



LOOKING AHEAD: MULTIFAMILY PROPERTY MANAGEMENT AND TECHNOLOGY IN 2024



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INTRODUCTION

It is almost impossible to discuss the future of multifamily property management and not start with the word PropTech. PropTech, or property technology, is a substantial and rapidly expanding component of multifamily property management. It is a bit of a buzzword today, a popular term thrown around quite often, even if it isn't completely understood. Technically, PropTech describes all technology that impacts commercial real estate (CRE) in any way: managing, selling, buying, marketing, financing, analyzing, etc.. And PropTech's sheer size and scope inherently overlap with other domains (fintech, ops tech, accounting tech, etc.), as it focuses on providing all needed technology for the real estate industry.

Contributing \$2.3 trillion to the national GDP in 2022, CRE remains a dominant, growing player in the US economy. Thus, PropTech's reach is constantly expanding. Multifamily, specifically, has witnessed a noticeable surge in PropTech as the industry expands to meet the demands of an ever-growing rental population. While rental rates are experiencing a temporary lull in growth, a recent Marcus & Millichap report reported that in May of 2023, the average length of time a rental unit sat empty fell to 26 days, the shortest duration seen since August 2022. Even when rents are down, the multifamily industry is growing and succeeding. In fact, buildings of five or more units jumped 40% year over year in May 2023, according to the most recent data from the U.S. Department of Housing and Urban Development and the U.S. Census Bureau.



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MULTI FAMILY 101

To ensure clarity, let's start by defining "Multifamily" and Multifamily Property Management within the realm of CRE.

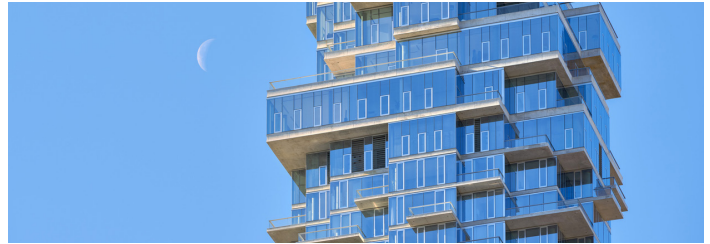
Multifamily refers to a specific sector of CRE, characterized by the following key elements:

1. Multifamily properties are buildings consisting of five or more units, which are owned by investors, Real Estate Investment Trusts (REITs), or corporations.
2. The Multifamily sector includes various asset types, each offering unique characteristics. While the list of potential assets is extensive, they generally fall within the following categories:



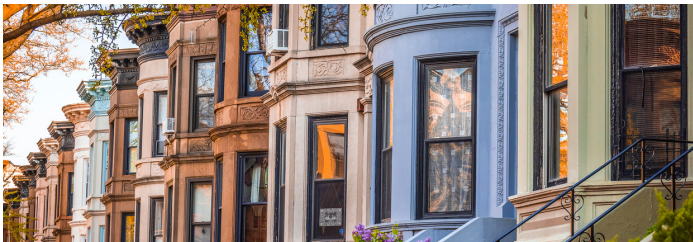
GARDEN STYLE

This multifamily housing type is common in suburban areas. Typically consisting of 1-3 stories, garden-style apartments often feature exterior doors, providing residents with direct access to outdoor spaces.



MID/HIGH RISE

Predominantly located in inner city markets, mid/high rise apartments are characterized by their taller structures, ranging from 5 to 40 stories. These buildings command a wide range of rental rates, varying from approximately \$100 per square foot in New York City to around \$4 per square foot in other major metropolitan areas.



TOWNHOUSE/MULTIPLEX

Another form of multifamily housing, townhouses or multiplexes are typically found in urban and suburban areas. These units are interconnected or adjacent to one another, often forming a row or cluster of residences. Townhouse-style multifamily housing provides a blend of privacy and shared amenities.



SINGLE FAMILY BUILD TO RENT

Catering specifically to renters' desire for a single-family home experience, this multifamily asset type consists of communities comprising individual single-family houses. These developments resemble typical subdivisions but are designed and constructed to meet the rental demand for standalone homes.

3. Multifamily encompasses various asset classes, each offering distinct features and characteristics. Here are some examples of the different asset classes within the Multifamily sector.

A-A+

These assets represent the top tier of Multifamily properties, characterized by extensive amenities, concierge services, and premium rental rates. They often feature high-end finishes, modern designs, and luxurious living experiences.

B-C

This category primarily consists of garden-style assets that have been constructed within the last 20-30 years. While they may not have the same level of luxury as A-A+ properties, they still offer desirable features and amenities. These assets might have undergone moderate renovations or updates to maintain their appeal.

D

D-class assets typically refer to properties that were built over 30 years ago and have received minimal to no renovations or improvements. These properties often exhibit signs of significant wear and tear, and their rental rates may be lower than other asset classes. They may require substantial investment for repairs and upgrades.

AFFORDABLE

This distinct category is comprised of Multifamily assets that are specifically designated as affordable housing. These properties are developed and managed to provide housing options for low-income individuals or families. Affordable housing assets are subject to specific regulations and rent restrictions to ensure affordability for eligible tenants.



