

ASSOCIATION RESERVES®

HOA Reserves: Industry Insights Report

Lessons from 100,000 Reserve Studies Across All 50 States

Published April 2026

100,000+

Reserve Studies Completed

40 Years

Serving the Industry

All 50

States Represented

INTRODUCTION

Association Reserves® was founded in 1986 with a straightforward purpose: to help community associations plan responsibly for the repair and replacement of their shared assets. Over the past four decades, that mission has produced a significant body of work, with more than 100,000 Reserve Studies completed for residential communities, resort properties, private schools, private clubs, and worship facilities across all 50 states.

Reaching this milestone prompted us to examine what the data reveals about reserve fund management across the community association industry. This report presents those findings: patterns in funding levels, the relationship between reserve fund health and special assessments, the impact of update frequency, and the effect of reserve funding on property values.

The data in this report is drawn entirely from the Association Reserves® client base (over 100,000 reports prepared for over 25,000 unique properties, in all 50 states). As such, it reflects associations that have engaged a professional Reserve Study provider, a group that may be more financially proactive than the broader industry average. Readers should interpret the figures as directional benchmarks rather than a statistically representative sample of all U.S. community associations.

WHY RESERVE PLANNING MATTERS

Every community association, regardless of size, age, or location, manages shared physical assets that deteriorate over time. Roofs age. Pavement cracks. Paint fades. Mechanical systems wear out. The timeline and cost of these repair and replacement projects are largely predictable, even if the exact timing varies.

Reserve planning is the practice of setting aside funds in advance to meet these predictable future obligations in a timely manner. It distributes the cost of ongoing deterioration across the years and among the owners who benefit from the assets, rather than unfairly concentrating that cost in large, unexpected special assessments that fall on whoever happens to own a unit when the roof finally fails.

DOES RESERVE FUNDING INCREASE THE COST OF OWNERSHIP?

No. Reserve funding does not add to the total cost of maintaining a property. The repair costs exist whether or not a reserve fund even exists. What reserve funding does is change how those costs are paid: gradually, through budgeted monthly assessments, rather than in large lump sums. Because reserve funds earn interest while on deposit, proactive funding is always going to be less expensive than addressing projects reactively through special assessments or bank loans.

