



IREM® From the Front Lines Podcast

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Aveni-Read Research

Todd:

Welcome to another edition of From the Front Lines, where we discuss both the day-to-day, and one-of-a-kind issues facing real estate managers. In this episode of From the Front Lines, IREM Foundation Program Director Maureen Powers talks to Dustin Reed about his research on Renters' Perceptions of Residential Property Management. Over to you, Maureen.

Maureen:

Thank you. Dr. Reed, it's a pleasure to have you with us here today to talk about your research. The research was a project funded by IREM Foundation's J.T. Aveni Center for Research. Thank you so much for joining us today.

Dr. Reed:

Well, thank you for having me, Maureen, it's a pleasure to be here.

Maureen:

So before we discuss the research itself, please tell us a little bit about yourself and what drew you to this topic.

Dr. Reed:

Sure, I serve as the head of the Blackwood Department of Real Estate in the Pamplin College of Business at Virginia Tech. So I'm an academic, and my research, generally speaking, focuses on real estate development, investment and management. And over time, I've done quite a bit of research on IREM's behalf, looking at a lot of different issues, but predominantly work on asset management and how the work of asset managers relates to that of property managers. But I haven't done a whole lot of research focusing specifically on operational issues. So when I saw the call for research from the J.T. Aveni Center, I was very excited about taking my research in a new direction and hopefully doing something of interest to IREM's membership.

Maureen:

Well, it certainly is of interest to our membership. I was very excited about reading your research and your conclusions, which some of them, I think, were pretty exciting for our members, and surprising too. So one of your conclusions I wanted to ask you about is you say that most renters appreciate property management and they're willing to pay for it. Can you expand on that?

Dr. Reed:

Yeah, I would hope that would be an exciting finding for IREM's membership. So maybe it makes sense to step back for just a second and explain how the research was set up. It's a survey-based

project where we sent surveys out and collected survey data from about 2000 renters all over the United States. So those currently living in rental housing. And that rental housing could be a lot of different things, anything from an apartment community to a single-family rental community to a duplex. So rental housing broadly defined, but we asked those survey respondents a lot of different questions about how they perceive property management, what has been their experience working with property managers, and how property management issues relate to their overall housing satisfaction. So within that setup, or within that structure, we found that probably first and foremost, that property management and the perception of property management quality is a huge driver of renters' overall housing satisfaction, and it may even be more important to things we typically think about influencing renters' perceptions, things like the location of their housing or the quality of their housing, or even the amount of rent they pay. Our research actually finds that property management, or the perceived quality thereof, has a greater impact on perceptions of overall housing satisfaction than all those things I just mentioned. So, you know, the big takeaway is property management does matter to renters. It is something that they are conscious of. They desire high quality property management and over half of our survey respondents said they'd be willing to pay something for that. So if they were walking into an apartment community and they were confident that they were going to get a great experience from their property management team, they'd be willing to pay some premium for that certainty. And the premium varied across respondents, as you would guess, but on average, folks said we'd pay about \$27 extra a month for some assurance that we'd get high quality service from our property management team.

Maureen:

That was, yeah, an impressive finding, and I think, as you said, will be of great interest to our members. Another interesting finding from your research was that property managers can selectively choose their words to sway renters' perceptions about the quality of service they provide. Would you offer some examples of how that would be done effectively?

Dr. Reed:

Yeah, absolutely. Maybe I'll talk about the research first and then how it might relate to practice.

Maureen:

Perfect!

Dr. Reed:

Part of the survey was experimental in nature, where we exposed different groups of survey respondents to different scenarios that were identical, except for the way we describe the property management team in place. So we explained some scenario or some interaction between a renter and their property management company, and the only thing we would change in those scenarios is how the property management team was described. And what we found was that simple changes or small changes, such as identifying the property management team as being on-site or part of a locally operated organization, or being accredited or being award-winning, small signals like that actually resonate with renters quite strongly, and their perception of the quality they're going to receive is actually influenced quite strongly. When we do start to introduce qualifying terms to give them some indication of what kind of property management they're likely to get, should they sign a lease within a rental housing community.

