



CINC Systems

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2022 State of the Industry

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The Purpose of the Survey 01



CINC Systems is proud to bring you their first annual State of the Community Association Industry Report. Taking the metaphorical pulse of a thriving, but niche, industry is an important part of helping that industry find new ways to achieve success.

While CINC organized this survey, it's important to note that it was open and distributed to the industry at large, and not just CINC's client list. For the most accurate results, it was important to us that we include answers and opinions from as wide a variety of respondents as possible.

This survey consists of responses from management company executives, individual community association managers, community association board members, and service providers to communities and management companies. The results show a thoroughly detailed array of concerns and expectations industry professionals have throughout the United States.

It is our hope that these responses and our analyses of them can provide communities and management companies with benchmarks to show readers that they are not alone and offer a guide to help navigate their concerns and tackle them with the right tools and support systems.

Our goal is to conduct the State of the Industry survey on an annual basis so that we can provide data for the industry to look deeper than just salaries and into the details of how communities and management organizations are being run.

How We Structured the Questions 02

Three types of organizations responded to our survey:

We asked every respondent to answer the same question: “What is the biggest issue facing the community association industry?” After asking that question, we diverged the questions between community associations and management companies, asking questions that were relevant to each group, but may not correlate directly between the groups.

Community Associations

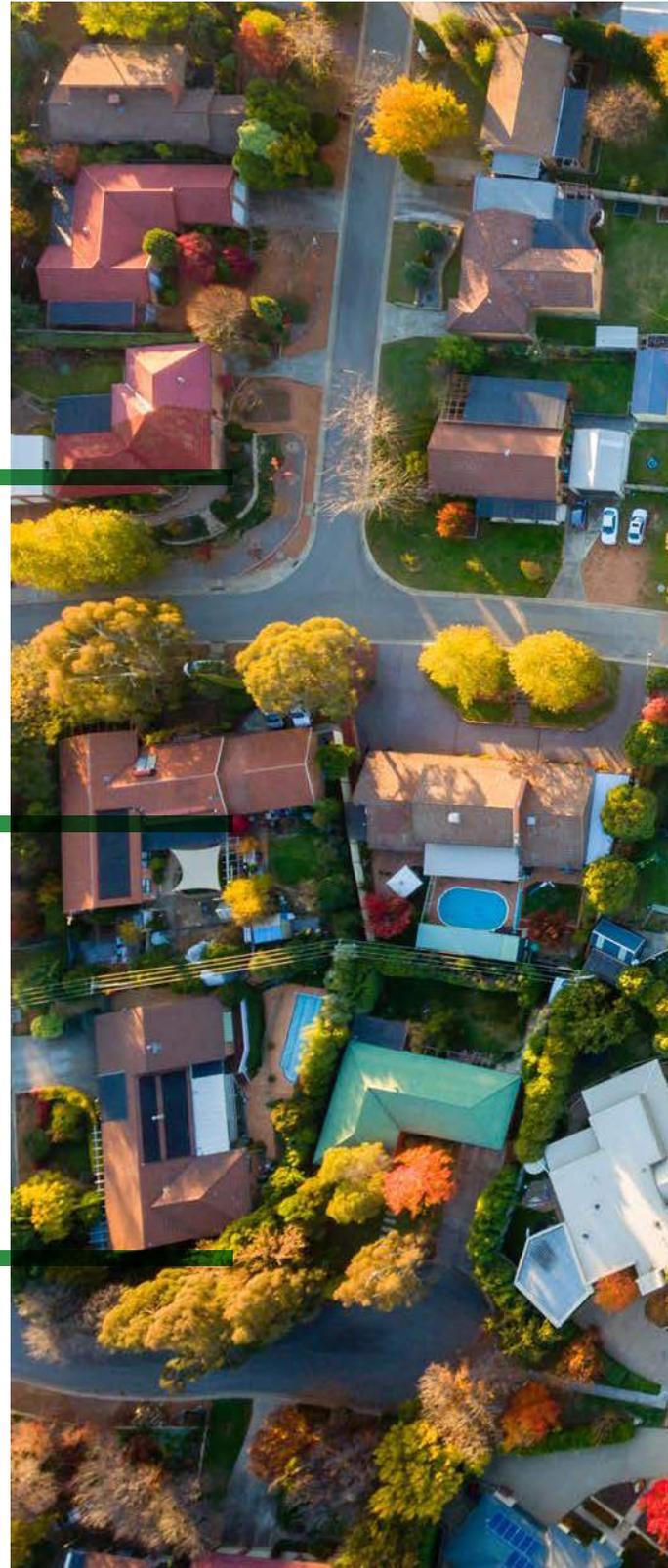
These primarily included board members and individual managers (on-site or executive managers). We asked this group questions related to the staffing, technology and management of their individual community associations.

Management Companies

This group consisted of management company executives and assorted other management company employees. We asked this group to answer questions related to the management company itself so that we could understand threats and goals, service offerings, staffing and budgeting benchmarks, and customer satisfaction.

