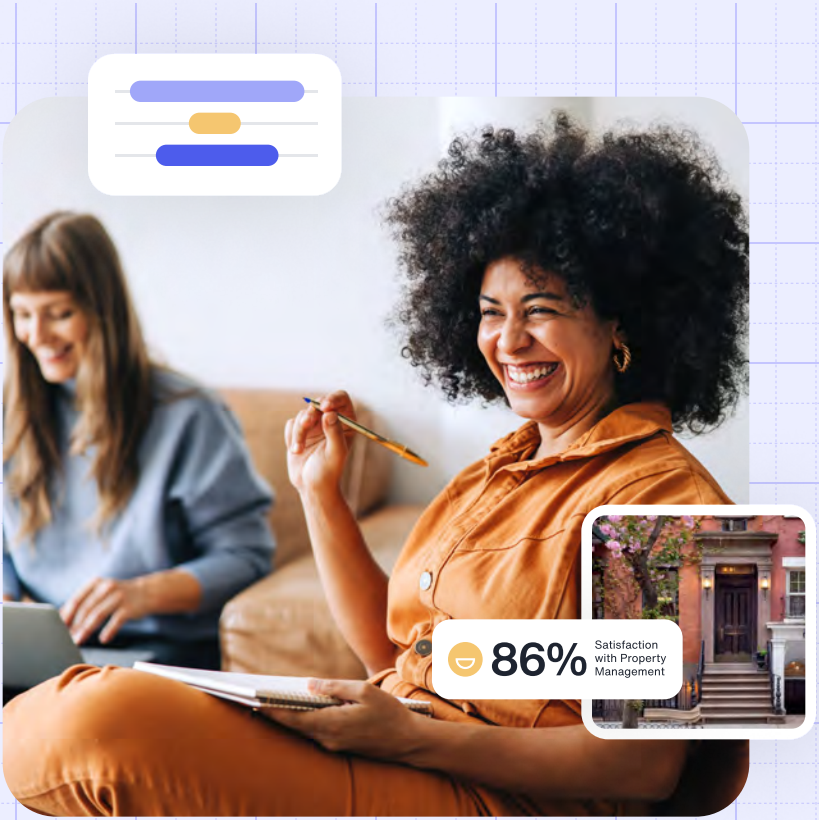
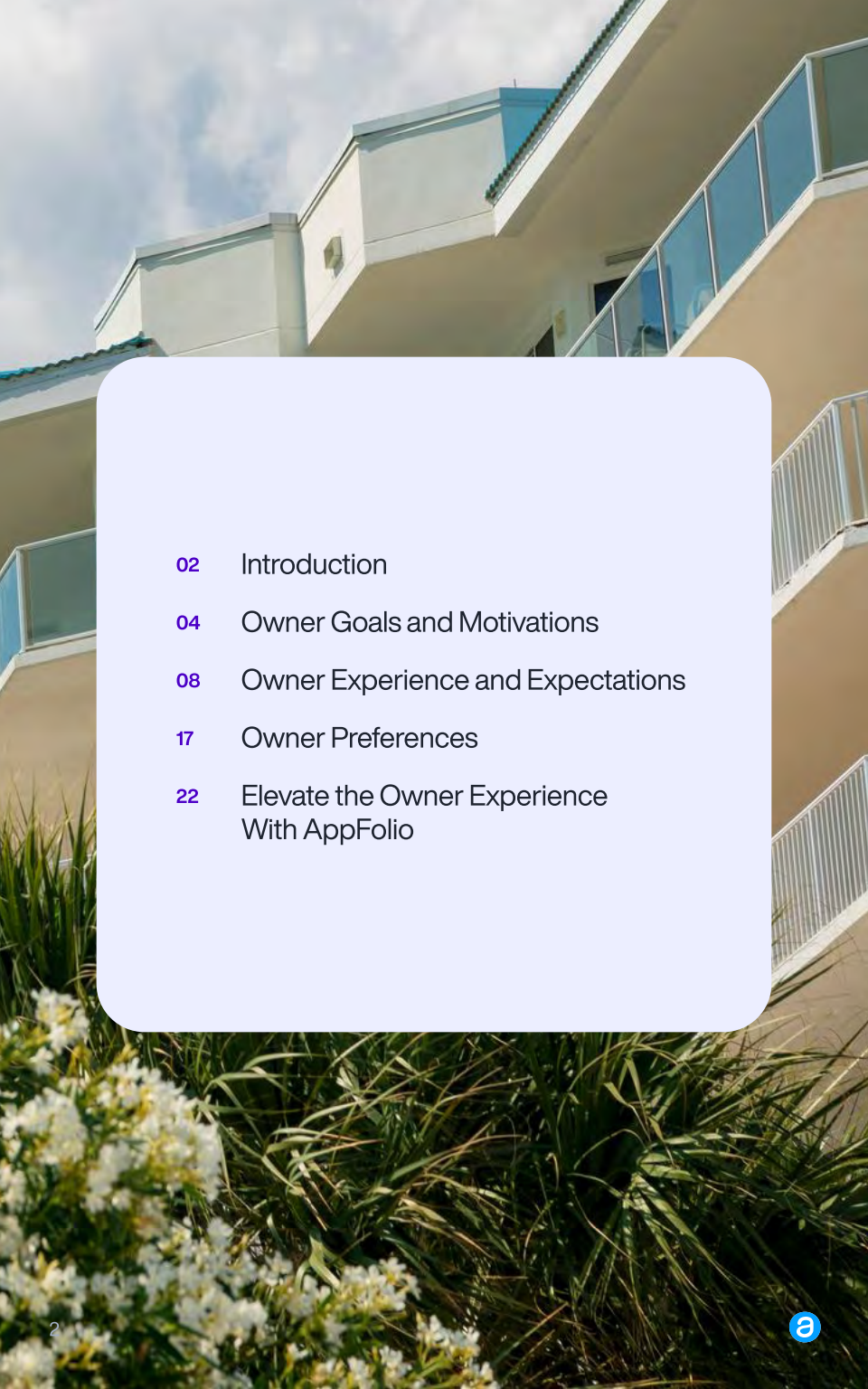
appfolio