Maureen:

One of the other interesting things I found in the study was it wasn't as if, like a small, local property management company versus a big national company, it was not that one was better than

the other, that each of them had a great value proposition, and you were pointing out that it's how you communicate that value. So the smaller company needs to remind people what they can bring, what their value is, and not in place of or better than a large company, but different, and of equal interest to renters.

Dr. Reed:

Yeah, that's 100% true that what we found is that both large and small property managements are perceived to have a unique value proposition. And for example, renters overall tended to perceive large property management companies as potentially more professional and organized, whereas they perceived smaller property management companies to be more responsive and easier to communicate with. So the challenge for both types of companies, large or small, is thinking about what their consumer really cares about, and then accentuating or downplaying their size to try to send a message that resonates with that resident.

Maureen:

Right, right. It's fascinating. Yeah, I'm wondering if any of, we talked about a couple of things that I found exciting and surprising, was there anything in your research that surprised you, that you found?

Dr. Reed:

Well, I don't know if surprise is the right word, but you know, anytime you approach a research project like this on behalf of a trade organization, there's a little bit of concern that you're going to find something that is contrary to the interest of the property management industry, or that you might find just nothing at all, that no interesting findings that a practitioner might care about. So the exciting, or maybe even a little bit surprising thing about this research is, it does send such a strong signal that renters care about property management. It's something that actually does influence their leasing decisions when they're looking for rental housing. And there are ways we can communicate to renters to maximize that value proposition.

Maureen:

What would you say are the key takeaways that you want for our listeners who go back and read your report, what are the key takeaways you want them to have?

Dr. Reed:

Yeah, I would say that, you know, the big takeaway for me was: Don't undervalue the importance of property management to prospective renters. That I think communicating the property management value proposition to people from the minute they walk in the door to explore rental housing is something property management company should be very cognizant of, because the way we communicate about the service we're going to provide once that resident is in place is something that really does matter to them, right? And they will take it into consideration when you give them the opportunity to. So our research isn't necessarily coming to the conclusion that property management is hugely influential when renters are looking for housing. It may not be simply because we're not talking about it when they are looking for housing. So by incorporating discussion of property management quality into the leasing management tenant retention process, we think you can really add value in all of those phases of the renter experience.

Maureen:

So communication is really a key, is really relevant to making these findings valuable and putting them into practice to make sure that property managers use those recommendations of communicating their value. Is that correct?

Dr. Reed:

Yeah, that's exactly right, that we should make a point of accentuating the quality of service we provide as members of the property management community, because it does resonate with renters.

Maureen:

Well, this research has been very valuable. It continues to be very valuable to us, and I appreciate the work that you've done on this, and I'm pleased to share with our listeners that you and your colleagues, Dr. Hopkins at Virginia Tech and Dr. Carswell at the University of Georgia were recently awarded a grant from IREM Foundation's J.T. Aveni Center for Research to identify research priorities for the property management industry. Would you give our listeners just a brief overview of this research and how it will help both individual research real estate managers as well as the industry as a whole?

Dr. Reed:

Well, absolutely that you know, my perception of why the J.T. Aveni Center exists in the first place is that property management is an under-studied topic from an academic perspective. There's just not a whole lot of college professors and research faculty across the country that are focusing on this issue, despite the size of the property management industry and the impact it has on people's lives every day. So there really is this notable gap in the body of knowledge that the J.T. Aveni Center can help fill. That said, there's often a disconnect between industry and the academy, meaning that issues that myself and my colleagues find interesting and important may not be the same issues that practitioners perceive to be interesting and important. So the work I'm taking on with my colleagues on IREM's behalf is really trying to build consensus around what are the big and important issues in our industry, and how can academic research better inform those issues and inform property management practitioners? So we're hoping to engage industry, engage the Academy, compare their perceptions, and ultimately come up with a research agenda that the J.T. Aveni Center can put in a place moving forward to make sure its work's impactful.

Maureen:

Well, we're looking forward to those results so that the J.T. Aveni Center can fund the most impactful research that will be the most important to the industry. Thank you so much, Dr. Reed, this has been a pleasure talking to you, and I really appreciate you being here today. Our listeners can read your research report on Renters' Perceptions of Residential Property Management on the IREM Foundation website at www.IREMfoundation.org/causes/research. Dr. Reed, thank you for this research and for joining us today.

Dr. Reed:

Thank you, Maureen, great to see you.

Todd:

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