

Condominium Home Owners' Association

Serving BC's Strata Property Owners since 1976

Bulletin: 300-253

Condo Smarts

Headline: Pre-sale units a double-edged sword

Topic: Pre-sales

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Dear Condo Smarts: Our family is on the hunt for a new condo in Vancouver as an investment and for our kids while they go to university. We don't need it until fall of 2008, so we thought we would consider a presale that would be ready by next summer.

However, we are very concerned over all the problems we are hearing about with buyers finding out that their costs are significantly higher than they expected, the sale price is different or owners are faced with changes to the condos they thought they were getting.

Could you please explain what type of legislation covers presales and how we can protect ourselves before we make a purchase.

-- DL, Kelowna

Dear DL: Other than the intended marketing of the units there is actually very little that the legislation covers for the presales as no real estate as of yet exists for conveyance or sale.

Developers have an obligation to disclose to you what they basically intend to sell you. The disclosure includes: a description of the units and proposed sizes and estimate of the proposed unit entitlement, proposed agreements for maintenance and operations, leases and contracts, operating budgets, and proposed common property, assets and facilities that will become part of the strata.

This is, however, very much a contract agreement. The contracts often reserve the right for the developer to recover additional costs for construction or inflation, or the ability to make alterations or amendments to the strata plan that could have a significant effect over whether you wish to proceed with a sale or not. They may even reserve the right for the developer to cancel the project or the presale agreement.

For every owner dissatisfied with the changes in a presale there are many who have successfully made a windfall on the appreciation of property values.

Remember a presale is also speculative so along with the benefits of increased property values you may also find you're exposed to the inflationary effects of rising fuel costs, concrete, window systems, and finishing materials.

Before you buy, check out the developer's history on presales and take the agreement to your lawyer and review the terms and conditions of the contract.

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