

Community Management Companies

H1 2023

Outlook: Evolving Industry Landscape Creates Opportunities for Business Owners

The Griffin team has had many conversations with owners in the Community Management industry over the past year and noticed a few consistent trends regarding what has been on people's minds in 2023. The ones that seem the most notable to us are summarized below.

As M&A advisors, our primary focus is on transaction activity, so we have also included a summary of selected recent acquisitions and investments on page three. We have only included transactions that are either publicly announced or where we have the OK to share, so this is not a comprehensive listing. Don't hesitate to reach out if you would like to discuss anything from this report or to simply make a connection. We are always happy to talk.

Key Industry Drivers

- **Growth:** 78% of homes built for sale in the U.S. in 2022 were part of HOA communities. Self-managed communities (30% - 40% of the U.S. market) are experiencing increasing pressure to switch to professional management
- **Scale:** Community Associations collect over \$133 billion per year from homeowners for operating and capital budgets
- **Fragmentation:** Despite its large size and steady, long-term growth, the industry remains highly fragmented with most market share controlled by small operators

Key Takeaways

- Consolidation continues to accelerate fueled by outside investor interest
- Increasing importance of tech enablement in order to remain competitive
- Growing push by management companies to optimize ancillary revenue streams

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Sources: Caionline.org, Griffin research, Pitchbook

Observations

Accelerating Consolidation

M&A remains a major theme with several new platforms being formed and/or receiving outside capital within the past year (some publicly announced, and some not). Strategic acquirers have also remained active. **Outside investors continue to seek partnerships with Community Management companies which can present a tremendous opportunity for owners who fit the bill.**

Importance of Technology

The application of technology among Community Managers continues to evolve creating new ways for business owners to improve customer experiences and maximize productivity. We have seen a high correlation between a company's scale and how aggressively tech enablement is being pursued. **Our expectation is that this will result in a growing competitive advantage for large or well capitalized platforms versus smaller, less technologically inclined independents, and it will be a critical differentiator in the market moving forward.**

Focus on Ancillary Revenue

Growing emphasis on the importance of ancillary revenue streams to boost growth and profitability, and actively managing Schedule A income to offset slowing real estate transaction volume. This is a major initiative for some companies we've spoken with, particularly ones with more scale and management bandwidth. There are still many companies who seem to be more focused on just maintaining their existing business and either don't have time or don't have interest in exploring tweaks to their business model.

We believe that some strategy on this front is necessary for management companies to remain competitive long-term or to maximize value when they decide to exit. We see an analogy for Community Managers in parts of the software industry. Ancillary revenue for these companies is enabled because of the core functionality and critical nature of its software to the customer.

- For example, a point-of-sale software like Toast that you often see in restaurants charges restaurant owners a subscription fee (management fee) to access their software, which is a critical operating system for users. Toast also generates revenue from ancillaries like payment processing. Restaurants pay for payment processing in any case, but it adds value for them if it's integrated with their system. Only ~12% of Toast's revenue came from subscriptions to its core software product in 2022. If Toast is facing a competitor offering similar software, but the competitor's ancillary revenue streams are not as mature, who will be more willing to discount their subscription fees to win the business?