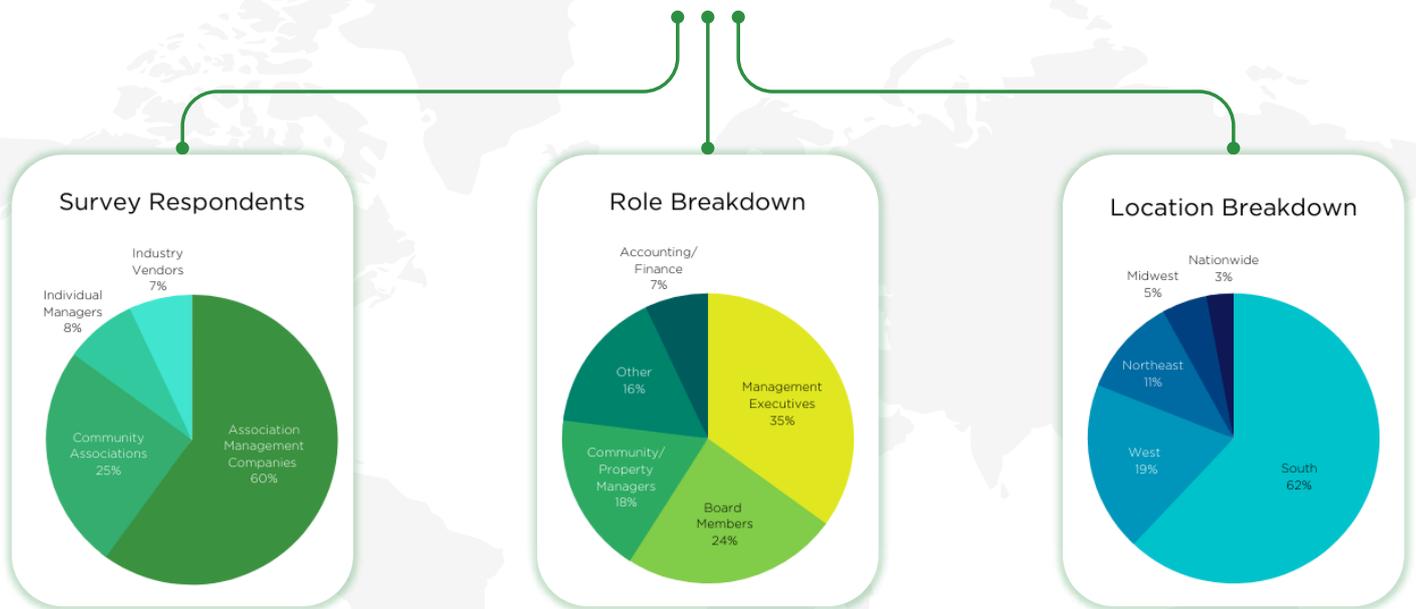
Industry Vendors/Other

Any respondent that did not fit into the community association/management company structure was not included in those segments. We asked these respondents general industry questions only.



03

Respondent Breakdown



Summary of Key Findings

key findings that one will find in this report are the following:

- ✓ **Homeowner apathy is a top concern** among boards and management companies, and new ways to improve communication can make a considerable difference.
- ✓ **HOA and COA boards are increasingly frustrated with outdated technology** that stifles communication expectations offered by their management companies.
- ✓ **The effects of pandemic-induced anxiety has resulted in a growing need to improve customer service**, which management executives see as a top priority for 2022.
- ✓ While management executives are beefing up staffing measures and focused on recruiting new talent to drive revenue and productivity, all their efforts may go to waste as **community managers continue to experience overwhelming burnout**.
- ✓ As business expenses and salary expectations continue to rise, **many management executives will face immense revenue challenges due to a lack of a formal budget and low confidence in financial planning capabilities**.

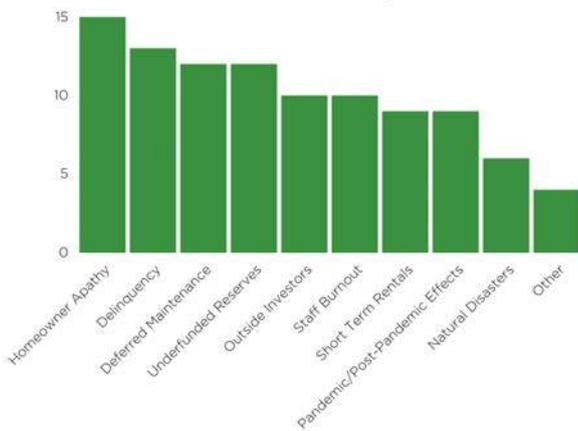


05

Issues Facing the Industry

We asked all respondents this same question. We expected to see a lot of variation in responses based on the responder's role in the industry. But that was not the case. Here is the big picture of the issues that concern the industry today:

What do you consider to be the biggest issue facing Community Associations today?

