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2023 Resident Experience Management Report



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It's been a banner couple of years for the multifamily industry. But as the saying goes, what goes up must come down. And it appears the industry has begun a downward descent. In fact, just recently, rent growth has turned negative year-over-year for the first time since early 2020.

But just because conditions are weakening, doesn't necessarily mean that Net Operating Income (NOI) will tank. **That's because multifamily companies who prioritize resident satisfaction, retention, and creating exceptional living experiences will withstand, and even prosper, during economic downturns.**

Positive customer experiences are proven to grow revenue. A recent study finds that companies typically earn 140% more from customers who've had positive experiences with a business than from customers who have had mediocre or negative experiences. Not only that, but those who encounter positive experiences are likely to remain customers for five years longer than ones who have had negative experiences.

Think about how that translates to the multifamily industry. Renters who are happy with their community often renew their leases time and time again. Granted, there are always life circumstances beyond your control that lead residents to move. But all other factors equal, communities that excel in delivering positive resident experiences have noticeably higher retention rates and lower turnover costs.

The business impact of resident experiences is always a primary focus of Zego's *Resident Experience Management Report*. Now in its third year, this study uses proprietary data to showcase the added value of positive resident experiences in multifamily communities. We examine how market conditions are shaping renter expectations in addition to tracking year-over-year trends that influence resident retention and acquisition.

5 areas influencing Resident Experience Management:

1 Increasing renter expectations: Renter expectations are rising and they are demanding more from their apartment living experience.

2 Retention rates: Companies expect their retention rates will increase next year despite evidence to the contrary.

3 Renter demand for technology: Companies say that a tech-enabled lifestyle is the single most important aspect of the resident experience for their renters.

4 Staff shortages: Staff turnover continues to fuel unnecessary resident turnover.

5 Property appearance & maintenance: Companies say these are the biggest challenges in providing a positive resident experience.

An increasingly competitive market means positive living experiences are more important than ever.

Last year, the *Resident Experience Management Report* found that fewer companies were setting resident retention goals. Because of historic demand and rent growth, some businesses deprioritized resident retention-focused initiatives.

Our analysis cautioned that minimizing resident retention efforts would only be viable for the short-term. And now, this is coming to fruition. **Current market trends signal that multifamily companies will need to work hard to keep renters in their communities or suffer the financial consequences**.

Record levels of new completions give renters more choice

There's been record demand for multifamily units over the past few years. And while demand remains strong, multifamily companies are facing sudden pressure to retain their current renters. That's because a flood of new inventory is steadily hitting the market. Apartment completions will rise to the highest levels since the 1980s in the second half of 2023 and early 2024.

That's just the start. More than 500,000 units per year are expected to be completed in each of the next two years. Construction has been widespread across the nation and in markets of all sizes and regions. That's good news to renters who will have more options to choose from when their lease is up.

There's a mismatch between supply & demand

In some markets, supply is outpacing demand. And property management companies are feeling the effects. This means that unlike 2021, when it was relatively easy to fill units and retain residents, operators are having to sell renters on the benefits of living in their communities. **Many are focusing on customer service and automation to improve the resident experience and keep occupancy and retention high.**

Between excess supply and softening demand, vacancies are on the rise. The national vacancy rate rose 200 basis points from an all-time low of 4.7% in the third quarter of 2021 to 6.7% in Q2 of 2023. While this rate has held steady nationwide through April and May, it's predicted to reach the mid-7% range by year's end. That's 100 basis points higher than it was prior to the COVID-19 pandemic.

Turnover costs are still nearly $4,000 per resident

Softening markets are a significant reason to focus on resident experience as a way to retain renters. But there's another reason that has an even bigger impact on your business: turnover costs. Losing just one resident is expensive. And when a community has a high percentage of turnover, there are serious financial impacts. Not to mention the added work for on-site teams who are responsible for turning the empty units.

For three consecutive years, the *Resident Experience Management Report* has tracked resident turnover costs. Several market dynamics have changed since our inaugural report, but one thing remains true. Turnover costs are still almost $4,000 per resident. Take a look at how it all stacks up:

Resident Turnover Costs

Cost Driver	2021	2022	2023
Advertising and marketing costs (including leasing concessions)	$340	$364	$358
Unit repair cost	$780	$775	$736
Concessions	$1,200	$1,240	$1,218
Unit vacancy costs (lost rents)	$1,530	$1,598	$1,560
Total cost of turnover	**$3,850**	**$3,976**	**$3,872**

Turnover costs dipped just slightly from last year, largely driven by lower rent rates and concessions. Nevertheless, turnover costs continue to add up for multifamily companies in a big way. **In an environment where revenue is softening and inflationary challenges still persist, turnover is even more detrimental to NOI.**

Attracting and retaining renters, particularly in a competitive market isn't easy. But it's worth the time and effort. Minimizing preventable turnover costs leads to increased stability, ultimately contributing to the long-term financial health of a portfolio.

If you want to avoid a potential wave of turnover and the costs that come with it, you can. This year's *Resident Experience Management Report* identifies factors that are driving renters to find a different community. Based on our survey findings we've also crafted recommendations that will help you minimize the risk of turnover.

Property managers reveal what's changing in resident experience.

Market conditions are not as favorable for property management companies as they once were. And that makes a focus on resident experiences even more important. Renters who are content with their current living situation are less likely to be lured away by a never-lived-in community with the latest and greatest features.

To help companies craft strategic resident experience initiatives, we partnered with SA Marketing Insights to commission a survey of 630 multifamily professionals about renter expectations and the challenges in meeting their demands.

