State of the Property Management Industry Report

Rediscovering the Human Element in Your Business

Buildium®

NARPM™

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The Human Side of Property Management

INTRODUCTION

The property management industry is ***changing.***

More households than ever are renting their homes; today's residents are more diverse than ever before; and they have higher expectations for the place that they call home.

Though rental demand has never been stronger, property managers are stuck between a rock and a hard place: Newly built units have flooded many real estate markets, causing vacancy rates to rise and rents to stagnate after years of steep growth.

Meanwhile, home values are reaching their peak, motivating many rental owners to sell their properties, and causing some property managers' portfolios to shrink. In this strong seller's market, we're also seeing large property management firms acquiring smaller businesses to expand their portfolios and penetrate new markets.

When the property management industry is going through a period of intensive change like it is now, we know that it can be hard to keep one eye on your company's operations, and the other on ever-evolving market trends that impact your business. That's why the Buildium Team has made it our mission to be a resource to property managers of all kinds—to investigate the context that your business operates within, and to equip you with the knowledge that you need to be successful, no matter what changes lie ahead.

From resident retention to staff turnover, portfolio loss to the affordable housing shortage, we're here to talk about the issues that matter most to property managers in 2018 and beyond. Most importantly, however, this report will explore the strategy that we believe is critical to achieving your goals in this rapidly changing industry: Focusing on **the human side of property management** by building strong relationships with your residents, owners, and staff members.

CHAPTER 1

A PICTURE OF PROPERTY MANAGEMENT IN 2018

With the industry evolving before our eyes, how can property managers ensure that their business is agile enough to adapt?

This was the question that we investigated in our fourth annual survey of residential property managers across the country, conducted in collaboration with the National Association of Residential Property Managers (NARPM®).

This year, rather than simply boiling property managers' responses down into data points, we wanted to try something different. We asked our respondents to share their thoughts on a number of pressing topics, in as much detail as they wanted, including:

- What are the top challenges that you face in your business, and how have they changed over the last year?
- Are you adapting your approach to attracting and retaining renters?
- How do you plan to grow your company's revenue over the next two years?

We'll share the trends that we uncovered in a moment—but first, let's take a look at the property managers who took time out of their busy days to share their experiences with us.

CHAPTER 1, SECTION 1:

2018 PARTICIPANTS BY THE NUMBERS

Who are the 1,857 property managers who took our survey?

- 3 in 4 manage **single-family rentals.**
- 2 in 3 manage **multi-family rentals.**
- 1 in 3 manage **condos or community associations.**

- 75% manage between **11 and 500 units.**
- 50% manage **100 units or fewer.**
- 15% manage **more than 500 units.**

- 5 in 7 manage **other people's properties.**
- 4 in 7 manage **properties they own.**

- More than half bring in less than **$250K each year.**
- 1 in 8 respondents make **more than $1MM.**

- 60% of respondents offer the same 10 services. Most popular were **collecting rent, leasing properties, performing maintenance, conducting inspections,** and **marketing vacancies.**

- More than 1 in 5 have worked in the property management industry for **over 20 years.**
- 1 in 7 respondents started their career in the last **2 years.**

Today's property managers are incredibly versatile. In [last year's report](https://www.buildium.com/resource/2017-buildiumnarpm-state-of-the-property-management-industry-report),[1] we discussed the fact that survey respondents most often have two to three different property types in their portfolios, from multi-family homes to commercial spaces.

In addition, our respondents reported holding two or more job titles, including Property Manager, CEO, Broker, Accountant, Real Estate Agent, and Maintenance Manager.

This year, we found that nearly half of property managers are also investors: They manage other people's properties and properties that they own.

[1] *"2017 Buildium/NARPM State of the Property Management Industry Report," Buildium, https://www.buildium.com/resource/2017-buildiumnarpm-state-of-the-property-management-industry-report, (October 19, 2017).*

FIGURE 1

Which Property Types Do You Manage?

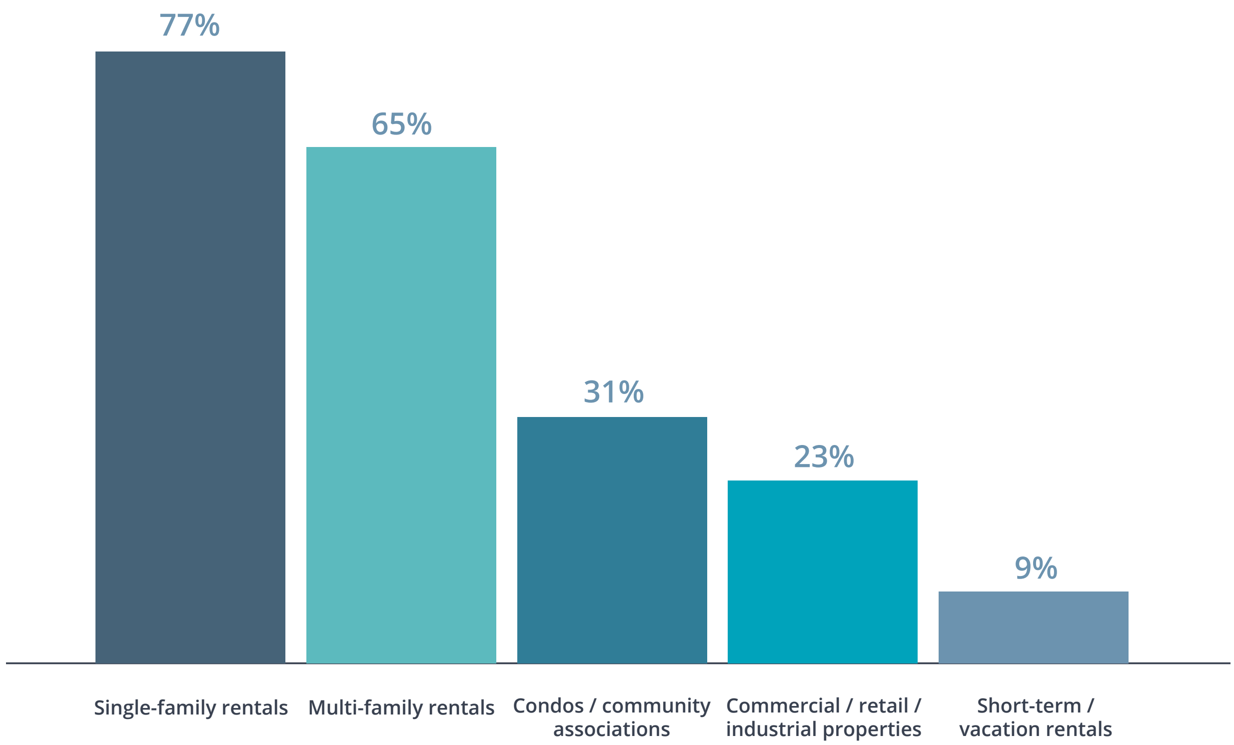


FIGURE 2

How Many Doors Do You Manage?

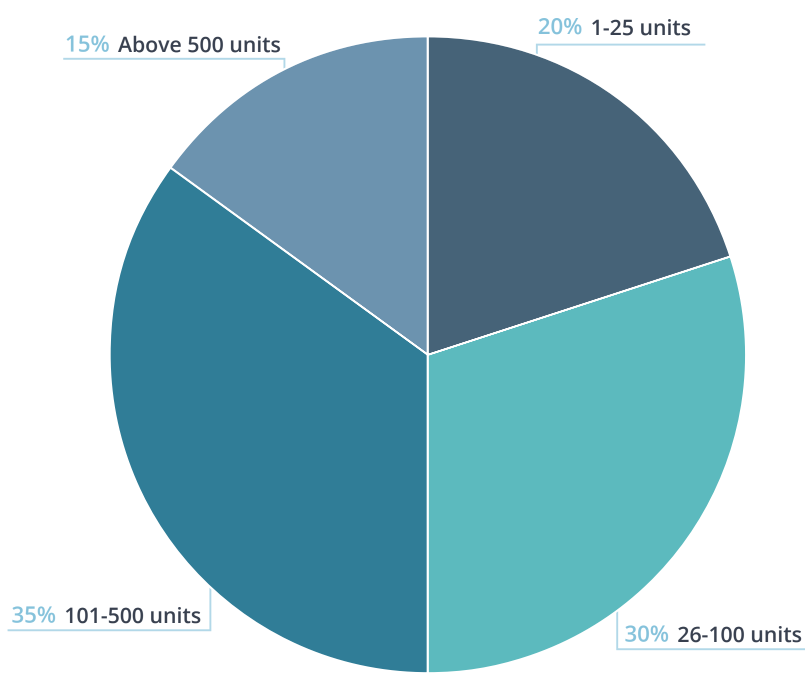


FIGURE 3

Which Kinds of Property Do You Manage?

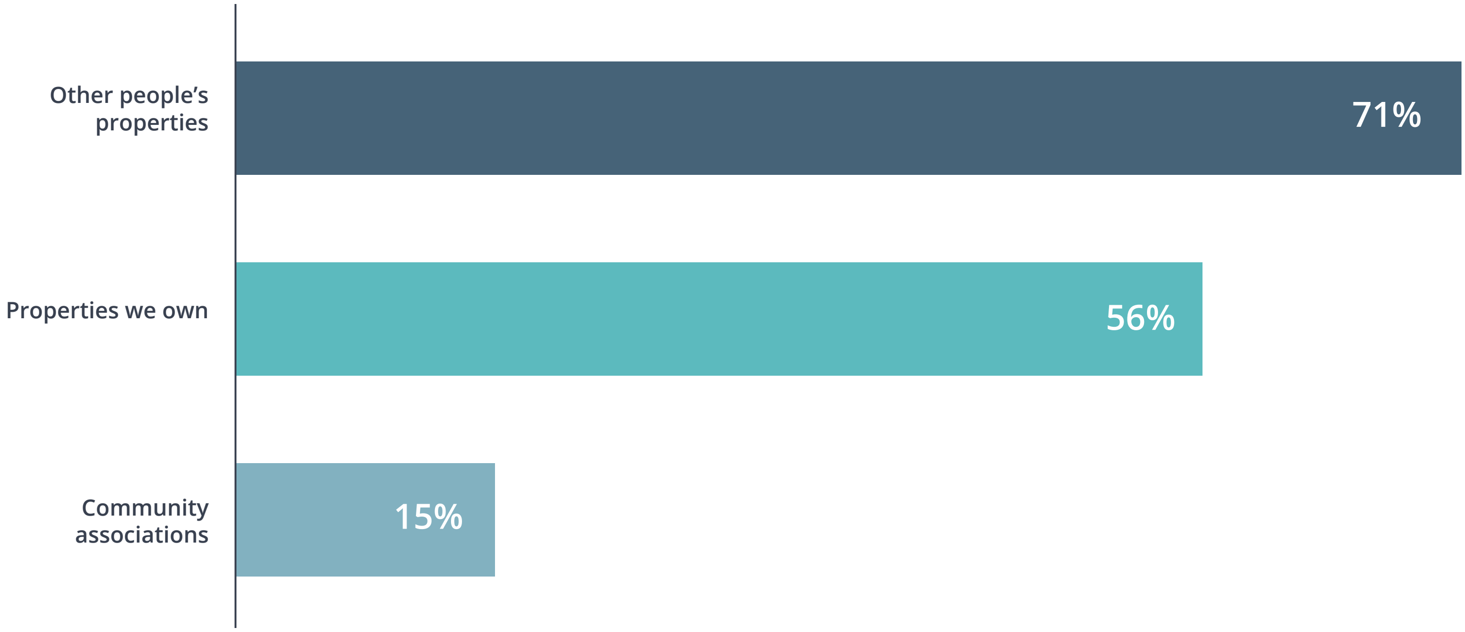


FIGURE 4

What is Your Company's Annual Gross Revenue?

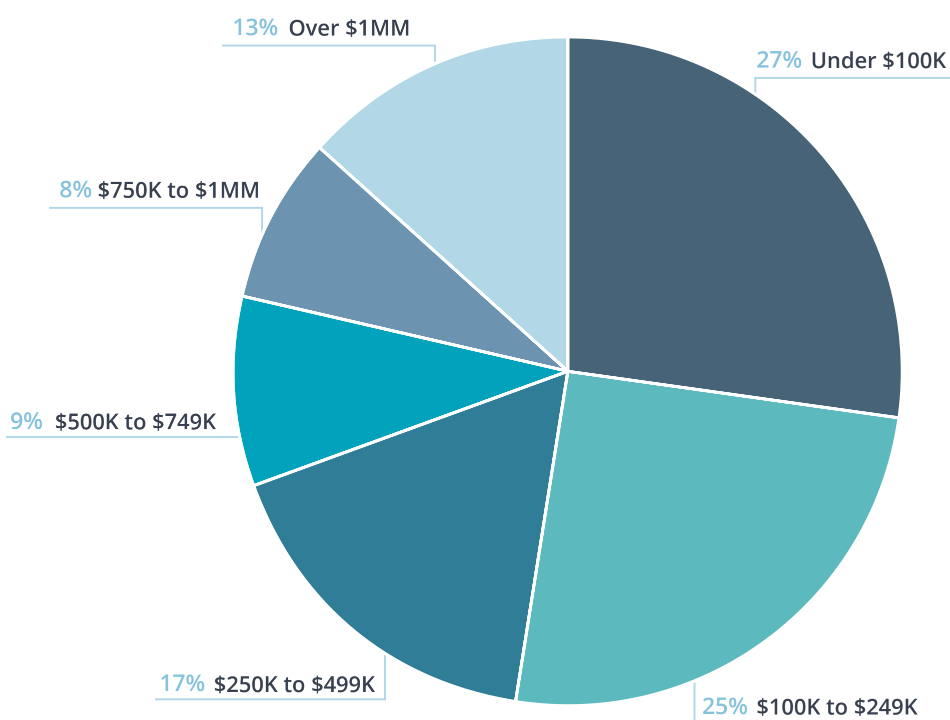


FIGURE 5

Services Offered by More Than Half of Property Managers

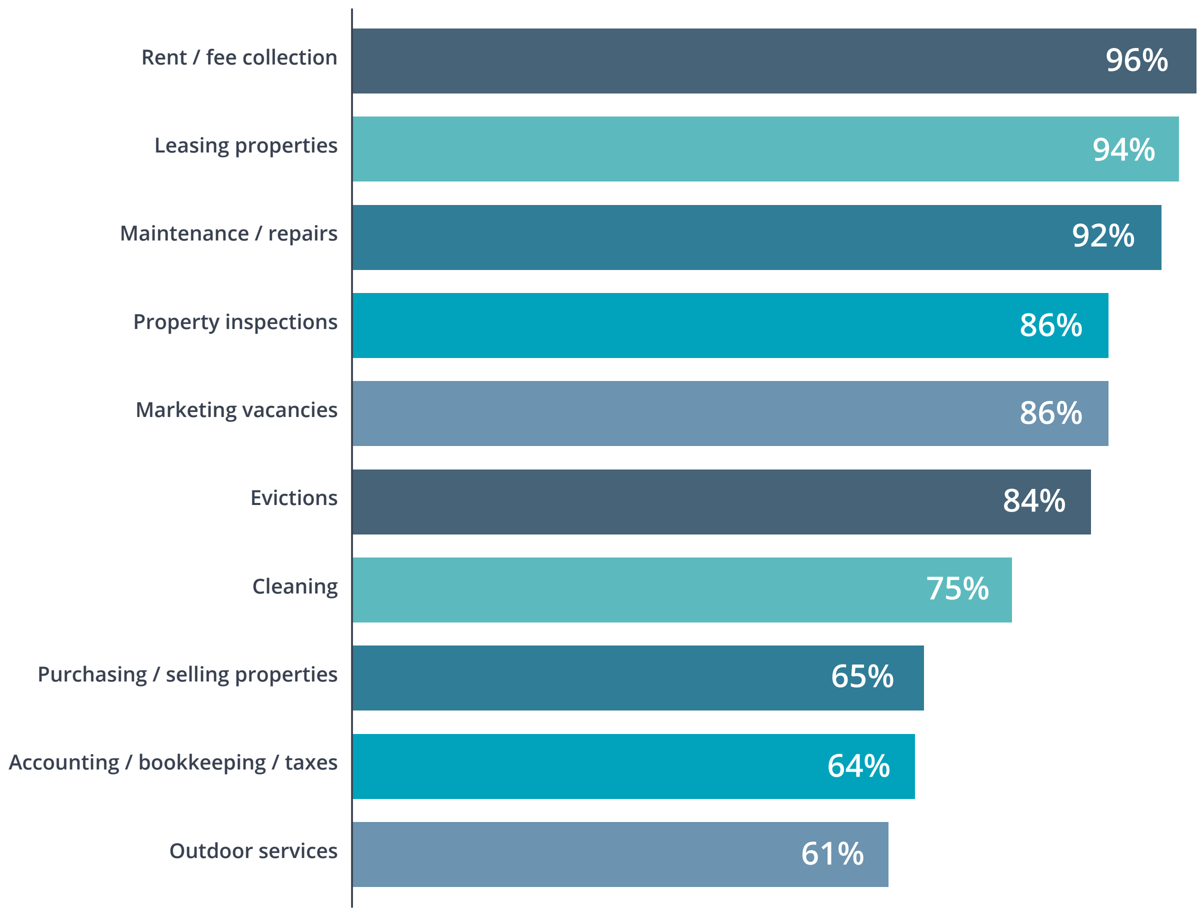


FIGURE 6

How Long Have You Worked in the Industry?