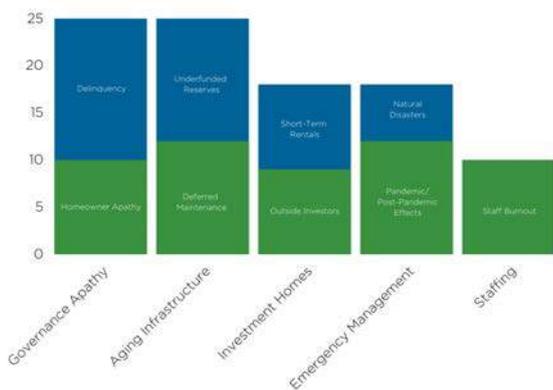


Perhaps the most interesting aspect of the results is how interrelated many of them are. Among the responses, we saw natural groupings that are related to (and indicated by) larger issues that the industry is struggling with:

Governance Issues impact the effectiveness of a board’s ability to govern. Homeowner Apathy prevents growth on the boards and hinders diversity of thought. It may impact the board’s ability to make quorum and sour relations between the board and the residents. Delinquency also affects governance, as they directly impact the community’s budget, preventing the board from being able to properly carry out their fiduciary duty.

Aging infrastructure is an issue that has reached critical levels after the Surfside condo collapse in 2021. Underfunded Reserves and extreme Deferred Maintenance are both contributing factors that make another incident not only possible but imminent.

Clustering Concerns by Industry Issues



Investment Homes owned by Outside Investors (foreign or domestic) for use as Short-Term Rentals threaten the ideal of community associations. Instead of homeowners living together and creating community, investment homes are a transaction, and are proving to create a variety of issues for boards and management companies alike

Emergency Management includes Pandemic response as well as Natural Disasters. These issues on their own carry problems, but the industry’s ability to respond and adapt to these disasters is a bigger issue that we are still trying to find our way through.

Staffing Issues including Staff Burnout and recruitment are a growing concern for management companies and communities, especially considering the “Great Resignation.” We expect to see this point of concern increase in the future.

Other

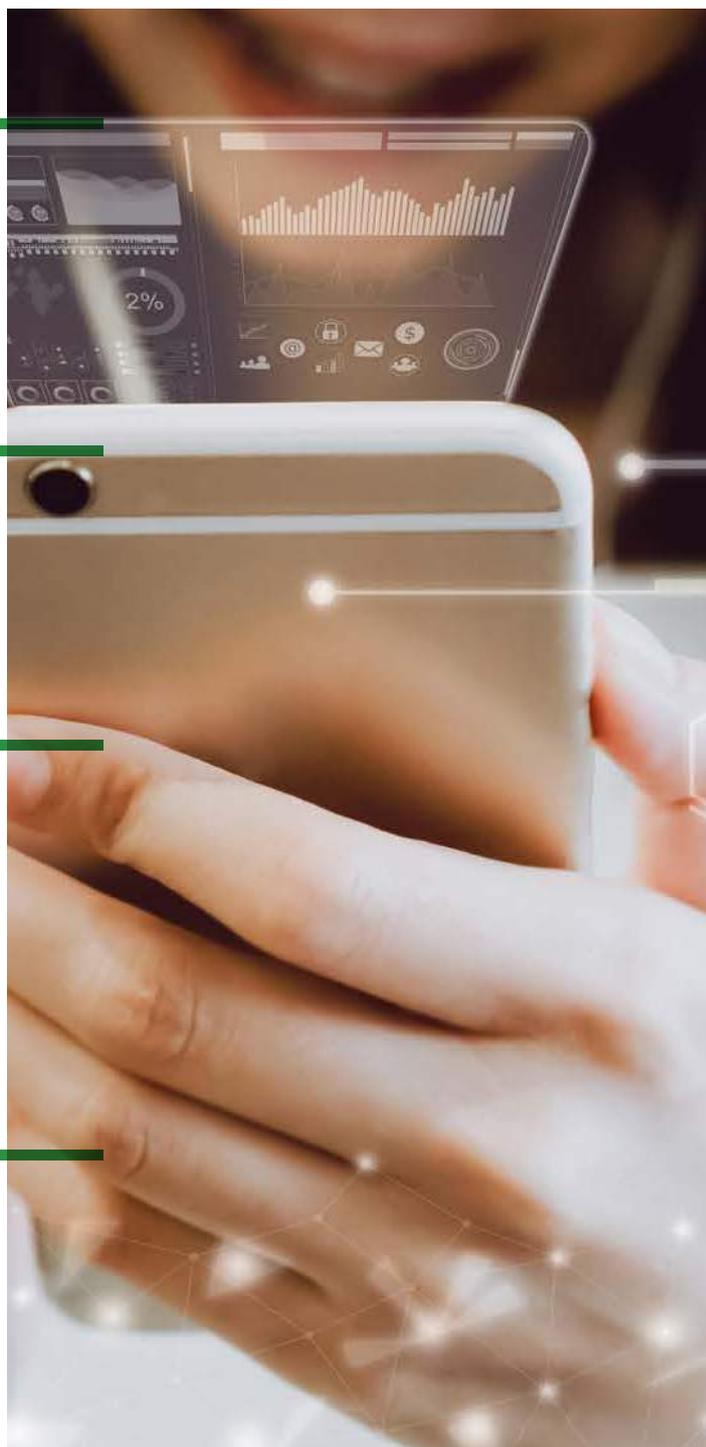
Notable Responses

Aging Infrastructure: While aging infrastructure can be categorized with deferred maintenance, multiple responders noted this as a large issue within their community.

