20for20

2024 EDITION

20 conversations with senior multifamily executives about the outlook for 2024 and beyond

Researched and compiled by
DOM BEVERIDGE

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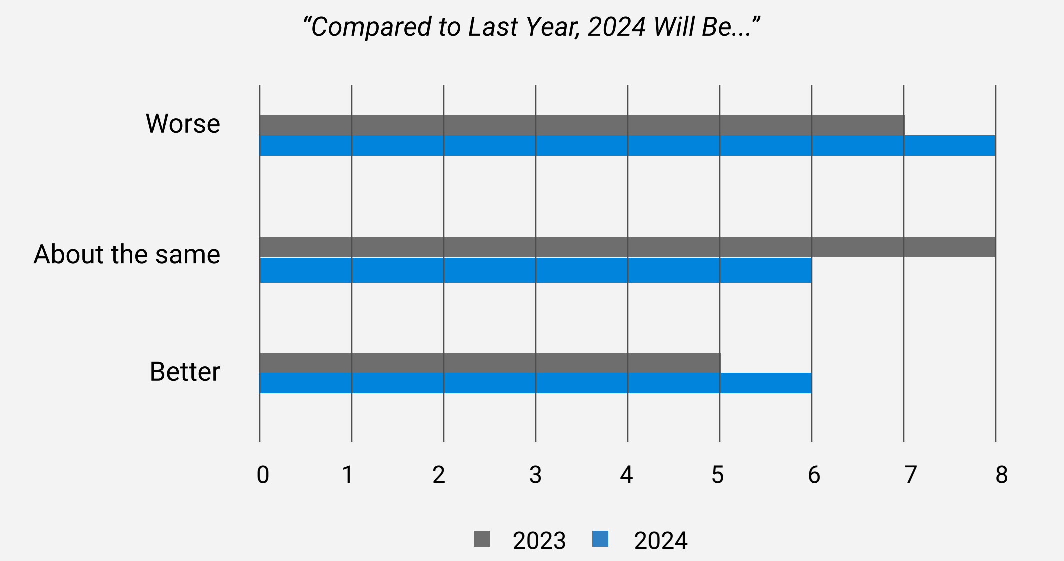
EXECUTIVE SUMMARY

The 2024 Outlook

For the second year running, more respondents than usual expect this year to be worse than last year.

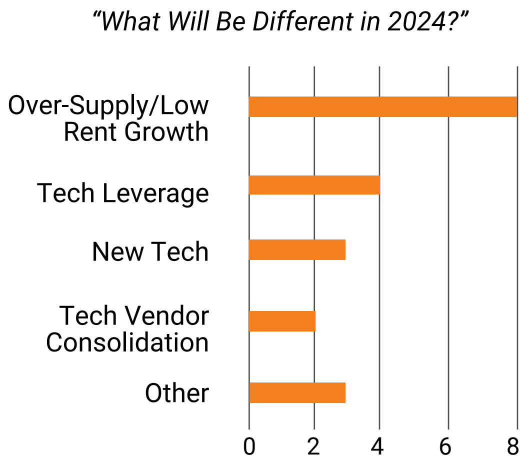
Revenue growth is the biggest concern as record new supply continues to arrive across many markets.



The Highlights of 2023 Included...

- Tangible **Progress on Centralization** initiatives
- **Consolidation of previous gains,** including leveraging recently-acquired tech
- **New technology** implementation, including AI, BI and fraud prevention
- Higher than average **resident retention** in a challenging market

Over-supply and its impact on rent growth is the dominant factor in 2024.



Most others saw the ability to leverage newly-implemented tech, implement new tech, or consolidate vendors as the big themes of 2024.

The Top Priorities for 2024 included:

Process Improvement (7/20) was the focus for leaders seeking to capitalize on previous centralization projects, and preparing to compete in challenging 2024 conditions.

Centralization (5/20) continues to be important as companies continue with the rollout of new models.

Growth (2/20) was a priority for leaders who expect challenging market conditions to create growth opportunities.

"Other" (6/20) included mostly new tech projects, including BI, AI, fraud prevention and some ancillary revenue initiatives.

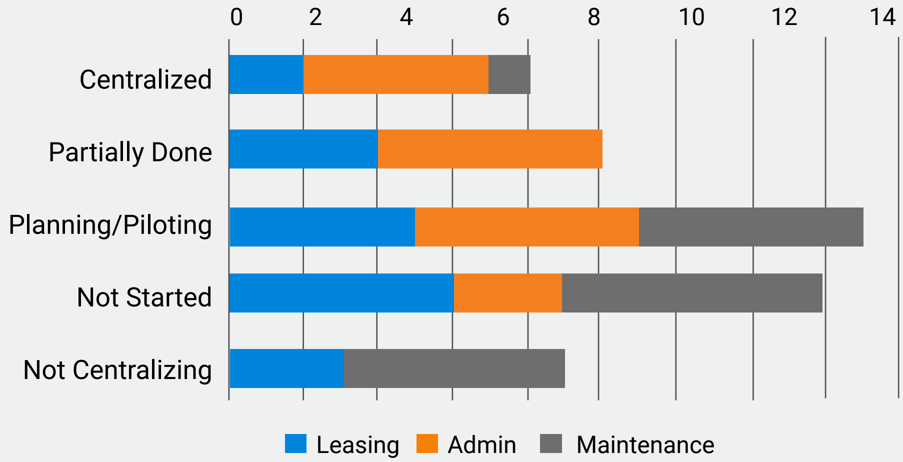
WHAT'S HAPPENING WITH CENTRALIZATION?

Centralization continues to progress, with more than half of all property management functions at some stage of centralizing.

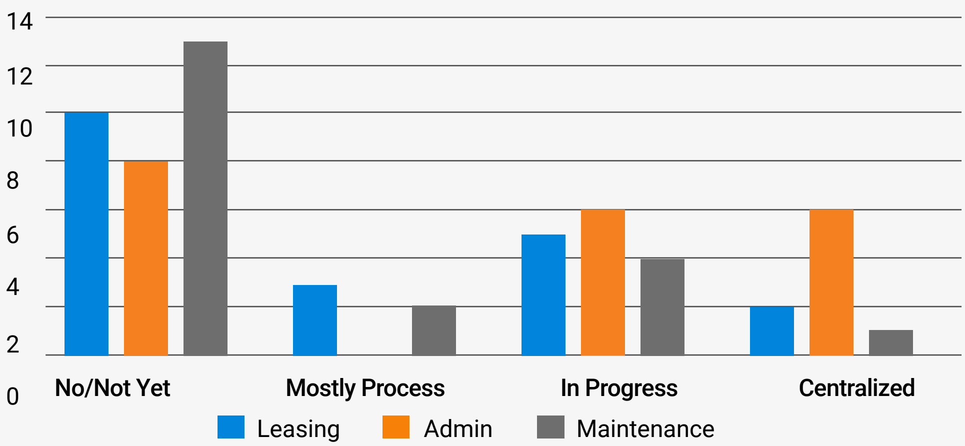
Admin functions are making the fastest progress, which is consistent with our 2023 findings.

Some companies report deciding not to centralize leasing or maintenance. None of the 20 have made the same decision about admin.

Status of Centralization Initiatives by Function



"Has Your Company Made Changes to its Property Staffing Model?"



Admin Functions also led the way in companies' tangible changes to staffing models.

More admin roles have either been or are being taken offsite than either leasing or maintenance.

Some companies opt for *"mostly process"* centralization of leasing or maintenance. Nobody reported taking this approach with admin.

Additional Technology Highlights:

Tech acquisition changed little in '23, but where it did, *revenue* upside is the main driver.

Managed Wi-Fi was the main story in connectivity as it grows in popularity.

Short-term rentals continue to recover from their pandemic-enforced haiaitus.

Revenue management and analytics are growing domains for innovation.

20for20's Five Takes on the Findings:

- Revenue trumps everything in 2024, as leaders prioritize strategies to deliver growth amid record supply of new apartments.
- Fraud is rampant. Its consequences are worse than ever.
- Property admin still leads the way on centralization: it will soon be unusual to perform admin tasks onsite.
- *"Good Enough"* technology is making a comeback as operators trade off technology innovation and costs.
- For now, vendors (not operators) are the main drivers of AI strategy.

1 INTRODUCTION

The 20for20 White Paper, now in its sixth edition, presents the results of an annual executive survey of multifamily operations and technology.

At the end of each year, we interview ten leaders responsible for operations and technology at their companies to understand what they accomplished during the previous year and their plans for the year ahead. 20for20 has emerged as a useful annual touchpoint to understand what is changing about multifamily property management and how technology supports it.

1.1 ABOUT 20FOR20: 2024 EDITION

Each year, the questions asked in the 20 interviews change to reflect the shifting priorities of the industry. This edition once again dives deep into the hot industry topic of centralization, indicating the progress companies have made relative to a year ago. Since we have an additional year's worth of experience in this relatively new phenomenon, this year we also invited leaders to speculate on the end state for centralization at their companies.

This year's technology section includes a couple of new areas of focus. We examine the changing nature of the technology stack and how companies educate themselves and decide which technologies to implement. And with the advent of generative AI a little over a year ago, we asked companies to explain more expansively than usual *how* they think about AI.

This year's sponsors.

This year, 20for20 welcomes six sponsors who have helped make this new edition possible. Once again, each company has contributed a stimulating viewpoint designed to complement the research in this survey.

- **Level M** describes cutting-edge smart apartment and property automation innovation to demonstrate how *design thinking* drives property performance.
- **EliseAI** advocates for a broader perspective on customer-facing AI and why operators should focus on the lifecycle in 2024.
- Payments specialist **Domuso** challenges operators not just to centralize admin services, but to *reimagine* them.
- **AppFolio** urges multifamily property management to embrace AI at a more fundamental level than it has to date.
- **Airbnb** discusses current market conditions and argues why this is the right time for resident flexibility.
- **REBA (Real Estate Business Analytics)** explains why, in 2024, revenue management needs a long-awaited new playbook.

1.2 RESEARCH RATIONALE

The 20for20 research takes the form of 20 in-depth conversations with multifamily leaders. To understand what companies are doing in this industry, we must account for individual context. In an industry as fragmented as multifamily, where companies are so different from one another, the best way to understand context is to ask respondents to explain their answers. A set of 20 highly structured conversations, asking the same questions to each company, is a highly effective way to tease out differences and the sentiment driving change in our industry.

The 20 companies taking part represent about 1.5 million apartment units and a range of business models, from public REITs to small owner-operators to the largest third-party management platforms. The 20 respondents, as usual, consisted of ten heads of technology and ten COOs or the equivalent titles for the participating companies.

Finally, as always, the responses to the survey are anonymous. When quotes appear in this document, they are unattributed, and there are no references to which companies took part in the research. 20fo20 is not a forum for getting companies or individuals on the record. Its purpose is to develop and share the deepest and most candid possible account of what is happening in multifamily property management.

HOW *DESIGN THINKING* DRIVES PROPERTY PERFORMANCE

Level M

level m

A year ago, we wrote in these pages about the ***maturing*** of smart technology and the importance of ***design*** in creating resident experiences. It's worth considering how it impacts multifamily performance.

Design—as Steve Jobs repeatedly said—is ***"how it works."*** People too often mistake it for being about how things look. In the case of smart technology for multifamily, the core of good design is the ability to focus on what matters most and go deep into those aspects of the experience.

Access control provides a great example. Although residential smart locks have been coming to market for years, most still rely on a standard mechanical deadbolt that has remained unchanged for decades. That means that practically all the innovation has focused on developing new ways to turn the same piece of hardware. It's why we have become used to keypads and bulky battery packs housed on the ***outside*** of doors.

But who says smart locks have to use the standard mechanical deadbolt? Companies implement access control to ***upgrade*** both physical assets and resident experiences. Level redefined the smart lock by inventing a deadbolt that places all the smart technology inside the door, making it much easier to install and maintain than other smart locks while preserving the look of a home and — more critically in multifamily — minimizing costly modifications to a door. It is the result of ***design thinking***.

How Design Challenges Prevailing Wisdom

More pertinent still to multifamily is how fresh design thinking improves smart device connectivity. As expectations rise for device functionality and uptime, so does the need for connectivity, including in existing buildings with poor cell reception. An increasingly common vendor response to this problem has been to bundle community Wi-Fi and smart technology. There can be good commercial reasons to do that—like funding smart technology deployments with internet fees—but that mindset can often lead us in the wrong direction. That includes the common misconception that communities must invest in managed Wi-Fi before adopting smart technology.

Design thinking means focusing on ***what matters most***. In the case of smart technology, that means supporting smart devices with the highest possible uptime and the lowest possible disruption to the community.

That outcome is better served by leveraging today's mesh network technology, powered by impossibly small bridges that blend into any wall outlet and include Thread, Zigbee, and Bluetooth capabilities. The mesh networks we have designed and implemented provide 99% uptime and are much simpler, cheaper, and quicker to deploy than community Wi-Fi. This approach also decouples investment decisions about smart technology and managed Wi-Fi.

Scan or click the QR code to learn more

The point of this example is that the "right" connectivity requires us to identify the experience that benefits residents most while solving the practical challenges each asset presents. Connectivity is the key to unlocking modern access control, automation, and building intelligence. Next-generation connectivity brings those benefits to a larger portion of the market that may not be ready to invest in managed Wi-Fi. We believe that is the essence of design thinking: innovation should deepen the quality of the fundamentals rather than extending the product range with status quo solutions.

2
2023 RECAP AND 2024 OUTLOOK

Each year, 20for20 attempts to explore whatever industry trends appear to be salient at the time of conducting the interviews (in this case, December 2023).

This year, some introductory questions included in previous editions have been removed to make way for a deeper discussion of some specific technology trends, which will form part of Chapter 4.

The following section focuses on highlights of 2023, the outlook for the year ahead and the 20 leaders' top priorities for 2024.

