

Real Estate Investor Report

Insights and Opportunities to
Exceed Client Expectations



Introduction

It's crucial for investment managers to stay attuned to real estate investors' interests and expectations.

The more educated and data-equipped you are as an investment manager, the more effective you become at winning, servicing, and satisfying clients.

AppFolio surveyed 150 accredited real estate investors to better understand client expectations. We analyzed key factors such as their investment goals, desired communication frequency with their investment manager, preferred investment product types, and technology adoption.

This report aims to clearly define what clients value in their interactions with investment managers and identify areas for improvement. Key areas of interest covered in this report include:

- Investment preferences: Understanding which asset classes and investment strategies resonate most with clients and how these preferences vary by demographic and net worth
- Communication and transparency: Assessing the preferred frequency and methods of communication between investors and their managers, including the importance of transparency in reporting and decision-making processes
- Trust and relationship management: Exploring the elements that build trust and long-term relationships, including responsiveness, personalized advice, and alignment of interests

Addressing these core areas helps investment managers refine their approach to client service, enhance satisfaction, and ultimately foster stronger, more enduring client relationships.

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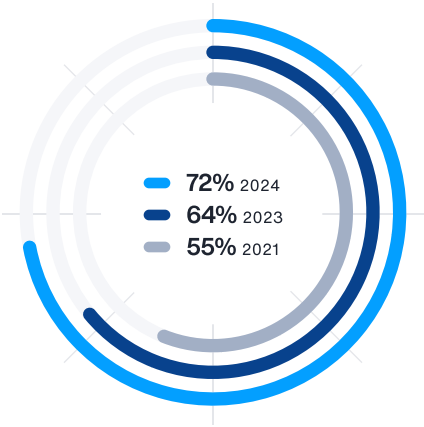


Investor Sentiment and Concerns

The survey shows that investors remain bullish on real estate despite economic uncertainty.

Almost all investors surveyed for this year’s report plan to increase or maintain their real estate investments in the next few years. They believe capitalizing on increasing property values during inflationary times offers great return potential.

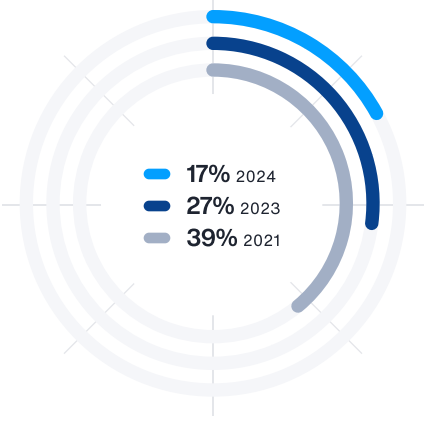
Do you plan to increase, decrease, or maintain your real estate investments in the next few years? Please explain why.



Increase Investments

“Real estate tends to provide stable returns and acts as a hedge against inflation.”

“Economy is slowing. People are selling to get out [from] under debt due to job loss.”



Maintain Investments

“The market conditions are regionally stable, and I don’t have much money on hand right now.”

“I like how much I have already allocated to real estate.”

Only a few of the investors surveyed (11% in 2024) plan to decrease their investments.

The common reason for increasing investments is to take advantage of opportunities such as real estate values rising with inflation and stable returns.

Seventy-two percent of investors, mostly aged 18 to 44, plan to increase their real estate investments in 2024, which indicates a positive overall outlook for the real estate market.

More investors are hopeful about the domestic economy and interest rates despite being slightly more pessimistic about the availability of attractive real estate investments.

The following trends are also influencing the positive outlook for the real estate market:

- ✓ Changing demographic trends in the US
- ✓ Consumers' penchant for online shopping
- ✓ Sustained demand for rental housing as high interest rates challenge first-time homebuyers
- ✓ The rise of technology, such as AI and data analytics, and its enhancements to property management

While 2024 opens plenty of opportunities for the real estate market, it also presents challenges, such as economic uncertainty and market volatility. These challenges make finding capital and affordable properties with good returns more difficult.

Other major challenges investors face in this period include increased competition among investors and climate change.



Real Estate Investor Strategies

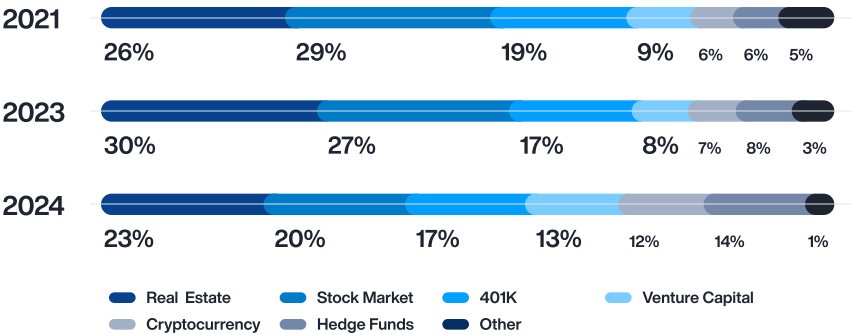
Investors are diversifying their risk by dramatically increasing the number of investment vehicles they use and finding opportunities with substantial gains.

One strategy investors adopted was increasing their investments, averaging 5.5 types of investments this year compared to 4.5 last year.

The data revealed that real estate and the stock market are still leading investments. However, investors have shifted capital away from them and are investing more in venture capital, hedge funds, and cryptocurrency compared to 2023.

What percentage (%) of your investment capital is allocated in the following?

Share of Investments



Average Number of Investments Types

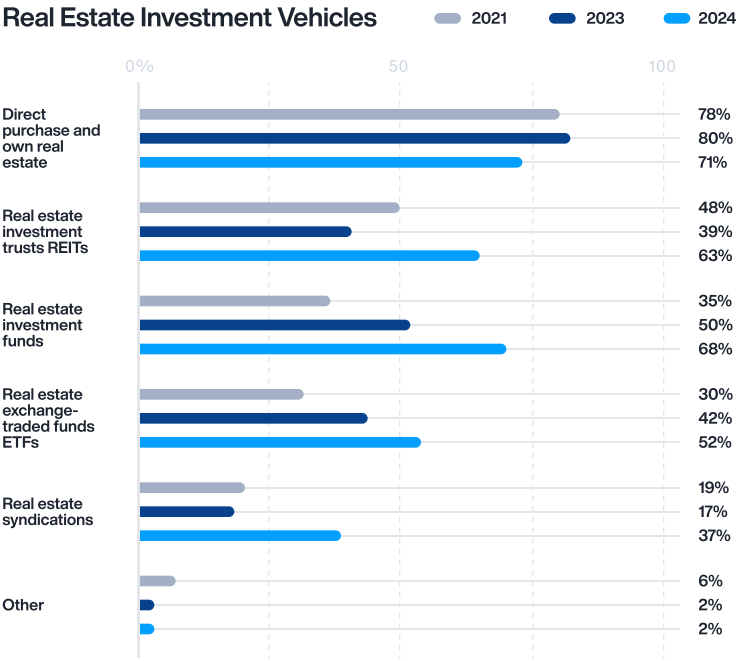


Compared to 2023, younger investors (ages 18-44) are moving away from real estate and investing in venture capital, hedge funds, and cryptocurrency.