Pending Legislation: Many respondents noted that their respective states have pending legislation that could impact their business.

Lack of Modern Technology: Some respondents - particularly board members - pointed out that their management companies weren't taking proper advantage of new communication tools that could improve their ability to interact with homeowners.

Business Continuity: Respondents noted that frequent turnover of board members and management companies negatively impacted community associations.



Key Takeaways

While there was a lot of overlap between the different organization types, there were some notable takeaways from both the big picture, and the individual breakdowns:

Homeowner Engagement is Critical

Arguably, one could make the case that many of the top issues, such as delinquencies, deferred maintenance and underfunded reserves, even short-term rentals and outside investors can all be tied back to a single root issue - homeowner apathy. When the homeowners don't care, the community as a whole suffers. Boards of directors, management companies and even industry vendors should all be seeking ways to put an end to homeowner apathy if we want to turn these problems around.

Aging Infrastructure Calls for Threat Assessment

Community associations overall need to consider a better method of threat assessment to avoid rising maintenance costs and the potential impact of deferred maintenance. Keeping assessments low sounds great in the short term, but the cost may be paid in property damage and/or human lives in the future. Properly funding reserves and following best practices for preventive maintenance should be a top priority for every community association.



Community Associations 06

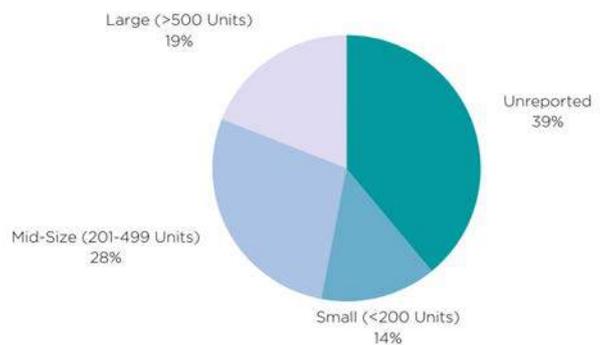
Community associations responded from across the country and in a wide range of sizes. We segmented associations by region of the country and based on the number of units they reported:

- ✓ The smallest community to report had only 4 units, while the largest had over 7,000 units.
- ✓ Small Communities - fewer than 200 units
- ✓ Mid-size Communities - 200 to 500 units
- ✓ Large communities - more than 500 units

A large segment of community respondents opted not to share their community size.



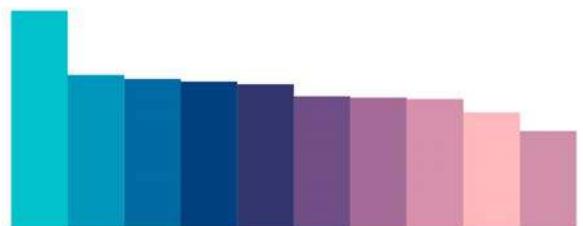
Community Size Breakdown



What do you consider to be the biggest issue facing Community Associations today?

Breakdown by Community Associations:

- Homeowner Apathy
- Outside Investors
- Deferred Maintenance
- Delinquency
- Pandemic/Post-Pandemic Effects
- Staff Burnout
- Short-Term Rentals
- Underfunded Reserves
- Natural Disasters
- Other



Community Staffing

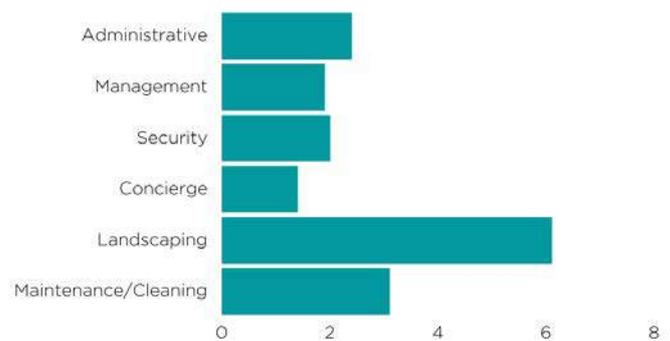
Obviously, every community is unique, and has its own specific needs. However, we wanted to provide a benchmark for community associations to determine not only the average number of employees other associations have in their employ, but also what roles they are broken into.

✓ To calculate the mean number of employees for each role, we removed the top and bottom outliers in each category and then calculated an average of the remaining numbers.

✓ Many communities reported zero employees, saying that these roles were contracted on their behalf by their management company, or through vendor contracts. Since we did not ask whether reported employees were contracted or direct W-2 employees, we cannot say whether the same applies to those communities that did report staffing numbers.

✓ While landscaping appears to take up a large percentage of staff for community associations overall, that number was heavily weighted by large community associations in the south, who overwhelmingly reported higher numbers of landscapers in their employ (with an avg of 9.6).

