

2023 REPORT:



Opportunities for Property Managers in Rental Owners' Shifting Needs





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Shifts in Property Managers' Client Base

OWNERS' INCREASED DEMAND FOR PROPERTY MANAGEMENT SERVICES

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

THE INCREASING NUMBER OF RENTAL OWNERS WHO WORK WITH PROPERTY MANAGERS

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

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

WHY RENTAL OWNERS CHOSE TO HIRE A PROPERTY MANAGER

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

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

THE INCREASE IN INVESTORS WITHIN PROPERTY MANAGERS' CLIENT BASE

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

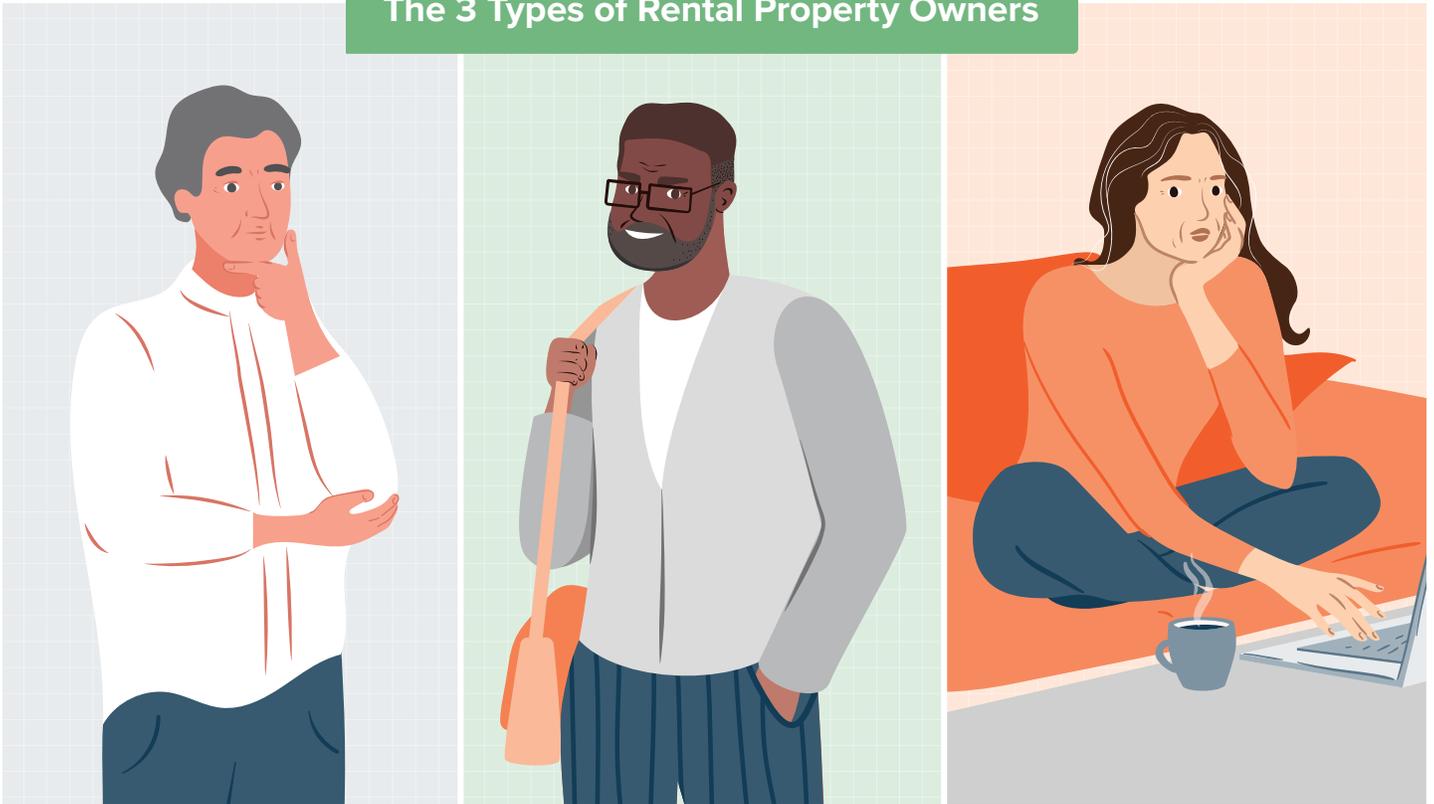
However, with rising mortgage rates slowing down the pace of home sales, a new generation of Accidental Landlords may decide to rent out their homes as they wait for a more lucrative time to sell.