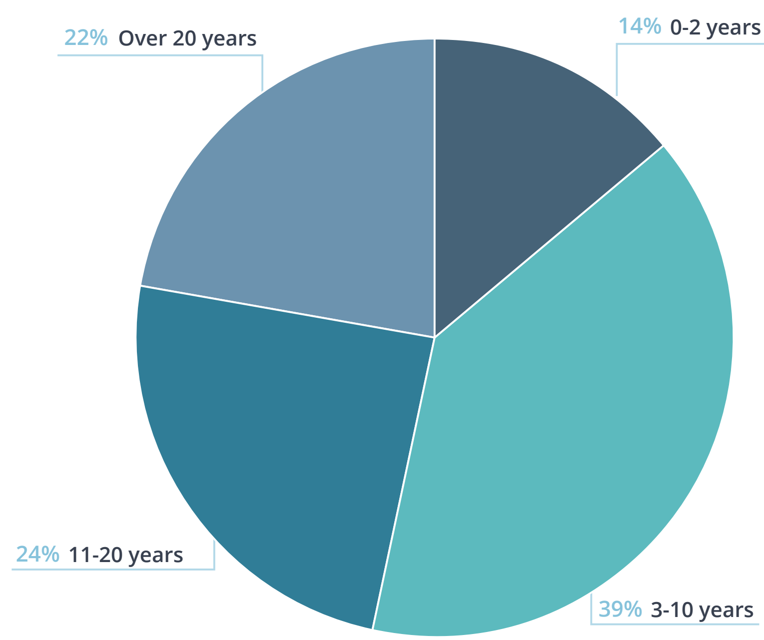
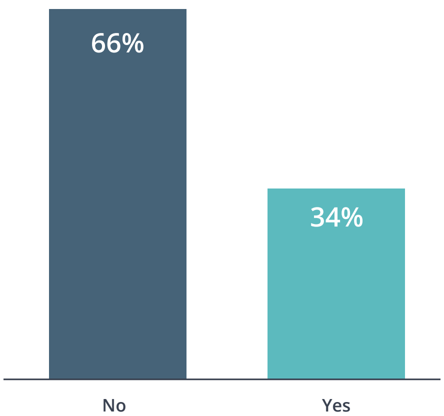


FIGURE 7

Are You a Member of the National Association of Residential Property Managers (NARPM®)?



Industry organizations enable property managers to build relationships, learn from their peers, and stay up-to-date on industry news—three critical building blocks for small businesses. It's clear from their feedback that NARPM members feel strongly about the insights and opportunities that they gain from their participation in local, state, and national chapters.

Interested in becoming a NARPM member? Learn more about joining the organization on their website: narpm.org/join

IN YOUR WORDS

Why Respondents Value NARPM Membership

"I joined NARPM about 10 years ago, assuming I already knew everything in my business. I quickly learned dozens of ways to either improve or mitigate risk to my business, making me more profitable."

"It has made me a better property manager by connecting me with others in the industry to bounce ideas off of. Becoming more involved in NARPM has helped me to further my education and gain more confidence in myself and the value that I bring to my clients."

"The education offered is invaluable. NARPM membership shows clients that we are educated and abide by a code of ethics."

"It's a game-changer to have ongoing access to others in our industry; to share processes, technologies, and day-to-day experiences, as well as support during the challenging times."

"My membership is invaluable—it keeps me up-to-date on market trends, services, and running a company. One of the best investments I ever made."

CHAPTER 2

LOOKING BACK: PROPERTY MANAGERS' BIGGEST STRUGGLES IN 2018

We use four core indicators to track the annual ebbs and flows of property managers' businesses and the industry overall:

- **What were your top *challenges* in the past year?**
- **What are your top *goals* for the coming year?**
- **Has your *revenue* increased over the last two years?**
- **Has your *portfolio* expanded over the last two years?**

To provide property managers with a 360-degree view into their business' potential for success in this current climate, we combine this data with survey responses from renters and owners, as well as intensive market research. We'll integrate each of these components into our analysis of how respondents can adapt to the challenges and opportunities they're likely to face in 2019 and beyond.

First, let's take a look at how our respondents have grown and the difficulties they've weathered over the last year.

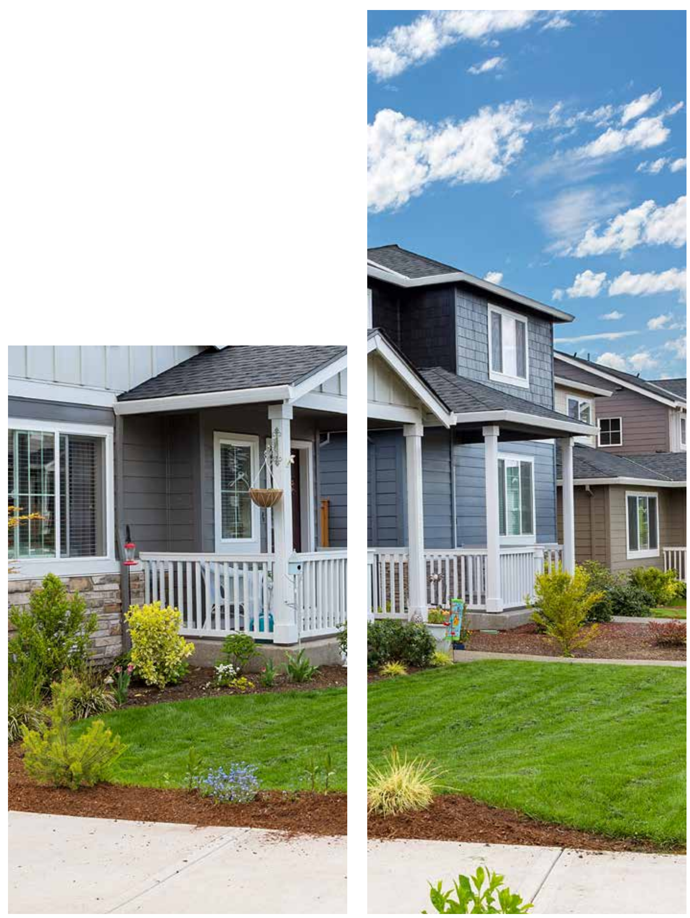
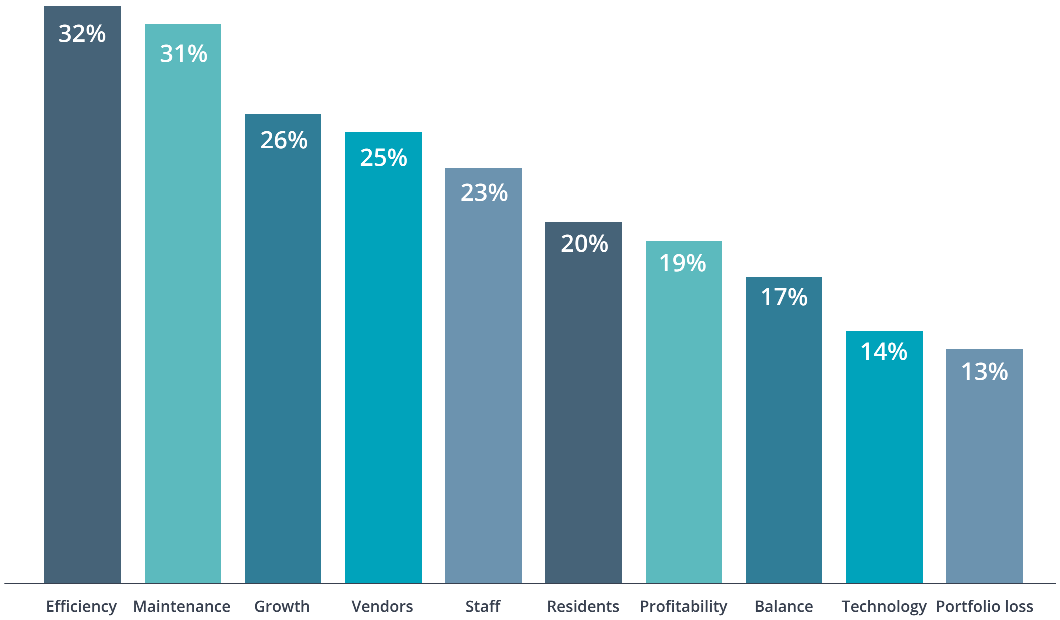


FIGURE 8A

Property Managers' Top 10 Challenges in 2018



IN YOUR WORDS

The Year's Biggest Challenges

"As the demand for rentals increases and the supply falls short, we struggle with handling all the phone calls when we have a vacancy."

"We are trying to ramp up our business with technology, but we are dragging our clients, tenants, and vendors along kicking and screaming."

"We have gone from an acquiring stage to a management stage, so now we are dealing with creating processes to lead to better efficiency across the board."

"We have weathered the intake storm and are now focusing on getting back to our signature customer service experience for both clients and residents."

"We're more focused on our online reputation and are working to get 5-star reviews to help offset the occasional 1-star reviews we get from upset tenants."

FIGURE 8B

Property Managers' Top Challenges by Year

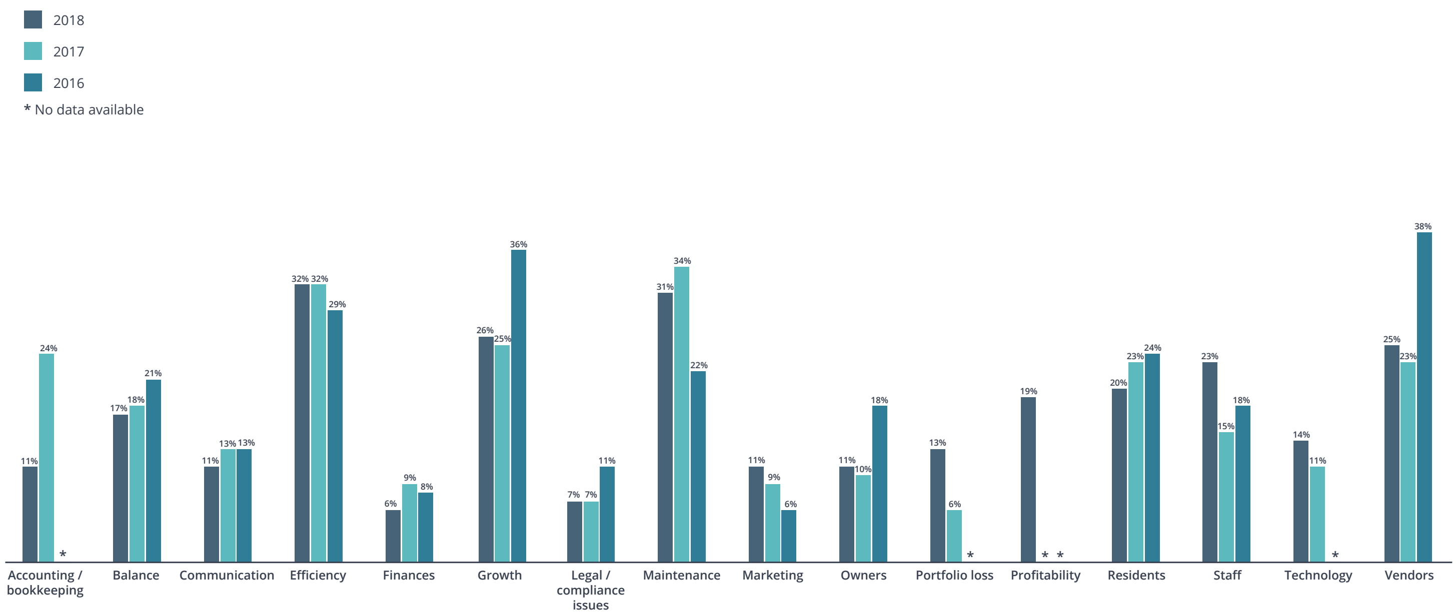
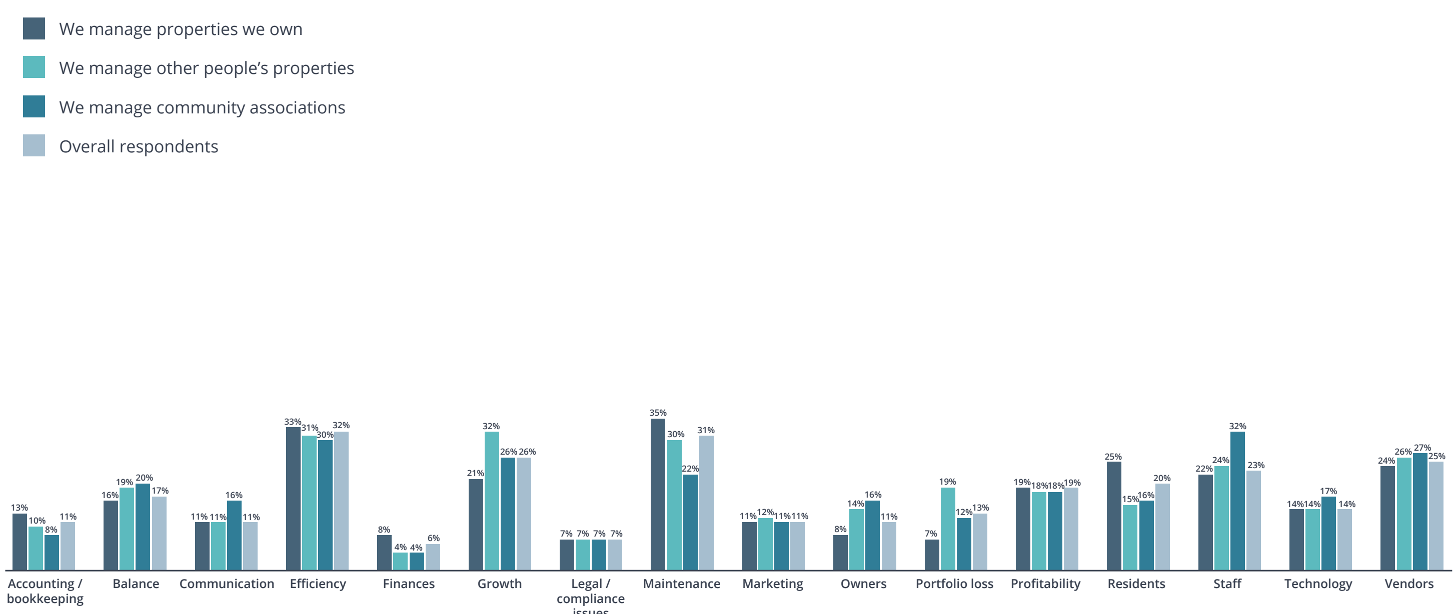


FIGURE 8C

Property Managers' Top Challenges by Property Type



As the last few years have been a time of growth for property managers, concerns about scaling their businesses have been paramount—from fielding maintenance requests and rental applications, to increasing their efficiency and level of insight into their companies' operations.

This year, the **three top challenges** cited by survey respondents remained consistent with 2017 results:

- **Efficiency:** Managing time, processes, and tasks—selected by 32% in 2017 and 2018
- **Maintenance:** Making repairs, managing maintenance requests, and conducting inspections—selected by 34% in 2017 and 31% in 2018
- **Growth:** Finding new clients, growing our property portfolio, and scaling our business—selected by 25% in 2017 and 26% in 2018

However, in 2018, **three emerging challenges** rose up the ranks:

- **Support**
    - **Vendor management:** Finding trustworthy, capable vendors and working with them
    - **Staffing:** Managing, hiring, and training employees; dealing with turnover and understaffing
- **Portfolio loss:** Losing properties to sales

These are the challenges that showed the most dramatic growth year over year. Though it's not immediately evident, a hidden pattern connects these three concerns below the surface:
An increased focus on the human side of property management.

CHAPTER 2, SECTION 1:
SUPPORT

VENDOR MANAGEMENT & STAFFING

In Your Words:

"Due to trustworthy vendor options decreasing, we find ourselves struggling to keep up with maintenance requests. Although we strive to keep our office maintenance motto going—'It is not our fault, but it is our problem. How can we help?'—it is hard for staff not to take tenant frustrations personally, and they often burn out and leave the team. This leaves us to train again, which takes valuable time away from focusing on portfolio growth."

Property managers report that it's more difficult than ever to find good vendors. Competition is steep for the best plumbers, electricians, and other maintenance workers because developers need them, too—and they're often able to offer higher wages. Many property managers who aren't big enough to justify a full-time staff recounted their struggle to find reliable vendors to help them fill in the gaps.

Meanwhile, in larger property management firms, staff members have to contend with residents' frustration at not being able to get issues resolved quickly. Burnout and turnover are common among office staff; but finding the time to recruit, screen, and train new employees puts a tax on property managers' already-hectic schedules. Exacerbating the staffing shortage is the fact that new workers aren't entering the field of property management as quickly as older workers are retiring. Plus, there's steep competition for qualified candidates due to low unemployment rates.

Finding great staff members and vendors isn't likely to get easier in 2019. With 1 in 4 respondents identifying Vendors and Staff as their top challenges over the last year, what can you do to get by?

- **First, you have to put in the effort to retain employees, just as you do with your renters and owners.** Hiring great people, investing in their success, and keeping them in place require a positive culture, work-life balance, and opportunities for advancement. The relationships that you have with your employees matter—and the quality of service that you can offer to your customers depends on it.
- **Second, if you're looking to build out your team, you'll need to nurture less experienced workers who have the capacity to learn the skills that you need.** Consider pairing new employees with more experienced staff members who can provide the training or mentorship they need to progress in their careers.

CHAPTER 2, SECTION 2:

PORTFOLIO LOSS

In Your Words:

"A significant number of owners that came into the market by default during the real estate crash are now selling. Owners have paid down their mortgages and have seen their properties appreciate in price and have opted out of the rental market. It's created an overall shortage for rental housing."

In line with the rest of the real estate market, property managers' portfolios and revenue have been growing at a steady clip since the end of the Great Recession. This year, 83% of property managers reported revenue growth, on par with 2017's rate of 82%.

Since 2016, however, portfolio growth has trailed slightly behind revenue growth on property managers' lists of priorities. In last year's report,[2] we noticed that a growing share of respondents expected their portfolios to stay the same size in the coming years; and we speculated that the frenzied rate of growth that the industry had been experiencing might be starting to moderate. That hypothesis is supported by data from the last three years: 77% of respondents reported portfolio growth in 2016, which decreased slightly to 75% in 2017, then to 71% by 2018.