How many employees do you employ for the following: (Average)



Community Technology

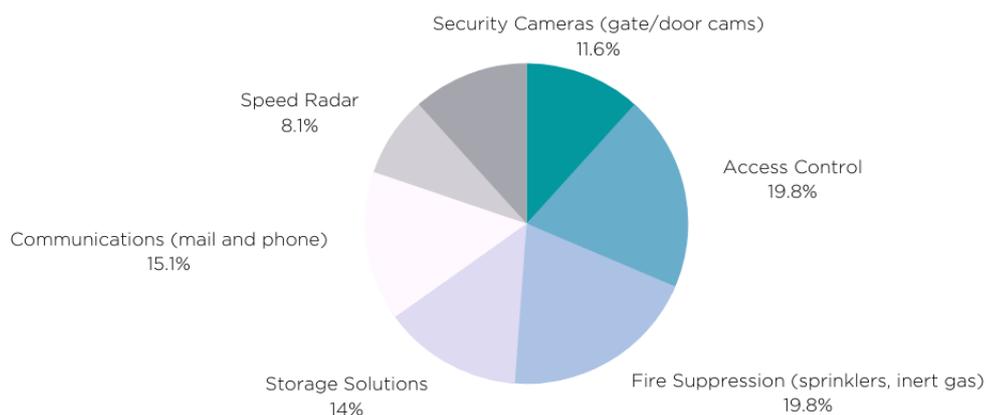
When asked how the community could be improved through technology, respondents primarily focused on security and ways to protect the association members.

The answers were often highly technical in nature, showing that board members are taking the time to educate themselves on sophisticated technologies to help their members:

Notable Responses

- ✔ “Intelligent Mail Barcodes. (Because the post office often makes us look incompetent)”
- ✔ “FLIRs [thermal imaging cameras] for leak investigations”
- ✔ “VFDs [Variable Frequency Drive] to regulate AC and save energy”
- ✔ “We need less high-tech and more direct face to face contact with residents”
- ✔ “We have it all - just needs to be updated/improved upon”

What technology would you like to use to improve your community that you don't have today?



Community Reserves

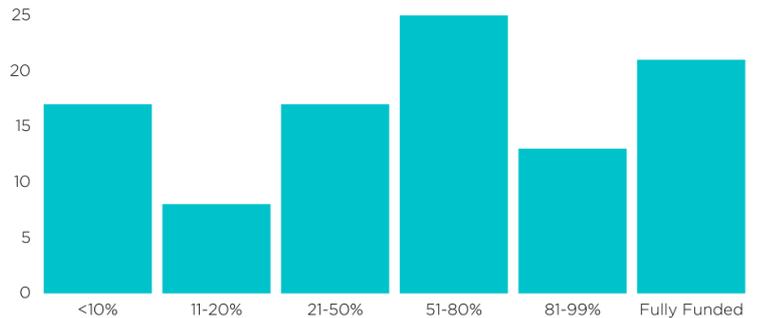
Communities were all over the spectrum when reporting when their last reserve study was conducted, and how well-funded their reserves are.

When we broke down the self-reported percent-funded by the recency of the last reserve study, we see a pattern emerge.

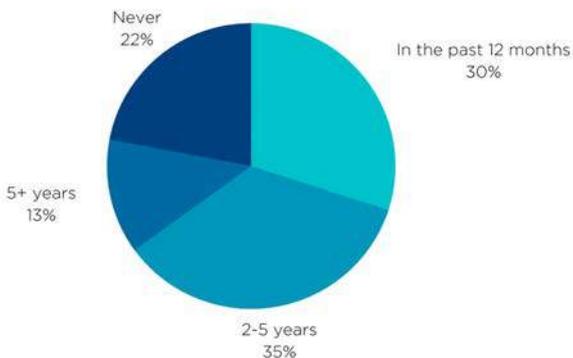
Communities with an established pattern of conducting reserve studies appear to also be better funded overall.

These numbers were self-reported. However, we do question whether any community whose last reserve study was more than 5 years ago could actually be near or at fully funded. The reserve study only looks at a moment in time. The idea that no changes have been needed in the 5+ years since your last reserve study is problematic, at best.

What 'percent-funded' are your association reserves?



When is the last time your community commissioned a reserve study?



Percent Funded by Recency of Last Reserve Study



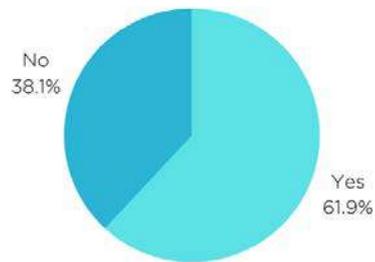
Community Emergency Preparedness

Emergency Preparedness was identified by respondents as a top issue facing this industry.

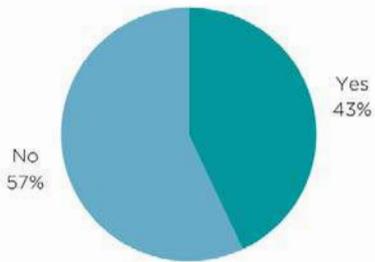
But despite its importance, and the increasing number of disasters, both natural and man-made in recent years, most communities (70%) do not currently have an emergency plan in place, although a fair number (43%) are looking to change that in 2022.

For communities that do have a disaster prep plan in place, they seem to be largely content with the plan, as only 17% of associations that have an existing plan have any plans to update or enhance it in the coming year.

Does your community have an emergency preparedness plan in place?



