REALPAGE

21 KEY STRATEGIC INSIGHTS FOR 2021



AN ESSENTIAL STRATEGY PLANNING GUIDE

REALPAGE.COM

2020 made us all stronger for our communities, our teams and our partners.

The RealPage® team of Industry Principals, Economists and Market Analysts created this planning guide to help inform and strengthen your strategies for 2021.





Lead Authors

Jay Parsons, Deputy Chief Economist
VP of Industry Principals

Carl Whitaker, Senior Manager
Market Research & Analysis

Contributors

Andrew Bowen, Industry Principal
Jonathan Breakstone, Industry Principal
David Polewchak, Industry Principal
Greg Proctor, VP of Affordable Housing
Tracy Saffos, Industry Principal
Arben Skivjani, Economist & Data Scientist
Greg Willett, Chief Economist

REALPAGE®

Table of Contents

01 **2020 OVERVIEW** 01

Commentary: The Year of Variability 04
Apartment Market Forecast 07

02 **21 KEY STRATEGIC INSIGHTS** 09

Throttle Up Your Sun Belt and Suburban Assets 10
Strengthen Your Core in Ailing Coastal and Downtown Assets 11
Adjust the Recipe for Your Operational "Secret Sauce" 12
Accelerate Fully Virtual Leasing—Not Just Tours 13
Cut Costs Not Quality: On-Site Teams Go Multi-Site 14
Shift Operational Levers Together—Not Independently 15
Focus on Renewals—They'll Be Harder to Secure 16
No "Tsunami:" Evictions Will Remain Limited 17
Decentralize Your Leasing Office 18
Explore a Low-Capital Value-Add Strategy 19
Don't Bank on a "Flight to Quality" 20
Be Cautious With Concessions 21
Get Back to the Basics of Property Management 22
Strengthen Your Tech Stack 23
Take Back Control of Your Brand 24
Drive Up Revenues—Not Just Base Rent 25
Get Aggressive Again (Strategically) With Acquisitions 26
Look for New Development Opportunities That Make Sense Post-COVID 27
Reimagine Short-Term Rentals 28
Prepare for Longer Unit Turns 29
Push for More Public Support for Affordable Housing 30

03 **STRATEGIES FOR YOUR MARKET NICHE** 31

Class A+ 32
Suburban 33
Student Housing 34
Slow Growth & Tertiary 35
New Product 36
Conventional 36
Affordable Housing 37

04 **THE TRUTH ABOUT 5 MARKET MYTHS** 38

05 **KEY RESOURCE GUIDE** 44

Free STARS Customer Business Review 45



Commentary:

The Year of Variability

We tend to think of the market in binary terms: It's good or it's bad. From 2008 to 2009, it was bad. From 2010 to 2019, it was mostly very good. And then there was 2020, which was…a roller coaster. The volatility of 2020 will give way to another V-word in 2021: variability.

Here's the distinction: In 2020, everyone felt massive volatility due to the pandemic. In 2021, performance and market conditions will vary massively from asset to asset, submarket to submarket, and market to market.

We expect some market segments—particularly Sun Belt, Suburban and Class B—to do very well. Other segments—Coastal, Downtown submarkets and Class A+—will experience further challenges. Class C will generally outperform its reputation for a downturn. On the regulatory front, policymakers will play a much bigger role in multifamily trends than they have historically.

How can multifamily investors and managers navigate through variability in 2021?



Varying conditions require a willingness to adapt to each environment—not apply a one-size-fits-all strategy. In 2021, it will be more important than ever to stay on top of real-time portfolio and market trends and stay one step ahead. Re-evaluate your KPIs to ensure they match realistic goals and monitor them as frequently as possible.

Get precise in your strategy. Tailor it to each individual market, each individual asset, each individual unit type. Precision matters and will drive a more focused approach on pricing, marketing and leasing, as well as retaining residents, boosting reputation scores and pinpointing operational efficiencies.

Disregard rent comp data in looking at market and asset health. It's a lagging indicator, and you don't know who (if anyone) is paying those advertised rates. Rent comps are also misleading and incomplete. Comps with strong offered-rent numbers may be struggling to fill units and tell us nothing about the metrics that move the bottom line: retention, renewal pricing, term lengths or lease-over-lease rent trade-out.

Variability will also impact the investment side. Overall transaction volume will drop in 2021 due to uncertainty in big coastal gateway cities, which historically comprise a huge share of apartment sales. Capital will flow into healthier markets across the Sun Belt, Mountain West and Midwest—particularly in the Suburbs.

“If you’re waiting for a big price drop, you’ll probably be left on the sidelines.”





If you’re waiting for a big price drop, you’ll probably be left on the sidelines. You’ll hear skeptics warn against chasing high-risk yield, which is always good advice but isn’t always true of the situation. For example, Sun Belt markets have outperformed on NOI for more than a decade, but remain discounted relative to Coastal cities. There’s room for cap rate compression in those types of historically undervalued markets where investor demand is beginning to catch up with renter demand. The same is true for new development and rehab. Overall deal flow will remain below pre-pandemic levels, due in part to fewer transactions in hard-hit Coastal cities. However, we’ll see more apartment trades in 2021 than we saw from Q2 through the end of 2020. Apartments have proven resilient and there are few places for investors to find better risk-adjusted returns. Those opportunities in consideration prior to COVID-19 are still worth pursuing.



APARTMENT MARKET FORECAST

REALPAGE
OUTPERFORM

The apartment demand outlook is murky, but promising. Demand disappeared when lockdowns started and boomed as lockdowns were lifted. Absorption in the second half of 2020 matched or exceeded the blistering pace of 2019 in most markets—a remarkable achievement given the global pandemic and 20+ million job losses.

Despite the huge questions lingering over the 2021 outlook regarding the next federal stimulus (e.g., the jobs recovery, the impact of a vaccine and the timing of workers returning to offices), 2021 will see a bullish trend in the apartment market—assuming the jobs recovery continues. Favorable demographics will also help. We saw a big spike in adult children moving back in with parents in 2020. When these potential renters flee the nest again, apartments could benefit.

Additionally, some college students choosing to study remotely may end up renting conventional apartments in their preferred locations. We'll also continue to see healthy demand from Baby Boomers.

From a macro view, apartment demand will vary tremendously by market, submarket and asset class.



RealPage expects overall U.S. occupancy to tick down modestly in 2021 due to more supply than demand at the top of the market—primarily from Class A properties in Urban core areas. Other market segments should hold steady around already-high occupancy rates. Rent growth opportunities will vary materially as well, though overall rent growth should improve moderately in 2021.

For more guidance specific to your portfolio, see Strategies for Your Market Niche.

