

Transcript

Code 53

Understanding CapEx Goals for PropTech

Mariana Estrada:

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Kevin Cameron:

Welcome back to Code 53, the apartment podcast. I'm Kevin Cameron with NMHC, and I'm joined as always by my co-host, Alison Johnson.

Alison Johnson:

On this show, we bring you into the conversation with apartment industry executives, leading experts in the multifamily sector, and a diverse group of practitioners.

Kevin Cameron:

To help you learn everything it takes to create communities from business strategy to design to finance and leadership.

Alison Johnson:

And today, on Code 53, we're taking you into conversation with a key voice in property operations and capital expenditures, the property manager.

Kevin Cameron:

We'll be speaking to the chief strategy officer of RPM Living, Mariana Estrada, about the value propositions of new tech, and how data contributes to the overall strategy in managing an asset.

Announcer:

The Code 53 podcast is brought to you by NMHC, the National Multifamily Housing Council, the place where the leaders of the apartment industry come together to guide their future success. From owners to managers and developers, NMHC's members create thriving communities by providing apartment homes for 40 million people, contributing \$3.4 trillion annually to our nation's economy.

Alison Johnson:

Kevin, today, our guest leads business activities from strategic planning and property management, to designing and optimizing asset management strategies at RPM Living. Mariana

Estrada is an expert at leveraging technology to drive organizational performance. She holds a master's degree from the University of Texas at Austin, and received her CPM designation in 2015. Mariana, welcome to the Code 53 podcast.

Mariana Estrada:

Good morning. It's great to be with you guys.

Kevin Cameron:

Thanks for joining us. Mariana, RPM Living is a full-service property management company headquartered in Austin, Texas that has achieved exponential growth over the last few years. You employ 2,800 associates. You operate in 39 markets. You have over 112,000 units in your portfolio. What more should our listeners know about RPM as you're continuing to grow, and kind of what sets you apart?

Mariana Estrada:

RPM is just passionate about being the kind of place where exceptional people thrive, and we know that there are so many possibilities that are held in leveraging technology to make our associates jobs easier, to give our residents better living experiences, and to help our clients realize their goals.

Alison Johnson:

Mariana, let's talk data for a second here. There's a wide availability of quality data in our industry, which can be both a blessing and a challenge for developers, investors, and managers like RPM. NMHC is a champion in data, including creating demand research about trends in the marketplace and the need for more supply, as well as our resident preferences survey that helps illustrate the future of renting. How do you approach weighing the data to ensure you are helping your clients make the best decisions when making a CapEx expenditure at the property level?

Mariana Estrada:

Because there is so much data, it's just really important to understand the problem that you're trying to solve. I mean, if you just start diving into all the possible data sources, you really end up sort of leading into analysis paralysis. So, with those goals in mind and really having those deep conversations with our clients, we can partner with our data and analytics teams to build the tools that our teams can use to drive actionable insights, and we can also become the best advisors for our clients. The NMHC Renter's Preference Survey is a great example of a really robust data set that helps us align our knowledge of our renters and our own markets and in our own experience with the broader industry and market, to help our clients identify those opportunities and make decisions that will result in great resident experiences and better NOI.

Kevin Cameron:

That's really great. You kind of take that step back and look at what you're actually trying to solve for, before just looking at all the possible solutions out there. So, I assume you and your team are constantly evaluating the pros and cons of all these new technologies and solutions that keep popping up and their possible applications for your clients.

Mariana Estrada:

It's definitely an exciting time to be in this industry. It sort of feels like we've come out of the dark ages of property management, all of our ledgers, and being kind of historically 20 years behind what everyone else is doing. And it feels like we've come into the modern age and even maybe become one of those leading industries because of this explosion of PropTech solutions in our marketplace. So, it's really important to know what's out there and to be really well versed, but again, it's really hard because these solutions are multiplying at such an exciting rate.

But we have to be on that leading edge, so that we can best advise our clients. They're also hearing about solutions. They're getting contacted. They're going to trade shows. They want to really understand the full variety of options that are available to them, and they want to gain that competitive edge. But it is important to take the time to properly evaluate those solutions, and sometimes we find they're not ready for prime time. You never want to be the reason why or you don't want your advice to result in time and resources wasted, create bad experience for associates, bad experience for our residents, and ultimately for our clients. So, we do have a very thorough vetting process, but you can weigh that against moving quickly, and we're very agile as an organization and that's part of the value that we add to our client.

Alison Johnson:

Mariana, I'd like to touch on that part for a second there, how you vet solutions, and what happens when an implementation of a solution goes wrong?

Mariana Estrada:

I can think of a few examples of that, but I think we take a very structured approach to change management and to project management. So, it's pretty hard to not... Through a thorough vetting process, we really understand what you're getting into. Now, that doesn't always mean when the rubber hits the road that the results are going to be what is expected. And that's I think where it's really important to start with those goals in mind and those tangible things and the ways that we're going to measure success, so that we can see in a very short time period, whether we're moving the needle and whether we're seeing the kinds of results that we expected.

There's nothing worse than throwing good money or good effort after bad, and it's okay. We create that space for... I don't want to say failure, but those challenges to come to light and for us to say, "Hang on, this isn't going the way that we expected. Let's change our approach." There may be some partnership with the vendor or the solution that we can take to say, "Hey, here's the things that aren't meeting expectations. Here's a timeline that we'd like to see some

updates happen within." A lot of these new companies, they understand. They build that into their development cycle. They count on us to come to them with real-world scenarios, to help them improve their solutions and to make them better as they move it through the marketplace. So, it's all about being really on top of it and being really well connected, having the engagement of our operators and our clients, and being very transparent about how things are going, and then having a very strong collaboration and partnership with the solutions provider, so that we can continue to improve and work through those challenges as they present themselves.

