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Episode 6.8

5/20/25 Release

The New Reality of Multifamily: How Occupancy Trends Are Reshaping Property Management

Erin:
Welcome to another edition of From the Front Lines, where we discuss both the day-to-day, and one-of-a-kind issues facing real estate managers. In this episode, Ashkán Zandieh from CRETI, the Center for Real Estate Technology & Innovation, joins us to talk about how occupancy trends are reshaping property management. To learn more about CRETI, visit creti.org. Welcome to the podcast, Ash.

Ash:
Thanks. Thanks for having me, Erin.

Erin:
What's the current state of the multifamily and back-to-work in the office, and how do they intersect?

Ash:
Thank you for asking. That's a pretty interesting question, especially in today's market. I think today the multifamily industry remains resilient. And I say that because you have to look at it through almost like a Venn diagram or like through two separate lenses. While the industry remains resilient, with strong investor interest, I think the driving force behind the industry is really led by the ongoing housing shortage across major urban and suburban markets like major cities like New York, Chicago, L.A., Miami and others. And of course, there are local market nuances and macroeconomic headwinds that we all face, but overall the industry continues to perform well. And the investor appetite I think remains robust and there are a few good examples of that. I think it was Morgan Properties recently closed a $500 million acquisition of 11 properties in the Midwest. Now, I think this highlights the sustained confidence investors have in the sector. So while the conversations circle around how interest rates dominate much of last year's discussion, qualified and wealth capitalized, investors remain bullish on the multifamily sector. Now, in parallel to that, we have the office market. The office market is experiencing a revival as more organizations are encouraging, or in some cases mandating in-person attendance. I think one of the most recent examples was Jamie Diamond's highly publicized comments during the JP Morgan call. Now these sectors significantly intersect and play off each other. As employees increasingly return to the office, multifamily demand in those areas also increases. Additionally, multifamily properties located near those vibrant office hubs experience stronger occupancy rates, higher rents, and greater investment appeal, all of which reinforce the economic vitality of that urban core. So now for the purpose of our listeners, what does this mean for managers, right? Like what does this mean for us? Well, it's really quite simple. It means managers are experiencing higher levels of leasing activity and improved tenant retention as renters are choosing to stay longer and renewing

their leases in those markets and in those areas. So for owners and managers, this is a good thing. The decrease in turnover cost stabilizes the cash flow and enhances the overall financial performance and vitality of the asset.

Erin:
Makes sense. And how are shifts in office occupancy trends influencing the multifamily market?

Ash:
That's a great question. I think the recent uptick in office occupancy has directly influenced multifamily demand, especially again like in those urban areas in those urban cores like Dallas, Houston, Austin and others. We're seeing employees seeking convenient housing options near their workplaces and revitalizing city center living or just downtown core. Additionally, office to residential conversions, while it's a controversial topic with a lot of nuances, like those that are happening in SF, in Silicon Valley, in New York and other major urban core markets reflect a significant trend that's reshaping multifamily supply and enhancing urban livability. Now, what does this mean for us as managers? Well, it's quite simple. Simply put, the increase in office occupancy translates to greater leasing activity, reduced vacancies and more consistent cash flow for multifamily properties near those urban employment hubs supporting stronger asset performance. Additionally, those conversions are becoming future managerial opportunities for multifamily owner operators and owner managers.

Erin:
Sounds good. And what role do amenities play in both office and multifamily real estate today?