Given the market variability, apartment operators will focus heavily on capturing an outsized share of the demand pool. To stay competitive, consider these tactical tips:

1. Continue to invest in your digital presence, direct demand channels and online reputation.

2. Keep screening thresholds tight.

3. For properties with rent rolls damaged in 2020, consider slightly lower occupancy targets for the first half of 2021 and focus on fortifying the rent roll.

4. For properties entering 2021 in stronger shape, look for opportunities to push rents more than you did in 2020.




21
KEY STRATEGIC INSIGHTS
REALPAGE
OUTPERFORM

1 Throttle Up Your Sun Belt and Suburban Assets

Key Resources:
Asset Optimization Suite
STARS Customer Business Review

Market Landscape: After the global financial crisis in 2008-2009, RealPage began pushing the case that Sun Belt and Suburban apartments were undervalued and offered the best risk-adjusted returns for the next cycle. That proved true in the decade leading up to COVID-19, and it remains true for 2021 and beyond. Investors who previously spoke of the endless liquidity of Gateway cities now face a somewhat illiquid market. The good news for Sun Belt and Suburban sellers and buyers is that there's room to push pricing than in other places.



Strategic Insight: Investors want to remain disciplined and opportunistic at the same time. That's an easier balance to strike for investors who understood the undervaluation story of Sun Belt and Suburbia prior to COVID-19. On the operations side, look for assets where you can push more: properties with high demand, minimal exposure and strong rent-to-income numbers. Operators were hesitant to push rents in some cases in 2020, but strong fundamentals warrant a more opportunistic strategy in 2021.

Strengthen Your Core in Ailing Coastal and Downtown Assets

2

Market Landscape: Wall Street once deemed Coastal and Downtown assets as the "core" of solid asset strategy. They were predicted to be the most liquid and offer the best risk-adjusted returns. From the mid-2000s through the global financial crisis and recovery, the equation changed. COVID-19 accelerated a shift, leaving investors to wonder if "core" assets are temporarily illiquid. Demand is thin, occupancy is down, turnover is high, the supply pipeline is long and the outlook is uncertain. In the long term, heightened policy risk (e.g., rent controls, eviction bans, screening restrictions) will create a hostile environment for property owners and managers, and likely redefine the "core" investment strategy. Look for continued challenges through 2021 in major Coastal markets and to a lesser degree in downtown Urban cores all across the country.

Key Resources:

Asset Optimization Suite
Core Renter Engagement Suite
Virtual Living Suite
STARS Customer Business Review



Strategic Insight: In a slow market, discipline is key. Operators should seek to find a happy balance between maintaining cash flow through occupancy and limiting long-term damage to the rent roll. Avoid overspending on un-targeted marketing in areas with weak demand. Consider modest lowering of your occupancy targets and avoid filling up your rent roll with concession-rich leases.

Be very strategic in deciding where you cut rents. Hold the line where you can on higher-demand units. Prioritize leads for unit types where you have the most exposure. Push longer-term leases and continue to be thoughtful about lease expiration management and screening criteria. Focus heavily on caring for residents, building valuable digital content, enhancing reputation scores, investing in very targeted marketing and closing leads.

Adjust the Recipe to Your Operational "Secret Sauce"



Market Landscape: We often talk to multifamily owners and operators who believe so strongly in their "secret sauce" that they are unwilling to honestly evaluate its effectiveness—particularly as market conditions change. Some executives will question third-party benchmarks that don't align with what they expected to see. Real estate will always be as much "art" as "science." Experience and gut instincts will always play a role. But we've found that top-performing owners and operators are the ones most willing to challenge their own assumptions and use analytics to inform strategy.

Strategic Insight: Prioritize time to review KPIs. Consider making time every quarter or so to evaluate chosen KPIs and routinely assess:

- Are they still the most relevant and most critical to the business as market conditions evolve?
- Are they adaptable to a leasing environment that is highly variable by market and by asset class?
- Are there newly available metrics worth considering as KPIs?

Occasionally examine compounding KPIs—the metrics upstream and downstream from each core KPI. Ensure your business strategy also accounts for the highly variable performance we'll see in 2021.

Operational strategy should vary to some degree by asset. Don't let poor leasing conditions in your urban Class A+ portfolio impact your approach to healthier assets in Suburban and Sun Belt markets. Ensure you are leveraging apples-to-apples transactional benchmarks to your rent roll, not publicly available rent comps that can be misleading and incomplete.

3

Key Resources:

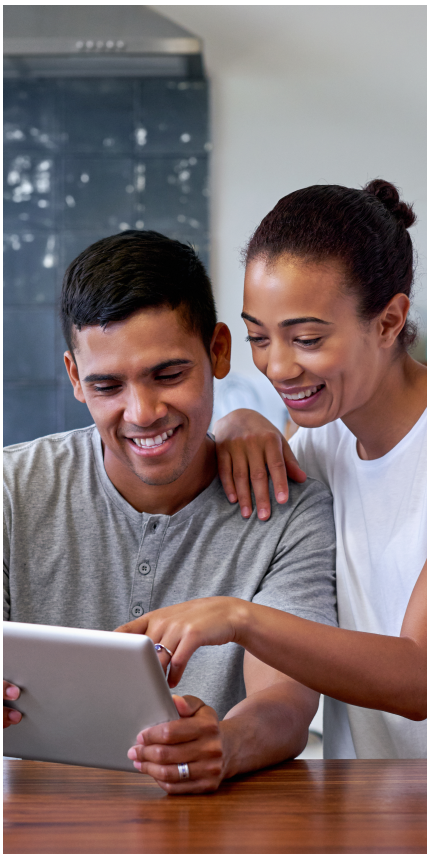
Asset Optimization Suite

STARS Customer Business Review

Accelerate Fully Virtual Leasing—Not Just Tours

4

Market Landscape: When lockdowns arrived, operators who had invested in virtual leasing tools were ready for the new reality with new ways of touring a property—from 3D virtual tours to YouTube videos to FaceTime to self-guided. Others rushed to catch up. For reasons related to both safety and preference, the trend of prospects avoiding the leasing office are likely to accelerate. Operators told us they learned how they needed more than innovative tours and saw the need for a full virtual leasing platform that could tackle execution challenges.



Strategic Insight: Virtual tours are great, but a tour itself rarely is enough to close the deal. Property managers recognize the leasing trends accelerated by COVID-19 will last long past the virus itself. The next push is to take the entire leasing process virtual and paperless with a fully integrated customer journey: from search to tour to guest card to follow-up to application (including screening, identity verification and payments) to lease signing. From there, property managers can even piggyback on previously planned smart technology initiatives like keyless entry and, ultimately, help prospects move in without ever stepping foot inside a leasing office.