2024 Edition

Real Estate Owner Preferences Report

Stand out by setting expectations early and offering intuitive technology





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Introduction

The 2024 Real Estate Owner Preferences Report marks an exciting new chapter in understanding the residential property management ecosystem.

This inaugural annual study delves into the motivations, expectations, and preferences of residential real estate owners who rely on fee-based property management services. By illuminating these insights, we hope to empower readers in the industry to optimize workflows and tailor your services more effectively, ultimately enhancing your ability to meet — and exceed — the needs of current and prospective clients.

Some key learnings that you'll discover in this report include:

- Communication is the top factor used to measure property management performance.
- The first year of the property manager-owner relationship is critical to long-term success. Property owners are three times more likely to consider leaving their management company in the first 12 months.
- Property management companies that offer more services enjoy a higher rate of owner satisfaction.

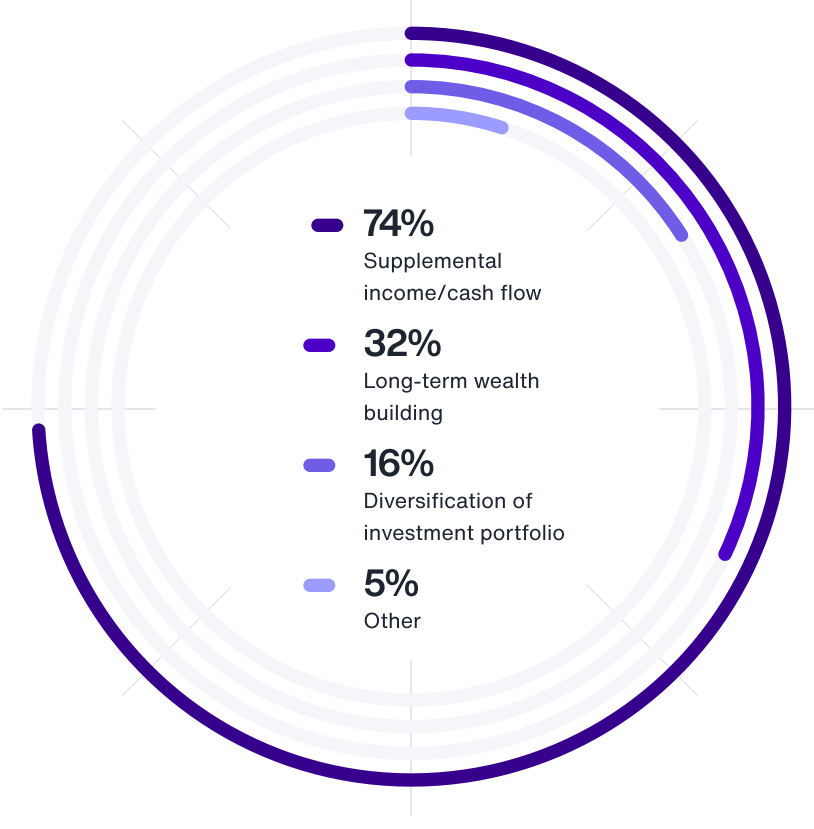
Building on our established research into renter and property management employee preferences, the 2024 Real Estate Owner Preferences Report completes what we hope will be a comprehensive view of the residential real estate landscape, setting the stage for enhanced service and client satisfaction.

Owner Goals and Motivations

Understanding the driving forces behind property ownership is crucial for property management companies seeking to align their services with client needs.

