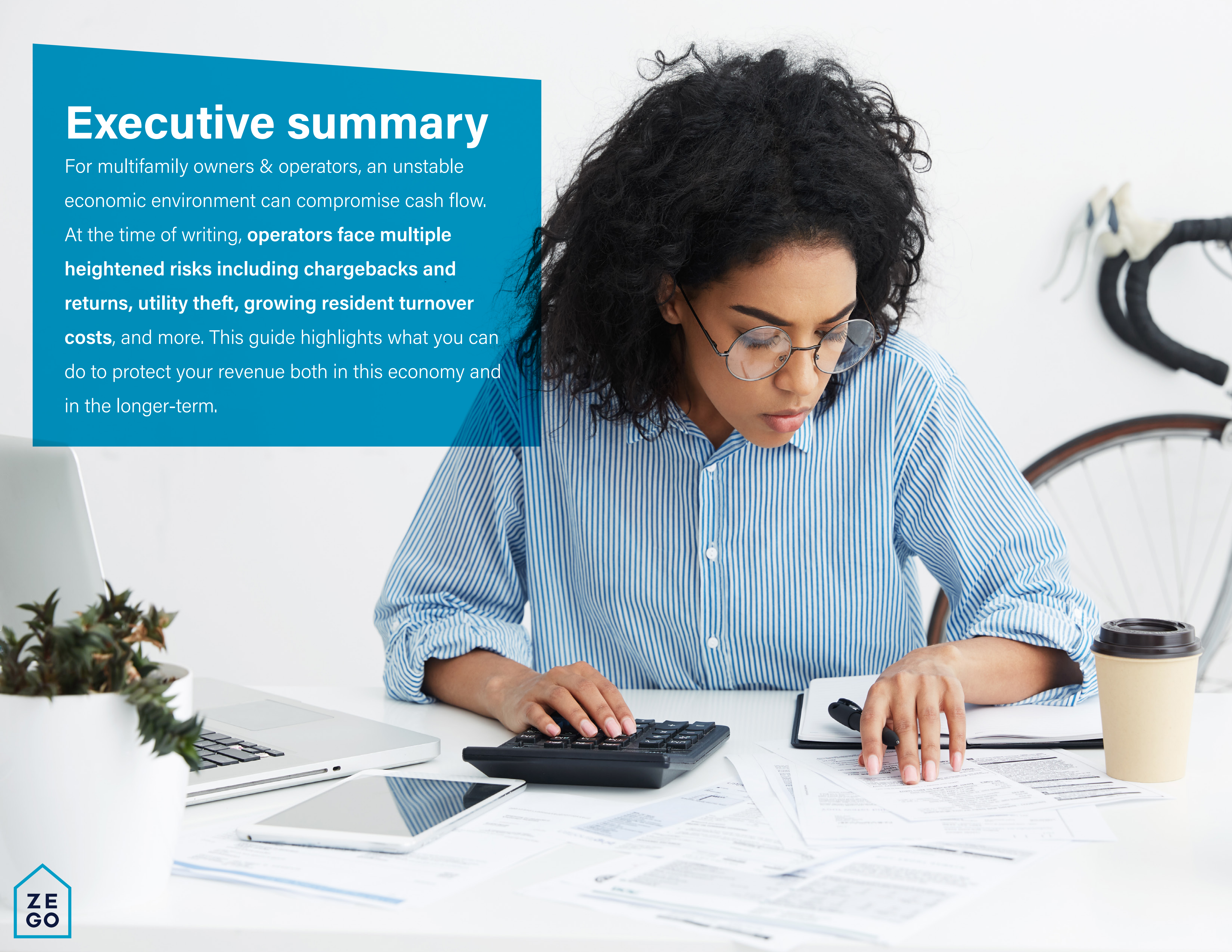
A Global Payments Company

# Protect Your Multifamily Revenue: 8 Ways to Mitigate Risk

# Executive summary

For multifamily owners & operators, an unstable economic environment can compromise cash flow. At the time of writing, **operators face multiple heightened risks including chargebacks and returns, utility theft, growing resident turnover costs**, and more. This guide highlights what you can do to protect your revenue both in this economy and in the longer-term.



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# The turbulent U.S. economy

If you think about the last few years as a commercial flight, the multifamily industry pre-pandemic was taxiing on the tarmac. Then, the plane took off as rent prices surged in 2021. Nationally, the cost to rent an apartment rose by 17.6%, and throughout 2022 continued to climb to a cruising altitude with median rent increasing by 3.8%.

Then we encountered turbulence. A combination of repressed consumer demand, supply chain disruptions, and a tight labor market launched us to the peak of inflation. Now, the Federal Reserve's aggressive rate hikes, which are meant to cool the economy, might tip us into a recession.

**Brace yourselves for impact.**

While a number of sectors were affected by these opposing forces, the rental and real estate markets saw the most dramatic impact. By the end of 2022, inflation, high interest rates, and economic uncertainty resulted in rent decline.

There was a slowdown of leasing that was beyond seasonality and negative absorption.

In the event of a sudden loss of cabin pressure on a commercial flight, oxygen masks descend from the ceiling. In the event of an economic recession, after record-breaking rent growth, what are the implications for multifamily companies, and how can they prepare and protect themselves?

# Recession implications for renters, owners, and operators

American renters have been rocked by higher prices across the board. But food, energy, and housing costs have risen exceptionally fast. Right now, inflation remains at a 41-year high, despite the passing of the Inflation Reduction Act. This means more renters are struggling to pay rent.

From 2020 throughout most of 2022, 15% of American households were behind on rent - a total impact of about 6 million. That number shot up to 8.5 million by the end of 2022.

At the time of this writing, all signs point to a global recession in 2023. How long and how severe a recession is impossible to predict, but apartment demand and rent growth will almost certainly encounter pressure, especially in the case of widespread job loss.

With the push and pull factors of inflation, interest rates, and recession speculation feeding into each other and disrupting the economy, revenue protection and portfolio optimization measures have never been more important for multifamily companies.

> Blame depressed consumer confidence and renters wary of making moves amid high inflation and a potential economic downturn, which could coincide with bigger rent cuts."
>
> *Emma Ockerman,*
> *Finance Reporter for MarketWatch*

# From portfolio growth to protection and optimization

Revenue protection becomes a heightened priority amongst industry leaders as goals shift from a risk-taking 'growth-mode' to portfolio-optimization 'protection-mode.'

And right now, even larger REITs are keeping their powder dry. To garner results to show investors, they are optimizing existing portfolios by putting programs in place to monetize digital transformation or improve time to revenue. Kyle Nelson, VP of Strategic Partnerships at Snappt, drives this point home in his discussion about the current market on The Resident Experience Podcast. "Valuations are getting tighter. The days of 50 or 100 X revenue multiples are gone. High, single digit to low teen valuations are becoming the norm again, just as they were in 2015 and 2016… I think everyone just has to come back down to earth and understand we're in extremely volatile times and we have to adapt accordingly."

At some point you may be unable to increase rent in a recessionary environment where residents are losing their jobs. If that's the case, you are going to have to take a hard look at costs, technology, and additional revenue drivers.

No matter your portfolio size, it is in your best interest to look for innovative ways to safeguard and improve returns during times of economic uncertainty like these and also longer-term.

**That's why we've created this guide.**

As experts in digital payments in the multifamily realm, we have intimate knowledge about rent collection risks. While technology has evolved to help protect revenue, all too often we see apartment operators hesitant to evolve outdated processes that can threaten NOI. **This guide helps you understand the risks to your revenue (especially during times of economic uncertainty) and the strategic changes you can make to protect and bolster your business operations in the long term.**

# Protect your revenue

This guide outlines eight considerable risks to multifamily revenue and NOI in unstable economic environments and presents proven and vetted recommendations to help you avoid and/or mitigate those risks.