(if no) Do you plan to create an emergency preparedness plan in the next 6 - 12 months?



Community + My Management Company

Board members shared some of the frustrations they felt regarding their management company's services.

Overwhelmingly, open communication and transparency are the largest areas boards felt their management companies could improve.

Notable Response

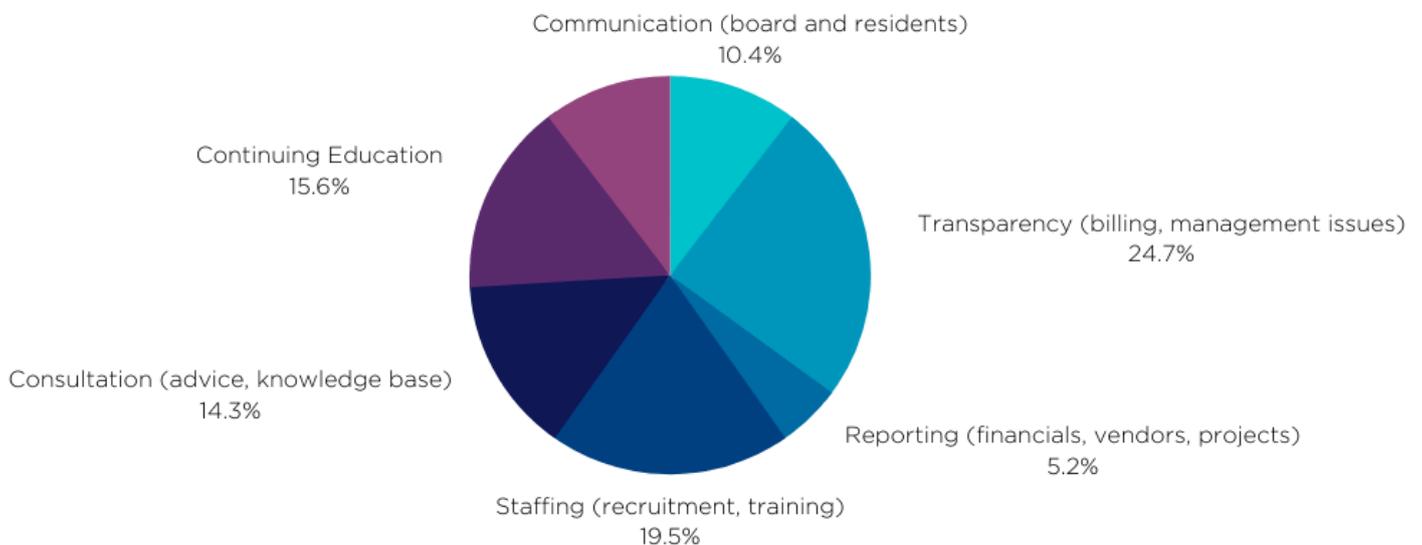
“Work with us to put into place a system where all the information captured is seamlessly shared with the board and is at [our] disposal to do with as we see fit.

We are very tech savvy and competent and able to fully take advantage of ‘raw info’. What we are looking for from our management company is their insight as an industry professional and also as a foil to the valid concerns of owners and residents. And that they are solid enough to take things off our plate.

Rather than the unfortunate recurring experiences we’ve had where we assume their CAM is fulfilling their basic duties under the contract... until months or more later it becomes clear that stuff is actually neglected and problematic.”



What is the #1 thing you think your management company needs to do to improve?



Key Takeaways

Some of the important takeaways for community associations:

Failure to Plan

In many ways, what we've discovered is that community associations feel challenged by a large-scale lack of preparedness. Whether that's a staffing deficiency, uncooperative or uncommunicative managers, underfunded reserves, or insufficient emergency preparedness, board members should seek out new methods of support, and make a plan to address these issues.



Securing the Community

The security of the community and prevention of property damage are high on board members' minds, who are turning to technology for additional support and assistance. More than that, they are doing more comprehensive due diligence about technological solutions than the industry has previously seen. Communicating these desires to improve the lives of residents, determining how to pay for them, and implementing them in the community is the next step.



