

CONDOMINIUM BUYERS' GUIDE





CMHC—HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for more than 60 years.

Together with other housing stakeholders, we help ensure that the Canadian housing system remains one of the best in the world. We are committed to helping Canadians access a wide choice of quality, environmentally sustainable and affordable homes – homes that will continue to create vibrant and healthy communities and cities across the country.

For more information, visit our website at www.cmhc.ca

You can also reach us by phone at 1-800-668-2642
or by fax at 1-800-245-9274.

Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

CONDOMINIUM BUYERS' GUIDE

CMHC offers a wide range of housing-related information, For details, call 1-800-668-2642
or visit our website at www.cmhc.ca

Cette publication est aussi disponible en français sous le titre : *Logements en copropriété — Guide de l'acheteur 63101*

This research project was funded by Canada Mortgage and Housing Corporation (CMHC). The contents, views and editorial quality of this report are the responsibility of the author(s) and CMHC accepts no responsibility for them or any consequences arising from the reader's use of the information, materials and techniques described herein.

Disclaimer

This guide is provided for general information purposes only. Any reliance or action taken based on the information provided is the responsibility of the user. Readers are advised to consult appropriate professional resources to determine what is suitable in their particular case. CMHC assumes no responsibility for any consequences arising from use of the information provided in guide.

National Library of Canada cataloguing in publication data

Main entry under title: *Condominium Buyers' Guide*

Issued also in French under title: *Logements en copropriété — Guide de l'acheteur*

ISBN 0-662-33517-1

Cat. no. NH15-407/2003E

1. Condominiums—Purchasing—Canada.
2. House buying—Canada.
- I. Canada Mortgage and Housing Corporation.

HD7287.67C3C66 2003 643'.2 C2003-980058-X

© 2002 Canada Mortgage and Housing Corporation.

Reprinted: 2005, 2006

Revised and reprinted 2008, 2009

All rights reserved. No portion of this book may be reproduced, stored in a retrieval system or transmitted in any form or by any means, mechanical, electronic, photocopying, recording or otherwise without the prior written permission of Canada Mortgage and Housing Corporation. Without limiting the generality of the foregoing no portion of this book may be translated from English into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

Printed in Canada
Produced by CMHC

So You've Decided to Buy a Condominium . . .

Condominium living is a popular option for many Canadians as it can be a relatively carefree housing option. Currently, in some parts of the country, one out of three new homes built is a condominium. Interest in condominiums tends to grow with a shortage of rental accommodation, relatively low mortgage interest rates, and urban core renewal. Most major newspapers now include a condominium section which recognizes the increasing number of people who already live in—or aspire to live in—a condominium.

This *Guide* has been created to help you become an informed condominium buyer and to help you make the best choice. Please see the glossary at the end of the *Guide* for full definitions of some of the terms used in this guide.

The *Guide* will give you the basic background information you need to get started on the path to condominium ownership. It will identify important questions to ask—and the people you should be asking—before you make this important purchase. At the end of the *Guide*, we've provided you with a condominium selection checklist to help you narrow down the choice between the different types of condominiums you might see.

This *Guide* provides a general overview of the purchase of condominiums. It is not intended to provide legal or technical advice. It is recommended that you retain appropriate legal and technical professionals to guide you with any condominium purchase you may consider.

Table of Contents

- So You’ve Decided to Buy a Condominium** i

- 1 - Condominium Ownership**..... 1
 - What Is a Condominium? 1
 - What Types of Condominiums Are There? 2
 - What Do I Own When I Buy a Condominium? 2
 - Are Condominium Regulations the Same Across Canada? 3
 - What Rules and Restrictions Might I Encounter in a Condominium? 3
 - Who Takes Care of the Building and Grounds? 5
 - What Insurance Will I Need? 6
 - Can I Rent My Condominium? 7

- 2 - What Type of Condominium is Right for Me?**..... 9
 - New, Re-sale or Conversion—What Are the Differences? 9
 - New Condominiums 9
 - Conversion Condominiums 12
 - Existing/Re-sale Condominiums 13
 - Affordability—How Much Will it Cost? 14
 - Condominium Contributions—What’s Included in My Fees? 15
 - Extraordinary Expenses 16
 - Questions to Ask in Choosing a Condominium 17

- 3 - Getting Help from the Experts** 19
 - Who Should I Consult about Buying a Condominium? 19
 - How do I Know if a Condominium is in Good Financial Condition? 21
 - How do I Know if a Condominium is in Good Physical Condition? 22
 - Physical Checklist 23
 - What Information Does the Condominium Corporation Have that Could Help Me? 25

- Appendix A - Glossary of Terms**..... 27

- Appendix B - Where to Find More Information**..... 29

- Appendix C - Condominium Selection Checklist**..... 35

- Acknowledgements**..... 38

1 — CONDOMINIUM OWNERSHIP

Condominium living can offer the prospective homeowner many desirable attributes, such as affordable housing and low maintenance requirements. Many condominiums have enhanced security features over those found in single-family houses. Condominiums can be complete communities within one complex offering a wide range of social, entertainment and recreational activities. However, buyers should be aware—before they buy—of many issues surrounding the purchase of, and the lifestyle in, a condominium. This section of the *Guide* will help prepare you for successful condominium living.

What Is a Condominium?

A “condominium” refers to a form of legal ownership, as opposed to a style of construction. Condominiums are most often thought of as high-rise residential buildings, but this form of ownership can also apply to townhouse complexes, individual houses and low-rise residential buildings. Condominiums are also known as strata in British Columbia or syndicates of co-ownership in Quebec.

Condominiums consist of two parts. The first part is a collection of private dwellings called “units.” Each unit is owned by and registered in the name of the purchaser of the unit. The second part consists of the common elements of the building that may include lobbies, hallways, elevators, recreational facilities, walkways, gardens, etc. Common elements may also include structural elements and mechanical and electrical services. The ownership of these common elements is shared amongst the individual unit owners, as is the cost for their operation, maintenance and ongoing replacement.

Each unit owner has an undivided interest in the common elements of the building. This ownership interest is often referred to as a “unit factor”. The unit factor for any particular unit will generally be calculated in proportion to the value that the unit has in relation to the total value of all of the units in the condominium corporation. The unit factor will tell you what your ownership percentage is in the common elements and will be used in calculating the monthly fees that you must pay towards their upkeep and renewal.

The creation of a condominium is regulated by provincial or territorial condominium legislation and municipal guidelines. It can be created in many different ways. In some provinces, a developer, or other interested parties, may register a declaration to create a condominium, while in others, an application may be made to have title issued for the units pursuant to an “approved plan of condominium.” The operation of condominiums is also governed by provincial or territorial legislation and the condominium corporation’s own declaration, bylaws and rules.

Once a condominium corporation has been established, a board of directors, elected by, and generally made up of, the individual condominium owners, takes responsibility for the management of the corporation’s business affairs. There is usually a turnover meeting where this transfer of responsibility takes place. Each unit owner has voting rights at meetings. Your voting rights will generally be in proportion to your unit factor.

What Types of Condominiums Are There?

Residential condominiums can be high-rise or low-rise (under four storeys), town or row houses, duplexes (one unit over another), triplexes (stack of three units), single-detached houses, stacked townhouses or freehold plots. There are even mixed-use condominiums that are partly residential and partly commercial buildings. They come in various sizes with diverse features and they can be found in almost every price range.

What Do I Own When I Buy a Condominium?

When you buy a condominium, you own your unit, as well as a percentage of the common property elements allocated to the unit. The boundaries of each individual unit and the percentage of common elements you own may vary from condominium to condominium, depending on how they are specified in the condominium's governing documents. Sometimes, the unit boundary can be at the backside of the interior drywall of the unit's dividing walls. Alternatively, the unit boundary can be the centre line of the unit's walls. The boundaries of your condominium unit are an important consideration at the time of purchase—particularly if alterations and renovations are a potential part of your purchase plan. The unit typically includes any equipment, systems, finishes, etc. that are contained only in the individual unit. The right to use one or more parking spots and storage areas may be included. While you may have exclusive access to parking spot or storage area, you seldom actually own the space itself.

For a freehold condominium (or a bare/vacant land condominium), the unit may be the entire house including the exterior walls, the roof and in some cases, the land surrounding the structure. Prior to making a purchase, you may wish to hire a professional surveyor to review the site plan for the condominium corporation so you know exactly where your unit's boundaries lay.

Components of building systems that serve more than one unit, such as structural elements and mechanical and electrical services, are often considered part of the common property elements, particularly when they are located outside of the unit boundaries specified in the condominium's governing documents.

There may be some parts of the condominium complex that are called "exclusive use common property elements." They are outside the unit boundaries, but are for the exclusive use of the owner of a particular unit. Balconies, parking spaces, storage lockers, driveways and front or rear lawn areas are common examples of exclusive use common property elements. It is important to be aware of any exclusive use common property elements before you make an offer to purchase a condominium. While these spaces are exclusive to your use, there may be restrictions on how and when you use them. For instance, you may not be able to park a boat, RV or commercial vehicle in your assigned parking spot. There may also be restrictions on what you can place on your balcony.

What Does Freehold Mean?

The biggest difference between a freehold condominium and a regular condominium is what is included as part of the unit. With a freehold condominium, you own the plot of land and any structure on that land such as a house or townhouse. You are normally responsible for the care and upkeep of the entire house, including the exterior walls and roof, as well as the lawn, garden, driveway and garage.