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

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

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

The 3 Types of Rental Property Owners



Intentional Investors

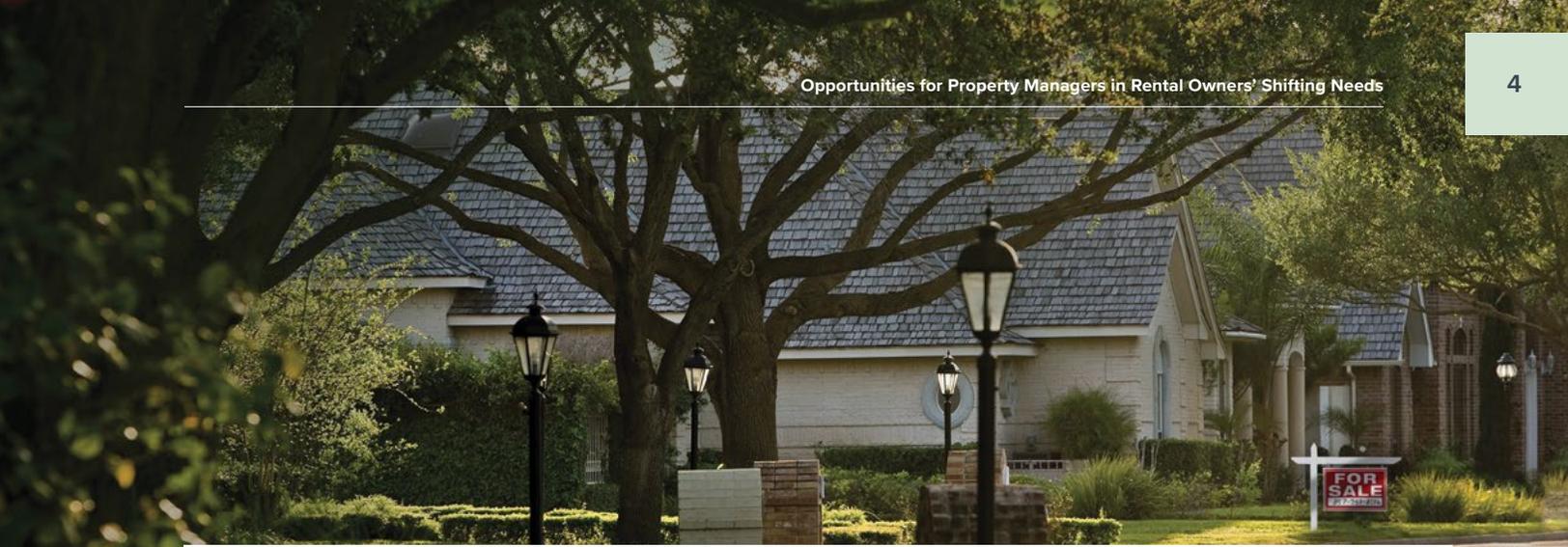
acquired their rental property as an investment from the start. They represent 52% of today's rental owners—an increase of eight percentage points since 2018—marking a high point for this type of investor within the population of small-portfolio rental owners.

Unintentional Investors

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

Accidental Landlords

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



Rental Owners' Plans to Grow or Downsize

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

THE OWNERS WHO DON'T PLAN TO GROW

Owners Who Plan to Sell

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

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

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

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

Owners Who Plan to Stay the Same Size

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

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

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



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

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

IN OWNERS' WORDS

Their Plans to Keep or Replace Their Properties

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

(UNINTENTIONAL INVESTOR IN SAN DIEGO, CA)

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

(SELF-MANAGING INVESTOR IN WATERLOO, IA)

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

(INTENTIONAL INVESTOR IN ORLANDO, FL)



THE OWNERS WHO PLAN TO GROW

Owners' Plans for Portfolio Growth

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

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

RENTAL OWNERS' IMPROVING OUTLOOK ON RESIDENTIAL RENTAL PROPERTIES

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

IN OWNERS' WORDS

Their Plans to Grow or Hold

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

(INTENTIONAL INVESTOR IN DENVER, CO)

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

(INTENTIONAL INVESTOR IN SAVANNAH, GA)

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

(INTENTIONAL INVESTOR IN RIVERSIDE, CA)



