

Property Management Industry Analysis

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By

Hodges University

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Class of ECO2032 Microeconomics –Summer 2007

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ABSTRACT

This study was designed to demonstrate a practical application of micro economic level industry analysis for the students in the Summer 2007 Microeconomic Course. The students learned how to collect information, develop methodology, analyze findings and conclude results. These students experienced a closer look at a real-world business study. The intent is that this cumulative work also help the research participants identify major industry characteristics in the area of Property Management in Lee and Collier counties.

ACKNOWLEDGEMENT

We are thankful to research participants for sharing their data and knowledge with us.

I- INTRODUCTION

The Hodges University, Kenneth Oscar Johnson School of Business, 2007 Microeconomics students were objected to study of the tools for economic analysis, the market system price theory, theory of the firm, theories of production and distribution and market structures in an applied economics industry analysis project.

The students discussed that Southwest Florida has been experiencing rapid economic growth spurred by a fast-growing population over the last decade. This regional economic growth has resulted in fast growing industries. Recent data by the US census show that construction, retail trade, real estate, rental and leasing, professional, scientific and technical services, health care and social assistance and administrative services are among the major industries in SW Florida.

The students decided to analyze the Property Management (PM) Industry in Collier and Lee Counties, along with the growth in residential housing/communities. The reason for this selection was that there were many small and large PM companies in the business environment, representing a monopolistic competition market structure with different products and prices, but there were no data/information available concerning how big the market was, firm sizes and structures, operation of the price mechanism and other related economic activities.

II- METHODOLOGY

A survey request was sent to 32 Property Management companies in Collier and Lee county. The sample was constructed through the Yellow Pages and Internet resources. Only 11 Property Management companies participated in the survey. Seven of the companies have been out of business or relocated without address forwarding, nine companies never responded and were unable to be contacted for an interview appointment and five companies refused to participate into the survey.

The 11 PM companies who participated in the survey and analysis were very helpful and supported the survey with additional useful information.

The survey questionnaire included five sections with a total of twenty questions:

Section 1: General Industry Information

Section 2: Organizational Structure/Employment

Section 3: Products/Services

Section 4: Price Structure

Section 5: Advertising/Marketing

The following section shows the results of the survey questionnaire.

III - ANALYSIS/RESULTS

General Industry Information

1. How many years has your company been in the property management industry in SW Florida?

Descriptive Statistics	Years of Experience
Min	6
Max	25+
Range	19
Average	14
Mode	15
Median	13
N (Sample)	11

2. How many communities does your company currently manage?

Descriptive Statistics	Number of Communities Managed
Min	4
Max	150
Range	146
Average	57
Mode	N/A
Median	51.5
N (Sample)	10

How many units?

Descriptive Statistics	Number of Units
Min	413
Max	14,000
Range	13,587
Average	4,247
Mode	4,000
Median	4,000
N (Sample)	11

3. What is your approximate annual sales/revenue?

Descriptive Statistics	\$ Sales/Revenues
Min	\$250,000
Max	\$1,600,000
Range	\$1,350,000
Average	\$1,010,000
Mode	\$1,500,000
Median	\$1,100,000
N (Sample)	9

4. What is your approximate growth rate per year?

Number of Units*:

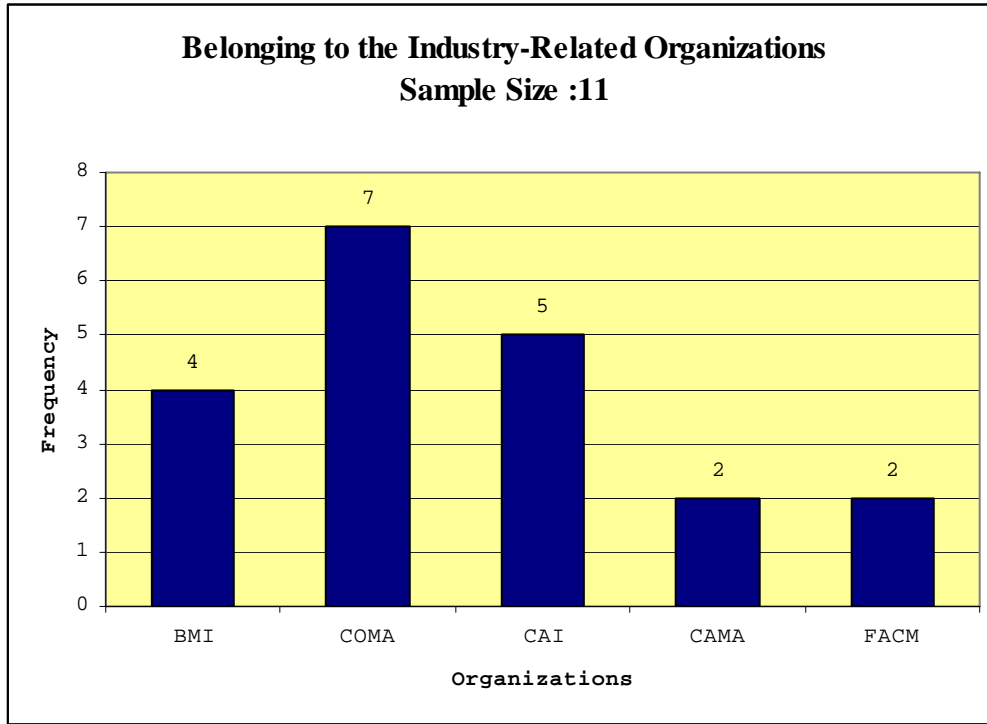
* 5 companies answered this question by number of units' growth but 3 of them answered in percentage terms.