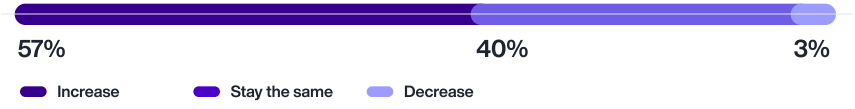
According to the survey, a desire to generate supplemental income and/or cash flow is the primary reason for investing in real estate, followed by long-term wealth building.

Owners' motivations to invest in rental properties:

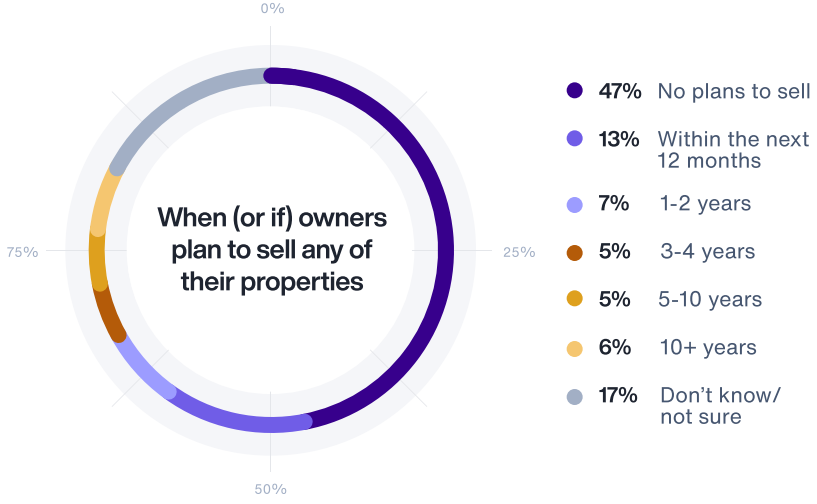


Most owners surveyed expect revenue to increase. Very few expect revenue to decrease. We found very little variation between satisfied and unsatisfied owners.

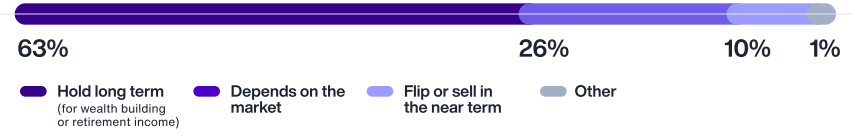
Rental income expectations over the next 12 months:



The vast majority of survey respondents intend to hold onto their property for the long term. Just under half have no plans to sell.



Owners' goals for their rental property investments:

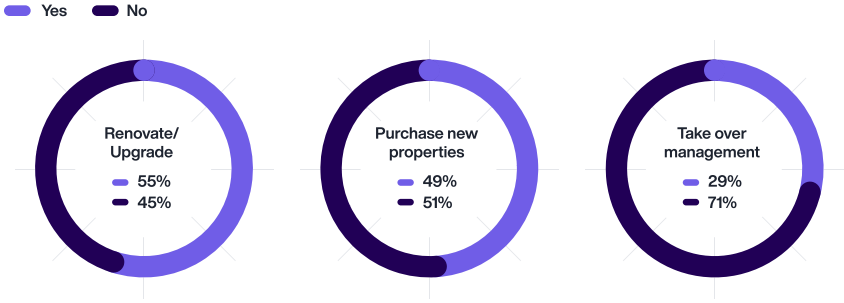


Property owners who are satisfied with their management companies are much more likely to say they have no plans to sell any of their properties, while unsatisfied owners are less certain about their plans.

The vast majority of owners surveyed do not plan on bringing any management in-house. This preference highlights the perceived value and complexity of effective property management. Owners recognize the expertise required and prefer to focus their efforts on broader investment strategies while entrusting day-to-day operations to professional operators.

Although 71% of owners are not planning to take over the management of their properties, 29% expressed such plans. This aligns with other data that we will examine later, which found that nearly one-quarter of owners are considering leaving their property management company.

Owners' plans for their properties in 2025:



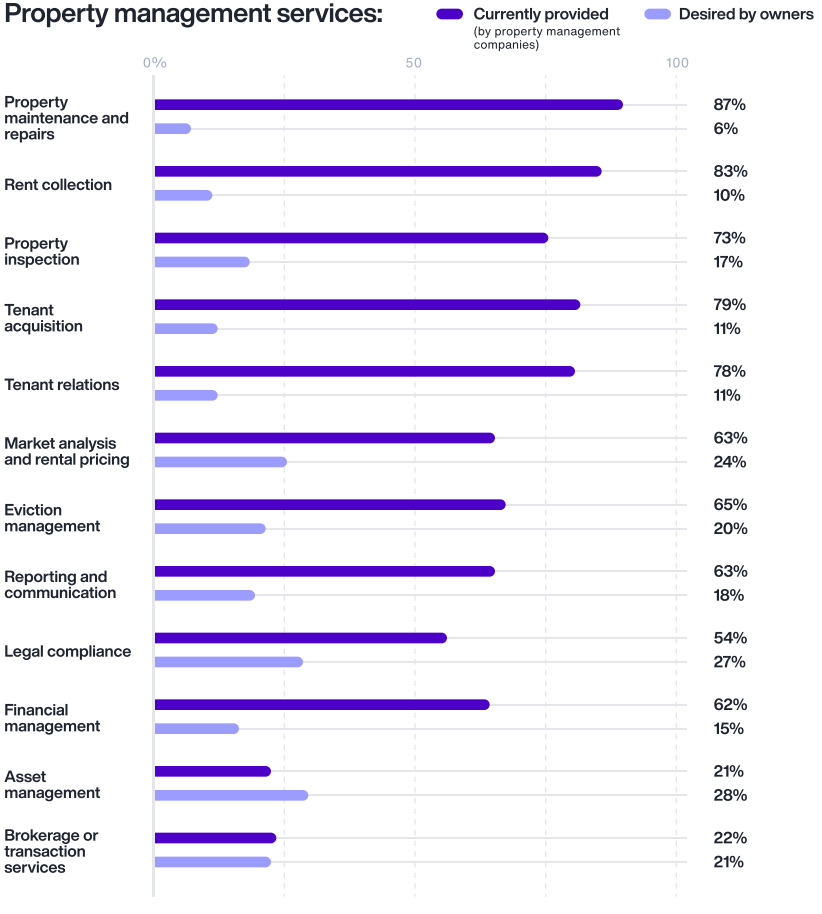
Owner Experience and Expectations

Examining satisfaction levels, pain points, and desired improvements sheds light on what real estate owners truly value in property management.

These findings can provide a road map for property management companies to enhance their services, attract new clients, strengthen existing client relationships, and set new standards for owner satisfaction.

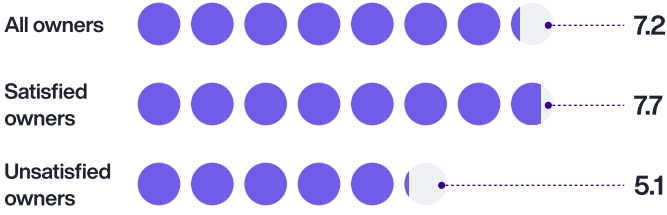
While the basics, such as maintenance, repairs, and rent collection, need to be taken care of — and the data shows this to be the case — a sizable minority of owners really want those extra value-added services, such as legal compliance, asset management, and brokerage services, that are not widely offered. Understanding which services are in demand can help fee managers attract more clients.

Property management services:



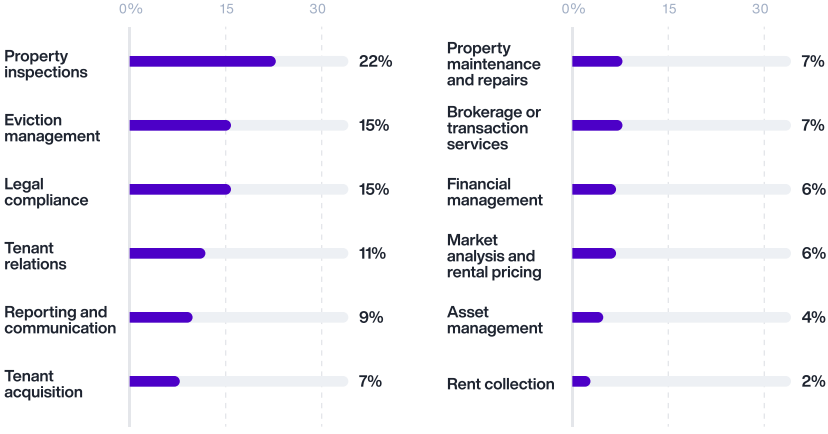
The survey also found that property management companies offering more services enjoy a higher rate of owner satisfaction.

Average number of services provided by property management companies:



The survey also found that offering any of these services results in an increase in owners' overall satisfaction with their property management company, but some services lead to a bigger satisfaction boost than others.

Increase in overall satisfaction with property management company when the following services are provided:



According to our data, offering property inspections leads to the biggest satisfaction bump (22%), followed by eviction management and legal compliance (15% each). This aligns with expectations, as these are aspects of real estate ownership that can keep an owner up at night, so to speak. From a cost and consolidation standpoint, owners may also appreciate not having to engage with another vendor that specializes in these services. Offering these services benefits property management companies as well, as doing so can help set them apart from the competition while providing new income streams.

Rent collection was found to cause the smallest increase in owner satisfaction, probably because this is table stakes for most owners, and many prefer to collect rent directly from residents. The data shows that a large majority of owners are satisfied with property management technology, especially owner portals.