With a freehold condominium, the common property elements might include access roads to the units, recreational facilities, visitor parking area or a park with a playground. These items may be the responsibility of the condominium corporation. All unit owners pay a monthly condominium fee toward their upkeep.

With a regular townhouse or house condominium, the unit typically consists of the interior of the house itself, while the exterior of the house and the plot of land on which the unit sits are considered part of the common elements. This means that repair and maintenance of items like exterior walls, windows, lawns, gardens and driveways may be the responsibility of the condominium corporation. In a freehold condominium, you usually have more freedom to make improvements, such as landscaping features, to the unit. However, there are usually provisions that give the condominium corporation some control over owners modifying the unit, such as determining when the roof will be repaired, and what colour the shingles must be. So if you want to change the colour of your door or build a deck in your backyard, you may have to ask for permission from the board of directors.

Note: In some provinces, there are bare/vacant land condominiums. The land and any structure on it make up the unit and maintenance can be fully the responsibility of the condominium corporation or the unit owner.

Are Condominium Regulations the Same Across Canada?

No Each province and territory has its own regulations and legislation specific to the registry, construction and operation of condominiums. You should become familiar with the regulations and legislation in your own province or territory before you buy a condominium. Sources of information for provincial and territorial legislation are provided at the back of this *Guide* (see pages 29 to 33).

What Rules and Restrictions Might I Encounter in a Condominium?

Every condominium is governed by its own unique rules, regulations and bylaws. These may be very strict or very relaxed depending on the nature of the condominium corporation. These are necessary to ensure that condominiums are properly operated and maintained and to define the rights and obligations of the individual owners. With respect to rules regarding the individual owners, condominiums may have restrictions regarding the number of occupants per unit, pets, noise, parking and when certain amenities may be used.

Many condominiums have strict rules concerning the alteration of the unit space or its appearance. For example, the condominium corporation may require all the exterior doors of units to be the same colour to keep the architectural and community aspect of the condominium intact. Additionally, you may have to get the permission from the condominium's board of directors before you change exterior fixtures or install a satellite dish, especially as some changes may affect

the condominium structure or safety. Noise is an important consideration, especially for people moving from a single-family dwelling to a multi-unit condominium. Many condominiums have rules regarding what noise levels will be tolerated and at what hours. For example, if you are hosting a party in your unit, you may be asked to turn the music down at a specific hour. You may wish to clarify the rules regarding noise, and if possible, talk to current residents about any noise problems they have experienced in the past and how they were handled.

Individual condominium owners may be obliged to attend condominium meetings or serve on condominium boards and committees. Almost all condominiums have requirements for the payment of monthly condominium fees. There can also be mandatory charges for unforeseen repairs to the condominium common elements.

Be sure to carefully review and consider all rules and obligations when considering the purchase of a condominium. They should be available from the unit's vendor (the seller), the property manager or the board of directors. The rules of the condominium will be clearly outlined in the condominium governing documents, and you should become familiar with them prior to purchasing a particular condominium unit.

While the rules and regulations of condominiums may initially seem to be overly strict, particularly to those used to rental housing or owning their own home, they help to ensure that condominiums are safe and enjoyable communities to live in for all concerned.

Moving From Single-Family to Multi-Unit

Living in a detached house can be quite different from living in a multi-unit building. Here are some points to consider if you're thinking of making the switch from a house to an apartment-type dwelling.

Noise

In a multi-unit, your neighbours are much closer, so you may hear them more. Many condominiums have strict rules regarding how much noise will be tolerated, and at what hours of the day. Noise can also come from the mechanical services such as plumbing, heating, ventilation and air-conditioning systems, elevators and garbage chutes. When purchasing a condominium, you may want to consider the location of these services relative to the unit you are thinking of buying. Additionally, when buying a new condominium, you may want to ask the developer if any sound transmission reduction measures have been used in the construction of the building's walls, ceilings and floors. When buying an existing condominium, try to visit the unit during the evenings or weekend to get a sense of what the noise may be like at the time you are most likely to be in the building. Consider the location of the unit relative to elevators and garbage chutes. Check to see if the unit faces a busy highway. If so, air-conditioning might be a necessary feature so that windows can be kept shut in the summer.

Independence

Condominium living involves compromise. In return for having someone else fix the roof or cut the lawn, you will no longer have the final say in what colour you want your shingles to be or the timing of yard maintenance.

Your condominium unit will likely be considerably smaller than your current home. You'll need to consider which furniture and appliances will fit and what you might have to leave behind. For instance, your unit may not be able to accommodate a washer-dryer set which may mean having to use a common laundry room.

Privacy

Under most provincial condominium legislation, with reasonable notice, a person authorized by the condominium corporation may enter your unit to carry out inspection and maintenance of the common elements of the condominium (such as inspection and repair of parts of the common elements such as windows, mechanical and electrical systems that serve your unit and others).

Lifestyles

Many condominiums are specially suited for a certain lifestyles, such as families with young children, or seniors. Any condominium provisions regarding pets should be known as well. It is important to ensure that the prevalent lifestyle of the condominium you are considering fits your lifestyle.

Security

Many condominiums offer increased security services, such as closed-circuit cameras in lobbies and parking garages and security guards, to ensure that only unit owners and authorized personnel can access the building. Your condominium may require that any guests to your unit sign in and out of the building. Make sure you are comfortable with the security arrangements before buying.

Unit Occupancy

While many owners of condominium units actually live in their units, some condominium buildings have a large percentage of the units rented out to others. If this is important to you, try to find out from the property manager what percentage of the building is owner-occupied. This is an important consideration, as a condominium building dominated by rental occupancies may not show the same pride of ownership and sense of community and security as a building that is fully owner-occupied. Additionally, absentee owners may not have the same maintenance and repair priorities for the building as owners who actually live in the building.

Who Takes Care of the Building and Grounds?

Most condominium corporations contract-out the day-to-day operations of the condominium to a property management company under the direction of the condominium's board of directors. The cleaning of common areas, payment of common area utility bills, operation and maintenance of the central space and domestic hot water heating and air-conditioning systems, snow and garbage removal and the collection of monthly maintenance fees may fall under the jurisdiction of the property manager. There are usually limits to the property manager's authority. For example, anything that requires a major expenditure, or an expenditure not accounted for in the annual budget, may have to be approved by the board of directors. The property manager is not usually responsible for items or operational problems within individual units, unless they are related to the common elements (e.g., heating systems, roofs, windows, exterior walls).

Some condominiums prefer to deal with the management of daily maintenance themselves. These are sometimes referred to as "self-managed" condominiums. Under this management style, the board of directors—and in some cases, volunteers who are residents or owners—will carry out the day-to-day tasks of operating the condominium.

It is important when considering the purchase of a particular condominium, to ensure you are comfortable with the management style, whether it is a contract property manager or self-managed. This may have implications on both condominium fees

and any obligations you may have towards the operation and maintenance of the building.

The condominium unit owner is responsible for some maintenance duties and the condominium corporation for others. These responsibilities vary from condominium to condominium and should be clearly laid out in the condominium's governing documents.

Maintenance duties for the unit owner can include:

- Internal unit plumbing, appliances, heating, air conditioning or electrical systems that are contained in and serve only that unit;
- Cleaning window surfaces that are accessible from inside the unit;
- Cleaning some parts of the common elements, such as balconies and patios that are assigned to or exclusive use of, the unit holder.

Maintenance duties for the condominium corporation can include:

- Common plumbing, electrical and heating and air-conditioning systems;
- Roof and wall repairs;
- Windows and doors—repairs and replacement;
- Grounds cutting, watering;
- Recreational amenities;
- Parking areas;
- Any other part of the property that is not part of a unit.

Sometimes the responsibility for maintenance and repair can be shared. For example, a heating and air-conditioning (HVAC) system may be part of the common elements, but the unit owner may be responsible for some tasks, such as changing filters.

What Insurance Will I Need?

Both the unit owner and the condominium corporation must have insurance. Specific insurance requirements vary from province to province.

The corporation may be responsible for insuring:

- Common areas and units;
- The corporation's property, such as furniture, equipment, vehicles, etc.;
- Personal liability—against claims for bodily injury and/or property damage occurring on the condominium property or caused by some act or omission of the condominium corporation;
- Boilers and equipment (for example, elevators, HVAC systems, etc.);
- Directors and officers insurance—to respond to claims made personally against a director or officer of the condominium;
- All perils as per the condominium governing documents.

The unit owner may be responsible for insuring:

- Personal property contents such as appliances, furniture and jewelry, and items stored in lockers.
- Improvements and betterments made to the unit (for example, finishing a basement, installing new cabinets). Check your provincial legislation to find out if insurance for improvements is your responsibility.
- Personal liability.

Can I Rent My Condominium?

Many condominium buyers purchase their units as an investment with the intent of renting the unit out. While most condominium corporations allow owners to rent their units to a third party, you should confirm this through a review of the condominium's governing documents and your provincial legislation.

Summary: Questions to ask when choosing a condominium

- What are the unit boundaries?
- What will my maintenance obligations be?
- What management style is being used, and am I comfortable with it?
- What are the rules regarding the allowable number of occupants, noise, pets, amenities, parking, etc., and how are these upheld?
- Can I alter my unit's appearance? If I want to change something, what procedure do I have to follow to get permission?
- Does the condominium corporation have the minimum insurance required by my provincial or territorial legislation?
- What will my insurance obligations be?

