



5 Forces Re-Shaping the Property Management Industry Today & Tomorrow



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DIGITIZING THE REAL ESTATE MARKET

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The property lease management industry is undergoing transformational change driven by a number of key forces and technological advancements that are accelerating at an unprecedented pace

This transformational change presents both challenges and opportunities for property owners, operators and property lease management firms across the world. In this short white paper, we define and explore the main forces driving transformational change in the industry both today and tomorrow. Consider and gain insights into how to leverage these forces to help reimagine your business so that it can thrive vs. *survive* in an increasingly competitive and ever-changing property lease management landscape.



Title: Major Forces Shaping Change in the Property Lease Management Industry

1. Homeownership vs. Renting – an Ongoing Shift

“Over the next 15 years, whether the economy grows slowly or quickly, the home ownership rate will continue to decline in the United States and the demand for rental housing will dramatically increase in many communities”

Laurie Goodman, The Demographics of Demand



Americans have traditionally boasted high rates of home ownership with only minor fluctuations in past decades. However, following the collapse of the market in 2008, renting property has increased dramatically across the United States. The number of households renting their home has increased significantly since 2008 with renters becoming the majority population in 22 major US Citiesⁱ. One group of Americans who are more likely to rent than own is consumers in their 20'sⁱⁱ - a group that is growing in significantly in size.

2. Changing Consumer Demographics

Globally there is a significant demographic shift happening with the rise and rise of millennials and Generation Z (Gen Z.) In 2019, Gen Z will surpass Millennials as the largest generation comprising 32 percent of the global population of 7.7 billion people, nudging slightly ahead of millennials, who will account for a 31.5 percent shareⁱⁱⁱ. In the U.S. alone, there are 65 million Gen Z'ers and by 2020, Gen Z will account for 40 percent of all consumers in the U.S.^{iv}. Both generations are already having a considerable impact on the way we think about everything from shopping and work to brands and the environment. Not only does their perspective differ significantly from generations of yesteryear but they are driving change on an unprecedented scale. But what impact does this have on the property lease management industry?

With the younger generations increasingly becoming a larger part of the tenant market it means that products and services need to be shaped to meet the needs of a very different tenant. Technology and technology enhanced solutions are what the younger generations want and if you don't have it you will be considered irrelevant and old-fashioned no matter how good you are at everything else. From high-speed internet connections (in- and outside of the home) to cable television options and smartlocker storage for online deliveries – tenant needs are very different and very digital.

3. The Rise of Technology in the Workplace

“If you do stick to working with spreadsheets, you are not going to go bust over night, but it will be death by a thousand cuts”

PwC, Global Emerging Trends in Real Estate 2018 Report



Technology’s impact on all aspects of society has been nothing less than profound in the last decade. However, despite the proliferation of technology everywhere we look, the real estate industry as a whole as well as the property lease management space have been somewhat slower in their adoption of technology (particularly when compared to other industries such as financial services or retail.)

Although this will not happen overnight, technology will play an increasingly important and central role in how property owners, operators and management firms run their business portfolios in the future. From a tenant perspective there is already an expectation for services such as high-speed internet in- and outside of their rental property as well as digitally-enabled smart lockers for online shopping deliveries. With telephone apps for virtually everything, tenants also now expect digital services that enable them to check everything from their contract terms and consumption bills to sending requests for maintenance and registering a faulty system and more. All online and preferably in an app too.

With the growing reliance on technology comes a significant digital footprint that is creating vast amounts of data. This means future tenants are using technology to provide them with up-to-the-minute information on leasing costs, occupancy rates and other relevant property management data. Owners, operators and lease management firms need to ensure that they too have access to the most up-to-date information to help ensure rents are set at the right price and revenues are maximized.



Title: 5 Technology Considerations for Property Owners, Operators & Management Firms

4. Changing Employee Demographics

Whilst we so often hear about the impact of changing demographics from a consumer perspective, an arguably larger and more profound one is happening in the workplace. An increasing number of millennials and Gen Z'ers are not just entering the workforce but also taking up management positions across every sector of the market and with the very oldest millennials aged just 37 years old, many have decades left at work. Combined with Gen Z'ers who are to become the largest demographic during 2019 it means paradigmatic shifts in how people work, where they work and the expectations they have regarding everything from their office & collaboration spaces to technology and much more. 43% of employed Americans now spend a portion of their time working from home and flexible schedules are also becoming commonplace.^v For property operators and owners it means going head-to-head with other sectors when recruiting (and retaining) new talent, it means creating new types of workspaces to cater to the needs (and expectations) of a younger workforce and embracing technology that is as easy-to-use and powerful as the apps on an average smartphone. Are you ready for the workforce of the future?

5. Macro-economic Trends

Macro-economic trends have always and will continue to influence the real estate industry as a whole. Specifically, in the property lease management space it impacts heavily on a number of fronts.

The key takeaways for property owners and operators are:

- Financing, wages, utilities and general operating costs continue to rise cutting into revenue. Having processes and solutions in place that can help you adapt to the market will be key to your success
- New single houses, townhouses and multifamily developments will continue to be built creating opportunities for property management companies albeit not with property types they are necessarily most familiar
- The market expectation is that housing construction will grow from 2019-2024 offering a chance for new properties to manage and rent. However, a surplus in properties can seriously impact the rent levels – does your company have a data-driven approach to setting rents at the right levels to maximize revenues and maintaining strong relationships with tenants?



Reimagine your real estate business today

With years of real estate industry experience, talented professionals, and innovative technology, Domain 6 delivers digital transformation solutions for the real estate industry. The team at Domain 6 has been working with and supporting technology selection and adoption in the real estate industry for over 20 years. We deliver a wealth of knowledge and best practices, we invest in a collaborative culture and we welcome partnerships to ensure that we deliver the best talent for the right job. In 2019, Domain 6 was awarded the prestigious “20 Most Promising PropTech Solution Providers – 2019” award by CIO Review. We have successfully deployed Microsoft technology for over 100 customers and would love to help your business as well.

For more information visit www.domain6inc.com or call +1 425 578 1918



References

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