

How to Speak Multifamily

Ten things for tech firms to know about the multifamily business that can help advance innovation.

1. ROI can't be muddy or overly optimistic.

There is a natural maximum demand curve to a community, based on the building, geography, employment and pricing. That means that your promise of “one percent more occupancy” is nearly impossible. And since your pricing is fixed and recurring and not based on actual results, the only known outcome is an OpEx hit. And no, we cannot simply “pass the cost along” in rent, if we wish to remain competitive.

To that end, we need pilots funded by the ROI. If the returns don't materialize, the cost is waived. A-B tests within the same building or sister-communities also eliminate the effect of econometric data to the revenue outcomes. If the added service or amenity is truly impactful, the A-B test will show a rent, renewal or customer satisfaction result, which can later be included in ROI.

2. Mistakes can last.

Our world revolves around long-term decisions that are highly regulated, contract heavy and jurisdictionally enforced, to say the least. So, think like an owner before proposing something new, especially if it appends to the building. Please just list upfront the due diligence that answers the myriad of “what-ifs” we'll pose, including legality, warranties and ongoing support.

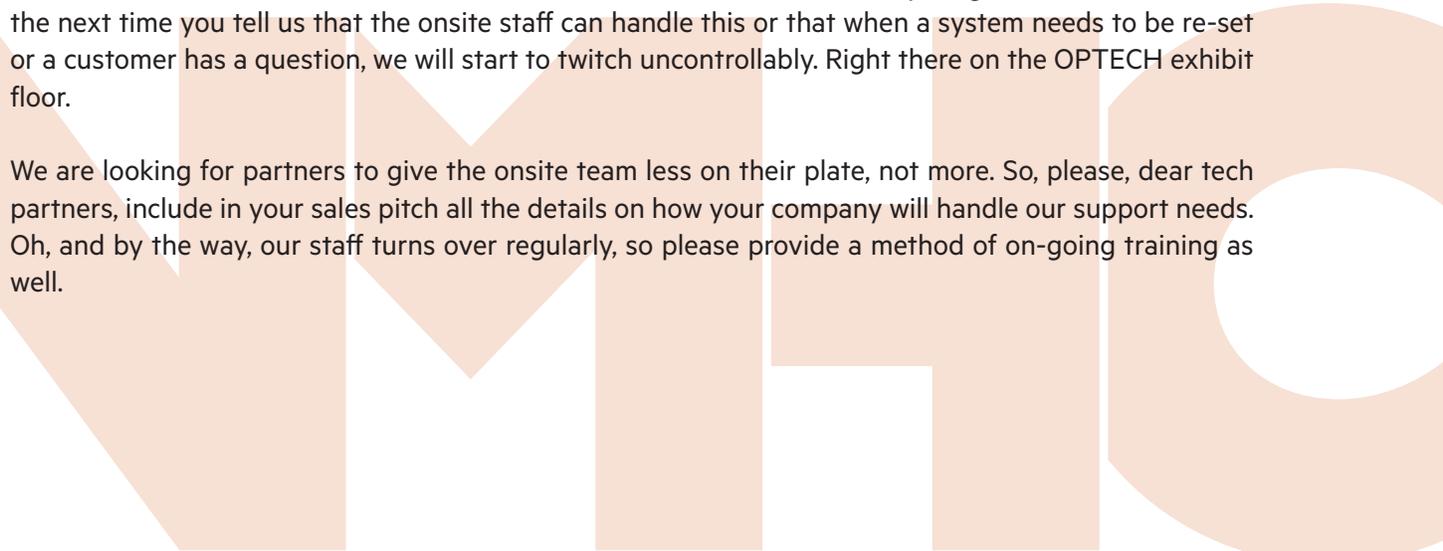
3. Tech needs to work together.

One app for this, one app for that and the next thing you know, an average leasing consultant is working with 25 different software solutions and all the data and cyber risks that go along with them. To begin to keep things manageable, you need to offer solutions that either integrate with our property management system (PMS) or open up your platforms to coexist with other third-parties or be available to white label. That integration isn't easy and takes time, but it will create a valuable competitive advantage for you.

4. Staffing matters—a lot.

OpEx growth rate is a number that multifamily basically lives or dies by. Payroll is a major factor in OpEx. We don't want to add headcount, and our onsite teams cannot take on anything additional. Period. So, the next time you tell us that the onsite staff can handle this or that when a system needs to be re-set or a customer has a question, we will start to twitch uncontrollably. Right there on the OPTECH exhibit floor.

We are looking for partners to give the onsite team less on their plate, not more. So, please, dear tech partners, include in your sales pitch all the details on how your company will handle our support needs. Oh, and by the way, our staff turns over regularly, so please provide a method of on-going training as well.



5. Integrations take time.

IT staffs vary widely in real estate, but most organizations have more work than resources and the majority of the workload is geared to general maintenance and upkeep. So, if we are going to be completing an API integration with your systems, be sure that your API documentation is clear, simple to use and readily understandable to our internal team. Plan for six to 12 months of time (at least!) before we are able to undertake this and come prepared with a simple, stopgap solution that we can implement in pilot with minimal staffing resources.

6. Know who you are talking to.

It basically takes a small hamlet of high-achieving over-caffeinated folks to build a high-rise. So, for you, tech partners, you need to know not only who's on the team but who ultimately will give you the thumbs up or down. Tech partners, especially those that come from outside multifamily, also need to know the difference between public and private firms, long-term owners versus merchant builders and target appropriately. Plan for an average demo-to-deal cycle of eight to 12 months.

7. Those pesky regulations matter.

We love technology—really, we do. But sometimes tech is ahead of the law and we generally prefer to stay on the straight and narrow. If we push the local jurisdiction too much on one deal, they push back on permits for the next. This is why, tech partners, you've got to do the due diligence on related laws before we get too far down the road. Talk to the applicable parties in the jurisdictions directly. Reach out to our friends at NMHC (yes, it's a shameless plug) or other industry folks to better understand the regulations. And definitely join an accelerator and compare notes or speak with advisors recommended by your VC.

8. Different horses for difference courses.

While we would love for one single technology to solve everything, building a single “killer app” is unbelievably difficult. Deciding what your company will be “the best in the world at” is a core strategic focus. We are here to offer guidance from one point of view. Take it with a grain of salt and don't allocate valuable resources without a broader evaluation.

9. Play for the long term.

Multifamily is an industry in which it takes us years, decades even, to develop one building from concept to completion. And we are a “once bitten, twice shy” kind of industry. As our tech partners, you need to play for the long term. We realize that product or service success is never assured. However, we value transparency, clarity and honesty around any hiccups.

And number 10? This remains to be seen and we're asking you, the members of NMHC, to suggest away so we can better ensure that our industry really does embrace innovation.

It takes a team to make a boring topic fun. With content from NMHC's Innovation Committee, this article was compiled by Karen Hollinger, vice president of corporate initiatives for AvalonBay Communities, and edited by Sarah Yaussi, vice president of communications for NMHC. Thanks to all for their input. A full list of Innovation Committee members is available at nmhc.org/innovation-committee.