



STATE OF THE

Property Management Industry Report



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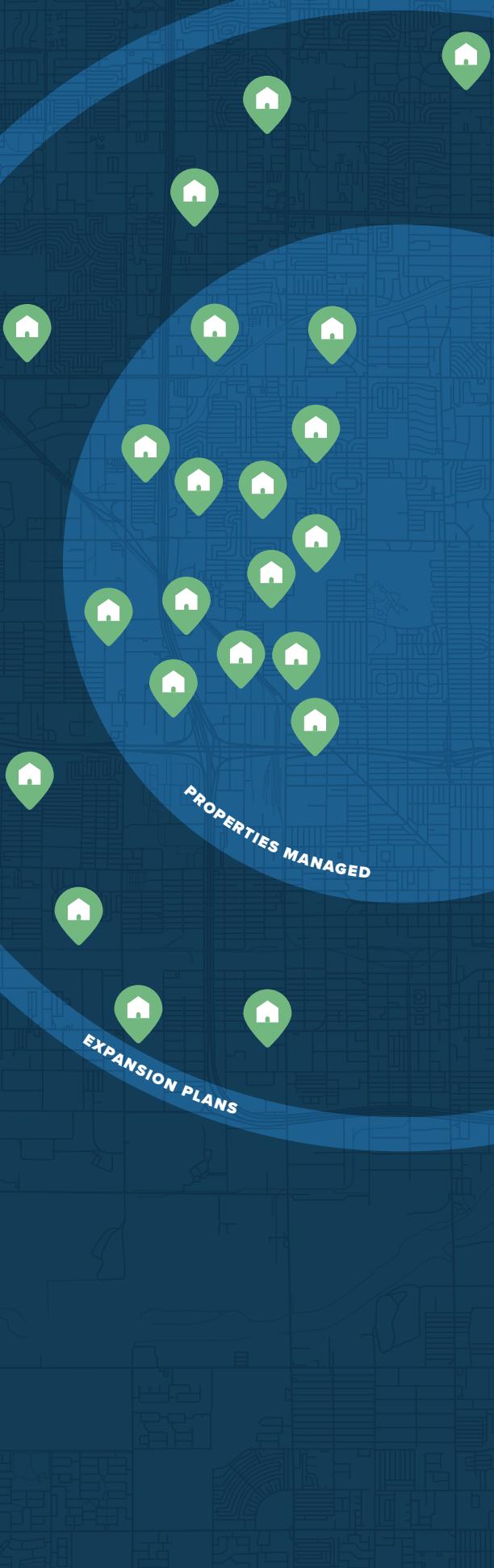


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SECTION 1

Introduction

In recent years, property managers have faced constant reminders of the conflict that can arise between their overlapping roles—their responsibility to balance their clients' financial interests with their empathy for the renters whose homes they manage, as well as their concern for the health of their own business.

This conflict is at the heart of each of the issues that property management professionals spoke about in their responses to this year's Property Management Industry Survey. More than any other issue this year, our respondents told us that the collision of pandemic-driven inflation with the ongoing housing shortage has put them in an untenable position—especially in a time when property management companies are determined to expand their portfolios and improve their profitability.

In our survey, we asked 1,700 industry professionals to tell us about the opportunities and difficulties they're experiencing in as much detail as their busy schedules would allow. Forming the backbone of this report, their responses traced a clear path from current housing and economic conditions to each of the challenges they're focused on overcoming in the next year. To share just a few of the factors that our respondents repeatedly identified:

Seller's market conditions: High sales prices are giving rental owners a reason to sell their properties, and preventing investors from acquiring new rentals at an ideal pace or price point.



Low margins: The cost of operating a rental property has risen significantly due to inflation, supply chain abnormalities, and labor shortages, motivating owners to raise rents to shore up their rental income.





Rental affordability: Strong demand for a limited supply of low- and mid-priced rentals continues to push prices up, overloading renters already dealing with inflation and pandemic-induced financial struggles, and resulting in fewer qualified applicants.



Staffing: Owners' compressed margins put pressure on property managers to keep overhead low. This challenges companies to optimize their processes to maintain a level of service that proves the value of professional management, while operating with smaller teams.



Competition: High rent growth and rental demand have drawn more companies into property management, increasing the competition for clients and properties just as property managers are looking to expand.

We didn't even mention the effect that new regulations, increased household formation, heightened customer expectations, and the ongoing labor shortage are having—and yet, property management professionals are finding reasons to be hopeful about the opportunities that lie before them.

Our respondents ranked growth, efficiency, and profitability as their companies' top three priorities for 2023, signifying their renewed commitment to the long-term health of their business after surviving the chaos of the last few years. More property management companies plan to add new properties to their portfolios in the next two years than we've seen in our survey since

2017—and more than half anticipate significant growth. Companies are actively recruiting new clients; scaling up to accommodate their current clients' growth; expanding their portfolios with new property types and in new metro areas; and searching for innovative services to prove their value to owners and renters in a time of intense competition and strained affordability.

How do they plan to accomplish all of this, in spite of the headwinds that respondents identified in our survey? We discovered one consistent theme across a majority of property management professionals' responses, and it can be summed up in just 10 words: **Personalized customer service and streamlined processes, made possible with technology.**

Based on the experiences of thousands of property management professionals—as well as rental owners and renters—this report will share:

- 1 The strategies that property management companies will use to win new business in a hypercompetitive, low-margin environment
- 2 The tools that will help companies scale their processes as they expand their portfolios, without increasing headcount
- 3 The economic and demographic trends that continue to drive rental demand, and how they're shaping property managers' focus
- 4 Opportunities for service-oriented property management companies to create loyal customers and surpass the competition

We hope that you enjoy our eighth annual State of the Property Management Industry Report!



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SECTION 2

How Property Management Companies Plan to Grow

Property management companies have big plans to grow in 2023 and 2024, in spite of the unusual conditions and uncertainty that continue to characterize the pandemic economy. This year's Industry Survey participants were especially generous in sharing the tactics and technologies that they'll use to expand. We'll share their responses in this section, and also reveal the amount of growth that property management companies have planned for their portfolios and their revenue over the next two years, and the hurdles they're focused on overcoming.

Trends in Property Managers' Portfolio Growth

1

Growth, efficiency, and profitability top property management companies' list of priorities for 2023. This is a meaningful departure from the previous two years, when issues related to people—particularly residents, but also clients, staff, and vendors—consumed so much of third-party* property managers' energy that business-related matters kept getting pushed down the list. Now, they're determined to get things back on track and have identified portfolio growth as their companies' #1 area of focus.

*Note: Throughout the report, we use the term 'third-party property managers' to refer to companies that manage other investors' rental properties, rather than or in addition to properties they own.

PROPERTY MANAGERS' RANKED PRIORITIES FOR 2023*

	Rank	YoY change
Growth	1	0
Efficiency	2	+2
Profitability	3	+2
Owners	4	-1
Residents	5	-3
Staff	6	+2
Vendors	7	0
Marketing	8	+3
Communication	9	+3
Organization	10	0
Balance	11	-5
Technology	12	-3
Property improvements	13	0

2

More property management companies have reported portfolio growth in the past two years than we've seen since 2017. And the scale of third-party property managers' growth has also been larger than in the past: Among the 80% of respondents who say they've grown since 2020, a majority report that their growth has been significant, which they define as the expansion of their company's portfolio by more than 25%.

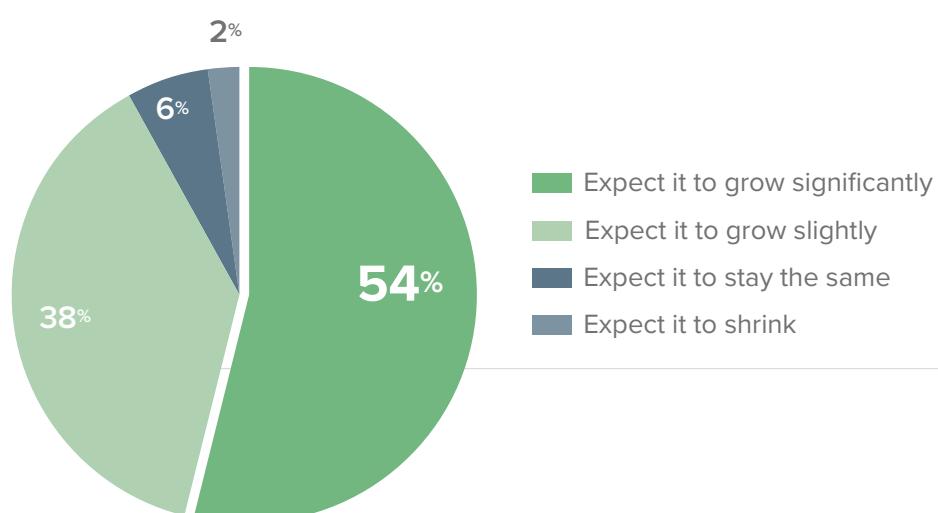
PROPERTY MANAGERS' PORTFOLIO GROWTH OVER THE PREVIOUS 2 YEARS*

	2022	2021	2020	2019	2018	2017
Grew significantly	46%	38%	31%	34%	35%	41%
Grew slightly	35%	39%	42%	37%	39%	41%
Stayed the same size	11%	12%	19%	17%	16%	11%
Shrank	9%	11%	9%	11%	10%	6%

3

More property management companies plan to expand their portfolios in the next two years than we've seen since 2017, both in terms of the number who plan to grow, as well as the scale of their planned expansion. 92% of third-party property management companies plan to add new properties to their portfolios in the next two years, and more than half anticipate significant growth, reflecting an outlook that's brightened considerably since the pandemic began.

PROPERTY MANAGERS' EXPECTED PORTFOLIO GROWTH OVER THE NEXT 2 YEARS*

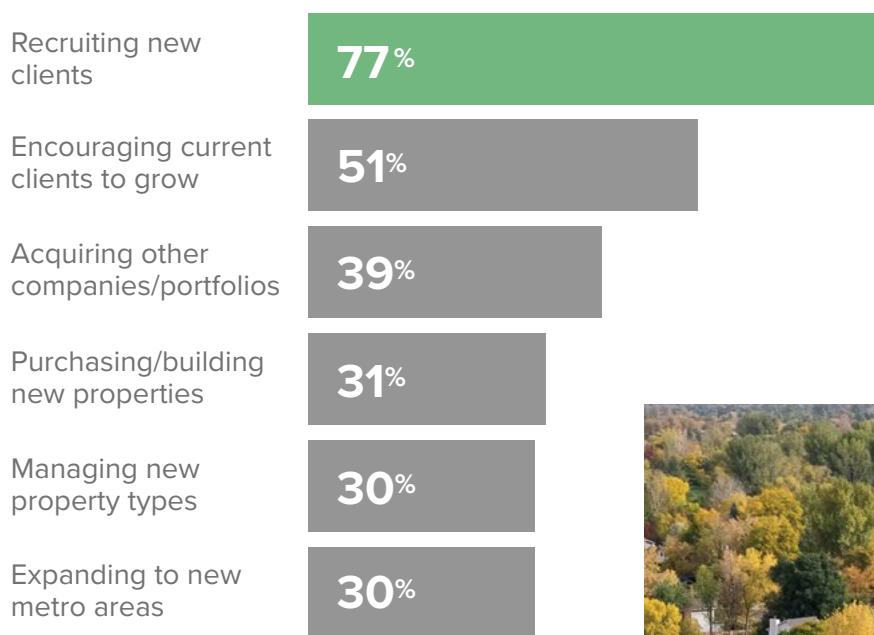


*Excludes property managers who exclusively manage their own investment properties

PROPERTY MANAGERS' PLAN TO EXPAND THEIR PORTFOLIOS

Rising property costs, heightened regulatory pressure, and the ongoing seller's market have motivated a portion of third-party property managers' clients to sell off their rentals over the last few years. In order to grow, more than three-quarters of companies will actively recruit new clients over the next two years; and more than half aim to help their current clients acquire new properties. In addition, a third of companies plan to grow by seeking out businesses or portfolios to acquire; purchasing or developing properties of their own; and expanding their operations to new property types or geographic locations.

HOW PROPERTY MANAGERS PLAN TO GROW THEIR PORTFOLIOS IN THE NEXT 2 YEARS*



Trends in Property Managers' Revenue Growth

1

Profitability is property management companies' third-highest priority for 2023.

This goal's return to the position that it occupied prior to the pandemic is another sign of companies' renewed commitment to their long-term health and growth, after spending more time than they'd like devising solutions to the short-term challenges of the last few years.

2

More property management companies have reported revenue growth over the last two years than we've seen since 2017 as some pandemic-related financial difficulties have stabilized. Half of the respondents who are bringing in more than they were two years ago report that their revenue has grown by a significant amount—a term that most agree represents growth of more than 25%.

PROPERTY MANAGERS' REVENUE GROWTH OVER THE PREVIOUS 2 YEARS*

	2022	2021	2020	2019	2018	2017
Increased significantly	42%	34%	33%	34%	37%	38%
Increased slightly	42%	46%	48%	48%	45%	46%
Stayed the same	10%	12%	13%	13%	12%	11%
Decreased	5%	8%	7%	6%	5%	5%

3

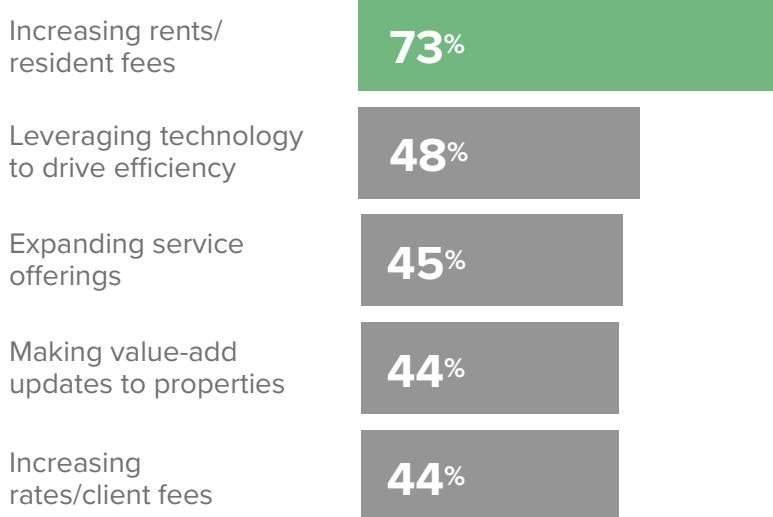
Virtually all property management companies expect their revenue to rise over the next two years, representing the highest revenue expectations we've seen since 2018, and another significant increase since the pandemic first hit. Half of our respondents said they expect significant growth in their company's revenue throughout 2023 and 2024—an outlook that's more positive than we've seen in our survey for the last five years.



*Excludes property managers who exclusively manage their own investment properties

PROPERTY MANAGERS' PLAN TO INCREASE THEIR REVENUE

HOW PROPERTY MANAGERS PLAN TO INCREASE THEIR REVENUE IN THE NEXT 2 YEARS*



73% of our survey respondents planned to raise rents, and 44% planned to increase the fees that they charge to clients, between mid-2022 and mid-2024. Many small and mid-sized property management businesses forewent significant price increases during the worst of the COVID-19 crisis. However, with their own costs rising astronomically—and with strong demand for both rentals and property management services expected to continue—many companies feel that raising their rates is an inevitable next step.

To generate additional revenue, property management companies are searching for add-on services that appeal to residents with disposable income, and that can set their properties apart by making them a more enjoyable place to live. Similarly, in response to demand from investors and competition from larger real estate firms, many property management companies are offering more services to their clients than in the past. 45% of our respondents said their company planned to increase the services it provides to renters and owners over the next two years; though each will have to strike a balance between offering the services that their customers want, those that set them apart from the competition, and those that generate consistent revenue.

The Services That PMs Offer, That Owners Want, and That Generate Revenue

		PMs Who Offer It	Owners Who Want It	PMs Who Find It Profitable
	Rent/fee collection	94%	83%	67%
	Leasing properties/marketing vacancies	92%	70%	60%
	Purchasing/selling/brokering property sales	64%	14%	43%
	Maintenance/repairs	94%	75%	24%
	Construction/renovation	58%	23%	19%
	Accounting/bookkeeping	72%	44%	14%
	Financial reporting/benchmarking	50%	25%	8%
	Legal advice	12%	25%	8%
	Property inspections	88%	66%	7%
	Outdoor services	68%	23%	7%
	Cleaning	76%	42%	7%
	Financial/investment advice	26%	6%	4%
	Evictions	83%	73%	3%

*Excludes property managers who exclusively manage their own investment properties, as well as rental owners who don't currently have a property manager

How Property Management Companies Are Boosting Their Growth with Technology

In their responses to this year's Industry Survey, property management professionals repeatedly emphasized that technology has made it possible for their teams to expand in spite of the limitations that the current market places on them. In fact, half of this year's respondents agreed that technology is a critical component of their revenue generation strategy for the next two years because of its ability to vastly increase their efficiency, allowing them to do more with less.

The ongoing labor shortage—along with the pressure to keep costs low—can make it hard for companies to attract and retain high-quality staff members at the same pace at which they're adding new doors. As a result, respondents told us, they're turning to technology to help them provide consistent, attentive service to their customers without adding to their teams or overburdening current staff members.