Survey demographics

Respondents had to meet the following criteria to participate in the survey:

Be in multifamily residential property management

Manage properties with 250 units or more

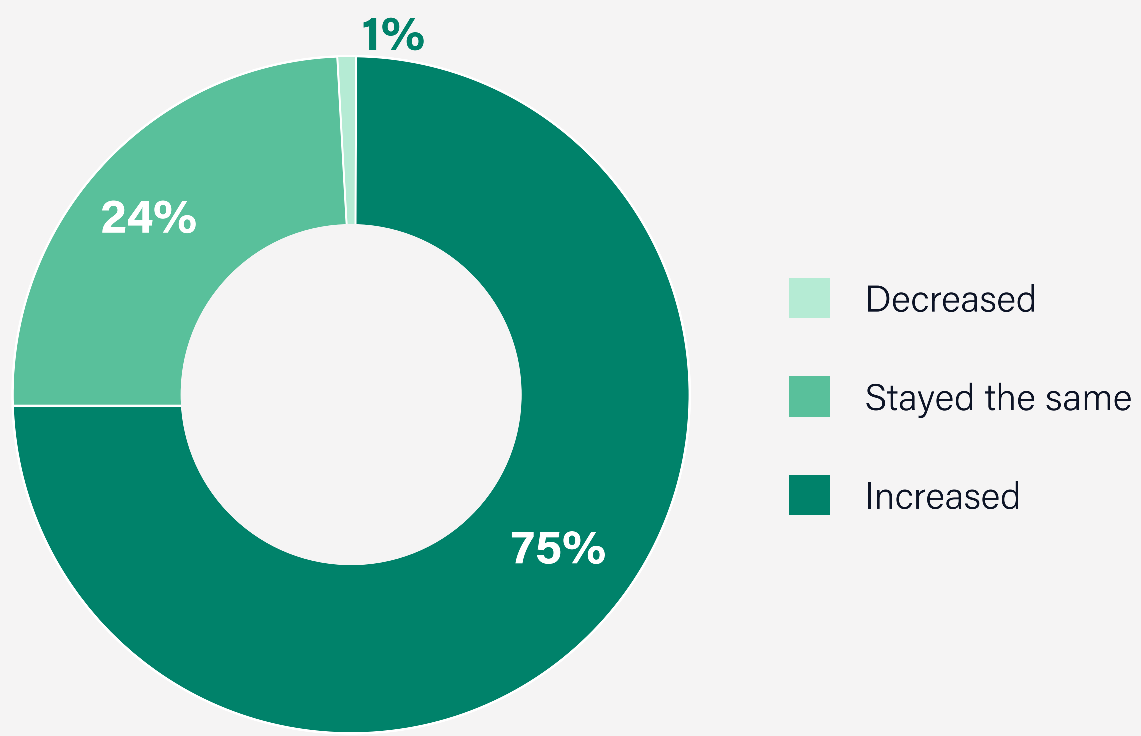
Be familiar with budgets, rental rates, software, & other business aspects

KEY FINDING #1

Renter expectations have increased in the last year

When you're faced with a price increase, you may expect more in return. After substantial rent increases across the nation, we wondered if apartment operators were experiencing higher expectations from their renters. They have. Seventy-five percent of apartment operators say renter expectations have risen in the past year.

Would you say that resident expectations about their living experience have increased, stayed the same, or decreased in the past year?



Amenities and community technology come with the highest expectations

The majority of multifamily professionals think resident expectations have increased in the past year. Of those respondents, we asked them to identify the specific areas where residents have increased their expectations.

“Better amenities” is the most commonly-noted area of higher expectations, closely followed by “better community technology.” The better the amenities, the more value residents derive from the community. Amenities that enhance day-to-day life or deliver convenience may justify increasing rental rates for some residents.

Community technology is also equally scrutinized by renters, especially by younger demographics like Gen Z and Millennials. Defined to survey respondents as things like property-wide high-speed WiFi, EV charging stations, or mobile community apps, these amenities are essential for renters. In fact, respondents in NMHC’s Renter Preferences Report named reliable cell phone service as the #1 must-have community amenity.

Which of the following services or amenities do you think residents have increased their expectations of in the past year?

57% Better amenities

51% Better community technology

49% Added concierge services

44% Updated / renovated units

44% Increased flexibility for lease terms or rent payment schedules

43% More pet-friendly communities

39% Better unit technology

23% Better service from on-site staff

18% More resident events

That's because the lifestyle of today's renter revolves around technology. As more people work from home and also rely on the internet for things like streaming, virtual assistants, or in-home smart technology, WiFi has become a major part of the apartment living experience. If renters struggle with connectivity, they're probably going to look elsewhere to find a better experience and somewhere that better supports their lifestyle.

