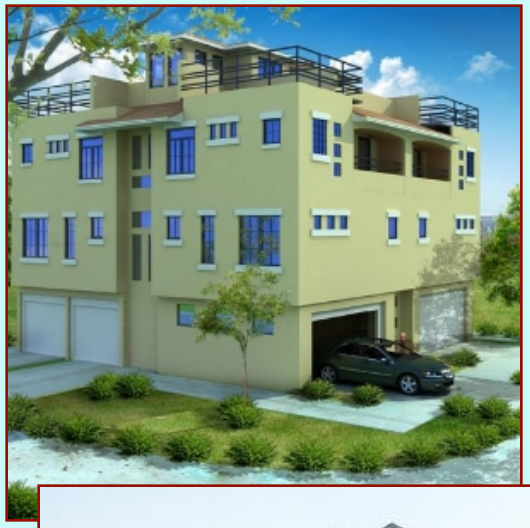
Condos vs. Houses



You've found the area where you want to live. You have your financing arranged.

But, you are stuck. Which is better? The freedom of a condo*, or the "land value" of a house?

Here are some ideas to help you sort it all out.

*For simplicity, in this presentation, we are using the term "condo" for any HOA product, such as townhomes or patio homes.

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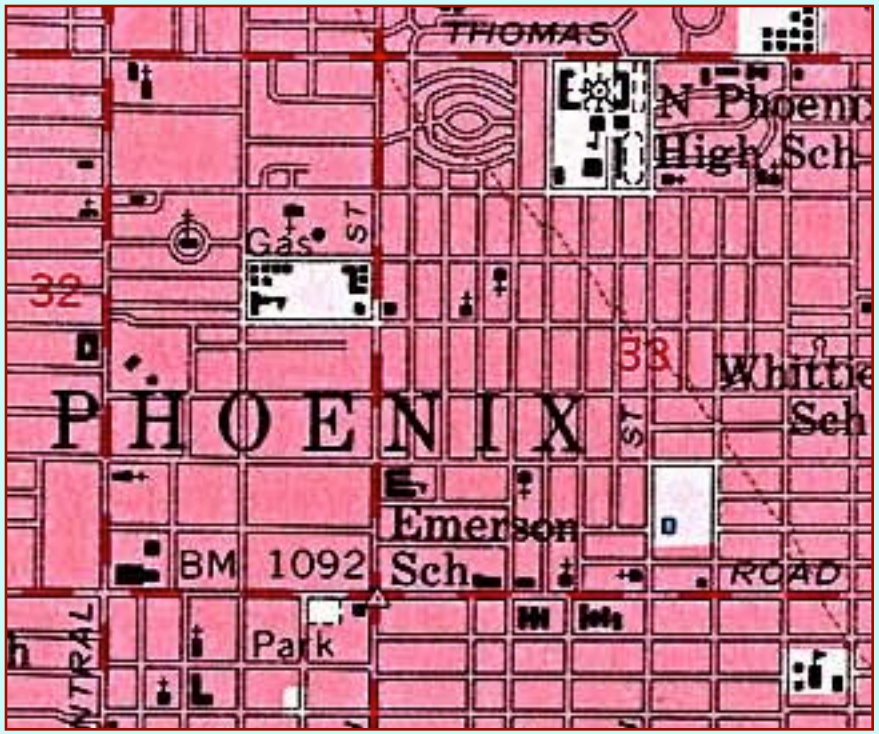
Features of "Detached Residential"

1. The Land Will Never Go Away;
2. No Shared Walls;
3. Greater Flexibility to Improve and Remodel;
4. Your Property Value is Tied to the Success of Neighbors;
5. Keeping up Appearances;
6. Other Things to Consider with Houses



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1. The Land Will Never Go Away

"Ninety percent of all millionaires become so through owning real estate."
--Andrew Carnegie

Let's face it. Buildings fall down.

But unless you live on an island in the Mississippi, your land will probably not go away.

This is a drawback for condominiums. Many are built to last. Some have been thrown up so quickly in recent years, they may not last 30 years.

Ask yourself this question:

"Which is more important to me at this time in my life: being free from yard and home maintenance or buying something that I will have 20 years from now?"

2. No Shared Walls

In a condo development, you may hear your neighbors. If you are the kind of person who does not like to see the same neighbors almost every day in close proximity, you may consider a house.

You can build a privacy wall or grow bushes around your home. Your back yard can be a fantastic get-away.