More questions that should be considered can be found in Appendix C of this *Guide*.

2 — WHAT TYPE OF CONDOMINIUM IS RIGHT FOR ME?

Condominiums come in all sizes and all kinds of building forms. There are newly constructed condominiums, condominiums that have been converted from office or warehouse space, and re-sale condominiums. This section will explain some of the differences between condominiums.

New, Re-Sale or Conversion— What Are the Differences?

The term “new” is applied to condominium buildings that are either under construction or have been newly completed, while the term “conversion” can mean the building was previously used for something else but has been, or is to be, renovated for residential use. For example, many loft-style condominiums are converted from former commercial or industrial buildings. Conversions may also refer to the changing of units from rental units to condominium units. Both new and conversion condominiums are usually purchased from a developer. “Re-sale” condominiums are units that have already been occupied, typically in older buildings, and are offered for sale by the current owner.

New Condominiums

Newly constructed condominiums can be an attractive option for the prospective owner. They offer all of the benefits of a newly constructed building (fresh appearance, modern fittings, surfaces, elevators, appliances) while providing unit owners with the chance to customize their units.

You can purchase a new condominium from the developer either before or during its

construction and well before the condominium corporation is formed. A developer may have some unsold units available after the condominium has been completed and registered. In some market conditions, a developer may wait to sell a majority (or all) of the units before registering the condominium corporation or starting construction. Deposits are typically required to secure, or reserve, a condominium unit in a new development.

When looking over the drawings and specifications, ensure that you are aware of the basis of any floor area measurements: do they reflect the actual floor area of the unit or do they include the exterior and interior wall floor space areas as well? You should also be aware of plans to reduce the ceiling height in any locations in the unit to accommodate ductwork and other mechanical and electrical services. This can have an impact on the esthetics of the unit and affect the eventual location of lighting fixtures and furniture as well as wall decorations and fittings. Similarly, be aware of the future location of heating and air-conditioning equipment, ventilators and hot water heaters as this can affect the availability and esthetics of the space in your unit.

Other important issues to consider in the purchase of a new condominium are related to construction quality. Some key questions to consider include: Are there any special provisions to limit noise between units? How are the units heated, cooled and ventilated? How are odours controlled? Is the building energy-efficient? Who operates and maintains the heating and air conditioning systems? What options are available for suite wall and floor finishes, cabinets and fixtures?

You should also be aware that the view from your unit might be subject to change if the building is being constructed in a newly developed area or as a part of a larger complex. Be sure to ask about the future construction plans for adjacent open areas as your view may change significantly with the construction of a neighbouring high-rise.

When shopping around for a new condominium, it is important to ensure that you are aware of what is and what is not included in the purchase price. For instance, are there amenities such as pools and parking? How is access to such amenities paid for? Are finishes within the units included in the purchase price? Are there other charges over and above the purchase price you should be aware of? Are utilities (gas, electricity and water charges) covered in the monthly condominium fees or not? All such questions must be considered to ensure that you can compare the overall costs associated with different condominiums.

Rules and regulations for new condominiums vary from province to province, therefore it is a good idea to check your provincial legislation. New home warranties are often available for newly constructed condominiums—make yourself knowledgeable about what the warranties cover and for how long.

Quite often, there is a lengthy wait before a new condominium project is completed and you can move in. It is always important to evaluate the current state of the construction project. Consider whether or not it seems reasonable that the project will be completed by the date set out in the purchase agreement from the developer before making your moving and financing arrangements.

Agreements of purchase and sale may contain provisions that allow the developer to extend the dates for making the units available for occupancy. This can be problematic if you have made arrangements to vacate your existing housing by a specific date based on the original closing date. If this is an important consideration for you, ensure that you are aware of any occupancy delay clause in your purchase agreement and plan accordingly. You should also check your provincial homeowner protection legislation to learn your rights in cases where agreed-upon occupancy dates are missed.

A Note on Healthy Housing™

Research has shown that your housing choice can have a direct impact on your health and that of the environment. When considering new condominium projects, be aware that some developers are now offering condominiums that have been designed to minimize energy use through improvements to wall insulation, the quality of windows, and heating and cooling equipment efficiency.

Not only does this save energy and minimize harmful environmental emissions, it also saves you money now and in the long run.

Developers are also becoming aware that the materials and systems they construct their buildings with can have impacts for your health. For instance, a building designed with a ventilation system for your unit, one that distributes fresh air directly to all rooms and exhausts air from the kitchen and bathroom, can greatly improve the quality of your indoor environment.

Similarly, be aware that materials and finishes used in the construction of your condo can have an impact on the quality of your indoor air. Note also that the commuting distance between your condo and workplace will have a significant impact on energy use and your budget. For more information on Healthy Housing choices, visit the CMHC website at www.cmhc.ca or call 1-800-668-2642

Disclosure Statements:

In some jurisdictions, in compliance with legislation, the developer of a new condominium must provide you with a “disclosure statement” before the sale agreement is binding. This includes, among other things, a summary of the condominium’s features/amenities, the condominium’s governing documents and budget for the first year after registration. This should give you some indication of the rules, regulations and financial situation of the condominium corporation before you buy into it.

Your province may have legislation that provides a “cooling off” period during which buyers can review the information contained in the disclosure statement and rescind their agreement to purchase if they are not comfortable with their original purchase decision. Ensure you obtain and carefully review the disclosure statement within the specified time frame. If a cooling-off period is not provided for in your provincial condominium legislation, try making it a condition of your offer to purchase to allow you to have a few days to review this information.

New Home Warranties:

Most provinces have new home warranty programs, which include new condominium projects. Warranty programs are put in place to ensure that new dwellings are properly constructed and that they meet the construction specifications. Warranty programs provide for the reporting of defects in, or omissions of, warranted elements within specific time frames. Often, the developer makes arrangements for independent inspection companies to audit the condominium, individual units and common elements within the first year of

construction. The developer is responsible for correcting defects in, or omissions of, warranted elements that occur during the warranty period. Should the developer default on this obligation, the warranty program can provide funding to correct deficiencies in warranted elements up to a specified maximum dollar amount. All of the owners of new condominiums are expected to co-operate with the new home warranty inspections and to report any defects or omissions in their units. You should be aware that new home warranties do not cover every item that one might construe as a defect. Be sure you are aware of what the warranty does and does not cover, and for how long, before making a claim. New home warranties may also protect the deposit you place on your new condominium, up to a maximum amount, in case the developer cannot, or will not complete your unit, through no fault of your own. Check with your provincial or territorial government to find out more about the warranty program as program coverage varies from province to province.

Advantages of buying a new condominium may include:

- A lower purchase price (depending upon market conditions);
- More choice of locations within the building (if applicable);
- A broader range of options and/or upgrades;
- Newer buildings have less risk of having to undergo costly, noisy and intrusive repairs and renovations;
- New home warranty protection.

Disadvantages of buying a new condominium may include:

- Because construction may not have started, you cannot “see” what you are buying and must rely on artist sketches and floor plans (which may change). Be sure to have the unit’s boundaries, location, finishes, materials, chattels, etc. clearly specified in the purchase agreement.
- Your initial deposit will be tied up for the duration of construction.
- Financial institutions may not give you a mortgage on an unregistered condominium.
- Construction of your unit may not be completed by the expected date.
- You may move into your unit while construction continues in others—this can be noisy and disruptive.

Conversion Condominiums

Buying a conversion condominium in the early stages of development is similar to buying a new condominium. The biggest difference is that the exterior of the building (or building envelope) already exists. The majority of the construction project usually consists of modifications to some of the common property components and the creation of individual unit spaces. The transfer of the title of ownership may not take place until after occupancy.

You should check with your provincial government to find out if the warranty program in your province covers condominium conversion projects.

Advantages of buying a conversion may include:

- Many of the same advantages of buying a new condominium apply to conversions, (e.g., choice of unit, opportunities for upgrades, etc.).
- Some conversions offer unique designs, (e.g., lofts).
- Converted units are often, but not always, somewhat less expensive than a comparable sized new unit.
- Conversions may be located in established and desirable parts of cities that are well served by entertainment, educational, transit and other amenities.

Disadvantages of buying a conversion may include:

- As new home warranty programs may not apply to conversion condominiums (check with your provincial program), there may not be construction warranties other than that offered by the developer.
- The building structure and perhaps some of its internal components will already be old, which may mean major (hence costly) repairs may be needed sooner rather than later. This could be problematic if the condominium corporation has not had sufficient time to build an adequate reserve fund. This may have an impact on condominium fees and extraordinary charges to the unit owners.
- Occupancy dates can be changed due to construction delays.

Existing/Re-Sale Condominiums

One of the advantages of purchasing an existing condominium is that you get to see the unit, building and grounds before you make your purchase. You also have the opportunity to meet other unit owners, speak with the board of directors and ask questions to the property manager. Consider the age of the building and what repairs have been made and when. Ensure that the condominium is well maintained and managed. All of this will provide you with valuable information as to whether or not the condominium is right for you.

Estoppel/Status Certificates:

When making an offer on a re-sale unit, ensure it is conditional upon obtaining, and having the time to review, the corporation documents available to the purchaser under provincial legislation, including an estoppel or status certificate. There may be a fee for this certificate, but it will give you the opportunity to review information, including the condominium's governing documents, financial statements and insurance coverage. It is important to thoroughly review these documents, as once you sign the offer to purchase you are contractually bound and cannot change your mind if, for example, you later find out the condominium does not allow pets or requires major repairs. In Alberta, there are services available to help you with the review of condominium document packages. In other provinces you should ask your lawyer or notary to help you review them.

