2022

NARPM® Financial Performance Guide

Presented by

NARPM™

Produced by

ProfitCoach

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About the Authors

The NARPM® Accounting Standards was authored by the industry finance professionals and researchers at ProfitCoach.

About ProfitCoach: ProfitCoach is devoted to helping property management entrepreneurs expand their personal freedoms of time, finances, and purpose, by building highly profitable, self-managing PM businesses. As authors of the NARPM® Accounting Standards and groundbreaking industry benchmarks, ProfitCoach takes a community-driven approach to financial performance, utilizing the most comprehensive PM dataset and industry-specific analysis to help PMs #BeatTheBenchmark. For more information about ProfitCoach, please visit: **www.PMProfitCoach.com**.

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Letter from the NARPM® President

Dear NARPM® Member,

NARPM® has always been committed to the betterment of our members by providing world-class resources and opportunities that speak to the unique needs of residential property management business owners.

In 2018, we made the decision to invest in producing the NARPM® Accounting Standards (NAS), with the belief that a standard approach to financial performance would help our members on an individual level, and raise the bar of performance in our industry as a whole. We've received resounding feedback from our members on the impactfulness of the NAS since that time, and have been happy to see the spreading industry adoption of these standards.

Knowing the impact of that initial release of the NAS, and the first-of-its-kind PM industry dataset they were built on, we couldn't be more thrilled to now provide our members with the updated and expanded data provided in the 2022 NARPM® Financial Benchmark Study.

The 2022 NARPM® Financial Benchmark Study, overviewed in the subsequent pages of this guidebook, provides an accessible and comprehensive standard for NARPM® members to objectively measure and dramatically improve their own performance, as well as to understand the trends and changes in our industry that have occurred since the initial release of the NAS.

As our industry continues to grow and evolve, having resources like the NAS and the NARPM® Benchmarks allows for a common understanding of financial performance as we seek to support a thriving and growing residential property management industry.

We hope the acuity of the 2022 NARPM® Financial Benchmark Study brings you immense value as we present these benchmarks to help raise the bar of financial performance in the property management industry.

Sincerely,
Liz Cleyman, MPM® RMP®
President, National Association of Residential Property Managers (NARPM®)

Letter from Study Authors

A lot has changed since the original benchmarking study in 2018.

What remains unchanged is the purpose of this study: To provide a definitive study of financial performance within the single-family residential property management industry. Getting essential insight into the hands of front-line operators has always been our north star.

The operators that make up this industry don't read financial statements for fun—in fact, many struggle to get any value whatsoever from those statements... because financial statements were never designed for entrepreneurs and the unique financial perspective they need.

To remedy this, our vision is to provide property management entrepreneurs with a community-driven approach to financial performance that connects finance:

- First, to the dynamics of day-to-day PM operations;
- Second, to the broader performance of the industry so that the best practices of top performers can be utilized by all.

Our vision is to enable every PM to win at the game of property management.

Why perform an update of the benchmark study?

We had three motivations driving the update:

1. Expand the scope and size of the study.
2. Understand the unique dynamics of the turbulent COVID era.
3. Measure the impact of both the previous study and the proliferation of the NARPM® Accounting Standards (which 114 of our 153 study contributors have adopted).

The final reason for the update was simply that we can. NARPM®'s ongoing funding of this research makes it possible for us to peer into realms that would otherwise be left to postulation and anecdote. We feel incredibly privileged to wrestle with a caliber of problem that has called forth the best of our energies and skills.

The results of the study speak for themselves. We identified a healthy confirmation of previously established bedrock principles, new macro-level shifts, and bleeding-edge zones of opportunity.

More than anything, this study has affirmed an incredibly optimistic outlook for the future of the independent residential property manager. It is, in our view, a uniquely appealing industry for the enterprising small business owners who are eager to maximize profit, growth, and durability.

We remain extremely bullish for the industry's future—in spite of headwinds from consolidation, regulation, and an impending economic downturn. *How many industries can say that?*

We want to express our profound gratitude in three particular directions:

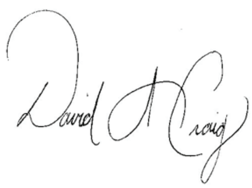
1. **NARPM® Leadership**—The entire board of directors and national staff, both past and present, whose vision and support made this work possible.
2. **Study Participants**—The 219 PMs who were willing to open their books and operations for the sake of furthering the collective knowledge of the industry.
3. **Benchmark Study Team**—The tireless benchmark study team at ProfitCoach: Gregory Cover, Alicia McClurg, Tori Larson, Christopher Hastings, and Tim Peters. Nearly everyone in the company played a part, but this team invested well over 2,000 hours in what must have felt like the span of 2 days. We are in your debt.

We look forward to the soon-to-be published report from the 2022 NARPM® Financial Benchmark Study, which will explore other new discoveries and correlations that didn't fit into this condensed guidebook. We're excited to share an even fuller picture with you!

Lastly, we welcome reader feedback and would love to hear your questions, suggestions and feedback on how we can improve this and future studies - please drop us a line at **nas@pmprofitcoach.com**.

Sincerely,

Daniel Craig,
CEO, ProfitCoach



David Craig,
CFO, ProfitCoach

Jordan Muela,
Founder, ProfitCoach

Study Methodology

The 2022 NARPM® Financial Benchmark Study kicked off in June of 2022 with a call for study participants. Participants filled out multiple questionnaires and provided their financial and PM unit data for aggregation and analysis.

Our goal from the start was to use first-party data obtained directly from the system of record. Operational data was pulled straight from property management software, and financial data was pulled directly from QuickBooks© or a similar platform.

Financial data was subjected to a four-level review process to determine compliance with the NARPM® Accounting Standards, identify accounting anomalies, and incorporate questionnaire responses to ensure that all numbers were reported in the correct categories. PM unit data was subjected to a battery of crosschecks to ensure the data was complete, relevant, and accurate to the major categories. At that point, the data was compiled, transformed, and aggregated for analysis.

Then the work of asking questions began. Over 200 charts were created as various trends and relationships were explored. Following the previous study, we again used Tableau® as our reporting software of choice to create the graphs and visualizations you see in this document. It's worth noting that in the process of creating a number of interesting graphs, we also created a significant number of uninteresting graphs—proving that having the data is useless unless you're able to figure out the right questions to ask of it.

By far the largest challenge was the sheer scale of the project. Going from about 50 contributors in 2018 to over 150 contributors in 2022 required many significant changes in the mechanics of the process and involved about three times as many people to create the finished product. And we are very excited to present to you, in this guidebook, the first glimpse into the new insights uncovered by the 2022 NARPM® Financial Benchmark Study!

Pay Scale Methodology

The single most significant contribution of the 2018 and 2022 benchmark studies might be clarifying profitability in the PM industry. Many companies have a distorted picture of profitability, usually caused by at least one of two factors: mixed business divisions, and the method of owner compensation.

When revenue and expenses from a maintenance or brokerage division are reported in the same buckets as the PM revenue and expenses, you have distortion. You can't be clear whether your PM business is sustainable or whether it's being funded by another division.

When some owners take a market-based W-2 salary from the business, and other owners take a token W-2 salary and the rest of their compensation in the form of distributions, you have distortion. The owner compensation isn't showing up on the income statement in the same way, and there's no meaningful way to compare profitability at that point.

Therefore, clarifying the way we calculate profitability was a top priority, both in the 2018 study and in the 2022 study. First, we ensured a clear division between PM activity and other divisions' activity in order to focus on the PM metrics. Then we normalized owner compensation by removing any actual owner W-2 compensation from each company's financials and replacing it with a market-based owner compensation pay scale developed as follows:

1. We surveyed study participants and asked them, “What salary would you have to pay to hire someone to replace you?”
2. We cross-referenced those responses with salary data pulled from the Economic Research Institute, and with an inflation-adjusted version of the 2018 pay scale.
3. From these sources, we developed the owner compensation pay scale shown below for our analysis for 2019, 2020, and 2021.

Note: *For companies with revenue coming from a separate maintenance division, we allocated part of the owner’s compensation to maintenance expenses using a revenue-based allocation method.*

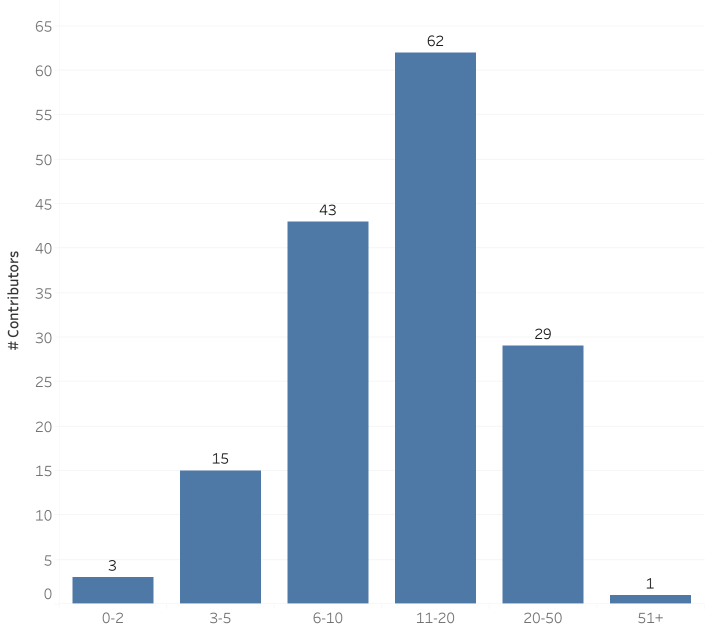
Company Revenue	2019 Pay Scale	2020 Pay Scale	2021 Pay Scale
$0	$63,000	$64,000	$65,000
$250,000	$75,000	$77,000	$78,000
$500,000	$86,000	$88,000	$89,000
$750,000	$96,000	$99,000	$100,000
$1,000,000	$106,000	$108,000	$110,000
$1,250,000	$115,000	$117,000	$119,000
$1,500,000	$123,000	$126,000	$128,000
$1,750,000	$132,000	$135,000	$137,000
$2,000,000	$139,000	$142,000	$144,000
$2,250,000	$145,000	$149,000	$151,000
$2,500,000	$152,000	$156,000	$158,000
$2,750,000	$159,000	$163,000	$165,000
$3,000,000	$164,000	$168,000	$170,000
$3,250,000	$168,000	$173,000	$175,000
$3,500,000	$173,000	$178,000	$180,000
$3,750,000	$177,000	$181,000	$184,000
$4,000,000	$181,000	$185,000	$188,000
$4,250,000	$185,000	$189,000	$192,000
$4,500,000	$188,000	$192,000	$195,000
$4,750,000	$190,000	$195,000	$197,500
$5,000,000	$192,000	$197,000	$200,000