Select 2022-2023 Community Management Transactions

Date	Target	Buyer/Investor (Backer)	State	Backing	Size Metric (if public)
Aug-23	Not Disclosed	Continuum Companies	MD	Private Equity	20K doors
Aug-23	EREM, Inc.	Summit Management Partners	AL	Family Office	n/a
Aug-23	Not Disclosed	Continuum Companies	DE	Private Equity	n/a
Jul-23	Encore Property Management	Optimum PPM	CA	Private	n/a
Jul-23	Tilton Bernstein Management	EJF Real Estate	DC	Private	50 communities
Jul-23	Linear Management	EJF Real Estate	DC	Private	50 communities
Jul-23	KEB	Summit Management Partners	FL	Family Office	n/a
Jul-23	William Douglas Management, Inc.	Odevo (Fidelio Capital)	NC	Private Equity	100K doors
Jun-23	Not Disclosed	Continuum Companies	PA	Private Equity	n/a
Jun-23	Accell Property Management	Seabreeze Management	CA	Private	n/a
Jun-23	Lighthouse Property Management	RealManage (American Securities)	MI	Private Equity	n/a
May-23	Not Disclosed	Continuum Companies	NJ	Private Equity	n/a
May-23	Vista Management Associates	Keystone Pacific	CO	Private	n/a
May-23	RowCal	Morgan Stanley Capital Partners	CO	Private Equity	350 communities
Apr-23	Not Disclosed	Continuum Companies	MD	Private Equity	n/a
Apr-23	Crossbridge Condominium Services	FirstService	ONT	Public Co	90K doors
Apr-23	Premier Community Management	RealManage (American Securities)	AZ	Private Equity	28K doors
Feb-23	Not Disclosed	Continuum Companies	NJ	Private Equity	n/a
Feb-23	Curtis Management Company	Keystone Pacific	CA	Private	n/a
Jan-23	Premier Association Management	Summit Management Partners	FL	Family Office	n/a
Jan-23	Charles H. Greenthal & Co.	FirstService	NY	Public Co	250 communities
Jan-23	Tudor Realty Services	FirstService	NY	Public Co	100 communities
Jan-23	Walters Management	RealManage (American Securities)	CA	Private Equity	n/a
Jan-23	Brown Community Management	RealManage (American Securities)	AZ	Private Equity	n/a
Dec-22	Spectrum Association Management	Odevo (Fidelio Capital)	TX	Private Equity	200K doors
Oct-22	Continuum Companies	CIVC Partners	PA	Private Equity	n/a
Oct-22	Onsite Property Management	Evernest	CO	Private	7.5K doors
Sep-22	KW Property Management	Odevo (Fidelio Capital)	FL	Private Equity	85K doors
Sep-22	Certified Management of Austin	Inframark (New Mountain Capital)	TX	Private Equity	6.2K doors
Aug-22	Not Disclosed	Continuum Companies	MD	Private Equity	5K
Aug-22	Vision Community Management	RealManage (American Securities)	AZ	Private Equity	n/a
Jul-22	Premier Community Management	RealManage (American Securities)	AZ	Private Equity	n/a
Jul-22	Dodson Property Management	Evernest	VA	Private	n/a
Jul-22	Cortland Properties	Westward360	MD	Private	n/a
Jun-22	RealManage	American Securities	TX	Private Equity	3K communities
May-22	First Community Management	The CAM Collective (Taubman)	IL	Family Office	n/a
May-22	National Realty Partners	The CAM Collective (Taubman)	VA	Family Office	n/a
May-22	Pilot Property Management	Keystone Pacific	CA	Private	n/a
May-22	Association Management, Inc.	Keystone Pacific	ID	Private	n/a
Mar-22	Community Management Services	Associated Asset Management	IN	Private	13.5K doors
Mar-22	Hammersmith Management	RealManage	CO	Private	n/a
Mar-22	Your Piece of Mind	Sentry	MI	Private	n/a
Jan-22	Berkeley Realty	Dodson Property Management	VA	Private	7K doors

This list only includes information that is either publicly disclosed or we are authorized to share. Please contact us if you have a transaction that you think we missed or would like to be included in the next update.

About Griffin Financial Group

Griffin helps small and mid-sized business owners interested in selling all or part of their businesses, raising capital via debt or equity or acquiring other businesses. Griffin's market and industry knowledge plus transactional expertise helps clients to efficiently achieve their goals and optimize their outcomes.



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Services**



**Private Placement
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- [Griffin Financial Group](#) is a growing middle market investment bank with primary office locations in Philadelphia, Boston, and New York City
- We specialize in advising closely held private companies
- We provide M&A advisory, capital raise advisory, and strategic consulting services to a variety of industry verticals
- Part of The Stevens & Lee Companies, a multidisciplinary professional services platform of 300+ professionals providing financial, legal, tax and consulting services
- **Griffin actively covers the Community Management industry and maintains an extensive network of owners, buyers, investors, and industry experts as well as a thorough knowledge of recent M&A activity and valuation trends**

Community Management Case Study

Continuum Co.
has received investment from
CIVC
PARTNERS
September 2022

- Continuum, an integrated platform company providing property management and associated residential services to HOA communities, sought a private equity partner to help realize their ambitious acquisitive and organic growth strategies.
- Continuum engaged Griffin as its exclusive financial advisor and received multiple proposals. As a result, Continuum received an investment from CIVC Partners.

Recent Services & Tech Transaction Examples

**A Vertical SaaS
and Payments Company**
has received a growth
equity investment from
NEWSRING
June 2023

TJP
has received investment from
RENOVUS
CAPITAL
Principals of Griffin served
as financial advisor
December 2022

PARK SUTTON
ADVISORS
has been acquired by
W-HA
WallerHelms Advisors
November 2022

ICS
has been acquired by
KORN FERRY
Principals of Griffin served
as financial advisor
July 2022