MULTIFAMILY LEADERS SURVEY

Deep dive into the attitudes and expectations of the C-level suite

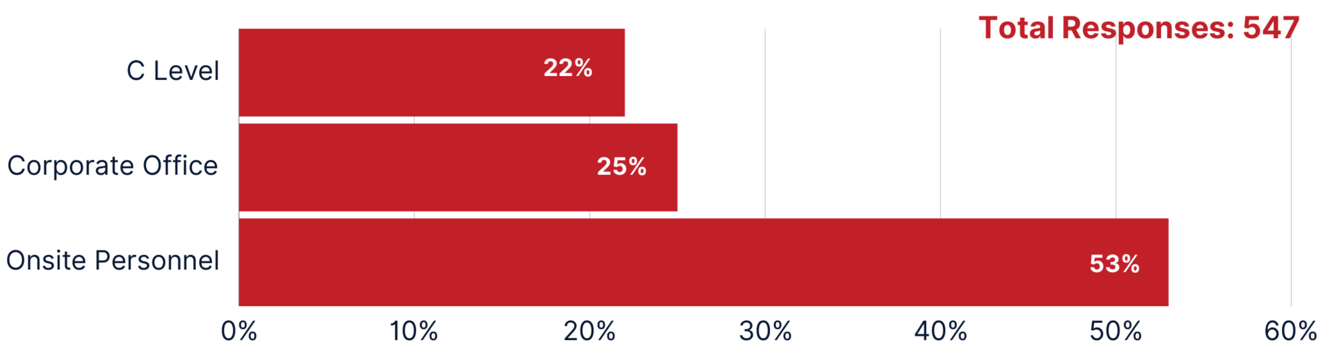
2023

J TURNER RESEARCH

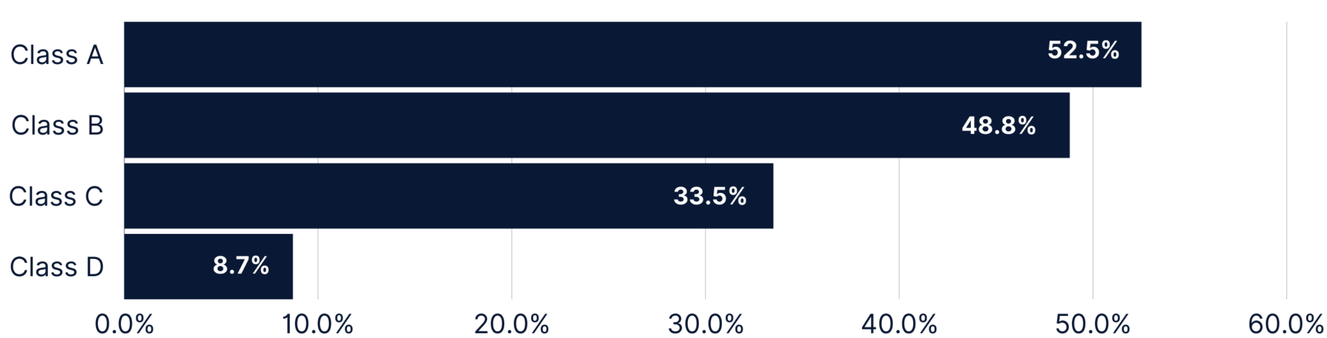
About the Survey

J Turner Research's annual Multifamily Leaders Survey is a deep dive into the attitudes and expectations of the C-level suite involving industry issues and trends. For more than a decade, J Turner has researched and analyzed the expectations and predictions of senior-level executives, corporate office, and onsite personnel regarding their portfolios, rent concessions, availability of finance, economic optimism, top amenities for prospects, and their most formidable challenges. The 2023 Leaders Survey report features the trends in this research over the last 15 years. For any questions about the Leaders Survey, please contact research@jturnerresearch.com.

DEMOGRAPHICS



What's the approximate percentage breakdown of your company's multifamily assets?



Summary of Key Findings

Rent Increase and Rent Concessions

- Optimism about rent growth has dropped again for the second year in a row to 3.14 down from 3.34 in 2022 (with 5 being the highest) after a historical high of 4.36 in 2021.
- The percentage of portfolios offering rent concessions has gone up to 67% continually climbing from 45% in 2022, and 33% in 2021.
- Rents continue to be on the incline but growth is starting to slow. The 2023 effective rent increase is 7.5%, down from 2022's 14.28%, and 10.87% in 2021.
- Across property portfolios, 57% of respondents reported increased rents for new leases down from 92% who reported increased rents for new leases in 2022.

Availability of Financing and Economic Optimism

- The respondents' optimism about the availability of financing has continued to decline hitting a record low as it is reported at 3.37 (with 5 denoting always available) as compared to 3.84 in 2022, and 4.23 in 2021.

- Optimism about the U.S. economy for the next 12 months has declined to 2.47 from 2.50 in 2022 and 3.16 in 2021. While a slight decline in overall economic optimism doesn't necessarily translate to a housing market downturn, multifamily operators should monitor economic data alongside multifamily market trends and be prepared to adjust their strategies if the economic slowdown worsens and renter demand weakens.

Capital Expenditure

- Thirty-six percent of C-level executives indicated that their capital expenditure budget will be greater in 2024, while 34% indicated that it will remain the same. Increased investment could increase competition with a wave of property renovations and upgrades potentially causing an increase in property values over time.

Average Length of Stay of Residents

- The average length of stay by residents continues to increase and is reported at 29 months in 2023 an increase from 24.77 in 2022, and up from 23.44 months in 2021. While rising home prices and mortgage rates could be one factor for longer resident stays, this could also signal increased competition for existing residents and the need to review renewal incentives and focus on resident satisfaction.

Percentage of Leases from Different Tour Types

- In-person tours remain a steady source of leases at 76% in 2023, a marginal increase from 75% in 2022. In 2021 only 52% of leases originated from in-person tours. This increase in in-person tours is expected with the continued decline in concerns about the pandemic receding into the past.
- The percentage of leases reported from self-guided tours has increased this year to 14.6% declining since last year as it was reported at 9% in 2022 and 12% in 2021.
- Virtual tours are beginning to show a slight slowdown in the command of leases in 2023 at 26%, down from a record high of 28% in 2022 and 20% in 2021.
- Investing in training and resources for a strong leasing team will continue to ensure the optimal performance of the highest converting channel. While in-person tours are regaining dominance, multifamily operators will still need a multi-channel approach to tours to maximize lead generation and chances of conversion.

