Stephanie Fuhrman:

I love the innovation and the entrepreneurial spirit in this industry. I like the fact that companies are willing to sponsor young companies. It's one of the true benefits of this community. Everybody in this room's really talented. Failure's okay, and we can all get back up and do it again.

Alison Johnson:

We are live from OPTECH in Las Vegas with a special episode of Code 53, The Apartment Podcast. I'm Alison Johnson, Associate Vice President of Content and Program Strategy at NMHC, and I'm joined here today with my co-host Kevin Cameron.

Kevin Cameron:

Thanks, Allison. Obviously this is our first time of recording in front of a live audience. It's really pleased to be here. Usually it's Alison and I either huddled in a conference room or recording over Zoom, so this is a huge upgrade for us, so thank you all for coming.

Alison Johnson:

Yeah, we love a live audience.

Kevin Cameron:

And I think we have a real treat for you all today. We have two powerhouses in multifamily tech here to talk with us.

Alison Johnson:

Today we have with us Stephanie Fuhrman and Paige Pitcher, two extremely talented and successful women leaders who are here to share their experience and advice on venture capital, technology investing, and business acceleration strategies. Paige and Stephanie, welcome to Code 53.

Paige Pitcher:

Howdy, everybody. This is actually my first OPTECH, so glad to be here. Woo, woo. Woo. My name is Paige Pitcher, and I'm Head of Strategic Partnerships at Modern Ventures, and we're an early stage VC fund out of Chicago. We invest in technology companies that serve real estate and more broadly the world, so I'm really excited to be here. And my background, a little short blurb, is I actually got started in LIHTC development, so low income housing in my twenties in
my home state of Utah. So I got started in the development spectrum and then went to go work for Hines as part of their innovation team, their inaugural innovation team, and since then I upgraded from Houston to Chicago. So glad to be here. Thanks, guys.

**Stephanie Fuhrman:**

I’m Stephanie Fuhrman. Similar to Paige, I lead corporate development for Entrada, so mergers and acquisitions as well as strategic partnerships. Previously, I spent my career at Greystar in innovation as well as a middle income housing company called Catalyst. And super excited to be here. I upgraded to Tahoe, so a little better than Chicago, but tit for tat weather wise.

**Kevin Cameron:**

Both very cold.

Stephanie and Paige, from your perspectives we’re here at OPTECH, which is the tech conference for multifamily, as we sit here in Las Vegas, where do you believe multifamily sits in the innovation cycle right now with all these companies out there?

**Stephanie Fuhrman:**

I think it depends on the product actually and the business model. I think we’re at various phases within the innovation cycle. I know for me personally, there are some non-controllable expenses that are really impacting the industry like taxes and insurance, which is forcing us to innovate even during a tumultuous economic period, so I would say regardless of where we are in a recession or potential recession, I would say we’re going to see significant innovation.

**Paige Pitcher:**

I think that we are in the early innings, broadly speaking, and the reason is this. So I’m going to zoom back out for broad GDP and some other stats. So real estate is 17% of GDP of the United States. That's in the trillions of dollars, and yet we spend about 2% on technology when every other industry spends between 12 and 15. So we have a long way to go, and we'll talk more about this later when it comes to business models, but the fundament is this, between three and 10% of all venture capital dollars are going into real estate technology, its broadest definition. So I think if we are the number one contributor to US GDP and yet we’re a deminimus percentage of what it takes to grow an early stage company, there's a lot of catching up to do. And yes, it definitely varies by product type, even within multifamily, the different food groups.

But here's interesting is here's my thesis. I think that the closer you are to the customer, sometimes the easier the innovation is. The value is so much more near and so much more clear. But when it comes to something that’s a bit further away, even sometimes industrial and office, it's a lot harder to kind of figure out what that ROI is. So in the early days of proptech, 2016 through probably 2020, we saw a lot of stuff like Open Door and Blend and things that are serving the residential space because it’s D to C, right? Direct to customer, direct to consumer, and so I think that multi-family, broadly speaking, and all of our other underlying asset classes, even SFR, I think we have a lot, I think we have a lot more work to do, which is really exciting.
Kevin Cameron:
Do you think we're going to get there?

