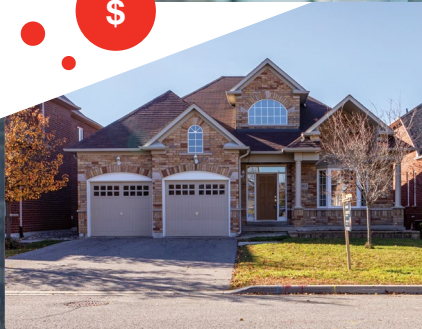




THE INDUSTRY GUIDE TO PROPERTY MANAGEMENT GROWTH

How North American real estate businesses turn property management into a rapid, sustainable growth strategy with PropTech





Introduction

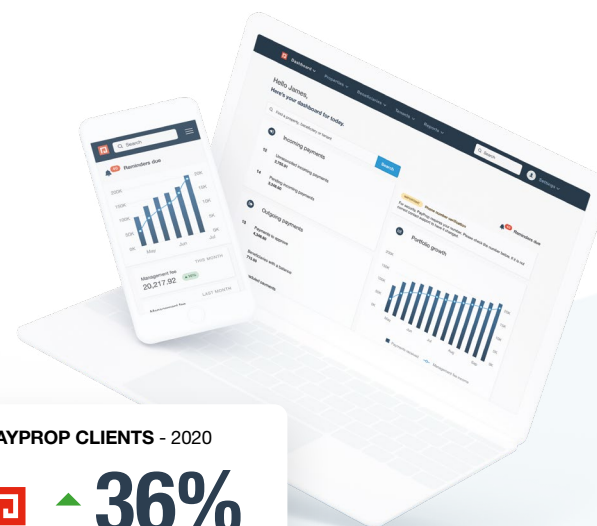
Traditionally, property management isn't viewed as a profit-making business, but more as an endless source of admin. Now a new generation of property managers is turning the industry upside down with a disruptive business model coupling high-value expertise with PropTech enablement and efficiencies.

Using industry-specific technology to automate tedious tasks and enable new, saleable services, they have put residential rentals at the heart of their businesses, whether they're focusing solely on rentals or also doing sales—and they're growing rapidly as a result.

In 2020, the US economy shrank by 3.5%, while Canada's GDP suffered its biggest annual fall (5.4%) since the country first started keeping quarterly records in 1961. At the same time, property managers adapted to new ways of working made necessary by lockdowns, but weren't able to escape the fallout entirely: the industry in the United States shrank by 0.9% in 2020 and is expected to fall by a further 2.8% in 2021.

In stark contrast, PayProp users in the region grew by an average of 36% annually, despite a global pandemic that forced them to adapt or go out of business.

In this guide, we unpack how they did it.



The new model of property management

Today's innovative property managers have supercharged their growth by changing the way they do and think about property management. Instead of treating it as an add-on service, they put it front and center of their business model, creating a virtuous circle by using their rental management expertise to drive sales, and in turn using sales within their own clientele to add new properties to their portfolios under management. All this is made easier by their use of PropTech to automate away time-consuming admin, giving them more time to focus on business growth.

What unique selling points and strategies differentiate their businesses?





Five characteristics that define the new generation of rental-focused real estate businesses

1. Think like an investor

Old-school property management was just that: managing properties on behalf of investors. But the most successful modern property managers have carved out a bigger role for themselves—not just caretaking their clients’ properties but also helping them to invest in and grow their portfolios profitably.

To further differentiate his business, Eric Cleary, leasing manager at OrangeList in St Catharines, Ontario, has combined this revolutionary approach with an in-depth knowledge of the local residential rental market in the Niagara region.

“We specialize in investment, whether it’s new investors that call us or existing clients that we try to convert to buy more,” he explains. “Essentially we source the property. We know what’s going to rent for the most money in our area, what’s going to attract the best quality tenants, which areas would be in high demand and hold their value.”

In other words, OrangeList, like a growing number of North American property management businesses,

functions more like a specialized wealth management company than a traditional property management firm.

