

**PRESENTATION  
TO  
THE BARRETT COMMISSION  
INQUIRY INTO THE CONSTRUCTION OF  
CONDOMINIUMS  
David Barrett, Commissioner**

29 April 1998



*British Columbia  
Real Estate Association*

British Columbia Real Estate Association (BCREA) represents 12 member boards/ associations, and over 15,000 REALTORS in British Columbia. REALTORS and their industry contribute significantly to the economy. For example:

- in BC in 1997, 75,580 residential units changed hands through the Multiple Listing Service (MLS®);
- the total dollar volume for these transactions was \$16 billion;
- each MLS® residential sale in the province generates \$18,200 of additional direct expenditures and GST;<sup>1</sup>
- the industry employs several thousand employees in technical and professional positions; and
- the industry operates the MLS® that is responsible for over 95 per cent of single-family residential sales in the province, and approximately 50 per cent of multi-family residential sales.

The mission of BCREA is to represent its members on all provincial issues. The Association provides an extensive communications network, required licensing and continuing education courses, standard forms and government relations to REALTORS.

### **Representing BCREA**

Stuart Kirkpatrick	Past President, BCREA; Chair, Legislative and Government Liaison Committee
Willard Dunn	Director, BCREA; BCREA Condominium Task Force; Real Estate Board of Greater Vancouver Building Construction and Design Task Force
Robin Hill	Executive Officer, BCREA
Teresa Murphy	Director of Research, BCREA

### **Synopsis**

Condominium owners face a housing crisis. Repair bills to repair water leaks average more than \$7,000 per unit and in some cases exceeds \$30,000.<sup>2</sup> Owners, many of whom were first-time buyers, already paying the nation's highest mortgage payments, may face high-ratio refinancing, second mortgages, foreclosure or bankruptcy. Almost 50 per cent of all homes sold in the Greater Vancouver area are now high-density, multiple-unit housing. British Columbia Real Estate Association (BCREA) recommends the government solve this crisis by ensuring that:

- condominium owners most desperately in need get assistance; and
- British Columbians and global investors retain confidence in BC's marketplace.

### The Condominium Issue

REALTORS, like other stakeholders, including architects, builders, developers, and home buyers, assumed that the *Building Code*, architectural design, building techniques, municipal and private inspection, and warranty programs gave consumers full confidence in the purchase of this type of real estate product. What began as an isolated problem developed into a major one because not enough was known about:

- *Building Code* changes designed for generic use and climatic variations;
- the use of materials that are not water or humidity compatible;
- the maintenance of complex, multi-unit structures; and
- the training of construction workers on this type of unit.

### BCREA's Actions to Date

1990	BCREA begins to see problems develop on the resale of a small number of condominiums because of water-related problems. <sup>3</sup>
1990	BCREA develops the <i>Property Condition Disclosure Statement (PCDS)</i> . This form identifies salient facts about property condition for the buyer, and is a tool for the seller to disclose issues for negotiation during the contract stage. (See Appendix 1).
1990	BCREA's 12 boards/associations make the <i>PCDS</i> form a mandatory part of the listing process for MLS®. The majority of residential sales include the <i>PCDS</i> .
1990	BCREA develops a continuing professional education program, "Condominiums - The Seventh Wave" to ensure REALTORS can properly sell this product and advise the public.
1992-1998	Articles on leaky condominiums appear in BCREA's newsletters, including BCREA's <i>Bulletin</i> and <i>Legally Speaking</i> .
1994-1995	BCREA makes representation to the provincial government Task Force on Condominium Construction.
1996-1997	BCREA responds to problems in condominium purchases by developing and introducing another <i>PCDS</i> form, specifically designed for strata titles, the <i>Strata Title Property Condition Statement</i> (See Appendix 2).
1997	BCREA participates in the provincial Condominium Task Force.
1998	BCREA's <i>Submission on Affordable Housing</i> is presented to Members of the Legislature in April 1998. It identifies issues that have led to the leaky condo problem, and recommends solutions to the problem. (See Appendix 3)

### Recommendations

BCREA would like to be part of the resolution to the leaky condominium crisis. BCREA believes there are two aspects to this resolution.