Total Cost of a \$250,000 Roof Project by Payment Method

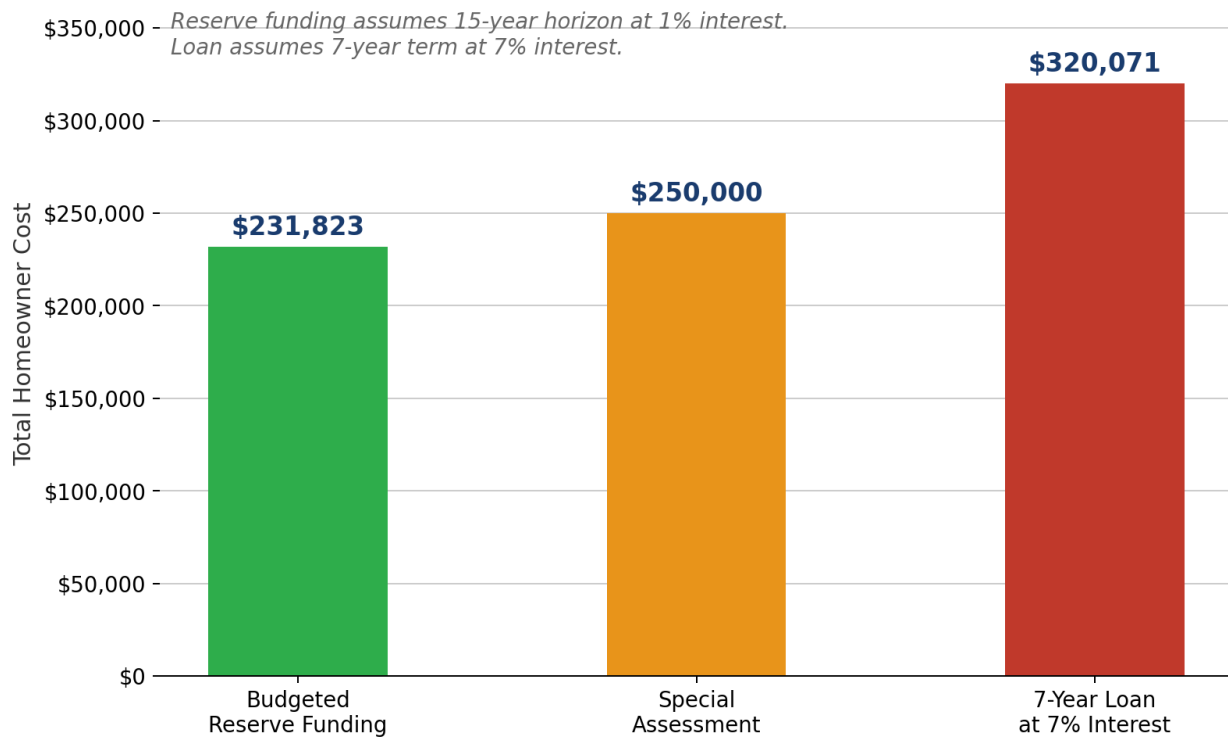


Figure 1. Comparison of three payment approaches for a \$250,000 roof project

Payment Method	Cost of a \$250,000 Roof Project	Additional \$ Cost
Budgeted Reserve Funding	\$231,823	n/a
Special Assessment	\$250,000	\$18,177
Bank Loan	\$320,071	\$88,248

As the figure above illustrates, planned reserve funding consistently produces the lowest total cost to homeowners. The difference is not marginal — it can amount to tens of thousands of dollars on a single major project.

RESERVE FUNDING AS A SHARE OF THE ASSOCIATION BUDGET

One of the most practical questions Boards face is: How large should the Reserve transfers be, relative to the total operating budget? Our data provides useful context.

The 2015 baseline

In 2015, our client data indicated that adequate reserve funding typically ranged from 15% to 40% of an association's total annual budget, with a midpoint around 25%. That figure, roughly one dollar in four going toward reserves, became a useful rule of thumb for Boards assessing whether their funding levels were in a reasonable range.

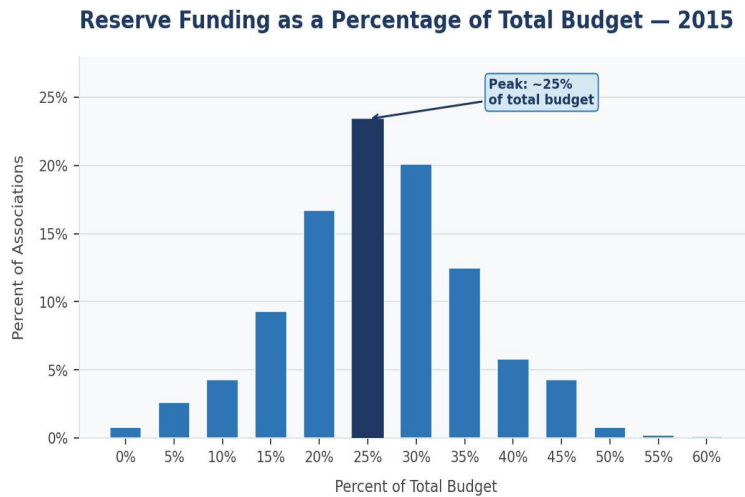


Figure 2. Distribution of reserve funding as a percentage of total association budget — 2015 client data.

How the picture has changed by 2025

By 2025, the distribution had shifted. Our current data shows funding recommendations now clustering in a wider range of 15% to 45%, with the peak less pronounced than it was a decade ago.