Multifamily management today can be placed into one of two primary categories: Owner-Operators and 3rd Party Operators. Let's delve into each category and explore their roles and characteristics in more detail:

1. Owner-Operators: These owners directly purchase or develop and exclusively manage multifamily properties. For owner-operators, the property management operating company and team serve as a means to an end— which is not an insult. On the contrary, this arrangement often leads to an efficient and positive experience for operations teams. The owner-operators prioritize exceptional operations as a whole support system for the property owner. Their primary focus is ensuring outstanding performance and delivering value to the property and its residents. The profitability of the operations company is rarely a concern for owner-operators, as their primary objective is to add value to their assets.

2. 3rd Party Operators: Independent management companies provide property management services to multifamily property owners. Most also manage their own assets, but their focus is no longer on just adding value to their assets, their focus is to run a successful and profitable services company - the PMC. They are hired by property owners who

prefer to outsource their assets' day-to-day operations and management. 3rd party operators are experts in the field of multifamily management and bring a wealth of knowledge and experience to the table. Just like owner-operators, they focus on maximizing the property's financial performance, optimizing operational efficiency, and enhancing the overall resident experience.

As multifamily continues its growth trajectory, both owner-operators and 3rd party operators are looking to PropTech to drive success - financial and operational success. It is essential to align your core operations by utilizing property management software that will help you. We will dive deep into the last decade to learn about the pitfalls, flaws, and limitations of all-in-one platforms and how to approach centralization for an ideal future state, and the benefits of more modern proptech technologies available that are adapting to the new evolution of property management.



2 BASICS OF MULTIFAMILY PROPTECH

CRE's embrace of technology in the last decade has shaped and enabled property management companies to grow in ways that have created pathways for organizations to expand, solving mundane tasks by automation or creating efficiencies. Organizations have popped up to solve the following issues, and really, Proptech can be paired off into five buckets of features that reoccur in offerings:

1 Physical asset management

- a. Buildings, floorplans, units
- b. Rent rolls
- c. Market rents, amenities with values, rentable items
- d. Work orders, turns, inspections

2 People Management

- a. Prospects, applicants, residents, prior residents
- b. Leases and renewals
- c. Ledgers and documents
- d. Communication
- e. Resident Portals

3 Marketing

- a. Websites
- b. SEO
- c. ILS syndication

4 Reporting

- a. Operating reports
- b. Business Analytics

5 Accounting

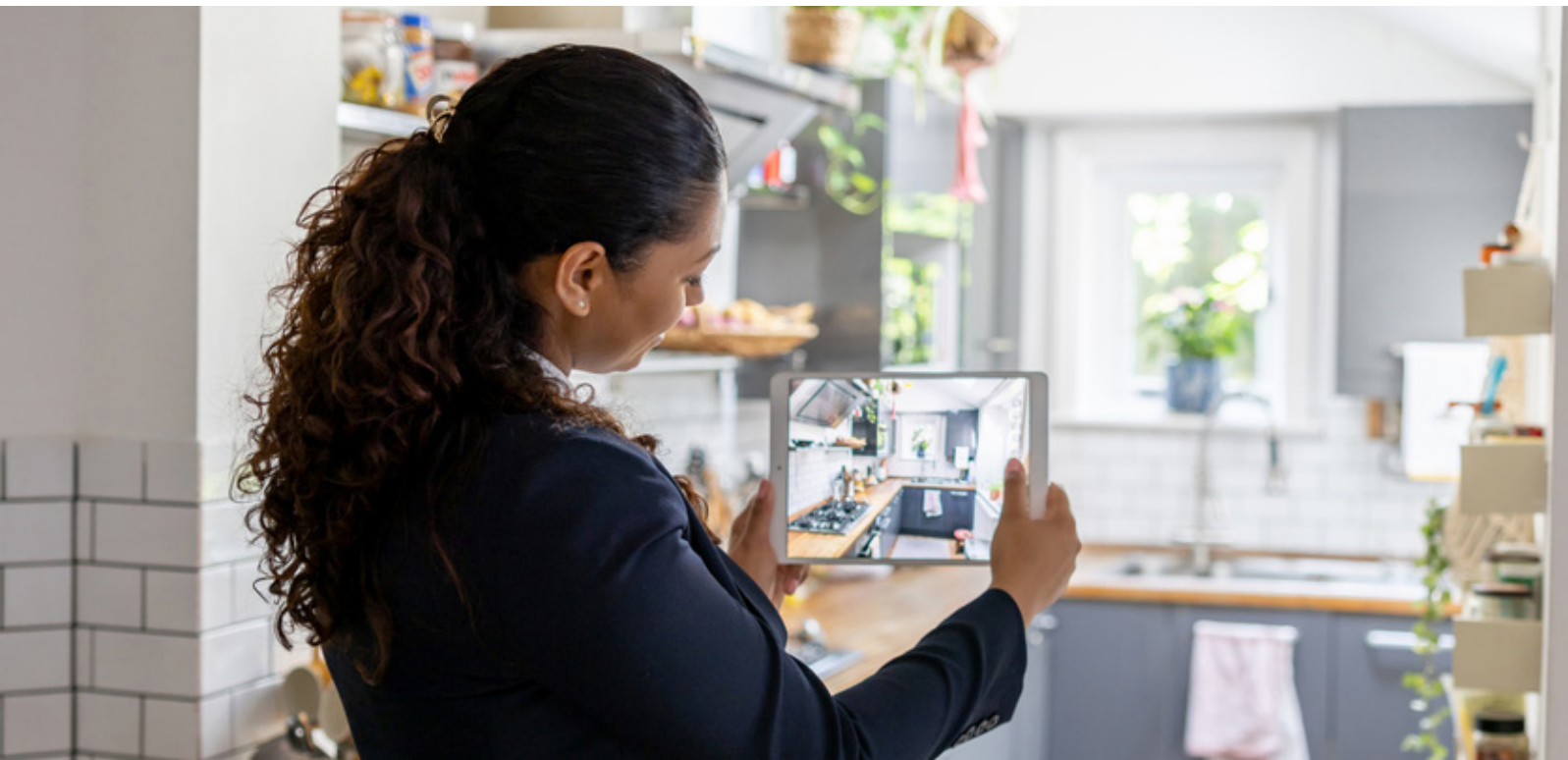
- a. Trial balances, general ledger system
- b. Financial reports
- c. Invoices, payables, procurement
- d. Cash management, bank reconciliations

