

BUYING A CONDO? IT IS MORE COMPLICATED THAN IT SEEMS.

When inspecting a condo that is 20 units or less I always ask my client if they want me to inspect common areas such as the roof, outside walls, common hallways, etc. Many say to me it is not necessary because these are all areas that are part of the condo association. Just remember that you will be a part of this association and if the physical condition of the property is in disrepair you will, first of all, want to know why things have not been fixed, and secondly, is there money in the reserve fund to pay for repairs. You do not want to get hit with a big unknown assessment after you move in. Always consider having common areas inspected as part of the general inspection along with your own personal unit.

You may find the following article from Smartmoney.com interesting.



7 Questions You Must Ask Before Buying A Condo

1. "What's the beef?"

Take a look at the minutes of the condo association board meetings to see what the owners have been griping about. If everyone was complaining about the faulty plumbing, a leaky roof or the gardener's absence, you know that the complex is having management difficulties. Even if there aren't any complaints, reading the minutes will reveal the sorts of projects that are under way at the complex -- projects the seller may have neglected to mention. Sometimes you may have to pay a fee to get a copy of the minutes but it will be well worth the price. Try to get at least one years minutes. Do not let anyone tell you that you cannot see the minutes until after you buy your condo.

2. "Who's been naughty and who's been nice?"

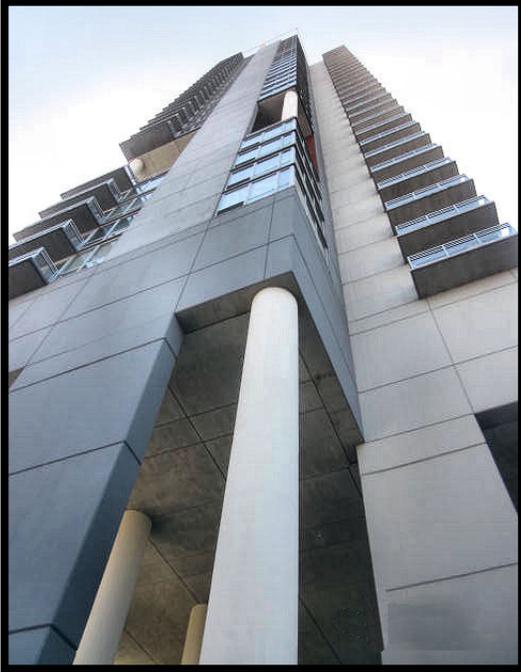
Find out the delinquency rates of present owners. If people aren't paying their association dues on time, that is either a sign of discontent or an indication that the association might be underfunded.

3. "How much is in the repair fund?"

Ask if the community has done a reserve-fund review in the past five years. Lester Giese, the author of *The 99 Best Residential & Recreational Communities in America*, recommends the following formula: If the complex is one to 10 years old, the reserve fund should have 10% of the cost of replaceable items (roofs, roads, tennis courts, etc.). Between 10 and 20 years old, the repair fund should be at 25% to 30%. At 20 years, that amount should be 50% or above. Residents who brag that they don't pay much in maintenance may be in a complex that either is not being kept up well or is living beyond its means.

4. "Can you cover me?"

Get a copy of the certificate of insurance, which is a summary of the association's policy. First see if the replacement costs covered by the policy are an accurate estimate of the cost of rebuilding. Then make sure that the policy has a building-ordinance clause, which means that the insurance will cover the cost of bringing the building up to code if there is any rebuilding to be done. On older buildings, there may have been many code upgrades since the time of construction. Finally, make sure that you understand exactly what the association policy covers and what you are responsible for. The smart condo owner will insure his or her personal belongings, along with any other items within the unit that are not covered by the association's policy. If you have trouble understanding the insurance lingo, take the insurance certificate to an agent whom you trust and who understands the state laws.



5. "Does the association present any legal problems?"

Buying a single-family home without a lawyer is no big deal for many people. But with a condo, there's so much more involved. Contact a local real estate lawyer and have him or her go over the bylaws of the association. Do they make sense? Are they consistent with the state laws? Giese, the author, once found that the association bylaws of a large garden-style condo complex had been lifted from the books of a highrise condo, leaving confused tenants with rules about shared hallway space and the correct use of garbage chutes. Benny Kass, a Washington real estate attorney, recommends that you also have your lawyer screen the association at the local courthouse, to see if any owners have filed suit against it.

6. "Is the complex renter-friendly?"

If the renter population is over 10%, there should be clear rental policies, either listed in the bylaws or tacked on as an amendment. Does the management company find renters for you? If so, do they get enough good renters? Ask other tenants

about their experience. In addition, ask to see the association's rental lease, and have a real estate lawyer look it over. Keep one thing in mind, though: An association can change its bylaws to prohibit or restrict renting at any time. The more owners who rent, the less chance that will happen.

7. "Am I my community's keeper?"

Watch out for a condo whose owners manage the place themselves. Although many are operated efficiently, self-management can lead to more hassles for owners -- especially those who live thousands of miles away. If the complex is professionally managed, check out the management company as thoroughly as you check out the association. Ask other owners. Ask people in nearby buildings. And be sure to interview the day-to-day manager directly. If you hook up with a bad manager, you can be sure of this: Your dream condo will keep you up at night.

8. "Which parking spot is mine?"

If parking is part of your purchase arrangement. Make sure you know exactly which spot is yours.

My clients were paying an extra \$20,000 for inside parking. When we looked at their spot we discovered it was barely big enough for a motorcycle.

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