

CONDOMINIUM BUYER'S GUIDE





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Logements en copropriété — Guide de l'acheteur (OPIMS: 63101)

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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.

National Library of Canada cataloguing in publication data

Main entry under title: *Condominium Buyer's 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

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Revised 2008, 2009, 2010, 2012, 2013

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Produced by CMHC

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INTRODUCTION

So you're thinking about buying a condominium?

Condominium living is a popular choice for many Canadians as it can be a relatively carefree housing option. About one million Canadian households own a condominium (often referred to as a “condo”). Most major newspapers now include a condominium section, which recognizes the increasing number of people who already live in — or want to live in — a condominium.

This Guide will give you the basic background information you need to figure out if condominium ownership is really for you. It will identify key questions to ask — and the people you should be asking — before you make this important purchase.

In this Guide you will find:

- Chapter 1: Condominium basics
Learn how condominium ownership differs from other forms of homeownership.
- Chapter 2: Condominium governance
Read about how condominium corporations are run and rules that govern day-to-day condominium living.
- Chapter 3: The pros and cons of condominium ownership
Find out if condominium ownership fits with your lifestyle, financial situation and personality.
- Chapter 4: Buying a condominium
Know what to look for whether you're buying a new or a resale condominium as well as the costs you need to factor into your budget.

- Chapter 5: Worksheets, checklists, tips and questions and answers
Stay on track with these handy tools that will help you find a condominium that is right for you.
- Glossary
Demystify condominium terminology with this list of commonly used words and phrases.

General information about buying a home is available in CMHC's *Homebuying Step by Step: A Consumer's Guide and Worksheets*.

If you are buying a condo in order to rent it out, also consult CMHC's *Your Guide to Renting a Home*.

If you require condominium information related to a specific Province or Territory, please find Provincial and Territorial fact sheets on-line at www.cmhc.ca.

This Guide gives a general overview of what's involved in buying a condominium and is not intended to provide legal or technical advice. It is strongly recommended that you retain legal and technical professionals to assist you with any condominium purchase.

1 — CONDOMINIUM BASICS

Condominium living can be an appealing housing option. It's often affordable and someone else handles much of the maintenance and repairs, such as shovelling snow and replacing the roof. Many condominiums have enhanced security features over those found in single-family houses and offer a wide range of social, entertainment and recreational activities.

However, purchasers should be aware — before they buy — of the many issues and considerations surrounding the purchase of, and the lifestyle in, a condominium. Condominium ownership is very different from owning a home under traditional *fee simple* tenure. This section of the Guide will help you better understand this unique form of ownership and 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 units in high-rise residential buildings, but they can instead be:

- low-rise residential buildings (fewer than four storeys);
- townhouse or rowhouse complexes;
- stacked townhouses;
- duplexes (one unit over another) or a side-by-side;
- triplexes (stack of three units);
- single-detached houses; or
- vacant land upon which owners may build.

There are even mixed-use condominiums that are partly residential and partly commercial buildings. Condominiums come in various sizes with diverse features and can be found in almost every price range.

Condominium buyers have three choices. They can buy a new condo, a resale condo or a conversion condo.

“New condominiums” refer to units that have not been previously occupied. They can be in the planning stage, under construction or recently completed and are usually purchased from a developer. For many buyers, they're an attractive option because of their fresh appearance and modern fittings, surfaces and appliances. They also often give purchasers the chance to customize their units.

“Resale condominiums” are units that have already been occupied, typically in older buildings, and are for sale by the current owner. 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 a representative of the board of directors of the condominium corporation and ask questions of the property manager.

“Conversion condominiums” refer to units in a building that 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 can also refer to the switching of units from rental units to condominium units.

A unique form of ownership

Owning a condominium differs from owning a conventional home in several ways. Key differences include:

What do you own?

When you purchase a condominium, you own a private dwelling called a “unit.” Your unit is registered in your name. You also share ownership of the common elements and assets of the building and community.

It’s important to be clear where your unit’s boundaries are located before you purchase. You’ll want to know, for instance, whether you’ll be paying for window washing or repairs to your townhouse’s bricks or whether the condominium corporation will be responsible for this. You can find information about your unit’s boundaries in your condominium’s governing documents.

Some condominium units (called *freehold condominiums*) include ownership of the land your home is on. If this is the case, your unit may be the entire house including the exterior walls, the roof and the lawn. You may want to carefully review the condominium corporation’s site plan, prepared by a professional surveyor, so you know exactly where your unit’s boundaries lie.

Common elements may include lobbies, hallways, elevators, recreational facilities, walkways, gardens and other amenities. They may also include structural elements and mechanical and electrical services.

Some common elements may be outside the unit boundaries, but are for the sole use of the owner of a particular unit. Balconies, parking spaces, storage lockers, driveways and lawns are common examples.

What will you pay?

In addition to paying for your unit and a proportionate share of the common property, you also pay monthly condominium fees, along with all of the other unit owners. This covers the upkeep and replacement of common elements — whether you use them or not. The fees may also cover the corporation’s insurance policies, utilities and services such as snow removal.

Part of those monthly fees may be put into a reserve fund to cover the estimated cost of future maintenance and repairs.

Required by law in some provinces and territories, a reserve fund study is often used to tell condo owners how much money should be paid into the reserve fund. Conducted by an engineer or other professional, it involves a detailed examination of all components, an analysis of when repair and replacement are expected, and an estimate of these costs.

Condominium fees may have to be adjusted from time to time to reflect the changing costs of goods and services and the state of the building’s reserve fund. Look for these adjustments in the next year’s budget.

Don’t expect a refund if the board overestimates the common expenses. Refunds are not commonly given to unit owners. Instead, surpluses are typically either applied to future common expenses or paid into the reserve fund.

If a unit owner sells a unit before the end of the condominium corporation’s fiscal year, the owner cannot obtain a refund for any prepaid common expenses but should provide for adjustments for prepaid expenses in the purchase or sale agreement.

Did you know?

Even though condominium owners often pay the same municipal taxes as other homeowners, they don't always receive services covered by those taxes, such as garbage pickup, road repairs and snow removal. This is because condominiums may be considered (by the municipality) to be private communities, some with limited access. Before you buy, ask what municipal services the condominium corporation receives and what other services are carried out by independent contractors — and reflected in your condo fees.

What can you do?

*Three of the most common causes of annoyance to condominium owners are pets, people and parking — the “three Ps.” That's why condos have rules and restrictions around them and other issues, such as noise and the number of people who may live in a unit. It's essential that you review the **condo's rules, bylaws and declaration** before you make an offer.*

Buyer beware!

Before buying, find out what common property elements are for your use only and what restrictions apply. For instance, restrictions may prevent you from parking a boat, RV or commercial vehicle in your parking spot or there may be restrictions on what you may place on your balcony.

Your role in a condominium community

When you become a condominium owner, you become a member of a condominium corporation and have certain rights and responsibilities. One of your key rights is the right to vote at general meetings on matters that affect the condominium. You are also eligible to help elect the board of directors.