Underpinning this with a scalable platform is a strategy that has clearly worked: since signing up with PayProp in July 2018, their number of properties under management has more than tripled. As well as reaching out to new investors, Eric also uses his market expertise—assisted by the efficiencies of scalable technology—to show existing clients the value of leveraging their properties and reinvesting instead of selling up and cashing out.

And because he takes such an active role in guiding his clients’ decisions, Eric is also increasing the quality of his portfolio in a way that’s a win-win for him and his investors.

“It all feeds off each other,” he explains. “I’m putting better properties into my management portfolio because I only sell stuff that I would buy myself. These are properties that generate a lot of income, that are in really good areas, that attract high-quality tenants.”

2. Provide value-added service

The property investors who work with property managers are usually looking to invest passively. The effort and cost involved in buying and selling properties favors buy-and-hold investment strategies that focus on long-term returns. Furthermore, a lot of interest in hot real estate markets comes from elsewhere in the country or even overseas, making it much more difficult for investors to be hands-on even if they wanted to be.

For Marwan Mata, owner of 1Miami Realty in Miami, Florida, understanding this is the key to success in property management, especially at the more expensive end of the market. Investors want to work with property managers who will be proactive on their behalf. That’s why his agency, 1Miami Realty, focuses on providing high-end care to the high-end investors who demand it, and are willing to shop around to get it.

“The investor isn’t actually loyal to you as a person,” says Marwan. “They’re loyal to your service, and if they’re getting a good return and they are satisfied with your service, then they are loyal to you.”

The approach he takes is to make his service seamless, ensuring that problems are fixed with no input from the investor.

“If anything goes wrong, we fix it. Most of the problems inside the property, like 80 percent, get fixed without the landlord knowing what is happening. After that happens, I let them know by email or phone call.”

Marwan can avoid billing his investors for minor repairs as his rental contracts include a clause making the tenant responsible for maintenance up to a certain amount—as allowed by Florida landlord-tenant law.

But PayProp-powered property managers can also use the platform’s Property Account feature to set money aside from rent payments, allowing them to immediately access funds for repairs with full transparency and reporting for investors.

Critical growth levers

OrangeList

Portfolio investment expertise



PropTech

The backing of scalability

Critical growth levers

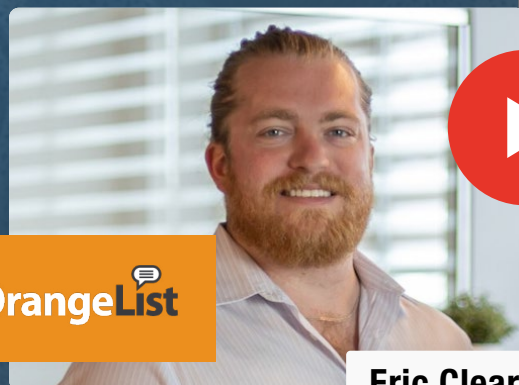
1Miami Realty

Seamless service



PropTech

Enabled by flexible service options



OrangeList

Eric Cleary
OrangeList



Marwan Mata
1Miami Realty



Eric Cleary and Marwan Mata shared more of their property management growth strategies with residential rental professionals from across North America in an exclusive PayProp webinar on 27 April 2021.

Watch the video on demand now to learn how they won new clients, conquered new markets and earned bigger margins without increasing overheads.

Watch the video



3. Maximize investment value

While professionals like Marwan Mata and Eric Cleary don't own the properties that they manage, their level of involvement in the sourcing process means they are effectively making property investment decisions. Adding a property to their portfolios isn't just an extra management fee to collect, it's a strategic choice—and their involvement doesn't end when the property is sold. Property managers can work with investors to achieve maximum returns from their properties with smart renovations driven by market research.

"If I sell properties for \$1 million, my commission is way higher than selling properties for \$200,000," says Marwan. "But on the other hand, the monthly percentage return on the property is lower. If I do the math, that guides me to set a price for my investments between \$300,000 and \$400,000. That's the best price to sell a property to get more monthly income."

That sweet spot won't necessarily be the same for Austin or Toronto. But every property manager has access to an incredible amount of information about their local residential markets—local rents, levels of demand for different properties and different neighborhoods, and the levels of return that their investors are making. As in any industry, that knowledge is gold, and the most successful property managers are the ones who exploit it.

