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Convention &
Trade Show




The State of the Property Management Industry Report
Presented by: Gail Phillips and Mike Mauseth

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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.




2022
PROPERTY MANAGEMENT INDUSTRY YEARBOOK

BUILDING AND PROPERTYWARE
BOOTH #39 AND 41

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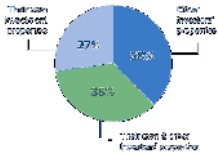
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Who we talked to

Responses from:

- 2178** Property Managers
- 1051** Owners/Investors
- 3874** Renters
- 7103** Total

Whose Properties They Manage



Rates of NARPM Membership Among Our Respondents

- NARPM rates in selected markets: 5%
- NARPM rates: 66%

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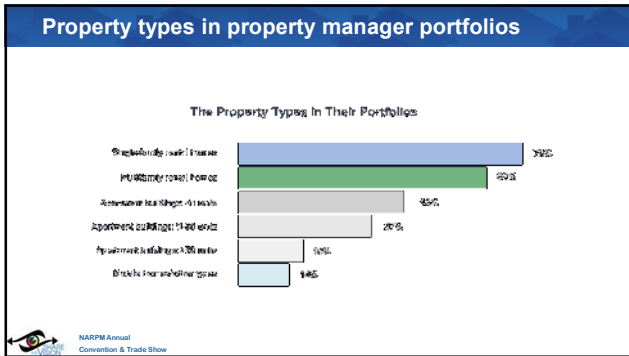
Responses by portfolio size

The Number of Units in their Portfolios

| | | | |
|---------|-----|-----------|----|
| 1-20 | 1% | 201-500 | 2% |
| 21-50 | 10% | 501-1000 | 7% |
| 51-100 | 21% | 1001-2500 | 6% |
| 101-200 | 31% | 2501-5000 | 6% |

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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% | — |

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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


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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: 2018 to 2021


| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|------|------|------|------|------|------|
| Property Managers' Expected Portfolio Growth: 2018 to 2021 | 53% | 51% | 49% | 47% | 45% | 43% |
| Recruiting new clients | 72% | 70% | 68% | 66% | 64% | 62% |
| Encouraging clients to acquire new properties | 44% | 42% | 40% | 38% | 36% | 34% |
| Cutting resource-intensive clients | 27% | 25% | 23% | 21% | 19% | 17% |

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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 YOUR 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

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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



| Expectation | Percentage |
|----------------------------------|------------|
| Expect to increase significantly | 43% |
| Expect to increase a little | 48% |
| Expect to stay the same | 7% |
| Expect to decrease | 2% |




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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)

”

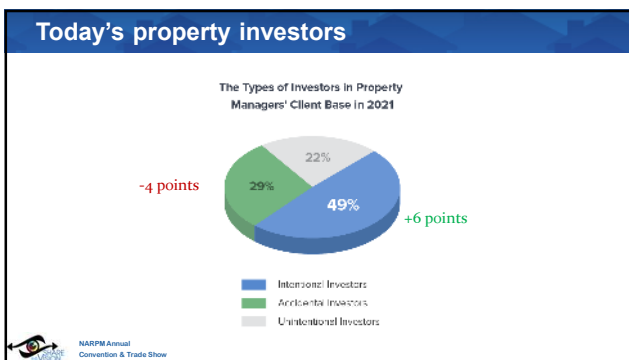


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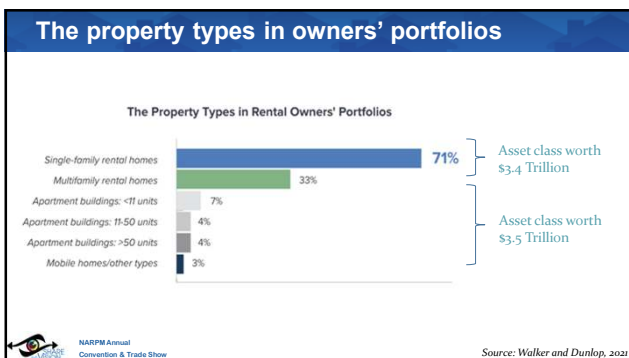
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3a. THE CHANGING OWNER LANDSCAPE