2.1. HIGHLIGHTS OF 2023

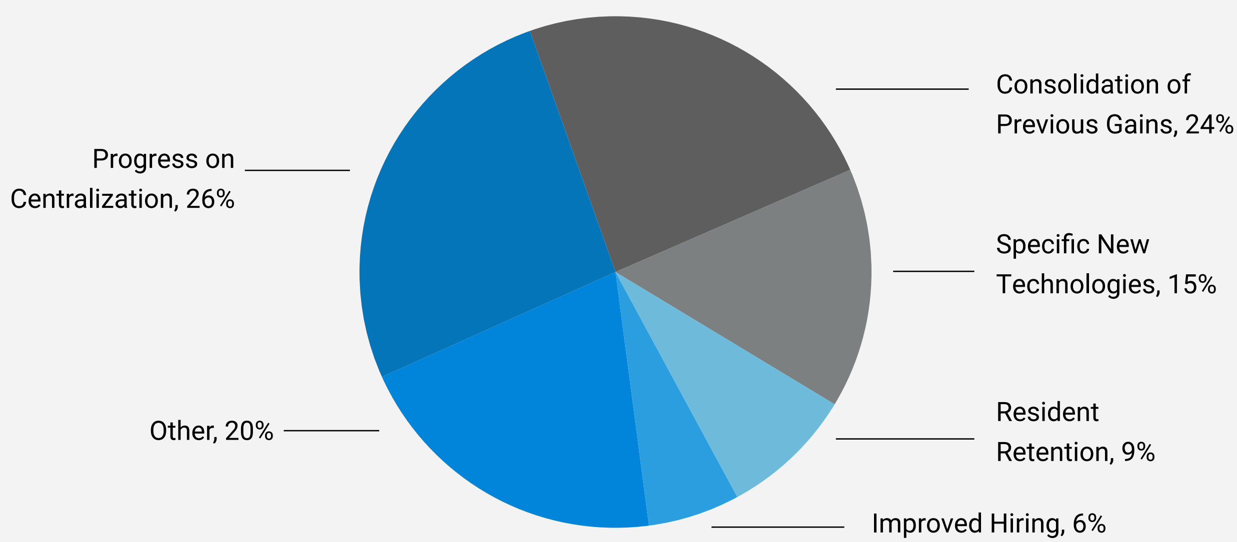
As usual, the 2024 interviews opened with a question about the previous year, *"What were the highlights of 2023?"* The responses are summarized in Figure 2-1. (Note: the percentages reflect more than 20 responses, as many respondents shared more than one highlight).

Most responses to this question focused on technology or processes rather than business fundamentals or operating performance. Perhaps unsurprisingly, given the narrative that has developed over the last few editions of 20for20, the most cited highlight of the year was **"progress on centralization."**

The centralization-related highlights ranged from agreeing on firm plans for 2024 to achieving complete rollout of a centralized function. The following direct quotes describe the breadth of activity.

- *"We got everything in place for the centralization of our admin function. We slow-rolled property-based rent collections and will roll it out as an AI-enabled centralized process, along with evictions and application processing."*
- *"We defined what centralization is going to mean for us – we moved out of the 'planning to plan' stage."*
- *"We finished our first fully centralized function. We started piloting property admin in November 2022 and got it completely rolled out in 2023."*
- *"Centralized lead management was hard at the start, but that's come good."*
- *"About 65% of our leases are now coming through our website and online leasing process. It does everything: credit checks, background checks, etc. We are even seeing some sight-unseen leasing in markets where we have under-supply."*
- *"We've been doing a lot of transformation around centralization – we want to talk to the market as a brand rather than as the property. It's helping to bring a lot of business evolution to fruition."*
- *"We started centralizing back-office activities — we completed our pilot and have big plans for 2024."*

Figure 2-1: *"What were the highlights of 2023?"*



For the companies whose responses are here characterized as **“consolidation of previous gains,”** the focus had been on absorbing existing technology rather than rolling out new projects.

Some companies that had rolled out centralized leasing technology had primarily focused on bedding in the processes in 2023. Others spoke of progress with change management as site teams became more open to adopting new technology. One owner had completed the in-housing of property management and was in the process of addressing the efficiency opportunities that this afforded.

A theme from the technology leaders’ response to this question was that the prevailing market conditions in 2023 slowed the acquisition of new technology. It appears the buoyant market conditions of the last few years caused business leaders to pursue some ambitious and often speculative projects. The slowing of property deals in 2023 calmed new technology evaluation and created an opportunity for some standardization of products across portfolios.

Fee managers noted that while they continued to work on their tech stacks, budget-conscious clients were less receptive to new technology proposals than in previous years. One characterized his IT team’s year as having focused more heavily on the supporting role, helping primarily with integrations, etc., as the business progressed with rolling out centralization.

The **“specific new technologies”** included the development of an AI strategy, a substantial rollout of smart technology, a business intelligence (BI) implementation and a facilities management toolkit. The only area of technology cited by multiple leaders was income verification, which appears to be a much bigger priority than in previous years. One leader summed up what had made it such a priority this year:

> *“We rolled out income verification and it’s improved our delinquency. It had become a huge deal for us as it is now much harder in some jurisdictions to evict people because courts are backed up. What used to be a 60-day process can now take nine months, which means a lot more bad actors in our communities. We had to refocus on dealing with it on the front end.”*

A few leaders cited **resident retention** as the top highlight, as their proactive efforts to renewals in the face of economic uncertainty seemed to have paid off. A couple had been pleased to see **improved hiring** conditions as the Great Resignation moved further into the past. One larger operator had seen open positions drop from around 10% in 2022 to a more manageable five in 2023.

Finally, the 20% making up **“others”** (i.e., highlights that were only mentioned once) mostly concerned business performance and organizational changes. One company was acquired in 2023. Another started a fee management business and more than doubled its portfolio size. One fee manager reported having achieved record growth in new management contracts as it picked up clients from competitors who they viewed to be less well-prepared for challenging market conditions.

The same company reported having developed an extremely efficient process for onboarding new properties. On a similar note, one owner-operator had achieved substantial cost reductions by rene-

“It appears the buoyant market conditions of the last few years caused business leaders to pursue some ambitious and often speculative projects.”

gotiating supplier contracts for all the properties it took over in 2023.

Of the companies for whom reorganization had been a main highlight, one reported a turnover of many of its company's senior management. Another had appointed a senior leader in charge of property performance, which had enabled it to break down organizational silos and orient disparate teams to the same organizational goals.

2.2 THE 2024 OUTLOOK

The responses to the question we always ask, *"Compared with last year, will 2024 be better, worse or about the same?"* (see Figure 2-2) were almost the same as a year ago, with only a slight negative shift.

Most respondents who expect 2024 to be **worse** than 2023 said so because of prevailing economics, with a few interesting nuances indicating clear areas of concern present throughout this year's research.

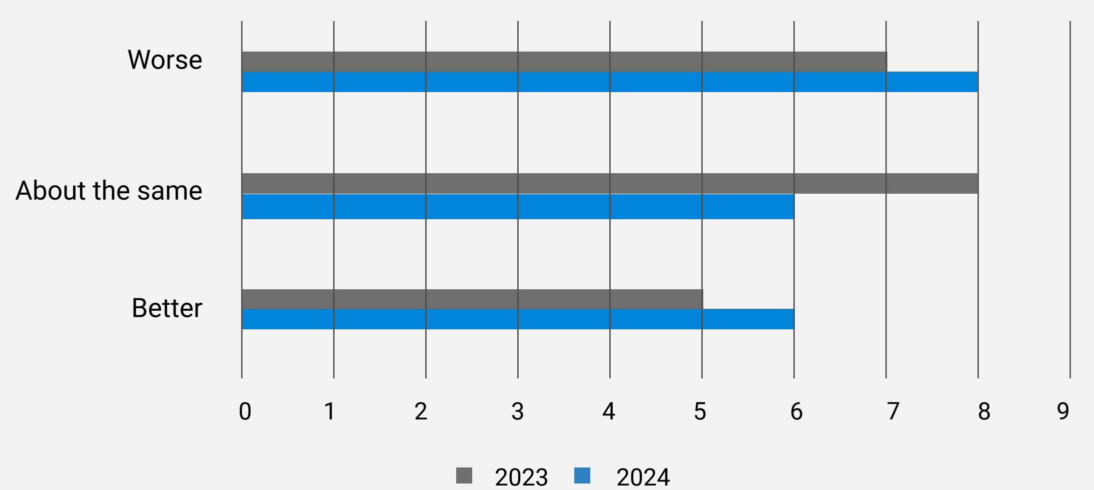
The dominant concern was with revenue. A few cited the reality that about half of next year's rental revenue is always *"baked"* by the start of the year. That half represents mostly flat revenue growth in 2024. There was little cause for optimism from new rent growth, especially in markets like the Sunbelt, where record new supply is likelier to push rents down than up.

The slow market for property trading continues to be a source of pessimism. It was not just the *number* of acquisitions but also the quality of properties likely to trade that caused some operational leaders to be pessimistic. As the leader of one (normally) highly acquisitive company shared, *"Some of the stressed assets are not just financially stressed, they've usually been run into the ground, and it's a two-year process to revive and stabilize properties like that."*

The same leader shared one optimistic note: if interest rates come down in 2024, the following couple of years are likely to be spectacularly good. Many urge investors to *"survive to '25"* for these reasons.

Those who believed things would be **about the same** mostly said so on the basis that things might get better. All acknowledged the problems laid out by the pessimists but felt that interest rates may come to the rescue later in the year.

Figure 2-2: *"Compared to last year, 2024 will be..."*



One fee manager believed that the continued distress would create opportunities to pick up management contracts. Most thought that over-supply would be a problem that would require "creative" solutions. Overall, this group of leaders appeared to be anticipating *a deus ex machina* event in the second half of the year that might turn things around.

The optimistic cohort expecting 2024 to be **better** were nearly all technologists, rather than operators. The combination of centralization and the further progress of AI in operations were the main causes of optimism. A few also had faith in the idea of a second-half turnaround in 2024.

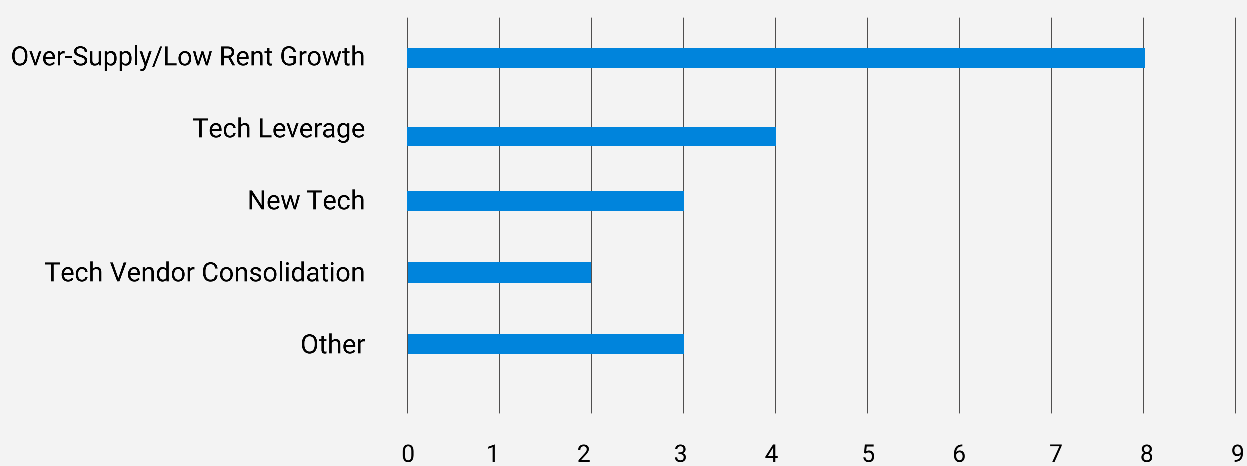
What Will Be Different in 2024?

The responses to the annual question, *"What will be different about next year?"* reveal an interesting shift that explains many of the responses in this year's research. A year ago, participating companies already knew that the deal pipeline had slowed to a point where 2023 would be about managing properties and generating as much operating income as possible. If 2023 was about income, the forward-looking view of 2024 (see Figure 2-3) was mostly about *revenue*.

It is easy to miss that point: revenue and income sound similar, they represent quite different performance concerns, they are quite different. This year it is clear that the top line, rather than the bottom, dominated thinking about performance in 2024. Forty percent of respondents saw the interplay between over-supply and low rent growth as the defining characteristic of the year ahead.

Most of the leaders concerned about revenue growth also thought it would lead to pressure on expenses. But the *source* of that pressure is a volume of new supply that will flatten rent growth, with a combination of heavier concessions in some markets and flatlining of renewals. One owner-operator foresaw a re-emergence of staff

Figure 2-3: *"What will be different in 2024?"*



shortages, at least for quality talent in over-supplied markets.

Twenty percent felt that the foundation their organizations had built in 2023 would lead to greater **tech leverage** in 2024, and that would be an area of opportunity and focus this year. The 15% who saw **new tech** as being the main influence on 2024 were thinking about either AI, revenue management or BI.

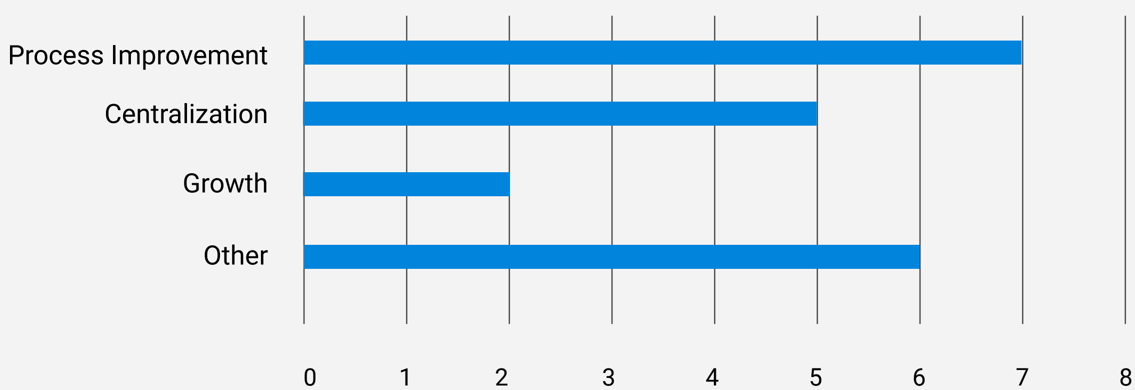
Two technology leaders felt that market conditions would lead to **tech vendor consolidation** in 2024. Both felt that the market cannot sustain the current number of vendors and noted the aggressive progress of at least one platform vendor to reclaim areas of its stack from best-of-breed vendors who have been doing well in recent years.

Top Priorities for 2024

The responses to the question, *"what is your top priority for 2024?"* are summarized in Figure 2-4. Thirty-five percent of respondents said that it was some form of **process improvement.** Of these, most believed that the most reliable way to outperform competitors is to get "back to the basics" of property management and execute more effectively than the competition.

A quarter of interviewees saw **centralization** as their biggest priority, with a strong emphasis on continuing programs that had started in 2023. The **others** focused on some specific initiatives, including BI, ancillary revenue, maintenance, AI and fraud prevention.

