Should I buy a Condo?

SPIRE
MORTGAGE TEAM

We are asked all the time if we think it is a good idea to purchase a condo or a single family home. Here is the truth, there is a time and a place for both, but generally, if you're able to stretch to that single family home number, you're able to put more money back in your pocket each month.

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. You'll want to have an emergency fund set aside for problems with things like the furnace or roof.

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 like heat, hydro, water, pest control, landscaping, building insurance and miscellaneous amenities. A portion of this fee will go into a reserve fund to cover major repairs and upgrades to the building, such as the roof or elevators. In most cases, you (and the other unit owners) will also have to pay a one-time special assessment for “emergency” repairs not covered by the condo fee.

In the following example we'll explore a home purchase for a client with a total household income of $62,000 per year and no other debt. Here are the qualification numbers for both a single family home and a condo.

If they purchase a Singe Family Home:

Purchase Price $300,000
Down payment 5%
Monthly payment of $1355
Property tax of $160/month
Insurance $100
Total Monthly payment of: $1615

In YEAR ONE – you will build equity of $8121,
Year 2 - $8341....and exponentially from here.

If they purchase a Condo:

Purchase Price $270,000
Down payment 5%
Monthly payment of $1220
Property tax of $150/month
Insurance $50
Condo fees $400
Total Monthly payment of: $1820

In YEAR ONE – you will build equity of $7043,
Year 2 - $7601....and exponentially from here.

The key difference here is that the mortgage paydown, or the "money back in your pocket" at the end of the year is much greater with the purchase of a single family home. That being said, it's important to make sure that you're taking good care of your asset, the home, and putting away a little bit of money each month in a contingency fund.

Connect with us to run the numbers and figure out what purchase options are best for your personal situation!