The past decade we have witnessed a surge in the centralization of platforms and technology solutions for property management. Property management companies sought long-term partnerships with technology providers that offered “all-in-one” solutions, covering maintenance, resident communications, rent roll, and accounting. These organizations capitalized on evolving processes and operations from their products and solutions in the early 2000s. This paradigm shift positively transformed the multifamily real estate landscape. With the growth of property management organizations, they often faced limitations in managing larger portfolios. While all-in-one platforms provided initial benefits, they couldn’t match the specialized solutions offered by standalone companies. This limitation was particularly evident in accounting

software, which most frequently fell short in accommodating the scale and intricacies of managing a growing portfolio. Thus, property owners frequently found themselves grappling with the dilemma of being tied to a system that had once facilitated their growth but was now inadequate for their needs.

Property owners who have remained vigilant and pursued the best-in-breed solutions are gaining momentum. By embracing innovative technology and staying ahead of the curve, they have positioned themselves for success. These forward-thinking owners recognize the importance of staying relevant and meeting the evolving needs of their clients.

So what can we learn from this decade’s evolutions and pitfalls in all-in-one systems in the pursuit of centralization?





1. Too many buttons and manual workflows. These platforms combine incredibly manual systems with manual button pushing to create an environment where companies are now attempting to build bots to create overlaid automation. To be fair, they were built long before the concept of automation was as normal (or as necessary) as our cup of coffee this morning. Over the past decade, we have transitioned away from the “on-site teams and personal touch to everything is key” mentality to an efficiency and self-service model based in automation.

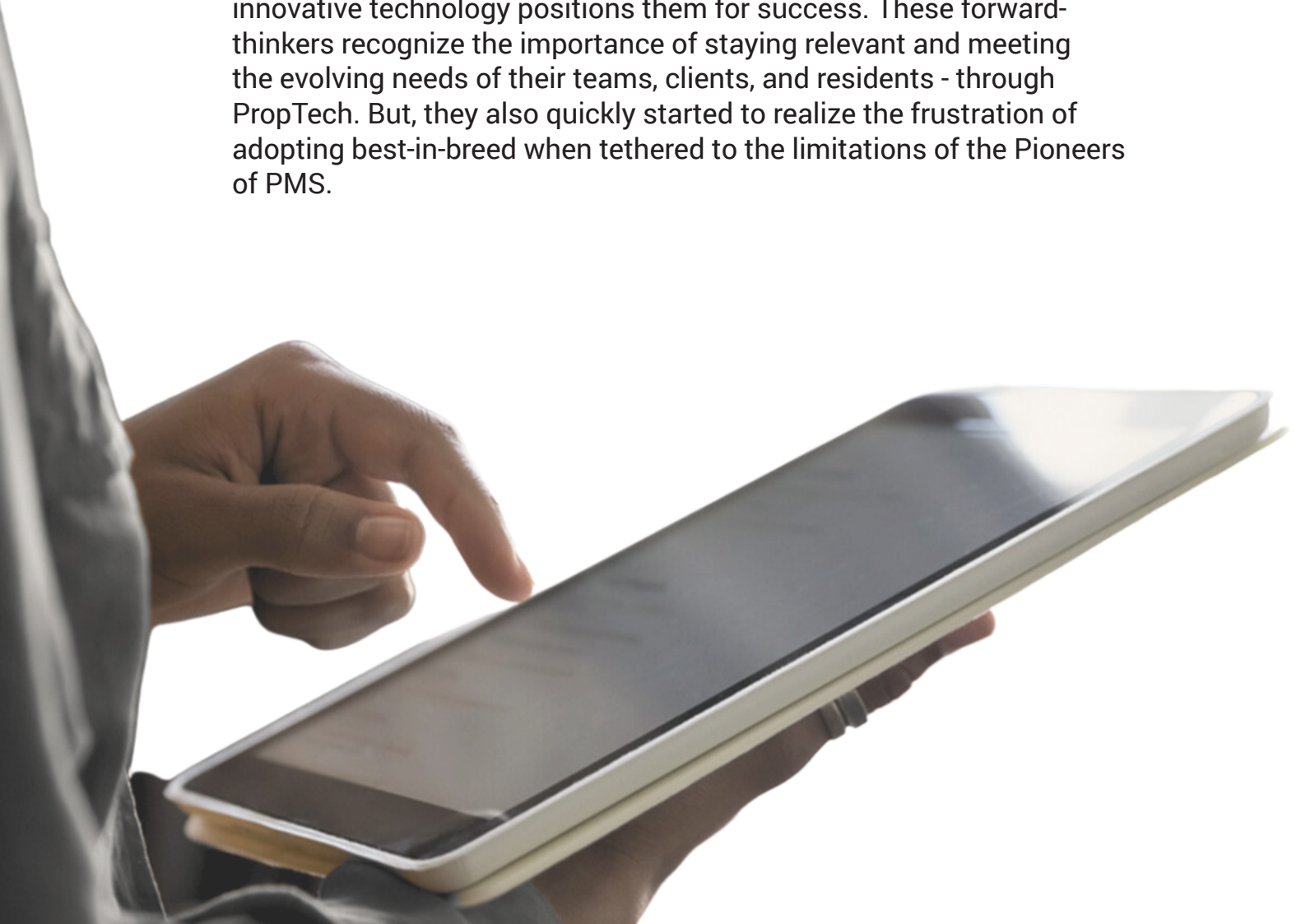
2. Internal focused ecosystem. These feature-native platforms have a rigid architecture that wasn’t designed to be integrated with other platforms and ‘remodeling’ technology framework to be repurposed into a more ‘open-API’ that costs tens of thousands of dollars and requires a masochistic engineering team to use. Like trying to modernize a building built decades ago, it’s possible; it just will take more resources and patience, often at the expense of their customers. By leveraging a thoughtful core property operations platform that was designed with a hub in mind, the flexibility of choosing the best-in-breed is a breezy experience and has become the trending trailblazing method this industry now favors.