Provincial new home warranty programs do not protect deposits made when buying a re-sale condominium and won't provide protection for construction defects once the

applicable warranty periods have expired. Therefore, it is important to have the purchase of the unit contingent upon the satisfactory inspection of the unit and building by a qualified home inspector, professional engineer or architect.

Advantages of buying a re-sale condominium may include:

- You get what you see.
- There are no lengthy waiting periods before you can move in unless provided for in the condition of sale.
- Deposits are often much lower for re-sale purchases and there is no GST.
- You can check out the condominium "community" in advance to see if the corporation is well run and the people who live in it are compatible with your needs and lifestyle.
- Older condominiums can have larger unit sizes.

Disadvantages of buying a re-sale condominium may include:

- Fewer options with regard to choice of unit (within the building), decorating, or upgrades.
- Older re-sale condominiums may require more maintenance and repair than new ones.
- The amenities that you may find desirable (e.g., a workout room or whirlpool, high speed Internet connection, security features) may not be available.
- Older resale units may not be as energy efficient due to different construction standards in newer buildings.
- Major repairs may be coming due that will require extra charges to the unit owners if the reserve fund is underfunded.
- You will only receive the portion of the new home warranty that has not yet expired.

Affordability—How Much Will it Cost?

It is important to know how much money you should have set aside to purchase—and live in—the condominium you are considering. Additionally, when you are shopping around and comparing different condominiums, it is important to be aware of the costs (purchase price and monthly fees) that would be incurred for each unit you are considering so that comparisons can be made. This section of the *Guide* will outline common condominium expenses to help you with your budget preparation.

Purchase Price:

For new construction, the purchase price may include:

- Unit sale price;
- Upgrades (negotiable);
- Development charges;
- PST on chattels (e.g. appliances) being purchased with the unit;
- GST on the sale price;
- Utility hookup fees;
- Landscaping fees;
- In some provinces, two months' common expenses to build the reserve fund;
- Occupancy fees (from occupancy closing to title closing) which may include:
 - Estimated common expenses based on the disclosure statement budget;
 - Estimated realty taxes on the unit;
 - Interest on the balance is due on closing.
- Warranty program enrolment fees.

Any costs over and above the basic unit purchase price should be clearly outlined in the agreement of purchase and sale.

You should budget for these charges when you are considering buying.

At final closing you will be required to pay the following costs:

- Remainder of purchase price;
- Legal fees and disbursements;
- PST and GST on extras or upgrades to unit finishes, equipment and systems if not included in purchase price;
- Provincial land transfer tax;

Many of these additional costs do not apply to re-sale units, since they were already paid and/or factored into the purchase price.

Recurring Costs:

There are more expenses involved in owning a condominium than just the purchase price. You need to include the following in your budget:

- Monthly condominium fees or common expenses;
- Property taxes;
- Unit and contents insurance;
- Mortgage payments;
- Amenity fees, such as storage, pool, extra parking, etc. if not included in the common expenses;
- Utilities (if not included in common expenses);
- Telephone, cable and Internet access (if not included in common expenses);
- A contingency for emergency repairs;
- Maintenance costs associated with the upkeep of your unit.

Know What You Can Afford

If you are presently renting and are looking at purchasing for the first time, here are some important points to consider when assessing what is affordable for you. Canada Mortgage and Housing Corporation can help you to determine what you can afford with an on-line calculator available free of charge at www.cmhc.ca

Down payment

The more you can afford to put down as a deposit, the less interest you pay over the course of your mortgage.

Mortgage

Consider the type of mortgage, rate of interest and term. Consult with your financial adviser or bank loans officer to decide what works for you. Be sure to factor in the costs of mortgage insurance if applicable (required if the deposit is less than 20 per cent of the unit's purchase price). Life insurance may also be desirable but ensure that the costs are also factored into your monthly budget.

Fees

As a condominium owner, you will pay a monthly fee toward your share of the operation and maintenance of the common property elements. You'll need to know exactly what is and isn't included in the fees for any condominium you consider, and how much you can expect to pay.

Property Tax

When you rent a place to live, the property tax is usually a part of your rent. When you own a condominium, you are responsible for paying your own property taxes. For a new condominium, the municipality where your condominium is located should be able to tell you how much you can expect to pay. For existing condominiums, this information can be provided by the real estate agent or the vendor.

Utilities

These may or may not be included in your monthly condominium fee. You will want to know what you might expect to pay for utilities such as natural gas, water and electricity.

Condominium Contributions— What's Included in My Fees?

Unit owners pay a monthly condominium fee to cover their portion of the operating expenses of the common property elements. A portion of this fee is allocated to the reserve fund that is created to ensure that there are sufficient funds available for major repairs and replacements over the life of the building. Calculation of condominium fees varies by province but is usually specified in the governing documents of the condominium corporation. Condominium fees are usually calculated from the annual operating cost of the entire condominium and divided by the percentage of your contribution to the common expenses (your unit factor) as outlined in the condominium governing documents and/or local legislation.

These fees may include:

- Day-to-day care and upkeep of the common property elements (e.g., snow removal, landscaping, cleaning of common elements including carpets and exterior windows, heating/cooling system maintenance);
- Contributions to the reserve fund, which is used to pay for major repairs to, and replacement of, common building systems to ensure the condominium is kept in good repair over the life of the building;
- Property management fees;
- Building repair and maintenance;
- Salaries of condominium employees (e.g. superintendent, security guards, concierge);
- Amenities (e.g., pool, recreational facilities, party room);
- Utilities;
- The corporation's insurance policies;
- Cable and/or Internet access.

What is, and is not, included in a condominium's monthly fees should be clearly outlined in the operating budget. You should be able to find out more about the condominium fees from the vendor, property manager, the board of directors or the developer prior to purchasing a unit. The fees should be stated in the disclosure statement (for new condominiums) or in the estoppel or status certificate (for resale condominiums). These fees may have to be adjusted from time to time to reflect the changing costs of goods and services and the state of the reserve fund. Each adjustment is reflected in the next year's budget.

If the board overestimates the common expenses, the surplus is wholly applied either to future common expenses or is paid into the reserve fund. Refunds are not given to unit owners. If a unit owner sells a unit before the end of the condominium corporation's fiscal year, the owner cannot obtain a refund for common expenses but may add it to the unit's purchase price.

Condominium fees are neither optional nor negotiable. For example, unit owners are required to pay a share toward the care and upkeep of amenities such as swimming pools, regardless of whether or not they plan to actually use the pool. Unit owners cannot withhold payment of their condominium fees if they are displeased with the board of directors, the property manager or other unit owners. In some provinces, the condominium corporation can register a lien on your unit if you do not pay your share of the common expenses. This means the corporation may have the right to sell the unit to recover the money it is owed.

Extraordinary Expenses

If the condominium has a shortfall in the operating budget or reserve fund, or unforeseen events occur (for example, a rise in heating costs or a need for a major repair or renovation), the higher cost will necessitate an increase in your contribution.

When this happens, each owner could be given a special assessment charge. The amount owed by each owner is calculated by the percentage of ownership, or unit factor as previously discussed. The amount owed by the owner may be either added as a lump sum to one month of an owner's regular monthly condominium fees, or, it could be spread over a period of time by increasing a number of monthly condominium fees. Special assessments are uncommon but in some cases, such as when funds are needed for major repairs, they can be substantial. This is why it is important to review the financial statements, reserve fund level, building condition surveys, inspection reports, maintenance history and the estoppel or status certificate for the corporation before you commit to buying. The following section will provide you with more information in this regard.

Questions to Ask in Choosing a Condominium

- What is the current state of construction, and how quickly can it be expected to progress?
- Does the occupancy date meet my requirements?
- Can the occupancy date be changed and under what conditions?
- Is the building type (i.e., high-rise, townhouse, freehold/bare land, loft) the one I really want?
- Will a provincial new home warranty program cover the unit?
- What is the purchase cost of the unit, and what is included in that cost?
- What other costs will I have to cover when I take ownership, and how much should I expect to pay for each?
- What are the current monthly condominium fees, and what do they include?
- What mortgage interest rates are available?
- What kind of mortgage is right for me?
- Will I be able to meet all of my financial obligations if I buy this condominium?
- Will I need mortgage insurance and if so, what does it cost?

More questions that should be considered can be found in Appendix C of this *Guide*.

3 - GETTING HELP FROM THE EXPERTS

Who Should I Consult About Buying a Condominium?

There are a number of professionals who can help you find the right condominium. Real estate agents, lawyers and notaries, developers and financial advisers all play an important role.

Because buying a condominium is different from buying a traditional house, it's a good idea to enlist the help of professionals who specialize in condominiums.

Real Estate Agents

A good real estate agent specializing in existing condominiums can help you save time and energy.

You can choose to deal with the vendor's real estate representative (for existing condominiums), but you should really enlist one who will act only on your behalf. If you deal with the vendor's agent, there should be no charge to you, as the agent will be paid a commission by the vendor. An agent acting exclusively for you should not charge a fee for his/her services, as he/she normally shares in the vendor's agent's commission. Make sure you are clear on who is paying the real estate agent's commission, and what your obligations are once you've signed an agreement.