Older investors (age 45 and above) are maintaining their real estate assets but allocating more capital to hedge funds and cryptocurrency at the expense of the stock market.

As investors diversify their overall investments, they follow suit in real estate and use various investment vehicles. Based on our data, investment in real estate investment trusts (REITs), real estate funds, and real estate syndications increased significantly, while direct ownership declined.

Real Estate Investment Vehicles



Average Number of Real Estate Investment Types



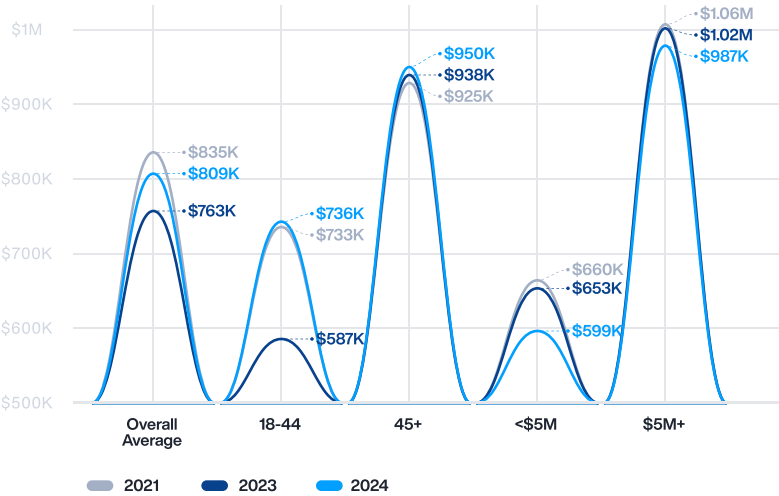
As you can see, direct ownership is down from last year, driven by younger investors (ages 18-44).

For the first time since 2021, younger investors are investing more in real estate investment funds than direct real estate ownership.

While older investors are investing less in direct ownership, it remains their preferred real estate investment method. In the past year, they have also significantly increased their commitment to real estate investment funds, REITs, and real estate exchange-traded funds.

Investment managers can leverage this data to focus their marketing efforts to capitalize on this trend. For instance, you can target specific demographics with unique messaging that speaks to how certain cohorts are investing while highlighting the benefits of indirect ownership and the services you, as an investment manager, provide.

Another key data point that real estate investment managers should know is how much capital investors commit to real estate. Compared to 2023, investors' capital commitment to real estate is directionally higher (\$809K in 2024 vs. \$763K in 2023), driven by younger investors (ages 18-44) who significantly increased their real estate assets.



On average, investors are investing in significantly more types of properties compared to 2023 (3.3 in 2024 vs. 2.5 in 2023).

Average Number
of Properties
Investors Invest In

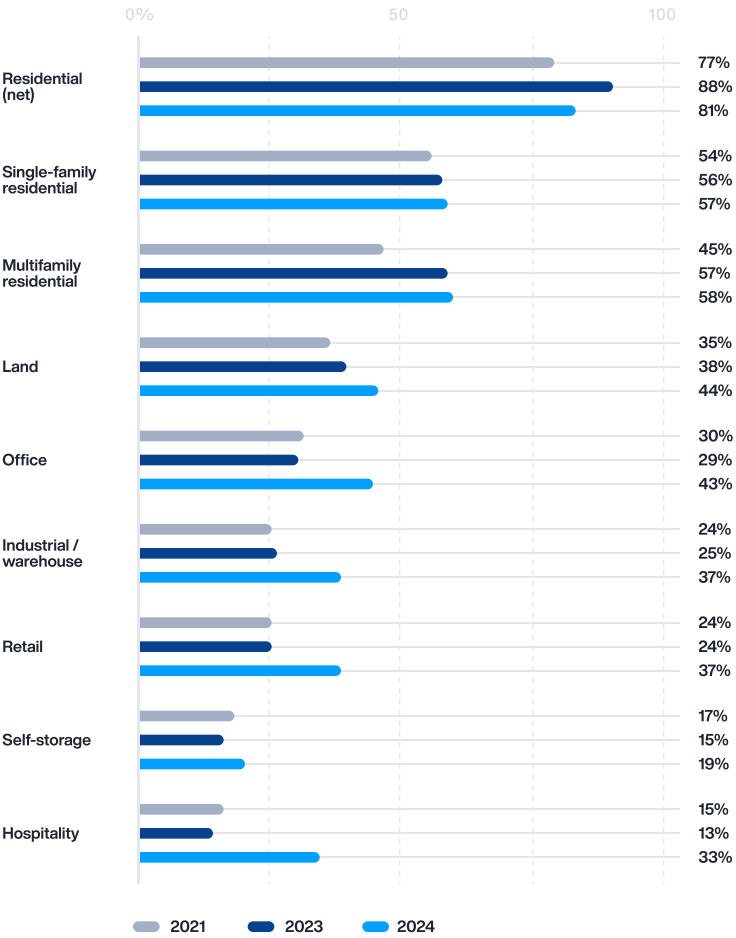


The data also shows the growth in investments in all property types this year, with office, retail, and hospitality properties having the most growth.

On the other hand, single and multifamily residential properties continue to be popular investment avenues, although growth in these areas is slowing.



When investing in real estate, what are your preferred property types? (check all that apply)



Our 2024 data shows that investors are bullish on all property types, with over half being optimistic about each type's future.

Investors continue to be most pessimistic about the future of office and retail properties but at significantly lower levels than in 2023 (13% identified as pessimistic about office properties in 2024 vs. 30% in 2023. The same numbers were reported for retail properties).

Investment Performance Expectations

Across the board, investors have tempered their overall investment performance expectations.

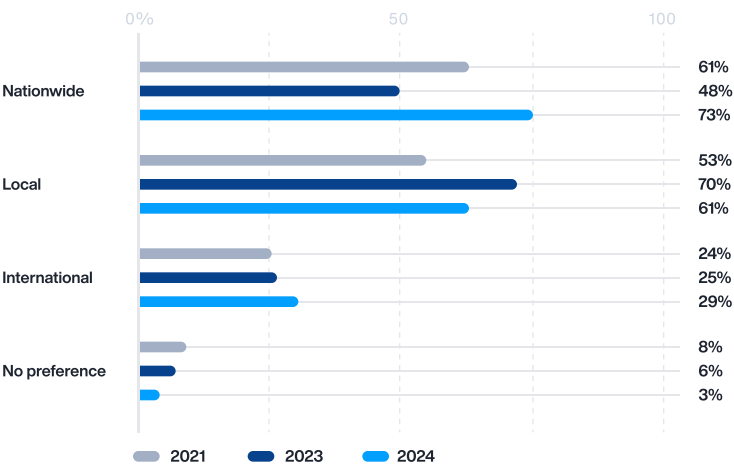
Most investors are investing in real estate for market-beating performance in the long run rather than seeking short-term gains and portfolio diversification like in the past. Even so, significantly fewer investors are willing to hold on to real estate investments for more than 10 years, shifting to a holding period of 6 to 10 years.

Additionally, internal rate of return (IRR), cash-on-cash return (CCR), minimum investment amount, and asset location continue to be key criteria when assessing real estate investments.