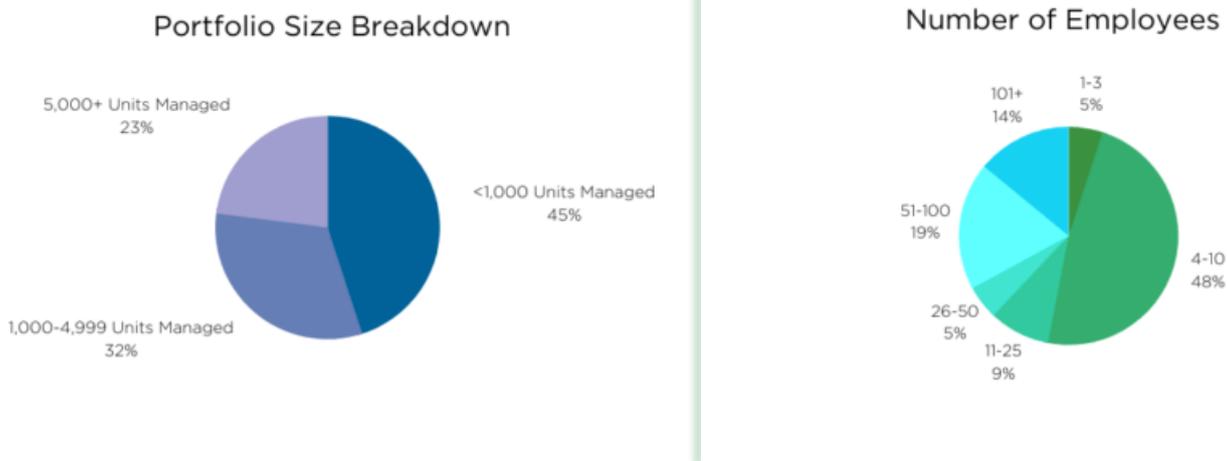
Communication Breakdown

While many board members rated communication higher from the management company, they did not correlate their own role in the same need. For homeowner apathy to improve, homeowner engagement is key. Not just between the management company and the residents, but from the board to the residents. Board members should listen to homeowners to understand where the communication breakdown exists and seek out ways to rectify it.



07

Management Companies



Management Companies comprised the largest segment of respondents to our survey.

Recognizing that the size of your management company can impact many factors, we segmented the results by the number of units in each management company’s portfolio, as well as the number of employees:

The smallest management company reported a portfolio of 51 units, while the largest boasted 195,000 units.

- ✓ Small Management Companies - fewer than 1,000 units
- ✓ Mid-size Management Companies- 1,000 to 4,999 units
- ✓ Large Management Companies - 5,000 units or more.

Management Goals

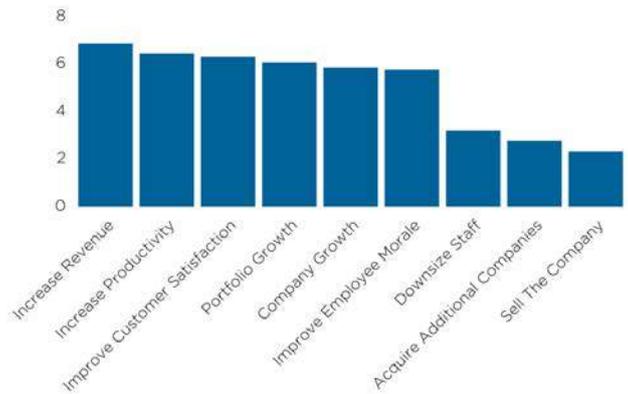
The top three goals in 2022 for management executives are to increase revenue, improve productivity, and improve customer service. While increased revenue is a given in any market and increased productivity can be considered a byproduct of increasing revenue, customer service is not usually cited in the top three.

Many management executives reported growing concerns with unrealistic homeowner expectations and growing homeowner hostility - some even reported assault and harassment issues in the past two years. As uncertain environments have increased stress and tension in general, management companies are likely feeling the pandemic-effect of the so-called “Karens” and “Chads” of the world.

In order to reach their top three goals, executives reported some of their strategies including:

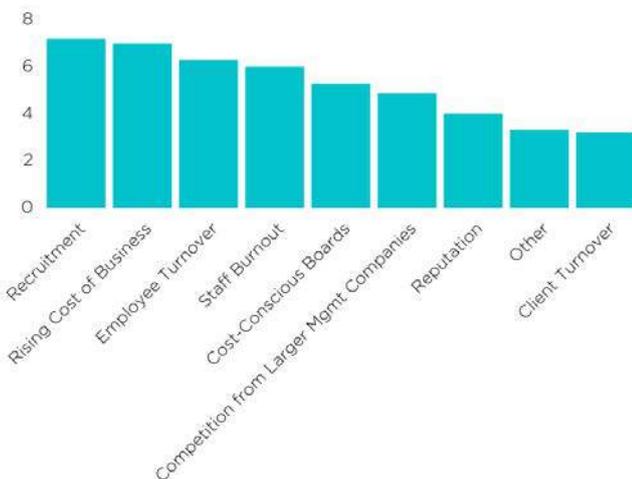
- ✓ Actively marketing to target communities
- ✓ Reorganizing internal staff to improve morale
- ✓ Increasing staff
- ✓ Developing new roles to focus on productivity and project management
- ✓ Researching more robust software and banking integration options

Rank your 2022 goals, with #1 as your top goal:



Management Threats

Please rank what you consider the largest issues facing your management company, with #1 as your top concern.



The core issues that management executives see as a deterrent against their goals relate to current environmental factors: recruitment, the rising cost of business, and employee turnover.

Employee turnover has been a growing issue across nearly all industries in the United States, as the Great Resignation has resulted in a huge influx of open positions. As many management executives are planning to hire more staff to achieve their goals for the '22 year, recruitment would be a natural issue. What's more, two thirds of executives reported plans to increase staff salaries beyond the standard cost of living increase. These cost increases, coupled with inflation woes, can certainly impact one's bottom line.

Management Staffing

Overload and burnout are frequent topics of discussion in the community association industry. In fact, staff burnout ranked 6th among our survey responders as the biggest issue facing our industry today.

So, we wanted to understand the number of staff they employed and try to get an idea of the load they were experiencing.