Paige Pitcher:
That's why we're here.

Stephanie Fuhrman:
I don't think we have a choice. I think that one, ultimately the consumer is our customer, and the consumer's demanding it. They're getting great customer experiences from other industries, and they are forcing us to rise to the occasion.

Kevin Cameron:
You talked about increased expenses. Do you see that as an adverse effect where folks aren't as apt to invest in a new technology that may not be, they may not have proof of concept yet? Do you see them being a little timid to invest in new technologies?

Stephanie Fuhrman:
Historically, I would say that's true. Often people wanted data or case studies before they would roll out technology. I think that the pandemic actually enabled people to take some chances, and so I think as long as their corporate cultures will still enable that, I think we'll start to see people move earlier in the innovation cycle.

Paige Pitcher:
I think, we've asked our strategic LPs, so Modern has both capital coming from the financial side of the business as well as owners and operators of real estate, so asking our strategic LPs, which is actually how Steph and I first met each other, is your tech spend going up or down next year? Because we all went through budget season, right? And the answer is it depends. So we're now uncovering new opportunities for what does ancillary revenue look like? How can we juice that a little bit further? It might be like squeezing blood from a stone, but there are opportunities whether that's through parking or managed wifi or even things that add more dollars to your renter's pocket so they can stay longer. I think that might be some of the name of the game where there might be a little spend, but so long as there's an ROI associated with it, we can go there.

That's carrot. Stick is there's a lot of other, I don't know if we can swear on this podcast, there's a lot of other stuff that we have to do that it's coming from the regulatory perspective, whether that is rent reporting or other things you might want to do like rent to rewards and also the ever looming ESG scope two and three, there's stuff that you just have to spend on because if I look as an investor at the TAM, the total addressable market for ESG technology, it's de minimus because it hasn't existed before, so there are new categories that people are now kind of needing to open up and needing to spend on.
Alison Johnson:
Well, Paige, you're bringing up a question that I have. You've mentioned a couple of facts, ROI and decarbonization, like ESG is part of a broader movement for decarbonization, but then you also have the work from home trends. We live in an information age, and sometimes there's information overload, not sometimes, all the time. What are you looking at? What's important to you when you're thinking through knowing there's so much ground to catch up on in this sector?

Stephanie Fuhrman:
I would say looking at the business from two different perspectives. From an operator perspective, I really think it's about efficiency and customer experience. I think there's a lot of new products out there, as Paige said, that are actually focused on resident value and returning value to the residents. When you start to look at the fact that 60% of our country's living paycheck to paycheck, we have to actually try to provide alternatives to clients in a different way or consumers in a different way. From a investor perspective, I think that really we're trying to figure out how big this market really is, so we talk about it from a GDP perspective, but how big is the industry for proptech investors and entrepreneurs to be able to actually scale their businesses effectively? So there's two very different lenses coming into our conversations.

Paige Pitcher:
And when you're talking about what they're selling into, only 55% of multifamily is institutionally owned. So those mom and pops, those two to eight units and whatnot, it's almost half of the industry that is yet to be adopting this type of stuff, so I think that there's more room to run for sure.

Kevin Cameron:
So let's talk about technology when it comes to investing in new services and products and business acceleration and especially integration of those products into the ecosystem that you may already have in an asset or in a company. Paige, from your experience of advising your clients we're trying to break in and get their product in there. And Stephanie, from your experience.

Paige Pitcher:
I think the age old question is top down sales or bottom up. And the answer is both. And this might come to some advice for young companies trying to sell into this arena a little bit later on, but integration can sometimes feel like a four letter word and a double edged sword. Someone wants to see the integration before they're a customer, but you need a customer sponsor to be a successful integration. So it's chicken and egg or double edged sword, no matter how you look at it, and so when coaching early stage companies, which is what Modern kind of specializes in like a series A, so think of that a company that makes maybe 2 to 20 million dollars in revenue. So these are real companies with real products, paying customers, and they're just, when
they're getting to that sort of series a stage, they're looking at integrations because they know that they're needed.