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

Owners' Plans for Revenue Growth

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

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

RENTAL OWNERS' REVENUE GROWTH EXPECTATIONS FOR THE NEXT 2 YEARS

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



How Small-Portfolio Owners Plan to Generate Additional Revenue

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



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

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

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

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

RENTAL OWNERS' RANKED SOURCES OF STRESS IN THE LAST YEAR

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

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

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

WHAT RENTAL OWNERS EXPECT FROM THEIR PROPERTY MANAGER

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

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

The Top 6 Considerations for Rental Owners in Hiring a PM

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

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

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

(INTENTIONAL INVESTOR IN PROVO, UT)

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

(ACCIDENTAL LANDLORD IN OGDEN, UT)



THE TECHNOLOGIES OWNERS EXPECT

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

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

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

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

The Types of Information Rental Owners Most Want from Their PM

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

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

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

(ACCIDENTAL LANDLORD IN COLORADO SPRINGS, CO)

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

(UNINTENTIONAL INVESTOR IN NEW ORLEANS, LA)

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

(INTENTIONAL INVESTOR IN JACKSONVILLE, FL)

Weekly summary reports and monthly financial and operating reports on occupancy, maintenance, and capital projects.

Instantaneous updates on acquisition of target properties. Ad hoc communication on possible improvements.

(INTENTIONAL INVESTOR IN PROVO, UT)





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

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

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

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

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MAINTENANCE & REPAIRS

Challenges Property Managers Are Facing

AVAILABILITY OF SUPPLIES & VENDORS

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

RISING CUSTOMER EXPECTATIONS

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

Customer Demand for This Service

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

THE DIFFERENCE A PROPERTY MANAGER MAKES

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

Opportunities to Increase Revenue & Efficiency

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

How PMs Are Making This Service More Profitable

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

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

IN PMs' WORDS

Where Technology Has Made a Difference

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

(PROPERTY MANAGER IN OKLAHOMA CITY, OK)

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

(MAINTENANCE MANAGER IN CAPE CORAL, FL)

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

(COMPANY OWNER IN KENNEWICK, WA)

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

(LEASING MANAGER IN BRUNSWICK, GA)



LEASING PROPERTIES & MARKETING VACANCIES

Challenges Property Managers Are Facing

RENTER QUALITY

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

DEMAND OUTSTRIPPING SUPPLY

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

Customer Demand for This Service

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

THE DIFFERENCE A PROPERTY MANAGER MAKES

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

Opportunities to Increase Revenue & Efficiency

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

How PMs Are Making This Service More Profitable

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

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

IN PMs' WORDS

Where Technology Has Made a Difference

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

(LEASING MANAGER IN CRESTVIEW, FL)

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

(COMPANY OWNER IN VIRGINIA BEACH, VA)

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

(PROPERTY ACCOUNTANT IN WASHINGTON, DC)



RENT COLLECTION & PRICING

Challenges Property Managers Are Facing

RENTAL AFFORDABILITY & PRICING

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

THE DIFFERENCE A PROPERTY MANAGER MAKES

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



Opportunities to Increase Revenue & Efficiency

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

How PMs Are Making This Service More Profitable

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

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

IN PMs' WORDS

Where Technology Has Made a Difference

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

(PROPERTY MANAGER IN TOLEDO, OH)

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

(OFFICE MANAGER IN NEW YORK, NY)

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

(PROPERTY MANAGER)

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

(OFFICE MANAGER IN COLUMBUS, OH)