The board of directors takes responsibility for the management of the corporation's business affairs. The board is generally made up of individual condominium owners.

As an owner, it's your responsibility to participate in the governing of the condominium. You can do this by attending general meetings and information sessions, serving on the board of directors or on a committee and voting. It's also important to read the minutes of meetings and other information sent to members, such as the condo newsletter, as well as the corporation's budget and financial statements.

You are now part of a community with shared responsibilities. If the parking garage in your development unexpectedly starts to crumble and there aren't enough funds on hand to repair it, you — along with all of the other owners — must pay the increased condominium fees or a lump-sum payment to cover its repair.

Condominiums across Canada

Condominiums across the country have many similarities and are generally run along the same principles. For example, condos in all provinces and territories are corporations whose units are privately owned and whose common elements, such as elevators and hallways, are owned by all of the condo members.

But there are a number of differences. In British Columbia, for instance, the legal term for condominium corporation is “strata corporation;” in Quebec, it is “syndicate” or “syndicate of co-owners.” In some jurisdictions, a purchaser can ask the condominium corporation for vital information about a particular unit and the corporation as a whole,

such as whether the current owner (in the case of a resale unit) has defaulted in paying his or her common expenses and if there are any outstanding lawsuits against the corporation; depending on the jurisdiction, this is called either a “status certificate” or an “estoppel certificate.”

It's not only condominium terminology that varies from place to place. Some jurisdictions have detailed rules addressing condominium reserve funds, which cover the costs of major repairs and replacement of the common property over time; in other jurisdictions, reserve funds are not mandatory.

Did you know?

Condominium corporations are legal entities. You and all of the other owners can be sued for matters for which you're collectively liable. Likewise, you and all of the other owners have the right to sue for damages to the common property.

2 — CONDOMINIUM GOVERNANCE

Condominiums are communities and some run more smoothly than others. Before buying a unit, ensure you understand how condominium corporations make decisions about finances, common property, rules and regulations.

This section outlines the role of the board of directors, your voting rights and responsibilities, common rules and restrictions as well as the differences between “self-managed” condominiums and those that hire property management firms to handle their daily operations.

Who makes up the board of directors?

The board of directors (or “council” in B.C.) is generally elected by, and made up of, individual condominium owners. Their number, qualifications, election, term in office, pay (if any), removal from the board and other related matters are outlined in provincial or territorial legislation and/or the condominium bylaws.

The board of directors meets regularly to handle the business affairs of the condominium corporation, including policy and finances, and makes decisions about the upkeep and repair of the common property.

How are voting rights determined?

The board of directors makes many decisions for the condominium but certain decisions must be made by unit owners. Each unit owner has voting rights at meetings.

Your voting rights will be determined by:

- the condominium legislation in your province or territory; and/or
- your condominium’s governing documents (such as its declaration and/or bylaws); and
- your financial standing with the condominium corporation. If you’re in arrears with your contributions, you risk losing your voting rights.

Some condominiums assign one vote per unit. Others weight the vote based on ownership of the common elements. This ownership interest is often called a “unit factor,” “proportionate share” or “percentage of ownership.”

The unit factor for any particular unit will generally be calculated in proportion to the unit’s value in relation to the total value of all of the units in the condominium corporation. For example, a tenth-floor, three-bedroom corner suite with a rooftop garden will typically have a greater unit factor than a two-bedroom basement unit.

Your unit factor is also used in calculating the monthly fees you must pay toward the upkeep and renewal of the common elements.

Must I attend meetings and/or serve on committees?

You may have to, depending on what your condominium’s rules or other governing documents require. Whether it’s compulsory or not, you have a responsibility to yourself and to other owners to become involved in your condominium community.

Meetings are a forum for owners to discuss the running of the condominium and to vote on changes to the common property, bylaws and other matters. For a vote to take place, there must often be a minimum percentage of owners present (called a “quorum”), so everyone has a responsibility to attend.

Am I bound by decisions if I didn't attend meetings or vote?

Yes. Your board of directors holds regular meetings and has the right to make certain decisions that affect the corporation at those meetings, whether or not you are present.

Decisions that require the approval of unit owners are made at annual general meetings or special meetings. You should be notified about these meetings well in advance and plan to attend or appoint a proxy. If you don't cast your vote and a motion passes, you are bound by that decision.

What's the difference between condominium bylaws and rules?

A condominium's bylaws govern how the condominium corporation is run. They often address matters such as the election and practices of the board of directors, the collection of common expense contributions and how rules are passed.

Rules focus on day-to-day concerns of condominium living and vary from condo to condo. They may be very strict or very relaxed depending on the nature of the corporation, but they help ensure that the condominium is a safe, pleasant and

Did you know?

If you can't attend an owners' meeting, you may have the right to send someone in your place. This person is called a “proxy.” When owners will be voting on important matters, such as changing a bylaw or electing a new director to the board, you can send your vote via a proxy. Typically you would need to appoint your proxy in a signed document.

attractive place to live. Rules also spell out what your rights and obligations are as an individual owner.

Rules frequently cover:

- the maximum number of occupants per unit;
- pets;
- noise;
- parking;
- when you may use certain amenities, such as the pool or exercise room; and
- the appearance and/or alteration of the unit space.

Carefully review and consider all rules and obligations prior to purchasing a unit. You can get a copy of the rules from the seller, the property manager or the board of directors. Make sure your copy is up to date.

Provincial and territorial condominium legislation sets out what matters can be covered by bylaws, and sometimes rules. All bylaws must be consistent with both this legislation and the condominium corporation's declaration. Rules should not deal with matters covered by bylaws otherwise they could be struck down if challenged.

Tip:

Before you buy, ask current residents if they've experienced problems with noise, pets, parking, smoke or odours from other units and how they were handled. This is particularly important if you're moving from a single-family home to a multi-unit condominium.

Condominium legislation in some jurisdictions doesn't differentiate between bylaws and rules.

Property management firms versus self-managed condominiums

Most condominium corporations hire a property management company to handle their day-to-day operations, under the leadership of their boards of directors. These tasks often include:

- collection of monthly fees and any special fees;
- cleaning and maintenance of common areas;
- payment of common area utility bills;
- operation and maintenance of heating, air-conditioning and other building systems; and
- snow and garbage removal.

Other condominiums are "self-managed." Their boards of directors — and in some cases, volunteers who are residents or owners — carry out the day-to-day operational tasks.

Self-management can save money as well as give owners a greater sense of control and community. But it has several challenges including:

- finding volunteers who have knowledge of building maintenance, budgeting, insurance and legal issues and who can devote enough time to the condominium's day-to-day business;
- lack of continuity (due to volunteer turnover); and
- a weak system of checks and balances.

When considering the purchase of a particular condominium, ensure that you are comfortable with its management, whether the condo contracts out this responsibility or takes it upon itself. There may be implications for both your condo fees and any obligations you may have toward the building's operation and maintenance.

Caution!