Note: *This owner pay scale was only used for the purposes of this benchmarking study and was in part derived from this study.*

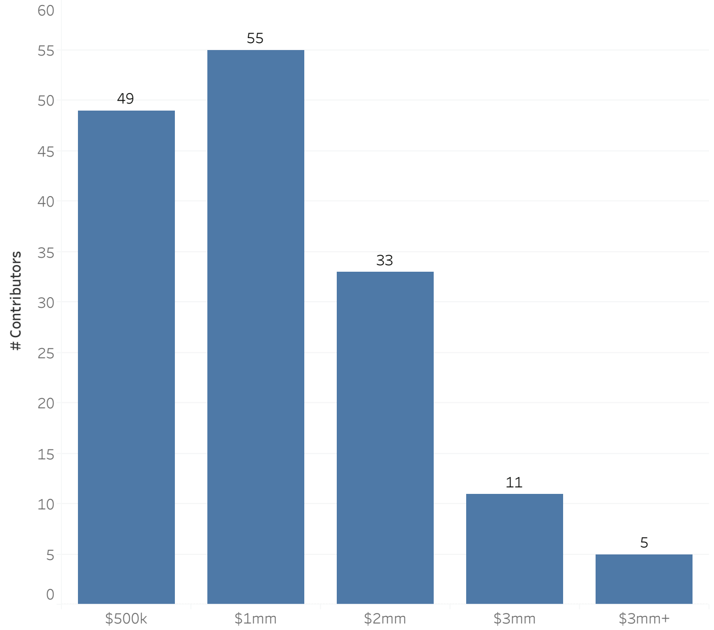
Participants

A total of 153 companies contributed to the 2022 NARPM® Financial Benchmark Study. This is roughly three times the number of contributors to the original 2018 study. More data equals more reliable results, so we were thrilled with the increased industry participation. Our sincere thanks to each PM who took the time to be a Study Contributor this year.

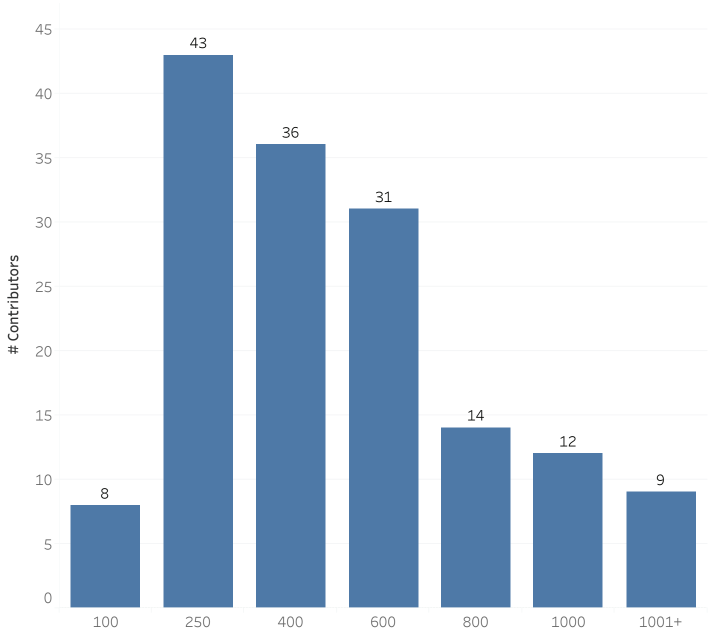
Years in Business



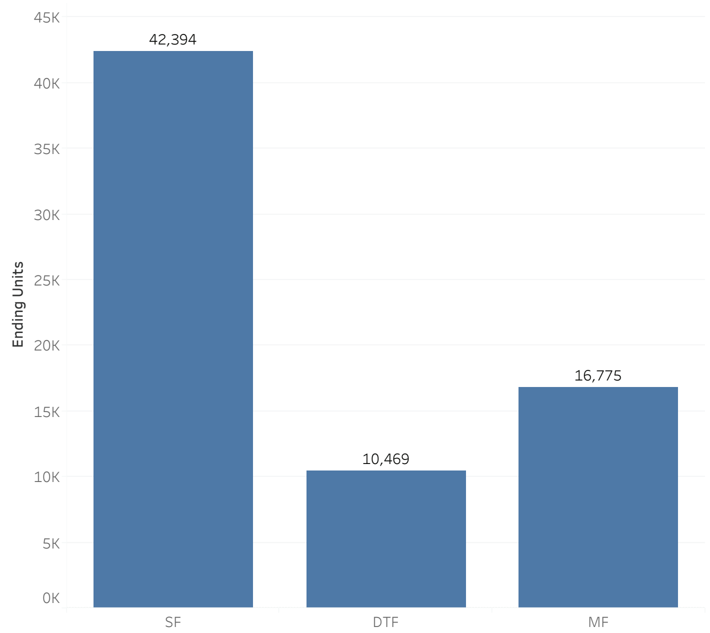
PM Revenue



Unit Count



Unit Type



The BIG Shift

Perhaps the most significant finding of this study is that benchmark profitability rose seven points between 2017 and 2021, compared with a five-point industry average increase.

	2017	2019	2020	2021
Average PM Profit %	6%	6%	8%	**11%**
Benchmark PM Profit % (Top 25%)	25%	25%	30%	**32%**

How can this shift be explained? After analyzing several hundred PM companies to date, we have consistently found the four metrics in the table below to be significant drivers of bottom-line performance. See how each of these four driver metrics have shifted for the top 25% of performers in each category:

The BIG Shift

	2017	2021	2017-2021 Variance
PM Profit %	25%	32%	7%
Labor Efficiency (TLER)	2.22	2.55	0.33
Revenue Per Unit	$238	$317	$79
Facilities/Other Operating Exp. % of Rev.	18%	17%	-1%
Churn	12%	10%	-2%

***Note**: Each of the values in the table above were defined by the top 25% of performers in each individual category, with two exceptions. First, Facilities/Other Operating Exp. % of Rev. is measured by the performance of the top 25% of most profitable companies. Second, the 2017 TLER value of 2.22 was also measured as the average TLER of the 25% of most profitable companies. In subsequent years, the TLER benchmark is measured by the top 25% of performers in TLER.*

6 Games That Drive PM Financial Performance

You have to know what game you're playing before you have a shot at winning. We've identified six "games" of PM financial performance, six areas of focus that always have a high impact on whether you're winning.

1. **Game of Profit**
2. **Game of Labor**
3. **Game of Pricing**
4. **Game of Growth**
5. **Game of Experience**
6. **Game of Expense Management**

The rest of this guidebook will be diving into each of these areas of focus. You'll get a clear picture of how the industry is doing overall in the game, where the winners are at, what the scoreboard is, and additional insights to help you improve your performance!

Important note: The 2022 NARPM® Financial Benchmark Study builds on the NARPM® Accounting Standards. Throughout this guidebook, we refer to metrics and GLs defined in the NAS, so if you're not sure what we're talking about, see the NARPM® Accounting Standards for details (found at **NARPM.org/education/narpm-accounting-standards**).

To really enter into the game of financial performance yourself, consider converting your books to the NARPM® Chart of Accounts. Then you can calculate your metrics and know where you score against the industry.

Game of Profit

PM Profitability (PM Profit %)

11%
2021 Average

32%
2021 Benchmark

Profitability gives a summary picture of the financial health of any company. Profit is the fuel that drives the entrepreneurial engine, the enabler of all the freedoms that motivate entrepreneurs to be in business for themselves: freedom of time, finance, relationships, and purpose.

That's why we consider profitability to be the most important measure of financial performance, so it's important to calculate it correctly. We focused on PM profitability (without maintenance or brokerage) and normalized the impact of owner compensation. (See "Pay Scale Methodology" on page 8 of this guidebook for a description of the process and the owner pay scales used.) The resulting profitability numbers can be used as an apples-to-apples comparison across the industry.

The following table compares the average "unadjusted" profitability of all companies, with the average after our owner compensation adjustment. In 2021, the average PM was overstating their profitability by five points due to their methods of recording owner compensation.

	2019	2020	2021
Unadjusted Average PM Profit %	12%	14%	16%
Adjusted Average PM Profit %	6%	8%	11%
Top 25% PM Profit % (Adjusted)	**25%**	**30%**	**32%**

Nothing about the inherent nature of property management requires low profit margins. In contrast to the average performers, the top 25% of companies averaged 32% profit margins in 2021.

The bottom line: Knowing where you really stand can make all the difference for whether you own a great business or a rewardless grind.

Profit Per Unit (PPU)

The NARPM® Accounting Standards formally adopted a "unit economics" approach to measuring PM financial performance. This approach breaks financials down into operational terms that are much easier to connect to the decisions PMs make every day.