And I would say start with one, and that's on the sort of startup and young company side. On the corporate side, on the commercial side, be really clear with what your hub is and what your spokes are, and every company will have a different data strategy, so if you're clear to say, "Salesforce our hub. Entrada is our hub. Our own data warehouse is our hub." That makes engagement with early stage companies so much easier. And sometimes the thousand flowers blooming and the bottom up sales is totally fine depending on your investment structure, your JV partners, your owners, sometimes that's okay. I've seen it ran both ways even in the last four years, whether it's a thousand flowers blooming or if it's were a single instance of our PMS and [inaudible 00:10:41] be a partner of them or else. So that's I guess both sides of the table, and Steph is literally famous for being able to pick up no tools and use them, so I'm really curious your perspective here.

**Stephanie Fuhrman:**

I love the innovation and the entrepreneurial spirit in this industry. I like the fact that companies are willing to sponsor young companies. It's one of the true benefits of this community, I would say, in the conversations where I'm advising startups, it's always been around finding that early customer who knows it's not going to be perfect. So go down the path of least resistance to spend time with them, work out the kinks before you actually try to go to some of the larger companies or property managers. I would also say now being on the other side of the fence, a lot of the startups don't necessarily have the experience to know how to integrate. So finding somebody who can actually help you technically to move through those integrations smoothly is probably one of the best pieces of advice I can give the startups.

**Paige Pitcher:**

And to pile under the advice perhaps for a second is to know your customer. That many times we see founders who are like, "Oh my gosh, I started GrubHub." Or whatever it is, trying to sell into real estate and bumping their nose, that even if you've had success in other verticals and had just room to run, you can reach gridlock very quickly in commercial real estate. So take a moment to understand what the investment strategy is behind it, how costs are recovered. Take a moment to understand your customer really fully because there's two types of org charts, there's one on LinkedIn and then there's a real one. And the real one is every committee, every sort of shadow organization within the organization because your structured dictates your constraints as an entity, and whatever those constraints are, you can work with them, and that's what I love being able to do in my partnerships job is work with corporates to figure out what their innovation DNA looks like because everyone runs the typologies a little bit differently so that you can be a good partner to early companies. It takes training. Yeah,

**Stephanie Fuhrman:**

Absolutely.
Alison Johnson:

Well so on this point of training, we were talking about this. When I first started at OPTECH several years ago, SaaS was a new term, software as a service. It was a new business model coming into the market, multifamilies, coming of age, right, when it comes to new technologies. How do you view SaaS business models now? Has it changed over time? Or more importantly to your two different hats that you've worn in your professional career? Do you see SaaS as being effective or do you see SaaS systems as being more difficult?

Stephanie Fuhrman:

I would say SaaS is definitely a benefit. I think you have to look at it from the standpoint of your technology stack being both horizontal SaaS and vertical SaaS and how that actually comes together in an effective solution. Paige, you mentioned the hub and spoke, understanding what your hub is, and I think sometimes for sake of efficiency, we have to really look at, I'm willing to sacrifice as an operator 10%. That was my mythical number in functionality in order to gain simplicity. So I was having a conversation with a property manager about two months ago and they said, "On your portfolio stuff, you guys have streamlined the stack, but one of your properties, I have 18 logins. That's not simplicity."

Alison Johnson:

That's a lot.

Paige Pitcher:

The same goes for the customer as well. The app fatigue is real on the end user side and the, "Oh crap, I forgot my password," is real on the other side of the office.

Kevin Cameron:

The safe password change.

Paige Pitcher:

Yeah, you got to change it every six weeks. So SaaS is, I'm going to zoom out a second as well, so I want to remember the right year and because this is a podcast, I'll get it wrong. But sometime in the early two thousands there's an article that was wrote very famously called Software is Eating the World. That was like 15 years ago.

