



REAL ESTATE CLAIMS OF “STRONG RESERVES” – BE CAREFUL!



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We subscribe to a media monitoring service that scours the internet for any “mention” of our company name. We do this to measure our influence in the Reserve Study industry and identify hot issues or trends. With a company name like “Association Reserves”, we’ve had to refine our account settings to avoid the inevitable “such & such Association reserves the right...” and other irrelevant web posts.

But one trend that continues to surprise me is how often claims of “excellent condo association reserves” and “strong association reserves” appear in our weekly monitoring reports. By following the links, I discover that these phrases appear on condo listings from major real estate marketing sites including [Redfin](#), [Trulia](#), and [Zillow](#). This raises many questions in my mind: What is the basis of such a claim? Are any of these major firms concerned about liability should the listing agent be making unsupported claims? It’s one thing to state “great views” or “gourmet kitchen”. It’s a very different matter to state claims about a [measurable condition!](#)



As the founder of a company that has prepared over 45,000 Reserve Studies for Association-governed communities in all 50 states and over a dozen foreign countries, I know of only one way to determine the strength of a Reserve Fund. It’s not a feeling or observation, it’s called a Reserve Study. I also know, based on 30 years in this industry, that only small fraction of the 380,000 associations in the United States have had a Reserve Study prepared by a credentialed

provider within the last three years. Of those that have, [about 70% are underfunded](#). That means very few associations can support a claim that they have “strong Reserves”! For the others? It’s a mystery, leaving prospective buyers to worry about special assessments and the association’s ability to perform common area repairs & replacements in a timely manner (supporting their home’s value).

Prospective buyers should go cautiously into a purchase transaction without the full disclosure that a recently updated, credible Reserve Study provides. It seems to me that anything less, including a seller or listing agent’s “feeling” of strong Reserves, is risky ground.