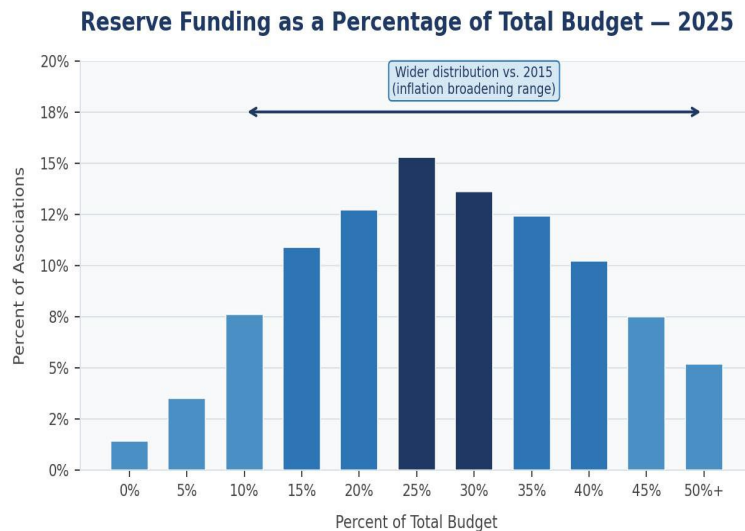


Figure 3. Distribution of reserve funding as a percentage of total association budget — 2025 client data.

The primary driver of this shift is inflation. While Reserve funding accumulates incrementally over years; project costs can increase rapidly. The inflationary environment of 2021–2024 increased replacement costs faster than many associations were adjusting their budgets, widening the gap between what had been set aside and what will be needed. As a result, reserve funding, measured as a share of the total budget, needed to increase for many associations, often faster than overall budget growth.



Associations should not treat a fixed percentage as a permanent target. Reserve funding requirements should be recalculated annually based on the condition of the assets, the cost of repairs & replacements, and cash on hand.

MEASURING RESERVE FUND HEALTH: PERCENT FUNDED

The most widely used measure of reserve fund adequacy is Percent Funded, a ratio that compares the current cash balance in reserves to the theoretically ideal balance given the age and condition of an association's components.

The concept is intuitive: when assets are relatively new, the ideal reserve balance is modest. As assets age and approach the end of their useful lives, the ideal balance grows. An association that is 100% funded is considered “Fully Funded” in that the cash on hand matches the cumulative deterioration of its assets. An association that is 50% funded has half the amount of cash set aside that it should have on hand at that point in time. An association that is 0%-5% funded is essentially unfunded.

Our data consistently identifies three meaningful ranges:

Range	Rating	Interpretation
0–30%	Weak	High likelihood of special assessments; Deferred maintenance is common in these Associations
30–70%	Fair	Moderate risk; Associations in this range need to monitor projects and spending carefully
70%+	Strong	Low risk of special assessments; Associations are generally well-positioned and financially stable



Special Assessments needed for addressing the normal physical deterioration of Association property should never come as a surprise.

The chart below illustrates the relationship between Percent Funded and the incidence of special assessments across our client base that were required because of insufficient cash on hand. The pattern is clear: associations with higher reserve fund strength are far less likely to face a special assessment in any given year.

Special Assessment Risk by Reserve Fund Strength (Percent Funded)