Figure 2-4: Top Priorities for 2024



SPONSOR VIEWPOINT

MULTIFAMILY AI IN 2024: TIME TO FOCUS ON THE LIFECYCLE

EliseAI

AI has broken through from a frontier technology to a "must-have" for multifamily operators trying to stay competitive. As more applications of AI come to market, leaders have a choice: to view AI as a point solution for leasing or to think more broadly about how it can improve operations and performance.

In 2024, over-supply and fluctuating demand will place pressure on revenue performance while many organizations are adopting more technology-enabled operating models. The challenge of retaining existing residents and competing more effectively for new ones calls for a more holistic approach to customer-facing technology.

Our industry has the habit of finding "widgets" to solve specific problems, prioritizing integration or vendor consolidation over quality. In the case of AI, this is especially suboptimal: the more we learn about the difference AI can make, the more benefit we see in applying it to the whole renter lifecycle. Delivering technology that capitalizes on this opportunity requires deep, specialist skills and focus.

Redefining the Conversation

There is a conversation between the multifamily resident and the community that starts with leasing and includes many service touchpoints between move-in and move-out. When operators view the elements of that conversation—e.g., leasing, maintenance, payments and renewals—separately from one another, each conversation loses the critical context for delivering a great resident experience.

AI has been supporting the transformation of prospect experiences for some years, ensuring on-demand attention to every prospect request as they tour multiple apartments, choose their home and apply. The steps in that process reveal important insights into each resident's unique preferences, as will their post-move-in questions about the property, rent payment, and the work orders they will submit during their time in the community.

These insights become invaluable at renewal time, which is why there is so much value in accumulating that insight in one place. When a single AI learns from the experience of providing service across the customer lifecycle, it deepens the relationship and improves every conversation.

For example, Cardinal Group expanded the scope of its AI Assistant beyond leasing: its use of AI for collecting rent and fees has led to a 40% reduction in delinquency rates. Busboom Group implemented AI to respond to maintenance requests immediately, routing emergency calls 24/7 without a human, which has cut response times and improved resident satisfaction.

Scan or click the QR code to learn more

Increasingly, operators use AI to manage renewal conversations, including centralized teams, where the technology can save over 200 hours per month. The benefit to companies enabling renewals with AI is that it reliably guides prospects to a great decision. And that is invaluable as operators focus on the top line.

What is unique about AI is it learns from experience. That should make it central rather than peripheral to service delivery and place a high value on the quality of the technology. The underlying technology is powerful, sophisticated and fast-changing.

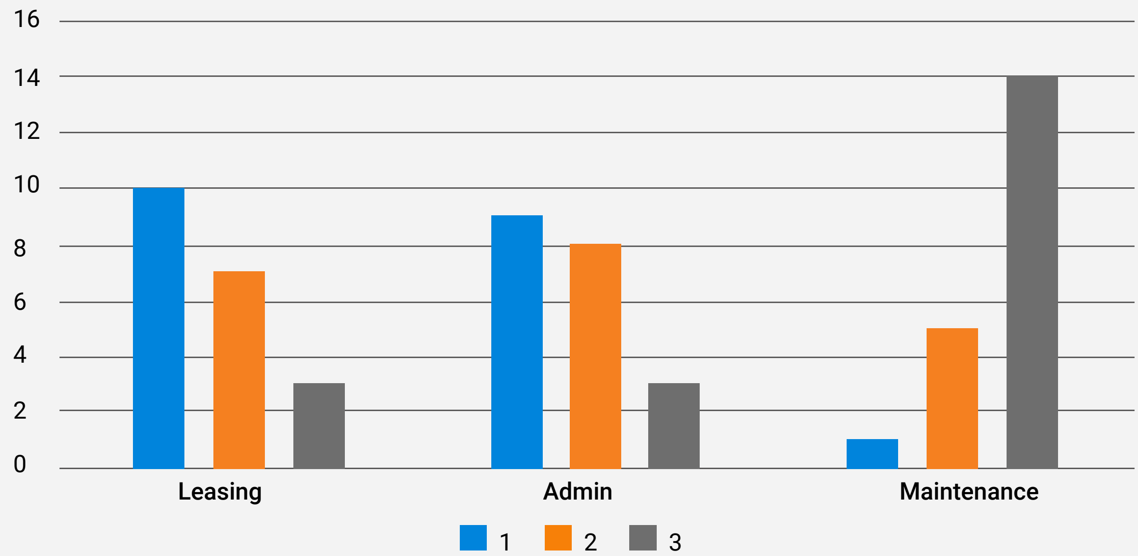
We believe it should be the central focus of the company that provides it rather than an add-on to other non-AI platforms. We look forward to partnering with more organizations in 2024 and beyond as we continue the most exciting and transformational journey in multifamily technology.

3

THE STATE OF CENTRALIZATION

A year ago, we began to track progress in centralizing the three broad categories of multifamily property management: leasing, maintenance and administrative functions. “Property Admin” describes the group of tasks traditionally performed by an assistant property manager (APM), including move-in and move-out processing, rent collection, bookkeeping and deposit accounting. Some companies include renewals in this category, while others may treat it as a leasing function.

Figure 3-1: Prioritization of Centralization by Function



The term *"Planning to plan,"* seemed to enter the industry lexicon after the publication of last year's paper, as it described a prevailing attitude to centralization that seemed familiar to operators and vendors. The term described a commitment to the *idea* of planning at some undetermined point in the future.

A standout finding from last year was the disconnect between what constituted a management priority and the progress that companies had made toward more centralized models. There was a clear management focus on centralized leasing, for example, but when respondents provided details of what they did during 2022, most of the action had been in centralizing admin. There are no such obvious disconnects in this year's responses.

Once again, we assumed that companies must choose an order for centralization initiatives, and some combination of opportunity and potential upside would establish priorities. Figure 3-1 shows the ranking from 1 (top) to 3 (bottom) of leasing, admin and maintenance. Two things stand out. First, leasing and admin look roughly similar - for most companies, it was their first or second priority.

That contrasts with a year ago when leasing was the clear top priority. It seems reasonable to infer that respondents are probably more familiar with the details of centralization initiatives than they were a year ago, so the gap between aspiration and reality has narrowed. Maintenance remains third in the pecking order, reminding us that it is a relatively daunting prospect for most operators.

To contrast priorities with accomplishments, we once again asked each leader: *"On a scale from 'we've decided not to centralize' to 'It's centralized,' how would you characterize the stage of each of each of the three functions?"* The results fell into the five categories in Figure 3-2 below:

- Not Centralizing
- Not Started
- Planning or Piloting
- Partially Centralized
- Centralized

Figure 3-2 Status of Centralization Initiatives by Function

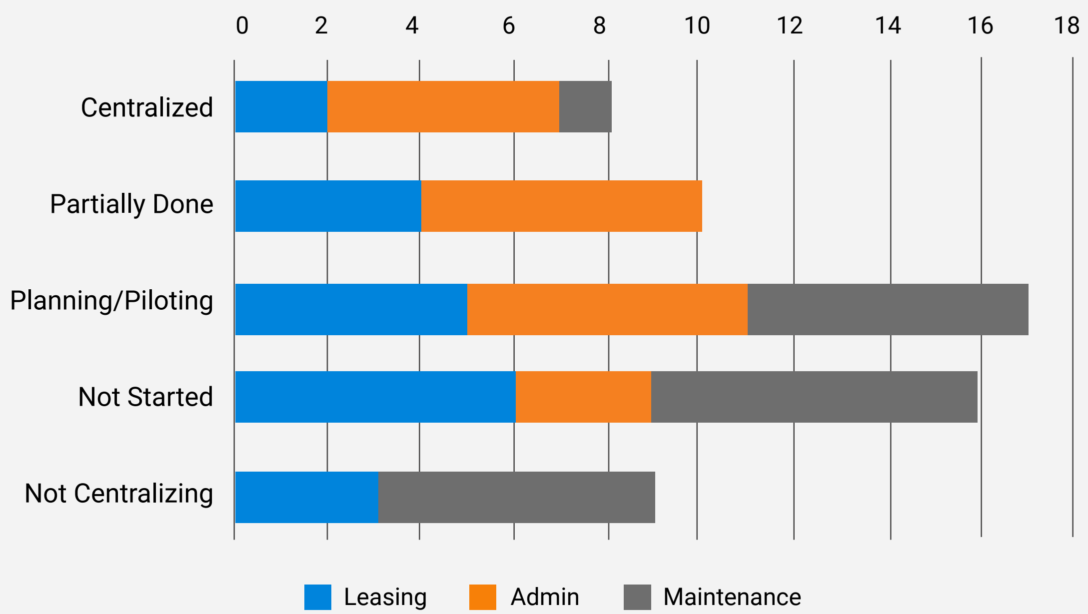


Figure 3-2 aggregates activity across all functions (details of individual functions will appear in the following subsections). Across the 3 categories, more than 50% of responses were at least at the stage of planning or piloting centralization of one of the three functions, providing evidence that centralization has advanced considerably over the last 12 months.

What is interesting is that in some cases, progress means tangible steps taken toward centralization, while in other cases it means that the outcome of an evaluation is a decision not to centralize.

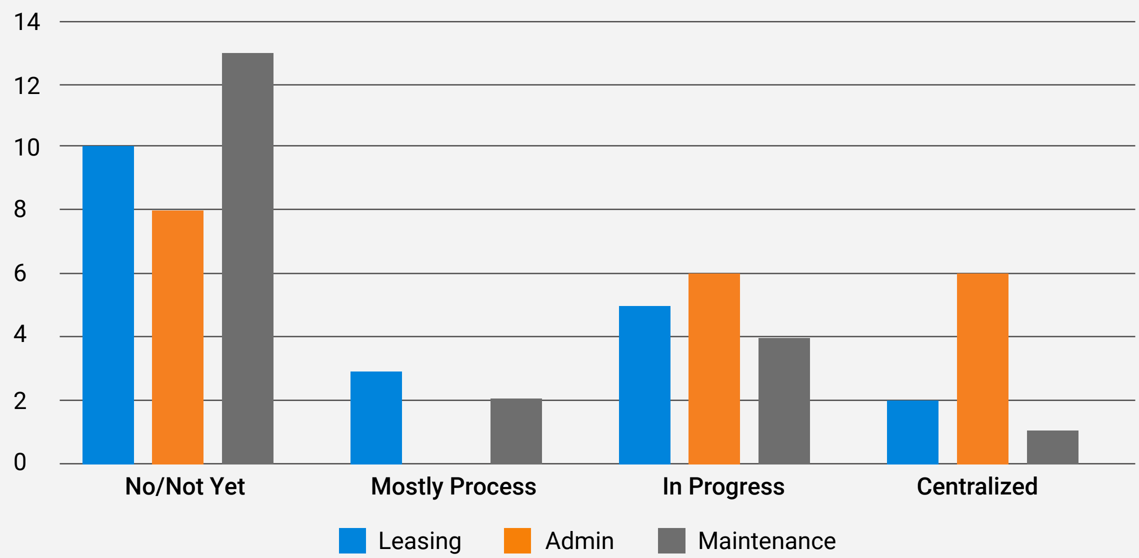
One of the risks of surveying leaders about centralization is that it is a concept that means different things to different respondents. A company could, for example, declare its leasing "centralized" if it had a central team performing some functions while leaving the property-level leasing agents unchanged. It is important to understand these differences, so this year each participant was asked: *"Has your company made changes to its property staffing model?"*

The responses, which are summarized in Figure 3-3 fell into four categories:

- **No/Not Yet** encompassed those either with no plans to change or no tangible progress on their plans to change staffing models.
- **Mostly Process** described the rollout of centralized support, technology and processes without changes to the staffing model.
- **In Progress** usually meant a pilot program or instances where only a subset of properties or regions were operating a new staffing model or firm plans to implement a new staffing model in 2024.
- **Centralized** means the company had already rolled out the new staffing model across its portfolio.

Based on Figure 3-3, staffing model changes appear to lag the more general status of initiatives (see Figure 3-2). More than half of the property management functions covered in these

Figure 3-3: *"Has your company made changes o its property staffing model?"*



interviews have yet to make any changes to their staffing models. It makes sense for companies to develop, test and implement new processes before changing staffing models. It is also consistent with the desire to modify staffing through attrition rather than make wholesale changes.

Readers will already have noticed some substantial differences among the three functions in the charts above. The following three subsections provide more details on the state of centralization of each of the three main property management functions.

3.1. LEASING CENTRALIZATION

For more than half of the companies interviewed for this year's paper, leasing centralization was at least at the active planning stage.

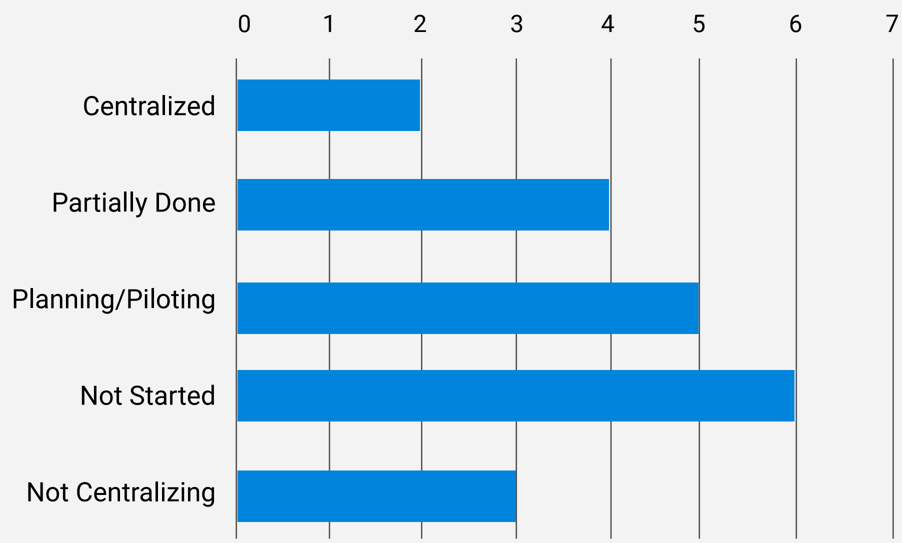
Of those respondents **not centralizing,** companies had either piloted or considered leasing centralization and decided it wasn't a fit for their organization. Specific reasons were either the company's mix of property types or, in the case of a fee manager, it had proved too challenging to get multiple owners to agree on a centralized model. One company noted wanting to centralize renewals, but whether or not that constitutes centralized leasing is debatable.

Companies that had **not started** the process had mostly de-prioritized the whole initiative because they had yet to see the model they would like to apply to their businesses. One operator whose business skews toward lease-ups saw their operating model as incompatible with the staffing models needed for centralization. Another had decided they needed to implement portfolio-wide access control before changing the leasing model.