One of the main ways that technology is able to help in this area is through its ability to centralize key information and communications, allowing anyone to respond to requests from customers or team members, whether they're in the office, in the field, or working from home. In addition, technology helps property management teams to automate repetitive tasks. This has the benefit of creating more fulfilling work for employees, freeing up their time so they can focus on higher-order functions like devising strategies to generate additional revenue, and delivering the quality of service that differentiates small and mid-sized companies from larger competitors.

The Top Technologies in Use Among Property Managers in 2022

- ✓ Resident portals
- ✓ Client portals
- ✓ Electronic payments
- ✓ Accounting tools
- ✓ Tenant screening
- ✓ Electronic rental applications
- ✓ Online maintenance ticketing
- ✓ Electronic leasing
- ✓ Property inspection tools
- ✓ Company financials

Up-and-Coming Property Management Technologies for 2023

- Maintenance contact center
- Customer relationship management software
- Utility management/billing
- Lead generation services
- Automated/bulk invoice processing
- Self-service showings coordinator
- Business analytics
- Virtual/360-degree tours

**IN PMs' WORDS****Where Technology Has Made the Biggest Difference**

We stopped taking rent payments and applications in our office and do it all electronically, and this has saved us so much time. We now can focus on relationships and have found that we are attracting better long-term clients and tenants.

(REAL ESTATE BROKER IN GRAND JUNCTION, CO)

Automation and API integration. The less you have to do twice, the more efficient your business can become. In a world where time is money and relationships are important, any time you can free up for your staff is priceless.

(OPERATIONS MANAGER IN SALT LAKE CITY, UT)

Having systems that [are] more streamlined allows us to take on more properties. Online payments save time because we do not have to manually enter them. Texting residents saves time because it's not a 5-minute phone call. Storing all files electronically saves time as we can access [them] from anywhere, at any time.

(COMPANY OWNER IN SPRINGFIELD, MO)

Having electronic records allows our company to function 100% remotely, reducing the cost of maintaining office space. Our agents are more organized and consistent because of routine tech processes that have been put in place. Communication between team members allows the company to run smoothly and efficiently! Duplicating work has drastically decreased now that technology allows for all team members to view work that has already been completed or still needs to be completed.

(LEASING MANAGER IN BALTIMORE, MD)





SECTION 3

Property Managers' Evolving Relationships with Rental Owners

Shifts in Property Managers' Client Base

OWNERS' INCREASED DEMAND FOR PROPERTY MANAGEMENT SERVICES

Since the start of the pandemic, more small-portfolio rental owners than ever before have partnered with a property manager to run their rentals. Prior to the pandemic, 55% of the rental owners we survey each year told us that they were working with an expert to operate their properties. This number rose to 64% in 2020, and remains elevated two years later at 63%.

THE INCREASING NUMBER OF RENTAL OWNERS WHO WORK WITH PROPERTY MANAGERS

	2022	2021	2020	2019	2018
Have a PM	63%	63%	64%	55%	56%
Don't have a PM	37%	37%	36%	45%	44%

This increase illustrates the degree to which the pandemic-era rental market has complicated the business of owning rental property, from increased regulations to inflated costs, supply chain delays, and labor shortages. As a result, rental owners of all experience levels are turning to property management companies for assistance with regulatory compliance, resident management, maintenance and repairs, and more—which makes particular sense when you consider that nearly two-thirds of owners don't live near their rental properties.

WHY RENTAL OWNERS CHOSE TO HIRE A PROPERTY MANAGER

Don't live near their property	60%
Need help with maintenance	40%
Need help managing residents	38%
Need help with regulatory compliance	25%
Want to increase their profitability	17%
Need help with property accounting	12%
Want to be able to focus on growth	6%

But even as property management teams devote significant energy to client acquisition and portfolio growth, many have learned that it's worthwhile to take the time to ensure that they're signing the *right* clients. After the difficulties of the last three years, property managers told us, they want to work with owners who are willing to invest in their properties; who understand the delicate balance between profitability and affordability in the current market; and who will work collaboratively and empathetically with their property management team and their residents to resolve any issues that arise.

THE INCREASE IN INVESTORS WITHIN PROPERTY MANAGERS' CLIENT BASE

Since 2018, we've watched the population of Accidental Landlords dwindle relative to the number of investors seeking property management services. This trend has accelerated in the last year as the seller's market has given Accidental Landlords a prime opportunity to sell off the properties they'd rented out as they waited for their value to rise over the previous decade.

However, with rising mortgage rates slowing down the pace of home sales, a new generation of Accidental Landlords may decide to rent out their homes as they wait for a more lucrative time to sell.

THE SHIFT FROM ACCIDENTAL LANDLORDS TO INVESTORS IN PMs' CLIENT BASE

	2022	2021	2020	2019	2018
Intentional Investors	52%	49%	49%	55%	44%
Accidental Landlords	24%	29%	30%	29%	32%
Unintentional Investors	24%	22%	21%	16%	23%

Today, 76% of rental owners consider themselves investors, while just 24% identify as Accidental Landlords. However, Accidental Landlords may appear to be more prevalent within property managers' client base because they're still the most likely to seek out their services: 71% of Accidental Landlords currently have a property manager, in comparison with 62% of Intentional Investors and 59% of Unintentional Investors.

The 3 Types of Rental Property Owners



Intentional Investors

acquired their rental property as an investment from the start. They represent 52% of today's rental owners—an increase of eight percentage points since 2018—marking a high point for this type of investor within the population of small-portfolio rental owners.

Unintentional Investors

came to own rental property due to circumstance, but they now consider themselves investors. They comprise 24% of small-portfolio rental owners—a number that's stayed relatively stable over time—but 2022 is the first year in which this group is as prevalent within the rental owner population as Accidental Landlords.

Accidental Landlords

came to own their property due to circumstance, and they don't consider themselves investors (though some make the transition from Accidental Landlord to Unintentional Investor). They represent 24% of today's rental owners—a decrease of eight percentage points since 2018, and five points in the last year alone.



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Rental Owners' Plans to Grow or Downsize

Third-party property management companies have big plans to grow over the next two years—but are their plans in alignment with their clients'? Here's what small-portfolio rental owners have in mind when it comes to acquiring, selling, or holding onto their properties over the next two years.

THE OWNERS WHO DON'T PLAN TO GROW

Owners Who Plan to Sell

With rental property ownership growing increasingly arduous and costly over the last few years, many small-portfolio rental owners have concluded that they stand to gain quite a bit by selling some or all of their properties. Accidental Landlords have been the most eager to sell off their properties; and for the vast majority, who only own a single rental property, this means exiting the rental market altogether.

The exodus of "mom-and-pop" landlords from the market is likely not over yet. Our survey of rental owners was conducted in the first half of 2022. As of that time, 37% of owners who remained in the rental market were considering selling at least one of their properties between mid-2022 and mid-2024, of whom 20% rated themselves as likely to sell (a slight increase since 2021). 55% of owners who planned to sell any of their properties had no plans to acquire new ones in their place.

RENTAL OWNERS' PLANS TO SELL ANY OF THEIR PROPERTIES IN THE NEXT 2 YEARS

	Rental Owners Overall	Accidental Landlords	Intentional Investors	Unintentional Investors
Likely to sell	20%	29%	19%	12%
Slightly likely	17%	15%	18%	16%
Slightly unlikely	12%	9%	13%	14%
Unlikely to sell	51%	46%	50%	58%



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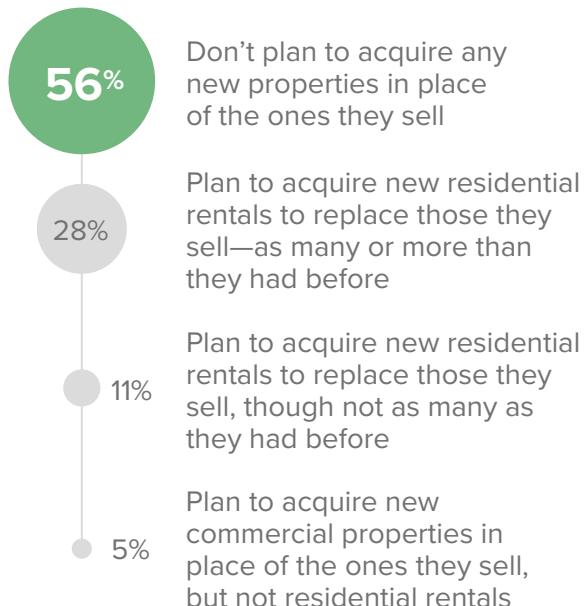


Owners Who Plan to Stay the Same Size

At the time of our survey, half of rental owners planned to keep their portfolios the same size between mid-2022 and mid-2024. This group included both rental owners who didn't plan to make any changes to their holdings; as well as those who planned to sell off their more cumbersome or less profitable properties and acquire new ones in their place.

Nearly half of the rental owners who indicated that they plan to sell some or all of their properties over the next two years also intend to acquire new ones during the same period. In fact, a majority plan to purchase as many or more residential rentals than they had before, with some hoping to diversify their holdings with different property types than they've had in the past.

ACQUISITION PLANS AMONG RENTAL OWNERS CONSIDERING SELLING PROPERTIES IN 2022–2024



RENTAL OWNERS' PLANS FOR THEIR PORTFOLIOS OVER THE NEXT 2 YEARS

	Rental Owners Overall	Accidental Landlords	Intentional Investors	Unintentional Investors
Plan to grow significantly	14%	8%	19%	9%
Plan to grow slightly	26%	15%	28%	32%
Plan to stay the same	47%	52%	42%	53%
Plan to shrink	13%	25%	11%	7%

IN OWNERS' WORDS

Their Plans to Keep or Replace Their Properties

Prices are sky-high and HAVE to come down one of these days. I'm just a small-time landlord, so [I] have to be very careful about cash flow.

(UNINTENTIONAL INVESTOR IN SAN DIEGO, CA)

[I will be] selling properties in [a] high-value, lower-rent county and purchasing properties in [a] higher-value and higher-rent county.

(INTENTIONAL INVESTOR IN ORLANDO, FL)

[The] current student market is decreasing, so [we're] turning some of those properties to a different market.

(SELF-MANAGING INVESTOR IN WATERLOO, IA)

THE OWNERS WHO PLAN TO GROW

Owners' Plans for Portfolio Growth

A majority of rental owners have continued to see residential rentals as a solid investment throughout the pandemic. Over the past year, however, we've seen a significant increase in the number who think it's a smart time to deepen their level of investment within the sector. This includes 40% of rental owners who are looking to add new properties to their portfolios in the near future, of whom a third plan to expand by a significant amount.

This marks the most sizable increase in rental owners' growth plans that we've seen in eight years of surveys, with the number of respondents who are in an active growth phase increasing by 11 percentage points since the early months of the pandemic. Though investors are the most likely to have plans to invest in more properties (as we'd expect), a surprising 1 in 5 Accidental Landlords hopes to acquire new properties as well, and may identify as Unintentional Investors in future surveys.

RENTAL OWNERS' IMPROVING OUTLOOK ON RESIDENTIAL RENTAL PROPERTIES

	2022	2021
Smart area to invest in right now	52%	32%
Somewhat smart area to invest in	27%	40%
Somewhat risky area to invest in	13%	17%
Too risky to invest in right now	8%	10%

IN OWNERS' WORDS

Their Plans to Grow or Hold

Even with soaring prices, I'm trying to add more doors, as rents are outpacing mortgage costs and [we're] seeing a greater need for nice [single-family homes].

(INTENTIONAL INVESTOR IN DENVER, CO)

While most housing prices have been escalating rapidly the past two years, it is still possible to find pockets of undervalued units if you are willing to buy anywhere in the U.S.

(INTENTIONAL INVESTOR IN SAVANNAH, GA)

Prices are inflated, but if the deals pencil out, [investing in rental properties] is still a good way to enjoy equity gains, cash flow, and depreciation, and [to] supplement retirement income.

(INTENTIONAL INVESTOR IN RIVERSIDE, CA)

Third-party property management companies, given the extent to which their business growth depends on their clients, should definitely feel encouraged by these figures. However, the pace at which owners acquire new rentals will, of course, depend on the trajectory that property prices and interest rates take from here. As many rental owners and property management professionals identified in this year's surveys, acquiring properties at the top of the market makes it harder to balance rent prices that sufficiently cover owners' mortgage payments and property costs with prices that the average renter can afford.

Owners' Plans for Revenue Growth

4 in 5 rental owners expect their properties' revenue to increase in the next two years—an increase of *20 percentage points* since the low point of the pandemic. Investors are feeling particularly optimistic, though most expect their growth to be slight rather than significant.

Most rental owners now own their properties primarily as a source of income, including 57% of owners who are actively reliant on their rental income to pay their bills or fund their retirement. (This stands in contrast with the Accidental Landlords of the previous decade, who had more personal reasons for owning their rental properties—often homes that they'd inherited or used to live in.) With only 1 in 3 small-portfolio rental owners reporting that their properties are consistently profitable, increasing their income while lowering their costs is top of mind, though the current environment presents considerable challenges.

RENTAL OWNERS' REVENUE GROWTH EXPECTATIONS FOR THE NEXT 2 YEARS

	2022	2021	2020
Expect it to increase significantly	24%	12%	13%
Expect it to increase slightly	56%	52%	48%
Expect it to stay the same	17%	29%	33%
Expect it to decrease	3%	7%	7%



How Small-Portfolio Owners Plan to Generate Additional Revenue

- ✓ Expanding to new areas, property types, demographics, and types of investments – e.g. *multiple metro areas, vacation rentals, student housing, property development*
- ✓ Hiring a property manager in order to spend less time on operational aspects of rental ownership, and more on revenue-driving activities – e.g. *acquiring new rentals, flipping properties*
- ✓ Raising rents or resident-paid fees while lowering property costs (staying below rates that hurt their properties' occupancy) – e.g. *having renters pay a flat fee for utilities that the owner previously covered*
- ✓ Updating their properties to justify higher rents and raise their property values
- ✓ Changing up their leasing practices to avoid and shorten vacancies – e.g. *keeping rent increases low for their best residents, having their PM initiate the renewal process earlier*



Rental Owners' Pain Points & Areas of Opportunity for Property Managers

With every passing year, third-party property managers describe their relationships with their clients as more of a balancing act: They have big plans to grow, but in order to do so, they have to win new, growth-oriented clients in an extremely competitive environment; while also supporting their current clients in expanding and maintaining their portfolios.

More often than in the past, property managers told us, they need to set accurate expectations for their owners when it comes to the potential profitability of any property they acquire. With margins shrinking and new apps popping up every year, property managers worry that the temptation is very real for owners to run their properties without the assistance of an expert.

Together, what all of this means is that property management companies are working harder than ever to demonstrate the value of their services—and based on our most recent survey of small-portfolio rental owners, their efforts are paying off. By our measure, owners who work with a property manager to run their rentals are less stressed than owners who attempt to do so on their own by a full 16 percentage points. 1 in 4 owners with a property manager report that they didn't experience any stress related to their property in the last year, in comparison with just 1 in 10 owners who run their properties on their own.

RENTAL OWNERS' RANKED SOURCES OF STRESS IN THE LAST YEAR

	Rank	YoY Change
Maintenance	1	0
Finding/working with a property manager	2	+3
Accounting	3	+1
Renovations	4	+4
Legal issues	5	+1
Filling vacancies	6	-4
Residents	7 (tie)	-4
Vendors	7 (tie)	0
Rent collection	9	0
Finances	10	+1
Communication	11	+2
Growth	12	-2
Balance	13	-1
Efficiency	14	0

Helping owners to navigate shifting legal conditions, fill vacancies with high-quality renters, respond to maintenance emergencies, collect rents, and fulfill other time-consuming and complex duties remains a strong value proposition for professional property management services, no matter the market—and that's why the number of rental owners who work with property managers continues to rise.

In this section, we'll talk about the services and technologies that rental owners expect their property management company to provide; where rental owners are feeling the most pain; and the opportunity that property managers have to prove their value and increase their revenue by meeting their clients' evolving needs.

WHAT RENTAL OWNERS EXPECT FROM THEIR PROPERTY MANAGER

The 9 Services That Most Rental Owners Expect Their PM to Provide

- ✓ Rent collection
- ✓ Maintenance & repairs
- ✓ Leasing properties & marketing vacancies
- ✓ Evictions
- ✓ Financial reporting & benchmarking
- ✓ Accounting & bookkeeping
- ✓ Regulatory guidance & legal advice
- ✓ Construction & renovation
- ✓ Outdoor services

The Top 6 Considerations for Rental Owners in Hiring a PM

- Customer service quality
- Reporting & transparency
- Local market expertise
- Regulatory expertise
- Online presence & reputation
- Referrals & word-of-mouth reputation



**IN OWNERS' WORDS****What They Look for in a Property Manager**

Highly communicative with both tenants and me. Be available to respond as needed for emergencies. Professional, considers all risks as well as upside, seeks counsel or advice when unsure, detail-oriented, understands and is aligned with my needs as an investor, takes a long view (20-30 years or more) on our relationship and portfolio. Really think about the significance of the portfolio I am entrusting to you and manage it in a fiduciary manner. Actively provide me with ideas for forced equity, tax strategies, risk mitigation, and scaling my portfolio. In return, I will introduce you to my network, mentor you, and send business your way.

