

Condominium Home Owners' Association

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Bulletin: 300-268

Condo Smarts

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Dear Condo Smarts: With all the media coverage recently about presales going badly we were wondering if you could answer a question for us? We took possession of our presales home in the fall, and everything with the sale went very well. The price was the same, the product was delivered on time, and our unit was what we had anticipated. Our strata does have a very real problem however with the parking. The developer intended on most of the presales to provide each person with 2 parking spaces, but now we discover there is barely enough for 1 parking space per unit. Most owners we've spoken to are furious. Many have 2 cars and are having to either sell 1 or rent parking in a neighbouring parkade. Do we have any recourse? Our real estate agent has told us a parking spot in Vancouver downtown can be worth \$25,000 or more. JG, Vancouver

Dear JG: Presales have a significant inventory of limitations and exemptions. When anyone buys a presale they are not buying real estate. They are entering into an agreement with the developer for the right to purchase that real estate when the property is finally complete and the titles are created for conveyance. The price, what you are buying, and any terms or conditions in that contract are all part of the negotiations. Take great care in purchasing a presale agreement though. As the first purchaser/party to the contract, you have 7 days to reconsider your decision and have your deposit returned. If you want to ensure you have a decent deal and reasonable security in the agreement,

you must take your agreement to your lawyer for legal review before the 7 days is up. Everything on a presale is negotiated and most if not all conditions may be subject to change, alteration, price increases, exemptions, exclusion, or outright cancellation of the contract. So in many ways a presale is a speculative investment and along with that come all of the risks of speculation. Subsequent assignments should also understand that only the original deposit by the first purchaser is secured, either in trust or by way of deposit insurance. In simple terms the first presales buyer can sell their presales agreement to another person. Their original deposit was \$50,000, and they sell the agreement to a 2nd person for \$100,000 and make \$50,000 profit. The only protection for the 2nd person is the original \$50,000. Any increase above the original deposit is not protected and at risk if the project is cancelled.

I did manage to obtain a copy of the presales agreement for JG's building, and there is a limitation for parking. "Subject to availability and cost of construction, up to 2 parking spaces may be negotiated for a strata lot. Parking may be limited by zoning and construction limitations and will not be confirmed until final sale." The final sales agreements only included 1 parking space. It's more than buyer beware. Presales buyers must review every document, amendment and the final sales agreement before they proceed. Seek professional guidance and be prepared for the risks.

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