The following explanation summed up much of the feedback: "*We've had some great conversations about centralization but don't see it as a cure-all. I don't see the industry going 100% centralized as we are ultimately a people business, and customer experience can make or break you.*"

Those at the **planning/piloting** stage mostly had an active pilot in progress, representing either *"pods"* of properties sharing leasing agents and lead-handling activities or the creation of a central

Figure 3-4: Leasing Centralization—Current Status



sales function supporting some properties. In some cases, experience had shown that properties needed some additional technology, e.g., scheduling or mapping, that they needed to add.

The **partially-done** implementations usually entailed some aspects of centralization but not others. One operator had decided that, given their size, they did not have the resources to build a call center and preferred not to use a third party. Multiple leaders acknowledged that call handling remained an opportunity but didn't see a good solution yet.

Partially done sometimes meant significant progress for a fully centralized model. One operator shared that they had rolled out a centralized model to about 40 properties. However, they added, *"Given the operating environment, we're not sure now is the time to tinker with the operating model, so we haven't scheduled further roll-out."*

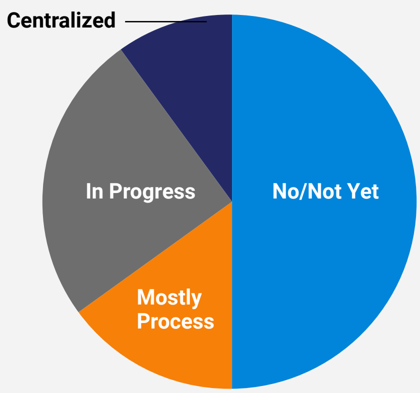
Two companies (both large owner-operators) have been running fully **centralized** leasing for some time. One large operator had built their program on Salesforce.com with fully centralized marketing and leasing agents touring prospects by appointment only. With a large portfolio of upscale properties in New York, this organization had not taken the step of enabling self-guided tours, but that was mostly due to security rather than technical considerations. The other operator is fully centralized in all aspects of leasing, deploying a mixture of call center and AI as their organization continues to learn how to optimize call-handling and lead nurturing.

Leasing Staffing Models

Consistently with the overall picture of staffing models (see Figure 3-3), half of the respondents had changed nothing about the way that they staff leasing (see Figure 3-5). Three of the 20 had implemented *"mostly process"* changes, such as centralized lead nurturing and lead sharing. These companies were either operators with little density in their markets or, in one case, a large fee manager.

A quarter of respondents had changes to staffing models *"in progress."* That meant they either had a firm 2024 plan to roll out a centralized model

Figure 3-5: Leasing—"*Have you changed your property staffing model?*"



or had begun to share leasing agents between properties, usually under the support of a centralized lead-handling capacity. The two *"centralized"* companies have central sales and marketing functions and leasing agents deployed across multiple properties.

The Likely End-State of Leasing

This year, in anticipation of companies' centralization initiatives being at various stages of completion, we invited the 20 leaders to speculate on the likely end-state of centralization for each of the three domains of property management.

Figure 3-6 summarizes the results for leasing. Almost half of respondents saw a future in which leasing is mostly staffed on a regional basis, with agents staffed to properties only where there is no opportunity to pool resources. Most saw all other activities (lead-nurturing and call-handling) executed by centralized teams, with one large operator adding that the job of leasing agent should be a work-from-home position where in-person tours are by appointment.

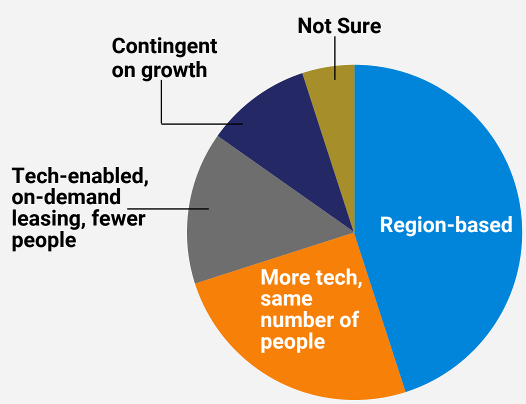
There was consensus that the leasing model of tomorrow (or today in a few cases) is self-serve and highly tech enabled. One of the companies that has already centralized its leasing model spoke of the benefit to brand consistency that comes from having prospects interact with a central team. The desire to capitalize on the opportunity to cross-sell properties was also a consistent theme.

However, opinion was divided over how centralization will affect property staffing. Twenty-five percent of respondents thought that while leasing would be more efficient, it would still need a roughly similar number of people. Fee managers, for example, saw the need to offer optionality to partners in an environment where most would stick with existing staffing models for the foreseeable future. A couple of smaller companies did not foresee the opportunity to pool staff. One saw onsite sales and customer care as necessary because they had already centralized the APM and most maintenance roles.

By contrast, of the operators who saw the technology as reducing the leasing headcount (without fully regionalizing), one senior operator suggested remaining property roles should be biased toward resident interaction rather than leasing.

This difference of opinion about whether or not technology will reduce leasing staff is instructive. Given that admin functions are also centralizing

Figure 3-6: Centralized Leasing—End State



(see next section), the changes to staffing models may take the form of *redefining* multiple roles rather than simply reducing leasing-specific headcount.

The remaining respondents either believed that the future model would depend on their companies' success in growing their portfolios, or they were generally unsure of how the future may look.

3.2 ADMIN CENTRALIZATION

The most conspicuous statistic regarding the status of admin centralization (see Figure 3-7) is that none of the 20 respondents fell into the "not centralizing" category. Last year's finding that admin tends to be the first step appears still to be true this year. The three companies yet to start work on admin centralization either had it as a 2024 initiative or planned to modify staffing models as opportunities to pool resources arose.

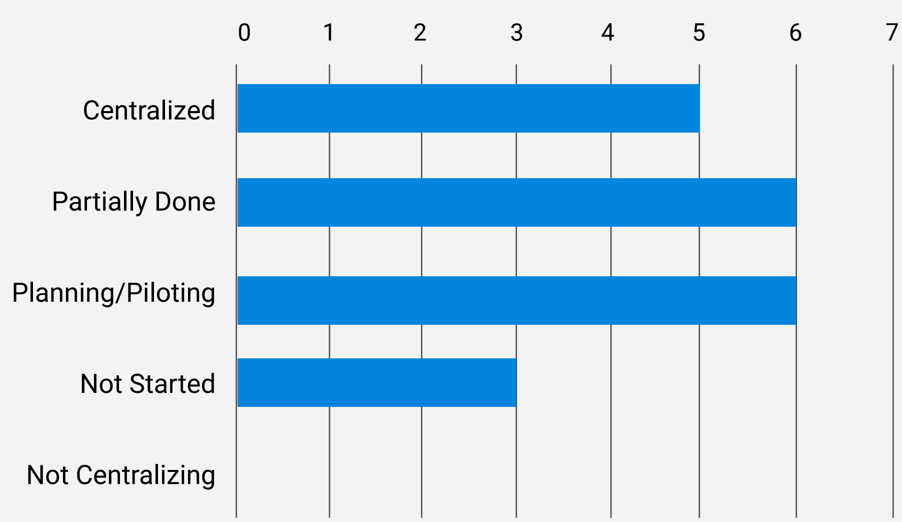
Planning and piloting often follow one another directly, but sometimes they don't, as one COO shared: *"We stubbed our toe on admin a couple of years ago. It didn't work because we didn't resource it well enough...we now know more about what it will take to get it done."* One operator described why admin centralization is their biggest priority: *"Collections and post move-out collections are big for us. We want to close the gap between what we are owed and what we collect on move-out."*

Interestingly (given market conditions) one property that piloted admin centralization successfully in 2023 noted that the only uncertainty holding them back was confirmation that the savings or revenue gains would offset the cost of the new centralized resources.

Of the six **partially done** portfolios, most had centralized a considerable share of their assets already and were aiming for full centralization in 2024. Several had identified admin as the lowest-hanging fruit in either 2022 or 2023 and had moved to take the roles offsite.

One company noted that they had planned to start with leasing roles but quickly learned that admin

Figure 3-7: Admin Centralization—Current Status



was a better fit. The only significant deviation from this norm was one fee manager who had begun to offer different *"flavors"* of admin centralization to their clients, meaning different clients centralized different subsets of admin services.

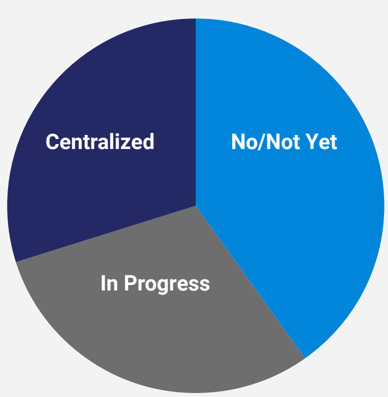
A quarter of respondents characterized their organizations as centralized, some of whom noted that they took APM roles offsite many years ago.

Staffing Models

When asked about changes to admin staffing models, the interviewees' responses fell into the three categories in Figure 3-8: companies had either centralized, were in the process of centralizing or had not started yet. The main contrast with leasing was that no companies appeared to be settling on a *"mostly process"* approach. In the case of leasing, some operators appear to be adding centralized processes and technologies to *augment* leasing capabilities that still depend on site teams. Companies centralizing admin functions seem to be taking those activities offsite altogether.

Among the companies that had not yet started was one fee manager that had implemented a per-unit charge for admin services as an alternative to attaching an FTE to the property. The expectation, of course, is that the model will gain adoption

Figure 3-8: Admin Tasks— *"Have you changed your property staffing model?"*



in 2024. The other respondents had simply not made plans to change staff models at the time of the interviews.

Those interviewees *"in progress"* either had firm plans to start in 2024 or were already at some stage of rolling out a centralized model. Of the *"Centralized"* admin functions, about half had taken admin offsite some years ago. Others were wrapping up newer initiatives. One shared that their organization delivered the new processes and technology in the first half of 2023, and in the fourth quarter, they stopped back-filling property roles that are no longer necessary.

The Likely End-State of Property Admin

When asked where property admin will ultimately land, most respondents saw a fully centralized model (see Figure 3-9). Several already run a central model, with some having done so for years. There are a few common elements to most of these responses. One is that admin activities either have been or will be moved to a shared service environment, with some also including offshore components. Another is the consensus that the APM role as currently defined either has been or should move offsite.

Several leaders explained that the admin roles were moving offsite through current APMs being promoted into specialized central roles. Such moves increase specialization, as APMs that are good at functions like accounting get to focus on them while remaining site team members' jobs are redefined as service delivery roles.

Those who saw *"more tech, same number of people,"* as the future were committed to removing all forms of busy work from properties but were not yet convinced that that would result in any reduction in onsite team size.

The one operator who saw admin as being regionalized rather than fully centralized said so on

SPONSOR VIEWPOINT

DON'T JUST CENTRALIZE ADMIN, REIMAGINE IT

Domuso

This year's 20for20 findings indicate that the centralization of admin functions now seems inevitable. This news may be surprising to some readers, but not to us. We've been banging this drum for several years, as we have long believed that roles like accounting and financial services have become sophisticated to the point where they are best handled by specialists.

This view is particularly true of multifamily, where we ask our site teams to help deliver resident experience in addition to a growing variety of financial transactions. The benefits of delegating admin tasks to experts are clear. A company running 20 communities can typically expect 20 variations in the way that teams complete accounts, collect payments and so on. Making processes consistent means greater consistency and fewer mistakes. But the shift toward specialist experts not only streamlines operations, it also enhances them.

We've often highlighted the "10% problem" of transitioning a community and its residents from "nearly digital" to "fully digital" collections. That last 10% is usually stubborn—it constitutes the hold-outs who would not normally choose to pay online. But the transition is worth making as operators that do it remove friction and financial risk from operations while greatly improving the resident experience and financial performance.

Reimagining a Familiar Process

What is exciting about a more centralized approach to admin goes beyond taking busy work off the desks of property teams. With greater specialization comes the opportunity to improve entire processes and—in some cases—reimagine them completely.

Operators tend to view payments mainly through the lens of the logistics of money collection. But payments have a strong behavioral element to them, especially the payment of rent. Our goal should be to enable residents to pay in the most seamless manner possible, which is online. But in addition to making payments easy, operators can also use incentives to make payments more timely. Where multifamily has historically prioritized the "stick" over the "carrot," rewards can be a more powerful way to improve payment behavior.

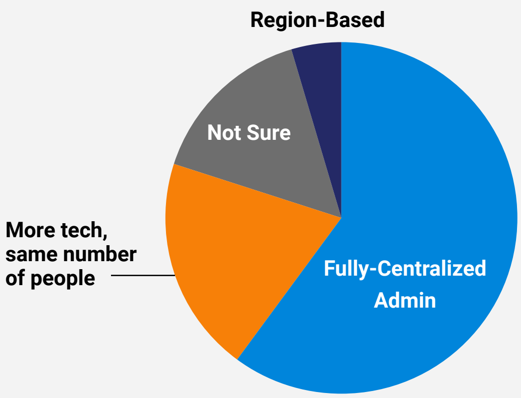
Over the past year, we have found that using rewards to incentivize behavior significantly enhances both financial outcomes and customer satisfaction. For example, a great way to move that stubborn 10% toward compliance with our preferred payment method is to incentivize residents to open the payment app!

From there, offering rewards for on-time payments accelerates monthly rent collections and makes them more predictable. Again, the use of a single platform, rather than one overworked assistant property manager per property, is the lever that enables us to drive the improvement. Residents consistently prefer the experience, and, of course, they love the rewards.

Scan or click the QR code to learn more

It is heartening to see admin functions disappear from the property, leaving site teams to focus on delivering service. In 2024, simplicity and consistency should be central to the resident experience as operators defend occupancy against the over-supply in many multifamily markets. With revenue growth relatively hard to come by, now feels like the right time to get more sophisticated about payments and how they affect resident experience.

Figure 3-9: Centralized Admin—End State



the basis that all property management functions were being redefined and organized into small regions (so the APM role will cease to exist as currently conceived).

3.3 MAINTENANCE CENTRALIZATION

The six properties that were **not centralizing** maintenance at the time of the interviews had decided, for a number of reasons, that it was beyond their organization's capacity for the foreseeable future.