Significantly fewer investors consider CCR important in 2024, although it is still key among investors with lower net worth (<\$5M). National Association of Realtors data from earlier this year shows that 32% of all home sales in January 2024 were all-cash purchases, the highest level since 2014¹. While this data measures home sales, we can extrapolate it into the commercial real estate market. With higher interest rates and full cash reserves, investors may be forgoing financing, reducing the importance of measuring CCR.

Investment Location Preferences by Investors

In 2024, investors are looking for investments further away from home. In light of this trend, investment managers can cast a wider marketing net to acquire new investors.



As the data shows, investing outside their localities is preferred among younger investors (ages 18-44), growth investors, and investors whose net worth is under \$5M. However, investing internationally is not as preferred.

Evaluating Real Estate Investment Performance

In 2024, return on investment (ROI) has become less important in gauging performance among potential investments, while other methods have increased.

For example, significantly more high-net-worth investors (\$5M+) are looking to CCR, time-weight return (TWR), and equity multiple (EM) to gauge potential opportunities compared to last year.

Investors also use various metrics to evaluate their existing investments, with ROI still being the most popular. High-net-worth investors (\$5M+) are using CCR and TWR at notably higher rates to evaluate existing investments this year.

Whatever metrics matter most to you and your clients, ensure they are easily accessible.



How Investors View Investment Management Companies

Generally, investment management companies continue to satisfy investors in an uncertain market with increased pressure from investors demanding more transparency and favorable returns.

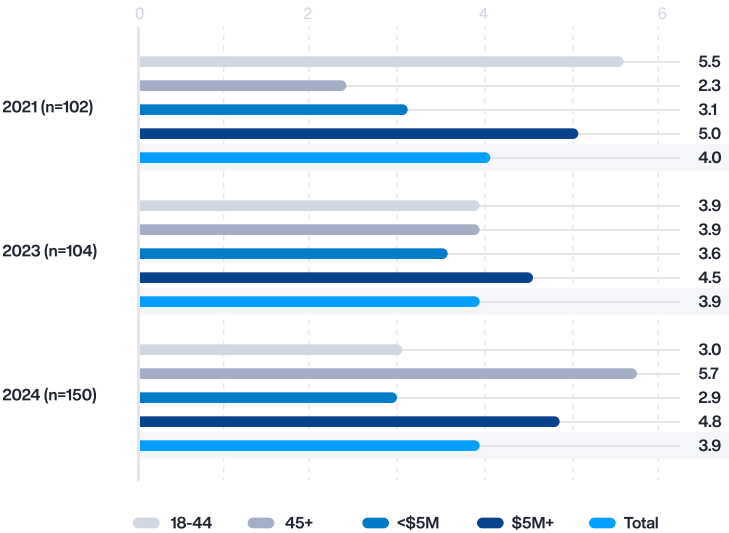
The satisfaction is evident in the number of companies investors use, which has remained static over the past three periods, averaging four.

Investors use multiple companies primarily to diversify their portfolios and reduce their risk. As one survey participant explains:

“Investing with multiple firms allows you to diversify your real estate portfolio across different markets, property types, and investment strategies. This can help mitigate risk and provide more stability to your overall real estate holdings.”

While some cohorts are diversifying the number of companies they invest with, others are focused on limiting their investments to those with the best relationships.

How many investment companies do you invest with?



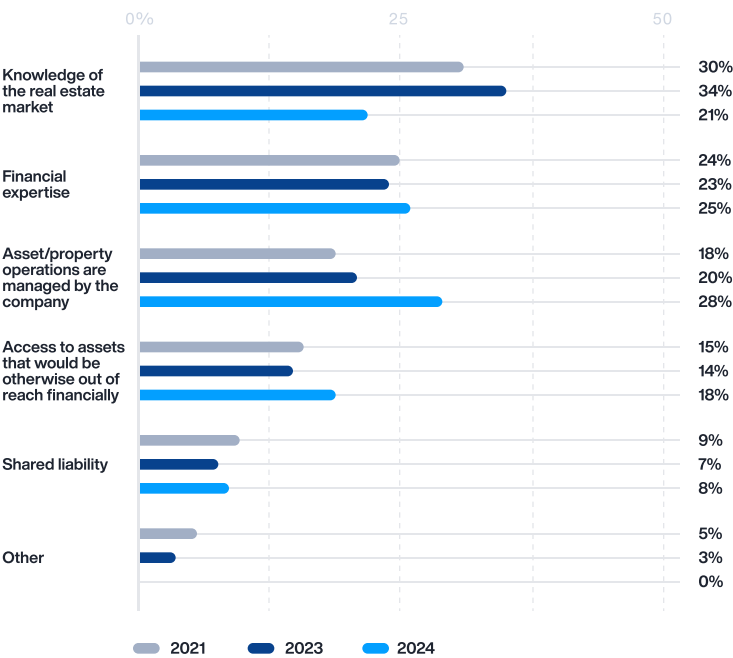
Over time, older investors (age 44 and above) have increased the number of companies they partner with. On the other hand, younger investors have decreased the number of management companies they use.



Investing Through Investment Management Companies

Vertically integrated asset and property management operations are now the primary reason investors invest through an investment management company. Also, as more investors rely on various tools and resources for industry information, it is becoming less critical for investment management companies to demonstrate their expertise in the real estate market.

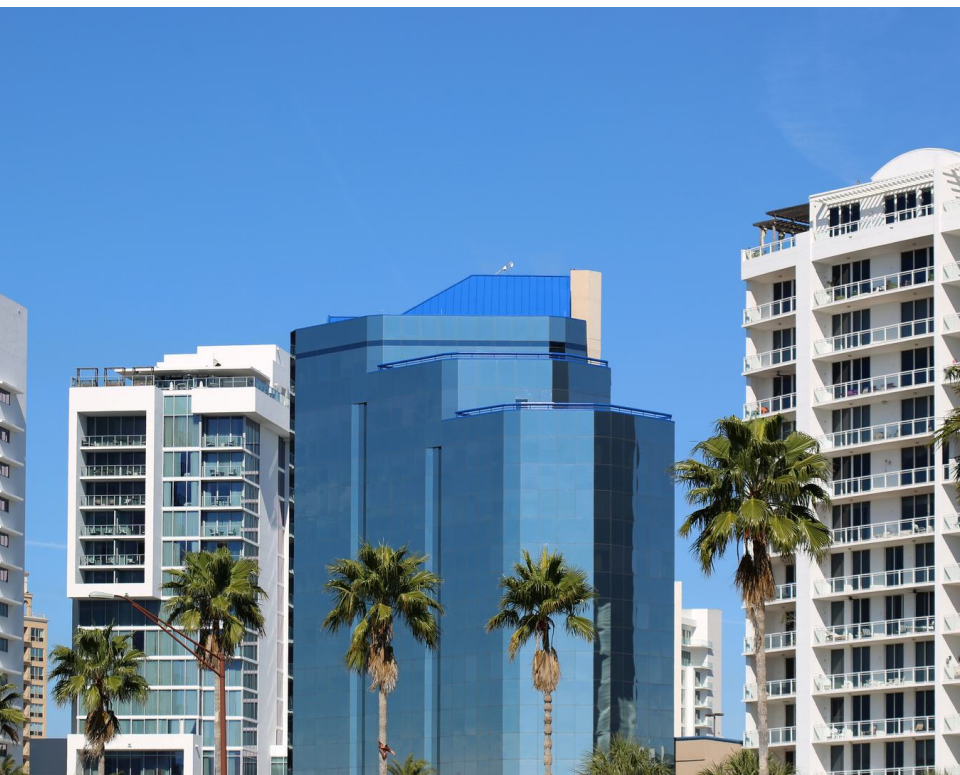
What is the primary reason you invest in real estate through an investment management company?



