

# Sound Insight

A Newsletter focused on Reserve Studies Information and Industry Updates Provided by **A Sound Reserve Plan**

**IT IS  
RESERVE  
STUDY  
SEASON.  
CALL SOUND  
RESERVE PLAN.**



**Providing Reserve Studies To Condominiums and Homeowner Associations throughout the Pacific Northwest.**

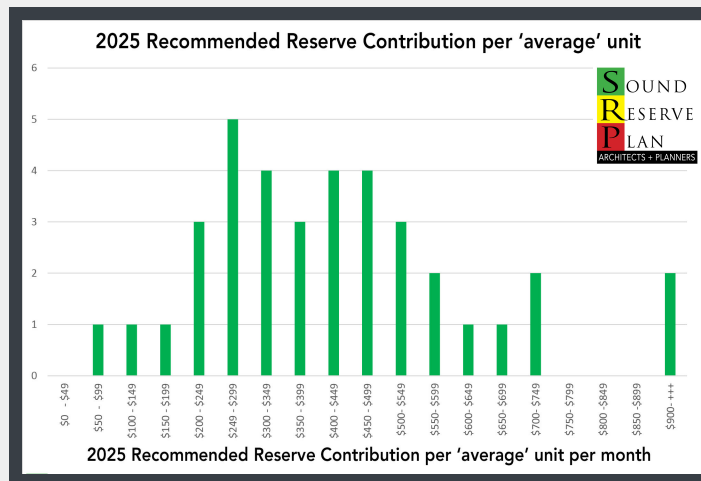
## Reserve Contributions – there is no ‘average’.

The recommended reserve contributions have been on a steep incline in recent years. In the five years since the pandemic, the recommended contribution has increased by an average of 75%. While reserve contributions have increased only 35%.

This increase is caused in part by, higher than expected inflation, part from continued under funding of reserve, and the inevitable aging of the building stock.

While we can talk about the ‘average’ contribution, it is more informative to review the range of recommended contributions. Our statistics show recommended reserve contributions vary wildly by association. The ‘average’

reserve recommendation does not apply to the vast majority of associations. The graph below shows the range of recommended reserve contributions.



Notice that there is great variation for the ‘average’ owner from a low of \$95/month to a high of \$1,200 /month. If we throw out the top10% and bottom 10%, the range is still significant: \$218/m to \$653/m

The ‘average’ reserve contribution is not a relevant statistic. This relates to last month article about Fannie Mae and

Freddie Mac’s increasing the reserve contribution from a minimum 10% of operation funds, to 15%. There is no correlation between operation budget and reserve expenses. So the Fannie Mae stat is also more random than relevant.

Each association/bldg has its own very specific set of components, that vary greatly from other associations, resulting in large differences in future expenses. Cost variation comes from:

- Inclusion or absence of component (courtyard waterproofing, elevator, or HVAC),
- Component type or material (type of siding, or type of windows),
- The quantity of the component,
- The number of owners who share in the cost.

A quality reserve study, while flawed, is still the best tool to forecast expenses. The reserve study clearly shows forecasted expenses in rough-order-magnitude, that should help focus the discussion about the association’s financial future.