INTRO

In 2012, PayLease published its first annual Market Survey about online payment usage in the property management industry. We commissioned New Heights Research to survey US-based HOA and multifamily firms to determine the penetration rate of online payments within those industries. After generating a lot of interest from management companies, we decided to publish a new Market Survey every year.

In 2013, we focused on the growth of online payments across HOA and multifamily and also decided to take a look at how many firms were making changes to their solution.

Now in its third year, our Market Survey takes a look at how the biggest trends in the multifamily and HOA markets have impacted online payments year-over-year.
For our first annual Market Survey in 2012, New Heights Research constructed a list of 42,000 management companies within the United States. Those records were grouped based on company portfolio type (HOA, multifamily, and single family) and by the number of units under management. A statistically significant sample size of each market segment was selected, totaling 585 firms. Since 2012, that list has dropped to 566 companies, as some were acquired, or went out of business. The remaining 566 firms in our group were contacted by again by New Heights Research in 2014 via web and phone to determine the following:

- **Residential Units Under Management**
  (and properties/communities as possible)

- **Online Payment Solution Status**
  (including primary type/vendor as possible)

- **Management Portfolio by Property Type**
  (community association, multi-family, single-family, other residential [student, military, etc.], commercial)
One of the biggest surprises to come out of the 2013 Market Survey was how many firms had made a change to their online payment offerings in the past year. That year, we learned 17% of the firms participating in the survey made some sort of change to their solution. In 2014, we again asked participating firms if their company had made any changes to payment solution and found the number had risen to 26%.

Of the 26% of companies who reported a change to their online payment solution, here is how those changes break down:

- 48% went from one provider to another
- 32% offered online payments for the first time
- 14% added additional online payment types
- 5% dropped one solution, but kept another existing solution
- 1% stopped offering online payments all together

**SURVEY RESULTS**

Percentage of Companies Whose Online Payment Status Has Changed
As seen by the stats, the top reason companies made a change to their online payment solution was because they were unsatisfied with their vendor. Competition among payment vendors is fiercer than ever, giving management companies more leverage to change providers. In 2014, many online payment providers improved their accounting software integrations and offered more features and payment types at a reasonable cost. Another lure for management companies wishing to make a switch is the promise of a quick and seamless implementation. Implementing an online payment solution is easier than ever, and should rarely cause disruption to a management company’s day-to-day business. Payment providers who have perfected their onboarding process and that have a can-do approach to client support are seeing sizeable gains in new business from management companies already using online payments.

Thanks to an increasingly online-driven world, we also see a high percentage of firms offering online payments for the first time. New users to online payments account for 32% of the changes reported in this survey. Several recent studies have shown America’s increasing preference to pay bills online, so it is not surprising to see late adopters in the property management industry implementing this payment method. Fiserv’s 6th Annual Billing Household Survey confirmed that almost three-fourths of households in America with internet access (74%) pay at least one of their monthly bills electronically. Furthermore, Fiserv found that the percentage of households that pay at least one bill a month by check is rapidly declining. Fifty-three percent (53%) of US households paid at least one monthly bill using a check in 2013, down from 61% in 2012.

Almost three-fourths of households in America with internet access (74%) pay at least one of their monthly bills electronically.
Another confirmation that residents and management firms have become more comfortable with online payments? In 2014, HOA and multifamily firms added additional online payment types to their existing payment mix at twice the rate they did the year before. Fourteen percent (14%) of firms added new online payment types in 2014 compared with 7% in 2013. We believe that check scanning solutions or cash payments solutions (both of which convert the paper payments into electronic transactions) were the most commonly added payment types for firms with pre-existing solutions. Check scanning and Cash Pay products are relatively new offerings for many payment vendors and give property managers the ability to collect 100% of resident payments electronically. Another common scenario was firms who originally only offered ACH to residents and chose to add credit card payments in 2014.

68% of all firms participating in our survey now accept online payments, up 8% from last year.