Prospective Renters Have Clear Priorities

- **In-unit laundry remains king:** For over a decade, in-unit laundry has consistently ranked as the most desired amenity by renters.
- **Walkability takes center stage:** In a surprising shift, walkable neighborhoods with easy access to stores and restaurants have surged to the second most important factor. This indicates a growing renter preference for convenience and a sense of community.
- **Positive online reputation matters:** A strong online reputation remains a top-three priority for renters. This reinforces the importance of maintaining a positive online image and addressing resident concerns promptly.
- **Pet policies and appliance upgrades**: Friendly pet policies have slipped to number four, while upgraded appliances now rank as number five. This suggests that while both are still important considerations, they may hold slightly less weight compared to in-unit laundry, walkability, and online reputation.

Staffing Difficulty

- The demand for maintenance team members does not appear to be letting up as respondents rated staffing maintenance positions as the most difficult at 4.41, from 4.64 in 2022 and 4.46 in 2021 (with 5 being the highest score).
- The difficulty in staffing onsite personnel also continues to trend although slightly lower than in the past as it is reported at 3.68, slightly down from the high of 3.91 in 2022, and 3.76 in 2021.

Top Three Challenges

- Hiring and managing talent continues to be the biggest challenge although we are seeing an overall decline of 50% in 2023, from 57% in 2022 and 55% in 2021.
- Reducing operational costs continues as the second biggest challenge with an increase to 48%. It has significantly trended up from 2021 at 29%, and 42% in 2022. Raising rents moved to the number three biggest challenge for 2023 at 30%. This challenge also reflects the largest discrepancy between the challenges perceived in responses of C-level and onsite personnel.
- The concerns about timely rental payments seem to have reduced greatly since 2021, it was at 41% in 2021, down to 31% in 2022 and now slowing again to 29% in 2023 ranking as the fourth biggest challenge.
- C-Level vs. On-Site Priorities:
  - Biggest Disagreement: Rent increases, affordable housing, and low occupancy.
  - C-Level Focus: Hiring, talent, and expansion opportunities.
  - On-Site Focus: Rent adjustments, affordability concerns, and occupancy levels.

Review Categories

- The largest discrepancy between C-level and onsite respondents concerned customer service as a resident review category.
- C-level respondents selected customer service as the review category of concern at 46% while onsite selected this category 20% of the time.
- The second largest discrepancy came from maintenance with a difference of 22% between C-level and onsite responses.
- Onsite respondents thought the understanding of financial burdens was a larger issue for residents reporting 48% and C-level respondents at 32%.

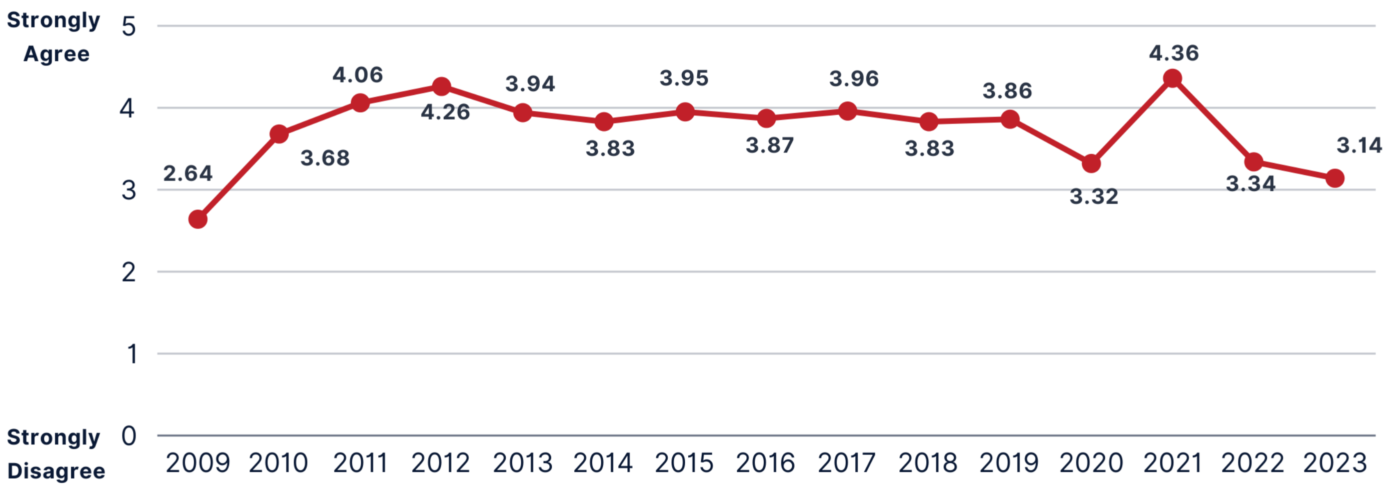
Mitigating Staffing Risks/Managing Employee Morale Retention

- In response to the question, “What are you doing to mitigate staffing risks, talent management, employee morale, and retention?” respondents had a variety of ideas. Several common themes emerged including – evaluating compensation and benefits, focusing on training and development, and increasing communication and recognition. These themes demonstrate how leaders may work to ensure their teams stay motivated, empowered, and satisfied in their daily work.

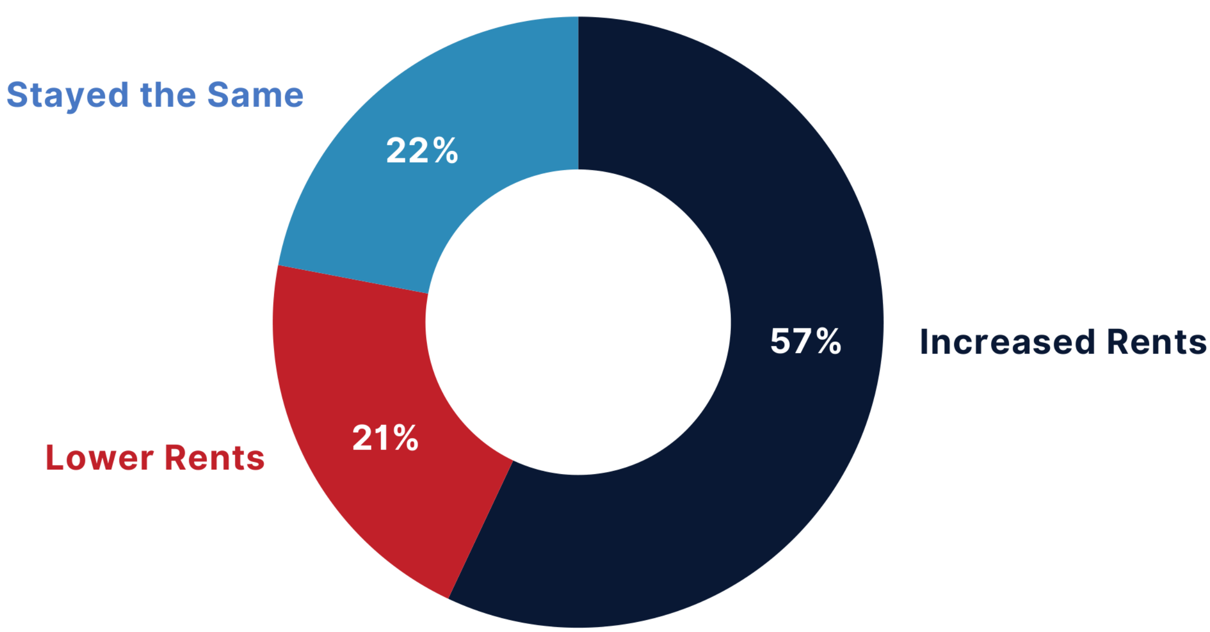
Important Upcoming Trends*

- We continued the upcoming trends inquiry this year by asking about specific industry trends and how important multifamily personnel think each trend would become for the industry.
- The respondents rated the top trends as single-family home rentals, smart homes, self-guided tours, and in-unit deliveries tracking the same trajectory as 2022.