The average number of units a manager is responsible for is 891. While some management companies seemed to just split the number of units among their managers, we saw two big trends that the management companies seemed to select deliberately - 500 units and 1000 units. So, this tells us that management companies are deliberately trying to throttle the load on managers.

But when you add a throttle, someone has to take on the spillover, and that is often the executive. 38% of our respondents said they were actively managing one or more associations, vs 4% who said they were not, and 58% that declined to answer.

Average Number of Employees by Total Units Under Contract



Average Portfolio Size per Association Manager

891

Executives who actively manage one or more associations

38%

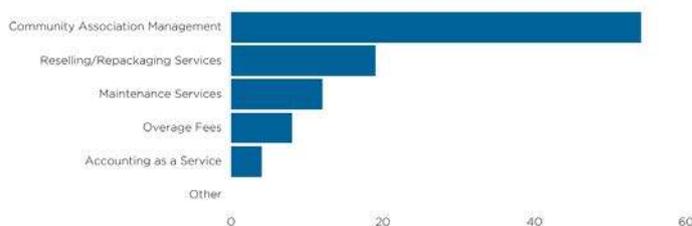
Management Budgeting

Management companies are responsible for creating and tracking the budget for the community associations they manage but the industry's dirty little secret is that few management companies have a formal budget for their own operations.

We wanted to determine for management companies how they allocate their funds throughout the year.

The selected budget categories are based on industry functions rather than standard budget categories, to help us understand the distribution of the functional aspects of community association management.

Which of these had the highest ROI for you in the last 12 months?



What has the LEAST return on investment in the last 12 months?

Does your management company have a formal budget?



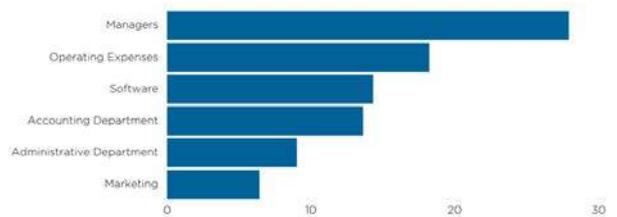
How confident are you when making budget decisions that will influence revenue?



We wanted to determine for management companies how they allocate their funds throughout the year.

The selected budget categories are based on industry functions rather than standard budget categories, to help us understand the distribution of the functional aspects of community association management.

What percent are you allocating to these categories in you 2022 budget?

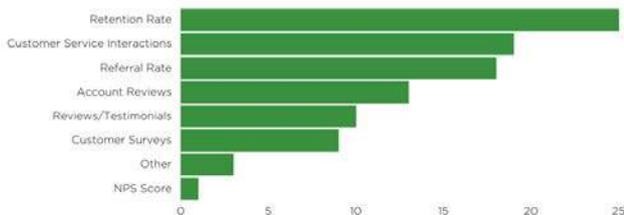


Are you planning to raise salaries beyond a cost-of-living increase in 2022?

75%
Responded Yes

Management Customer Satisfaction

How do you measure the success of your service offerings?



Does your company measure customer satisfaction?

23%
Responded Yes

Given that client turnover was ranked the 8th highest threat to management company success and improving customer satisfaction was the third highest goal for management companies to improve in 2022, we expected to see that a large percentage of management companies were measuring customer success.

Unfortunately, only 23% of respondents measure customer satisfaction at all, and 25% of those respondents are measuring strictly based on their retention rate.

- ✓ Large management companies with more than 5,000 units were much more likely to have some system in place, at 77% reporting some customer satisfaction measurement method.
- ✓ For mid-sized management companies, only 30% had any measurement for customer satisfaction.
- ✓ Only 7% of Small management companies with fewer than 1,000 units had a system in place to measure customer satisfaction.



Key Takeaways

Some of the important takeaways for management companies:

More People, More Problems

Internally, management companies across the board reported a number of staffing problems. Among the biggest threats facing their management company, respondents ranked staffing issues second, third and fourth. But only one of the top goals for management companies is improving employee morale, and that came in fourth. Management companies would do well to seek out ways to reduce the load and burden on employees.

Measuring Satisfaction

Management companies reported increasing customer satisfaction, growing their portfolio, increased profitability and increased company growth among their top goals for 2022. And yet, only 23% of management companies reported that they had any way of measuring customer satisfaction at all, and a quarter of those measure based on customer retention. Without a proper way of measuring satisfaction, growth is an accident, not a deliberate action.

Communication Breakdown

Communication is front of mind for community association board members, particularly from their management company. Added together, communication, transparency and reporting make up more than 50% of board member responses to the question, “What is the #1 thing you think your management company needs to do to improve?” Management companies would do well to focus on improving communications in order to improve customer satisfaction.

Thank You.

We owe a heartfelt thank you to all of the boards, managers, management companies and industry professionals who contributed to this survey.

Your candid responses made it possible for us to present this information to you. We hope you found it useful!

Keep an eye out next year for the State of the Industry survey so we can continue to track progress over time.

Feedback

We welcome your feedback! Is there something you wish we had included that you would like to see next year?

Please let us know at marketing@cincsystems.com.





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