Self-managed condominiums can work well, but it's important to have strong support from a lawyer and an accountant who are experienced in condominium operations

3 — THE PROS AND CONS OF CONDOMINIUM OWNERSHIP

Wondering whether or not condominium living really is the right choice for you? You may love the idea of ditching your snow shovel and lawn mower when you move into a condo, but you might not be so happy about leaving your satellite dish behind to comply with a bylaw.

Like most types of accommodation, condominiums have their advantages and disadvantages. Carefully consider all of these pros and cons when deciding whether or not a condo fits with your lifestyle, personality and financial situation.

Pros of Condominium Ownership	Cons of Condominium Ownership
Fewer maintenance and repair responsibilities.	You may not be able to decide when maintenance and repairs get done.
Access to on-site amenities, such as a sauna or swimming pool, which you otherwise might not be able to afford.	You may have to pay for amenities that you might never or rarely use.
Enhanced security features in some condominium units. You'll also have peace of mind while you're on vacation knowing that your neighbours are close by.	Less privacy in some condominium units and possibly more noise.
Monthly maintenance or condo fees are usually predictable.	Possibility of special assessment charges for unexpected repairs.
You have a say in the running of the condominium corporation. As an owner, you have voting rights and can be elected to the board of directors.	Like most communities, a condominium attracts individuals with a variety of personalities. It can sometimes be a challenge to reach a consensus.
A community that may have a wide range of social, entertainment and recreational activities sometimes geared to a specific lifestyle (seniors, for example).	Less space in some condominium units.
	Possible restrictions on things like noise levels, parking, pets, smoking and even the style and colour of things like doors and window coverings.

Evaluation checklist: Is condominium ownership right for me?

If you answer “yes” to most of the following, then buying a condo may be a smart move for you.

- I like the fact that a condominium is an “instant community” and my neighbours won’t be far away.
- I want to participate in the running of the community with other condominium owners.
- I don’t want the hassle of shovelling snow, cutting grass and other outdoor chores.
- I’ll use some of the condominium’s amenities.
- I understand that I will pay monthly fees for maintenance and repair of the condominium and will budget accordingly.
- I know there may be restrictions on the number of occupants in my unit, pets, noise, parking, etc.
- I’ll read through the condominium’s documents before I buy so there’ll be no surprises.
- I understand that a board of directors can make decisions on my behalf.

Also, for condominium apartment units

- I’m an empty nester or single and would be satisfied with the space provided in a condominium apartment.
- I’m reassured by the building’s security measures, such as entry buzzers and video surveillance cameras.

4 — BUYING A CONDOMINIUM

Looking at potential homes to buy can be an exciting experience. First, you need to figure out what you can afford and how much of a mortgage you'll need. Then, once you find a condominium that matches your financial and personal criteria, you'll want to ensure that it's well managed and in good physical, financial and legal condition.

There are significant distinctions between buying a new condominium and a previously owned, or resale, unit. This section highlights what you need to look for, whichever route you choose. It will also tell you how buying a condominium differs from purchasing a “fee simple” home and help you determine what you can afford and which experts to consult.

Buying a new condominium

Developers often put new condominiums up for sale before their construction has been completed or even begun. You may be selecting your unit from a floor plan. This has advantages — you may be able to ask for changes — and risks — the as-built result may differ from the plan or what you had envisioned and the completion date could be later than promised.

When considering a new condominium, you should have a close look at your unit's specifications and the building's plan and other governing documents to ensure that your unit is acceptable and that you're fully aware of regulations and the corporation's budget.

You'll want to find out from the developer what work must still be done on the project and check that your purchase agreement specifies a completion date and under what conditions the developer may change it. The developer should also be able to give you details about the property manager who will hold the key responsibility for the day-to-day running of the condominium.

For more information on what to look for when buying a new unit, see *Tips for buying a new condominium* (Chapter 5).

Buyer beware!

When you buy a new condominium, be prepared to pay occupancy fees — sometimes called “phantom rent” — to the developer. Occupancy fees cover the period between the time you take occupancy of your unit and the time you take ownership of it (once the unit is registered).

Buying a resale condominium

When you purchase a resale unit you have the advantage of seeing what you're buying. It's clear how much space you'll have, what the layout is like and where the common elements are. But you'll also want to find out about less obvious aspects, such as what steps have been taken to limit noise between units and how odours are controlled.

On the financial and legal side, you should review the corporation's annual operating budget, financial statements and estoppel or status certificate. The estoppel or status certificate is a package of legal documents that may include the declaration, bylaws, rules and information about the corporation's insurance, reserve fund, property management contract and any outstanding judgments. You may have to pay a fee to cover the corporation's costs of providing these documents, but it will be well worth it — so much so that you should make any offer to purchase conditional on a satisfactory review of these documents.

For more information on what to look for when buying a resale unit, see *Tips for buying a resale condominium* (Chapter 5).

The pros and cons of new versus resale

When deciding whether to purchase a new or resale condominium, you'll want to consider the advantages and disadvantages of both.

Some pros of buying a new condominium:

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

Some cons of buying a new condominium:

- If construction has not been completed, 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, which can be noisy and disruptive.

Some pros of buying a resale condominium:

- 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 resale purchases and typically there is no GST/HST. In some exceptional situations the GST or federal portion of the HST applies.
- 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 sometimes have larger units.

Some cons of buying a resale condominium:

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

Affordability — How much will it cost?

It's important to know how much money you should set aside to purchase — and live in — the condominium you are considering. Additionally, when you are shopping around and comparing different condominiums, it's important to compare the purchase prices and monthly fees for each unit.

Ensure you can afford your mortgage and your new monthly expenses. Your bank, mortgage broker or financial advisor can help you tailor your mortgage to suit your financial goals and needs. CMHC's online guide [*Homebuying Step by Step*](#) can also help you to determine what you can afford.

There are many different types of mortgages, including conventional, high ratio and second mortgages. Take the time to discuss your current financial position and future goals with your financial advisor and be sure that you are comfortable with your purchase.

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 online calculator available free of charge at CMHC's online guide [*Homebuying Step by Step – Step 2: Are you financially ready?*](#)

Down payment

The more of the purchase price you can afford to pay initially, the less interest you will pay over the course of your mortgage.

Mortgage

Consider the type of mortgage, rate of interest and term. Consult with your financial advisor or bank loans officer to decide what works for you, and what would be your financial position if mortgage rates were to rise. Be sure to factor in the costs of mortgage loan insurance if applicable (required if the down payment 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. The more frequent your payments, such as every two weeks instead of monthly, and the shorter the amortization period, the less interest you pay over the course of your mortgage.

Fees

As a condominium owner, you will pay a monthly fee that is your share of the operation and maintenance of the common property elements. A portion of this fee will typically be set aside for the corporation's reserve fund, which covers the costs of major repairs and replacement of the common property elements over time. You will 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 in which 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. Ask for a copy of the most recent property assessment and tax bill.

Utilities

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

See the *Condominium purchase and recurring costs* (Chapter 5) to help you with your budgeting.

