

# Pro's and Con's of: House v. Condo



## Buying a Condo vs. a House: Which Is Better?

Condos are private residential units within multi-unit buildings, projects, or communities. Residences often share walls similar to apartment units, but they also can be semidetached, like [townhouses](#), or even fully detached. The residents frequently share common areas and amenities like yards, swimming pools, laundry rooms, or garages.

Condominium associations play a significant role in the lives of most condo owners. An association, run by a board of directors, maintains the common areas, services, and amenities). Condo owners pay regular monthly or quarterly fees to their associations.

We usually associated highrise buildings as Condo's but Row homes ( townhouses) Quads (4 units joined with one facing north, one south, one east and one west, each with their own yard space and driveway and parking) and in rare cases detached condo's

A house may be right for you if:

- You want the independence and freedom to make your own home improvement, decorating and style decisions
- You don't want to go through the approval process of a condo board for every potential home improvement/upgrade
- You want a more private living space (without neighbours on the other side of the walls) and a yard you can use freely
- You're handy around the house and can do most of the maintenance or repair needs yourself (or have the money to hire someone)

If you buy a house, you will be responsible for paying all expenses related to owning and maintaining your property, including the mortgage, property taxes, utilities, insurance, house and yard maintenance and any repairs or renovations

A condo may be right for you if:

- You don't have the interest, time or ability to take care of the regular maintenance or repairs of a house (plumbing, carpentry, electrical, gardening, lawn mowing, snow removal, pest control, etc.)
- You like the convenience and freedom of owning property without all the additional responsibilities and expenses that are likely to come with owning a house
- You want the convenience of just picking up the phone to report any maintenance issues
- You want access to amenities, which could include parking, concierge, gym, pool, common space, etc.
- You don't mind living in a potentially large community with neighbours living in close proximity

If you buy a condo, you will own the interior space of your unit and in some cases a parking space. Common areas and outdoor space will be owned in common with other owners in your building. You will pay a monthly condo/maintenance fee, which can cover items pest control, landscaping, building insurance and maintenance as well as common elements. It can sometimes cover heat, hydro and water, but not always. Its important to know what your fees cover. A portion of this fee will go into a reserve fund which is meant to cover major repairs and upgrades to the building, such as the roof or elevators. In some cases, you (and the other unit owners) will also have to pay a one-time special assessment for "emergency" repairs not covered or anticipated by the condo fee.

## **Quick Pros and Cons of Buying Condos**

### **PROS**

State-of-the-art features

Luxurious facilities, features, and grounds and recreation facilities like gyms and pools

Security, complexes often are gated and/or have security staff

Concierge services, some have this service or a front desk

Less maintenance and upkeep, you are only responsible for the interior of your unit, all outside maintenance, windows, roofs, balconies and maintenance in common areas is paid for through your condo fees.

## Cons

Too close to your neighbors

Rising condo fees, Generally the more services or lavish common areas, then the higher the condo fees. As the building ages there will be more maintenance required and this is reflected in rising condo fees. Similarly as prices for maintenance services and materials goes up, so do the condo fees. Condo owners have no control over this , however there is a condo board, usually made up of owners that approve changes to these fees and as owners they don't want them to go up any more than you do, so this supplies some checks on the system.

The Big Brother aspect. There will be rules such as whether pets are allowed or restricted, if you can have BBQ's or where you can smoke or how many can occupy the unit. Conforming is difficult for some.

Less spacious, especially outside space as you likely won't have a private garden, garage space or somewhere to entertain outside that isn't open to all owners, so privacy is an issue , unless you're in a townhouse or quad.

Insurance is often cheaper than with a house, as you are only insuring the inside and contents of your unit and nothing outside.

## Mortgage qualification favours a house

While the [best mortgage rates in Canada](#) are the same for a condo or house, buying a house may help you qualify for a bigger mortgage. This is because of a quirk in how lenders figure out the amount of money they will lend you.

Lenders determine how much you can afford to borrow with a set of calculations called your debt service ratios. Your gross debt service ratio (GDS) looks at your total cost of ownership as a percentage of your income. Your total debt service ratio (TDS) looks at this plus your other obligations. These ratios can be no more than 39% and 44%, respectively. When calculating your total cost of ownership, there are four contributors: your mortgage payment, property taxes, heating costs, and 50% of condo maintenance fees. The more you spend on these, the higher your debt service ratios will be.

Notice that maintenance fees are only calculated when they relate to condos. Even though your overall maintenance obligation will probably be higher if you purchase a house, you will be able to afford a bigger mortgage because the cost isn't factored into how much [mortgage you can afford](#). It's may not make complete sense, but this can make a big difference to your final mortgage amount.

In addition to the absence of maintenance fees, buying a house with a secondary unit gives you the option to rent it out. When calculating your debt service ratios, you may be able to add up to 50% of the potential rent to your income for qualification purposes. That's not an option when you buy a condo.

The upshot of this is that you're more likely to be approved for a bigger mortgage when buying a house over a condo, all else being equal. However, borrowing more on your mortgage is not always the best option. A bigger mortgage can mean a bigger or better-located home, but it also means more debt and higher monthly payments.

## Status Certificate

When purchasing a condo it's vitally important to have a condition regarding the status certificate, it can take up to 10 days for the condo corporation to provide that to your lawyer for review before you finalize your purchase. This certificate will alert your lawyer to the financial state of the condo reserve fund as well as any upcoming maintenance contracts or current or pending lawsuits which can drastically effect future or pending condo fee structure and amount.

## Summary

Condo's can be a wonderful alternative to owning a single detached home and often the choice of young, singles.

The equity in a condo does not seem to grow quite as quickly as a detached home as your ability to improve the property to capitalize on equity growth does not present as many opportunities. However investing in home ownership and equity growth is better in either a home or Condo than renting, and building some else's wealth with no return on escalating rental amounts.

Assess your options and give us a call, we're happy to help whether it's a house or a Condo!



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