## 8 Risks to Multifamily Revenue and NOI

| Affected Business Area | Risk | Solution |
|---|---|---|
| Rent collection risks | **1.** NSF returns, payment errors, & chargebacks | Account connect, real-time balance verification, chargeback defense |
| | **2.** Delinquent rent | Flexible payments, rental assistance |
| | **3.** Paper-based payment processing | Lockbox, cash payment alternatives, incur transaction fees, drop your dropbox |
| Risks to NOI in a volatile utility market | **4.** Paying utility invoices without auditing them | Utility expense management, vacant cost recovery |
| | **5.** Suboptimal utility cost recoupment | Submeters or RUBS |
| Operational Revenue Risks | **6.** High cost of resident turnover | Modern resident experience, resident surveys |
| | **7.** Foregoing additional revenue streams | Renters insurance, resident benefits program, additional rev ideas |
| | **8.** Making decisions without data | Integrated data & insights |

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# Rent collection risks

Your goal as a business is to make money. So, the most important risks to prepare for (and protect against) are those that threaten your rent revenue. From chargebacks, to returned payments, delayed cash flow, delinquencies, and more, it's imperative to implement programs and technologies that safeguard your assets.

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RISK #1

# NSF returns, payment errors, & chargebacks

We are already starting to see big tech layoffs as 2023 unfolds. Between Twitter, Microsoft, Google and others, 58,000 workers have already been laid off, and more companies could follow suit. **Transaction errors and fraud have become increasingly problematic during rent collection cycles.** And more layoffs during a recession will only complicate things further.

For example, a renter who is recently unemployed may be more likely to initiate a chargeback on an application payment for an apartment they weren't approved for. Or, if they have a current lease and paid rent via ACH before their unemployment check cleared, their bank may return that payment for insufficient funds.

When chargebacks, NSF returns, fraud, and payment errors occur, it's a lose-lose situation. The resident is frustrated, your cash flow slows, there may be lost revenue, and added work is created for property staff.

"According to the NAA, property managers lose around $17,000 annually per property to collections, and when you add the hours spent managing collections, reconciling accounts, and balancing the books, the impact is far greater."

*Stephen Baker,*
*President & GM, Zego*

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# Implement rent revenue safeguards

Using tools to reduce fraud and returns will minimize revenue loss and time spent rectifying associated issues. Thanks to advances in payment technology, there are proactive and automated ways to **instantly authenticate resident bank account information and verify there's enough money available to cover the payment amount.** The days of insufficient fund notices and returned payments due to incorrect account information are over.

Recession-proof your rent collection process and save your staff time by finding a digital payments provider that offers a suite of built-in revenue protection features. Zego's Revenue Protection Suite, for instance, has three major components that assist with proactive fraud and error reduction. Management companies using the Zego Revenue Protection Suite have seen a **95% decrease in returned payments**, and an **82% win rate on chargebacks**. This multi-pronged approach to avoid and recover chargebacks is a game-changer for multifamily revenue protection, as the industry average win rate hovers around 32%.

## Zego's Revenue Protection Suite

### Account Connect

Residents log-in to their bank account through the app, eliminating manual data entry errors that lead to unsuccessful payments.

### Balance Verification

Real-time balance verifications confirm there are sufficient funds in the resident's bank account for the transaction to clear.

### Chargeback Defense

A combination of affordable fixed-fee debit card options, a team that fights on your behalf when chargebacks occur, & partial absorption of associated costs.

RISK #2

# Delinquent rent

Understandably, there's an increase in delinquent rent during recessions. But it's important to note that a spike in delinquencies impacts more than just cash flow for multifamily management companies. For instance, productivity also takes a dip as your team's valuable time and resources are diverted towards managing challenging collections and evictions.

Are delinquencies currently on the rise? **Well, Americans are spending a greater percentage of their income on rent; 31.8% in 2023 compared to 27.8% in 2015.** Supply isn't keeping up with demand, especially in the affordable housing sector. And 8.5 million American households were behind on rent in the third quarter of 2022.

Right now, management companies are looking for solutions to address delinquency in a post-covid world, because the old ways no longer work. So, in this unstable economic environment, what programs should you do to protect against delinquencies?

# Offer flexible & secure payment options

## Flexible rent payments

When it comes to delinquencies, you have a few options to minimize risk. The first is to offer flexible rent payments to your residents. By partnering with a flexible payments provider, you can get paid in-full and on-time by the provider, while your residents gain the flexibility to pay rent in installments to the provider that works best with their budgets and cash flow. Flexible rent payments are mutually beneficial for operators and residents. They help protect your revenue and cut time spent on collections while improving the resident experience.

## Fraud detection

The second solution to help reduce delinquencies is to verify the IDs of all prospective residents, eliminating the potential for fraud before a lease is signed.

Criminals will create fake IDs, build up credit over time, apply for an apartment, and fail to pay a dime once they're moved in. "And then you're going to spend between $5,000 and $10,000 in total costs between legal fees, lost rent, and turn costs as you evict them," said Brian Zrimsek, Industry Principal at MRI and CheckpointID.

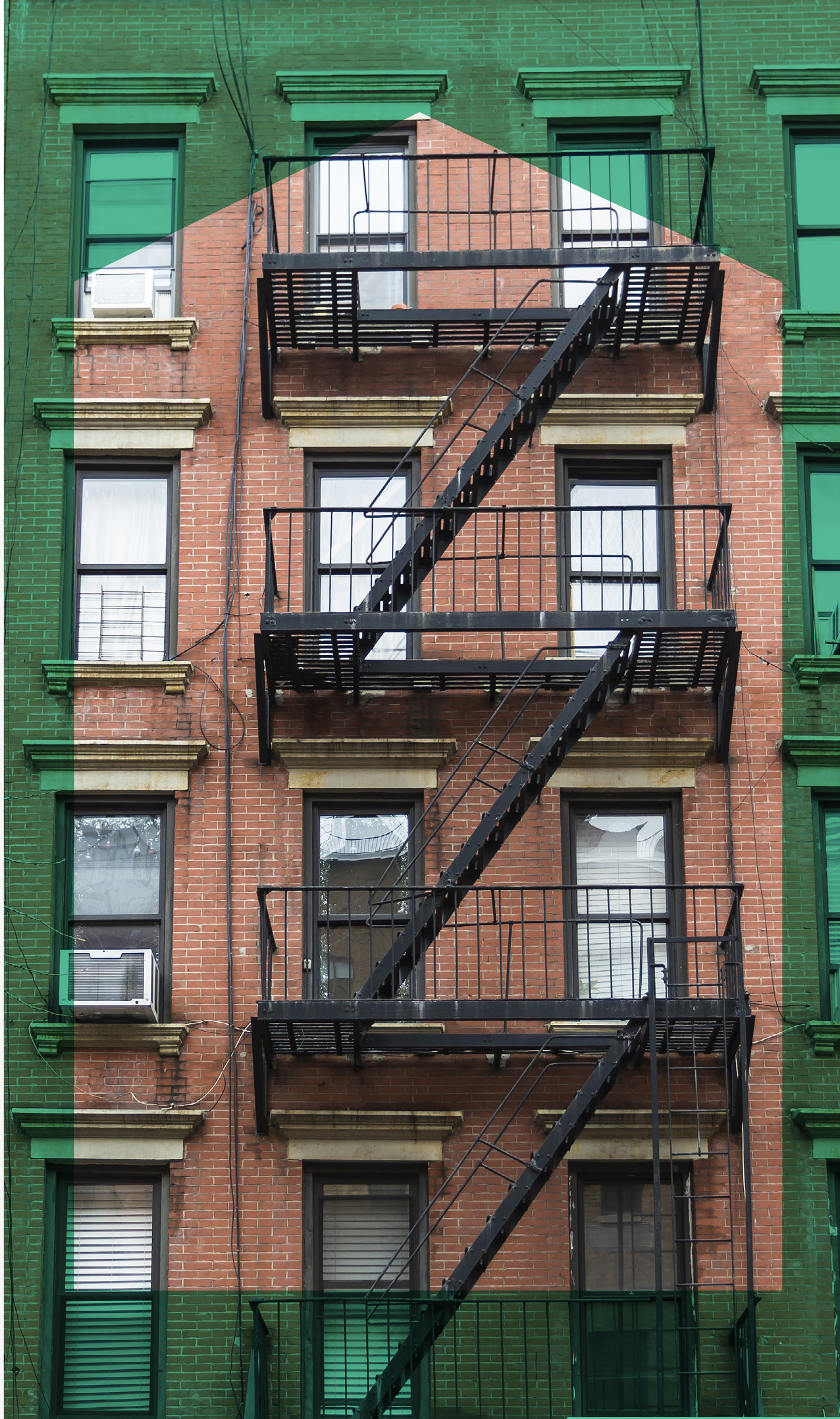
> "It's a win-win... In addition to helping with retention, flexible rent payments are a competitive differentiator — at least for the moment, until it becomes table stakes."
>
> *Stephen Baker, President & GM, Zego*