Special considerations

You'll want to be crystal clear about the following when making an offer on a condo unit:

Declaration

A condominium's declaration sets forth fundamental information about how the condominium is organized and operated, such as the proportion in which owners are to contribute to the common expenses, and it may have restrictions on pets, home-based businesses, what can go on a balcony and many other issues. (Some provinces don't use the term "declaration;" instead this "constituting" document is included as part of the condominium "plan.")

A declaration can be difficult to change so you'll want to read it over very carefully to ensure that it does not contain unacceptable terms or restrictions.

Unit boundary

Find out exactly where your unit ends and the common property begins. Is the door to your home part of your unit, for example, or is it part of the common elements? You should have a good look at the condominium's plan so you know precisely what you'll be responsible

for maintaining. For more information on unit boundaries, see *Where are my unit's boundaries?* (Chapter 5).

Unit factor

Your unit factor (sometimes called "proportionate share" or "percentage of ownership") tells you what percentage of the condominium's common property you own. It's a key piece of information because it determines how much you will pay in monthly maintenance fees and sometimes your voting rights.

You'll find your unit factor listed in the condominium's declaration (or other governing documents, depending on where you live). Don't expect it to be equal to your neighbour's, but it should at least be similar to those of other units that are comparable in size and location.

Your unit factor is usually based on the size and location of your unit. Before you buy, verify what your unit factor will be with your lawyer. For more information on unit factors, see *How are my voting rights determined?* (Chapter 2).

Reserve fund

A portion of your condo fees will likely go toward the building's reserve fund. (Your province or territory may have another name for this, such as contingency fund or capital replacement reserve fund.) A reserve fund ensures that the condominium has enough money to pay for the major repair and replacement of the common elements over the life of the building. These may include the roof, roads, sewers, sidewalks, elevators, plumbing and other building systems. For more information on reserve funds, see *Is there enough money in the reserve fund?* (Chapter 5).

Did you know?

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.

New home warranties may 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 warranty programs as coverage varies across the country. See also the **Homebuying Step by Step** guide.

A developer may own units (model suites, for example) that have a disproportionately low unit factor. This is uncommon but it can happen because it is the developer who decides which unit factors are assigned to units when the condominium is registered.

Caution!

Check that your unit factor (also called “proportionate share”) has been assessed accurately so that you’re not overpaying monthly maintenance fees. Unit factors are rarely assessed incorrectly but an error can be difficult to rectify because it means changing the corporation’s declaration (or other governing documents).

The last thing you want is to move into your new home only to discover that the reserve fund is underfunded and major repairs are required. This could mean a big jump in your monthly condo fees or a lump-sum payment.

Home warranty

New condominiums are often protected by third-party new home warranty programs. Warranty programs ensure that the condo is properly constructed and meets building

specifications. If you’re buying a new condominium, find out what is and is not covered by the warranty. If you’re purchasing a resale condominium, find out what warranty coverage remains on the unit, if any. For more information on home warranties, see *How do new home warranties work?* (Chapter 5).

Insurance

There are special considerations when insuring a condo as opposed to other forms of housing tenure. You’ll want to check that your individual unit and the condominium corporation as a whole are sufficiently insured. For more information on insurance, see *What property or general insurance coverage should I look for?* (Chapter 5) in *Frequently asked questions*.

Whom should I consult about buying a condominium?

There are a number of professionals you should turn to when buying a condominium. Real estate agents, lawyers, developers and property managers — who ideally specialize in condominiums — all play an important role.

Here is an overview of how each professional can help. See *Questions to ask advisors and condominium experts* (Chapter 5) for a list of things to ask before finalizing your purchase decision.

Real estate agents: Buyers typically contact real estate agents when purchasing resale condominiums. If you’re buying a new condominium, you’ll usually deal with the developer directly though it can be a smart move to work with an experienced agent who may be able to help you secure upgrades and better terms from the developer. A skilled agent can help save you time and energy and provide advice about what to include in the purchase offer to protect your interests.

Property managers: Unless a condominium is self-managed, it's the property manager who handles the day-to-day running of the condominium, such as the hiring of staff, maintenance and repairs. The property manager is under contract to the condominium corporation and plays a pivotal role in ensuring the building operates safely and effectively.

Condominium's board of directors: Before you make a decision to buy in a particular building, it's worth taking the time to speak with the owners who sit on the board of directors if you have the opportunity. They have a "bird's-eye view" of the corporation and may be able to alert you to potential problems.

Lawyers and notaries: A real estate lawyer (or notary in Quebec) who is knowledgeable about residential condominiums will protect your legal interests. He or she should help you understand the condominium documents and will review your offer to purchase and the purchase and sale agreement. A lawyer will also be able to tell you whether or not there are legal actions against the condominium corporation.

Home inspectors: A qualified home inspector can evaluate the condition of the interior of your unit as well as the exterior elements of typical low-rise housing types, such as single-family homes, duplexes, triplexes, row houses and small apartment buildings. For larger apartment buildings, you may want to hire more specialized professionals, such as an architect or engineer, who regularly conduct condition assessments of larger buildings.

Did you know?

If you're purchasing a condominium in some jurisdictions, you can make the agreement-to-purchase offer conditional upon the satisfactory review of the condominium documents and financial statements by a provincial condominium document review specialist.

Buyer beware!

Use all of the investigative tools at your command to help you avoid serious problems. These tools can include property disclosure statements, professional property inspections, condominium corporation minutes and engineering reports.

5 — CHECKLISTS, TIPS, AND FAQs

The following checklists, tips and answers to frequently asked questions are useful tools to help you find a condominium that is right for you.

- Tips for buying a new condominium
- Tips for buying a resale condominium
- Checklist for buying a new condominium
- Checklist for buying a resale condominium
- Condominium purchase and recurring costs
- Physical evaluation checklist
- Questions to ask advisors and condominium experts
- Questions to ask a real estate agent
- Questions to ask a lawyer
- Questions to ask a property manager
- Questions to ask a condominium's board of directors
- Frequently asked questions

Tips for buying a new condominium

- **Look over** the unit's drawings and specifications so you're clear about the floor 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? Verify where the unit's boundaries are and that your unit factor is reasonable.
- **Find out** whether or not you can have changes made to the placement of walls, windows, doorways and types of doors (such as a pocket door) and what the costs would be.
- **Inquire** whether the building and/or your

unit will be accessible to someone with limited mobility. What *universal design* features will the unit include?

- **Find out** if there are plans to reduce the ceiling height anywhere in the unit to allow for ductwork and other mechanical and electrical services. This can have an impact on the esthetics of the unit and the eventual location of lighting fixtures and furniture as well as wall decorations and fittings.
- **Check** the future location of heating and air-conditioning equipment, ventilators and hot water heaters. Again, this can affect how much space you'll have and the attractiveness of your unit.
- **Ask** the developer key questions about construction quality, such as:
 - Have any special steps been taken to limit noise between units?
 - How are the units heated, cooled and ventilated?
 - How are odours controlled?
 - Is the building *energy-efficient*? If so, what special equipment or systems would need to be maintained?
 - Has water efficiency been incorporated into the unit's fixtures?
 - Who operates and maintains the heating and air-conditioning systems?
 - What options are there for suite wall and floor finishes, cabinets, and plumbing and lighting fixtures?
 - How has the building construction taken into account environmental considerations?

