

Condo Smarts

Headline: Vacation Properties and Foreign Investments

Topic: Buying

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Dear Condo Smarts: We are travelling to the Olympics and will be looking for vacation property for our family. We have received several packages from developers and vacation properties to review before we get to Whistler, and they all refer to different types of ownership, the use of property and different types of covenants that prevent us from using our property at our leisure. We have obviously spoken with our own lawyer, but need some idea of what to look for in vacation property and what type of conditions we will come across. Should we consider new, or pre-owned? Are there pitfalls we need to watch for? Jay & Del Heilberg, California

Dear Jay & Del: Investing in a vacation property can be broken into a number of types of properties. Free hold detached (single family non-strata titled home), free hold strata without restrictive covenants (the typical townhouse or apartment style condominium), free hold detached or strata with restrictive covenants (the owner use is limited to specific periods to ensure availability of accommodations at the resort), and several types of shared interest on title such as 1/4 share or time share.

All types are available in either new or pre-owned properties, but before you make a decision, consider how often you intend to use the property, whether you intend to receive any type of income from the property, your initial investment, and what your future monthly costs are going to be. Factor in management services, property taxes, utilities, insurance costs.

There are also a number of variations of rental services such as, rental pools, short term rental services, hotel services and rental management through a licensed brokerage. If you are purchasing into a strata corporation, there are also the operations and management considerations of the strata corporation and the use of property as regulated in the strata bylaws. Assess whether you intend on participating in the business of the strata by acting on council or

attending annual meetings, and of course what the long term projection of costs will be for maintenance and renewals of the building systems.

If you consider a fraction share, such as a 1/4 share or time share, you will need to review the conditions of the agreement, operations, and management to determine simple basic operations. No two agreements are the same and it is important to understand how annual budgets are established and approved, who holds voting rights for your interest, how the liabilities are shared, how administration costs are apportioned, and how your rights of access determined.

A buyer may consider a subject on the sales agreement that provides them with a window of time to review the agreement and analyze the conditions imposed on the property. Without subjects, or once the subjects are removed, your ability to negotiate or cancel the agreement is seriously compromised.

If you intend on having your unit available as a rental, in a rental pool or hotel management system, it is important that you review the terms and conditions of the agreements first. The financial operations of the strata corporation and the accommodation services cannot be co-mingled. This ensures that strata management services under the Real Estate Services Act of BC are performed by a licensed agent.

Make sure your investment is a great decision for years to come. Before you buy, consult with a legal professional about the terms and conditions of the sale, the terms and conditions of management and rental agreement contracts that affect the property, the bylaws of a strata corporation if any, terms and conditions on shared use interest, local government bylaws and covenants on property use, environmental restrictions or limitations on the property, and, your taxation implications for property tax, and tax structures on revenues.

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