There is tremendous value in working with a partner to extract the data from your prospective renters' IDs and validate formats against standard databases. Fraud detection providers like CheckpointID can tell the property manager in real time if the ID is valid. "We found almost 50,000 instances last year," said Zrimsek. **With around 50% of evictions stemming from fraud, using a solution like CheckpointID to reduce delinquencies is a smart thing to do in an unstable economy.**

## Rental assistance

Finally, to curb delinquencies you can lend a helping hand to renters struggling to make their rent payments. Some residents may be eligible for rental assistance programs but don't know where to look or how to get started.

Terri McDaniel, a property manager for Horizon Land Management with over 15 years of industry experience, proactively reaches out to residents as soon as rent is past due to help decrease delinquencies. She researches rental assistance programs and helps her residents through the application process. It's such a simple yet heroic and effective win-win solution.



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RISK #3

# Paper-based payment processing

Fortunately, the vast majority of property management companies now offer at least one digital payment option and enjoy the efficiency and expedited cash flow that accompanies those transactions. But the Federal Reserve Bank of Boston found that 42% of rent payments are still made with a check and 16% are made with money orders. **And accepting even a small percentage of paper payments puts your revenue at risk.**

According to Innago, "most researchers estimate the transaction cost of a paper check at $3.00 per transaction. And some believe it to be as high as $10.00!" Multiply that by the number of checks and money orders you receive every month - not to mention the time spent depositing, scanning, and reconciling those payments. These manual processes severely delay cash flow, plus there's always the risk of dropbox or in-office rent theft.

If most residents have the option to pay online, then why are multifamily communities still receiving stacks of checks and money orders? A few reasons include residents who are unwilling or unable to break old check-writing habits, unbanked residents who can only pay with a cash equivalent method, or residents who simply prefer dropping off checks to avoid paying processing fees.

Stephen Baker, President & GM of Zego sees digital payments becoming the standard, "Our market, like many others, has been moving away from checks for many years. I expect many others will join this trend, which is consistent with how the vast majority of companies do business with their customers today."

"The most advanced companies no longer accept checks at their management offices and rely on digital payment methods, as well as something like a lockbox solution to serve the last few remaining residents who really feel more comfortable paying with a check."

*Stephen Baker,*
*President & GM, Zego*

# Replace paper payments with digital alternatives & incur processing fees

## Lockbox

With a modern lockbox solution, your management company outsources the entire rent check collection process, saving valuable time and protecting your revenue. Residents send their checks and money orders to a dedicated P.O. box, and the lockbox vendor then collects, batches, and scans those payments. Once those items are uploaded and approved in your payment portal, a special clearing file is sent to the bank and the funds are deposited directly into your account.

A fully-integrated lockbox solution also gives you a consolidated workflow within one platform, one reporting system, and one rules engine. This consolidation simplifies your receivables process as you have one place to manage all of your payments including checks, money orders, debit cards, credit cards, and even cash.

With a modern lockbox, you can accept checks without ever receiving them in your office. **You also eliminate trips to the bank, increase productivity, and reduce the risk of fraud and theft.** Plus, the Zego Pay Lockbox solution accommodates HUD and other single checks intended to pay for multiple units with check splitting functionality that gets money into the correct accounts faster.

## Digital cash payment solution

Did you know 1 in 10 adults do not have a checking or savings account? The unbanked segment of our population relies solely on cash to pay rent. Cash and money orders are notorious for causing headaches in community offices. Money orders that are filled out incorrectly cost associates hours of time contacting residents to rectify errors. And both payment methods require associates to manually enter the payment details into the accounting system.

**1 out of 10**

**adults do not have a bank account**

They are also prone to theft. **Franklin Management Company fell victim to dropbox theft and lost $40,000 worth of rent payments.** Not only did the loss hurt their revenue but it also damaged their residents' confidence in the management company.

The best way to eliminate the risk and hassle of accepting cash and money orders from your office is to stop accepting them from your residents. However, if that is not an option for your management company, **the next best alternative is to use a digital cash payment solution.** For example, at Zego, our digital cash payment solution, CashPay, allows residents to make cash or money order payments for their rent at any CheckFreePay location nationwide. Their transactions are digitized and instantaneously integrated into your Zego portal for you.

## Incur pricing model

According to NMHC, 93% of today's renters want to pay their rent online. But we have found that only 20-30% will pay digitally if there is a processing fee involved. An additional fee on top of rent and any other charges is too tough a pill for renters to swallow, especially when there are free payment apps (i.e. Venmo) available. And while these peer-to-peer apps work well for one-off payments, they lack all the benefits that accompany rent collection software, including a solid integration with your PMS, payment flexibility, reporting tools, etc.

So, how can you boost digital payment adoption and reap its benefits? Some companies choose to absorb the transaction costs on behalf of their residents. Roy Rainey of Rainey Realty decided it was well worth it. "We decided to incur the costs of eChecks, which is a nominal cost. We probably pay around $300 per month in the eCheck processing fees. But since everyone pays digitally now, we are not paying a bookkeeper to process rent. The tradeoff is worth it, especially because **our system is 100% accurate and we can see all of our payments in real-time."**