Owner satisfaction with property management technology:

Seventy-five percent of all owners surveyed express satisfaction with their property management company's software solution, and 86% are satisfied with their owner portal. Although less than 40% of owners use an owner portal, the high rate of satisfaction among users of this technology suggests that it's a differentiator most owners will be happy with.

Communication is King

According to the survey, almost one-quarter of owners are likely or very likely to switch property management companies in the next 12 months. Taking this at face value, that means nearly one-quarter of owners may leave their property management company in the next year.

Owners who are unsatisfied with their property management company are nearly three times more likely to say they're considering switching to a new one. When asked why owners were likely to switch, the most common reason given was related to poor communication, which should come as no surprise. Communication is key in any relationship, and it becomes all the more important when you control a significant investment. Other less common reasons given for considering switching property managers had nothing to do with the property management company and simply reflected owners' plans to sell off properties currently under management or manage properties themselves.

Another data point highlighting the importance of communication is that “response time/communication” was found to be the number one factor owners use to evaluate the performance of their property management company.

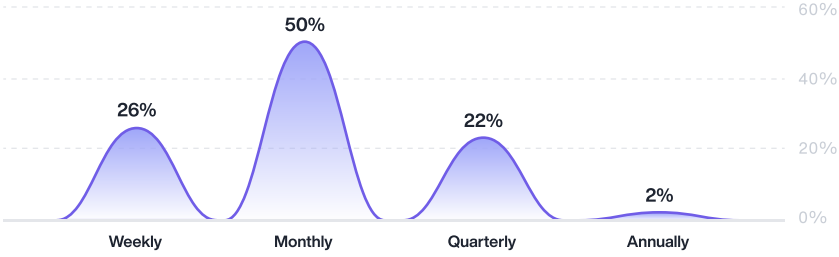
Top 3 factors used to evaluate the performance of property management companies:

But what does good communication mean for property owners? Daily updates? Weekly check-ins? What's the sweet spot?

According to the data, there's no one-size-fits-all approach to communication.

Half of the owners surveyed want their property management company to update them monthly, but large minorities of owners prefer weekly or quarterly updates.

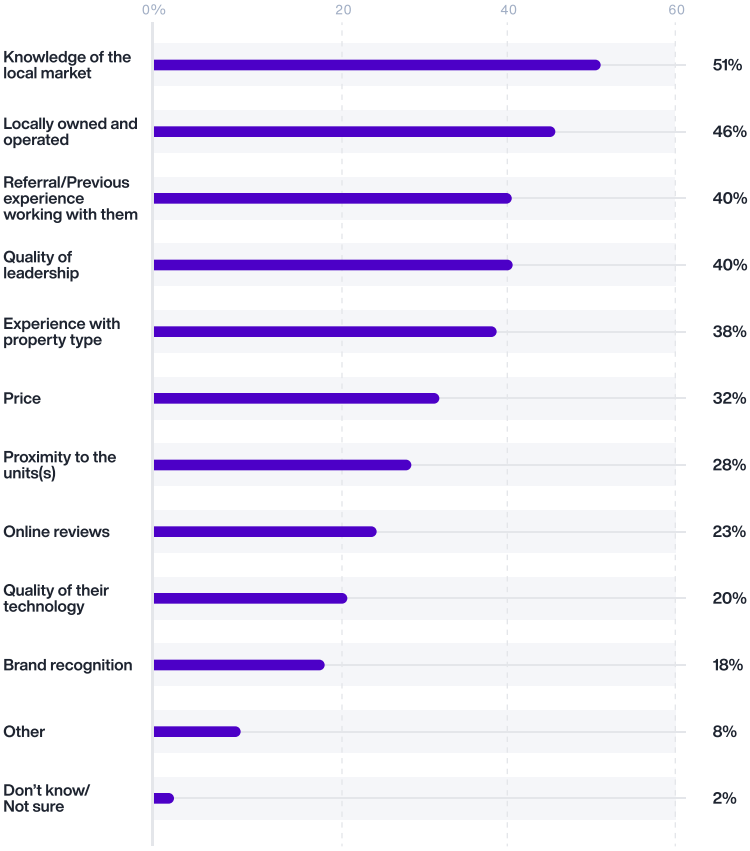
Desired frequency of property updates:



Since it can be difficult to have different cadences for different owners, one solution is to clearly set expectations around how frequently owners can get updates as part of onboarding new clients. Another solution is to provide an owner portal with an easy-to-use reporting dashboard so owners can self-serve property updates at their convenience.

