INSIGHTS

PROPERTY MANAGEMENT REPORT

Zillow Multifamily Forum 2018

What every real estate and property management firm should be focusing on

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General information

This year was Zillow´s 4th Multifamily Forum in Downtown Los Angeles, an invite-only event that brings together industry experts to provide valuable insights regarding the property management industry. They have definitely been stepping up their game in terms of experience and knowledge that they are bringing to the table, so we've put together this structured report of what we consider the most relevant topics and insights from this year´s forum that every property management firm should have on the top of their mind if they wish to not fall behind the competition.

We always have time efficiency in our mind, so before getting into more detailed information and tips, whether you're an owner, a director, a manager, an accountant or a marketer, you should ask yourself the following questions in order to know which topics will cover any of your interest:

The future of marketing

- Is your business digital or mobile enough?
- How well do you think you understand your customer´s evolving perspective?
- Do you understand the level of standards that today´s housing consumers expect from the type of service you provide?
- Are you implementing technology in your service correctly to reach those expected standards?

Big data

- Would you consider that you really know how to use data in your business to gain competitive insights?
- Have you taken the time to map out your processes and really have a full picture of your company's data flow?
- Have you integrated into your processes enough quality technology that permits you to gather or analyze data better (along with greater automation)?

Leads are dead

- Do you believe your current metrics in the leads to lease process are effective?

Triangulating insights into actions

- Are you taking the time to transform your insights into action?

Market trends *(If you want to jump straight to figures and statistics, this is your section)*

- How well informed are you about who rents your property units?
- Are you triangulating that information into valuable actions?
- Do you think a more effective use of property insights can generate value to your investors?

The future of marketing

Riding the tech wave

It's clear that in such a competitive industry such as Property Management, any company that is not riding the technological wave of our era, will not be competitive enough to capture a strong market share of properties in the future, and may even lose some. Many of the big management firms are moving full speed on this topic, but there is a lot of others that are aware on what a critical matter this is and aren't really sure where to place their capital or time in order to best ride this wave. If you wish to stand out in this industry, or any other, it's the consumer experience that will generate the strongest value in your service; this goes for the investor that you are managing properties for, but just as importantly, the consumers that are living in their properties and generating income for them.

"...any company that is not riding the technological wave of our era, will not be competitive enough to capture a strong market share of properties in the future, and may even lose some."

After listening to Brian Solis ("Futurist" guest speaker), there was a concept that really stayed in my head: Digital Darwinism. What this explains is basically how technology and society are evolving together, creating an inevitable psychological change for the consumer. In other words, there is a natural and unconscious evolution of our expectations when we consume and engage in products or services, creating a market of digital narcissists. What this causes is for the consumer to change or "raise" their standards of what they expect or want, and this naturally becomes the new normal. As a product/service provider, it´s key to not think that the consumer is going to go back or "down" to your level after there has been a new normal that they feel comfortable with.

Clear example: A study shows that a person has the patience to wait an average of 6 minutes for their Uber before switching to the Lyft app; clearly they have transformed the standards of what consumers expect from a transportation provider, even from 5 years ago.

What does all of this mean for Property Management companies?

This doesn't mean every company should be looking to be the next Uber in their industry (although it should be the ultimate goal), but it should at least make a light spark in your head that gets you reflecting on how well you think you understand your client, or the tenants in the investments that you are managing (the root of your client's ROI) in terms of the experience that those consumers are expecting or the direction that their current normal is moving towards. It is essential to understand that your clients´ or tenants´ perspectives that you were dealing with 10 or even 5 years ago, is not the same as today, and your company should not be either. If your company is standing in a similar position as 10 or 5 years ago, then you are clearly not innovating, and in this capitalistic world, you will be outgrown by anyone who does.

"...desire of going through this experience as fluent and efficient as possible, or in other words, as digital and mobile as possible."

