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The State of the Property Management Industry Report

Presented by: Gail Phillips and Mike Mauseth

Introductions



Gail Phillips
CEO, NARPM



Mike Mauseth
*SVP, Buildium and
Propertyware*



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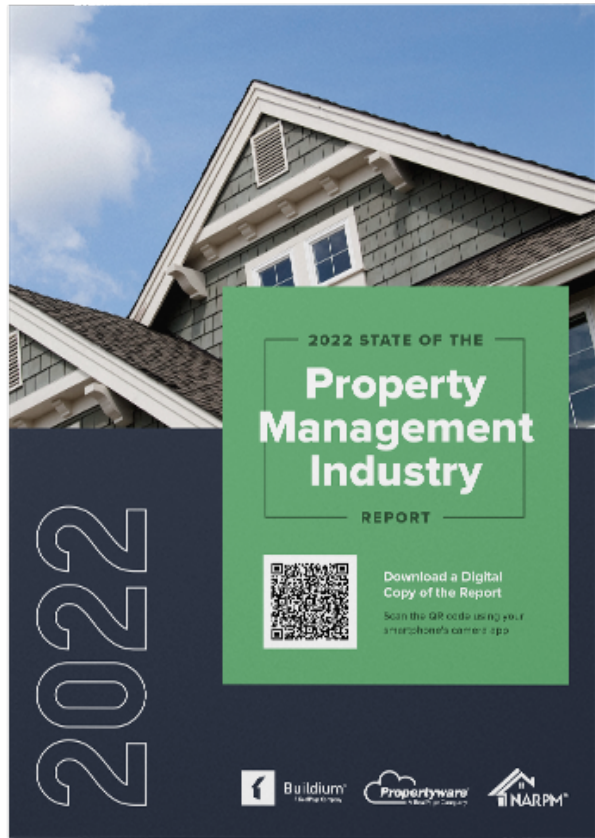
Who wants to guess?

91%



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How to get your copy:



BUILDIUM AND PROPERTYWARE
BOOTH #39 AND 41

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Who we talked to

Responses from:

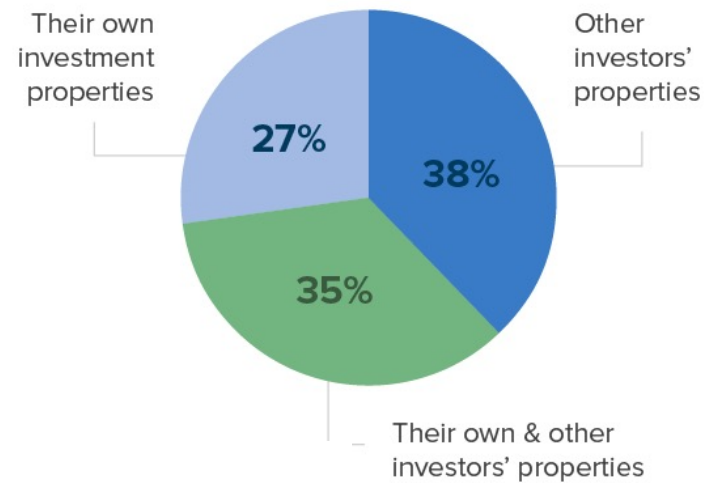
2178 Property Managers

1051 Owners/Investors

3874 Renters

7103 Total

Whose Properties They Manage



Rates of NARPM Membership Among Our Respondents

National, state, or local NARPM member	31%
Not a NARPM member	69%



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Responses by portfolio size

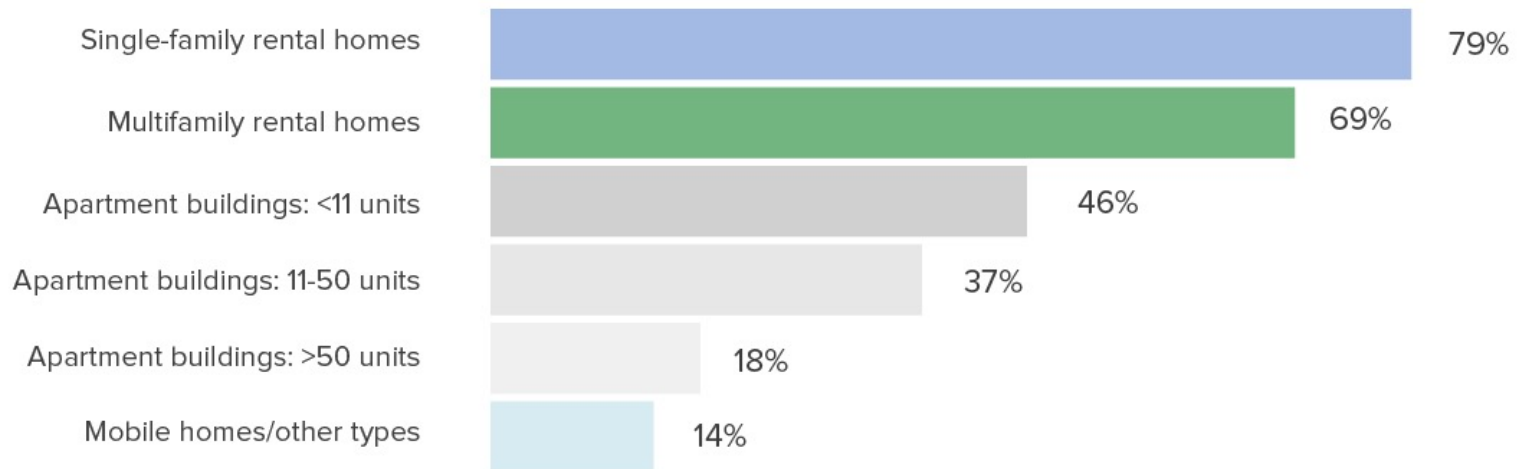
The Number of Units in their Portfolios

1-20	11%	401-600	8%
21-40	10%	601-1000	7%
41-100	21%	1001-2500	6%
101-400	31%	>2500	6%



Property types in property manager portfolios

The Property Types in Their Portfolios



What you said about NARPM:

“

“Being a NARPM member has helped me grow both my business and myself as a property manager.

A serious professional should have a sense of obligation to be part of an organization that is dedicated to the betterment of your profession and yourself.”

”

“

“Worth its weight in gold.

It wasn't until I joined NARPM that my business really took off and I had the tools, help, and technology to understand how to make my business grow.”

”



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The headline for 2022 is...

MORE

MORE forecast for revenue growth

MORE plans for portfolio growth

MORE client growth

MORE plans for tenants



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What's the #1 priority?

	2021	2020	2019	2018	2017
Tenants	46%	45.1%	16.1%	23.8%	19.3%
Growth	41%	47.3%	47.8%	42.8%	38.9%
Efficiency	25%	34.3%	45.1%	39.0%	48.7%
Owners	21%	24.5%	23.0%	20.3%	15.4%
Profitability	20%	30.1%	31.0%	34.7%	—



Agenda

1. PLANS FOR **PORTFOLIO** GROWTH
2. PLANS FOR **REVENUE** GROWTH
3. THE CHANGING **OWNER/RENTER** LANDSCAPE
4. TECHNOLOGY **TRENDS** FOR PROPERTY MANAGERS,
OWNERS AND RENTERS



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1. PLANS FOR PORTFOLIO GROWTH

HOW YOU'RE GROWING YOUR PORTFOLIOS:

Through your client base

- **72%** recruiting new clients
- **44%** encourage clients to acquire new properties
- **27%** cut resource-intensive clients

Property Managers' Expected Portfolio Growth, 2016 to 2021

	2021	H2-2020	H1-2020	2019	2018	2017	2016
Plan to expand significantly over the next 2 years	47%	35%	32%	41%	40%	45%	51%
Plan to expand a little over the next 2 years	39%	42%	44%	43%	44%	38%	38%
Plan to stay the same over the next 2 years	11%	20%	19%	14%	14%	15%	9%
Plan to shrink over the next 2 years	3%	4%	5%	2%	2%	2%	2%



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HOW YOU'RE GROWING YOUR PORTFOLIOS:

Through referrals

- **53%** will encourage current clients to provide referrals
- **28%** will partner with adjacent professions



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HOW YOU'RE GROWING YOUR PORTFOLIOS:

Through acquisitions

- **38%** said they would **acquire properties themselves**
- **24%** said they would **acquire other PMCs or investors' portfolios**
- **17%** said they would **sell off** resource-intensive or unprofitable properties



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HOW YOU'RE GROWING PORTFOLIOS:

Broadening portfolios

1. **26%** would expand the **types of properties** you manage
2. **22%** said they would expand into **multiple geos**
 - a. **51%** are in more than one metro



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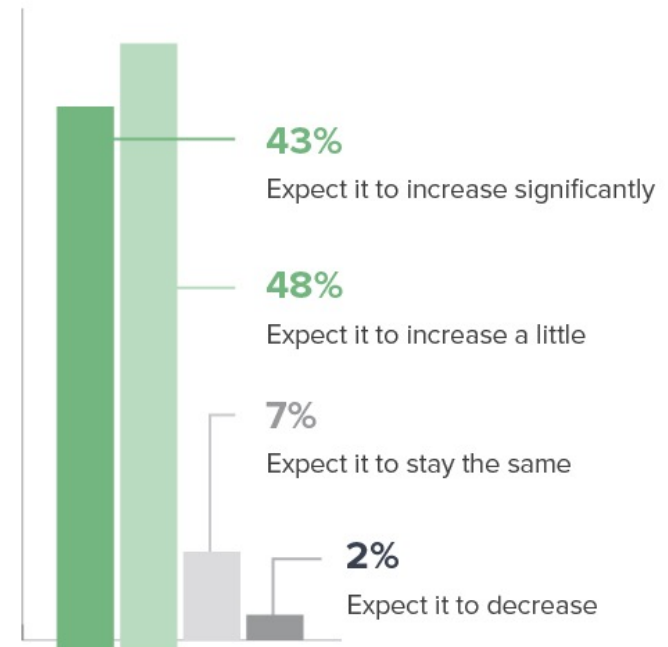


2. PLANS FOR REVENUE GROWTH

3 Revenue Growth trends

- **91%** expect revenue to grow over the next two years
- **Fewer** property managers reported that they've **increased revenue** in the previous two years
- **Profitability is now #5** on the priority list

Property Managers' Revenue Growth Expectations for the Next 2 Years



HOW YOU'LL GROW REVENUE:

Increased rents and fees

1. **55%** will raise rents on NEW leases
2. **48%** will raise rents on RENEWAL
3. **36%** will raise rates and fees for NEW clients
4. **30%** will raise rates and fees for EXISTING clients
5. **28%** will acquire properties in higher-rent communities



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HOW YOU'LL GROW REVENUE:

Updating properties

33% plan to make value-add updates, particularly in multifamily

24% plan to expand resident amenities and services

“

I'm working with my current owners to improve/address maintenance issues for existing properties to justify an increase in rents. (Billings, MT)

We're engaging in flips of unwanted properties to either resell or add to our portfolio. (Dayton, OH)

We added a resident benefit package and updated our pet fees and policies. (Wausau, WI)

”



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HOW YOU'LL GROW REVENUE:

Expanding services

27% would expand client services through in-house staff

23% would expand with the help of external vendors

“

We started offering real estate brokerage services because so many clients wanted to sell. We turned a negative into profit. *(San Francisco, CA)*

”

“

[We now offer] cost-effective, routine maintenance services such as pest control and A/C checks. *(Pittsburgh, PA)*

”