(INTENTIONAL INVESTOR IN PROVO, UT)

Expertise [and] superior knowledge of her job. Understands my goals for my property. Timely response to both mine and my tenants' reasonable needs and requests [with] trustworthy, two-way communication. Assertive, decisive, and lawful responses to difficult situations. Helps me make informed decisions on improvements and problems. Has discovered the best group of vendors to call on when necessary. [I want to] feel like I am a participating member of my team [and] my opinions are valued and respected.

(ACCIDENTAL LANDLORD IN OGDEN, UT)

THE TECHNOLOGIES OWNERS EXPECT

As of 2022, 80% of rental owners are comfortable doing business online—a number that's risen steadily since the beginning of the pandemic, with investors catching on to the benefits of technology the fastest. Most rental owners now expect their property management company to send and receive payments, maintenance requests, messages, and documents online; and to manage processes like leasing, property accounting, and financial reporting electronically as well.

Property management companies are increasingly providing their clients with access to owner portals, which give them self-service access to the information they need to feel reassured that their properties are in good hands, from inspection reports to monthly statements. Survey respondents told us that this has resulted in fewer incoming requests from owners, and requires significantly less manual work from property management teams.

The Tools with the Largest Gains in Interest from Owners in 2022

- Online document sharing: +17 percentage points
- Property accounting software: +12 points
- Digital communications: +8 points
- Digital financial reports: +6 points
- Property inspection tools: +5 points

The Types of Information Rental Owners Most Want from Their PM

- Accounting, bookkeeping & financial statements
- Property inspection reports with photos
- Maintenance & repair records
- Assessments of property value and suggested improvements
- Updates on renters and vacancy status
- Local market updates



**IN OWNERS' WORDS****The Info They Want to Receive (and How Often)**

Rent opportunities, when [the property] is rented, increases in rent charges, need for maintenance, any issues going on, end-of-year paperwork for taxes, monthly communications regarding rent disbursement.

(ACCIDENTAL LANDLORD IN COLORADO SPRINGS, CO)

Financial statement and maintenance reports with photo documentation once per month.

(UNINTENTIONAL INVESTOR IN NEW ORLEANS, LA)

Market analysis specific to my portfolio—is the neighborhood trending up/down, major local news that may impact returns.

(INTENTIONAL INVESTOR IN JACKSONVILLE, FL)

Weekly summary reports and monthly financial and operating reports on occupancy, maintenance, and capital projects. Instantaneous updates on acquisition of target properties. Ad hoc communication on possible improvements.

(INTENTIONAL INVESTOR IN PROVO, UT)





FEATURES THAT ALLOW YOU TO SHARE THE INFORMATION OWNERS WANT WITHOUT SLOWING YOU DOWN

The right property management software can give you access to the information you need to make data-driven decisions and keep your rental owners happy. Communicate with your clients and give them self-service access to the information they want—whenever and wherever it's convenient for them—with features like:

-  Analytics & insights
-  Owner portals
-  Property accounting
-  Financial reporting
-  Maintenance request tracking
-  Mobile property inspections

Learn how Buildium's simple, unified platform can help you to take control of your portfolio, your business, and your life: buildium.com/features/

Learn how Propertyware's open and customizable platform can enable you to reach and exceed your business goals: propertyware.com/rental-property-management-software/



MAINTENANCE & REPAIRS

Challenges Property Managers Are Facing

AVAILABILITY OF SUPPLIES & VENDORS

Thanks to macroeconomic forces like supply chain delays, inflation, and labor shortages, property management companies are having greater difficulty finding supplies, appliances, and maintenance workers on the timeline that renters would like, and at the price point that owners would like. When emergency repairs are needed, property management companies find themselves in competition with larger firms and developers for a small pool of skilled workers. In addition, our respondents said, it's harder to get owners to spring for preventative maintenance when high costs have severely strained their rental income.

RISING CUSTOMER EXPECTATIONS

With residents spending more time at home, property management companies noticed a significant uptick in both the amount of wear and tear that residents' units receive, as well as the number of maintenance requests that their teams receive. They also told us that the switch to online processes (as well as the steady influx of a new generation of tech-native renters) has increased residents' expectation that property management teams provide instantaneous responses and solutions.

Customer Demand for This Service

For each of the five years that we've asked rental owners about their greatest sources of stress, maintenance has been at the top of the list. Half of survey respondents who found rental ownership stressful in the last year identified maintenance as a top pain point; and nearly half said that the need for assistance with emergency repairs and preventative maintenance is the primary reason they work with a property manager.

THE DIFFERENCE A PROPERTY MANAGER MAKES

Maintenance services are critical not only for owners who don't have the time or expertise to deal with these responsibilities on their own, but also for the majority of owners who don't live near their rental properties, with emergency repairs standing out as a particular pain point. We found that rental owners with a property manager's assistance in this area report lower stress levels by a difference of seven percentage points.

Opportunities to Increase Revenue & Efficiency

Maintenance services are offered by 94% of the third-party property management companies represented in our survey, making this the most popular service that they offer to clients (tied with rent collection). However, just 24% of our respondents reported that maintenance services are a leading source of revenue for their business, which is likely a consequence of high labor and material costs.

How PMs Are Making This Service More Profitable

- **Bringing maintenance requests online** to cut down on time spent coordinating work orders
- **Providing residents with a maintenance contact center** for emergencies outside of business hours
- **Building an in-house maintenance team** to maximize profits from this service, or overseeing maintenance work performed by vendors
- **Expanding their offerings** into preventative maintenance (beyond the basics), renovations, outdoor services, pest control, and other related areas
- **Offering resident services** like HVAC filter replacement, garbage pick-up, and a priority maintenance queue that also improve the rental experience
- **Charging property inspection fees to owners** every 6 to 12 months, with detailed reports and photos to make the value more tangible

A majority of both renters and owners expect property management companies to provide online maintenance ticketing, where residents can submit and track repair requests. Additional tools that help property managers meet their customers' needs in this area include a maintenance contact center and mobile property inspection tools.

IN PMs' WORDS

Where Technology Has Made a Difference

[The] Buildium app is helpful for operating on the run while in the field. [It] helps with task alerts and creating [work orders] for vendors.

(PROPERTY MANAGER IN OKLAHOMA CITY, OK)

[Maintenance ticketing makes it] easy to assign repairs and keep up with updates for both owners and tenants. It is [a] great accountability tool.

(MAINTENANCE MANAGER IN CAPE CORAL, FL)

We have a maintenance system that has improved our labor efficiency ratio and [helps us] track open maintenance requests.

(COMPANY OWNER IN KENNEWICK, WA)

Electronic property inspection templates are time-saving, photos can be uploaded directly to the report and sent to owners/tenants. [We also use a] maintenance customer service line for after-hours calls so issues are being addressed 24/7.

(LEASING MANAGER IN BRUNSWICK, GA)



LEASING PROPERTIES & MARKETING VACANCIES

Challenges Property Managers Are Facing

RENTER QUALITY

Recent levels of rent growth have made renter quality a significant pain point for property management companies and landlords. Our survey respondents told us that applicants with incomes at least three times the monthly rent are increasingly rare; and low credit scores, inconsistent payments, evictions, foreclosures, and employment instability have become increasingly commonplace in renters' histories.

DEMAND OUTSTRIPPING SUPPLY

Property management professionals—particularly those who operate in popular metro areas—have reported that demand for rentals is outstripping the availability of units for lease, driving the record-high occupancy rates that the industry witnessed over the last year. With so much competition for a limited number of low- to mid-priced units, property managers find themselves worrying about where renters will live when their applications aren't accepted or their leases aren't renewed.

Customer Demand for This Service

In the current high-occupancy environment, the amount of stress that rental owners feel about filling vacancies has temporarily decreased. However, a desire to outsource the energy-intensive work of managing, attracting, and retaining residents remains a top reason why rental owners seek a property manager's help—particularly Accidental Landlords.

THE DIFFERENCE A PROPERTY MANAGER MAKES

Rental owners with a property manager are less stressed about filling vacancies by a difference of six percentage points, making this another area where working with an expert has a significant impact. In this year's survey, owners named three key areas of leasing where their property manager has helped them in the last year: finding high-quality renters, positioning their properties against local market trends, and handling reams of leasing-related communications.

Opportunities to Increase Revenue & Efficiency

Leasing services are property managers' third-most common offering, with 92% of the third-party property management companies represented in our survey reporting that they provide this to their clients. In addition, however, leasing services are companies' second-most profitable offering: 60% of those who offer it report that it's a leading source of revenue for their business.

How PMs Are Making This Service More Profitable

- ✓ **Significantly cutting down time spent on leasing** through virtual and self-showings, electronic leasing, online applications and tenant screening, and listing syndication
- ✓ **Providing resident benefit packages** with offerings like credit reporting, renters insurance, identity protection, utility set-up, and HVAC filter delivery
- ✓ **Charging additional fees**, such as those for lease administration, renewals, and management during periods of vacancy (so long as owners feel there's sufficient value)
- ✓ **Offering tenant placement services/relocation assistance** to residents in need of a new place to live

Both renters and rental owners now expect that listings, applications, and leases will be shared, signed, and stored online. We've also seen a large uptick in renters' interest in virtual showings and 3D tours over the last two years, with the pandemic increasing their appetite for technologies that help them sense what it's like to live in a property without physically visiting it.

IN PMs' WORDS

Where Technology Has Made a Difference

Online services really help with automation and a smooth process, [and they] make processing [applications] and finding the most qualified applicant a breeze! When [an applicant is] trying to move to this area, they can view photos, apply, be approved, pay the deposit, and sign the lease all without being here.

(LEASING MANAGER IN CRESTVIEW, FL)

Self-showings [have] allowed us to almost double our doors without increasing the number of leasing agents.

(COMPANY OWNER IN VIRGINIA BEACH, VA)

Electronic applications have been extraordinarily helpful in streamlining the process of tracking an applicant from prospect to resident. We have saved many hours of work, and reams of paper, by digitizing the process.

(PROPERTY ACCOUNTANT IN WASHINGTON, DC)



RENT COLLECTION & PRICING

Challenges Property Managers Are Facing

RENTAL AFFORDABILITY & PRICING

With rental prices and property costs reaching previously unseen levels, property managers are struggling to set prices that their residents can afford; that allow their owners to cover their own rising bills; and that show enough of a profit to prove the continued value of their services.

THE DIFFERENCE A PROPERTY MANAGER MAKES

Rent collection is a service that virtually all rental owners want, and that virtually all property managers provide. Rental owners who work with a property manager to run their properties are less stressed about resident-related issues—of which rent collection has been a big one in recent years—by a difference of five percentage points. During the pandemic, property managers' efforts to track down late payments, help residents access financial aid, set rents at appropriate levels, and keep owners informed of their progress have made a significant difference in rental owners' stress levels, particularly for Accidental Landlords.



Opportunities to Increase Revenue & Efficiency

94% of third-party property management companies offer rent and fee collection to their clients, and 67% say that it's a significant source of revenue—the highest rate among the 13 services we asked about. But because rent collection is so central to property managers' business model, many believe that there's always room for improvement.

How PMs Are Making This Service More Profitable

- › **Enabling credit card payments** and charging a small convenience fee (where allowed)
- › **Offering payment-related services**, such as a security deposit alternative (for renters) or a tenant payment guarantee (for clients)
- › **Expanding payment collection services** to local community associations

A significant majority of rental owners and renters now expect their property management company to offer the option of making payments online—including older adults who may have been wary of electronic payments prior to the pandemic. In each of our surveys over the last few years, renters have continually emphasized how much they appreciate being able to pay in the way that's most convenient for them, from any location and at any time; whether that's a card payment made through their resident portal, or a cash payment made at a nearby store.

IN PMs' WORDS

Where Technology Has Made a Difference

[Giving] our residents an online payment option has hands-down been the best decision we have made for both our efficiency and their convenience.

(PROPERTY MANAGER IN TOLEDO, OH)

Automated EFT allows us to save time from processing monthly rent payments, then taking the trip to the bank for deposit, and then confirming several days later that the payments have been posted or if they have been returned due to [insufficient funds]. ePay takes all these worries away.

(OFFICE MANAGER IN NEW YORK, NY)

The option for e-payment of owner disbursements has really saved me time and [the] hassle of hand-writing checks.

(PROPERTY MANAGER)

We have been using [Buildium's] Resident Center for online rent payments for a while, but have recently added Retail Cash and have had greater success [in] getting residents paying remotely vs. bringing in/mailing in payments.

(OFFICE MANAGER IN COLUMBUS, OH)



REGULATORY GUIDANCE & LEGAL ADVICE

Challenges Property Managers Are Facing

INCREASING REGULATIONS

The uptick in tenant protections during the pandemic—and the frequency with which these laws have shifted—has caused immense confusion and concern for rental owners, particularly when it comes to collections and evictions. Respondents told us that these legal shifts have contributed to rental owners' exodus from the market, particularly in states like California, Colorado, and Oregon. But among the many owners who remain in the market, there's been a noticeable increase in demand for property managers' expertise in ensuring that their properties are operating in compliance with both new and long-standing regulations.

Customer Demand for Regulatory Guidance & Legal Advice

Legal issues and regulatory compliance have steadily risen up rental owners' list of concerns since 2018, and now occupy position #5, though our survey respondents are feeling less stressed in this area than they did at the height of the pandemic. Still, as of 2022, 25% of owners say that their need for assistance with legal issues and compliance was a primary motivation in their decision to hire a property manager, and regulatory expertise was also one of owners' top selection criteria. However, just 51% say that their property management company currently offers legal advice as a service, while an additional 20% wish that this was provided to them.

THE DIFFERENCE A PROPERTY MANAGER MAKES

Rental owners who work with a property manager reported lower levels of stress regarding legal issues and regulatory compliance by a significant difference of 12 percentage points, making this the area where property managers have the most measurable impact on rental owners' pain points.

Opportunities to Increase Revenue & Efficiency

Just 12% of third-party property management companies currently provide legal advice as a service, of whom a minuscule percentage (8%) report that this service generates a significant amount of revenue. However, there's a fair amount of demand from customers for guidance in this area. So, for teams who have the required expertise, or who develop partnerships with local attorneys, legal services can help differentiate them from the competition. At a minimum, property managers can satisfy rental owners' desire for guidance in this area by staying up-to-date on rental market regulations at local, state, and federal levels to assuage their concerns about their properties' compliance.



FINANCIAL REPORTING & ACCOUNTING

Customer Demand for This Service

Accounting is rental owners' third-highest source of stress in 2022. This is a pain point that has deepened for rental owners during the pandemic, perhaps as residents' financial difficulties have increased the complexity of their procedures.

In addition, financial reporting is an area where many rental owners feel that their property management company could do more to communicate the full picture of their rentals' performance, from cash flow statements and rent ledgers to detailed lists of expenses and repairs made within their properties. 40% of rental owners say that finding a property manager who regularly shares financial reports, profit/loss statements, and other property insights is a priority in their search, particularly for investors; and there's an appetite among Accidental Landlords for more prescriptive financial and investment advice.