- **Check** with the developer and municipality about construction plans in the neighbouring area. Is the building part of a larger complex? What are the plans to build other structures, such as a high-rise, nearby? Could new buildings change the view from your unit significantly?
- **Be clear** about what is and isn't included in the purchase price so you can compare overall costs with other condominiums. For example:
 - Are there amenities, such as pools and parking, and how are they paid for?
 - Are finishes in 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 are they separately metered? (You don't want to end up paying part of your neighbour's utility bills.)
- **Verify**, as best you can, that your monthly condo fees are realistic. Condo fees often increase after the condominium's first year of operation because the developer may have agreed to pay for certain expenses in the first year, such as a concierge's salary, but not in the second year. Fees can also increase after the first reserve fund study has been completed.
- **Investigate** whether there are any "hidden" costs. For example, some developers take out long-term leases on building fixtures, such as furnaces, to save on capital costs. These costs are inevitably passed along to owners.
- **Check** if the unit comes with a new home warranty, which ensures that the building is properly constructed and meets legal regulations. You should know what the warranty covers and for how long. Coverage on major components can run for as long as five to seven years after a building is completed. For more information on new home warranties, see CMHC's online guide *Homebuying Step by Step*.
- **Evaluate** the current state of the construction project. Is it likely that the project will be completed by the date set out in the purchase agreement from the developer? It's important to assess this *before* making your moving and financing arrangements. There can be an unexpectedly lengthy wait before a new condominium project is completed and you can move in.
- **Request** a "disclosure statement" from the developer in those jurisdictions where legislation stipulates a developer must provide you with one before the sale agreement is binding. A disclosure statement will give you some indication of the rules, regulations and financial situation of the condominium corporation before you buy and includes, among other things:
 - a summary of the condominium's features and amenities;
 - the condominium's governing documents; and
 - the condominium's budget for the first year after registration.
- **Find out** if your purchase agreement lets the developer extend the occupancy date. This is especially important if you are making arrangements to vacate your existing home by a specific date based on the original closing date. You should also check

your provincial or territorial homeowner protection legislation to learn your rights if your agreed-upon occupancy date is missed.

- **Consult** with your lawyer before signing any documents.

Tips for buying a resale condominium

- **Find out** exactly where your unit's boundaries lie and if your unit factor is reasonable.
- **Hire** a home inspector to evaluate the condition of the individual unit you are thinking of buying, as well as the building as a whole.
- **Consult** the condominium's technical audit (a building-wide inspection) and/or reserve fund study, if possible, to determine the condition of the building and common property. (Also complete the *Physical evaluation checklist*.)
- **Review** the financial documents the corporation is obliged to keep. These include:
 - the annual operating budget;
 - end-of-year financial statements; and
 - the estoppel or status certificate.
- **Be clear** about what is and isn't included in the purchase price so you can compare overall costs with other condominiums. For example:
 - Are there amenities, such as pools and parking, and how are they paid for?
 - 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?
- **Ask** your experts to verify that there's enough money in the reserve fund to cover the cost of major repairs and renewal projects.
- **Find out** whether any special assessments are anticipated. For instance, an underground parking garage may need renovation or your building may be retrofitted for wheelchair access.
- **Investigate** whether there are any "hidden" costs. For example, some developers take out long-term leases on building fixtures, such as furnaces, to save on capital costs. These costs are inevitably passed along to owners.
- **Ask** what municipal services, such as garbage pickup and snow removal, the condominium receives. Even though you pay for these services through your property taxes, condominiums sometimes have to assign this work to contractors and you may pay for them twice.
- **Check** what, if any, new home warranty coverage remains on the unit.
- **Confirm** that there are no legal actions against the condominium corporation.
- **Consult** with your lawyer before signing any documents.

Checklist for buying a new condominium

- Verify the unit's floor area and boundaries and that your unit factor is reasonable.
- Find out if you can have changes made to the placement of walls, windows and doors and what the costs would be.

- ❑ Inquire whether the building and/or your unit will be accessible to someone with limited mobility.
- ❑ Find out if there are plans to reduce the ceiling height anywhere in the unit.
- ❑ Check how the units will be heated, cooled and ventilated and the location of heating and air-conditioning equipment, ventilators and hot water heaters.
- ❑ Ask the developer about noise-and odour-reduction measures, environmental features and options for suite finishes, cabinets and fixtures.
- ❑ Check with the developer and municipality about planned construction in the area.
- ❑ Be clear about what is and isn't included in the purchase price so you can compare overall costs with other condominiums.
- ❑ Find out if your monthly condo fees are realistic, what they include, and when they're likely to increase.
- ❑ Investigate whether there are any "hidden" costs, such as long-term leases on building fixtures, which will be passed along to owners.
- ❑ Check if the unit comes with a new home warranty and the extent of the warranty.
- ❑ Assess, as best you can, whether the project will be completed by the date in the purchase agreement before making moving and financing arrangements.
- ❑ Request a "disclosure statement" from the developer in jurisdictions where a developer must provide one before the sale agreement is binding.

- ❑ Find out if your purchase agreement allows the developer to extend the occupancy date and check your provincial or territorial homeowner protection legislation to learn your rights if your agreed-upon occupancy date is missed.
- ❑ **Consult** with your lawyer before signing any documents.

Checklist for buying a resale condominium

- ❑ **Find out** exactly where your unit's boundaries lie and if your unit factor is reasonable.
- ❑ **Hire** a home inspector to evaluate the condition of the unit you are thinking of buying, as well as the building as a whole.
- ❑ **Consider** having an indoor air quality inspection done to identify potential mold, airborne particulates, volatile organic compounds, poor ventilation and odours from other units.
- ❑ **Consult** the condominium's technical audit and/or reserve fund study, if possible, to determine the condition of the building and common property.
- ❑ **Review** the corporation's annual operating budget, end-of-year financial statements and the estoppel or status certificate.
- ❑ **Be clear** about what is and isn't included in the purchase price so you can compare overall costs with other condominiums.
- ❑ **Find out** what your monthly condo fees include and when they are likely to increase.