The data shows asset and property operations are the top reasons investors choose to invest in real estate with a company. With these criteria being top-of-mind for investors, it's vital to leverage vertically integrated software that gives a seamless investment experience across the entire real estate lifecycle. Doing so allows you to perform at the top of your game while providing clients with detailed information about how and why their investments are performing the way they are.

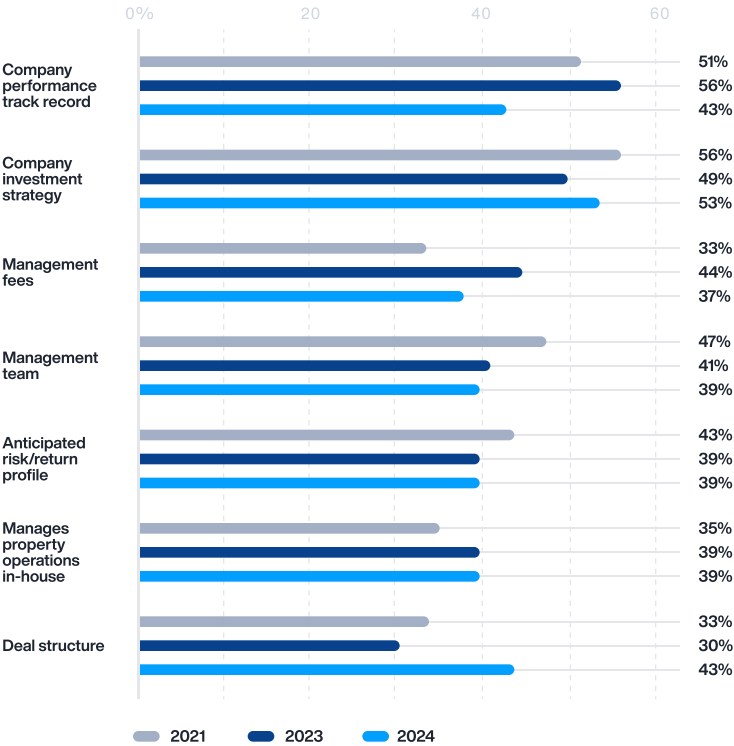
In an effort to combat market volatility, capitalization issues, and rising interest rates, investors are choosing investment management companies based on the following:

- ✓ Investment strategy
- ✓ Performance track record
- ✓ Deal structure (more prominent among older investors)



When choosing a real estate investment management company to invest with, what are the most important criteria for you in rank order?

Ranked 1st, 2nd, & 3rd



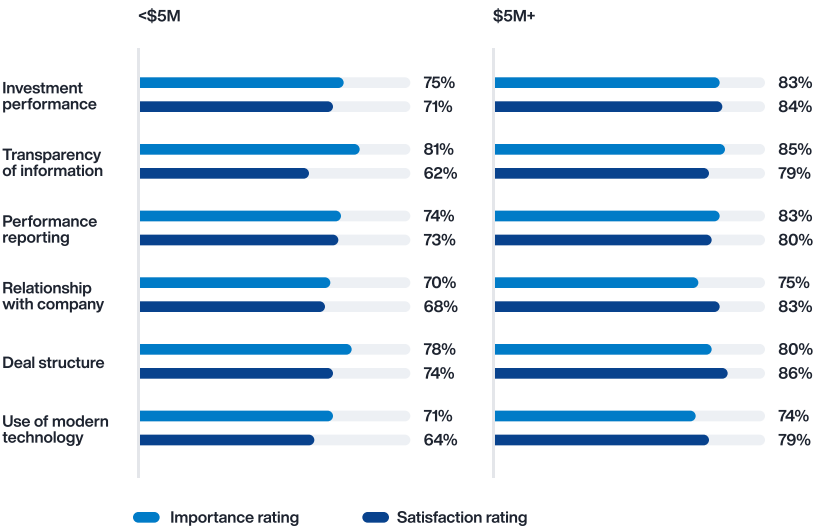
Given the importance of these areas to potential investors, it's crucial to emphasize them when marketing your investment management services.

Investor Satisfaction in Investment Management Companies

Below is a quick breakdown of how satisfied investors are with their chosen investment management companies (based on our survey data).

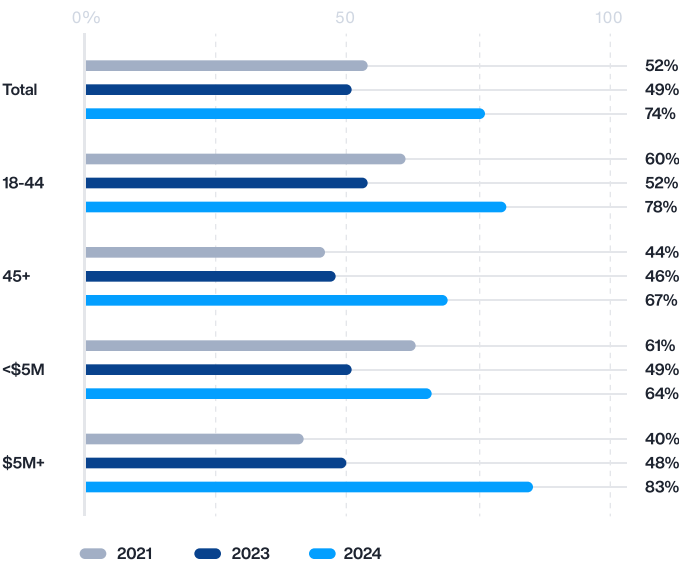
- ✔ High-net-worth investors (\$5M+) are more satisfied with their management companies, which often exceed their expectations.
- ✔ All investors would welcome greater transparency of information from their management companies.
- ✔ Lower-net-worth investors (<\$5M) are disappointed in their management companies' use of technology.

2024 Top Two Box Scores



Investors are highly pleased with their investment management companies' response to market changes or uncertainty, resulting in strong company loyalty (Likelihood to Recommend) and greater trust.

How satisfied are you with your investment manager’s response to market changes or uncertainty?