## 1. Assisting Condominium Owners

To ensure British Columbians and investors retain confidence in BC's marketplace, BCREA recommends the government first assist residents who have significant water leakage problems through:

- income tax credits at both the provincial and federal levels;
- property tax relief for a specified number of years; and
- creation of a disaster loan relief program at minimal interest.

## 2. Addressing the Future

The *Report of the Task Force on Condominium Construction* (See Appendix 4) made several recommendations that BCREA believes should be immediately acted upon. BCREA believes the government should:

1. Establish a hotline to inform home owners and strata councils on the proper steps to take to address water leakage problems.
2. Develop consumer education programs and materials.
3. Amend the *Building Code* to ensure that problematic zoning provisions, including overhangs and square footage calculations, are identified and revisions recommended where necessary.
4. Work with the federal government to address problems in the *National Building Code of Canada*.

BCREA's *Submission on Affordable Housing* identified solutions to the condominium crises that the government should implement, including:

1. The *Best Practices Guide* for multi-family buildings, through amendments to the *B.C. Building Code*, now being developed in consultation with the government, by the Canadian Home Builders' Association of BC and the Urban Development Institute.
2. An optional third party home warranty program for builders and consumers that is affordable and encourages private sector competition.
3. A plain language home warranty contract, which states exactly what items of construction are covered and for how long.
4. Licensing and uniform educational standards for the home inspection industry.
5. That government partner with BCREA to develop and deliver continuing education courses on condominium maintenance for builders and owners.
6. That there be no *Labour Code* changes that affect any type of residential property.

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## Footnotes

<sup>1</sup> According to Clayton Research Associates Limited, Economic Impacts of Housing Sales and Purchases, October 1994, each transaction triggered \$16,200 in additional, direct, non-construction expenditures in 1991-92. This amount equates to \$18,200 in constant January 1998 dollar terms using the BC CPI (all items) Index to estimate pure price change over time.

<sup>2</sup> BC Ministry of Municipal Affairs and Housing. *Improving Quality and Accountability in Residential Construction: A Discussion Paper*. Victoria: The Ministry, December 1997

### <sup>3</sup> **Impact of Leaky Condominiums on Resales**

BCREA has been unable to locate a comprehensive study on the impact of leaky condominiums on the real estate sales. It is difficult to estimate the impact since other factors such as a weaker economy, fewer jobs, and slowing immigration also impact sales. Current slowing condominium sales may also be the result of media coverage of the issue. As Inquiry Hearings are conducted, potential purchasers may wait to see the results of the inquiry.

#### **The Number of Units Built**

The number of low-rise (3-4 floor, wood-frame) condominium units built in the Metropolitan Vancouver area since 1993 are as follows:

Year:	1993	1994	1995	1996	1997
Units built:	4,673	5,870	6,143	3,493	4,505

Percentage change

Source: Don Renaud, CMHC, Manager, Market Analysis, BC & Yukon Region;

#### **Sales**

The **Real Estate Board of Greater Vancouver** reports that the following new and resale units were sold through their MLS®:

Year	1993	1994	1995	1996	1997
Attached Townhomes	4,187	4,290	3,212	4,460	4,066
Apartments	8,445	8,063	6,297	9,100	8,431

Sales of apartment declined x per cent to 4,066 from

The **Fraser Valley Real Estate Board** reports that the following new and resale units were sold through their MLS®:

Year	1993	1994	1995	1996	1997
Strata Condominiums	3,681	3,739	3,240	1,791	1,729

The **Victoria Real Estate Board** reports that the following new and resale units were sold through their MLS®:

Year	1993	1994	1995	1996	1997
Townhouse/Strata Dupl	874	734	489	638	613
Condominiums	1,713	1,527	1,154	1,386	1,210

The **Vancouver Island Real Estate Board** reports that the following new and resale units were sold through their MLS®:

Year	1993	1994	1995	1996	1997
Townhouse	702	614	417	587	488
Apartment	583	615	463	489	454

BCREA thanks the Commission for the opportunity to participate in this inquiry.

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