

The Future: Where will your business be positioned in 2020 and beyond

A presentation by REAL Trends to NARPM[®]

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The Future

- Some are not the most obvious issues
 - Driverless, autonomous cars
 - Medical advances extend life spans by 15-20 years
 - Securitization of the equity in residential property

Some are more obvious

- Household formations running at 1.4 – 1.5 million per year through 2025 (Joint Center for Housing Studies at Harvard)
- Home construction, single and multi-family running at 1.2-1.3 million per year currently

More obvious issues

- 22-24 million of 1-4 family homes owned by investors as of 2017
- 10.8 million individuals own 1-2 single family residential (SFR) units
- Institutions make up less than 4% ownership of this asset class

More obvious issues

- Homeownership rates now stabilizing and expected to remain so through 2020 at 63.5-63.8%
- Multi-family construction still too targeted at medium to high end families – shortage at entry levels remains critical

What about Residential Property Management?

- The market for residential property management services has and will continue to expand
- The fragmentation has invited capital to aggregate such businesses across the board

What about Residential Property Management?

- As in other areas of residential real estate services, public and private capital is seeking mergers and acquisitions to grow scale in what remains a highly fragmented business

Factors

- In 2017 Iceberg Study, 46% of investors use a third party property management firm. This percentage does increase when portfolios rise above 20 owned units
- And many investors above 20 units have their own in-house property management services group – they don't, in fact, do it “themselves”

Factors

- The three largest sources of new property management clients are a) internet marketing, b) real estate agents and c) friends and family
- This mirrors results, to some extent, from residential brokerage

Technology

- Other than consolidation in the business, technology will play an outsized role in building, growing and maintaining leading property management firms

Technology

- Predictive analytics
- Large scale data and artificial intelligence
- Online marketing systems
- Management delivery services

Predictive analytics

- How can we better find out who owns what and how are they managing?
- How can we find prospective tenants and qualify them more easily?

Large scale data and AI

- What are the patterns in ownership, in specific neighborhoods (for instance) and how can we build our reach to those owners?
- Which families are more likely to a) want an SFR or b) convert their own home to SFR?

Online marketing

- Rental portals have grown in their reach and scale – how do we make use of this?
- How do we effectively market our services online effectively, finding owners and tenants?
- (Zillow versus Castle Rock Market place versus Next Door – a true case study)

Delivering service

- Is your back office a spreadsheet?
- Do you have a CRM?
- Where do you stand on automated marketing?
 - You get the point

Short summary

- While demographic factors favor the growth of residential property management, firms will have to choose between being a small niche oriented brokerage or a larger one with significant capital and technology supporting the operation

Short Summary

- The demand for housing of all kinds is growing faster than the supply
- Prices of SFR are going up faster than household incomes
- The economics of the residential property management business are getting more demanding and will continue to do so

Driverless cars and extended life spans

- What are people going to do with an extra \$700-\$800 billion dollars? How will it affect housing choices, locations, etc.?
- What will senior housing look like when tens of thousands of households have their life spans extended from average 78-82 to 94-100?