

One thing to think about if you are buying a flat: service charges

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First time buyers today may find a traditional house beyond their means, so may be considering buying a flat. Flats in Guernsey vary from a modest single bedroom flat in a converted house to a penthouse apartment at the top of a brand new development. They vary as much in price too, but buying a flat is a good way for a first time buyer to get their foot on the first rung of the housing ladder.

The owner of a flat in a smaller development may own a share in other parts of the building, such as the main structure, hallways, stairs and gardens. The parts of the property that are shared between the owners are called common parts, because they are used by each owner in common with other owners. When maintenance is required each of the owners pays a share of the total cost of maintaining the common parts. When larger works are undertaken the cost can come as quite a shock.

In the case of a flat in a larger development the structure and common parts will probably be owned by a management company, which in turn is usually owned by the flat owners. The management company will arrange for the structure and common parts to be maintained and cleaned, but will then charge those costs back to the owners of the flats by way of a service charge. The management company may also have the right to ask owners to pay some money on a regular basis in anticipation of larger expenditure. A reserve from which the managing company can draw is called a sinking fund. A service charge with a sinking fund is a great way to budget for those more expensive works, but some flat owners are surprised at the amount of the service charge. Service charges range from about £600 a year to more than £2,500. It is important to know how much you will have to pay. It is also worth noting that any money paid into a sinking fund, but not used, will not be returned to you when you sell the flat.

Owners of smaller developments sometimes operate a sinking fund by agreement.

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Meet the Author



[Martyn Baudains](#)

Partner

[Guernsey](#)

E: martyn.baudains@ogier.com

T: [+44 1481 752217](tel:+441481752217)

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