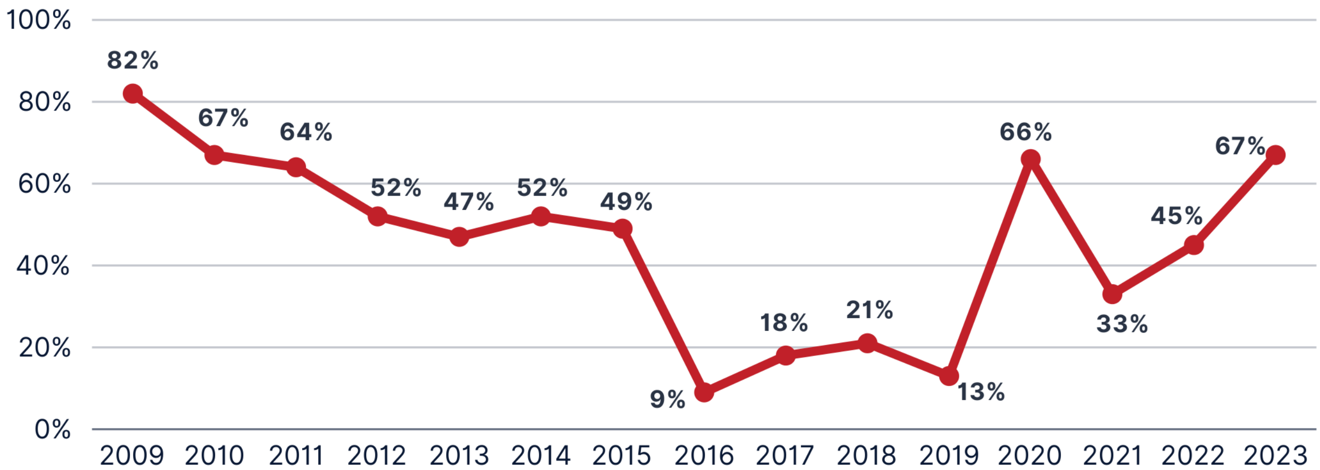
I FEEL OPTIMISTIC ABOUT RENT GROWTH IN THE NEXT 12 MONTHS



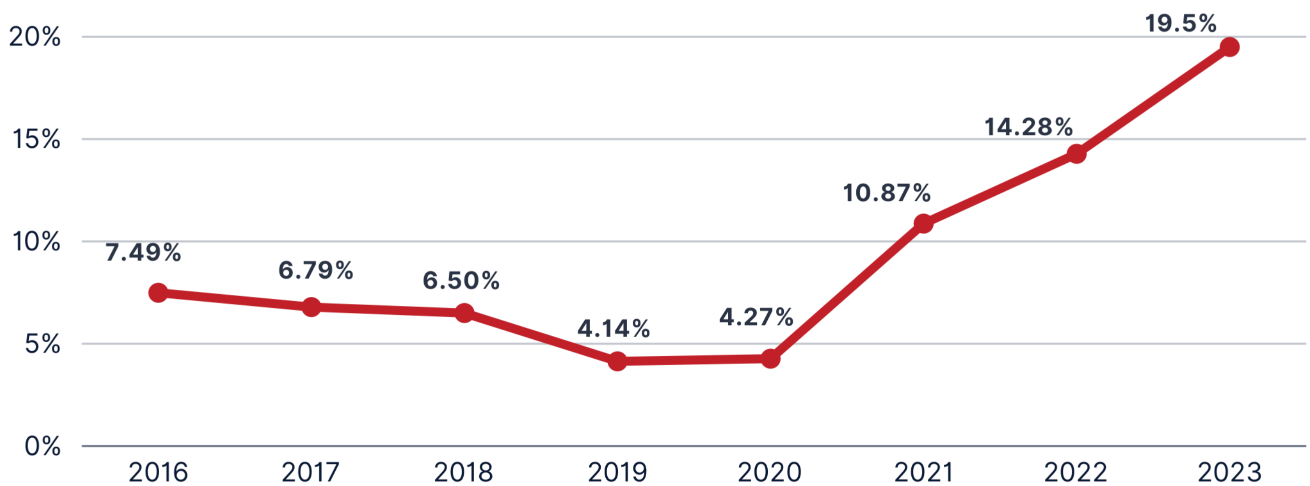
GENERALLY SPEAKING, WHAT HAS BEEN THE RENT TREND FOR NEW LEASES FOR YOUR PORTFOLIO?