SaaS is not going away. And when we're bringing these durable, beautiful, largest asset class in the world properties offline, online, that is the future. And every venture capitalist loves a good SaaS model because the margins are 80%, right? Whereas the operating margins on other things, even including hardware 20, 30%. So we're looking to invest in these businesses, and they're not going away. They'll continue to knock on your door, and my job is to find the right one that's actually solving a problem for your life because there is a proliferation of point solutions, and we look at things that we know may not be totally VC investible quality, but we
still bring them through our incubator accelerator program called Passport because some of those hardware or tech enabled services models are really, really important to the end property. There is a physical component that we just can’t get away from.

So I think that yes, SaaS will be the future of this industry as we bring these offline buildings online. Steph mentioned during the pandemic how critical that was to be able to manage buildings somewhat remotely, and I think that will continue to be a major business model, but there are other ways to look at it as well.

**Kevin Cameron:**

So I think going off what you just said, that SaaS is not going anywhere, and we talked about earlier that multifamily is still in the process of innovation and building up that technology base for the industry. Talking about all of these companies’ new entrance into the market, there are some barriers to entering the market, getting your company in front of these large firms who own however many units across the country. We talked about integration, we talked about knowing your customer. What other advice would you give to some younger companies that may be here at OPTECH or someone who may have a great idea to start their own company? What advice would you give them from your perspectives on breaking into the industry and getting their name out there?

**Paige Pitcher:**

I’ll start with something from an investor perspective, but also from a corporate innovation user for the past five years. Be honest. Be honest with your growth projections, especially given how pummeled the public markets are, it’s a really difficult time right now, but there are still checks being cut. We did three in Q3, so there is dry powder out there to help support these companies because the last thing anyone else in this room who owns or operates wants is the company that you just took a flyer on to go dark and to fold. So there is support out there. We just expect the growth projections to be a little bit more reasonable than they were in 2021.

And secondly, when you’re working with another partner on the other side of the table, be really honest about your roadmap. If it takes you a year to deliver a functionality, better to know that upfront, be in constant communication about your new release that I think roadmap is one of the most dangerous places where if you can build it doesn’t mean that it is built. And just being really honest about that on both sides of the table.

**Stephanie Fuhrman:**

I’ll take off on your build by partner maybe concept. So a lot of the things that I’m looking at right now are, should you build it? Should you buy it? Should you partner? And not only as a software company or an entrepreneur in the industry, but as a client looking at where we are within the product maturity life cycle. So if you’re not really solving a significant problem that is quantifiable and people will pay for, don’t develop it. Be narrow and specific in what you’re actually trying to develop, and then I would really look at how many other mature solutions are
there in the market and how much serviceable market do you have versus total available market in order to actually gain adoption.

Alison Johnson:

So earlier I said we had some great multi-family leading ladies here, and I think that's great advice, so I'd like to actually dovetail this a little bit more and hear your advice, or your perspective more importantly, on what you think the state of play is for women in technology, particularly in multifamily technology.

Paige Pitcher:

I'm a numbers person, so I love stats. I might lay a couple of them out there. And again, this will be live and live on forever, so you can fact check me and pull up the real numbers and email me and let me know I was wrong. So this is from memory or from these beautiful note cards that makes me feel like a talk show host up here. So 36% of women in commercial real estate. Sounds pretty good. We're getting there, but we know at the senior levels it's much, much lower. In VC, it's actually more like 13 of GPs. And so there's a reason why, one of the piece of advice that I got early on in my career from an advocate and mentor of mine, who's male, said, "Pick the leader you want to follow." And there's a reason why I'm in Chicago in a female GP founded fund in VC. Like that doesn't happen. So there's a reason why I think that that piece of advice has led me to, especially as my career progresses, my women leader relationships have become that much more critical and that much more important.

I started a business as a short-haired tattooed feminist in Utah. That's not easy. And there was no one that looked like me. And the more I get out there and the more we grow as an industry, I think the more comfort I have. The other three things I'll say about the venture side of the business, which is young companies in this room, is that on your boards, only 8% of them are female. Yeah, we can fix that. Find someone in this room. And then from the founders side, 2.3% of all venture capital goes into female founded companies. It's abysmal, and you're 157 times more likely to be turned down for funding than a man.

