2022 EDITION

20for20

20 conversations with senior multifamily executives about the outlook for 2022 and beyond

Researched and compiled by
DOM BEVERIDGE

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1 EXECUTIVE SUMMARY

2021 HIGHLIGHTS + 2022 OUTLOOK

What's the Legacy of the Pandemic?

COOs mostly noted the adaptability, resilience and flexibility it revealed in their teams.

Tech leaders saw remote working and the rise of self-serve leasing as the biggest, lasting changes.

Of all technologies, Leasing Tech played a bigger role than many leaders expected in 2021.

19/20 leaders expect 2022 to be better than or the same as 2021 (and the other one still thought 2022 would be great!)

Talent management and acquisition is the biggest priority for 2022, followed by growth and tech-enabled transformation.

When asked what would be different about 2022, people issues, changing economic conditions and renter preferences dominated the answers.

About a quarter of respondents say their firms plan to get into single-family rentals in 2022.

The Outlook for Best-of-Breed vs. Bundled Tech

Most respondents anticipate that their tech stacks will include more best-of-breed solutions over the next few years than they do today.

Why?

- You have to innovate - you can't be competitive without it
- It's becoming less and less feasible that one company can be good at everything
- There are now many well-capitalized specialty providers that are driving most of the innovation

TECH SUMMARY & CONCLUSIONS

Tech Priorities

This year we divided tech into four categories and asked respondents to prioritize them

1. Leasing Tech continues to be the biggest focus of tech innovation, as operators continue to define increasingly self-serve future states

2. Data and Analytics saw unusually high activity in 2021, as work from home and the need to report new metrics made BI projects a higher priority than usual, especially for COOs

3. IoT and Connectivity continued impressive growth, with managed internet becoming a bigger priority for an increasing number of companies

4. Resident FinTech saw substantial innovation and new projects as vendors removed friction both from financial transactions and from IT sales processes

20 FOR 20 TAKES ON THIS YEAR'S FINDINGS

Staff Shortages are dominating not only operational decision-making but the choices companies are making about technology.

Leasing Tech and Data & Analytics are the clear technology priorities. CRM continued its move toward best-of-breed technology. AI leasing agents achieved the traction that we predicted two years ago, and BI initiatives received a major boost through the pandemic.

IoT and Resident FinTech were active areas for deployment, but a lower priority with our 20 interviewees, suggesting that they do not conform to the "traditional" technology decision process.

When asked how they calculate ROI on new projects, the short answer is that very few companies do. The way that technology serves an overarching strategy tends to be decisive. ESG is also becoming a factor in technology decision-making.

We asked which companies are working on changing their property staffing models. 30% are, another 30% are exploring the possibility, and 40% are not looking at it at all. Their reasons provide a clue to how the centralization of functions may play out.

2
INTRODUCTION

20 for 20 is an annual project designed to characterize multifamily executive perspectives on the current state of operations and technology.

Now in its fourth year, 20 for 20 begins with 20 executive interviews that take place at the end of the year, enabling the 20 leaders to recap the current year and make predictions about the next 12 months or so. The combination of prospective and retrospective views collected each year provides a unique guide to how things are changing in multifamily.

2.1. ABOUT 20 FOR 20: 2022 EDITION

A few things are different about this year's publication. First, the questions in the executive survey assume a pandemic that is mainly in the rear-view mirror. After a 2021 issue that focused on the impact of COVID and the change it forced on operations, this year's interviews explored which changes have stuck and which proved to be temporary.

The "Technology Deep-Dive" section has been reorganized this year to focus on four areas of technology: Leasing Tech, Data and Analytics, Resident FinTech, and IoT and Connected Communities. The result provides a better guide than previous years to the competing priorities.

As usual, the paper ends with a set of conclusions that stand out to your author as noteworthy in this year's findings. With four years of conclusions on which to draw, some evolutionary patterns have emerged. There are two examples: Leasing Tech (p. 40) and BI (p. 36), where this progression of ideas ("Four Yeas of 20 for 20 Takes") is presented in diagram form.

This Year's Sponsors

We are delighted to welcome five sponsors to this year's edition, each of which has shared a topical industry viewpoint:

- **AppFolio** provides insight into the growing number of applications of AI in multifamily.
- **Domuso** explains how communities achieve 100% paperless payments and how that changes the way that they operate.
- **LeaseLock** describes how to reduce workload and improve financial performance by replacing security deposits altogether.
- **Latch** comments on the changing context of smart building decisions as the technology becomes more widespread.
- **Anyone Home** provocatively asks, "Can we centralize leasing already?"

The articles have been curated to ensure that they are relevant to this paper, and we urge readers to connect with the vendors to discuss any of the points raised in their thought-provoking articles.

2.2. RESEARCH RATIONALE

The key to 20 for 20 is perspective: the 20 leaders are invited to express their own opinions as candidly as possible. The interviews follow a survey in which each respondent answers the same questions, imposing a structure that enables the comparison of answers. That comparison provides deep insight into strategy, operations and technology.

As usual, the objective in choosing the 20 interviewees is to have as broad a representation as possible of technology and operations leadership in the multifamily industry. Of the 20 interviewees, 10 were COOs (or the equivalent title), and 10 were the head of technology in their organization.

The 20 organizations represented this year collectively account for just under 1.5 million units. The sample includes four REITs, two third-party managers, eight owner-operators, and six companies that represent a mix of both fee-managed and owned assets. The company sizes varied from 5,000 to more than 100,000 units. In the interest of balancing continuity and fresh ideas, 11 of the companies took part in last year's interviews and nine were new to 20 for 20.

Finally, 20 for 20 is intended to develop industry insight rather than get individuals on the record. Therefore, responses are anonymous, and the direct quotes throughout this paper reference neither companies nor individuals.

SPONSOR VIEWPOINT

HOW TO MAKE RENT PAYMENT A NON-EVENT

Domuso

The last couple of years has been transformative for multifamily operations, particularly payments. First, the pandemic provided fresh impetus for properties to go paperless, as residents and operators gravitated toward contactless operations. As we emerge from the pandemic, staff shortages look set to complicate property management for the foreseeable future.

There can be few priorities as pressing as the need to simplify operations and remove workload from site teams. It makes sense for operators to redouble their efforts to make payments 100% paperless. But after years of trying, relatively few communities have achieved the elusive goal. It is worth considering some of the obstacles that still stand in the way and how technology can remove them.

Start with communication

Going paperless requires a change in resident behavior, and while the benefits are clear to most, some still hesitate. At Domuso, our direct experience working with property teams has shown us how central communication is to a successful transition. Communities should set a date from which all payments will be digital and communicate the date everywhere. Collateral, including posters, door hangers and QR codes helps to make preparations as visible as possible.

The high-profile communication reinforces the benefits of making the switch. Technology-enabled payments consistent with today's best mobile experiences are a big enough improvement to win over most residents. For those still preferring paper checks, the technology provides an easy way to deposit them through the payment app. They can also use the app to prompt payments, increasing the resident's control over the transaction.

As residents come to understand that they can pay rent any way they like, from certified ACH to debit and credit cards, digital money orders and, of course, scanned checks, they begin to notice other benefits. For example, Domuso integrated credit reporting into its digital payments platform last year, allowing multifamily residents to improve their credit standing simply by paying rent on time. Innovations like these turn payment technology into a valuable amenity that incentivizes all residents to go paperless.

When rent payment becomes a non-event

Communities achieving the holy grail of 100% paperless payments save the time and effort involved in processing rent, putting days back into the site team's month at a time when staff shortages are ubiquitous. They also make monthly rent payment a non-event, which unlocks other efficiencies.

Maintenance departments are a surprising beneficiary of payment automation, as residents no longer wait until they go to the office to report maintenance issues. This monthly ritual has historically caused spikes in work orders around the first of the month. But when rent payment ceases to be an event, residents are more inclined to report maintenance issues as they arise, flattening unnecessary spikes in work orders.

The opportunity to streamline the reporting of maintenance issues is so appealing that in 2021 Domuso added a maintenance reporting feature to its payment app. It makes it easy to report issues when they arise, integrating seamlessly into property maintenance systems and creating a win-win for residents and property teams.

Control over maintenance is another good reason for operators to move completely past the classic paradigm of paying rent. Companies taking this step are putting their residents in control by offering flexibility, optionality, and responsiveness. Shouldn't 2022 be the year your communities go paperless?

3
2021 RECAP AND 2022 OUTLOOK

Each year we begin our survey by asking operators about the year in review and end it by inviting them to speculate on the year ahead. For the last two years, COVID has been the inescapable context for our conversations.

This year we have taken the perspective of how companies are exiting pandemic conditions. We also took the opportunity to invite companies to comment on the current uptick in multifamily interest in single-family rentals.

3.1. THE LASTING LEGACY OF THE PANDEMIC

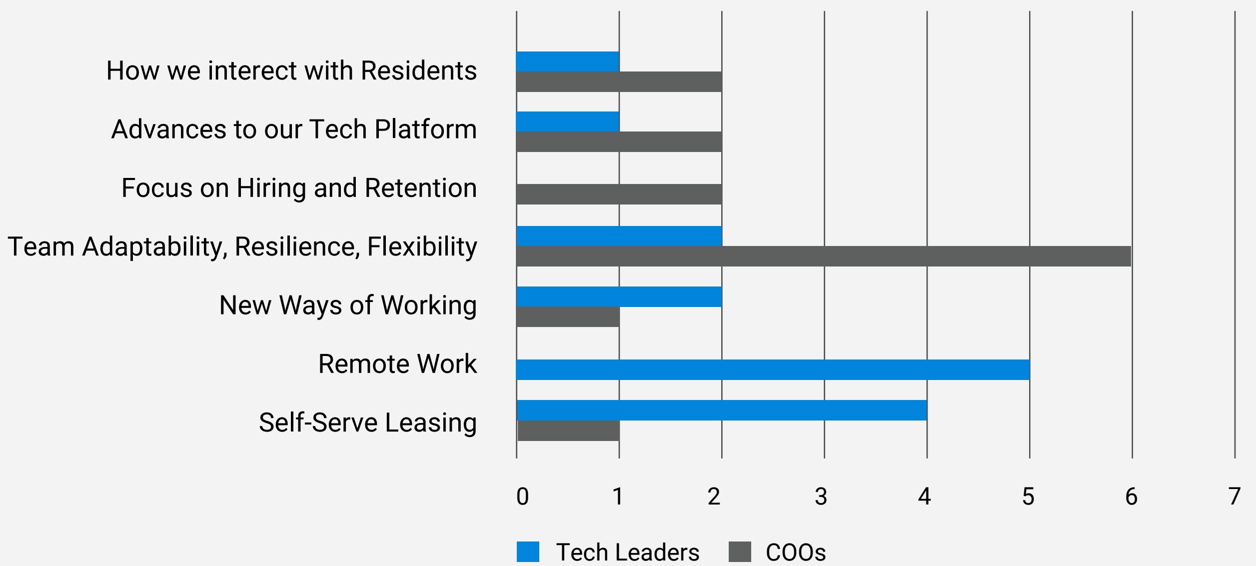
A year ago, we focused our questions on the changes that COVID had forced upon multifamily operations. This year we were more interested in which of the 2020 changes had stuck, which had changed still further, and which had gone back to normal. With this in mind, we asked "What is the lasting legacy of the pandemic on your business?" The responses are summarized in ***Figure 1*** (note: there were more than 20 responses as some leaders had more than one answer).

common themes behind each response are summarized below.

How we Interact with Residents

Some leaders spoke of the pandemic changing how they think about our renters. One observed: *"renters are using tech in so many aspects of their lives, so why shouldn't they do it with us, too?"* Another noted that the answers do not lie in replacing people with tech, as communities also need to accommodate all types of people:

Figure 1: "What Is the Legacy of the Pandemic on Your Business?"