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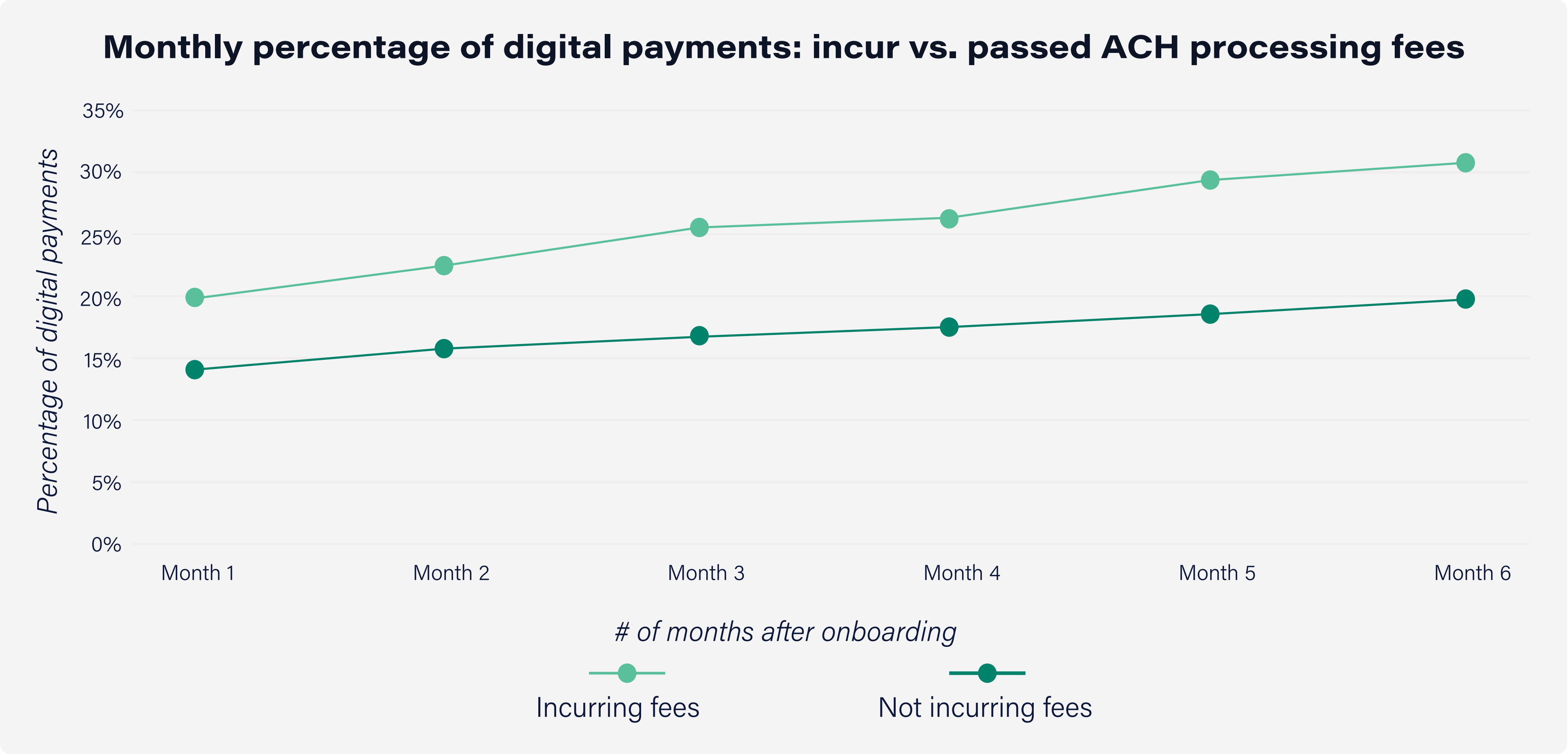
Property management companies that pay the digital rent payment processing fees for one or more payment methods typically find that their digital payment adoption rate doubles. The graph below is a month-by-month representation of the average percentage of ACH payments collected by multifamily management companies for the first six months after instituting Zego Pay. **The light green line represents companies that incur the processing fees on behalf of their residents. The dark green line represents companies that pass the convenience fee to their residents. As you can see, incurring the fees significantly increases the number of digital payments received.**



# Risks to NOI in a volatile utility market

Utilities, one of the biggest expenses for apartment communities, have been hit hard by inflation. Natural gas prices increased by 525% in the last two years, and electricity has seen the biggest surge in 41 years (and is expected to keep rising). But despite these record-high costs, utilities present a huge opportunity to bring multifamily operators significant savings and added revenue.

# Paying utility invoices without auditing them

Many multifamily companies are inundated with utility invoices on a monthly basis and don't have the time to audit each one for errors and outliers. Instead, they simply check the balance due and issue a payment. Over time, this can be detrimental to NOI.

As reported by Engie, one of the nation's largest utility billing auditors, **at least 17% of utility invoices contain an error.** With all the invoices your properties receive, it's likely many have errors that go unnoticed which can result in a mountain of unnecessary charges.

According to Engie, "When left unchecked and unresolved, even the smallest billing errors can end up costing businesses hundreds of thousands of dollars. For example, just one wrong digit on a visual meter reading can send bills soaring, or an organization may be on a rate that does not match its needs. Even an unnoticed late fee can add extra costs if not resolved.

It's critical for companies, particularly with multiple locations, to have an in-house team or utility bill audit company to regularly audit utility bills before payment is made."

Additionally, if you aren't closely monitoring your utility bills, you are missing early warning signs for potentially costly problems at the property. For example, an invoice that reflects abnormally high water usage may be warning you about a leak at the property. Catching an issue like that on an invoice rather than when a pipe bursts could save you thousands of dollars.

# Perform regular utility invoice audits

### In-house invoice audits

Choose a day of the month for your team members to perform utility invoice audits to uncover any erroneous charges and outliers. It's critical to construct a consistent and standardized process so there aren't any opportunities for loss.

### Utility Expense Management

If you don't have the resources to regularly perform utility invoice audits in-house, you can outsource utility expense management by working with a provider that will complete the entire process from invoice acceptance, review/audit, to bill payment for you. This removes the burden from your staff so that your team can focus on higher priorities.

For instance, Zego's Utility Expense Management is an automated utility AP solution that eradicates utility billing errors and late fees, and provides full transparency into your data. Invoice and payment details are integrated into your accounting software along with business intelligence reports so you can track trends and identify opportunities for savings. It's also important to find a provider that includes vacant unit cost recovery as part of their utility expense management service.

### 5 Things to look for in a utility bill audit

1. **Clerical errors:** Quickly check the math.
2. **Peaks & valleys:** If there is a surge you cannot explain, ask the utility company for clarification.
3. **Question your utility rate:** Work with your utility provider to select the best utility rate package for your assets.
4. **Compare energy meters with audit numbers:** Double check that the energy usage listed on your bill is close to the actual meter reading.
5. **Look into tax exemptions:** Research to determine if there are any tax benefits that your property can enroll in to secure rebates or deductions.

## Identify and end utility theft

Utility theft occurs when residents either don't transfer utility services into their name upon move-in, or take the utilities out of their name before they move out. This is sometimes intentional, and other times it's simply a case of renters being overwhelmed by their move. Whatever the reason, this can lead your company to pay thousands of dollars per year in charges that aren't yours.

A vacant unit cost recovery service pinpoints the number of violations by resident at each property, quickly identifying where adjustments need to be made, either in resident communication or by assessing penalty fees. The sooner you are alerted to a potential problem, the higher the likelihood it can be resolved while its effects are minimal.

Identifying instances of utility theft is important, but you also want to make sure you aren't paying the resident's charges. Zego's utility platform catches those occupied units that do not switch over the utilities and make sure the property does not cover the costs of utility consumption. Instead, we add those charges to the resident's statement and, if applicable, charge any penalty fees.

"As owners are facing increasing costs in some areas, one way to help manage financials and become more efficient is to invest in recovering costs associated with unit turn-over using a solution like Vacant Cost Recovery"

*Stephen Baker,*
*President & GM, Zego*

# Suboptimal utility cost recoupment

Utilities are the third largest operating expense for multifamily management companies, and costs are only going up. Energy prices skyrocketed with inflation to the point where they have outpaced the price of goods and services – in certain cases at double or triple the rate.

While there are a variety of factors driving this current trend including supply chain disruptions, the war in Ukraine, and domestic policies, the utility market has always been volatile. So, if you're including utilities in the price of rent and the rate or usage in your building spikes, you have no ability to recoup those additional expenses. Or, if you're charging residents a flat fee for utilities, that leaves your cash flow vulnerable as rates fluctuate. You'll be stuck in a cycle of losing money. But overcharging for utilities is also a liability, as many states have made it illegal.