It's clear that Zillow would focus on the consumer that they know best, the tenants, but at the end of the day by generating value to them, you are also generating strong value to investors. This means that one of your main goals should be to adapt to the evolving expectations and aspirations of all of these consumers looking to rent, and everything points to the desire of going through this experience as fluent and efficient as possible, or in other words, as digital and mobile as possible. Here are some figures that Brian pointed out:

- People are spending an average of 177 minutes on their phone per day.
- Average american checks their phone 80 times a day.
- +40% of them want to complete the full journey on mobile
- 90% of of smartphone users are not certain of what brand they want to choose
- 73% will make decision on the brand that is more useful in the whole experience

Whether we like it or not, technology and smartphones are becoming a cognitive layer of how humans view the world. Every property management firm that wishes to deliver an effective and memorable experience to their consumers or tenants needs to create quality mobile tools or rely on a service provider that will do just that.

Big data

Creating competitive advantages

If we are discussing the technological wave that the real estate and property management industry is riding, then we can't leave out two of the biggest forces driving it, and that's Big Data and Machine learning. As Greg Schwartz, President of Media and Marketplaces at Zillow puts it, it is going to cascade the property management industry and any company that takes their focus away from it will have a big disadvantage when facing those who utilize these tools. This industry in particular, filled with so much raw data both in the front-end (data from tenants, acquisitions, property trends and features, customer satisfaction, marketing, etc.) and back-end of the business (data from processing invoices, vendors, utility consumption, property cash flows, etc.) can be beyond valuable in terms of efficiency, quality, innovation and overall growth.

"Big Data and Machine Learning are going to cascade the property management industry."

It's safe to say that property investors extremely value when a a management company has the technological and analytical capabilities to constantly be gaining insights on different aspects of their properties; first because it gives them confidence that the company knows how to keep moving forward, and secondly (and most important) they get the feeling that you´re going to find ways to generate them a greater ROI than other management firms.

In the previous section, we discussed how imperative it is to really be updated about what standard of service consumers and investors are expecting of any property in the market. Every management company gets a sense of what is working and what is not, but it's not until you transform data into valuable insights, when you can begin to take concise and strategic decisions that will actually have impact in your business. As Forbes puts it: Without big data, it's possible to know who buys what from your company, but you simply can't understand why they buy what from you 100% of the time.

How do I implement Big data in my business?

For tech service providers like Zillow, big data and machine learning are at the core of what drives their business, and as they phrase it, helps them "Rise above the noise" in terms of marketing. But let's face it, not everyone runs a multibillion dollar company that has technology embedded in a vast majority of their processes, enabling them to gather data in every corner. Nevertheless, there´s plenty of information to gather no matter how big your company is; you have to remember that big data is not all about having unlimited amounts of information, but it's more about receiving high-quality information in a timely manner that is specific to your business, as well as asking the right questions.

".. big data is not all about having unlimited amounts of information, but it's more about receiving high-quality information in a timely manner that is specific to your business.."

If you don't know where you should be focusing your data gathering, or where there can be significant areas of opportunity to integrate technology, it certainly helps to take the time to sit down and try to understand the full picture of how your data is flowing throughout your processes. A practical step is to map out your primary (or all) of your processes; it helps to separate front-end from back-end, since the analysis you´ll do afterwards will have different focuses (whether its customer oriented, or internal efficiency oriented). After mapping out your processes, take a detailed look at each one of them and detect where there is, or should be, a greater flow of data whether it´s in terms of volume or quality.

You then need to be very pragmatic and realistic of how well you are gathering that data pointed out previously, whether it´s manually or with technology; it's helpful to put an estimated percentage of currently how much technology has a role in that part of the process. Another point to consider that was mentioned by Zillow´s Director of Business Strategy, Patricia Lee Smith, data is only as reliable as the person who entered it. After visualizing where your gathering of data is, you have to be realistic of how good you´re analyzing that data. You have to also consider how often that data is being gathered and analyzed to determine if you are even getting useful or updated insights from it.

