Key Takeaways and Calls to Action from Apartmentalize

June, 2019
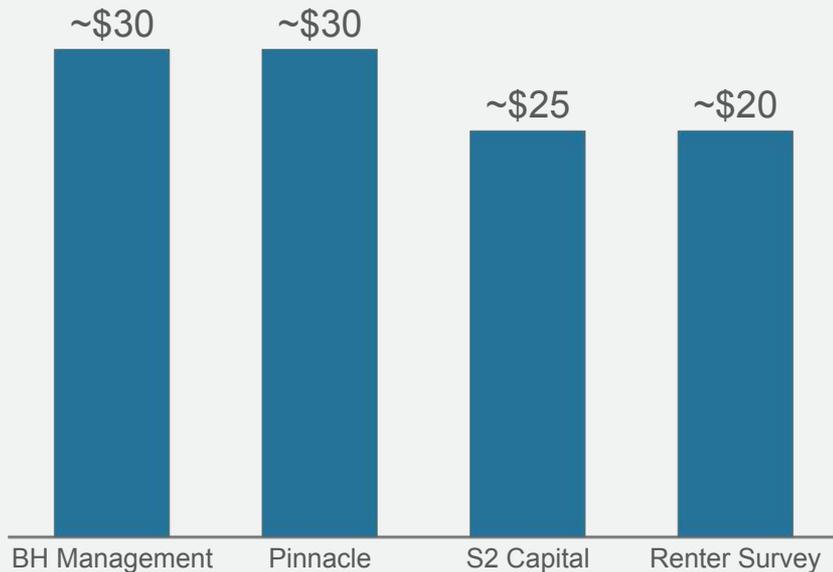
PayLease

Agenda

- Key Takeaways

- Calls to Action

Apartments equipped with Smart Home amenities are realizing rent premiums of $25 - $45 per unit per month

Smart Home Rent Premium Examples
(Monthly Rent Premium Per Unit)

Category	Premium
BH Management	~$30
Pinnacle	~$30
S2 Capital	~$25
Renter Survey	~$20

"It's a lifestyle marketing approach vs. a physical amenity. We are seeing $25-45 per unit a month in added rent"

– Taylor Wiederkehr, BH Management

"We see $25-35 in rent lift for a basic smart package. It pays for itself in 20-24 months"
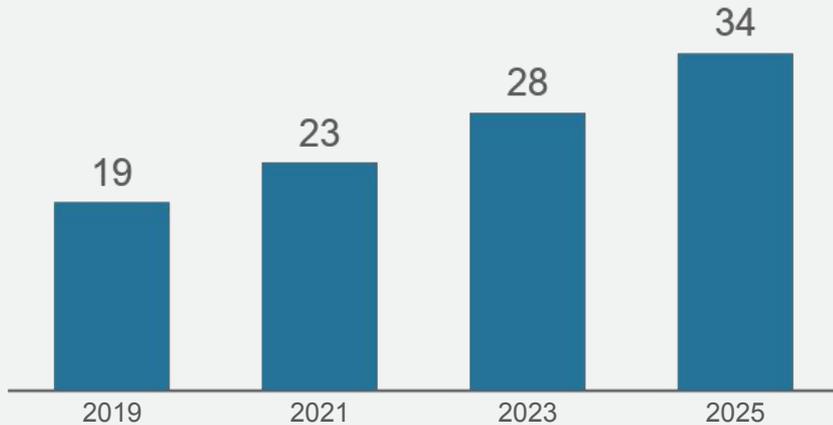
– Garin Hamburger, Pinnacle

"We are rolling out Smart Home portfolio wide. We consider it low hanging fruit to upgrade and evolve our properties"

– Scott Everett, S2 Capital

1) 57% of residents surveyed were willing to increase their rent by at least $20 / month to live in a Smart Community

It's expected that smart devices will be table stakes in most multifamily communities by 2025

Worldwide IOT Devices Expected to Double by 2025 *(in Billions)*

> "There are $19B IOT devices currently connected in the US. BY 2025 that will double to $34B. We'll need to have it in all of our communities because it will be the norm."
>
> – Garin Hamburger, Pinnacle

Multi-Family Tech adoption lags other industries but eventually catches up

Tech / Business Trend	Multi-Family Industry Adoption
Social Media Marketing	2009
Rating & Review Mgmt.	2010
Revenue Mgmt.	2013
Mobile Apps	2015
Smart Apartments	2017