Key Resources:

Core Renter Engagement Suite
Virtual Leasing Suite
Smart Building Suite

Cut Costs, Not Quality: On-Site Teams Go Multi-Site

5

Market Landscape: When revenue opportunities are more limited, executives look to the other side of the ledger for savings. The key, and the challenge, is to identify opportunities to cut costs in ways that residents and prospects don't notice.



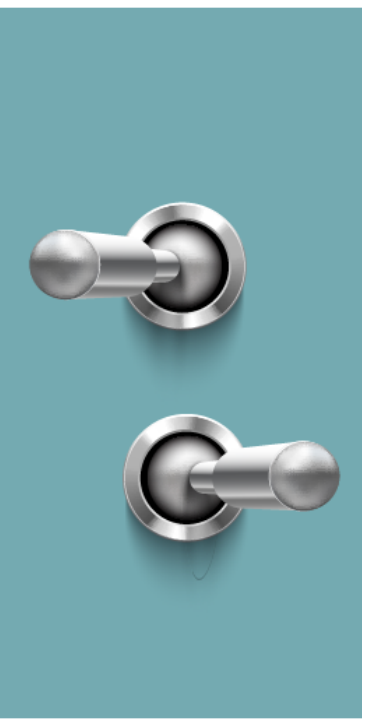
Key Resources:

Asset Optimization Suite
Virtual Leasing Suite
Property Management Suite
Core Renter Engagement Suite
Smart Building Suite
Utility Management
& Sustainability Suite

Strategic Insight: Smart cost-cutting will intersect with shifting some traditionally on-site functions off-site and help alleviate increased workloads for staff (e.g., answering calls, processing rent payments, invoicing, purchasing and bill paying, securing vendors and collecting comp data). Benchmarking tools will help you better understand your expense structure versus others. Also consider technologies that can create more savings than costs, such as utility management and waste management solutions. Apartment Life Coordinators (a service provided by the non-profit organization Apartment Life) can also be a tremendous low-cost, high-touch solution to providing resident care for leasing teams that are spread thin.

Shift Operational Levers Together—Not Independently

6



Key Resources:

Asset Optimization Suite

Core Renter Engagement Suite

Market Landscape: Back in 2008-2009, property and asset managers panicked and pulled every lever they could—lowered price, ramped up marketing spend, lowered screening thresholds, pressured leasing staff. The results? Higher occupancy but at elevated costs with a damaged rent roll heavy on risk and low-value rents and ill-positioned for the recovery. Since then, leading operators have enabled previously disparate departments to collaborate more, but the process is still relatively slow and manual, and department leaders may have competing priorities and approaches. In 2021, more asset and property managers will leverage tools that accelerate decision making specific to their asset strategy.

Strategic Insight: If you have an exposure issue, what is the fastest, most efficient and most cost-effective solution? It starts with your asset strategy. Are you a long-term holder pushing for cash flow, or a short-term holder looking to juice up asset value? Based on your assessment, pinpoint your need and get specific. If your two-bedrooms are full, but you have exposure issues on one-bedrooms, invest in targeted marketing for one-bedroom renters. Focus your leasing team on prioritizing those leads, and consider reducing price only on those impacted units. Too many property managers think about marketing, pricing, leasing and screening at the asset level. That's a costly shotgun approach where you risk spending more on marketing than needed, discounting rents on units that would lease anyway, and focusing on the wrong leads. Also consider technologies that can optimize your top demand drivers—pricing, leasing, marketing, screening—in synchronicity to achieve maximum, continuous yield.

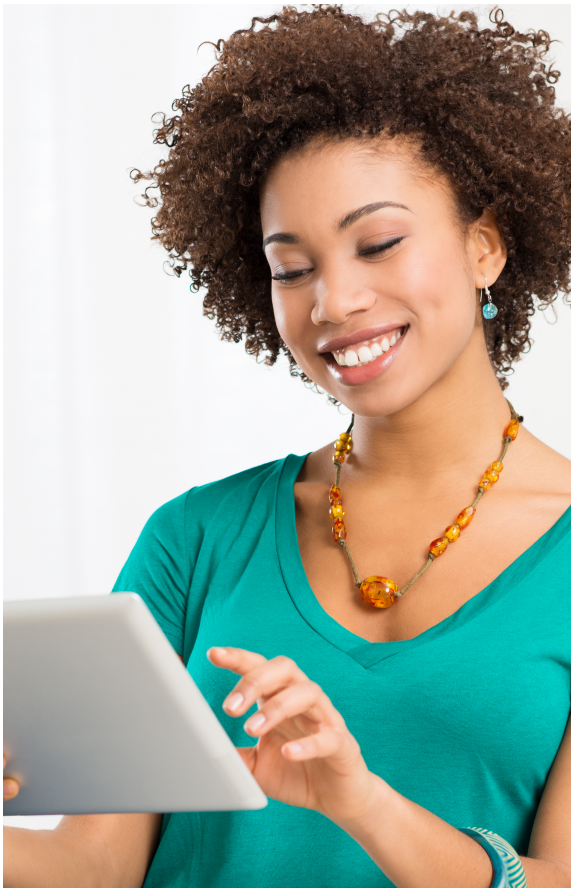
Focus on Renewals —They'll Be Harder to Secure

7

Market Landscape: After COVID-19 hit, lockdowns made it harder for households to move, so retention soared to historic highs and on-site teams stepped up big time to focus on resident care. But in 2021, property managers prioritizing retention will be challenged to push back against the tide of normalizing turnover patterns. The keyword here is "normalizing." We do not expect mass move-outs, but we're likely to see an increase by 1 to 2 percentage points.

Key Resources:

Asset Optimization Suite
Virtual Living Suite
Core Renter Engagement Suite



Strategic Insight: Don't change course in 2021. Continue to utilize virtual engagement channels while looking for opportunities to safely phase back in some face-to-face interaction with residents. Invest in solutions that make your properties stickier—solutions that connect your residents with one another and with your on-site teams (e.g., activities specific to your community, rewards systems to incentivize engagement, and communication channels that keep your residents informed). Also, consider adding Apartment Life Coordinators to help organically build community and connections between residents.

On renewal pricing, you can push moderate renewal rent growth in many markets without pushing renters out. But in concession-leaning submarkets (particularly for Class A properties with lease-up competition), avoid deeply inverted rents that incentivize current residents to request transfers or move to concession-leaning neighbors. Measure demand holistically (e.g., new and renewal leases together). Renewal rents can and should come down in an environment where new lease rents are tanking.

