

CONDO BUYING 101



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A condominium, or condo:

“the form of housing tenure and other real property where a specified part of a piece of real estate (usually of an apartment house) is individually owned while use of and access to common facilities in the piece such as hallways, heating system, elevators, exterior areas is executed under legal rights associated with the individual ownership and controlled by the association of owners that jointly represent ownership of the whole piece.”

- <http://en.wikipedia.org/wiki/Condo>

As with any large investment, buying a condo along the Gulf Coast can be exciting, emotional, and time consuming. This insightful resource is intended to help ease the ride. Moreover, it will allow you to purchase with confidence, because you are going to be a well informed buyer. In today's condo market, there's a multitude of issues that a potential purchaser should consider before looking at the first unit. This informative, ten minute read is designed to prepare you up to the point of making an offer.

It is highly recommended for first-time condo buyers. However, many more will find it useful as well. Should you ever have questions about this or any other real estate question or concern, please feel free to contact me at your convenience.



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Step 1 - Develop a Plan

Battles aren't fought and won without a plan. You, too, should consider exactly what course of action you intend to go by. Start with the basics.

Are you considering this as an investment? A rental condo will provide an income flow that can help offset the ongoing maintenance and HOA (Homeowners Association) fees. This often allows a purchaser to buy a unit that was out of their initial price range. If purchasing a condo solely as a second home, then consider that you'll have to shoulder all HOA fees and other expenses associated with the condo. If you're a winter time visitor, you'll be able to make a large amount of rental income in the summer months and enjoy the unit during the off-seasons.

Decide why you are buying. Keep in mind that our market has a limited supply of condos. Meaning that, sometimes there are more superior deals at the \$250k - \$300k price range, than at the \$200k - \$250k price range. And sometimes, it's the other way around. Regardless, be sure to know the maximum amount you can invest before starting your search.

Determine how much you want to spend. Consider the amount of people that will be staying with you on vacations. At a minimum, ensure that there are enough beds to accommodate the average number of guests that would be visiting. If this will be a rental investment, consider complexes that have bunks in the hall. Mostly used by children and young adults, this useful feature of many 1 and 2 bedroom units will provide more privacy to the entire group.

How many bedrooms will you need? If you are anxious to start generating rental income before the summer season arrives, then start looking in February or March at the latest. Prices tend to increase one to two months before every summer season gets started. If you are serious about buying a condo, don't let procrastination get in the way. It could cost thousands if the process is not timely planned.

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2 - Determine an Area

In this phase, you'll need to dig deep. Get in touch with your interests, needs, and hobbies.

Consider your lifestyle. It's important to genuinely like the area where you intend to buy. If your purchasing for a vacation condo, then consider your favorite activities that generally occupy a large portion of your time when on vacation. Maybe you're a tennis enthusiast who would prefer a condo at the Peninsula Golf and Tennis club over a gulf front complex. However, if your intention is to generate income and use it personally only a couple times every year, then get as close to the Gulf as possible. As expected, units directly on the Gulf continue to experience larger gross rentals than comparable units on the other side of the Beach Highway. Our market has repeatedly seen a larger return on investment for Gulf Front versus Non-Gulf Front condo complexes.

If you're not familiar with Gulf Shores and Orange Beach, be sure to visit the Neighborhoods page at www.GulfShoresPropertySearch.com. This informative part of our website provides the quickest way to get an overall feel for our area. You'll find detailed information including restaurants, marinas, boat launches, and area attractions.



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Step 3 - Finding the Right Condo Building for You.

By the end of this step, you'll have narrowed the search to a handful of complexes.

Choosing a complex with the right amenities. If you're not a boater, then consider that a portion of your monthly HOA (Homeowner Association) fees will go towards the maintenance and insurance of the docks and piers at a complex with a "first come, first served" boat facility. If having an indoor pool and exercise facilities is a must, then start your search with that in mind. Keep a clear mind when thinking about amenities. But, also keep an open mind. For example, many visitors find that the Oasis Water Park at The Wharf is more suitable to their lifestyle than the beach. Similarly, it's often that Gulf Front buyers change their mind after experiencing the gorgeous views that Bon Secour offers.

Density, Type, and Age. Is your mind set on the breathtaking views from a newly constructed 17 story high rise? Or, is a low-density, two-structure complex that overlooks the calm waters of Ole River more of your taste.

The density of a complex has its advantages and disadvantages. Some buyers appreciate only having a dozen neighbors, while others don't mind having hundreds. A 500 unit resort that has 5 pools won't be as crowded as a 300 unit complex with only one. The HOA and Insurance is typically higher at low density condo buildings because there are fewer units sharing the expenses.