# Bill residents for utilities based on usage

In an unstable economy, consumption-based resident utility billing is a no-brainer. Companies use this strategy to maximize recoupment and increase property value. Decoupling utilities from rent allows you to create an additional line item on your resident ledger, which creates a new revenue stream for your property. This added revenue increases NOI, and after factoring in cap rates, companies see a spike in property value.

To get started with consumption-based billing, you'll want to consult a resident utility billing provider, like Zego, to determine the best methodology to recoup your expenses. When finding a Resident Billing Partner it is essential to understand their billing model. There are 2 primary billing models that vendors use.

The first method that several utility billing vendors use is what's referred to as a "utility bill-and-collect" model, or "read-bill-collect" (RBC). It is the original utility billing model available to property managers and hasn't evolved much in the 15+ years it's been around.

The vendor is the "face" behind the bill rather than the property management company. The vendor reads the property utility bills, calculates the charges, and sends each resident their statement directly. They collect the payment from the resident and then reimburse the property management company. The main drawback of this process is slow cash flow because the third party serves as a middleman between the property manager and the resident.

The second, newer model of recouping property utility expenses is called Resident Utility Billing. The third-party biller is removed from the payment process for faster funding time. Another differentiator is that, unlike bill and collect, residents receive a bill from their property management company. The statement itemizes rent and utilities, and the resident pays the property manager directly for their entire balance.

Once you have determined your preferred utility billing partner, you'll need to determine how much your residents owe, via submeters or RUBS.

## Submeters

The ideal way to bill back resident utility charges is to use submeters. Submeters show the exact utility consumption for each unit in your community. Because you get a precise reading, you are able to calculate an accurate charge for each apartment unit. Ultimately, this is the easiest way to maximize utility recoupment.

Plus, submeters tend to drive down overall utility consumption. This is because renters get a clear understanding of their usage and how it correlates to dollars and cents. The Alliance for Water Efficiency found that water consumption typically drops 15-30% after meters are installed.

## RUBS

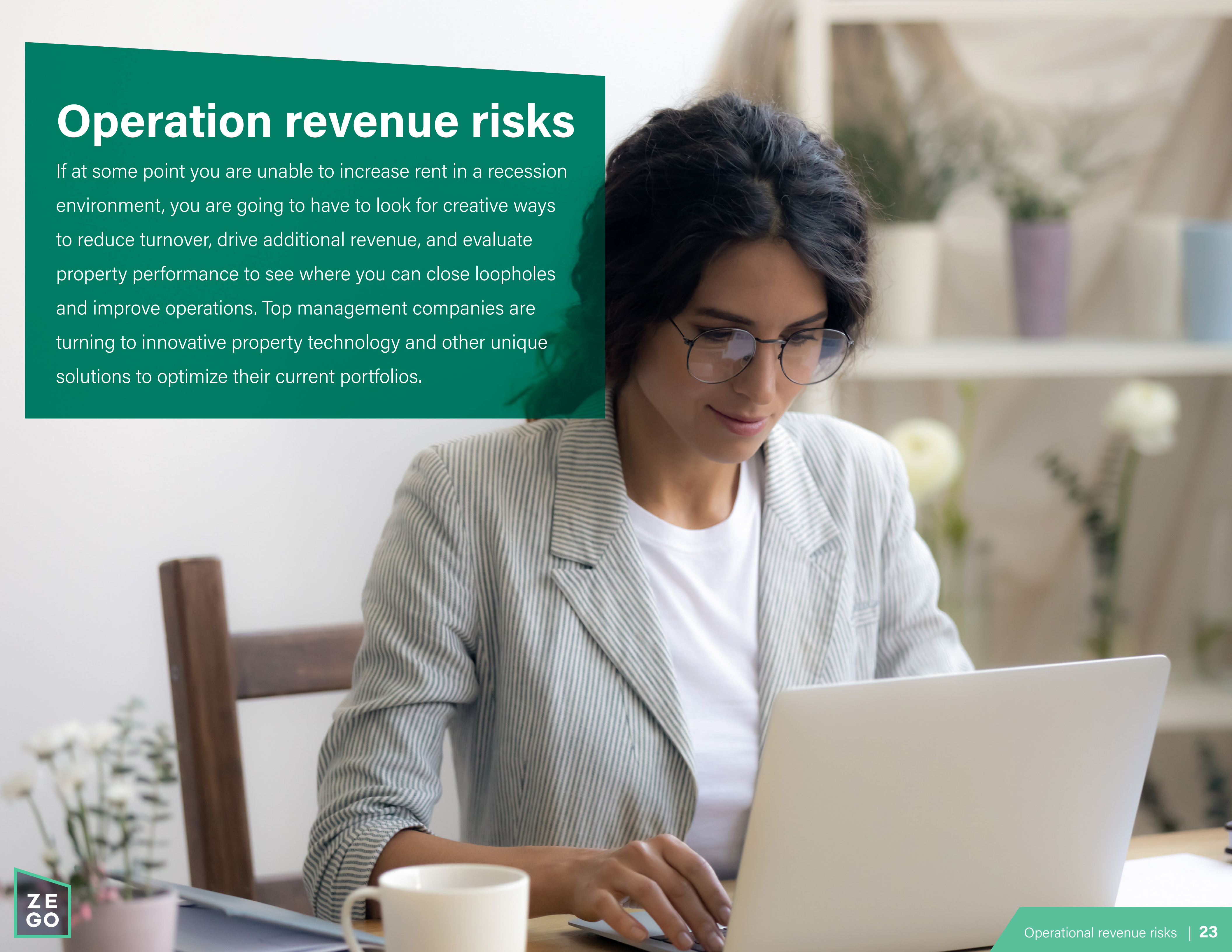
If you don't have submeters, no problem. You'll use what's called a RUBS method to determine charges. RUBS stands for Ratio Utility Billing System, and is a fair and cost effective alternative to having submeters.

RUBS divides the utility expense among your residents based on criteria such as number of occupants per unit, square footage, or other factors. Either the management company or a third-party billing company performs the RUBS calculations and bills the corresponding charges to residents.

But it's important to note that using RUBS isn't for everyone. A handful of states prohibit RUBS. If your communities are in one of these states, you'll have to defer to submetering.

# Operation revenue risks

If at some point you are unable to increase rent in a recession environment, you are going to have to look for creative ways to reduce turnover, drive additional revenue, and evaluate property performance to see where you can close loopholes and improve operations. Top management companies are turning to innovative property technology and other unique solutions to optimize their current portfolios.



# Neglecting resident turnover costs

The cost to replace just one resident that moves out is nearly $4,000. And turnover costs are steadily increasing year-over-year. This doesn't bode well for management companies heading into a potential recession territory, especially considering that 82% of renters plan to move in the next year.

Beyond the time it takes to clean, repair, advertise, and show the vacant unit, you'll also need to consider the time it will take to recoup turn costs.

**Although, if rent increases aren't an option in an economic downturn, it could take years not months to recoup those costs.**

If you have consistent turnover because residents are underwhelmed with their community, you will assume greater financial risks as the market cools. Even slight improvements in resident retention can boost your bottom line.

## How long it takes to recover resident turnover costs

Here's an example of how long it will take to recoup $3,976 (the cost of an average turn), with a 15% increase on a starting rent price of $1,500:

Starting rent price: **$1,500**

Rent Increase: **+15% ($225)**

**$3,976 ÷ $225**

*average resident turn cost* *monthly rent increase*

**=17.6 months**

*to recover resident turn costs*

# Apply retention strategies throughout the resident lifecycle

Dissatisfaction with community management is the second most common reason residents move out of their community (behind seeking lower rent). Communities frequently lose residents because of outdated management practices that don't align with the expectations of today's renter. Multifamily owners, operators, and managers can combat unit turnover by improving the resident experience.

