

SMALL BUT MIGHTY

Middle market players, which own the majority of U.S. apartments, right-size technology to fit their needs and do more with less.

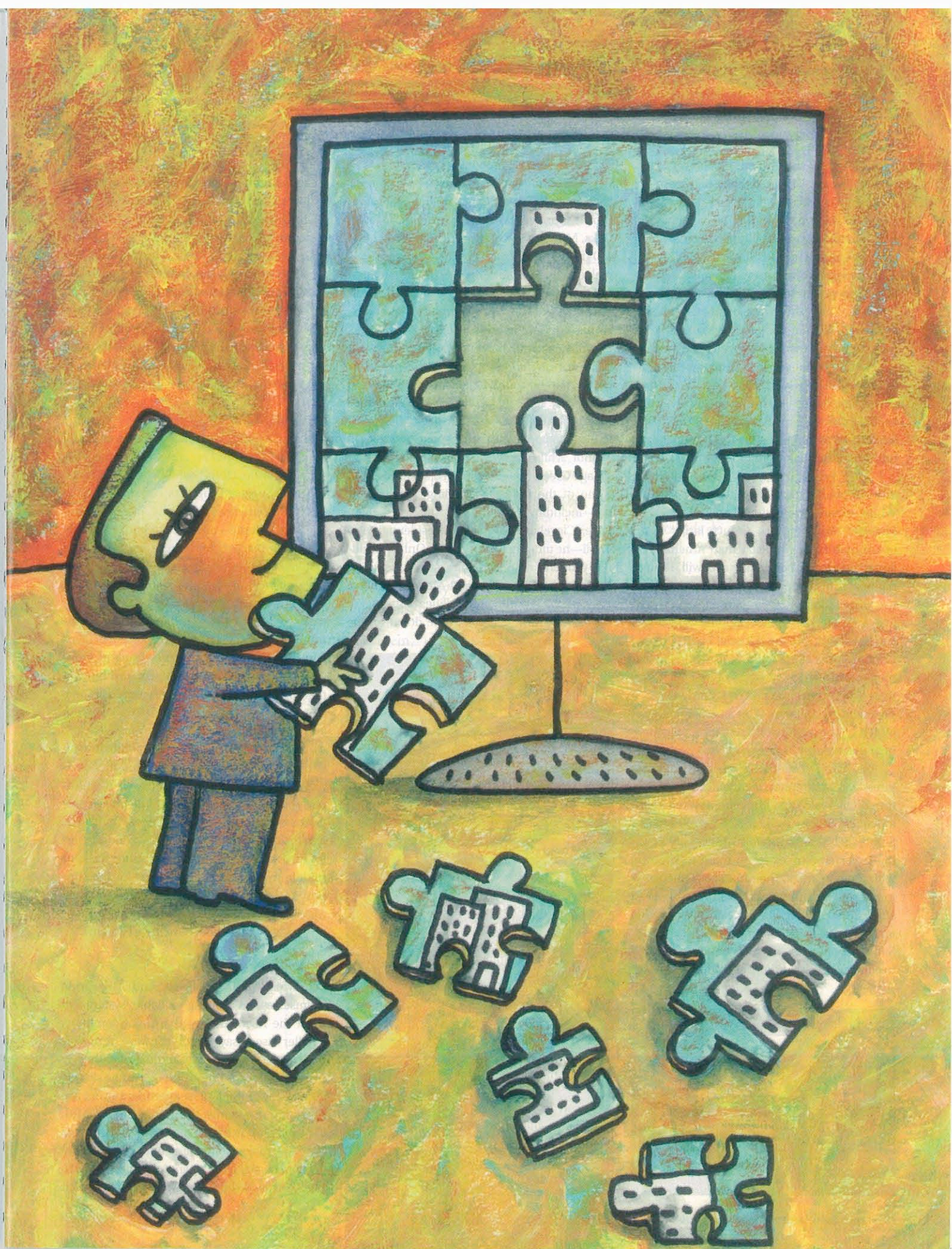
As principal of Liss Property Group in Gladwyne, Pa., Jason Liss oversees a 1,265-unit portfolio of apartments in northeast Philadelphia. That unit count doesn't put Liss anywhere near the likes of the MULTIFAMILY EXECUTIVE Top 50 managers, whose smallest members oversee more than 20,000 units. But it's a far cry from the single property he and his father William started out with in the spring of 2000. Now Liss, who began running the firm straight out of college and talks with a moxie that belies his company's size, has plans for even more growth. "We're not national—yet," he says. "But I'm only 30 years old. By the time I'm 40, I want to have 10,000 units."