THE DIFFERENCE A PROPERTY MANAGER MAKES

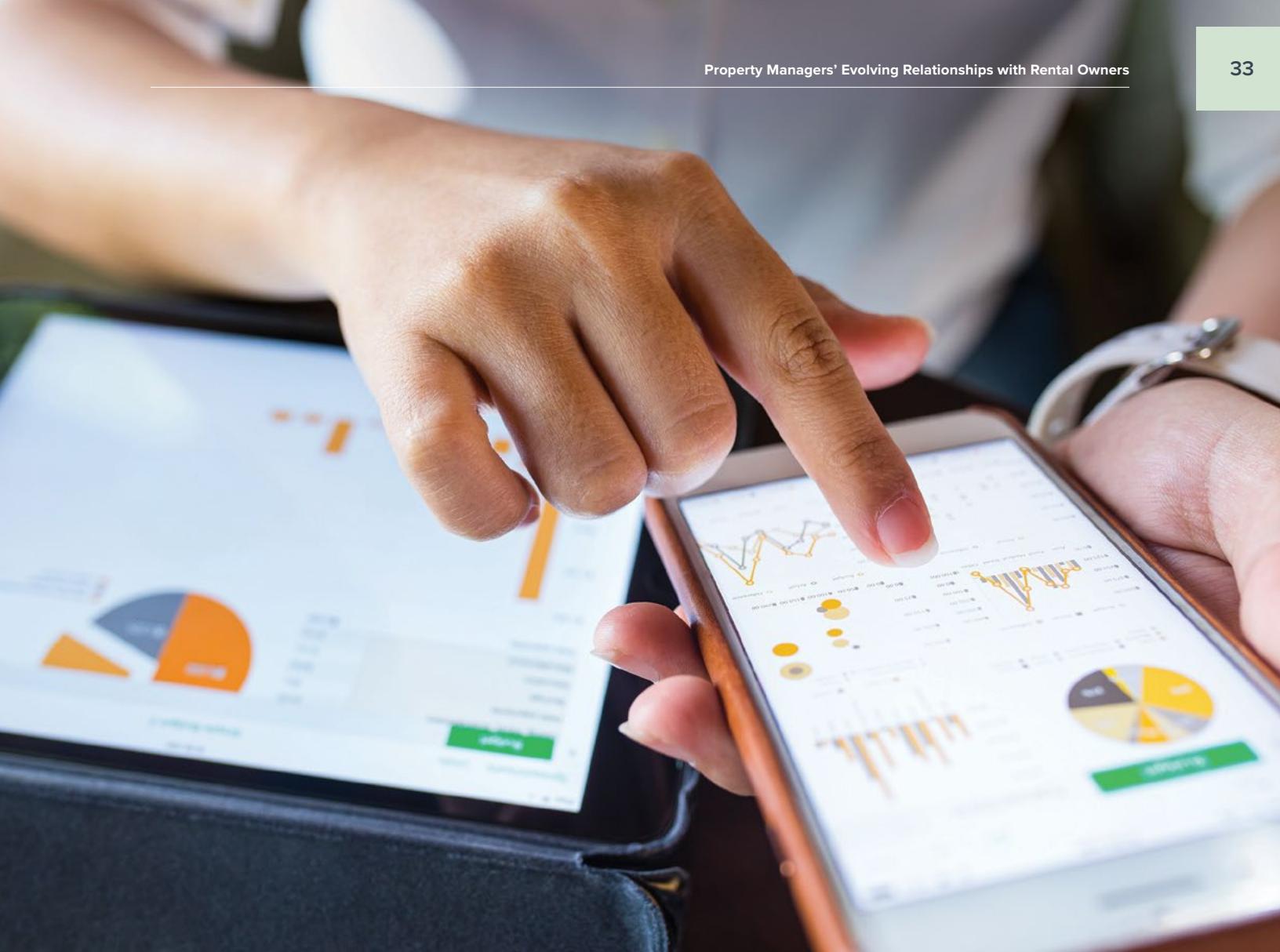
Rental owners without a property manager are more stressed about accounting and bookkeeping than those with one by a difference of six percentage points, making this yet another area where having a property manager has a measurable impact.

Opportunities to Increase Revenue & Efficiency

72% of third-party property management companies offer accounting and bookkeeping services to their clients, but only 14% report that it generates significant revenue for their business. The right accounting software can not only make this process vastly more efficient, but can also help less accounting-savvy employees to keep track of income, expenses, and other key data points in a central location that both owners and other team members can easily view.

Accounting and financial reporting are two areas where we've seen a noticeable increase in owners' desire for digital delivery of information. 58% of rental owners now expect their property management company to use dedicated property accounting tools rather than tracking income and expenses by hand or in a spreadsheet—an increase of 12 points over the last year alone.

In addition, 57% of rental owners want their property management company to provide them with financial reports in a digital format—for example, through their owner portal—representing an increase of six percentage points in the last year alone. Providing owners with on-demand access to property insights can not only help owners feel more at ease about the health of their properties at any given time (without the need to reach out to your team for help), but also presents an excellent opportunity for property managers to demonstrate the value of their expertise.

**IN PMs' WORDS****Where Technology Has Made a Difference**

Automatic property management accounting software is wonderful. Saves time of inputting everything by hand. It allows [us] to have all the information on tenants, owners, accounts receivable, and accounts payable in one location, so there is no need to have information spread all over the office.

(REAL ESTATE BROKER)

Buildium reports are invaluable. To hand-generate those would be too time-consuming.

(COMPANY OWNER IN WENATCHEE, WA)

I wouldn't be able to keep track of financials or understand three-way bank reconciliations without the aid of technology. Technology helps to keep me organized.

(COMPANY OWNER IN DENVER, CO)

[The biggest impact has been in] revenue collections and accounting/financial reporting. Technology's best use in our space is the [automation] of repetitive tasks, leaving specialized decision-making to the human side of [the] operation.

(COMPANY OWNER IN CINCINNATI, OH)



PROPERTY IMPROVEMENTS

Challenges Property Managers Are Facing

LOW PROPERTY MARGINS

Many small rental properties are getting on in their years, are seeing increased wear and tear, or need updates in order to justify higher rent prices. However, in an environment where two-thirds of rental owners aren't consistently earning a profit from their properties, setting aside a portion of their rental income for property enhancements is a hard sell. In addition, the same macroeconomic forces that we discussed in the section on maintenance services have strained the availability of construction materials and labor, causing prices to rise higher than ever.

Customer Demand for This Service

Renovations are rental owners' fourth-highest source of stress in 2022—the highest position that this concern has ever held, as rental owners feel the pressure to update their properties at the same time as their rentals' profitability is strained. Just 51% of rental owners say that their property management company currently offers renovation services, and an additional 12% say that they wish this service were provided to them. Not every property management team will have the skill set to offer construction and renovation services, and not every rental owner will need them at any given time; but it's an area that poses an opportunity for certain companies.



Opportunities to Increase Revenue & Efficiency

58% of third-party property management companies report offering construction and renovation services, but just 19% say that this is a key driver of revenue for their business. As with maintenance services, this is likely a reflection of the current high cost of both materials and skilled labor.

How PMs Are Making This Service More Profitable

- ✓ **Expanding their in-house repairs team** to include painters, contractors, and other professionals to work on property turns and renovations
- ✓ **Consulting with owners on updates** that current or prospective properties might need to generate more revenue
- ✓ **Advertising renovation services** to local homeowners or rental owners looking to convert a house into a rental
- ✓ **Offering to manage construction projects** for owners who don't live near their rental properties
- ✓ **Supervising capital improvement projects** for larger communities

Learn more about how property managers can prove the value of their services to Accidental Landlords and Small-Portfolio Investors in our **2022 Rental Owners' Reports**.



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SECTION 4

Property Managers' Evolving Relationships with Residents

The Challenge of Rental Affordability Amid Strong Demand & High Inflation

Within this year's Industry Survey, few property management professionals spoke about the recent pace of rent growth as a clear-cut opportunity for their business. Instead, many told us that balancing prices that their residents can afford with prices that allow their clients to pay their own rising bills has become their foremost struggle.

Property managers told us that for the most part, they've tried to keep increases low on lease renewals to avoid pricing out reliable residents. But they've also discovered the ceiling on rent increases for new leases: Though vacant units are receiving an overwhelming amount of applications, there's a finite number of applicants whose income fully covers the rent at current rates.

At the same time, however, property management companies are under pressure to raise prices to market rate in the next year, with property costs rising just as quickly as rents; and with some owners feeling tempted to switch to a property management company with lower rates, manage their properties on their own, or sell off their properties altogether.

Within this section, we'll review where rent growth, payment rates, and evictions currently stand; take a look at renters' overall financial health; examine the causes of the housing shortage that's driving current trends; and discuss why rent control policies worsen the affordability issues they aim to solve.

Update on Rent Growth

In the first quarter of 2022, single-family properties saw asking rents grow by 13%, in comparison with an average price increase of 3% per year between 2015 and 2019, according to CoreLogic.⁽¹⁾ During the same time period, data from RealPage showed double-digit growth over the previous year's prices for professionally managed apartment buildings in markets across the country.⁽²⁾

At the high end of the rent growth continuum, popular Sun Belt markets experienced price increases of between 22 and 42% year over year, according to an analysis of RealPage data by Harvard's Joint Center for Housing Studies. This has been a shock for renters inhabiting once-affordable cities in states like Florida, Arizona, Texas, North Carolina, and Nevada.

Though primary markets in states like California, New York, and Massachusetts all took a hit during the first year of the pandemic, they, too, saw double-digit growth in asking rents between Q1-2021 and Q1-2022.⁽²⁾

By the end of Q2-2022, though rent growth remained well above historic levels, it showed signs of moderating. This was not a surprise given the unsustainable pace of growth we've seen over the previous year, but was somewhat surprising given the timing during leasing season. Metro areas with especially high rates of rent growth—and significant decreases in affordability for local residents—seemed to be the first to show signs of deceleration. These areas (primarily Sun Belt cities that have seen an influx of new residents) include Phoenix, AZ; Las Vegas, NV; Tampa, FL; and Palm Beach, FL, according to CoStar.⁽³⁾

Update on Payment Rates & Eviction Rates

Rent payments have stabilized significantly since the early months of the pandemic. However, 15% of renters reported that they were still behind on rent, according to a Joint Center for Housing Studies analysis of data from the Census Bureau's Household Pulse Surveys. That rate is closer to 23% in states with high poverty rates, like Mississippi and Louisiana; as well as in states with a high cost of living, like New York and New Jersey.⁽²⁾

Also as of early 2022, evictions had returned to 2012–2016 levels in half of the cities tracked in Princeton University's Eviction Lab database as pandemic-era tenant protections have gradually expired.⁽²⁾



TRENDS IN RENTERS' FINANCIAL HEALTH

Rental affordability has gradually worsened over the last twenty years, but has become a particularly pressing issue for low- and middle-income renters during the pandemic. Between 2001 and 2019, the median price of rent in the U.S. grew by 16%, while the median income among renters rose by just 5%, according to a Joint Center for Housing Studies analysis of American Community Survey data.⁽²⁾ This effect is particularly pronounced within smaller rental properties that have traditionally been more affordable for renters, whereas RealPage has found that renters' incomes within market-rate apartment buildings are generally keeping pace with recent rent increases.⁽⁴⁾

Though this imbalance already threatened the state of rental affordability over the previous decade, pandemic-driven market conditions have pushed this trend further in the wrong direction. In 2020 alone, the number of renters who were considered "cost-burdened" rose by several percentage points, leaving 46% of renters spending more than a third of their income on housing, and 24% spending more than half—figures that have almost certainly worsened throughout 2021 and 2022.⁽²⁾

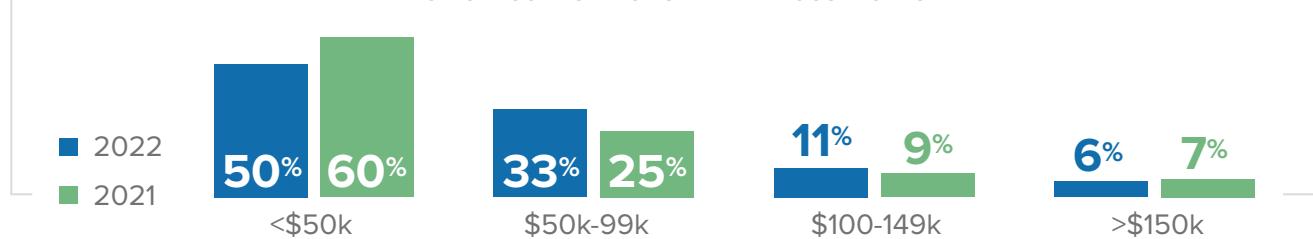
To evaluate renters' overall financial health, we'll take a look at five different indicators measured by this year's Renters' Survey.

RENTERS' HOUSEHOLD INCOME

Within our sample, renters' incomes appear to have increased over the last year. We saw the number of households earning annual salaries of less than \$50,000 decrease by 10 percentage points between Q1-2021 and Q1-2022 as those renters moved into higher income brackets. This is primarily a result of increasing wages; but it may also reflect the presence of higher-income renters who ordinarily would have left our sample to transition to homeownership if market conditions hadn't been so impenetrable for first-time buyers over the last two years. (53% of young and middle-aged adults—and rising—say that their inability to afford a home is the primary reason why they rent.)

Unfortunately, inflation has severely watered down the positive effects of rising wages. In June 2022, we saw inflation increase by 9% year over year, resulting in a 4% decrease in real average hourly earnings when the high price of housing, food, energy, gas, and other expenses is taken into account, according to the Bureau of Labor Statistics.⁽⁵⁾

RISING INCOMES AMONG RENTER HOUSEHOLDS



Buildium[®]
A RealPage Company



Propertyware[®]
A RealPage Company





RENTERS' EMPLOYMENT STATUS

64% of respondents to our Renters' Survey in the spring of 2022 were employed—a significant improvement of 10 percentage points over the previous 12 months as the labor market adjusted to pandemic conditions.

IMPROVEMENTS IN RENTERS' EMPLOYMENT OVER THE LAST YEAR

	2022	2021
Full-time (salaried)	25%	22%
Full-time (hourly)	23%	16%
Retired*	21%	23%
Part-time/temp/freelance*	11%	11%
Out of work	7%	15%
Student	5%	3%
Business owner*	4%	6%
Stay-at-home parent	3%	5%

**Note: Between 2021 and 2022, we moved 'freelancer' from the 'business owner' category to the 'part time/temporary' category, which may account for any change between these two employment statuses over the last year. In addition, the number of retirees in our sample is higher than in the population overall because we intentionally recruit equal numbers of renters in every age group.*

RENTERS' ABILITY TO PAY BILLS

64% of renters have paid all of their bills on time and in full over the last year, and an additional 26% have been able to pay *most* bills on time and in full. However, 11% reported that they're struggling to keep up with their household expenses.

RENTERS' ACCESS TO SAVINGS

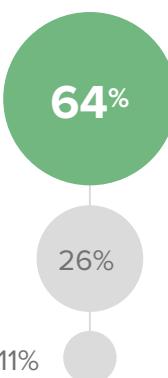
56% of renters have been able to set aside income as savings in the last year, giving them critical resources to fall back on in times of financial need, or (for some) to save for a home of their own. Another 18% of renters have been able to maintain their existing savings, though they weren't able to add to it over the last year. Concerningly, however, 25% have no savings at all—whether they've never had the ability to set money aside, or have depleted the savings they once had.

RENTERS' LEVEL OF DEBT

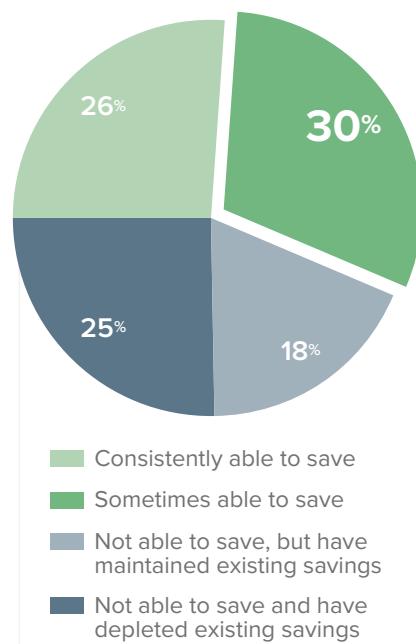
In addition to paying their rent each month, 3 in 4 renters devote a share of their income to paying off loans. Middle-aged renters are the most likely to have debt, and are most often working to pay off revolving credit card balances and vehicle loans; followed by young adults, who frequently have student loans in addition to credit card debt and car loans.

RENTERS' ABILITY TO PAY THEIR BILLS OVER THE LAST YEAR

Able to pay all bills on time & in full



RENTERS' ABILITY TO SET ASIDE SAVINGS OVER THE LAST YEAR



41%

Revolving credit card balance

31%

Vehicle loans

27%

Student loans

18%

Medical debt

14%

Personal debt to family/ friends

11%

Consumer/ installment credit

10%

Personal bank loans

24%

No debt

MOST COMMON TYPES OF DEBT AMONG TODAY'S RENTERS

Which Renters Are Struggling Most?

11% of the renters we surveyed have had trouble keeping up with their bills over the last year. Here are some patterns we've identified as to which renters are experiencing financial difficulties:

-  **More likely to be unemployed or underemployed**, and less likely to have an employed significant other to lean on.
-  **More likely to have debt than other renters**—particularly credit card debt—and significantly less likely to have savings to fall back on.
-  **More likely to be middle-aged**: 15% of middle-aged renters, versus 10% of older renters and 8% of young adult renters, are struggling to pay their bills each month.
-  **More likely to live in households with 3+ occupants**: Middle-aged adults who are struggling to pay the bills tend to support larger households, including a significant other, children, or other relatives. Young adults under financial strain often move in with their parents or other family members. Older adults are the exception: those who live on their own are more likely to be struggling to get by.

Knowing how competitive the current rental market is, property management professionals told us that they worry about the small group of residents who have been making an effort to pay each month, but who simply can't keep up with payments as aid programs come to an end. Even renters who have been able to keep up with their rent on paper may be relying on credit cards, savings, and loans from friends and family to make ends meet—resources that are all diminishing after nearly three years of the COVID-19 crisis.

IN PMs' WORDS

The Impacts of the Housing Affordability Crisis

There is not enough affordable housing. Every owner/investor wants top dollar rent for their property, but there are fewer and fewer renters that are able to afford that. More housing needs to be built.

(PROPERTY MANAGER IN SACRAMENTO, CA)

Not enough housing stock. Not renewing someone's lease means there's a good chance they become homeless. That's a weight we didn't have to carry before, and we are forced to deal with this ethical issue that Wall Street should care about more.

(COMPANY OWNER IN LEWISTON, ME)

Just raising rents will not cover rising expenses, [and] it will put more tenants in the street. We all need to find ways to be profitable without making life unbearable for those in the lowest level of the economy.

(PROPERTY ACCOUNTANT IN PHOENIX, AZ)



WHAT'S CAUSING THE SHORTAGE OF AFFORDABLE HOUSING?