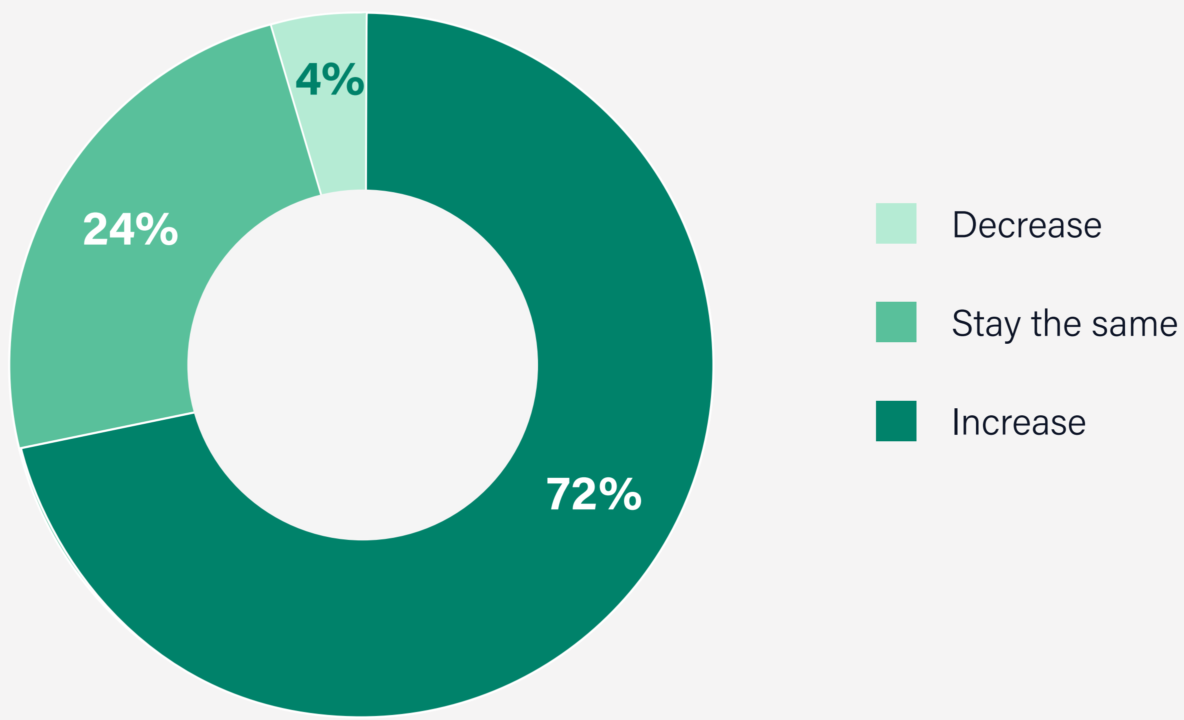
It's also worth noting that renters are increasing their expectations around flexibility and convenience. From concierge services to flexible lease and payment terms, renters want communities to cater to their personal needs and preferences.

KEY FINDING #2

Companies believe resident retention will increase

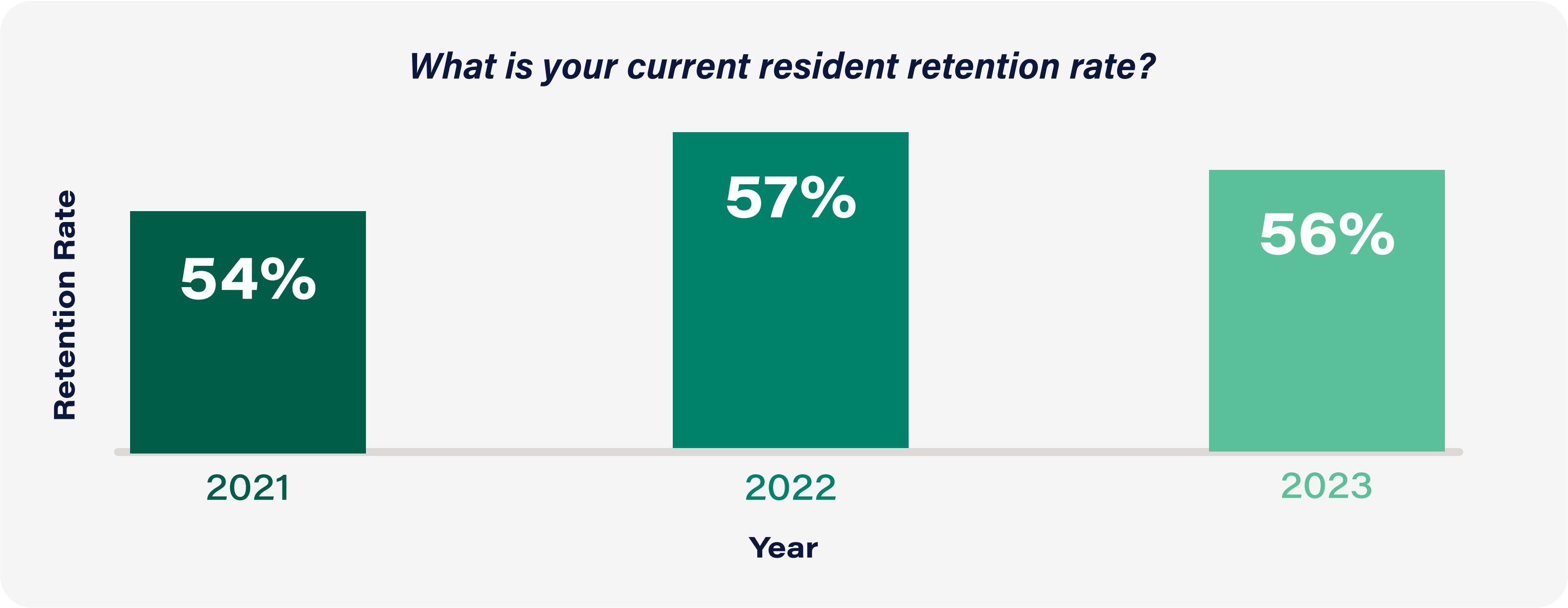
There's a lot of speculation about how the economy and the multifamily industry will perform in the future. With many not-so-optimistic predictions floating around, not to mention an influx of new builds coming on the market, we wondered how companies thought resident retention would fare.

How do you think your resident retention rate will change next year?



Seven in ten respondents think their resident retention rate is going to increase. This is surprisingly optimistic given the increase in both new inventory and renter expectations. Furthermore, the average renter retention rate has roughly stayed the same over the past three years even throughout times of record performance.

In 2023, the average resident retention rate for multifamily companies is 56% - that's down a percentage point from last year. **Raising retention rates may prove more difficult than anticipated if the right strategies are not used. If companies are truly dedicated to raising their retention rate in the next year, a focus on customer service and differentiated living experiences will be key.**



KEY FINDING #3

For renters, the most important aspect of the resident experience is a tech-enabled lifestyle

Offering a well-rounded living experience is critical for resident retention and acquisition. But some factors of a positive resident experience bear more weight than others. Survey respondents were asked to identify the most important aspect of the community living experience in the eyes of their renters. At the top of the list is a tech-enabled lifestyle.

