



5th ANNUAL STATE OF PROPERTY MANAGEMENT INDUSTRY REPORT





Speakers



Gail Phillips
CEO, NARPM



Chris Litster
CEO, Buildium



The State of Property Management Industry Report

Get all of the stats and data we gathered this year, including:

- How you're telling us the industry is changing
- Details of what renters want
- Details of what owners want
- And what's going on in your local markets - we have market data on 50 cities across the US



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Who we talked to



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Demographics

Who we talked to:

1,738 Property Managers

217 Association/Community Managers

1,118 Tenants

603 Owners/Investors

50+ U.S. Cities

Portfolio types:

86% manage other people's properties



1 in 3
manage HOA's



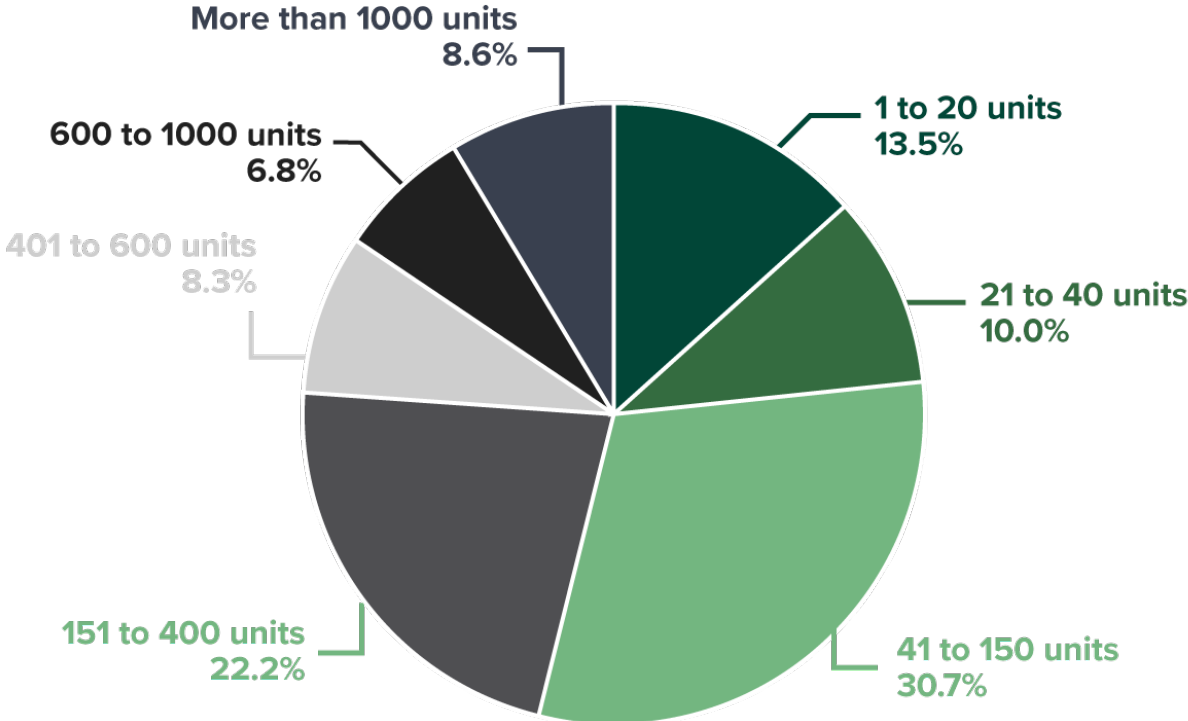
3 in 4
manage single-family rentals



2 in 3
manage multi-family rentals



Demographics: Number of units managed





Demographics: NARPM Members

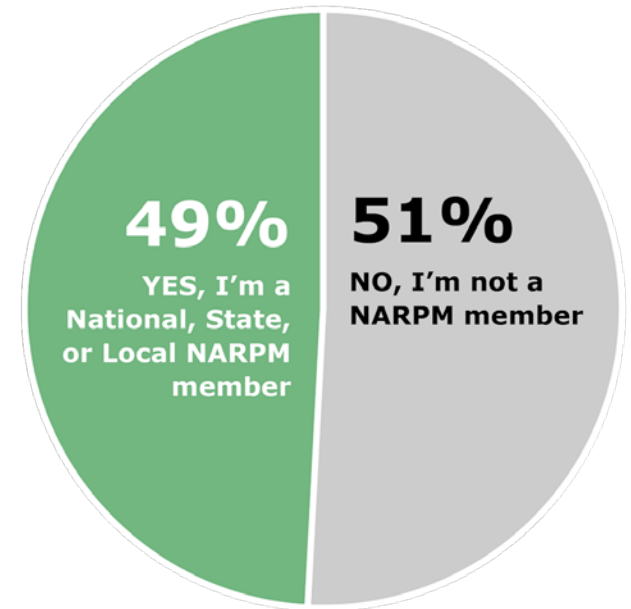
IN YOUR WORDS:

