



# Connecting the dots...

An association building is made up of assets and managing these assets requires the integration of three disciplines:

1. Management
2. Finance
3. Engineering

# What are the benefits of good management...

- ▶ Peace of mind
- ▶ Good value for our money
- ▶ Preservation of our real estate investment
- ▶ Comfortable home
- ▶ No surprises



# Building investment costs...

There's three types of expenditures in looking after a building:

1. Keeping up costs
2. Catching up costs
3. Getting ahead costs



# Asset management tools...

To make informed decisions on how much money should be reasonably be spent, owners need current and meaningful information regarding the physical condition and financial status of their assets.

- Condition Assessment
- Maintenance Plan
- Reserve Study



# Condition Assessment...

A condition assessment report evaluates the structural integrity, safety and overall condition of a property. It details findings regarding foundation stability, electrical and plumbing systems, roofing, and other critical components. This comprehensive document assists property owners and potential buyers in making informed decisions about maintenance, renovations, or purchases.



# Maintenance Plan...

A building maintenance plan outlines a systematic approach to preserving a structure's functionality and aesthetics. It includes scheduled inspections, routine repairs, and preventive measures to prolong the life of essential components like HVAC systems, roofing and plumbing. This proactive strategy minimizes unforeseen issues, ensuring a well-maintained and efficient building.



# Reserve Study...

A building reserve study is a financial planning tool that assesses the long-term capital needs of a property. It analyzes the expected lifespan and replacement costs of major components, such as elevators and roofs. This enables property managers and owners to establish reserves and budget effectively for future maintenance and repairs.





# Building life cycle stages...

Stage 1: < 1 year ...no renewal costs

Stage 2: 1-16 years ...low renewal costs

Stage 3: 17-29 years ...medium renewal costs

Stage 4: 30-49 years ...high renewal costs

Stage 5: > 50 years ...moderate renewal costs

Buildings are designed to last approximately 80 years



Year Built	Oahu	Share of Total
1950s	56	7%
1960s	245	30%
1970s	331	41%
1980s	103	13%
1990s	52	6%
2000s	1	0%
2010s	18	2%
<b>Total</b>	<b>806</b>	<b>100%</b>

More than  
**78%**  
of Oahu condos were  
built before 1980





# Association concerns...

Reserve Studies...the best financial planning tool

Operations...is your budget tight or is it leaking

Insurance...how it will impact your future

Property Values...strategies for protecting

Marketability...understanding your place

Improvements...factors for making

Regulations...the need to understand

# Reserve Study...

## CONCERNS:

1. The cost of construction is ever increasing, and a reserve study costs can be outdated in just a couple of years.
2. Projected replacement costs can be misaligned with actual solution costs.
3. Banks and insurance companies are starting to review reserve studies as part of their due diligences.



# Operations...

## CONCERNS:

1. Operational budget costs could be reduced and/or increased to benefit the association.
2. Are personnel expenses being allocated to roles that contribute to efficient building operations?
3. Utility expenses can be evaluated for peak efficiency performance to reduce costs.



# Insurance...

## CONCERNS:

1. The frequency of extreme weather events are causing insurance premiums to increase rapidly. Some associations are reducing coverage amounts to reduce premium costs. Meanwhile, claims are increasing by billions every year.
2. For “aged” buildings and their naturally increasing claim frequency, are causing insurers to revise policies and/or dropping coverages completely.
3. Condominiums are worth significantly more than what they were worth 3 years ago. As property values increase so do premiums.



# Property Value...

## CONCERNS:

1. The primary duty of the Board of Directors is to preserve and protect the value of the property.
2. The efforts involved with running a well-maintained property not only improves the quality of life for the residents but safeguards property values.
3. Property values are preserved when an association is financially stable. Insurance premiums are lower and financing terms are more favorable.



# Marketability...

## CONCERNS:

1. The position a condominium has in the marketplace is related to how it compares to other similar properties.
2. A transparent and well-communicated budget, reasonable association fees, and adequate reserve funding all contribute to marketability.
3. In today's condo world amenities, or the lack thereof, determines how desirable a property is.



# Improvements...

## CONCERNS:

1. **KEEPING UP:** associated with annual maintenance. Improvements integrated into maintenance practices.
2. **CATCHING UP:** deferred maintenance. Aged buildings with components at the end of their useful lifespan.
3. **GETTING AHEAD:** generally, a factor of some form of functional, legal and/or style obsolescence.





# Regulations...

## CONCERNS:

1. Honolulu Fire Life Safety Evaluation (FLSE) Ordinance
2. Building Energy Use
3. Building Structural Integrity
4. Building safety improvements to meet current code standards such as fire alarms and windows
5. Improvements related to obtaining lower insurance premiums
6. Unexpected future regulations



## So, what now...

Each association has its challenges in an ever-evolving landscape of building concerns. Producing an impactful analysis report of the issues at hand is crucial to every critical decision-making process. With today's technological advancements there is no reason why associations shouldn't be taking advantage of these latest developments.

We believe the future depends upon it!



Laulima Asset Management (LAM) began as a construction-based management firm in 2022 and has evolved into a firm that specializes in all areas of finance relative to a homeowner association building(s).

Our rich construction-based data naturally lends itself to all areas of financial concern and through insightful analysis we're able to provide associations with a comprehensive guide to their financial future.

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