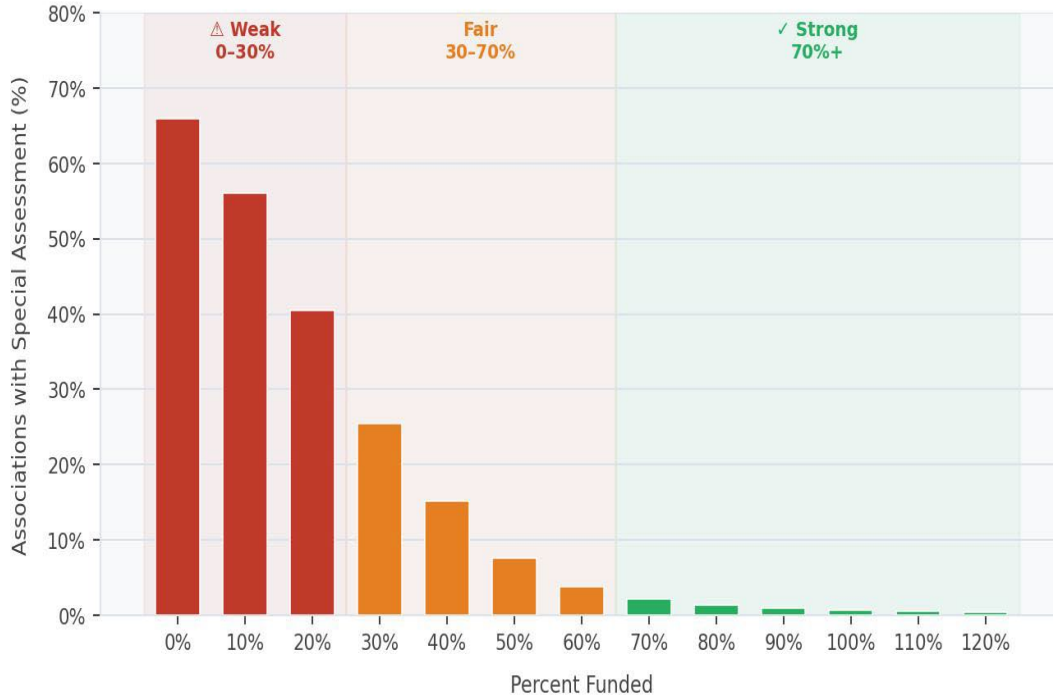


Figure 4. Relationship between Percent Funded level and frequency of special assessments among Association Reserves® clients.

How are Associations currently distributed?

Among our clients, we find that 25.7% of associations are at or above the 70% funded “Strong” threshold. The largest group, 40.3%, falls in the 30-70% funded "Fair" range, and 34% are in the 0–30% funded "Weak" range.

Distribution of Associations by Reserve Fund Strength

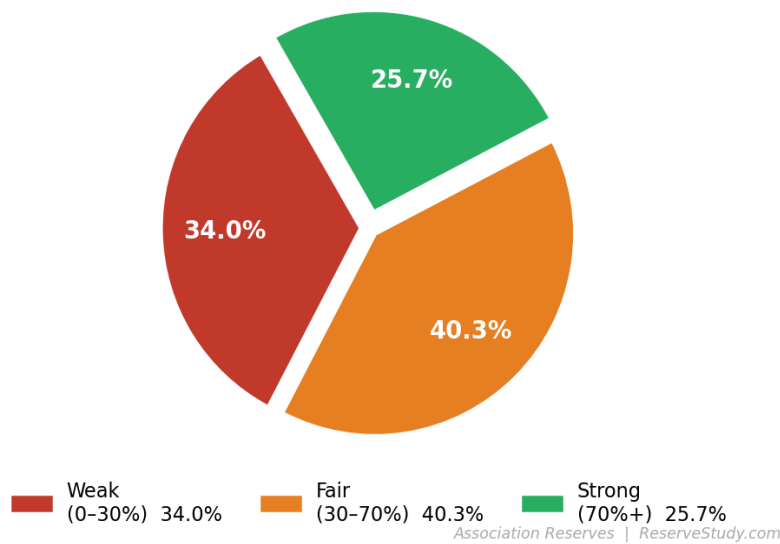


Figure 5. Distribution of Association Reserves® clients by Percent Funded category.

While the proportion of “underfunded” Associations is significant, it is worth noting that the majority of associations (66%) fall in the “Fair” or “Strong” categories. Being well-funded is achievable, as it reflects years of consistent Board decisions to fund reserves at recommended levels. It is not unusual among associations that maintain that discipline.

Takeaway

Associations do not need to be 100% funded to be insulated from Special Assessment risk

THE IMPACT OF RESERVE STUDY UPDATE FREQUENCY

A Reserve Study is not a one-time exercise. The three variables that determine reserve funding are all subject to change on an annual basis:

- physical **Condition** of assets
- **Cost** of repair and replacement
- current **Cash** balance

Since all three “C”s change each year, industry best practice, as established by the Community Associations Institute's National Reserve Study Standards, calls for a With-Site-Visit (WSV) update at least every three years, with No-Site-Visit (NSV) updates in the in-between years.

Our data shows that more frequent updates are associated with meaningfully better outcomes. Using associations that update every five years as a baseline, we observe that among associations that update at least every three years, we make approximately half as many new special assessment recommendations. Among associations that update annually, the rate drops further, to less than half that of the every five-year group.