Interestingly, and not surprisingly, the answers from COOs differed from those of the technology leaders. The COO responses skewed toward qualities that the pandemic revealed about their teams. It was usually some combination of their resilience, adaptability, and flexibility to change.

On the other hand, technology leaders identified more specific functional accomplishments, like the enablement of remote work and the advances made in self-serve leasing. Some of the more

extroverts who want to talk to leasing agents and introverts who don't.

Another described the creativity that teams had shown interacting with residents without being live in person. Outlining near-term plans to focus on customer interactions, one leader stressed the need to choose how they interact with communities.

One leader spoke of the concurrent forces of a changing prospect and resident experience and the huge uptick in performance in 2021. This highly experienced operator shared that the staggering increases in demand and attendant low vacancies had created their own execution challenges in 2021. *"Some stuff worked, some didn't, but ...primarily it accelerated changes in how we do business with residents and how we do business as a company."*

Advances to our Tech Platform

Throughout the discussions of lasting impact, acceleration of pre-pandemic trends continued to be a theme (as it was in 2021). One COO felt that the pandemic had forced their organization to address long-term challenges with their technology platform, bringing it up to industry levels, which they had previously lagged.

Another shared that it had caused a redoubling of existing efforts to improve mobile experiences: *"It had been a trend for some time, but COVID put our mobile program on steroids."* One large fee manager said that a lot of tech that had previously been on the shelf or only partially used finally was adopted. He cited contactless payments as an example that he expects to be a permanent improvement.

Focus on Hiring and Retention

While only a couple of COOs cited this as a legacy of the pandemic, the ubiquity of staff shortages is a constant theme in this year's responses and, you will notice, in this paper.

Among current reports of COVID-enforced emergencies (we conducted the research before the omicron variant reached its peak), one leader talked about the unusual breadth of the problem. Not only were properties short-staffed, so were vendors, resulting in delays to maintenance and planned renovations.

Another COO said. *"The pandemic taught us perseverance and that the business plan of putting people first is the right one. Even with extremely high growth in our portfolio, we spent a lot of time aligning comp plans, policies, etc., to make sure we were looking after our people."*

Team Adaptability, Resilience, Flexibility

For many, the main takeaway from the pandemic experience was how quickly teams and organizations could pivot. According to one long-serving COO, *"more quickly than we ever thought the industry could."*

> ***"[The pandemic] provided a fantastic opportunity to see how our team operated under stress as they dealt with the changing requirements at properties,"***

One technology leader felt that the pandemic had accelerated toward digital transformation and that the process has exposed the ingenuity of site teams. Site teams showed great flexibility, but several leaders spoke of their organizations becoming less rigid in what they were expecting their associates to do. Some characterized this as a shift in philosophy, while others spoke of a radical reconfiguration of working hours and expectations.

"It provided a fantastic opportunity to see how our team operated under stress as they dealt with the changing requirements at properties," shared one COO keen to grasp the creative destruction opportunity. One large fee manager commended his firm's frontline team for their resilience in keeping residents and their owners happy despite inces-

sant change. In these and other examples, our leaders felt that they had learned something new about their teams and their teams' capabilities.

New Ways of Working

A related point was that the pandemic has left associates with a greater willingness to explore operations and operational processes and staffing models. A year ago, we noted that *"moving fast and breaking things"* had been a feature of the fast-moving 2020 environment, and the mindset remains in several organizations.

A few operators have changed their investment theses, considering new markets for development and acquisitions to reflect the shifts in renter preferences. Some companies that are normally associated with city-center, high-rise projects turned to some garden-style suburban projects as the pandemic changed perceptions of city living.

One senior technology leader summed up the shift in the operational mindset: *"I think that the most positive thing [from the pandemic] is the adoption of virtual processes. Not just virtual business functions, but our customers' appetite for interacting with us virtually. I don't think that's going away, and it's great because it's making us more productive."*

Remote Work

There was a consensus among technology leaders that remote work has, at least to some extent, reinvented the way that companies do business. Several spoke of how it has opened up a breadth of processes and enabled conventionally property-based activities, like accounting and prospect management, to be centralized.

Some leaders spoke of the change to their hiring profiles. A company that had never hired a single accountant who did not live within commuting distance of their home office now hired accountants all over the country. Another leader characterized the change in mindset: *"We're now hiring people for who they are, not where they are."*

That remote work was a popular response to this question is not surprising. That it was only technology leaders who viewed it as a lasting legacy is curious. It may be that after 18 months of Zoom meetings, operators no longer remember the extent of the change as clearly as the technology leaders who had to deliver it. A year ago, much of the technology conversation was about a quick succession of projects to enable virtual work. But that work was mostly behind the scenes and easily overlooked by operational hindsight.

One year ago, operators focused on supporting the work-from-home environment. By the end of 2021, they had decided that they would not do so in perpetuity.

Another interesting nuance is that interviewees' opinions on remote work differed. Several operators, for example, spoke of the challenge of bringing team members back to the office. One year ago, operators focused on supporting the work-from-home environment. By the end of 2021, they had decided that they would not do so in perpetuity.

The year-over-year contrast is interesting: the stress that COVID placed on operations was a primary concern last year. By the end of 2021, operational leaders seemed more aware of the shortcomings of the WFH environment.

One COO shared a concern that a *"layer of laziness"* was setting in, making it harder to execute some basic property management functions, like proactive property inspections. Another noted the greater enthusiasm of development and acquisitions teams to return to the office, motivated by culture, peer pressure and the need to impress bosses.

The consensus among COOs was that voluntary return to the office (typically three days per week) either has transitioned or will transition to mandatory. As operators explained their decisions, a picture emerged of a delicate negotiation with team members. In-person interactions and collaboration are too beneficial to developing property management talent for work from home to be a long-term option. At the same time, associates are demanding flexibility in work arrangements. And this takes place against a backdrop of staff shortages.

One explanation of the perceptual gap between technologists and operators on this issue, then, is changing post-pandemic attitudes. Technologists may see remote work primarily as an accomplishment and an important enabler, while operators consider how to squeeze at least some of the toothpaste back into the tube.

Self-Serve Leasing

Finally, the continued rollout of the technologies that enable self-serve leasing environment was seen by several, especially technology leads, as the lasting legacy of the pandemic. One leader noted: *"The perception was that you can't close with self-show, but we've found that it's a numbers game and not that dependent on the agent."*

Another leader expressed a similar view: *"Once a prospect has all the information they need, your leasing team becomes a gatekeeper. We want to get leads into the system and allow prospects to navigate the process as autonomously as possible."*

There seemed to be a greater appetite for a technology-enabled tour, contrasting with the interviews where the low-tech approach dominated a year ago. A few companies were in the process of piloting touring technologies, although there was still no sign of a consensus on what constitutes the "right" tour technology.

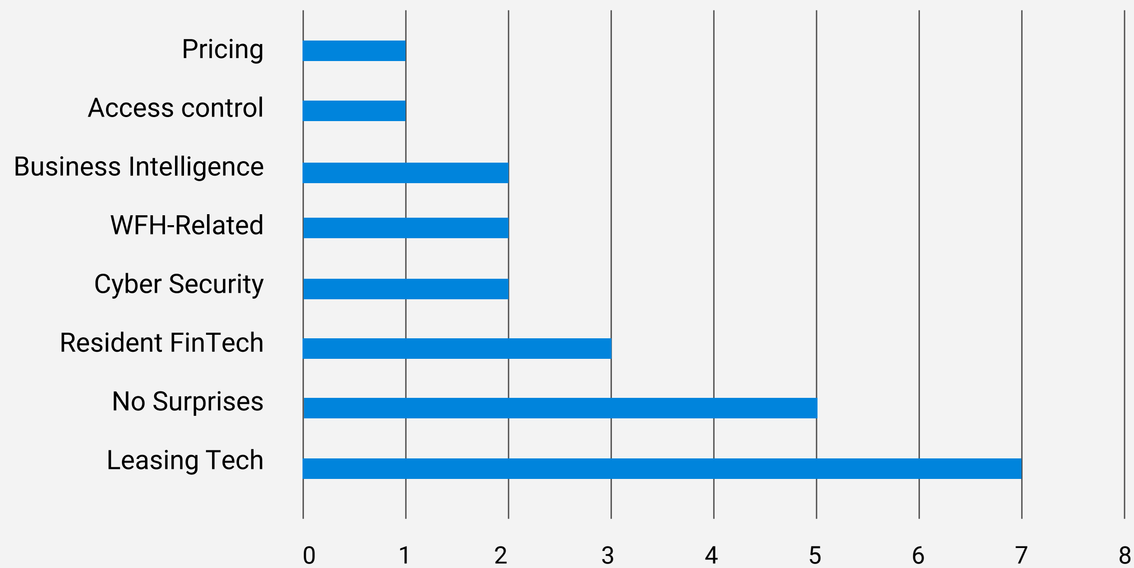
The leaders who expressed the greatest enthusiasm for self-serve leasing tended to be motivated by a shift in consumer behavior. As one leader shared: *"Self-serve feels like it's come to fruition and become an expectation. We're not there yet, but we need to offer the same level of flexibility as other companies and products that our customers buy."*

"The perception was that you can't close with self-show, but we've found that it's a numbers game and not that dependent on the agent."

3.2. 2021 TECHNOLOGY "SURPRISES"

In preparing this paper each year, the most satisfying observations tend to be the ones that people would not have predicted a year earlier. As we survey the year in retrospect, as well as predictions for the following year, we can usually tell which developments deviated from expectations. With that, and the high levels of COVID-enforced change, we asked our leaders, "Did any technologies play a bigger than expected role in 2021?" The responses are summarized in Figure 2.

Figure 2: "2021 Did Any Technologies Play a Bigger Than Expected Role in 2021?"



In a rare nod to revenue management in the 20 for 20 conversations, one COO's organization had reacted to 2021 market conditions with a fresh focus on **pricing**. A new support structure and management focus increased leverage of pricing to an extent where deals were penciling better in 2021 than previously.

One leader spoke of the rapid 2021 rollout of **access control** across their portfolio, sharing the organization's plan to leverage the capability aggressively throughout 2022.

Two leaders spoke of an acceleration in their **business intelligence** programs through 2021. The drivers were COVID-related, as people needed to lay hands on more information more quickly than before. The increased demand was a bonus for some, as engagement in corporate BI programs grew exponentially.

Consistent with the findings in the last section, a couple of leaders saw **WFH-related** communication and collaboration technologies become more central, one leader adding: *"The Microsoft suite used to be an afterthought, but now it's central to everything that we do."*

Two leaders saw **cybersecurity** grow in importance in 2021. One represented a relatively new and fast-growing company, the other a mature organization that had become aware of a growing number of risks that had led them to conduct an external report, the findings of which they implemented in 2021.

Three leaders spoke of highly successful **resident fintech** implementations during 2021, with electronic payments, flexible payments and deposit replacement successfully rolled out in short order. The need to virtualize payments had justified some projects, while flexible payment rollouts were mostly about affordability.

A quarter of respondents felt there were **no surprises**, usually sharing that big changes in 2020 had left a natural 2021 to-do list. One large fee manager said, *"We're finding that our partners no* *longer want 90 plugins, so we were more about streamlining than rolling out new things."* In a similar vein, other leaders had felt the need to stabilize and consolidate after a great deal of change in 2020.

The largest share of respondents reported spending more energy on **leasing tech**, focusing on CRM, AI leasing agents and self-guided tours, and some marketing tools. The drivers of this trend were mainly to do with the acceleration of trends that pre-dated COVID, e.g., centralization and prospect experience and will be covered extensively later in this paper.