How Property Managers See It

“NARPM has equipped me to triple the size of my firm since becoming a member in 2011. The shared experience of other operators has been the key to my success.” (Birmingham, AL)

“NARPM is the reason my company still exists and is profitable. Before joining, I was just winging it and making mistakes. NARPM taught me how to run my operation legally and efficiently.” (Nashville, TN)

“I have learned so much since becoming a member. The classes are great, and just being with other members at the meetings and finding out that no matter what you face each day, someone else is facing the same thing, you are not alone.” (Warner Robins, GA)





State of the Industry



The last few years...

You've told us

what you're seeing:

- 1** Urgency around **finding operational efficiencies** so you can refocus your time
- 2** The coming importance of **the "human factor"** with the pivoting market
- 3** How the industry has refocused around **"empathy-driven, service-oriented, tech-enabled"** property management

...and most of all, how things are changing



This year...

We're here.

**Property management
has changed**



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What it has been...





The industry is changing





Top Trends

Macro Trends:	This is showing up in:
Costs of Housing	Portfolio growth Revenue and profitability
Legislation and Regulation	Local, state and national laws
Industry Consolidation	Owner mix
Changing Tenant Demographics	Generations and geography
Proptech (and all Tech)	Tenant tech preferences Tech innovations How property managers use tech



Macro Trend #1:

Cost of Housing



#1: The Cost of Housing

The costs of housing

- Housing prices remain at an all-time high
- Costs related to managing housing are steadily increasing
- Cap rates continue to compress
- Owners are selling vs. renting

IN YOUR WORDS:

How Property Managers See It

“In general, cap rates are coming down for real estate, especially with single-family properties. **It is becoming less attractive to be a long-term real estate investor.**”
(Nashville, TN)

“Sales market=loss of doors=redirecting efforts to make more money on the same number of units or less. **We’re struggling to maintain our profitability.**”
(Raleigh, NC)





#1: The Cost of Housing

Portfolio growth is down

Fewer PMs are reporting portfolio growth - down 7.2 points since 2016





#1: The Cost of Housing

Impacts of Revenue

4 point drop

in expectations of growth
in the next 2 years

3 point increase

in expectations that revenue
will stay flat



#1: The Cost of Housing

Where you're focusing in 2020

Property Managers' Top Priorities

	2017	2018	2019
Growth	38.9%	42.8%	47.8%
Efficiency	48.7%	39.0%	45.1%
Profitability	--	34.7%	31.0%
Owners	15.4%	20.3%	23.0%
Communication	20.5%	17.1%	22.6%
Balance	21.4%	12.9%	20.5%
Organization	20.8%	23.4%	19.1%
Marketing	12.8%	16.7%	19.0%
Residents	19.3%	23.8%	16.1%
Property improvements	17.3%	16.0%	12.8%
Staff	12.4%	15.6%	12.3%
Vendors	13.7%	12.1%	11.4%
Technology	9.9%	15.2%	11.2%
Downsizing	1.8%	1.9%	1.6%



Macro Trend #2:

Legislation and Regulation



#2: Legislation and Regulation

Upzoning, rent stabilization, changing laws

- **Upzoning and bans on single-family zoning**
- **Rent caps and rent stabilization**
- **Changing laws that impact the lead-to-lease cycle**

IN YOUR WORDS:

How Property Managers See It

“As laws become more restrictive, we are forced to take additional precautions in our leasing processes and resident retention policies. This is not always received well by owners and residents. Our company is currently exploring options for educating our owners on landlord-tenant law and are hoping that by doing this, **we will strengthen our relationships with our owners and make their experience with our company something to remember in years to come.**” (Eugene, OR)





#2: Legislation and Regulation

Impacts and Opportunities

IN YOUR WORDS:

How Property Managers See It

“Changes and additions in building codes and regulations have made renovations and property improvements almost prohibitive. Increased labor costs have made maintaining properties exponentially more expensive. It’s more and more difficult to market the concept of real estate investment and becoming a landlord to investors and property owners.”
(Colorado Springs, CO)

“Increasingly restricted laws and ordinances will dissuade many rental property investors from trying to manage their own properties. Well-educated, technically trained, and highly ethical property managers will be in greater demand.”
(Kansas City, MO)



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Macro Trend #3:

Industry Consolidation



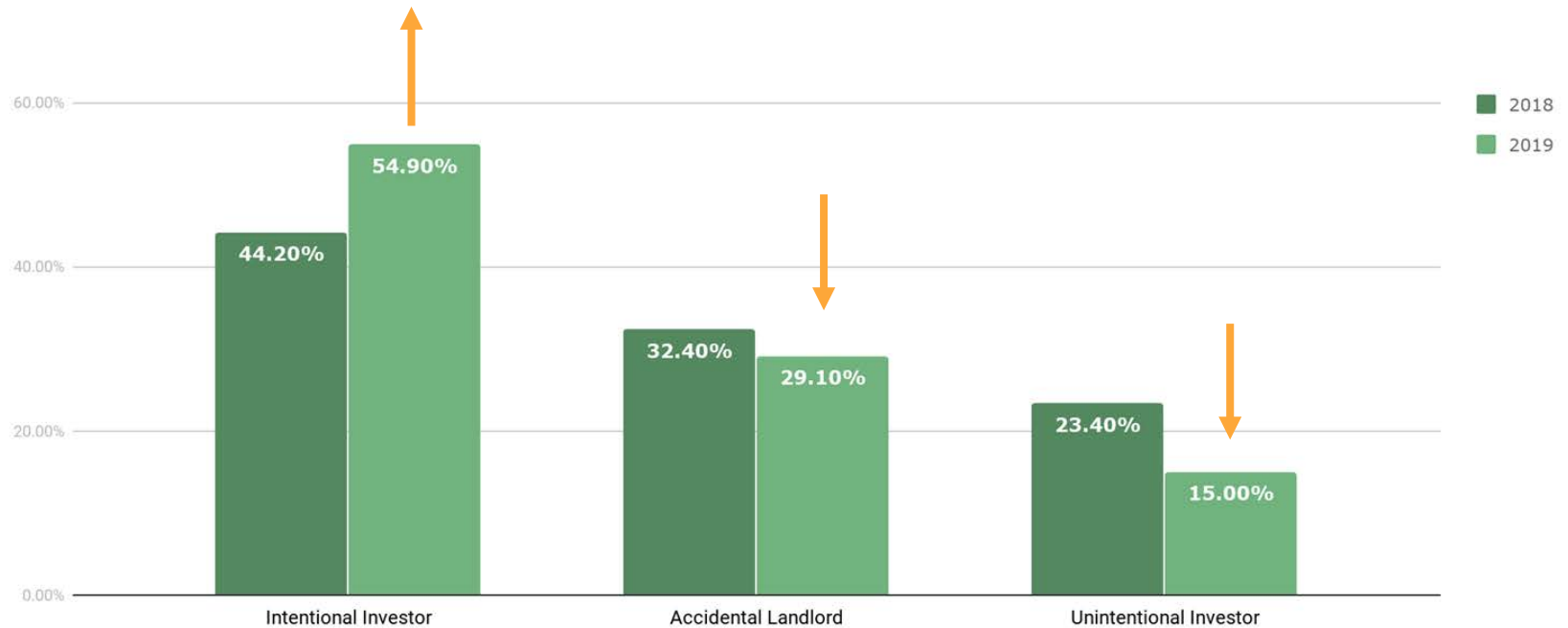
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#3: Industry Consolidation

Owner/investor changes





#3: Industry Consolidation

More owner/investor changes

1. Institutional investors are becoming 'national landlords'
2. Investors are consolidating into larger conglomerates
3. Developers are building "single family, built to rent" communities

IN YOUR WORDS:

How Property Managers See It

"Institutionalized investors will continue to buy up rental income properties over the private investors, tipping the rent scales out of tenants' reach."
(Atlanta, GA)