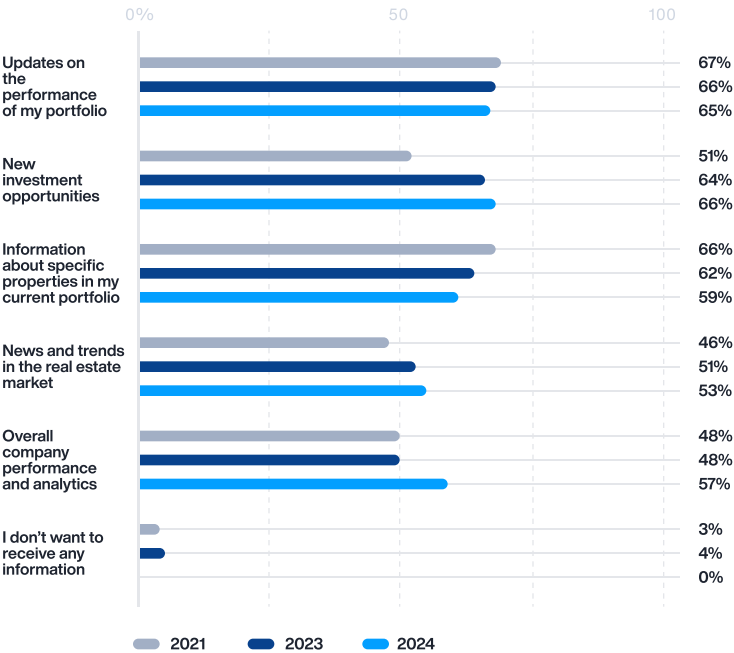
Our data shows that 9 out of 10 investors are extremely likely to recommend their investment managers to friends or colleagues. Recommendation levels are highest among \$5M+ net worth investors, indicating strong loyalty to their investment companies.

Good returns, industry knowledge, and customer service remain the hallmarks of a highly recommended real estate management company. On the other hand, the handful of investors who claim they would not recommend their investment management company are unhappy because of its lack of transparency and lackluster returns. However, despite a notable increase in the level of transparency from 2021 to 2024, investor trust levels have remained somewhat unchanged.

Generally, investors seek various details from their management companies, including information about their portfolios, new investment opportunities, and market trends. Improving investor satisfaction involves providing and being transparent with this information.



What types of information would you like to receive from your real estate investment management company?



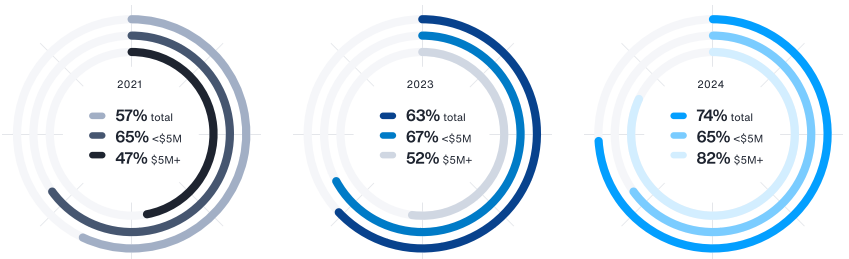
According to the data, investors are becoming more involved with managing their real estate investments in the following ways.

Regular Meetings with Investment Managers

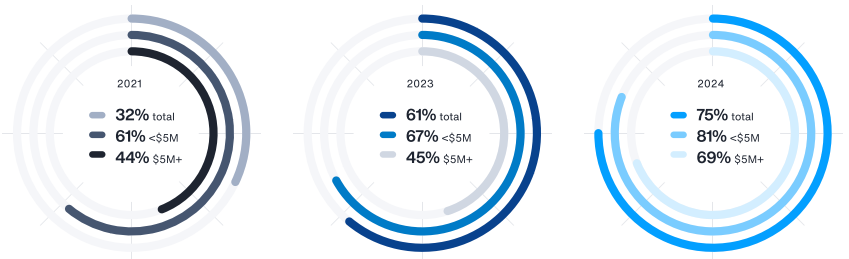
Investors want regularly scheduled meetings with their investment manager. They carefully review company and portfolio performance information, particularly high-net-worth investors (\$5M+).

With investors requiring more hands-on interaction with their investment managers than ever, ask yourself how you can meet their expectations. Consider how you can do this while retaining your standards of professionalism and providing unique, personal experiences for your investors at scale.

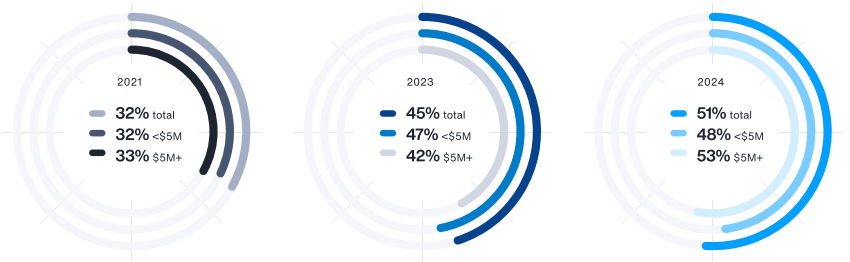
I have regularly scheduled meetings with my investment manager



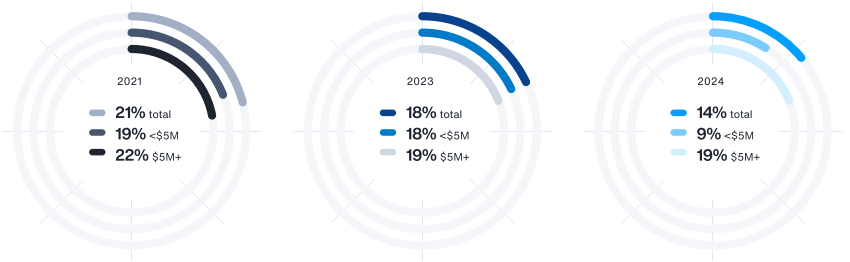
I carefully review all information the company provides



I thoroughly review only information directly relevant to my portfolio performance



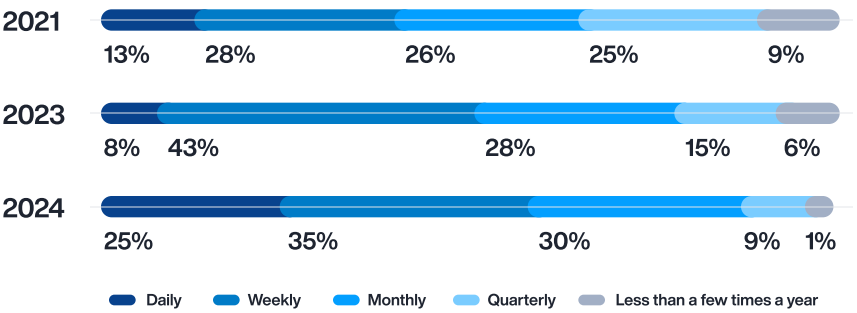
I prefer to see only a concise summary of info directly relevant to my portfolio performance



Due to the increase in survey respondents who closely review information from their investment managers, there is a need for more robust reporting and full transparency. Achieving comprehensive reporting and complete transparency requires an optimized investor portal (online) or frequent, detailed communication.

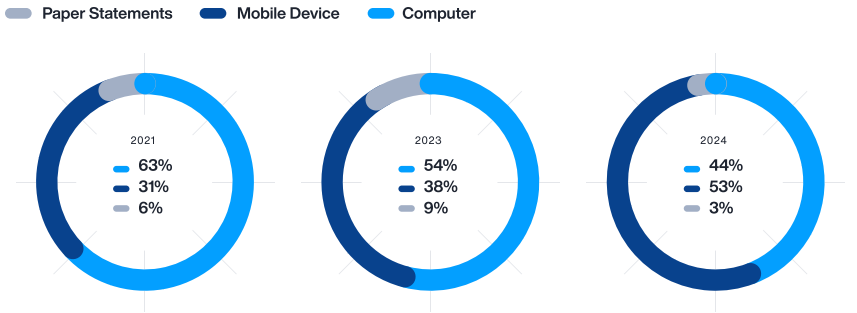
Based on our data, investors have more than doubled their interactions with their real estate managers from once a week to twice per week (since last year). The increase is evident across all key sub-groups: young, old, low- and high-net-worth investors.

