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REAL ESTATE

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Investment condo or real-life ‘Money Pit’: Why real estate investors should beware of condo restrictions

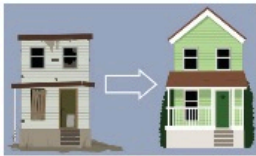


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Ellen DeGeneres may be one of very few people who actually enjoys moving. Her actress/wife Portia de Rossi admitted that she was overwhelmed by the idea of Ellen wanting to move all the time — as in nine houses in 8.5 years of them first dating since 2004. It’s anyone’s guess how many more moves have happened in their entire [12 years](#) together.

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INVESTING IN REAL ESTATE: IS IT BETTER TO BUY A FLIPPED HOUSE OR DIRECTLY FROM LAST OWNER?



On the “[Ellen](#)” show, Portia said that when she sets up a new place, “I always think about how easy it’s going to be to, like, collect it all back up again and stick it in a box.” However, the comedian/talk show host was quick to defend her rationale for moving all the time: a love of real estate and architecture.

In all fairness, anyone who is worth [\\$75 million](#) or even [\\$20 million](#) won’t put a dent in their pockets paying for expenses from moving rental trucks, price-by-mile rates and packing the entire place up. But that’s not the average person’s paycheck, specifically renters instead of owners.

From the renter’s perspective



Let’s say someone decides to rent a condo about 30 miles from her last residence. A one-day U-Haul can cost anywhere from [\\$89 to \\$131](#) for a day, not including towing one’s own car or gas prices to refill the truck. Add a couple hundred dollars for movers, in addition to thousands for a new security deposit and a



Head 'em up, move 'em out.
 (Photo credit: Pixabay)

couple hundred dollars for movers, in addition to thousands for a new security deposit and a couple months of rent. Then tag on the set-up/renewal fees for cable, a phone landline, electricity, heat, vehicle registration renewal and renters insurance.

Now imagine finally getting settled into that place and all set to stay there for as long as possible — maybe even own the unit one day.

But the association has other ideas and doesn't renew the lease at the end of the year. They've decided that they want to change the maximum amount of renters in the building, and someone has to go: possibly you since the other renters were there first. Unfortunately, this is legal. Some associations even curtail the amount of times that a lease can be renewed and/or charge massive leasing application fees.

So what can the condo renter do to protect herself, other than succumbing to loving the idea of a move the way that CoverGirl comedian does?

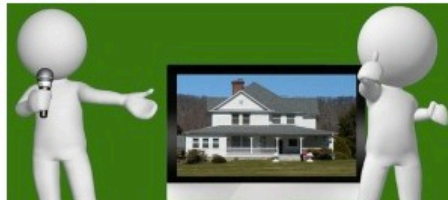
Read all of the fine print and understand the terms of living in this condo. And don't be afraid to ask additional questions that weren't already in

And don't be afraid to ask additional questions that weren't already in writing.

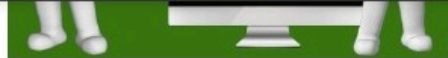
- If/when will a renter have the opportunity to purchase the unit?
- What are the terms and conditions while living in this unit? (Behavior can greatly affect which tenants stay or leave.)
- How much responsibility will the tenant will have to take on for repairs? (One accident and that tenant may become a liability.)
- If this unit reaches the maximum number of renters, what happens when someone is interested in buying a unit instead? Will the renter have the opportunity to purchase first?

From the property owner's perspective

Fans of the 1986 film "[The Money Pit](#)," starring Tom Hanks and Shelley, remember the couple bought a home they believed to be a good deal. After



moving into the home, they discovered it had many issues and all the couple wanted to do was rid themselves of the home.



Selling a home may not be as easy as one would think. (Photo credit: Pixabay)

Nowadays, rental rates are on the increase and condo prices are at a low. Many real estate investors are purchasing condo units as investment properties to rent out to tenants or Airbnb guests. However, condo restrictions may quickly have real estate investors feeling like they purchased a “money pit” because they cannot rent out the unit and generate cash flow.

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Recommended Reading: [“Mi casa, tu casa, but legally maybe not with Airbnb”](#)

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Real estate investors should review the condo bylaws and



Renting while the renting is good (Photo credit: Pixabay)

review the condo bylaws and declarations before spending thousands of dollars to purchase an investment condo.

According to Chicago Magazine, about [50 percent of the condo buildings limit condo restrictions in some way](#). One way condo associations place rental restrictions is by placing a cap on the number of units that

can be rented. Another is by imposing a set amount of years that the condo owner must live in the unit before they can rent it out.

Once a real estate investor enters into a condo association with rental restrictions, he/she has a few options:

1. Become involved in the condo board association and advocate for an amendment of the condo rental policy. The real estate investor can draft a proposed rental policy for the board to consider and vote

can draft a proposed rental policy for the board to consider and vote on.

2. Find a procedural flaw in how the restriction was passed. Condo regulations provide a process in which the bylaws and declarations can be amended. If the Condo Association did not follow the rules to the “T,” then the rental restriction may not be enforceable.
3. File a lawsuit against the association. This approach is costly and time consuming.

Have more questions about real estate investments and rental restrictions? Contact [J. Paye & Associates](#) today.

Shamontiel L. Vaughn contributed to this blog. Find out more about her at [Shamontiel.com](#).

The information contained here is intended to provide useful information on the topic covered but should not be construed as one-size-fits-all legal advice.