



Report:

How Modern Multifamily Property Owners and Operators Increase NOI and Revenue with Digital Turnover Solutions

Based on Original Research
by SuiteSpot Technology



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Introduction: Why Unit Turnovers are the Largest Untapped Digital Transformation for Multifamily Owners and Operators

Over the past two decades, multifamily property operations teams have been increasingly turning to technology to optimize net operating income (NOI) and revenue. They've adopted digital tools that streamline leasing, resident experiences, procurement, revenue management, and more.

However, there's one huge cost center that's long overdue for a transformation: the **unit turnover process**.

Unit turnovers are recurring and costly. Since they're left almost entirely in the hands of dispersed field staff—with nothing but a confusing paper trail for tracking and oversight—multifamily operations teams aren't seeing the hidden costs associated with inefficiencies in these complex processes.

This whitepaper illustrates the key issues that cause time-delays and increased costs in the make-ready process based on data from 50,000+ unit turnover projects.

It also presents a digital solution for modernizing this cumbersome part of property operations to drive greater NOI, revenue per unit (RPU), and more.

Research: Turnover Inefficiencies Cause Millions in NOI Loss Annually

Unit turnovers can be chaotic for a number of reasons: they are prevalent across multifamily properties (as high as 30% to 50% annually), notoriously hard to predict, and one of the leading contributors to operating expenses. Units need to be assessed and improved as quickly as possible so they go back into the market in the best condition. This urgency makes it easy for mistakes or oversights to occur at every stage of the process.

By analyzing data from over 50,000 unit turnover projects, we've pinpointed the areas with the greatest impact on turnover time and calculated the costs of these missed opportunities when the process is mostly manual.

The results of our research show that a **typical portfolio of 10,000 units experiences between \$2 to \$3 million of NOI losses from inefficient turnovers annually—which translates into \$40 to \$60 million of potentially unrealized asset value.**

Biggest Sources of Time Delays in the Turnover Process

There are several points where time delays in the turnover process can greatly impact costs.

Many of these critical points happen during the **planning phase** for a unit turnover (right after a resident has given notice). Those points include:

- **The pre-move-out inspection**
- **Scoping and quoting**
- **The approval process**
- **Scheduling vendor start work dates**
- **Changes in the scope of work**
- **Quality control and sign off**

Our research shows that problems during the planning phase have the most significant impact on the job outcome. In particular, **jobs that were not approved by the move out date took, on average, 62% longer to complete. Jobs that required change orders once the work had started took 56% longer to complete.** (These situations arose when proper inspecting and scoping didn't occur when the resident gave notice or was delayed for too long after notice was given).

In addition, we found that **57% of turnovers had gaps in the schedule between vendors**—meaning jobs weren't being completed as quickly they could be and units were sitting empty instead of being worked on consistently.



62%

jobs that were not approved by the move out date took, on average, 62% longer to complete



57%

57% of turnovers had gaps in the schedule



56%

Scope changes result in 56% longer turnovers

There are critical issues during the **execution phase** that can extend turnover cost and completion timelines, which are:

- **Changes in the scope of work**
- **Delays in change order approval**
- **Delays/changes to work schedule**
- **Delays in verifying vendor completed work**
- **Delays in vendors correcting deficiencies**

Our research shows that if work isn't inspected within 24 hours of completion (which can happen when staff are left to figure out on their own if completed), there is a 19% delay in the unit being available for rent.

When we filtered our data to show the typical timelines for turnovers where a mobile solution was used for change order approvals, the result was a 34% faster than the typical market process (compared to those where a digital solution wasn't adopted).

Vacancy Loss from Inefficient Turnovers

The largest potential threats to increases in vacancy loss in the turnover process come from:

- **Errors in scoping, which result in change orders, increased costs, delays to making units rent-ready, and financial planning gaps**
- **Inefficient vendor engagement, which results in delays in the scheduling of vendors, generating quotes, and having purchase orders costed and approved prior to the move-out date adding to vacancy loss**
- **Difficulty documenting chargebacks, leading to increased costs and a lower probability of recovery**
- **A bad resident experience from moving into an unfinished unit or delayed from moving in entirely**

When purchase orders are not approved before the move-out date = **-\$450,000**

*Based on the data, 35% of jobs do not have purchase orders costed, approved, and issued by the move-out date, leading to a 62% increase in turnover time. Assumes SuiteSpot reduces these occurrences by 50%.

When change orders occur after the move-out date (not including site conditions) = **-\$500,000**

*Based on the data, 50% of jobs had at least one change order created and approved after the move-out date, leading to a 56% increase in turnover time. Assumes SuiteSpot reduces these occurrences by 40%.

When jobs have gaps in the work schedule = **-\$800,000**

Based on the data, 57% of jobs had an average of 4 "slack" days in the work schedule where no work was being performed in the unit. Assumes SuiteSpot reduces 50% of these "slack" days.

Labor inefficiencies from manual approval processes = **-\$360,000**

Based on the data, the average turnover results in 4 purchase orders, and assumes it takes an average of 30 minutes to enter, approve, and process each purchase order. The average turnover process includes 6 tasks to be performed by staff and assumes assignment and following up on each task takes an average of 20 minutes. Assumes the labor rate for staff is \$30/hour.

Lost chargeback revenue due to poor documentation = **-\$235,000**

Assumes using SuiteSpot results in a 25% higher rate of chargeback recovery.

Cost of physical document storage and retrieval **-\$750,000**

Calculation source: Gartner Group, AIIM, US Dept of Labor, Imaging Magazine, Coopers & Lybrand.