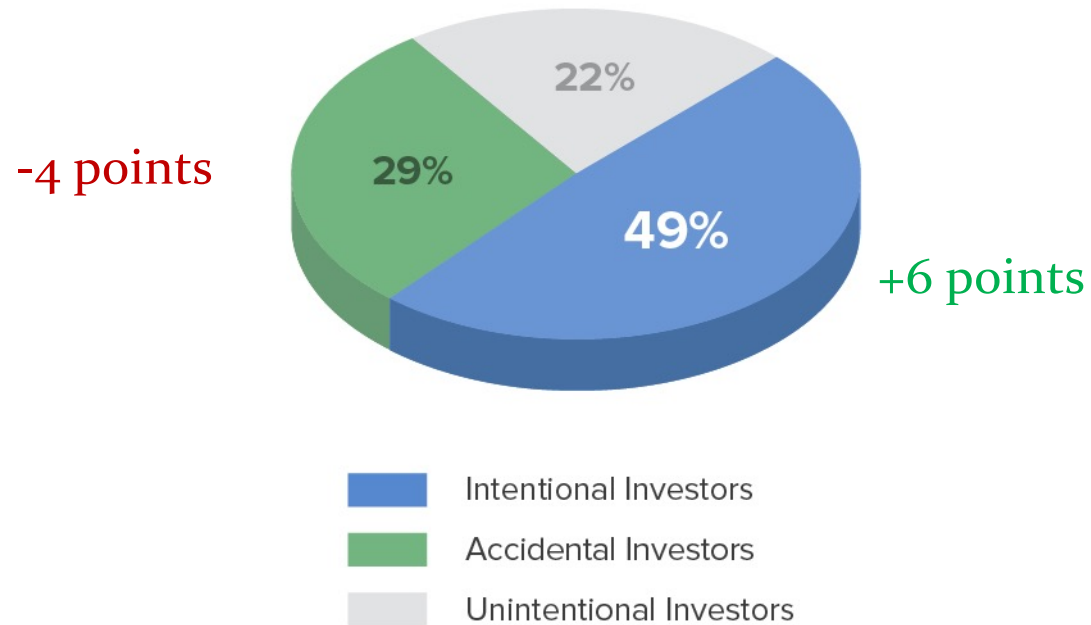
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3a. THE CHANGING OWNER LANDSCAPE

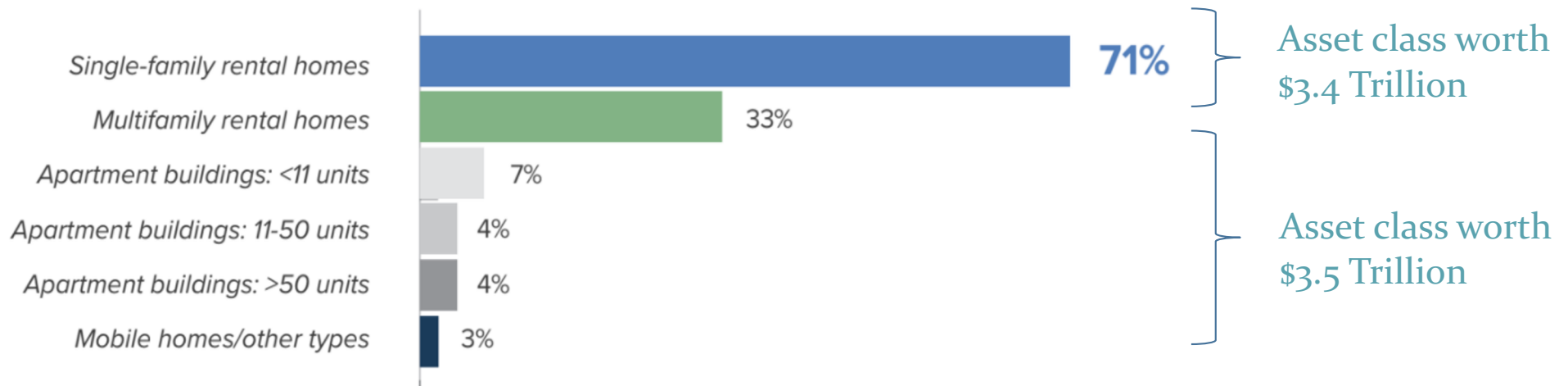
Today's property investors

The Types of Investors in Property Managers' Client Base in 2021



The property types in owners' portfolios

The Property Types in Rental Owners' Portfolios



WHY owners are hiring property managers

1. **61%** currently work with a property manager *(+6 points)*
2. **Distance** is the most common reason why clients hire a property manager, but less so than in the past *(-10 points)*
3. **Resident management** as a reason to hire *(+6 points)*
4. **Expertise** on regulations, accounting and profitability



