



WANT TO BUY A CONDO, BUT NOT SURE HOW IT WORKS?

In today's real estate market, buyers face many different options: single detached homes, semi-detached homes, townhomes, new construction, re-sale homes and condominiums. There has been a growing trend towards the purchase of condominiums. However, many buyers are not familiar with how condominiums work.

When a buyer purchases a condo, he or she acquires ownership of the specific unit as well as a shared interest with the other owners in the common elements. The **common elements** are those areas of the condominium that are used by all the owners, which may include items such as the hallways, walkways, driveway, parking garage, storage lockers, recreational facilities and swimming pool. In some condominiums, buyers also acquire ownership of a parking spot and/or a storage locker.

With the shared ownership comes a different division of responsibility over one's property. Traditionally, the condominium corporation is responsible for repairing the exterior and structural elements of each unit, as well as the common elements, and each unit owner is responsible for repairing the interior of his or her unit. However, in some cases, known as "freehold condominiums", each unit owner is also responsible for the exterior of his or her unit.

As with other properties, a condo owner is responsible for paying utilities and property taxes. However, a condo owner must also pay monthly condo fees, which are generally used to maintain and/or repair the property. From the monthly condo fees that are collected, a portion is placed in the operating fund and a portion is placed in the reserve fund.

The **operating fund** is like a chequing account. The funds are used on a regular basis to pay for routine expenses such as landscaping, snow removal, utility costs for the common elements, regular maintenance and repair of the common elements, and taxes for the common elements.

The **reserve fund** is like a savings account. Funds are saved here for unexpected expenditures, which often take the form of major repairs to the property, such as window and door replacement, roofing, re-paving and brickwork.

Pursuant to the *Condominium Act*, all condominiums are required to have a reserve fund study completed every three years to assess future expenses and repairs, and the

condominium's likely ability to pay for them. The **reserve fund study** is conducted by a team of professionals, including architects and engineers, who examine the condition of the entire property, including the exterior, foundation, roof, windows and doors. The team then prepares a report projecting what replacements or repairs will be required in the following thirty years, estimating the cost of such replacements or repairs and predicting whether or not the reserve fund will be sufficient to cover these costs. The team also reports on whether increased reserve fund contributions or special assessment levies are required.

Condominiums also have a different division of responsibility when it comes to insurance coverage. Typically, the condominium corporation is responsible for insuring the common elements and the units. Each unit owner is responsible for obtaining insurance coverage for his or her personal belongings, any betterments or improvements made to the particular unit and public liability insurance. Generally, insurance brokers are familiar with the insurance requirements for a condominium and are able to assist new owners in obtaining the correct coverage.

There are many other things to consider when purchasing a condominium unit, and the items above are only a brief, simple explanation of how a condominium generally operates. For a more detailed review or explanation regarding condominiums, a consultation with a lawyer is always recommended.

Please feel free to contact Mann & Partners, LLP to discuss your needs or visit us at www.mannlawyers.com to learn more about our real estate department.