When you meet with your agent, be specific about what features you're looking for, location, and your budget. This will allow your agent to pre-screen condominiums on the market that are within your price range, in the neighbourhoods you want to live in, with the features and amenities you want.

A real estate agent can also assist you in making an offer to purchase once you've found the unit that's right for you. Remember for a re-sale unit purchase, make the offer conditional upon getting all corporation documents available to the purchaser under provincial legislation, including an estoppel or status certificate where available, or the financial statements and governing documents for the condominium. Making any sale conditional upon a satisfactory review of the condominium's financial condition and inspection by a qualified professional is also highly advisable.

Lawyers and Notaries

Hiring a real estate lawyer (or notary in Quebec) who is knowledgeable about condominiums is the best way to ensure that your legal interests are protected. Your lawyer will help you by explaining all the documentation for the condominium including the declaration, bylaws, rules and disclosure statements and will review your offer to purchase and the purchase and sale agreement. Your lawyer should be able to determine whether or not there are any pending legal actions against the condominium that may have financial implications to the unit owners.

If your offer to purchase is accepted, your lawyer will be responsible for many of the closing arrangements.

Architects, Engineers, Home Inspector Agencies and Document Review Services

Having your potential new home inspected by a professional is a wise idea. All too often,

people make purchase decisions too quickly due to the desirability of the condominium or in anticipation of competing offers. This can leave buyers in a situation where they could face substantial costs after they take ownership of the unit due to construction-related defects that might have been detected by a pre-purchase inspection. For an objective review of the condition of your unit and building, it is recommended that you find a qualified inspector in the yellow pages or on websites such as that supported by the Canadian Association of Home Inspectors at www.cahi.ca. Additional information on inspections is discussed in following sections of the *Guide*.

Condominium document review specialists (only available in Alberta to date) can be retained to assess the status of the condominium corporation through the review of the condominium's governing documents, financial statements, etc. The agreement-to-purchase offer can be made conditional upon the satisfactory review of condominium documents by persons offering this service.

Financial Advisers

Ensure you can afford your mortgage and the monthly expenses you will face as a result of your purchase. Your bank manager or financial adviser can help you customize your mortgage to suit your financial goals and needs. CMHC's on-line *Homebuying Step-by-Step Guide* can also help you to determine what you can afford. You can find the guide on CMHC's website at www.cmhc.ca.

There are many different types of mortgages, including conventional, high-ratio and second mortgages. Take the time to discuss

Consider Your Mortgage Options

Mortgage payments are made up of the principal sum (the amount you borrow) and interest (the amount you pay to borrow the principal). The best plan is to minimize the amount of interest you pay. Some options include:

- A larger down payment—a smaller mortgage means less interest
- A shorter amortization period—the faster you pay off the loan, the less interest you pay
- A weekly or bi-weekly payment schedule—instead of monthly payments
- Optional lump sum payments—on top of regular payments to pay down the principal portion of the loan

Features of a mortgage that you may wish to consider include:

- Prepayment—ensure you can pay down your mortgage with a lump sum without penalty
- Portability—allows you to transfer the terms and conditions of your mortgage to your next home
- Assumability—allows you to take over the existing mortgage on the property, as it may have a lower interest rate than the current market; an assumable mortgage may also be a selling feature for when you decide to move
- Expandability—allows you to expand upon the first mortgage at the lender's agreed-upon rate of interest
- Flexibility—This allows you to skip one or more mortgage payments a year—this may relieve some financial pressure during a tight period, but skipping a payment will add a month to your mortgage

Federal legislation restricts banks from providing mortgages of more than 80 per cent of the purchase price of a home without mortgage insurance. CMHC mortgage insurance enables Canadians to purchase a home with as little as a five per cent down payment. If the homebuyer does not fulfill the terms of the mortgage contract and defaults on mortgage payments, CMHC mortgage insurance protects the mortgage lender (typically

your bank) from losses on the mortgage. This arrangement assures the lender that mortgage funds are not at risk and the homebuyer is in a position to purchase a home sooner. The minimum five per cent down payment must come from the homebuyer's own resources and the lender must verify that the home buyer can cover the closing costs of at least 1.5 per cent of the purchase price. CMHC mortgage insurance does not provide insurance for other aspects of the home purchase, such as property and casualty insurance, housing quality or life insurance.

Application for mortgage financing for the purchase of a condominium should be made directly through your lending institution, which, in turn, will forward the application for mortgage insurance to CMHC on your behalf. The assessment of a borrower is considered to be the most demanding task in the review of homeownership loans. CMHC provides guidelines to lenders for assessing borrowers. Based on your personal circumstances, your financial institution can provide you with the information relating to the maximum mortgage for which you would qualify.

You can get more information from the free *Homebuying Step-by-Step Guide* published by CMHC or by visiting the Canada Mortgage and Housing Corporation website at www.cmhc.ca or by calling 1 800 668-2642

your current financial position and future goals with your financial adviser and be sure that you are comfortable with your purchase.

How do I Know if a Condominium is in Good Financial Condition?

The financial well-being of the condominium corporation is an important consideration. Buying into a condominium corporation that is insufficiently funded to operate and maintain common elements is a risky proposition. Low condominium fees may make one condominium more appealing than others, but it may be a

sign that the condominium corporation is ill-prepared to fund major repairs and renewal projects. As a result, the condition of the condominium property can deteriorate or you may be faced with substantial charges from the condominium to cover repair costs as they occur. Fortunately there are ways to determine the financial status of the condominium based on the documentation that the condominium corporation is obliged to keep, such as the annual operating budgets and end-of-year financial statements. For resale condominiums, check the estoppel or status certificate. For new condominiums review the disclosure statement. An important part of the operating budget is the reserve or contingency fund.

The Condominium Reserve Fund

The purpose of a reserve fund is to provide financing for major repairs and renewal projects over the life of the condominium building. The fund essentially ensures that the condominium common elements will be maintained in good shape for the life of the project. The amount required to be in the reserve fund depends upon the condition and life expectancy of all of the common elements in the building and the estimated cost to replace them over the life of the project. The amount each unit owner is required to contribute to the reserve fund, usually via monthly condominium fees, is determined by estimating what would have to be set aside on a monthly basis to cover the long-term costs.

Reserve fund studies are updated from time to time, depending on provincial regulations or at the discretion of the condominium corporation. The studies are conducted by professionals capable of assessing the condition of the common elements of the building, estimating remaining lifespans and the related repair and/ or replacement costs.

Based on their observations, the reserve fund study professionals estimate the monthly or annual contributions necessary to fund the long-term renewal of the common elements. After receiving the reserve fund study, the board of directors can propose a plan for the sustainability of the fund, including monthly contributions from owners as part of the condominium fees. In some provinces this is mandatory, while in others it is optional.

You do not want to move into your new home only to discover that the reserve fund is under-funded and major repairs are required. This could mean a significant increase in condominium fees or the levying of charges, commonly known as special assessments, to the unit owners by the condominium corporation to pay for the needed repairs. Special assessment charges can be high depending on the type of work required. Ensure you obtain and review either the disclosure statement or the estoppel or status certificate to determine the current state of the reserve fund.

How do I Know if a Condominium is in Good Physical Condition?

Very often, new condominiums are protected by new home warranty programs that ensure the common property and individual units are in good condition. In such cases, an inspection will be conducted to ensure that the condominium is properly constructed and finished. Any defects in or omissions of warranted elements will be listed and the developer may be obliged to correct them if they are material. Long-term warranties on major components such as structural elements can run for as long as 5–7 years after a building is completed. At this point,

a performance or technical audit may be conducted to identify deficiencies before the warranty expires.

For existing condominiums, the condition of the unit and building you are considering buying can be determined by a review of technical audits (essentially a building-wide inspection) done in conjunction with reserve fund studies. These audits will provide you with an overview of the condition of the building and common elements, but not necessarily of any of the individual units. A technical audit may be available as a part of the reserve fund study in some provinces. Avoid any surprises and ask to see these reports before you make your decision.

You should also consider hiring a qualified home inspector, who specializes in the type of condominium you are thinking of buying, to inspect the unit and building. The inspector should have condominium experience and provide a detailed written report on the unit and visible common elements, whether any repairs are necessary and the estimated cost. If more than one set of repairs is necessary, the report should put them in order of priority—what needs to be fixed first, and what can wait.

It is always a good idea to examine the inspection contract very closely to determine what exclusions or disclaimers it contains. Ask for the credentials of the inspectors (e.g., membership in the Canadian Association of Home and Property Inspectors) or if the inspection firm is licensed provincially and ask for proof of errors and omissions insurance. If a costly repair is required that was missed in the report, the inspector might be financially responsible to compensate you for the repairs.

If you suspect that there may be an indoor air quality (IAQ) problem in the unit you are purchasing, an IAQ investigation can be arranged. An initial IAQ inspection can provide a subjective evaluation of the air quality of the unit and identify the potential presence of mold, airborne particulates, volatile organic compounds, poor ventilation, and odours from other units and other sources of IAQ problems. For a list of people who have completed Canada Mortgage and Housing Corporation's Residential IAQ Investigator Training Program and further guidance on hiring an inspector for a pre-purchase inspection, call 1-800-668-2642 or consult CMHC's website at www.cmhc.ca

Physical Checklist

Use this checklist to evaluate the physical state of the condominium.