A classic example is **PPU**. Knowing you made $206,546 in profit last year is useful—but it's far easier to act on unit-specific information, such as knowing your average profit **per unit** is $29 compared to the industry benchmark of $78.

$29
2021 Average

$78
2021 Benchmark

***Note**: The 2022 Financial Benchmark Study calculated PPU benchmarks by excluding companies whose occupied portfolio was composed of 20% or more in multi-family properties. Using this approach, the resulting numbers have a clear relevance to the single-family PM.*

The following table shows the trend in PPU for the average PM as well as the top 25% of most profitable companies.

	2019	2020	2021
PPU—Top 25% Profitability	$42	$56	$68
PPU—Average Profitability	$10	$15	$24

Should I focus on increasing doors, or increasing PPU?

Yes. Both approaches are valid, and both are needed. But, as the following chart illustrates, increasing PPU can provide a greater impact on your net profit than simply increasing the door count. These percentages were calculated from the companies with the highest net profit increase between 2020 and 2021.

Total Increase in PM Net Profit	100.0%
Percent due to unit growth	15.8%
Percent due to PPU improvement	80.9%
Percent due to non-residential and other factors	3.4%

Other Insights

How does growth impact profitability?
To answer this question, we compared profitability over the three study years between three groups of high-performing companies, as shown in the table below:

		2019	2020	2021
Top Performers	Drivers	25%	28%	25%
	Transformers	-11%	2%	13%
	Elite	23%	27%	35%
Other Performers		6%	4%	7%

- The **Drivers** group had the strongest performance in both profitability and net profit for all three years.
- The **Transformers** group made the strongest improvements in both profitability and net profit over those three years.
- And the **Elite** group is a subset of companies who met the criteria for both groups.

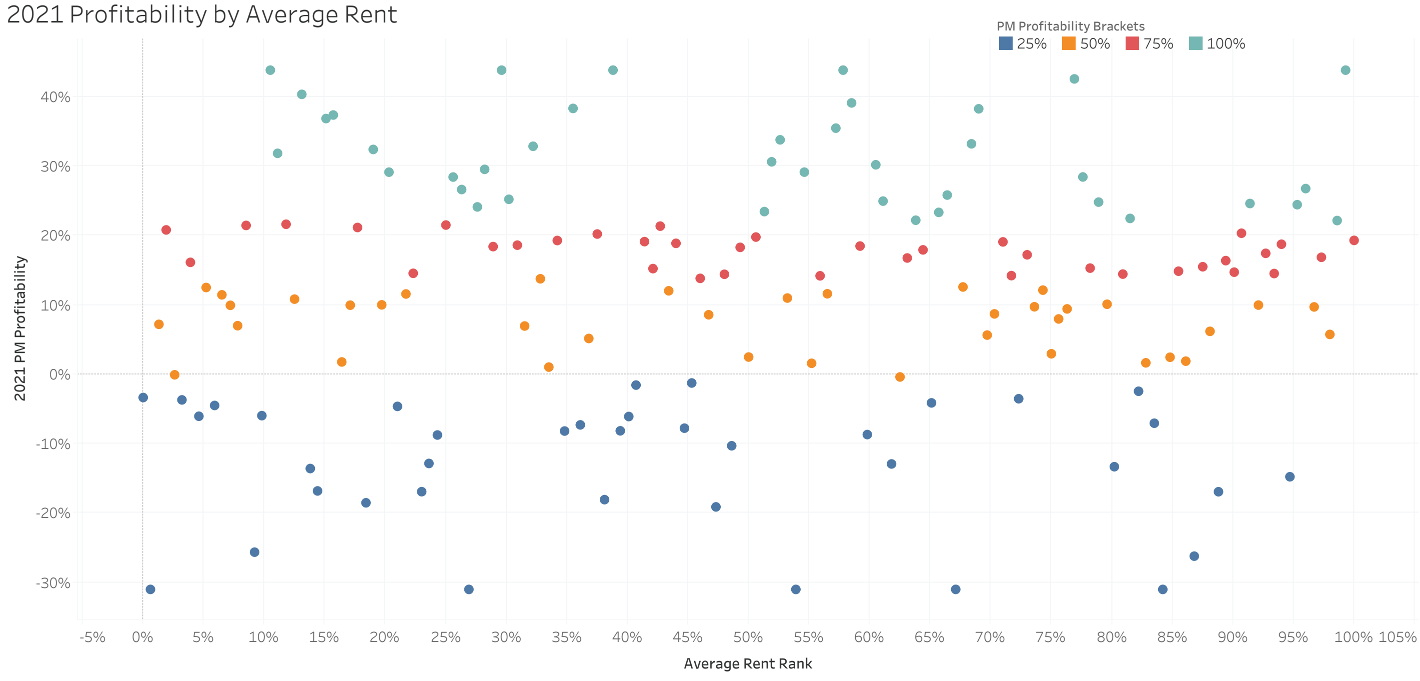
Did you catch that? These ~13 Elite companies were both at the top of their profitability game AND were at the top of the improvement game.

What this means for you: You don't HAVE to sacrifice current profitability in order to reach for the next level. It is possible to grow and be extremely profitable at the same time.

How does average rent impact profitability?
Some might wonder if all the top performers have some external advantage in common—for example, if they all managed in high-rent areas. Perhaps a low-rent area brings a profitability handicap. But the data doesn't support this theory.

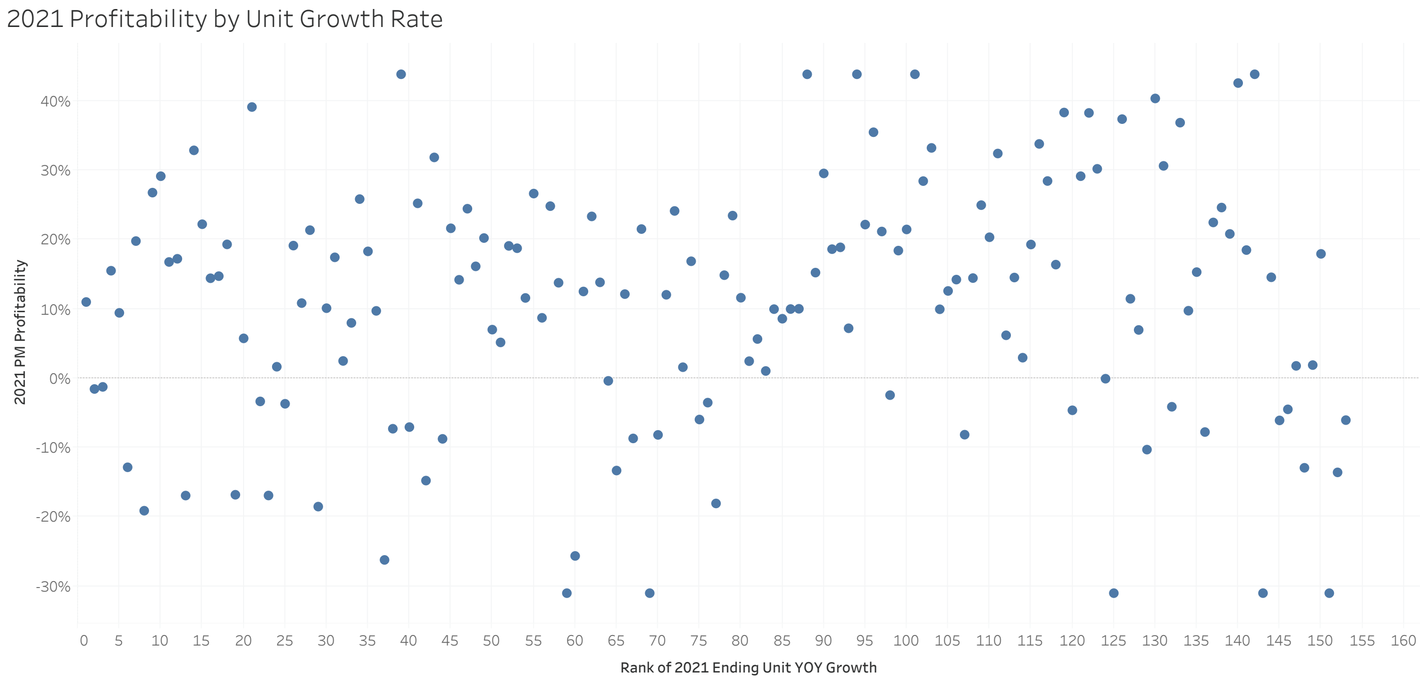
Check out the graph on the next page. We see no correlation between an increased average rent and an increased profitability. In fact, you'll see a good number of companies in the 100% profitability bracket that also fall on the low end of the average rent rank.

The takeaway: Profitability isn't determined by average rents.



How does growth rate impact profitability?

We looked at the fastest growing companies, and we saw no negative correlation between the rate of growth and its impact on profit.



How does size impact profitability?
We see highly profitable companies at almost every size, but in general, the following table indicates that there may be a sweet spot between **801-1000 units**.

Units	2019	2020	2021
0-100 Units	-12%	-20%	-1%
101-250 Units	1%	5%	4%
251-400 Units	12%	16%	11%
401-600 Units	10%	13%	18%
601-800 Units	15%	17%	12%
801-1000 Units	17%	22%	26%
1001-1500 Units	8%	6%	14%
1501+ Units	20%	15%	11%

Game of Labor

Total Labor Efficiency Ratio (TLER)

1.91
2021 Average

2.55
2021 Benchmark

TLER is simply the inverse of labor spend as a % of revenue (revenue/labor instead of labor/revenue). But viewed as a ratio, this metric focuses on driving revenue contribution (e.g. how much revenue did current labor produce).

