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What To Consider When Buying a Condo

Besides the general caution of caveat emptor, there are many specific things you should consider before embarking on a commitment to condominium ownership.

A PROSPECTIVE owner's first step is to understand what condominium living involves. I emphasize this statement because many of us are just not suitable for condominium living. This type of living involves some restrictions of freedom and requires group effort and harmony. Each person must question and determine his suitability by talking to several people who have direct experience with homeowner associations and multifamily ownership situations. You will find condominium living very different from living in a rental building. The greatest pitfall may be your own incompatibility with the whole concept of condominium ownership.

This article focuses on a purchase in the used housing market. This market will constitute the greatest volume of available housing in the future. By the year 2000 over 50% of the readers of this article will reside in a condominium unit.

To make this buying decision and avoid common pitfalls one must carefully consider document evaluation, one's own personal needs and some common areas of question or misunderstanding. Because every purchaser has the necessary technical expertise at his disposal (e.g., a lawyer to handle legal matters, an accountant for tax considerations and a real estate agent or appraiser to estimate value), this article will deal with the "compatibility" areas. We shall cover the decision path the buyer must travel alone. A given project unit can satisfy legal, tax

and value criteria and at the same time be a place where you can live unhappily forever after.

Home of Future

Condominium ownership in the future will provide a substantial number of our population their only opportunity to own a home. This economic reason combined with a changing lifestyle that demands ease of ownership will make the condominium dominant.

Every purchaser can approach this decision in an intelligent and logical manner utilizing the following steps. Answer three basic questions prior to beginning the search.

- In what location do I want to live?
- What internal (apartment) and external (building amenities) features do I want?
- Can I afford the price of 1 and 2?

Determining these factors in advance will save a great deal of time and frustration. In my experience, I have encountered buyers who purchased from exhaustion or frustration. Frequently, purchasers view so many units they can't pinpoint their preference. Then, because of a personal deadline to make a buying decision, they purchase one of the last things they see. A home purchaser should never create this kind of pressure situation which places great urgency on the buying decision.

Realize that in a condominium you are purchasing the airspace between the ceiling, floor and walls. If you understand this, it will be easy to understand your interior responsibilities and how insurance coverage works and what coverage you need.

The majority of possible pitfalls occur in condominium documents—specifically, the declaration and bylaws, rules and regulations and the association/developer budget. For specific examples, the buyer should thoroughly understand the following aspects of each category.

• *Declaration and By-Laws.* How to change all the rules contained therein; who can serve on the Board of Managers; restrictions on children and pets; right of first refusals or options; ability to lease your unit; improvements and betterments insurance; parking restrictions; operating a business from your unit; recourse for non-payment of assessments; obligations to carpet your unit; and making alterations to the common elements inside your unit.

• *Rules and Regulations.* Usually formulated after developer control ends. They cover restricted common-elements hours; barbecuing on patios and balconies; late payment penalties; proper disposal of garbage; gardening on common-element property; storing bicycles in stairwells or balconies; use of party room; and what maintenance functions the maintenance man will perform inside your unit.

• *Budget.* Evaluate the method of calculation and sufficiency of reserves. Does the budget cover all necessary items? Compare budgets of other associations for items and costs common to all associations. Does the budget provide adequate revenues to operate the building to individual owner standards or is it based on a previous rental operation? Take for example a six-year-old, 180-unit condominium

building: the average annual reserve needed to replace an elevator is \$16,667. If the budgeted amount isn't approximately this figure find out why. In addition to monthly assessment, for what other charges is the buyer responsible (e.g., Use of recreation facilities)?

Avoid Later Regrets

The answer to these items, if known in advance, might preclude your purchase in a given project. Force yourself to thoroughly read and understand the parameters that define your responsibility and under which you will be obliged to live. Legal, value and tax considerations may be satisfied—but will you be happy there? The importance of this question cannot be overemphasized. My experience reveals this question is not commonly considered, and it can result in considerable dissatisfaction later. The ultimate responsibility is yours—not the seller's, the seller's agent, or that of your agent or attorney. It is one of the biggest financial decisions you will make in your lifetime. Give it the time and analysis it deserves.

An additional consideration is suitability of the managing agent. This can

be important to a successful and peaceful existence in a condominium. Every purchaser should inquire about the agent's experience and capability. To aid your evaluation, check other associations under the same management. Capable rental managers don't necessarily make capable condominium managers. There is a considerable difference between directing unilateral rental policy and developing effective communications and policies with 100 owners of the same project. The management profession is rapidly changing to meet the needs of condominium living. If there isn't a managing agent, you'd better look carefully into how the property functions and what each owner's responsibility is toward the day-to-day management.

Carefully examine the following factors pertaining to your individual unit:

- To insure you receive the amount of space you pay for it is imperative to measure the unit yourself. Floorplans when available give approximate dimensions and surveys don't show interior walls.
- Check the condition and carefully evaluate walls, ceilings and floors for water and settlement damage; appli-

ances, heat and air, plumbing and lighting fixtures for proper operation; and check all doors and windows for proper operation. If the seller won't repair or replace defective items at least you know what you are buying.

- Consider your location in the building. Is your unit above the lobby, beside the laundry or party room, or next to an elevator or garage chute? This may lower the value.

- The noise factor is important. If you are purchasing a unit in a modern building the chance of noise penetration between apartments is to be expected. If you accept this truth in advance, you will be able to cope with it in the future.

Housing is a primary necessity. If a purchaser is primarily interested in appreciation he should purchase the best possible location. Profit and investment motives aside, the most important consideration is the happiness and joy you will have living there. If you can live within the rules and regulations that are required, don't mind taking an active community role when necessary, and can deal effectively with all the minor irritations of living in a group, you will have avoided the pitfalls. □

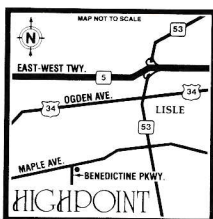
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