Alison Johnson:

Can you give us an example of a property operations challenge that exists, and that maybe you've been able to find a solution that works best in this instance?

Mariana Estrada:

Package solutions are a great example of where the asset may determine what the solution is. So, that's a situation where it's up to us, as those subject matter experts and the folks who know the property best and are really close to the residents, to understand what kind of solution is going to work for that particular property. And then, we can go to our client and say, "Hey, we've got a couple of options for you, but this is what we really recommend."

You know as well as I do, it's not that easy to add package lockers to a community that may not have the space or some purpose-built amenities. As we move forward, and amenity preferences are changing, they may have a dedicated package room and others may not. And that's where we're out there in the market talking to the different providers, really understanding the key differences between the approaches of everything that would fit under the heading package solutions to really understand how these can be applied at different assets. And then, we have those in our back pocket because every property is different. And then, we can say, "Hey, we've vetted this solution. It works great on your particular community in this market, with this resident profile." Another community may not work as well, but that's okay because we have a great solution for that community as well.

Kevin Cameron:

So, what I'm hearing is the solutions, they're really resident driven. I mean, it's what works best for the residents in that asset. You could easily just choose, "All right, we're going to do package lockers at every single one." Would you say that's the heart of all the decisions you're making? Is that kind of where your core value is, you're making these decisions for CapEx expenditures or new investments?

Mariana Estrada:

Very much so. I mean, without our residents, these buildings are just bricks and stones, so the residents are really the lifeblood of these communities, and they are what truly make them a community. So, we have to think about our residents at the base of every decision that we make

and really understand what's going to benefit them, what's going to drive that sense of community and that sense of home, and what's going to keep them really engaged and happy at that community.

Kevin Cameron:

Mariana, I want to go back to something you said earlier about knowing the issue you're solving for because, like you said, there are so many possibilities out there and so many solutions and the field of PropTech is just growing and growing and expanding. So, how important do you think it is to drill down on the problem you're trying to solve, before you go to evaluate what solutions might be possible?

Mariana Estrada:

That's the very crux of it is really understanding what the challenge is, and that's something that has to come from us. It's something that has to come from knowledge of the asset, knowledge of operations, knowledge of what our renters want, knowledge of what our clients need, and it can't come from outside. So, there's a lot of really exciting solutions out there, but once you start evaluating them, you may realize, "Well, this sort of invented a problem to try to solve it, or it's a really novel, interesting technology, but it doesn't address an existing need or it doesn't address this client's need." So, it's important to really think of this in terms of customized solutions for the asset, for the client and for that renter base, that aren't out-of-the-box solutions. Not every great idea will result in improvement and operational efficiencies or experience. That's really why we have to start with that problem in mind, so that we can think specifically about the solution that will best address it.

Alison Johnson:

As we sit here recording today, GDP numbers were released, and they were higher than expectations, but sentiment is still tepid at best about the future of the US economy, and more importantly the housing market, which has shifted greatly here in 2022. How are you talking and thinking through what's happening in the marketplace right now, and what indicators are you specifically looking at for informing your council to your clients?

Mariana Estrada:

It's tough because we've all been on a high. We've seen so many great indicators. There's so much growth in the apartment industry. Rent growth has been historically high. We've seen a phenomenal improvement in renewal percentages, and our renters are happy. So, with inflation and variable interest rates, we've definitely seen a slow down in acquisitions.

I know some of our clients are really feeling the pinch, but our council has said, "There's always going to be a need for high quality and affordable housing." Truly, the work that we do is somewhat recession-proof because people always need a place to live. So, there really is endless opportunity for us to continue to provide that at the highest level, to create renter loyalty that extends beyond one resident's experience, and build a brand at the property level. That's really

what we're focused on is what are those investments at the property level that are going to continue to build on those resident experiences, so that we can continue to see growth in rental rates? We can continue to have our residents reside with us year over year, to bring in their friends and family to build community and have it be truly a place that they call home. So, we feel like there is so much opportunity there that will continue, and our clients truly believe in that as we do.

Kevin Cameron:

Now, earlier, we talked about how the multifamily has kind of caught up to the cutting edge of technology, and the PropTech industry out there is really exploding. Do you think this possible downturn in the economy and things slowing down, will that reverse that trend?

Mariana Estrada:

I think that the genie's a little bit out of the bottle there. I think that our client's expectations are really high. Our residents' expectations are really high. Now, that they've started to experience what it is like to live in this modern age of apartment living, they love it and they ask for more. And I think there's a way to balance that, with maybe some of the slow down to really focus on the things that do move the needle and that do create those experiences that do add value. So, I think in one respect, it may. We've already seen some of that. The VC-backed PropTech, some of them are selling. Some of them had to close their doors. Some of them have partnered together, and we've seen some consolidation there. I don't see it slowing down because I think that the need is really high, and we still have a lot to gain. There's still a lot that we know we can do and opportunities that we can capitalize on, to create the best experiences, and to create operational efficiencies, and to add value to our assets.

Alison Johnson:

We told you we had an expert in strategic planning and asset management optimization. Thank you, Mariana Estrada, chief strategy officer at RPM Living. We appreciate you being our guest on Code 53, the apartment podcast.

Mariana Estrada:

Great to chat with you guys today.

Kevin Cameron:

Thanks to everyone downloading and sharing this podcast. Be sure to tell your friends about it. Coming up on our next episode, we are going to be recording live from NMHC's OPTECH Conference in Las Vegas, so check that out. It's going to be very exciting. Alison and I are very excited to bring a new version of Code 53, live from Las Vegas, so be sure to tune into our next episode and subscribe, so you're the first to know when that episode drops. So, you can meet us right back here on Code 53, the apartment podcast.