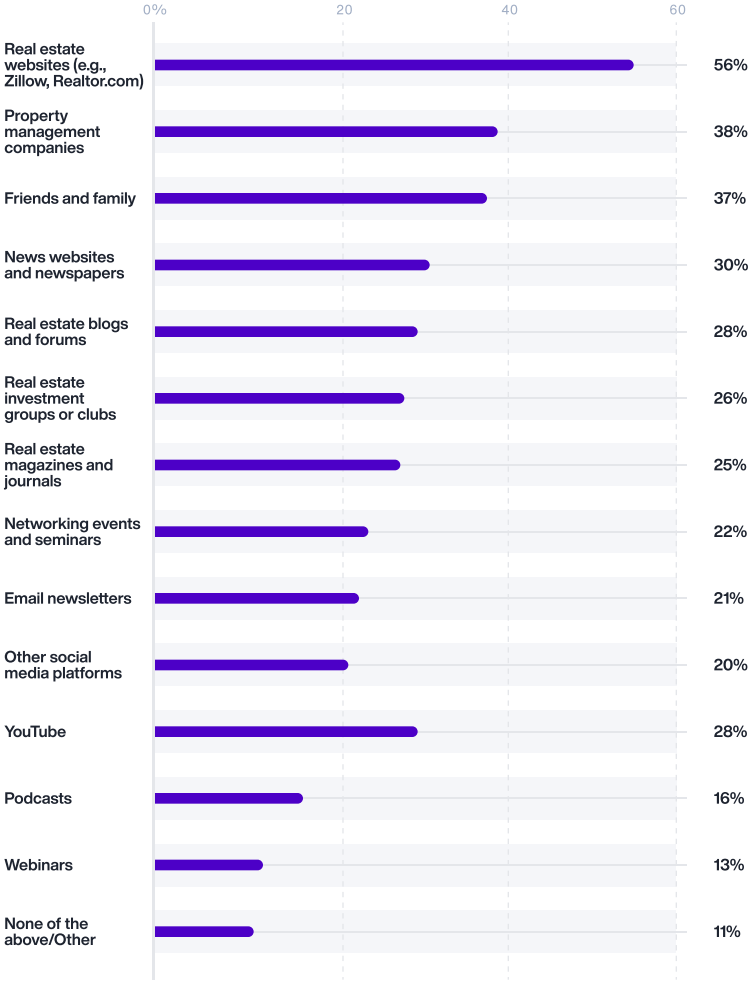
When selecting a property management company, owners prioritize local knowledge and proximity to the properties as their top criteria. Once a property management company is engaged, owners evaluate its performance based on several key factors: expertise in the local market and specific property types, cost-effectiveness of repairs and maintenance, occupancy rates, and overall cash flow management.

Reasons for choosing property management companies:



Emphasizing local knowledge and experience in marketing is likely to resonate with many owners looking for a new property management company. Other data also suggests channels to use to target new clients in a specific area (e.g., local newspaper ads) or local partners to work with (e.g., real estate agents, which is how 66% of owners bought their properties).

Real estate information sources owners rely on:



Returning to the criteria that owners rely on when selecting a property management company, referrals and previous experience in working with the firm are other important factors. This highlights the importance of owner satisfaction not just for retaining clients but also for attracting new ones.

Owner Preferences

Examining how active owners wish to be — where they prefer to maintain control and where they're comfortable delegating authority — is crucial for property managers.

By understanding these preferences, managers can strike the right balance in client relationships, fostering trust while respecting owners' desired level of engagement.

Satisfied owners are content with their current involvement in day-to-day operations; unsatisfied owners are less so. After all, owners pay property management companies to handle the day-to-day, so feeling more involved than they want to be naturally results in less satisfaction.

Although the data highlights that unsatisfied owners want to be less involved in day-to-day operations, they do want to be more involved in technology choices.

Current vs. preferred level of involvement:

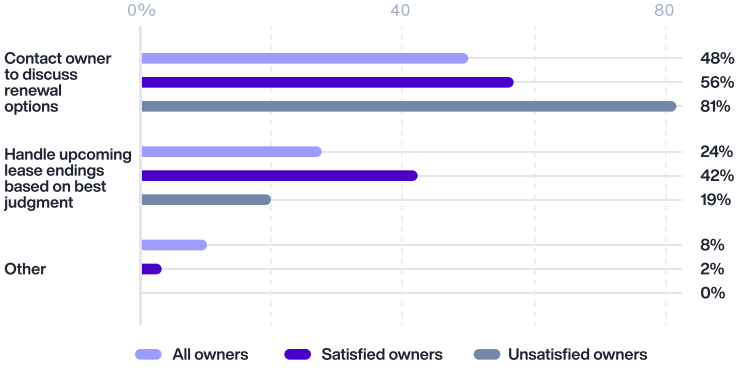
So, how can you find that balance that makes your clients happy?

Be as transparent and open as possible about why you chose a given platform as your property management solution. Explain how the technology works so they understand it and feel empowered by it. In this vein, the more user-friendly and intuitive the technology, the better.