TLER is calculated by dividing revenue by labor cost. See the Metrics guide in the NARPM® Accounting Standards for the calculations: **NARPM.org/education/narpm-accounting-standards**. A company with $4M in revenue and $2M in labor cost would have a TLER of 2.00. In other words, for every $1 in labor, the business receives a $2 return on that investment.

Labor efficiency can be further segmented by labor type—Direct Labor (team members who spend 50% or more of their time providing owner- or tenant-facing value), and Management Labor (people who spend more than 50% of their time managing direct labor or selling). In its various forms, TLER can help you analyze which roles, employees, and types of clients are driving the greatest amount of revenue at the lowest cost (or the opposite). The most significant form is the Direct Labor Efficiency Ratio (DLER)—which is so important that it gets its own section of this guidebook! See the next few pages for details.

Lastly, TLER is measuring **efficiency in cost** to revenue, instead of the number of people to units or people to revenue. This makes it flexible enough to account for any kind of labor (full time, part time, contractor, or virtual).

New to the 2022 Study: Comprehensive TLER with Payroll Taxes & Benefits

TLER is classically calculated based on gross wages. This is the most practical calculation since segmentation of payroll taxes and benefits can get a bit tricky. However, global team members are typically paid as contractors and don't have the same kind of overhead associated with them as US-based team members. As more companies utilize global team members, we think it's helpful to look at a Comprehensive TLER.

The following table shows all three labor efficiency metrics for the top 25% of most labor efficient companies (as measured by TLER).

Labor Efficiency Ratios

	2019	2020	2021
Profitability Benchmarks	**25%**	**30%**	**32%**
DLER	3.31	3.75	3.96
Comprehensive DLER	2.96	3.37	3.56
MLER	4.35	4.79	5.53
Comprehensive MLER	3.77	4.10	4.58
TLER	2.11	2.35	2.55
Comprehensive TLER	1.89	2.10	2.27

Note*: Each of the values in the table above were defined by the top 25% of most labor efficient companies as measured by TLER. This segmentation by TLER was also used to define the DLER and MLER benchmarks in this study. This is a change from the original benchmark study in which DLER and MLER benchmarks were defined by the top 25% of most profitable companies. We believe this revised approach provides a more direct correlation to top performance in the category of labor efficiency.*

How strong is the correlation between Total Labor Efficiency Ratio (TLER) and Profitability?
The correlation between TLER and Profitability is by far the most significant correlation this study has found.

2021 Profitability by Total Labor Efficiency Ratio

Direct Labor Efficiency Ratio (DLER)

2.90
2021 Average

3.96
2021 Benchmark

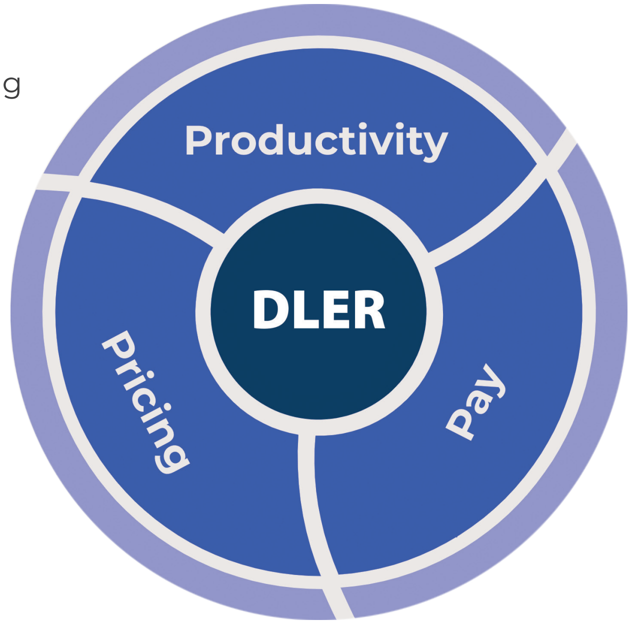
Why does DLER get its own section? Glad you asked! Yes, it is THAT significant. **DLER is the most important driver of profitability**.

There are only two ways to increase profitability in any business: charge more for what you do, or spend less to get the job done. DLER takes both aspects into consideration. It measures how many dollars of revenue you get for every dollar spent on Direct Labor.

The following table shows the trends of profitability and DLER between 2019 and 2021. In addition, we've included the "Comprehensive" version which includes payroll taxes and benefits expenses in the calculation.

	2019	2020	2021
PM Profit %	25%	30%	32%
DLER	3.444	3.446	3.691
Comprehensive DLER	3.089	3.122	3.312

So DLER drives profitability... but what drives DLER? Historically, we've defined the key levers for improving DLER as **Pricing**, **Productivity** and **Pay**. Each of these levers is covered later in this guidebook.



- Pricing will be covered in the **Game of Pricing**.
- Productivity will be covered in the next section as defined in part by a new benchmark (**Units Per Direct Team Member**).
- Pay will be covered in the last section of the Game of Labor as defined in part by a new benchmark (**Global Talent Utilization**).

Leasing Labor Efficiency NEW

2.81
2021 Average

3.45
2021 Benchmark

In the 2022 NARPM® Financial Benchmark Study, more than two-thirds of study contributors were converted to the NARPM® Accounting Standards. This opened up a range of exciting opportunities for significantly more granular analysis. A prime example was our new ability to look at the efficiency of specific PM functions, such as leasing.

The all-new **Leasing Labor Efficiency** metric (and benchmark) is the result.

Leasing Labor Efficiency is defined as:

$$\frac{\text{Leasing Income (GLs 4122 and 4250)}}{\text{Leasing Wages/Contractors (GLs 6312 and 6324)}}$$

The following table shows Leasing Labor Efficiency segmented by Total Labor Efficiency. The 25% column shows the average leasing labor efficiency of the least labor efficient companies, and the 100% column shows the average leasing labor efficiency of the top 25% of most labor efficient companies.

Historically, many PMs have paid out 50% or more of their leasing revenue in commissions to agents. Now, more progressive companies are leveraging technology and global team members to aid in the leasing process and spend much less on leasing.

Leasing Labor Efficiency (segmented by TLER)				
25%	50%	75%	100%	Average
2.36	2.81	2.68	3.45	2.81

Units Per Direct Team Member NEW

49
2021 Average

59
2021 Benchmark

Team productivity has been a major industry focus for the last several years. Much dialogue has centered around the best team structures, process definition, and workflow automation.

In a nutshell, we all want to know how the same individuals (or group of individuals) can manage more units effectively in the same amount of time.

That's why we're introducing a new benchmark to measure precisely that: **Units Per Direct Team Member**.

A few notes on the calculation of this benchmark:

- This benchmark is calculated using contributor-reported data for the number of direct labor team members on staff for each company. Our analysis indicates that the data provides a good basis for understanding productivity.
- The 2022 Benchmark Study calculated this benchmark by excluding companies where 20% or more of their occupied units were in multi-family properties. Using this approach, the resulting numbers have a clear relevance to the single-family PM.

The following table compares the average number of units under management per direct team member on staff, with the average TLER of the companies in that segment. The 100% column shows the results for the companies with the most efficient use of direct labor.

Note the difference between the top performers and the average of the other three brackets. Companies with the highest total labor efficiency average 42% more units per direct labor team member than companies with the lowest labor efficiency. For an average company with 300 doors and a $200 revenue per unit, going from 41 units to 59 units per direct team member would result in increasing revenue by $316,000/year **with no additional direct labor required**!

Units Per Direct Team Member, segmented by TLER

	25%	50%	75%	**100%**	Average
Units Per Direct Team Member	41.27	44.43	52.91	**58.55**	49.29

Global Talent Utilization NEW

With the rising costs of labor, PMs are looking for ways to decrease labor spend while maintaining a quality customer experience. Many PMs have turned to leveraging global talent as the solution, while others are skeptical about the degree to which off-shore team members can be utilized in PM operations.

32%
2021 Average

65%
2021 Benchmark

We asked three questions during our analysis:

- How much can global talent be utilized?
- How does this impact profitability?
- How does this impact customer experience?

How much can global talent be utilized?
Welcome to a new benchmark: **Global Talent Utilization**. The following table shows the average percentage of the workforce that is global. The 100% column is the average of the top 25% of companies with the highest global utilization.

Note: *We excluded companies that reported less than four total full-time team members, since percentages calculated on three or fewer would be disproportionately skewed.*

Global Talent Utilization Brackets (4+)					
	25%	50%	75%	**100%**	Average
Global Talent Utilization	2.62%	21.45%	39.56%	**65.42%**	32.16%
Average Occupied Units	500	457	525	**379**	465

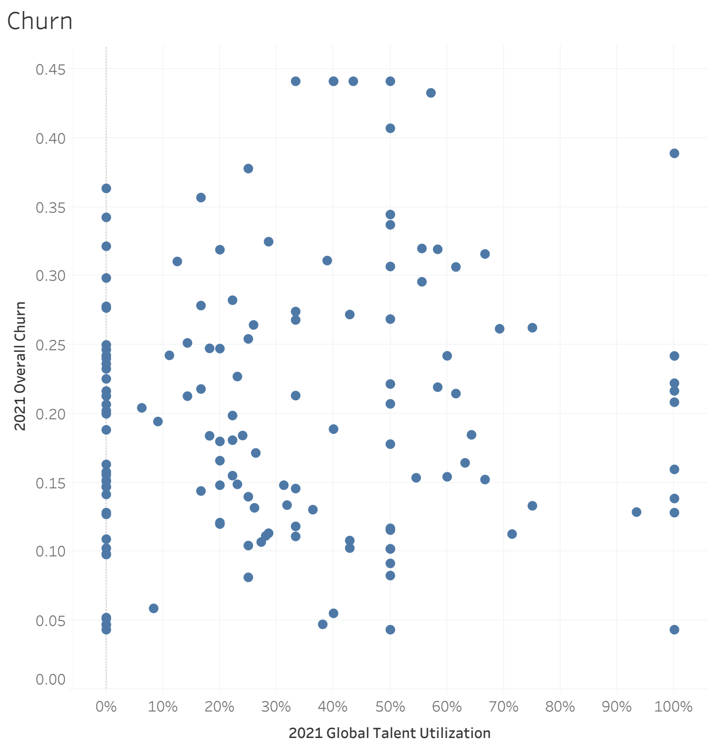
How does this impact profitability?