Special Assessment Risk by Reserve Study Update Frequency

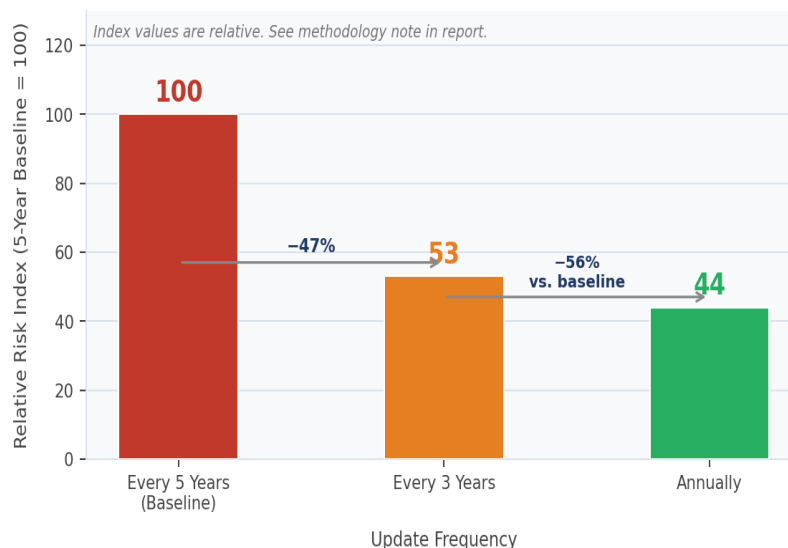


Figure 6. Relative frequency of new special assessment recommendations by Reserve Study update interval.

There are important caveats to this finding. Associations that update their Reserve Study annually may already be more financially engaged and better-governed than those that update infrequently, which means that at least some of the observed differences likely reflect those underlying characteristics rather than the update frequency alone. Nonetheless, the pattern is consistent enough that inexpensive annual updates represent a sensible investment for most associations.

Takeaway

Industry best practice calls for a Reserve Study Update With-Site-Visit (WSV) at least every three years.

Note: Over 75% of Association Reserves® clients meet or exceed this standard; more than 60% update annually.

RESERVE FUNDING & PROPERTY VALUES

In our 2017 study examining a statistically significant number of condominium associations in a single metropolitan market, we found a strong correlation between reserve fund strength and home values. Specifically, units in associations at or above the 70%-funded threshold sold at prices averaging 12.6% higher per square foot than units in associations in the 0–30% funded range.