Between 2017 and 2018, the share of respondents who reported that their portfolio had shrunk increased from 5% to 8%. Over the last year alone, we saw 'portfolio loss' rise six positions on the list of property managers' biggest challenges. Though portfolio loss was only selected as a top concern by 1 in 5 respondents who manage other people's properties, it's likely a challenge of moderate impact to many more.

What explains the recent slowdown in portfolio growth? A strong seller's market gives landlords an incentive to sell their homes rather than continuing to rent them out. As a result, portfolio loss is making a dent in many property managers' growth goals. We'll take a deep dive into this issue in the next section.

[2] *"2017 State of the Property Management Industry Report," Buildium, https://www.buildium.com/resource/2017-buildiumnarpm-state-of-the-property-management-industry-report, (October 19, 2017)*

CHAPTER 2, SECTION 3: SHIFTING MARKETS

Rising Home Values & Portfolio Loss Across the U.S.

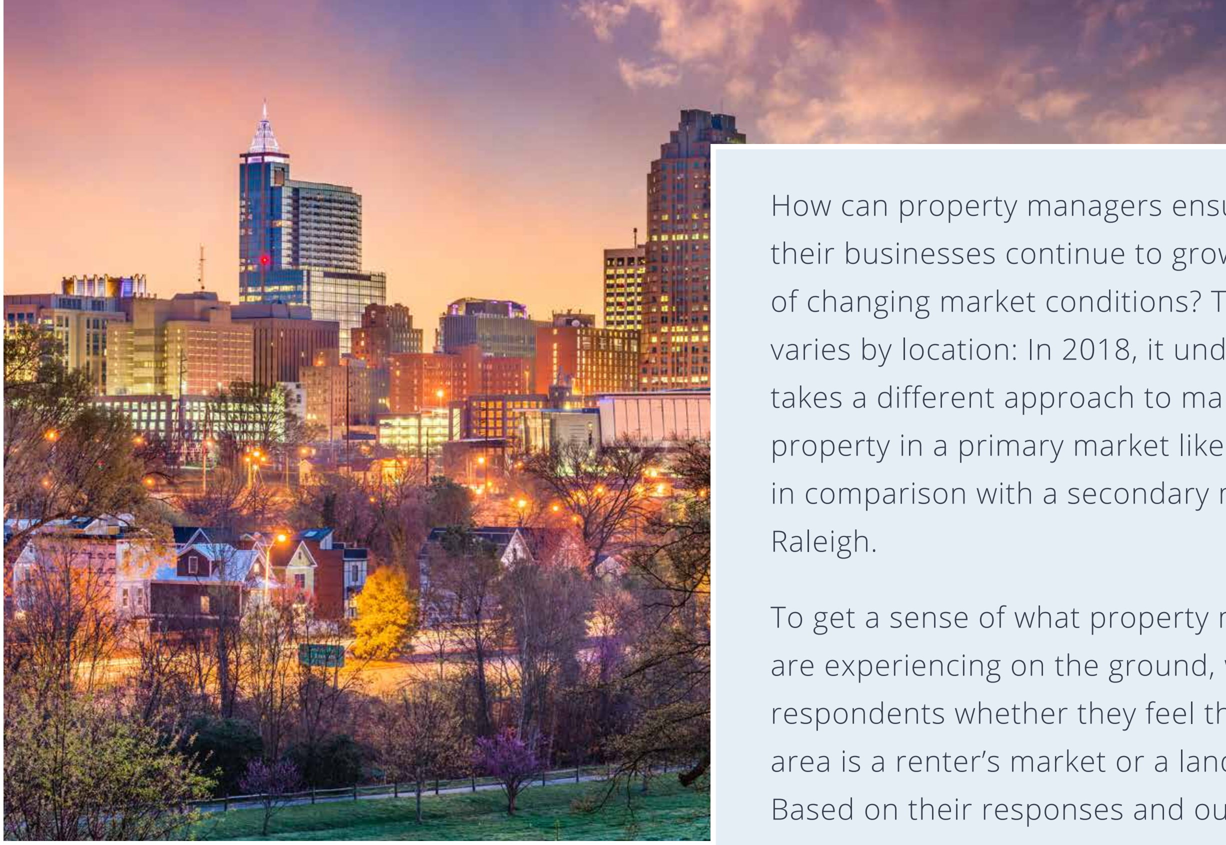
According to Zillow's Home Value Index,[3] home values across the United States have increased by 8.3% over the last year—and in some areas, they're rising faster, prompting even more property owners to sell. Zillow forecasts that home values will grow an additional 6.6% by June 2019.

In this year's survey, we investigated the ways in which rental markets vary across the country, including property managers' reports of portfolio loss. Property managers in thriving secondary markets like Phoenix, Seattle, Las Vegas, Nashville, and Atlanta told us that portfolio loss was a major challenge for them over the last year—and each of these cities is located in a state that's experiencing above-average growth in home values.

Home values are growing at a slower pace in primary markets like New York City, Boston, and Chicago, having reached and even exceeded their pre-Recession highs in recent years. Consequently, only a handful of property managers identified portfolio loss as a major issue in these areas; though stagnating rents and rising vacancy rates present their own set of challenges.

No matter where you are, property owners will look to you for expertise on managing their rentals effectively and profitably. You can't control the health of the real estate market where your properties are located, but you can keep your finger on the pulse and adapt your strategy in response.

[3] *"United States Home Prices & Values," Zillow, https://www.zillow.com/home-values, (September 2018).*

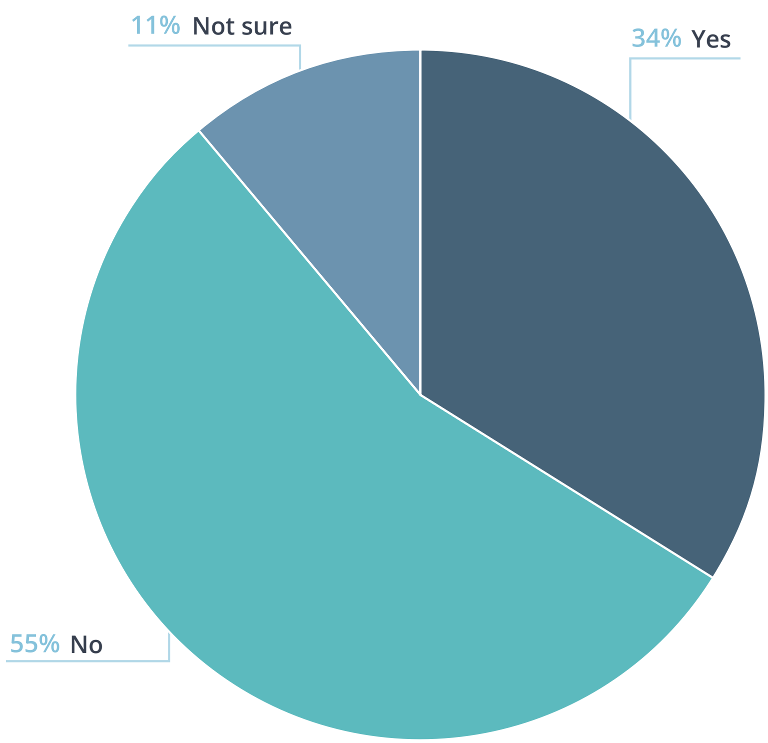


How can property managers ensure that their businesses continue to grow in spite of changing market conditions? The answer varies by location: In 2018, it undoubtedly takes a different approach to manage a rental property in a primary market like New York City in comparison with a secondary market like Raleigh.

To get a sense of what property managers are experiencing on the ground, we asked respondents whether they feel that their metro area is a renter's market or a landlord's market. Based on their responses and our own market research, we devised a basic strategy for success in primary and secondary markets in the coming year.

FIGURE 9A

Do Property Managers Feel That They're in a Renter's Market Right Now?

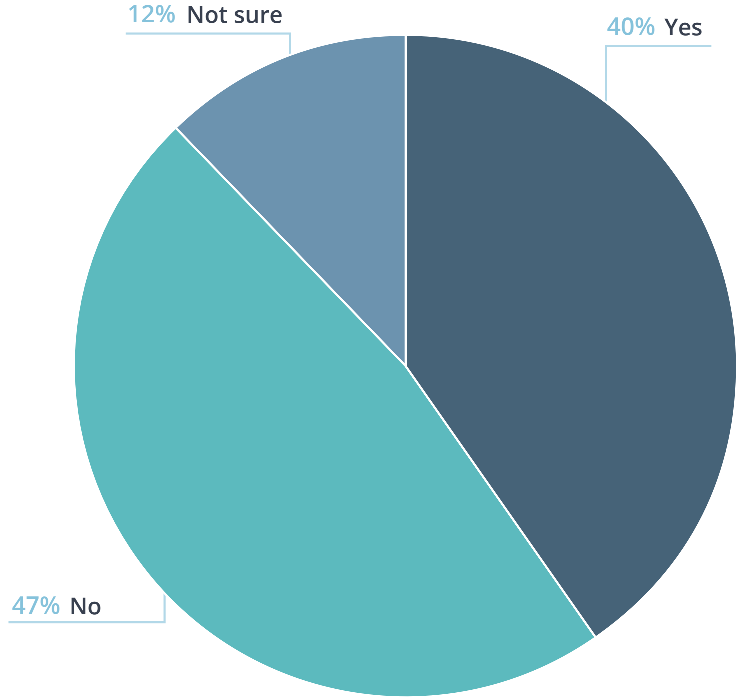


> *A renter's market occurs when there are more units available than there are renters interested in leasing them. In a renter's market, renters have increased power in negotiations, which means that property managers have to work harder to win their business.*

The State of Primary Markets

FIGURE 9B

Do Property Managers in *Primary Markets* Feel That They're in a Renter's Market Right Now?



IN YOUR WORDS

Primary Markets

"Demand is still strong, but we are forced to pay the broker fees to attract tenants." (New York, NY)

"It's still a very hot real estate market, but lots of new construction coming online has suppressed interest and prices in existing units we manage." (Washington, DC)

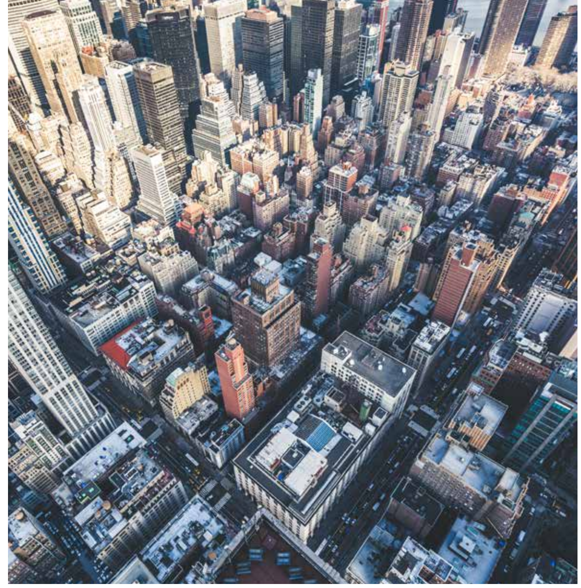
"While rent increases have moderated, and the vacancy rate has increased, they have done so from extremes, simply reverting to the mean. If the trends continue unabated, then it may become a renter's market in time." (Chicago, IL)

"Rents seem to be growing stagnant this year. We have not filled any vacancies with higher rent values. A lot of tenants are leaving for places outside of the area, but vacancies are easy to fill with people eager to get in." (San Francisco, CA)

"Excellent market, but by no means a lay-up for landlords." (Boston, MA)

"We're getting resistance on rental prices. There's a shortage of housing and low unemployment, but wages are not increasing in pace with rents." (Los Angeles, CA)

The State of Primary Markets



Boston, Chicago, Los Angeles, New York City, San Francisco, and Washington D.C.: These are the 6 American cities commonly considered to be primary markets. This is due to their commanding presence in the U.S. real estate market, both in terms of their population and the volume of real estate transactions.

In spite of their outsized impact on the U.S. economy, however, primary markets are not necessarily the fastest-growing cities in the country. Just like the rest of the economy, the real estate market in each of these cities goes through cycles based on supply and demand at every level, from local to global.

In primary markets in 2018, the demand for affordable rentals has never been stronger. On one side of the coin, the shortage of places to live increases the competition for low- to mid-priced units. However, newly constructed units have been flooding the market, causing rent growth[4] and occupancy rates to soften—though rents are still hovering around their all-time highest levels. In some markets, property managers have trouble attracting and retaining renters without offering concessions.[5]

These conflicting factors make it difficult to tell whether landlords or renters come out on top—a dynamic that was reflected in responses to our survey: Near-equal numbers of respondents believe that they're in a renter's market versus a landlord's market. As one Boston property manager summed it up in this year's survey: "Excellent market, but by no means a lay-up for landlords."

All of this means that capturing renters' attention in primary markets—while still turning a profit—requires striking a delicate balance. Property managers need to prove their value to investor clients by attracting and retaining high-quality renters and maximizing rents, while minimizing the cost of any updates to their units. Meanwhile, in order for renters to bite, rentals need to be as affordable and appealing as possible as the markets and rents teeter on stabilizing.

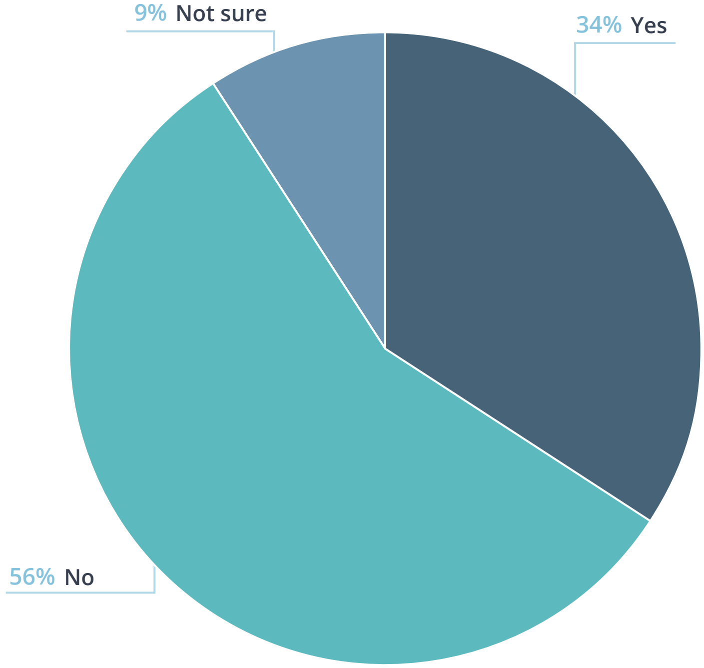
[4] *Laura Kusisto, "Some Big U.S. Cities See Apartment Rents Fall for First Time in Years," The Wall Street Journal, https://www.wsj.com/articles/u-s-cities-see-apartment-rents-fall-for-first-time-in-years-1475614808, (October 4, 2016).*

[5] *Ronda Kaysen, "2017: Year of the Renter," The New York Times, https://www.nytimes.com/2017/01/06/realestate/2017-year-of-the-renter.html, (January 6, 2017).*

The State of Up-and-Coming Markets

FIGURE 9C

Do Property Managers in *Secondary Markets* Feel That They're in a Renter's Market Right Now?



IN YOUR WORDS

Secondary Markets

"It is truly a landlord's dream right now—increasing rents and multiple applications per rental. Renters may have to apply to 4 or more properties before getting 1." (Phoenix, AZ)

"It's taking a little longer to move inventory, but there's enough demand in our market that we are getting the properties leased without lowering prices or offering incentives." (Austin, TX)

"The demand for housing is so strong in Denver that rents have gone to a level that can't be sustained in the long run with current employment opportunities." (Denver, CO)

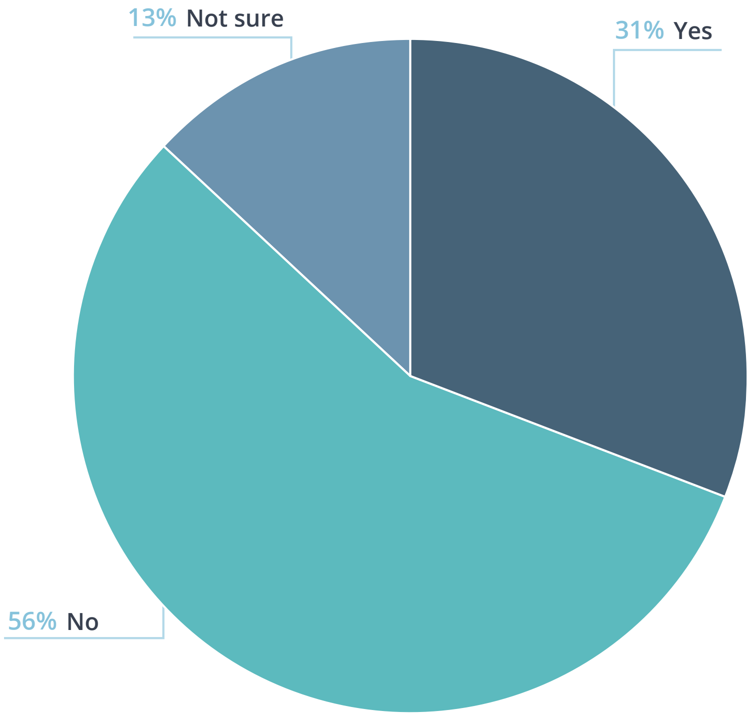
"There are pockets where there are a lot of vacancies in the market, and the renter has more power to negotiate a better deal." (Minneapolis, MN)

"There is definitely a change happening. Rents are trending down, and vacant units are staying on the market much longer than in the last several years. A renter's market is on the horizon." (Seattle, WA)

"While we can still get units rented at a decent price, the steady increases that we've had for the last 5 years are not there. Tenants are being much more selective and slow in making decisions." (Nashville, TN)

FIGURE 9D

Do Property Managers in ***Tertiary Markets*** Feel That They're in a Renter's Market Right Now?