No "Tsunami": Evictions Will Remain Limited

8

Key Resources:

Virtual Leasing Suite
Core Renter Engagement Suite

Market Landscape: When COVID-19 hit, local and state governments pushed to temporarily block evictions. Many of those moratoriums have now been extended multiple times. The federal CARES Act included a limited national eviction ban and then the Centers for Disease Control issued its own ban through the end of 2020. Some local and state governments—particularly places like New York, California, Washington and Oregon—have pushed even more extensive bans. Expect limited eviction authority in many markets (if not nationally), through 2021.

Strategic Insight: When you have limited ability to evict delinquent or destructive renters, it's paramount to be cautious about who moves in. This not only protects the bottom line but also protects your existing residents from nuisance neighbors and helps ensure units are available for those needing a home. Continue to apply rigorous screening standards in 2021. Fraud is accelerating. People are signing leases under fake names and not paying rent. It takes longer than ever to work through those fraud cases. Use modern tools that help ensure your applicants are who they say they are.



9 Decentralize Your Leasing Office

Key Resources:

Asset Optimization Suite
Virtual Leasing Suite
Core Renter Engagement Suite
Utility Management
& Sustainability Suite

Market Landscape: The leasing office may be the physical center of most apartment communities, but it is no longer the heartbeat. Critical functions supporting residents and prospects now occur from everywhere—cloud technology, corporate offices, off-site call centers, apps and websites. Decentralized leasing offices now operate in a multi-dimensional circulatory system that keep communities thriving.



Strategic Insight: Continue to focus community managers and leasing agents on the two most critical tasks for driving revenue: leasing units and retaining residents. Identify which critical administrative duties detract from their ability to impact revenue. This is where back office functions like accounting and IT can be optimized to increase productivity in revenue-generating functions. Property managers will look to accelerate the shift to decentralization in 2021 as many operate with fewer boots on the ground than they had in 2020. In periods of uncertainty, every lease matters (new and renewal), and those leases won't come as easily as they did for most of the last decade.

Explore a Low-Capital Value-Add Strategy

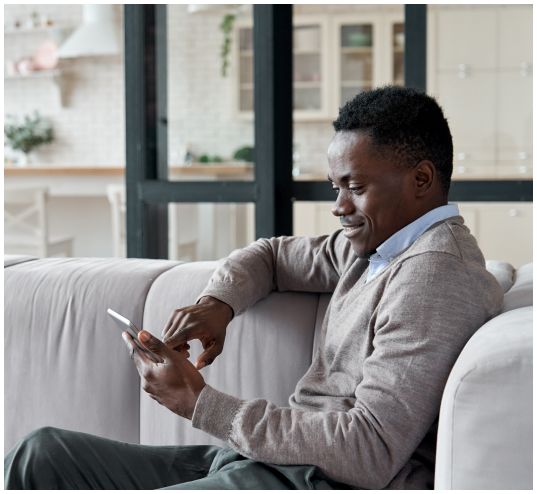
10

Market Landscape: When you think value-add, you typically think of a big budget rehab project and offline units without cash flow until completion. The surge of value-added activity over the last decade has left fewer opportunities, and the strategy has become so hot that buyers are bidding up prices on unrenovated properties to levels that leave fewer dollars for renovations—but that doesn't mean value-add is going away.



Key Resources:

Asset Optimization Suite
Virtual Living Suite
Core Renter Engagement Suite
Smart Building Suite



Strategic Insight: Investors are beginning to take a broader view of value-add beyond physical construction. Valuation is derived from the rent roll, and there are other ways to increase the value of the rent roll. Reputation management has been a hot button for several years, and now takes on greater priority as asset managers look for low-cost strategies to generate yield (including revenue management, virtual leasing, paperless billing). Seek out tools that engage residents and help drive up reputation scores, which help generate more demand and in turn boost occupancy and rent. Apartment Life Coordinators and resident portals also help. Investing in IoT and community wide, centralized Wi-Fi can add appeal and additional revenue.

11

Don't Bank on a "Flight to Quality"

Key Resources:

Asset Optimization Suite
Virtual Living Suite
Core Renter Engagement Suite



Market Landscape: Class A+ investors sometimes speak of the "flight to quality" as a recession-proof strategy. The idea is that when demand softens, top-end properties can offer a concession that lures renters up from Class B properties. Class B operators did the same to draw Class C renters. That worked in 2009-2010, but a few factors are changing the equation. First, new development is built at very high price points, widening the rent gap and making the move-up math harder. Second, the high-quality product is now disproportionally concentrated in and around Downtown areas. This creates more renters playing musical chairs between similar properties offering deep discounts. Third, Class B and Class C occupancies remain very tight with far fewer vacancies than in past recessions and renters who can afford pricier product are choosing more affordable options.

Strategic Insight: Asset strategy will vary based on location and competitive landscape, but as a general rule, fishing for move-ups won't be a winning strategy in this cycle. Focus on retaining residents you already have with exceptional service and a thoughtful approach to renewal pricing that disincentivizes your residents to move out. Prioritize the qualified leads that come your way and push to get new leases signed. Stay disciplined on lease expiration management and be careful about banking too heavily on deep concessions. Big discounts may buy some occupancy, but ultimately hurt you down the road if too many concession-rich leases expire in a short period of time.

Be Cautious With Concessions

12

Key Resources:

Asset Optimization Suite
Virtual Living Suite

Market Landscape: Since 2015, concession usage has come in around 20% and jumped to 25% when COVID-19 hit. Average concession values also plunged in this cycle—ranging from offering a month free in the 2000s decade to offering two weeks free on average over the last five years. Concessions can be an albatross for the rent roll. The expiration of a month's "free rent" spread over the course of a 12-month lease amounts to an 8.7% rent cut for the operator and an 8.7% rent hike for the renter upon renewal one year later.



Strategic Insight: Use a scalpel, not a chainsaw. The lure of concessions can be great when you need demand and can be effective in a rent control environment where concession burn-off isn't counted as rent growth. Lease-up concessions sometimes make sense, but in most cases for stabilized properties, concessions are often too rich for the payoff, complicate the odds of achieving any new growth in base rent upon renewal, frustrate in-place renters who didn't get the same deal, and condition renters to believe rent is negotiable (opening up fair housing compliance risk). The best strategy is effective daily pricing with flexible options based on term length. This gives renters more choice (and transparency) while providing more flexibility down the road for property managers. Instead of concessions, also consider incentives that don't impact the rent roll like community or resident reward points.

Get Back to the Basics of Property Management

13

Key Resources:

Virtual Leasing Suite

Property Management Suite

Core Renter Engagement Suite

STARS Customer Business Review

Market Landscape: After enjoying the longest up cycle in recent memory, operators in multifamily are experiencing an unavoidable consequence of enduring prosperity: an entire generation of community managers and leasing agents who have never experienced a downturn. To combat this lack of experience, leaders in the space are focusing their teams away from the new and flashy to the basics of delivering results, especially when it comes to product and promotion.