Over the last few years, demand for rentals has completely outstripped the supply of available housing. This has driven vacancy rates to record lows—particularly in suburban and affordable urban neighborhoods, both of which saw vacancy rates fall below 5% in Q4-2021, according to a Joint Center for Housing Studies analysis of data from CoStar.⁽²⁾

In this section, we'll take a look at the conditions that are driving the current rate of growth in rents and occupancy rates, and talk about why rent control is an ineffective solution to the affordability crisis.



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DEMOGRAPHIC TRENDS DRIVING THE CRISIS

As the economy emerged from the initial wave of the pandemic, we saw new households being formed at a heightened pace. Recent household formation has been driven primarily by Millennials, who have reached the age at which adults tend to transition from living with family or roommates to living on their own or with a partner. And when they do so, at least initially, they tend to rent—particularly as many young and middle-aged renters have found themselves shut out of the ultra-competitive housing market for the time being.

This swell in the total number of renter households has added up to 1.1 million additional households living in rental properties since 2020⁽²⁾—one of the main reasons why rental occupancy rates have remained so high. Particularly in the markets that have attracted an influx of new residents in the last few years, prospective renters have found fewer available properties on the market than ever before, resulting in greater competition and higher prices for the units that are available.

CONSTRUCTION TRENDS DRIVING THE CRISIS

All of this is on top of the existing shortage of affordable housing, whose origins are complex and generally predate the current crisis. They include the suppressed rate of residential construction due to labor shortages following the Great Recession; local zoning laws that prevent the construction of multifamily housing; and land and material prices that make it hard to build profitable housing at affordable price points. But at its heart, the housing shortage comes down to simple economics: Demand is outpacing supply, and with the pandemic exacerbating these conditions, rents have risen to previously unseen levels in markets across the U.S.

The construction of both single-family and multifamily rentals has been occurring at a record-setting clip throughout 2021 and 2022. However, the addition of new, affordable rental housing simply can't keep up with the demand—and construction continues to be focused on maximally profitable, high-end rentals.⁽²⁾



THE COUNTERINTUITIVE EFFECTS OF RENT CONTROL POLICIES ON HOUSING AFFORDABILITY

Rent control policies have been under discussion in many areas that have seen affordability stretched to a breaking point. However, as many real estate professionals intuitively understand, these policies target the effect of the affordable housing crisis rather than the cause.

Rent control tends to have a cooling effect on markets where it's implemented. When new residents move to the area, or when current residents' housing needs change, they have greater difficulty finding a place to live because existing residents tend to stay put to lock in lower rates. When they're unable to adjust rent prices to keep pace with property costs, many small-portfolio rental owners don't have enough rental income left over to reinvest in the property through maintenance and improvements. This not only impacts living conditions within the property—it also motivates some owners to sell, potentially handing their properties to larger investors with every incentive to raise rents to market rate.

But most problematic of all is the cooling effect that rent control has on efforts to build new housing—the keystone of any effective strategy to improve rental affordability. The Wall Street Journal estimates that a rent control measure passed in St. Paul, Minnesota in November 2021 has led to an 82% decline in multifamily building permits in the city in comparison with the previous year, as developers have abandoned existing projects and chosen to initiate new projects elsewhere.⁽⁶⁾

Why does rent control have such a chilling effect on real estate development? With prices for land, materials, and labor rising with every passing year, developers and their lenders need rents to be set at higher rates for projects to pencil out. When annual rent growth is capped in an attempt to keep rents affordable, significantly less housing is built—pushing up prices for existing properties, and exacerbating the housing shortage.

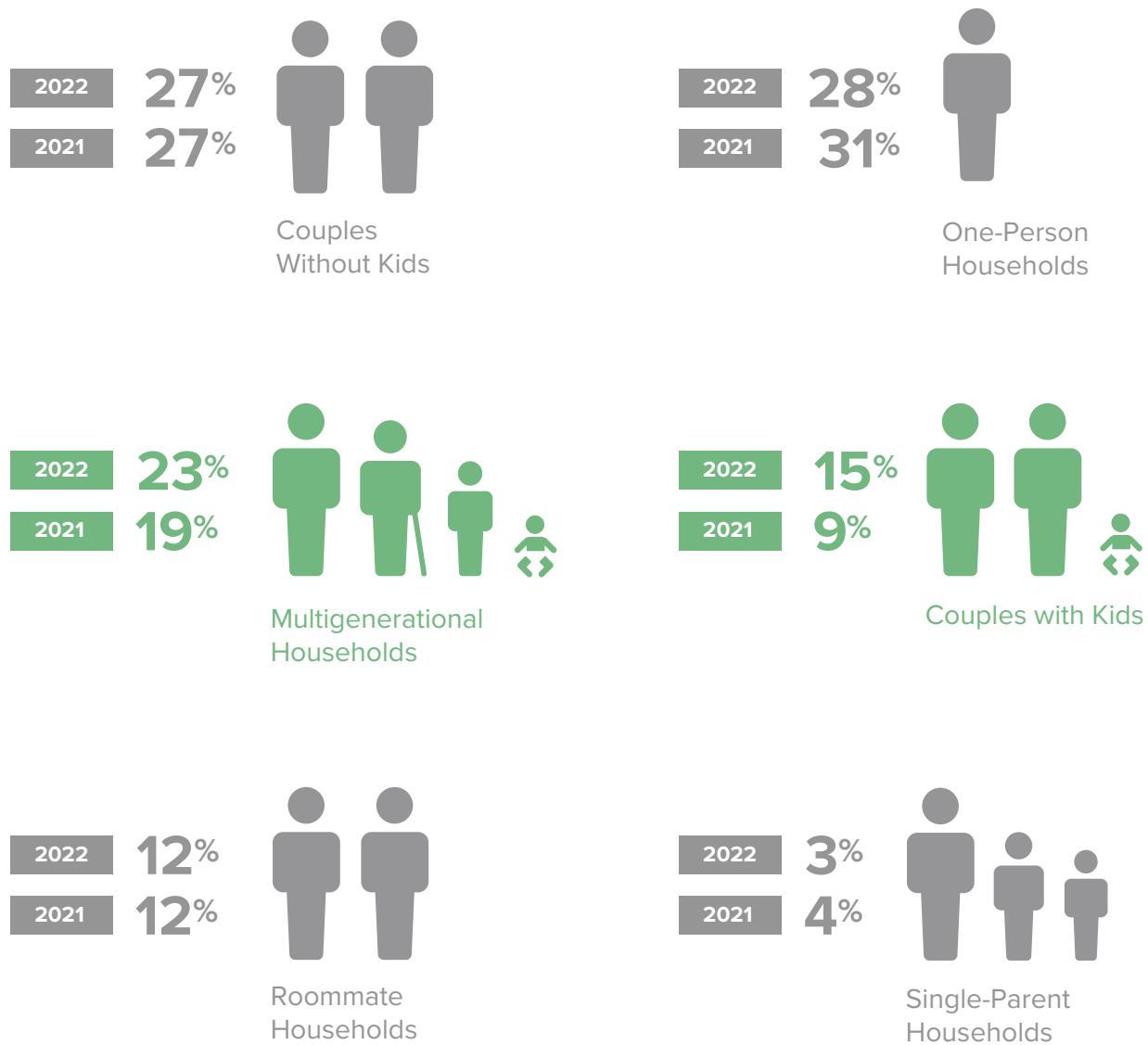
As of this spring, the Wall Street Journal reported that rent control measures were up for discussion in a dozen different states, from Massachusetts, New Jersey, and Florida on the East Coast to Colorado out west.⁽⁶⁾ However, awareness of the policy's ineffectiveness as a means to address housing affordability—and the critical need to remove barriers that limit the country's rate of housing production—is also spreading.



Who Lives in Rental Housing Today

DEMOGRAPHIC TRENDS TO WATCH

CHANGES IN THE TYPES OF HOUSEHOLDS LIVING IN RENTAL PROPERTIES





THE INCREASE IN FAMILY RENTERS

Multigenerational Households and Couples with Kids represent the two fastest-growing types of renter households within our sample. Though One-Person Households and Couples Without Kids are still the most prevalent household types within today's rentals, families are rapidly catching up.

The forces behind this trend include the following:

- **The hot housing market**, which has forced some couples to grow their families while living in rental housing rather than waiting until they've purchased a home of their own
- **The sheer size of the Millennial and Baby Boomer generations**, resulting in more households where both children and older relatives are present
- **Rapid growth in the population of people of color**, who are more likely to live in households with children as well as multiple generations⁽²⁾

THE INCREASE IN OLDER RENTERS

The oldest Baby Boomers—members of the second-largest generation of all time—are now in their mid-seventies. As a result, the population of older adults is expected to swell to more than 50 million by 2038. Many of these adults will live alone: Already, 28% of Americans between the ages of 50 and 64, 38% of those ages 65 to 79, and 56% of those ages 80 and older live by themselves, according to a Joint Center for Housing Studies analysis of data from the U.S. Census Bureau.⁽²⁾

This growing population of older residents will need access to ADA-accessible dwellings within communities that can support their evolving needs—but they'll also need to be affordable to residents living on a fixed income, neither of which our current stock of rental housing can accommodate on the scale that's needed.⁽²⁾



Where Renters Want to Live

TREND TO WATCH: THE SHIFT TOWARD THE SUBURBS

Over the last five years, the renters we've surveyed have indicated a growing preference for neighborhoods that are safe, quiet, and lower-density—a shift that was accelerated by the pandemic. As a result, we've seen a 12-percentage-point shift away from urban neighborhoods, with 68% of our respondents now residing in suburban and rural areas. This trend holds across every age group, though middle-aged renters have left downtown neighborhoods at the highest rate.

Overall, a Joint Center for Housing Studies analysis of Census data shows that 1.2 million Americans left core neighborhoods within large metro areas in 2021, continuing a trend that began in 2020. They moved to small and mid-sized cities, which gained 539,000 residents in 2021; suburban neighborhoods outside of large cities, which gained 428,000 residents; and rural areas, which gained 235,000 residents.⁽²⁾

RENTERS' GRADUAL SHIFT TOWARD SUBURBAN & RURAL AREAS

	2022	2021	2020	2019	2018
Renters in urban areas	32%	37%	31%	36%	44%
Renters in the suburbs	52%	47%	54%	49%	44%
Renters in rural areas	16%	16%	16%	15%	13%



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RENTERS' PLANS TO MOVE OR STAY PUT

Trend to Watch: Low Moving Rates

The amount of ink that's been spilled over pandemic-era migration trends makes it seem as though people are moving more than they did in the past. However, as you may have surmised from your own properties, the opposite is true: Not only do the vast majority of Americans stay put from year to year, but moving rates have been below historical averages since the Great Recession—and in 2021, they were actually lower than the norm established over the previous decade.

This decrease in mobility has occurred even among the two groups who tend to move most often: young adults and renters. Just 17% of renters moved in 2021—a decrease of six percentage points in comparison with the previous decade, according to a Joint Center for Housing Studies analysis of data from the Census Bureau's Current Population Survey. In addition, moving rates among 18- to 24-year-olds fell by four percentage points; and they declined nearly as much among 25- to 34-year-olds in comparison with the previous 10 years.⁽²⁾

To blame for this trend are affordability concerns—the high rate of rent growth on new leases, plus the expenses associated with moving and putting down a deposit on a new home—in addition to the limited supply of available rentals and starter homes.

The Renters Who Plan to Stay Put

As of our survey in the first half of 2022, 36% of renters planned to stay in their current rental between mid-2022 and mid-2023.

A quick summary of how we got here: Within our sample, we saw retention rates drop precipitously in 2020 as pandemic-driven shifts in residents' lifestyles changed their rental preferences. Retention then rose dramatically in 2021 as occupancy rates soared. In 2022, retention has leveled out at slightly below the long-term average.

RENTERS' PLANS TO MOVE YEAR BY YEAR

	2022	H2-2021	H1-2021	2020	2019	2018
Plan to stay in current rental	36%	41%	49%	26%	40%	41%
On the fence	33%	30%	30%	42%	33%	37%
Plan to leave current rental	31%	29%	21%	32%	27%	23%

Note: Renters' responses describe their plans to move between the time of our survey (June 2022) and June 2023.

Who are the residents who plan to renew their leases for another year?

Within our survey, renters with the following characteristics were the least likely to be considering moving:

- ✓ Renters who live alone
- ✓ Older adults, particularly Baby Boomers and retirees
- ✓ Households with incomes of less than \$50,000 per year, and those who don't have any savings set aside
- ✓ Residents of small multifamily properties (those with 2–4 units)
- ✓ Renters who say they don't want the responsibility of owning a home

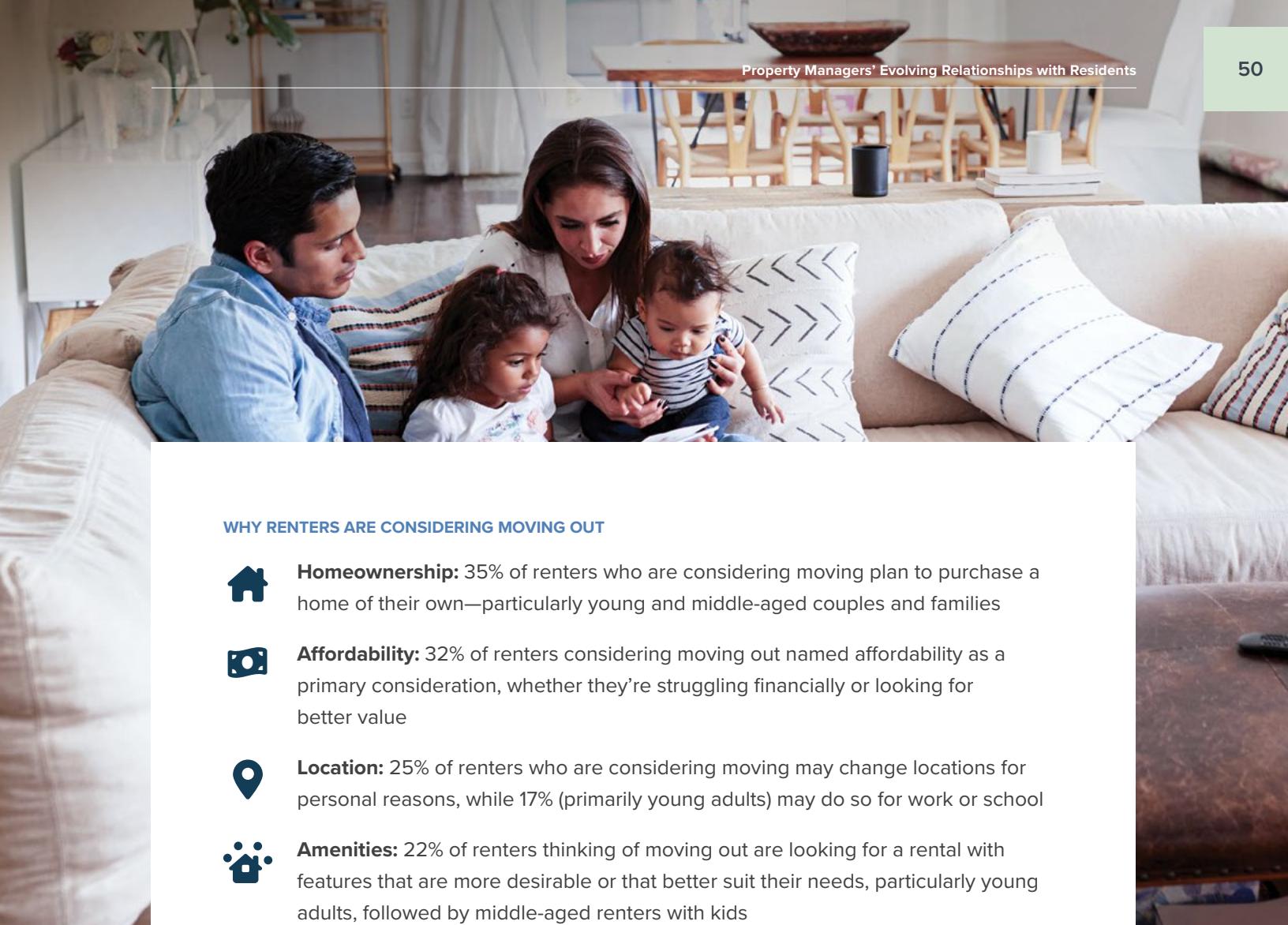
The Renters Who Plan to Move Out

Between mid-2022 and mid-2023, 31% of the renters in our survey planned to move out of their current rentals; and an additional 33% of renters were on the fence about whether or not to move. As renters take factors like rising rents and moving costs into account, we've noticed that they're feeling greater uncertainty about whether to stay or go than they have for the last few years—particularly younger renters.