To improve the resident experience in your community you need to examine key touch points across the resident lifecycle. For example, how do residents retrieve their packages? How do you manage maintenance requests? How is the move-in process handled?

## Provide a seamless move-in experience

Moving day sets the stage for your relationship with your residents. If the move-in process is full of inconveniences, you may lose the chance of a renewal before the resident has even settled into their unit.

> We have to make sure that we are doing everything we can so our residents' moving day goes smoothly. It really sets the tone for the resident. And it's the first impression for the rest of the time that they're with us. And you never have a second chance to make a first impression.
>
> *Melinda Howard, PLK Communities*

**Whether it's offering multiple communication methods providing assistance, or creating move-in checklists, there are numerous ways you can improve your move-in process. Here are a few ideas to get you started:**

**Offer residents a small welcome gift:** A bottle of wine or a gift card to a favorite community restaurant can be a great start to making them feel welcome in their new home.

**Host a new resident orientation:** Weeks or even months may have passed since they first toured your property. The majority of renters want an on-site team member to conduct a walkthrough or orientation at move-in so they can re-familiarize themselves with the community layout & its amenities.

**Provide digital access to the community:** Even prior to move-in, you can welcome new residents by encouraging them to download and explore your community app. They can stay in the loop on the latest news and get access to door codes, parking instructions, and other FAQs. It also gives them a convenient channel to communicate with your site teams if they need anything during move-in.

**Automate move-in tasks:** Filling out and turning in several physical forms is archaic and annoying. Digitize any checklists or tasks assigned to the renter. Let them easily and conveniently use their smartphone to complete items such as registering pets, paying deposits, booking elevators, or completing a digital walk through of their unit.

**Ask for feedback:** If a resident is unhappy with the move-in process, it's valuable to have that feedback right away. That allows on-site teams to smooth over any grievances so the relationship can get off to a better start.

## Enhance community living

When it comes to keeping your renters happy, some tactics will never go out of style. For instance, these proven strategies are essential:

- Keep your community attractive and tidy
- Host community events
- Ensure consistent communication and responsiveness
- Establish impeccable maintenance service and response times
- Gather and act on feedback from residents

But in this market, going above and beyond for your residents can make a big impact on retention. And don't forget to empower your staff with the tools they need to deliver an exceptional living experience that's a cut above your competition.

## Top-tier tools for resident retention

**Community engagement:** Promote events, amenities, and enable resident-to-resident interactions directly within your community app.

**Self-service enablement:** Empower residents to quickly and easily manage day-to-day living through their app, making property payments, creating and tracking maintenance requests, and managing packages.

**Special offers:** Present exclusive offers for local deals, including targeted offers for incoming residents like discounts on dog walkers, moving companies, and more.

**Digital enhancements:** Implement technology that eliminates friction points, like package notifications Give residents the ability to control everything in their community app.

**Resident Surveys:** Get ahead of resident complaints. Send out quarterly surveys to get feedback from your residents about their experience living in your community. Proactively discover why they might be thinking about leaving, and then act upon their concerns.

Another effective retention strategy is to get ahead of resident complaints and nip them in the bud. Send out quarterly surveys to gain resident feedback on your maintenance performance and process, community events, ideas for improvements, etc. Proactively discover why they might be thinking about leaving, and then address and act upon their concerns.

## Actively manage the renewals process

If your entire strategy is to send the resident one renewal letter 60 days prior to the end of their lease and hope for the best, you're missing out on some key opportunities to boost retention. Here are a few ways to incentivize residents to renew:

**Send early renewal notices with incentives:** For example, if a lease is set to expire on July 31st, send a renewal notice 120 days earlier, on April 1st and offer multiple renewal options based on when they renew by.

**Offer locked rates for longer lease terms:** By offering a range of leases beyond 12 months (18 months, 24 months, 36 months) residents won't have to fear unexpected rent increases. And, it ensures that you'll retain that resident beyond the typical 12-month leasing cycle.

**Provide a service, improvement, or upgrade:** Incentivize residents to renew by offering an upgrade or improvement to their apartment such as a deep cleaning, new ceiling fan, accent wall color of their choice, etc. Position it as a renewal bonus or anniversary gift to show your appreciation for their loyalty to the community.

**Automate the renewal process:** If you want residents to renew, avoid any friction throughout the renewal process. More than 60% of residents prefer renewing leases digitally. With Zego's Blue Moon integration, for example, you can present multiple offers with pricing and deadlines, share contracts, and complete e-signatures all through the mobile app.

# Foregoing additional revenue streams

Opportunities for ancillary revenue shouldn't be overlooked, especially if you aren't able to raise rents during an economic downturn. "You might be surprised at how many multifamily property investors do nothing but collect the rent and occasionally glance at the profit and loss statements," writes Theresa Bradley-Banta in her real estate blog. "When you start talking about ways to create revenue in your multifamily property you're on the path to success."

In MHN's The Lease-Up Podcast, Paula Munger, NAA Assistant VP for Industry Research & Analysis was asked how multifamily owners and investors can optimize their businesses right now to prepare for recession territory in 2023? She stated that they are "obviously going to need to look at some other revenue streams, and that's really asset-specific." She advises evaluating whether you can add an extra charge for parking fees, storage units, pet rent, re-keying, NSF fees, convenience services, etc. "We see some owners and operators who are partnering with short-term rental platforms and that helps boost income as well."

# Create new revenue streams

How can each of your unique assets drive additional revenue that benefits all parties involved? Consider options including new ancillary revenue streams, renters insurance admin fees, and hotel-like concierge programs to help protect your NOI in an uncertain economy, while improving the resident experience.

## Ancillary revenue

Ancillary revenue shouldn't be designed to take advantage of residents struggling through a recession. It should be used as a tool to protect your asset while delivering additional value to your residents.

**10 new revenue stream ideas:**

1. Sell moving kits with tape, boxes, & bubble wrap.
2. Install vending machines.
3. Sell laundry, cleaning, or other supplies that residents might need in a pinch.
4. Have a carpet cleaner & power washer on site that can be rented hourly.
5. Sell ad space on the digital signs around your community to local businesses.
6. Offer move-in upgrades: electronics setup, smart home technology packages, priority parking, etc.
7. Allow non-residents to use your community business center for a fee.
8. Open your property to short-term or corporate rentals.
9. Ask businesses for a kickback when residents use their deal promoted in your community app.
10. Collect an admin fee for automatic renters' insurance.