Strategic Insight: Having product that is clean and well maintained is critical —for both the physical property and online presence. Routinely walk and inspect the grounds, common areas and available units for quality control. Maintaining curb appeal is key. Timely service request completion is also critical to resident retention efforts. Making your online presence "sparkle" is more important now that prospects prefer virtual tours. With this in mind, it is critical to have current rich media on available units. Pictures and videos from daily community and unit walk-throughs help renters better visualize their options.



Strengthen Your Tech Stack

Market Landscape: "How well do our software solutions work together?" This is a question at the top of the list for many of the CTOs and Information Solution specialists we spoke with while putting this guide together. One benefit of the lockdown in early 2020 was the clear focus on efficiency. If a process was inefficient, it was exposed almost immediately—particularly in the world of information solutions. This exposure has led to a systemic approach to the software stack and evaluating solutions not just on the quality of services, but also how they integrate with and even enhance a portfolio's other solutions (and in the worst cases, the negative impact they can also have on other technology solutions).



Strategic Insight: Think through how each technology piece works together in your portfolio. Does the CRM platform integrate with and inform the resident portal? Does the revenue management platform integrate with and inform the marketing suite about needed demand? Does the IoT technology integrate with and inform the utility management platform (and vice versa)? Do the analytics tie together? Connecting this intelligence is going to continue to be the focus of many who are continuing to streamline their operations and weed out inefficiencies, choke points and weak links in productivity.

14

Key Resources:

Asset Optimization Suite
Property Management Suite
Core Renter Engagement Suite
Smart Building Suite
Utility Management & Sustainability Suite
STARS Customer Business Review

15

Take Back Control of Your Brand

Key Resources:

Virtual Leasing Suite

Core Renter Engagement Suite

Market Landscape: Few businesses today depend on the Yellow Pages anymore for leads, although the apartment business still relies heavily on its industry equivalent—internet listing sites (ILS). Challenges come when you have limited control over how your brand is positioned and limited visibility into results. Marketing has become a science. How do you target the right people at the right time most efficiently for the maximum ROI? This shift isn't new, but we will see a more concerted shift to science-based marketing in 2021.

Strategic Insight: Get more precise about which units you are marketing and the audience you're targeting. Invest marketing dollars on what you clearly need at a specific point in time. Focus on unit-type exposure-based marketing. Operators have invested heavily in a strong digital presence that caters to every point in the renter's journey. Coupling that approach with exposure-based marketing increases the chances the right audience sees the right content. Keep investing in strong, fresh digital content—photos, 3D floorplans, interactive site maps, virtual tours—and tools that drive more traffic to your website (SEO, SEM, geotargeting).



Drive Up Revenues—Not Just Base Rent

16

Key Resources:

Asset Optimization Suite
Core Renter Engagement Suite
Smart Building Suite

Market Landscape: Owners and managers are always looking for additional revenue, but those efforts become much more important in 2021 when rent growth will be limited in many markets. Many apartment operators often think only of traditional ancillary revenue items like parking and various fees. However, leading players are beginning to think bigger. We expect to see more operators start to take definitive action in 2021 as they begin to monetize the amenity services that residents value.

Strategic Insight: What in-unit amenities resonate most with your client base? Technology services are huge. Centralizing Wi-Fi and smart technology services can generate extra recurring revenue while also reducing costs and staff labor. Additionally, look to solve social distancing needs while making community spaces available to residents needing some workspace or small gathering space for a reasonable fee. When it comes to unit amenity premiums, assess whether they are aligned with demand. For example, ground-floor units are in more demand and could warrant higher premiums. Or maybe units with the pool view are priced so high that they sit on the market too long and negate the added value of the premium. Tools that can help you determine how to price amenities for price optimization will prove essential.



Get Aggressive Again (Strategically) With Acquisitions

17

Key Resources:

Asset Optimization Suite

Market Landscape: Early on in the pandemic, it was clear multifamily would be a net winner versus office and retail real estate. Investors spoke openly of reallocating capital toward apartments. Getting deals done proved challenging as buyers initially struggled with travel to the sites and a "wait-and-see" mentality on pricing took root. Sellers also took a "wait-and-see" approach and felt little motivation to sell at a discount. All that started to change in the second half of 2020 as apartment capital markets loosened up faster than other sectors. Further acceleration is expected in 2021. However, total deal flow will likely remain below 2018-2019 levels because apartments in Gateway cities have comprised a huge piece of the transaction pie over this cycle. Those markets remain somewhat illiquid going into 2021. It's unlikely we'll see many Gateway deals trade in 2021, as owners have little reason to sell at deep discounts and buyers have little reason to buy at 2019 prices.

Strategic Insight: Those sitting on dry powder are targeting Sun Belt and Suburban assets, driving down cap rates to a slight degree in those markets. Remind cautious investment partners that yields have compressed basically everywhere—and that's true of Sun Belt apartments too. What makes this niche attractive is the relative discount versus so-called "core" assets (e.g., Coastal and Downtown Urban) going into the pandemic, in spite of material revenue outperformance over the last decade.



Look for New Development Opportunities That Make Sense Post-COVID

Market Landscape: When the pandemic hit, there was talk that the pipeline of new starts would grind to a halt due to COVID-19. But investors are now taking a much more strategic view, carefully identifying higher-demand submarkets worthy of capital investment. Starts will (and should) come down, since much of the focus for the last decade centered around now-struggling Gateway markets and urban core submarkets. Shifting to Suburbia is easier said than done, since the best Suburbs bring the highest barriers to entry in terms of costs, zoning and NIMBY-ism.

Strategic Insight: While construction costs have increased, apartment players tell us financing is still readily available for the right deals. This is likely to be in submarkets where cap rates are compressing or holding steady. Because these are more liquid areas, the additional risk of development or renovation is likely manageable. The ideal profile is probably Suburban—particularly infill or maturing suburbs that offer nearby amenities and lifestyle anchors. Proximity (even if a short drive) to walkable areas like parks and large mixed-use centers is huge. Suburban units tend to be larger, but unit sizes will take the spotlight again as renters seek flexible work-from-home space. Tweak your strategy to a post-COVID world, but don't let COVID shape your entire view of new development.