3. Trying to do everything. These platforms try to do it all, including a complete accounting system. This brings to mind the saying: “You can do anything, but you can’t do everything.” Even if these solutions were able to be great at every function, even the full general ledger package for accounting, at one time, we all know the physical impossibility of maintaining that greatness for every feature over time. This is why the ancillary solutions in PropTech have exploded over the past 5 years (more on this later).

3

TODAY'S MULTIFAMILY TECHNOLOGY DEMANDS

Like other industries that have experienced significant shifts, property management is on the verge of reckoning. Operators diligently pursuing the best-in-breed solutions are gaining momentum. Their commitment to sourcing cutting-edge solutions and embracing innovative technology positions them for success. These forward-thinkers recognize the importance of staying relevant and meeting the evolving needs of their teams, clients, and residents - through PropTech. But, they also quickly started to realize the frustration of adopting best-in-breed when tethered to the limitations of the Pioneers of PMS.





1. Interconnectivity of PropTech

To set the stage, consider the visionary collaboration between Steve Jobs and Marc Benioff, who pioneered the concept of offering a core solution while embracing integration partners.

In 2006, Salesforce introduced its AppExchange, a groundbreaking platform allowing external companies to integrate their specialized services within the Salesforce ecosystem seamlessly. Shortly after that, in 2008, Steve Jobs launched the App Store, revolutionizing how we access and integrate third-party applications on our devices. Their collective efforts showcased the immense value of collaboration and the power of leveraging the expertise of multiple specialized providers within a unified system. By adopting this approach, businesses can unlock new possibilities, drive innovation, and maximize experiences.

They recognized the value of integrating with other organizations specializing in complementary services. While these

companies offer some (mostly basic) in-house solutions, they allow external companies to seamlessly integrate their more robust, specialized offerings into the ecosystem. This approach promotes collaboration and allows organizations to leverage the expertise of multiple specialized providers within a unified system.

This is what multifamily property management companies are looking for because they are accustomed to experiencing this. They seek a core property management operating system focusing on specific operations while integrating seamlessly with specialized providers. This approach ensures that experts in their respective fields handle each aspect of the property management process, resulting in a more efficient and effective overall solution.

As Salesforce and Apple have successfully demonstrated, collaboration and integration with best-in-breed technologies can elevate capabilities and drive sustainable growth.