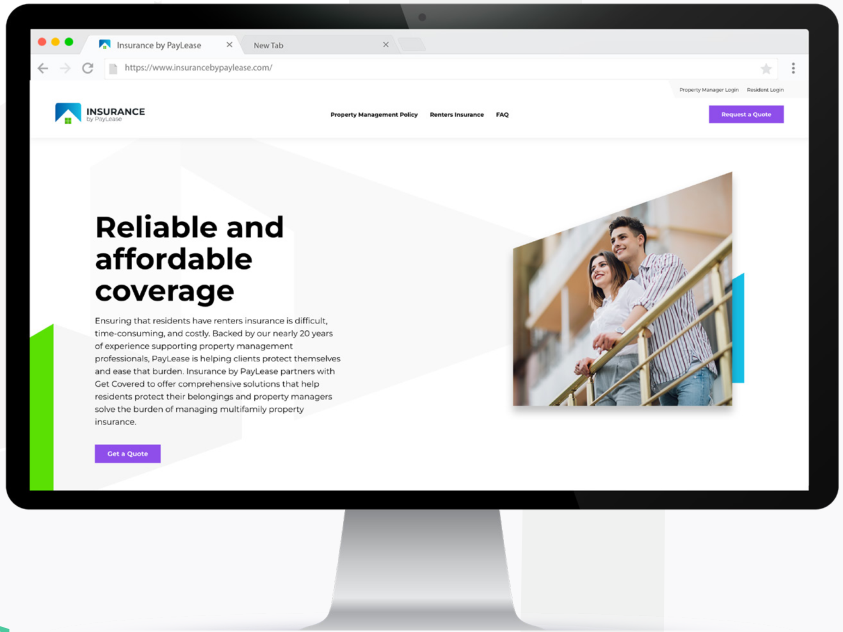
## Insurance admin fees

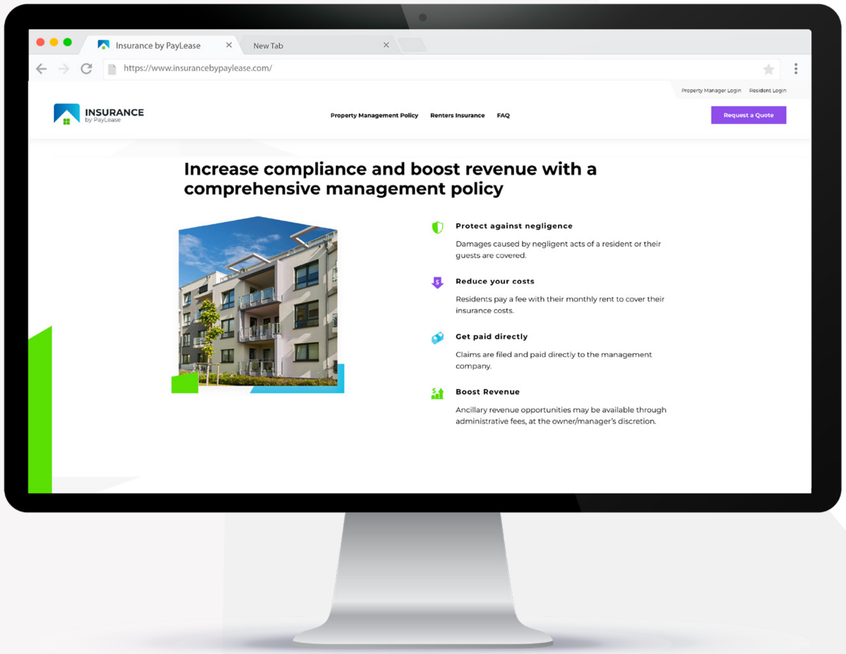
By partnering with a renters' insurance provider, ancillary revenue opportunities may be available through administrative fees. The fee is set at the owner/manager's discretion within a reasonable amount. Most companies charge $2-5 per unit per month, which comes out to about $60 in annual additional revenue per occupied unit.

This additional admin fee is just the cherry on top of your peace of mind that every occupied unit is insured. If there is a fire, flood, or other damage to your property, your asset is protected.

Many management companies require renters' insurance in their lease language but rarely audit to discover which residents didn't follow through in setting it up. Without help managing these audits, it's hard to be successful.

Working with a provider like Insurance by PayLease is a transfer of risk. You can simplify operations with automated coverage across your property or give residents the flexibility to choose their own provider while ensuring automatic coverage if a resident cancels or ends their policy before their lease is up.

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## Concierge programs

At a hotel, the concierge handles everything from booking dinner and theater reservations to car and dry cleaning services. Class A multifamily communities have experienced a demand for these types of luxury services from residents who want to make their lives easier.

Concierge programs are often offered as package deals that bundle together hotel-like amenities & services. Renters pay an additional fee for personal assistance with grocery shopping, dry-cleaning, in-home package delivery, housekeeping, wake-up service, pet and plant care, and more.

Management companies will either hire staff to fill the concierge role or partner with a third-party to provide these services and benefit from the additional revenue streams.

# Making decisions without data

Which of your properties has the lowest digital payment adoption rate? How engaged are your residents with the community? What do your utility expense trends look like month-over-month? Not being able to pull data and identify trends across key aspects of your business like these is like flying blindly. To make informed business decisions that help protect your revenue and optimize your portfolio, you need the right data.

As the rental market shifts, insights and reporting become valuable tools to help companies adjust and thrive. "What data do you need to make better decisions, and how do you get that [data] delivered in an effective and efficient manner?" asks Donald Davidoff, Co-founder and CEO of Real Estate Business Analytics. "If you own and control your data, you're about as future proof as you can be."

> What you don't know is going to be the thing that financially hurts you."
>
> *Erik Rogers,*
> *Senior Vice President of Information Technology, Carmel Partners*


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# Arm yourself with actionable insights

Leverage your PropTech's reporting options to pull data and uncover trends. Then use those insights to drive resident retention, staff efficiency, and portfolio performance.

"Data has always been important. I think people continue to try to figure out how to best leverage it, and there are lots of different ways to do that. And it's popular, valuable, and timely right now."

*Paul Bergeron, Real Estate Reporter, GlobeSt.com*

## Insight into resident behaviors & engagement

As we mentioned earlier, replacing a single resident costs around $4,000. That adds up quickly if you have a high resident turnover rate. To combat turnover, on-site teams work hard to offer their residents an exceptional living experience. But how do they know if their efforts are working and what they should do more or less? It can be costly, ineffective, and frustrating to make decisions around resident engagement initiatives without any data to inform those decisions.

Companies serious about investing in the Resident Experience often use a resident experience management platform to centralize and automate resident-facing activities. It allows residents to self-serve when they want to, freeing up your staff to focus on higher-value initiatives and tasks. One of the most valuable benefits of a resident experience management platform is the access to resident data. **With this data, you can pinpoint behaviors and preferences that drive positive reviews, renewals at your property, and more.**

If you want to know how engaged your residents are with the community, just look at their app usage, event RSVPs, amenity usage, etc. With the right data, you can compare one property to another and identify properties with at-risk resident satisfaction. With this level of insight, you can proactively work with the on-site team to improve the experience with the goal of reducing resident churn.

At Zego Mobile Doorman we take our clients' community app data, analyze it, and pull visuals into a dashboard called Resident Insights. The easy-to-navigate dashboard identifies trends including overall app adoption, feature interaction, which times of the day residents are most active, message engagement, maintenance request frequency, and much more.

And these insights are actionable. For instance, let's say you check the data and see that the majority of maintenance requests are submitted on Monday afternoons. However, your staff are primarily scheduled on Thursdays. Right there, you have identified an opportunity to not only increase resident satisfaction with better response times, but you could potentially save money on staffing efficiencies and operational processes.

Want to safeguard your revenue? Identify levers and behaviors that impact renewals, and translate insights into actions that boost NOI.