How often do you contact your real estate investment manager?



The increase, specifically in the rate of daily interactions, is significant compared to previous years. It is likely correlated to the clients' increased use of cell phones to get information from their investment managers.

What devices do you use to access information from your real estate investment manager?



In terms of communication channels, mobile devices are now the most common method investors use to get information from their investment managers, making investment and industry apps more essential. The data shows that a significantly higher number of high-net-worth investors (\$5M+) are using mobile devices than last year (51% in 2024 vs. 29% in 2023).



Investor Technology Preferences

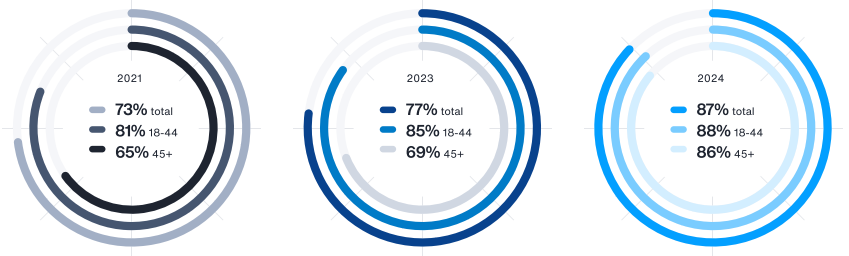
Adopting technology and software is becoming more important as investors face market uncertainty in 2024 and beyond.

Our data backs this, showing that technology, in general, is growing in popularity, bridging the gap between technology awareness and usage.

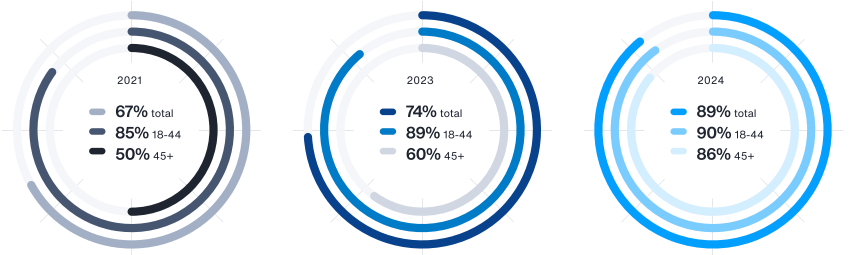
How valuable would each of these technologies be to you as an investor?

Digital data delivery

Having other relevant information emailed or shared via online portal

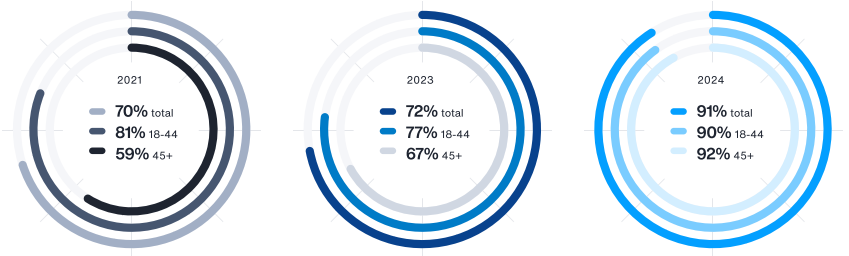


Technology-assisted analysis of your portfolio performance

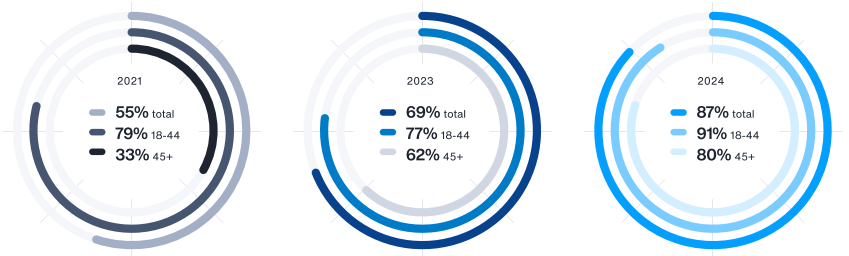


Digital reporting

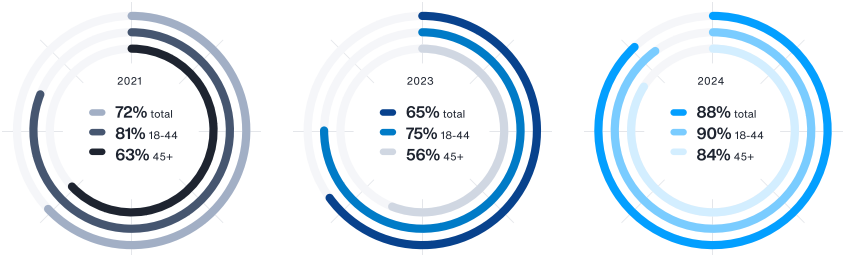
Having reports emailed or shared via online portal



Mobile investor portal

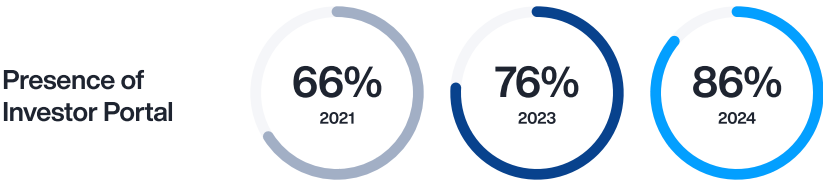


Automated tax assistance via investment portal

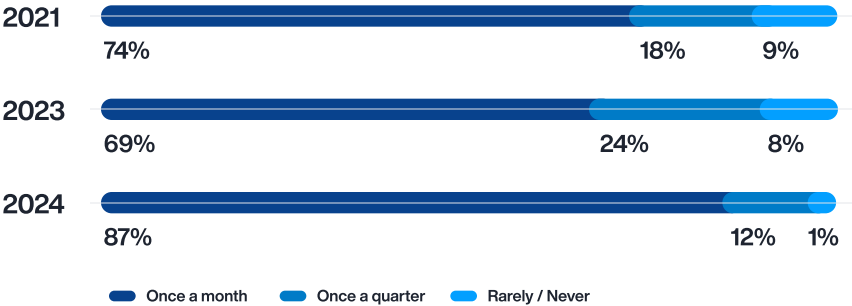


Investor portals continue to rise in popularity, and more investors are using them regularly. This correlates with the growing importance of transparency from investment managers since investor portals allow greater access to investment data. It also indicates that investors now expect investment management companies to have a portal to ensure transparency and quick and easy access to investment data.

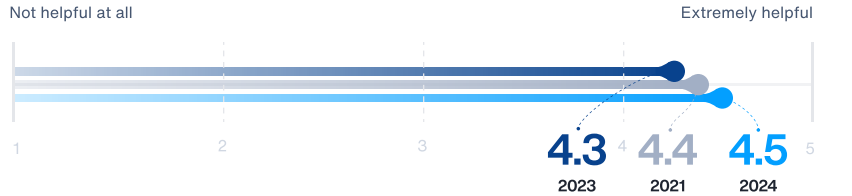
Does your real estate investment management company offer an investor portal, and if so, how often do you use it?