"It's kind of positioned me as a leader in this area," says Eric Cleary. "Other agents call me up and say, 'what do you think of this house?' and 'what do you think of this basement?' It's because I try to look at the market the way it should be looked at."

"For instance, people think more bedrooms equals more money. And in the Niagara region, that's not the case. My floor plans are big one-bedrooms with walk-in closets, and they rent faster and for more money. While in Hamilton, more bedrooms does equal more rent, and that's only a 30-minute drive."

Eric's approach to maximizing investments doesn't stop at selecting the right properties. For many realtors and property investors, the period between putting down a deposit and closing is dead time. For Eric, it's a chance to get the maximum value from the property through market research and renovation.

"I try to accomplish as many things for my investors as I can in that period, because it's not costing them money yet," he says. "I'll start trying to rent the unit before they own it, to test the market a bit and push for a higher rent. I'll also bring in the architect and figure it out with the client—maybe we turn it into a duplex or add a basement suite. I'll help pick colors, build floor plans to maximize the rent. I can then pass it over to one of my trusted contractors to generate a quote."

"In some cases, say a \$20,000 or \$30,000 project, I don't charge anything. For a larger renovation, maybe I'll charge \$500 or \$600 a month—it's not a lot. These are clients that I'm going to have for life, and I'm more concerned about getting them into the right investment."

Critical growth levers

1Miami Realty & OrangeList
Maximize the value of investments



PropTech
Powerful third-party payment options
Enabled by embracing rentals



4. Use your time wisely

Today's fast-growing property managers focus on different types of property in different regions, but they all have one thing in common: they use technology to automate away time-consuming admin so they can focus on service delivery and business growth. Invoicing, statement generation and payment processing can all be handled by automated systems, and the time savings are immense.

"We were spending 20, maybe 25 hours a month on manual back-office administration before PayProp," says Dave Ellis, co-owner of Hanlyn Property Management in Hamilton, Ontario. "My wife and I would sit in the basement office until 2:00 or 3:00 in the morning, getting the invoices done. Now it probably takes me an hour or an hour and a half a month."

While technologically advanced, automated property management can sound cold and impersonal, that couldn't be further from the truth. By leaving the bean-counting to the machines, property managers can devote themselves to the much more rewarding side of the business—working closely with investors and tenants to provide quality rented homes.

"Instead of knocking on doors, collecting checks and doing the reconciliation manually, now I invest it in visiting properties and giving more

services," says Marwan Mata. "I personally call my clients twice a month at least, and every once in a while I send an email alongside the invoice that goes out automatically from PayProp. I'm always in touch with them."

In fact, not only does automated payment processing give property managers more time to invest in their clients, it can become a selling point and a powerful competitive advantage all by itself.

"A lot of the companies here are old-school. You still have to fax things and make check payments," says Anthony Nastase, owner of Tropical Springs Realty in Coral Springs, Florida. "We had a lot of clients that were asking us about it. With us, the tenants can pay electronically online. The landlords get their monthly reconciliation automatically sent to them, and they have full transparency to see everything that's going on."

"Our clients love it," agrees Eric Cleary. "It's a big part of our initial conversation with a new investor or landlord: we have this excellent payment software that's very organized, very streamlined, very user-friendly. And the feedback we get is phenomenal."

Critical growth levers

Tropical Springs Realty

Focus on making personal connections



PropTech

Enabled by automating the admin



5. Plan to scale

"If you can build a rental portfolio up, the possibilities are endless—and if you have a good system, then it's easily achievable," says Anthony Nastase. "That type of real estate allows you to relax and know that you have money coming in."

Without a scalable system in place, businesses can quickly get overwhelmed by excess admin. Property management companies, especially mom and pop firms, often see their growth stall at around 50 properties because they struggle to keep up with the workload.

Increasingly, property managers are overcoming growing pains by making scalable and automated systems part of their businesses from day one. When Richard Togman of Rent Panda was first pivoting his rental listings business into a property management firm, he wanted to do so with a rock-solid payment processing system in place.