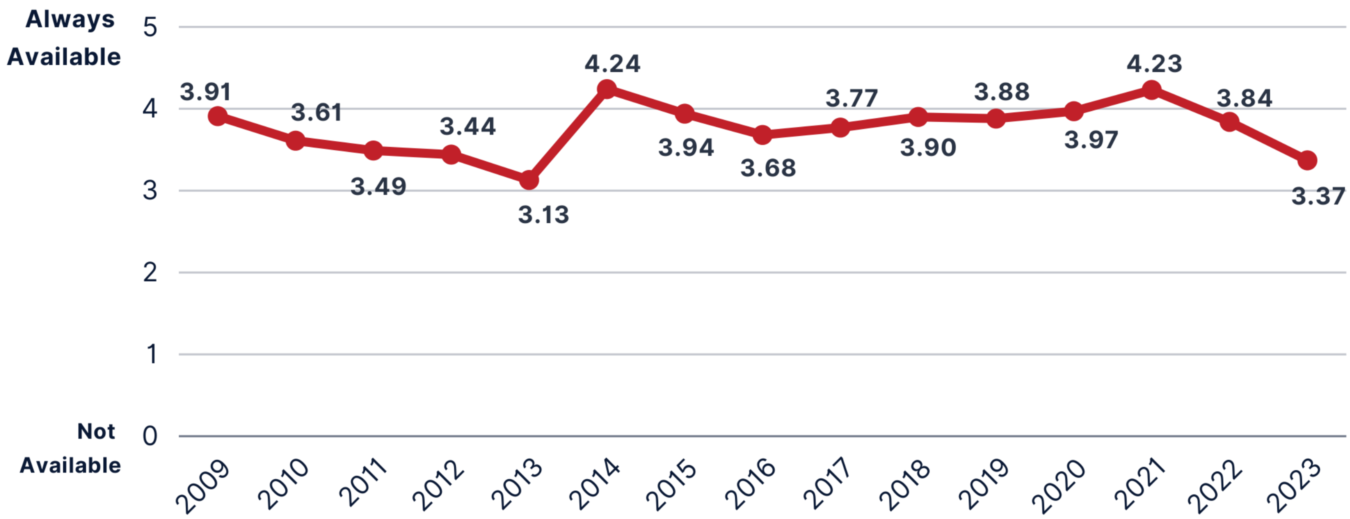
PERCENT OF PORTFOLIOS OFFERING RENT CONCESSIONS



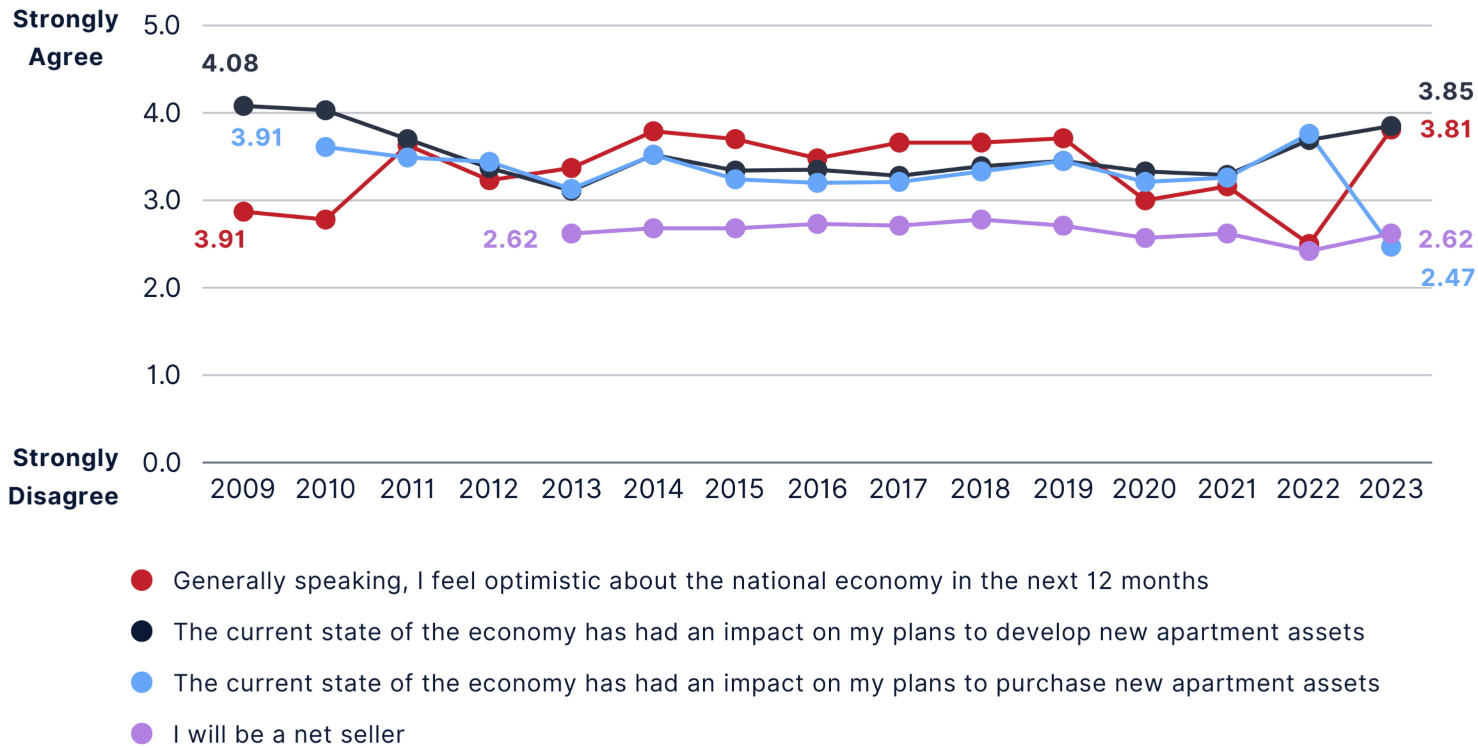
AVERAGE EFFECTIVE RENT INCREASE FOR THIS YEAR



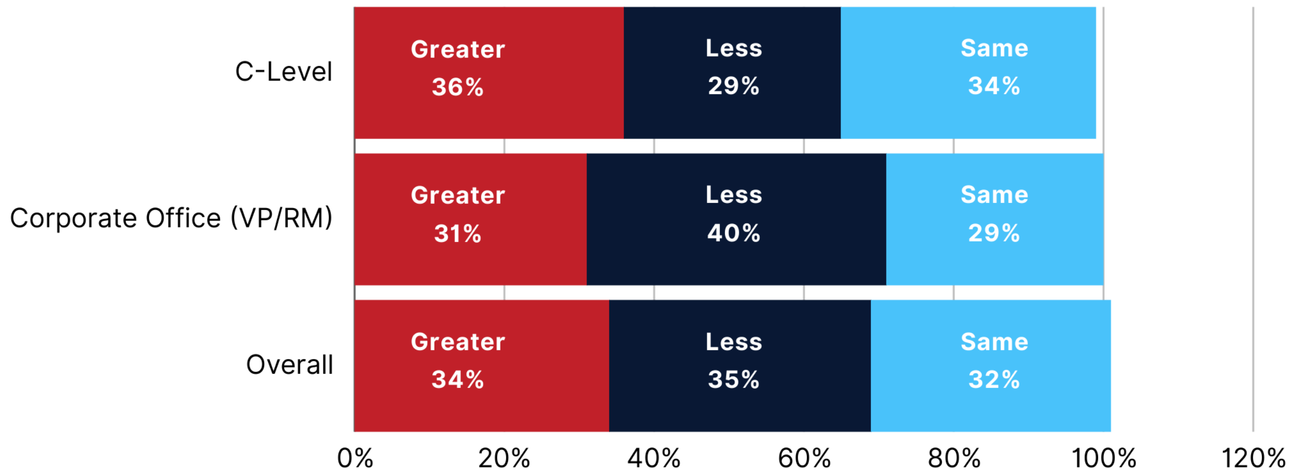
IN YOUR OPINION, WHAT IS THE AVAILABILITY OF FINANCING TODAY?