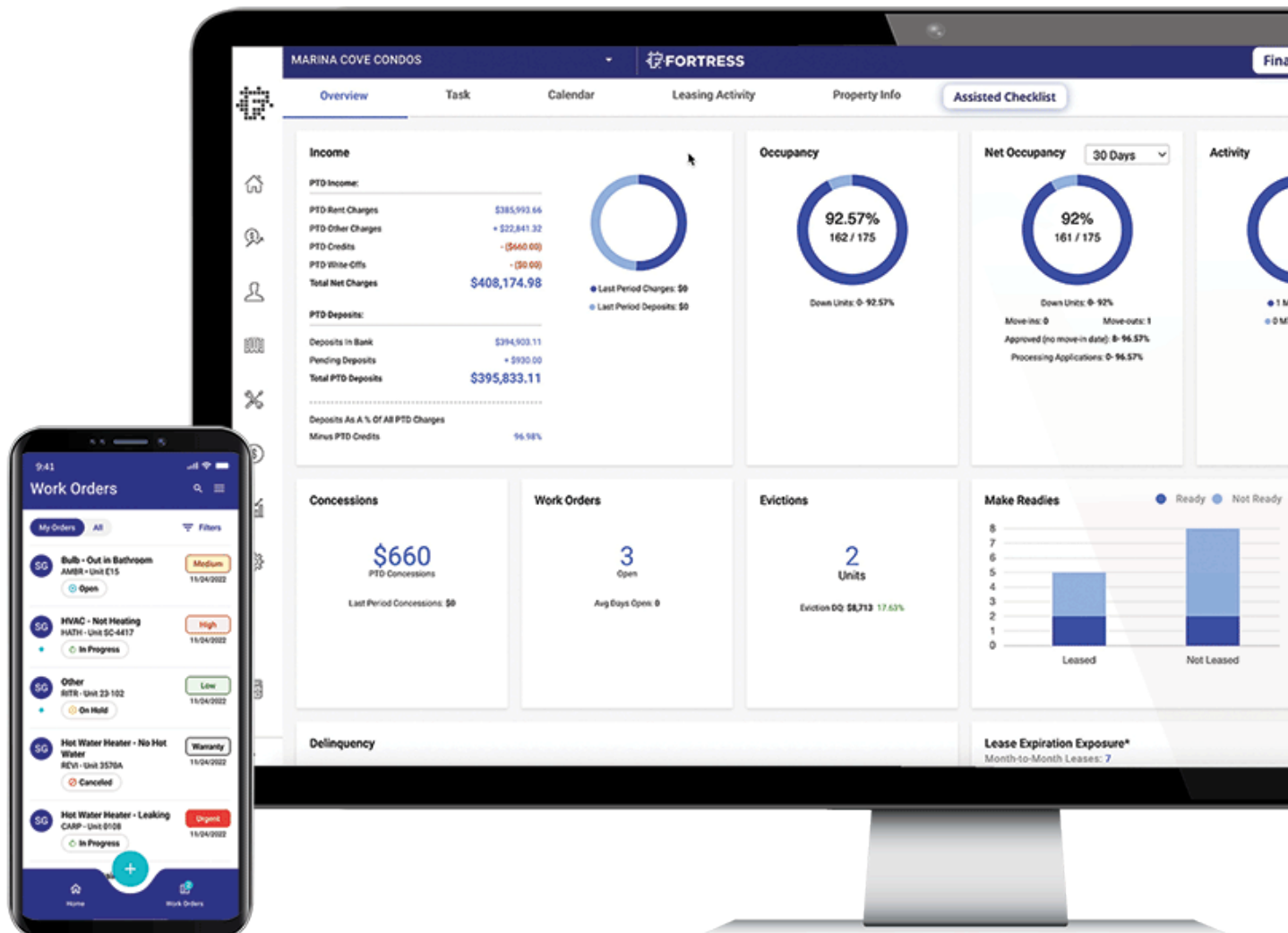
Organizations like FORTRESS understand the importance of creating a core hub solution, as demonstrated by the success of seamless integration platforms that Benioff and Jobs created by focusing on being the core property management operations (PMO) hub solution and partnering with best-in-breed providers. By partnering closely with best-in-breed industry solutions, like Sage Intacct, the leading cloud-based accounting software preferred by accountants worldwide, and TransUnion, a revolutionary credit/criminal screening tool that combines proprietary data, accuracy, and relevance to generate a real-time “renter score” that is proven to reduce bad debt expense and increase the health of an asset, FORTRESS has created an ecosystem of choice, facilitation of the full-onboarding process alongside these organizations, and developed seamless integration in not just the product itself, and also in their back-end partnership and workflow in the Multifamily and Commercial Real Estate industry to ensure a smooth and efficient experience for clients. Even the ‘Open-API’ connections just between organizations are becoming archaic, this higher level of corporate partnership, collaboration, and onboarding experience is what property management companies need to look for when considering their operation hub solutions.

2. Real-Time Data and Communication

Owners often desired to empower their onsite teams while staying informed about their investments. As a result, a monthly decision-making balance was established. Monthly reports were generated to analyze trends and make strategic choices. However, obtaining real-time data proved challenging as platforms required time to aggregate and generate reports, causing disruptions for onsite teams. A platform offering real-time data and transparency has become increasingly vital in today's fast-paced environment, where quick pivoting is crucial.

Multifamily property management operations' future is access to real-time data and communication.

Consider the various stakeholders involved in property management: owners, investors, asset managers, maintenance contractors, on-site teams, accountants, management, prospects, and residents. Sharing data and communication among these individuals is incredibly valuable (and necessary), yet it can be challenging at best.





1. Applicants and residents:

The importance of communication becomes evident when considering its positive impact on resident experiences. Studies have shown that when residents can easily track their maintenance issues, receive timely updates, self-service for payments, renewals, and documents, and communicate with property management, their overall satisfaction increases.



2. Accounting and financial reporting:

Efficient data extractions and communication channels enable accounting teams to process payments to vendors promptly, generate timely financial reports, and process owner distributions.



3. Owners and portfolio managers:

Access to real-time data allows owners and asset managers to proactively identify trends and anticipate potential issues before they arise. Relying solely on reports shared every month can limit an organization's ability to pivot or address issues promptly. Property management organizations can enhance their operational efficiency and mitigate risks by prioritizing real-time data and establishing a solid foundation for communication through technology.



4. Leadership and operations:

Effective property management requires real-time tracking and analyzing crucial metrics such as income, occupancy, rent trends, recommended smart prices, and renewals. This capability plays a pivotal role in optimizing performance and making informed decisions. To achieve this, it is essential to transition from outdated practices like scattered spreadsheets and disjointed systems that heavily rely on on-site teams assembling manual reports.

By adopting a comprehensive system that enables the management of rent roll data in one centralized live screen with real-time updates, property management companies can overcome the limitations of traditional approaches. This shift empowers organizations to bid farewell to the complexities of managing multiple spreadsheets and disconnected systems. A forward-thinking solution should offer a dynamic screen that consolidates data and

provides customizable interfaces tailored to the specific roles within the organization.