- ❑ **Ask** your experts to verify that there's enough money in the reserve fund to cover the cost of major repairs and renewal projects.
- ❑ **Find out** whether any special assessments are anticipated, what they are for, how much they might cost and when they will need to be paid.
- ❑ **Investigate** whether there are any "hidden" costs, such as long-term leases on building fixtures, which will be passed along to owners.
- ❑ **Ask** what municipal services the condominium receives, such as garbage pickup and snow removal.
- ❑ **Check** what new home warranty coverage remains on the unit, if any.
- ❑ **Confirm** that there are no legal actions against the condominium corporation.
- ❑ **Consult** with your lawyer before signing any documents.
- Landscaping fees*
- In some provinces, two months' common expenses to build the reserve fund*
- Occupancy fees (if you move into your unit before the unit is registered) that may include estimated common expenses based on the disclosure statement budget; estimated realty taxes on the unit; Warranty program enrolment fees*
- Costs at closing
- Remainder of purchase price
- Legal fees and disbursements
- PST and GST or HST on extras or upgrades to unit finishes, equipment and systems if not included in purchase price*
- Provincial or territorial land transfer tax, if applicable
- Adjustments

* May not apply to resale units, since it was already paid and/or factored into the purchase price. There are exceptions. For instance, GST and the federal portion of the HST will apply in some cases.

Condominium purchase and recurring costs

Don't forget to factor these costs into your budget:

- Basic purchase price
- Unit sale price
- Upgrades (negotiable)*
- Development charges*
- GST or HST on the sale price*
- GST and PST or HST on appliances and other items being purchased with the unit*
- Utility hookup fees*
- Monthly condominium fees or common expenses (or monthly occupancy fees if you move into your unit before it is registered)
- Property taxes
- Unit and contents insurance
- Mortgage payments
- Amenity fees, such as storage, pool and extra parking, if not included in the common expenses

- Utilities (if not included in the common expenses)
- Telephone, cable and Internet access (if not included in the common expenses)
- A contingency for emergency repairs
- Maintenance costs associated with the upkeep of your unit

Other costs

Occupancy fees (if you move into your unit before the unit is registered) that may include estimated common expenses based on the disclosure statement budget; estimated realty taxes on the unit.

Physical evaluation checklist (for resale units)

Use this checklist to size up the physical state of the condominium.

Common elements — Interior

- Lobby is clean and in good repair.
- Exterior doors, locks and security system are functional.
- Recreational amenities (if any) are in good working order and clean.
- Elevators are clean and functional.
- Corridors are clean, well lit and odour-free; carpets are in good repair and paint is unmarked.
- Stairwells are well lit; doors and door handles are functional.
- Stairs have handrails and the stair edgings are marked for increased safety.

- Common basement or locker facilities are well lit, clean and dry.
- No signs of water leaks or mold.
- 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 and recyclables are in receptacles or dumpsters.
- Snow and ice are removed from walkways and parking areas if viewing in the wintertime.
- Amenities are clean and in good repair, including recreational facilities (such as playground structures) and landscaping.
- Exterior walls are not cracked, corroded or water-stained.
- Balcony railings are rigid and rust-free and balcony slabs are not breaking up.
- Roadways, sidewalks and parking areas are in good shape with no standing water.
- Block heaters (if any) are functional.
- Lighting in pathway and parking lot is good.
- Walls have no water stains, corrosion, loose siding or white marks on brick.
- Lawn and fences 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 is not dented or broken.
- ❑ Paint is unmarked.
- ❑ Flooring (including tile, hardwood and carpeting) is clean and in good repair, with no stains, holes or burn marks.
- ❑ Smoke detectors are on each floor.
- ❑ Interior doors are in good repair and open and close easily; latches or knobs are functional.
- ❑ Windows open, shut and lock easily; glass is unscratched; no noticeable drafts or mold; seals are in place.
- ❑ No visible water-stain marks or 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.
- ❑ Bathtub has solidly installed grab bars for safe entry and exit.
- ❑ Floor of bathtub is non-skid.
- ❑ Electrical sockets function.
- ❑ Kitchen cupboards are in good repair with functional doors and no signs of pests (insects or mouse droppings).
- ❑ Basement is dry and odour-free with no evidence of water damage (which would indicate previous flooding).
- ❑ Basement sump pump is functional (if applicable).
- ❑ Unit heating and air-conditioning systems are working, in good repair and not of an age to be replaced.
- ❑ Exhaust fans in kitchen and bathroom are operational.

Neighbourhood

- ❑ The neighbourhood is sustainable.
- ❑ The area is safe.
- ❑ The area has features and services you or your family requires (for example, public transit, convenient shopping, parks, good schools).

Questions to ask advisors and condominium experts

Before you purchase a new or resale condominium, you should consult with a number of advisors and condominium experts. The following questions will help you assess their qualifications. Of course, condominium markets vary and the intensity of a particular market can influence how much time a buyer may choose to take to question experts and review documents.

- Questions to ask a real estate agent
- Questions to ask a lawyer
- Questions to ask a property manager
- Questions to ask a condominium's board of directors

Questions to ask a real estate agent

How much experience do you have in helping clients buy condominiums?

Buying a condominium is very different from buying a traditional house so it's important that your agent specializes in condominiums. Ask the agent how many condominium buyers she or he has represented in the last 12 months and be sure to get three buyer references (who are unrelated to the agent). If you're buying a new condominium, an experienced agent may be able to help you to secure upgrades and better terms from the developer.

Will you represent my interests only?

You can opt to deal with the vendor's real estate agent, but you should really enlist one who will act only on your behalf.

How familiar are you with the neighbourhood(s) in which I want to buy?

A neighbourhood specialist will know the desirable areas and can readily advise you on pricing as well as the benefits and drawbacks to the neighbourhood.

How much time will you give me to review important documents?

There's a lot of paperwork when you buy a condominium. Ensure that you and your lawyer have plenty of time to go over it before signing.

When drafting a purchase offer for a condominium, what clauses do you normally include to protect the purchaser?

A realtor skilled in condominium purchases should know to include protective clauses unique to condominium buying, such as making the offer conditional upon a satisfactory review of the condominium's documents.

In jurisdictions offering this service, you may want a provincial condominium review specialist to examine the documents.

Are there any fees or charges I need to know about?

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 because he or she normally shares in the vendor's agent's commission.

Questions to ask a lawyer

How much experience do you have with residential condominium transactions?

Ensure that the lawyer specializes in residential (not commercial) real estate law and has plenty of experience in reviewing condominium offers to purchase, and purchase and sale agreements.

- Have you dealt with this developer before?
- It's advantageous if your lawyer has some knowledge of the developer of the project.
- Do you deal with both developers and condominium buyers and sellers?
- Law firms often represent either developers or condo buyers and sellers, but not both.

At what point do you get involved in a residential condominium purchase?

Find out the key stages in the purchase process when your lawyer will be needed.

What parts of a purchase agreement tend to be problematic?

An attorney skilled in condominium law should be able to identify areas in a contract that warrant special attention.

What will you expect from me?

Find out what your role will be in the process and what documents you'll need to provide the lawyer.

Do you charge a flat fee or an hourly rate?

It's best to know this ahead of time so there are no surprises. If the lawyer charges by the hour, ask for an estimate of his or her total time so you can work this into your budget.

What costs will be incurred at the time of closing or before?

If you need a mortgage, you may have to have an appraisal done. Land transfer tax must be paid at closing, if applicable. A lawyer should be able to provide a complete list so that you can be prepared.

Questions to ask a property manager

A good property manager can have a significant impact on the quality of life in a condominium community. He or she ultimately serves the owners so it's in your best interest to find out as much as possible about this individual and/or company before purchasing in a particular building.

