Condo Smarts
Headline: Managing a buyer’s risks
Topic: Buying & Selling, Depreciation Reports
Publication date: June 12, 2014
Publication: The Province
Written by: Tony Gioventu

Dear Tony: How does a buyer know whether a depreciation report is accurate or not? We have been looking at different condos in Surrey and Delta and find reports confusing. Some reports do not include all of the items the strata is responsible to maintain and repair, and you have to look closely because the exclusions are not always listed. As buyers we find the depreciation report a valuable tool in finding out when the next major repairs need to be done, and what they may cost, but it’s unreliable.

Jeremy K

Dear Jeremy: A depreciation report is just one of the many tools and documents that a buyer should review when they are considering a purchase. The report provides a valuable insight into the next 30 years of the life of a strata corporation, but these assessments are only estimates and do not tell the whole story. Buyers have to gauge how much risk they are prepared to accept when they are purchasing a home, and even with the most concise reports there may still be variables that are unknown to the depreciation planner and not clearly identifiable within the report. For example, the in-ground utility services such as sanitation and water in a townhouse complex are the responsibility of the strata corporation and eventually over a 25-75 year period will require some renewals and upgrades. To be able to report on the estimates of costs and time periods, the depreciation planner will rely upon the repair history and costs of the strata if any, and estimates of the average life expectancy, but will not be able to give a definite assessment of condition without the strata corporation agreeing to have the lines scoped and inspected. The depreciation report is part of the information that a strata corporation has to provide when a buyer/their agent requests a copy of a Form B Information Certificate. In addition to the depreciation plan, buyers should also review financial information, the minutes of the previous years of the strata corporation and request copies of any other engineering or environmental reports. The purpose of the depreciation report is to report on the current condition, life expectancy and future cost of all common property, common assets and any agreements that apply to the strata corporation. Also look for any common property that an owner will be responsible for as it relates to the expense of an alteration(s). This should be both disclosed in the depreciation report and on a Form B if it relates to the unit you are interested in. If there are published or non published omissions it may be an incomplete report or a strata corporation may intentionally be instructing the depreciation planner to omit those items. Either way, the report does not comply with the requirements of the Act and is likely a red flag for buyers.