

Media release

Condo stakeholders at risk due to uncertainty in their reserve funds

Ottawa, February 9, 2022 – New research by the Canadian Institute of Actuaries reveals that low reserve fund contributions will likely lead to overwhelming annual increases and require lump-sum payments from owners to cover shortfalls, and could potentially lead to the loss of homes, especially in the context of rising interest rates.

Longevity of Infrastructure – Reserving and Risk Management in Condo Maintenance in Canada explores the current state of the Canadian condo industry, providing insight into the status of reserve funds set aside for paying for future repairs and replacement costs of common elements shared among condo owners.

Findings show that many condo corporations across Canada have low reserve fund contributions. This deferral of contributions from current owners to the next buyers will create intergenerational inequity as well as a false overvaluation of the market value of condo properties.

“In aggregate, not enough money is being set aside for future expected payments or to cover unexpected repairs,” says Jean-Sébastien Côté, FCIA and co-author of the paper. “There are large bills to be paid soon, and very few condos have saved enough, especially those constructed since 2000.”

The authors suggest potential solutions for condominium boards to consider:

- Maintaining a reasonable and realistic minimum annual contribution and fund balance from the beginning of the creation of the condo corporation.
- Establishing a financial cushion for emergencies and unexpected market changes.
- Increasing the availability and collection of data in the condominium industry.
- Better educating stakeholders on the issues related to condominiums.

The paper further recommends that improvements to condominium legislation is a key element in reducing the risk to Canadian condo owners.

Read the full research paper: <https://www.cia-ica.ca/publications/publication-details/rp222024>

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