



Why buying an apartment comes with extra risks

● With service charges rising rapidly, do your homework to avoid being caught on the hook for repairs and other extra costs



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Modern apartment life – a staple of existence in continental European cities such as Vienna and Paris since the second half of the 19th century – is a relatively recent phenomenon in Ireland. Here, the humble ‘flat’ has traditionally been viewed as the poor relation to suburban houses.

That trend began to change during the Celtic Tiger years, when developers began flogging apartments to the newly affluent, using marketing materials which promised an aspirational lifestyle – only for those aspirations to be dashed by the property crash. Between 2002 and 2016, about 15pc of homes built in Ireland were apartments.

These days, new apartment schemes are often sold in bulk to investors who rent them out, thereby excluding individual purchasers.

With such a brief history of apartment ownership in Ireland, buyers could be forgiven

for not being au fait with the financial responsibilities of owning one – such as paying service charges, ensuring the owners’ management company (OMC) is in good health, and that there are no hefty costs coming down the line. So before you buy an apartment – especially one built during the Tiger years – beware these following financial risks.

RISING SERVICE CHARGES

Apartment buyers often forget to include service charges in their budget when buying a property. Yet these fees are a lifelong expense. They don’t end when you pay off your mortgage, or when you retire onto a fixed income.

Indeed, the opposite is true. Service charges tend to increase over time, says Steven Jacob, a solicitor who owns property conveyancing specialists Jacob Law, which acted for 200 apartment buyers in 2023.

These charges typically pay for block insurance, painting, cleaning, refuse collection, electricity

and maintenance for the common areas, landscaping, fire safety and security measures. Expect your service charges to be higher if your development is gated, has multiple lifts to maintain, underground parking to manage, extensive grounds to landscape, or a concierge to pay.

While there is no publicly available database for service charges, Jacob estimates they have increased by at least 20pc over the past year.

“In some instances, a service charge can be as high as €4,000 per annum,” he says. “This is an enormous additional cost for potential purchasers, coming on top of their mortgage repayments and other day-to-day expenses.”

Rising building insurance premiums are driving up service

charges, as well as higher energy costs and refuse costs.

“In many developments, insurance costs have gone through the roof, to pardon the pun, because of the level of claims made over water ingress,” says Sonia McEntee of Sonia McEntee Solicitors, which specialises in the conveyancing laws around multi-unit developments (MUDs). She says buyers in Dublin should expect to pay at least €2,000 a year in service charges.

Bryan Maher, director of the Apartment Owners’ Network, says construction inflation is pushing up rebuilding values, leading to a jump in insurance premiums.

“I’ve been involved in two OMCs that have both seen their reinstatement valuations (the cost of rebuilding



**Sonia
McEntee**

a property if it's destroyed) jump 50pc since 2018," he says. "That means a commensurate jump in insurance."

Service charges are likely to increase further because the management agents employed by OMCs are being tasked with more project management work such as organising fire remediation, because sinking funds for large works are inadequate, and because of the need to adhere to future regulations, McEntee says.

FAILURE TO PAY

During the recession, service charges skyrocketed at some developments, as owners who lost their jobs and fell into negative equity went into arrears. Today, says Mr Jacob, increased mortgage repayments and the cost-of-living crisis have caused some apartment owners to struggle with charges.

"Payment of the service charge is likely to be seen as something that takes less precedence over day-to-day bills and other expenses, such as the mortgage," he says. "In some developments, non-payment of the service charge can be as high as 30pc."

If other owners don't pay, you may have to pay more in order for the OMC to have enough money in the pot for services.

If the OMC can't pay the bills, the bins could start piling up, the lifts won't work, and the stairwells would be dark at night.

"This is something that needs to be thoroughly investigated by prospective purchasers," Mr Jacob says. "If there is a high rate of non-payment of the service charge, then purchasers should be wary about proceeding."

DEFECTS

Many people who bought apartments in good faith during the Celtic Tiger are still picking up the tab to rectify fire safety defects, water damage or shoddy workmanship. They are living with the legacy of poor regulations and building standards (which have since improved), in the form of levies amounting to

tens of thousands of euro.

At one development in Park West, Clondalkin, each owner was faced with a bill of €68,500 to repair fire-safety defects found in their building.

Unless you do your homework, you might not even be aware that the apartment you're bidding on has a serious defect. That's because many OMCs quietly pay these bills to avoid any negative publicity that might affect the value of their homes.

"The best way to find out this information is to ask direct questions of the estate agent selling the property, the solicitors for the vendor, and ask the management company too," suggests Mr Jacob.

If there are outstanding defects, you may not be able to sell your property to a mortgage-backed borrower, as the bank would likely refuse to lend.

CHECK THE SINKING FUND

Just because service charges cost several thousand euro a year doesn't mean an OMC has set aside enough funds for long-term upkeep.

One 2018 survey found that only 25pc of apartment blocks had sufficient funds.

Bryan Maher says the deficit in sinking funds at Celtic Tiger-era schemes could "dwarf" the costs associated with rectifying construction defects, which could come home to roost when these schemes mature.

"The flat roof might have expected life of 20 years and a lift might expire after 25 years – and if the OMC hasn't saved for it, owners could get a levy for a new lift and a new roof," he says. "A lift costs €100,000 and you might have 10 lifts to replace."



HE SAYS SERVICE CHARGES ROSE BY 20PC OVER THE LAST YEAR