6-4: Rentals, Condos, and Co-ops

Unit 6 - Adulting

What alternatives are there to purchasing a house?

- Maintaining your own home requires a lot of time and money.

  ○ <u>Examples</u>: moving lawn, shoveling snow, making repairs, etc.

What alternatives are there to purchasing a house?

- When you rent your home

  - you **may or may not be** responsible for basic maintenance jobs

  - you cannot make **a profit** from the sale of the home

  - you cannot deduct property taxes or mortgage interest on income tax forms

Condominiums

- A condominium (condo) is a form or home ownership where **each unit in a larger complex** is individually owned.

- Each owner is responsible for the maintenance **inside** the condo.

Condominiums

- The owners are charged **maintenance fees** to take care of the outside areas (lawns, roof, outside walls, parking lot, etc.)

- Like houses, condos can **be bought and sold**. There are deeds, closing costs, property taxes, mortgage payments, etc.

Co-ops

- A co-op apartment (or cooperative) is another form of home ownership.
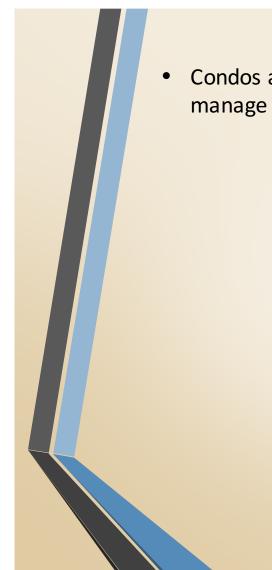
Co-ops

- A co-op is a corporation that owns a group of apartments. The corporation takes out a mortgage to buy the entire apartment complex. Investors purchase shares in the co-op and these shares allow them to occupy the apartment. The investors do not own their individual apartment but own a portion of the entire co-op development.
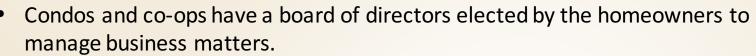
Co-ops

- Co-op owners pay a monthly **maintenance fee** that covers their share of the payment that the corporation makes towards the **mortgage loan** each month.

- Condos and co-ops have a board of directors elected by the homeowners to manage business matters.

Example 1:

Last year, Burt paid a monthly condo maintenance fee of $912. Fifteen percent of this fee covered his monthly property taxes.

a) What is his monthly property tax for the condo?

$$\$912 \times 15\% = \ \$912 \times 0.15 = \ \$136.80$$

Example 1:

Last year, Burt paid a monthly condo maintenance fee of $912. Fifteen percent of this fee covered his monthly property taxes.

b) How much did Burt pay last year in property taxes on his condo?

$\$136.80 \times 12 = \$1,641.60$

Example 2:

The Seaford Cove Cooperative is owned by the shareholders. The co-op has a total of 50,000 shares. Janet has an apartment at Seaford Cove and owns 550 shares of the cooperative. What percentage of Seaford Cove does Janet own?

What percent of the total co-op is Janet's?

$$p \quad \times \quad 50{,}000 \quad = \quad 550$$

$$p = 0.011$$

$$p = 1.1\%$$

Example 3:

Jake and Gloria moved into an apartment and pay $1,900 rent per month. The landlord told them that the rent will increase 4.1% per year.

a) What will their rent be in one year?

$$\text{What is 4.1\% of \$1,900?}$$

$$w = .041 \times 1,900?$$

$$w = \$77.99$$

$$\$77.99 + \$1,900 = \boxed{\$1,977.90}$$

Example 3:

Jake and Gloria moved into an apartment and pay $1,900 rent per month. The landlord told them that the rent will increase 4.1% per year.

b) What will their rent be in two years?

What is 4.1% of $1,977.90?

$$w = .041 \times 1{,}977.90?$$

$$w = \$81.09$$

$$\$81.09 + \$1{,}977.90 = \boxed{\$2{,}058.99}$$