"I see the market getting tighter and tighter for the little guy as Wall Street big money invests heavily in acquiring portfolios. We will always win on service, though."
(Phoenix, AZ)





#3: Industry Consolidation

Top three concerns

**Accidental
Landlord**

51%

Maintenance

28%

Tenants

30%

Finding a good property manager and working with them

**Unintentional
Investor**

43%

Maintenance

30%

Tenants

30%

Finding a good property manager and working with them

**Intentional
Investor**

43%

Maintenance

32%

Filling Vacant Units

31%

Finding a good property manager and working with them



Macro Trend #4:

Tenant Demographics



#4: Tenant Demographics

Generational changes

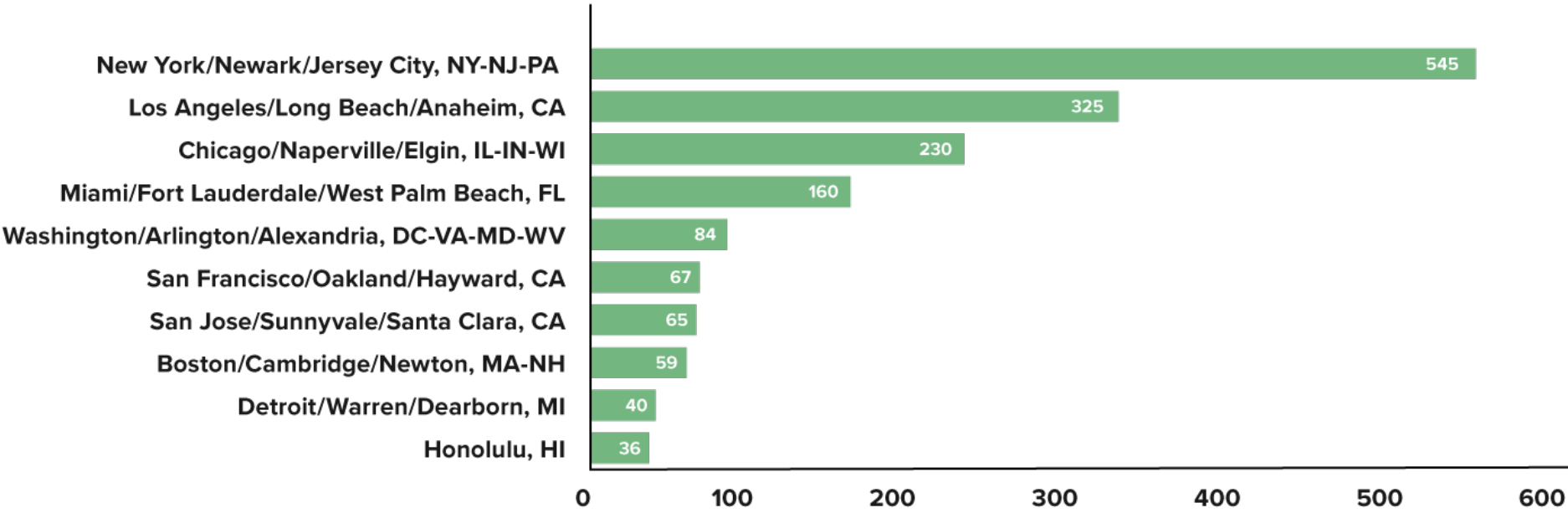
- 1 Millennials and Gen Z are **renting longer**
- 2 40% of renters are **45 or older**
- 3 **Baby boomers** are the fastest-growing renter segment