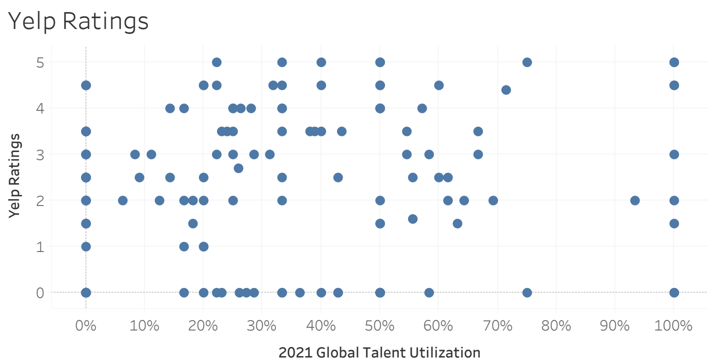
To answer this question, we looked at the average 2021 profitability for companies with no global team members, with one to two global team members, with three to five global team members, and with six or more. Average 2021 profitability increased from 9% (for companies without global talent) to 16% (for companies with 6+ global team members).

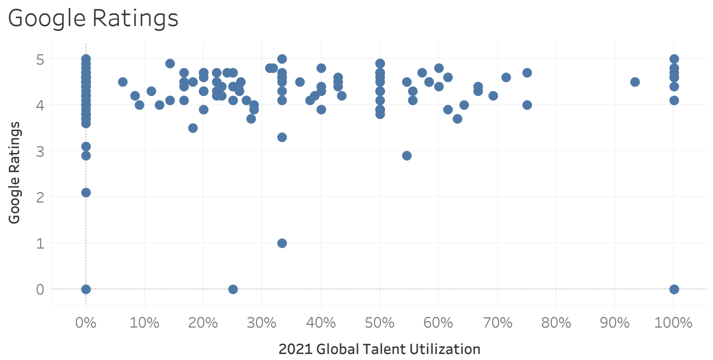
Team Members (Non-US Based)	2021 Avg Profitability
0	9%
1-2	10%
3-5	12%
6+	16%

How does this impact customer experience?

To answer this question, we looked at both the impact of global talent utilization on churn and Google/Yelp reviews. If you notice several places where the dots appear to stack up, these are places where multiple companies reported the same global talent utilization (most commonly 0%, 50%, or 100%). A tall stack indicates a wide disparity in that customer satisfaction metric among companies at that utilization level. We found no negative correlation between global talent utilization and any of these indicators of customer experience.







Game of Pricing

Revenue Per Unit (RPU)

$222
2021 Average

$317
2021 Benchmark

Our research indicates that pricing changes are one of the fastest and most effective ways to improve profitability. Why? Because not all revenue is created equal. Adding revenue from new doors can actually hurt your bottom line if the doors are unprofitable (because your pricing is off). On the other hand, adding revenue from doors already under management almost always has a very positive impact on bottom-line profit.

We measure this based on **RPU**, and it's worth noting that a **10% increase in RPU can easily lead to a 100% increase in profitability**.

We'll break down specific ways to improve RPU in subsequent sections, but the table below shows the top 25% of RPU performers compared to the average RPU between 2019 and 2021.

Revenue Per Unit

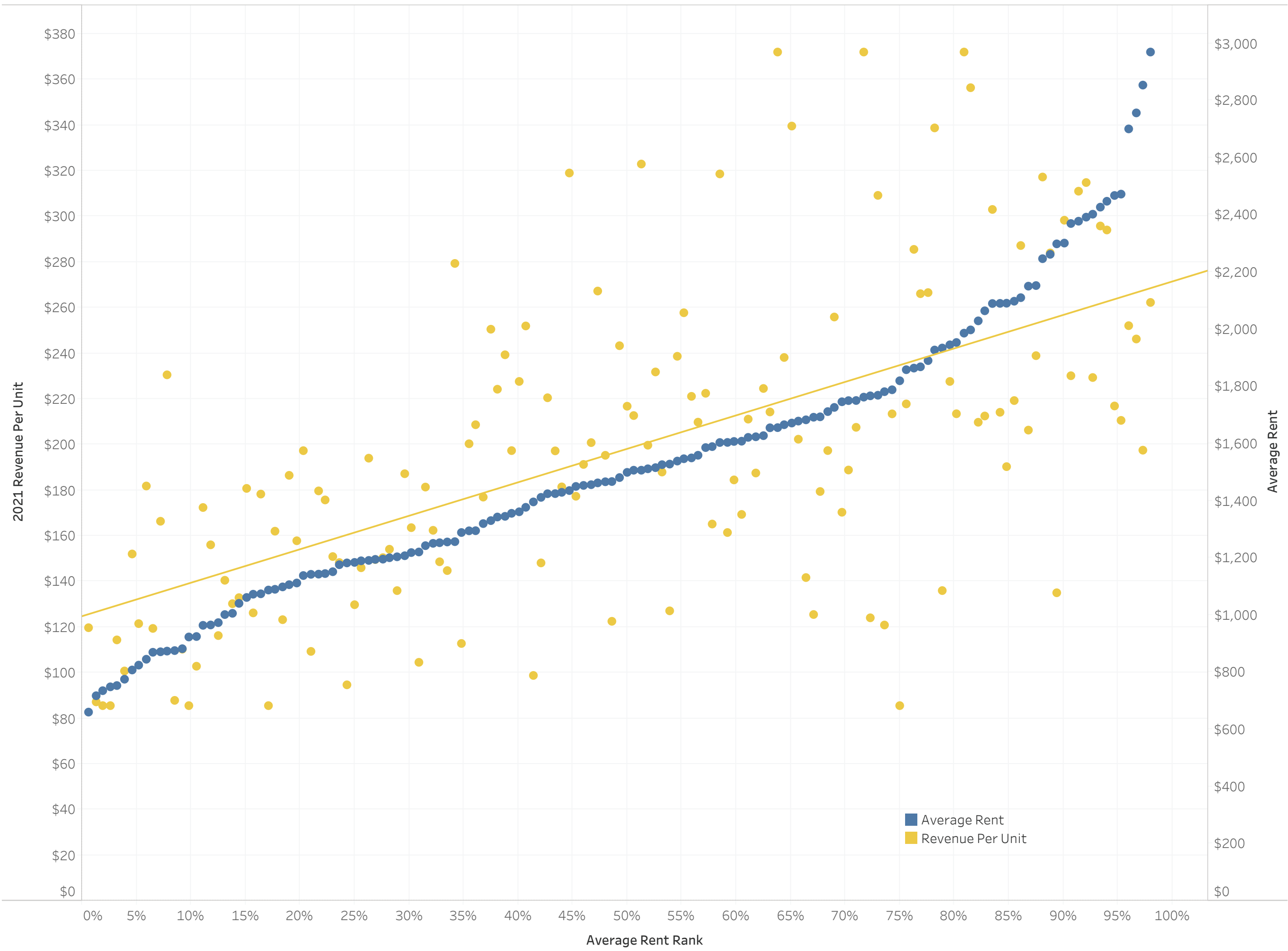
	2017	2019	2020	2021
	2017	2019	2020	2021
RPU - Top 25%	$238.00	$282.41	$293.79	$316.91
RPU - Average	$171.00	$188.85	$193.22	$206.98

***Note**: The 2022 Financial Benchmark Study calculated pricing benchmarks by excluding companies whose portfolio was composed of 20% or more multi-family properties. Using this approach, the resulting numbers have a clear relevance to the single-family PM.*

How much should your RPU be?

While it's helpful to look at the top 25% of performers in Profitability and DLER to answer this question, we must acknowledge that RPU is somewhat tied to average rent as indicated by the chart below.

2021 Revenue Per Unit vs Average Rent



As a result, we analyzed the data for a target number for "RPU as a % of Average Rent".

The following table shows the average range of "RPU as a % of Average Rent" that we found was charged within each rent segment. The 100% column shows the average of those who charged the highest (most "aggressive") RPU as a percentage of rent within their rent segment.

The data generally bears out the conclusion that where average rents are under $2,000, the most aggressively priced companies are charging roughly between 15-24% of average rent in total RPU. In areas where average rents are over $2,000, the most aggressively priced companies are charging between 10-13% of average rent in total RPU.

	RPU Aggressiveness Brackets			
Average Rent	**25%**	**50%**	**75%**	**100%**
$0-$1000	13.4%	16.3%	18.6%	24.0%
$1001-$1500	11.8%	13.7%	15.4%	18.4%
$1501-$2000	10.6%	12.7%	14.9%	18.9%
$2001-$2500	9.2%	10.5%	12.4%	13.7%
$2501+	7.6%	8.9%	10.1%	11.4%

Ancillary Revenue Per Unit NEW

$120
2021 Average

$142
2021 Benchmark

Our analysis clearly shows that a key driver of Revenue Per Unit is the overall ratio between revenue derived from base management fees versus revenue derived from other ancillary fees. An increased RPU correlates highly to an increased percentage of overall RPU derived specifically from ancillary sources.

As a result, we're introducing a new benchmark: **Ancillary Revenue Per Unit**. It's calculated as all GLs under 4120 and 4199, divided by occupied units.

Companies in the lowest bracket of RPU performance don't have a lower RPU simply due to lower rents. As indicated by the following table, they are not maximizing Ancillary Revenue Per Unit in the way that companies in the top bracket do.