This approach ensures that individuals have access to the information most relevant to their responsibilities, enabling efficient decision-making and fostering collaboration. Additionally, centralizing the core data in a shared environment enhances accuracy, eliminates data discrepancies, and provides a holistic view of the property's performance.

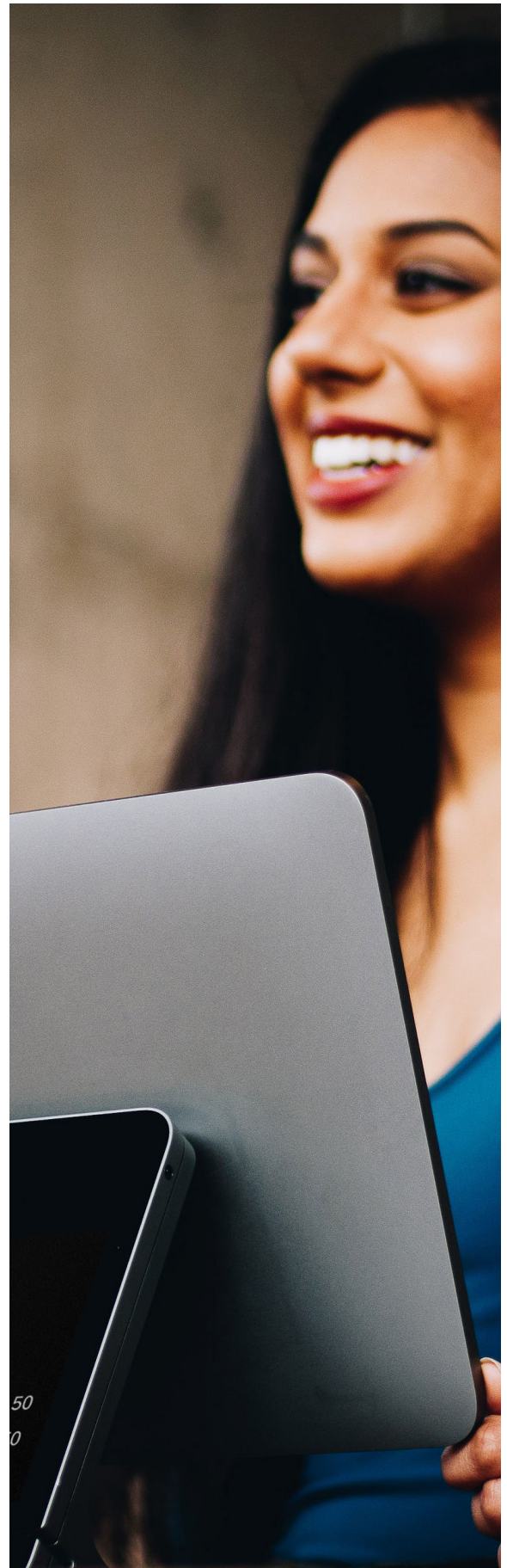
3. Ease of Use and Adoption

The push to embrace technology in property management organizations is often met with the reality that some technologies take longer to understand, implement, and use.

The challenges associated with deploying, training, troubleshooting, integrating, and the potential downtime during system transitions further contribute to the resistance to change. It's understandable that property management organizations exhibit hesitancy and cling to the "that's just how it has always been done" mentality.

But, at some point, we must face reality – it's time for an upgrade. To illustrate the importance of user-friendly technology, let's consider the example of the iPhone. In the 90s, cell phones evolved from bulky Nokia brick phones to more sophisticated devices like the BlackBerry with tactile keyboards and buttons. Everyone thought the BlackBerry was the future - it was amazingly productive and efficient. But then the iPhone arrived– and its revolutionary design, user experience, and inherent lack of buttons made technology adoption easy and intuitive. Similarly, recent advancements such as touchless experiences through smart home technologies and voice-activated commands have further transformed how we interact with technology. Holding onto the BlackBerry, because change is hard and generally not free– is not the right decision for multifamily.

The pioneers of property management software are, in fact, stuck in legacy solutions with cumbersome UI's and, well– let's face it, there are a lot of buttons. Modern platforms, like FORTRESS, are open to embracing best-of-breed solutions, focusing on the user experience and adoption for all stakeholders. When users are in the system, leveraging the features, data, and communication easily and intuitively, adoption and success soar.





Kerri Davis, CEO of FORTRESS, previously led a multifamily property management organization that she helped scale from 5,000 units to 30,000 units in just under five years. She acknowledges that very often, those most interested in the health and success of the assets never accessed the core system being used to manage the asset.



“When we were able to put the real-time reporting and communication tool in the hands of owners, everyone benefited. The operations team felt heard, seen, and relieved of manual reporting and unnecessary phone calls, and the ownership teams felt informed, up-to-date, and empowered to help.”

This insight underscores the importance of selecting technology solutions that prioritize usability and address the pain points of property management professionals.

When searching for technology companies to partner with, finding those that prioritize and support the change management process while focusing on long-term adoption post-implementation is crucial.

Look for solutions that prioritize user-friendly experiences and offer self-help guided tours or have a dedicated, experienced team that is responsive and helpful. Evaluate the platform’s ease of navigation for users, managers, and owners to ensure a smooth and seamless transition. These are truly the keys to short and long-term adoption and provide the roadmap to success. Remember, digital transformation can be manageable and even exciting with the right technology partner.