3.3 THE 2022 OUTLOOK

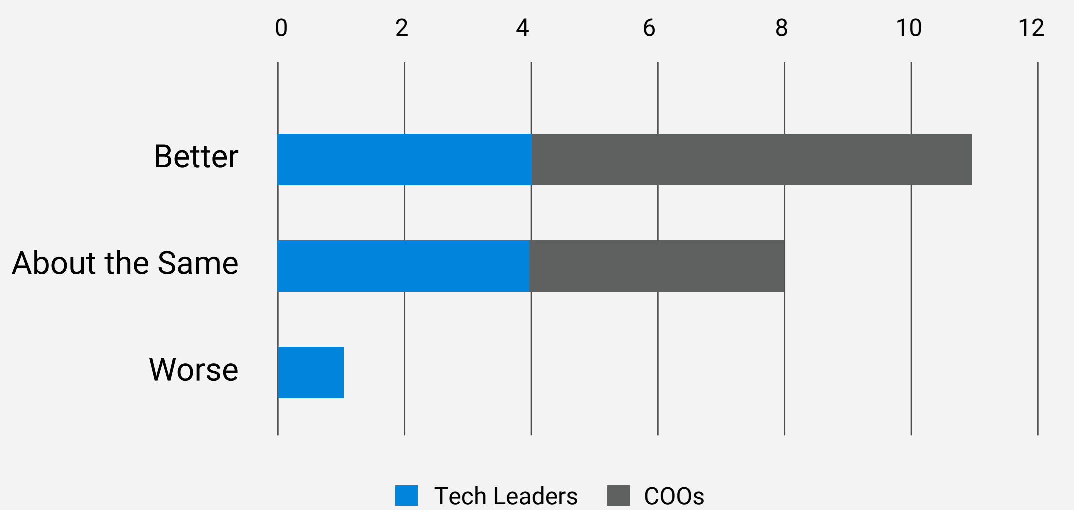
As usual in this survey, we asked interviewees whether they expect the next year (2022) to be better, about the same, or worse than the year that was coming to a close. The answers, which are summarized in Figure 3, follow a familiar pattern based on previous, pre-COVID 20 for 20 surveys. The reasons interviewees thought that 2022 would be better than 2021 fell broadly into two categories: the economy and organizational readiness. Leaders were mostly bullish about the economic climate and the general growth prospects for the industry.

At the same time, leaders thought that the lessons learned through the pandemic would stand them in good stead for the next twelve months. This experience, combined with improvements to operating infrastructure and an environment that may be less uncertain than 2021, was a source of confidence for several respondents.

Interviewees who expected 2022 to be "about the same" as last year cited 2021 growth as their reason to be cautious. Conditions had been so good that it seemed foolhardy to predict that the trend would continue without slowing at least a little. A few expressed concerns about government policy and its potential impact on 2021 performance.

The one COO who predicted that 2022 would be worse was concerned about a combination of the inevitable plateau in the heady 2021 growth and the "nightmare" scenario for recruitment and retention.

Figure 3: "Compared to 2021, I Expect 2022 to Be:"



What Will Be Different?

When asked "What will be different about 2022," the responses conformed to a few categories, which are summarized in Figure 4.

Leaders citing **economic conditions** did so because of a combination of cautious optimism about continued rent growth and some threats to performance.

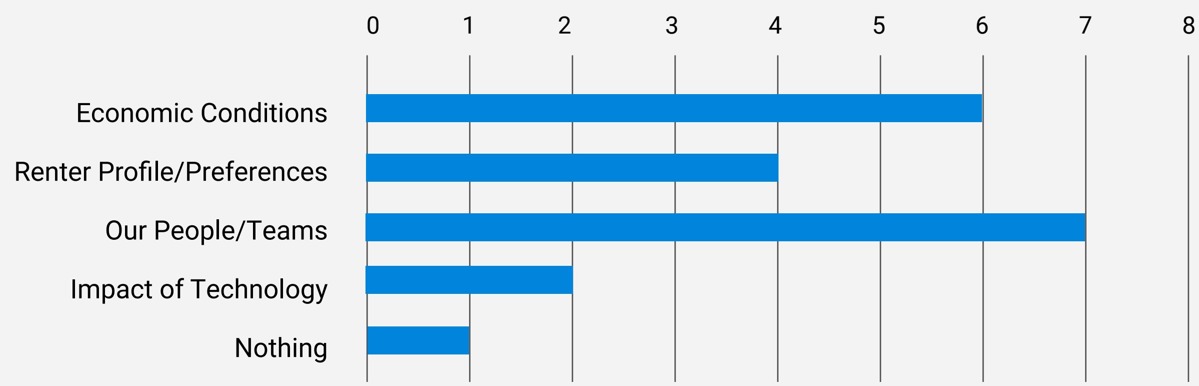
The prevailing view was that lease-over-lease growth could not possibly be as good as 2021. One operator shared: *"This December [2021], we were 15% up after being 15% up the previous year. That's 30% rent growth in two years! And we still have some renewals that are below the market, so there's still some room for growth, but not at the same pace."*

Some developers expressed similar views on leasing velocity, which had helped lease-ups in 2021. adding that demand conditions and the possible return of supply may cause growth to taper in 2022. Developers expressed concern about inflation of building costs, while several operators predicted expense management would become a big issue in operations over the next year.

Finally, several interviewees saw legislative changes impacting the business. These comments mostly related to the ending of eviction moratoria and the ever-present specter of rent control.

Renter profile and preferences were on the minds of several leaders, as work from home arrangements end for many renters. Some predict a flight back to the city as proximity to the office will become valuable again, reversing the trend of the previous two years. The broader changes in demographics continue to influence development decisions, including the uptick in interest in single-family rentals (see below).

Figure 4: "What Will Be Different in 2022?"



In addition to the broader demographic shifts, residents' work/life patterns continue to change. As one COO said: *"Not everyone is going back to the office – there will still be a lot of people in our communities during the day – and that will affect our service/experience."*

People and team considerations were the biggest difference that our leaders predicted in 2022. In addition to the ubiquitous hiring and retention challenges, leaders' comments fell into two categories: site team dynamics and a changing mindset.

Operators, in particular, spoke of a tiring couple of years for site teams, and the aspiration that conditions will generally improve in 2022. One COO shared: *"I've been hearing from peers that many are focused on the teams, removing friction, getting back to basics; rebuilding culture as we get more in-person, taking stuff off our site teams' plates."*

One leader went a step further: *"We will have new and different opportunities for our employees because tech is going to change so many things about the way that we do business."*

The mindset shift described by leaders was to do with associates' expectations about flexibility. Here, leaders' views were divergent. Some spoke of the blending of work and personal life through the pandemic and how work would return to something more like "normal" in 2022.

Others, however, believed that associates now expect flexibility and that operators have less leverage than before. One COO put it well: *"Some companies still think they can stop the freight train of employee expectations—I think the employees will ultimately win. The big issues between associates and employers will be comp and flexibility."*

Two leaders made different points on the **impact of technology in 2022.** One was bullish about reaping the rewards of the new proptech that came online in their portfolio in 2021. The other made the broader point about the seemingly endless money flowing into technology companies and the opportunity it would create. Finally, a single respondent saw nothing but incremental change on the horizon for 2022.

Single-Family Rentals 2.0

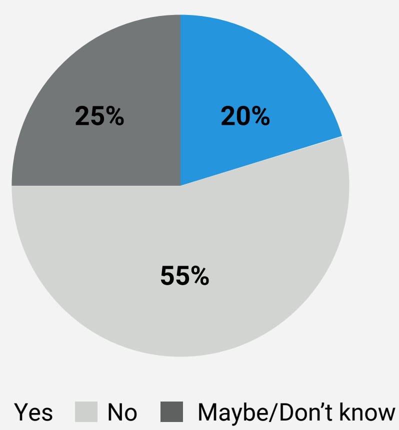
In response to the current multifamily industry vogue for single-family rentals (SFRs), we asked our 20 interviewees if 2022 would include SFRs. The results are summarized in Figure 5. While most of our 20 respondents were not planning to get involved in the SFR markets, almost half were planning or open to taking part in this segment.

Those who reported being actively involved in SFRs were working on build-to-rent (BTR) rather than the more conventional "scatter-buy" projects. Those working on BTR projects tended to see it as a natural extension of existing operations, developing communities with many of the same amenities as multifamily.

Companies who were open to the possibility without being actively engaged in SFRs saw the investor enthusiasm and the market opportunity. One leader summed it up by saying: *"We would like to – there are huge advantages to offering all the types of rental housing that your customers want."*

Of the majority who had no plans to take part in this burgeoning sector, some expressed interest in the development of SFRs in the context of their impact on the multifamily industry. One spoke of SFRs as a *"shadow market"* that could impact multifamily pricing decisions in some regions.

Figure 5: "Will 2022 Involve SFRs for Your Company?"



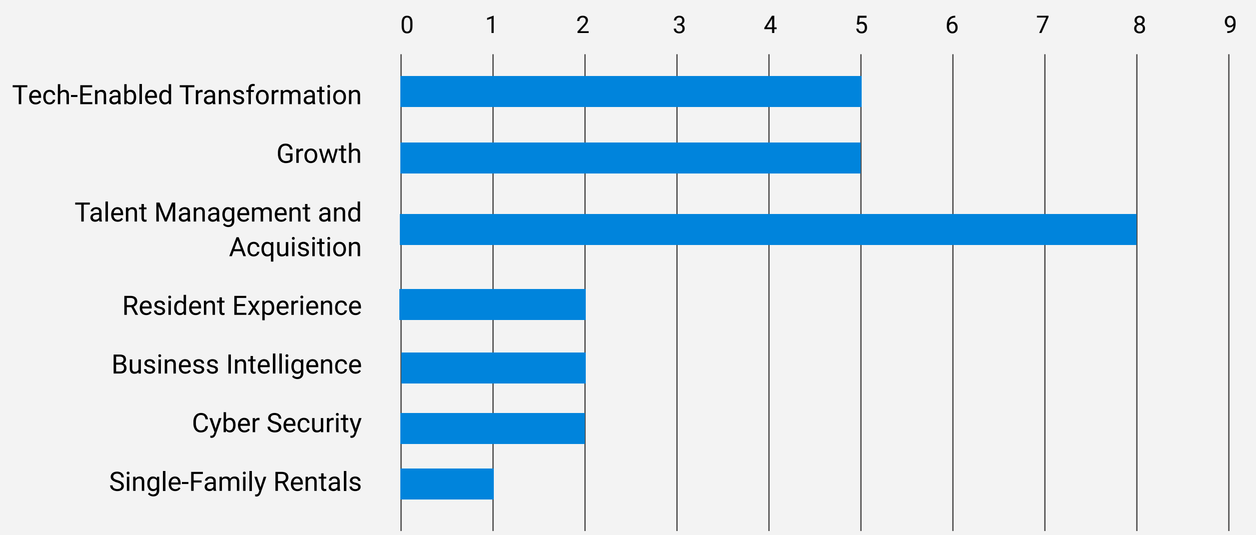
Top Priorities for 2022

As in previous years, our last question to interviewees was, "what is your top priority for next year." For the sake of brevity, their answers are categorized in Figure 6. Most categories are self-explanatory, where further color is helpful, direct quotes are included below.

Talent management and acquisition priorities included:

- *"We will scale our culture in an environment to support our growth...we've achieved a lot through mentoring and a brand ambassador program, it will be critical in the current staffing environment."*

Figure 6: Top Priorities for 2022



Tech-enabled transformation priorities included:

- *"Leasing Automation" and "Removing friction from our leasing process"*
- *"Driving efficiencies in the operation, which we think is mostly to do with better use of data and analytics that will identify opportunities for us to update our operating model."*
- *"We are working on a concept community and need to reach a decision on which technologies will be playing a significant role in our future."*
- *"A complete root and branch review of how we do business and how technology enables our operations."*

- *"We're bringing in some important senior hires to support our growth...we're educating ourselves on how to scale without losing our culture and how to be the largest small company in the business."*
- *"Our technology needs to remove friction: it's too hard to find people at the moment, so we have to make things as easy as possible."*
- *"Talent management continues to be the priority: we will be focusing on a major human capital management project to help in this area."*
- *"Keeping my team happy and in place. They've put up with a lot of stuff over the last year and a half, so not being affected by the big resignation is top of my list."*

SPONSOR VIEWPOINT

HOW TO REPLACE DEPOSITS. FOR GOOD.