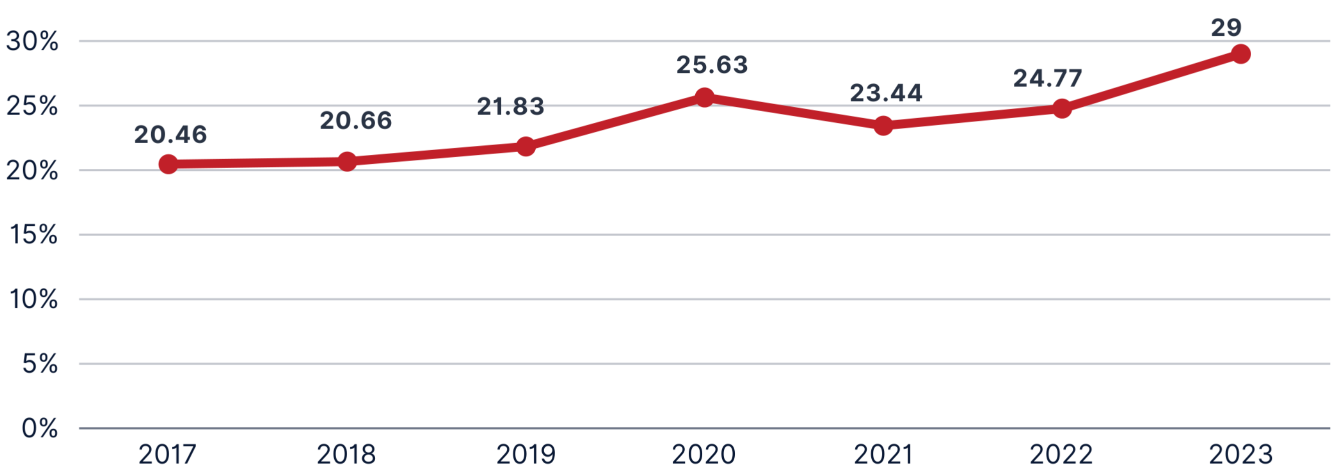
ECONOMIC OUTLOOK



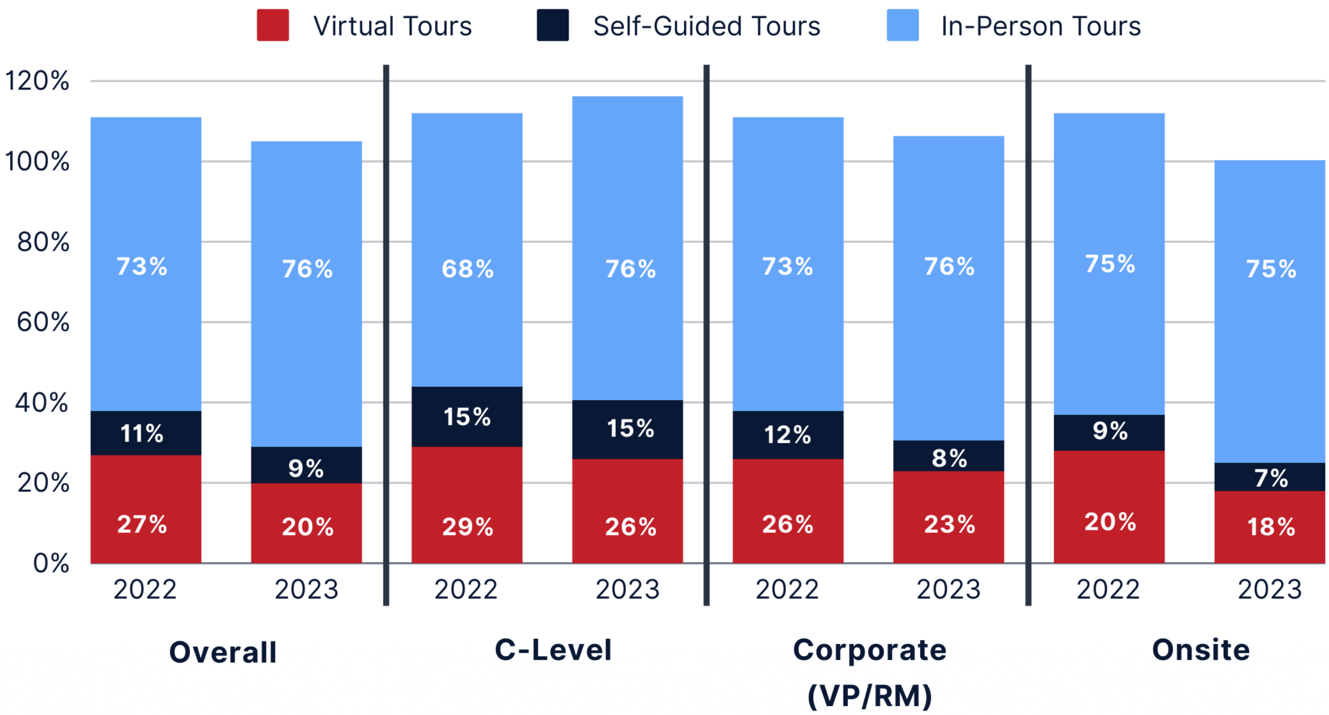
COMPARED TO 2022, YOUR 2023 CAPITAL EXPENDITURE BUDGET WILL BE:



AVERAGE LENGTH OF STAY OF RESIDENTS (IN MONTHS) FOR YOUR PORTFOLIO

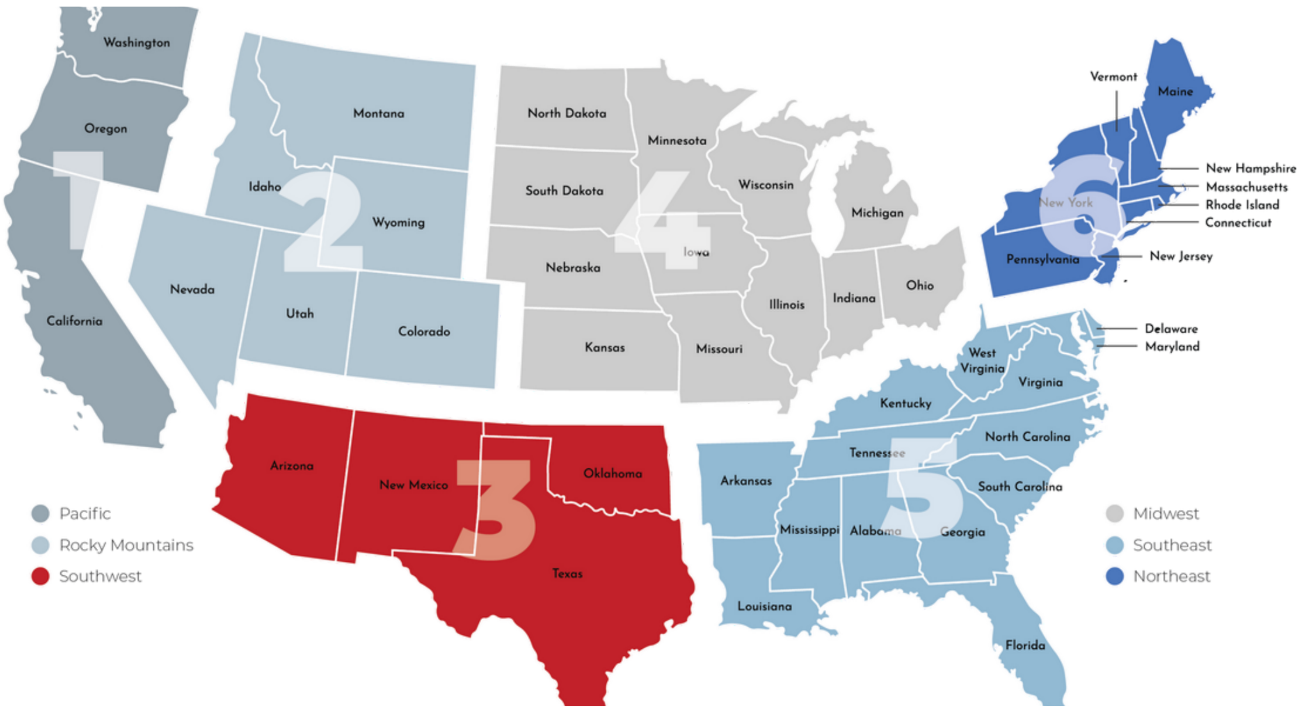


PERCENTAGE OF LEASES FROM EACH TOUR TYPE



REGIONAL TRENDS

We asked the leaders to answer questions based on regions around the country. The regions were divided as follows:



Approximately how many units do you own/manage in each region?

Region 1 - Pacific	275,524
Region 2 - Rocky Mountains	91,219
Region 3 - Southwest	351,000
Region 4 - Midwest	192,526
Region 5 - Southeast	448,928
Region 6 - Northeast	99,732

How do you think rents will perform across each region in your portfolio in the next year?

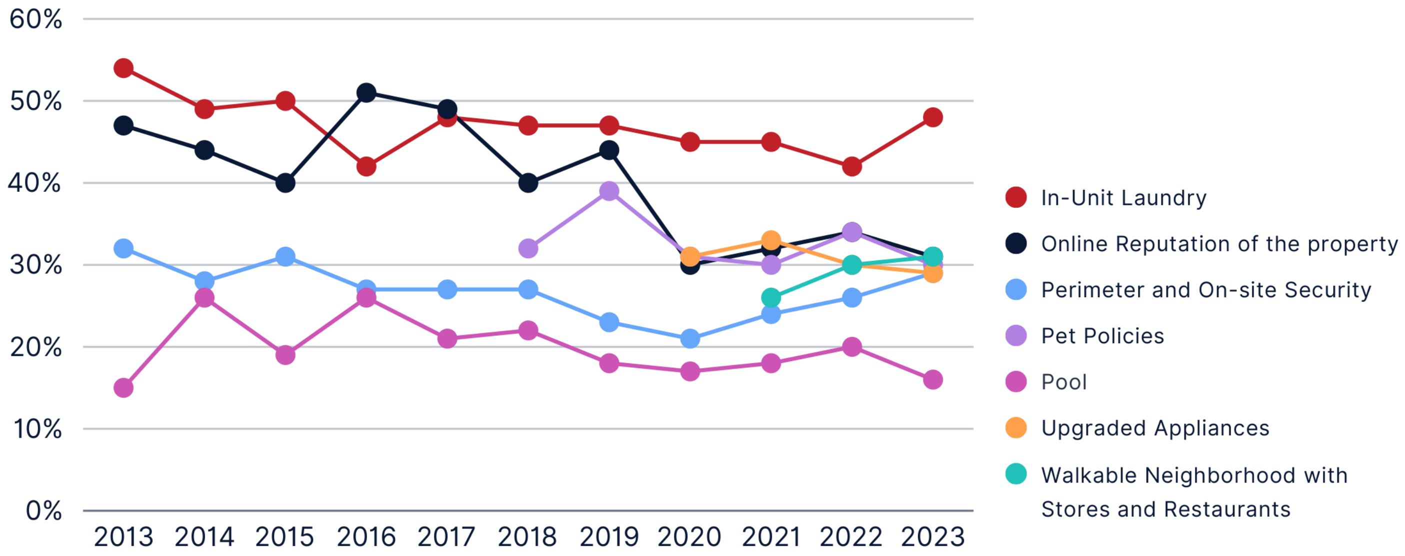
Please note: Numbers in parenthesis are from 2022.

	No units in the region	0% rent growth	5%+ rent growth	1-5% rent growth	1-5% rent decline	5%+ rent decline
Region 1 - Pacific	66% (67%)	5% (10%)	4% (17%)	22% (14%)	2% (0%)	1% (1%)
Region 2 - Rocky Mountains	68% (66%)	6% (6%)	4% (16%)	21% (16%)	2% (1%)	0% (1%)
Region 3 - Southwest	45% (45%)	8% (11%)	7% (23%)	35% (27%)	4% (1%)	1% (0%)
Region 4 - Midwest	51% (50%)	3% (12%)	7% (18%)	37% (27%)	2% (2%)	1% (0%)
Region 5 - Southeast	42% (35%)	11% (9%)	7% (31%)	35% (30%)	4% (2%)	1% (1%)
Region 6 - Northeast	72% (69%)	3% (5%)	4% (11%)	21% (17%)	1% (3%)	1% (3%)

What is your portfolio's overall occupancy rate in each region?

	No units in the region	Less than 85%	85-89%	90-94%	95-100%
Region 1 - Pacific	72% (69%)	0% (0%)	2% (0%)	16% (12%)	10% (19%)
Region 2 - Rocky Mountains	72% (68%)	1% (0%)	2% (1%)	16% (11%)	9% (20%)
Region 3 - Southwest	49% (47%)	2% (0%)	2% (1%)	32% (20%)	15% (32%)
Region 4 - Midwest	56% (53%)	1% (1%)	4% (2%)	20% (14%)	19% (31%)
Region 5 - Southeast	44% (38%)	1% (1%)	5% (2%)	27% (20%)	23% (39%)
Region 6 - Northeast	77% (72%)	0% (0%)	1% (1%)	6% (7%)	16% (19%)

BESIDES RENT AND LOCATION, PLEASE CHECK THE TOP THREE AMENITIES IN IMPORTANCE TO YOUR PROSPECTIVE RESIDENTS.