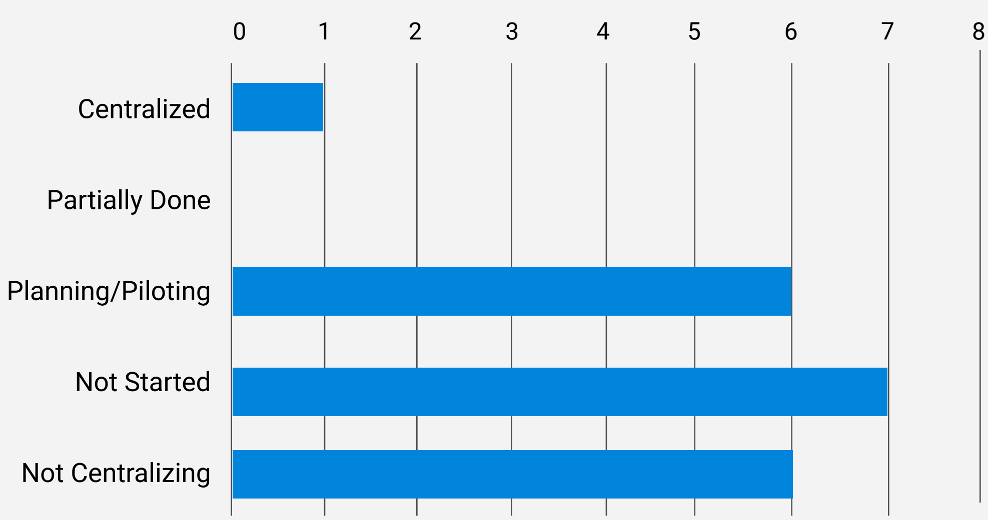
Some expressed skepticism at the savings available, as the staff cost savings from achieving a centralized model are smaller than they are for either leasing or admin. Maintenance tasks cannot be automated away to the same extent as the other functions.

It is hard to escape the need for coverage, so few companies pursue maintenance centralization to reduce headcount. Some companies successfully implement call centers or even AI triage of maintenance requests, and although some residents like the immediacy of DIY repairs with remote guidance, others don't.

Some had tried limited-scope piloting, including third-party vendors, but had found it hard to make the model work, especially the change management aspects of the project. Others still had decided that placing more sensors and smart technology throughout their buildings would be a prerequisite for remote oversight of maintenance operations.

The companies that had **not started** had mostly not decided where to start. Some were interested in exploring a more tech-enabled approach

Figure 3-10: Maintenance Centralization—Current Status



to triage, especially those with some smaller properties in their portfolio that don't fit the traditional 1:100 ratio. Some were assessing whether central or regional control would work better. One company shared that the properties under consideration have ORA scores of 98 and 95%, making the risk of changing maintenance delivery relatively high. Others just ran out of time in 2023.

Each company **planning/piloting** centralized maintenance reported being in some kind of hybrid stage. The nature of the model depended heavily on the density of properties in markets. Where geography permitted, some companies had *"floating"* resources specializing in, e.g., turns, HVAC, etc.

One value-add specialist shared that, in 2023, they had started to build internal teams to bring renovations in-house. While the model was working in the pilot, the challenge of scaling up the model remained. Some operators were trying to grow the self-serve component of maintenance service, sometimes in collaboration with external vendors.

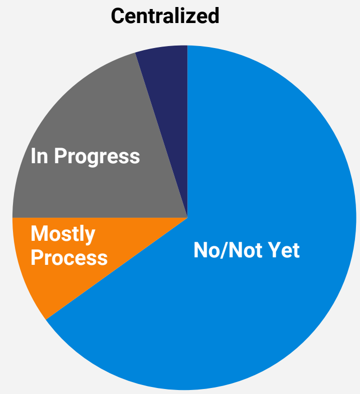
The one company with fully **centralized** maintenance runs a mixed portfolio of commercial and residential real estate within a single geography. While some engineers are assigned to specific properties, the rest of the team covers a broader set.

Staffing Models

Most companies interviewed have not changed their maintenance staffing model. Of the minority that have made progress in this area, 20% had model changes *"in progress."* These changes had mostly advanced as far as introducing a regional management structure in some markets (an observation/recommendation from last year's 20for20).

Some roles, like scheduling, had been centralized, along with creating some specialized teams focusing, e.g., on turns and punches. Companies who had made *"mostly process"* changes had done similar things but saw no immediate opportunity to make any further changes.

Figure 3-11: Maintenance—*"Have you changed your property staffing model?"*



The Likely End-State of Maintenance

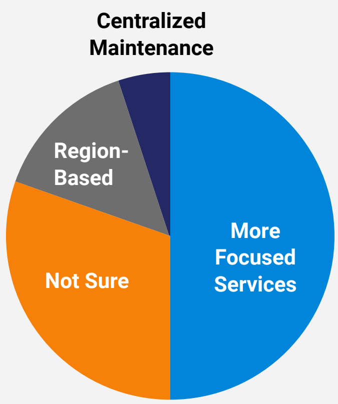
When asked about the end-state for maintenance, half saw a model that delivers through more focused services and providers rather than the current delivery model that relies on generalists (see Figure 3-12).

The ideas described are more varied than for the other two categories (which hints at why maintenance is a harder centralization problem than the other two). Below are some direct quotes on potential future states.

- *"It's hard to reduce headcount, but if you can make some tasks more efficient, you can push more of your headcount toward service."*
- *"I think there's more that residents will do by themselves if you support them properly. I think some kind of internal call center may be a good fit."*
- *"We need more tech to make a centralized team model so we can stratify the workload."*

- *"Specialization is the key: we introduced an appliance specialist, and I haven't seen a single invoice for third-party repairs since."*
- *"We want to take the smart home concept to a deeper and deeper level. So, we centralize how we monitor equipment, etc., and make decisions and organize service from a central location."*

Figure 3-12: Centralized Maintenance—End State



- *"Our big thing is hiring specialized talent (e.g., HVAC) and having better triage, dispatch, etc. Everyone grows a foot taller with regard to HVAC if you have one person on the team who's really good."*
- *"You can only reduce payroll costs if it doesn't affect resident experience, e.g., open work orders. Otherwise, you just increase your turn costs."*
- *"Constraint-based resource planning is probably the most important capability that we'd need to get this done. In real estate, we haven't yet done a good enough job of building up a data-driven picture of the workload and making systematic decisions."*

Those who saw a region-based future for maintenance tended to favor some combination of staff assigned to properties and some floating specialists reporting to a regional leader. This model had been adopted by the only company that regards its maintenance as centralized (all their properties are in the same region).

Those who were *"not sure"* were either skeptical of changing models or do not yet have a vision. The skeptics were companies with small, diffuse portfolios and, in one case, a lease-up-heavy model where the added urgency and unpredictability of maintenance issues made centralization seem especially distant.

3.4 DRIVERS OF CENTRALIZATION INITIATIVES

As respondents explained their centralization initiatives, they provided insight into the primary business drivers. The responses are numerous and do not conform to an obvious pattern. The highlights are presented below as direct quotations..

- *"Accountability. I can drive better results when managing fewer and more specialized resources."*
- *"UX is better when you're dealing with a specialist."*
- *"It's increasingly necessary to do more with less as so many other expenses have skyrocketed. Our hope is that if we have fewer people and fewer time-consuming, repetitive tasks, our staffing costs will come down."*
- *"It's all about customer service. We've been working on this for a while, and it does drive productivity, but we want to meet people where they are with the right people (with the right specialized skills)."*

- *"We want to own the client because it means we will be able to offer them more services."*
- *"There's an inherent inefficiency in training people who turn over so often. I'm not sure that means we fully centralize, but I think using tech, etc., is attractive to improve the job and reduce turnover."*
- *"It improves career paths and provides flexibility so we don't have to lose our good people when we lose a property, and we can offer things like WFH or accommodate changes in team members' circumstances."*

Specific to leasing centralization:

- *"Cost savings, making us easier to rent from, increasing traffic, and a providing a much better view of our leasing pipeline."*
- *We think it will deliver better conversion ratios and the speed from lead to lease."*
- *"We have found that [since implementing centralized leasing support] for 17% of leases, the first point of contact was a different property in the portfolio."*

Specific to admin centralization:

- *"We want to simplify roles—at the moment, we're asking people to be unicorns who are both salespeople and tax collectors!"*
- *"Costs are a big deal, but making the experience more consistent is a big factor."*
- *"On admin, we're trying to reduce leakage [of revenue] at the properties. The [more specialized central] services more than pay for themselves. We're starting not to backfill some roles now that we're a few months into the rollout."*
- *"It's a combination of cost savings & better career opportunities. It's better to define specialized admin roles than try to advance to a community manager role, which may not be viable."*

Specific to maintenance centralization:

- *"We'd like to push more resources toward delivering better service, e.g., paying more to an HVAC specialist improves service and hence review scores."*
- *"We're not sure about maintenance: although you gain flexibility, you don't get to reduce the head count."*
- *"We want to reduce costs, but keep in mind that includes reducing turn costs by retaining more residents, where maintenance service can also make a difference."*
- *"We'd like to be more selective in who we hire and be better at focusing them on what they're good* at."

SPONSOR VIEWPOINT

IT'S TIME FOR MULTIFAMILY TO EMBRACE AI

appfolio Property Manager

By Daniel Waas, Vice President, Product Marketing

Would you say your business is ready to immediately and broadly adopt AI across every part of your operation (both the corporate office and every individual community)?

If your answer is "no," you are part of the majority; 51% of residential owner-operators and fee managers say they have no plans to use AI. Our industry continues to be a late adopter of new technology.

Meanwhile, tech giants like Microsoft, Google, and Facebook are rushing to make AI ever more central to their platforms. The keyboard of your next PC will ditch the Windows key in favor of one displaying the logo of Copilot, Microsoft's AI companion.

The new wave of generative AI, powered by large language models, is about to change every aspect of our lives radically. It's already changing how we search and process information and redefining jobs from programming to visual design. And it's being adopted faster than the technologies that preceded it: ChatGPT went from 0 to 100 million users in just two months. The iPhone needed 3.5 years, and the Internet took 13 years to do the same.

Meanwhile, the typical property management team is still working on software that looks like Windows 95. And let's not even talk about how that same software works on the phone in your pocket.

At NMHC OPTECH last year, a panel of PMS vendors discussed new AI use cases. To paraphrase the collective messages, we heard: "We are already doing AI in our [insert chatbot name]." "Beware of the hype." "You should wait until this technology is mature." There is good reason to believe that advice is less than sound.

We are at a turning point in technology and your choice is to embrace it or sit tight. Most of the current industry discussion about AI focuses on individual use cases like chatbots, lead conversion, or auto-generated listings. These are great features that make these tasks easier and more efficient, but the approach misses the big-picture opportunity.

In this new era, property management software is no longer about digitizing tasks—AI will simply do them for you. All repetitive operating procedures across leasing, accounting, and maintenance will soon be largely automated, changing historical staff-to-unit ratios and the balance between onsite teams and back-office support functions. Onsite teams will have yet more time to focus on the resident experience, transforming it more meaningfully than any app ever could.

Scan or click the QR code to learn more

There is one key ingredient required: data, and lots of it. As AI becomes more pervasive, it will become increasingly important that your data is in one place. It must be secure and organized to make it as straightforward as possible for the combination of people and AI to gain the maximum possible benefit.

AI is going to break down organizational silos and improve property management in ways we have yet to imagine. It all starts with one centralized database with read/write API to access and an AI toolkit that will support the organization's over-arching vision for AI. To learn more, scan the QR code, and I'll explain (in a 7-minute video) what you can do to embrace the AI opportunity.

4

THE CHANGING TECH STACK

The previous section provided extensive coverage of the state of centralization, which explains much of what is currently driving the adoption of the technologies involved. This section will focus on some specific areas of technology that are not directly applicable to leasing, admin and maintenance, as well as a couple of over-arching topics.

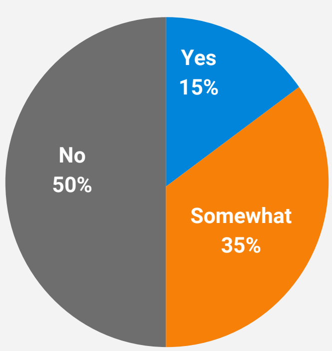
Updates on Connectivity, Short-Term Rentals and Data & Analytics are followed in this section by a discussion of how leaders are currently *thinking about* AI and its impact on property management. But first of all we will examine another thing that appears to be changing: how companies make decisions about acquiring technology.

4.1 ON TECH ACQUISITION

A year ago, the 20for20 interviewees foresaw a year of focusing on operating margins as the deal pipeline had, by then, already slowed. The general expectation was that operators would face growing pressure on costs, including those associated with IT. Numerous interviewees expressed a desire to cut IT spend and eliminate overlap in their tech stacks.

During 2023, multiple startups began to address various areas of sourcing and procurement—the processes of selecting vendors and purchasing technology from them. In this year's interviews, it made sense to find out what had changed. Figure 4-1 summarizes the answers to the question, *"In 2023 did anything change about how you research and acquire technology?"*

Figure 4-1: *"In 2023 did anything change about how you research and acquire technology?"*



The details behind these responses are highly instructive of the realities of technology acquisition and some of the interviewees' priorities. To explain what we learned, we will first summarize what it was that the companies answering "yes" or "somewhat" did differently in 2023. We will then share insights into the priorities of the half that answered "no."

Changes to Technology Sourcing and Procurement

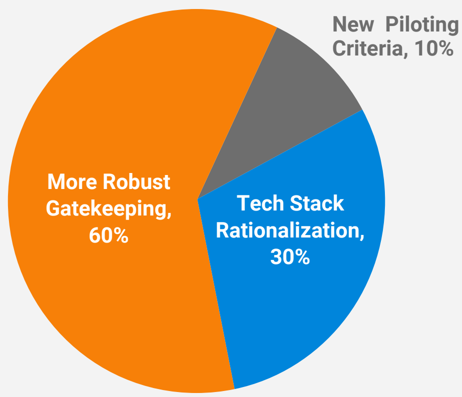
The most obvious finding in Figure 4-2 is that half of all of the interviewees changed nothing in 2023 about how they approached technology acquisition. The general feedback from these leaders was that they believed that they already had a good enough process for evaluating technology or did not see it as a lever that offered sufficient upside to make changing it a priority.

The discussion of the process revealed a possible misapprehension about technology purchasing: it is tempting to frame procurement as an evaluation of technology solutions, with the objective of picking a winner. But in multifamily, technology frequently comes to companies by way of acquisitions of properties and portfolios. Third-party managers have to support multiple ownership groups' technology preferences.

The "tech stack," therefore, tends to be an accretion of technologies that operations and technology leaders must strive to keep under some level of control. Rationalizing existing technology is at least as powerful a lever as evaluating new products. That observation explains most of the answers summarized in Figure 4-1.