Investor Portal Usage

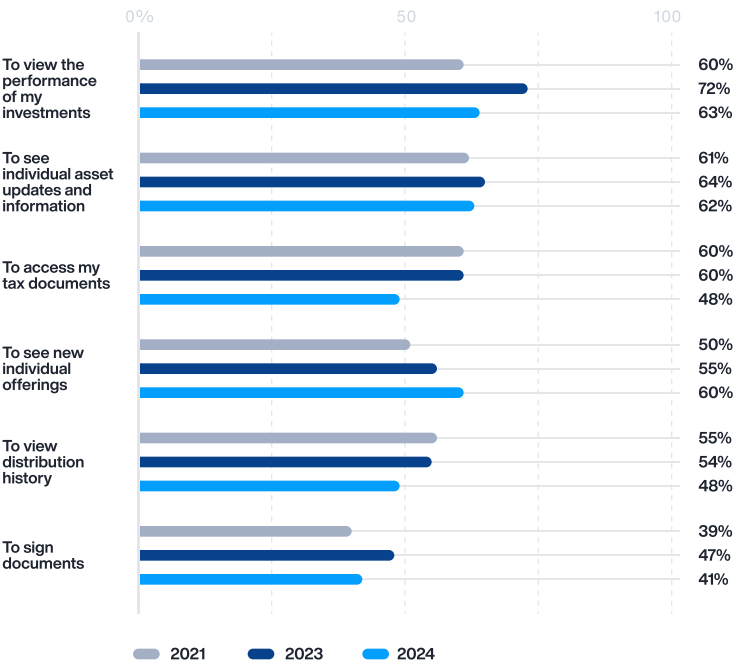


Helpfulness of Portal Usage



Essentially, investors still use their investor portal to view performance metrics, access updates about individual assets, and see new offerings. No changes have been seen across key groups since 2021.

For investors that use an investor portal, what are the primary reasons you use your investor portal?



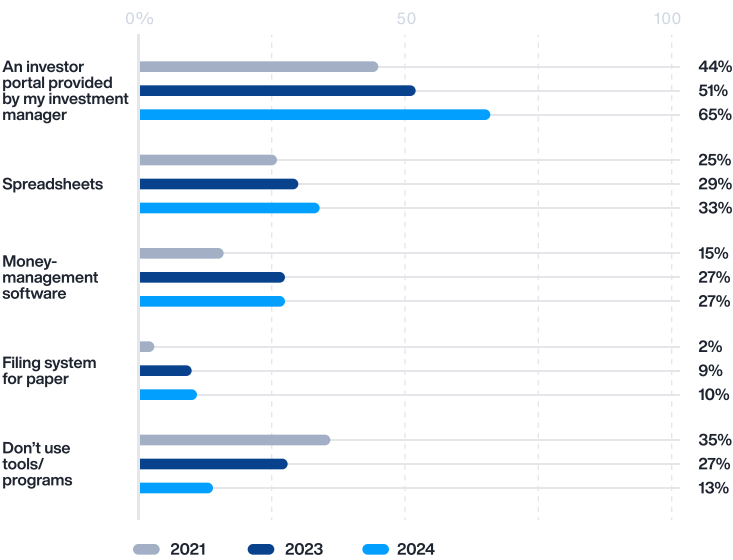
Software Programs for Managing Real Estate Investments

Software tools are increasingly necessary in managing real estate investments.

The survey data shows that fewer investors claim they don't use any tools (35% of survey participants in 2021 reported not using any software tools vs. 27% in 2023 and 13% in 2024).

Almost two-thirds of investors use an investor portal to manage their investments.

What software programs do you use to help manage your real estate investments?



The 65% of investors using an investor portal is significant. It represents a big increase from last year and shows that they expect technology to be the norm. Failing to provide investors with a portal can mean falling short of their expectations, and you can risk losing them as clients to competitors with readily available portals.

The data also shows investment managers see the importance and practical benefits of using dedicated software. The 13% that reported not using software represents an almost 50% drop from the previous year.

Real Estate Industry News and Trends Sources

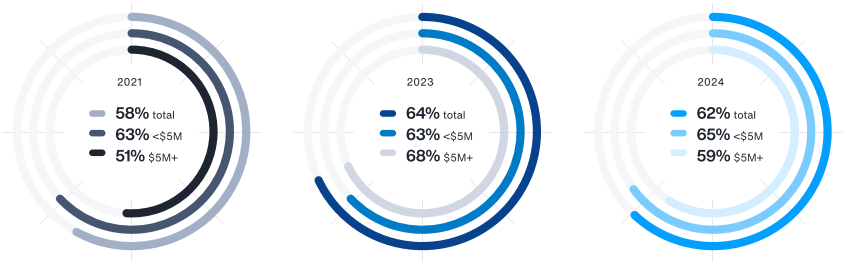
Investors are hungry for the latest news and trends in the real estate industry and actively use various resources.

During the survey’s covered period, investors — particularly high-net-worth investors (\$5M+) — sharply increased their reliance on digital resources, specialized websites, investor portals, and mobile apps to track real estate industry trends and news.

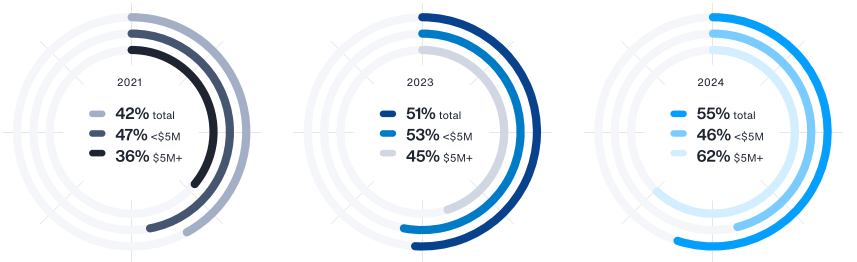
Where do you get information about news and trends in the real estate industry?

General interest media

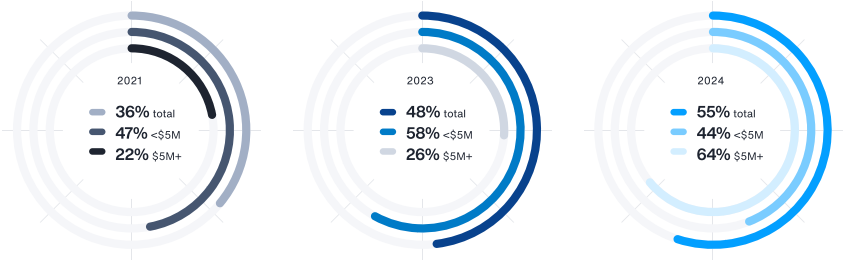
(e.g., Wall Street Journal, wsj.com)



