

Condo Smarts July 17 – July 23, 2021

Buyers Be Cautious

Dear Tony: We are retiring this year and considering downsizing to a condo. We have started looking at both new and existing properties around Vancouver and Victoria, but we encounter challenges with both options. New developments are often available only through presales and the time periods for completion would require us to sell, rent until the property is ready, and with few assurances of completion dates would require us to move twice with no guarantees how the properties would be managed or how fees would be structured for long term operations. Existing buildings are more attractive; however, we find most properties are sold within days of listing, and there appears to be more of a concern by realtors to keep strata fees low rather than looking at the age of the buildings and the long-term maintenance to protect owner investments. Are there any standards or consumer rules we might consider following? As new buyers into a condo lifestyle we would like to avoid a sinking investment. Karyn and Jerry W.

Dear Karyn and Jerry: There are many existing buildings and communities that are an excellent investment. They are easily identified by reviewing the financial reports, investments, a depreciation report completed by a qualified consultant or reserve planner, and by reviewing the minutes of the strata corporation to identify how they address maintenance, planning and funding for the future. While every building has different amenities, staffing and servicing requirements, an annual budget that identifies all the service contracts for maintenance and operations is a significant asset. An active use of the depreciation report to plan for future renewals and major maintenance components is a healthy indication of a well managed property. Low strata fees are problematic for strata corporations as they often indicate a community dependent on special levies. Special levies require a 3 / 4 vote of owners at general meetings and many owners vote against a special levies generally due to affordability issues. The result of failed special levies is deferred repairs which will only rise in cost and damages, and the potential for court actions or CRT orders. There is also a direct link between low strata fees, deferred maintenance and renewals, and higher risks for insurers. This results in higher insurance rates and deductibles for strata corporations. Buyers should always request copies of depreciation reports, any engineering and environmental reports, minutes of annual meetings, the bylaws and rules of the property, copy of the strata insurance policy, and a Form B Information Certificate, which will also identify any courts actions or decisions against the strata corporation. Read all documents and discuss any issues with your realtor and lawyer. This should help separate the well managed buildings vs the buildings at risk. New construction in some ways is easier to manage as the strata corporation is enabled to make the right decisions that will impact funding and future operations. Owners can have a direct effect on their investments by joining and supporting the newly formed strata council and making decisions that ensure a well funded and planned operations plan. Strata fees for new properties often start low in the first year as there are service contracts included with the new construction that are included in the warranty period and some developers will entice buyers with low costs. Plan on an increase of fees once all units are occupied and the strata corporation is fully serviced for operations and maintenance. This may be impacted by insurance costs, staffing, and consulting for warranty inspections, legal services and the management of warranty claims, the commissioning of a deprecation report, and operational requirements. Every building, which consists of endless components, will have failures. The effective management and planning of those issues when they arise is the true test of a well managed property. Product failures and installations are often beyond anyone's control; however, a well funded property will also be able to respond without a significant crisis for owners.

Tony Gioventu, Executive Director CHOA

Covid-19 Notice: As a precautionary measure to prevent the spread of COVID-19 CHOA staff are working remotely and our offices are temporarily closed. We understand these are challenging times for strata corporations and we are here to help. Even though CHOA advisors are working remotely we are only a phone call or email away and able to assist you with hosting meetings and notice preparation.

Tuesday Lunch & Learn Live with CHOA: CHOA is hosting a series of webinars once a week, for the next few months. Join us each Tuesday as we bring together industry experts to discuss the many issues affecting BC's strata community. For more information visit our website at: <https://www.choa.bc.ca/seminars/>