	RPU Brackets				
	25%	50%	75%	100%	Average
Management Fees % of Rev	68%	65%	59%	55%	62%
Ancillary Fees % of Rev	32%	35%	41%	45%	38%
Grand Total	100%	100%	100%	100%	100%

The following table breaks Ancillary Revenue Per Unit into its constituent components. This is truly how the sausage is made, and we are extremely pleased to present this level of fee breakdown detail.

	RPU Brackets				
	25%	50%	75%	100%	Average
Management Fees / Unit	$96.43	$127.35	$137.80	$174.62	$137.09
Application Fees / Unit	$6.00	$6.53	$7.58	$9.92	$7.73
Leasing Fees / Unit	$10.52	$29.04	$35.89	$45.29	$28.81
Renewal Fees / Unit	$2.39	$7.06	$7.79	$16.07	$7.60
Other Owner Paid Fees / Unit	$2.91	$3.52	$8.37	$10.24	$5.93
Other Tenant Paid Fees / Unit	$16.56	$19.24	$28.43	$37.14	$25.19
Owner Maintenance Coordination Fees / Unit	$3.38	$2.46	$3.77	$8.24	$4.35
Vendor Maintenance Referral Income / Unit	$0.68	$0.75	$1.88	$4.28	$1.67
Other Fees / Unit	$3.28	$0.81	$1.09	$11.12	$3.75
Grand Total	$142.16	$196.77	$232.62	$316.91	$222.11

Other Tenant Paid Fees Per Unit NEW

$25
2021 Average

$37
2021 Benchmark

So you want a higher RPU, and now you know that the key is to increase your Ancillary RPU. Where to start?

Tenant paid fees per unit represents the second-largest category of ancillary revenue (after leasing fees). To highlight the importance of this category, we're introducing a new benchmark: **Other Tenant Paid Fees Per Unit**. It's calculated as all GLs under 4125 divided by occupied units, and includes all tenant paid fees except for application fees (thus the "other").

The following table shows some of the most significant tenant paid fees with the highest contributions to overall Other Tenant Paid Fees Per Unit. Once again, results are segmented by overall RPU performance—so pay attention to the 100% column to see the possibilities!

	RPU Brackets				
	25%	50%	75%	100%	Average
RPU Occupied	$142.16	$196.77	$232.62	$316.91	$222.11
Other Tenant Paid Fees / Unit	$16.56	$19.24	$28.43	$37.14	$25.19
Tenant Late Fee / Unit	$4.11	$3.35	$4.72	$3.23	$4.24
Tenant Lease Initiation Fee / Unit	$0.16	$0.98	$3.42	$2.38	$1.58
Tenant Renewal Fee / Unit	$0.14	$0.31	$0.95	$0.76	$0.51
Pet Rent / Unit	$2.45	$3.64	$5.00	$8.68	$4.69
Resident Benefit Package / Unit	$5.81	$5.80	$4.95	$7.92	$6.49
Security Deposit Waiver Program / Unit	$0.00	$0.00	$0.00	$0.95	$0.18
NSF Fee / Unit	$0.28	$0.30	$0.54	$0.29	$0.38
Relisting Fee / Unit	$0.31	$0.87	$1.23	$0.70	$0.78

Note: *Relisting Fees refers to tenant paid fees such as Reletting Fees, Re-Leasing Fees, Lease-Break Fees, Lease Termination Fees, etc.*

Other Insights

Fee Structure and Fee Adoption Rates

The following table provides an overview of fee structure and fee adoption rates segmented by Revenue Per Unit buckets (companies with the highest RPU are in the 100% column).

Revenue Per Unit Brackets	25%	50%	75%	100%
Fee Structure				
% mgmt. fee	85%	90%	85%	86%
Flat rate mgmt. fee	25%	15%	20%	14%
Tiered structure	30%	20%	40%	57%
Management Fee Collection				
Collect on non-occupied properties under mgmt.	25%	10%	30%	33%
Collect regardless of rent collected	45%	15%	30%	24%
Standard Fees				
Application fees	100%	95%	95%	100%
Leasing fees	90%	100%	100%	95%
Owner renewal fees	60%	95%	95%	81%
Other Owner Paid Fees				
Annual/semiannual owner admin/accounting fee	5%	40%	40%	43%
Annual/semiannual property inspection fee	20%	45%	50%	38%
Owner protection program	25%	45%	50%	52%
Other Tenant Paid Fees				
Charge (and keep) pet rent	60%	55%	75%	67%
Keep tenant late fees	90%	100%	95%	90%
Resident Benefits Package	75%	70%	70%	57%
Security deposit waiver	25%	15%	30%	24%
Tenant lease initiation fee	30%	70%	75%	48%
Tenant renewal fee	25%	35%	80%	43%

***Note**: The above results were sourced from contributors through a survey. We did note that the "% mgmt. Fee" and "Flat rate mgmt. Fee" options didn't always add up to 100%. That may be due to the fact that some companies have multiple pricing structures.*

Game of Growth

Unit Acquisition Cost (UAC) NEW

$1,666
2021 Average

$769
2021 Benchmark

Managing and optimizing the growth of a PM company is one of the most difficult tasks for any entrepreneur. It's difficult, in part, because spending more money doesn't always result in adding significantly more doors. We've visualized this in the "Other Growth Insights" section below.

UAC is the best way to measure the overall financial and operational efficiency of your growth machine. Any efficiencies gained on cost per lead, conversion rates, and sales/marketing labor spend will result in a lower UAC. See the Metrics guide in the NARPM® Accounting Standards for the calculations: **NARPM.org/education/narpm-accounting-standards**.

Note: *The 2022 Financial Benchmark Study calculated all UAC benchmarks by excluding companies where 20% or more of their new units were in multi-family properties. Using this approach, the resulting numbers have a clear relevance to the single-family PM.*

The following table shows six versions of UAC segmented by organic unit growth. We've used the average spend of the top 25% of highest-growth companies to establish the first UAC benchmark for PM.

	Organic Units Added Bracket				
	25%	50%	75%	100%	Average
UAC 1 (All)	$2,990.90	$1,848.62	$1,053.17	$769.41	$1,665.53
UAC 2 (New Only Adv. only)	$769.58	$499.79	$328.93	$181.16	$444.86
UAC 3 (PM Sales Labor only)	$184.61	$484.73	$196.69	$178.92	$261.24
UAC 4 (PM Marketing Labor only)	$34.76	$96.11	$35.27	$56.90	$55.76
UAC 5 (PM Sales Labor and New Owner Adv.)	$954.19	$984.53	$525.62	$360.08	$706.10
UAC 6 (PM Marketing Labor and New Owner Adv.)	$804.34	$595.90	$364.20	$238.06	$500.62

Is a lower UAC always better?
Here's the trick. UAC is one important case where less cost is not always better. To demonstrate this, we've segmented six versions of UAC by the average number of units added per month in the table below.

Notice that companies adding 21-30 units per month spent a bit more on UAC than companies adding 11-20 units per month. However, they spent less than companies adding 6-10 units per month and a LOT less than companies adding 1-5 units per month.

	2021 Organic Units Added			
	1-5 / mo	6-10 / mo	11-20 / mo	21-30 / mo
UAC 1 (All)	$2,602	$1,115	$745	$993
UAC 2 (New Only Adv. only)	$688	$325	$148	$330
UAC 3 (PM Sales Labor only)	$334	$239	$144	$365
UAC 4 (PM Marketing Labor only)	$58	$54	$34	$164
UAC 5 (PM Sales Labor and New Owner Adv.)	$1,022	$563	$292	$695
UAC 6 (PM Marketing Labor and New Owner Adv.)	$746	$379	$182	$494

How much is too much?
Fundamentally, UAC should never exceed the total Lifetime Profit of a unit (before UAC is subtracted). We call this ULTP b/f UAC. Ideally, however, your ULTP b/f UAC will be multiple times your total spend on UAC. **The following table shows this ULTP b/f UAC:UAC ratio based on overall growth and profitability**. The bottom right cell represents the results of the fastest growing, most profitable companies.

	PM Profitability Brackets (Conv)			
Organic Units Added Segmentation %	25%	50%	75%	100%
25%	0.55	1.39	2.17	—
50%	0.78	1.45	3.08	7.17
75%	0.69	4.34	3.05	9.76
100%	1.24	4.66	9.16	9.11

Unit Lifetime Revenue (ULTR)