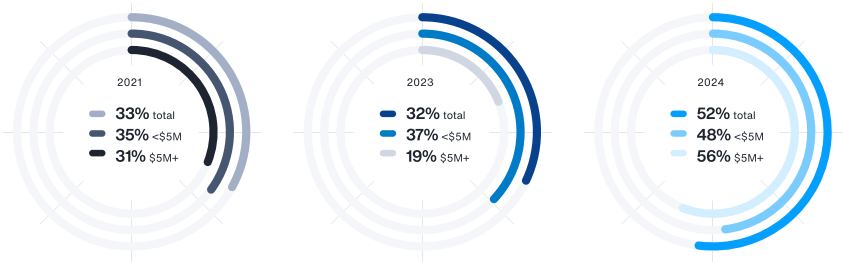
One-on-one conversations with my investment manager



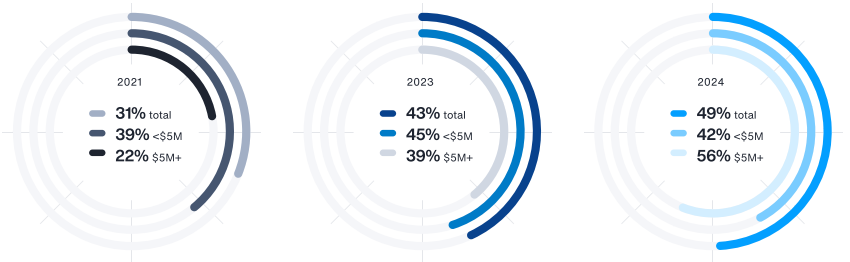
Specialized website
(e.g., nreionline.com, bankrate.com)



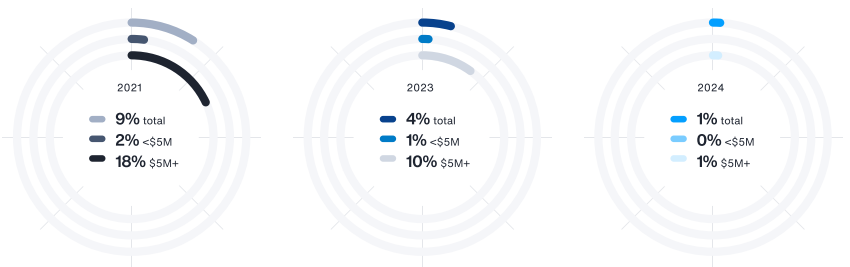
My investor portal



Mobile App
(e.g., Yahoo Finance)



I don't track information about the real estate industry



Interestingly, the data shows that more investors rely on their investor portals and one-on-one conversations with their investment managers for information about news and industry trends. This indicates a greater reliance on the investment manager as the industry's source of truth and knowledge.

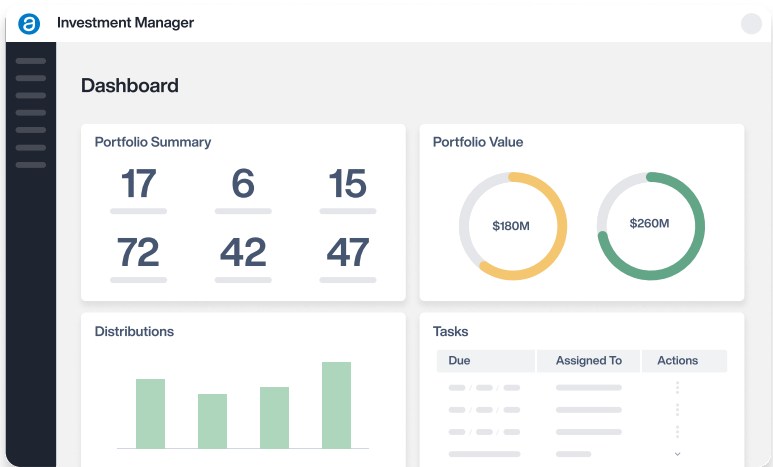
Another key data point in the survey shows that investors are increasingly overwhelmed by the tasks involved in managing their real estate investments. Notably, more investors struggled with the following than in the past, particularly among high-net-worth investors (\$5M+):

- ✓ Tracking their investment performance
- ✓ Staying up to date with trends
- ✓ Accessing investment information
- ✓ Finding an investment manager

Much of the stress among investors could be due to the industry's reliance on disparate spreadsheets to organize data. Relying on spreadsheets presents several challenges, such as the following:

- ✓ Cumbersome to maintain
- ✓ Driven by manual entry, making them error-prone
- ✓ Open to errors when transferring data from spreadsheet to spreadsheet
- ✓ Often require manual data updating, making it hard to make real-time decisions
- ✓ Hard to aggregate and visualize for faster decision-making
- ✓ Time-consuming and easy to miss out on important actionable information in real time

Modern investment management software such as AppFolio Investment Manager puts all your data in one place and can visually show you these metrics in a more user-friendly and digestible way than traditional financial reports. With Appfolio Investment Manager, you can have one single source of truth, allowing you and your teams to make faster decisions and leverage your data like never before. The software can also give you historical and current data, which helps streamline decision-making.





Exceed Client Expectations With AppFolio Investment Manager

Maintaining strong, close relationships with clients is an aspect of investment management that professionals have direct control over.

This holds true even in a challenging investment market characterized by high interest rates, fierce competition, and significant cash reserves sitting on the sidelines.

Building and sustaining trust, offering personalized service, and maintaining open and transparent communication can differentiate successful managers in such an environment.

By focusing on the relational aspects of client management, investment professionals can provide stability and reassurance, fostering client loyalty and satisfaction despite external market pressures.

The proactive approach helps retain clients while better positioning investment professionals to attract new business by showing a commitment to client-centric service.

See how AppFolio Investment Manager uplevels your fund and syndication management, attracts new clients, and keeps your investors coming back for more:

- ✓ AppFolio Alpha™, our best-in-class AI solution, automatically aggregates and visualizes your key property management data and surfaces actionable insights.
- ✓ Investor Websites provide everything you need to create a stunning website to impress and attract new investors, highlight what makes your business unique, and update as you grow.
- ✓ Our Investor Portal provides seamless, 24/7 access to investors' personal dashboards, which summarize their investment positions, asset information, and invested and distributed capital. Available as (the industry's only) mobile app as well, investors can easily access their investment information anytime, anywhere.
- ✓ AppFolio's purpose-built, vertically integrated platform unites AppFolio Property Manager and AppFolio Investment Manager into one powerful platform. This gives you control over the entire lifecycle of your real estate business — from fundraising and investor relations to asset and property management.
- ✓ AppFolio Investment Manager, which is built on the backbone of AI, significantly improves the efficiency of visualizing and pulling data, sending customized outreach, and communicating, including providing investor packets and tax documents. This allows you to focus on these hands-on relationships without getting bogged down in the busywork.

To learn more and schedule a customized walkthrough, visit us at appfolio.com/investment-manager.

2024 Real Estate Investor Report:

Looking Beyond the Numbers

The Real Estate Investor Report for 2024 provides a comprehensive analysis of the current market landscape, highlighting key insights and opportunities for real estate managers. Maintaining strong client relationships and providing exceptional service is crucial as the industry navigates fluctuating interest rates, growing competition, and abundant liquidity.

Leveraging the detailed findings and strategic recommendations in this report equips you to meet and exceed client expectations. Enhancing transparency, embracing innovation, and committing to continuous learning and improvement are your best chances for success.

Adapting and responding proactively to the insights in this report will help you thrive in the fluid and evolving real estate market.