Common Elements — Interior

- ❑ Lobby is clean and in good repair, exterior doors, locks and security system functional
- ❑ Recreational amenities (if any) are in good working order and clean
- ❑ Elevators are clean and functional
- ❑ Corridors are clean, well-lit, odour-free, carpets in good repair, paint unmarked
- ❑ Stairwells are well-lit, doors and door handles are functional
- ❑ Common basement or locker facilities are well-lit, clean and dry
- ❑ No signs of water leaks or mold
- ❑ Underground parking structure does not show any evidence of leaks or concrete deterioration
- ❑ All areas meet your needs for ease of accessibility

Common Elements — Exterior

- ❑ Garbage in receptacles/dumpsters
- ❑ Snow and ice removed from walkways and parking areas
- ❑ Amenities are clean and in good repair, including external recreational facilities and landscaping
- ❑ Exterior walls are not cracked, corroded or water-stained
- ❑ Balcony railings are rigid, rust-free and balcony slabs are not breaking up
- ❑ Roadways, sidewalks and parking areas are in good shape with no standing water
- ❑ Block heaters are functional
- ❑ Good pathway and parking lot lighting
- ❑ Walls: no water stains, corrosion, loose siding, white marks on brick
- ❑ Lawn, fences, playground structures and landscaping are in good condition

Unit

- ❑ Favourable initial reaction to odours upon entering the unit
- ❑ Exterior door to unit is in good repair, with unmarked paint and functioning latch and locks
- ❑ Drywall not dented or broken
- ❑ Paint unmarked
- ❑ Flooring (including tile, hardwood and carpeting) clean and in good repair, with no stains, holes or burn marks
- ❑ Smoke detectors are present
- ❑ Interior doors in good repair, open and close easily and latches/knobs functional
- ❑ Windows open, shut and lock easily, glass is unscratched, no noticeable drafts, no mold, seals in place
- ❑ No visible water-stain marks/damaged drywall around windows, near floors or ceilings

- ❑ All light fixtures are operational
- ❑ Appliances (if included) are functional, clean and in good repair
- ❑ Plumbing does not drip
- ❑ Toilets flush and refill properly
- ❑ Bathtub and shower walls are clean and solid
- ❑ Electrical sockets function
- ❑ Kitchen cupboards in good repair with functional doors and no signs of pests (insects or mouse droppings)
- ❑ Basement is dry, there are no obvious odours and free from evidence of water damage (indicates previous flood)
- ❑ Basement sump-pump in the unit is functional (if applicable)
- ❑ Unit heating and air conditioning system working
- ❑ Exhaust fans in kitchen and bathroom are operational

A Note on Mold

Molds are microscopic fungi that we encounter everywhere, everyday. Foods spoil because of mold, leaves decay and wood rots. The fuzzy black growth on windowsills is mold. Musty smells in damp locations is caused by mold. Mold grows where the temperature, moisture conditions are right and where it has a source of nutrients. If we keep things dry, molds do not grow.

In houses and apartments, mold growth occurs due to the presence of high moisture levels caused by leakage of rain or snow from outside, plumbing leaks, poor basement drainage and cooking and bathing activities without adequate ventilation. Under such conditions, mold will grow on any surface that will nurture its growth, such as wood, drywall, paper and carpets.

Mold is a concern as it damages construction and finishing materials in our homes. Materials become stained, discoloured and over time, ruined. Moldy paper and cardboard boxes disintegrate while wood rots and loses its structural integrity. Mold is also a health concern. Health experts indicate that exposure to certain types of molds over a sufficient period of time can cause illness and allergic reactions in susceptible individuals such as pregnant women, infants, the elderly and those with health problems.

Mold is a problem if it starts to actively grow inside a dwelling. Small isolated mold growth on windowsills is not a big problem as it can be easily cleaned and prevented. Once mold has covered an area greater than one square meter (10 sq. ft.), it becomes a concern and experts in mold removal and prevention should be consulted.

Remember, the presence of mold is usually a sign that there is a moisture problem within the unit or building. Solutions range from simply increasing ventilation via operable windows or use of exhaust fans through to removal of contaminated materials, solving the moisture problem and restoring the affected areas. If you detect a significant amount of mold, you should seriously reconsider your interest in the unit, as the problem may not be easily or quickly resolved.

For more information on detecting and solving mold problems, consult CMHC's website at www.cmhc.ca or call 1-800-668 2642.

What Information Does the Condominium Corporation Have that Could Help Me?

Whether you're buying a new condominium from a developer or looking at a re-sale property, the seller should provide you with information about the unit and the corporation. Essential documents you should have include:

- Governing documents — constitution, declaration, condominium plan, bylaws;
- Estoppel/status certificate for resale condominiums or disclosure statements for new condominiums;
- Reserve fund study and/or performance/technical audit;
- Operating budget, financial statements, annual general meeting minutes and reserve budget (for re-sale condominiums).

If you are having difficulty obtaining information about a condominium corporation or a particular unit, consult your lawyer or check your provincial regulations for your rights regarding access to information. You may also want to reconsider purchasing a unit in a building where such documents are difficult to access as it may be indicative of problems with the building or condominium management.

If you are looking at a re-sale condominium, you may be able to meet some of your prospective neighbours, speak with the board of directors or ask the property manager questions. Speaking with people who already live in the condominium gives you the opportunity to ask them about the community, the operations and the management of the condominium corporation. They should be able to give you

A note on Quebec

In Quebec there is a declaration of co-ownership and a register containing the bylaws, financial statements, etc. This register is accessible to co-owners only. Prospective buyers can consult the register only if they have a mandate (proxy) to that effect from the co-owner-vendor. There is no estoppel or status certificate or access to information as found in other provinces. The vendor may supply the prospectus-known as a "memorandum" in Quebec if the building was registered after Jan. 1, 1994 and has 10 residential units or more. This information includes:

- *The name of the architects, engineers, builders and developers (called promoteurs in French)*
- *A plan of the overall real estate development project*
- *A summary of the descriptive specifications*
- *Budget forecast*
- *Information on common elements*
- *Management of the immovable*
- *The right of emphyteusis or superficies affecting the immovable.*

a look at life in this particular condominium, information that should help you to decide if it's the right choice for you.

Questions to ask when choosing a condominium

- Does your real estate agent specialize in condominiums and understand your needs?
- Is your lawyer or notary knowledgeable about condominiums?
- Can your lawyer or notary explain provincial condominium legislation and the condominium's governing documents in a way you can understand?

- ❑ Is your inspector knowledgeable about condominiums?
- ❑ Has your inspector noted any problems that would be of major concern to you?
- ❑ Is your financial adviser or bank loan officer aware of your current financial position and future goals?
- ❑ Is your financial adviser or bank offering the type of mortgage you want and do your payments fit in with your budget?
- ❑ Are the condominium documents accessible and detailed?
- ❑ Is the reserve fund study accessible and up-to-date?
- ❑ Is the condominium in good financial condition?
- ❑ Does the board of directors have a plan in place for the sustainability of the reserve fund?
- ❑ Does the technical audit or physical inspection report of the condominium identify any problems with the building, and, if so, are the problems major or minor? What repairs are required, how much will they cost and how will those costs affect unit owners?
- ❑ Is the seller willing to answer your questions and address your concerns?
- ❑ Do the current occupants seem happy with the building, unit and neighbours, as well as the property manager and board of directors?

More questions that should be considered are in Appendix C of this *Guide*.

And Finally . . .

Condominiums have much to offer as a homeownership option. Each condominium is unique, as is each potential condominium buyer. When considering the purchase of a condominium, it is important to compare attributes such as features, physical and financial condition, lifestyle opportunities as well as the costs.

Being an informed consumer will help make your condominium purchase and ownership a pleasant experience. Furthermore, it will also ensure that you are fully aware of what owning a condominium involves and how to make a sound purchase decision.

Buying a condominium is an investment—both emotionally and financially—and you should be comfortable with the answers you receive from vendors, real estate agents, lawyers, financial advisers, developers, directors, property managers, inspectors and current occupants before making your purchase decision.

In order to better prepare you for the purchase of a condominium, additional information is provided in the following sections including

- a glossary of terms;
- a directory of government and non-governmental sources for more information; and
- a condominium comparison checklist.

APPENDIX A — GLOSSARY OF TERMS

Board of Directors

Each condominium has a board of directors that is elected by, and generally made up of, the unit owners. The board is responsible for administration and management of the condominium corporation, including policy and finances, as well as decisions about the maintenance and repair of the common property. Some decisions will directly affect your use of common property elements. Unit owners are usually entitled to one vote for each unit they own for each position on the board of directors.

Common Elements or Common Property

Common elements or common property are the portions of the condominium that are not owned by a unit purchaser as part of his/her individual unit. They are shared and co-owned by all the individual owners of the condominium corporation. They usually (but not always) include such things as corridors, elevators, recreational facilities, playgrounds, lobbies, the grounds, central heating and air-conditioning systems and parking. What is and is not included as part of the common property elements must be listed in the condominium's governing documents. It is possible that some of the common elements may be reserved for the personal use of one or several owners. They are known as restricted or exclusive-use common elements.

Disclosure Statement

In some jurisdictions, the developer of a new condominium must provide you with a disclosure statement before the agreement of purchase and sale is binding. The statement

includes, among other things, a summary of features/amenities, proposed commencement and completion dates for construction, the condominium's governing documents and budget for the first year after registration.