Ash:
That's a great question. I think the amenities war, it has been greatly overplayed. While it does play a great part in leasing activity, there are some nuances with amenities, so by and large, amenities have become essential differentiators in today's market, especially in Class A assets.
In offices, we see a strong emphasis on wellness, flexible layout and technological integration, including air quality systems and hybrid workspaces. For multifamily developments, they play on a similar trend, prioritizing advanced amenities like smart home technology, wellness centers in some instances, co-working spaces and community spaces and community-focused offerings to meet modern resident experiences for convenience and connectivity. However, not all of us get to manage Class A assets. Some of us have the luxury of managing Class B and Class C properties, and H properties. The way we manage those properties is significantly different. Amenities might be great, but safety, health and wellness are prioritized more for the tenant than just general amenities for amenities' sake. Yeah, we want a polished unit. However, health and wellness do play a strong factor for residents. So I would prioritize those over anything. So ultimately, what does this mean for managers? Well, it's quite simple. I think investing strategically in amenities that lead to increased leasing velocity, improve tenant retention rates, I think lower turnover costs, and enhanced property valuation due to stabilized cash flow. I would prioritize that over anything else.

Erin:
And is the value proposition for multifamily properties shifting as urban cores regain office demand?

Ash:
Absolutely yes. As urban office markets regain momentum, multifamily properties in these revitalized areas benefit from their proximity to workplaces. We always talk about in real estate, location, location, location at a city level it's proximity, proximity and proximity. This renewed vitality enhances their attractiveness and allows owners to command premium rents and achieve higher occupancy rates, which significantly boost the value of those assets. And for managers, what I think this ultimately means is, I think managers who capitalize on the proximity to recover urban office course can expect higher rental income, greater office stability, and an improved long term financial returns from those assets.

Erin:
Makes sense. And what have we learned from early stage proptech companies about productivity, office presence and remote work?

Ash:
That's a great question. And another important area that I love exploring. Early stage proptech companies have demonstrated that hybrid work models effectively balance productivity and flexibility. We saw that throughout COVID and not just proptech companies we saw in all of the startup universe. And these startups have introduced not just technologies, but systems that really streamline communication, improve project management and foster effective, hybrid work environments. And this approach really caters to employee performances while maintaining high productivity levels and enhancing team collaboration. So what does this mean for managers? Well, leveraging innovation from proptech companies and just startups in general can significantly boost operational efficiency, reduce management costs and enhance tenant satisfaction and position properties to generate stronger and more stable cash flows. Now, while I'm saying this, I'm not advocating, you know, adopting innovation for innovation's sake. The technology you use and the systems you use should be on a need to have and not on a nice to have basis, and answer the fundamental question, does this technology improve the financial performance of my property? Or, another way to put it is, does this increase my income or decrease my expenses?

Erin:
Great. And looking ahead, what trends should real estate managers and investors watch in 2025?

Ash:
Thank you for that question. I think I think our industry is going through some major changes, but I think the biggest opportunity in our industry is AI and specifically agentic AI or AI agents. I think there was a great report by Deloitte earlier this year in their 2025 tech trends report on Agentic AI. And for those that don't know what agentic AI is, these are systems capable of autonomous decision making and actions. This is basically a chatbot with a humanoid element attached to it. These intelligent agents autonomously handle tasks such as tenant communication, lease processing and maintenance scheduling, thereby really enhancing operational efficiency. And that's probably the biggest thing I've heard from managers over the past two years, is I'm so overworked. I need support and I think that's an area of opportunity for managers to start using AI agents to help offload some of those remedial tasks. A practical example of this is, we conducted a study with a company called Surface AI that involved over like 300 managers in the US, and in that study we found that 60% encounter financial discrepancies monthly, while 40% experienced them quarterly. Now AI agents can actively identify and resolve these discrepancies immediately. If anyone's interested in the report, I'm happy to share that report. But what this means for managers is integrating agentic AI or AI agents into property management workflows can lead to

reduced operational costs, fewer financial errors and improve tenant satisfaction through really, honestly timely responses. And data-driven decision making that we often hear about becomes real and that enhances portfolio performance, which by and large supports your owners that you represent and your investors. So by adopting these autonomous systems, managers can streamline operations, optimize cash flow, and maintain a real competitive edge in the evolving real estate landscape.

Erin:
Awesome. So lots to look forward to. Well, thanks for joining us, Ash.

Ash:
Thank you for having me.

Erin:
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