What aspects of the resident experience are most important to your renters?

1. Technology-enabled lifestyle
2. Management communication/responsiveness
3. Physical amenities
4. Community appearance / cleanliness
5. Convenience-based amenities
6. Relationship with onsite staff
7. A sense of community

Results ranked from most important to least.

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There’s no question that technology helps deliver a higher caliber resident experience. So it’s not surprising that more and more residents are making leasing and renewal decisions based on the tech-centric features in a community.

The right technology eliminates friction points of apartment living (access control, paying rent, package acceptance, etc.), adds value to the community, and facilitates seamless living experiences. And with the shift to remote work, reliable connectivity is a must for renters. Communities that lack consistent and fast connectivity won’t be able to retain renters for the long term.

KEY FINDING #4

Staff turnover continues to fuel resident turnover

Last year's *Resident Experience Management Report* found a correlation between staff turnover and resident turnover. Companies with higher levels of staff turnover also experienced above average renter turnover. We revisited this correlation to see if the impact of staff turnover is still hurting resident retention rates. Unfortunately, they are.

What is your current retention rate?

Year	Avg. retention rate	Retention rate at companies with staff turnover <20%	Retention rate at companies with staff turnover >20%
2022	57%	61%	55%
2023	56%	60%	54%

For two years running, higher staff turnover continues to propel higher resident turnover. **Companies with low staff turnover have higher resident retention rates, with 1 in 4 retaining over 70% of their residents.** In 2023, companies with staff turnover lower than 20% see an average resident retention rate of 60%. Compare that to a 54% resident retention rate for companies who have staff turnover more than 20%.

Interactions between on-site teams and residents not only influence resident retention, they also influence your online reputation. Reputation's 2022 Property Management Report finds that the #1 driver of negative reviews about a property is the service given in the rental office. When your on-site teams are overworked or unhappy in their job, that energy often carries over to the service they provide residents. This is important, because 56% of renters said the professionalism of the rental office was the biggest driver for them leaving a review.

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KEY FINDING #5

Community appearance & maintenance are the top challenges in managing the resident experience

Renter satisfaction depends upon several factors. From move-in to ongoing customer service, multifamily operators have several opportunities to make or break the resident experience. We wanted to know what apartment operators consider the most challenging part of delivering a good resident experience. The top two responses center around property upkeep. “Keeping physical property visually appealing and modernized” and “Managing repairs and maintenance” are the #1 and #2 responses.

What are your primary challenges when it comes to resident experience?

1. Keeping property visually appealing & modernized
2. Managing repairs & maintenance
3. Communicating effectively with residents
4. Providing good customer service
5. Measuring resident satisfaction
6. Facilitating smooth move-in & out
7. Understanding the needs of residents
8. Outdated or insufficient property technology
9. Hosting resident events
10. Staff shortages

Cost of rent excluded. Results ranked from most important to least.

A pleasant community appearance is essential to 35% of renters

According to NMHC's Renter Preferences Report, the overall condition of a community is one of the most important factors that renters consider when making lease decisions. 51% of renters say it is "very important" in their decision to sign a lease, while 35% say it is "absolutely essential." In fact, aside from the rental rate, no other leasing factor bears as much importance as the property appearance.

Given these responses from renters, it's disconcerting that maintenance and keeping the property attractive is the top struggle. Renters clearly have high standards about property appearance. If companies cannot satisfy these expectations, they face losing potential renters.

How important are the following factors in your future lease decisions?

1 = Not very important | **2** = Somewhat important
3 = Very important | **4** = Essential

Questions	1	2	3	4
Rental Rate	0%	6%	38%	55%
Overall Property Appearance	1%	13%	51%	35%
Home Features/Finishes	3%	21%	48%	28%
Customer Service/ Staff Interaction	35%	21%	47%	27%
Available Lease Terms	5%	23%	46%	27%
Management Company's Reputation	6%	25%	45%	24%
Floorplan / Layout of Home	5%	21%	50%	24%
Property Amenities	7%	28%	42%	23%

2022 NMHC Renters Preferences Report

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4 modern strategies to improve the resident experience.

A positive living experience will always be dependent upon frictionless interactions and good customer service throughout the renter lifecycle. But as the market evolves, there are some tactics you need to adopt to align your community's living experience with renter preferences. Here's how to modernize your resident experience to meet the demands of today's renter.

STRATEGY #1

Find the right balance of automation & human interaction

Our findings show that being short staffed or having overwhelmed on-site teams contributes to resident turnover. It also damages your online reputation as renters spread the word about their less-than-stellar experience with community members.

This is why the day-to-day responsibilities of your on-site teams need to be shifted in favor of resident interactions. Teams that focus on resident satisfaction bring your organization the most value - not teams that are buried under dozens of manual tasks.

The best way to achieve a resident-first workload is by utilizing automation for the low-value tasks. Automation not only relieves your team members of monotonous tasks but it also simplifies resident experience management. Automation resolves issues faster and more efficiently, leading to happier residents.

That said, apartment communities thrive when there's a good cadence between on-site teams and residents. **Finding the right balance between automated workflows and human touch is essential to provide residents good customer service and to reduce stress for on-site associates.**

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Where automation matters most

With today's advances in technology, property managers can automate almost everything. So how do you choose where to devote your resources?

Your best bet is to automate the most cumbersome post-move-in tasks. While you may already rely on automation in some shape or form, many solutions leave gaps throughout the end-to-end process that employees have to resolve. That just pulls them away from residents.