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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




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HOW they choose their property manager

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

| | | | |
|------------------------------------|-----|-------------------------|-----|
| Local responsiveness | 68% | Responsibility assigned | 44% |
| Reporting & transparency | 58% | Trustworthy | 34% |
| Ability to handle tenant expansion | 47% | Financial expertise | 22% |
| Costs & service responsiveness | 41% | Proven track record | 15% |



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WHAT services owners are looking for

Service Opportunities:

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

| | What Rental Owners Want | What Property Managers Provide |
|------------------------------------|-------------------------|--------------------------------|
| Local responsiveness | 68% | 68% |
| Reporting & transparency | 58% | 58% |
| Ability to handle tenant expansion | 47% | 47% |
| Costs & service responsiveness | 41% | 41% |
| Responsibility assigned | 44% | 34% |
| Trustworthy | 34% | 34% |
| Financial expertise | 22% | 22% |
| Proven track record | 15% | 15% |
| Legal advice | 33% | 33% |
| Investment services | 33% | 33% |
| Operational expertise | 33% | 33% |
| Proven track record in investment | 33% | 33% |
| Ability to handle expansion | 20% | 20% |
| Financial expertise | 20% | 20% |
| Proven track record | 15% | 15% |



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3b. THE CHANGING RENTER LANDSCAPE

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Renter trends

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

Which Conventional One-Renter Households Fall Into

| | | |
|-----------------------------|--------------------|-----------------------|
| Couples Without Kids 32% | Household 1 17% | 20% to 30% of renters |
| | Household 2 15% | 20% to 30% of renters |
| Couples With Kids 14% | Household 3 10% | 20% to 30% of renters |
| | Household 4 4% | 20% to 30% of renters |

*Note: These households could be grouped as "multigenerational households" if the 15% of couples without kids in household 2 are also considered to be multigenerational households.

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Changes in household composition

THE 4 MOST COMMON TYPES OF RENTER HOUSEHOLDS

- 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**
represent 29% of renters overall, and 19% of renters in single family properties.
A majority are older adults.
- 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**
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.

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The impact on the single-family market

1. Number of renters in single family rentals is now **37%** (+5 points)
2. Demand for single family rentals 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) ”



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4. TECHNOLOGY TRENDS

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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) ”



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Tech trends for property managers

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




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Tech trends for OWNERS

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

The Top 10 Technologies Rental Owners Want in 2021

| | | |
|----|------------------------------|----------------------|
| 1 | Portals | |
| 2 | Lease management | Increased importance |
| 3 | Maintenance request tracking | |
| 4 | Online applications | |
| 5 | Tenant screening | |
| 6 | Rental listings | |
| 7 | Construction | Decreased importance |
| 8 | Financial reporting | |
| 9 | Property accounting | |
| 10 | Document management | |




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Tech trends for TENANTS

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

The Top 10 Technologies Renters Want

| | | |
|----|-----------------------------|----------------------|
| 1 | Online payments | Increased importance |
| 2 | Online maintenance tracking | Increased importance |
| 3 | Virtual tours | Increased importance |
| 4 | Mobile apps | Increased importance |
| 5 | Text messaging | Increased importance |
| 6 | Video tours | Increased importance |
| 7 | Online applications | Increased importance |
| 8 | Lease management | Increased importance |
| 9 | Virtual showings | Increased importance |
| 10 | Property accounting | Increased importance |




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Tech trends for tenants: payment methods

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

| | Current Method | Preferred Method |
|---|----------------|------------------|
| PIAACH | 21% | 25% |
| Debit card | 1% | 19% |
| Check | 28% | 5% |
| Electronic payment <small>(Includes Venmo, PayPal & Zelle)</small> | 7% | 44% |
| Cash | 18% | 12% |
| Credit card | 6% | 11% |
| Money orders/wire's check | 1% | 4% |

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Key Takeaways for 2022

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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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5 Key takeaways


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


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


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



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5 Key takeaways


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



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Thank you!



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