

Put Resident Satisfaction First

Service quality and resident satisfaction are more valuable than any income derived from marketing them.

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Income from marketing voice, video and high-speed Internet access to multifamily communities is labeled ancillary for a reason: It supplements core rental income. Ancillary revenue is, by definition, not the overall goal for any community. Sometimes owners lose sight of the overall goal, which is achieving the best risk-adjusted return – a result that depends on delivering high-quality service and satisfying residents.

As the chart below shows, if poor service negatively affects only one of every 100 leases and renewals (surely a conservative estimate) then service quality is extremely valuable – probably much more valuable than ancillary income.

Region	Average Units	Average Rent	1% Rent
Northeast	218	\$1,188	\$2,586
South	211	\$866	\$1,826
Midwest	214	\$845	\$1,805
West	161	\$1,195	\$1,919

Source: MPF Research, 3Q, 2009

Although what determines resident satisfaction is difficult to pinpoint, the primary factors seem to be service choice, service quality and service initiation and installation.

Choice. Residents prefer choice – and if they choose the wrong provider, the mistake is their own, and not the owner's. Many communities cannot provide choice due to cost or obligations to incumbent providers. When having two providers is possible, the owner should be prepared to see ancillary income decrease as competition decreases or dilutes revenue shares. Though this trade-off is usually wise, it is difficult for managers focused on generating ancillary income.

Quality. Regardless of the number of providers, an owner must actively man-



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age the process to ensure service quality. At a minimum, this requires working with counsel to ensure that agreements with telecom providers have enforceable service-level guarantees. Most owners execute marketing agreements to generate ancillary income, but doing so at the cost of service quality is not defensible.

Multifamily communities cannot afford poor service. As Chris Acker, director of building technology services for real estate management company Forest City Enterprises, says, "If you are going to make the effort to fight for service-level standards and measurements, you have to be prepared to enforce them. Having these standards on paper is all well and good, but making sure they are specific, measureable and enforceable will go a long way when and if it becomes necessary for an owner to put them to the real-world test."

Installation. Everyone knows the value of first impressions. In the multifamily industry, the initial week of the lease is when residents develop lasting

opinions of the community. The first week dramatically affects word of mouth and retention. Initiation and installation of services are integral components of overall service perception, especially during move-in. Community managers bemoan the aspects of the move-in process outside their control that can damage resident satisfaction, such as the installation of telecommunications services and other utilities.

Owners are increasingly responsible for the installation process and for significant portions of the telecommunications infrastructure. Simply negotiating strong agreements is not enough. Shortcomings in wiring, especially to and inside multifamily homes, are the most common cause of service and installation challenges. Few things are as damaging to resident satisfaction as being told that services are not available or that an additional fee is being assessed as a result of owner wiring.

Service quality and resident satisfaction are pivotal in decisions about voice, video and high-speed Internet access marketing agreements. Though ancillary income is important, it should remain ancillary. **BBP**

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