Descriptive Statistics	Number of Units	Percentage
Min	100	8%
Max	2,750	20%
Range	2,650	12%
Average	780	16%
Mode	N/A	20%
Median	300	20%
N (Sample)	5	3

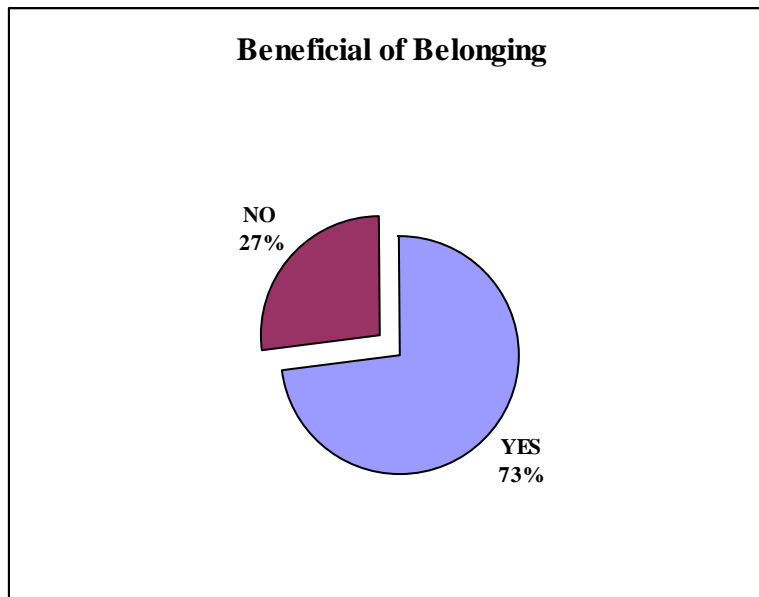
Annual Sales:

Descriptive Statistics	Annual Sales	Percentage
Min	\$40,000	25%
Max	\$250,000	25%
Range	\$210,000	-
Average	\$94,583	25%
Mode	N/A	25%
Median	67,500	25%
N (Sample)	6	2

5. Does your company belong to the industry-related organizations listed below?



Do you find it beneficial belonging to these organizations?



6. What is the one characteristic of your company that you believe differentiates you from your competitors?

The answers vary...

- Weekly site visits, low association to manager ratio
- Customer service
- Accounting service
- Responsiveness (response time) and professionalism
- Providing care-free living
- Personal attendance to condos/properties
- Reliability

Organizational Structure/Employment

7. How many employees do you have?

Descriptive Statistics	Number of Employees
Min	4
Max	65
Range	61
Average	23
Mode	N/A
Median	17
N (Sample)	11

8. How many managers do you have?

Descriptive Statistics	Number of Managers
Min	2
Max	12
Range	10
Average	7
Mode	5
Median	7
N (Sample)	11

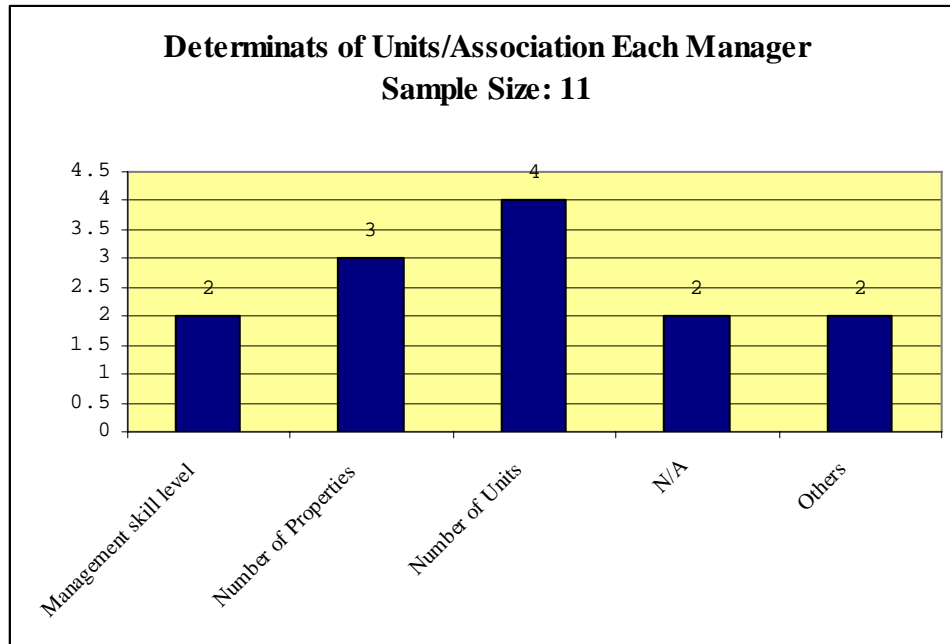
9. How many communities are assigned to one manager?

Descriptive Statistics	Number of Communities to One Manager
Min	1
Max	15
Range	14
Average	10
Mode	N/A
Median	11
N (Sample)	10

How many units?

Descriptive Statistics	Number of Units
Min	120
Max	900
Range	780
Average	590
Mode	N/A
Median	750
N (Sample)	3

10. How do you determine how many units/associations each manager should be assigned to?



There are multiple answers per company.