IN YOUR WORDS

Tertiary Markets

"Even with thousands of new apartments, condos, and houses being built in our area, we are filling vacancies very quickly." (Myrtle Beach, SC)

"It's a landlord's market. We have the ability to increase rents, and units being built are rented almost before they are done." (Dayton, OH)

"We have less than a 1% vacancy rate. I am turning down qualified renters because I have so many applying for units!" (Spokane, WA)

"The market is a balance between the landlord and the tenant, but has the potential to swing to the tenant's favor based on the supply of newly constructed, affordable single-family houses and large-scale multi-family buildings." (Fayetteville, AR)

"There's a huge shortage of rentals. The number of qualified tenants is slim, but we have a multitude of unqualified renters begging for housing." (Rural TN)

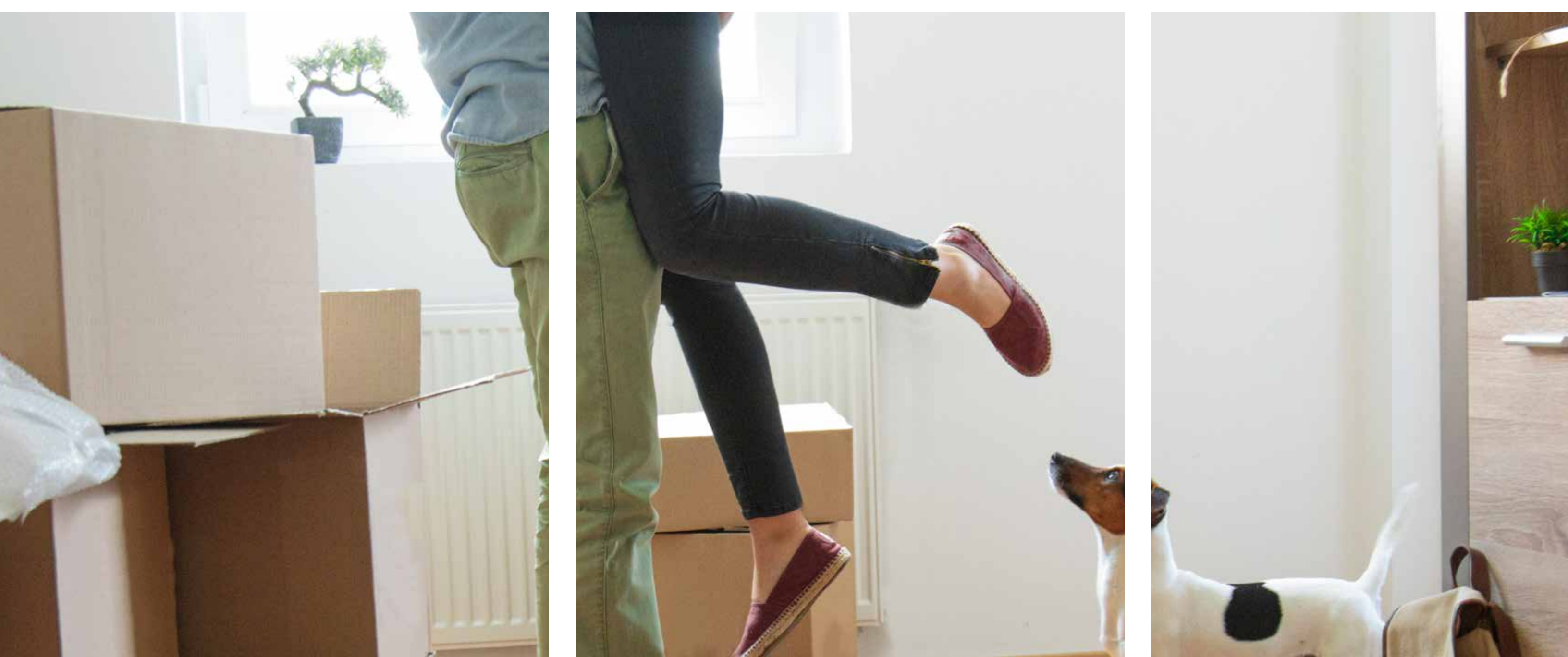
"It's a very tight market. We barely need to advertise." (Portland, ME)

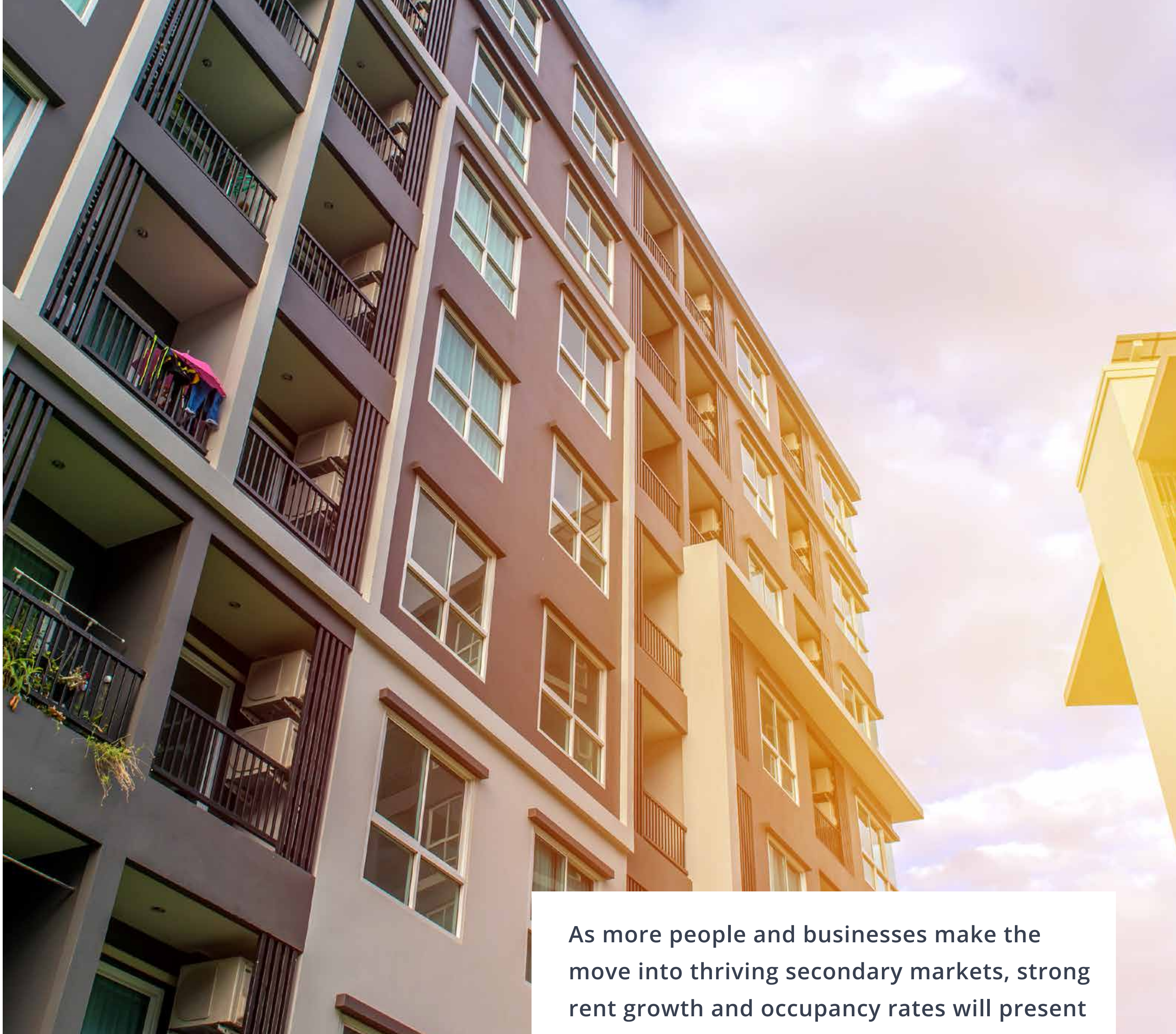
The State of Up-and-Coming Markets

Secondary markets are generally mid-sized cities that are experiencing an uptick in growth—and as a result, they begin to capture people's attention. They see steady growth in the local economy, with new jobs and businesses opening up, as well as an emerging tech sector in many cases. They also see steady growth in the city's population as young, educated professionals and families move in.

The housing market gains strength but remains less competitive than primary markets—resulting in lower prices for homebuyers and higher returns for investors. In the rental market, occupancy rates begin to rise; but because the supply of apartments is relatively unconstrained, rent prices stay affordable for most residents. Overall, more than half of survey respondents located in secondary markets believe that they're in a landlord's market, in comparison with less than half of those in primary markets; and the same is true for up-and-coming tertiary markets.

Note: Because there are no strict boundaries delimiting which cities qualify as secondary markets versus primary or tertiary ones, there are exceptions to this definition. For example, many of the country's most populous cities are not considered primary markets. Among America's 10 largest cities are San Antonio, Philadelphia, San Diego, Phoenix, and San Jose, each of which has over a million residents—but the strength of their respective housing markets classifies them as secondary markets.





As more people and businesses make the move into thriving secondary markets, strong rent growth and occupancy rates will present big opportunities for investors looking to grow in new directions. Property managers will prove their value by driving profits and keeping their rentals running like a well-oiled machine as these markets mature and conditions shift over time.

What else can property managers do to keep their revenue growth strong in the face of these challenges? In the next section, we'll share respondents' goals and growth strategies for today's evolving market.

CHAPTER 3

LOOKING FORWARD:

GOALS & GROWTH FOR 2019

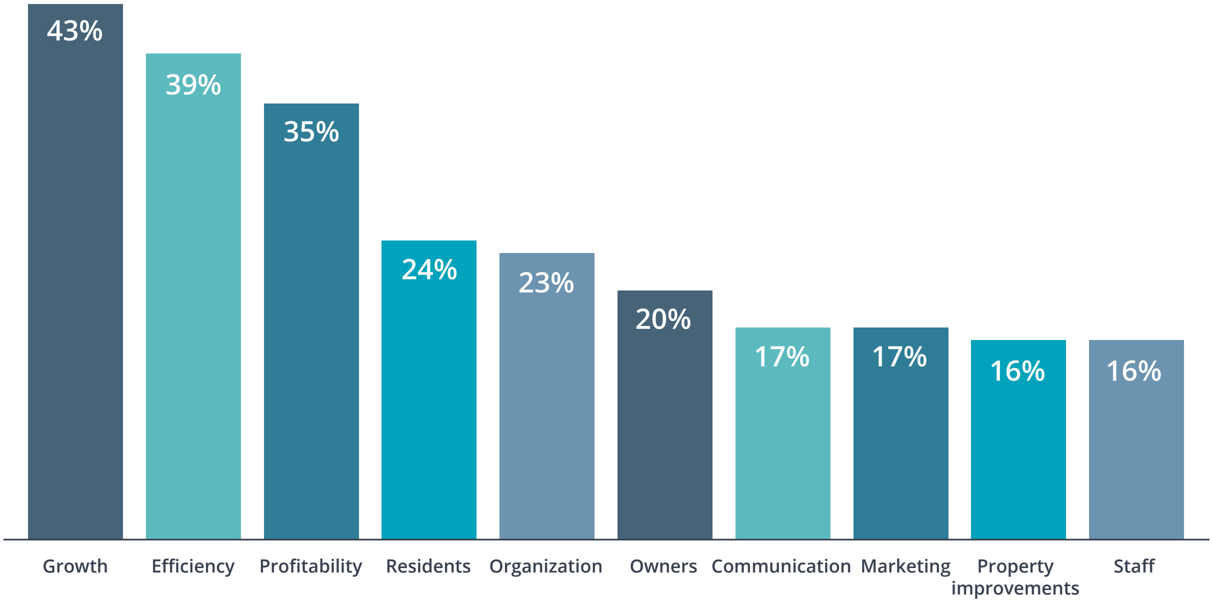
CHAPTER 3, SECTION 1:
PROPERTY MANAGERS' GOALS FOR 2019

Even with the headwinds that they've faced over the past year, property managers are still setting aggressive goals for themselves in the year to come. However, reaching the targets that you've set for your company may require a different approach in 2019 than in years past.

In this chapter, we'll share where property managers are headed in the near future, and which shifts in the industry they'll need to accommodate in order to stay on track.

FIGURE 10A

Property Managers' Top 10 Goals in 2019



IN YOUR WORDS

Where You're Focusing Your Efforts

"Our main priority is to stay engaged with our residents and focus on great service in order to keep our great reputation. Since we don't have additional amenities to offer, our staff and location are what make us stand out!"

"First, we were focused on getting the right properties in the right areas. Then, we were handling all deferred maintenance issues. Now, we are working on having the right staff in place across all properties and getting to our peak efficiency and profitability."

"We've been trying to retain residents for a longer period of time, and budgeting improvements to our properties to create a great first experience."

"Being understaffed has had a trickle-down effect on other areas of our business. We need to become more streamlined in our communications and system of organization in order to continue to thrive when we are down team members."

"Priorities have shifted from finances to building a community and a relationship with residents to ensure long-term tenancy and satisfaction."

"Our main goal was growth, but I found that if we were just more streamlined and organized, life in the office would be easier and we would be in a better position to take on new clients."

"I've been investing more into my employees. Engaged and happy employees provide better customer service."

FIGURE 10B

Property Managers' Goals
by Year

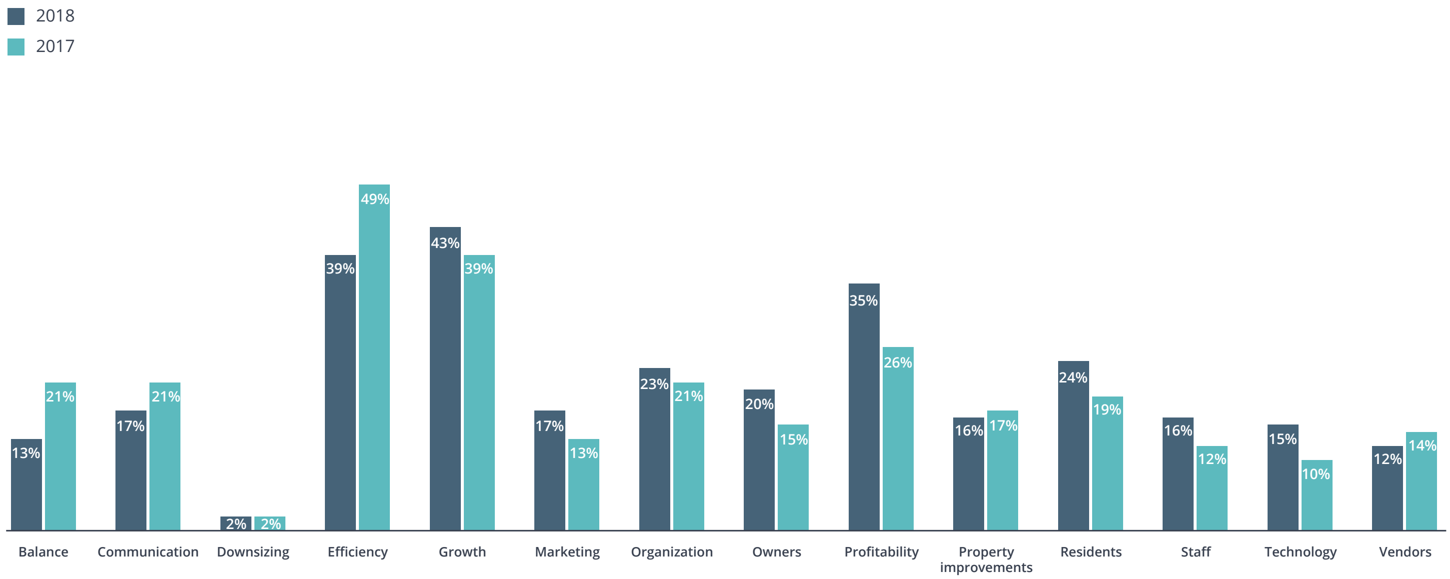
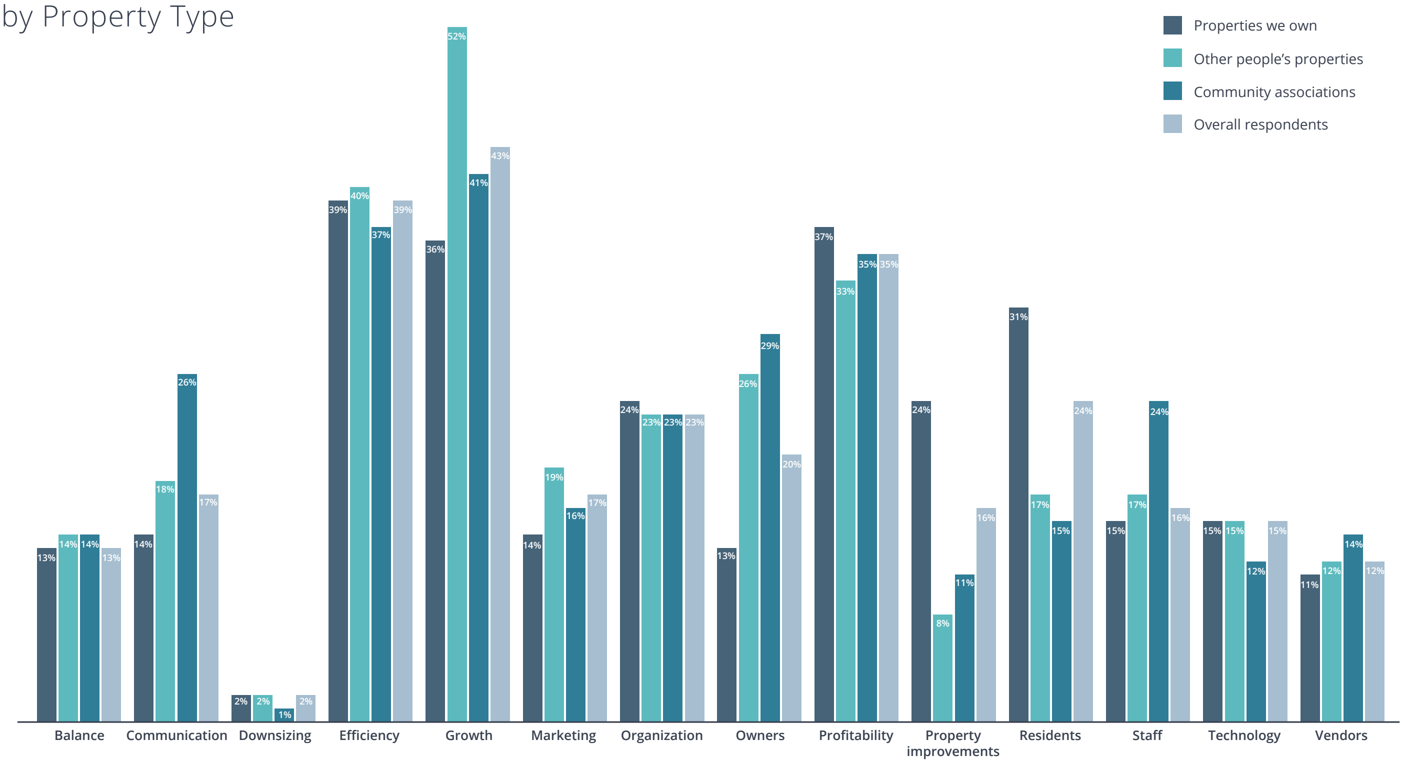


FIGURE 10C

Property Managers' Top Goals
by Property Type



Between 2017 and 2018, respondents' primary goals stayed the same, though the rates of respondents who selected them changed. In 2018, property managers' top goals were:

- **Growth:** Finding new clients and growing the portfolio – selected by 39% in 2017 and 43% in 2018
- **Efficiency:** Improving time management and streamlining business processes – selected by 49% in 2017 and 39% in 2018
- **Profitability:** Becoming more profitable and finding additional sources of revenue – selected by 26% in 2017 and 35% in 2018

However, we noticed three intriguing differences between last year's data and this year's:

1. **Their focus on Growth overtook their focus on Efficiency in 2018**, particularly among respondents who manage other people's properties. This may be a reflection of the seller's market that we're operating in: Growing your portfolio is no easy task with property owners selling their rentals left and right.