#4: Tenant Demographics

Geographic changes

10 U.S. Metros Losing the Most Tenants due to Domestic Migration



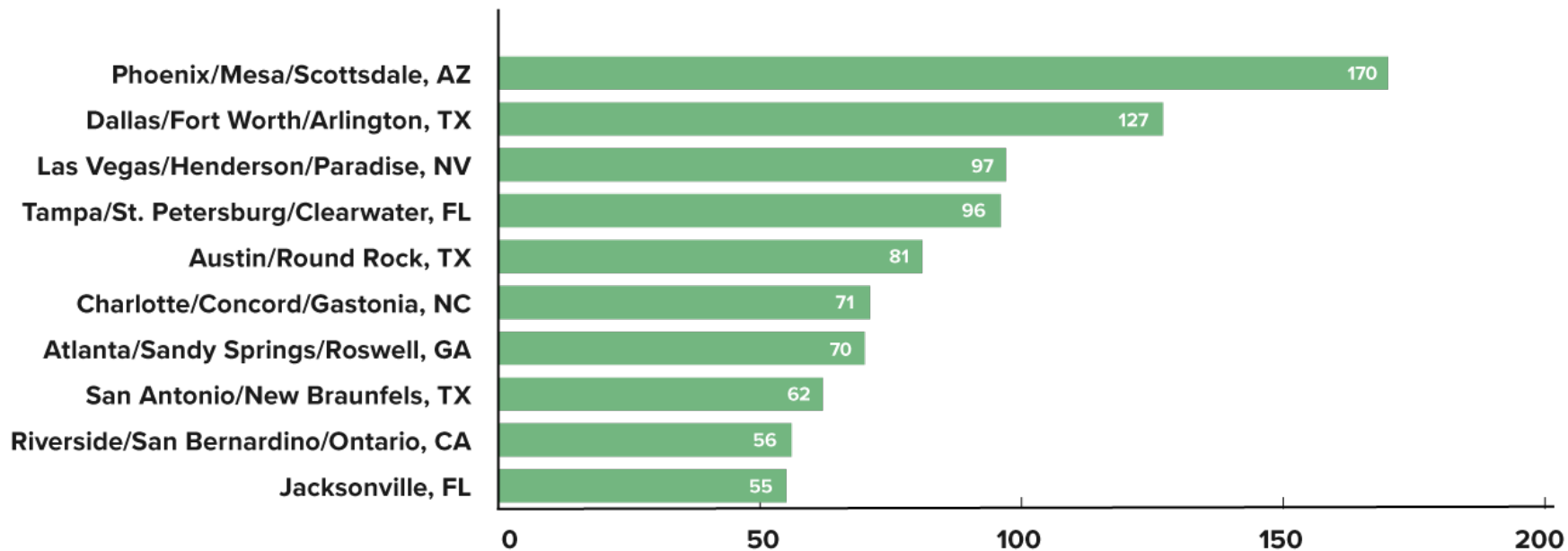
Source: U.S. Census Bureau



#4: Tenant Demographics

Geographic changes

10 U.S. Metros Gaining the Most Residents due to Domestic Migration



Source: U.S. Census Bureau



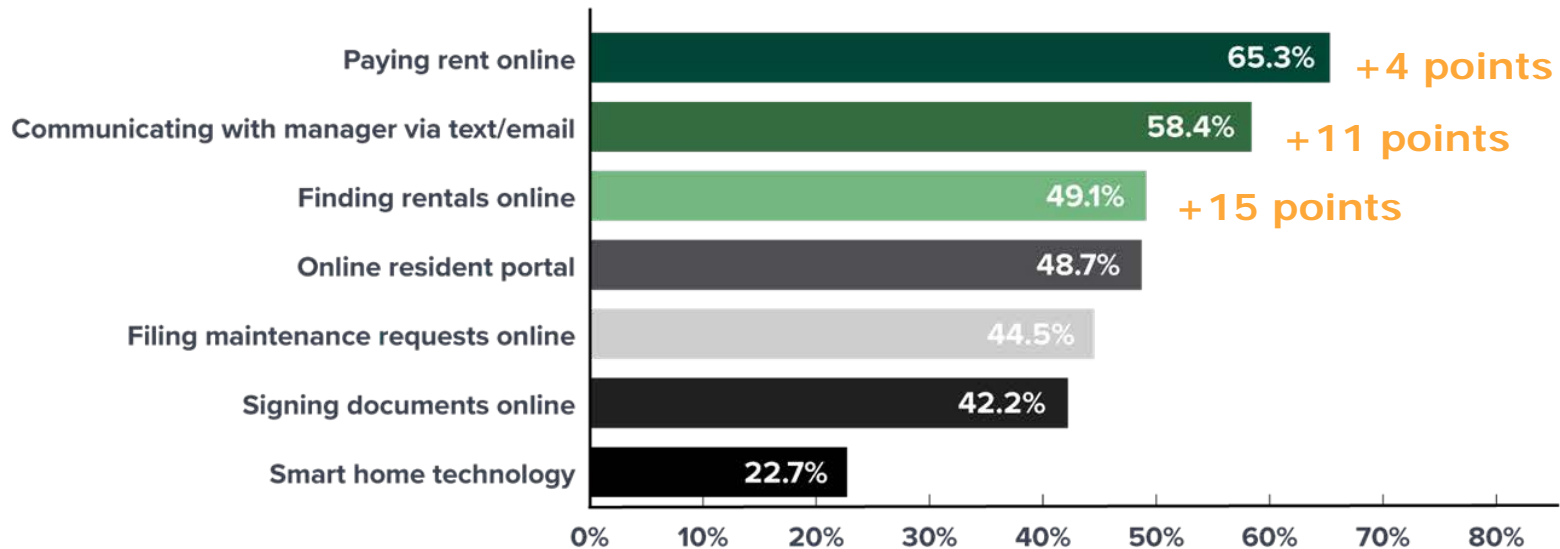
Macro Trend #5:

The Proptech Wave



#5: The Proptech Wave

Tenant tech preferences

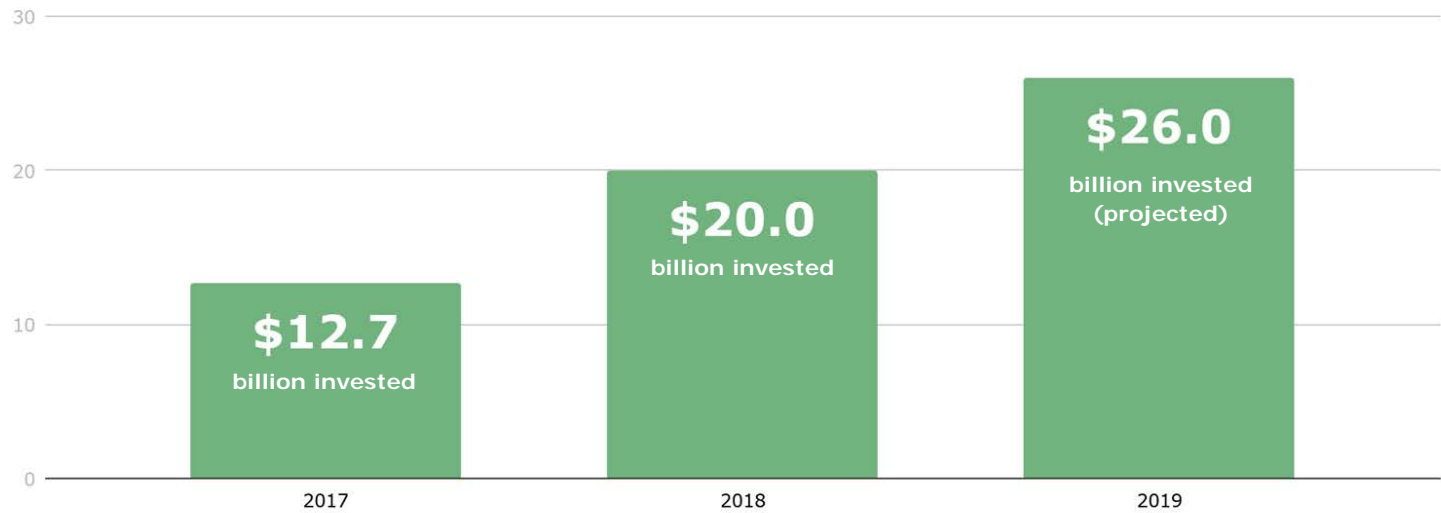




#5: The Proptech Wave

Proptech innovations

Investments in the space are dramatically increasing

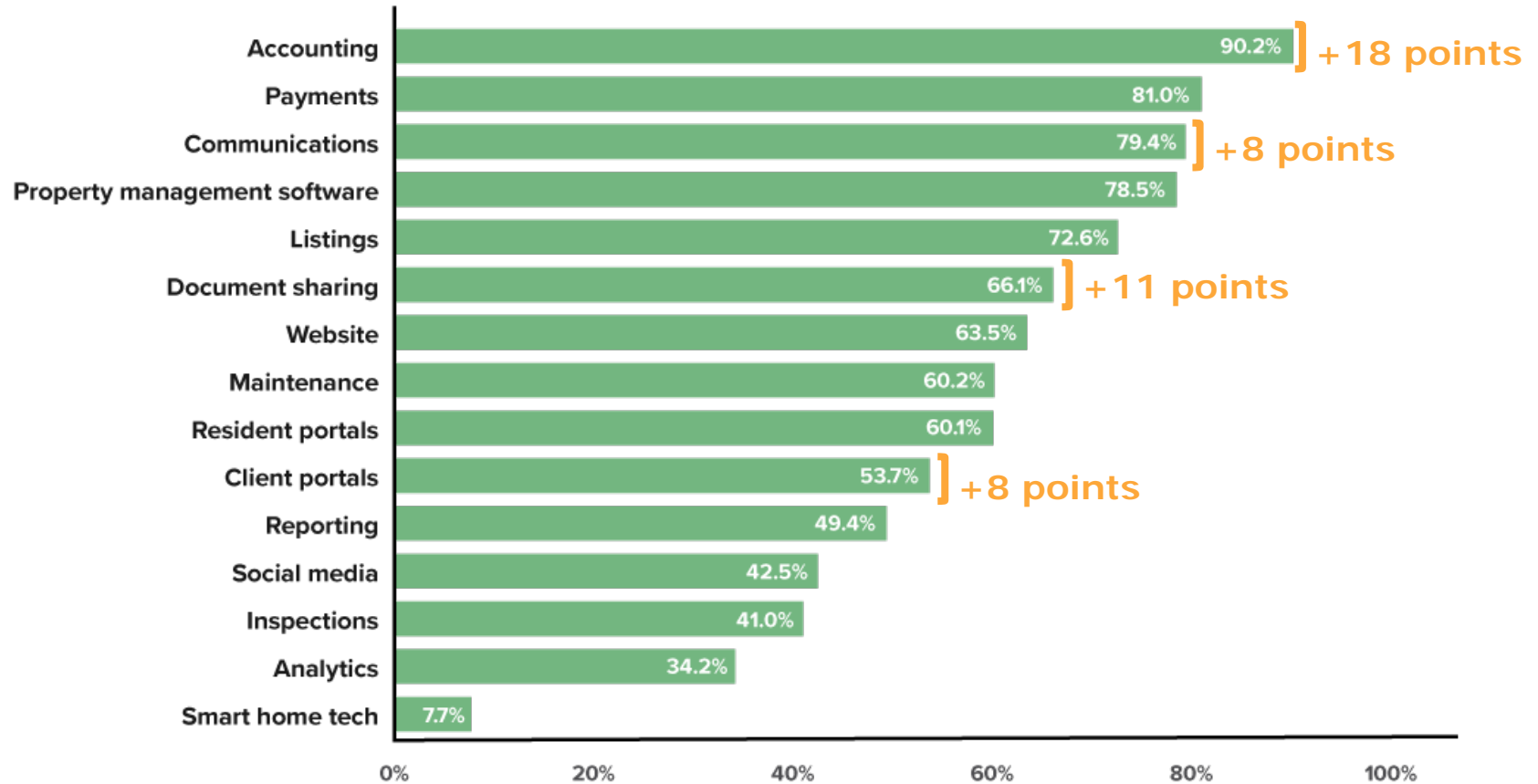


Source: Wall Street Journal 7/2019



#5: The Proptech Wave

How property managers are using tech





Focusing on 2020 and Beyond



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What you're watching

Property Managers' Top Challenges

	2017	2018	2019
Efficiency	32.0%	32.3%	32.6%
Growth	24.5%	26.5%	30.6%
Maintenance	34.1%	31.4%	30.2%
Vendors	23.2%	24.6%	23.5%
Accounting	23.9%	11.3%	21.2%
Balance	18.1%	17.3%	19.3%
Staff	15.5%	22.6%	17.9%
Profitability	22.9%	19.0%	17.4%
Marketing	8.9%	11.5%	16.1%
Residents	22.9%	19.6%	15.2%
Portfolio loss	6.4%	13.5%	13.4%
Technology	11.3%	14.0%	12.2%
Communication	12.9%	11.4%	11.8%
Owners	10.2%	11.2%	10.1%
Legal issues	6.7%	6.6%	7.3%
Finances	8.9%	5.8%	5.8%

