launched this week is a great opportunity for new home buyers to get into the market and build equity into their future, but buyers still have to manage their risks. Newer buildings will generally have predictable fees for the first 1-10 years of operations, but as building components age, maintenance and renewal cycles will increase. No investment is 100% secure. Before you buy try to set a date and value to the next major repair the property will experience and whether you can pay the levy. If the plan is for a new roof in 2018 and the cost is \$200,000, how will the strata pay the cost? Are there enough reserves to cover the new roof or will it be special levies? If there are special levies do you know what your share will be? Apply this test to all known future costs and then make your decision.