

TALES FROM THE TRENCHES

BY BARRY C. MCGUIRE

October, 2010

YOU ARE BUYING THE NEIGHBOURHOOD

I can hear the wheels grinding out there. "What do you mean we're buying the neighbourhood? We're buying this building, quite frankly it's a nice building and we don't care much about the neighbourhood." Well, you should care because your building is part of the neighbourhood. What goes on in the neighbourhood affects you. Here are a few scenarios.

NEIGHBOURHOODS ARE NOT HOMOGENOUS. Usually, they have good areas and not so good areas. You might be in a good area of a particular neighbourhood and it might be nice for a couple blocks.

But, what's going on in the rest of the neighbourhood? Is the neighbourhood collapsing, rejuvenating, any proposed LRT, new developments, are they shutting the local schools, re-zoning plans, area redevelopment plans, other new transportation? All good questions (and of course there are more) that need answers for you to make an informed buying decision.

COMMUNITIES HAVE OTHER TENANTS. Deduce amazing information by simply opening your eyes and observing. Look at the parking lot of your proposed building and others in the area. Are they filled with junker cars and trucks, cars on blocks, cars in various stages of disrepair? If so, you are looking at an informal tenant profile. These are all tenants with a past and no future.

Check the dumpster at your building and others in the area. Are there large collections of mattresses and furniture? If the answer is yes, you are looking at a building with high turnover or bedbugs or both.

ENVIRONMENTAL CONSIDERATIONS. What buildings or businesses are next to or close to your proposed purchase? Here's a chilling story. My client bought a multi-family building next to a dry cleaning establishment located on the commercial periphery of the neighbourhood. The phase 1 did not reveal any problems. Later, the government changed the rules about the allowable levels of certain chemicals for residential buildings. The 50-year-old dry cleaning plant emissions were within the range for dry cleaners but exceeded the new allowable levels for residential buildings. My client could not sell or refinance; he's caught!

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Lessons Learned:

1. Neighbourhoods are living, changing, and cyclical entities. What's your cycle?
2. Open your eyes, parking lots and dumpsters tell a story
3. Watch for off-site environmental issues

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DON'T MISS OUT!!

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