

TOO CLOSE TO HOME:

PROTECTING A HOMEOWNER'S GREATEST INVESTMENT



Community Associations Institute partnered with members and industry stakeholders to conduct a survey on construction deficiencies to learn how they impact homeowners and community associations.

New condominium developments have the most construction deficiencies.



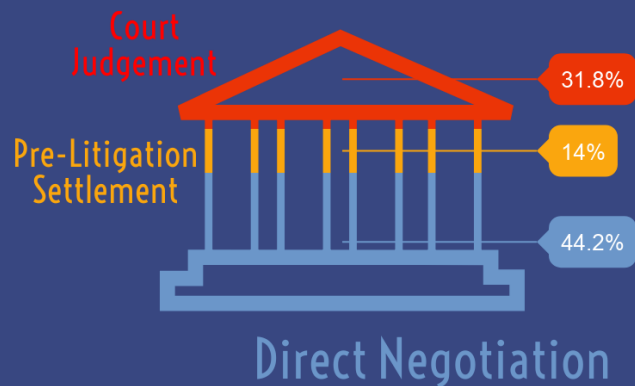
57.3 %
new
condominiums



17.7 %
townhouses and single
family homes

The most common deficiencies are water intrusion and structural defects and roof leaks.

Most warranty claims are resolved outside of courts.

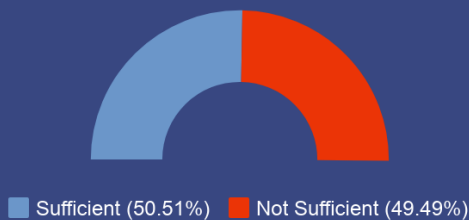


Construction deficiencies have negatively impacted owners' property value and their ability to sell their home.

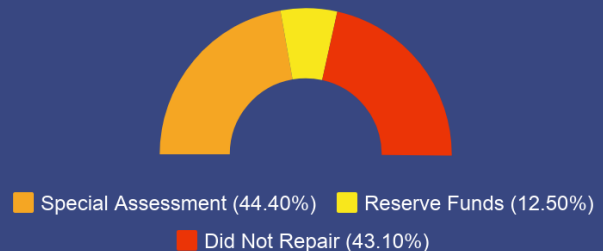
Negative Effect on Property Value 35.5%

Negative Effect on Ability to Sell 26.3%

It takes more than a year for the majority (62.3%) of communities that file suit to recover damages.



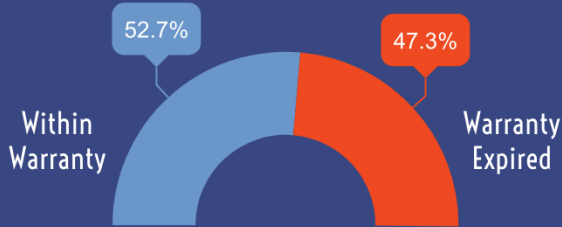
The amount of damages recovered may not be sufficient for the rebuild/replacement/repair.



Communities unable to recover damages often add special assessments to pay for the repairs, or do not repair the deficiency at all.

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The warranty period expired in nearly half of all communities that had a construction deficiency.



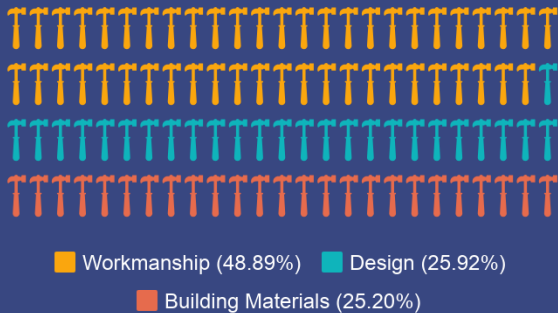
States should lengthen the statute of limitation or repose to account for deficiencies being found after expiration.

Most communities' declarations allow litigation (82.1%), but require the use of Alternative Dispute Resolution (ADR).



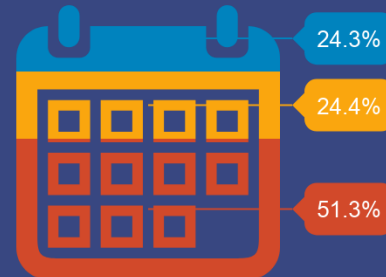
Mediation is the most common form of ADR used prior to filing a lawsuit.

Poor workmanship is the most common cause of deficiencies...



...resulting in plumbing leaks, electrical or mechanical problems, and cracks in foundation walls.

The majority of pre-litigation processes lasted more than 361 days.



Longer than 361 Days (51.30%)
Between 1-360 Days (24.40%)
No response (24.30%)

Lengthy or mandatory ADR processes may cause a community's ability to file a suit within its' statute of repose to lapse, hurting community association members. Legislators should not require mandatory ADR prior to litigation or shorten periods of repose.



The survey respondents included 525 individual responses from condominium and homeowners associations across the country with the number of homes ranging from a couple dozen to more than 1,000. The survey responses clearly tell the story that even the current warranty protections and statute of repose are not adequate to ensure the homes/units within the community are property and adequately repaired nor are they adequate to protect property values of homes in the community.