4

FUTURE PROOF YOUR OPERATIONS

There's no doubt there are substantial investments focused within the Commercial Multifamily Real Estate industry, promoting innovation and disruption to the status quo. And while we see this explosive growth, we primarily see it in early adopters that are currently capped or just about to pivot to venture into features that can sustain the growth they're experiencing. With new innovations arriving, having a flexible core operations hub will allow companies to stay ahead of the curve. Moreover, as new groups of renters express different needs— from TikTok'able spaces focusing on space vignettes, providing spaces for a work-from-home lounge, or another global pandemic shifts— staying flexible and having a foundational core property management operation system that can enable you to be nimble and agile, and allow you to dynamically change strategies while reflecting your community's brand look and feel, is more important than ever.

In recent years, the adoption of forward-thinking technology in multifamily properties has evolved from basic communication to a more holistic approach, including leveraging smart building technology, opening opportunities to build engaging communities through mobile applications and communication, and utilizing data analytics and predictive insights. These technological advancements empower owners and property managers to adapt, forecast their needs, make informed decisions, and improve operational efficiency.

The focus is now on leveraging technology to optimize financial investments and create a holistic and proactive property management approach, and in turn— significantly enhancing the resident experience. In addition, resident portals and mobile apps have transformed how tenants experience an apartment community, communicate with property management and access essential services. These platforms offer convenient channels for submitting maintenance requests, direct communication with property managers, access to essential documents, and streamlined online rent payment options. By enhancing convenience and responsiveness, these technological solutions continue to increase adoption and provide insight into business intelligence like never before.



AUTOMATION

Automation leveraging platforms that help you automate workflows offer exciting possibilities to enhance amenities and community engagement in multifamily properties. Property management can utilize online platforms for community events, virtual property tours, and resident forums, fostering a positive and enjoyable living experience. These digital tools enable faster communication, real-time notifications, and convenient payments for residents, property managers, and maintenance crews. By embracing digital platforms, property management

enhances resident satisfaction, strengthens community connections, and promotes efficient operations. Virtual tours provide a realistic sense of the property for out-of-town or international tenants who can't visit in person. Resident portals serve as centralized spaces for important announcements, maintenance updates, and rent payment reminders, ensuring clear communication and minimizing confusion. Embracing these digital solutions creates a vibrant resident community atmosphere and improves the overall resident experience.



PREDICTIVE ACTIONS AND REDUCING HUMAN ERROR

Utilizing proper property management software and analytics tools unlocks the potential of data-driven decision-making in multifamily properties. This wealth of data includes information on rent collection, occupancy rates, maintenance costs, and market trends. By harnessing this data, property owners and managers gain the knowledge to make informed financial decisions, such as rent adjustments and capital expenditure planning. Predictive analytics takes it further, enabling proactive decisions on pricing, leasing strategies, and resource allocation, ultimately boosting profitability. Additionally, financial management tools automate rent collection, rent growth, expense tracking, and financial reporting, providing real-time insights into data, allowing owners to make thoughtful decisions based on supply and demand trends for that unit vs. other units.

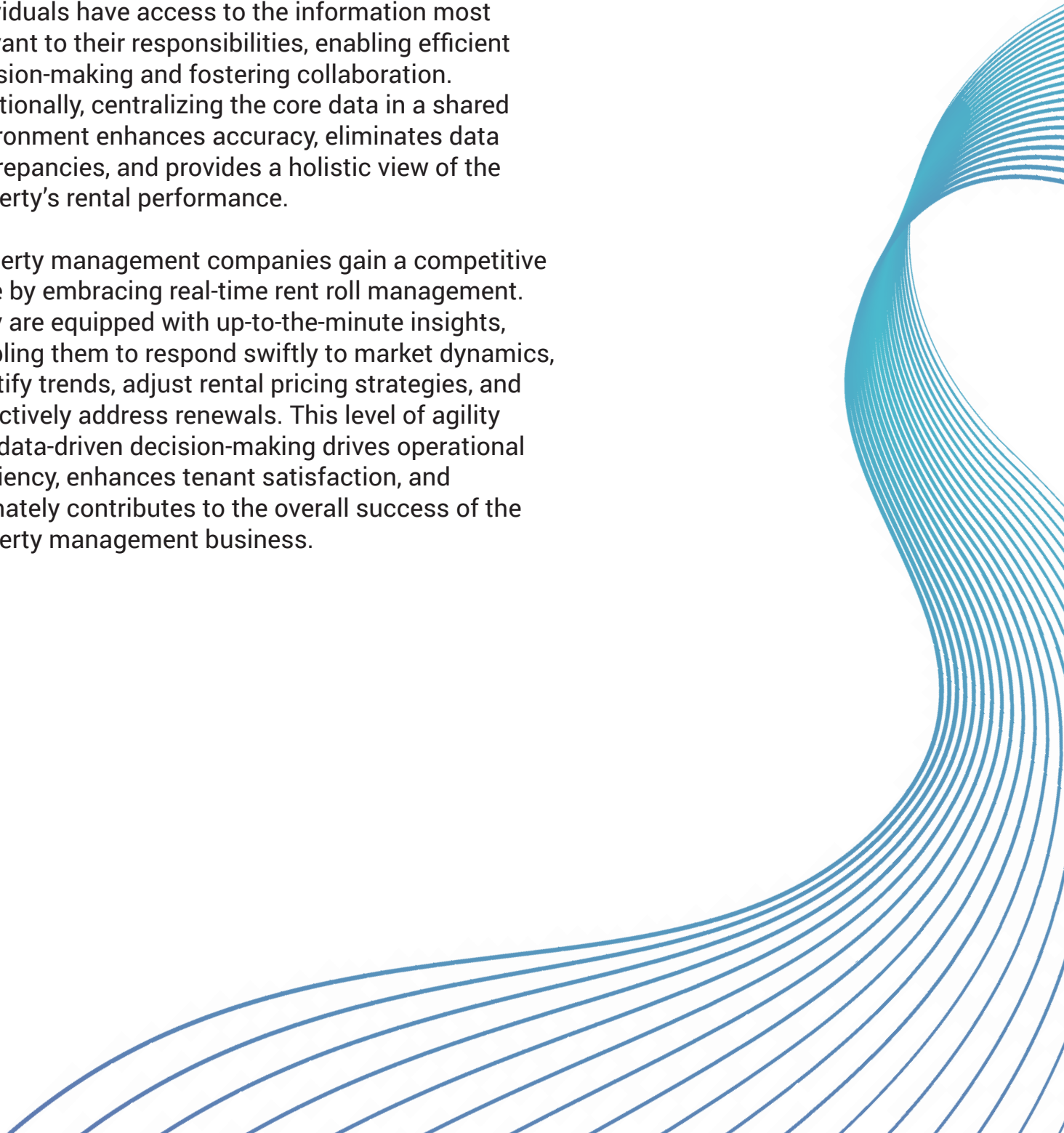
Within the community, property managers can leverage data-driven examples for maintenance decision-making by analyzing historical maintenance data to identify patterns and trends. This helps them understand common maintenance issues, their frequency, and associated costs. They can also track and analyze maintenance requests to identify potential system-wide problems and areas that require attention. In addition, they could evaluate a vendor's performance using data-driven metrics, such as response time, resolution rates, customer satisfaction, and cost-effectiveness, allowing property managers to make informed decisions. Additionally, data on maintenance expenses helps identify opportunities for cost optimization, such as evaluating the cost-effectiveness of outsourcing versus in-house maintenance tasks.