Online Payment Adoption By Number of Firms

For the first time in the history of our Markey Survey, multifamily firms have added online payments at a higher rate than HOAs. In 2014, 62% of multifamily firms reported that they offer online payments. This is up 8% from the previous year’s report of 54%.

Despite being outpaced by multifamily, HOAs still saw a healthy gain in online payments, with 76% confirming the existence of an online payment solution in 2014. This is a growth of 7% from 2013, when 69% of HOAs reported an online payment solution.

Why the sudden shift in online payment growth within multifamily? Online payments have become a common amenity in practically every industry, and the benefits of eliminating paper payments are finally becoming clear to multifamily professionals. At a time when occupancy rates are at a record-high, (Reis Inc. reported a 4% vacancy rate in 2014, the lowest since 1999) Rent Weeks are obviously more painful and time-consuming for property managers who do not offer online payments. We believe many multifamily firms embraced online payment systems in 2014 as a way to help them streamline the sudden influx of resident payments.
Another factor we believe to be driving the growth across both HOA and multifamily segments is improved integration between online payment systems and accounting softwares. Payments that integrate with a management company’s accounting software is a key benefit of automating payments, as it eliminates manual data entry for the community manager. Over the past few years, payment providers have worked diligently to perfect existing integrations, and to offer integrations with accounting softwares that were previously unavailable. In 2014, many new users to online payments were HOA and multifamily firms who were previously unable to integrate online payments into their accounting software.

Finally, 2014 saw an increase in the amount of mobile internet traffic. With the increasing popularity and quality of smartphones, HOA and multifamily firms are busy optimizing their websites for mobile traffic. In addition to making the mobile viewing experience pleasant, they are adding amenities for residents to utilize from their mobile device, like online payments, maintenance requests and package notifications.
In addition to studying how online payments have grown overall across market segments, our research also looks at how online payments are represented across various company sizes within the multifamily and HOA industry.

**MULTIFAMILY**

In 2014, 64% of all multifamily units across the United States had the option to pay rent online. This represents a growth of 6% since 2013. In fact, each segment size within the multifamily industry increased its availability of online payments.

Which multifamily segment saw the highest increase of online payment solutions during 2014? Firms with 1,501-5,000 units under management added online payments at the fastest rate, with 63% of companies this size reporting an online payment solution. This marks a 14% increase for the 1,501-5,000 unit segment since 2013.

Not far behind were multifamily firms with 501-1,500 units under management. Sixty-nine percent (69%) of firms this size now offer online payments, a 10% increase since 2013. We think the high growth rates within these segments are attributed to the increasing cost-effectiveness and ease of implementation of online payments.

Multifamily firms with 5,000+ units still have a high percentage of companies who offer online payments (and are the second most common segment to offer them), but did not see much growth in 2014. Sixty-six percent (66%) of multifamily firms with 5,000 or more units confirmed using online payments in 2014, up 2% from the previous year.
Finally, small multifamily firms (defined as 101-500 units under management) saw a 4% gain in their online payment offerings, with 30% of firms this size confirming the existence of an online payment solution in 2014.

We are not surprised to see online payments increasing in popularity among mid-size multifamily firms. As mentioned previously, online payment solutions are becoming easier to implement and maintain, making them more attainable for firms with less resources on staff. On top of that, providers are offering more payment types than ever before, increasing the likelihood their online payment solution will be utilized by residents and thus, more of a benefit to community managers.

Multifamily Units with Online Payments

<table>
<thead>
<tr>
<th>Category</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL FIRMS</td>
<td>55%</td>
<td>58%</td>
<td>64%</td>
</tr>
<tr>
<td>100-500 units</td>
<td>19%</td>
<td>26%</td>
<td>30%</td>
</tr>
<tr>
<td>501-1,500 units</td>
<td>42%</td>
<td>59%</td>
<td>69%</td>
</tr>
<tr>
<td>1,501 - 5,000 units</td>
<td>45%</td>
<td>49%</td>
<td>63%</td>
</tr>
<tr>
<td>5,000+ units</td>
<td>64%</td>
<td>64%</td>
<td>66%</td>
</tr>
</tbody>
</table>
In 2014, HOA firms also saw growth in online payments across all portfolio sizes but grew at a slightly slower pace than multifamily firms. Overall, 81% of all homes in the United States that are within a HOA have access to online payment options. This is a 5% increase from 2013, when 76% of all homes within a HOA had online payment options.

