



# Top 10 List for Condo Sales

Maine Real Estate Market Thaws

**W**ith the real estate market starting to thaw in Maine, now is a good time to roll out my Top 10 list of issues that sellers, buyers and associations should be considering.

## 1. Updated Reserve Fund:

Buyers and their agents are becoming smarter and are asking about reserve levels and matching with specific repairs planned. One rule of thumb suggests newer condos should have 10 percent of replacement costs in reserves, while 10- to 20-year-old condos need 30 percent, and older properties need 50 percent. However, like people, all condos need customized reserve plans. If a formal reserve plan is available, read it and determine if the plan is being followed.

**2. Legal:** Bylaws should be current and accurate. I came across bylaws for one two-story, duplex complex with sections discussing elevators and the proper use of garbage chutes; the wrong template must have been picked. The resale certificate should report any outstanding legal matters. Buyers should determine the potential liabilities; this is particularly important for any property that has experienced serious events including fire, flooding or environmental hazards.

**3. Issues:** Be nosy. Both sellers and buyers should check the last few board meeting minutes to discover what problems are on the table. The resale certificates often do not address these.

**4. Renters:** What is the condo's disposition toward renting units? Some condominiums try to limit renting due to the perception that renters

do not care for the properties as much as resident owners. On the other hand, if you plan to use the property as an income source, now or in the future, does the management assist in finding or dealing with renters? Also, the new FHA rules place restrictions on buying into condominiums that have restrictive policies against renters.

**5. Insurance:** Buyers should review the condo's insurance policy to see if the replacement costs covered will cover the property's rebuilding. This includes new ordinance or code upgrades. It's always a good idea for buyers to review their unit insurance policy against the coverage the association provides.

**6. Delinquencies:** The recent history of unit owners in arrears on their assessments might show signs of reserve underfunding or owner discontent. FHA loan policies also are paying a great deal of attention to these statistics within a condominium. All of this can have a direct bearing on market value.

**7. Management:** A qualified property manager can make all the difference in the quality of condo life. Many condominiums are efficiently self-managed, but they may be the exception. This is especially true for unit owners who live in the complex part-time or are investors "from away." Even with a professional management company, it is a good idea to check out their reputation with other owners or associations.

**8. Testing:** Buyers should always test the heating and air conditioning systems. Turn everything on upon beginning the inspection so systems are fully operational before leaving. If it is

the winter, turn off the heat and crank up the air conditioning; reverse in the summer. Turn on all major appliances.

## 9. Plumbing and Electrical:

Here again, turn everything on. This includes taps, the hot tub and toilet fixtures. Watch for both water pressure and adequacy of drainage. Turn on every electrical switch and light, and plug a night light into every outlet. The outlets should be trip protected around sinks and water sources while having three-prong outlets where computers or small appliances will be used is essential.

## 10. Floors, Walls and Ceilings:

Use a powerful flashlight and shine it on every surface, especially at junctures of walls, ceilings and floors. Flaws, cracks or spot painting will be illuminated. The light also can be used to check for plumbness in the walls, and bowing or warping of floors and molding. A golf ball is a great device for checking for floor levelness. Every window should be operated and every door opened and fully closed.

This list won't be on the *Late Show with David Letterman*, but following these 10 steps could go a long way for everyone involved in condo transactions to make the process as painless as possible. As in all plans, waiting to the last minute to implement changes or performing due diligence is never a good idea. What is rushed can be missed, and what is missed often cannot be undone. ■

*Jack Carr, P.E., LEED-AP, is general manager of Criterium-Mooney Engineering in Portland, Maine, and is a member of the Condo Media board. He is a frequent author and speaker.*