

# RIISING COSTS IN COMMUNITY ASSOCIATIONS

# Snap Survey

MARCH 2023

1058 responses



- COMMUNITY ASSOCIATION (CONDO/HOA) BOARD MEMBER
- COMMUNITY ASSOCIATION MANAGER
- RESERVE STUDY PROVIDER
- ACCOUNTANT
- OTHER

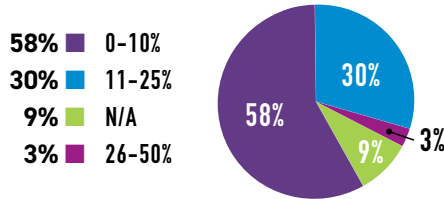
In 2023, did you see an unexpected increase in expenses due to rising costs and inflation?



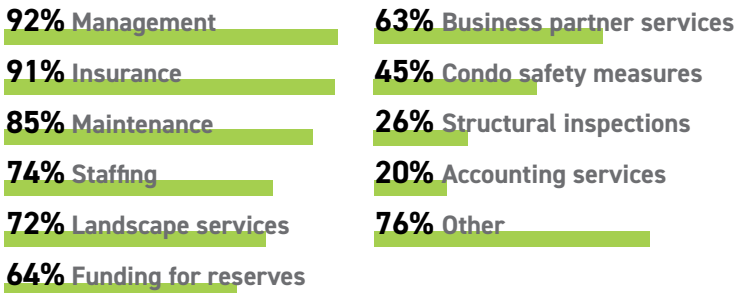
Did you increase your budget in 2023 due to rising costs and inflation?



If yes, by how much?

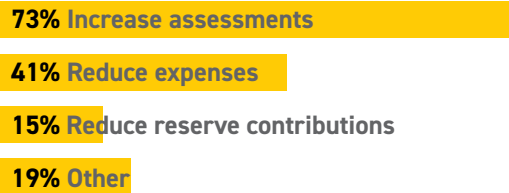


In which of the following areas are you seeing increased expenses?

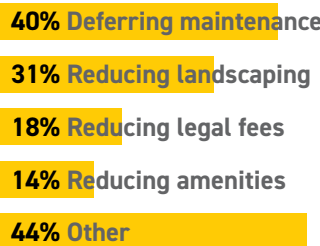


Other expenses overwhelmingly fit into the categories: insurance premiums/costs, legal fees, maintenance, construction, and utilities.

How do you plan to address the unexpected increase?

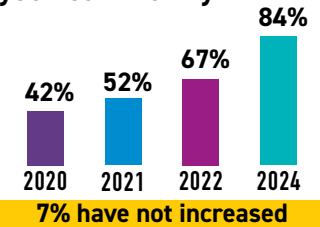


Where are you planning to reduce expenses?

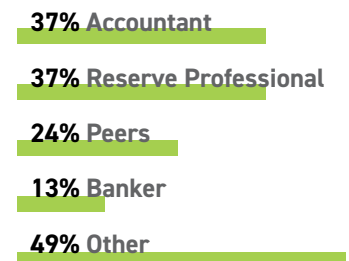


Other responses included renegotiating contracts, prioritizing projects, investing in energy efficiency projects that will save costs over the long-term, special assessments, utilizing contingency funds, and exploring bank loans.

Check the years where you have and/or will increase assessments in your community.



Where do you obtain your inflation number from?

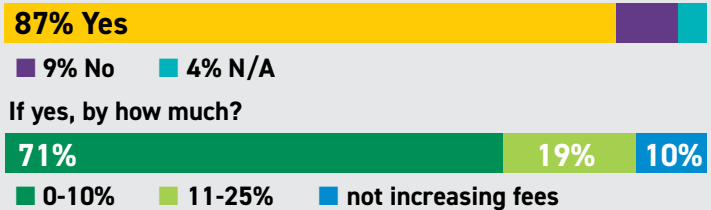


## RESPONSES FROM MANAGEMENT COMPANIES

What is the shelf life of your current bids/proposals for services for community associations?



Are you planning on increases your fees in 2023 due to rising material costs, supplies, and other costs?



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# Financial Planning Outlook

UPDATE AS OF 12-31-2022

## CURRENT INFLATION CONDITIONS IMPACTING COMMUNITY ASSOCIATIONS

Construction Costs vs. Consumer Prices	6 Mth Trend	% Change from year ago	5 Year Average	10 Year Average
CPI – Consumer Price Index	Up	6.60%	<b>3.88%</b>	<b>2.79%</b>
PPI – Construction Materials	Down	-2.36%	<b>8.66%</b>	<b>5.17%</b>
PPI – Construction Labor	Up	4.06%	<b>3.44%</b>	<b>2.86%</b>

Review inflation assumptions in reserve studies, capital budgets, contracts and construction projects. The Producer Price Index (PPI) may better predict increases than the Consumer Price Index (CPI). Note, the information indicated above is reported monthly and/or quarterly by the Federal Reserve. Your reserve provider and other professionals may use a blended inflation figure.

## CONSIDERATIONS AND BEST PRACTICES

- Inflation erodes the buying power of reserve cash faster than rising interest earned on those reserve funds can increase balances.
- When inflation is greater than financing rates, exploring a loan may be an option to avoid project delays.
- Compounding effects of rising inflation should motivate acceleration of projects, not delay them.
- Impact of inflation can vary greatly by industry and location, especially related to labor and materials.
- Current labor shortage in the community association industry has labor costs rising faster than inflation indices.
- Consult with your professionals (reserve, construction, management) to determine if adjustments to your plans are warranted due to shifting economic conditions.

Please visit <https://foundation.caionline.org/publications/best-practices-reports/>

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Data Sources: Federal Reserve Inflation Data available as of 12/31/2022 from Economic Research Division of St. Louis Federal Reserve Link: <https://fred.stlouisfed.org>.

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