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IREM releases study on income and expenses on condo performance

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The typical condominium association added \$472.17 per unit to its reserve fund last year for future replacement and capital reserves, representing 20.3% of total operating expenses. By comparison, the typical condominium association added \$470.02 per unit to its reserve fund in 2009, representing 18.3% of total operating expenses.

These are among the key findings reported in the 2011 edition of the Expense Analysis: Condominiums, Cooperatives and Planned Unit Developments, a new benchmarking study published by the Institute of Real Estate Management (IREM). Conducted by IREM since 1978, this annual study analyzes the previous year's operating cost figures for more than 1,867 properties in the United States and Canada representing 261,614 units. It is designed to help condominium, co-op and planned unit development (PUD) boards and property managers benchmark their association's financial condition, calculate assessments and necessary replacement reserves, and develop and evaluate budgets.

OPERATING EXPENSES AND ASSESSMENTS DECLINE

Median total operating expenses for all condominium building types as a group declined 9.6% in 2010 to \$2,324.14 per unit from \$2,569 per unit in 2009. Similarly, condominium dwellers as a group paid 8.0% less in assessments last year, with the median monthly assessment amounting to \$233.03 per unit, compared with \$253.33 in 2009.

BREAKOUT DATA - OPERATING EXPENSES AND ASSESSMENTS

Breaking out per-unit operating expenses by condominium type, those for combination properties decreased the most, 13.9%, declining to \$2,007.52; those for low-rise properties fell 5.2% to \$2,292.67; those for high-rise properties fell 4.9% to \$4,083.83; and those for townhouses declined 4.1% to \$1,813.00.

Similarly, a break out of median monthly assessments by condominium type shows, again, that combination properties experienced the biggest decline, 13.3%, falling to \$197.86. The other building types saw single-digit assessment decreases, with those for low rise properties falling 4.8% to \$227.67; those for high-rise properties declining 4.3% to \$402.96; and those for townhouses decreasing 1.3 percent to \$183.16.

Repair and maintenance costs for all condominium types as a group, which historically account for the largest portion of total operating costs, increased 1.2% to \$820.00 per unit in 2010 from the previous year. Operating expenses decreased 3.2% to \$627.93 per unit and per-unit administrative expenses fell 8.8% to \$302.55.

BREAKOUT OF RESERVES BY BUILDING TYPE

Breaking out reserves by building type, townhouse developments added reserves of \$384.91 per

unit, amounting to 21.2% of total operating expenses; low-rise properties added reserves of \$439.33 per unit, equal to 19.2% of total operating expenses; high-rise properties added reserves of \$751.72 per unit, or 18.4% of total operating expenses; and combination properties added reserves of \$366.85, equal to 18.3% of total operating expenses.

WATER AND SWIMMING POOL ACCESS MOST COMMON AMENITIES

Condominium associations continued to furnish a number of amenities and utilities to individual units. The most prevalent was water (64%), followed by garage parking spaces (53%); access to a swimming pool (50%); recreational buildings (29%); electricity (23%); tennis courts (15%); gas (12%); hot water (11%); Jacuzzis (10%); saunas (5%); and heating fuel (3.0%).

PUD OPERATING EXPENSES UP AND DOWN; ASSESSMENTS STABLE

Planned Unit Developments, or PUDS, for all types combined (low-rise, townhouse and combination), reported total expenses for 2010 of \$534.81 per unit, down 6.5% from \$572.28 in 2009. A breakdown of expenses shows that operating expenses increased 0.2%, and administrative expenses fell 9.4%. By comparison, fixed expenses declined 2.5% and repair and maintenance costs, which account for the largest portion of total operating costs, declined 5.6%.

The typical PUD added \$101.88 per unit to its reserve fund in 2010 for future replacements and capital reserves, equal to 19.0% of total operating expenses. Median monthly assessments (total operating expenses and replacement reserves) last year for all PUDS combined amounted to \$53.06 per unit, decreasing 2.4% from the year earlier.

Like condominium associations, PUDS also continued to provide a number of amenities and utilities to individual units. The most prevalent was access to a swimming pool (27%), followed by recreational buildings (14%); tennis courts (13%); water and electricity (each 12%); garage parking spaces (10%); and Jacuzzis (3.0%). For the most part, PUD residents paid for utilities such as heating fuel, hot water and gas.

MORE STUDY SPECIFICS

The IREMEExpense Analysisresearch study summarizes data by association type (condominiums, cooperatives and planned unit developments) and building type (high-rise, low-rise and townhouse). It provides an analysis of over 30 expense categories, hundreds of operating breakdowns, median monthly assessments and an amenity package analysis. Metropolitan and regional breakouts also are included.

PRICE AND ORDERING INFORMATION

The 304 page Expense Analysis: Cooperatives, Condominiums and Planned Unit Developments is available for \$404.95 (plus \$15.50 shipping and applicable state sales tax). IREM Member price is \$202.95 (plus shipping and tax). To order, contact IREM's Customer Service Department at 430 N. Michigan Ave., Chicago, IL 60611-4090 or call toll-free to (800) 837-0706, ext. 4650. Credit card orders (VISA, MasterCard, Discover or American Express) can be faxed toll-free to (800) 338-4736 or e-mailed to custserv@irem.org. Internet users can order the study in soft cover or in a downloadable format by accessing the Publications section (click on Income/Expense Analysis Reports on the drop-down menu) of the IREM Web site at www.irem.org. As a special incentive, purchasers of the report in print format also can receive it in downloadable Excel file and PDF format for just \$99.99, with the data completely customizable in Excel.

FOUR OTHER 2011 I/E ANALYSIS BENCHMARKING STUDIES AVAILABLE

IREM also has just published new 2011 editions of its four other annual Income/Expense Analysis studies: Shopping Centers (\$449.95); Conventional Apartments (\$449.95); Office Buildings (\$449.95); and Federally Assisted Apartments (\$404.95). IREM Members receive a 50% discount on each study; member and non-member purchasers of all five studies receive a 15% discount on their total order.

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