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Condo buying: Is history repeating itself?

A decade after the leaky condo crisis, a new problem is coming to light. A Canada Mortgage and Housing Corp. report shows that resale condo buyers are often ill-informed about the properties they're purchasing, despite getting information directly from the strata councils. The result? More bills, sometimes totalling hundreds of thousands of dollars, and a new warning that "buyer beware" may not be enough.

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Re-sold condos shackle new owners with legacy of repairs

Buyers looking for bargains hit with expensive surprises, CMHC study says

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VANCOUVER SUN

Condo owner Chris Monk has simple advice for anyone considering buying a resale condo — "Don't buy one."

Monk purchased his West End

condo in the fall of 2000 and within 24 hours of signing the purchase agreement was presented with a bill for \$5,000 to repair flooding damage caused by a leaking roof. Monk claims his subsequent research has shown the roof had been leaking

since 1998, with only minor restorative work done to mask the problem.

Unfortunately, Monk is not alone, according to a June 2003 study by Canada Mortgage and Housing Corporation real estate researcher Nancy Bain.

She found that "the leaky condo crisis has been exacerbated by the sale of problem homes without full disclosure to subsequent

buyers" and that buyers looking for real estate deals are finding themselves the newest victims of the leaky condominium crisis.

More and more, real-estate bargain hunters are finding themselves with leaky units and huge repair bills despite researching their purchases to ensure what should be problem-free condo housing.

The study, *Re-Sale of Leaky*

Condos: Did the Buyer Know?, tracked 40 condo purchases between 1996 and 2002. The buyers, generally between 40 and 70 years old, purchased units in Greater Vancouver, Vancouver Island or the Fraser Valley. All the new owners discovered a serious problem with their new home within one year of buying it, the average costs of repairing

them ranging between \$25,000 and \$60,000. Two owners were hit with special assessments of \$150,000 and just over \$200,000.

"The impact on people's lives has been enormous, even horrendous in some cases," the study states.

"Some people have lost much

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'Buyers need to be very, very careful'

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or all of their life savings, even their homes. Family life, home-based businesses and health have suffered due to disruption and the mess during repairs, and the strain of it all."

Only 11 of the buyers paid for a property inspection. The report also found that none of the sale contracts included requests for engineering reports, property disclosure statements failed to identify problems in a number of cases and that when half of the buyers tried to better understand the building history through reading strata minutes, those minutes "were often drafted in a manner that did not reveal the true condition of the building."

"Persons knowledgeable about building envelope failure may be able to discern certain 'red flags' in the minutes," the report observed, "but a typical home buyer has little chance of interpreting these signs."

The report concludes: "All of the investigative tools have shortcomings, individually and collectively. In each instance investigated, a clear understanding of the risk was not apparent regardless of the tools used."

"Even if the use of investigative tools is more frequent, or if the leaky condo crisis has peaked, it is clear that there will still be many condominium buyers who discover, after the fact, that 'what they got is not what they thought they bought.'"

"The tools are flawed, the contract can fail to require all the necessary documentation and there is little assistance for buyers in understanding and analyzing the information they receive."

In his case, Monk alleges the strata council in his building knew of the problem all along and failed to fix it properly, or to inform him of the leak, before he signed the final purchase agreement.

"I still believe I should have been informed of that and allowed to bail out [of the purchase]," Monk said.

Since buying his condo for \$218,500, Monk estimates he has spent an additional \$40,000 to \$50,000 on levies, repairs and legal fees. Monk is now suing the building property manager and the president of the building strata council for false disclosure. Other tenants in his building are suing the strata council for misappropriation of funds.

Monk's is unfortunately not

an unusual case among re-sale condo buyers, says James Balderson, a leaky condo owner and the vocal advocate behind the myleakycondo.com Web site.

Balderson's reluctant involvement in the leaky condo crisis began in 1991 when he bought a \$533,000 unit in the Fairview Slopes area. Three weeks after moving in, he discovered his new home leaked, and in 1996 and 1997 he spent \$161,000 on repairs.

Balderson helped supply some of the study subjects to the CMHC and says the results of the study confirm what he has been hearing for years from many re-sale condo owners who have called him for advice and information on what to do after buying a high-priced lemon.

"They had been deceived, misled or surprised in terms of the information given to them, their ability to understand it and what they ended up purchasing," Balderson said.

"The warning [in the report] is for future purchasers because these things are still going on."

Even when purchasers do come across minor problems detailed in the council and corporation minutes, it is doubtful they would recognize the significance of what they are reading, he said, unless they have experience with a leaky condo and can see that certain work can indicate a bigger problem looming unaddressed.

"These minor problems can turn out to be major problems ... Buyers need to be very, very careful," Balderson said.

But Balderson does not believe the final responsibility for buying a re-sale condo rife with structural problems rests with the buyer. Real estate agents anxious to make a sale may gloss over past problems, building inspectors on real estate agent referral lists may be reluctant to point out issues and repair work already undertaken may not meet regulations, he said.

In 1996, the City of Vancouver mandated the use of so-called rainscreen technology in repairing leaky condos. The system ensures that even when water gets past the external surface of the building there is an internal surface it can run down to prevent it from penetrating further.

Balderson says some stratas have neglected to follow the rules when it comes to repairing their buildings, leaving even bigger problems and larger expenses for re-sale buyers.