Property management laws, regulations, and accounting standards are changing rapidly and becoming increasingly more stringent. Investing in the right property management software is now more important than ever. However, choosing and evaluating software can be a challenging process for many property managers.

In this eBook, we will discuss the past, present, and future of property management software – how the industry has evolved and where it is going. We will show you why and when you need property management software, and help you understand how your business can benefit from the right choice. We will also provide guidance on the features that really matter (including a handy checklist to use when evaluating products). And finally, we will provide some suggestions on where to look for the best solution for your company.

Property Management Software Market Overview

Property management software has come a long way over the years. In the early 1980’s, property management software was slow and cumbersome, running on early personal computers. Today, the choices are vast and feature-rich, and many providers now offer property management software as a web-based service.

At first, only a handful of companies offered property management software solutions. This quickly changed in the 1990’s as dozens of companies were launched to provide software solutions to property managers. Over the last decade we have seen a sharp retraction in products as the larger software providers purchased smaller companies. The landscape has consolidated back to only a handful of providers, resulting in fewer choices for property managers. In addition, many of the remaining software providers have focused their product development to serve the larger property management companies and real estate investment trusts, leaving the smaller and mid-sized property management companies underserved. However, the good news is that in the last couple of years, a few companies have been launched to address this need.
Two Primary Types Of Property Management Software

Premise And Web-Based
Property management software can be divided into two main camps: premise-based or web-based. Premise-based software is run on a local computer with a database, and typically the computer is located in the property management office. The property management company purchases and owns the software, and is then responsible for keeping the computer up and running and backed up daily. Usually the premise-based software provider charges an annual maintenance fee, which means they will only be available to fix problems with their software, not the machine running it.

Alternatively, web-based software can be used anywhere in the world with Internet access. It too is fully maintained by the software provider, so there is no need to maintain a server running in the office.

Another distinction in property management software is the option for integrated accounting. Some software solutions have built-in accounting to create a one-stop solution. Property management software providers without this functionality require that you buy an additional accounting program, like QuickBooks, to get the accounting features. This can be expensive, and some property managers find that getting the systems to sync up can be time-consuming.

Depending on the size of the portfolio you manage, different features may be more or less important, and you should consider how your business will use a specific one. Too many features can make the software difficult to use and cumbersome to learn for your property management office staff.

Another point to keep in mind is that the type of portfolio you manage will affect your purchasing decision. A commercial property manager will need a different software solution than a residential or homeowners association property manager.

Why Do Property Managers Need Software?
Now that you have an overview on the property management software market, you may be wondering if it is worth it for you to go through this process of evaluating a software solution. Here are some business benefits of using property management software.

Move Toward A Paperless Office
Many property managers are moving away from using paper to save money as well as ‘go green.’ A paperless office typically involves e-mailing statements instead of using the postal service, online document storage instead of vault services, or online payments instead of depositing paper checks at the bank. A paperless office can drastically reduce operating expenses. You’ll avoid the time it takes to search through mountains of papers, the real estate required to store the files, and the costs of paper and ink. If you pay to store paperwork offsite, this is even more valuable as you can realize the savings by discontinuing this service.
Manage Growth And Increase Profitability
Another reason to look for property management software is to effectively manage the growth and profitability of your company. Good software solutions will have detailed reports and charts for income, expenses, delinquencies, etc., which can enable you to run a more efficient business. With this type of data at your fingertips you can identify problems and quickly implement steps to improve performance. It can also help you find new opportunities to improve your cash flow and profitability.

Maintain Compliance And Complete Documentation
Every property manager dreads receiving notice that they are going to be audited, but a good software solution can make this process less scary. Property management software can help you maintain accurate records and documentation, which will make an audit go much more smoothly.

Increase Your Marketing Efforts
Some property management software solutions include the ability to advertise vacancies on the Internet (your website, Craigslist, etc). Property management software can make this process much more efficient and allow you to reach many more potential renters.

When it comes to timing, many property management companies wonder when to invest in software. It might be time to look for a property management software solution if:

- You have Excel spreadsheets that are so complicated - no one can figure them out!
- You are having trouble managing all the details regarding your portfolio.
- You feel like you are missing opportunities to generate more cash flow because you spend so much time keeping your books straight.

What about property management companies that invested in a software solution years ago? Is it time to switch to a new one?

Many of these products have outlived their expected life and are being pushed beyond their original design and capabilities. If you are in this situation you may experience database crashes, or have trouble getting support from the provider because they no longer support the product. Training new employees on these systems can be extremely time-consuming as well. These antiquated solutions also have not been updated for new tax laws and accounting regulation changes. If your business is growing, these problems can be a real drag on productivity, and should be a strong sign that it is time to evaluate new solutions.

What Should I Look For When I Am Evaluating A Solution?