2. **Their focus on Profitability grew by almost 10 points over the last year.** This is likely due to two things: First, a reported shift in their client base from Accidental Landlords to investors, who are far more tuned into the revenue that their properties generate; and second, the need to find revenue sources other than property acquisitions in the current economy.

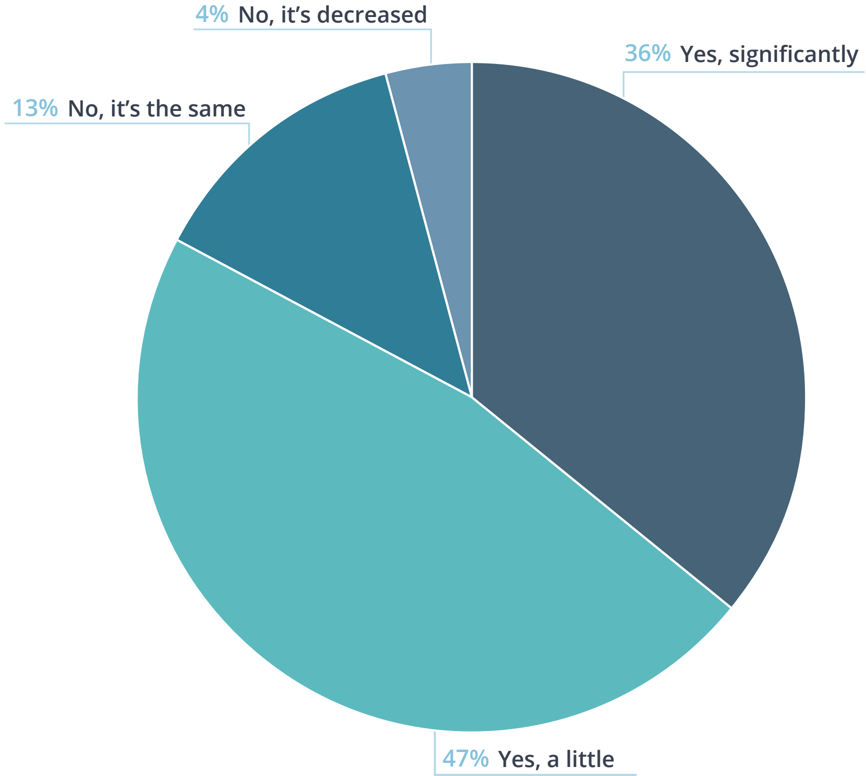
3. **Their focus on Residents, Owners, and Staff increased.** Property managers are beginning to recognize that strong relationships and excellent customer service directly impact their other goals. **After all, you can't grow without retaining clients and attracting new ones; you can't be efficient without staff members who stick around; and you can't be profitable if you fail to convince residents to sign and renew their leases.**

CHAPTER 3, SECTION 2:

REVENUE & PORTFOLIO GROWTH

FIGURE 11

Has Your Revenue Increased Over the Last 2 Years?



IN YOUR WORDS

Plans for Growth

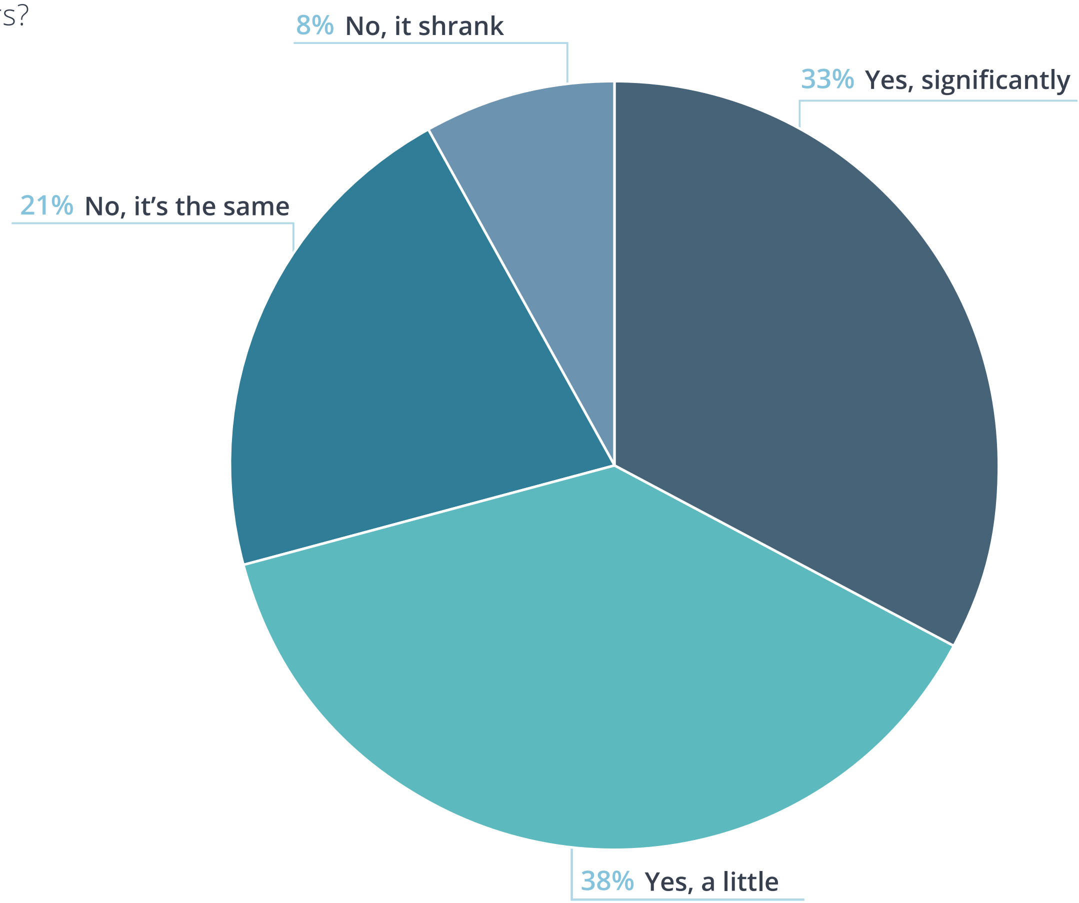
"Automating our processes has freed up valuable time to work on areas that need improvement. We will continue to purchase property and provide reliable and efficient property management as we streamline tasks that usually would take a week down to a day."

"We'll grow our revenue by staying competitive on rental rates, negotiating the best contracts for services, and reducing our turnover ratio."

"We'll keep our rates competitive, offer quality apartments and good service to keep renters leasing. We'll also offer more online services or better ways to manage and be accessible to our renters."

FIGURE 12

Has Your Portfolio Expanded Over the Last 2 Years?



IN YOUR WORDS

Plans for Growth

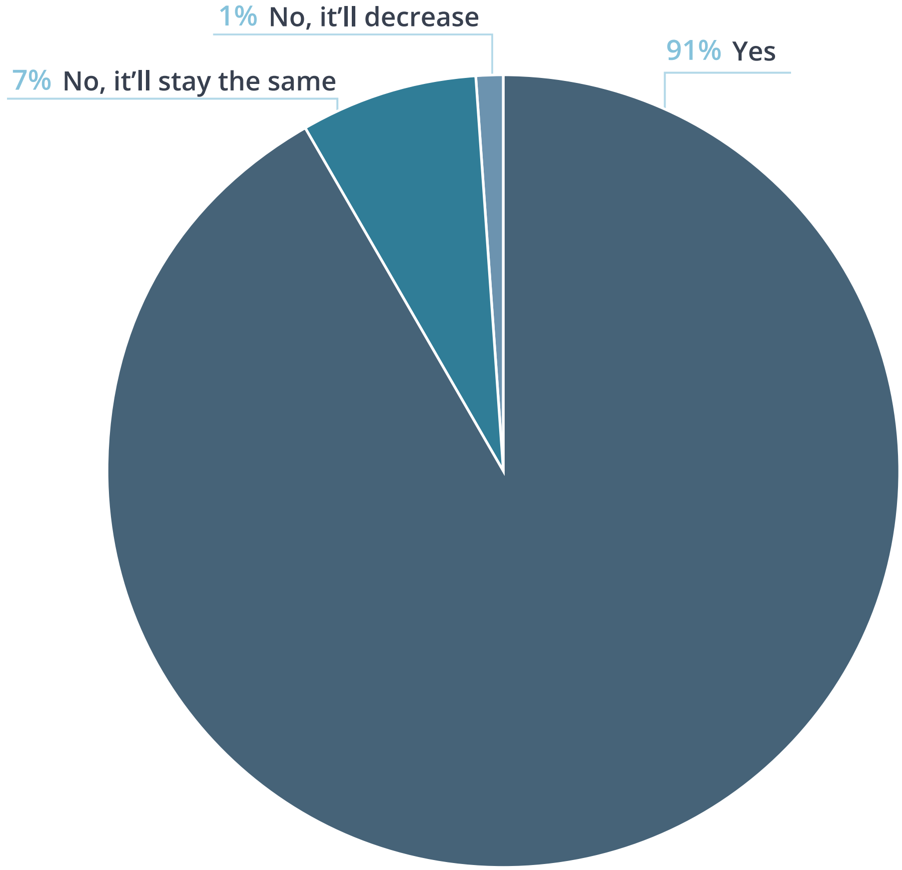
"Our company purchases properties through wholesalers, direct referrals, and foreclosures."

"We plan on continuing to expand our portfolio to different states. We have a house flip we are working on that will fund our next multi-family."

"We plan on investing in larger multi-family properties that have at least 75 units per complex."

FIGURE 13

Do You Expect Your Revenue to Increase Over the Next 2 Years?



IN YOUR WORDS

Plans for Growth

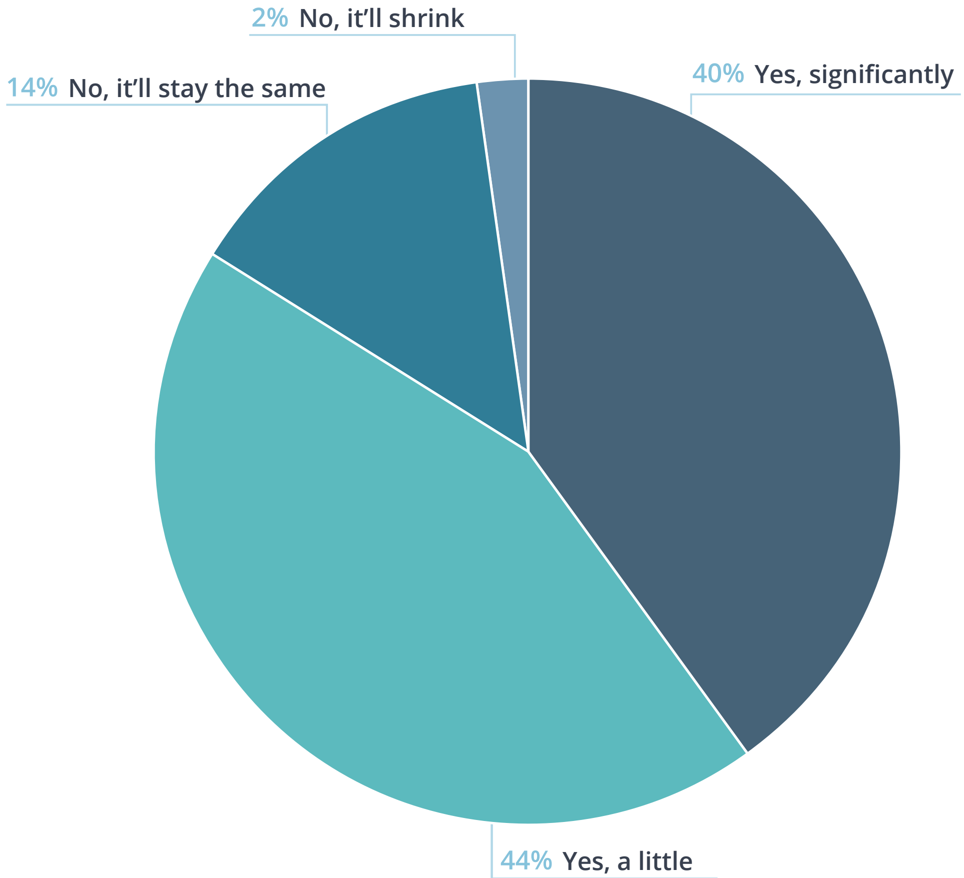
"The plan is to get rid of the high-maintenance, low-producing units currently under management and bring on properties/clients that are a better fit."

"The presentation of our properties will change. Buildings will be repaired, tenant events will become more frequent, deeper relationships will be built with the residents, etc."

"We plan to expand our base of owners, deepen existing relationships, focus on additional value-added services, and purchase and manage our own properties."

FIGURE 14

Do You Expect to Expand Your Portfolio Over the Next 2 Years?



IN YOUR WORDS

Plans for Growth

"1: Growing with existing clients. 2: Acquiring a property management company. 3: Finding new clients. 4: Entering new service lines (e.g. HOA, large multi-family)."

"We'll grow through aggressive social media marketing, video marketing, owner education, and community engagement."

"We're looking to cut expenses, improve our quality of service, launch a new website to drive PM acquisition, do more direct marketing, cultivate realtor referrals, grow our BDM's skills and knowledge, teach classes to local brokers. We'll possibly do another acquisition if one comes along—it's a good time to buy, with lots of PMs losing inventory."

9 in 10 property managers expect their revenue to grow in the next 2 years, of which half expect it to grow significantly. Ordinarily, revenue growth and portfolio growth go hand-in-hand—you increase the revenue that you're bringing in by finding new clients, acquiring new properties, or encouraging your clients to do so. **However, in a seller's market like we're in today, how do property managers plan on increasing their profitability?**

We asked respondents to share their most actionable advice with one another, then looked for recurring themes in their responses. **Here's how property managers plan to grow in the years to come, with their feedback separated into two categories: Advice from those who manage their own properties, and from those who manage other people's properties.**

How Those Who Manage Their Own Properties Plan to Grow

They plan to increase their revenue by:

- Adding revenue-generating amenities
- Bringing maintenance and other services in-house to lower costs and turn over units faster
- Freeing up time to focus on revenue-generating activities by leveraging technology to make business operations more efficient
- Improving customer service to retain residents and save on turnover costs
- Negotiating better contracts with vendors to lower expenses
- Raising under-market-value rents
- Renovating buildings in order to raise rents and property values
- Selling non-profitable, high-maintenance properties and only taking on more lucrative ones to replace them

They plan to expand their portfolios by:

- Acquiring smaller property management companies for their portfolios
- Beginning to manage other people's properties
- Expanding into developing or building new properties
- Increasing staff in order to take on more properties
- Purchasing properties in other markets—either other property types, like commercial or vacation rentals, or properties located in other cities
- Seeking out large multi-family properties to buy

How Those Who Manage Other People's Properties Plan to Grow

They plan to increase their revenue by:

- Adding revenue-generating amenities
- Bringing maintenance and other services in-house to lower costs and turn over units faster
- Broadening services offered to provide more revenue opportunities
- Cutting owners who demand the most resources for the least amount of gain, and becoming increasingly focused on clients that fit their business model
- Examining the competition to figure out how to beat them out for new business—for example, their pricing, holes in their customer service, or services they don't offer
- Expanding into selling or purchasing properties as well as managing them
- Freeing up time to focus on revenue-generating activities by leveraging technology to make business operations more efficient
- Getting owners' buy-in to renovate buildings in order to raise rents and property values
- Improving customer service to retain residents and save on turnover costs, which will also increase referrals from owners to gain more clients
- Negotiating better contracts with vendors to lower expenses
- Raising under-market-value rents
- Retooling fee structures to bring in higher revenues from clients

They plan to expand their portfolios by:

- Acquiring smaller property management companies for their portfolios
- Expanding marketing efforts to find new clients across their own website, social media, paid advertising, direct mail, etc.
- Helping existing clients to acquire additional properties
- Hiring a business development manager
- Incentivizing staff members to find new accounts
- Increasing size of staff in order to take on more properties, seek out new leads, and improve customer service for retention and referrals
- Networking within industry organizations and partnering with real estate agents, brokers, and other industry professionals to find new clients
- Seeking out large multi-family properties to manage
- Taking on clients in other niches—for example, commercial or vacation rentals

CHAPTER 3, SECTION 3:
FACTORS FOR SUCCESS

In the years to come, your business' growth will undoubtedly be impacted by two major shifts that are reinventing the rental industry as we know it: Changing renter demographics, and an evolving client base. Let's dig into each of these trends to learn how property managers can best meet the needs of today's residents and owners—and how the right technology can help your business to stay agile as you grow and the industry evolves.

