



Ontario condo managers grapple with price hikes

Budgets under pressure as construction costs shoot skyward

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By Rebecca Melnyk

As multi-residential buildings wrestle with rising construction costs, condo managers in Ontario are experiencing the impacts up close.

Inflation, supply chain disruption and labour shortages are collectively affecting both capital projects and day-to-day operations, says Yasmeen Nurmohamed, President of Royale Grande Property Management Ltd, based

materials, which also cost more, prompting boards to select base finishes over upgrades.

“The cost of projects is higher than budgeted in the reserve fund study,” she adds. “Contributions will have to be increased to ensure the reserve fund is adequately funded in accordance with the Condominium Act.”

According to Statistics Canada, residential [construction costs](#) increased 5.6 per cent in the [first quarter of 2022](#), the highest since the second quarter of 2021.

“Most interestingly, a portion of the costs was attributed to the labour shortages,” says Val Khomenko, Senior Condominium Manager with Toronto-based ICON Property Management. “With workers taking on more responsibilities, the results are increased salaries due to demand. These costs are, by extension, passed onto the end user.”

Contractors are also offloading the increased cost of transporting building materials. “Contractors have begun adding fuel surcharges and other axillary costs such as PPE to the invoices,” says Khomenko. “This becomes a difficult conversation with condo boards as we enter the budget season.”

On the ground, he’s also seeing pressures on every scale. “One of our clients is currently planning a major hallway renovation and the original budget estimate from 2021 has skyrocketed by at least 40 per cent,” he says. “On a smaller scale, window and door orders that used to take four to six weeks are now delayed into months. Certain flooring products have seen deliveries pushed to six to eight months. As a result, pricing in these items fluctuates robustly.”

Trades are also less committed to hold prices on quotes, adding to the pressure of long-term financial planning. “Budget figures committed to in long-term planning a couple of years ago are no longer applicable,” he says. “There will be over budget spending in projects and maintenance, no doubt about it.”

Angel-Marie Renier, President of Kitchener-based Onyx Condo Management, relays a similar sentiment. “Where once pricing was held for 30 to 60 days, now it is only held for a few days,” she says. “As a result, it is more challenging to coordinate with a board of directors since more time is required to make decisions than just a few days.”

A lack of expedited services in day-to-day operations is also straining communities. “Longer than normal wait times for regular service calls because of labour shortages and supply chain issues are affecting relationships with boards and owners and residents who are accustomed to prompt and excellent service,” says Nurmohamed. There are various examples, of which plumbing is one. “Before, when you’d call a plumber, they would come the same day or next day. Now, they’re coming days later because they’re so busy,” she adds. “It’s also taking a while to get parts.”

Kirsten Dale is a property manager at MCRS Property Management in Huntsville, which services condos in Simcoe, Muskoka, Parry Sound and Haliburton. She's finding that besides longer wait times to begin large-scale projects, there is the inability to even complete smaller projects at all.

"Trades are swamped, materials are hard to get, and labour is impossible to find," she says. "If you have a single railing to get re-painted, you are better off trying to find a few other little tasks to bulk in with this work to make the job more desirable for trades to bid on. Otherwise, you are potentially paying a much higher than market rate for the trade to afford to take on such a small task."

Insurance costs are also affecting the budget. As Nurmohamed explains, in the last couple of years, insurance costs rose because of the hard market, with larger claim payouts and fewer underwriters. "This year, insurance appraisals are increasing the value of buildings because the cost of construction has increased significantly," she says. "The result is increased premiums."

"The reprieve we thought we were going to get from the hard market is now being replaced by another issue."

Consequently, there is an upward pressure on the entire budget; it's not just one line item, such as insurance costs as well as staffing costs from the minimum wage hikes.

With various issues beyond control, it makes budgeting much more challenging and the future tricky to predict. She advises that budgets remain realistic of the current conditions, while balancing the needs of the owners. "Our goal is to have well-maintained, aesthetically pleasing, and financially healthy communities."

Dale adds that the trend of keeping annual increases to reserve contributions as low as possible needs to end. "If a board is consciously projecting 2 to 3 per cent increases for inflation, they need to reconsider this strategy. Low fee increases will only help to maintain popularity to a point."

"When major funding needs arise and a board has not adequately funded the reserve account in advance, the owners remain on the hook for any difference from what was funded and what is needed."

A proactive approach to [capital projects](#) is also something Reiner's team encourages, suggesting that corporations complete reserve fund studies earlier than required to build increases into the funding plans, and adding a contingency to the overall budget.

"Depending on the project's scope, we generally suggest 5 to 10 per cent; this helps with the what ifs," she says. "We also recommend that a preventive maintenance schedule is followed for items like mechanical systems and roofing. This provides a more cost-efficient solution rather than waiting for something to happen and having a costly repair."

...these decisions are being made increasingly on the short-term basis, however. From an environmental perspective, it would be irresponsible to saddle future owners with costs that can be planned ahead of time."

Beyond prioritizing, he suggests looking outside traditional methods of raising fees or special assessments.

"With the higher inflation than the interest rates, there has been an increasing trend in borrowing to cover the shortfalls in project costs," he says. "There are lenders who would provide the analysis of the reserve fund study needs and cash flow projections to ensure that borrowing is a viable option."

He also urges a clear communication strategy with residents, one beyond the required notice of future funding.

"It is important for the owners to understand the implications of low condo fees on the long-term viability of the physical asset," he says. "The case of short-term pain for long-term gain has never been more applicable than it is today."