

Condos on leased land are cause for caution

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Q: How important is it for a condo association to own the land under its building, and what are the consequences if the land is owned by another party? Also, must the seller divulge who owns the land?

A: While it's not common that the land is owned by an outside entity, it's not rare either. Indeed, there are a fair number of homes on property leased from Indian tribes and government entities such as the Forest Service.

Bellevue attorney Josh Rosenstein, with Hanson Baker Ludlow Drumheller, said state law requires a property developer to tell buyers that the land under their purchase is leased and what the terms of that lease are. Subsequent sellers also must give buyers the same information.

It's not an issue if the association doesn't own the land because associations never do. Owners do.

"When you buy a condo, you get outright ownership of your unit plus an undivided interest in the common elements," Rosenstein explained. If the condo is on leased land, owners probably also have an undivided interest in that lease.

Whether having a home on leased land is a good deal depends on the length of the lease (often they run 99 years) and its terms.

"It's great in the early years of the lease, but as you get to the late part the value goes way down because at the end all the improvements revert to the lessor," he explained. In other words, who ever owns the land now eventually will own the building on it.

However, leases by their very nature are individual, so it's always important to read them to see what they say. Some may give building owners an option to buy the land or extend the lease.