**= -\$3,095,000
in total losses**

The table above presents a summary of the estimated costs associated with a slower, less efficient turnover process (compared to those using a digital turnover solution)*:

* This model is designed for a portfolio of 10,000 units, with a 30% turnover rate, a daily rent loss of \$50 for every day a unit isn't rented, and the following average turnover lengths based on job costs:

- Job cost < \$2,000 = 5 days to rent ready
- Job cost > \$2,000 - \$10,000 = 15 days to rent ready
- Job cost > \$10,000 = 30 days to rent ready

According to our research, **having a manual, paper-based turnover process that is managed primarily through field staff can lead to over \$3 million in lost NOI annually.**

This savings in bottom-line NOI translates into an **unrealized increase to asset value of \$40 to \$60 million** (Assuming an average Cap Rate of 5%).

The Solution: Systematizing the Turnover Process with Technology

Technology can bring greater efficiency and clarity to the turnover process—which (as we saw in the previous section of this report) can lead to a significant positive effect on a portfolio valuation.

By digitizing the turnover process with a cloud-based, mobile turnover solution, multifamily property managers and owners can solve some of the underlying issues within their turnover process, without a large up-front investment in technology, including:

- **Inefficient communication between field staff and head office**
- **Slow, manual processes (like scoping, vendor selection, etc.)**
- **Lack of visibility and standardization of turnovers across the portfolio**
- **Increased Vacancy Loss**

How Turnover Solutions Save Time

Integrated cloud and mobile turnover solutions allow field staff to standardize, track, and manage all of the workflows associated with a make-ready project from their phone. Office staff can access this data to gain visibility into this process, track progress, and approve work quickly from their desktop.



These property operations solutions make turnovers more efficient through:

- 1. Smarter Inspections.** Mobile apps make move-out inspections more accurate for field staff. They allow staff to easily select materials and work requirements from a predefined catalog, capture tenant damages for recovery, prioritize inspection items, make detailed notes, take pictures, and share updates in real-time—all of which reduces costly, time-consuming errors.
- 2. Tighter Scheduling.** With shared, cloud-based platforms and mobile apps, property managers and field staff are always on the same schedule. They can all make and track changes to turnover projects easily, from scheduling contractors to ordering materials, and managing inspections to navigating move-outs and move-ins.
- 3. Standardization Across The Portfolio.** By linking all field and office staff to the same cloud-based system, and automating certain functions within it, property stakeholders can enforce and track standards across a portfolio. This results in better workflows, fewer deviations, and more predictable outcomes overall—which can improve budgeting, forecasting, and financial performance.

Technology-driven Improvements to the Turnover Process

Property managers that use technology to manage the turnover process may expect to see the following results*:

50% fewer occurrences of purchase orders not being approved before the move-out date

40% lower rate of change orders occurring after the move-out date

4+ hours of time savings per turnover for field staff (when using a mobile app for inspections and purchase order generation)

up to 60% reduction in overall turnover time

*Based on typical results for SuiteSpot turnover management platform users.

Key Features of Advanced Turnover Management Tools

Some of the key features the best turnover solutions should include are:

- **A mobile app that automatically creates and assigns a task list to field staff**
- **Configurable workflows for process management**
- **Automated purchase orders, scheduling of tasks, etc.**
- **Escalations and alerts for incomplete tasks or approval requests**
- **Integrations with property management systems and/or vendor systems**
- **Consolidated database with asset condition and predictive maintenance engine**

Conclusion: The Digital Future of Property Operations

Cloud technologies have impacted nearly every industry throughout the past decade. For real-estate property managers and owners, new turnover solutions offer a way to make unit make-ready projects efficient, standardized, and cost-effective across their portfolio.

Additionally, the implications for cloud-based property operations technology go beyond just turnovers. These solutions can be used for a variety of tasks to increase revenue and further reduce costs, including:

- 1. Rental Optimization.** Managing unit repairs and upgrades digitally can optimize revenue by allowing you to track finishes on units that drive a higher rent lift and rent them out the day after the work is complete (instead of only at the mid-to-end of the month).
- 2. Preventative Maintenance.** By automating the scheduling and management of preventative maintenance tasks, property managers can reduce the likelihood of missing maintenance checks and the chances of having to make major repairs on mechanical or structural systems.
- 3. Renovation Savings.** Property management teams can better control costs when they use standardized price lists and can compare quotes from several vendors easily (vs. leaving it to individual field staff to make decisions or delay jobs while waiting for approvals).
- 4. Administrative Savings and Efficiencies.** Digital tracking of all field staff work saves on the need for photocopying documents and distributing them to end users via confusing paper or email trails. It also allows property management teams to analyze inspections, ensure work is completed on time, and correct issues early on in projects.
- 5. Reduced Legal Liabilities.** Having documentation around maintenance tasks and jobs can reduce legal liabilities for property managers since it is less likely they'll be fined for missing inspections. It also ensures they correct issues before they become larger problems—which could increase insurance premiums if they were to occur.
- 6. Improved Reporting and Forecasting.** Digital tracking tools help property stakeholders report on the entire turnover process across their portfolio. This means they can use historical data to predict needs and compare performance so identifying areas for improvement is easier.



About The Authors: SuiteSpot Technology

SuiteSpot is a leading mobile and cloud software solution designed for automating and optimizing multifamily operations. SuiteSpot's technology includes an all-in-one mobile application for performing and managing the complete unit turnover process, inspections & documentation, as well as work orders. It is used by owners and operators field staff to speed up unit turnovers, document and manage risk and safety liabilities, control operational costs and ultimately saving time and money and provide greater visibility into the performance of assets & staff.

Learn more about SuiteSpot at <https://suitespottechnology.com>.