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

Who wants to guess?
91%
How to get your copy:

BUILDMAND AND PROPERTYWARE
BOOTH #39 AND #41

Who we talked to

Responses from:

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

Responses by portfolio size

| Portfolio Size | %
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>1 - 500</td>
<td>9.3%</td>
</tr>
<tr>
<td>501 - 1000</td>
<td>10.9%</td>
</tr>
<tr>
<td>1001 - 5000</td>
<td>26.4%</td>
</tr>
<tr>
<td>5001 - 10000</td>
<td>23.4%</td>
</tr>
<tr>
<td>&gt;10,000</td>
<td>12.9%</td>
</tr>
</tbody>
</table>
What you said about NARPM:

"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."

"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."

The headline for 2022 is...

MORE
MORE forecast for revenue growth
MORE plans for portfolio growth
MORE client growth
MORE plans for tenants
1. PLANS FOR PORTFOLIO GROWTH

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

What's the #1 priority?

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenants</td>
<td>46%</td>
<td>45.1%</td>
<td>16.1%</td>
<td>23.8%</td>
<td>19.3%</td>
</tr>
<tr>
<td>Growth</td>
<td>41%</td>
<td>47.3%</td>
<td>47.6%</td>
<td>43.8%</td>
<td>38.9%</td>
</tr>
<tr>
<td>Efficiency</td>
<td>25%</td>
<td>34.3%</td>
<td>45.1%</td>
<td>39.0%</td>
<td>40.7%</td>
</tr>
<tr>
<td>Owners</td>
<td>21%</td>
<td>24.9%</td>
<td>25.0%</td>
<td>20.3%</td>
<td>15.4%</td>
</tr>
<tr>
<td>Profitability</td>
<td>20%</td>
<td>30.1%</td>
<td>31.0%</td>
<td>34.7%</td>
<td>—</td>
</tr>
</tbody>
</table>
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

Through referrals

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

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
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

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
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

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)

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 AC checks. (Pittsburgh, PA)
3a. THE CHANGING OWNER LANDSCAPE

Today’s property investors

The types of investors in property management’s client base in 2021

-4 points

+6 points

The property types in owners’ portfolios

The property types in rental owners’ portfolios

Asset class worth $3.4 Trillion

Asset class worth $3.5 Trillion

Source: Walker and Dunlop, 2021
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

<table>
<thead>
<tr>
<th>The Factors that Influence Rental Owners' Choice of a Property Manager</th>
<th>Property ownership</th>
<th>Reporting</th>
<th>Leasing</th>
<th>Maintenance and repair</th>
<th>Resident management</th>
<th>Financial management</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social media profile</td>
<td>44%</td>
<td>65%</td>
<td>6%</td>
<td>51%</td>
<td>64%</td>
<td>59%</td>
<td>45%</td>
</tr>
<tr>
<td>Experiencing a lease conspiracy</td>
<td>45%</td>
<td>65%</td>
<td>6%</td>
<td>51%</td>
<td>64%</td>
<td>59%</td>
<td>45%</td>
</tr>
<tr>
<td>Active on social media</td>
<td>64%</td>
<td>64%</td>
<td>6%</td>
<td>51%</td>
<td>64%</td>
<td>59%</td>
<td>45%</td>
</tr>
<tr>
<td>Staff in the property office</td>
<td>44%</td>
<td>65%</td>
<td>6%</td>
<td>51%</td>
<td>64%</td>
<td>59%</td>
<td>45%</td>
</tr>
</tbody>
</table>

WHAT services owners are looking for

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

<table>
<thead>
<tr>
<th>Service Opportunities</th>
<th>Owner: Yes (% of time)</th>
<th>Owner: No (% of time)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reporting</td>
<td>65%</td>
<td>6%</td>
</tr>
<tr>
<td>Legal advice</td>
<td>45%</td>
<td>5%</td>
</tr>
<tr>
<td>Investing advice</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Purchasing advice</td>
<td>4%</td>
<td>8%</td>
</tr>
<tr>
<td>Analytics</td>
<td>5%</td>
<td>9%</td>
</tr>
</tbody>
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3b. THE CHANGING RENTER LANDSCAPE

Renter trends

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

Changes in household composition

THE 4 MOST COMMON TYPES OF RENTER HOUSEHOLDS

1. Couples Without Kids
   - Represent 32% of renters overall, and 35% in single family properties.
   - Most are young adults who don’t yet have kids, or older adults whose kids have moved out.

2. One-Person Households
   - Represent 29% of renters overall, and 19% in single family properties.
   - A majority are older adults.

3. Multigenerational Households
   - Represent 23% of renters overall, and 30% in single family properties.
   - Most often, young adults living in their parents’ household, or middle-aged adults with an older relative.

4. Couples With Kids
   - Represent 14% of renters overall, and 19% 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 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 elevating areas or making homes more appealing to rent (upgrading kitchens, etc.). (Los Angeles, CA)"

"One aspect of the pandemic’s effect on the rental market is the work at home/more remote work. Suburban residents in the apartment building that before, another view desirability for apartment living in the suburbs, although feel 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 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)"

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

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<th>BUT ALSO:</th>
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<td>[The pandemic] has harmed our greatest amenity, which is the customer interaction/service. (Wichita, KS)</td>
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**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 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

**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
**Tech trends for tenants: payment methods**

<table>
<thead>
<tr>
<th>Current Method</th>
<th>Preferred Method</th>
</tr>
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<tbody>
<tr>
<td>Money order</td>
<td>13%</td>
</tr>
<tr>
<td>Online payment</td>
<td>15%</td>
</tr>
<tr>
<td>Check</td>
<td>20%</td>
</tr>
<tr>
<td>Cash</td>
<td>18%</td>
</tr>
<tr>
<td>Debit card</td>
<td>49%</td>
</tr>
<tr>
<td>Manipulation via check</td>
<td>51%</td>
</tr>
</tbody>
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**Key Takeaways for 2022**

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

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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.

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.

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!

Want more info? Robin.Young@Buildium.com
THANK YOU!