REGULATORY GUIDANCE & LEGAL ADVICE

Challenges Property Managers Are Facing

INCREASING REGULATIONS

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

Customer Demand for Regulatory Guidance & Legal Advice

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

THE DIFFERENCE A PROPERTY MANAGER MAKES

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

Opportunities to Increase Revenue & Efficiency

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



FINANCIAL REPORTING & ACCOUNTING

Customer Demand for This Service

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

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

THE DIFFERENCE A PROPERTY MANAGER MAKES

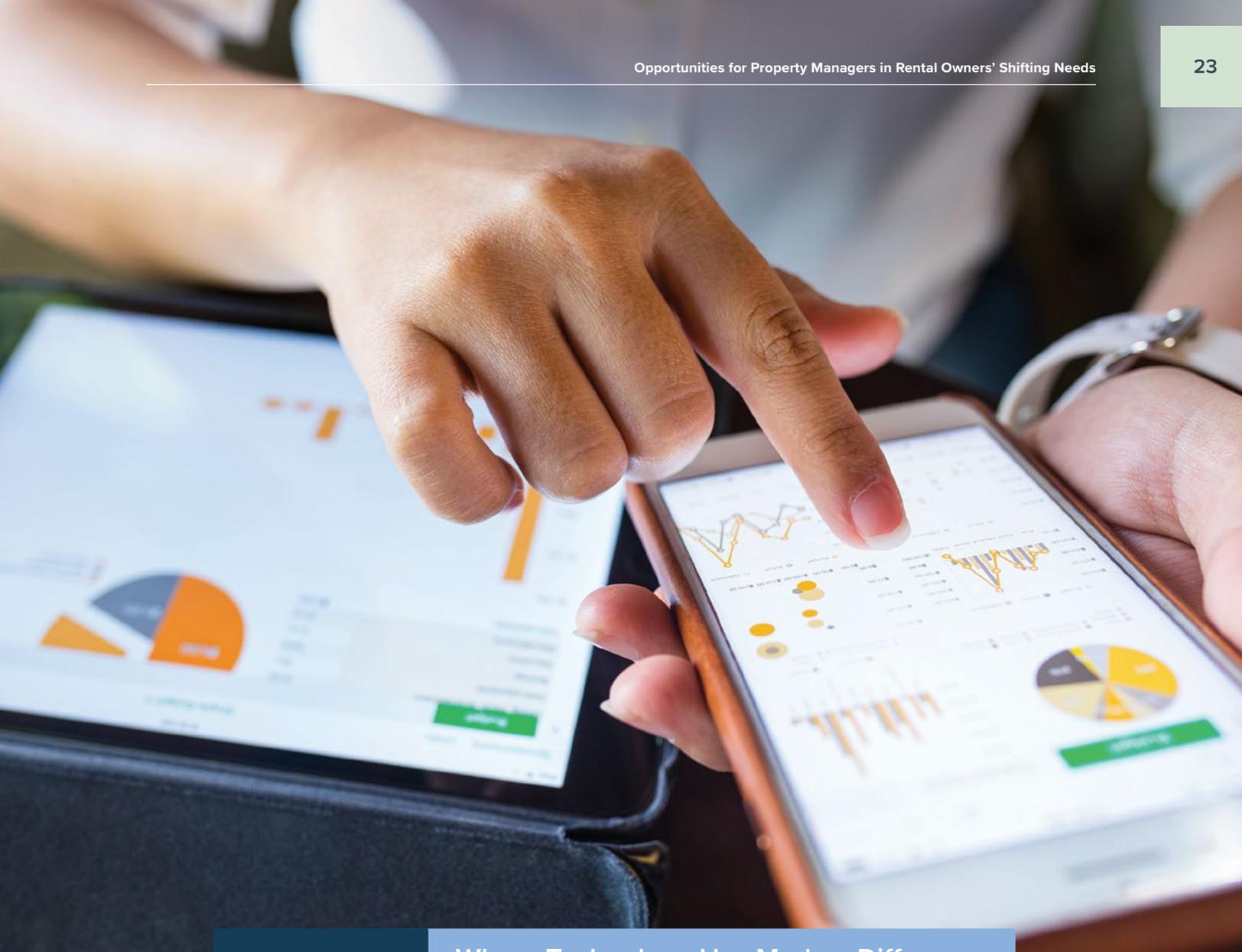
Rental owners without a property manager are more stressed about accounting and bookkeeping than those with one by a difference of six percentage points, making this yet another area where having a property manager has a measurable impact.

Opportunities to Increase Revenue & Efficiency

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

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

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

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

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

(REAL ESTATE BROKER)

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

(COMPANY OWNER IN WENATCHEE, WA)

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

(COMPANY OWNER IN DENVER, CO)

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

(COMPANY OWNER IN CINCINNATI, OH)





PROPERTY IMPROVEMENTS

Challenges Property Managers Are Facing

LOW PROPERTY MARGINS

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

Customer Demand for This Service

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



Opportunities to Increase Revenue & Efficiency

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

How PMs Are Making This Service More Profitable

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

READ THE FULL

2023 Property Management Industry Report

Data-driven insights into top rental market trends

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

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PROPERTYWARE®

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

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THE NATIONAL ASSOCIATION OF RESIDENTIAL PROPERTY MANAGERS®

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

Learn more about joining the organization on their website: narpm.org/join