

4 Money Misconceptions About Condominiums

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What Is a Condominium?

A condominium, or condo, is a sellable property that is similar to an apartment. Homebuyers may opt for a [condo](#) over a single-family home for several reasons. A condominium can provide a less-expensive way to enter the housing market. Or, a condo can be a low-maintenance downsizing option for seniors. However, misconceptions about condominium ownership often keep potential buyers from considering them as an option. Here, we dispel some of the most common misconceptions about [condo living](#).

KEY TAKEAWAYS:

- A condo is similar to an apartment, except that it is a sellable property.
- Condo owners pay a fee, which covers some maintenance and other costs associated with the property, such as heat, water, sewer, and garbage collection fees.
- Condo buyers should consider the condo fees before buying a condo and any special assessments that might arise that would require additional funding.
- Fees are typically paid monthly and are decided by a board of directors composed of condo owners.

1. A Condo is Just Like Home Ownership

This is a tough one. When you buy a unit in a condominium, you do become a homeowner and gain access to *most* of the rights that come along with buying a freestanding property. If you're wondering which rights condominium owners do not have, these are related to the fact that a condominium involves shared ownership. So, while you have the right to make changes to your unit (whether good or bad), you won't have quite as much free rein as you would in a house.

You may not have the option of making changes to the plumbing or electrical by yourself, as most condo rules require the use of a qualified professional. (After all, if your new toilet leaks or your wiring job starts a fire, this will become everyone's problem). You also may not have control over the portions of your unit that are referred to as "common property," which may include windows, patios, and balconies. This communal ownership also means that you'll have to pay condo fees, which are used to maintain the property.

2. Condo Fees Are Bad

Many homebuyers look at [condo fees](#) as an additional expense, compared to owning a house. However, before assuming these fees are a drain, it's important to look at what they cover. Typical condo fees generally always include a contribution toward the building's upkeep and maintenance, but they may also include heat, water, sewer, garbage collection fees, and even electricity and cable TV in some cases. Consider how much these line items would cost if you lived in a home. Also, consider that, in a condo, you don't have to mow the lawn or shovel snow yourself, which ultimately means you will have to chip in to hire someone.

Condo fees that are too high can be a sign of poor [money management](#) on the part of the condo board, but you will have to review the condo documents before being able to say for sure. Also, remember that condo fees are determined by the [condominium's board of](#)

[directors](#), which is made of owners just like you. In other words, no one is profiting from these fees—they are decided by owners who have to pay them just like you do.

3. Special Assessments Are Bad

Even a well-managed condominium can fall prey to what is called a "special assessment." This is an additional (often large) fee that condo owners must pay when the regular condominium fees (and the [reserve fund](#) they contribute toward) are insufficient to pay for a major repair. Many condo owners assume that their fees will take care of everything, but as an owner in the condominium, you are ultimately responsible for its upkeep, no matter what happens. This is not unlike living in your own single-family home. Even if you routinely save money for repairs, a major unforeseen expense (such as a foundation or roof repair) can still leave you out of pocket. In fact, special assessments are often much better for condo owners than the alternative of raising condo fees over the long term. This is because a one-time fee will cover whatever repairs need to be done without putting a (often much bigger) dent in the overall value of each unit in the property.

4. Fees Shouldn't Keep Going Up

Unfortunately, condo fees, like most expenses, tend to rise on a regular basis. This is based on [inflation](#) and the costs of running the building. Condo fees are calculated based on projected costs for the coming year, and should include additional amounts to put toward larger repairs. Remember that no one is making any money on these fees, and if they are not appropriate for the building requirements (whether they are too high or too low), owners will eat this cost when they try to sell their units. In other words, most condo owners will have a hard time escaping from a necessary cost, whether this occurs because the board tries to avoid repairs to keep costs down, or owners try to sell to get out of paying their share. Savvy buyers will want a discount for a poorly maintained building or one with soaring condo fees. As is often the case in [real estate](#), this discount is likely to cost more than just paying for the problem in the first place.

The Bottom Line

Many of the misconceptions that prevent homebuyers from [considering a condominium](#)—or leave them frustrated and angry when they do own one—often stem from a misunderstanding about how condominium ownership works and what owners are ultimately responsible for. Many condominiums are poorly managed, which can lead to money problems. However, no condominium board is really looking to extract a "pound of flesh" from owners, as this punishment will also apply to board members themselves. In a single-family dwelling, owners will have more control, which can make expenditures easier to swallow and perhaps less noticeable. Perhaps that's why homebuyers are left mistakenly believing this type of ownership is so much cheaper.