Stephanie Fuhrman:

Paige, I think you're missing one stat.

Paige Pitcher:

Yeah.

Stephanie Fuhrman:

What percent of female founded businesses succeed versus male?

Paige Pitcher:

Oh, they're way better. I mean there is a light at the end of the tunnel, y'all.
Alison Johnson:
Woo. Woo.

Paige Pitcher:
Actually, so female founded companies exit 1.1 years faster. They make more money. They are
great investments. So like that 157 times that it's going to take to be turned down, we are
durable, we are an important member of your team, and the diversity of thought is what yields
better results overall, so I think that's why we're in this room with the women meet up, so
thanks Steph for lightening the mood a little bit.

Stephanie Fuhrman:
I would say for me the path is really about having courage, so we often take the safe path and
really take the path of least resistance. If you look at my path, I've zig-zagged. I've been really
willing to go into unchartered territory. And when you look at women, women normally apply
for a job when they think they meet 10 of 10 skills advertised in the LinkedIn post. The stats are
a male will actually look at it and say, "Well I have three of those, I can learn the other seven." So
part of it I think is really just down to courage and what we're willing to do and finding people
who will champion you and give you an opportunity and just be willing to take a risk. Everybody
in this room's really talented. Failure's okay, and we can all get back up and do it again.

Alison Johnson:
I mean, great advice.

Kevin Cameron:
I don't think there's a better place to stop than that.

Alison Johnson:
No. I don't. With that I will say maybe have some courage in the room. This is where we're going
to open it up to you all in the audience. This is a live broadcast. We have a question, so if you
want to shout it, we'll repeat it if we can. Okay. So it's what are your companies doing to
encourage more diversity in the field and more women in tech?

Stephanie Fuhrman:
I'll speak from two perspectives because I've recently changed opportunities. So the company I
was previously at was really, really good at getting involved in programs like Project Destin to
increase diversity in real estate and adoption of young people coming into the industry, whether
they're male, female, or an underrepresented population. I would say from the standpoint of
where I am today, doing a lot of things to actually look at diversity, not just in whether
somebody's female or minority, but also diversity in thought, diversity in perspective,
background, and culture. And I think those are equally important to our diversity conversations as really those things that are measured just on paper.

**Paige Pitcher:**

I'll speak from two perspectives as well. I think both of us had a change probably in the last 12 months. So at my previous company, Hines, they had hired a Chief Diversity, Equity and Inclusion Officer, as well as a Chief People Officer. They had incredible employee resource groups going forward. Now they have a Co-president, CEO, Laura Hines. From the top all the way down to employee resource groups and including outside companies like Project Dustin, there was a huge push in terms of employee retention, recruitment, and advancement because if it's 8% at the C level, but if 33% is the overall industry, we need to work again, not on a sales perspective, but we need to work top down and bottom up. And from my current company at Modern, we have probably one of the most diverse investment teams in the industry. In terms of male, female, background, a nation that you were born in and thought. We bring people in from outside, and you should see our IC discussions. They're very, very robust, and I think in the end, we have better results and lower loss ratios.

**Alison Johnson:**

Ladies and gentlemen, thank you all for attending today. Thank you to Stephanie Fuhrman, Senior Vice President of Corporate Development at Entrada and Paige Pitcher, Head of Strategic Partners at Modern Ventures, for joining us for this very special live episode in Las Vegas.

**Kevin Cameron:**

And thank all of you for joining us and listening in. I hope you enjoyed it. Some fantastic insights from these two women. Be sure to subscribe to the Code 53 Podcast. Comes out every other week. We got some great stuff coming to you. There's QR codes on the table in the back. Tell your friends, tell your mom, tell your dad, everyone they got to listen to it. It's great.

**Alison Johnson:**

Thank you.

**Kevin Cameron:**

Thank you all.

**Alison Johnson:**

Thank you so much.