Transformative Shifts in Renter Demographics

In an era where customer service is paramount, the property manager's role is to help owners to attract renters of all kinds, choose the best ones for the property, then develop great relationships with them so they consider your units "home" in the long run.

Due to the affordable housing shortage, people are renting later in life than ever before[6]—and a more diverse group of households are renting their homes rather than buying them.[7] Why is this the case? There are a number of factors responsible for this trend:

- Today's graduates carry an average of $37,000 in student loans by the end of a four-year degree.[8] Monthly student loan payments prevent many from saving up for a down payment.[9]
- Stringent credit requirements prevent our housing market from becoming a bubble—but they also prevent adults with less-than-perfect credit histories from getting mortgages.[10]
- Rent prices have grown at a significantly faster pace than wages, preventing renters from saving up to buy a home.[11]
- High home prices make homebuying unaffordable, especially for first-time buyers without the equity from a home sale to aid them. In addition, a shortage of low- to mid-priced homes makes homeownership unattainable for a huge swath of potential buyers.[12]
- For financial and social reasons, young adults are delaying traditional milestones like getting married and having children[13]—actions that often precede buying a home.

[6] *Nadia Balint, "The Biggest Game Changers in Renting Are Older, Highly-Educated Renters, and 2.5 Million Stronger," RENTCafé Blog, https://www.rentcafe.com/blog/rental-market/real-estate-news/todayrenterprofile-older-highly-educated-suburban, (October 17, 2017).*

[7] *"The State of the Nation's Housing 2017," Joint Center for Housing Studies of Harvard University, http://www.jchs.harvard.edu/sites/default/files/harvard_jchs_state_of_the_nations_housing_2017_0.pdf, (June 16, 2017).*

[8] *Michael Monteiro, "Thinking Forward, Part I: The Rise of Renting and the Decline of the White Picket Fence," Forbes Real Estate Council, https://www.forbes.com/sites/forbesrealestatecouncil/2018/07/02/thinking-forward-part-i-the-rise-of-renting-and-the-decline-of-the-white-picket-fence, (July 2, 2018).*

[9] *Svenja Gudell, "Down Payment the Top Hurdle Holding Back Would-Be Home Buyers," Zillow Research, https://www.zillow.com/research/down-payment-hurdle-zhar-14790, (April 12, 2017).*

[10] *Richard Fry & Anna Brown, "In a Recovering Market, Homeownership Rates Are Down Sharply for Blacks, Young Adults," Pew Research Center, http://www.pewsocialtrends.org/2016/12/15/in-a-recovering-market-homeownership-rates-are-down-sharply-for-blacks-young-adults, (December 15, 2016).*

[11] *Laurie Goodman, "The Demographics of Demand," Urban Institute, https://www.urban.org/sites/default/files/publication/72491/2000491-The-Demographics-of-Demand.pdf, (October 2015).*

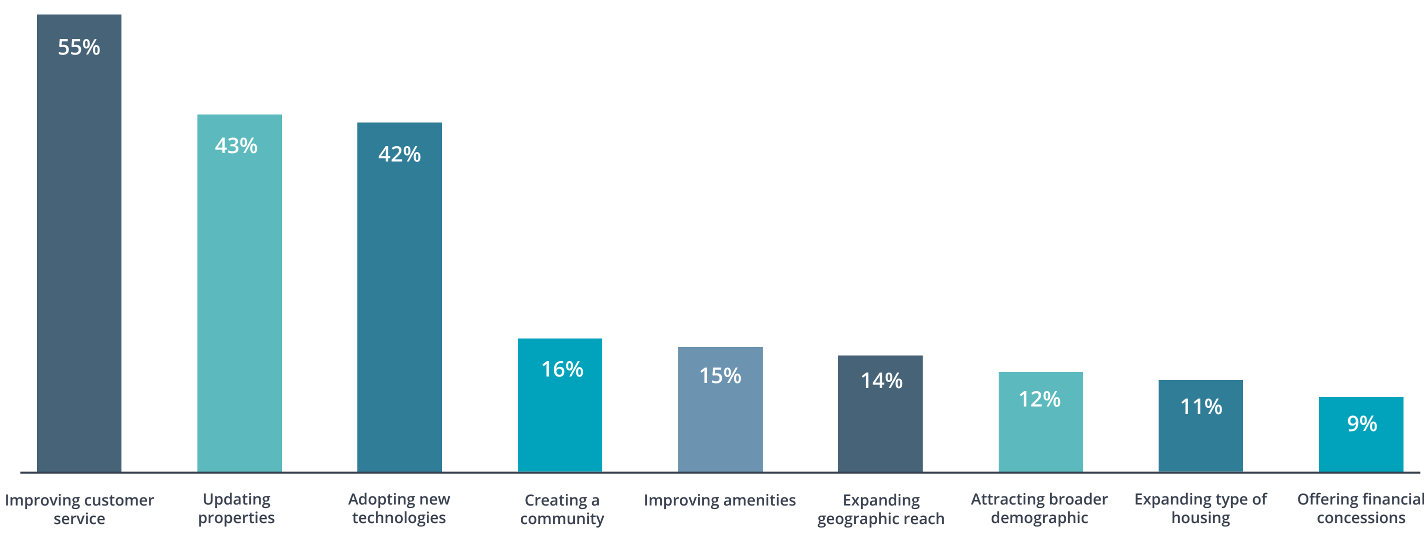
[12] *Javier Vivas, "The Housing Shortage Part II: Starter Homes Disappear," Realtor.com, https://www.realtor.com/research/housingshortage_starterhomes, (August 17, 2017).*

[13] *Jonathan Vespa, "The Changing Economics and Demographics of Young Adulthood: 1975-2016), United States Census Bureau, https://www.census.gov/content/dam/Census/library/publications/2017/demo/p20-579.pdf, (April 2017).*

No matter the reason, property managers are renting to a broader demographic of people than they have in the past—students, couples, young professionals with roommates, families with children, and seniors. **A one-size-fits-all approach to customer service will become increasingly ineffective—and the importance of personalizing your offerings and understanding the demographics you serve will only grow in the years to come.**

FIGURE 15

How Are You Adapting Your Approach to Attracting & Retaining Renters?



IN YOUR WORDS

How Your Retention Strategy is Evolving

"Customer service is often the number one complaint in housing. Staying up-to-date with residents and active communication will result in higher retention and a better sense of community overall."

"I advertise for vacancies early. I offer upgrades as standard features; for example, electronic keyless entry, high-speed USB hubs, high-end faucets, and dual shower heads are standard. Folks find value in the high-end upgrades and they create a high demand."

"The number one improvement that I have made within the company is building a relationship with the residents. I strongly believe that the property needs to feel like a home and a safe community, rather than just 4 walls and a payment due on the first of every month."

"We've been doing property updates for the residents who have been in the property for a long time (over 5 years), as it's always best to retain the good, long-term residents with the gift of refreshing the space where they spend most of their time."

"For the moment, our market is booming, so attracting renters is straightforward. However, if the market softens over the next year, we are prepared and will continuously work with our clients to ensure that their properties are aggressively positioned to be the optimal value and condition to attract the highest-quality candidates."

"We work really hard to provide a 'good as gold' experience for residents, owners, and our vendors, and ask for more online reviews to show high levels of satisfaction."

"We have very little community space, so we are working to create small niches in the community for residents. We have converted a small space between two buildings into a doggie den area where residents can sit, relax, and enjoy their fur babies!"

In the 2018 Renters' Report,[14] we broke down residents' needs and preferences by generation—one of the demographic areas where renters' diversity is becoming most pronounced. Here's our advice on how to attract and retain residents of each generation.

[14] *"The 2018 Renters' Report," Buildium, https://www.buildium.com/resource/2018-renters-report, (July 16, 2018).*

MILLENNIAL RENTERS

Millennials rent until they're ready to put down roots and save up for a house. They're equally likely to move out as they are to renew their lease from year to year. How can you attract them to your rentals, then prevent them from moving out?

- **Invest in digital marketing.** We recommend listing rentals on Zillow as well as your own site; connecting with renters on social media; and encouraging happy residents to review your business online.
- **Adopt proven technologies,** such as enabling renters to pay rent, sign leases, and submit maintenance tickets online; and communicating by email and text message.
- **Make your amenities as competitive as possible.** Aim to stay one step ahead of your competition at all times, and make property updates or offer concessions if necessary to fill vacancies.
- **Consider how your rentals can adapt** as residents hit various milestones. For example, make your units pet- and child-friendly; create spaces for residents to gather or store their belongings outside of their units; and help them find a different unit if theirs no longer fits their needs.
- **Provide personalized customer service.** Understand that their apartment is their home, and solicit renters' feedback on how you can keep them.

GENERATION X RENTERS

Generation X rents while they save up for a home and improve their finances. They're more likely to stay put from year to year to avoid uprooting their families, but they wonder if they could find somewhere better to live. What can you do to draw them in and keep them in place over time?

- **Be willing to look beyond credit scores** for those who have had no recent delinquencies, but who lost their homes or their jobs during the Great Recession. Supplement credit reports with references from employers and former landlords.
- **Accommodate their evolving needs.** Some residents will eventually purchase their own homes; but others will keep renting if you work with them to upgrade their unit, move to a different one, or offer a rent-to-own arrangement.
- **Help them make their rental feel like home.** This might mean asking renters with families how you can make your units more child-friendly; or allowing former homeowners with experience caring for a house to make minor updates.
- **Advertise your listings on- and offline**. Gen X renters look for rentals on Zillow, Craigslist, and property managers' websites; but they also check local bulletin boards and social media groups, and ask for recommendations from friends.
- **Don't forget about them** in the rush to meet younger and older renters' needs. Though they're a smaller generation overall, Gen Xers make up 1 in 3 renter households.

BABY BOOMER RENTERS

Baby Boomers are the fastest-growing segment of renters,[15] presumably because they'd rather not have to maintain a home and pay off a mortgage once they retire. They're relatively likely to stick around from year to year because they want to stay put in one place as they age. How can property managers accommodate their needs?

- **Offer a broad range of services**, whether in-house or through vendors. Many aging residents will pay higher rent to have needs taken care of like snow plowing, house cleaning, and grocery delivery.
- **Make their units adaptable** so they can age in place. Consider updates that are either removable, like a grab bar in the shower; or that benefit residents of all ages, like a handicapped parking space close to the home's entrance.
- **Create gathering places for residents** to spend time and share meals with loved ones, since this is something they'll miss once they sell their family homes. You can host retention-boosting events for residents in these spaces, too.
- **Enhance the resident experience with technology.** Older renters care about technology, too: Nearly two-thirds of Baby Boomers want to be able to take care of rental processes online, and more than half would be interested in a smart home.
- **Promote your vacancies on- and offline.** Like Generation X, Baby Boomers search for rentals on property managers' websites, Zillow, and Craigslist; but they also look for "For Rent" signs, check local bulletin boards, and ask for tips from people they know.

[15] *Nadia Balint, "The Biggest Game Changers in Renting Are Older, Highly-Educated Renters, and 2.5 Million Stronger," RENTCafé, https://www.rentcafe.com/blog/rental-market/real-estate-news/todayrenterprofile-older-highly-educated-suburban, (October 17, 2017).*

RETENTION TIPS FOR RENTERS OF *ALL* AGES

By being attentive to your residents' unique needs, you can avoid the trouble and cost of finding new renters year after year. No matter their age, today's renters want to feel at home in their units—and by staying tuned in to their evolving needs, you can ensure that they stick around in the long run.

Here's our best advice for attracting and retaining residents of all ages, based on data from the 2018 Renters' Report[16]:

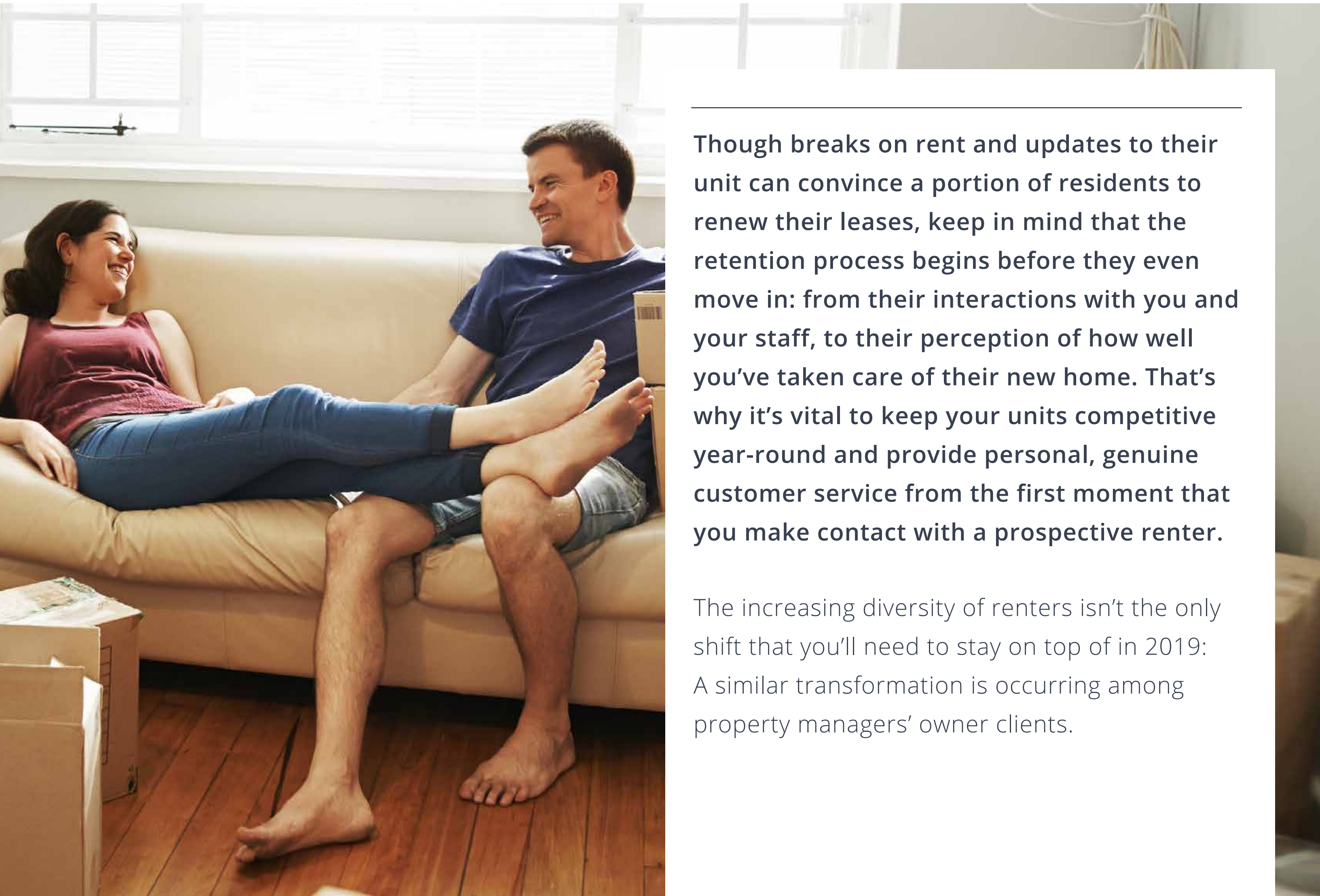
1. **Know which concessions are likely to motivate renters** to move in and stick around. These 3 incentives would win over a large portion of renters who are thinking of moving out:
    - Free utilities for a year – selected by 45% of renters considering moving out
    - A recurring deal on rent, such as $50 off each month for a year – 38%
    - Keeping the rent at the same rate for another year – 32%

When offering concessions, it's wise to keep three principles in mind:

- **Consider how you can provide incentives for lease renewals** to keep current residents in place, rather than solely focusing on getting new renters in the door.
- **Distribute concessions across the length of the lease** to keep renters in place longer.
- **Screen residents to ensure that they can afford to pay full-price** once the concessions have ended.

[16] *"The 2018 Renters' Report," Buildium, https://www.buildium.com/resource/2018-renters-report, (July 16, 2018).*

2. **Make updates to units with a proven return on investment.** For example, we discovered the following trends:
    - More than 1 in 2 residents would be willing to pay higher rent for an in-unit washer and dryer; central air conditioning; high-speed internet; or private outdoor space.
    - 2 in 5 residents would pay higher rent for a dishwasher, a pet-friendly building, or extra storage space.
    - 1 in 3 residents would pay higher rent for garbage pick-up, a remodeled kitchen, a patio or roof deck, hardwood floors, or a laundry room in the building.