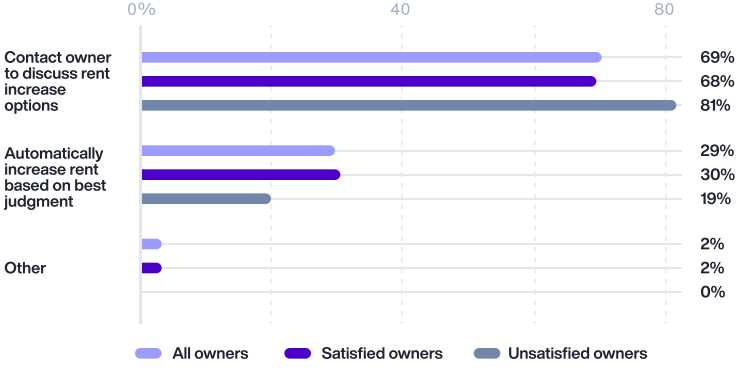
The survey consistently revealed diverse owner preferences for how property management companies should handle a variety of common situations. It's clear that one size does not fit all and that customized service is not always possible at scale. Property managers should make it clear how they will handle certain situations, how they will communicate, how frequently owners can expect updates, how payments will be sent and received, and, of course, what services the property managers will and will not provide. This should be done as early as possible in the relationship — recall that owners who are dissatisfied with their property management company are three times more likely to consider switching to a new one in the first 12 months.

How property management companies should handle tenant complaints or issues:

How property management companies should handle lease renewals and terminations:



How property management companies should handle rent increases:



In all the above scenarios, unsatisfied owners are much more likely to prefer their management company contact them to discuss how it intends to handle the situation. This suggests a lack of trust among unsatisfied owners, and other data tells us they would prefer to be less involved. Higher satisfaction will lead to more trust, allowing management companies to handle situations themselves with more efficiency.

How property management companies should handle delinquent rent payments:

This is another example proving that owners are unique and that one size does not fit all. Management companies should set expectations early in the relationship on how they handle the issue of delinquent payment. However, we do not see big differences between satisfied and unsatisfied owners concerning this issue, which is not the case with previously covered situations.

Elevate the Owner Experience With AppFolio

In today’s digital age, technology plays an increasingly pivotal role in shaping the property management landscape and, by extension, owner satisfaction.

A key takeaway from the survey is that offering property inspection, eviction management, and legal compliance services to your clients brings a boost in their satisfaction. Armed with this knowledge, seek a technology partner with integration tools that enable you to offer these services to your clients.

AppFolio customers can look to AppFolio Stack™ Solution Partners to help them add these additional services:

For eviction management

For a network of vetted contractors

For financial management and accounting

Unlike integrations offered by other property management software providers, AppFolio Stack integrations stand out for their quality and reliability. While our competitors often rely on open APIs that lead to error-prone integrations, manual workarounds, and poor support experiences, AppFolio takes a different approach. Each AppFolio Stack integration is the result of close collaboration between our respective development teams, with a primary focus on enhancing the end-user experience. Our teams focus closely on how the functionality of each integration will affect day-to-day workflows for property management teams and introduce thoughtful solutions to avoid adding inefficiencies to key processes. This protects data integrity and promotes portfolio-wide consistency in following best practices.

The survey results also hammered home the importance of good communication. This is where owner portals can be a game changer and really set you apart.

The data shows that owners love them. Having 24/7 access to financial reports, maintenance updates, and all the key metrics around their properties provides a sense of control and transparency that owners want.

The AppFolio Owner Portal provides your clients with on-demand access to their property data, documents, and action items, empowering them with direct visibility into the health of their properties.

What separates our Owner Portal from the rest? One example is the ease around owner estimate approval. With AppFolio, you can:

- Send estimates to owners within the Owner Portal
- Allow owners to approve estimates with the click of a button
- Request funding for maintenance requests at the same time estimates are sent for approval

While we're on the subject of maintenance, another top factor used by owners to evaluate the performance of their property management company is the cost of repairs and maintenance. One question to consider is how faster maintenance resolution would impact your business's bottom line.

Leveraging powerful AI, AppFolio Smart Maintenance automates the processing of work orders and the dispatching of technicians or vendors. In 2023, Smart Maintenance created over 2.5 million work orders for AppFolio customers and autodispatched 480,272 work orders.[1] Seventy-one percent of maintenance customers surveyed estimate that AppFolio's products and services have decreased operating expenses by at least 16%, and that's before we rolled out additional features.[2] As we continue to invest in and develop industry-leading AI, the sky is the limit for your business.

[1] From aggregated AppFolio product data as of Q1 2024
[2] From a June 2021 TechValidate survey of 133 satisfied AppFolio Customers

See It to Believe It

With proprietary features and value-added services, including AppFolio Stack, Smart Maintenance, and our Owner Portal, AppFolio brings a unique centralized data architecture to property management software that management companies, residents, and property owners prefer.

To see why, we invite you to sign up for a customized demo at appfolio.com/free-demo.