Key Resources:

Asset Optimization Suite

STARS Customer Business Review



18

Reimagine Short-Term Rentals

19

Key Resources:

Virtual Living Suite
Property Management Suite

Market Landscape: Before COVID-19, multifamily saw a spike in demand for home sharing and short-term rental (STR) solutions. STR operators focused on furnishing, marketing and leasing vacant units for short-term stays. Promoted as low-risk, low-PMC involvement and high-reward, the STR model gained more traction with apartment owners looking to correct vacancies from units considered "loss leaders" and/or lease-ups. However, COVID-19 and technology deficits stress-tested these new business models. Riddled with technology and access issues stemming from building technology that was insufficient for handling transient activity, the pandemic wiped out many of these start-up STRs, leaving owners and managers with no cash flow, immediate occupancy dips and no way to manage dozens of furnished units.



Strategic Insight: Realizing that long-term tenants and transient guests can coexist without disrupting their communities, many owners and operators now recognize the value of adding STRs to their rent rolls. The current limited demand for short-term travel gives them time to prepare for the next generation of flexible living and short-term rentals. Today's technology solutions make it much easier for apartment operators of all sizes to implement technology that best accommodates transient guest activity—and do it affordably. New "flexible living" services and tools remove the need for any direct human interaction when a guest arrives, enabling operators to easily adjust the number of units set aside for short-term stays based on demand trends. Other operational tools, like resident screening and contact centers, have also been better adapted for short-term rentals.

Prepare for Longer Unit Turns

Market Landscape: The construction supply chain is backed up and available labor is limited. As a result, costs are going up and supply orders may be delayed. When newly vacated units need more than minor touch-ups, the process may take a little longer and cost more. At the same time, new lease demand may be limited in many places.



Strategic Insight: Push (within reason) to get as much notice as possible on move-outs. Work with your residents to execute pre-move-out walks as early as possible so that any inventory can be ordered further in advance without having to necessarily keep a larger PAR stock (Periodic Automatic Replenishment refers to the supply levels kept on hand). Empower your teams with streamlined vendor management and spend management processes where vendors are preapproved to expedite work. Online spend management and vendor catalogs are popular right now among property managers working from different locations and pushing to operate more efficiently.

20

Key Resources:

Property Management Suite

Push for More Public Support for Affordable Housing

21

Key Resources:

NMHC
NAHMA



Market Landscape: There is a dangerous undersupply of designated Affordable Housing in the U.S. Research from Harvard's Joint Center for Housing Studies shows remarkably little growth in the Affordable Housing stock in recent years, despite rapid growth in the need for it. According to the National Low Income Housing Coalition's latest annual report, "There are only 36 affordable and available rental homes for every 100 renter households with extremely low incomes."* Any sincere effort to address national Affordable Housing problems must start here. Some policymakers and activists want to shift the onus to private property owners via rent controls and other regulations, but such policies have proven to hurt more than help by artificially limiting vacancies and stymying new supply. Government funding is critically needed, as is support to unwind prohibitive zoning restrictions and other red tape that limits and slows the development of new Affordable Housing.

Strategic Insight: If you're an investor or developer open to building Affordable Housing, you are a hero. However, that business model involves a lot of red tape and doesn't work for everyone. Nonetheless, all of us can play a role. Policymakers and media are ill-informed on the topic of rental affordability, too often miscasting the problem as unaffordable market-rate rents. Apartment professionals must come together with housing advocates, policymakers and reporters to push a cohesive message on the need for more Affordable Housing. Affordable deals do not happen without government support. Governments at every level have failed to address this problem for decades, and some instead want to pass the buck to property owners. Add your voice (and your dollars) to the National Multifamily Housing Council's efforts to push for more public support for Affordable Housing.


STRATEGIES
FOR YOUR MARKET NICHE
REALPAGE
OUTPERFORM

Class A+ Properties Competing With New Lease-Ups in Urban Areas



Coming off a brutal 2020, we do expect more gradual demand for apartments in Urban Downtowns and Gateway cities in 2021. However, a huge volume of lease-ups will create a very competitive marketplace.

Position your assets to capture some of that demand through strong direct marketing channels and digital content, an online leasing platform and smart lead prioritization. When possible, set slightly lower occupancy targets for the first half of 2021 and focus on fortifying rent rolls damaged in 2020.

Focus heavily on resident care and solutions to boost reputation scores, resident engagement and resident satisfaction. Be smart on renewal pricing. Happy residents will quickly become flight risks if they see highly discounted rents for new leases relative to their renewal offer letter.

Put heavy emphasis on protecting the front door with advanced screening thresholds (particularly tools that predict willingness to pay, not just ability to pay) and accurate identity verification. Evicting fraud cases and delinquent renters will be the most challenging in large cities.

Keep your leasing staff focused on leasing units and renewing current residents. Look to gain cost and operational efficiencies through integrated expense management solutions and smart technology.

Consider setting aside vacant, low-demand studio units as rentable office spaces.



Suburban Properties With Healthy Demand in Growth Markets

Demand should remain solid in 2021, opening up opportunities to push rents more in assets where rent-to-income ratios remain below 25%. Keep an eye on transactional new and renewal pricing benchmarks.

In most cases, work toward a return to normal on retention and renewal pricing. Retention is sky-high in the suburbs, vacancies are limited and demand is strong. Retention is not correlated with revenue growth, and as long as demand remains healthy, many assets can turn more units at higher rent levels on new leases. Make that shift in concert with intentional efforts to freshen digital content and direct demand channels.

Rehab projects are worth evaluating again in healthy submarkets. Continue pursuing upgrades that keep average rents at least 16% cheaper than new product (the equivalent of a two-month concession). Also consider less capital-intensive value-adds focused on technology and service upgrades to drive asset value.

Explore new strategies for operational efficiency—including shared leasing teams among nearby properties, streamlined spend management programs, waste management technology, online payments and full-throttle virtual leasing.

Student Housing Facing Uncertain Outlook

COVID-19 has hit college campuses hard, shifting most classes to virtual and keeping some students at home with Mom and Dad. The timing of a widely available vaccine could boost the Fall 2021 leasing season outlook, but that's no guarantee. When will vaccines roll out? Will students get vaccinated? Will colleges require vaccination to be on campus? Expect the fall pre-leasing season to be delayed and compressed as the distribution plans take shape in the first half of the year.

Market health will vary, but it is clear that many students who have spent 2020 back with their families are ready to flee the nest again when they can. Leasing velocity may vary based on state, local and specific university reopening plans. In those markets, concessions/specials should be used sparingly and only in highly competitive marketplaces.



A hybrid of on-campus and remote learning is likely to be here for the foreseeable future. Development and marketing should focus on any amenities that can facilitate remote learning (i.e., high-speed Wi-Fi, expanded remote learning centers, etc.).