Others are: Geographical location and combination of HOA'S and condos, analyzing (size/req.)

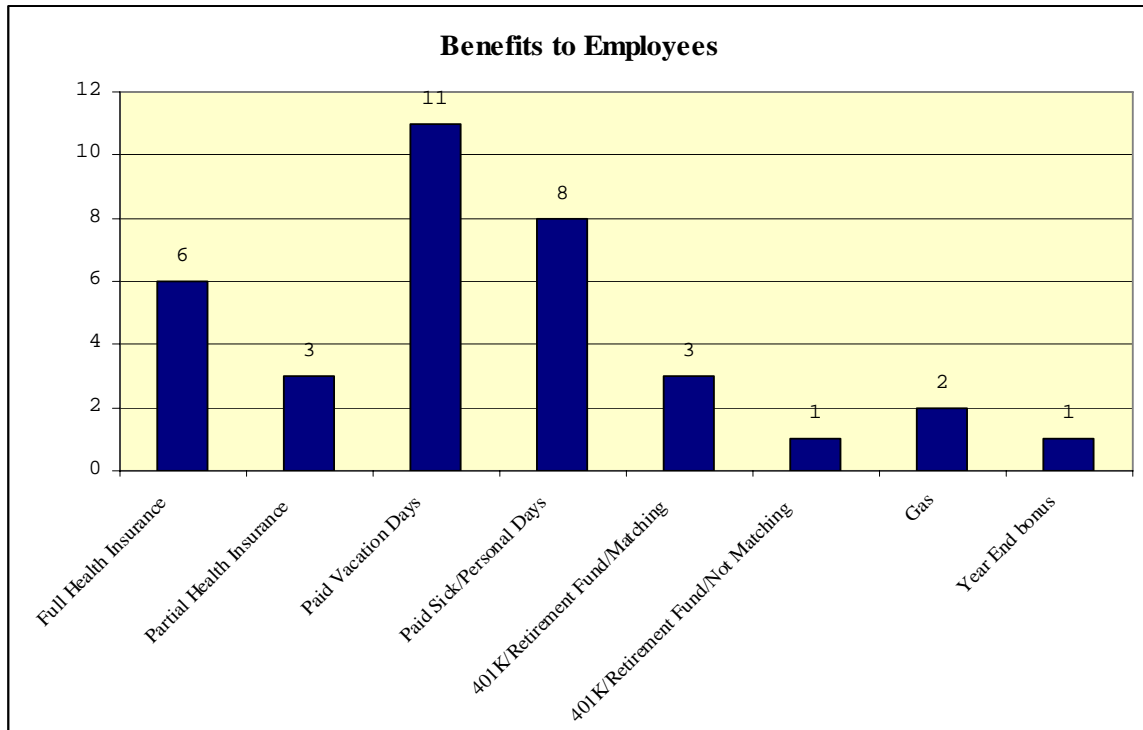
11. How many administrative assistants do you have?

Descriptive Statistics	Number of Adm. Assistants
Min	1
Max	6
Range	5
Average	4
Mode	5
Median	4
N (Sample)	11

12. How many assistant managers do you have?

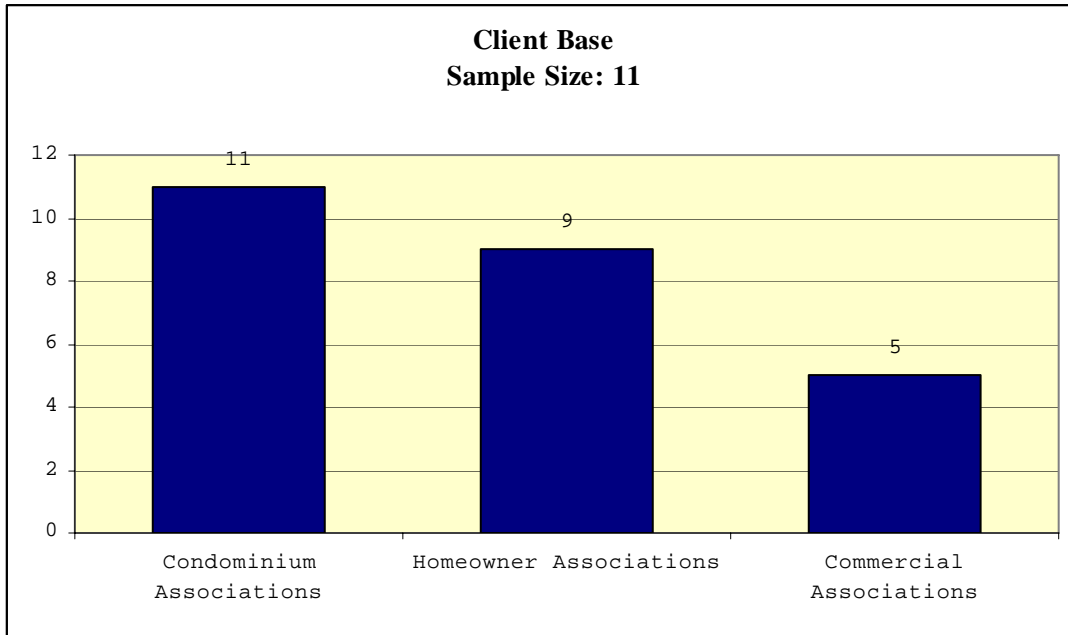
Descriptive Statistics	Number of Assistant Managers
Min	0
Max	7
Range	7
Average	1
Mode	0
Median	0
N (Sample)	11