Relative Home Values (\$/Sq Ft) by Reserve Fund Strength

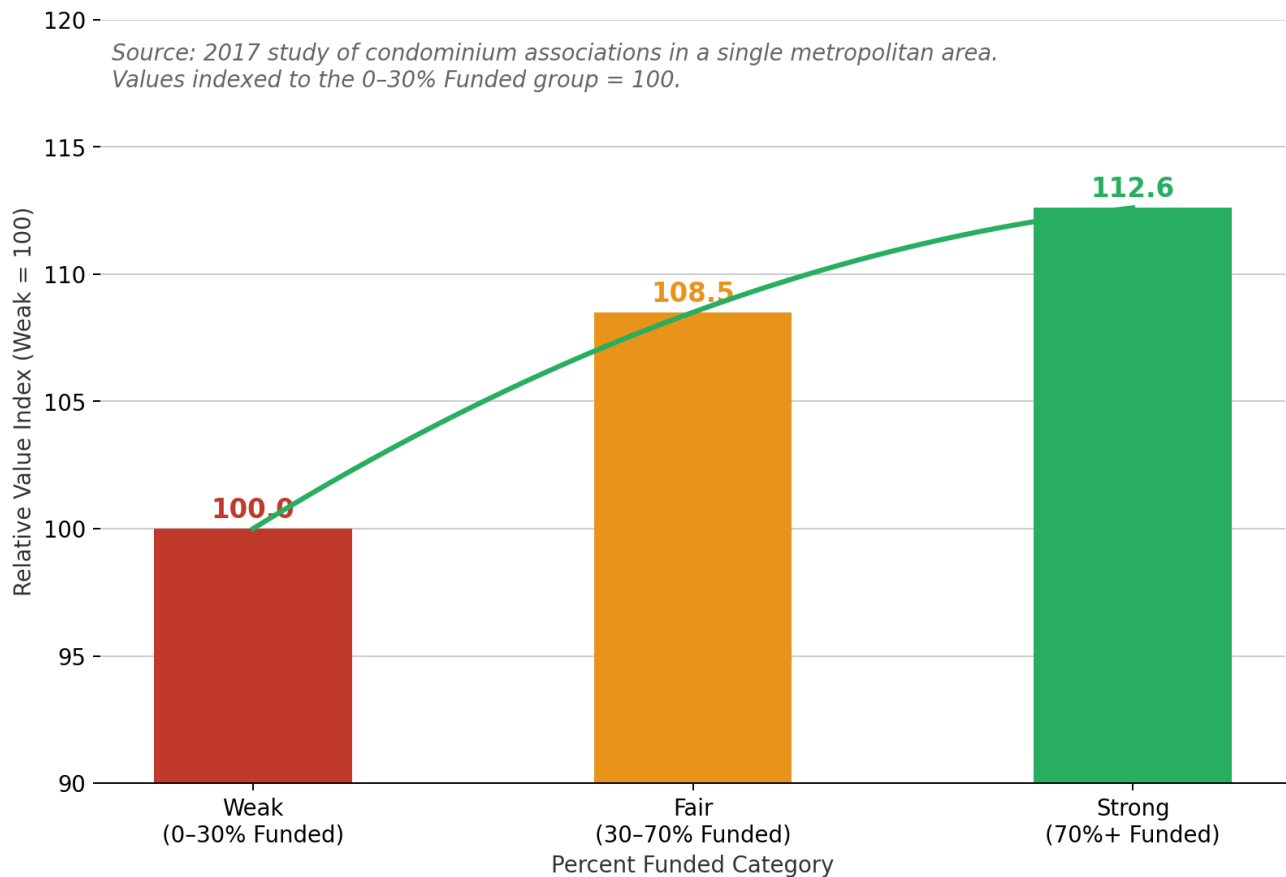


Figure 8. Average home values by reserve fund strength category from a 2017 study of condominium associations in a single metropolitan area.

This single-market study has not been independently replicated, and the 12.6% figure should not be treated as a universal benchmark. The underlying dynamic, however, is intuitive: Buyers and their agents are influenced by the financial health of an association when evaluating a purchase.

Takeaway

A well-maintained property with strongly funded reserves and no recent special assessments will generally command a premium over a comparable property with deferred maintenance, pending assessments, or a history of financial instability.

A NOTE ON LONG-TERM CLIENTS

We examined a subset of clients for whom we have prepared at least 25 Reserve Studies. These are associations that have maintained a relationship with Association Reserves® for over two decades. Their average Percent Funded is 71.4%, placing all of them, as a group, in the strongly-funded range.

However, the year-by-year data for these long-term clients does not show a steady upward trajectory. Reserve fund strength fluctuates, often substantially, from year to year, reflecting the reality that Boards change, economic conditions shift, and competing budget priorities arise. A Reserve Study provides the information Boards need to make sound decisions; it does not make those decisions for them.