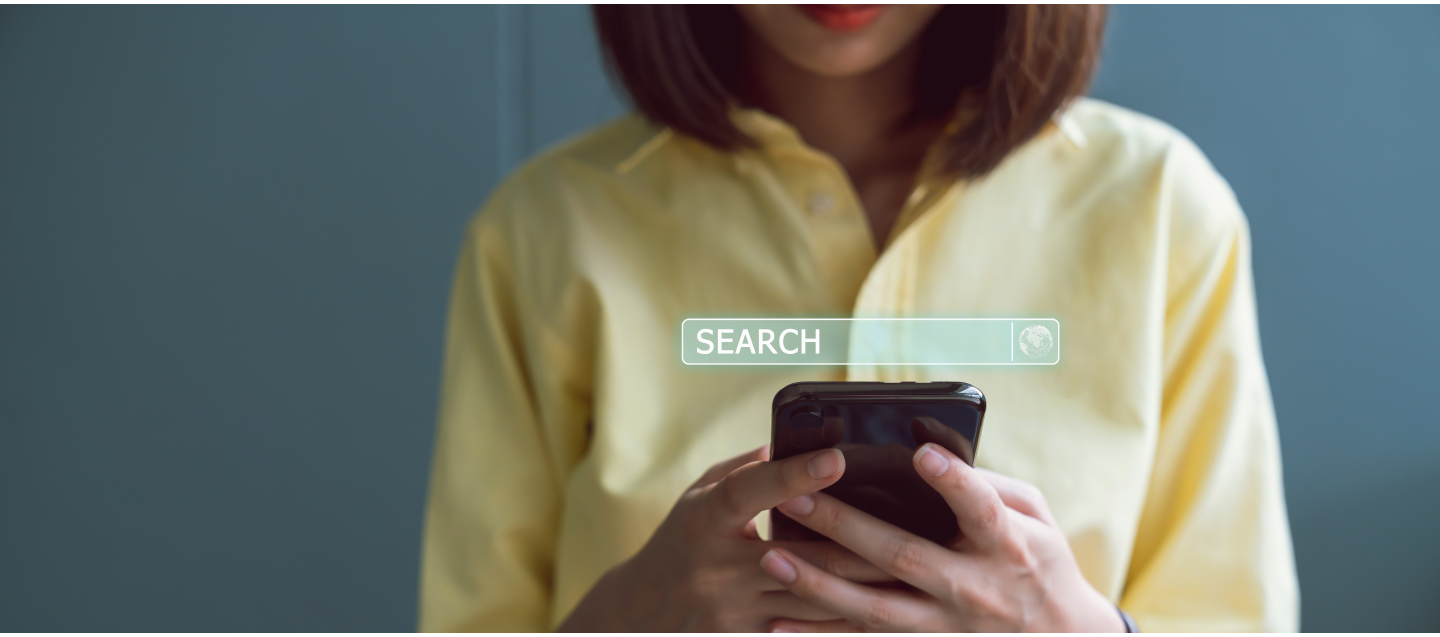
Properties in Slow-Growth Markets and Tertiary Cities

Demand will be there, but in lower volumes, so it's important to stand out. Owners can sometimes be reluctant to upgrade services in these types of assets, but those who do so will stand out from the pack. Consider investing in low-cost, high-return marketing initiatives starting with digital content on your property websites matched with SEO and SEM strategies to drive prospects there. Prospects shopping online want to find an apartment as efficiently as someone in a bigger market.

Make it easy for them to find you and to see why your property fits them.

Market health will vary but let your rent roll guide pricing decisions—not rent comps. Assets with low vacancy and high retention can likely afford to push rents more in 2021, particularly for higher-demand floorplans.

Continue pushing for longer lease terms and higher retention. However, be careful about over-discounting to get there.



Developers and Investors Targeting New Product



You wouldn't want to plan new product for COVID-era needs, but some macro trends heightened by the pandemic will persist, including the appeal of well-located Suburban assets in growth markets. Look for sites with easy access (even if a short drive) to parks, trails, outdoor shopping or major retail and other area amenities. Consider townhome-style units in the right settings to piggyback on growing demand for single-family rentals.

Investors Looking to Grow Their Conventional Multifamily Portfolios

Don't wait for a pricing correction, because it probably won't happen. Remember that "everything is expensive," so focus instead on relative pricing. Suburban and Sun Belt properties will remain attractive for the long term, and though cap rates have come down, the spread is sizable compared to urban assets. With plenty of recent lease-ups available on the market, be cautious with pro forma targets in more urban settings.



Adapting Affordable Properties to New Technologies

The World is going virtual— so can Affordable properties. Affordable properties can make use of many of the same innovative solutions utilized by conventional properties. Low-income households have the same need to make use of these efficiencies as high-income households. Properties need to be able to connect electronically with prospects and current households, enabling residents to pay online and communicate effectively. These solutions are a benefit to the residents as well as creating efficiencies that reduce staffing costs.



Affordable properties, and LIHTC properties in particular, have thin margins and need as much ancillary income to reduce expenses as much as possible. New communitywide smart solutions, including ultra high-speed Wi-Fi, can serve as the community backbone and allow the property owner to increase revenue (from the sale of bulk Wi-Fi) while at the same time reducing the residents' costs.

Online leasing is commonplace in conventional properties and should be the same with Affordable properties. Being able to provide applicants the capability to lease an apartment online, including qualifying them for the various Affordable programs, will reduce the number of days a unit stays vacant, capturing additional revenue that would otherwise go unrecognized.



THE TRUTH

ABOUT 5 MARKET MYTHS

REALPAGE®
OUTPERFORM



1 Everyone Is Abandoning Multifamily for Single-Family Homes

This persistent myth has gained traction with the current on-fire home sale market. Rising home sales do not hurt apartment demand. The height of the mid 2000s' housing bubble is historical proof. Demand did not disappear then. It will not decline sharply in 2021. A rising tide boosts all ships.

2 Millions Will Face Eviction in 2021

Tens of millions of evictions were predicted for 2020 and trended downward instead—even in cities without eviction bans prior to the national moratorium. Evictions are expected to increase once the moratorium expires, but it is a gross exaggeration that a tsunami is forthcoming.