The path to Liss' five-digit portfolio will surely be paved with technology. Although he began managing his portfolio using Microsoft Word and Excel, by the time he had bought his third property, he already knew he had reached a turning point. "My father and I sat down and asked ourselves, 'Do we just want to own a few properties, or do we want to grow this into a larger, more professional type of company?' We decided to just go for it."

Liss now owns 14 communities (plus four shopping centers) and employs Santa Barbara, Calif.-based Yardi Systems' Internet Voyager property management solution, as well as an array of

BY JOE BOUSQUIN

ALL ILLUSTRATIONS BY PHILIPPE BÉHA



third-party programs, to automate every facet of his business. For availability and lease-up, Liss runs Scottsdale, Ariz.-based Realty Data-Trust's VaultWare software, so he can track and advertise his unit availability in real time. When residents apply, he uses Rockville, Md.-based FirstAdvantage SafeRent's screening solution to vet prospects. And once residents move in, they pay Liss through Oakland, Calif.-based PropertyBridge's automated payment system, which integrates seamlessly with his Web site.

It's this mélange of technology that's allowed Liss to get where he is today. "These programs enabled us to grow more quickly, while keeping our staff smaller and costs down," he says. "If you have plans for the future, there's nothing better than technology."

MIDDLE MAJORITY

While small by national standards, Liss Property Group typifies a much larger swath of the multifamily industry than America's 50 largest apartment companies ever will. Though national firms often receive accolades for their use of technology, their portfolios represent just 15 percent of the national apartment stock, according to the National Multi Housing Council. Most of the nation's 17 million apartments are owned by companies with fewer than 5,000 units, says David Cardwell, vice president of capital markets and technology at NMHC. "The top 50 don't represent anywhere near the majority," Cardwell says.

Yet, while "middle market" companies rarely garner attention for their tech prowess, they often deploy and implement systems with a deftness that rivals their larger counterparts. Some, such as Liss, do so out of necessity, pushing fewer employees to do more to keep up with the big boys in their markets. Others buy major software programs but simplify them so staff can use them without extensive training and support—a luxury larger firms can afford. Still others use smaller, less complex packages to achieve quick results at a fraction of the cost

but with reduced functionality.

Still, although these firms are small, their tech accomplishments are mighty. Take Eric Brown, founder of Urbane Apartments in Royal Oaks, Mich., whose petite portfolio boasts just 460 units, but whose Web site—with resident-fueled social networking, electronic payment capabilities, work order processing, and real-time chats with Urbane employees—could rival his larger peers. The firm aggressively tracks its online leads; 95 percent of its guest cards are filled out online, compared to the pen-and-paper method many larger firms are loath to admit they still use. And two of the properties in its portfolio take electronic payments exclusively—no paper checks accepted.

But while Brown, a former executive at Village Green Cos., investigated solutions from some of the industry's leading tech providers—including Carrollton, Texas-based RealPage; Cleveland-based MRI Residential; and Yardi—he ultimately chose Resite Online, a mid-tier property management system offered by Norfolk, Va.-based For Rent Media Solutions. He liked the reporting capabilities of the bigger systems, but the decision came down to one

thing: price. "I think [the major guys] are doing a gazillion things correctly, but it just did not scale for a small company," Brown says.

Brown received quotes of \$11,000 to \$25,000 to deploy the larger systems, but invested less than \$500 to launch Resite. He does miss out on some reporting capabilities—he has to extract information from Resite and plug it into Excel to create customized reports, for example—but mostly, he's pleased. "Sometimes, we have to work a little harder, but we look and feel like a much larger company to our residents, at a fraction of the cost," Brown adds.