Other Options:

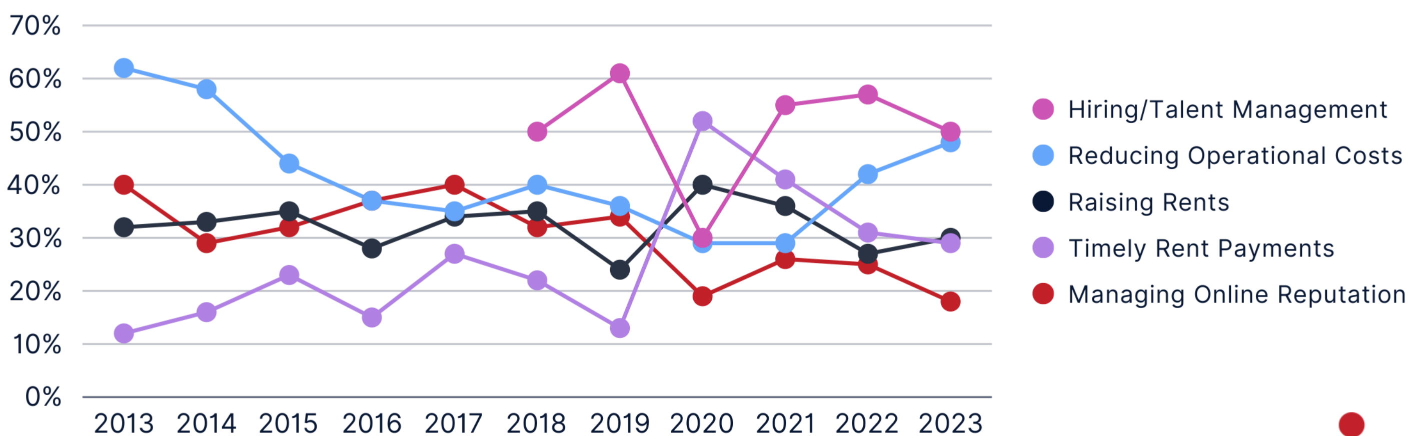
- Bundled Telecom Packages
- Covered Parking
- COVID Sanitation
- Electronic Payments
- In-Unit Security
- Onsite Green Features
- Pet Yard
- Fitness Center
- Smart Home Technology

DIFFERENCE IN PROSPECT PREFERENCES BETWEEN C-LEVEL AND ONSITE PERSONNEL

	Overall	C-Level	Corporate Office (VP/RM)	Onsite Personnel	Percent Points Difference
Walkable Neighborhood with Stores and Restaurants	31%	21%	31%	35%	-14%
Pool	16%	12%	13%	19%	-7%
Fitness Center	15%	9%	19%	15%	-6%
Covered Parking	15%	11%	13%	17%	-6%
Upgraded Appliances	29%	24%	34%	28%	-4%
Electronic Payments	17%	17%	14%	18%	-1%
Onsite Green Features	2%	2%	1%	3%	-1%
In-Unit Security	4%	4%	3%	5%	-1%
Online Reputation of the Property	31%	29%	36%	29%	0%
Bundled Packages (Cable and Internet)	6%	7%	7%	6%	1%
Perimeter and Onsite Security	29%	30%	27%	29%	1%
Pet Yard	7%	11%	6%	5%	5%
Smart Home Technology	7%	9%	10%	4%	5%
Pet Policies	30%	34%	29%	29%	5%
In-Unit Laundry	48%	62%	44%	45%	17%

The table lists the percentage of responses given by each level of management for each amenity. The last column represents the percentage point difference between C-Level and onsite personnel for each amenity. The table is sorted by the difference in opinion of those two particular groups.

WHAT ARE THE MOST CHALLENGING ISSUES YOU FACE TODAY?

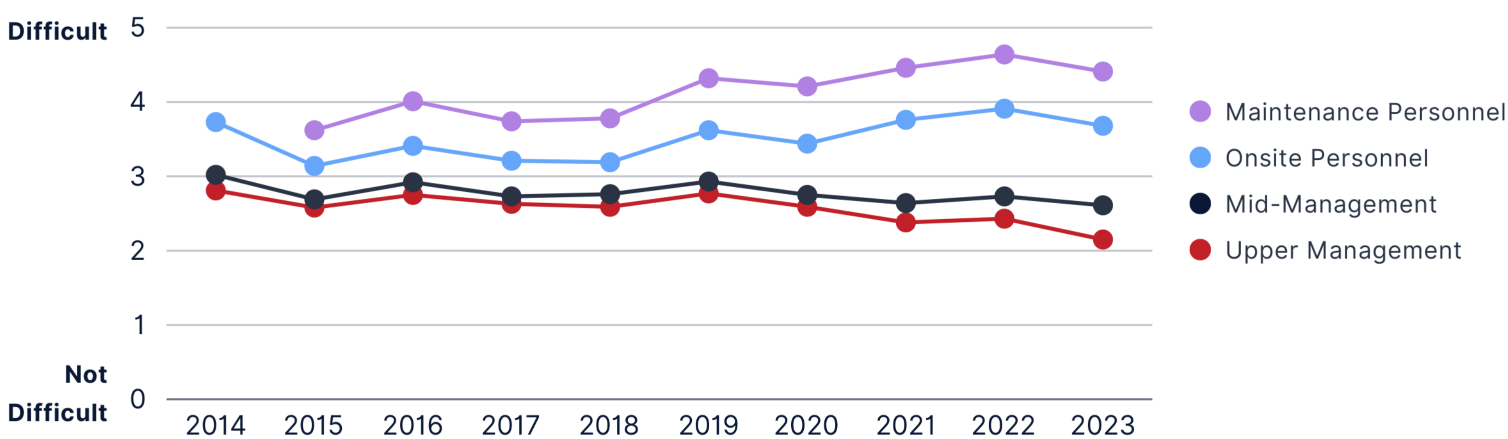


DIFFERENCE IN CHALLENGING ISSUES BETWEEN C-LEVEL AND ONSITE PERSONNEL

	Overall	C-Level	Corporate Office (VP/RM)	Onsite Personnel	Percent Points Difference
Hiring/Talent Management	50%	69%	67%	34%	36%
Finding Assets for Expansion	10%	22%	10%	4%	17%
Reducing Operational Costs	48%	59%	49%	42%	17%
Government Regulation	19%	25%	26%	14%	11%
Rehab and Capital Improvements	20%	20%	18%	21%	-1%
Diversity and Racial Equality	1%	0%	1%	1%	-1%
Package Management	7%	5%	5%	9%	-4%
Team Motivation	18%	11%	26%	17%	-6%
Timely Rental Payments	29%	27%	19%	34%	-7%
Managing Online Reputation	18%	13%	16%	22%	-9%
Low Occupancy	20%	12%	24%	21%	-9%
The Need For Affordable Housing	18%	8%	10%	25%	-17%
Raising Rents	30%	19%	20%	39%	-20%

- ***The table lists the percentage of responses by management level for each issue. The last column represents the difference in percentage points between C-Level and onsite personnel for each issue. The table is sorted by the difference in opinion of those two particular groups.***

PLEASE RATE THE LEVEL OF DIFFICULTY FOR STAFFING AT EACH LEVEL



IN YOUR OPINION, HOW LIKELY ARE THE FOLLOWING TRENDS TO BECOME IMPORTANT TO THE INDUSTRY?