As yourself this question:

"Do I enjoy the sense of community that I can have by sharing a common living area. Or, do I prefer more space that I can call just my own?"

How much more are you willing to pay more for that luxury?

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3. Greater flexibility to improve and remodel

Most condominiums, if built with block construction, give you some flexibility to re-arrange inside. You may be able to remove some walls and expand rooms.

However, once, you start talking about windows, balconies and patios, the restrictions begin to pile on.

If you have a house, you can go crazy repainting, adding features and personalizing your home.

However, you must still adhere to city code for things like wall height and that massive Trojan Horse water slide you are planning to build in the back yard.

Get to know and love these two links:

City of Phoenix Historic Preservation.
https://www.phoenix.gov/pdd/historic
City of Phoenix Residential Building Permits
https://www.phoenix.gov/pdd/development/permits/residential/general-information

4. Your Property Value is Tied to the Success of Neighbors

In a condominium, you all pay in to a fund that maintains the common property, including landscaping and insurance for things that you share, such as wall and the roof.

In a house, you don't have to pay these monthly assessment. But, then again, you have very little power over your neighbor, who might decide to store a massive parade float between your two homes.

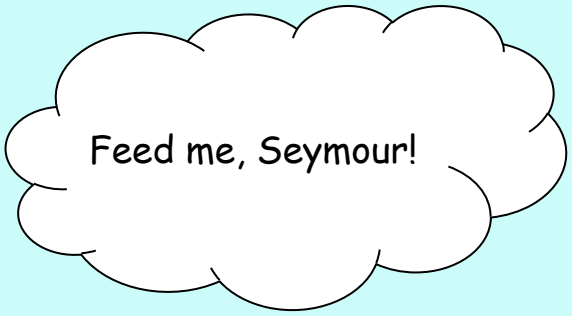
Or, if your neighbors don't take crime prevention seriously, will your neighborhood likely improve or decline?

Regardless of whether you purchase a condo or house, ask yourself this question:

"Am I willing to spend the time volunteering with the neighborhood association I order to protect my property value?"

5. Keeping up Appearances

People often talk about "keeping up appearances" in the negative, as if it is all about superficiality.



But in a neighborhood, keeping the street looking good has a very direct impact on *your* property value.

If you are inclined toward a condominium because you don't have to mow the lawn, consider this:

- Most HOA assessments > $200/mo.
- Average gardener = $100/mo.

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6. Other Things to Consider with Houses

Growth potential tends to be higher.

Condo board politics can be tricky.

Houses are more adaptable for a growing family.

Always meet the neighbors before you buy, as part of your inspection period.

Features of Condos

1. Gated security may be just what you are looking for right now.
2. Condos are often close to public transportation (the car-free life!)
3. Condos maintain all the goodies: pools, landscaping, general maintenance.
4. What is an assessment and what is expected of you in an HOA? What is a CC&R?
5. Condos as a rental investment.
6. Other Things in Favor of Condos.

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1. Gated security may be just what you are looking for right now.

Perhaps you are living alone and you like to know that there are people right next door.

Here are some things to consider about security:

- How careful is the management company with the common area keys or codes?
- Is the common area well-lit?
- Is the HOA paying for any live security? If so, how much does that impact the monthly assessments?
- When you look at the condo, does it look like the other condo dwellers take security seriously?

2. Condos are often close to public transportation

One of the best things about urban dwelling is that you can leave that car in the garage, or just go without it completely. Here are some things to consider when you are looking for a condo:

1. Some condos used to be apartment buildings and the parking may not always protect your car from the sun and weather while you are happily taking the light rail to work every day.

2. The closer your condominium is to public transportation, the more likely that your condo will eventually sell for more.

3. If you are thinking of the car-free lifestyle, also consider whether amenities such as groceries, the dry cleaners and coffee shops are near by.

3. Condos maintain all the goodies

Especially on those hot summer days, it is a great relief not to have to maintain your own landscaping. This is especially helpful if the condominium has a pool. Maintaining a pool at a detached residence can cost thousands every year, and you may not even use it ten percent of the time!

Here are some things to ask before you buy in to a condominium*:

1. Is the current HOA solvent? Do they have enough to properly maintain all of the features they promise when you buy?

2. Who manages the property? Many HOAs pay a management company to take care of details, such as landscaping contracts and maintenance.

3. How long has that company been working? How many properties do they maintain? What do the current resident think of their work?