DATA SINGULARITY INFORMATION MANAGEMENT

A forward-thinking solution should offer a dynamic screen that consolidates data and provides customizable interfaces tailored to the specific roles within the organization. This approach ensures that individuals have access to the information most relevant to their responsibilities, enabling efficient decision-making and fostering collaboration. Additionally, centralizing the core data in a shared environment enhances accuracy, eliminates data discrepancies, and provides a holistic view of the property's rental performance.

Property management companies gain a competitive edge by embracing real-time rent roll management. They are equipped with up-to-the-minute insights, enabling them to respond swiftly to market dynamics, identify trends, adjust rental pricing strategies, and proactively address renewals. This level of agility and data-driven decision-making drives operational efficiency, enhances tenant satisfaction, and ultimately contributes to the overall success of the property management business.



PRIORITIZING RESIDENT EXPERIENCE

Resident portals and mobile apps have transformed how tenants communicate with property management and access essential services. These platforms offer convenient channels for submitting maintenance requests, direct communication with property managers, access to essential

documents, and streamlined online rent payment with flexible payment options. By enhancing convenience and responsiveness, these solutions continue to increase adoption and provide insight into business intelligence like never before.



CONCLUSION

To meet the demands of modern renters, property stakeholders must adapt to market changes, leverage PropTech advancements, and ensure compliance with evolving regulations. Key aspects such as financial performance, maximizing occupancy and tenant retention, property maintenance and upkeep, risk management, market trends, and legal compliance remain essential for successful property ownership and management.

The interface of core property management software plays a crucial role in shaping the overall brand experience of property management. By ensuring the availability of real-time data, this software empowers residents, maintenance personnel, property managers, and owners alike. Residents benefit from being well-informed, increased satisfaction, and stability in a happy home environment. Property managers and maintenance teams can efficiently perform their day-to-day operations, optimizing workflows and responsiveness. Owners, who are financially invested in expanding and diversifying their

portfolios, gain valuable insights for driving growth and stability.

Imagine a world where residents have the convenience of booking meeting spaces, paying their rent partially with a debit card and the remainder with a check, efficiently scheduling maintenance appointments for their appliances, and receiving precise updates on the arrival of the maintenance team. Envision a reality where property managers prioritize enhancing resident experiences while automating most of the behind-the-scenes tasks. This world also offers consultative checklists and suggested pricing to optimize efficiency and ensure every resident is paid proper attention. This isn't merely a fantasy—it is an attainable reality today. However, if organizations fail to adopt and leverage future-flex technologies that revolutionize today's traditional all-in-one platforms (that give claustrophobia a run for its money)—property management companies will be limited in their growth capacity to maintain their offerings and risk falling behind.





Thrive Without Compromise



READY FOR REAL-TIME ACCESS TO LIVE DATA ON YOUR ASSETS?

There's finally a solution for that.

FORTRESS manages your rent roll data in one live screen with real time updates and customized focuses. Under 5-clicks, track and analyze everything you need to know about your investments, including:

- Income
- Occupancy
- Rent Trends
- Recommended Smart Prices
- Renewals
- .. And more

FORTRESS replaces your current core property management system (like Yardi or RealPage), but we don't have an attitude about being the best at everything. Enhance FORTRESS with best-in-breed solutions for seamless integration unlike anything you have experienced.

Learn more about what we have to offer today.

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