**Resident engagement data can help you bolster the top 3 resident retention drivers:**

**1 Communication & responsiveness**

**92%**

of residents prefer interactions via digital channels

**2 Sense of community**

The "friendship factor" increases likelyhood to renew by

**38%**

**3 Satisfaction with maintenance**

**43%**

of residents rent for maintenance free living

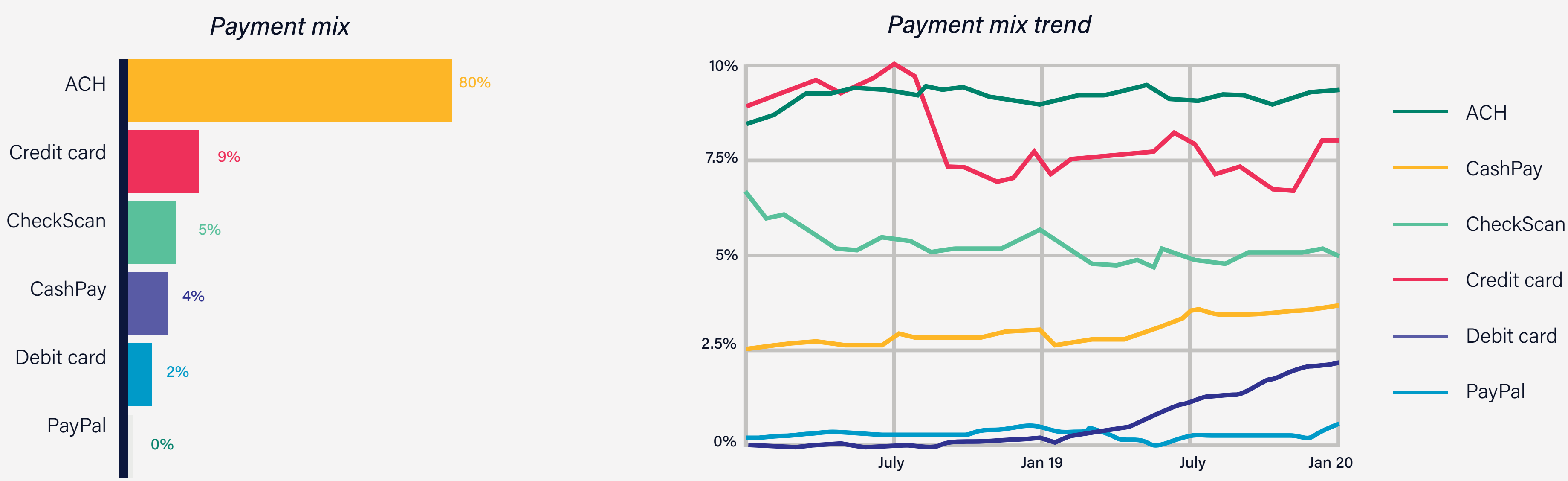
## Payment data & analytics

With a variety of comprehensive digital payment reporting options, you can uncover trends across properties. What payment methods are most residents using? Which property or month of the year yielded the highest percentage of late payments?

It's no wonder management companies strive for 100% digital payment adoption. Digital payments streamline and automate manual tasks, speed up cash flow, and provide a detailed and accessible digital payment record. To boost digital payment adoption, the right reporting tools help uncover what levers you can pull to motivate residents to pay online. Whether that's contests, marketing, incurred fees, more staff training, etc.

Does your payments provider give you access to insights across your entire portfolio? If so, ask for a monthly digital payment adoption report broken down by property. Share this report with your entire team, and use KPIs to drive online payments. Empower your staff with the right reporting tools they need to conquer rent week and boost digital payment adoption.

### Property level utilization reporting



## Utility metrics & benchmarks

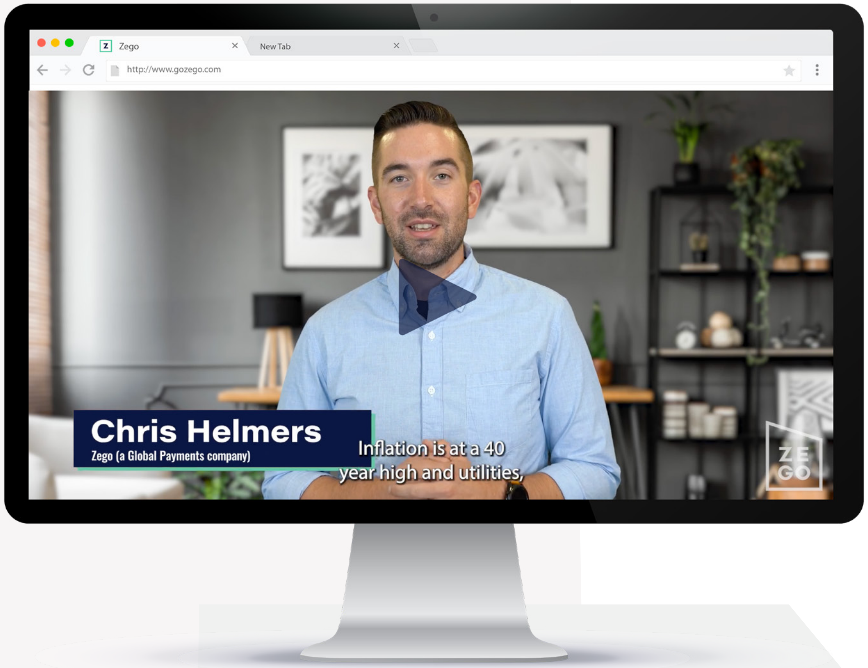
Monitoring utility data is one of the most effective ways to reduce expenses and improve revenue. Plus, many cities and states are enacting laws requiring multifamily buildings to annually assess and report their energy performance. Reviewing utility data is more important than ever.

If you are billing residents for utilities, you should regularly compare your recovery percentages to your overall expense to ensure you are recouping as much as you can. You can also use utility data to track equipment reliability, troubleshoot outages, and provide operational intelligence for decision makers.

With the help of a utility management platform, utility invoice data is automatically captured from your utility vendors and imported into your system. That eliminates the need to manually extract and track data. From there, relevant metrics are displayed into a user-friendly interface, and dashboards can be configured to help you make data-driven decisions about your buildings.

For example, Zego's Utility Intelligence dashboard lets you benchmark utility expenses and recoupment rates across individual properties, your entire portfolio, or for certain timeframes. If you do not have a utility management platform, you can use ENERGY STAR Portfolio Manager. It's free but also comes with quite a bit of manual data entry.

This video explains how you can use various utility metrics to spot and close any loopholes that may be draining your bottom line.



# Revenue protection ROI

With an unstable economy threatening cash flow, now is the time to put programs in place to protect your revenue. The Zego Pay Revenue Protection Suite offers safeguards against losses due to chargebacks, NSF returns, fraud, and errors. This powerful combination of features and services covers all digital payments, including ACH/bank account, credit card and debit.

**Revenue Protection Suite Features include:**

**Account Connect:** Automatically verify and ensure account accuracy when residents easily and securely link bank accounts using their everyday credentials.

**Balance Verification:** Enjoy peace of mind & reduce returns as sufficient funds in the account are verified before payments are approved.

**Chargeback Defense:** Gain an experienced partner who fights on your behalf when chargebacks occur & enjoy added protection in the rare instance a case is lost.

How much could the Zego Revenue Protection Suite save your company? Here are 3 sample ROI calculations based on portfolio size:

## Zego Revenue Protection Suite ROI Calculator

| Portfolio size | Small<br>250 units | Medium<br>2,000 units | Large<br>10,000 units |
|---|---|---|---|
| Average annual cost of NSFs | **- $5,701** | **- $45,606** | **- $228,029** |
| Annual starting investment | - $1,950 | - $15,600 | - $78,000 |
| Reduction of NSFs | 95% | 95% | 95% |
| **Annual ROI with Zego** | **+ $3,578** | **+ $28,625** | **+ $143,127** |

*Total ROI includes estimates, not shown here, of changes in NSF rates and fees, staff time spent on collections and other costs associated with NSFs and errors.*

To get your custom ROI calculation, speak with a Zego expert today.

**Calculate my ROI**

A Global Payments Company

Zego (A Global Payments Company) is a property technology company that modernizes Resident Experience Management to boost retention, productivity, and NOI. Zego's mobile-first engagement platform for the residential real estate industry unifies the most critical resident touch-points into one app. Everything seamlessly integrates into your back-end system, from payments to utilities and communications.

Since its inception in 2003, Zego has grown from a payments provider to a comprehensive Resident Experience Management platform. With more than 350 employees, Zego serves 6,000 residential real estate companies and over 12 million units nationwide. Learn more about how Zego powers a better resident experience at gozego.com.

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