LeaseLock

It seems that we are operating in a time of unprecedented innovation in the arena of resident financial services. An impressive tide of innovation is improving resident experiences, increasing affordability and streamlining financial transactions. And the streamlining part is more important than ever, as staff shortages continue to heap stress on property teams.

With hiring conditions so challenging, the problems that most operators are trying to solve are the ones that reduce site team workload. Even when operators identify potential financial opportunities, few will consider exploiting them if they entail additional work.

The good news is that there is a win-win to be had. A growing segment of the multifamily industry has taken a step that creates more affordable move-ins for residents while boosting financial performance for properties. Companies that completely remove security deposits from their communities can reduce administrative overhead with no additional effort from site teams. It may seem too good to be true until we consider the impact security deposits have had on our industry since time immemorial.

Three Reasons Why Deposits Must Go

First, deposits account for most of a community's bad debt—even in properties that don't have a bad debt problem. Screening helps properties to mitigate credit risk, but even the strictest credit checks cannot cover lost rent and damage when a resident moves out. Companies collect deposits for this reason, but when a resident leaves with unpaid rent or damage amounting to a dollar value higher than the security deposit, the balance is bad debt.

Second, deposits are becoming increasingly risky and burdensome as more and more legislations apply renter-friendly deposit laws. As one client shared: *"We were getting lawsuits every week over a few hundred dollars."* In states where "Renter's Choice" laws stipulate that operators must offer an alternative to a security product, many operators reach for "deposit alternative" products. But few realize that those products are surety bonds, meaning that the bond provider retains the right to collect on payments from the former resident.

Finally, deposits negatively impact customer experience, both on move-in and move-out. They place a financial hurdle in the leasing process, creating sticker shock in markets where competitors no longer require deposits. And on move-out, nothing guarantees negative online reviews quite like a dispute over a security deposit.

Replacement > Alternative

The trick is to think about the problem the *right way*. To cut bad debt, minimize risk and workload, and improve customer experience, operators have to seek a complete replacement for deposits, not simply a deposit alternative.

Security deposits are designed as a crude form of insurance against property damage and rent loss. In 2022, we should be solving insurance problems with insurance solutions. That means operators purchasing the level of coverage that they need at a competitive price. They can recoup the cost of the insurance by offering residents a monthly deposit waiver charge.

When offered the choice between a monthly waiver fee or a security deposit, few prospects opt to pay the deposit. With the vast majority of leases insured, deposits become, at worst, a marginal feature of property management. And in an environment where property operations are likely to be stressed for the foreseeable future, deposits are one problem that the industry needs to get off its desk for good.

4

TECHNOLOGY DEEP-DIVE

This year's survey included some new questions intended to provide context to the technology section of this paper. In response to reader feedback on the 2021 edition, we invited respondents to speculate on the future development of their technology "stack." In particular, we wanted to know whether it would include more technology purchased from their property management system vendor, or more best-of-breed technology.

Next, we took the opportunity to gather some data on an important industry focus area: property staffing models. The future of the 1:100 ratio (the multifamily convention of having roughly one property management associate per 100 units) has received coverage in previous editions of 20 for 20. This year we were keen to understand if staff shortages and improving technology are compelling more companies to change how they deliver property management services.

Finally, to understand the breadth of activity in a growing technology market, we divided functional capabilities into four broad categories. Respondents prioritized the focus areas and provided insights into their activities in each.

4.1. THE FUTURE OF THE TECH STACK

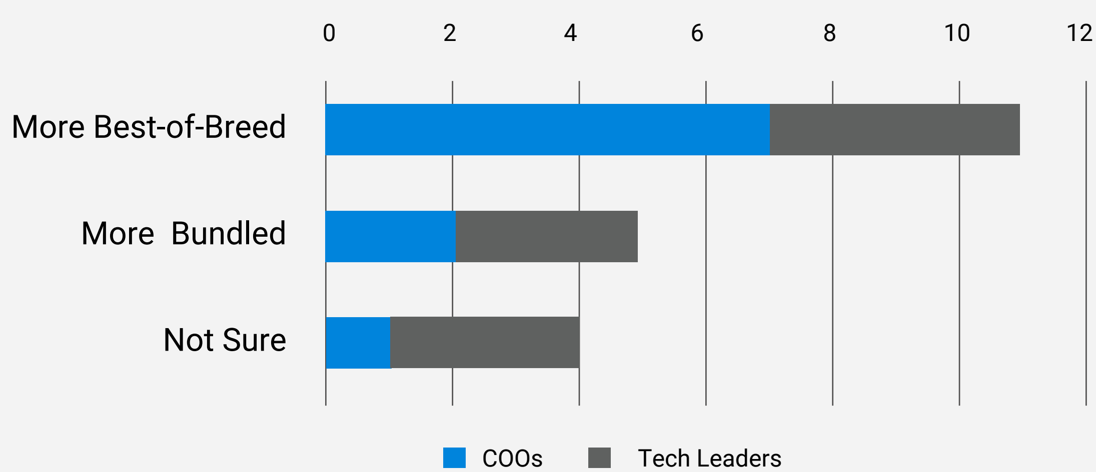
The responses to the question: "Over the next few years do you expect your tech stack to include more bundled PMS vendors software or more from best-of-breed vendors" are summarized in Figure 7. A couple of things jump out: first, more than half of respondents anticipate more best-of-breed. Second, the view seems more prevalent among operators than technologists.

Last year's paper noted several high-profile companies that were in the process of moving away from legacy CRM platforms. It seemed that the biggest technology providers could not act quickly enough to meet some rapidly changing business needs. The appetite among COOs for more best-of-breed solutions appears consistent with last year's finding.

Those leaders predicting **more best-of-breed** gave three main reasons for their answers:

1. Innovation is an essential facet of property management—operators cannot be competitive without it.
2. It is becoming increasingly unrealistic to expect all technology innovations to come from a single vendor, especially when the vendor is very large and unable to respond quickly to changes in the market.
3. The inflow of capital into multifamily technology means that there is now a selection of well-capitalized specialist vendors, and they are driving most of the technological innovation.

Figure 7: "Over The Next Few Years Our Tech Stack Will Be More: "



CRM still appears to be central to most respondents' thinking, with centralization of leasing and the desire to cross-sell properties the business drivers leading operators to look beyond their legacy platform vendors. To point 3 above, it should be noted that several respondents are, themselves, technology investors, either directly or through industry VC funds.

Those who saw their tech stack becoming **more bundled** mostly spoke of their desire to avoid the complexity of supporting multiple systems. Interestingly, all but one of the leaders selecting this answer were large (over 60k units) fee managers. While many of their partners choose to implement best-of-breed solutions, the overall preference is to avoid an unnecessarily complex vendor and integration environment.

The leaders who were **not sure** how their stacks would develop were generally uncertain about two things: the rate at which their vendors would create or acquire capabilities or their appetite to offer open APIs.

4.2 PROPERTY STAFFING MODELS

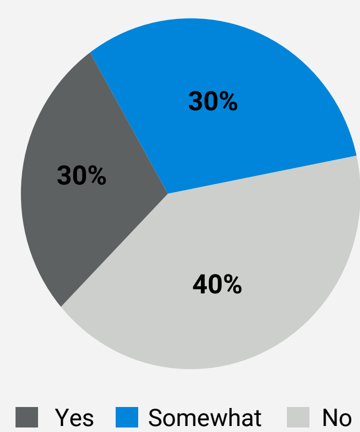
When we asked interviewees if their organizations were actively working on changing their property staffing model, the largest share (40% – see Figure 8) said no. The reasons that they gave were either pragmatic or ideological. Three of the eight "no" votes were suspicious of headcount reduction as a goal, feeling that properties seldom succeed in delivering service in the long run with fewer people.

Others saw roadblocks, like not having enough properties in the same markets, or not having made enough progress on analytics to have adequate control over a centralized operating environment. One expressed the refreshingly candid view that removing headcount from a budget is risky, as it's much harder to add the resource back in if the new arrangement doesn't work out.

The six companies in the process of changing their models represented a variety of approaches. Half were centralizing sales operations through a combination of self-guided tours, AI leasing agents and access control technology (a trend we first identified in our 2020 edition). Most were at some stage of centralizing back-office functions, intending ultimately to rethink the assistant property manager role.

When asked what was driving the change, the answers were similarly varied. Some felt that it would give them a competitive edge in winning more business in markets where they could offer a centralized staffing model. Most viewed the combination of greater efficiency and improved customer experience as the levers that would ultimately improve NOI. One large operator added that COVID had taught them that they no longer need the same staffing models they always had.

Figure 8: "Are You Working on Changing Your Staffing Model?"



The companies that were open to changing their model but not actively doing so were mainly considering centralizing some specific types of work. Some were exploring centralized back-office functions, while others were exploring technology that could help regionalize maintenance. One operator was keen to parlay some of its single-family processes into its multifamily properties. Several cited staff shortages as a driver for further exploration in 2022.

While confidentiality precludes sharing information about individual companies' plans, there is a striking pattern to the three groups of respondents above. Nearly all companies that answered "yes" both own and operate large portfolios. The majority of those responding "no" were smaller portfolios and nearly all owner-operators.

Those responding neither yes nor no were predominantly fee managers. It appears that company structure and portfolio are the biggest drivers of centralization: an important observation to which we will return in the conclusions section.

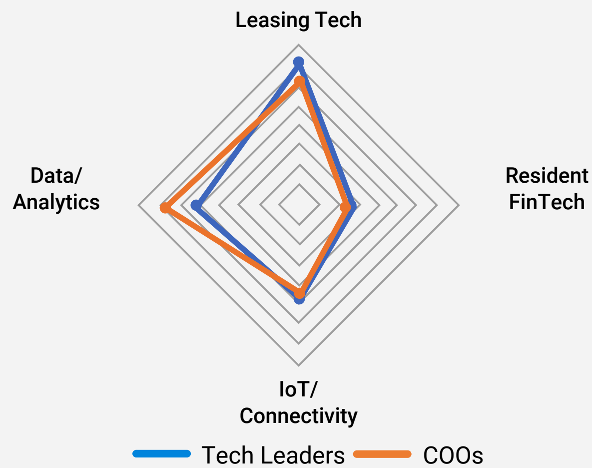
4.3 CATEGORIES AND PRIORITIES

This year's survey segmented technology into the following four groups:

- Leasing Tech describes any technology designed to support the prospect journey from lead to lease
- Resident FinTech includes all financial services products offered to residents by or on behalf of their landlord
- IoT & Connectivity describes smart building technology and property internet
- Data & Analytics covers BI, revenue management, and any other data or decision-support resources

During the 20 conversations, each of our leaders ranked the technology groups according to where they fall in their priorities. Figure 9 summarizes the responses.

Figure 9: Ranking of Major Technologies in Order of Priority



A few things stand out from this summary. Resident FinTech attracted a low priority from this set of 20 COOs and technology leaders, despite seeing unprecedented innovation and many new vendors. The fast-growing IoT and connectivity sector scored higher. However, it was still not as high as one might expect, given the scale of the investment and the transformational potential of the technology.

Data and analytics were the top priority for COOs, and Leasing Tech was the highest priority overall. That these two technologies should rank so highly is consistent with the broader best-of-breed narrative. The desire for new CRM capabilities is noted in Section 4.1 above, and as we will see in the next sub-section, it is only part of the story.