The other half of respondents felt their organizations had at least *"somewhat"* changed how they acquire technology. Their responses fell into the three categories in Figure 4-2.

Figure 4-2: At Least *"Somewhat"* Changed Tech Acquisition Processes



The companies that had implemented **more robust gatekeeping** did so for a few reasons. Two companies changed the actors involved in tech evaluation. One leader had recently replaced a predecessor who had rolled out a lot of new software in the previous few years. The new regime was taking a more parsimonious approach to new technology. Another had replaced a technology committee that had been fielding 4-5 evaluation requests per week, implementing stricter threshold criteria in areas like privacy and cyber security, thereby reducing the number of candidate solutions for review.

Another company had focused its evaluations on the handoff between technology and people, recognizing the finite capacity of team members to absorb and benefit from technology.

Two separate COOs made the same point about the substantial hidden costs of supporting implementation. One of them shared: *"It's easy to miss the overhead getting people to use [new products] right. That corporate overhead is high: the vendors all have support, but that's not who our users contact. We have to support that internally and we don't have the margins to cover the bloat."*

Other companies reported becoming stricter about evaluating whether the benefits of any best-of-breed technology are substantial enough to justify selecting it rather than their PMS provider's equivalent product. Similarly to the concerns (above) about organizational capacity, these companies were fighting a tendency to overstate benefits while understating the cost of supporting additional integrations.

Overall, **revenue** was by far the biggest motivator for new evaluation processes. Most who changed them reported prioritizing projects that will make a positive revenue contribution in the same calendar year. Projects like managed Wi-Fi, which drives ancillary revenue or in-housing insurance programs, for example, attracted the highest priority. Conversely, as one leader put it, *"There is no appetite for long-term strategic projects, or for the 'Add on this integrated product for $1 PUPM' products unless there's a revenue upside."*

Of the three leaders attempting **tech stack rationalization**, one was going through an effort to get to one solution per category across the portfolio. They had been motivated primarily because of the workload on staff. Using the example of deposit alternatives, this company had wanted to offer residents optionality but had found that the workload of supporting multiple solutions meant that they were better off picking a single supplier.

Another company had gone through a detailed analysis of all of their marketing tech. While they had been achieving impressive results, they ultimately decided to consolidate on the integrated marketing stack offered by their PMS provider. The other company's rationalization analysis resulted in a renegotiation of their PMS vendor agreement, reducing and, in some cases, eliminating add-on product costs.

A single company had taken the more specific step of implementing **new piloting criteria.** The leader explained, *"We had been doing a lot of A/B tests in the field. The trouble is you end up with A and B because once people are using them, you* *can't get rid of either! Now, rather than testing in the wild, we test in a bubble, which means we can cut things if we decide not to move forward."*

Additional Tech Acquisition Priorities

The half of respondents who had not changed anything about how they buy technology gave a general impression that saving money on technology—while desirable—is not the most important priority. One COO shared, *"The flattening out of the revenue side and the higher costs of payroll, insurance, etc., mean we need to do more with less. That tends to mean more technology, not less."*

The prioritization of impact on our operations, rather than lower software costs, was a consistent theme among this set of respondents. Understanding the impact on operations means that technology decisions become intertwined with each company's vision for property management. Rather than evaluating competing widgets, each leader is trying to understand the contribution that different pieces of technology could make to their organization and whether it improves its ability to capitalize on available opportunities.

One over-arching vision, for example, was *"To acquire technology that enables our people to be as good as possible at the things they're good at."* That requires a highly subjective and nuanced understanding of current and future team capabilities. Another senior technology leader described the imperative of placing bets on some key best-of-breed capabilities in order to maintain leverage in its relationship with its platform provider. In both of these examples, the big picture trumps the side-by-side software comparison.

> ***"ROI is hard to measure, let alone predict in this industry. The reality is that almost every technology decision requires a leap of faith."***

Circumstances also change priorities, often dramatically, in a cyclical industry like multifamily. Renewals provide a great current example, as one leader described: *"Turnover costs are through the roof, maybe 2.5% up overall, so it's a cost that's increasingly worth avoiding. That can have knock-on effects: high costs tend to slow down turns, and that affects revenue. There is no guarantee of a positive trade-out: in over-supplied markets like the southeast, it's hand-to-hand combat for leases. When you submit a renewal offer, you're placing a bet on where the market is going to be in three months."*

It is easy to see why renewals become the top priority, but there are many different levers available to operational leaders who must decide which ones are likeliest to help. Modeling ROI is a natural way to bring discipline to such decisions, but—as several leaders shared during this part of the conversation—ROI is hard to measure, let alone predict in this industry. The reality is that almost every technology decision requires a leap of faith.

The specific technologies that leaders cited as top priorities (either a recent or an impending decision) included:

- **Next-generation CRM and AI leasing assistants.** This will come as no surprise to anybody who has read recent editions of this paper. But what is new this year is the emerging dilemma being created for some adopters of these technologies by their platform vendor, where aggressive progress in the last 12 months appears to have closed some functional gaps relative to best-of-breed. (Note: some leaders felt the same dilemma with ACH payment providers and resident apps.)

- **Revenue Management (RM) and BI.** Unsurprisingly, the ongoing RM class action lawsuits are a concern affecting perspectives on this technology. Market dynamics are also a factor, as one senior leader shared: *"We're faced with significant costs to upgrade RM software, but in this market, the software is producing recommendations to push prices down. Even though those recommendations increase revenue, the price increases are getting harder and harder to defend."*
- **Fraud** was the most active area of technology evaluation and adoption, according to this year's interviews. Section 2.1 mentioned the multiplication in lost revenue associated with slower eviction processes. The technology currently being applied to counterfeit documents has improved, popularized by social media. This led a quarter of this year's participants to evaluate the growing number of fraud prevention solutions.

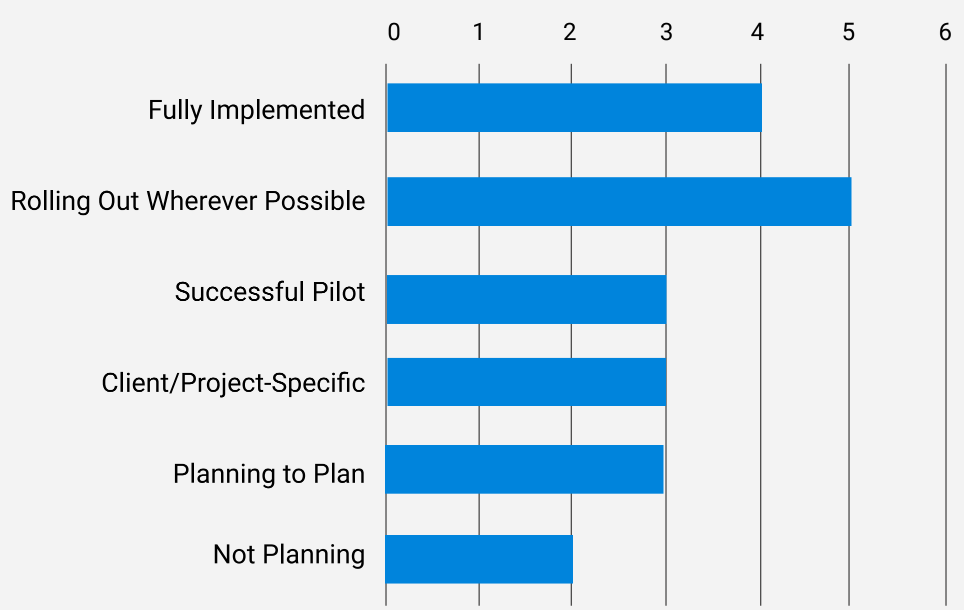
4.2 CONNECTED COMMUNITIES

Each leader answered an open-ended question about progress toward "Connected Communities," a category that is intended to include all aspects of smart technology and connectivity. It looks like a decreasingly satisfying category, as the decision to implement bulk Wi-Fi (managed or otherwise) looks increasingly separate from the decision to implement IoT devices like smart locks, thermostats and sensors.

They also appear to be following different adoption patterns. Among the 20 interviewees, only one reported a significant rollout of smart technology. Most have either already rolled the technology out or are acquiring it on a property-by-property basis rather than as an enterprise technology.

Wi-Fi seems to be a growing priority based on this year's results, with most interviewees describing some combination of tangible progress during

Figure 4-3: Current Status: Bulk Wi-Fi Adoption



2023 and plans for 2024. It is well worth understanding companies' progress in rolling out Wi-Fi, but there are some challenges with characterizing Wi-Fi adoption.

The decision to implement Wi-Fi is highly contextual to individual properties, their demographics and local market characteristics, and the individual contractual arrangements already in place with incumbent (usually retail) providers. The most enthusiastic proponent of connectivity cannot always implement Wi-Fi in every property in their portfolio.

> ***"For us, Wi-Fi is the #1 value-add thing we can do for any property we take over: it has better ROI than all of the décor/furnishings, etc. Retrofitting can be a pain, but we figured it out."***

It is also unhelpful that our industry has the habit of using the terms *"bulk"* and *"managed"* interchangeably. This paper defines "bulk" as any arrangement where the community purchases Wi-Fi from the provider and charges residents for the service. That includes "managed Wi-Fi," which is an enhanced form of bulk internet with technology that manages and supports the entire community network, enabling residents to access a ubiquitous, property-wide network and so on.

Figure 4-3 characterizes bulk Wi-Fi adoption at each of the 20 companies represented in the interviews on a scale from "no plans" to "fully implemented," which is explained below.

Almost half of all respondents had either finished implementing bulk Wi-Fi in every community where they planned to or were in the process of rolling it out wherever it was possible to do so. Of the four companies **fully implemented** with bulk, one had made managed Wi-Fi their standard. Each of the other three (large, long-term hold owner-operator portfolios) was evaluating upgrades to managed services.

Those companies **rolling out wherever possible** aspired to largely the same goal as those that had fully implemented. However, the properties where Wi-Fi did not appear possible were typically those with existing retail internet contracts that were either too expensive to get out of or contained specific "anti-bulk" language. Each of the five companies in this category were bullish about the economics and strong indications that the service was popular with their residents, as the following direct quotes suggest:

- *"We want managed internet everywhere—it enables us to flip the script on the traditional economics of Wi-Fi."*
- *"For us, Wi-Fi is the #1 value-add thing we can do for any property we take over: it has better ROI than all of the décor/furnishings, etc. Retrofitting can be a pain, but we figured it out."*
- *"The wins for us have been far more interest from ownership groups to roll out property-wide internet. We're hearing from residents that they want the really good Wi-Fi experience."*

The ancillary revenue is highly compelling, particularly in 2024, when rent growth promises to be challenging. One operator shared how a change of investment thesis to a longer-term hold made the economics of managed Wi-Fi a *"no-brainer."* Others who found the economics compelling based on current Wi-Fi charges were concerned that state legislative efforts to cap amenity charges might jeopardize returns. Rolling a Wi-Fi amenity charge into a community's base rent may make its pricing uncompetitive.

Three of the respondents had at least one **suc-**

SPONSOR VIEWPOINT

THE TIME IS RIGHT FOR RESIDENT FLEXIBILITY

Airbnb

The desire for flexibility and affordability from renters is now a post-pandemic norm. Supported by the research for this year's 20for20 white paper and the broader multifamily industry conversation, owners and operators are keen to drive ancillary revenue and maintain occupancy. Addressing renters' flexibility and affordability demands are central to achieving these goals.

Today's short-term rental (STR) programs are much different from the pre-pandemic equivalents. For this reason, we have seen more operators looking to STR to provide more flexibility while also opening their properties to new demand channels. Yet, the share of operators benefiting from STR remains relatively small. This is largely due to a lack of awareness of how STR programs have changed and a gap in understanding of how landlords can both benefit and mitigate risk when their residents participate. We think this is an exciting opportunity for multifamily.

Additionally, market-specific supply and demand imbalances (e.g., low supply / high demand or high supply / stagnant demand) leave operators solving such challenges as housing affordability, rent growth and occupancy.

When residents have the opportunity to offer their units for STR, the extra income they can make might go toward rent and thus help with housing affordability. Since launching the Airbnb-friendly apartments program in November 2022, the typical resident who hosted their primary residence generated $3,500 and hosted 30 nights per year.[1]

In competitive rental markets, offering "STR as an amenity" can give operators a competitive edge and possibly lower marketing expenses. We've recognized this benefit ever since we began enabling prospective renters to browse and contact more than 400 Airbnb-friendly apartment buildings in 40+ markets across the US.[2] Owners can also choose to collect a portion of a resident's booking revenue, adding a new source of income.

Enhancing The Resident Experience

A key element in considering STR for your residents is how to set proper expectations for short-term guests, residents offering their apartments for STR, and the property's other residents. Guests need to know what's expected from the resident as well as from property management. A good way to understand if these expectations are being met is to look at guest and host ratings and reviews.

Scan or click the QR code to learn more

The average overall guest rating of Airbnb-friendly apartments in 2023 was 4.8 out of 5. Another key component is compliance by guests with rules set by the host or by property management (e.g., quiet hours, the pet policy). Hosts gave guests an average score of 4.9 for "respecting house rules," suggesting that participating properties and their residents are achieving the goal of setting clear expectations for short-term guests.[2]

We can expect 2024 to be challenging year for multifamily, but there is a win-win to offer. Residents get the opportunity to earn extra income, while owners get the combination of an ancillary revenue stream and a source of new renters (for free), all while gaining control of hosting activity and reducing risk. It's time to revisit short-term rental programs that support resident flexibility.

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[1] *Internal Airbnb data looking at ever-active AFA Hosts between Nov 2022 - Sept 2023. Typical refers to the median figure.*

[2] *According to internal Airbnb data as of December 31, 2023.*

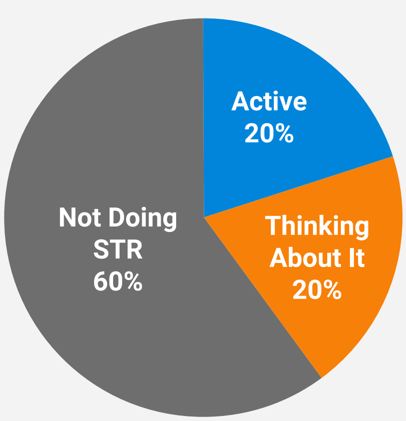
cessful pilot site and plan to expand the program in 2024. Three companies (two fee managers and a merchant builder) supported managed Wi-Fi, but the decisions to roll it out were **client or project-specific**. Three companies "**planning to plan"** were exploring the technology but had no firm plans to roll out.

