

## Condo Smarts

Headline: Winding Up/Selling your strata corporation

Topic: Buying & Selling; Liquidation

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**Dear Tony:** Our strata owners have been enticed by an agent to consider selling our entire property and liquidating the property. At a recent information meeting, the agent brought a proposal from a developer to purchase our entire strata property for about 40% above the current market value of sales per unit. A small group of owners have started asking questions and challenging who the agent is working for and if we are getting the best offer. For example, how could an agent bring an offer from a developer and then ask us to sign an agreement for sale where we are paying the agent 3% of the gross sale. The amount in our situation would be \$840,000. It doesn't seem ethical to us that the agent is representing both parties. Some of the owners have suggested we consider other offers and the agent has advised his client will cancel his interest if we shop around. How do we ensure the owners are getting a fair price?

*Vince M. Vancouver*

**Dear Vince:** Your owners don't want just a fair price. Your owners deserve the best possible price for your property, along with the best terms and conditions for the sale, and the most competitive rates of brokerage fees and administrative costs. The easiest step for any strata corporation that is considering selling is retaining a commercial brokerage to market your property to its best profile and attract as many investors as possible to compete for the price. Don't expect ridiculous prices as greed tends to cloud everyone's perspective, but you should be expecting the best price the market is prepared to pay. Sale price will vary greatly depending on zoning, current land use, future planned zoning changes, increased zoning in community plans, nearby amenities such as transit, waterfront, parks, shopping centers and the overall potential for future development. The amounts that are offered may also be affected by the number of competitors bidding on

the property. Your strata council requires the authority of the owners to sign a brokerage agreement and proceed with a marketing program. That can be reached by a simple majority vote of the owners where the brokerage agreement exposes the strata to the obligation of sale, only if the strata corporation successfully negotiates terms and conditions of an agreement for sale that results in a successful 80% vote. For a small investment on legal services to review the brokerage agreement before you sign, the strata has the opportunity to test the water and find out if there is an interest in the property and the value. If there are credible offers, the council can call a general meeting of the owners and find out if the offered value and terms of the sale is sufficient for the owners to consider the vote. There is no point in holding an 80% vote if only half of the owners are willing to support a sale. The general meeting to approve the 80% vote will be time consuming and costly. When your strata is ready to go to market, interview several commercial brokerages and find out what they propose for a commission rate, how they will market the property, will they be prepared to be your sole broker, and any other conditions that may affect your brokerage agreement. The process of selling a strata corporation is rampant with speculation. If you really want to know, consider a formal marketing process and take your property to market.