Of data and analytics, we have noted in each edition of 20 for 20 that the industry's BI needs have been met with limited solutions, frequently leading companies to build their own platforms from scratch. One other interesting note about data and analytics in Figure 9 is that it was the area where priorities were the least well-aligned between technology and IT. This is potentially encouraging, as business leadership is so often the missing ingredient in successful BI projects.

The remainder of this section summarizes 2021 activities and 2022 plans for the four technology areas listed above. Leaders were invited to share thoughts on the ROI that justified their investments for each technology. We were interested in learning how companies decide how many dollars to spend on a given technology. The responses are included in the following subsections.

4.4 LEASING TECH

In previous editions of this paper, the questions were about specific processes and technologies (CRM, self-show, AI, etc.) The findings from last year's report and the preliminary research for this year's paper suggested such a variety of priorities and approaches to leasing that we approached the topic more holistically this year.

We found that nearly all of the leaders interviewed were at some stage of a major implementation of some combination of CRM, AI, or technology supporting self-guided tours.

> **When discussing the ROI goals of leasing tech projects, it became clear that few are signed off based on financial targets.**

Another Busy Year for CRM

The decisions by some large operators to move away from their legacy CRM applications was one of the big stories a year ago in these pages. Of the 20 interviews for this edition, five had either implemented, were implementing, or had consolidated properties onto a best-of-breed CRM platform. In each case, the leader saw the CRM as central to a new way of doing business.

Two of the leaders consolidating on best-of-breed CRM had also implemented their integrated touring apps to extend the reach of CRM processes. The other three cited a combination of adaptability to changing customer behavior, support for a more centralized model, and the desire for better integration of new technology.

None of the CRM projects had a specific financial goal. More broadly, when discussing the ROI goals of leasing tech projects, it became clear that few are signed off based on financial targets. Many serve more general ROI principles, examples of which include:

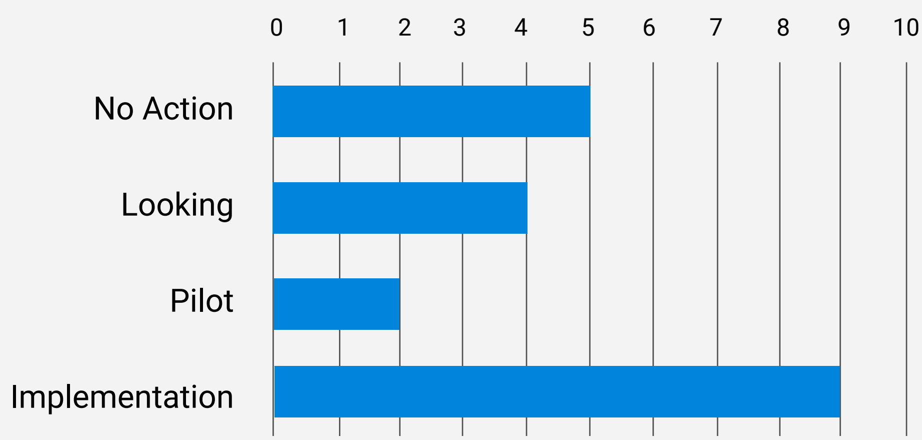
- *"Our objective is to push communications to the highest-converting channel. Conversion is the goal, which leads to lower marketing costs."*
- *"We want to reduce site teams' exposure to out-of-hours or weekend service. We prefer to have fewer team members in the building at those times as it makes for a better work experience."*
- *"We are aiming to lower marketing spend while also facilitating an increasingly virtual leasing experience."*
- *"We have found that the more autonomous leasing becomes, the higher our customer satisfaction stats go."*
- *"Our minimum threshold is 'Better experience with the same headcount.' Headcount reduction is a secondary benefit."*
- *"We are looking to our leasing tech to help mitigate staff shortages. Also, in smaller properties, we close the leasing offices and support with more centralization and virtualization."*

The Rise and Rise of Leasing AI

Two years ago, 20 for 20 predicted that AI leasing agents would experience rapid adoption across the multifamily industry. A year later, we observed that while there was evidence of adoption, the wave that we had anticipated did not quite materialize in 2020. This year, there is evidence that the rapid adoption phase is upon us.

Figure 10 summarizes the state of adoption of AI leasing agents among the 20 respondents. Almost half of the respondents were either implementing or had fully implemented an AI agent across their portfolio. Others were at some stage of exploration, either looking at vendors or piloting, with only five out of 20 doing nothing in this area.

Figure 10: AI Leasing Adoption Snapshot 2021/22



This (2021/2) is the first year we have observed activity at this level. What is also striking is the speed at which companies appear to go from exploration to full implementation. One technology leader summarized a common story: *"We pushed out AI to our entire portfolio. We are normally a slow adopter, but we got it out there in four months. That was huge for us and a big win. It's enabled us to handle more calls and be far more responsive. It's opt-in (on switching to text), but most people take that option."*

One COO provided this insight into the impact that AI was having on their business: *"Our in-person shops have historically been excellent, but our call-answering has been poor. Since implementing AI, it feels like you can now be good at both...It has removed trade-off between rushing to finish a good prospect call to pick up a ringing phone."*

Individual responses also give a sense of the way the technology progresses with users. Companies that began with only text messaging are working on integrating, e.g., email into the AI's scope. Companies that had rolled out the technology a year or more ago are adding customer journeytypes. Some are exploring the extent to which the technology can reduce the need for call centers: an attractive proposition at a time of staff shortages.

Multiple technology leaders who were openly skeptical about the state of the technology a year ago now speak enthusiastically about their more recent experiences with AI.

That said, a quarter of the respondents still had no plans to pilot or implement an AI agent. Some

SPONSOR VIEWPOINT

THE RISE OF AI AS A MULTIFAMILY TEAM MEMBER

AppFolio Property Manager

appfolio Property Manager

The pandemic has changed many aspects of property management as operators scrambled to redefine operations. It taught companies different ways of doing business and different ways to engage with their prospects and residents as renter behavior and preferences changed.

As operations were absorbing this unprecedented change, the nature of the workforce was also changing. Last fall, NAA published the "Rental Housing Industry Challenges Survey," sponsored by AppFolio. In the report, 74% of respondents selected HR, Staffing and Recruitment as one of their top three challenges, with 50% noting it as their primary challenge.

Staff shortages are now a consistent factor in operational decision-making, with staff retention emerging as a top priority. Forward-thinking operators are working to improve the associate experience, with a focus on finding less labor-intensive ways to deliver business functions. During this period of almost two years, we have seen an increasing number of operators turn to AI to streamline operations and reduce workload. In this article, we consider three different examples.

Leasing and Marketing

Before the pandemic started, properties had always struggled to stay on top of inbound inquiries, as busy leasing teams juggled touring and unpredictable call volumes. For some years now, companies have been looking to AI leasing agents to add capacity and consistency to call handling while improving customer experience.

The reduction in property workload is obvious and welcome, but operators using AppFolio's leasing agent (Lisa) have noticed additional business improvements. The digital agent that handles the calls automatically creates guest cards and attributes source information, vastly improving the operator's insight into leasing.

Marketing teams save time while making better decisions with the improved data. It becomes easy to establish, for example, whether a property has a "leads" or "conversions" problem and, if needed, identify the most productive channels to stimulate for additional leads.

Maintenance

Operators know how critical maintenance is to resident satisfaction. Still, the delivery of maintenance services is highly sensitive to staff availability and experience. When a resident logs a request, site teams must take the call and allocate the work to the right technician. Because some issues are more urgent than others, prioritization is also critical.

It's a set of problems that lends itself to AI. A digital agent can handle maintenance calls in the same way that a digital leasing agent does, increasing up-time and handling many calls simultaneously, improving service delivery, especially at peak times. The algorithm can learn the intricate details of each property, as well as the resources available to perform maintenance. Finally, the AI identifies the optimum prioritization of activities, maximizing impact and avoiding costly mistakes.

Accounting Functions

Bill entry is another area where operators are improving outcomes while reducing effort. The accuracy of invoice data in accounting systems is critical but is hard to achieve through manual data-entry processes. Operators are solving the problem with AI that enables bulk invoice upload and auto-populates critical details automatically.

What is common to each of the examples is that the AI is not simply saving time (although that is a hugely desirable outcome at the moment); it improves consistency and results. The tasks that AI addresses tend to be repetitive, contributing relatively little to job satisfaction and attracting human error.

We do not know the universe of applications for this technology, but with each incremental step, we open up new and ever-more exciting ways to change how we do business. It's like an additional team member that handles mundane tasks exceptionally well, creates a wealth of insight, and—critically—allows the humans on your team to focus on what they do best.

were skeptical about the state of the technology, usually having witnessed the AI being "stumped" during a demo or testing a competitor property.

A few remain unconvinced by the hand-off between AI and humans and hence the desirability of a fully-integrated CRM solution that includes AI. One large fee manager spoke of an *"all-or-nothing"* dynamic with AI: it either becomes part of the operator's branded experience or doesn't. Since not all of their partners want it, they felt unable to move.

> ***"The potential for efficiencies was an outcome of the [AI leasing] project, not an objective. It was more that we knew we were missing too many calls."***

The ROI Drivers of AI Projects

The discussion of ROI revealed several drivers. A single company had justified the expense of the project based on a target saving: in that case, a reduction of leasing center headcount. The following quotes summarize the drivers for the other adopters:

- *"The main driver was making our model more effective: i.e., optimizing the staff to deliver the service without wasting resources."*
- *"We have some clients that are looking at it from a cost-saving perspective. We're mostly looking at it as a way to handle the first 50% of the sales process, which represents the majority of the call volume. We still think you need people to close the high-probability leads, and we want to focus their time on that."*
- *"The potential for efficiencies was an outcome of the project, not an objective. It was more that we knew we were missing too many calls."*
- *"We're trying to increase NOI by enhancing the customer experience. Removing staff is, at best, a secondary benefit."*
- *"Our lift and conversion are much higher through AI lead management – our people are far more inconsistent."*
- *"We may have 600 concurrent conversations going on at any time, so there's no way we could staff for that. It removes the burden from our staff, enables us to do more and improves customer experience."*

The Curious Development of Self-Guided Tours

Everybody knows what happened in 2020: COVID-enforced lockdowns meant that operators had to figure out self-show in short order. It was a process that was already gaining ground with operators in 2019, with tour technologies gaining some traction in the market. But, when forced to roll out self-show everywhere, operators chose the low-tech option.

A year ago, we noted that several operators had reported that once lockdowns were relaxed and agent-guided tours became an option again, prospects chose accompanied tours. We wondered if this was a temporary reaction to an extended lockdown period; it is unusual for consumers to abandon self-serve options in favor of speaking to a salesperson.

This year, there was a consensus that prospects opt overwhelmingly for the agent-guided option when offered self-guided or agent-guided tours as alternatives. In many cases, the proportion of agent-guided tours is as high as before the pandemic.

An interesting development since last year is the number of companies piloting technology to enable tours. Eleven of the 20 participants are either piloting or planning to pilot at least one technology. A year ago, we noted how few operators seemed to be reaching for technology to solve self-show.

Although there is more interest in technology, most of the plans shared by the 11 operators were for initial tests rather than implementations. There is no doubt that self-show is a critical capability for multifamily operators; but, at this point, there is little consensus on how much and what kind of technology we need to support them.

4.5 RESIDENT FINTECH

Last year, 2021, was one of continued growth, innovation, and funding rounds for the Resident FinTech sector. In this category—which is featured for the first time this year in 20 for 20—we include all payment-related products and services, deposit alternatives and insurtech.

The responses from our 20 leaders are quite different from the other technologies. Eleven of 20 companies rolled out at least one of flexible payments, deposit replacement (lease insurance, rather than deposit alternatives), or a new credit card and loyalty program designed specifically for rent payment.