	Overall	C Level	Corporate	Onsite
Single Family Home Rentals	3.82	3.83	3.81	3.82
Smart Home	3.56	3.42	3.80	3.51
Self Guided Tours	3.43	3.46	3.53	3.38
In-unit Delivery	3.37	3.43	3.44	3.32
Shared Economy	3.06	2.93	3.12	3.08
Short Term Lease Rentals, i.e. AirBnB	3.05	2.75	3.07	3.16

1 being least likely to 5 being very likely

THE DIFFERENCE IN EMPLOYEE MORALE BETWEEN CORPORATE OFFICE AND ONSITE PERSONNEL

	Overall	Corporate	Onsite	Percent Points Difference
I am satisfied with my company's handling of the Coronavirus pandemic.	8.03	8.29	7.90	4.9%
I feel like my voice is heard here.	7.06	7.17	7.00	2.4%
I feel valued as a team member.	7.42	7.24	7.49	-3.4%
As a general practice, employees are encouraged to speak up to managers or supervisors when they feel stressed or overwhelmed by their workload.	7.03	6.78	7.13	-4.9%
I feel like the leadership prioritizes mental health at work.	6.61	6.36	6.73	-5.5%
I would recommend my company as a good place to work.	7.96	7.64	8.11	-5.8%
I get adequate support/training from the senior management team.	7.19	6.84	7.34	-6.8%
I am motivated by my role/workplace.	7.72	7.34	7.89	-7.0%
I am satisfied with the work/life policies at my company.	7.28	6.86	7.47	-8.2%

WHAT ARE YOU DOING TO MITIGATE STAFFING RISKS/TALENT MANAGEMENT/EMPLOYEE MORALE AND RETENTION?

In response to the question, “What are you doing to mitigate staffing risks, talent management, employee morale, and retention?” respondents had a variety of ideas. Several common themes emerged including – evaluating compensation and benefits, focusing on training and development, and increasing communication and recognition. These themes demonstrate how leaders may work to ensure their teams stay motivated, empowered, and satisfied in their daily work.

Attracting and Retaining Talent Themes:

- Compensation and benefits: Several responses mention offering higher pay, more benefits, and flexible work schedules as key strategies for attracting and retaining talent. (e.g., "Fortunately, the bulk of our employees are very long-term, but we are always looking for good people. We offer decent benefits, high pay, and great flexibility")
- Positive work environment: Creating a positive work environment is another frequently mentioned theme. This includes things like being kind and understanding, treating employees with respect, and valuing their input. (e.g., "I try to be kind and understanding through personal challenges.", "Treat employees with Respect. Value input. Create healthy work-life balance")
- Training and development: Providing opportunities for training and development is seen as a way to improve employee skills and satisfaction, which can help with retention. (e.g., "I am making sure my staff are trained properly and can be open and honest about all situations.", "Training in-house and off-site including TAA Convention, excellent competitive Benefits package, 1099 contractor employees for the staff gets to choose and Holiday Awards dinner with specific awards given based on goals achieved over and above expectations.")

Reducing turnover:

- Communication: Open and honest communication is seen as important for reducing turnover. This includes things like having an open-door policy, holding regular meetings, and listening to employee concerns. (e.g., "Providing an open-door policy for communication with the Property Manager, training, and effective communication amongst fellow meetings with staff, checking on them. Asking about family and approving time off as needed. Asking for their ideas regarding input")

Appreciation and recognition

- Recognizing and appreciating employees for their hard work is seen as a way to boost morale and reduce turnover. This can be done through things like employee surveys, gifts, and awards. (e.g., "Employee surveys and strategic responses to feedback, adjusting pay on existing team members as the market drives, focusing on appreciation, and communication. Team lunches. Open discussion about fair workload. Prioritizing easy requests by team extra compute", "Holiday Awards dinner with specific awards given based on goals achieved over and above expectations.")

Other Themes

- Teamwork and collaboration: Building strong teams and fostering collaboration is seen as important for creating a positive work environment and reducing turnover. (e.g., "Build strong teams that are connected to upper management.")
- Work-life balance: Offering flexible work schedules and other benefits that help employees achieve a good work-life balance is seen as important for attracting and retaining talent. (e.g., “Keeping morale up by creating a positive work environment that has flexibility with time off, monthly training, limited weekend hours per month, Monday holidays off.")

Conclusion

The 2023 Multifamily Leaders Survey provides valuable insights into the current state of the industry and the key challenges and opportunities facing multifamily leaders. While there is some cautious optimism about the future, there are also significant concerns about rent growth, availability of financing, and economic conditions. To navigate these challenges and succeed in the current environment, multifamily leaders should focus on the following key areas:

- Attracting and retaining talent: The survey highlights the importance of offering competitive compensation and benefits, creating a positive work environment, and providing opportunities for training and development. Multifamily leaders should invest in their people to build strong teams and reduce turnover.
- Improving efficiency: With margins tightening, it is more important than ever for multifamily leaders to find ways to improve efficiency. This could involve using technology to streamline processes, automating tasks, and cross-training staff.
- Controlling costs: In an inflationary environment, multifamily leaders need to control costs wherever possible, and finding more efficient ways to maintain properties, and reduce energy consumption could be key components.
- Building a strong brand: In a competitive market, it is important for multifamily properties to stand out from the competition. Multifamily leaders should focus on building a strong brand that resonates with target residents and addresses any concerns reflected in online ratings and reviews.

By taking action, multifamily leaders can work to mitigate risks in 2024, capitalize on found opportunities, and position their businesses for success in the current environment.

Additional Actionable Insights

- Conduct a salary survey to ensure that you are offering competitive compensation and benefits.
- Create a culture of appreciation and recognition to boost employee morale and reduce turnover.
- Conduct regular employee surveys to understand team challenges and monitor morale.
- Invest in training and development programs to help employees improve their skills and knowledge.
- Implement new technologies to streamline processes and automate tasks.
- Find ways to reduce energy consumption and other operating costs.
- Develop a marketing plan to promote properties' unique positive attributes and attract new residents while addressing any areas of concern residents might see in online ratings and reviews.

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Deep dive into the attitudes and expectations of the C-level suite

J TURNER RESEARCH