Though breaks on rent and updates to their unit can convince a portion of residents to renew their leases, keep in mind that the retention process begins before they even move in: from their interactions with you and your staff, to their perception of how well you've taken care of their new home. That's why it's vital to keep your units competitive year-round and provide personal, genuine customer service from the first moment that you make contact with a prospective renter.

The increasing diversity of renters isn't the only shift that you'll need to stay on top of in 2019: A similar transformation is occurring among property managers' owner clients.

New Priorities from a Changing Client Base

In order to be successful in this new market, property managers need to provide top-notch, tech-enabled customer service to renters and owners alike. You can attract and retain renters and keep owner clients satisfied by understanding and catering to their individual needs.

As a companion to Buildium's annual Renters' and Industry Reports, we also survey rental owners on their greatest goals and stressors, and how property managers can best serve their needs. We combine the intel that we gather from these three reports with in-depth market research to give property managers a 360-degree view of how their business fits into the greater industry—and which tweaks they may need to make in order to stay successful in the years to come.

What was the biggest revelation from this year's Owners' Report? **Property managers can maximize the value that they provide to rental owners by seeking to understand their individual goals for their rental properties—whether that's increasing their profitability, or simply managing the leasing, maintenance, and accounting cycles.**[17]

This matters now more than ever because property managers are noticing a shift in their client base. Why is this happening? A decade after the crash of the housing market and the beginning of the subsequent recession, home prices have finally reached their peak—but the seller's market we're experiencing now is motivating rental owners to sell their properties.

[17] *"2018 Rental Property Owners' Perspectives Report," Buildium, https://www.buildium.com/resource/2018-rental-property-owners-perspectives-report, (June 13, 2018).*

Largely, the owners who are exiting the rental market are **Accidental Landlords**: Those who never intended to become rental property owners, but who decided to rent out homes that they inherited or used to live in until they were ready to sell them. The number of Accidental Landlords peaked as a result of the Great Recession, when many homeowners couldn't sell their houses without going underwater on their mortgages. Rebounding home values over the last few years have allowed these owners to exit the rental market once and for all.

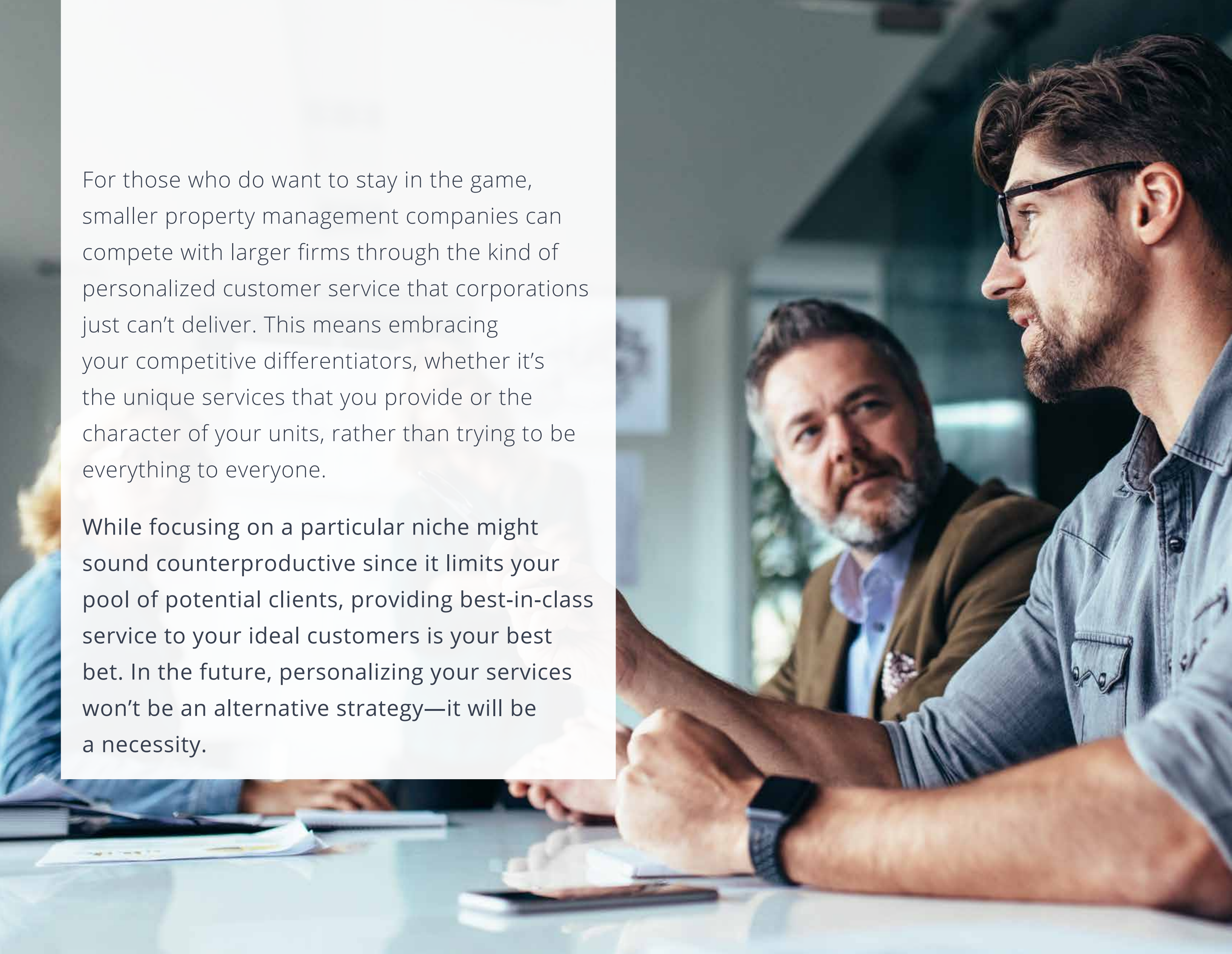
On the other hand, rising home prices mean that many investors have slowed down their acquisition of new properties until prices begin their eventual descent. As a result of these two factors, many property managers are watching their portfolios shrink. While only 1 in 5 respondents who manage other people's properties cited portfolio loss as a primary challenge in 2018, many property managers are seeking other ways to generate revenue beyond adding new doors.

Some property managers are choosing to sell their businesses to larger firms. Doing so enables them to remain a part of their company in some capacity, while taking a step back from the day-to-day operations; or to retire altogether, leaving their company in the hands of a new owner.

Recommended Reading: Tips for Selling Your Company from the CEO of Marketplace Homes

- Want to Sell Your Property Management Company? 3 Consolidation Models to Consider
- How to Improve Your Property Management Company's Curb Appeal

Find these posts and more on the Buildium Blog: buildium.com/blog



For those who do want to stay in the game, smaller property management companies can compete with larger firms through the kind of personalized customer service that corporations just can't deliver. This means embracing your competitive differentiators, whether it's the unique services that you provide or the character of your units, rather than trying to be everything to everyone.

While focusing on a particular niche might sound counterproductive since it limits your pool of potential clients, providing best-in-class service to your ideal customers is your best bet. In the future, personalizing your services won't be an alternative strategy—it will be a necessity.

Determining [which type of investor](#) your clients are is the most clear-cut way to understand their goals in owning rental property and hiring a property manager.[18] This knowledge also empowers you to select owners whose goals or properties are an ideal fit for your business model. Here are our data-driven recommendations for personalizing your services to fit each owner type's unique mindset.

[18] *"2018 Rental Property Owners' Perspectives Report," Buildium, https://www.buildium.com/resource/2018-rental-property-owners-perspectives-report, (June 13, 2018).*

THE THREE TYPES OF OWNER CLIENTS

Accidental Landlords fell into rental property ownership due to circumstance, and they don't plan on growing their portfolios.

- Their rental property has sentimental value. Many rent out homes that they inherited or used to live in because they're not ready to put them on the market just yet.
- The vast majority of Accidental Landlords own just one single-family home.
- They hire a property manager because they feel that they don't have the expertise they need to run their properties effectively. In addition, many own properties in places where they no longer live, so they can't look after them on their own.
- They want their property manager to give them peace of mind, take care of preventative maintenance and emergency repairs, and fill vacancies faster with high-quality residents.
- 74% of Accidental Landlords want to hear from you regularly about how their properties are doing, while 27% would rather hear from you occasionally about the most important happenings.

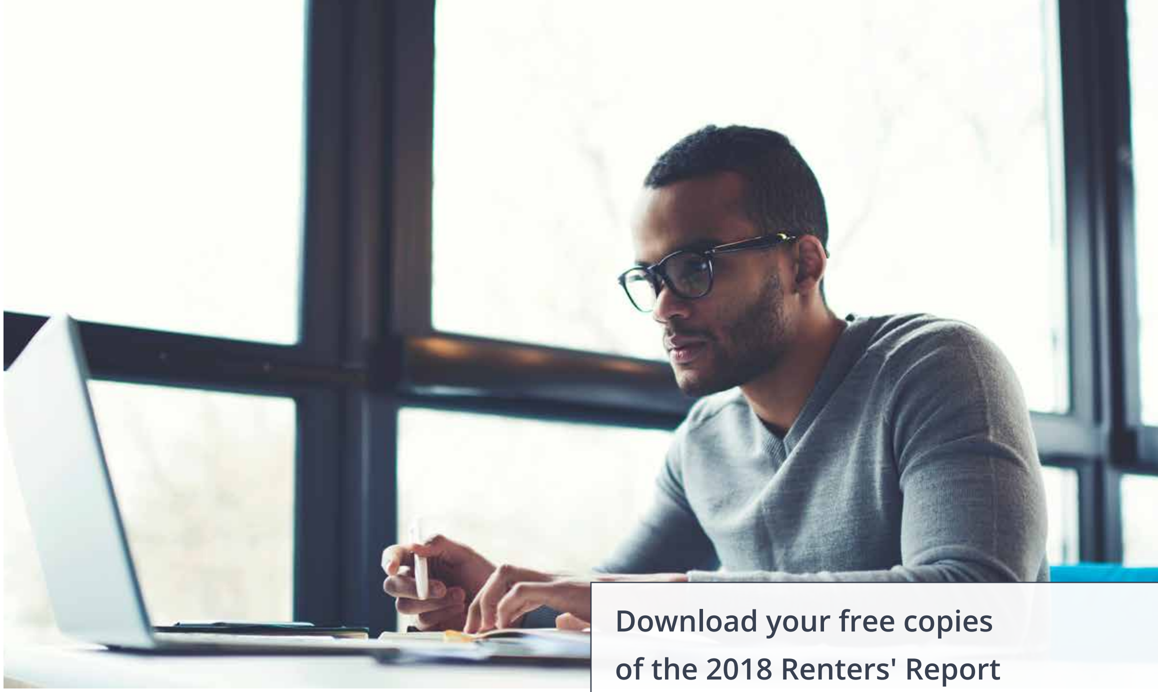
Intentional Investors purchased rental property as an investment from the start.

- Their rental property represents their income—an active stream of income for two-thirds of investors, and a passive stream for one-third.
- In 2018, half are actively growing their portfolios, while the other half are focused on maximizing their current properties' profitability.
- They hire a property manager because they don't want the full-time responsibility of running a rental property's operations—it's an investment for them, not a job. In addition, their rental properties may be spread across a wide geographic territory.
- They want their property manager to give them peace of mind, take care of preventative maintenance and emergency repairs, and fill vacancies faster with high-quality residents.
- 77% want to hear from you regularly about how their properties are doing, of which 31% want updates in real time.

Unintentional Investors fell into rental property ownership due to circumstance, then decided to invest in additional properties.

- Their rental property represents their income—an active stream for 5 in 10 respondents, and a passive stream for 4 in 10. Some also own properties with sentimental value—for example, an inherited home that they now leverage as an investment property.
- In 2018, 2 in 5 are actively growing their portfolios, while 3 in 5 are focused on maximizing the revenue that their current properties bring in.
- They hire a property manager because they feel that they don't have the expertise they need to run their properties effectively and profitably. In addition, many own properties in places where they no longer live, so they can't look after them on their own.
- They want their property manager to give them peace of mind, fill vacancies faster with high-quality residents, and take care of preventative maintenance and emergency repairs.
- 87% want to hear from you regularly about how their properties are doing, of which 41% want real-time updates.

In the current market, slightly less than half of investors are actively growing their portfolios. The remainder want you to maximize the profitability of their current portfolio, and to run their properties more efficiently than they're able to do on their own. As the seller's market inevitably fades into a buyer's market over time, many investors will become more growth-focused; and as their goals change, your management approach will need to evolve in tandem.



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The second shift that many property managers will need to accommodate is the increase in investor clients relative to Accidental Landlords—and we believe that adopting the right technologies is a key step in successfully navigating this change.

In 2018, many property managers are already aware of the undeniable role that technology plays in a property management company's growth—from streamlining cumbersome tasks to helping you scale as your portfolio expands.[19] However, **in the years to come, technology will represent a critical component of your customer service strategy by enabling you to meet owners' evolving needs.**

In comparison with Accidental Landlords, investors want consistent growth, regular communication, and on-demand access to information about their properties. They also expect to be able to transfer funds and communicate with you quickly and easily.

With more than half of property managers having adopted technologies like electronic payments, communications, and reporting, and nearly half providing their clients with access to an owner portal, those who haven't yet made the leap may already be falling behind the competition.

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[19] *"2017 Buildium/NARPM State of the Property Management Industry Report," Buildium, https://www.buildium.com/resource/2017-buildiumnarpm-state-of-the-property-management-industry-report, (October 19, 2017)*

Technology's Increasing Influence on a Business' Success

In Your Words:

"The automation of property management is the best thing that has happened to our office. We have moved from paper to the computer, and being able to see everything in front of you allows you to make immediate, important decisions."

We've mentioned the way in which technology has become increasingly vital to a property management company's future. In particular, property management software like Buildium can empower property managers to work more efficiently, free up time for the things that matter most, and scale their businesses as they grow.

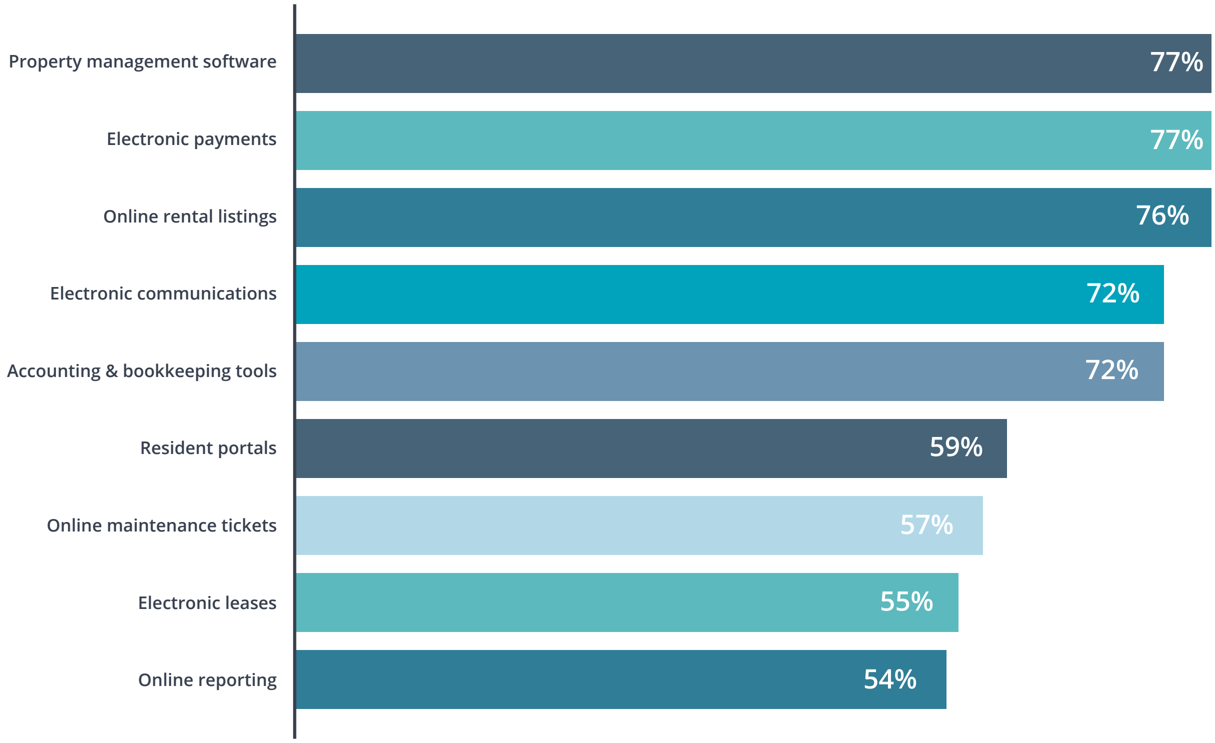
But there's one last point that we'd like to make about the role of technology in the growth and lasting success of your company. **In the property management industry, technology has the potential to do more than streamlining business operations: It can also bring people together.**

Digital tools like social media, email, and online portals can help property managers to enable better communication; attract prospective renters and clients; and foster a sense of community. Building strong relationships in personal and digital realms is critical in 2018.

So, which technologies have a majority of property managers adopted—and how impactful have these tools been within their businesses?

FIGURE 16

Technologies Used by More Than Half of Property Managers



IN YOUR WORDS

Technologies That Fuel Your Business' Success

"Electronic payments significantly reduced the amount of time we spend recording and depositing rent checks. It also helps us pay our investors quickly. We added a resident portal and an owner portal to improve communications and allow those customers to access information when they want to. It has reduced our administrative workload significantly."

"The more technology we have invested in, the better the tenant experience has been, reducing customer strife and increasing employee efficiency."

"We find that approximately 30% of tenants are relocating from out of state, so we offer online rental applications in lieu of in-office paper forms, along with 3D video marketing to allow them to view rentals from afar, and offering electronic lease signing."