The type of building you decide on will be largely determined by your price level. Many Gulf Front condos less than \$200,000 were built in the 80's and are typically constructed with wood. They are usually no more than 3 stories high. In the early 90's, concrete construction allowed condo buildings to increase the number of floors, and in turn increase the density. The strong resistance to storms and hurricanes that newer complexes provide should be heavily considered, as well.

Newer, poured-in-place condo towers are built to a higher level of quality that provides better resistance against storm and hurricane damage, be prepared to spend more.



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Rental Considerations. Most individuals who decide to rent their condo unit will maximize their income over the summer months. In fact, the typical Gulf Front condo unit will earn approximately 80% of its annual income in about 13 weeks of our summer season. Should you choose to rent your vacation condo, then you'll need to consider some key issues. Some complexes have a minimum 30 day rental policy. Thus, it will be harder to rent to vacationers. Those who rent for 30 days or longer are typically residents from the North, who visit our Gulf beaches every winter, often renting a condo at a heavily discounted rate. Many people prefer a complex that has a minimum day rental requirement because the unit doesn't take as much abuse. Many people like knowing and seeing their neighbor. Just as many owners prefer to not have a different neighbor every 3 days.

Start considering what management companies you'd like to interview. Large rental management companies advertise heavily in many different markets, often getting rental inquiries from a large number of tourists. Because they have so many units, they are also able to provide a reasonably accurate estimate of how much rental income a specific condo can earn. This is a very helpful tool when trying to figure out the monthly budget of your condo investment. Smaller rental management companies, on the other hand, offer more of a full-service approach for their clients. They often gross the same (or even larger) annual gross rental income that larger companies provide. This is simply because they have fewer units available to rent. For the buyer that wants to maximize rental income, advertising on www.vrbo.com and self-managing the unit is the best option. This method of managing a vacation rental puts all the work on the owner. If you have time to spend responding to inquiries, booking reservations, collecting payments, and all other necessary aspects, this option will provide the highest rate of return for your investment if managed properly.



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Step 4 - The Listing Search.

Pull out the computer and start hunting. At this stage, you should start viewing the complexes and listing that have made the cut.

Start your search at www.GulfShoresPropertySearch.com. It is the most complete authority on condos in the Gulf Shores and Orange Beach, Alabama area. The site focuses on staying true to its slogan: Searching made Simple. See for yourself. You'll be able to search by price, area, property type, waterfront type, and loads of more useful searches. Make sure to check out our featured condo buildings, too.

Get Organized. Become a registered user of GulfShoresPropertySearch.com. From the homepage, click the New Users – Click Here link on the right-hand side. A simple form is all that is required to start effectively managing the properties that you become interested in. Think of this as your own private manager that allows you to search, track and save listings, all in a safe, private account. It's ideal for people who want to stay on top of things right from the start, by electing to receive emails when a new listing comes on the market in a specific subdivision, condo building, etc. Of course, you can opt of the program at any time.

View your Favorites. After narrowing down your search to roughly a dozen listings, plan on taking a tour of them. Try not to overdo it. Although you can view a dozen condos in one day, could you remember the four you liked the most? Plan on spending a weekend here. You should also consider renting a condo in the building you have the most interest in. At each unit, don't just view the condo, but also evaluate the amenities. Go look at the exercise facilities. Size up the pool. Take a look at the building's neighbors. You may find it's a city owned parking lot that won't have a condo built on it. After narrowing the list down to a handful, try to go see them once again if time allows.



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Continued...

The HOA. Find out who manages the HOA and prepare some questions for them to answer:

- Have their ever been any large assessments?
- Do the monthly HOA fees include insurance for the unit?
- Is the HOA financially ok?
- Are there any lawsuits against the HOA? Are there any rental restrictions?
- Is there deeded beach access, or is there simply a beach across the street?
- Are pets allowed? If so, up to what size?

Step 5 - Presenting an Offer.

Extending an offer is more than just writing down a number. There are often many considerations that need to be addressed when constructing a well planned offer to purchase.

Some of the many issues to address.

- How much should you offer?
- If there are future rentals, who'll will get that income, and how is it arranged?
- Should you get a condo inspection performed?
- How long will I give them to close the deal?
- If it's a foreclosure, do I have to wait a certain period of time before I can make an offer?
- If it's a short sale, do I actually have it under contract?



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Step 6 - Negotiating and Closing the Deal.

The ability to successfully close on a condo is more complicated than just agreeing to a price and signing. It takes careful planning and coordinating between several key professionals.

Why use a Realtor. A professional realtor will fully assist in working toward your goal. The offering and negotiation process can be more of an art than a science. It takes a seasoned agent to bring all factors and their importance to light.

Simply put, if you don't have time to try and find that perfect condo on the internet, or to find answers to HOA questions, **then allow us to provide a level of service that will quickly prepare you to make a well informed decision.**

Call us directly to start the process. 850-449-2782 | Coleman Grau



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