*You can have a chance to ask these questions during the inspection period.

4. What is an assessment, a CC&R and what is expected of you in an HOA?

An **assessment** is a monthly fee on every unit in a condominium that goes in to a pot to pay to keep the place up. If you don't pay your assessments, the HOA can record a **lien** against your property. If you have a lien against your property, you can't finalize the sale of your condo to another person without paying off that lien.

The more units vacant in a condominium, the harder it is for the HOA to pay the bills.

Also, if there are outstanding big projects or maintenance issues on the condominium, or if the HOA board is not wise with its money, your assessment might go up every month.

Learn what you can about the HOA board.

4.1 Assessments and CC&Rs, con't…

CC&R's mean "Covenants, Conditions and Restrictions." It means basically, that all of the people in a Home Owner's Association agree that their property came with (and will go with in the future) certain conditions and restrictions.

In other words, they can't just do anything they want with it.

CC&Rs outline everything from how often the board meets, to what is considered common property.

When you buy a condominium, inspecting the CC&Rs is just as important as inspecting the property!

If you are part of an HOA, read what is expected of you in the CC&Rs. The best way to protect your investment is to stay involved in the HOA.

5. Condos as a Rental Investment

The CC&Rs will often have some rules about renting your condo.

Let's say you live there for a few years and decide that you want me to help you find a house so you can rent your condo as a long-term investment.

Some HOAs only allow a certain percentage of its owners to rent at any given time. Some say nothing about it at all. Be certain you look for that if you think this may be a possibility for you at any time in the future.

6. Other Things to Consider with Condos

Condos can be a great, low-cost alternative to a house, especially if you are just starting out. Many people continue to rent when they can own, giving away equity to a landlord.

It is like living rent-free for that time while you benefit from tax credits for interest on your mortgage!

Condos are also a great stepping stone investment. Start there, pick up another one as a rental property and grow in the future!

Be involved in the HOA in order to protect your investment.

Take the time to meet others who live in the condominium. You will learn a lot by just asking "how do you like owning here?"

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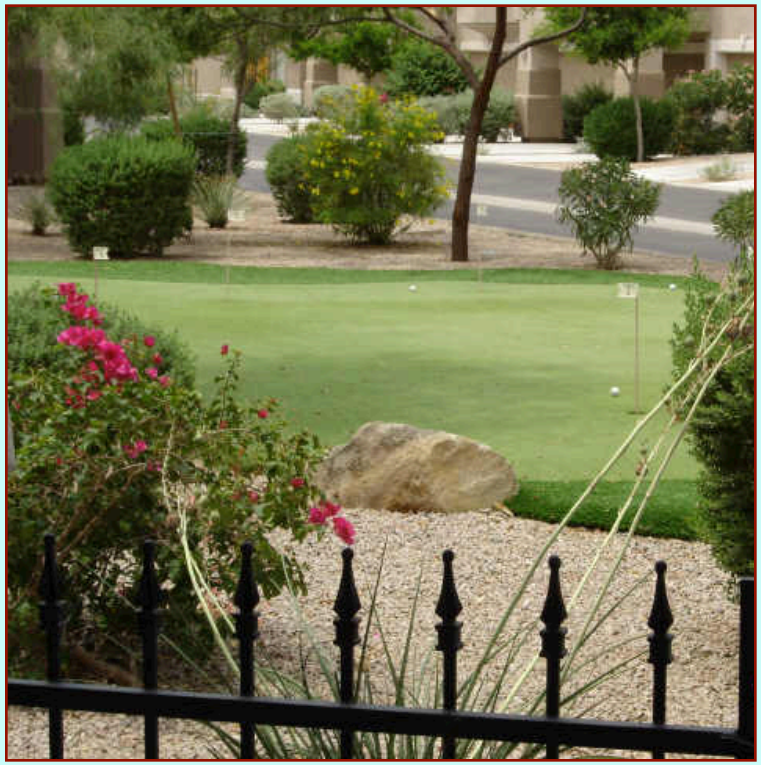
Detached Residential HOAs

Gated communities have the benefit of detached residential and of HOAs. You can have your own yard and privacy, but trust the HOA to handle a lot of the community maintenance.



Be aware, also, that gated communities may have restrictions that you would not expect in a typical neighborhood.

They can restrict what you can put in your front yard and sometimes even the number of vehicles that you keep at your house.

Always read the CC&Rs!

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