By this point, you can begin to see areas of opportunity, whether it is a process that is gathering a lot of unstructured data and it's not being analyzed, or whether there is a process that has very little technology or automation involved, with very little gathering of data in a process that could have valuable information. It will all depend on your company and the strategic logic that you put into it.

Leads are dead

Greg Schwartz made one of the most memorable statements of the forum: Leads are dead. So in Zillow´s efforts to use all of their consumer insights and what their core service delivers to Property Management firms, it´s apparent that they found a weakness in the perception of value that companies were having about the leads that Zillow was generating for them, and decided to diminish the word Leads, in order to have the word Lease take over. Basically a brilliant marketing tactique that drags the attention of what a real estate marketplace provider should be delivering, which is outcomes (leases) and not volume (leads).

".. they found a weakness in the perception of value that companies were having about leads.."

Although this phrase about leads being dead is a little aggressive, it is definitely a shift in mentality that property management firms should make in terms of their metrics. A lot of companies rely too much on the number of leads being generated and not on the conversion rates of leads to leases that they are having.

Triangulating insights into actions

Mary Kaye O'Brien, Director of Customer Insights, got into this topic that clearly a lot property management firms still need to improve. As we move along in this technology era, we have more and more data available to us, and whether it is analyzed or not, a lot of it is just sitting in a pile of reports and not being put to good use.

Zillow definitely has the size and tech power to provide a really wide variety of figures and statistics about the housing market, within their reports and in their platforms, but it is still out of their reach to turn a lot of those insights into actions for the property managers. This is mainly because every company or situation is unique and it's up to each one to know how to turn them into impactful decisions within their company. What is or should be very similar are the questions and mindset you should be having when approaching any insights, and sometimes you gotta be creative (specially in marketing).

As you run through your company's data, or through the figures provided in the next section, we recommend to constantly be asking yourself questions like:

- How can I use this type of data from my clients´ properties and turn it into key insights that they will value? (Ex. Using a properties´ insights on demographics and household distribution to better predict the future behavior of vacancies, and provide a more precise financial forecast, or recommended strategies/ features for the investor)
- Should I consider more types of property and consumer insights in my marketing strategies?
- Can I use this type of data to generate a more tailored made approach to each property/investor?
- What can I compare these insights to, in order to detect areas of opportunity in terms of efficiency?
- If I gathered more insights about this, will it help me implement a solution that will make my life easier?

Housing market trends

Zillow, in partnership with YouGov, provides a yearly Consumer Housing Trends Report where they gather information from thousands of key household decision makers, in order to get a general panorama of what consumers of residential real estate in the US are doing and thinking. This year's survey consisted of 13,439 household decision makers, ranging from buyers, sellers, homeowners, renters and tenured renters. We had the pleasure of listening to Mary Kaye, Director of Customer Insights, and discussing some key data from the report. Here are some of the most relevant findings, in order to provide you with a quick briefing of where consumer housing currently stands:

Who's renting my properties?

So what's another big reason that providing digital experiences to housing consumers is a must?
- 32 is the Median Age of today´s renter, in other words there is a clear majority of renters being Millennials (ages 24-38) consisting of 48%, compared to the next renter segment of Gen X (ages 39- 53) with 18%.
- MFH renters are well educated with nearly 4 in 10 MFH renters (39%) being college grads.
- In terms of openness to different housing types, a great majority of Gen Z (74%) renters consider apartments (their limited rental and credit history play a big role), compared to 58% of Millennials, and the other generations rounding closer to to 50%.

It's very useful to know your properties' demography data since it can help you understand when will probably be their next move, and combining it with the properties´ characteristics, you can infer what is mainly attracting these segments.
- In general households, 79% of renters live with other people (47% with spouse or partner, 33% with children, 17% with roommate, and 24% other), 46% live with pets, and 14% live alone.
- In MFH, 26% of renters have 1+ kids at home, 24% of MFH renters are living alone, and 36% have at least one pet (Pet ownership is lowest among MFH renters)

What type home types are consumers preferring?
- Most tend to gravitate toward apartment buildings with 59% of people preferring them (a preference that correlates to the national real estate growth in the last few years), 33% of renters consider single family homes, and townhomes by 15%.

