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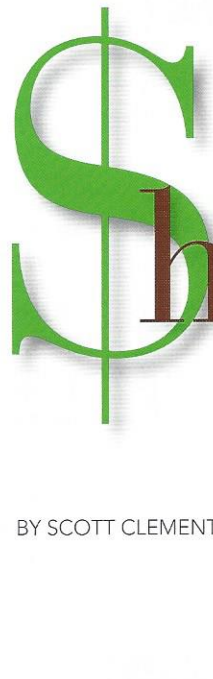
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A by-the-numbers assessment of ownership costs in a CID vs. a single-family home

Shared Costs, Big Savings

BY SCOTT CLEMENTS, RS, PRA, CMI

A common question posed to community managers, “What do I get for my assessments?,” is as reliable as the sun. The tendency is to reply by citing expenditures, such as contracts, services or amenities maintenance. Often overlooked is the fact that common interest development (CID) members *save* by living in a CID.

Assuming there is a choice between renting and ownership and an individual opts for ownership for the long-term appreciation (remember that?) and tax advantages, the cost of ownership in a CID is typically substantially lower than comparable single-family housing.

There are numerous variables in architectural style, amenities, services and maintenance practices, as well as a multitude of individual decisions by property owners, that determine costs,

expenditures and distribution of income. Thus, there is no “magic number” that can be applied across the board to compare costs. But, for comparison purposes, let’s take a look at similar style buildings and amenities, in proportion, and compare ownership costs of a unit in a 55-unit townhouse development to that of a single-family home (SFH). Additionally, let’s focus on three main aspects: weather shell (roof, exterior siding and paint), a pool and a gym.

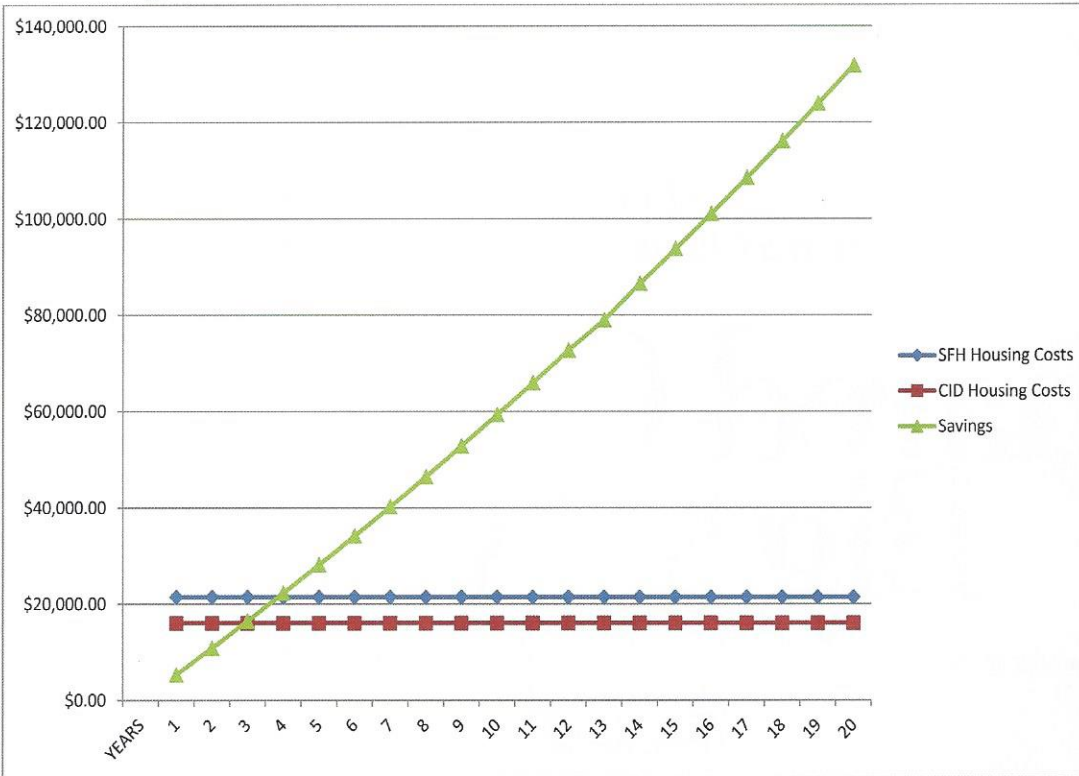
Price Breakdowns

WEATHER SHELLS - For a SFH, weather shell *replacement costs* can be reasonably estimated at \$16,350; for the CID community, those costs go up to \$216,600. For each, there is an annual depreciation, which is \$1,379 for a

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The cost of ownership in a CID is typically substantially lower than comparable single-family housing.

CID Savings Over 20 Years



These statistics are from the United States Department of Labor, Bureau of Labor Statistics Economic Report for 2010. According to the report, the average family income in the U.S. is \$62,481, of which 34.1% (\$21,306) is spent on housing (mortgage/rent, utilities, insurance, maintenance) annually. The savings depicted here are based on 25% of those estimated housing costs (which would be \$5,326 annually) accumulated over 20 years with 2% annual interest, resulting in total savings of \$131,827.

An inflation rate was not applied to these costs, as they would rise parallel if it was applied. As this chart shows, in just a few years, homeowners could save multiple times their living expenses by choosing the more economical living arrangements of a CID.

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SFH and \$23,359 for the CID. For the CID, replacement costs are divided by 55 units, which would be \$3,938 (with an annual depreciation of \$427) per member in the CID. The SFH costs, of course, would not be divided; therefore, the cost is the cost. That comes to a staggering difference of 323% annually for only one area of property maintenance responsibility!

POOLS - Built-in amenities, such as pools/spas, sport courts, play structures, etc., typically result in even higher differences. The CID, again with larger quantities and costs, have pool replacement costs at \$18,350 and \$1,669 in annual depreciation, versus the SFH with \$15,750 in replacement costs and \$1,445 in annual depreciation. The division of costs per CID unit brings the replacement down to \$333 per member with a depreciation of \$30 per year. With respect to this aspect as shown, it costs 4,800% less annually per family to enjoy a pool in a CID versus a SFH.

GYMS - Other amenities can be more costly, percentage wise, on a per family basis. Example: gyms. The SFH again has what appears to be a much lower replacement and annual depreciation costs, at \$9,200 and \$613, respectively. For the CID, those amounts would be \$8,000 and \$533. Per unit, the individual member costs drop to \$145 and \$9.60 – a 6,400% annual difference. Not to mention, \$9.60 per year per family for gym fees is typically much less than membership at a local fitness center.

OPERATIONAL COSTS - Operational costs also have substantial variances, which make broad comparisons challenging. However, when taking into account the division of costs per member, it is safe to say that those costs are also lower in CIDs than in SFHs. According to the Department of Labor, the average household expenditures account for 34.1% of gross income in the United States, or \$21,306 per family. Applying a conservative 25% savings basis for a CID versus a SFH, and allocating that savings into a no-risk investment with a modest 2% long-term interest earnings, over a 20-year period the accumulated funds would equal \$131,827 – a welcome addition to any retirement account.

There is the argument that density, proximity of units, and sharing of amenities impacts the quality of use. However, it could also be argued that personal interaction helps develop relationships and builds camaraderie in the community. The fiscal argument is more black and white: CIDs clearly provide the most economical way to live, essentially saving members money every time they pay their assessments.

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