HOW they choose their property manager

The Factors That Influence Rental Owners' Choice of a Property Manager

Local market expertise	65%	Regulatory expertise	44%
Reporting & transparency	51%	Technology	34%
Referrals & word-of-mouth reputation	47%	Financial expertise	22%
Online presence & reputation	44%	Investment expertise	15%



WHAT services owners are looking for

1. Reporting
2. Legal advice
3. Advice related to investing, purchasing, and analytics

The Services Rental Owners Want vs. Those That Property Managers Provide in 2021

	What Rental Owners Want	What Property Managers Provide
Rent/fee collection	83%	85%
Maintenance/repairs	75%	83%
Evictions	73%	65%
Leasing properties/marketing vacancies	70%	79%
Property inspections	66%	72%
Resident management/communications	63%	<i>No data</i>
Accounting/bookkeeping/taxes	44%	56%
Cleaning	42%	60%
Property analytics	25%	<i>No data</i>
Financial reporting/benchmarking	25%	47%
Legal advice	25%	10%
Outdoor services	23%	50%
Construction/renovation	23%	49%
Purchasing/selling/brokering property sales	14%	50%
Interior design/staging	7%	13%
Financial/investment advice	6%	22%
Insurance services	6%	14%





3b. THE CHANGING RENTER LANDSCAPE

Renter trends

- Changes in household composition
- Changes in the population mix
- The impact on the single-family rental space

Which Generations Our Renter Respondents Fall Into

Young adults 43%	Generation Z	14%	<i>Born in 1997 or later</i>
	Millennials	29%	<i>Born between 1981 and 1996</i>
Middle-aged adults — 26%	Generation X	26%	<i>Born between 1965 and 1980</i>
Older adults 31%	Baby Boomers	26%	<i>Born between 1946 and 1964</i>
	Silent Generation	5%	<i>Born in 1945 or earlier</i>

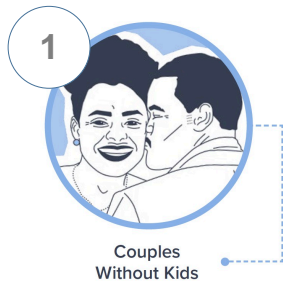
**Note: There are more middle-aged and older renters in our pool of respondents than in the U.S. population overall to ensure that the generational differences we discover are statistically significant.*



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Changes in household composition

THE 4 MOST COMMON TYPES OF RENTER HOUSEHOLDS



Couples Without Kids

Couples Without Kids represent **32%** of renters overall, and **35%** of renters in single family properties.

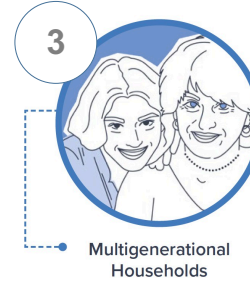
Most are young adults who don't yet have kids, or older adults whose kids have moved out



One-Person Households

One-Person Households represent **29%** of renters overall, and **19%** of renters in single family properties.

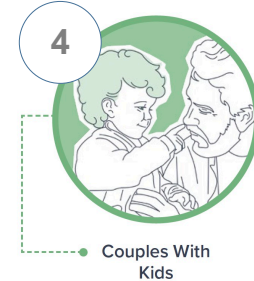
A majority are older adults



Multigenerational Households

Multigenerational Households represent **23%** of renters overall, and **30%** of renters in single family properties.

Most often, they're young adults living in their parents' household, or middle-aged adults with an older relative



Couples With Kids

Couples With Kids represent **14%** of renters overall, and **19%** of renters in single family properties.

Most are young and middle-aged adults, since they're more likely to have kids under the age of 18.