Here's who our survey revealed are the most likely demographics to be set on moving out by the midpoint of next year:

- ✓ Young adults with full-time employment
- ✓ Couples and families with kids
- ✓ Residents of single-family properties and high-end rentals
- ✓ Households with annual incomes of more than \$150,000 who have been able to save up for a down payment over the last year
- ✓ Renters with a strong desire to own a home





WHY RENTERS ARE CONSIDERING MOVING OUT

- Homeownership:** 35% of renters who are considering moving plan to purchase a home of their own—particularly young and middle-aged couples and families
- Affordability:** 32% of renters considering moving out named affordability as a primary consideration, whether they're struggling financially or looking for better value
- Location:** 25% of renters who are considering moving may change locations for personal reasons, while 17% (primarily young adults) may do so for work or school
- Amenities:** 22% of renters thinking of moving out are looking for a rental with features that are more desirable or that better suit their needs, particularly young adults, followed by middle-aged renters with kids
- Space:** 18% of renters may move in the next year because their household's needs have changed, whether they need more space, less space, or a different layout
- Experience:** 14% of renters are considering moving because they haven't been satisfied with their experience in their current rental

Property managers have a sense that their customers' expectations have dramatically ramped up over the last few years—particularly their insistence on instantaneous responses. In addition, multiple Industry Survey respondents told us that as rent prices rise, so do renters' expectations for the caliber of their rental experience.

In an environment where local property management companies are competing with national firms and institutional investors, providing an unsurpassed experience for their renters can be an effective differentiator when competing for rental owners' business. And the way they can accomplish this, according to renters and property managers alike, is by combining technology that makes processes more convenient and seamless for renters and owners with the kind of human connection that creates memorable experiences.



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THIS YEAR'S MOST DESIRABLE AMENITIES & CHARACTERISTICS



1 Safe neighborhood



2 Air conditioning



3 In-unit washer & dryer



4 High-speed internet



5 Quiet neighborhood



6 Option to have a pet



7 Parking



8 Dishwasher



9 Close to stores & restaurants



10 Private outdoor space

The Decreased Draw of Community Amenities

Today's renters are increasingly drawn to properties that offer the comforts of a home at an affordable price point—and they're increasingly finding these characteristics in smaller rental properties located in suburban and exurban neighborhoods. In their search for an ideal rental property, residents say they care most about living in a safe, convenient neighborhood, closely followed by a desire for amenities that increase their comfort in their unit; and they care least about the kind of shared amenities that are found in newer, higher-end communities. It's not that the average renter wouldn't enjoy having access to features like a pool, fitness center, or lounge—they're simply willing to forego these luxuries in exchange for lower rents.



What Single-Family Renters Want

- ✓ A safe, quiet, family-friendly neighborhood
- ✓ The indoor and outdoor space they need to be comfortable as they welcome kids, relatives, and pets to their family
- ✓ A child-friendly home that provides air conditioning, a washer and dryer, and a dishwasher
- ✓ **Offerings that could be potential differentiators:** High-speed internet; lawn care; pest control; garbage/recycling/compost pick-up; access to community amenities like a garden, pool, and space to host events; regular preventative maintenance visits



What Small Multifamily Renters Want

- ✓ A safe, quiet neighborhood with easy access to stores, restaurants, and transportation to work or school
- ✓ A property that balances affordability with a convenient location, and that offers a little more indoor and outdoor space than an apartment building would
- ✓ A unit that provides a washer and dryer, air conditioning, a dishwasher, sound-proofed walls, and the option to have a pet
- ✓ **Offerings that could be potential differentiators:** Private parking, high-speed internet, storage units, security system, designated outdoor area for pets



What Apartment Building Renters Want

- ✓ A safe neighborhood that's close to stores and restaurants
- ✓ A unit with a washer and dryer, air conditioning, a dishwasher, sound-proofed walls, and the option to have a pet
- ✓ **Services that could be potential differentiators:** Part-time concierge, delivery of food/packages to their door, dog-walking, garbage/recycling pick-up, security system
- ✓ **Community amenities that could be potential differentiators:** High-speed internet, private parking, pool, fitness center, well-kept outdoor space (e.g. community garden, designated pet area), storage space, "healthy building" features (e.g. enhanced ventilation, sanitization of shared spaces), opportunities to get to know their neighbors (e.g. online bulletin board, resident events)

The Technologies Renters Expect

As of 2022, 83% of renters are comfortable taking care of at least some tasks online—most often making payments, communicating with your team, signing their lease, and submitting maintenance requests. Renters' level of comfort with technology has continued to rise dramatically with each year of the pandemic: Within 2021 alone, the number of renters who elected to complete some or all of their rental processes online rose by 12 percentage points. This includes smaller gains of 7 points among young adults, who have long expressed enthusiasm about these technologies; as well as large gains of 19 points among middle-aged adults, and 13 points among older adults. It's noteworthy that a majority of renters of all ages now expect their property management company to provide options for completing a range of transactions online.

6 Tools That Renters Expect Their PM to Provide

	Electronic payments		Online maintenance ticketing
	Email & text communications		Reporting of on-time payments to credit bureaus
	Electronic leasing		Online utility setup & billing

The Tools with the Largest Gains in Interest from Renters in 2022

- Electronic leasing: +16 percentage points
- Electronic payments: +11 points
- Virtual showings: +7 points
- Utility setup & billing: +5 points
- Maintenance ticketing: +4 points
- Self-showings: +4 points
- Rental listings: +4 points

IN RENTERS' WORDS

Their Desire for Technology from Their PM

Invest in an online portal for both electronic payments and maintenance requests. I always worry my bank won't get the check through the mail on time, and it can feel like you're bothering somebody to text maintenance requests. Additionally, texting requests just seems less professional. If you want tenants to let you know about issues before they become critical, you should make reporting less personal.

(SINGLE-FAMILY RENTER IN SPRINGFIELD, MO)

Be open-minded about using technology for processes if you haven't already started using it. It makes things easier for your tenants and yourself once you figure it out.

(SINGLE-FAMILY RENTER IN SALT LAKE CITY, UT)

HOW RENTERS PREFER TO MAKE PAYMENTS

Since 2021, the number of renters who say they'd prefer to pay their rent electronically grew by an enormous 26 percentage points. The largest gains in interest occurred within the following payment types:

- ➡ Venmo, PayPal, Zelle & similar payment tools: +9 percentage points
- ฿ Electronic bank transfer & ACH: +9 points
- 💳 Credit cards: +8 points

In addition, for the first time in 2022, a majority of renters reported that they already pay their rent electronically. This is a sign of not only the increasing appeal of online payment methods to renters, but also their increased adoption among property managers and landlords since the pandemic began.

RENTERS' CURRENT VS. PREFERRED METHOD OF PAYING RENT

	Current Method	Preferred Method
Digital Methods (Total)	55%	76%
Electronic bank transfer/ACH	30%	32%
Electronic payments (e.g. Zelle, PayPal, Venmo)	12%	19%
Debit card	9%	12%
Credit card	4%	13%
Physical Methods (Total)	46%	24%
Check	26%	13%
Cash	11%	8%
Money order or cashier's check	8%	3%

IN RENTERS' WORDS

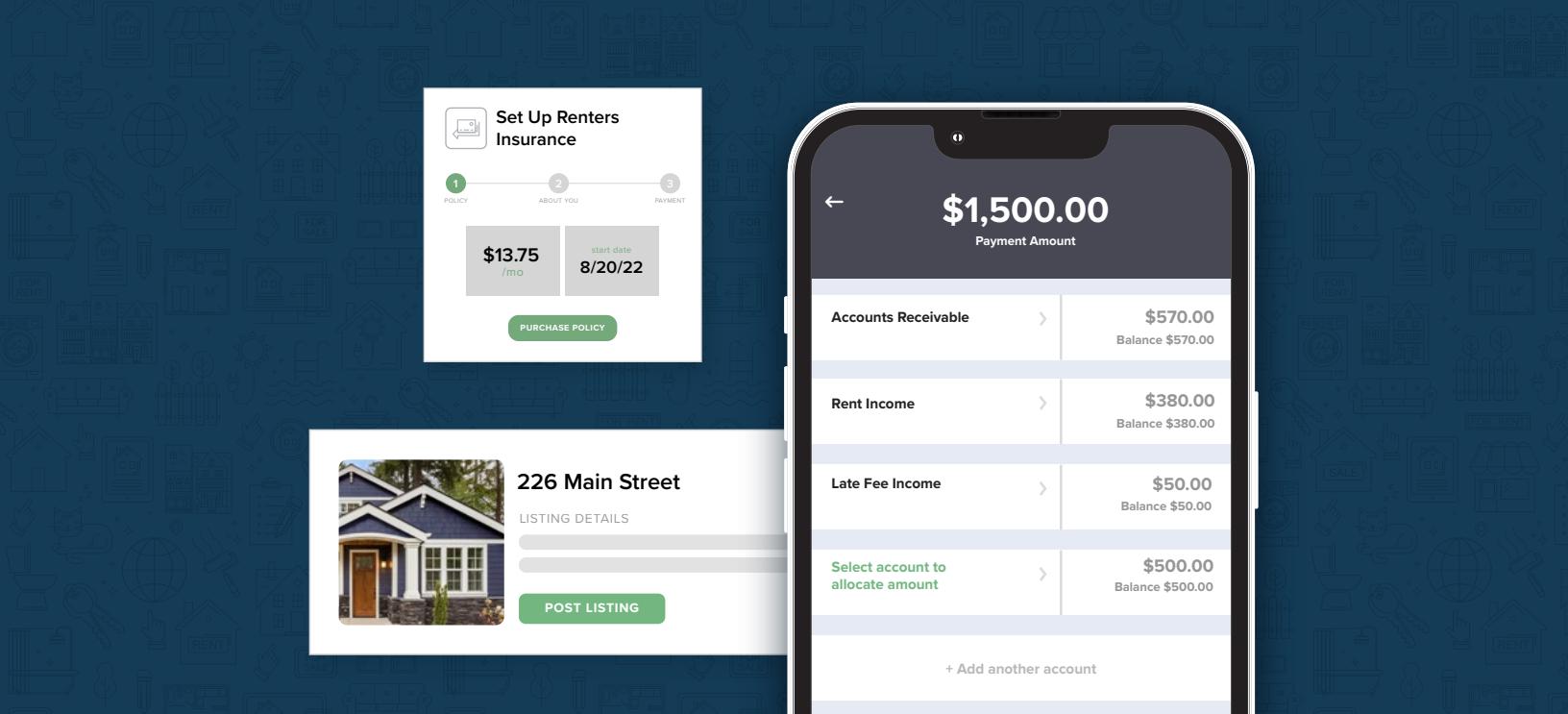
How They Want to Pay Rent

Electronic payments are a must. It is vastly better than handling paper checks for all parties involved.

(MULTIFAMILY RENTER IN BOSTON, MA)

I would like to be able to pay rent electronically from my bank account [and] report my on-time payments to credit bureaus.

(MULTIFAMILY RENTER IN ROANOKE, VA)



HOW TO DELIVER THE FEATURES & INFORMATION RENTERS WANT WITHOUT SLOWING YOU DOWN

The right property management software will allow your residents to take care of all of their needs on their own schedule, without adding unnecessary tasks to your team's plate. Give renters access to all of the features they want in one central location, including:



Online payments



Maintenance request tracking



Text and email communications



Renters insurance



Document signing, sharing and storage



Online rental listings and applications

Learn how Buildium's simple, unified platform can help you to take control of your portfolio, your business, and your life: buildium.com/features

Learn how Propertyware's open and customizable platform can enable you to reach and exceed your business goals: propertyware.com/rental-property-management-software



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**IN RENTERS' WORDS****How They'd Like to Get in Touch with You**

[Please provide] email communication so I'm not constrained by office hours for phone calls.

(**MULTIFAMILY RENTER IN NEW YORK, NY**)

Always have multiple ways for residents to get in contact with you.

(**MULTIFAMILY RENTER IN LOUISVILLE, KY**)

HOW RENTERS PREFER TO COMMUNICATE

Email has been the most widely-accepted method of contact among renters since 2018, and is how most young and older adults still prefer to be contacted. However, openness to communicating with their property manager via text message has increased by eight percentage points since 2021, and is now middle-aged adults' preferred method of contact.

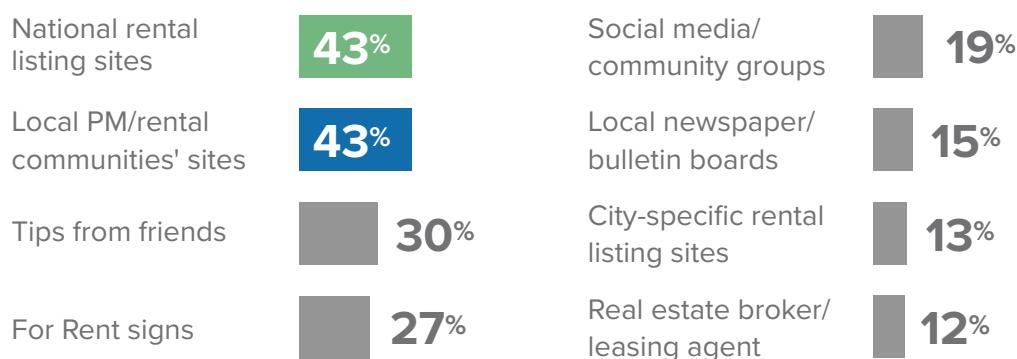
HOW RENTERS WANT TO BE CONTACTED

	2022	2021
Email	49%	54%
Text message	46%	38%
Phone call	39%	43%
Online resident portal	15%	16%
In-person visit	15%	9%
Paper notice/mailed letter	12%	12%
Social media	3%	3%

HOW RENTERS SEARCH FOR A RENTAL

Renters of all ages are increasingly turning to online rental listings when they're looking for a new place to live. This year, 43% of our respondents said that they look for available properties on national rental listing sites, and the same number turn to the websites of local rental communities and property management companies. Secondarily, renters of all ages continue to ask for tips from people they know, illustrating the importance of referrals in attracting new renters in the year to come.

HOW RENTERS SEARCH FOR A PLACE TO LIVE



IN RENTERS' WORDS

Their Tips on Your Properties' Online Presence

Have a nice, working site. Care about the reviews the property has in places like Google. Before I move anywhere, I always read the bad reviews and pay special attention to the property's response.

(MULTIFAMILY RENTER IN SEATTLE, WA)

Provide a complete selection of images of the specific property on offer in the rental listing, a breakdown of costs (including rough estimates for any utilities), and a detailed and accurate description of the place and all available amenities.

(MOBILE HOME RESIDENT IN SYRACUSE, NY)

Three-dimensional, interactive, immersive walk-throughs of apartments are super helpful.

(MULTIFAMILY RENTER IN SAN JOSE, CA)

Renters' Advice for Property Managers

We asked renters to tell us the most impactful changes their property management company could make to improve their rental experience. Here's what they told us:

- 1 Show as much interest in residents' satisfaction after they move in as before** by regularly asking whether there's anything you can do to improve their experience. It's important to make clear that you take their feedback seriously, even if you don't have the resources to immediately act on every issue that they raise.
- 2 Set clear and consistent expectations from the get-go.** Many of the residents we surveyed told us that they expend considerable effort to respect the guidelines that their property manager has set, and they try to find answers on their own to avoid bothering them. However, guidelines that are unclear, incomplete, or inconsistently enforced across the property can lead to frustration.
- 3 Provide options for taking care of standard rental processes.** The vast majority of renters now prefer to complete transactions online, but preferences vary when it comes to the method they find most convenient and intuitive. We recommend providing multiple options for paying rent (e.g. EBT, PayPal, and credit card) and communicating with your team (e.g. resident portal, email, and text), and also having an agent available by phone if they run into any trouble.
- 4 Be available during the hours when they're home.** Property management offices tend to be open during the same hours when many renters are at work. Consider providing a contact to whom renters can direct questions outside of standard business hours; a maintenance contact center that can assist with emergency repairs; and a resident portal where they can complete many processes on their own.
- 5 Let them know you've received their message and when to expect a response.** Renters told us that they find it far easier to be patient in waiting for a solution if they know that you've received their message, you've taken action on it, and you'll keep them updated on any next steps.
- 6 Proactively care for the property without being asked.** From renters' perspective, the energy you devote to property upkeep demonstrates the degree to which you and the owner care about the rental, both as an investment and as their home. Consider conducting periodic inspections where you can address any minor issues around the property, benefiting both residents and rental owners.

Renters' Advice for Property Managers

7

Don't skip inspections and cleanings between tenants. A unit that doesn't make a great first impression, or that immediately has issues needing to be addressed, can leave renters worried that they won't have a good experience in the property; and it also sets poor expectations about the level of care you expect them to take while they live there.

8

Reach out in advance if you need them to be available, or if major work is being done. Renters with busy schedules appreciate not having to scramble to accommodate last-minute visits or notifications that they won't have access to Wi-Fi, water, or other necessities. They appreciate it if you can provide advance notice or flexibility on timing.

9

They want to feel like renting is a little more rewarding. Programs like rent reporting to credit bureaus, or rewards for long-term residents who always pay on time, can help incentivize consistent payments. They may also motivate residents to continue renting from you over a competing property.

10

Your empathy matters more than you might realize. Unlike customers of any other kind of business, renters' daily lives take place inside the properties you manage; and it matters to them that you keep this in mind when communicating with them. They want to know that you see them as more than the rent payments they make each month.

It's been a hard few years for renters, rental owners, and property managers alike. Negative headlines about real estate investors have proliferated during the pandemic, fueling feelings of opposition between renters and the companies that own and manage the rentals they call home. Perhaps, the current moment presents an opportunity for customer-service-focused property management companies to foster feelings of trust, empathy, and kindness—traveling in both directions—within these relationships once again. As one renter put it: "To stand out, prove you care about your residents, and people will spread your good reputation."