13. Which of the following benefits do you provide to your employees?



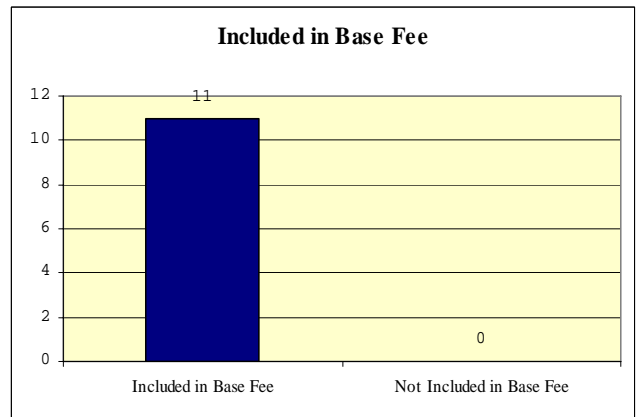
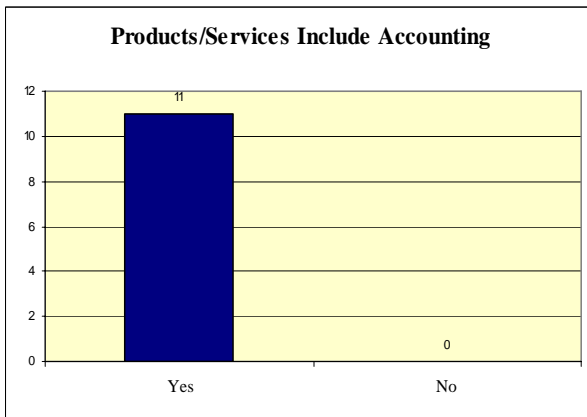
Products/Services

14. Client base:

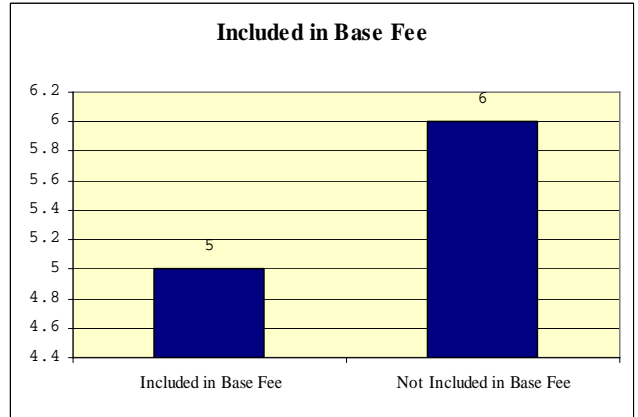
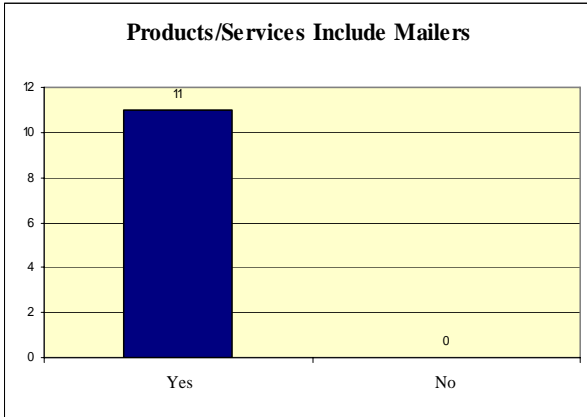


15. Do your products/services include those listed below? Are they included in your base fee?

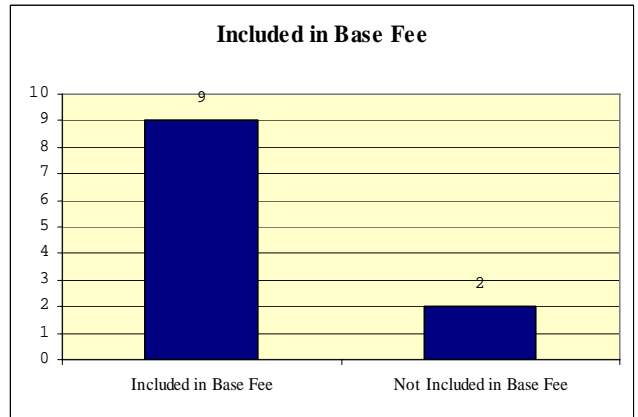
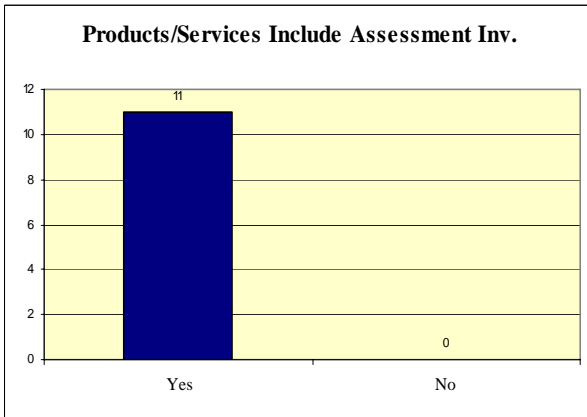
Accounting:



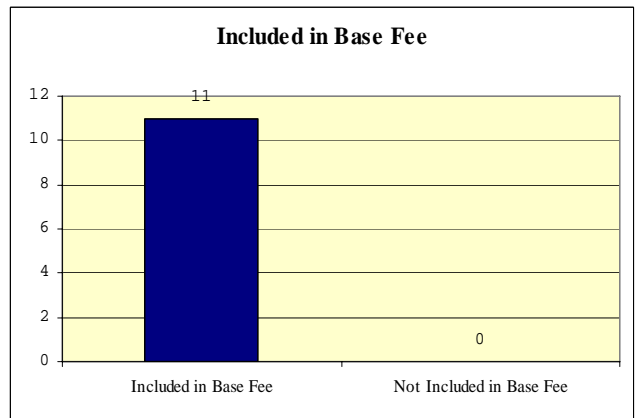
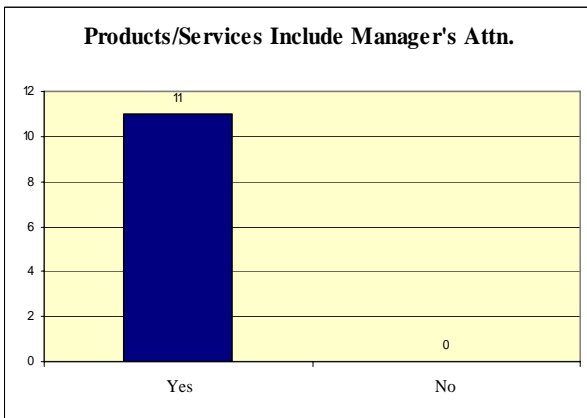
Mailers:



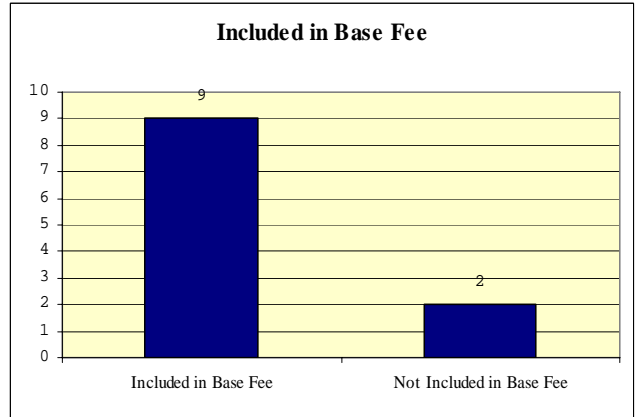
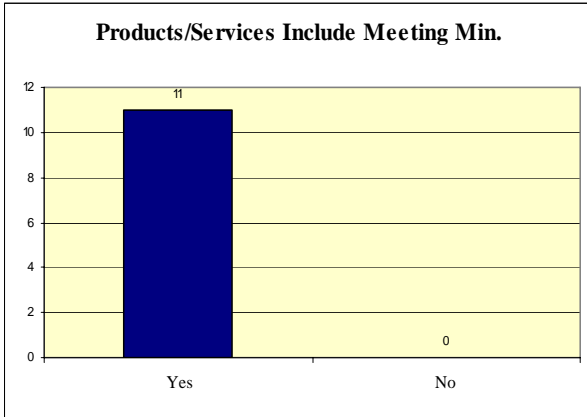
Assessment Invoices:



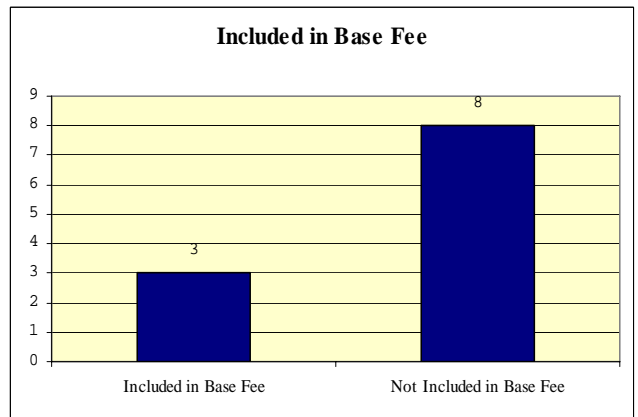
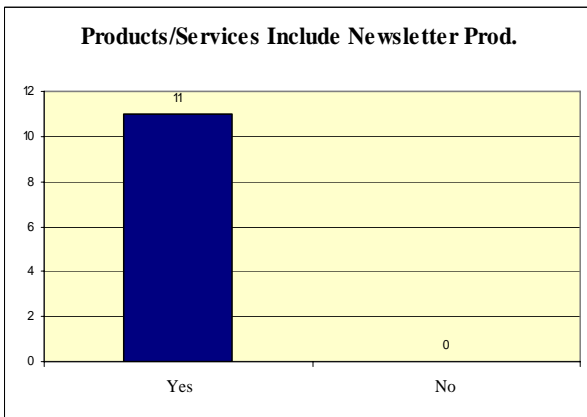
Manager's Attendance at Board Meetings:



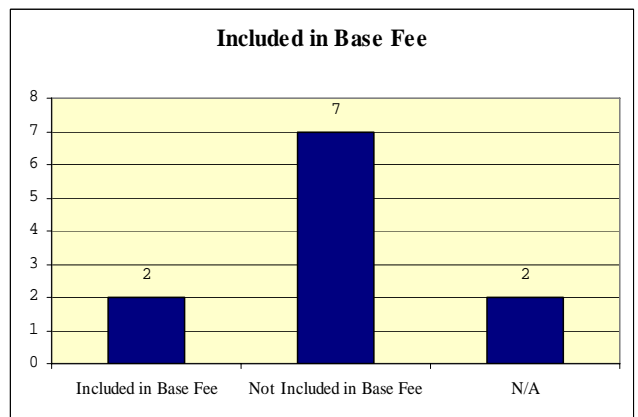
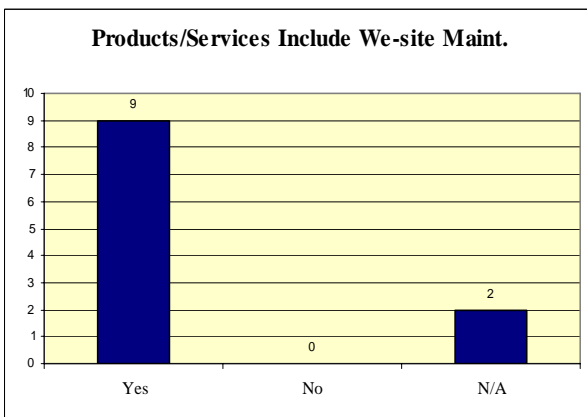
Transcribing Board Meeting Minutes:



Newsletter Production:

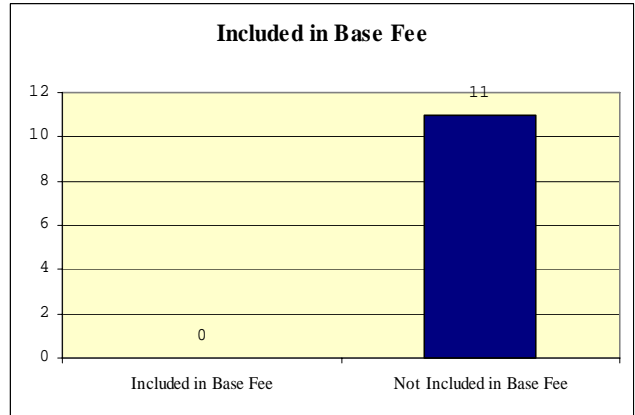
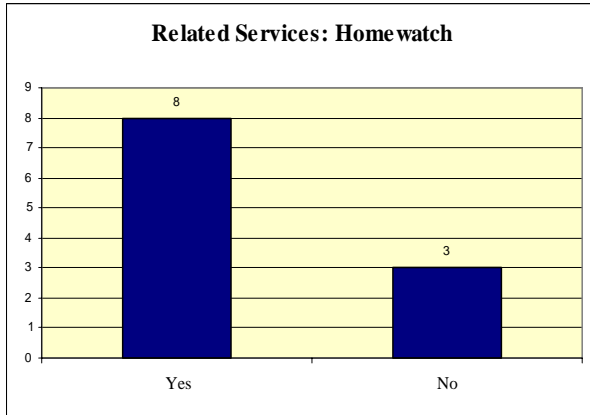


Web Site Maintenance:

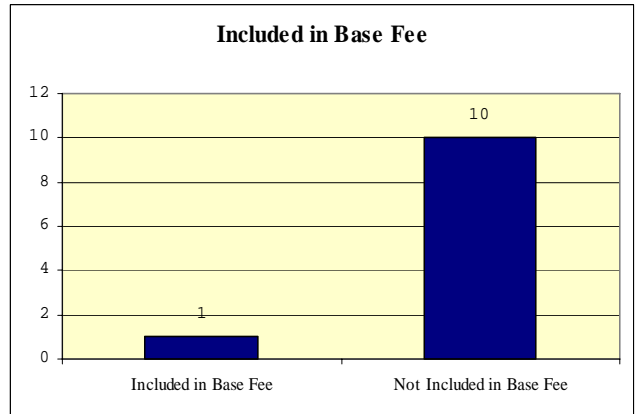
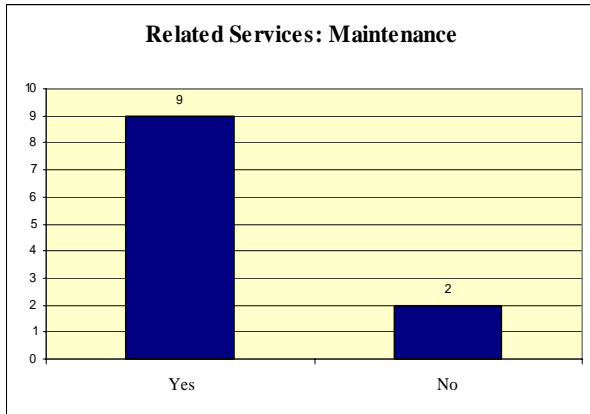