We suggest that you examine the following three areas in their entirety to determine if there are any opportunities to improve the workflow:

1. Resident payments
2. Utility management
3. Resident related tasks

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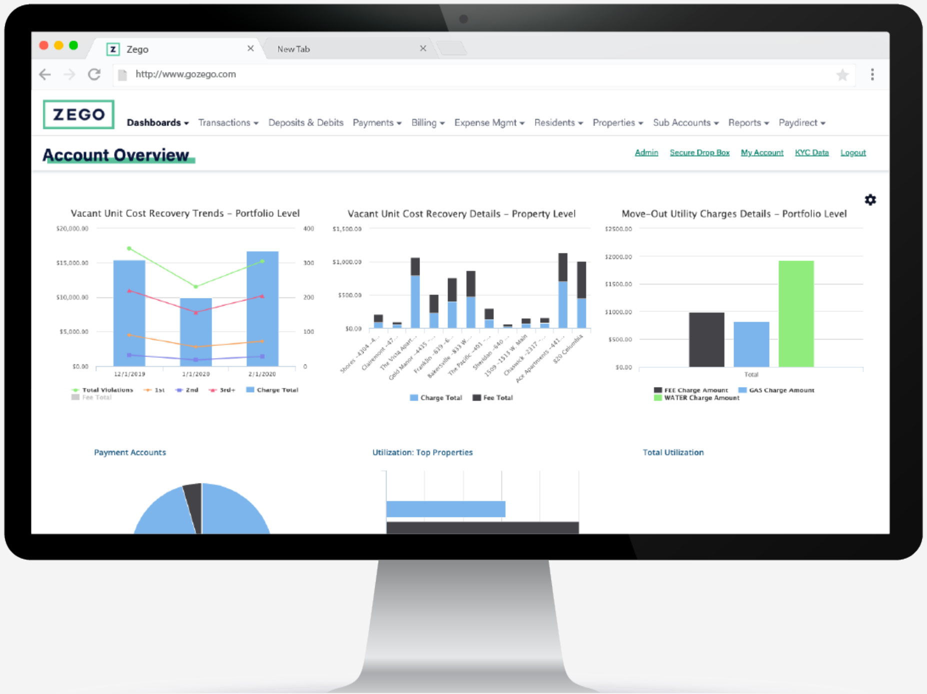
Resident Payments

Since 40% of payments are paper-based, converting those stragglers into digital transactions is a must. With three essentials, you can fully automate rent collection:

Lockbox
Move checks offsite and converts them to digital payments

CashPay
Convert cash and money orders to digital payments

Comprehensive online payments
Accept all forms of integrated online payments: ACH, Debit card, Credit card, & virtual wallets like PayPal



It's not just paper payments that get teams tangled up. You also want a solution that takes charge of issues that arise after a payment is made. Revenue protection services resolve situations that can be costly and quite time-consuming for property managers like:

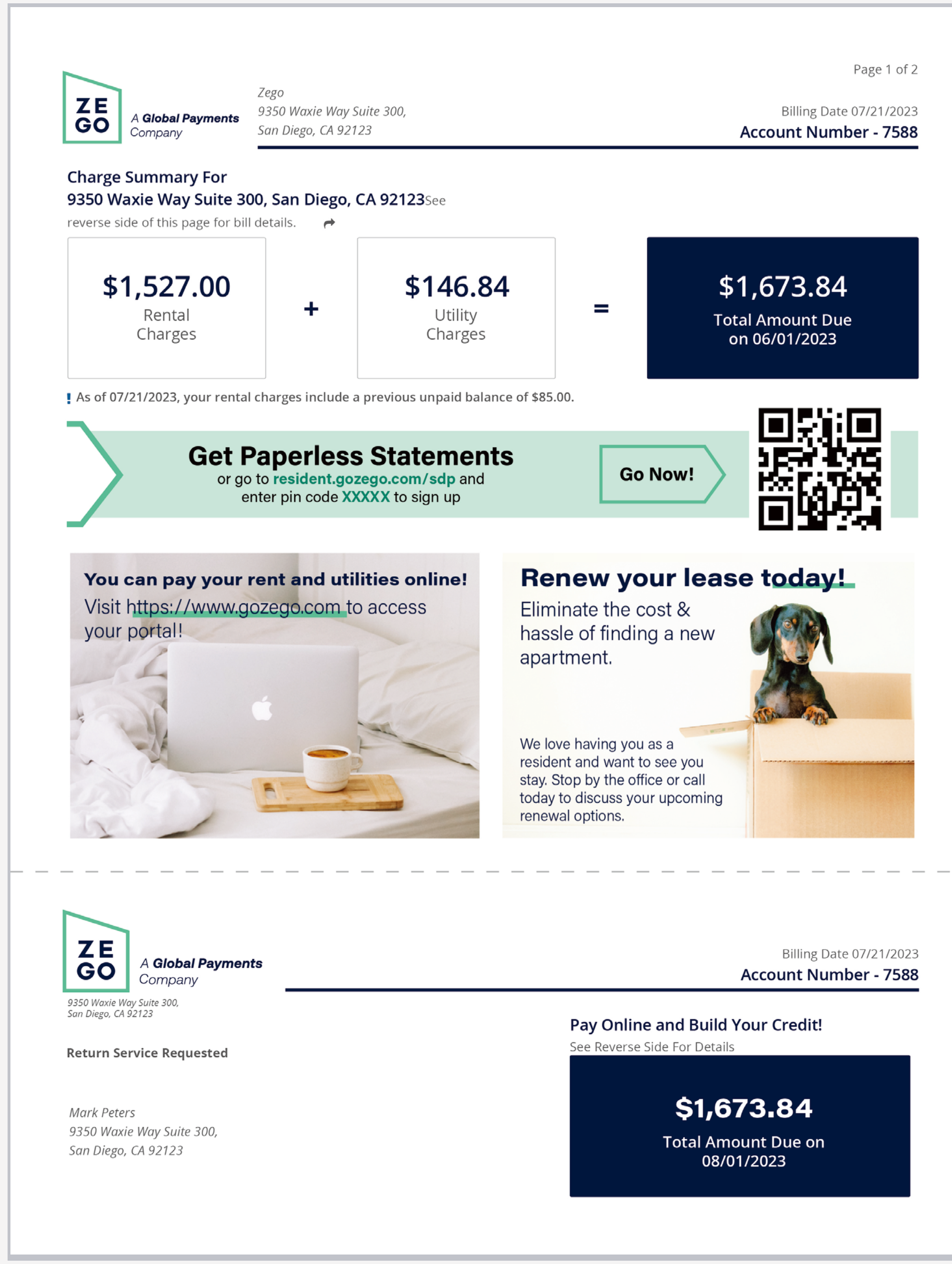
- Chargebacks
- NSF returns
- Delinquent funds