Emphyteusis

This term can refer both to a type of contract, an "emphyteutic lease" and to the right granted under an emphyteutic lease, "emphyteusis." Under an emphyteutic lease, a property is leased to a tenant for a period of not less than nine (9) years and not more than ninety-nine (99) years. The lease will specify the annual rent to be paid, and will require the tenant to improve the property by doing things such as constructing and improving upon buildings. During the term of the lease, the tenant has the right to transfer the property to another party and to mortgage the property. At the end of the lease the tenant must return the property to the landlord in good condition. Any improvements made to the property will be owned by the landlord. This type of lease can be used in the development of commercial property or other forms of land development.

Estoppel Certificate or Status Certificate

Most jurisdictions require condominiums to issue information packages to prospective buyers. This package can contain the declaration, bylaws, rules and regulations, insurance information, reserve fund balance, other financial disclosures, legal description of the unit and management contract (if applicable). It may also include information about any legal filings or judgments against the condominium

corporation, the possibility of common expense increases, special assessments or insurance claims, all of which could affect condominium fees.

Governing Documents

These are the documents that describe how the condominium is organized and operated. They have different names in different provinces, but they can include declarations, by-laws and rules. They can contain provisions setting out the boundaries of the common elements and the individual units, the percentage of ownership each owner has in the common elements, the bylaws/budget and common expenses. Governing documents vary from one condominium to another and are filed with the land registry office when the condominium corporation is created.

Property Manager

The property manager handles the day-to-day running of the condominium, such as hiring of staff, maintenance and repairs. The property manager is under contract to the condominium corporation. A representative from the property management company usually attends board meetings. Some condominiums may not have a property manager. These are sometimes referred to as self-managed condominiums. The board of directors, with the help of volunteers, will assume responsibility for the day-to-day management in these cases.

Reserve Fund

This is a fund set up by the condominium corporation in a special account to cover the costs of major repairs and replacement of the common property elements over time. Usually it is at least 10 per cent of the corporation's total operating expenses, although the criteria vary between provinces. In some jurisdictions, such as Quebec, the reserve fund is called a contingency fund. Reserve fund amounts and contributions are more accurately determined by a technical audit and reserve fund study undertaken by a qualified consultant.

Unit

Home sweet home. The unit is the area that you actually own and hold title to. Repair and upkeep of the unit are generally your responsibility.

APPENDIX B — WHERE TO FIND MORE INFORMATION

There is plenty of information available to help you. The following is a list of sources who have agreed to appear in this section of the *Guide*, and who will be more than happy to provide impartial information and advice.

Government Sources

Each province in Canada has its own legislation to regulate condominiums. The following list can help you find condominium information specific to your province.

Canada Mortgage and Housing Corporation (CMHC)

www.cmhc.ca
1-800-668-2642

Publications of Interest:

Homebuying Step-by-Step: A Consumer Guide and Workbook
Homeowner's Inspection Checklist
Mortgage Calculator
The Condominium Owner's Guide to Mold
Your Next Move: Choosing a Neighbourhood with Sustainable Features

Alberta

Condominium Property Act and Condominium Property Regulation

Ministry of Government Services
Toll-free (within Alberta): 800-310-4455
Phone (outside Alberta): (780) 427-2711
Website: www.alberta.ca

British Columbia

Strata Property Act

Ministry of Finance, Financial and Corporate Sector Policy
Tel: (250) 387-1269
Website: www.gov.bc.ca/fin/

Manitoba

Condominium Act

Consumer and Corporate Affairs Division
Toll-free (within Manitoba): (800) 782-8403
Tel (outside Manitoba): (204) 945-2476
Website: www.gov.mb.ca/finance/cca/

New Brunswick

Condominium Property Act

Service New Brunswick
Toll-free: (888) 762-8600
Website: www.snb.ca

Newfoundland and Labrador

Condominium Act

Government Services
Tel: (709) 729-3316
Website: www.gov.nf.ca

Northwest Territories

Condominium Act

Department of Justice
Tel: (867) 920-6197
Website: www.justice.gov.nt.ca

Nova Scotia

Condominium Act

Service Nova Scotia and Municipal Relations
Toll-free (within Nova Scotia): (800) 670-4357
Tel (outside Nova Scotia): (902) 424-5200
Website: www.gov.ns.ca/snsmr/

Nunavut

Condominium Act (Nunavut)

Nunavut Housing Corporation
Tel: (867) 975-7200
Website: www.nunavut.com

Ontario

Condominium Act

Ministry of Government Services

Tel: (416) 326-8800

Toll-free: (800) 889-9768

Website: www.mgs.gov.on.ca

Prince Edward Island

Condominium Act

Office of the Attorney General

Consumer, Corporate and Insurance Services

Tel: (902) 368-4550

Website: www.gov.pe.ca

Saskatchewan

Condominium Property Act

Justice Department

Tel: (306) 530-6789

Toll-free: (866) 491-6216

Website: www.justice.gov.sk.ca

Quebec

Civil Code (Code civil)

Book One Art. 299 to 364

Book Four Art. 1010 and 1038 to 1109

Art. 1299 to 1370

Website: www.soquij.qc.ca

Yukon

Condominium Act

Department of Justice, Land Titles

Toll-free (within Yukon):

(800) 661-0408, local 5612

Tel: (867) 667-5612

Website: www.gov.yk.ca

Warranty Programs

Atlantic Home Warranty Program

www.ahwp.org

**Association provinciale des constructeurs
d'habitations de Québec**

www.apchq.com

Ontario New Home Warranty Program

www.tarion.com

Manitoba New Home Warranty Program

www.mbnhwp.com

**Saskatchewan New Home Warranty
Program**

www.nhwp.org/

Alberta New Home Warranty Program

www.anhwp.com

**British Columbia Homeowner Protection
Office**

www.hpo.bc.ca

Private Warranty Programs

London Guarantee Insurance Company

www.londonguarantee.com

National Home Warranty Programs

www.nationalhomewarranty.com

Wylie-Crump Limited

www.wyliecrump.com

Non-Government Sources

The Canadian Condominium Institute (CCI)

The Canadian Condominium Institute is an independent, non-profit organization formed in 1982 with chapters throughout Canada.

CCI-National

Diane Gaunt, Executive Director
2175 Sheppard Ave. E., Suite 310
Toronto, ON M2J 1W8
Tel: (416) 491-6216
Fax: (416) 491-1670
Email: cci.national@taylorenterprises.com
Website: www.cci.ca

CCI-Vancouver Chapter

1700 - 1185 W. Georgia Street
Vancouver, B.C. V6E 4E6
Email: contact@ccivancouver.com
Website: www.cci.ca/Vancouver

CCI-N Alberta Chapter

3438 - 78 Avenue,
Edmonton, AB T6B 2X9
Tel: (780) 413-8334
Fax: (780) 413-7532
Email: info@cci-north.ab.ca
Website: www.cci-north.ab.ca

CCI-S Alberta Chapter

2, 7008 Farrell Road S.E.
Calgary, AB T2H 0T2
Tel: (403) 253-9082
Fax: (403) 220-1215
Email: info@cci-south.ab.ca
Website: www.cci-south.ab.ca

CCI-N Saskatchewan Chapter

PO Box 7074
Saskatoon, SK S7K 4J1
Tel: (306) 652-0311
Fax: (306) 652-0373
Email: northsaskatchewan@cci.ca
Website: www.nsccli.ca

CCI-S Saskatchewan Chapter

PO Box 24011
2160 Broad St.
Regina, SK S4P 4J9
Email: cci@accesscomm.ca
Website: www.cci.ca/ssc

CCI-Manitoba Chapter

PO Box 2517 Station Main
Winnipeg, MB R3C 4A7
Tel: (204) 944-8954
Email: CCIManitoba@hotmail.com
Website: www.cci.ca/Manitoba

CCI-Toronto and Area Chapter

#310-2175 Sheppard Ave. E.
Toronto, ON M2J 1W8
Tel: (416) 491-6216
Fax: (416) 491-1670
Email: ccitoronto@taylorenterprises.com
Website: www.ccitoronto.org

CCI-London & Area Chapter

P.O. Box 51022
1593 Adelaide Street N.
London, ON N5X 4P9
Tel: (519) 453-0672
Fax: (519) 642-4726
Email: ccisw@cci-sw.on.ca
Website: www.cci-sw.on.ca

CCI-Ottawa Chapter

P.O. Box 32001, 1386 Richmond Road
Ottawa, ON K2B 1A1
Tel: (613) 247-4718
Fax: (613) 247-8794
Email: cciottawa@gamma.ca
Website: www.cci.ca/ottawa

CCI-Golden Horseshoe Chapter

920 Brant Street, Suite 23
Burlington, ON L7R 4J1
Tel: (905) 631-0124/1-877-444-2496
Fax: (866) 320-5361
Email: email@ghccci.org
Website: www.ghccci.org

CCI-Huron Chapter

P.O. Box 95
Barrie ON L4M 4S9
Tel: (866) 491-6216
Fax: (866) 502-1670
Email: ccihuron@cci.ca
Website: www.cci.ca/Huron

CCI-Windsor-Essex County Chapter

PO Box 693, Station A
Windsor, ON N9A 6N4
Tel: (519) 978-3237
Fax: (519) 978-9042
Email: amthielk@clarkslaw.com
Website: www.cci.ca/Windsor

CCI-Northwestern Ontario Chapter

383 Mooney Street
Thunder Bay ON P7B 5L5
Tel: 807-346-5690
Fax: 807-344-1507
Email: ccinorthontario@shaw.ca
Website: www.cci.ca/NWOntario