The feedback on all solutions and implementations was highly positive. Operators felt that the new capabilities made them more competitive and usually provided a win-win. Allowing residents to pay rent by credit card and collect loyalty points on their largest monthly expense, for example, is attractive to the resident while simplifying payments for the operator. One adopter shared, *"Our payments have been 95% electronic for years, so we know the hold-outs are the people who don't trust the other forms of electronic payment...we have been waiting for this for years."*

Deposit replacements and flexible payments were popular with interviewees as they lower barriers to renting at their properties and increase affordability. Removing deposits takes a hurdle out of the leasing process while increasing coverage. One leader shared that they had improved turn costs through their deposit replacement program.

Flexible payments were a win-win for several respondents, ensuring predictable rent payments to operators while accommodating the resident's payment schedule. Flexibility was particularly welcome through the pandemic, as one leader shared: *"We had offered a lot of internal solutions to help people through payments during the pandemic. Rolling out flexible payments for us was a way to keep that going."*

In describing future plans, most leaders shared something to the effect that they would continue to look at any product that removes friction from their leasing process, improves affordability or customer experience. The perspective was far more opportunistic than, say, for leasing technology.

There is no doubt that self-show is a critical capability for multifamily operators; but, at this point, there is little consensus on how much and what kind of technology we need to support them.

Operators seem to perceive the technologies described above as relatively frictionless, which may also explain why they attract a relatively low priority score in Section 4.3: the decision to acquire them is straightforward and often quick. The nature of the decision may also be changing how decisions are being made, as we will discuss in the Conclusions section.

4.6 IOT AND CONNECTED COMMUNITIES

In this year's survey, we wanted to understand more about the investment decisions driving smart building technology adoption. For this reason, "IoT and Connected Communities" was the focus, as an increasing number of operators and vendors appear to be viewing the two areas more holistically than in previous years.

IoT Adoption Continues to Accelerate

Proptech follows a different adoption pattern from other technologies, as it involves installing physical equipment in properties. An investment in smart building packages, for example, may make sense in one community but not in another in the same portfolio. In this way, it differs substantially from most other technologies described in this section, which operators usually purchase on behalf of all properties.

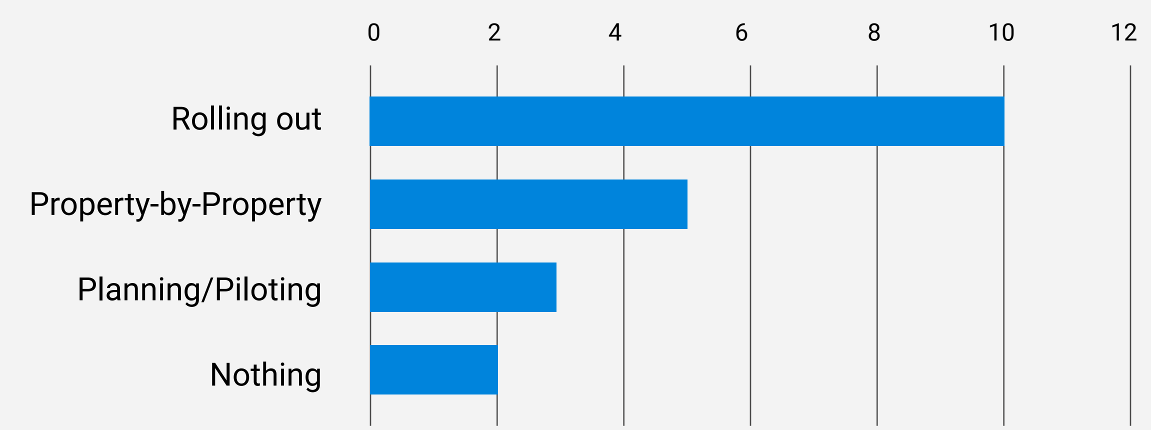
The same characteristic also makes it difficult to categorize the responses to questions about the state of IoT technology. Figure 11 represents the "best fit" summary of the 20 interviewees' smart building adoption plans. "Rolling out" means that the company is committed to a broad rollout across its portfolio. Companies taking a "Property-by-property" stance are those planning to implement based on individual project underwriting or requests from partners, but with no plans for a broader rollout. The other two categories are self-explanatory.

Large-Scale Rollout of Smart Building Tech

Of the companies rolling out, some had chosen one smart building vendor, but most had chosen a two-vendor strategy. The two-vendor strategy was partly to avoid risk exposure and increase leverage, but also because of differences in the underlying technology. There are individual technicalities with some retrofits where one solution may be more suitable than the other.

Rollouts generally followed successful pilots. For some companies, the scope capital allocation and the schedule for replacing locks guide the scope and timeline. One large operator heavily paused smart building projects in 2020 (due to COVID) and picked the program back up aggressively in 2021, again, with a purposefully-selected two-vendor strategy.

Figure 11: Smart Building Adoption Snapshot - 2021/22



SPONSOR VIEWPOINT

THE CHANGING CONTEXT OF SMART BUILDING INVESTMENTS

Latch

We are now several years into the adoption cycle of IoT technologies in multifamily. Nowadays, companies planning implementations usually do so with a firm idea of the benefits that they expect to experience from the new capabilities.

Many underwrite projects on the basis of increased revenue. There is plenty of evidence to suggest that residents will pay extra for the convenience of technology-enabled access control, and a tech-enabled tour can make a community more competitive. But in today's market climate, where staff shortages are a factor in most operational decisions, the emphasis may be shifting.

Operational Improvement in Existing Properties

Properties are operating under the stress of ubiquitous staff shortages. At the same time, a confluence of technologies offers the real possibility of changing staffing models (e.g., centralizing leasing or maintenance functions). Some operators are motivated by changing their staffing models, while others focus on taking work off existing team members' plates. Of course, either can be the right thing to do, depending on context.

For companies still using keys or legacy access control, every move-in and move-out costs time and usually money. Every day, associates make unnecessary trips to and from units to open doors and collect keys. Lockout situations, guest access and package handling all cost time and money for properties still managing access the old-fashioned way.

Smart access control removes these inefficiencies, which in turn can justify the investment in the technology. It also raises an important point about how operators select properties for IoT upgrades, as many currently prioritize new development projects over existing ones.

It is certainly easier to plan implementation in buildings that do not yet have walls. But when companies think about the decision in the context of operational improvement, the priorities change. In stable assets, workload reductions can impact operations today, offering an immediate efficiency gain and the potential for bigger improvements.

A Spectrum of Efficiencies

While the efficiency gains described above put more hours back into site teams' weeks, technologies like access control enable operators to make more radical changes to their operating models. When an operator has numerous properties in the same market, remote control of building and unit access can facilitate the pooling of maintenance and leasing team members between sister properties in the same submarket.

Keyless entry enables the increasingly popular self-service leasing model, the adoption of which provides operators with the opportunity to centralize some of their leasing functions. While access is only one of the steps in creating a different staffing model, it is arguably the most foundational.

The financial benefits of changing site team structure are obvious, particularly at a time when operators cannot be quite as confident of staffing a conventional property management model. Technologies like access control enable operators to focus associates' time on high-value activities. Leasing associates, for example, can focus on closing rather than touring, which improves their job and, ultimately, their career progression.

We have found that as the market for IoT technology matures, operators have a clearer vision of how it improves their businesses. As the technology becomes more widespread, a larger share of existing properties will need to retrofit the technology to remain competitive with new inventory. We expect the appetite for technology-driven operational improvements to keep growing for the foreseeable future.

Another large company that had spent much of 2021 in planning mode ahead of a large-scale rollout in 2022 expressed concern about supply chains and whether or not it would be difficult for vendors to support multiple rollouts in 2022. When asked about the ROI that justified the implementations, most operators either said they were charging residents for the technology or experiencing a rent bump. Most had justified the technology on that basis, with only one having justified the cost based on changing their operating model to achieve staffing efficiencies.

Through these conversations, it continues to be clear that operators pick a rationale (usually rent growth) to justify the investment, but have multiple other sources of benefit in mind that motivated them to do the project in the first place. One leader shared: "It's giving us incredible efficiencies on the self-serve, self-tour, and the maintenance and vendor side. Self-serve is a broader customer experience objective, so the technology makes a huge contribution." What is striking in the responses is the prevalence of ESG as a driver of smart building initiatives. Several leaders shared that ESG is increasingly a requirement from investors, and it also seems to be something that several of the participants in this survey want to have as part of their cultures. Smart building projects appear to be a source of progress against that objective.

The Rest

The reasons for companies to go property-by-property are mostly obvious. Some companies' plans extend only as far as the capital plan for its new builds or renovation projects. Fee managers, or portfolios with multiple financial stakeholders, may also wait for their owners to request it.

Companies still at the stage of planning or piloting may simply not have found the right vendor, or in some cases, may have picked a vendor only to

> **The decreasing relevance of cable operators, the increase in internet devices and users, and the growing expectations of residents have created a need for a managed service.**

find that they subsequently became inviable. One fee manager shared that they had spent the last couple of years standardizing their stack, so they wanted to establish a technology standard for IoT before starting any projects.

The companies electing not to advance an IoT initiative gave a few reasons for hesitancy. One technology leader felt that getting IoT devices off the shelf is easy and does not necessitate a corporate initiative.

One workforce housing specialist felt that the evidence that their residents wanted it was not yet compelling enough. Historically high 2021 lease-over-lease rent increases also brought into question whether the smart building technology could have moved the needle on revenue any further.

Managed Internet Is Also Top of Mind

From these 20 conversations, it is also clear that a growing number of multifamily companies want managed internet services in their buildings. A combination of the decreasing relevance of cable operators, the increase in internet devices and users (including IoT devices), and the growing expectations of residents have created a need for a managed service.

Multi-SSID networks are necessary in communities where numerous services need access to a growing number of internet-enabled devices. Most interviewees see high-quality internet mostly as a revenue stream, whether charged directly or rolled into the base rent at properties with high adoption.

One operator shared details of an ambitious plan to roll out smart building and managed internet across its portfolio in 2022. *"We view the connected community as part of our operating backbone – this was a bigger deal than the revenue upside."* While the point about revenue differs from most of the other interviewees, the tendency to view internet and smart building together is becoming more common.

During several interviews, there was some debate about the desirability of buying internet and smart building technology from the same vendor. Some saw the model as appealing, adding that it may become an increasingly common delivery model.

Others suggested that with hundreds of managed internet providers, but only about a dozen smart building vendors, the managed internet service industry may be too fragmented at the moment to be a fit. Some voiced concerns that the companies already providing both solutions are siloed to the extent that they would not ultimately deliver the benefits of a single vendor.

Finally, the idea of using revenue from managed internet to fund smart building investments is an attractive one for several operators. One emphasized how portfolios of properties with different financial stakeholders cannot aggregate costs in the same way as a REIT, for example. It requires properties to get creative with funding options.

"We view the connected community as part of our operating backbone – this was a bigger deal than the revenue upside."

4.7 DATA AND ANALYTICS

Data and analytics have an interesting history over the last four years of 20 for 20 surveys. In the inaugural edition in 2019, we lamented the lack of senior management focus on pricing and revenue management. The perception was that pricing had been "solved," and people had moved on. Relatively little has changed in that space in the intervening years.

At the same time (2019), we noted the relatively low levels of enthusiasm that many operators exhibited when talking about their BI initiatives. The following year we dug deeper and found that BI followed a different adoption path from other technologies for most companies. BI was not an app that a company rolls out, it typically represents a multi-year, multi-stage evolution. Most companies were at any time moving from one stage to another in their BI journey.

This year's interviews suggest two things: a continuation of the steady-state in revenue management and an expansion of the same evolutionary process in BI.

In answer to an open-ended question about 2021 activities and 2022 plans, two out of 20 interviewees mentioned pricing and revenue management at all. One had taken the opportunity of the pandemic to reorganize the function and how their organization supports it, and felt that their record 2021 results were at least in part attributable to this renewed focus.