Learn how you can retain your best residents and improve the appeal of your properties in our **2022 Renters' Reports**.



[DOWNLOAD THE REPORT >](#)



[DOWNLOAD THE REPORT >](#)

FOOTNOTES:

- 1 "Single-Family Annual Rent Growth Off to a Fast Start in 2022," CoreLogic, <https://www.corelogic.com/intelligence/single-family-annual-rent-growth-off-to-a-fast-start-in-2022>, (March 15, 2022)
- 2 "The State of the Nation's Housing 2022," Joint Center for Housing Studies of Harvard University, <https://www.jchs.harvard.edu/state-nations-housing-2022>, (June 22, 2022)
- 3 "Renters Finally See Market Starting to Cool After Record Growth," The Wall Street Journal, <https://www.wsj.com/articles/apartment-rents-begin-tapering-off-after-record-growth-11659301974>, (August 1, 2022)
- 4 "2022 Market-Rate Apartment Affordability Report," RealPage, <https://s.realpage.com/wp-content/uploads/sites/20/2022/07/RealPage-Affordability-Study-1.pdf>, (July 20, 2022)
- 5 "Real Earnings Summary," U.S. Bureau of Labor Statistics, <https://www.bls.gov/news.release/realer.nr0.htm>, (July 13, 2022)
- 6 "St. Paul's Rent-Control Backfire," The Wall Street Journal, <https://www.wsj.com/articles/st-paul-rent-control-backfire-minnesota-twin-cities-permits-building-apartments-11657472375>, (July 11, 2022)



SECTION 5

Takeaways

- 1 Third-party property management companies are ready to double down on expansion,** primarily by attracting new clients and supporting current clients' growth. After nearly three years of directing their energy toward shorter-term, pandemic-induced challenges, companies are ready to shift their gaze back to their long-term health. Their outlook remains bright despite headwinds like increased property sales and slower property acquisitions among their clients due to the hot housing market.
- 2 Companies are searching for new revenue streams that add value for customers.** In a high-inflation, low-margin environment, property management companies are focused on increasing the revenue that their businesses and portfolios generate. But in addition to raising prices—which many companies plan to do in the next year—they're on the hunt for revenue-generating offerings that will add tangible value to renters' and owners' experiences with their business.
- 3 Rental owners' demand for property managers' expertise remains elevated.** As the complexity and expense of operating rental properties has increased, more small-portfolio owners have turned to professional property managers for help. In spite of the temptation to manage their properties themselves to keep costs low, owners continue to see the value in property management services—particularly when it comes to collections, maintenance/repairs, leasing, compliance, local market expertise, and financial reporting.
- 4 Competition has increased as more real estate companies enter property management.** Markets with strong rent growth and rental demand have seen new property management companies entering the game, real estate brokerages expanding their services, national firms acquiring smaller companies, and institutional investors moving in. As small and mid-sized companies look to grow, they're finding that technology is the key to doing more with less; enabling them to provide the personalized service that's their strongest selling point, even as the labor shortage prevents their teams from scaling as quickly as they're adding new doors.
- 5 Rental affordability is being recognized as the most critical issue facing our industry.** Though the shortage of affordable housing isn't new, the impact on renters has vastly increased during the pandemic, with double-digit rent growth and inflation neutralizing short-term increases in renters' wages. Property managers are feeling the strain of trying to balance rent prices that residents can afford with prices that cover owners' rising costs; and industry organizations are increasingly focused on the dire need for more housing to be built at affordable price points.



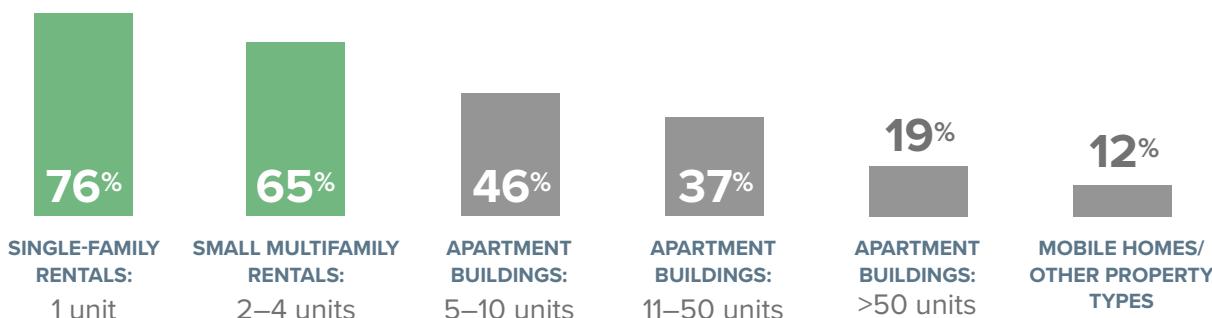
APPENDIX:

About Our Respondents

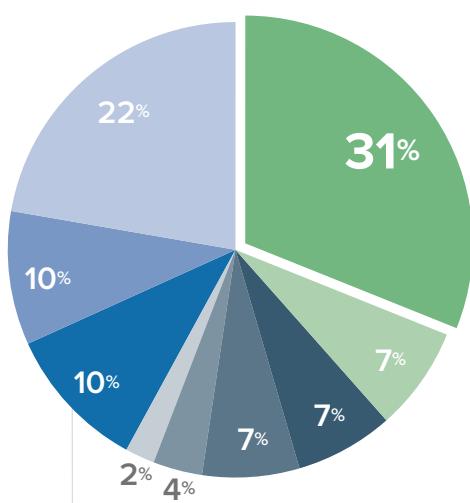
OUR PROPERTY MANAGER RESPONDENTS

We conducted our eighth annual Industry Survey of property management professionals in June 2022. Our 1,668 participants were drawn from the Buildium, NARPM, Propertyware, and All Property Management databases.

THE PROPERTY TYPES THEIR COMPANY MANAGES

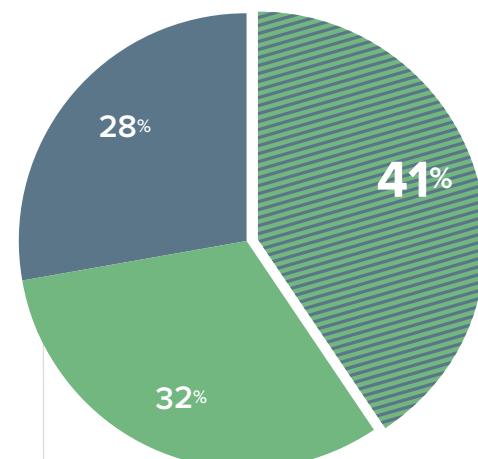


THE NUMBER OF UNITS THEIR COMPANY MANAGES



- 1-20
- 21-40
- 41-100
- 101-400
- 401-600
- 601-1000
- 1001-2500
- 2501-5000
- >5000

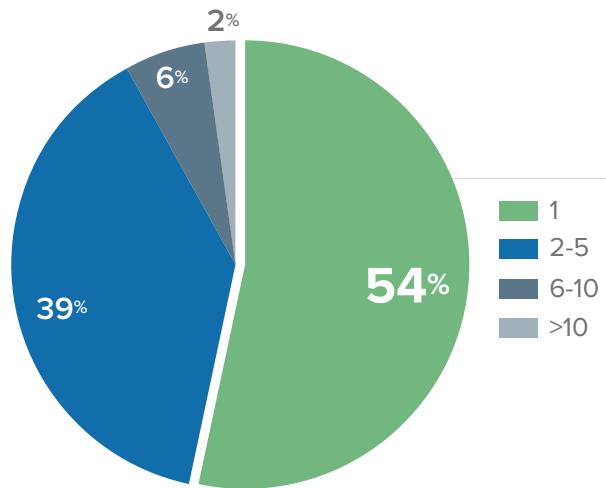
WHOSE PROPERTIES THEIR COMPANY MANAGES



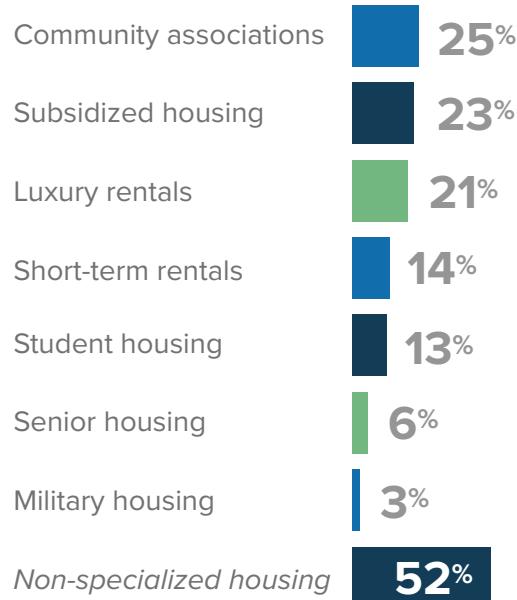
- Mix of own & others' properties
- Other investors' properties
- Own investment properties



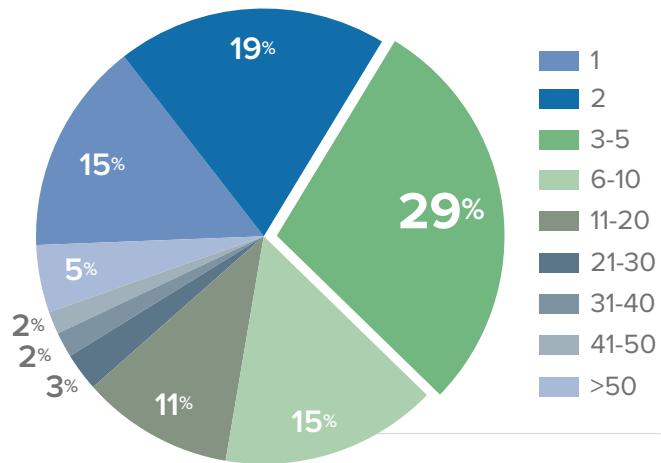
THE NUMBER OF METRO AREAS WHERE THEIR COMPANY OPERATES



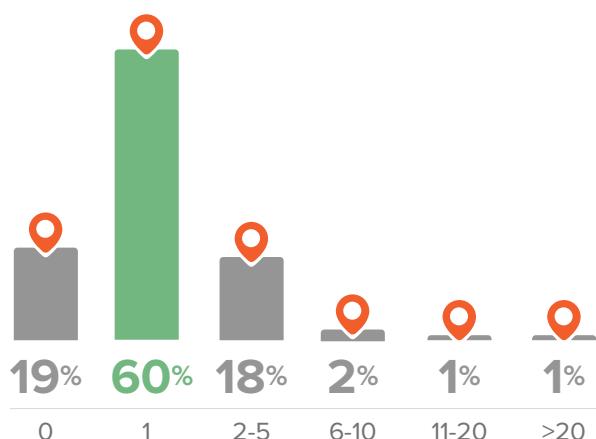
THE RESIDENTIAL PROPERTY TYPES THEIR COMPANY MANAGES



THE SIZE OF THEIR TEAM (ALL FULL-TIME EMPLOYEES, INCLUDING THEMSELVES)



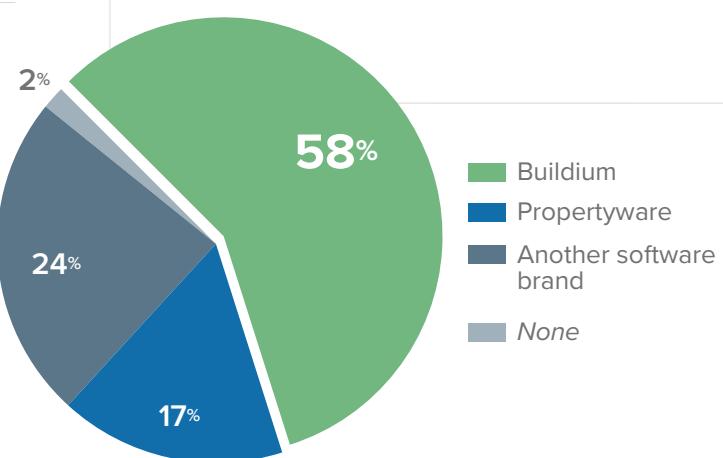
HOW MANY OFFICE LOCATIONS THEIR COMPANY HAS



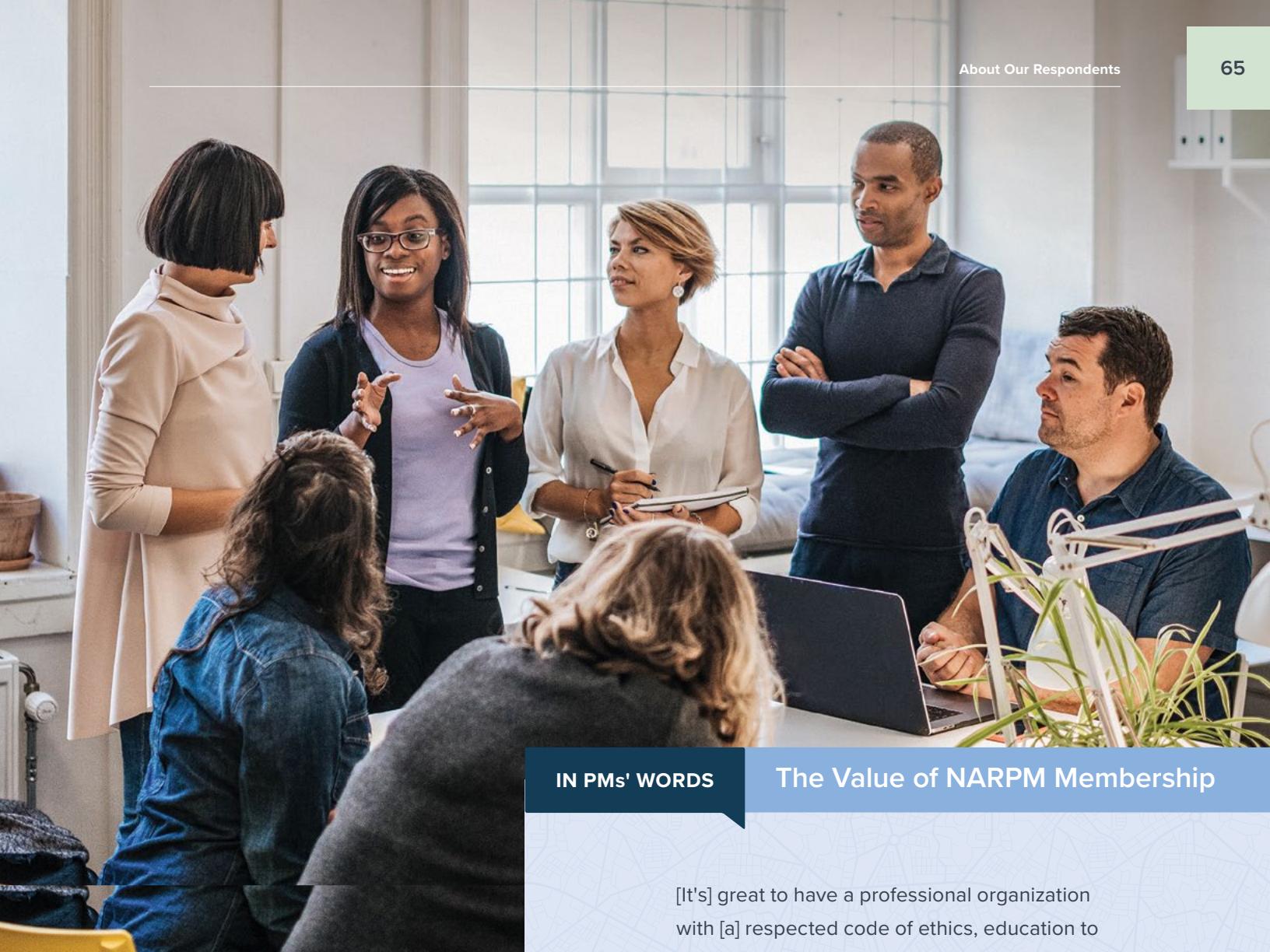
TOP 10 JOB TITLES AMONG OUR RESPONDENTS



THE PROPERTY MANAGEMENT SOFTWARE THEIR COMPANY USES



SEE SECTION 2 FOR MORE INFORMATION ON OUR PROPERTY MANAGER RESPONDENTS



IN PMs' WORDS

The Value of NARPM Membership

RATES OF NARPM MEMBERSHIP AMONG OUR RESPONDENTS

24%National, state,
or local NARPM
member**76%**Not currently
a NARPM
member

Learn more about the benefits of becoming a member of the National Association of Residential Property Managers: NARPM.ORG/JOIN

[It's] great to have a professional organization with [a] respected code of ethics, education to raise the level of property management, and [a] voice in the real estate industry. [It's a] big selling feature when interviewing new clients.

(COMPANY OWNER IN PHOENIX, AZ)

The communication, education, news, and announcements are essential for us. We also enjoy the case studies and questions posed by members that create good discussions.