Property managers also tend to be very busy people so you may want to set up an appointment with one by phone or e-mail. Here are some questions to ask a property manager to get a better idea of his or her experience, personality, professionalism and communication skills.

- How long have you been the property manager for this condominium? How long have you been working in the property management field? How are vacations and other time away from the job covered?

- If employed by a property management company, how long has the company been in business? What are other properties managed by this company?
- Can you provide concrete examples of where your organizational skills and follow-through benefitted this condominium community?
- How have you shown leadership when meeting the needs of residents, the board of directors, staff and contractors?
- How do you communicate with owners on a timely basis? E-mail? An interactive website?
- Can you give an example of where you have learned from a mistake on the job?
- What business skills and experience do you bring to the position?
- How has your attention to detail made a difference in the building's day-to-day operations?
- Have you, or are you working toward, the Registered Condominium Manager designation?
- How do you stay current with changes in the industry?

Questions to ask a condominium's board of directors

Owners who sit on the board of directors have a close-up view of the condominium corporation. While their knowledge of legal, financial and property management issues will vary, it's worth asking them the following questions if you have the opportunity.

How much money is in the reserve fund (and how is it invested)?

You'll want to ensure that the condo has sufficient funds to cover major repairs and renewal projects.

Have there been special assessments in the last five years and, if so, what were they for and how much did they cost? Are any other special assessments expected in the next 10 to 15 years?

Special assessments are sometimes necessary but frequent, costly ones may indicate a deteriorating building or poor financial management.

What is the turnover rate in the complex?

This will give you an idea of how happy people are living there.

What is the turnover rate among the board of directors?

Repeated resignations among members may point to friction within the board.

How familiar are board members with condominium legislation?

Provincial and territorial condominium legislation covers many important aspects about how condominiums operate, including the powers of the board of directors.

Have there been any situations in which the board has drawn upon professional help?

Board members' knowledge of legal, financial and property management issues may be limited so it may be necessary to consult professionals occasionally.

Is the condominium corporation involved in any lawsuits?

If it is and it loses the lawsuit, a portion of all of the owners' maintenance fees could go toward paying a settlement. This is one of the reasons why you should review the corporation's liability insurance coverage.

Has the condominium corporation made any claims on its insurance coverage in the last five years? If so, what for?

Insurance claims can tell you more about the condition of the property and may account for steeper condo fees.

Frequently asked questions

Where are my unit's boundaries?

This will depend on your condominium. Sometimes, a unit boundary can be at the backside of the interior drywall of the unit's dividing walls. Or, it might be the centre line of the unit's walls.

It's important to be clear where your unit's boundaries are located before you purchase. You'll want to know, for instance, whether you'll be paying for window washing or repairs to your townhouse's bricks or whether the condominium corporation will be. You can find information about your unit's boundaries in your condominium's governing documents.

If you buy a freehold condominium and own the land your home is on, your unit may be the entire house including the exterior walls, the roof and the lawn. You may want to hire a professional surveyor to review the condominium corporation's site plan so you know exactly where your unit's boundaries lie.

What is the difference between a freehold condominium and a regular condominium?

The biggest difference 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 a 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. Your monthly condo fees go toward the upkeep of common property elements such as recreational facilities or visitor parking.

With a regular townhouse or house condominium, your 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 condo corporation.

Due to the fact that condominiums are governed by provincial and territorial legislation, terminology that is commonly used can vary from jurisdiction to jurisdiction. The term “freehold condominium” has different meanings in different provinces. In most jurisdictions, the term refers to a condominium where the unit holder owns the house as well as the plot of land on which the unit sits. However, in others, the term includes all condominiums where the land is owned by either the unit holder or the condominium corporation. This is to distinguish freehold condominiums from leasehold condominiums. With leasehold condominiums, the developer leases the land and the condominium corporation is essentially a tenant.

What do my condo fees cover?

Your monthly condo fees pay your portion of the cost to maintain and repair the common property. These costs may cover:

- removal of snow, garbage and recyclables;
- landscaping;
- cleaning (carpets in common areas and outside windows, for example);

- heating and cooling systems maintenance;
- amenities (such as a swimming pool or party room);
- utilities;
- cable and Internet;
- insurance policies for the condominium’s common areas;
- security systems maintenance and monitoring;
- salaries of employees (if there is a superintendent or security guards, for instance); and
- property management fees.

A portion of your condo fees will also likely go toward the building’s reserve fund. (Your province or territory may have another name for this, such as contingency fund or capital replacement reserve fund.) A reserve fund ensures that the condominium has enough money to pay for the major repair and replacement of the common elements over the life of the building. These may include the roof, roads, sewers, sidewalks, elevators, plumbing and other building systems. For more information on reserve funds, see *Is there enough money in the reserve fund?*

To find out exactly what is — and is not — included in your monthly condo fees, check:

- your disclosure statement (for new condominiums);
- your estoppel or status certificate (for resale condominiums); and
- the condominium’s operating budget.

You can also find out more about your fees by speaking with the vendor, property manager, board of directors or the developer prior to purchasing a unit. Ask for confirmation in writing.

What can happen if I don't pay my condo fees?

Don't even think about withholding your condo fees! They are neither optional nor negotiable. For example, if you don't plan to use your building's swimming pool, you must still pay a share toward its care and upkeep. Likewise, being frustrated with the board of directors, property manager or another unit owner doesn't allow you to stop paying your fees.

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. It may also be entitled to charge interest and collect any reasonable legal costs and expenses it has incurred while trying to collect the debt.

Suspension of voting rights can be another unfortunate consequence of withholding condominium fees. In some jurisdictions, you are not entitled to vote if you are more than 30 days behind in your payments.

Many banks include provisions in their mortgages that owners who are in default of their condo fees are automatically in default of their mortgage. Depending on the amount owed, they may be at risk of foreclosure.

Is there enough money in the reserve fund?

The condominium's reserve fund provides financing for major repairs and renewal projects over the life of the condominium building. The fund essentially ensures that the condominium's common elements will be maintained in good shape.

The amount of money that should be in the reserve fund depends on:

- the condition and life expectancy of all of the common elements in the building; and
- the estimated cost to repair or replace them over the life of the project.

Condominiums often rely on a reserve fund study to help them determine how much money should be in their reserve fund. Reserve fund studies are carried out by engineers or other professionals who assess the condition of the common elements of the building, estimating their remaining lifespan and their related repair and/or replacement costs. They then estimate what monthly or annual contributions will be necessary for long-term renewal.

Some jurisdictions have condominium legislation that requires that reserve fund studies be done on a regular basis. Others leave it up to the owners to estimate how much should be in the fund.

Regardless of where you live, it's essential that you find out the current state of the condominium's reserve fund. Check the disclosure statement or the estoppel or status certificate for this information.

How do new home warranties work?

Many new condominiums come with a developer's warranty, backed by a third-party new home warranty.

