

Basement Apartments – Income Potential? Or Potential Liability?

By: Farrell Macdonald

I occasionally come across Buyers who are hoping to subsidize their purchase by focusing on properties with a basement apartment. Unfortunately, the rules around what constitutes a legal basement apartment are quite stringent and units that actually meet all the criteria can be hard to find. What is truly frustrating though is all the listings that include phrases like ""Income Potential!!!" and "Let Your Tenant Help Pay Your Mortgage!" followed by the disclaimer "Seller and Agent Do Not Warrant Retrofit Status Of Basement Apartment". There is no polite way of expressing my disdain for this kind of double speak - It Makes Me Nuts. Translated, it means : "We don't really know what we're selling and neither does our Agent".

The legality of basement apartments doesn't have to be so mysterious. Either they have been approved as legally rentable units or they have not. If the owner of the property is unsure, then they shouldn't be selling the investment potential that likely does not exist - regardless of all the disclaimers made. If you own a property and are not sure whether it meets retrofit status, there are ways of finding out. If you find out it meets all the criteria, you can honestly sell the income potential. If you aren't sure, then don't introduce it. It only confuses and frustrates prospective Buyers (and their Agents).

Farrell Macdonald is a Sales Representative with Coldwell Banker Terrequity Realty Brokerage (www.farrellmacdonald.com)