The State of Real Estate Technology

Commercial and multifamily real estate industries still rely on antiquated technology for critical business processes
Executive Summary

In recent years, real estate firms have realized the benefits of technology adoption to streamline operational efficiencies and gain competitive advantage. But across commercial and multifamily real estate firms, a surprisingly large proportion are still using antiquated systems. A survey of commercial and multifamily real estate professionals found that 42 percent of real estate organizations use spreadsheets and/or paper in some critical business capacity. These findings are similar in larger organizations, as 34 percent of companies with more than 50 employees still use spreadsheets and 9 percent still use paper.

Spreadsheets and paper-based systems carry significant disadvantages for real estate organizations, including:

- Obstacles to data analysis to uncover critical trends;
- Idiosyncratic methods that make it difficult for new hires to understand processes and manage data;
- Inefficient and inflexible, leaving the organization unable to be nimble in the face of change.

Additionally, on the multifamily side, the survey found significant differences between age groups as to the most important amenities in an apartment. Specifically, the younger the renter, the more important high-speed broadband and electronic rent payments become.

High-speed broadband and e-bill payments / rent portals are the two most important apartment features for students, young professionals and Millennials. These two features beat out in-unit laundry, proximity to public transportation, community storage, assigned parking and cable television for the top two spots.

For established professionals, families and middle-aged renters, high-speed broadband is still the most important amenity, followed by in-unit laundry, parking features and cable television.

For seniors and retirees, community security and in-unit laundry are the two most important amenities. High-speed broadband came in 12th on the list. E-bill pay was tied for third-to-last out of a possible 24 items.

The preeminence of digital services as critical offerings carried over into commercial real estate. In this sector, real estate professionals said that the top two requested amenities were electronic payments and electronic billing. These two features beat out proximity to public transportation, shared common and conference areas, and kitchen facilities.

All of these findings underscore how critical it is for real estate organizations to embrace purpose-built technology to modernize internal processes and offer more digital services to residents and tenants in order to remain competitive.

Methodology

At the end of 2017, MRI Software surveyed 219 real estate professionals in the United States: 51 percent were VP-level or higher and 35 percent were directors, managers or property managers. Respondents came from a wide range of company sizes: 30 percent of respondents worked at companies with more than 50 employees, 25 percent had 11 to 50 employees, and 46 percent had 10 or fewer. Many of these organizations operated in multiple real estate sectors. 56 percent operated in the multifamily sector, 30 percent in office real estate, 21 percent in retail, and 26 percent in other real estate sectors.
Findings

Technologies: Currently Deployed and Future Plans

The most surprising find from MRI’s survey was that 39 percent of real estate organizations are still using spreadsheets and 13 percent are using paper-based processes to manage properties, though most organizations using spreadsheets and paper are also using purpose-built real estate software alongside them. Nevertheless, 11 percent of organizations rely solely on spreadsheets and / or paper-based processes, with no additional software purpose-built for real estate. The survey findings were similar for larger organizations, as 34 percent of companies with more than 50 employees still use spreadsheets and 9 percent still use paper. Paper and spreadsheets make it extremely difficult to analyze data and identify trends, and it locks information into a rigid system that is difficult for new hires to manage, leaving the organization extremely vulnerable when a key employee departs.

Multifamily real estate organizations emphasize technologies that enable them to effectively market their properties. Most multifamily companies, 59 percent, already have social media advertising technologies in place followed by property management and accounting coming in a close second at 55 percent. Online work orders, search engine optimization (SEO) and online resident payments rounded out the top five technologies.

Top Five Technologies in Place: Multifamily

<table>
<thead>
<tr>
<th>Technology</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Media Advertising</td>
<td>59%</td>
</tr>
<tr>
<td>Property Management and Accounting</td>
<td>55%</td>
</tr>
<tr>
<td>Online Work Orders</td>
<td>47%</td>
</tr>
<tr>
<td>Search Engine Optimization (SEO)</td>
<td>47%</td>
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<tr>
<td>Online Resident Payments</td>
<td>44%</td>
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Commercial real estate companies emphasize operations over marketing in the technologies they currently have in place when compared to multifamily. A bare majority at 54 percent have property management and accounting software which is just slightly lower than the percentage of multifamily operations with this same software. However, for commercial the next most prevalent is budgeting and forecasting at 43 percent, followed by search engine optimization, virtual tours and facilities maintenance management. Three of the top five technologies for commercial real estate focus on operations.

Top Five Technologies in Place: Commercial

<table>
<thead>
<tr>
<th>Technology</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Management and Accounting</td>
<td>54%</td>
</tr>
<tr>
<td>Budgeting and Forecasting</td>
<td>43%</td>
</tr>
<tr>
<td>Search Engine Optimization</td>
<td>32%</td>
</tr>
<tr>
<td>Virtual Tours</td>
<td>27%</td>
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<tr>
<td>Facilities Maintenance Management</td>
<td>23%</td>
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</table>
Future Plans

Over the next 18 months, multifamily real estate organizations plan to adopt targeted technologies. Twenty-one percent intend to adopt virtual tours, which took the top spot, followed by mobile inspections and lead tracking / customer relationship management (CRM), both at 17 percent. Investor portals finished fourth while SEO and social media advertising tied for the fifth spot.