The impact on the single-family market

1. Number of renters in SFR is now 37% (+5 points),
2. Demand for SFR is from young and middle-aged renters who can't afford to buy
3. Increased preference for suburbs over downtown

“ People will permanently be home more often, so bigger and nicer places are in higher demand. [We're] doubling down on making homes nicer – upgrading to nice appliances, etc. (Los Angeles, CA) ”

“ One aspect [of the pandemic's effect on the rental market] is the 'work at home' movement, with more residents in the apartment building than before. Another is less desirability for apartment living vs. the suburbs, although I do think that the next generation of young people will come back to the cities for economic opportunity and social activities. (San Francisco, CA) ”





4. TECHNOLOGY TRENDS

Tech trends for property managers

1. **What's table stakes:** online payments, email/text communications, electronic applications and leasing, online maintenance tracking
2. **What's trending:** utility management/billing, virtual showings, property inspection tools, amenity booking tools, HOA voting tools
3. **Dedicated portals:** applicant, tenant and owner



Tech trends and customer service

“

The pandemic **opened us up to using virtual technology tools we likely would not have implemented.** These tools have created a lot of efficiencies and enabled us to hire virtual team members to perform tasks that previously could only be performed in person. (Washington, DC)

”

BUT ALSO:

“

[Things are] more remote, less in-person. But that causes a loss in personal connection and creates a **commodity mentality.** (Indianapolis, IN)

[The pandemic] has harmed our greatest amenity, which is **the customer interaction/service.** (Wichita, KS)

”



Tech trends for OWNERS

1. **1 in 3** say use of technology is a primary consideration when hiring a property manager
2. Interest in analytics, tenant screening, rental listings, applications, maintenance and tax prep remains high

The Top 10 Technologies Rental Owners Want in 2021

1	Payments
2	Lease signing/storage
3	Maintenance requests/tracking
4	Rental applications
5	Tenant screening
6	Rental listings
7	Communications
8	Financial reporting
9	Property accounting
10	Document storage/sharing



Tech trends for tenants

1. Online payments, email/text communications, and online maintenance
2. Email is the #1 preferred communication method
3. National listing sites are the primary way renters search for rentals

The Top 10 Technologies Renters Want

1	Online payments
2	Digital communications
3	Online maintenance requests
4	Utility setup & billing
5	Online rental listings
6	Electronic leasing
7	Smart home technology
8	Amenities portal
9	Self-guided showings
10	Virtual showings

- Popular among renters of all ages
- More popular among young and middle-aged renters
- More popular among younger renters



Tech trends for residents: payment methods

How Renters Currently Pay Rent vs. How They'd Prefer to Pay

	Current Method	Preferred Method
EBT/ACH	21%	25%
Debit card	11%	19%
Check	28%	15%
Electronic payment <i>Includes Venmo, PayPal & Zelle</i>	7%	14%
Cash	18%	12%
Credit card	6%	11%
Money order/cashier's check	9%	4%





Key Takeaways for 2022

5 Key takeaways

1. After an unpredictable, stressful year, **property managers are determined to grow their portfolios and their revenue in 2022** and beyond



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2. Though financial and legal concerns have motivated some rental owners to exit the market, **most investors still see tremendous potential for residential rentals**



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2. Though financial and legal concerns have motivated some rental owners to exit the market, most investors still see tremendous potential for residential rentals
3. Property managers' **clients increasingly value their expertise** on topics like local market conditions, regulatory changes, and real estate investing.



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3. Property managers' clients increasingly value their expertise on topics like local market conditions, regulatory changes, and real estate investing.
4. The popularity of single-family rentals puts smaller property management companies in direct competition with institutional investors and large firms; but their **ability to provide personalized customer service is their key differentiator.**



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5 Key takeaways

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2. Though financial and legal concerns have motivated some rental owners to exit the market, most investors still see tremendous potential for residential rentals
3. Property managers' clients increasingly value their expertise on topics like local market conditions, regulatory changes, and real estate investing.
4. The popularity of single-family rentals puts smaller property management companies in direct competition with institutional investors and large firms; but their ability to provide personalized customer service is their key differentiator.
5. **Technology has become a standard part of doing business in your operations**, resulting in increased efficiency for staff and vendors, and increased convenience for renters and owners.



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Final thoughts...

- The last few years have transformed this industry
- You are uniquely positioned to succeed
- Stay focused on providing personalized, expertise-based service



Thank you!



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Want more info?
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THANK YOU!