Utility Management

Utility management is arguably the most painful process for property management companies since much of the process is performed manually. This makes it low-hanging fruit for teams that want to improve their efficiency. There are facets of utility management where automation is used:

Utility Expense Management:
The entire utility accounts payable process from invoice receipt to payment can be automated. This lets companies eliminate errors and late fees, and gain visibility into critical, portfolio-wide utility metrics.

Resident Utility Billing:
Recover resident's share of utility expenses without performing complicated calculations. Renters receive an individualized statement that reflects their utility charges, rent, and all other monthly ancillary charges. Statements contain a link to pay all of their charges at once so you receive a single, convenient digital transaction.



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Zego
9350 Waxie Way Suite 300,
San Diego, CA 92123

Billing Date 07/21/2023
Account Number - 7588

Charge Summary For
9350 Waxie Way Suite 300, San Diego, CA 92123See reverse side of this page for bill details.

$1,527.00 Rental Charges + $146.84 Utility Charges = $1,673.84 Total Amount Due on 06/01/2023

! As of 07/21/2023, your rental charges include a previous unpaid balance of $85.00.

Get Paperless Statements
or go to resident.gozego.com/sdp and
enter pin code XXXXX to sign up

Go Now!

You can pay your rent and utilities online!
Visit https://www.gozego.com to access your portal!

Renew your lease today!
Eliminate the cost & hassle of finding a new apartment.

We love having you as a resident and want to see you stay. Stop by the office or call today to discuss your upcoming renewal options.

ZE GO A Global Payments Company
9350 Waxie Way Suite 300,
San Diego, CA 92123

Billing Date 07/21/2023
Account Number - 7588

Return Service Requested

Pay Online and Build Your Credit!
See Reverse Side For Details

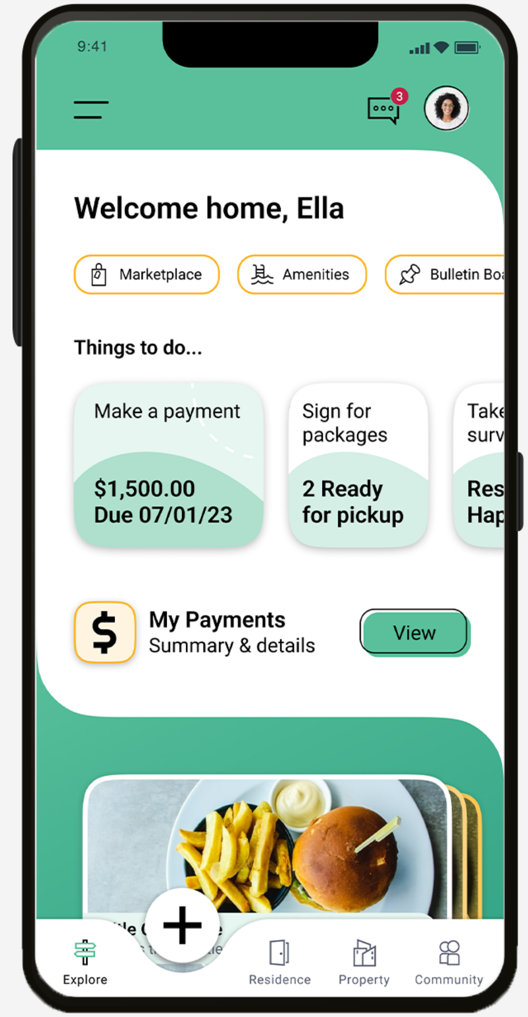
Mark Peters
9350 Waxie Way Suite 300,
San Diego, CA 92123

$1,673.84
Total Amount Due on 08/01/2023

Resident-Related Tasks

Modern mobile apps simplify tasks that pertain to daily living. Residents can self-serve instead of waiting on a community associate to help them. Associates use a single app to centralize and automate resident activity. Automation in community mobile apps improves the following tasks:

- **Resident communications:** real-time & scheduled messaging with push notifications
- **Maintenance requests:** submit and track work orders
- **Package notifications:** notify residents of package delivery
- **Amenity reservations:** view and reserve amenities
- **Guest entrants:** register guests, deliveries, and entrants
- **Online payments:** pay rent and property charges



Bring community technology to Gen Z standards

According to our survey respondents, a tech-enabled lifestyle is the most important aspect of the resident experience. Not only that, but renters have increased their expectations of community technology in the past year. **There's no one with higher technology expectations than Gen Z. And, they just happen to have recently taken over as the largest segment of renters.** Born with technology at their fingertips, they have little patience for outdated digital experiences.

When community technology doesn't meet their standards, they're likely to go somewhere else - even when everything else checks all of their boxes. A recent survey finds that 62% of Gen Z renters considered community technology as being an "extremely" or "very important" leasing factor. Gen Z also stated that modern community technology is even more essential in a rental than having an extra bedroom.

It's not just fast wifi they crave either. They also cited a desire to have mobile apps for managing rent and maintenance, text rent payments, as well as smart locks, thermostats and energy-efficient appliances.

Gen Z workers demand modern technology, too

Gen Z isn't just taking over as the primary demographic of renters. They are also entering the workforce at higher rates. And since staffing shortages are leading to resident turnover, it's wise to take this generation's work preferences into account in order to attract, retain and bolster its promising talent.