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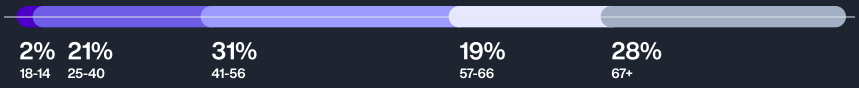
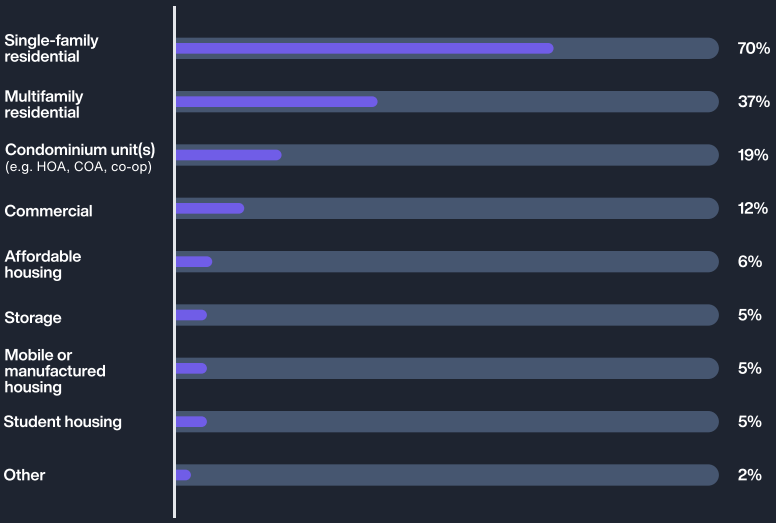
Demographics and Firmographics

Owners ages:



Property types owned:



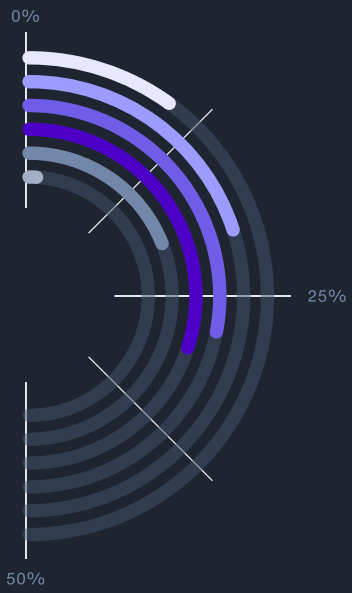
Number of units owned:

Most owners have worked with their property manager for several years.

Owners who are dissatisfied with their property management companies are 3x more likely to have only been with them less than a year (28% vs. 9%), suggesting the first year is key to establishing a positive, long-term relationship. This is one of the many findings that suggest property managers are doing a better job with more experienced owners but falling short for a lot of newer owners. Setting expectations early is one recommendation to set up the PM-owner relationship for long term success.

How long have you been working with your current property manager?

- **10%** Less than a year
- **20%** 1-2 years
- **28%** 3-4 years
- **30%** 5-10 years
- **19%** More than 10 years
- **1%** Don't know/not sure



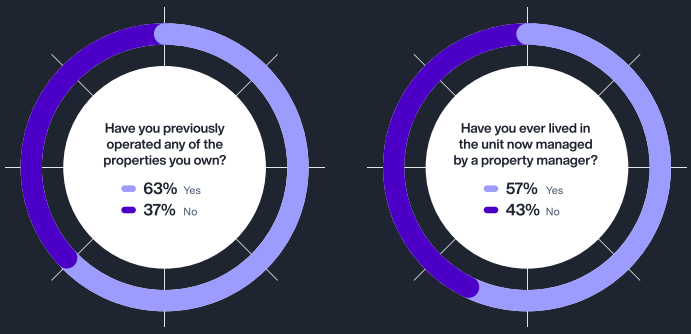
Average number of years working with property managers:

- **4.3** Single-unit owners
- **5.3** 2-9 units
- **5.6** 10+ units

Nearly two-thirds of owners have previous experience operating properties now managed by property managers.

Owners with experience operating properties (and a better understanding of the challenges) are more likely to be satisfied with their property management company. Owners who have previously lived in the unit they own are classified as accidental landlords and also tend to be less satisfied. These owners have an emotional attachment to their property and want to be more involved in operations.

Owners' experience managing or living in their properties:



Satisfied owners are more likely to have experience managing properties, while unsatisfied owners are more likely to have lived in their properties at some point.

% responding "yes" to the following questions:

Appendix

Legal entities used to invest in real estate:

How many property managers did you consider when you last hired a PM?

Unsatisfied owners were nearly 2x more likely to have only considered one property management company, compared to satisfied owners. Single unit owners are much more likely to only consider one PM (41%), compared to 2-9 unit owners (24%) and 10+ unit owners (8%).