Only two companies had chosen to stick with retail Wi-Fi in their communities, providing only public area internet to their residents. One felt that the demographics at their predominantly workforce housing properties were the right ones for managed Wi-Fi. The other represented a portfolio with high density in major cities, where regulatory concerns had dissuaded them from entering bulk Wi-Fi arrangements.

For all companies adopting Wi-Fi, the aspiration was to implement a managed service. The decision between bulk and managed Wi-Fi tended to boil down to investment criteria and customer experience trade-offs. While the ROI is generally compelling, there were instances where retrofitting a community for managed Wi-Fi did not meet investment criteria, so the community opted for bulk instead.

The service trade-off was well-described by one respondent: *"We debate about how managed Wi-Fi is great when it all works, but when it doesn't work, it's an operational challenge, especially if you've white-labeled it. With regular bulk, the provider get the blame when things go wrong. But on the other hand, why wouldn't residents want a ubiquitous Wi-Fi connection? Most residents live way beyond their units, so a modem-based service doesn't cut it anymore."*

Figure 4-4: Current Short-Term Rental Activities



4.3 SHORT-TERM RENTALS

The subject of short-term rentals (STR) returned to the interview scripts for this year's 20for20, as the sector's recovery from its pandemic-enforced hiatus seemed to gather pace. An increasing number of high-profile owner-operators spoke publicly about their growing STR programs during 2023. It seemed worthwhile, therefore, to gauge activity among our 20 participating companies.

Figure 4-4 summarizes the current state of STR activities among the 20 participants. While most have no plans to engage in STR at this point, the real story (compared to previous years) is that 20% of companies interviewed are not just interested but active in the space. The active projects included a combination of two types of STR.

"STR as an amenity" describes a formal program that enables residents to be STR hosts, with landlords gaining full transparency of STR activity and a share of rental revenue. As one participant described:

"We'll have 40 buildings up and running this year on the program. We like it because you now have visibility and some control over activity in each participating community. It's been a slow but steady ramp-up, and we know that we've received leases through the program."

*The **"lease arbitrage"** model is intended to diversify a community's rent roll beyond 12-month unfurnished leases. It puts the operator into the business of offering furnished units directly to guests. As one respondent with a national platform described:*

"We've found that it works well in coastal and destination markets when you're sure about the ROI. There are markets where there is not enough hotel capacity, and we've discovered that furnishing some rooms and running as a hotel has been extremely profitable."

While the benefits of tapping different sources of demand are attractive, the operational effort is considerable. One operator considering STR shared: "I strongly prefer the models where I get to control the branding. I have experience being burned by a third-party operator delivering a lower level of service than my community."

Most companies **not doing STR** felt that it did not fit their property profile, as their portfolios predominantly consist of suburban garden-style communities. Others had too many properties in markets with regulatory constraints on STR activity. Others had simply never treated it as a priority. It will be interesting to see if that remains the case as supply conditions buffet multifamily performance in 2024.

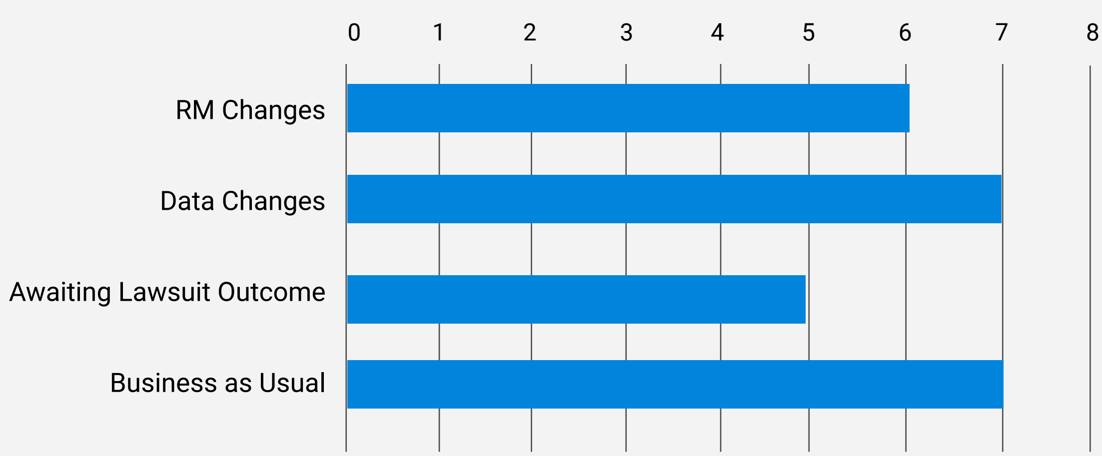
4.4 DATA AND ANALYTICS

In the six years of running the 20for20 research, two things have been consistently true of data and analytics. First, revenue management (RM) has not generally been a senior management priority. Most companies treat it as a settled technology and delegate it to a functional leader. That has always seemed like a risk, as RM makes a sizeable contribution to performance, and RM strategies change over time.

Second, BI has had a long and somewhat meandering adoption pattern in multifamily, as companies progress from basic reporting to PMS-vendor BI solutions to ultimately building their own platforms. But as we reported last year, the sector seems to have matured substantially in recent years, with a growing population of companies taking control of their data and capitalizing on opportunities to drive decisions with highly customized metrics and analytics. New suppliers in the space have also emerged, creating a more direct path to this key capability.

This year, given the combination of economic and supply factors that seem guaranteed to affect revenue performance, we took the opportunity to ask if anything at all had changed about the ways these 20 companies analyze and execute revenue strategies for their properties. The responses fell into the four categories in Figure 4-5. (Note: there

Figure 4-5: Current & Planned Changes to Data & Analytics



are more than 20 responses as a few companies had multiple answers to the question).

Seven of the 20 companies reported no change to data and analytics beyond **business as usual.** A quarter said that they did not want to make substantial changes to RM until the outcome of the current class action lawsuits is clearer.

Of the seven companies that had made changes to their data environment, one was about to roll out a brand new BI platform. Another was in the process of integrating more external data sources into their new platform, with the objective of reducing the amount of work still carried out in spreadsheets. Two other companies had begun to use third-party market surveys, replacing their own internal process.

Among the more specific use cases, one company that had previously invested heavily in new leasing technology had found that their newfound abundance of pre and post-tour follow-up data is highly predictive of property performance. They had incorporated it throughout their corporate reporting in 2023. Another owner-operator was dashboarding data to parameterize decision-making to the extent that they believed they would need fewer regional managers in the future.

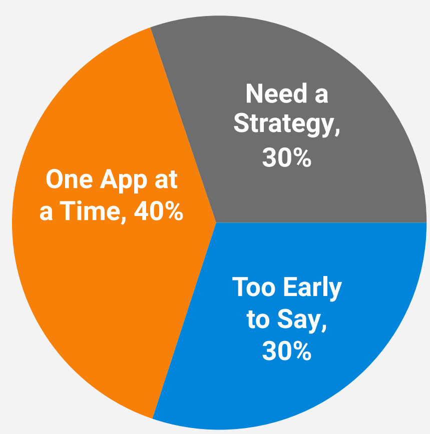
The six companies reporting some significant changes to their RM processes represented a mixture of new technology and new processes. Several of the companies were at some stage of either upgrading or changing RM applications. The more specific use cases are best described through the following direct quotes:

- *"We're trying to marginalize the role of gut instinct in interpreting RM outputs. We're changing RM platforms, and we have slowed down the cadence of pricing calls so that our teams can be better prepared and get more value from each one."*
- *"In markets like Atlanta, the risk of fraud and delays in evictions has made screening and fraud prevention our highest revenue performance priority, so we've focused our resources there."*
- *"Over the last year, we've tried to build our own renewal model that takes into consideration the cost of turning a unit, which has gotten very expensive. We also have to balance the speed to re-lease, which tells us how aggressive to be."*
- *"We've found ourselves putting a lot more constraints and parameters to stop [our RM app] from doing stuff that we don't want it to do. There's a lot more manipulation, as people are still not really that used to seeing what it does in a down market."*
- *"We hope [after we change RM systems] we will have a more consistent view of exposure, marketing costs, etc., so the performance team is looking at a single view of all the demand optimization info and levers."*

4.5 AI ADOPTION

In previous years, this paper has examined AI adoption through the lens of AI-based applications like digital leasing assistants, lead-nurturing

Figure 4-6: *"How do you think about AI adoption in your organization?"*



and collections apps. Since the arrival of ChatGPT at the end of 2023, however, AI has become vastly more powerful and accessible. This year the focus was on how executives are *thinking about* AI adoption in their organizations. There were three broad types of answers to this question, which are summarized in Figure 4-6.

Unsurprisingly, the tone of most of the conversations was one of great uncertainty about the extent to which AI will affect multifamily organizations. Most companies are using AI in some capacity, but all understand how little of AI's immense potential we are currently using.

The conversations explored whether AI was a technology that demands a whole-of-business strategy, in the same way as data, cloud strategy or cyber security, for example, or whether it is a technology to be acquired "one app at a time," like most software. The perspectives of the leaders who leaned toward needing an AI strategy are varied and interesting, so they are included in their entirety below.

- *"I still see it as a way of disappearing repetitive work. I think it will reduce headcount in the long term, but it will take a while. I think there needs to be an over-arching strategy: vendors know their own domains, but you don't want to start on a path too quickly without being mindful of how it will pan out."*
- *"Everyone is running around saying it's going to change everything. Then I ask how and they don't know! I think it will show how antiquated some of our processes have been – marketing is a great example. I think it will do a vastly better job of figuring out where to find prospects and where we should spend our money. We're testing four different leasing assistants, and I can tell you they work very differently. It tells me that they're all very nascent – today's leader could easily be tomorrow's laggard."*
- *"It's been occupying a lot of head space here. There's a lot of hype about generative AI, and we really want to get it into our platform early next year. We'll start with support: there are some initial triage questions that take about 13 mins of support time. We can get ChatGPT with a couple of scripts to test and complete all of the steps and make the entire call unnecessary."*
- *"We are actively managing the strategy so that the business is not engaging with vendors - we want to curate our CustX and careers, so we don't want a lot of point AI solutions."*
- *"We've engaged with an external resource to help us figure out where it can impact our business. We're leaving customer-facing stuff to the vendors for now—most of what we can manage internally is in the back office."*
- *"Customer-facing functions will be defined by what we can buy off the shelf. It doesn't make sense for anyone to compete with widely available models. For us, the best opportunity is to use it internally to find opportunities to be more efficient. It's like when I first came into the workforce, internet capability was at a level that you wouldn't have been able to do today's work. I see AI as similar – it will enable different levels and paces of work."*
- *"It absolutely feels like something we need a policy for. Our associates can't get to generative AI sites on corporate equipment - it's too big of a risk. MS Copilot will change stuff a*

> ***"Most companies are using AI in some capacity, but all understand how little of AI's immense potential we are currently using."***

lot: teams won't need to start things from new anymore, and that will change how we work considerably."

The responses from leaders currently thinking of AI **one app at a time** broadly made two points. One was that their companies are generally cautious and conservative, and that the domain feels far too immature at this stage to make predictions about how it will impact the business. Several made the point that multifamily seems so far to be nowhere near the levels of sophistication of other industries about which they had read.

They described exploratory efforts, pilots and some success with point solutions. Several technologists in this category mentioned specific technology events and symposia (all outside of the multifamily sector) from which they were looking for best practice guidance.

Interestingly, unlike the previous cohort, the *"one app at a time"* respondents did not delineate between front and back-office functions. Their examples focused mainly on prospect and, in some cases, resident-facing use cases and generally paid little attention to the uses of the technology to drive internal efficiencies.

Finally, those leaders who felt that it is **too early to say** how the technology will be adopted tended to be pondering big-picture considerations. One leader of a large platform wondered to what extent AI belongs at the property level or if the specific competencies involved would work better in a more centrally driven support service.

Other technology leaders in this category were nervous about the number of "unknown unknowns," and felt that education was a more natural near-term focus than committing to any particular solution set.

One leader of a highly data-driven owner-operator shared a specific concern about where the technology may go: *"We're bullish on the technology and what it may bring, but we're also a bit nervous about the long-term impact that the revenue management class actions. RM could be the canary in the coal mine for an industry that's becoming more data driven."*

One leader vacillated, *"We do and we don't need an over-arching strategy. What you're really trying to do is enhance the process, so you need to start with the process and figure out how to enhance it with AI."*

5
CONCLUSIONS

"Everything changes but change itself." (Heraclitus)

This year's survey has, as usual, presented a new set of challenges that are different from previous years and a new set of perspectives on how leaders plan to address them. After six years of researching this field, some changes are more predictable than others.

Patterns of change and technology adoption mirror one another, as they seem to be with the industry's approaches to centralization and AI adoption. The pendulum of innovation swings between disruptive new products and the status quo. And the lingering shadow of the pandemic still affects aspects of multifamily property management. These topics and more will be explained in the following five concluding sections.

SPONSOR VIEWPOINT

IN 2024, REVENUE MANAGEMENT NEEDS A NEW PLAYBOOK

REBA

REBA Real Estate Business Analytics

The year ahead promises to be a challenging one for multifamily performance. The priority for operators will be protecting and—where possible—growing revenue in an environment where record levels of supply will make that hard to do.

Supply will drive market dynamics, exacerbating some challenges that RM systems have not historically handled well. As fortune would have it, we have been redesigning RM from the ground up over the last couple of years, and it's taught us some better ways to handle some of the prevailing conditions of 2024.

Reimagining Revenue Management

Concessions are the most obvious example. They are already becoming ubiquitous again, but their role in selling apartments has never fit comfortably with RM software designed to optimize base rent. We have learned that concessions belong in the core RM workflow. Now users can execute their strategy holistically, controlling all their pricing levers together,

Lease-ups (of which there will be a great many this year!) are another blind spot for pricing technology. RM systems use a property's historical data (along with current trends) to predict demand. Because we know when leases will expire, we can also predict availability.

These are the two fundamental ingredients of a RM system. But with lease-ups, we have neither history nor a stable view of availability, which is why they have not been a successful domain for RM systems.

We have been able to solve this problem by doing two things. First, make it easy for a user to clone the history of an existing property with similar characteristics. That provides a good enough foundation for predictive models. Next, we allow users to change future availability. That is an intuitive number for users to understand, and it gives them the flexibility to adjust as the delivery schedule changes.

Lifting the lid on the "black box"

In each of the cases above, pricing works better because we redefined how the user interacts with the algorithm, making it easy to input information that improves the pricing recommendations. This approach has had another critical benefit: transparency.