This generation is not keen on performing mundane or manual tasks. They prefer to work for businesses that embrace technology to optimize workflows. A study by Zapier found that 1 in 6 Gen Z employees have quit a job because their employer did not provide the proper technology for them to do their job. And, nearly all Gen Z employees (95%) say they are willing to automate parts of their job to avoid performing mundane work.

Utilizing automation to tackle low-value tasks doesn't just help teams accomplish more with less. It can help overcome staffing shortages by offering an appealing employee experience. Keep these statistics in mind when thinking about the employee experience for on-site teams. Many of these positions are likely being filled by Gen Z'ers. Utilizing automation to minimize some of the mundane aspects of property management will help retain these.

STRATEGY #3

Use resident surveys to monitor or predict potential turnover

One of the fundamentals of a positive resident experience is surveying renters and acting on their feedback. This tactic will be even more critical for success in 2024. That's because our survey findings along with the increasing apartment supply show the potential for companies to be blindsided by resident turnover:

1. Renters have increased their expectations of their community in the past year
2. Renters have more choice thanks to a flood of new inventory
3. Companies say they are going to retain more renters next year

This is why companies need to be vigilant about monitoring resident satisfaction. **Between rising renter expectations and new inventory, monitoring resident feedback is more important than ever.**

Send resident satisfaction surveys each quarter

Asking residents for feedback will help you keep tabs on resident sentiment so that, hopefully, there's not a lot of surprise turnover. Quarterly surveys are frequent enough where residents will remember any issues or positive experiences. But yet, it's not so frequent that it feels annoying.

Once you get survey responses, it's important to acknowledge and act on their feedback to show residents that you value their opinions and suggestions. If you can't implement their suggestions let them know you appreciate their feedback and offer an alternative solution.

Don’t neglect move-out surveys!

When renters leave your community, don’t just accept it as a loss and move on. In this market, it’s important to know *why* that resident is leaving. If there are any trends you may be able to fix those problems so that others don’t follow suit for the same reason. Send existing residents a quick survey after they give notice to vacate to understand why they decided to leave.

6 Tips for conducting successful surveys

1. Only ask 5-10 multiple choice questions, max.
2. Don’t ask open ended questions except for: “Do you have any additional comments or concerns?”
3. Focus on one topic to make it easy for residents to complete
4. Send on a regular basis ie: quarterly, twice a year.
5. Give residents an incentive to complete the survey by a deadline.
6. Use your community mobile app or online tools to conduct surveys.

STRATEGY #4

Optimize maintenance for techs and residents

Our survey found that the biggest struggle in resident experience management is maintenance and keeping properties visually appealing. While renovation and home improvement are not Zego's expertise, we know the workflows involved in these tasks can significantly impact both the resident and employee experience. In fact, the NMHC Resident Preferences Report showed that 31% of residents said maintenance was a factor in their decision to leave a community.

Property maintenance and updates should be completed without burdening residents or draining your team members. **If you don't have a comprehensive or intuitive work order management system, property updates will only cause headaches ultimately leading to unhappy residents and maintenance techs.**

Resident-facing maintenance features

Some renters accept that things need to be repaired from time to time. Others are irritated when something doesn't work perfectly. However your renter feels about maintenance, the process for resolving it can profoundly impact how they feel about the community. Here are three key features a work order management system needs on the resident facing side.

1. **Easy to initiate:** One way to increase a renter's frustration about something being broken in their apartment is to make them call or email a property manager. Contactless, self-service options are far more convenient for residents. Ideally, they can submit and automatically track service requests through their community-branded resident experience app.

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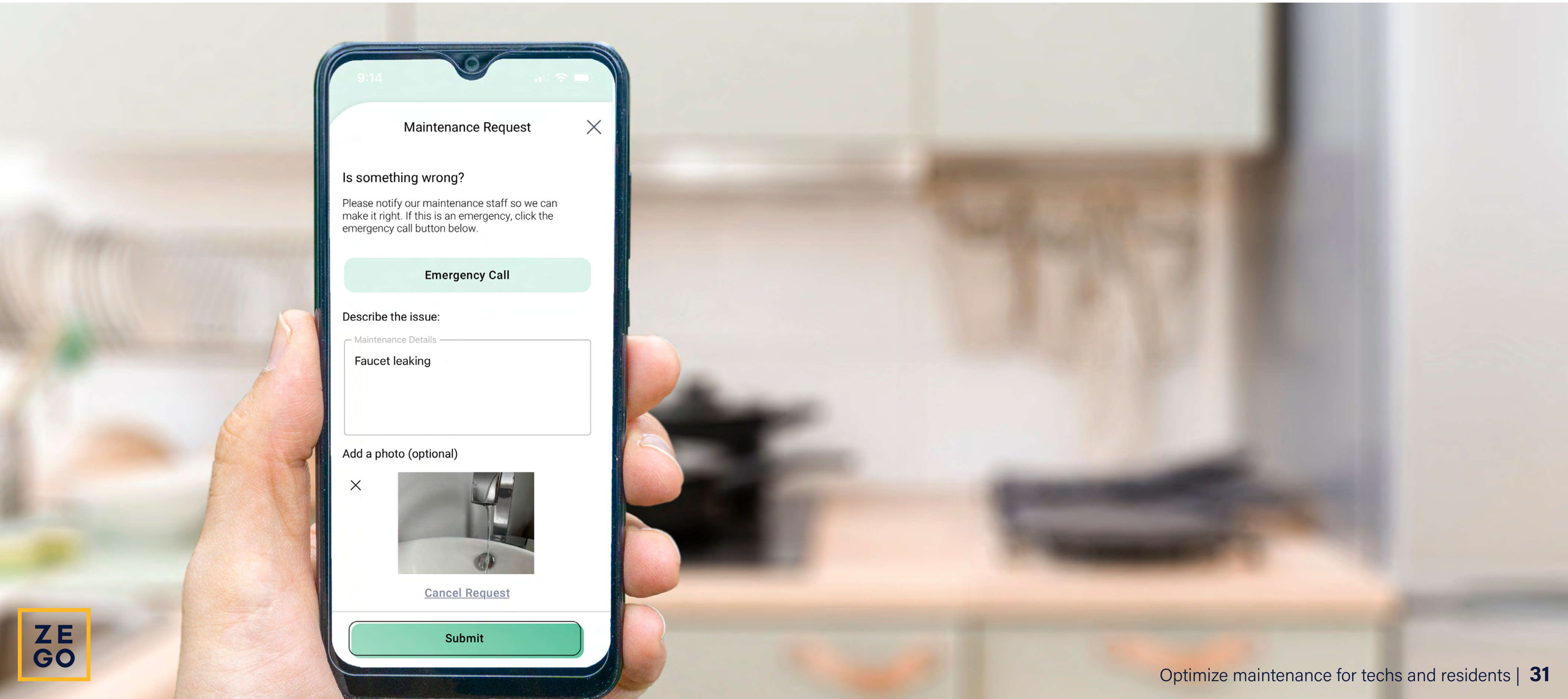
2. **Details, please!:** Your platform should allow them to submit a ticket in just a few steps. But they also need the capabilities to elaborate on a request - not just check a box on what's wrong. When they can add their own details or pictures to the work order it helps communicate the problem so your technician arrives prepared.

