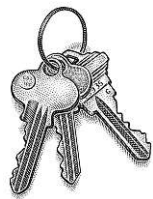


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SPREAD SHEET | SANETTE TANAKA

THE CLIMBING COST OF CONDO CARE

Building managers are paying more to keep properties in working order—which translates into higher fees for homeowners



There is no such thing as a free lunch—or a free concierge, or any of the other amenities that come with a fancy condominium. The cost of operating a condo building is rising, and this is pushing up the amount homeowners pay in building fees.

To keep a condo humming along, property managers need to cover the costs of administration and staff, repairs and maintenance and insurance and property taxes, among other things.

In 2012, a single condo unit cost managers \$2,429.58 a year to maintain, up about 3% from 2011, according to an annual report released in August by the Institute of Real Estate Management, a Chicago-based professional group and affiliate of the National Association of Realtors.

| Understanding Overhead Median condo-building management costs, per unit, in 2012 | | |
|--|----------|----------|
| Repair and maintenance (security, snow removal, custodial) | | \$875.99 |
| Operating fees (elevator, fuel, window-washing) | | \$674.12 |
| Administrative fees (office salaries, management fees) | \$338.32 | |
| Fixed expenses (insurance, real-estate tax) | \$329.17 | |
| Total expenses: \$2429.58* | | |

*Subtotals are medians and don't add up to the total
Source: Institute of Real Estate Management survey of 1,147 condo-building managers, Jan. 1-April 30, 2013
The Wall Street Journal

The report analyzed surveys of 1,147 condominium managers. Over the past decade, condo expenses have risen 25%, the institute said.

Building expenses are then passed on to homeowners in annual fees, known as common charges or homeowner-association (HOA) fees, says real-estate appraiser Jonathan Miller of New York-based Miller Samuel.

The homeowner association sets the budget for a building.

Fees vary depending on the condominium's amenities, the age of the building, the number of units and the size of the resident's unit. "If you have 100 units or 400 units, there are more people to slice the pie," says Alan Mark, president of the Mark Company, a real-estate marketing and sales

firm based in San Francisco.

According to Mr. Miller, Manhattan common charges, including real-estate taxes, were \$1.72 per square foot for the third quarter of 2013, up almost 9% from \$1.58 per square foot last year. Building fees in New York City usually increase by 3% a year, says Ariel Cohen, an associate real-estate broker with Douglas Elliman.

Outside of operating costs, property managers incur a host of other expenses, which vary from building to building and aren't included in the \$2,429.58 total. For those who don't own the land under their building, the single biggest cost is the land lease—a sum paid monthly or annually by the property manager to lease the land from the owner. That cost is a me-

dian \$2,663.84 per unit over the course of a year. And replacement reserves—money put aside by managers for big long-term projects, like replacing a lobby or a roof—also suck up a hefty chunk, at a median \$550.46 per unit per year.

Maybe surprisingly, the factors that attract many buyers to choose one condo over another, amenities such as common recreational spaces, golf and tennis, swimming pools, Jacuzzis and parking, are the smallest expense, at just \$112.61 per unit. In IREM's analysis, amenities are included in the maintenance fee.

What really drives the price up for managers is increased staffing, Mr. Mark says. "A lot of developers are positioning their buildings to be higher-end to attract the baby boomers," he says. "A lot of time that means service, like a full-time or part-time attended lobby and concierge."

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