A best practice smart home vendor evaluation criteria has emerged across multifamily

Best Practice Evaluation Criteria

1 How long has the vendor been serving the multi-family market?

2 Does the vendor have a track record of building and maintaining property management system integrations?

3 Does the vendor have long-term committed capital?

4 Does the vendor offer an enterprise grade smart hub (i.e. not a Raspberry Pi)?

5 Does the vendor integrate with Z-Wave devices?

6 Does the vendor have a track record of providing world class implementation and support

Property Managers can receive 50%+ of their rent payments online with the right setup & tooling

Leading Management Companies are utilizing mobile apps to increase online payments

Resident are interested in doing the following activities via a mobile app:

Activity	Percentage
Make a Rent Payment	46%
Pay for Utilities	40%
Make a Maintenance Request	39%

"There's an app that our residents love. It has an Alexa integration that allows them to pay rent"
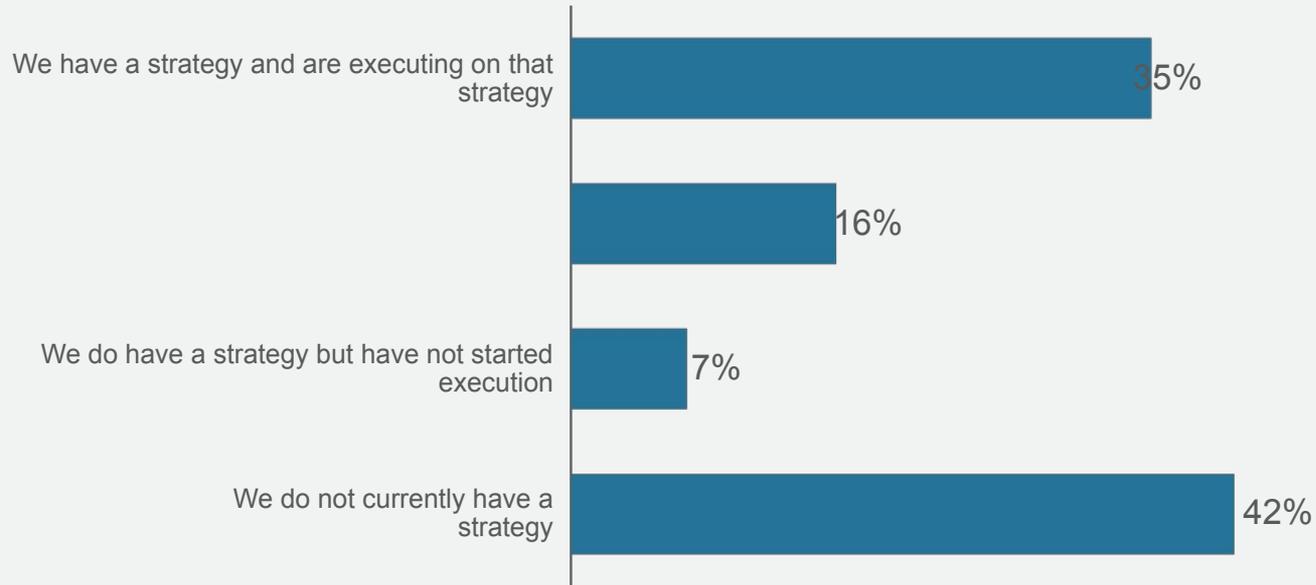*– Sarah Graham, The Dolben Company*

Lincoln Case Study

Achieved 70% online payments adoption; keys to success include:

- Focus on initial kickoff & change management

- Make it harder to pay with cash or check ("we had onsite teams shut rent boxes")

- Automate and standardize the move-in process (teach residents about the online engagement platform and the importance of signing up)

- Utilize email marketing to encourage online payment ("we created all of these automated emails to encourage sign up")

60% of management companies have a utility strategy in place or are working on establishing one

Does your organization currently have an energy / utility strategy?