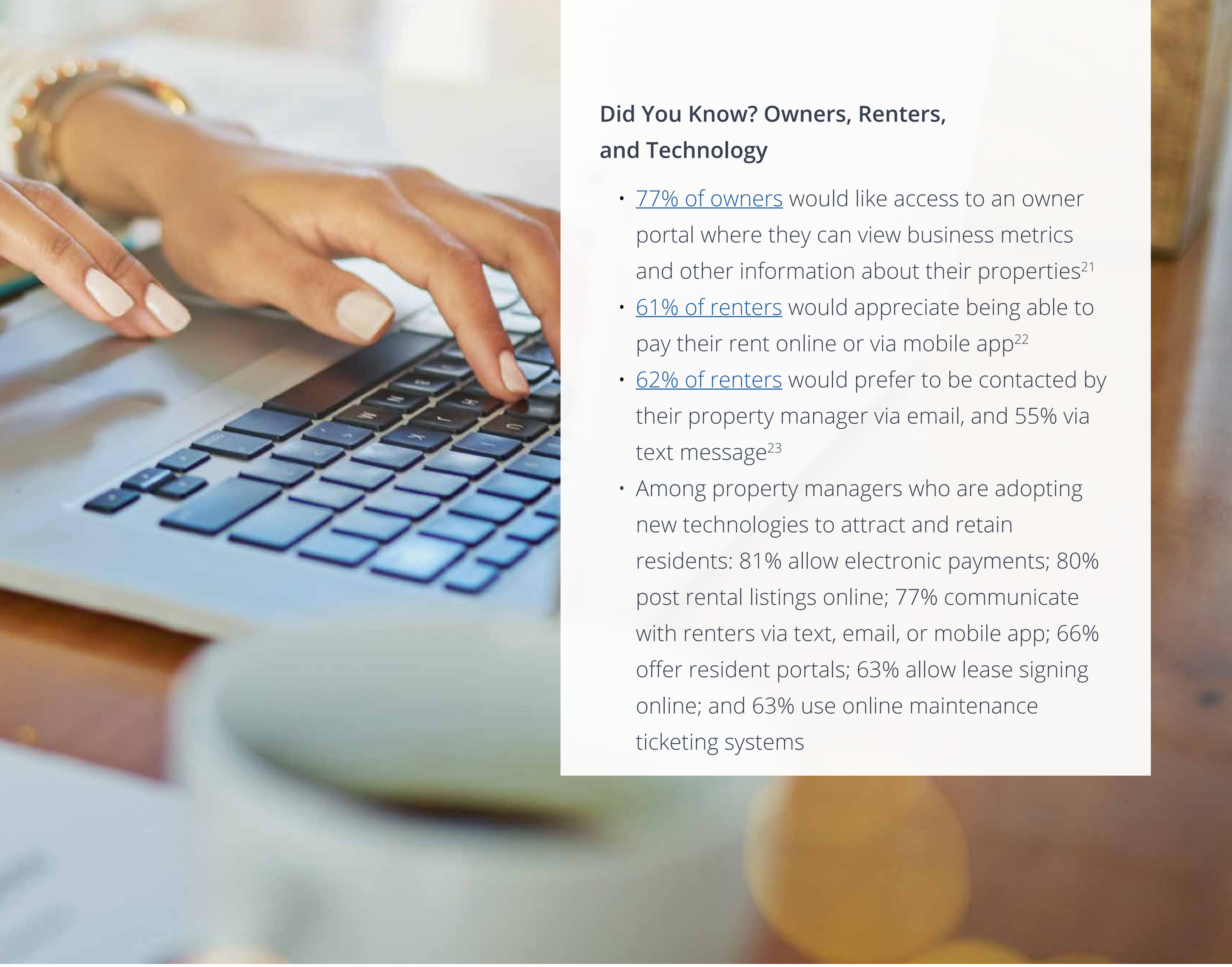
"We recently introduced texting services with tenants, which has helped with our customer service. We have also started using Showings Coordinator to schedule and screen prospects, which has helped eliminate precious time for our team to be available for more showings and reach out to more potential clients."

The Business Impact of Property Management Software

- 83% of those who expect to significantly expand their portfolio in the next two years use property management software
- 83% of those who use property management software report that their revenue has increased over the last two years
- 81% of those who identified efficiency as a top goal use property management software
- 84% of those who identified growth as a top goal use property management software
- A majority of users report that property management software has helped them to stay organized, track their finances, simplify collections, work more efficiently, and stay on top of communications[20]

Streamlining the way that your business operates frees up your time to focus more on your relationships with renters and owners. However, facilitating payments, communication, and document sharing online doesn't just help you to work more efficiently and scale your business as it grows. These capabilities also appeal to residents and clients, who increasingly expect consumer-grade technology to be a component of the services that you provide.

[20] *"2017 Buildium/NARPM State of the Property Management Industry Report," Buildium, https://www.buildium.com/resource/2017-buildiumnarpm-state-of-the-property-management-industry-report, (October 19, 2017).*



Did You Know? Owners, Renters, and Technology

- 77% of owners would like access to an owner portal where they can view business metrics and other information about their properties[21]
- 61% of renters would appreciate being able to pay their rent online or via mobile app[22]
- 62% of renters would prefer to be contacted by their property manager via email, and 55% via text message[23]
- Among property managers who are adopting new technologies to attract and retain residents: 81% allow electronic payments; 80% post rental listings online; 77% communicate with renters via text, email, or mobile app; 66% offer resident portals; 63% allow lease signing online; and 63% use online maintenance ticketing systems

In 2018, these technologies have made the transition from a competitive differentiator to a must-have—so if you haven't adopted the tools that a majority of your peers are using, sooner rather than later, you may find your business falling behind. **The best technologies don't just increase your efficiency—they have the power to enhance the human side of your property management business.**

[21] *"2018 Rental Property Owners' Perspectives Report," Buildium, https://www.buildium.com/resource/2018-rental-property-owners-perspectives-report, (June 13, 2018).*

[22] *"The 2018 Renters' Report," Buildium, https://www.buildium.com/resource/2018-renters-report, (July 16, 2018).*

[23] *"The 2018 Renters' Report," Buildium, https://www.buildium.com/resource/2018-renters-report, (July 16, 2018).*

CONCLUSION

THE HUMAN SIDE OF PROPERTY MANAGEMENT

The property management industry is changing—but property managers are evolving, too.

No matter what the market holds for your business in 2019, you have a tremendous opportunity to set your business apart from the competition with top-notch customer service.

This means taking the time to understand the distinct mindsets of each owner who trusts you to manage their properties, from Accidental Landlords to investors; and each resident who chooses to call your units 'home,' whether they're Millennials, Gen Xers, or Baby Boomers.

Today, retaining renters and clients requires more than handing over the keys, or sticking a check in the mail once a month. It requires getting to know their motivations and stressors, and working with them to solve problems in a way that leaves everyone in a better place.

It also means investing in the right tools to create the consumer-grade experience that many customers have come to expect. The right technologies should do more than simply streamlining business operations—they should also facilitate positive interactions between staff members, vendors, owners, and residents, and free up your time to focus on building relationships.

No matter what your goals might be for the future—from boosting your business' profitability, to building a dedicated team—empathy-driven, tech-enabled customer service is the key.

IN YOUR WORDS

"Keep your residents happy, while being respectful of the owner's investment. It is a delicate balancing act, but it's vital to your success."

"You manage people first, then property."

"Never make your business a 'business'—it's a home for the resident and a retirement account for the owner. Keeping it personal makes all the difference."

APPENDIX

FIGURE 17

Has Your Revenue Increased Over the Last 2 Years?

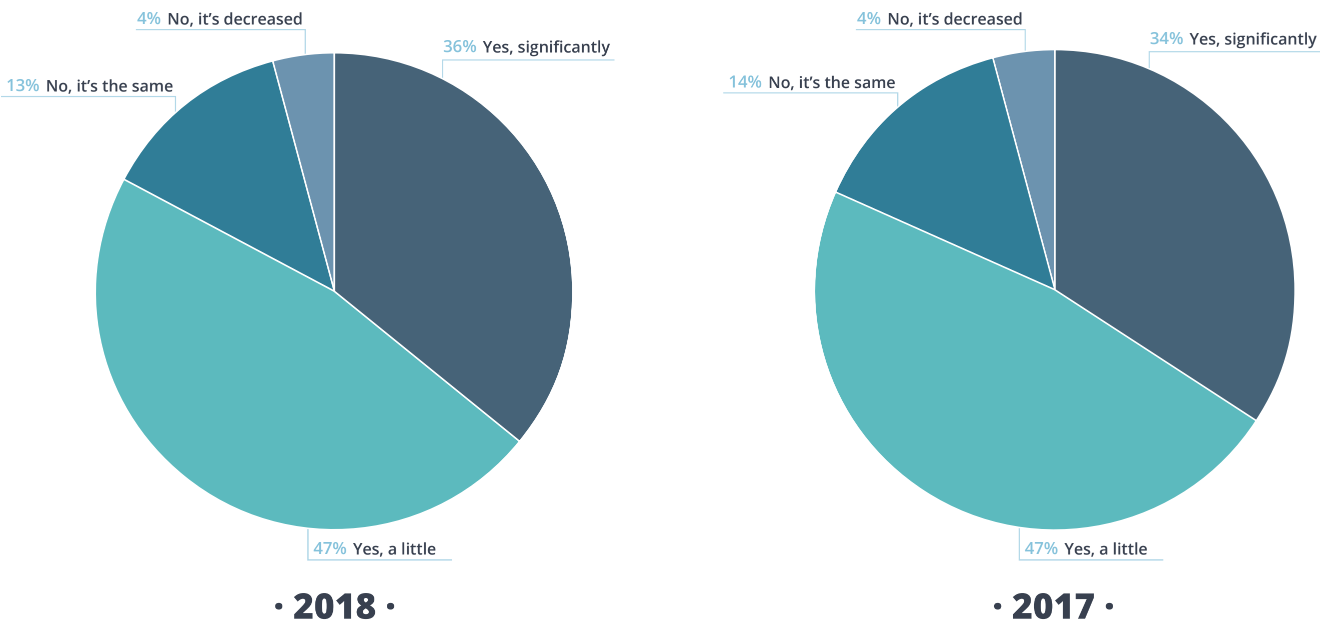


FIGURE 18

Has Your Portfolio Expanded Over the Last 2 Years?

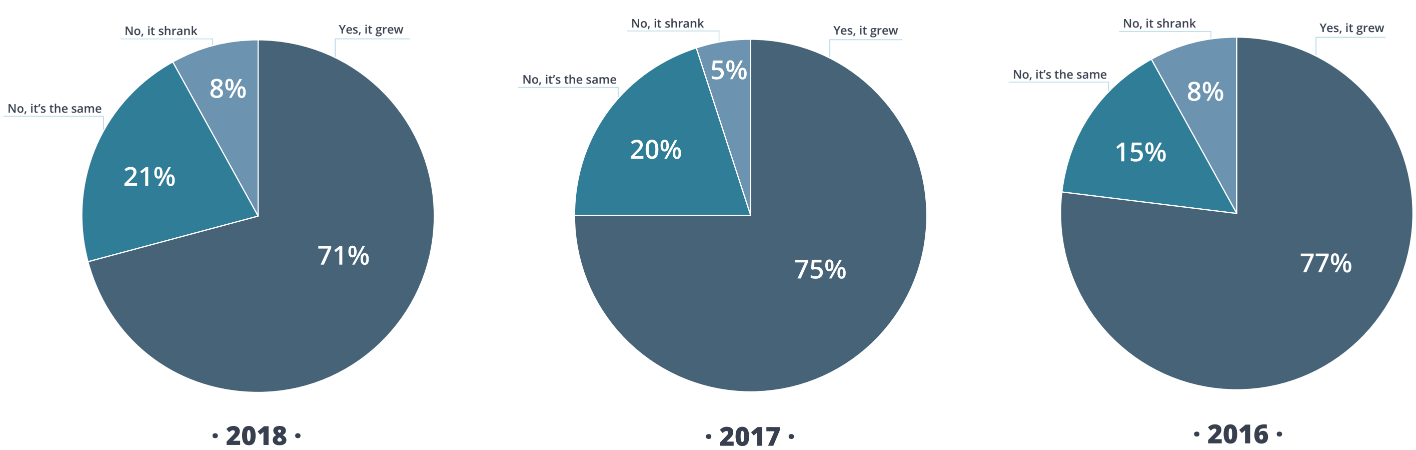


FIGURE 19

Do You Expect Your Revenue to Increase Over the Next 2 Years?

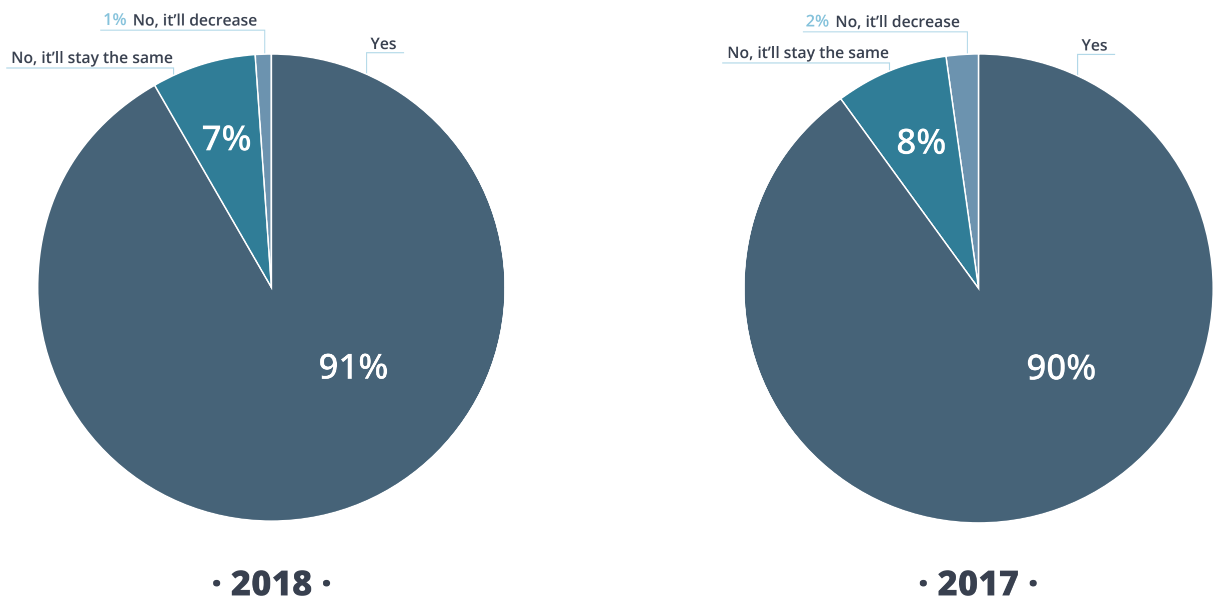
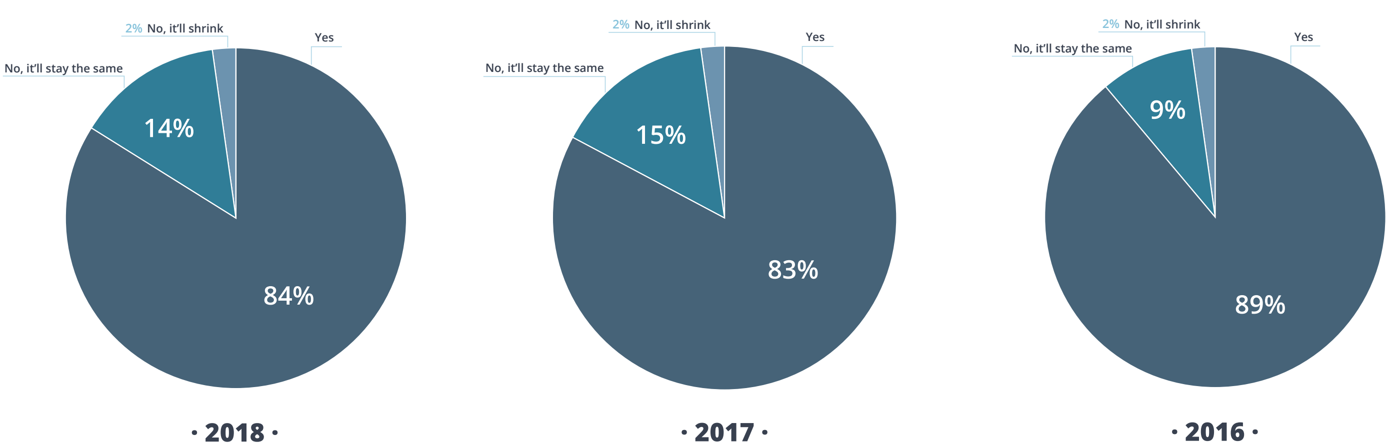


FIGURE 20

Do You Expect to Expand Your Portfolio Over the Next 2 Years?



ABOUT THE SURVEY

The 2018 State of the Property Management Industry Survey was conducted by Buildium in May, June, and July of 2018. The 1,857 responses came from Buildium's database, augmented by NARPM's list of members. The survey had a completion rate of 81%, with a 95% level of confidence and a margin of error of ±3%. This means that if the survey were repeated, 95 times out of 100, the results would be within 3 percentage points of the numbers we published.

ABOUT BUILDIUM

Founded in 2004, Buildium is the only property management solution that helps real estate professionals win new business from property owners and community associations seeking services. Backed by expert advice and relentless support, Buildium enables you to outperform across all facets of your business with intuitive software that balances power, simplicity, and ease of use. Buildium services over 15,000 customers in 46 countries, totaling over one million residential units under management. In 2015, Buildium acquired All Property Management, a leading online marketing service for property managers, making Buildium the only company to give property managers a way to acquire new customers and increase revenue.