Proportionally, multifamily organizations have more technologies in place than do commercial. The percentages for the top five in multifamily range from 44 percent to 59 percent, whereas commercial ranges from 23 percent to 54 percent. Multifamily also tends to emphasize marketing technologies and digital services for tenants, whereas commercial has focused primarily on operations.

**Top Six Technologies Multifamily Real Estate Organizations Plan to Adopt in 18 Months**

- Virtual Tours: 21%
- Mobile Inspections: 17%
- Lead Tracking / CRM: 17%
- Investor Portals: 13%
- Search Engine Optimization (SEO): 11%
- Social Media Advertising: 11%

For commercial real estate organizations looking to adopt new technologies, the most popular was online tenant payments at 14 percent. Search engine optimization tied with property management and accounting solutions as the second most popular at 13 percent, followed by business intelligence and virtual tours.

**Top Five Technologies Commercial Real Estate Organizations Plan to Adopt in 18 Months**

- Online Tenant Payments: 14%
- Search Engine Optimization: 13%
- Property Management and Accounting: 13%
- Business Intelligence: 12%
- Virtual Tours: 11%

Multifamily organizations are a bit more aggressive about deploying new technologies than are commercial, and they are much more marketing oriented in their future plans. Commercial real estate organizations are more focused on operations with technologies like property management and business intelligence, though they are also interested in marketing technologies such as virtual tours and SEO.
**Multifamily: Critical Amenities for Renters**

The survey revealed significant differences among age groups regarding the most important features in multifamily properties. Real estate professionals who work in multifamily were asked to choose the most important amenities for four demographics: students; young professionals and Millennials; established professionals, families and middle-aged renters; and seniors and retirees.

Generally speaking, the younger the demographic, the more important digital services were to the renters. For example, high-speed broadband and e-bill / rent portals were the top two amenities for students, young professional and Millennial renters. And while high-speed broadband was also the top amenity for established professionals, families and middle-aged renters, just three-fifths said it was important compared to more than four-fifths who said it was critical for the two youngest brackets.

Additionally, multiple options for cellular service comes in third among students, fifth among young professionals and Millennials, and does not crack the top five among the two older demographics.

Once we get to seniors and retirees, broadband is tied for 12th on the list at 17 percent, and e-bill / rent portals tied for third-to-last out of 24 possible amenities with just four percent. Community security, in-unit laundry and cable TV took the top three spots.

**Commercial: Critical Amenities for Renters**

Commercial real estate professionals ranked the importance of amenities to their clients, and the top two were electronic payments followed by electronic billing, demonstrating the importance of offering digital services outside of the multifamily world. Rounding out the top five, in order, were proximity to public transportation, flex leasing and kitchen facilities.
Discussion

This survey clearly demonstrates that real estate organizations still rely on antiquated technologies to manage properties, with two in five using spreadsheets and/or paper-based systems for at least some property management functions, and one in ten depending on spreadsheets and/or paper exclusively.

Spreadsheets and paper-based systems do a very poor job of capturing institutional knowledge. For example, though spreadsheets are a powerful tool, when used to manage something as complex as a commercial or multifamily property, they can quickly become cumbersome and lead to uninformed business decisions. Manually entering data from multiple sources into spreadsheets can result in errors, data security issues, lack of operational control, and auditing and compliance headaches. In addition, if the individuals who built and managed those systems leave the organization or if a file becomes corrupted, business-critical data may become inaccessible. Those who come behind them face a steep learning curve at best and, at worst, will have to rebuild systems from scratch.

Likewise, spreadsheets and paper-based systems cannot be easily used to uncover critical trends that may have a serious impact on the business. They are not flexible and do not integrate with other software solutions. Organizations that depend on spreadsheets and paper are locking themselves out of technologies that could materially improve efficiency, increase customer satisfaction, attract additional leads and aid with long-term planning.

What’s more, digital services are not just the future of real estate. Increasingly, they are table stakes. In the multifamily space, the younger the renter, the more important a digital experience is when searching for an apartment. High-speed broadband was the most important amenity by far for all demographic groups, except for seniors and retirees, and for the two youngest, e-payment portals were the second most important. In commercial real estate, electronic payments and e-billing were the top two sought-after services. We expect these trends to accelerate as younger renters move into the later stages of their lives and are increasingly the ones making business decisions.

In conclusion, these findings demonstrate significant risk for real estate organizations that do not adopt purpose-built, dedicated real estate technologies both to manage their properties and provide a digital experience for renters. If they do not embrace technology quickly, we expect they will soon find themselves unable to compete. Real estate firms that choose to leverage purpose-built software solutions will be well positioned to gain competitive advantage and thrive in the future of the industry.

About MRI Software

MRI Software is a leading provider of innovative real estate software applications and hosted solutions. MRI’s comprehensive and flexible technology platform coupled with an open and connected ecosystem meets the unique needs of real estate businesses—from property-level management and accounting to investment modeling and analytics for the global commercial and residential markets. A pioneer of the real estate software industry, MRI develops lasting client relationships based on nearly five decades of expertise and insight. Through leading solutions and a rich partner ecosystem, MRI liberates real estate companies to elevate their business and gain a competitive edge. For more information, please visit mrisoftware.com.