(COMPANY OWNER IN AUGUSTA, GA)

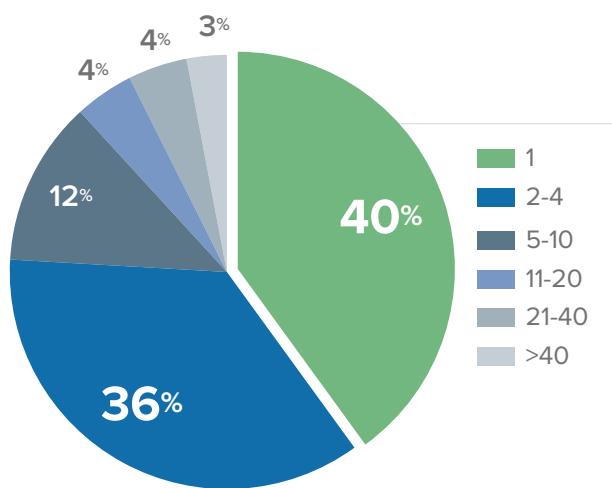
Best investment in making my business more productive and profitable.

(COMPANY OWNER IN DALLAS, TX)

OUR RENTAL OWNER RESPONDENTS

We conducted our eighth annual survey of small-portfolio rental property owners during the first quarter of 2022, recruiting our 349 participants from the All Property Management database.

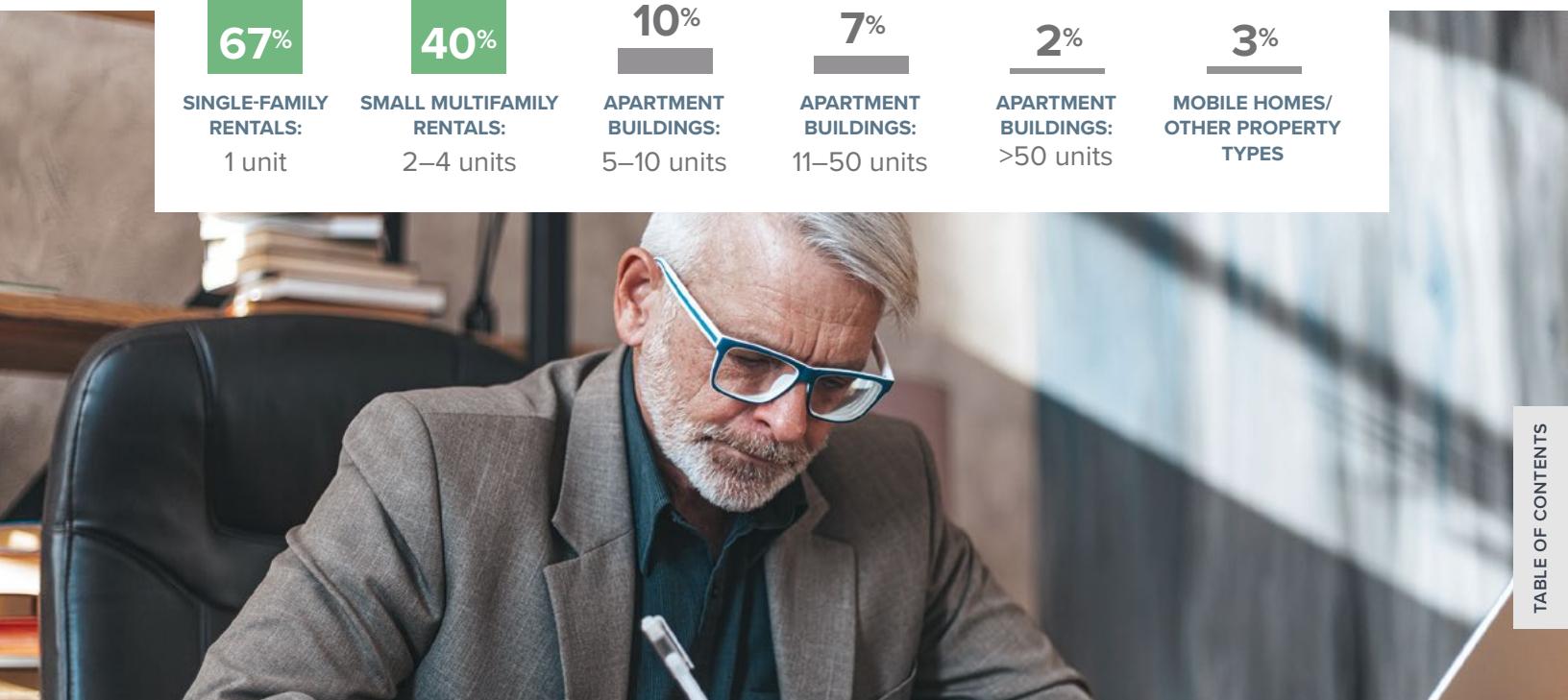
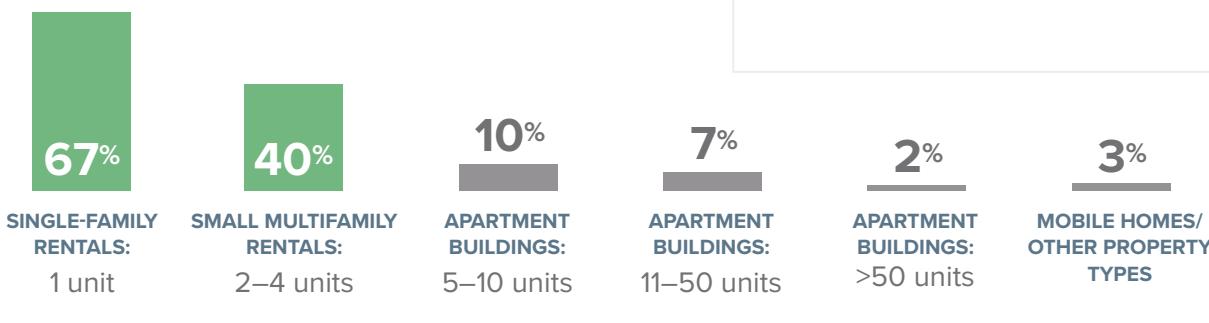
THE NUMBER OF RENTAL UNITS THEY OWN



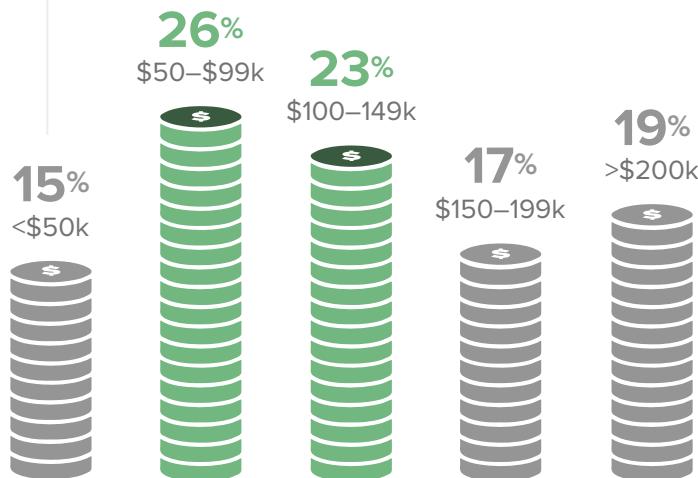
THE TOP 10 METRO AREAS WHERE THEY OWN RENTAL PROPERTY

- 1 Los Angeles, CA
- 2 Orlando, FL
- 3 Phoenix, AZ
- 4 Denver, CO
- 5 Chicago, IL
- 6 San Francisco, CA
- 7 San Diego, CA
- 8 Dallas, TX
- 9 Riverside, CA
- 10 Albuquerque, NM

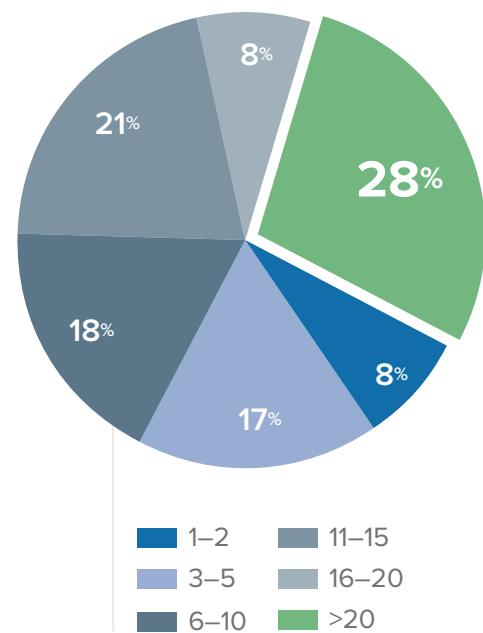
THE RENTAL PROPERTY TYPES THEY OWN



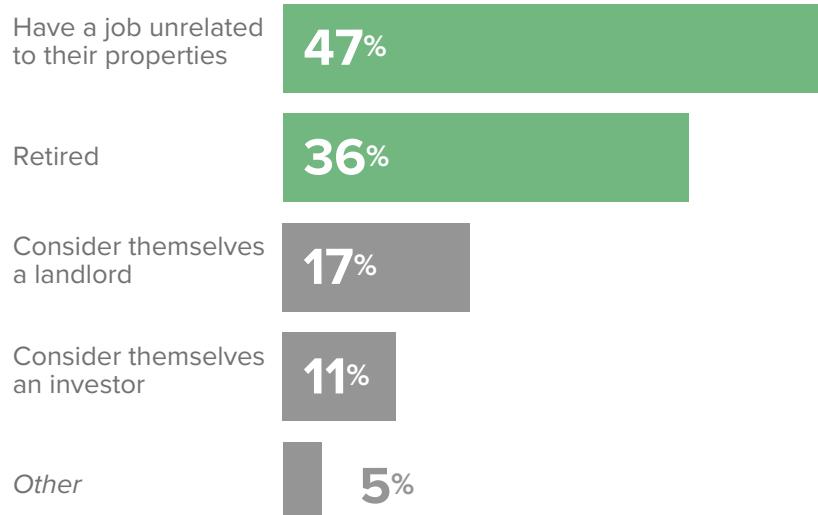
RENTAL OWNERS' HOUSEHOLD INCOME IN 2021



FOR HOW MANY YEARS THEY'VE OWNED RENTAL PROPERTY



WHAT RENTAL OWNERS DO FOR WORK



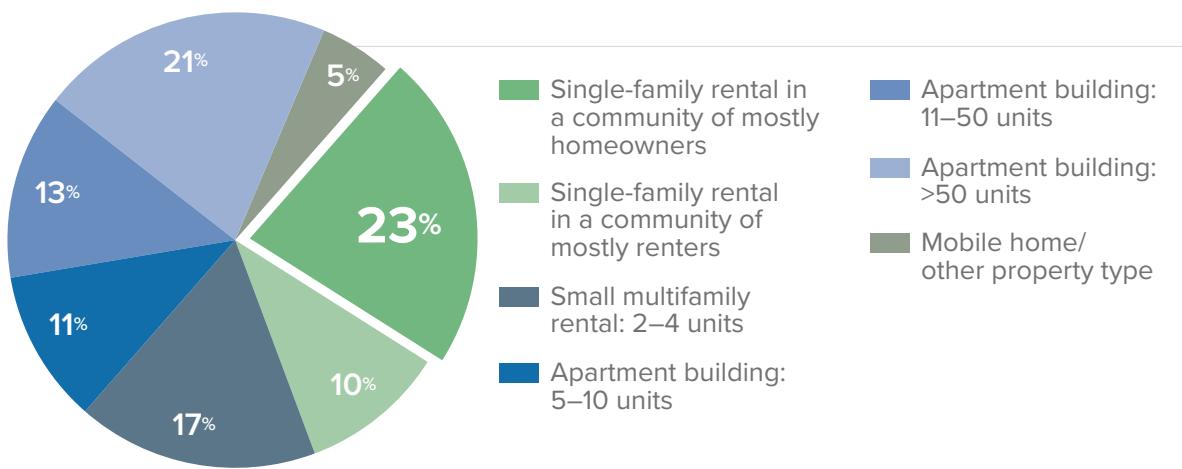
SEE SECTION 3 FOR MORE INFORMATION ON OUR RENTAL OWNER RESPONDENTS



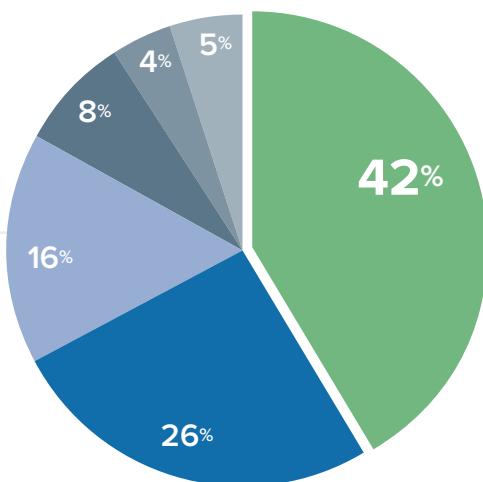
OUR RENTER RESPONDENTS

We conducted our seventh annual survey of U.S. adults who rent their homes during the second quarter of 2022, recruiting our 1,569 respondents through SurveyMonkey.

THE PROPERTY TYPES RENTERS LIVE IN



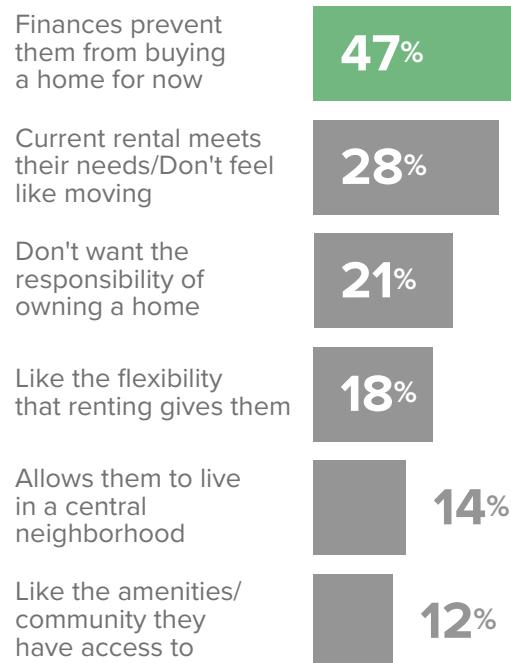
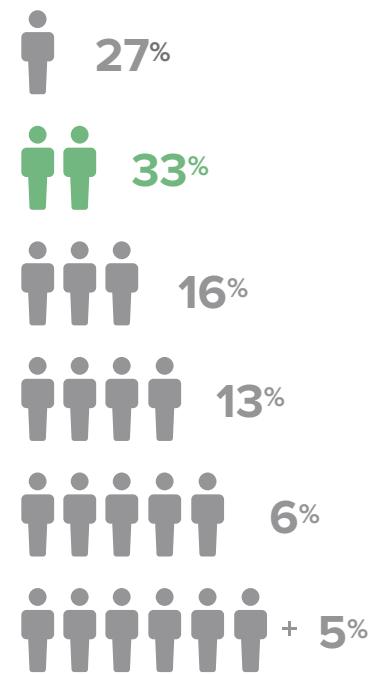
RENTERS' TENURE IN THEIR CURRENT PROPERTY



**HOW OLD OUR RESPONDENTS ARE**

Generation Z: Born in 1997 or later	11%
Millennials: Born in 1981–1996	30%
Generation X: Born in 1965–1980	32%
Baby Boomers: Born in 1946–1964	24%
Silent Generation: Born in 1945 or earlier	4%

Note: Middle-aged and older renters are more prevalent within our sample than within the population overall to allow us to collect statistically significant results for every age group.

WHY TODAY'S RESIDENTS RENT THEIR HOMES**HOW MANY PEOPLE LIVE IN RENTERS' HOUSEHOLDS**

SEE SECTION 4 FOR MORE INFORMATION ON OUR RENTER RESPONDENTS

BUILDIUM®

Buildium, a RealPage company, delivers an industry-leading, cloud-based property management platform that lets managers of residential rental and association properties take control of their business, whether in the office or fully remote. Backed by expert advice and relentless support, Buildium outfits property management businesses with intuitive software that's the perfect balance of simplicity and sophistication. Buildium services customers in more than 50 countries, totaling over 2 million residential units under management.

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Propertyware, a RealPage company, is a powerful, customizable, and open software solution designed to help single-family property management companies run their business their way. Propertyware provides unmatched customization, an open API for two-way data exchange, portfolio-level accounting and reporting, and the industry's ideal solution for multi-regional expansion and growth, allowing managers to easily monitor local operations and view holistic reporting.

For more information, visit propertyware.com | Connect with us: [in](#) [t](#)

THE NATIONAL ASSOCIATION OF RESIDENTIAL PROPERTY MANAGERS®

Established in 1988, NARPM is the only national organization focused primarily on residential property management. NARPM is committed to bringing the highest level of professionalism and ethics to the property management profession. Education is a fundamental component of the organization, with a growing number of classes and materials being developed for members. In addition to the many educational opportunities at local, state, and national conferences, NARPM has developed a core of courses that are required to earn NARPM designations. Learn more about joining the organization on their website: narpm.org/join