TRIUMVIRATE OF CHOICE

While many middle market firms use similarly targeted, mid-market software packages—such as Mason, Ohio-based Domin-8's Tenant Pro and Spectra programs; Greenville, S.C.-based PropertyBoss Solutions' offerings; and For Rent's Resite—an overwhelming majority of middle market players use the same three systems as their Top 50 brethren: Yardi, RealPage, and MRI. According to Houston-based J. Turner Research, which surveyed the property management systems deployed at 25,156 communities nationally in 2008, 68 percent of firms with 5,000 to 15,000 units used one of those three systems; 62 percent of firms with fewer than 5,000 units did. (A fourth player, Tampa, Fla.-based AMSI, was chosen by 15 percent and 13 percent of each group, respectively.)

Since smaller players must compete with national firms in their markets, those choices make sense. And the groundswell of third-party vendors that integrate into those programs—such as PropertyBridge, VaultWare, and FirstAdvantage SafeRent—provide support for firms that don't have large IT budgets. "Our middle market clients turn to us for the support and training we can provide," says Todd Marshburn, director of client services at PropertyBridge. "They don't have huge IT teams."

WE WANT ... LESS

Yet, while Yardi, RealPage, and MRI pride themselves on making scalable systems to meet the needs of any apartment company, smaller users say major software firms often cater to the wants of multifamily's top 50 firms. And according to the J. Turner survey, 79 percent of the largest apartment firms use one of three systems: RealPage, Yardi, or MRI. "The big players have a monopoly of influence over the major software vendors," says Dave Marcinkowski, chief operating officer at Lubbock, Texas-based Stellar Management, which

Middle Metrics

Here are three things to keep in mind when targeting the mid-tier multifamily market.

1 **RECOGNIZE THE MASSES.** While the top 50 firms get the spotlight, middle market firms with fewer than 5,000 units own 85 percent of the nation's 17 million apartments.

2 **DO MORE FOR LESS.** Middle market firms spend fewer dollars on technology but work harder to leverage those investments, often keeping some functions—such as report building—manual.

3 **THINK NOT SO AVERAGE.** Though they don't have big IT budgets, mid-tier players often implement technology faster and more comprehensively than their larger counterparts.

0.7%

Gross revenue spent on information technology by multifamily firms

Source: 2008 NMHC IT Investment Benchmarking Survey

oversees 4,500 units across the state. "They provide a lot of bells and whistles that sound good on paper, but for a small company with limited resources, they're just not practical."

For example, Marcinkowski recently pulled up a standard work order report in the major property management system his firm uses and was given countless columns of data, including the exact minute his technician was scheduled to respond to requests. Then, there were fields for materials used, costs, and labor rates. Another column asked Marcinkowski if he needed to charge the resident for the work. While that level of detail has advantages—especially for a large company tracking maintenance costs—for Marcinkowski, it gets in the way.

"All I really need to know is whether or not the job got done," he says. For that reason, Stellar and other mid-tier firms often bring in consultants to simplify the systems they get out of the box, so staff can use them without extensive training. "[We] find a way to work around it," Marcinkowski adds.

AHEAD OR ON PAR

In fact, smaller firms can often implement new technologies faster and more comprehensively than their larger brethren. Because Liss launched Yardi when he only had three properties, it's been relatively easy to add new systems, since he had less data to enter at the beginning. At Stellar, Marcinkowski has deployed check scanners at all 24 properties and reconciles all rent payments through PropertyBridge. "You don't always see that level of deployment with the larger companies," Marcinkowski says. "I've had colleagues at larger firms say they wish they could do what we've done."

Yet clearly, with their aggressive use of technology, mid-tier firms also aspire to be more like their larger counterparts. "Companies with 2,500 or 20,000 units operate similarly," says NMHC's Cardwell. "They manage their portfolios in a professional manner; they're analytical; and they look for economies of scale."