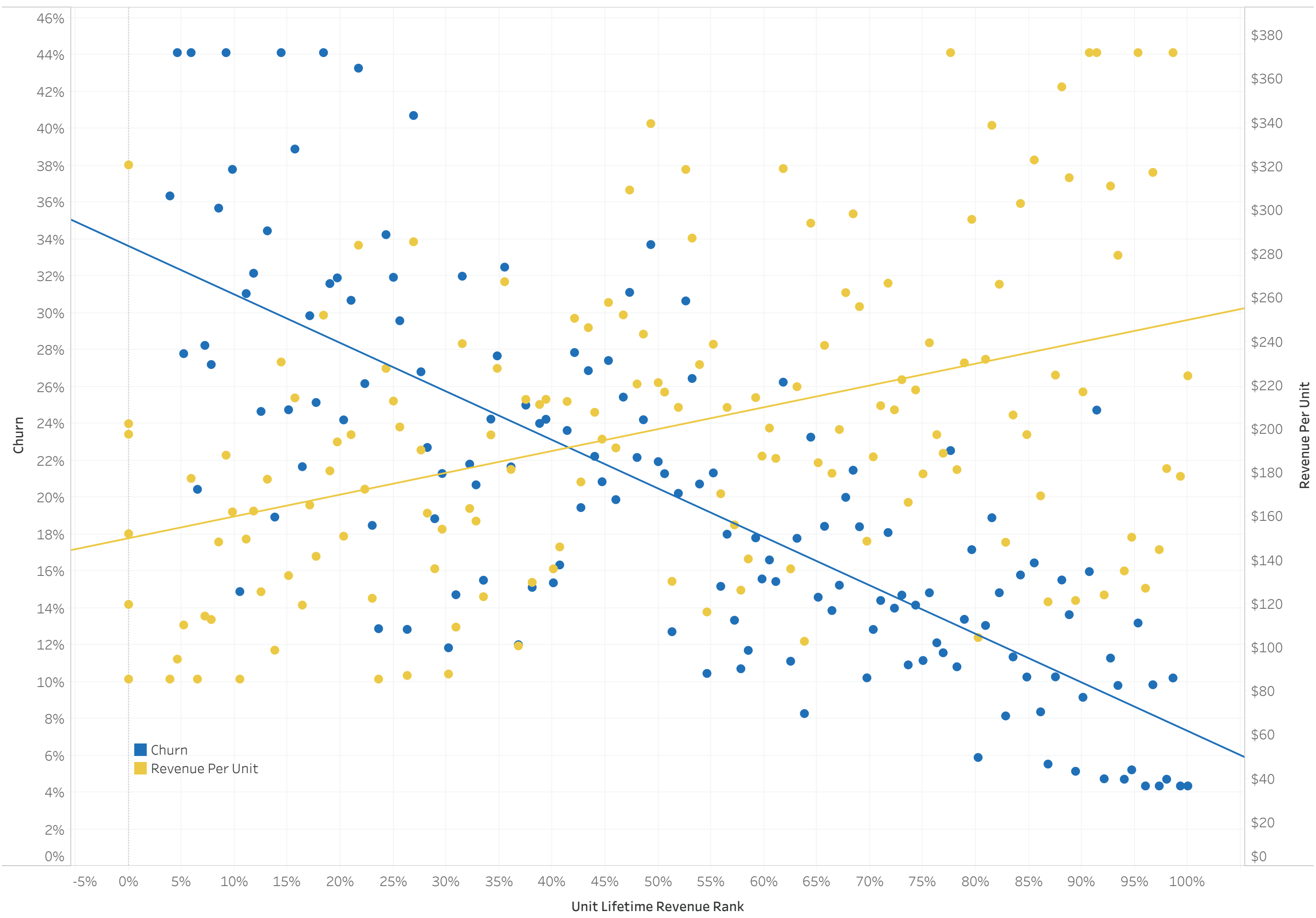
$16,128
2021 Average

$30,190
2021 Benchmark

One of the most important ways to increase Unit Lifetime Profit is by maximizing **ULTR**. In much the same way as Revenue Per Unit is a key driver of Profit Per Unit, ULTR is a critical driver to Unit Lifetime Profit.

There are several key drivers to ULTR: Pricing, and Retention. We've already looked at pricing in detail, and we'll look at retention in the next section. However, the chart below provides a nice overview of the relationship between ULTR, RPU, and Churn.

2021 Impact of Churn and Revenue Per Unit on Unit Lifetime Revenue



The values on the chart are ranked left to right by increasing ULTR. The data shows a trend of RPU increasing and Churn decreasing with increasing ULTR. In other words, focusing on your RPU and churn metrics (through well-managed pricing and customer experience) will result in a healthy ULTR.

***Note**: The 2022 Financial Benchmark Study calculated lifetime benchmarks by excluding companies whose portfolios were composed of 20% or more multi-family properties. Using this approach, the resulting numbers have a clear relevance to the single-family PM.*

Summary of Lifetime Metrics

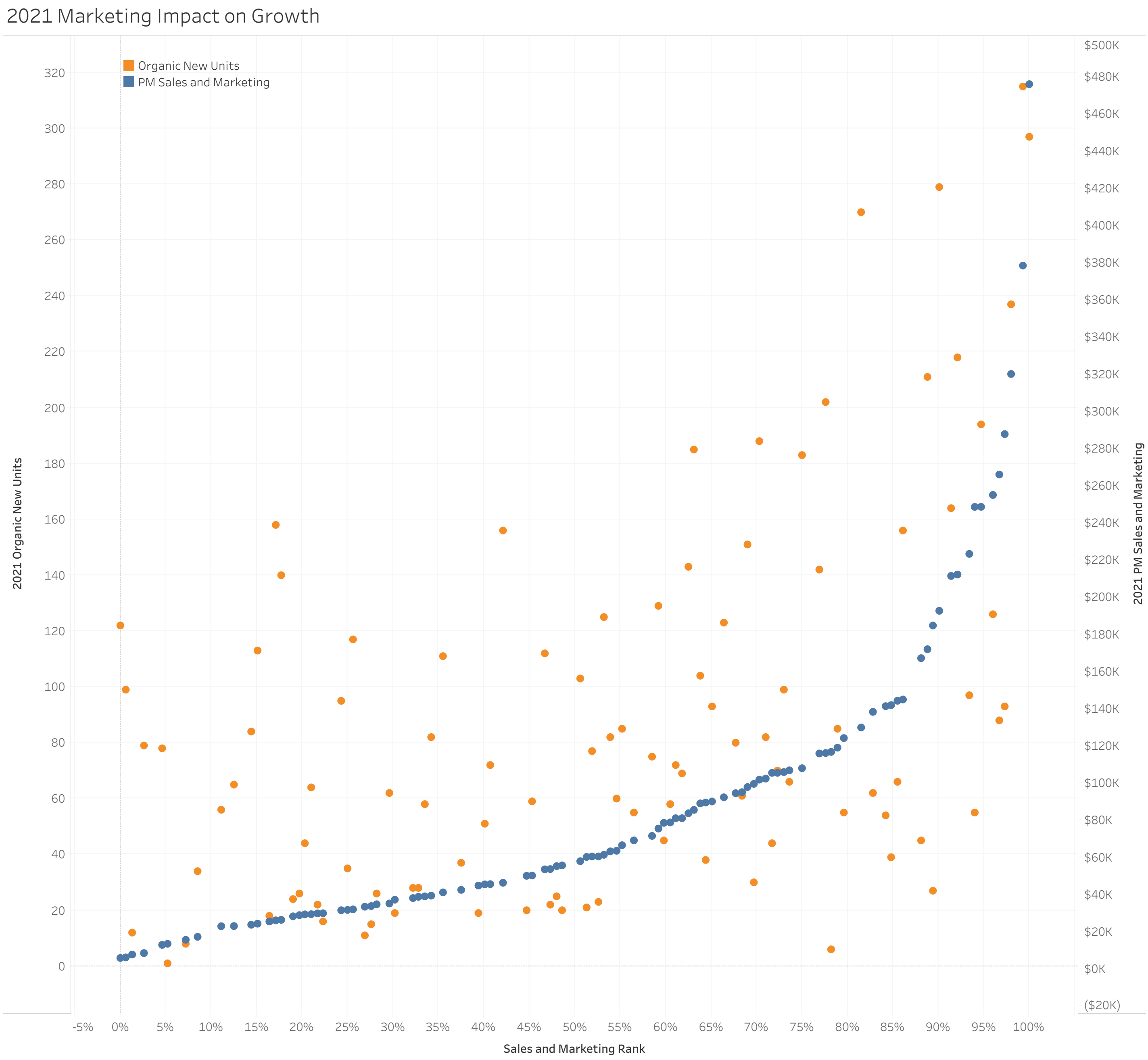
Each metric is segmented on an individual basis with top performers for each metric listed in the 100% column.

	25%	50%	75%	100%
Unit Lifetime Revenue	$6,474	$11,530	$16,318	$30,190
Unit Lifetime Profit	-$1,990	$1,049	$2,461	$6,088
Unit Lifetime Profit b/f UAC	-$2,039	$2,009	$3,755	$8,599
Unit Churn	31.90%	21.24%	15.24%	9.57%

Other Insights

Sales and Marketing Impact on Growth

As indicated above, spending more money on growth doesn't always result in adding significantly more doors. Companies with orange dots in the bottom right of the chart below spent significantly more on growth, but added significantly less doors than companies with orange dots on the top left. On the other hand, this chart does demonstrate a positive correlation between total growth and spend and new units.