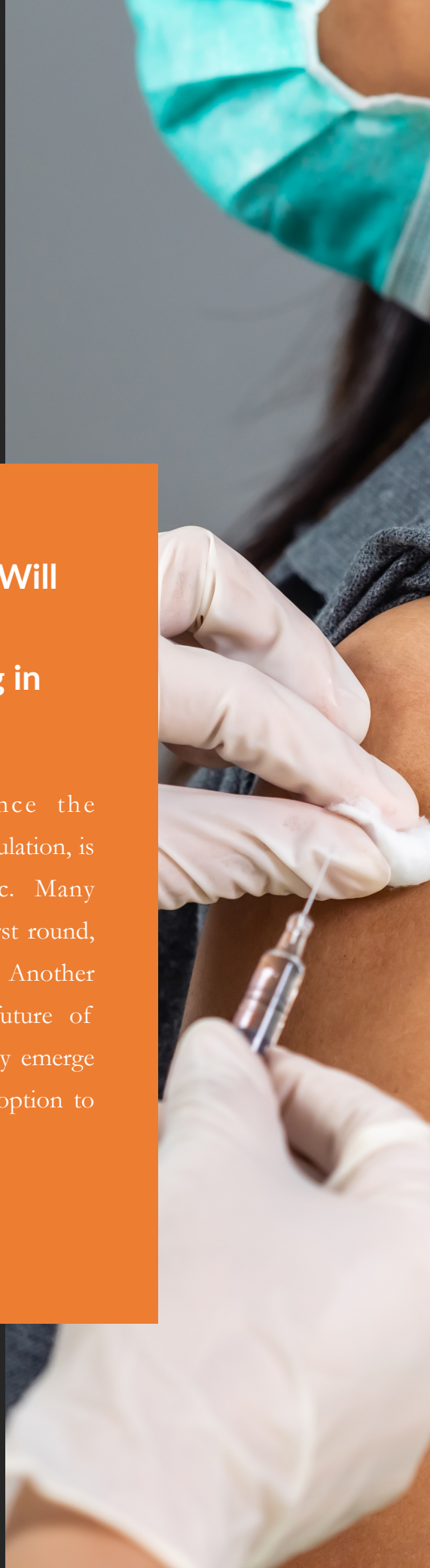
3 Rent Is Unaffordable

Unfortunately, it is true that many Americans cannot afford a safe home. However, for renters living in market-rate, professionally managed apartments, affordability is manageable with vacancies at near-long-term lows and rent collection rates near normal. Correcting the affordable housing shortage will require government programs to create significantly more supply.



4 Modernization Can Wait

The wake of COVID-19 has proved otherwise. Subsequent lockdowns have been most damaging to apartments not equipped with technology to maintain off-site/online leasing and resident engagement. Delaying the implementation of tools that can drive revenue or reduce cost will only increase invaluable missed opportunities.



5 A Vaccine Will Change Everything in 2021

A return to normal, once the COVID-19 vaccines are in circulation, is optimistic but not realistic. Many Americans will wait out the first round, which will impact efficacy. Another dilemma is the short-term future of work. Hybrid models will likely emerge with more workers given the option to continue working remotely.



KEY RESOURCE GUIDE

REALPAGE®
OUTPERFORM

Learn more about RealPage's comprehensive solutions and services that leverage superior intelligence to help multifamily owners, investors, operators and property managers achieve incremental yield and outperform the market.

STARS Customer Business Review

Find out if you qualify for a free STARS Customer Business Review.

Maximize the financial yield of your properties and drive overall value with an in-depth analysis of asset performance relative to market and submarket peer performance.

The STARS Customer Business Review is a collaborative relationship that:

- Clarifies your business strategy, goals and current initiatives
- Focuses on KPIs and metrics most important to you
- Identifies asset-specific areas of opportunity
- Develops a targeted action plan to drive results

LEARN MORE



Asset Optimization Suite



RealPage houses multifamily's leading analytics solutions and services in the Asset Optimization Suite. Because of our unrivaled actionable data, only RealPage can give 100% visibility into your enterprise's true performance indicators at the market, submarket, property, and unit levels to unlock hidden yield year over year.



SOLUTIONS

AI Revenue Management (AIRM)

Performance Advisory Services

Business Intelligence

Performance Analytics Benchmarking (PAB)

Market Analytics

Core Renter Engagement Suite



The Core Renter Engagement Suite is the only fully digital solution that works with most software platforms. RealPage's actionable data and consultative partnership break down barriers between marketing, leasing, finance, and operations—enabling teams to work seamlessly to optimize every step of the renter lifecycle and maximize returns.



SOLUTIONS

ActiveBuilding® Resident Portal

LeaseLabs® Property Websites

RealPage Digital Asset Management System

AI Screening

Online Leasing

Content Syndication

ILM Lead Manager

Renters Insurance

Property Management Suite



The Property Management Suite is the only open end-to-end property operations suite powered with AI-driven data solutions that give operators transparency from the front end to the back office. Automated, paperless processes reduce paperwork and risk, save time, lower costs, and boost revenue.



SOLUTIONS

OneSite® Leasing and Rents

Payments

Lockbox Services

Accounting & Budgeting

OneSite & Mobile Facilities

Vendor Management

All Site & Online Data Exchanges

Centralized Reporting

Historical Data Access

Learning Management System and Recognition Platform

Smart Building Suite



Also known as CommunityConnect,™ this Suite is multifamily's first Smart Platform for Connected Living.

CommunityConnect is a one-stop shop for smart apartments, access, Wi-Fi and sustainability, purpose-built by industry leaders for your communities from sidewalk to sofa.

SOLUTIONS



CommunityConnect IOT

CommunityConnect Smart Access

CommunityConnect Smart Wi-Fi

Utility Management & Sustainability Suite



The RealPage Utility Management (RUM) Sustainability Suite provides the most comprehensive and flexible set of online billing, invoicing, and energy management tools and services in the industry that conserve energy resources, maximize recovery, reduce late fees, and uplift operating income.

SOLUTIONS



- Resident Billing
- Utility Expense Management
- Smart Waste Management Solution
- Smart Water Management Solution
- Smart Energy Management Systems
- Sustainability Consulting Services

Virtual Leasing Suite



The Virtual Leasing Suite helps operators nurture prospects more efficiently and effectively. AI-driven data solutions streamline the leasing process from end to end. Automated contact centers, virtual tours, and marketing optimized throughout the prospect's journey, save time, lower costs and elevate the leasing experience.

SOLUTIONS



AI Bots, Augmented Contact Center Agents and Dynamic Landing Pages

Live Guided Online Tours

Identity Verification

GoDirect Marketing

Intelligent Leasing Analytics

Interactive Site Maps

Virtual Living Suite



The Virtual Living Suite uses actionable data to make it easy to capture residents' hearts and minds, build a thriving community, and increase revenue per unit. Convenient services and offerings make residents want to stay for the long term, while modernized operations produce greater engagement, performance, and profitability.

SOLUTIONS



Community Rewards™ & Reputation

AI Chatbot

Home Sharing

REALPAGE



REALPAGE

2201 Lakeside Blvd
Richardson, TX 75082
+1 877.325.7066

www.realpage.com


REALPAGE®