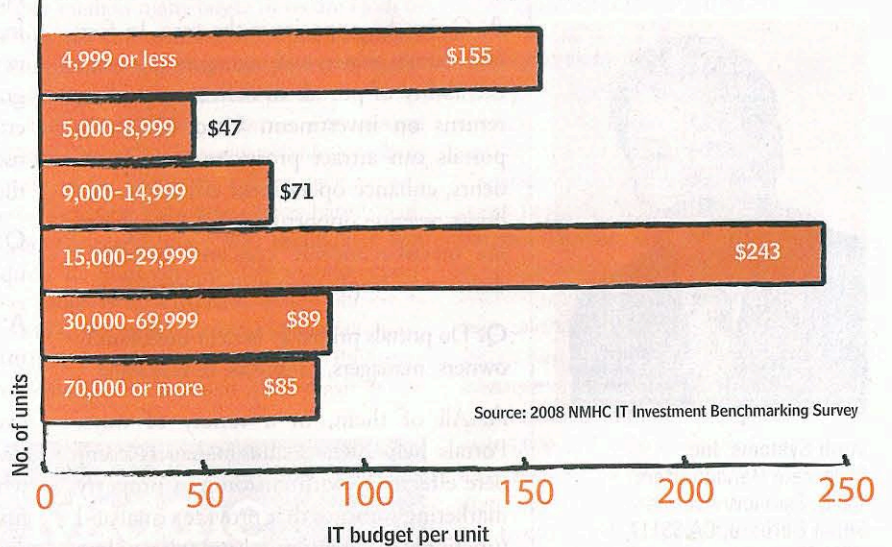
Ashley Glover, executive vice president of

resident solutions at RealPage, says it's those characteristics that make selling to the middle market so appealing. "They all aspire to the same level of customer service and professional business practices," she says. "A lot of people don't realize that those firms often aspire to be

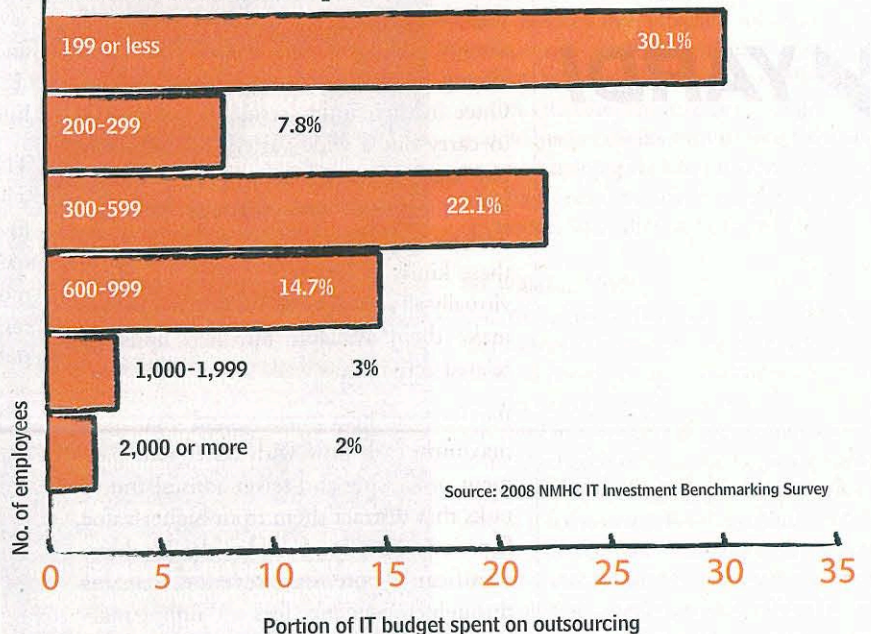
much larger, and they use technology to do it." Sounds like she could be talking about a 30-something property owner from Gladwyne, Pa., with his eyes set on a five-digit portfolio. [M] Joe Bousquin is a freelance writer living outside of Sacramento, Calif.

IT Costs Dissected

Multifamily companies with between 15,000 and 29,999 units have the highest IT budgets per unit.



Smaller firms tend to spend more on outsourcing and consultants, as a portion of their IT budgets.



16%
 No. of multifamily execs that said technology would be one of the three biggest trends shaping the industry in 2009
 Source: 2009 MFE Strategies Survey