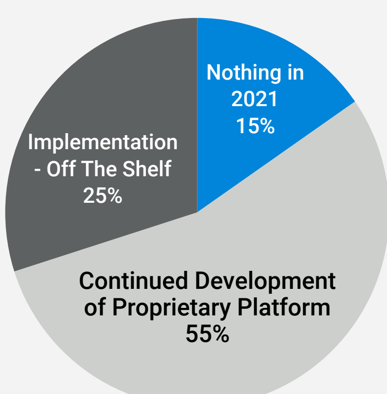
The other operator had taken the unusual step of creating a proprietary revenue management platform. This organization saw the opportunity to incorporate some data about areas that fall outside the purview of off-the-shelf systems. Operational issues, for example, like those affecting unit turns, can provide crucial context for pricing decisions.

The Continued Evolution of BI

In contrast with revenue management, 85% of respondents reported some significant activity in their BI platforms. Figure 12 summarizes the activities into three categories. Just over half of all respondents reported some project or set of projects on their proprietary BI platforms. When coupled with the high priority assigned to data and analytics in Section 4.3, it is hard not to conclude that this sector is vastly more active than the industry hype (or lack thereof) suggests.

To summarize the BI "evolution" that we observed in previous editions of this paper: companies tend to persevere as long as possible without BI, then purchase an "off-the-shelf" BI platform, usually from their PMS platform vendor. If they use that BI app heavily, they usually outgrow it, at which point they begin the long process of building out their own BI platform, which they continue to develop in perpetuity.

Figure 12: 2021 BI Activity Snapshot



Fifty-five percent of this year's respondents fall into the mature category—20 for 20 skews somewhat to larger, more sophisticated operators. The following quotes are indicative of the projects that they had undertaken:

- *"We have been expanding BI to encompass some of the changes to leasing tech."*
- *[Following a large merger] "We brought the disparate data sources into our platform and have created new dashboards and pushed them out to the broader organization."*
- *"We're working on our data to support CRM, e.g., creating a single customer hub and stitching together individual records to provide a single customer view."*
- *"We are generally always looking to find new insights from our data, and in the last year, we developed new dashboards that practically everyone in the organization uses."*
- *"We grew our data team and split out into two distinct groups: front-end and back-end. Both teams have grown."*
- *"We moved our data out of our PMS environment into our own hub to enable the next phase of scaling up our analytical capabilities."*
- *"We are in a multi-year project to put the customer (rather than community) at the top of the data stack."*
- *"We continued to build our analytics capabilities and switched out a couple of data partners in 2021. We spent a lot of time defining how the back-end should look."*
- *"We are working with our smart building and wifi providers to understand building usage through our BI platform. Will help us to improve operations and help with future developments."*
- *"We are trying to understand how to encompass new data from newer technologies, like*

IoT and bots, so that we can identify opportunities without having them swamp us."

- *"We are bringing somebody in to help us develop our strategy...that includes reviewing our AI infrastructure to make sure that we get ready for what we want to do in future."*

When asked about the drivers of their internal BI projects, responses included:

- *"Efficiency of access and utilization. Getting the data from our warehouse and pushing it out to users is the biggest challenge."*
- *"We see big efficiency gains from injecting data into systems so that sites don't have to."*
- *"We tend to justify based on use cases where we knew that we could save millions of dollars – like not wasting money marketing to multiple records associated with the same person?"*
- *"We want to understand our customer and their lifetime value better."*
- *"We want better answers to questions like how to make better decisions and allocate scarce resources, and what do we think we'll be doing in 5+ years, and which areas where we think we'll want to be better than average."*

The six companies that had either implemented or were in the process of implementing "off-the-shelf" BI included three using their PMS vendor product and three using a new, best-of-breed BI platform. Those opting for best-of-breed were motivated by factors including:

- *"We have a multiple-PMS environment, and until now, there has been no good solution for multi-PMS BI."*
- *"As a vertically-integrated company, we see great opportunities to leverage our analytics on the deal-side as well as in support of property management."*

Of the three companies that did not complete any significant 2021 initiatives, one was mainly comfortable with their (off-the-shelf) capabilities. The other two had BI as a 2022 to-do.

Four Years of 20 for 20 Takes

Business Intelligence

After four years of research, we can understand how multifamily executive perspectives on operations and technology have evolved. The following statements come from the conclusions in the last four editions of 20 for 20.

2019

BI is not following the typical multifamily technology adoption path: Usually, a small vanguard of companies makes progress with an innovative solution, and after a long incubation period the rest of the industry follows.

BI has been around for a long time but has followed a slower, more gradual adoption.

2020

We had misunderstood the BI adoption cycle: adoption is gradual because it represents a series of steps that takes years. The general process is:

- Go as far as possible using native app reporting
- Purchase "off-the-shelf" BI, usually from a PMS vendor
- Outgrow that platform and start building a proprietary platform
- Continue to develop your platform in perpetuity

The path to BI adoption *looks* slow because it is an evolutionary process. Everyone we interviewed was describing a different stage in *their* evolution.

2021

Work from home created the need for associates to have data at their fingertips. At the same time, lockdown meant that companies needed to report on new things - e.g., collections.

These conditions emphasized BI capabilities and, in some cases, boosted engagement with existing platforms.

2022

COOs rated BI as their highest technology priority. 17/20 operators reported implementing a new platform or doing significant work on their proprietary one.

Some forward-thinking operators are trying to understand how their BI can leverage and support new capabilities, like IoT technology, leasing tech and centralization.

5

CONCLUSIONS

Each year the 20 interviews conducted in researching 20 for 20 provide a perspective on the near future and the immediate past. The contrast of last year's predictions with this year's accomplishments and the accumulation of insights year-over-year provides a unique insight into what is changing in the industry.

In preparing the conclusions for this paper, the focus is on isolating the things that have changed or are different from those observed in previous years. This year, as the industry exists the pandemic, a mixture of macro-economic and strategic factors is changing how companies approach technology. Those factors are explained in the following four subsections.

5.1 STAFF SHORTAGES ARE AFFECTING DECISION-MAKING

In reviewing 20 sets of interview responses each year, it is sometimes the case that one over-arching theme explains much of the information shared throughout the interviews. Two years ago, the influx of venture capital into the technology sector had begotten many new vendors and solutions, and it was affecting operations. Companies had organized for innovation, spent significant time in 2019 evaluating technology and (ironically given what was to follow) looked forward to going "back to basics" with implementation-weary service teams in 2020.

A similar dynamic is at play at the moment. As the industry exits the pandemic, staff shortages are ubiquitous. Associates and candidates have more leverage than before, and leaders are struggling to fill vacant roles. It is no surprise that this year's top priority (see Figure 6) was talent management and acquisition for eight of the 20 interviewees.

Throughout Section 3 of this paper, there are data points indicating staff shortages as a driver of executive decision-making. As companies switch from voluntary to mandatory hybrid working models, operational leaders weigh the risk of losing team members who may be reluctant to return to the office against the benefits of in-person interaction.

The retention and recruitment of site teams—for whom work from home was never an option—is a natural priority for operational leaders. Additionally, this year's interviews indicate that staff shortages are impacting technology decisions. Leaders repeatedly shared that they would not consider any technology that adds work and that the highest priority initiatives are those that remove friction for site teams.

> **The impulse to mollycoddle site teams with technology is understandable, but it doesn't solve the problem of persistent staff shortages.**

AI leasing agents, access control, and self-show provide examples of technologies that some operators justified because they put hours back into the site teams' day or removed the need to work out-of-office hours or on weekends. One operator shared that they had had to start testing an AI leasing agent earlier than they had planned to because they had some properties where they had simply been unable to fill vacant leasing positions.

If staff shortages persist through 2022, as the leaders interviewed for this paper appear to think that they will, it will be interesting to see the impact on technology and staffing models. The impulse to mollycoddle site teams with technology is understandable, but it doesn't solve the problem of persistent staff shortages. To limit their exposure to this problem, operators will have to think more broadly about how technology can change their staffing models, a subject covered in greater depth in Section 5.4.

5.2 WHAT THE TECH PRIORITIZATION TELLS US

This year's research expanded the scope of the technology relative to previous years. Some aggregation was necessary to cover the broader range of technologies, which resulted in the four categories detailed in Section 4. The categories provided an opportunity to ask leaders to prioritize each functional area, and the responses (see Figure 9) are instructive.

Each year there is more technology in multifamily: it extends into new processes and functional areas and involves more and more people. One technology leader spoke of an ever-growing incidence of technology projects being delivered by non-IT personnel in his organization. The prioritization of technologies provided by this group of 20 COOs and heads of technology tells us not only what is important to them, but also provides an indication that the nature of technology decision-making may be changing.

Why Leasing Tech and Data Are Top Priorities

Leasing tech and data and analytics were the number-one priority for 18 of the 20 respondents to this survey. That these two areas of functionality are high priorities is not entirely surprising. Leasing has seen more disruption than any other function during the pandemic, exposing operators to new ways of doing things.

The details provided in Section 4.4 indicate three main areas of activity: CRM, AI leasing agents and self-show. CRM continues to be a big story in technology adoption, with the continued growth of best-of-breed providers attracting business away from legacy CRM platforms. This change influenced several leaders to predict that their tech stacks will come to include more best-of-breed (see Section 4.1) over the next few years.

Companies moving from legacy to best-of-breed CRM tend to do so because they have identified new requirements important enough that they cannot wait for their platform vendors to develop them. These may be features that support the centralization of leasing functions, like having a customer-centric (rather than property-centric) data model. In some cases, it is the desire for AI leasing capabilities to be as closely integrated into the leasing process as possible.

The rapid increase in the adoption of AI leasing agents and—to a lesser extent—the increased interest in self-show technology all point toward a desire for leasing to work differently. Future state visions vary, from customer and associate experience improvements to radical change in staffing models (see Section 5.4). The current appetite for transformation explains why this group sees leasing tech as a top priority.

BI projects have been the beneficiaries of the virtualization of management functions. Companies had to report on new things, like collections, rent assistance, evictions, etc. These requirements coincided with the work from home, increasing the need for data resources to be put at the fingertips of virtual teams. Increased scope and engagement accounted for much of the activity outlined in Section 4.7. This was the first year when so few companies interviewed (15%) reported no significant BI activity.

> **This was the first year when so few companies interviewed (15%) reported no significant BI activity.**

The more mature operators pointed to some of the higher-order strategic imperatives in BI. Several reported efforts to identify what can be done with new data sources generated by technologies like AI leasing and IoT technology. One leader with the luxury of a data science team shared how they constantly explore correlations between core metrics and new data sources, searching for fresh insights that could impact future investment decisions.

Four Years of 20 for 20 Takes

Leasing Technology

After four years of research, we can understand how multifamily executive perspectives on operations and technology have evolved. The following statements come from the conclusions in the last four editions of 20 for 20.

2019

The prevailing multifamily attitude toward self-serve leasing is out of step with the broader services industry.

"What about-ism" is holding companies back from adopting self-guided tours, even though they are now commonplace in single-family rentals.

2020

The industry is on a path toward fully-automated leasing, with multiple operators actively working on self-show, AI leasing and CRM projects in 2019.

We know this represents a change, as the same companies were not planning those projects based on their 2018 interviews!

2021

The pandemic forced operators to figure out self-guided tours quickly. Most did so in a low-tech environment and found that they worked well.

Many operators are revisiting their leasing experiences, taking a process-first rather than technology-first approach (a change in the traditional mindset.)

The need to transform leasing functions is motivating some high-profile companies to consider switching from their legacy CRM platforms.

2022

Despite record-low vacancy rates in the industry, leasing tech is the highest-priority domain of multifamily technology.