"Payments are the most sensitive thing in this business," he says. "Other things can go wrong—the payments can't. Owners need to be paid on time. I did a systematic review of every piece of software I could find."

Richard's plan worked: within 18 months of adding PayProp to his business, he had grown his rental portfolio to more than 90 properties and was already looking into adding a second office.

Established agencies too are overcoming growth restrictions by replacing legacy property management software with smart, scalable alternatives. Tropical Springs Realty, 1Miami Realty, Rent Panda, Hanlyn Property Management and OrangeList all came to PayProp because the admin involved in disconnected systems was getting in the way of their business goals.

The key for property managers looking to reduce their payment admin workload is to find a bank-integrated, automated system that automatically matches incoming payments to the right payer and payee, and pays out automatically (based on the property manager's rules, with one-click approval for the entire portfolio) from fully reconciled trust accounts. With minimal need for manual input, such a system does the same great straight-through job in a few minutes, whether you're managing 10 properties or 1,000.

"When we signed up with PayProp, it was an enormous game changer," says Eric Cleary. "I strongly believe we wouldn't have been able to scale the way we have if we didn't bring someone like PayProp on board."

Critical growth levers

Rent Panda

Smash growth limitations



PropTech

Enabled by bank-integrated, smart reconciliation



Tying it all together

Making any one of these changes will help a property management company to grow its portfolio sustainably. But as the property managers who go all in on the new way of doing business have discovered, each of them feeds into the others in ways that can transform a business.

In summary, property managers have five critical levers that they can use to drive growth—and using each one makes it easier to use the others too.

1. Guide investment decisions using expert local market knowledge
2. Enable seamless service with flexible options
3. Maximize the value of investments and build your portfolio strategically
4. Automate the admin and focus on personal connections
5. Smash growth limitations with smart reconciliation

The property managers that we talk to around the world have the skills and expertise to do this—just not the time. And the biggest thing holding them back is time-consuming payment admin, whether they do it manually or with old-school property management software.

Spending weeks every month and pulling all-nighters manually chasing payments, matching incoming rent payments to the right tenant, keeping client funds separate, balancing trust accounts, setting up payments to landlords, checking whether money was received, and sending client statements is the worst possible use of a skilled property professional's precious time.

The right payment platform solves that problem with automation, allowing property managers to focus on the profit-making parts of their businesses and dominate the competition. Unlike legacy property management software, PayProp is a bank-integrated payment platform that can fully automate rental payment processing, so that collecting rent from tenants, reconciling payments, deducting management fees and paying out to property owners and contractors is quick, easy and error-free. Reports are automatically generated in real time, using live bank data, and property managers have a complete and up-to-date overview of their portfolios at any time, from any device.

“With my old system I would be creating reports from spreadsheet templates, updating them, exporting them as PDFs, then emailing them to clients,” says Mark Julien, owner of Mirabel Management in Ottawa, Ontario. “After that, I’d have to move funds around for each property. More steps, more spreadsheets, more emails and more hands-on manual admin which used to take a few hours.”

“PayProp allows you to do all of it in just a few minutes, it’s so much more streamlined—a huge timesaver.”

Additionally, property managers have the peace of mind of knowing their payments are always 100% accurate, free of human error, and follow best practices for payment security and legal compliance.

To find out more about how PayProp gives your business more space to grow, book a free, no-obligation demo and get a customized quote based on your needs.

Book a demo now



Powered by  PayProp

Trusted by thousands of property management firms



"I would 100% recommend PayProp to property managers. With PayProp, by the 3rd or 4th of every month, we have 70 or 80% of our landlords paid out."

Chris Lesky, PADRentals



"Over the last three or four months, we've tripled the business. PayProp is pretty essential to our growth strategy."

Richard Togman, Rent Panda



"I don't have to waste time reconciling bank accounts—PayProp does it for me in real time. So I use my time on more productive jobs."

Marwan Mata, 1Miami Realty



"I believe in PayProp enough that I'm willing to put my reputation on the line. It's a really functional, versatile product."

Eric Cleary, OrangeList

Place your trust in PayProp.

Book a demo now