Be sure to always have open minded and respectful (in terms of ethnicity) property managers and concierge service.
- MFH renters are the most ethnically/ racially diverse group within renters with 50% of them identified as a person of color.

What is their income, and why is affordability worse today than it has been historically?
- $37,500 is their Median income.
- The typical renter can expect to spend about 29% of their household income on rent.
- 69% have a household income below $60,000.

- 14% report household incomes at or exceeding $100,000.

How will they react to rent spikes?
- In the past year, a $125-a-month increase was typically associated with renters who moved.
- For those who experienced a rent increase at some point but stayed put, a $50-a-month hike was typical.

Their wants and needs

Could your investors´ properties be a lot more attractive regarding what they offer?
- All age groups put safety as a top consideration (people want their homes to be a source of peace and well being in their lives).
- The next 3 characteristics considered as "extremely important" is the commute to work or school (58%), to be located in a walkable neighborhood (55%), and for the property to be close to shopping services and/or leisure activities (47%).
- 73% MF renters considered air-conditioning as a "very" or "extremely" important factor in deciding on the rental.

Are shared amenities actually attractive enough?
- 17% of all renters found a shared fitness center or gym as "extremely important" (versus 26% in MFH), 14% for both a shared community recreation space and shared amenities (versus 22% and 20% consecutively in MFH), and 13% for a building feature offering a rooftop deck or garden (versus 16% in MFH).

Where renters are coming from and where are they going

Were they renting before?
- The majority of renters (70%) are moving from a home they previously rented.
- Only 10% of renters moved from a previous residence they owned.

Anticipate their next step, either to prepare for their departure, or to capture upcoming tenants.
- 62% of renters who plan to move in the next year plan to rent again.
- 24% of renters are considering moving now, 22% are considering moving in the next year, 22% are considering moving in the next 2-3 years and the rest are not considering moving (or at least in the next 3 years).
- In general, 50% of renters move in from within the same city; 38% of renters arrive from a different neighborhood within the same city, 32% of renters arrive from a different city within the same state, 15% arrive from the same neighborhood, 13% arrive from a different state within the same country, and 1% moved from out of the country.
- 33% know for less than two months they will move, 52% know for less than three months, and only 23% of renters know for longer than 6 months.

The rental search

As mentioned, the majority of renters are young (as usual), and they have a greater affinity for technology, but like pretty much all type of renters, they still want to receive the personal touch when they're looking for a new home.

In other words, it's essential that every property management firm combines an effective technology platform, with a great human service as part of the experience. Definitely not a shocking revelation, but finding the right combination has become more and more valuable, with the overall goal of making the renting process (from selection to paying monthly rent) more pleasant than consumers expect.

- 60% of renters want to tour homes before renting and also 60% want to meet or speak with the landlord of property manager, either in person or on the phone.
- 77% of MFH renters use online resources in their search and they are more likely than Single Family Housing (SFH) renters to do so.

Do you know how long is your tenant´s research to lease process? Are you providing an efficient and pleasant experience?
- A typical renter will spend an average of 2.7 months looking for their new home; this is significantly less time than buyers, who spend about 4.4 moths hunting for a home.
- 28% of renters spend more than 2 months searching, and 36% find a place in less than a month.

What resources are renters using, and how much are your current tactics working?
- Online resource: 73%
- Friend, relative, neighbor or colleague: 42%
- Landlord/ owner of the home: 32%
- Property Manager/ Leasing agent: 25%
- Yard sign or open house sign: 18%
- Real estate agent or broker: 16%
- Print AD: 11%
- Direct mail: 7%

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