Game of Experience

19.5%
2021 Average

9.6%
2021 Benchmark

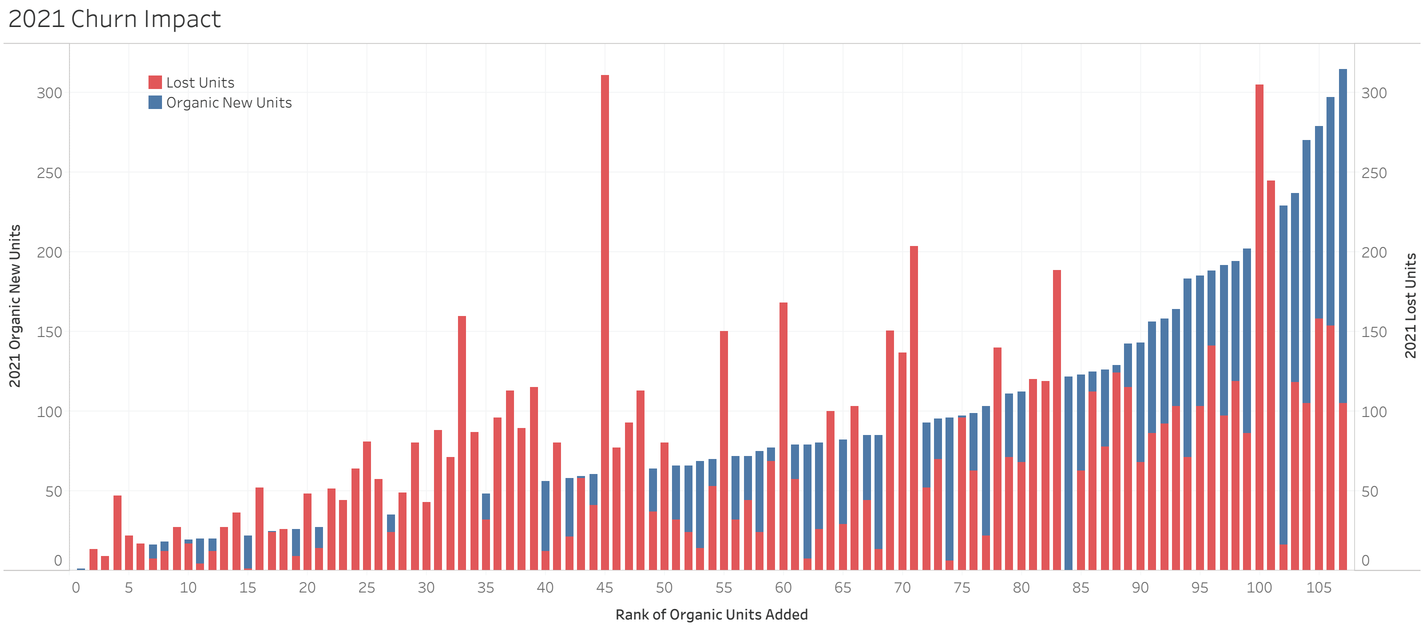
Churn

Churn is a standard factor of any business analysis. You may never reach 0% (and you may not want to!). But you still shouldn't settle for your current churn rate. You could be negating the effect of your sales efforts if you lose as much business each month as you bring in. (See the bar chart below.)

Cutting your churn rate in half will double your average lifetime revenue per unit. So how can churn be reduced? Some churn is driven by the real estate sales market, and you may not have much control there (although you still may be able to gain some leverage in helping to broker a real estate transaction!).

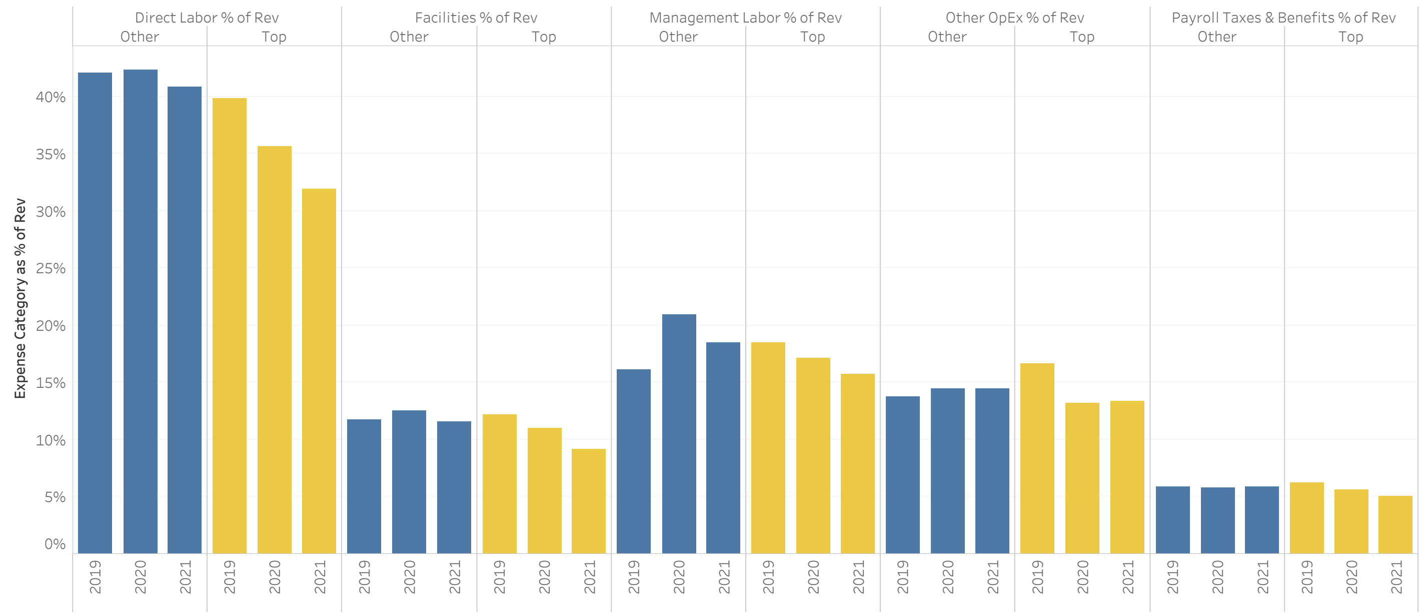
But this is also a customer satisfaction metric. Ask questions. Why are customers leaving? Are there areas of your customer experience that are low-hanging fruit for improvement? It may be worth a close look. Recruiting a new client is always more expensive than retaining a current client—a truism to be sure, but don't let its familiarity blind you to its wisdom.

***Note**: The 2022 Financial Benchmark Study calculated churn benchmarks by excluding companies whose occupied portfolios were composed of 20% or more in multi-family properties. Using this approach, the resulting numbers have a clear relevance to the single-family PM.*



Game of Expense Management

Proper expense management is a powerful lever in maintaining and increasing your profitability. Top performers had a consistent track record of decreasing their expenses as a percentage of revenue across the three years of the study.



Expenses as a % of Revenue—Summary

The table below shows how expenses as a % of revenue are managed for the most profitable companies (the 100% column). These benchmarks demonstrate a workable proportion of expenses in order to achieve your profitability goal.

	Profitability Brackets PM				
	25%	50%	75%	100%	Average
PM Profit %	-13.01%	7.44%	17.66%	31.76%	10.96%
Facilities % of Rev	15.70%	9.54%	9.36%	7.43%	10.51%
Marketing % of Rev	5.21%	3.06%	2.79%	1.89%	3.24%
Direct Labor % of Rev	45.05%	42.81%	36.40%	29.38%	38.41%
Management Labor % of Rev	23.42%	15.10%	16.46%	13.73%	17.18%
Payroll Taxes & Benefits % of Rev	5.64%	5.87%	5.58%	4.81%	5.48%
Other OpEx % of Rev	18.29%	14.60%	11.15%	9.89%	13.48%

Expenses as a % of Revenue—Detailed

If you're wondering where exactly you could trim some expenses, check out the categories below. With a majority of study participants on the NARPM® Accounting Standards, the analysis was able to go to the next level of granularity and identify individual subcategories of expenses that are useful to track.

Expense Category	25%	50%	75%	100%	Average
PM Profit %	-13.01%	7.44%	17.66%	31.76%	10.96%
Facilities % of Rev	15.70%	9.50%	9.40%	7.40%	10.50%
Auto as % of Rev	1.90%	1.00%	0.80%	1.00%	1.20%
Office Rent/Lease as % of Rev	4.10%	2.90%	3.40%	2.00%	3.10%
Technology as % of Rev	5.40%	3.40%	3.20%	2.70%	3.70%
Software as % of Rev	5.00%	2.80%	3.00%	2.50%	3.30%
Phone as % of Rev	1.50%	1.00%	0.70%	0.80%	1.00%
Marketing % of Rev	5.20%	3.10%	2.80%	1.90%	3.20%
Internet Lead Generation as % of Rev	1.20%	0.80%	0.60%	0.50%	0.80%
Direct Labor % of Rev	45.10%	42.80%	36.40%	29.40%	38.40%
Management Labor % of Rev	23.40%	15.10%	16.50%	13.70%	17.20%
Sales Labor % of Rev	1.70%	0.90%	1.90%	1.60%	1.50%
Marketing Labor % of Rev	0.20%	0.40%	0.30%	0.40%	0.30%
Sales & Marketing Labor % of Rev	10.40%	6.30%	6.90%	6.40%	7.50%
Total Labor % of Rev	68.50%	57.90%	52.90%	43.10%	55.60%
Payroll Taxes & Benefits % of Rev	5.60%	5.90%	5.60%	4.80%	5.50%
Employee Insurance as % of Rev	1.60%	1.50%	1.70%	1.20%	1.50%
Payroll Taxes % of Rev	3.60%	3.50%	3.20%	2.80%	3.30%
Retirement as % of Rev	0.30%	0.30%	0.40%	0.50%	0.40%
Other OpEx % of Rev	18.30%	14.60%	11.10%	9.90%	13.50%
Insurance (excluding Auto) as % of Rev	1.50%	1.30%	1.10%	0.80%	1.20%
Office Supplies & Expenses as % of Rev	1.10%	0.80%	0.70%	0.80%	0.80%
Coaching/Consulting as % of Rev	1.90%	1.30%	1.10%	0.80%	1.30%
Education & Training as % of Rev	0.80%	0.50%	0.40%	0.30%	0.50%
Employee Recruiting as % of Rev	0.40%	0.30%	0.20%	0.10%	0.30%
Payroll Processing Fees as % of Rev	0.40%	0.20%	0.20%	0.20%	0.20%
Professional Fees & Services as % of Rev	5.30%	3.10%	2.60%	1.90%	3.20%
Legal Services as % of Rev	0.90%	0.40%	0.40%	0.20%	0.50%
IT Services as % of Rev	1.00%	0.20%	0.50%	0.30%	0.50%
Royalty & Franchise Fees as % of Rev	0.70%	0.40%	0.40%	0.20%	0.50%
Meals & Entertainment as % of Rev	0.70%	0.80%	0.30%	0.50%	0.60%
Travel as % of Rev	0.60%	0.60%	0.30%	0.40%	0.50%
Vacancy Advertising as % of Rev	1.10%	0.90%	0.80%	0.60%	0.90%

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