16. Does your company provide the following industry-related services? Are they included in your base fee?

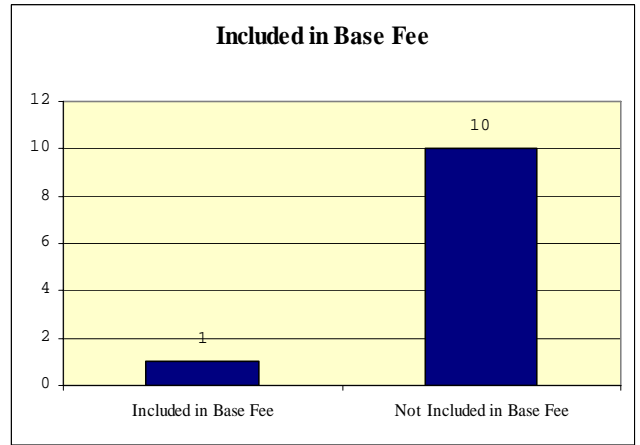
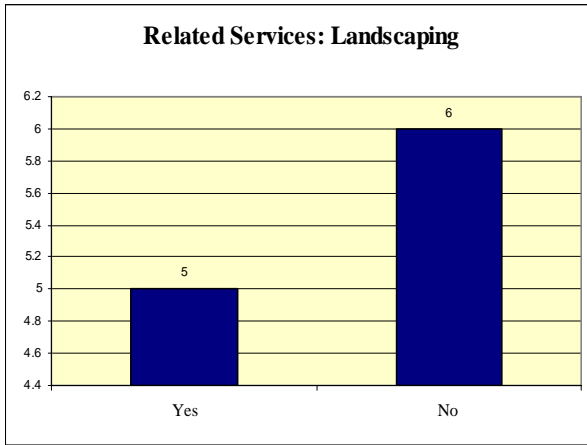
Homewatch:



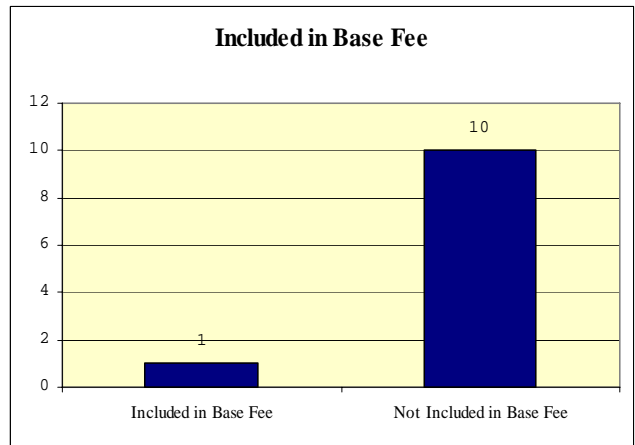
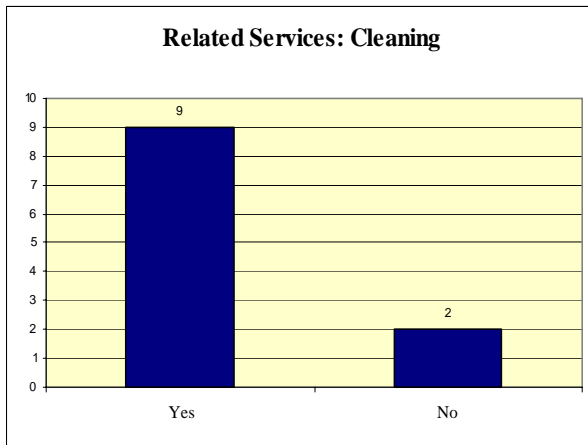
Maintenance:



Landscaping:

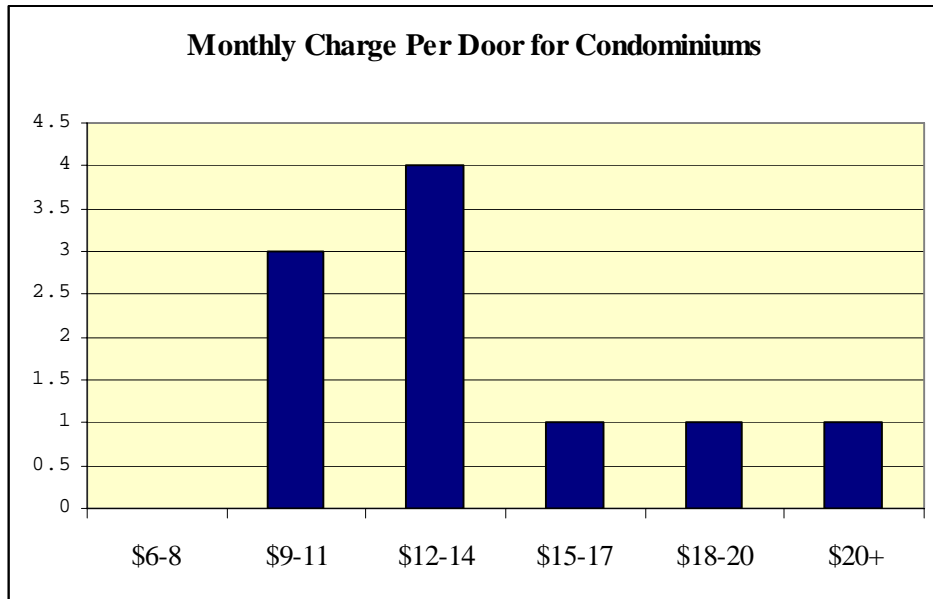


Cleaning:

