



## **What the First-Time Condo Buyer Needs to Know**

Everyone knows that there's a big difference between renting an apartment and buying a house. But not everyone realizes that buying a condo is significantly different from buying a single-family home. There are many good reasons to want to live in a condominium, but the buying process can be a minefield of potential disasters to the unprepared.

Gennifer Grogg has seen lots of delighted condo residents, but she's also heard the horror stories. She is vice president of Condo Lane, the condominium arm of the Lane Company, a nationwide multifamily builder, and she has some sound advice for potential condo buyers.

"The most important difference between a condo and a single-family home isn't the price," she said. "It's the lifestyle." While most buyers are clear about the upside of condo life – a vibrant location, little maintenance, convenience to work, shopping, restaurants, services, transportation and entertainment – it also can have a downside. Condo owners may be asked to sacrifice some privacy and autonomy, tolerate more noise, and pay close attention to their condo board and the community's management company.

The way to avoid problems, said Grogg, is to do some research, and avoid making an impulsive buying decision. Start with a visit. "If you're buying in an existing building," she said, "visit during the evening, when neighbors are at home, and you'll get a better feel for the noise levels. If the unit above you will have hardwood floors, have the manager arrange to have someone walk around normally so you can hear what it sounds like." Visiting in the evening also means you may have a chance to speak with current residents.

For those considering condos that are under construction, ask about soundproofing, or any requirement for carpeting or rugs. If a particular condo unit is near an amenity such as a pool or party room, consider the added noise factor.

Aside from noise, which Grogg characterizes as the most frequent irritant for new condo residents, there often are issues concerning assigned and guest parking, storage space, limitations on pets, satellite dishes, and the ability to rent or sell the unit, and the amount of money the condo board should have in reserve for maintenance and replacement. She advises buyers to seek out a buyer's agent – a real estate agent who works for them, not the seller – who specializes in condos. "Make the agents earn their commission," she said. "They should explain everything, and identify potential problems."

And she counsels buyers to have an attorney review all the condo documents. "The condo documents," she said, "have all the answers." They are a stack of paper as big as a phone book, and they can be intimidating. "Most of the paperwork is generic," said Grogg, "but the 10 percent that isn't boilerplate is where the problems hide, especially in older buildings. Paying for a few hours of a lawyer's time is much less expensive than litigation later."

Insurance is one issue the condo purchase documents should address. Most buildings have an umbrella policy, but buyers need to know what is covered and what isn't, to determine the amount and type of coverage they'll need.

Grogg said that buyers in older buildings should hire a home inspector, and insist that the inspector read and review the building's Engineer's Report. That describes the life expectancy of the roof and major systems, and gives the buyer a clue as to when condo owners are likely to need costly replacements. By comparing those estimates with estimated condo fee payments, buyers can see if the condo board has planned for sufficient reserves to replace systems without levying large assessments on the owners.

Finally, Grogg cautions that condo loans are regulated differently from other loans. Some loans, especially on units converted from apartments, may not be eligible to be resold on the secondary market. An agent who specializes in condo sales and has experience with lenders will know what questions to ask.

The policies that cover when and whether owners can rent their condos to others also are in the condo documents,” said Grogg. “It used to be standard that only 25 percent of a building can be rented at any time. But recently, large banks have allowed as many 75 percent of a building’s units to be investor-owned and rented.”

And some lenders won’t allow a buyer to go to closing until a certain percentage of a building’s units are sold. This can cause problems for a buyer who has sold a home to buy a condo and has a move-out deadline, but may not be able to move in on time because sales have been slow.

Buyers who’ve done their homework can avoid such problems. Smart buyers – whether young professionals or empty-nesters – will be able to enjoy all the good things about their new lifestyle from the day they move in.

For more information on buying a condo, visit the National Association of Home Builders website at [www.nahb.org/multifamily](http://www.nahb.org/multifamily).