



Over the past few years, Arizona has seen a significant increase in management company change in ownership, with third-party companies (often from other states) purchasing local management firms. This trend reflects a broader national pattern driven by private equity investment, industry labor shortages, and the growing role of technology and AI in association management. Larger management platforms have the resources to invest in technology infrastructure, training, leadership development, compliance systems, and data security—investments that smaller companies may struggle to sustain independently. These mergers are expected to continue as the industry adapts to operational demands and rising expectations for efficiency and transparency.

## How Mergers Typically Occur

If an association experiences a merger, it is common for boards and homeowners to learn about it at a meeting, often with little advance notice. One of the first questions we get from associations is: *Can they do that? Do we still have to be managed by the new company?* The short answer is probably yes.

Typically, management contracts include language covering successors or assigns, meaning the new company that purchases the original management firm assumes the contract and becomes responsible for managing the association. Boards should review their contracts to confirm this language, but in most cases, the legal obligation to continue working with the new management company is enforceable.

## Positive Impacts of Mergers

There are several operational and service-related benefits that can come from a merger. Larger management companies may implement standardized systems and procedures that improve operational efficiency. Associations can gain access to enhanced technology, such as improved homeowner portals, better websites, automated responses, chatbots, and other digital tools that streamline communication and service. Some mergers also bring expanded service offerings, including specialized departments in accounting, compliance, or maintenance support, which smaller firms may not be able to provide. These improvements can enhance the overall experience for boards and homeowners, providing resources that may not have been available previously.

## Challenges and Risks

Despite the advantages, mergers also introduce potential challenges. Boards often express concern about the loss of the “small hometown feel” and personalized service that existed with a local management company. Integration of an association’s data and operational systems into a larger platform (often out of Arizona) can be slow, leading to temporary issues such as delayed bill payments, slower financial reporting, and difficulties in communication. Staff turnover is another common challenge, as employees from the original management company may leave, creating changes in points of contact and temporary service disruptions. Boards may also face reduced flexibility in procedures and policies due to increased standardization.



## **Questions Boards Should Ask**

To navigate a merger successfully, boards should proactively ask their management company several key questions when there is a merger or sale of a management company. These include:

- Will our day-to-day manager or management team change?
- Will there be changes to contracts, fee structures, or software platforms?
- How will resident communication be handled during the transition?
- What new resources or services will become available to our community?

Clear communication and active engagement with the new management company are critical for ensuring that service levels remain consistent and any transition issues are promptly addressed.

## **Opportunities for Innovation and Stability**

Mergers can offer associations access to advanced technology, AI-assisted tools, and automation that improve administrative and financial operations. Larger platforms often provide stronger training and professional development programs, helping attract and retain experienced community managers. From a financial standpoint, national platforms can offer greater stability, expertise across multiple jurisdictions, and scalability to support larger or more complex communities. Associations that embrace these tools and resources can enhance efficiency and long-term planning.

## **Board Oversight and Best Practices**

The ultimate impact of a management company merger depends on execution and board oversight. Associations should maintain active engagement, regularly evaluate service levels, and document any concerns or issues. Legal counsel should be consulted if boards encounter problems during the transition, including unresolved service delays, poor communication, or unaddressed operational issues. Promptly communicating expectations to the new management company is essential for ensuring a smooth transition and maintaining service quality.



## **Key Takeaways**

Management company mergers are neither inherently good nor bad. They can bring enhanced tools, expanded services, operational stability, and access to specialized expertise. At the same time, they may introduce temporary disruptions, staff turnover, and a perceived loss of personal attention. Boards that proactively monitor the transition, ask informed questions, and maintain clear communication with the new management company are best positioned to protect the interests of their community while taking advantage of the opportunities mergers can provide.