3. **Status updates:** Residents want to stay updated about the maintenance process from the moment they submit a request to the minute the issue is fixed. A work order platform should generate updates so your techs or your on-site teams don't have to continually contact the resident.



Time savings for maintenance technicians

The positions responsible for maintaining and upgrading properties also happen to be the hardest to keep on staff. One way to help navigate staff shortages is by ensuring that the platforms they use are intuitive and improve efficiency.. This helps your new hires get up to speed quickly and prevents bottlenecks when there are open tickets. Here are some key features to keep maintenance teams efficient.

1. **Mobile capabilities:** Maintenance techs must be able to log in to view and update work orders on-the-go using a mobile device. This might sound like simple advice but it's surprising how many companies do not have a system that allows techs.

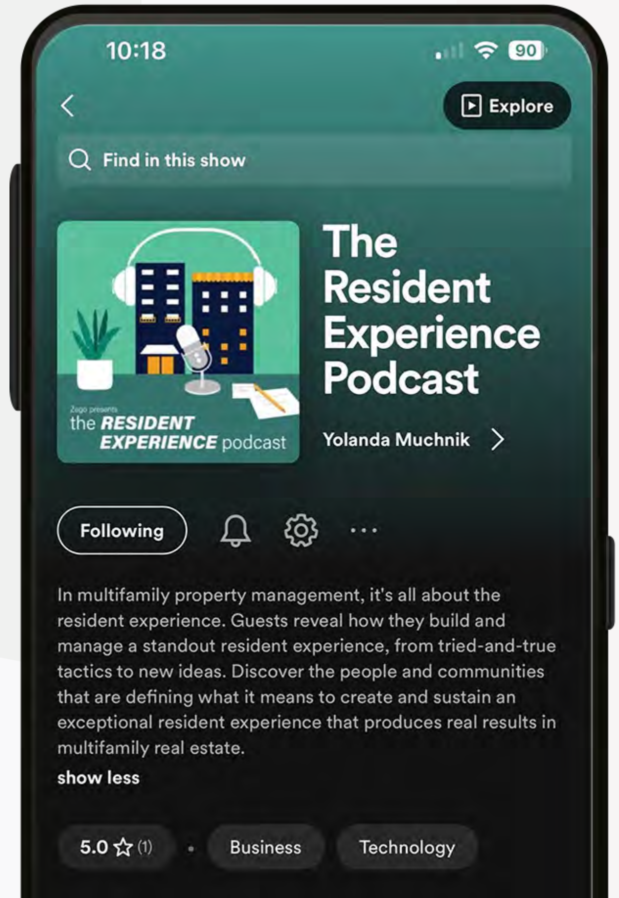
2. **Portfolio-wide visibility:** Companies are increasingly centralizing their maintenance functions, but many software platforms don't support this. That means maintenance technicians are only able access the work order queue at one property, but not others within the portfolio. A more comprehensive work order management solution will let maintenance techs easily navigate apartment service requests at the unit, property, or even portfolio level.

3. **Virtual maintenance appointments:** If you're not fully staffed and the repair appears to be a simple fix like flipping a switch, virtual appointments can save your technicians a trip. Some work order management systems have this feature. Either the resident or a technician can request to connect over Zoom to resolve the problem in real time.

Ready to create extraordinary resident experiences?

Hear from top voices in the industry.

As the market changes, so does what's needed to provide an exceptional resident experience. Get fresh ideas on retaining and attracting renters by listening to Zego's The Resident Experience Podcast. Expert guests reveal their resident engagement and retention strategies, including tried-and-true tactics and new cutting-edge ideas. Listen and subscribe now!



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Zego is a property management automation company that simplifies cumbersome yet critical workflows for managers and associations. Our modern platform accelerates NOI growth and mitigates risk, helping clients to scale resources, build trust, and make data-backed decisions. From payments and utility management to resident engagement, Zego's automated workflows seamlessly integrate with leading property management systems giving users real-time and accurate information at their fingertips.

Since its inception in 2003, Zego (a Global Payments company) has evolved from a leading payments provider to a comprehensive property management automation platform. With more than 350 employees, Zego serves 7,000 residential real estate companies and over 15 million units nationwide. Learn more about what makes Zego one of the best workflow automation platforms for property management at gozego.com.

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