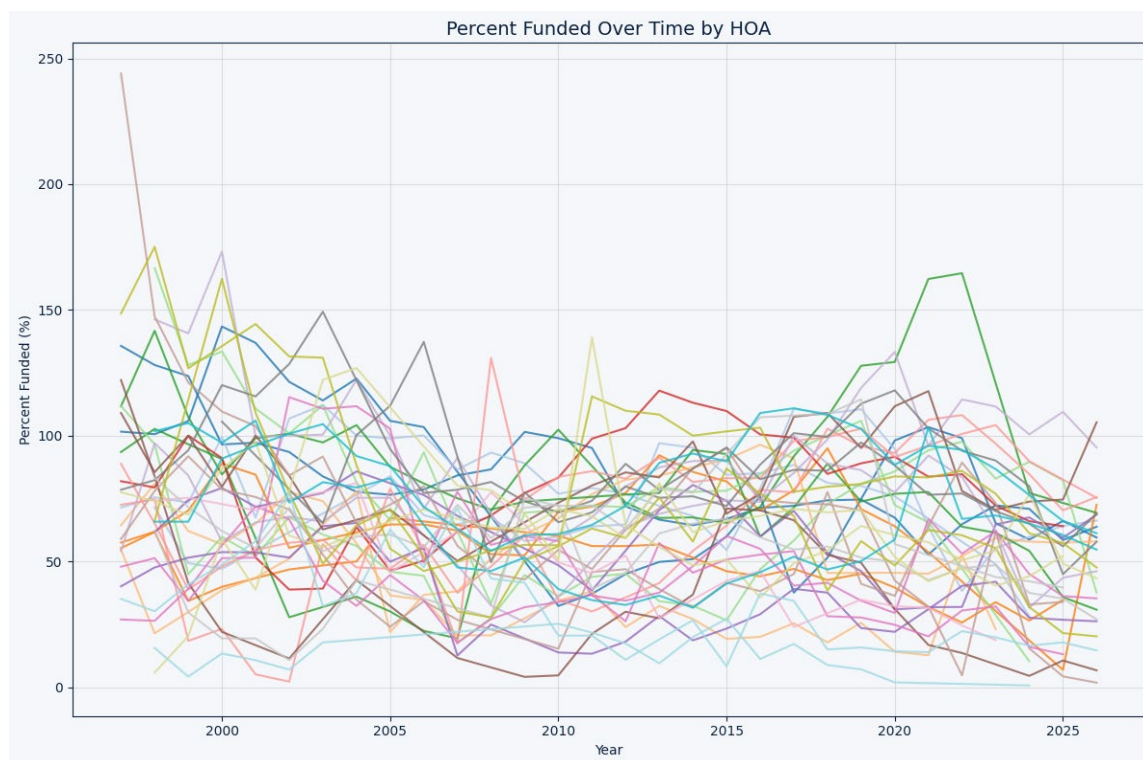


Figure 7. Percent Funded over time for a sample of long-term Association Reserves® clients (25+ Reserve Studies completed)
Lines represent individual associations.

This finding reinforces a practical point: Consistent reserve fund health requires ongoing commitment, not just access to good information. A single Board member term is most commonly one to two years, with most homeowners serving on the Board for three to four years. Community Managers at these associations change every three to five years on average. That means there will be about seven Board member transitions and seven management changes across a 25+ year relationship. A well-documented Reserve Study provides continuity of financial planning through those transitions.

Takeaway

Reserve Studies provide meaningful continuity through inevitable Board transitions & community management changes.

100,000 RESERVE STUDIES: WHAT (9) LESSONS HAVE WE LEARNED?

1. Reserve planning is driven by the physical reality of aging infrastructure, not by governing documents or state law. Every association faces this challenge regardless of location or regulatory environment.
2. The cost of reserve funding does not increase total homeownership costs. Rather, it redistributes costs over time, in a more equitable and less expensive way than special assessments or bank loans.
3. Adequate reserve funding represents 15–45% of an association's annual budget. Associations should calculate their own requirement annually rather than relying on industry averages.
4. Percent Funded is a reliable leading indicator of special assessment risk. Associations in the 0–30% funded range face significantly higher risk; those above 70% funded are insulated from risk.
5. Most associations are underfunded. Special Assessments should not come as a surprise.
6. Associations do not need to be 100% funded. Reaching and sustaining a “Strong” (>70% funded) reserve fund requires consistent Board commitment over many years.
7. More frequent Reserve Study updates are associated with lower rates of new special assessments. The relationship is consistent, though it likely reflects both the value of current information and underlying governance quality.
8. Reserve fund strength correlates with property values. Well-funded communities with well-maintained common areas and no recent special assessments are more attractive to buyers.
9. A Reserve Study provides information and annual guidance. However, the financial outcome depends on the decisions that Boards make with that information.



Association Reserves® has prepared Reserve Studies for community associations, resort communities, private schools, private clubs, and worship facilities since 1986. With offices across the United States, we have completed more than 100,000 Reserve Studies in all 50 states. Our work complies with National Reserve Study Standards published by the [Community Associations Institute](#). For additional resources, including articles, case studies, e-books, webinars, and more, visit reservestudy.com or subscribe to the [HOA Insights: Common Sense for Common Areas](#) podcast.

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