As an owner of a new condominium, you'll want to report any defects or omissions in your unit and cooperate with the builder's warranty inspections. Some builders perform regular investigative service calls during the first year of possession; others prefer to deal with all warranty issues toward the end of that time.

If the developer fails to correct construction defects and deficiencies within a reasonable time frame, buyers can turn to the third-party new home warranty program to help resolve outstanding issues.

New home warranties don't cover every item you might think is a defect so be clear on what the warranty does and does not cover, and for how long, before making a claim. Buyers of resale condominiums should find out what warranty coverage remains on the unit.

What property or general insurance coverage should I look for?

There are special considerations when insuring a condo as opposed to a residence held under other tenure. You'll want to ensure that your individual unit *and* the condominium corporation as a whole are sufficiently insured.

A condominium corporation's *property or general* insurance coverage may include:

- one hundred per cent replacement cost of the corporation's property, such as furniture, equipment and vehicles;

- all-risk or major perils;
- personal liability — against claims for bodily injury and/or property damage occurring on the condominium property;
- directors' and officers' insurance — for claims made personally against a director or officer of the condo;
- Boiler and machinery (equipment breakdown);
- Fidelity — against claims for theft of money; and
- Human rights defence costs — for claims made against members of the board of directors.

Your unit owner's *property or general* insurance package should cover:

- chargeback of the corporation's deductible. **It's vital that you make sure that your policy covers you if there is a chargeback of the corporation's deductible** (sometimes \$25,000 or more). This could happen if there were a flood in your unit that affected another unit, for example. The corporation's insurance may cover damages to the common elements and possibly other units, with cost of the deductible being charged back to you as the unit owner that caused the problem.
- liability;
- personal property and contents (appliances, furniture, jewellery, items stored in lockers, for example);
- improvements made to the unit (finishing a basement, installing new cabinets, for example);

- loss of use;
- loss assessment — property damage or liability (when the corporation's insurance is invalid or insufficient); and
- unit contingency (coverage if the condominium corporation's insurance on your unit's structure is insufficient).

Condominium insurance requirements vary across Canada. You should consult your provincial or territorial condominium legislation, your condominium's governing documents as well as a condominium insurance specialist to ensure sufficient coverage.

Can I rent out my condominium?

Many condominium buyers purchase their units as an investment and plan to rent them out. Most condos allow owners to do this but you should confirm this by reviewing your condominium's governing documents and provincial or territorial legislation.

You may also want to find out from the property manager what percentage of the building is owner-occupied. In some condominiums, a large percentage of the units are rented out and there may not be the same pride of ownership and sense of community and security that you may find in 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.

Find out about key business and legal aspects of being a landlord in *Your Guide to Renting a Home*.

GLOSSARY

Bare land condominium

The boundaries of a bare land condominium are defined in relation to the land, instead of to a structure or improvement on the land. A building that is constructed on a bare land unit is considered part of the unit.

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.

Bylaw

Bylaws govern how a condominium corporation is run. They frequently cover matters such as the election and duties of the board of directors, how meetings are conducted and the collection of condo fees. Provincial and territorial condominium legislation specifies what matters can be governed by bylaws. Legislation in some jurisdictions does not make a distinction between bylaws and rules.

Caveat

In some jurisdictions, if an owner does not pay his or her condominium fees, the condominium corporation can file a caveat against the unit's title. The caveat is a legal notice that another party is claiming interest in the property. Once the caveat is filed, the corporation has

a charge against the unit equal to the unpaid contribution. The caveat can be enforced in the same manner as a mortgage.

Chattel

A chattel is a piece of personal property that can be moved, such as a refrigerator. In contrast, real property, such as buildings and land, cannot be moved.

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 or her individual unit. They are co-owned and generally shared 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, parking and central heating and air-conditioning systems. 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 or amenities, proposed commencement and completion dates for construction, the condominium's governing documents and budget for the first year after registration.

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.

Fee simple

“Fee simple” tenure is the most common type of ownership. Owners of single-family homes — who own both their home and the land it is on — hold the property in fee simple, for example. In contrast, condominium owners who own their unit but not the land on which the complex is built, do not.

Freehold condominium

Owners of freehold condominiums typically own their unit — such as a house or townhouse — as well as the land it's on. They are usually responsible for the care and maintenance of their entire property, including the home's roof and outside walls and the lawn, driveway and garage. Owners of freehold condominiums pay condo fees toward the upkeep of the corporation's common property. There are exceptions to this definition in some jurisdictions, where a “traditional” condominium unit that has no plot of land is considered to be a freehold condominium (as opposed to a leasehold condominium).

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, bylaws 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 or 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.

Leasehold condominium

A leasehold condominium differs from a freehold condominium because the land on which the condominium is situated is leased, instead of owned, by the developer. Buyers of leasehold units purchase an interest that has limited duration due to the length of the developer's lease.

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 among provinces and territories. In some jurisdictions, 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.

Rules

Rules govern day-to-day life in a condominium and help ensure that the condominium is properly operated and maintained. Condominiums may have rules regarding the number of occupants per unit, pets, noise, parking, smoking and when various amenities may be used. Rules are usually easier to change than bylaws. Legislation in some jurisdictions does not make a distinction between bylaws and rules.

Security

A security offers protection that an obligation will be met. A developer may be required to post a security, such as a bond or a letter of credit, as a means of recourse should he or she fail to complete construction as promised.

Services unit

Condominium corporations often own units that are for the use and benefit of all owners. These "services units" include amenities such as recreational facilities, laundry rooms, landscaping and roads.

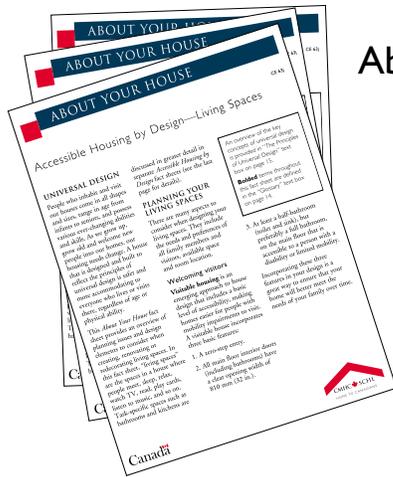
Unit

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.

Unit factor

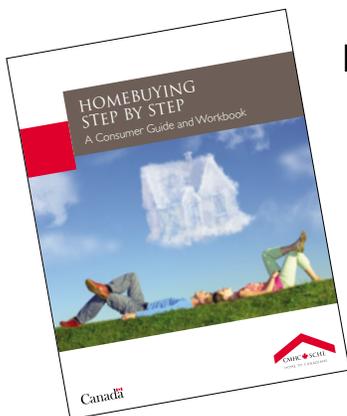
Your unit factor is a percentage that represents how much of the condominium's common elements you own or your "ownership interest." It is typically based on your unit's value (particularly its size and location) in relation to the total value of all of the units in the corporation. Your unit factor is used to calculate your monthly condominium fees.

CONDOMINIUM BUYER'S GUIDE



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