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The risks of buying into a small condominium association - by Andre Tremblay

December 01, 2017 - Northern New England

Andre Tremblay,
Franklin Savings Bank

You buy a condo unit in a four-unit building. What have you just done? You've become partners with three other ownership groups (let's say three other couples) in the ownership of a four-unit building. These are people whom you have not met, know nothing about, and are now your partners in the ownership and management of this property. Things may go nicely if everybody is responsible, quiet, and pays their condo dues. But what if there's an issue? For example, what if they love to party every weekend with friends in the back yard? What if they don't pay their condo fees timely? What if the condo fees are too low and there's a need for a special assessment and they say they can't afford it? Who ya gonna call? There's no landlord to intervene. All you have is your association board (basically the four couples) or legal action.

This is now an all-too-common situation as smaller properties have been condominiumized. As condo associations get smaller ownership risks increase. With a fifty unit association you are spreading the risk of having bad co-owners over fifty units. But with smaller associations (say, two to ten units) one bad egg becomes a much larger problem. And what if (God forbid) you have an association of only two units like in a condex? That's the worst situation of all. Now you rely on one other party to pay their share and be a good co-owner.

Would you ever consider buying a small apartment building with one or a few partners whom you know nothing about, have never met, and have not vetted? Very likely not. And yet when it comes to condo units in small properties this happens all the time. This is a time bomb that will play out over the future in ways we will only hear about at dinner parties or from close friends telling horror stories since it will almost never make the papers or nightly news.

What's the upshot? Think long and hard before buying into a small condo association (say, under ten units). Even if you do vet the other owners carefully before buying (not sure how you could adequately do that), someday they will sell to someone else and you will be crossing your fingers that your new partner in owning this building is not planning on fixing his Harley in the front yard. Or partying hardy with his twenty best friends every weekend. Or won't have trouble coming up with their share of the condo fees every month. And on and on...

Andre Tremblay is vice president of Franklin Savings Bank, Bedford, N.H.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540