RM systems are notoriously difficult to understand. They do complex calculations and the results don't always match human intuitions. When pricing recommendations don't align with user expectations, it can result in overrides or time-consuming attempts to rationalize the system's advice. The ultimate cost can be a lack of stakeholder buy-in to the revenue management strategy.

With the luxury of redesigning everything from the ground up, we have been able to re-think how to help users understand what the algorithm is doing. For example, by putting future availability at the center of the story, users can easily see the relationship between availability and price changes. That may sound obvious, but no RM systems were designed with that problem in mind and do not present information in a way that makes it easy to understand.

We rarely get to reimagine a process as complex and as mission critical as pricing. The unusual set of circumstances that we face in 2024 requires us to apply the learnings from more than 20 years of RM experience rather than relying on legacy approaches.

5.1 REVENUE TRUMPS EVERYTHING IN 2024

In preparing the 20for20 study each year, it sometimes happens that a single factor or theme emerges that explains many of the findings from the interviews. In previous years, this ranged from staff shortages to the impacts of the pandemic to the drive for centralization. The overriding theme that dominated this year's interviews was revenue.

Revenue is the primary concern among interviewees and looks set to influence decisions for the remainder of this year. Despite a promising general economic outlook, supply is the main driver of the difficult market dynamics expected in 2024. That was the main prediction that interviewees thought would be different in 2024, as well as the main reason why most do not expect this year to be better than last.

There are regional differences. Relatively low development will drive rents up in Northeastern markets. In West Coast markets with similarly low new supply, demand conditions remain challenging. But more of the US will look more like the Sunbelt, where demand will take some time to absorb record new supply, placing pressure on revenue.

The challenges of being unable to grow revenue are obvious. Multifamily companies must compete harder for every lease and work harder to retain every current resident. Lease renewals and new rents are unlikely to provide opportunities for revenue growth as oversupply creates buyers' markets to which the industry has grown unaccustomed.

The most interesting insights in 20for20 tend to be the ones that reveal we have been thinking about something the wrong way. The premise of Section 4.1 assumed that lowering software costs was a primary driver of tech evaluation. The most insightful leaders were those pragmatically considering which technologies best improve their operating models and benefit revenue performance.

Revenue growth was the biggest driver of tech evaluation this year. Managed Wi-Fi programs were expanded and prioritized mostly for their ancillary revenue potential. Short-term rentals are an increasingly viable way to diversify demand and enhance competitiveness for new leases (with the added bonus of generating revenue from a share of fees). Companies demonstrated an appetite for revenue management innovation and devoted resources to the increasingly critical lever of renewals.

Since last year, there has been a shift in priorities. In 2023, changes to staffing models dominated responses. This year, the focus shifted to "*process improvements*." The important nuance here is a refocus on property management fundamentals, in most cases seeking to extract more value from previous operational changes. The emphasis is on outperforming rivals in core property management tasks. That is a natural focus in market conditions where there will be increased competition for every additional dollar of revenue.

"Companies demonstrated an appetite for revenue management innovation and devoted resources to the increasingly critical lever of renewals."

5.2 FRAUD IS RAMPANT. ITS CONSEQUENCES ARE WORSE THAN EVER

Each year, the research for this paper is carefully pre-planned to ensure that it focuses on the issues likeliest to be top-of-mind for the 20 leaders. Occasionally, a management priority emerges from the research we did not foresee. This year, fraud is just such a case.

There is not a single statistic that establishes fraud among this year's operational priorities, but the issue was ubiquitous across the responses this year's survey. Several companies mentioned progress on fraud prevention as one of the major highlights of 2023. One highly experienced leader cited it as their number one overall priority for 2024. It was the most evaluated technology in 2023 and it also emerged as a revenue management priority.

That there is a lot of fraud is not new. Previous editions of this paper have noted Sunbelt markets suffering from notoriously high levels of fraud, for example. What is different this year is that the problem appears to be more geographically widespread, and the consequences of failing to stop it are much more severe. Judicial gridlock means that evictions that used to take 60 days can easily take nine months.

In its January 2024 Pulse Survey[1], NMHC analyzes the operational impacts of rental application fraud and bad debt. It includes some startling statistics: 93.3% of respondents to the survey reported experiencing fraud in the last 12 months, a staggering 40% year-over-year average increase. A combination of falsified pay stubs, employment references and fraudulent IDs dominate the statistics and provide additional insight into what is causing this problem.

It is probably one of the lingering hangovers of the pandemic era. Eviction moratoria and the confusion that followed created a market for advice on how to avoid eviction, and application fraud was a natural extension of this trend. Now, a growing network of influencers on TikTok and Instagram teaches potential renters how to target specific properties and companies with fake applications. An ever-improving set of technologies for generating counterfeit documents has made fraud even easier to do and harder to detect.

Running a multifamily organization that relies on desk research to check documents now seems untenable. Fraud and fraud detection look increasingly like a tech-enabled arms race. Fortunately, we know (from the "2023 highlights") that there are sophisticated technologies available to operators that seem effective in weeding out fraudulent applications.

> ***93.3% of respondents to the [NMHC] survey reported experiencing fraud in the last 12 months, a staggering 40% year-over-year average increase.***

It is a fascinating and important domain of multifamily technology with many new entrants, each of whom appears to be taking different approaches to detection and prevention. It's an area that property managers will need to understand in 2024, and it is an area that will receive significant coverage from 20for20 during the coming months.[1]

5.3 IT WILL SOON BE UNUSUAL TO DO ADMIN ONSITE

Over the last couple of years, it has been enlightening to track progress on centralization, particularly comparing companies' intentions with the actions they ultimately take. A year ago, we observed a disparity between the *priority* of centralizing leasing operations and the *reality* that the administrative work normally done by assistant property managers was moving offsite much more quickly.

Tasks such as accounting, collections, and deposit handling were never ideally suited for property operations to begin with. The career progression of a promising leasing agent into an admin-heavy role always looked like a detour (unless the individual excels in those areas). Last year, it became clear that most of the centralization work had focused on reassigning admin work to specialists offsite. This year's findings show this trend is not just continuing but seems to be gaining momentum.

Sometimes, patterns of process or technology adoption suggest an important trend. Five years ago, we noted that with the combination of AI, access control, centralized CRM systems, and self-guided tours, multifamily was on a path toward fully self-serve leasing. In retrospect, this prediction looks obvious, although the feedback suggested it wasn't at the time. Based on insights from this year's discussions on centralization, here is another prediction: It is going to become unusual for property management companies to handle administrative tasks onsite.

Section 3.2 provided some important data points. In contrast with the leasing and maintenance, no companies said they were *"not centralizing"* admin. Only three companies had yet to start centralizing admin roles to at least some degree, and more than half were at least part of the way through centralizing these roles. That shouldn't be a surprise: some public REITs eliminated assistant property manager positions years ago. What is perhaps surprising is that so few companies followed their lead.

Admin tasks have the characteristics of business functions that gravitate toward shared services in most industries. Leasing lends itself to tech-enabled centralization, but the future state looks less and less like a one-size-fits-all scenario. Some companies will keep leasing teams largely intact, while others may remove them altogether, with many variations in between. And while maintenance can benefit from centralized coordination and more efficient use of resources (as noted in last year's conclusions), relatively little of the workload can be automated away, due to its physical nature.

> ***"Tasks such as accounting, collections, and deposit handling were never ideally suited for property operations to begin with."***

[1]https://www.nmhc.org/research-insight/research-report/nmhc-pulse-survey-analyzing-the-operational-impact-of-rental-application-fraud-and-bad-debt/

There is no need to perform property admin onsite, which explains why it tends to be first in line for centralization. There are still plenty of challenges with the staffing model: only a minority of third-party managers have changed their support and chargeback models to pass the benefit of central resources to their clients. Existing proforma agreements based on agreed FTE counts are another source of inertia. But it is hard to see how this does not become a source of competitive disadvantage as the third-party sector continues to consolidate.

The numbers in this report suggest it will not be long before companies still performing admin onsite will be the exception rather than the rule.

5.4 *"GOOD ENOUGH"* IS MAKING A COMEBACK

The slowdown in the development environment, the trend toward centralization, and pressure on revenue performance have led some companies to reevaluate their technology stacks. As Section 4.1 outlined, the driver does not seem to be saving money, and it's not something that we can say most companies are even doing. But there is nevertheless a subset of companies considering technology rationalization.

In recent years, this survey has tracked a growing trend toward best-of-breed platforms. CRM is an obvious example of a vibrant best-of-breed category that grew over the last few years, with several best-of-breed providers being acquired by PMS vendors. AI solutions appear to be on a similar path, as do myriad financial services products. This year there is reason to believe the balance may be shifting back toward platform providers.

A couple of years ago, we noted that many large operators were taking the decisive step to move away from platform providers for major applications like CRM. With centralization high on the agenda, a vanguard of large operators wanted to move quickly toward platforms that would support their future operating model. With full-stack software and vast and fragmented customer bases to manage, PMS platform providers could not innovate at the pace of best-of-breed specialists. A new market for highly innovative solutions was born.

This year, several technologists seem to be thinking differently about this dilemma. Several spoke of their surprise at how quickly their platform provider has mobilized to close functional gaps that had previously persuaded them to choose best-of-breed. Those reconsidering their choices were not so much asking, *"Can my platform provider give me what I currently get from a best-of-breed vendor?"* but rather, *"Is the gap between the platform provider solution and best-of-breed big enough to justify an additional vendor in my technology stack?"*

The answer to that question can go both ways. During this year's centralization conversations, several companies shared where they thought the limitations lay with the platform providers. Those aspiring to a truly centralized service model sug-

> ***"The slowdown in the development environment, the trend toward centralization, and pressure on revenue performance have led some companies to reevaluate their technology stacks."***

gested that 20% to 40% of the technology would always need to be delivered by someone other than the company that makes their PMS.

It seems that the more data-driven a leader's vision was, the more they saw the need to handle data externally to their PMS platform. Areas like maintenance and leasing, which have high-touch service components, also divided opinion. Some operators thought the gains were too significant to resist upgrading the software that supports them. Others stuck with the status quo.

There are good reasons to think that certain types of technology ought to be provided by companies that specialize in it. AI seems to fall firmly into this category the deeper we get into the post-generative AI world. But as far as technology is concerned, it appears that the real dilemma is between best-of-breed and *"good enough."*

> ***"Technology that benefits the revenue side of the business is relatively low risk. A couple of dollars here or there for apps that might lead to more leases or more rent is a bet that most multifamily operators are inclined to place."***

5.5 VENDORS ARE IN CHARGE OF AI STRATEGY

The very first interview for the very first edition of 20for20, back in 2018, included a discussion of the interviewee's successful pilot of what was then the industry's first AI leasing assistant. The conversation centered on what the arrival of technology that could perform many of the tasks of leasing agents would mean for that company's future staffing model.

AI is not new to multifamily, nor is the conversation about its impact. However, the conversation shifted after late 2022, when ChatGPT was released and achieved phenomenal uptake. In the first half of 2023, the hype cycle went into overdrive, and each industry conference seemed to trump the AI innovations of the last. To believe the conference circuit narrative, one might have expected AI would perform most property management tasks by the end of the year. But around the time of last year's NMHC OPTECH, the hype appeared to have died down, at least for a moment.

This general disconnect between hype and reality permeated this year's conversations about AI. The leaders interviewed are mostly looking to vendors to solve AI. Some view AI as offering widgets that solve known problems (answering the phone, collections, lead nurturing). Others dedicate more time to understanding *how* competing AI solutions work, cognizant of the risk of choosing an AI that moves from competitive advantage to disadvantage as new market disruptors seem certain to emerge.

Throughout all 20 discussions, there was almost no conversation about what constitutes good AI, despite its growing presence in the operations of those interviewed. There is an overwhelming bias in adoption toward customer-facing AI applications. These are the ones that have been around the longest and solve problems with which operators are already familiar.

Another multifamily tech adoption habit may also be at play. Technology that benefits the revenue side of the business is relatively low risk. A couple of dollars here or there for apps that might lead to more leases or more rent is a bet that most multifamily operators are inclined to place. That is where most companies are applying AI at the moment, but it may not be where most of the benefits ultimately lie.

Does AI Mirror the Centralization Trend?

The companies that believed AI required a whole-of-business strategy were also the only ones thinking about applications of AI in back-office functions. That seems to mirror the industry's trajectory toward centralization. A couple of years ago, leasing centralization was the sexiest and fastest-moving trend in property management. And while leasing centralization continues to advance in new and exciting ways, the lion's share of achieved change is clearly in the back-office.

What the back-office tasks lack in sex appeal, they make up for in friction, particularly in property operations where admin distracts from selling and service delivery. Centralizing admin removes friction through a combination of automation and specialization, which is why it seems to be popular. AI has the potential to automate away entire activities, and automating back-office tasks has little downside for customer experience.

That is, of course, not to say that AI will not ultimately transform everything—it almost certainly will. The most interesting conversation about customer-facing AI, which—interestingly—no leaders touched on during the interviews, is the application of AI across the customer lifecycle.

There is no reason why the same AI could not perform all customer-facing interactions and learn everything about a resident's experience with a property or even a company. Late rent collection or renewal conversations, for example, are great use cases for digital assistants. They are even better use cases for a digital assistant with a long-term relationship with the resident and awareness of every factor that might be relevant to the conversation.

That promises levels of service and consistency that transcend the staff turnover that punctuates the relationships between property management companies and their customers. It also, of course, opens the door to many questions about customer data. Whichever problem set we ask AI to solve, its scope will surely grow—this is not a technology that stays naturally in its lane. The industry must prepare for that. But for now, AI strategy is a problem that most companies are outsourcing to point solution vendors.

ABOUT THE AUTHOR

Dom Beveridge is founder and principal at 20for20. He has spent more than 25 years in leadership and consulting roles in technology and analytics sales and marketing. He has ten years of multifamily experience, most recently as a principal with D2 Demand Solutions and previously in various roles with the Rainmaker Group (owners of the LRO revenue management platform), through the company's sale to RealPage, Inc. In his pre-multifamily days, Dom was a strategy consultant for Capgemini Ernst and Young after spending much of his early career designing and implementing revenue management systems and consulting projects with Talus Solutions (the creators of LRO), Manugistics, Inc. and JDA Software, Inc.

ABOUT 20FOR20

20for20 is a multifamily industry consultancy that helps technology companies to reach customers and potential customers to make better technology decisions. We accomplish this through a constant dialogue with leaders on both the vendor and owner-operator sides of our industry.

We work extensively with some of the most forward-thinking providers and users of multifamily technology to publish thought leadership that helps move the industry forward, including the annual 20for20 white paper, currently in its sixth edition.

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