Centralization of leasing functions has emerged as a priority, with 60% of respondents either considering or actively engaged in projects to this end.

SPONSOR VIEWPOINT

CAN WE CENTRALIZE LEASING ALREADY?

Anyone Home Inc.

Every year seems to be a big year for leasing! Automation and self-service technologies that were already advancing before the pandemic accelerated their adoption. Staff shortages dominate the operational outlook in 2022, forcing operators to find new ways to deliver leasing activities. The same pressure creates opportunities to rethink processes and how we staff them.

Let's start with the basics. The traditional multifamily staffing model employs roughly one FTE per 100 units to cover property management functions, including leasing. This model is rooted in coverage—there weren't always other ways to organize leasing and touring activities other than tasking a dedicated individual at each property with performing the roles.

Even before COVID, this model represented an improvement opportunity. It is inflexible, as it limits prospects' touring hours to the working day of the leasing team. The dependency on a single individual also leaves properties ill-equipped to deal with peaks and troughs in leasing demand. And lead-nurturing seldom fails to offer an improvement opportunity. Companies choosing to centralize these functions find themselves addressing these opportunities and others.

The Essential Ingredients of Centralization

At Anyone Home, we define centralization as: *"The craft of leveraging technology and shared resources to operate apartment communities more efficiently while improving customer experience."* Three components enable it:

- **Self-guided tours** remove one of the core reasons the coverage model exists and expand tour availability to prospects
- **Automation**, which can take the form of AI or workflow triggers, handles simple tasks and improves consistency
- **Labor on demand** provides consistency regardless of the season and operating conditions

These elements, coordinated through the communication and workflow capabilities of CRM, remove the dependency on individual property teams, enabling centralization of tasks and—under the right conditions—the entire leasing function.

One Size Does Not Fit All

As we have helped companies centralize, we have learned that no two journeys are quite the same. Companies applying the three components above can substantially reduce the workload on property leasing teams. But the location of properties, for example, impacts a company's ability to pool leasing resources among sister properties.

At the same time, the ownership and management structure determine the options available to each property. A fee manager may have many properties close enough to have a campus leasing team, but sharing staff among properties becomes more complicated with numerous different owners. The coverage model mentioned above permeates operating agreements and proformas, making it hard for portfolios to move in lockstep.

Understand Your Opportunity

The important thing is to understand the nature of the opportunity and the options available to each property or portfolio. Where there are few organizational or geographical constraints, operators have the latitude to reinvent their core processes. A contact center or digital agent takes first contact, with a combination of AI or workflow triggers facilitating follow-up steps. In the centralized model, as many tours as possible should be self-guided or virtual. And a specialized inside sales team can handle most of the steps to close.

Many of the benefits of the fully-centralized model are available to operators who—for geographical or organizational reasons—cannot change their staffing models, at least in the short term. On-demand labor accommodates demand fluctuations better than individual agents assigned to individual properties. Self-guided tours lengthen touring hours and improve customer experience. And the automation of the process brings consistency to a characteristically inconsistent process.

Centralization is not an all-or-nothing proposition. Whatever your business model or portfolio, there is a combination of on-demand labor and automation that will improve your efficiency and—crucially—your customer experience.

Why IoT, Connectivity and FinTech Decisions are Different

While it seems clear why leasing tech and data are top priorities, it is less obvious why smart building technology attracts a lower priority. The technology has the potential to transform property operations. It is also costly and entails the risks associated with installing physical equipment in buildings. It has all of the ingredients of a technology that should be at the forefront of decision-makers' attention.

The difference in priority most likely lies in how we define "decision-makers." Multifamily technology decisions usually center on the heads of operations and technology—that is why 20 for 20 focuses exclusively on those two roles. But decisions to implement smart building and internet do not always conform to the traditional decision-making processes.

For most of the companies interviewed, the heads of IT and operations are heavily involved in selecting the vendors and products they will support and how the technology will work and integrate into their platform. Once those decisions are made, installation decisions are taken on a property-by-property basis, based on the underwriting of each project. What looks like a technology decision at the start ends up looking more like the decision to purchase appliances for units.

There are interesting implications to this fracturing of technology decision-making. IoT and connectivity represent substantial IT costs, but the ultimate decisions to incur those costs are made by non-IT decision-makers (e.g., Asset Management). A decision to consolidate a legacy multiple-vendor access control system onto a single platform, for example, may be highly favorable from an IT perspective. However, an Asset Manager may decide not to do it based on the specifics of the property.

The risk is that non-IT actors can create "shadow" IT organizations and make it harder to control IT costs.

To get these decisions right, companies must find effective ways of trading off the true cost of IT infrastructure with the NOI expectations of individual property proformas. Companies not taking this step will leave themselves open to significant cost escalation as proptech continues to proliferate.

Resident FinTech, which attracted the lowest priority of the four technologies, also may have done so because of the nature of the decision-making process. As discussed in Section 4.5, the solutions are highly popular and relatively easy to buy. As one interviewee put it: *"These products are turnkey—vendors have done a good job of making things their problem, not the customer's."*

One corollary of these low-friction solutions is that their purchase and implementation lend themselves naturally to delegation. As one COO put it, *"Leasing tech and data are strategic to us, which means I am involved in all of the important decisions. I'm aware of FinTech decisions but they're 100% handled by my team."*

One cannot help but suspect that the vendors of these solutions are aware of this. A quick look at competing solution providers' websites reveals that competitors frequently have the same customers, suggesting that in some cases providers are able to sell to regional management, rather than always having to work through the traditional gatekeepers of technology budgets.

The learning from the relatively low priority assigned to both IoT and FinTech in this survey is that neither fully conforms to the traditional multifamily technology decision framework. It is a natural consequence of the ever-broadening scope of technology. The risk, of course, is that non-IT actors can create "shadow" IT organizations and make it harder to control IT costs. It is a problem that looks set to get harder as innovation continues to accelerate.

5.3 THE TRUTH ABOUT TECH ROI

Throughout this year's technology discussions, interviewees were asked how they decided how many dollars to spend on each of the technologies that they had chosen to implement.

There is a popular fallacy among software vendors that goes something like this: *"If we take the amount of NOI that you generate with our solution and subtract what you make without it, the difference between those numbers is the reason why people will buy our product."*

> **Companies tend to green-light projects that cohere to some general principle that they believe brings them success.**

It is logical to think that NOI is a selling point of any business solution. However, based on 20 interviews on four different technology domains, the above statement completely misunderstands how multifamily operators make decisions. ROI plays a part in technology implementation decisions, but it is not causal in decisions about which technologies to implement, at least not in the way described above.

Where the companies interviewed had performed ROI analysis or measurement, it always followed a pilot phase. The most disciplined projects defined success metrics, ran a pilot for several months, and measured results that became an input to the rollout decision. While—in this small minority of cases—ROI is a key factor in moving from pilot to rollout, it has little, if any, causal impact on the selection of projects or vendors.

How Operators Actually Think About ROI

The "Dollar uplift" mindset is a myth, but that is not to say that ROI does not factor into technology decisions. What stood out from interviews was that companies tend to green-light projects that cohere to some general principle that they believe brings them success. The following examples (none of which is ever backed up by hard numbers) came up repeatedly:

- *"We implement leasing technologies if they will help to push traffic to the highest-converting channel."*
- *"If a project improves our customer experience without increasing our costs, then NOI improvement will come."*
- *"We look for projects that achieve a better outcome with the same headcount."*

The above principles generally make sense, although the parameters that decide whether or not a project meets any of these criteria appear to be fungible. It also became clear through the interviews that operators do not always feel the need to decide which lever a project is meant to influence before committing to it. For example, companies often engage in leasing tech projects without first determining whether the tech increases uptime for residents, reduces work for associates, or both (or neither).

Several operators spoke of ESG as an increasingly important factor in technology selection. Companies that are either public or dependent on institutional capital felt that it is now at least a check in the box in selection processes, as investors expect companies to have an ESG story. One operator shared that there is evidence that prospects are increasingly researching landlords' ESG policies when researching apartments. ESG looks set to become a growing consideration in technology selection processes.

5.4 STAFFING MODELS ARE CHANGING, BUT NOT EVERYWHERE

Since its first issue (in 2019), 20 for 20 has included some discussion of property staffing models and the possibility that technology may enable property managers to change them. The confluence of AI, IoT, self-show and the virtualization of administrative processes, coupled with the general consumer preference for self-serve experiences, has long suggested a change to the conventional operating model.

The pandemic changed attitudes to self-show, and some of the public REITs have been vocal in describing how their technology has enabled them to reduce property teams. To understand the extent to which operators are attempting to follow suit, we asked the question, "Are you working on changing your staffing model?" (See Section 4.2).

In approaching this question, we assumed a continuum from the traditional staffing model to the model now adopted by some REITs. If some public companies are enjoying the financial benefits of a more efficient operating model, then the rest of the industry will follow, or so the logic went.

But, as Figure 8 shows, 40% of companies interviewed are not currently working on trying to change their operating model. To summarize the reasons stopping them:

- *[For fee managers] "The bill-back model makes it hard to share resources between properties."*
- *"People too central to our value prop."*
- *"We are not yet sure enough of time savings that the technologies promise."*
- *"We don't have enough properties in the same sub-markets*
- *"Lease-ups are central to our business model; any change is risky unless we are 100% convinced it won't slow us down."*
- *Don't yet have the right analytics to support centralized control."*

The reasons companies gave for not changing their staffing models did not read like excuses. Rather, they indicated that the opportunity to centralize functions—a critical step in changing staffing models—vary significantly from company to company. The continuum described earlier is the wrong way to think of this problem. Figure 13 is a more realistic representation of the views shared in these interviews.

The Roadmap for Change

Although many factors weigh on operational design, there are two that dictate the feasibility of centralization: the extent to which a company controls its operating environment and the density of its portfolio in the submarkets where it operates. Submarket density determines not only how easily staff can travel from one property to another, but also the value of training, for example, a centralized leasing team to sell multiple properties in the same area.

Companies in the top right quadrant (like most public REITs) have the most attractive opportunity

Figure 13: Factors Affecting Centralization

to centralize functions. They can select whatever technologies they want and control all personnel and the P&L for all properties. Companies in this quadrant also operate many properties in the same submarkets, maximizing the opportunity to pool staff between properties.

Conversely, properties in the bottom left quadrant have neither control nor proximity on their side, so centralization is an unattractive model. That leaves most companies in the industry in one of the other two quadrants.

The top left (high density, low control) is where many fee managers are naturally situated. The larger platforms, in particular, may have many properties in the same submarket, but they represent many financial stakeholders, all of whom get a vote on operational and technology decision-making. Companies facing these conditions must develop a formula for centralization that can be sold to one partner at a time, with no dependence on cooperation between stakeholders, as companies seldom volunteer to operate in lockstep in this industry.

Companies in the bottom-right quadrant have high control but a more distributed portfolio. Companies like these must identify processes they can virtualize, like moving bookkeeping to a shared service model or increasing self-serve leasing. Reducing the scope of current roles provides the opportunity to consolidate them.

Time To Move On

There are benefits beyond simply reducing headcount. As one leader shared: *"The way that we organize property management careers is sub-optimal. We promote leasing agents to assistant property managers, then ask them to do bookkeeping, which they have never done before. It's better to offload that work to a shared service. We would like to offload more of these tasks that don't make sense from a career perspective."*

One interesting thing to note is that the technologies at play in each quadrant in Figure 13 are the same, they are just deployed differently based on the approach that a company selects for centralization.

Even with a clearer perspective on how to approach centralization, there remains the question of motivation. Some companies will treat changing the staffing model as a higher priority than others. But the combination of continued staff shortages and increasing efforts by the competition to develop centralized models will make it harder to persist with the status quo.

ABOUT THE AUTHOR

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ABOUT 20 FOR 20

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

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

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