For HOAs, both the largest segment size (5,000+ homes) and the smallest segment size (101-500 homes) added online payments at an equal pace in 2014. Both segment sizes each saw a 6% growth in online payment offerings. However, when it comes to their total online payment adoption rate, they are vastly different. In 2014, 85% of HOA companies with 5,000+ homes reported the existence of an online payment solution. Compare that to only 33% of HOAs who have 101-500 homes. The difference really isn’t surprising, with larger firms likely having resources available to implement such a system. However, with online payments becoming more mainstream and easier to implement, we expect that gap to narrow in the coming years.

HOAs with 501-1,500 homes and 1,501-5,000 homes also saw an equal growth rate of online payment solutions in 2014. Each segment added online payments at a rate of 3% in 2014. Sixty-four percent (64%) of HOAs with 501-1,500 homes offer online payments, compared with 73% of HOAs with 1,501-5,000 homes.

**HOA Units with Online Payments**

<table>
<thead>
<tr>
<th>Units</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL FIRMS</td>
<td>73%</td>
<td>76%</td>
<td>81%</td>
</tr>
<tr>
<td>100-500 units</td>
<td>27%</td>
<td>27%</td>
<td>33%</td>
</tr>
<tr>
<td>501-1,500 units</td>
<td>60%</td>
<td>61%</td>
<td>64%</td>
</tr>
<tr>
<td>1,501 - 5,000 units</td>
<td>62%</td>
<td>70%</td>
<td>73%</td>
</tr>
<tr>
<td>5,000+ units</td>
<td>76%</td>
<td>79%</td>
<td>85%</td>
</tr>
</tbody>
</table>
With so many HOA and multifamily companies still lacking an online payment system, the number of firms adding this amenity will continue to grow in 2015. However, with the saturation of online payments beginning to level out, we predict the growth rate will slightly dip to 4-5% in 2015.

We also think the rate of change among management companies with an online payment system will roughly stay the same in 2015. Our prediction is that in 2015, 1 out of 4 companies will make a change to their payment solution. However, the number of companies moving from one payment provider to another will decrease to 1 in 10.

From a multifamily perspective, progressive firms can expect to see as much as 40% of their website traffic to come from mobile devices by the end of 2015. We think that number will be slightly lower for HOAs who can expect close to 30% of their 2015 website traffic to originate from a mobile device.

Perhaps the biggest trend we expect in 2015 is the continued growth of mobile internet traffic to HOA and multifamily websites. The International Data Corporation predicts that in 2015 the internet will be accessed more often through mobile devices than through PCs. From a multifamily perspective, progressive firms can expect to see as much as 40% of their website traffic to come from mobile devices by the end of 2015. We think that number will be slightly lower for HOAs who can expect close to 30% of their 2015 website traffic to originate from a mobile device. Therefore, it will become imperative for HOAs and multifamily firms to optimize their website for the mobile experience. Some firms may even go a step further and develop a mobile app for residents to use for submitting maintenance requests and of course, making payments. To further drive the importance of mobile optimization, we again look to Fiserv’s 6th Annual Household Billing Survey. The survey found that the top function consumers want from a mobile website or biller app is the ability to pay a bill.

Overall, 2015 will be a great year for HOA and multifamily firms thanks to more freedom and choices when it comes to their technology providers. We predict that improvements in technology, particularly mobile devices and online payments, will make day-to-day business for HOAs and multifamily firms more efficient than ever.

The top function consumers want from a mobile website or biller app is the ability to pay a bill.