

# TALES FROM THE TRENCHES

## BY BARRY C. MCGUIRE

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*October, 2010*

### ALL THE SUITES LOOK JUST LIKE THIS ONE.

That's what the seller said when our investor showed up to inspect the 24-suite.

The first-floor vacant suite looked pretty good. There was fresh paint, the carpets were clean and the appliances looked relatively new. Generally, the suite looked fine, neat, clean, and tidy. The only exception was a cracked mirrored door on the medicine cabinet in the bathroom. Our member and his realtor made a note and carried on with the inspection.

The seller's property manager squiring them around the building said, "we've got two more representative suites for you to look at, one on the second floor and one on the third floor. Nice long-term tenants in both. The suites will give you an idea of how the units set up when they are furnished." So, up the stairs they went (no elevator in the wood frame building). The two tenants were, indeed, very nice.

The lady on the second floor seemed happy to show them around followed closely by her pet Yorkie. "Nice dog," says our investor, who is a dog owner himself. Nice, but didn't the sign out front say "adults only, no pets?"

He gently asked the tenant about her dog and the no pets sign. "The manager is so nice, they made an exception for me," was the reply. On to the third floor. A retired couple seemed happy for the interruption and proudly showed pictures of their grandchildren.

Finished with the three suites, our member and realtor inquired about the other 21 suites. The seller's property manager said, "the owner didn't tell me about that. He said you wanted to do an inspection and to show you three representative suites. We haven't given notice to the other tenants. We can do that. I'll have to talk to the owner and it will take 2-3 days to set it up and give the proper notice." A quick look at the offer to purchase revealed the words 'subject to suite inspection.'

"Well", said our investor, "what are the other suites like?" "Pretty much like these three," said the property manager. Our member was from out of town with a flight leaving that evening. He felt okay about the property and asked his realtor, "what do you think, should we inspect all the suites?" "Probably a good idea," said the realtor, "but it's your call." Our member replied, "will you do the inspection for me?" The realtor said, "you know, I'd like to do that for you but it makes me a little edgy. I'm not a property manager and so I'm not comfortable." Our member thought it over for a while and said, "I'm okay with the building and what I've seen so far. Let's just make sure we amend the offer to purchase so that the seller fixes that cracked mirror."

And so the contract was amended regarding the mirror and accepted by the seller. After closing and after an inspection of every suite, here's what our investor's property manager reported.

- The cracked mirror wasn't fixed
- Two vacant suites were missing, respectively, all the appliances and the top kitchen cupboards
- Six suites had pets. Three of those suites had pet-related carpet damage and strong urine smell
- Three suites had been badly treated and really needed new paint, lino, carpet, and appliances

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### Lessons Learned:

1. Inspect every suite every time. Make careful notes.
2. Quantify the issues, what's it going to cost to fix?
3. Add a schedule that sets out exactly, and in great detail, what you want the seller to do.
4. Negotiate a holdback and re-inspection clause.

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