

# WHAT CONDOMINIUM OWNERS SHOULD KNOW : CONDOMINIUM FEES

**The complex documentation of a condominium project should be clearly understood by the purchaser...**

First-time condo buyers are sometimes confused by the monthly maintenance fee that condo buildings charge. Combined with property taxes and your mortgage payments, they can add up to a hefty percentage of your total housing costs. But what is a condo maintenance fee and what does it cover? And how does it compare to the costs of owning a house?

Condo maintenance fees are your percentage share of the costs to run the building as a whole. Unlike rent, they are not a profit source for the management; in fact, each building is registered as a non-profit corporation in many countries.

Generally, these fees correspond to the individual utility bills you pay on a home, along with maintenance work such as window cleaning, housecleaning, gardening, and so on. Fees are calculated according to the size of your unit – a two-bedroom's fees are higher than a studio apartments or one bedroom. For instance – these fees are recalculated each year, up or down, according to the buildings annual operating budget.

A certain portion is also set aside as part of a 'contingency fee,' which every condo must maintain by law. The contingency fund covers any special costs incurred as part of building upkeep, such as a new roof or repairs to heating or plumbing equipment.

The maintenance fees for townhouses within a complex are usually slightly lower. Often townhouses have their utilities separately metered, so these are not included in the fee; but townhouse owners still pay a share for maintenance of common areas, security and other general costs.

Beyond these basics, there's a wide variation in the features each individual condo building offers, and the fees vary accordingly. One building might offer beefed-up security, concierge service and underground parking; another might have a fully equipped gym or pool with trainers and classes; or you may have access to special perks like a rooftop patio or guest suite. All of these are reflected in the monthly fee, and in some cases are optional.



# **FIVE THINGS YOU DO NOT KNOW ABOUT CONDO FEES**

## **Condo fees can be contentious - here's the real truth behind those monthly dues**

For many homebuyers, the issue of condo fees is as contentious as they come. In one camp are those who can't see past paying money into an association that may or may not use that money effectively; in the other are those who find value in what condo life provides or are not yet ready to buy a house. Unfortunately, what both sides in the debate tend to have in common is misinformation about condominium fees and how they actually work. If you own a condo or are thinking about buying one, here are some things you might not know about the fees.

### **1) They are not all bad**

Many homebuyers categorically refuse to consider a condo because of the fees alone. No fees are levied in a house, so condo fees are essentially a rip-off, right? Must not jump to that conclusion!!!!. What many people forget about owning any kind of home is that it entails a lot of financial responsibility. Roofs leak, foundations shift, washing machines overflow and the occasional Tennis balls flies through the kitchen window while kids are playing outside. And whether you own a condo or a house of your own, you pay for all those unhappy little occurrences. The only difference is that in a condo, that financial responsibility is often shared with other owners.

In a condominium, the fees typically cover monthly expenses and utilities in the building, but they're also designed to collect money in advance to ensure that owners are held equally accountable for their investment. If you own your own home, you won't be forced to set aside money each month just in case your home requires an expensive repair (although that's a good idea), but you will be on the hook if something goes wrong. In addition, condo fees often go toward paying for things you'd have to spend out for as an owner of any property, such as insurance, and sometimes even heat, water and cable TV.

### **2) Lower isn't always better**

No one wants high condo fees, but finding the building with the lowest fees isn't always the best bet either. Think of condo fees as a bit of a layaway plan for future improvements to the building, such as painting and necessary repairs. If there's no money set aside, that work either won't get done or owners will suffer a shake-down for additional funds in the form of a special assessment.

Before buying a condo you must have a robust discussion with your realtor who specializes in condominium sales. But unfortunately there are no realtors who have such an in depth knowledge of condos and their management systems. Purchase of a condominium is not a transaction like buying a residential home. Owning a condominium will continue to be a long process. You have to work along with your co-owners to protect your condo investment as long as you own it.

If you make an offer, make sure you put in a condition to review the condominium documents. This will ensure you get the information you need about the condo and whether there is a healthy reserve within the building.

Sometimes you will have a designated parking spot for your condo. If you do not own a vehicle, you must be able to rent it to another person as that parking space is included in the condominium fee that you have to pay.

In other words, if you want to know how expensive a building's condo fees really are, you'll have to find out everything you can about what they include and how much money the building needs for upkeep.

### **3) You may be paying for things you don't use**

Condo fees are a lot like taxes: Sometimes, you don't personally benefit from the way the money is spent. That might explain why people tend to have such a strong reaction to condo fees, but the reality is that this is just a necessary evil of any collective asset. If your building includes a pool, a gym or a patio, your fees will go toward maintaining those common areas, even if you never set foot in any of them. The flipside, of course, is that if the building requires a major repair, you'll get to split that bill with all the other owners. It also means that you might derive additional value from your fees at the time you are selling your condo. These extra facilities you find in your condo will definitely add a value to your investment even if you do not use the facilities.

### **4) They can go up at any time**

Some countries like Canada and the United States have strict laws to protect the condominium buyers and their investments.

According to the Condo Education survey, 68 percent of condo buyers had no idea that their fees could increase. Well, here's news for you: Condo fees can increase at any time, and there's virtually no limit as to how high they can go. That's because it's up to the condominium's board of directors to ensure that enough money is being collected to pay for current expenses and save up for future repairs. If something unexpected happens to the building, or other common costs such as gas or electricity shoot up, condo fees might go up right along with them. Unfortunately, 38 percent of condo buyers also said that they weren't confident that they could afford a fee increase.

If you're buying a condo or any other property, you should never be at the very limit of what you can afford. It is way too risky, and not just because of condo fees; interest rates, utilities and taxes can also increase significantly. Qualifying for a mortgage isn't the same as feeling like you can actually afford home ownership. When qualifying for a mortgage, look at your numbers in terms of all the possible fees. You should build in an inflation rate on the condo fees to see what your budget would look like if those fees were to increase. You also want to discuss interest rates with your lender, and what would happen if those were to increase down the road.

## 5) Condo fees are included in your mortgage calculation

The condo fee can be a significant portion of your mortgage. You have no control over the increases of the condominium fees. Some people may wonder it may be worth for them to buy a single family home where you have full control over what repairs and improvements are made to the property when it's exclusively your own.

## THE BOTTOM LINE: YOU CAN STILL PAY OUT OF POCKET

Just because you're sharing a wall with a set of neighbors doesn't mean you're a renter. Owning a condo is just like owning any other home - you're responsible for maintaining it. The major difference is that paying for repairs might be a lot more complicated. For some people, the benefits of living in a condo far outweigh these inconveniences. Just be sure that you choose your condo carefully and assess what its fees really amount to. As with all things financial, condo fees aren't just about what you pay, they're also about what you get in return.

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