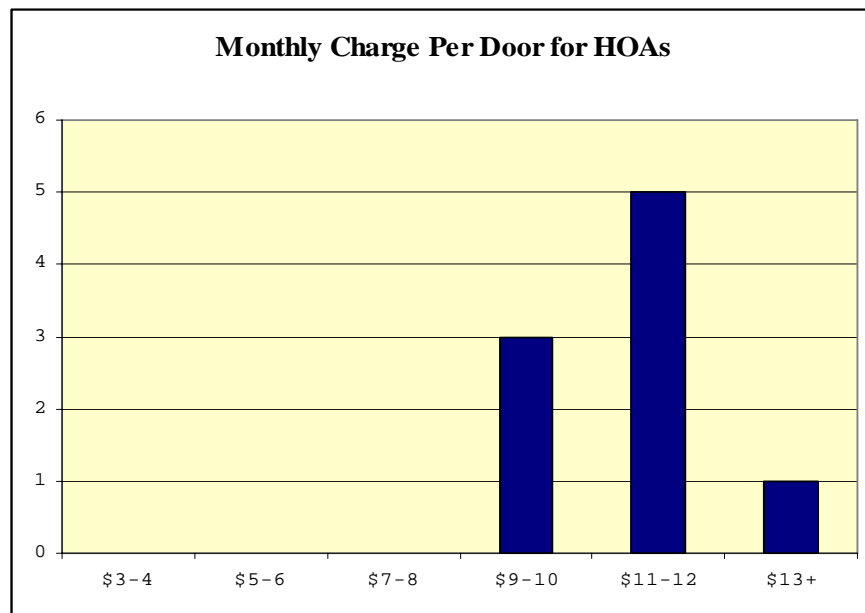


Price Structure

17. What is your monthly charge per door for condominiums?



18. What is your monthly charge per door for HOAs (Homeowners Associations)?



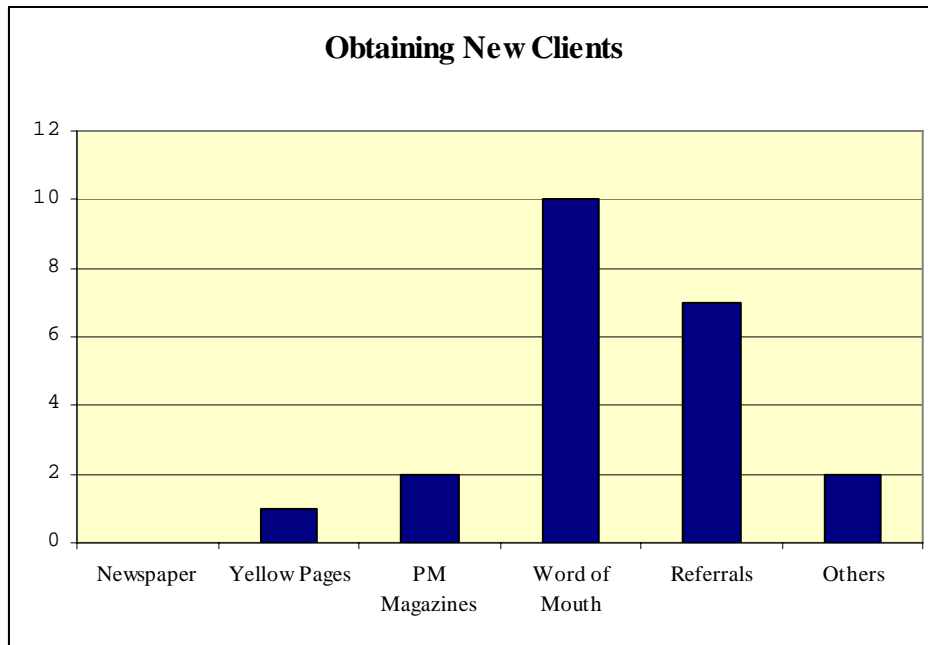
19. What is your minimum monthly charge for a small community?

Descriptive Statistics	Small Community Charge-Condo
Min	\$350
Max	\$4,600
Range	\$4,250
Average	\$965
Mode	\$500
Median	\$525
N (Sample)	10

Descriptive Statistics	Small Community Charge-HOAs
Min	\$350
Max	\$800
Range	\$450
Average	\$506
Mode	\$500
Median	\$500
N (Sample)	8

Advertising/Marketing

20. How do you obtain new clients?



Others are: Seminars, sunbiz.org, brochures

What is your annual advertising budget?

Descriptive Statistics	Adv. Budget
Min	\$0
Max	\$10,000
Range	\$10,000
Average	\$2,967
Mode	\$0
Median	\$2,500
N (Sample)	9

IV - CONCLUSIONS

The results of this analysis show that the Property Management Industry is one of the unique industries with the information provided by the participants. There are different sized of firms with various numbers of employees, sales revenues and growth rates. The surveyed companies have been in business for 6 to over 25 years. Each one of them is focused on customer satisfaction. The annual sales revenues range from \$250,000 to \$1,600,000 with employment from 4 to 65 employees. Most companies have been experiencing 20-25% sales revenue growth per year. The Property Management companies are in favor of being a member of related industry organizations such as COMA, CAI, BMI, etc. A majority of the companies believe that membership provides benefits to their company in terms of networking and following up recent changes and developments in the industry.

The organizational structure in the industry is based on their client portfolio; thus managers and assistant managers are assigned to communities, depending on their managerial skills, number of units and communities. The industry provides variety of benefits to their employees including paid vacation, paid sick/personal days, full health insurance and 401K retirement fund.

The industry reflects monopolistic competition characteristics where they have somehow differentiated products and services; therefore they have different price scales. Word of mouth advertising and referrals are the two main methods to obtain new clients and their budget ranges between no advertising expenditures and \$10,000 with the average of approximately \$3,000.

The results of the study, based on the small sample size, do not show all the common characteristics of the industry but it does give some idea about general industry information on

organizational structure/employment, products-services, price structure and advertising/marketing. A future follow-up study is planned if the sample size can be expanded more than twenty firms.