What you're watching

Property Managers' Top Challenges

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Efficiency	32.0%	32.3%	32.6%
Growth	24.5%	26.5%	30.6%
Maintenance	34.1%	31.4%	30.2%
Vendors	23.2%	24.6%	23.5%
Accounting	23.9%	11.3%	21.2%
Balance	18.1%	17.3%	19.3%
Staff	15.5%	22.6%	17.9%
Profitability	22.9%	19.0%	17.4%
Marketing	8.9%	11.5%	16.1%
Residents	22.9%	19.6%	15.2%
Portfolio loss	6.4%	13.5%	13.4%
Technology	11.3%	14.0%	12.2%
Communication	12.9%	11.4%	11.8%
Owners	10.2%	11.2%	10.1%
Legal issues	6.7%	6.6%	7.3%
Finances	8.9%	5.8%	5.8%



What you're changing

	2017	2018	2019	
Maintenance & repairs	65.5%	74.6%	80.4%	} +15
Rent & fee collection	--	76.4%	80.1%	
Leasing properties/marketing vacancies	55.2%	69.9%	77.3%	} +22
Property inspections	58.4%	68.3%	73.9%	
Evictions	52.3%	65.5%	68.4%	} +16
Cleaning	44.5%	59.0%	62.2%	
Accounting	47.1%	51.1%	57.1%	
Financial reporting	35.0%	38.7%	54.8%	
Property sales	31.2%	49.5%	52.5%	
Outdoor services	35.5%	49.2%	52.3%	
Construction/renovation	38.7%	40.2%	47.6%	
Financial/investment advice	15.7%	17.4%	22.1%	
Insurance services	9.1%	12.6%	15.3%	
Interior design/staging	9.4%	12.9%	12.9%	
Legal advice	7.1%	9.3%	12.9%	



What you're changing

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Cleaning	44.5%	59.0%	62.2%
Accounting	47.1%	51.1%	57.1%
Financial reporting	35.0%	38.7%	54.8%
Property sales	31.2%	49.5%	52.5%
Outdoor services	35.5%	49.2%	52.3%
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Financial/investment advice	15.7%	17.4%	22.1%
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Interior design/staging	9.4%	12.9%	12.9%
Legal operations	7.1%	9.3%	12.9%

} +19
} +21

} +6

} +4



One Thing to Note...



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Fewer people entering the field

How long have you worked in property management?

	2017	2018	2019
0 to 2 years	21.0%	14.5%	10.3%
3 to 10 years	40.0%	39.0%	38.0%
11 to 20 years	20.0%	24.0%	28.8%
Over 20 years	19.0%	22.5%	22.9%



The Opportunity Ahead



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The opportunity

There will be a

10%

increase in demand
for property
managers

Source: U.S. Bureau of Labor Statistics



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Since

2018...

More people are
renting vs owning

Source: U.S. Census Bureau





The future of property management

- Property managers play a critical, more consultative role as **regulations complicate ownership**
- **Relationships are still at the heart** of property management, despite proptech hype
- Creating high-touch, **personalized experiences** are critical



What you can do

1

Focus on owner and tenant experiences

- Prioritize the human relationships and the value you add
- Look at what expertise-based services you can offer, and monetize them
- Have a 'hospitality' mindset

"We'll become more profitable by taking care of our property owners, and can do that by ensuring that our residents are happy—and then they'll stay longer and pay slightly higher rent over time. Everyone wins!"

(Austin, TX)



What you can do

1

Focus on owner and tenant experiences

2

Focus on your local expertise

- Property ownership might be national, but management is inherently hyper-local
- Stay on top of what's going on in local regulations and trends
- Stay connected with learning and community organizations like NARPM

“Increasingly restrictive laws and ordinances will dissuade many rental property investors from trying to manage their own properties. **Well-educated, technically trained, and highly ethical property managers will be in greater demand.**”
(Kansas City, MO)

“**Membership in NARPM was one of the best decisions I made.** It has not only added value by opening up networking with other property managers, but the recognition of my membership and the achievements of the RMP & MPM designations have earned me countless business opportunities.” (Austin, TX)



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What you can do

1

Focus on owner and tenant experiences

2

Focus on your local expertise

3

Embrace proptech

- Make it work for you with process and transaction-oriented services
- Focus on operational efficiencies
- Don't get distracted by buzzwords and hype

“Basically, anything that does not need a human being to be in charge of it, without affecting our customer-obsessed culture, is of the utmost importance to us.” (Bremerton, WA)



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Focus on the human experience

You can't build an app for that.



The State of Property Management Industry Report

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THANK YOU

(see you in 2020!)