CCI-Nova Scotia Chapter

#3-644 Portland Street, Suite 135
Dartmouth, NS B2W 2M3
Tel: 902-461-9855
Email: info@ccinovascotia.ca
Website: www.ccinovascotia.ca

CCI-Newfoundland & Labrador Chapter

P.O. Box 23060, Churchill Square
St. John's, NL A1B 4J9
Email: mbutt@martek.ca
Website: www.cci.ca/Newfoundland

Publications

CM - Condominium Manager

Association of Condominium Managers of
Ontario
2233 Argentia Road, Suite 100
Mississauga, Ontario L5N 2X7
Tel: (905) 826-6890
Toll-free: (800) 265-3263
Fax: (905) 826-4873
Email: rcm@acmo.org
Website: www.acmo.org

Condo Business Magazine

5255 Yonge St.
Suite 1000
Toronto, ON M2N 6P4
Tel: (416) 512-8186
Fax: (416) 512-8344
Email: info@mediaedge.ca
Website: www.mediaedge.ca

Associations

Condominium Homeowners Association of British Columbia

624 Columbia Street, Unit 202
New Westminister, B.C. V3M 1A5
Tel: (604) 584-2462
Toll-free: (877) 353-2462
Fax: (604) 515-9643

Vancouver Island Stata Owners Association

Box 601
185-911 Yates Street
Victoria, B.C., V8V 4Y9
Tel: (250) 920-0222
Toll-free: (877) 338-4762
Email: infor@visoa.bc.ca
Website: www.visoa.bc.ca

Appendix C — Condominium Selection Checklist

Here is a list of questions to ask yourself before you buy. You can use the chart below to “score” each condominium you consider. First, give each question below an importance rating based on your wish list, with **10 being very important and 0 not important at all**. Then, put a check mark under **yes** or **no** for each question. For each **yes** answer, the condominium will receive the number of points you gave the question for importance. For example, if you feel that being close to a school is a 9 on the importance scale, and the condominium you are looking at is close to a school, it would receive 9 points.

You can total the points at the end to help you rank the different condominiums you look at. But remember, this exercise is to help you make sure that you have considered all the factors before you sign on the dotted line.

Question	Importance (1-10)	Yes	No	Score
Location				
Is the condominium in the neighbourhood I want?				
Is there a school nearby?				
Is it accessible by public transit?				
Is the commute time to work acceptable?				
Is it close to amenities (e.g., shops, theatres, restaurants, etc.)?				
Amenities				
Does the condominium have recreational facilities?				
Does it have an exercise room?				
Does it have a pool?				
Does it have a party room?				
Does it have a convenience store?				
Does it have a children’s area?				
Does it have parking available? Indoor or outdoor? Guest parking?				
Does it have suitable storage available?				
Condominium Rules and Regulations				
Are the condominium rules and restrictions clearly defined and understandable?				
Are the condominium rules and regulations reasonable (can I live under these rules)?				
Are there rules about the numbers of occupants permitted?				
Can I rent out my unit?				
Does the board of directors (or developer) seem helpful in explaining the rules?				
Can I operate my business from the condominium?				
Can I take my pet?				
Does the management fit my lifestyle (property manager vs. self-managed)?				

Question	Importance (1-10)	Yes	No	Score
Affordability				
Is the purchase price of the condominium within my budget?				
Can I afford the monthly condominium fees along with my mortgage payments, taxes, insurance and other expenses?				
Does the price seem reasonable for what I am getting?				
Are there upgrades available that I need or want and how much would they cost?				
Are finishes included in the purchase price?				
Is cable/satellite and/or Internet access included in the monthly condominium fees, and if not, how much would they cost?				
How is the condominium heated/cooled/ventilated?				
Is the building energy and water efficient?				
Are utilities included in the monthly condominium fees, and if not, how much can I expect to spend each month?				
The Building				
Is the condominium (e.g., high-rise, low-rise, townhouse, freehold, loft) the type that I want?				
Will the construction be finished on time and if not, can I wait?				
Is the building attractive?				
Is the condominium in good physical condition?				
Does it seem well-built (or well-maintained)?				
Will the condominium be durable?				
Are the grounds attractive and well-maintained?				
Is the unit attractive?				
Is it the right size?				
Does it have the features (e.g., fireplace, number of bedrooms, balcony) I want?				
Does it have enough storage space?				
Does it have enough light?				
Does it have fire protection systems (e.g. smoke detectors, sprinklers)?				
Does everyone in the family like it?				

Question	Importance (1-10)	Yes	No	Score
The Condominium corporation				
Is the condominium corporation in good financial condition?				
Is all documentation for the condominium accessible and in good order?				
Are there any legal claims or judgments against the condominium corporation?				
Community and Lifestyle				
Does the condominium community seem to match my lifestyle (e.g., older adults vs. families with small children)?				
Is the condominium strictly residential, or is it mixed-use?				
What is the proportion of owner-occupied to rented units?				
Is it accessible for people with special needs?				
Do the current occupants seem friendly and happy?				
Are there any noise implications roadways, neighbours, garbage chutes and elevators?				
Total points				

Acknowledgments

This *Guide* was developed with the help of many talented and dedicated people serving the housing and condominium industry in Canada. CMHC would like to acknowledge the contributions of the following people:

Alex Astbury
Jamie Bleay
Don Braden
Michael Celentano
Steve Chapman
Michel Charlebois
Ronald Danks
David Dunn
Joanne Lucas
Sandra Marshall
Robert Marshall
Ian Melzer
Emer Parke
Bart Porter
Dawn Ring
Bill Semple
Alex Spiegel
Bernie Winter
Debra Wright

CMHC thanks the Canadian Condominium Institute for its active support in the development of this publication. Finally, the efforts and dedication of the project team led by HWB Inc. in the organization and writing of this *Guide* are gratefully acknowledged.

Duncan Hill
Policy and Research Division
Canada Mortgage and Housing Corporation

CMHC CAN HELP YOU PROTECT YOUR INVESTMENT



Homeowner's Inspection Checklist

\$19.95

Product #62114

Conduct your own inspections to keep your home in shipshape condition! The *Homeowner's Inspection Checklist* helps you identify potential problems and then act on them before repairs become too costly. With this practical, easy-to-follow guide, you can ensure that your home is safer, more energy-efficient and more comfortable all year round. With our handy Evaluation Tool and basement-to-roof Maintenance Calendar, you're equipped to stop potential problems before they begin.



Home Care: A Guide to Repair and Maintenance

\$6.95

Product #61019

Don't let your home get out of shape! The *Home Care: A Guide to Repair and Maintenance* booklet provides practical "how to" help for maintenance and repair work around your house. Complete with step-by-step instructions and helpful illustrations, this collection of useful tips for common repairs and regular maintenance can help you keep your home in great condition for years to come.

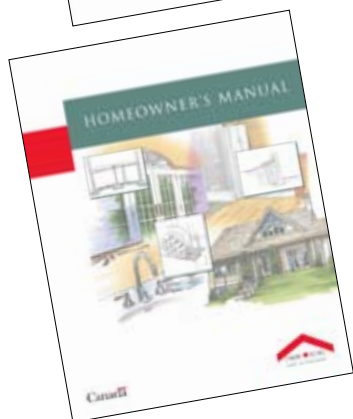


Healthy Housing Renovation Planner

\$34.95

Product #60957

Why not renovate "healthy"? The *Healthy Housing Renovation Planner* outlines options, shows you techniques and explains to you materials that will make your home a healthier place to live. With its illustrations, money-saving worksheets and helpful planning guides, the Renovation Planner will help you make your home healthier, safer and more energy efficient.



Homeowner's Manual

\$22.95

Product #61841

Discover how houses are made, what to expect as a new homeowner and how to make common repairs around the house! The *Homeowner's Manual* is a practical and comprehensive guide with information to help you understand the workings of your house – its systems and components, how they work and how they fit together. It addresses all aspects of a new home, from systems for heating to ventilation and air conditioning to plumbing and hot water. Filled with easy to follow instructions and lots of illustrations, it also offers troubleshooting advice on how to resolve common problems and gives tips on how to run your house in a healthy, efficient and environmentally friendly way.

Order your copies today by calling 1 800 668-2642
or visit our Order Desk at www.cmhc.ca

PROTECT YOUR MOST IMPORTANT INVESTMENT INSIDE AND OUT...



About Your House Series

FREE

What you need to know as a homeowner – at your fingertips! CMHC's *About Your House Series* are easy-to-read fact sheets that cover virtually every facet of owning, maintaining and renovating your home... from basement renovations to attic venting to low maintenance lawns and everything in between. They can even help you with the purchase of a new home. Look for the new *Understanding Your New Home Sales Contract* and *Selecting a New Home Builder* fact sheets available in handy printable format on the CMHC website at www.cmhc.ca



Homebuying Step-By-Step

FREE

Planning to buy a home? Be sure to read this handy guide and workbook first. Covers ten essential steps including determining your requirements, calculating costs, arranging a mortgage and preparing an offer. You'll also learn what to expect from real estate agents, builders and others in the home buying process. Filled with handy worksheets and checklists to help you make the right decisions. The complete *Homebuying Step-By-Step* guide is available in an instantly accessible, interactive version you can start using right away at www.cmhc.ca

View these and find other related housing information at www.cmhc.ca