Response	Percentage
We have a strategy and are executing on that strategy	35%
	16%
We do have a strategy but have not started execution	7%
We do not currently have a strategy	42%

Agenda

- Key Takeaways

- Calls to Action

Take advantage of smart apartment rent premiums to finance your community's IOT infrastructure

Take advantage of resident financing (while you still can)

Smart HW Installation Break Even	
Standard Smart HW Package (Hub, Thermostat, Lock)	~$375
Installation Expense	~$150
Total Upfront Cost	**~$525**
Rent Premium	$25
Months to Break Even	**21**

So you can realize the operational benefits on a go-forward basis

A standard smart apartment package provides a key piece of infrastructure that can be expanded and built upon over time

"Access is the baseline of how services will get into your community."
— Taylor Wiederkehr, BH Management

"I can't have self-guided tours unless I have smart locks."
— Mark Zikra, CA Ventures

"You need to start smart layering so you can future proof your assets."
— Jeff Olshan, Passco Companies

"It's a layered process and you have to start somewhere."
— Mark Zikra, CA Ventures

Utilize the best practice smart home evaluation criteria when selecting a provider

Evaluation Criteria	Zego (From PayLease)	SmartRent	Dwello	Vivent	IOTAS
How long has the vendor been serving the multi-family market?	●	◔	◔	○	◔
Does the vendor have a multi year track record of building and maintaining property management system integrations?	●	◔	◔	○	◔
Does the vendor have long-term committed capital?	●	○	○	●	◑
Does the vendor offer an enterprise grade smart hub (i.e. not a Raspberry Pi)?	●	◔	◔	●	◑
Does the vendor integrate with Z-Wave devices?	●	●	●	●	●
Does the vendor have a track record of providing world class implementation and support?	●	○	◔	◕	◔

Talk to a Payments Specialist to get a free "paperless payments" implementation kit

Onsite Staff Change Mgmt. & Training	• Provide **on-demand training** for on-site staff around:
	    The "why": time and cost savings associated with online payments
	    The 'how': use of the online payments system and common questions
	• **Align incentives** between management company and residents

Resident Onboarding	• **Provide residents with information** on the properties online portal and mobile app during the move-in and onboarding process • **Provide an incentive** (i.e. gift card) for residents that sign up for auto pay
Multiple Resident Engagement Channels & PMT Types	• Provides residents the ability to pay via a traditional desktop optimized resident portal as well as a **community branded mobile app** • Engage residents via an online engagement platform from move-in through move-out • Allow residents to pay via **multiple payment options** (e.g. ACH, Debit, Credit, Paypal, Masterpass, CashPay, etc.)
Multi-Channel Resident Communication	• **Communicate with residents based on their preferences** (email, SMS, in-app message, voice) • Integrate **rent reminder communications** with your payments platform

Develop a utility strategy to recoup expenses, reduce vacant unit costs, and reduce billing errors and late fees

Recoup Utility Expenses

Illustrative annual savings on a 1K unit portfolio is ~$300K

Annual Benefit Value

$303,000

Composed of
7% Cost Reductions
5% Time Savings
88% Revenue Gains

ROI Over Two Years

694%

Positive ROI Generated in

2.3 months

Benefits Experienced with PayLease Resident Utility Billing

96% Increase in NOI

4% Improved Productivity

Reduce Vacant Unit Costs

Average annual savings on a 1K unit portfolio is greater than $100K

> "We saw indicators of cost savings on utilities average $38 / unit / month on vacant units"
>
> – Alliance Residential

> "The annual vacant unit cost recovery for one multifamily firm that manages 120 communities nationwide is about $6 million per year"
>
> – Buildings.com

Reduce Billing Errors and Late Fees

Illustrative annual savings on a 10K unit portfolio is ~$100K

Savings Drivers	Per Unit	Total
Incorrect Meter Read	$8	$80K
Late Fees Waived	$0.5	**$5K**
Water Leaks Detected	$2.5	**$25K**
Total Savings	**~$11**	**~$110K**

Source: "Growing Revenue and Driving NOI at Multifamily Properties", Hobson & Company, 2018

1) "5 Money-Saving Ways to Manage Utility Expenses", Buildings, March 2018
2) "Alliance, Google, Dwelo partner on Smart-Apartment intiative", Multi Family Executive

Interested in learning more, we're here to help

Nick Latz

SVP, Marketing
858-500-4980 | nlatz@paylease.com

Reach out to Nick with
questions or to share additional
insights and perspectives

Product Specialists

1-866-729-5327
contact@marketing.paylease.com

Reach out to Sales to speak to a
Product Specialist