Choose Web Or Premise-Based Software
The first decision when evaluating property management software solutions is whether to choose web-based or premise-based software.
Here is a comparison of the advantages of each type of software:

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<th>Web-Based Software</th>
<th>Premise-Based Software</th>
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<tr>
<td>• Lower initial investment</td>
<td>• Data is stored locally in your office</td>
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<tr>
<td>• Faster, more cost-efficient deployment</td>
<td>• Access is not dependent on Internet connection</td>
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<tr>
<td>• No software or hardware maintenance</td>
<td>• Most costs paid up front</td>
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<td>• Access data from anywhere</td>
<td>• You own the software</td>
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<td>• Continuous product upgrades</td>
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<td>• Training and support included</td>
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**Consider The Pricing Models**

Another important consideration point is the pricing model for the solution. Many providers charge by user. This model tends to discourage use of the software, as property management companies are forced to try to share licenses and limit the number of people using the software at a given time. A new model that is becoming more widely offered is the pay-per-unit model. This pricing method scales with your business and is better suited to encourage the adoption of the software, as you can allow as many people to use it simultaneously as needed.

**Understand The Total Cost Of The Solution**

An important note when evaluating the price of each solution is the difference between one-time purchases and ongoing subscription services. Knowing the total cost of the solution is critical because the upgrades, add-ons, and extra fees can add up. It’s like buying a car; often the base model price is far from the fully-loaded price! When you evaluate the total cost be sure to identify expenses for items such as training, support, add-on modules, and upgrade fees. These can be as significant as the original product costs, and should not be overlooked.

**Consider Savings**

Be sure to consider any additional savings that the new property management software can offer with integrated services that you may currently be paying for separately. These can include Ratio Utility Billing, Website Hosting, Tenant Screening or Online Payment services.

**Competitive Advantage**

If one of your objectives is to grow your business, without impacting costs, you also want to consider the types of offerings that will appeal to owners. Would they like the convenience of accessing their financial reports online? Would a tenant liability insurance to protect their investment appeal to them?

To help with your evaluation of various products, here is a checklist with important criteria to consider:

- **Data Migration** (when switching to a new solution)
  - Can this product take all of my existing data?
  - How easy is the data migration process?
Complete Accounting
- Will this product provide me with full double-entry accounting?
- Is the accounting integrated and included?
- Are the reports flexible enough for my business?
- Will it help me comply with DRE regulations?
- Can I run my reports in both Cash and Accrual mode?
- Will it be easy to complete a bank reconciliation?

Paperless Office
- Will this product support the elimination of paper invoices?
- Can I e-mail residents and owners, and maintain records of these interactions?

Work Orders
- Can I create and manage work orders (one-time and recurring)?
- Can I e-mail vendors for faster completion of maintenance requests?

Secure Access
- Is this product secure and reliable with my data?
- Can I download reports?
- Can I restrict users’ access?

Easy To Use
- How quickly will my team learn the new product?
- Is it intuitive and easy to navigate?
- Can I find what I need within a few clicks?

Search
- Can I quickly and easily search for all types of information?

Electronic Payments
- Can my residents pay their rent online?
- Can I seamlessly handle cash and money order payments?
- Can I electronically pay owners?
- Can I electronically pay vendors?

Vacancy Posting
- Can I quickly post vacancies online, to craigslist and on my website?
- Can prospects apply online?

Training
- How much training is included with my investment?
- If I hire additional employees, will I have to pay for more training?
- Are FAQs and on-demand trainings offered?
Support And Upgrades
What are the additional charges (if any) for ongoing product support?
How often is the product updated?
Are client services managers available by phone or e-mail when I need help?
How is feedback collected from customers for ongoing product development?

Websites And Portals
Is a property management website included as an option with purchase?
Can I easily post vacancies to my website?
Can I have unique branding, and unique sites for each complex I manage?
Can my tenants easily pay rent and submit maintenance requests online?
Can I provide an owner portal for easy access to owner statements and reports?

Pricing
Is the pricing clear and transparent – do I know exactly what I’m paying for?
What do the additional features and upgrades cost?

Integrated Features
Does this product include features that will save me time and money?
Consider:
Tenant Screening
Tenant Insurance
Ration Utility Billing System
Smartphone Apps

Finally, take a hard look at cost vs. value. Try to calculate a quick return on investment and figure out how long it will take you to realize the savings that these solutions will offer.

The Future Of Property Management Software

Integrated Marketing
Integrated websites, and the ability to post vacancies to sites like Craigslist.org on the Internet, are new emerging features. With an integrated website, all hosting duties and design work are handled by the provider, making things easy for a property management company. Because your data is centrally stored in the property management software, some providers allow you to add and remove vacancies with a few clicks.

Online Payments – From Tenants, For Owners, For Vendors
Another offering that is becoming more prevalent is integrated payments. With integrated payments you can accept online payments from residents in the form of electronic deposits or credit cards. You can then pay property owners via electronic funds transfer. Payments are received much faster, as you avoid the time required to process paper payments and deposit them at the bank. This can be a great benefit to your owners as they are paid faster and more securely.
Other Payments
If your tenant base is lagging in adopting online payment services, consider options available to accept other payment types, while still simplifying your record keeping. There are services available, some integrated with property management software, that allow tenants to make cash and money order rent payments at convenient locations near them. The funds are then automatically deposited in your account, saving you a trip to the bank and making manual receipt entry obsolete.

Screenings
There are numerous advantages to having a prospect screening service integrated with your property management software. If you can accept applications online, there’s no need to transcribe the prospect’s sensitive information into a system, or faxing the information to a third party service. When evaluating software with integrated screening make sure to get a glimpse of the report: Is it easy to read? Does it include all the information you need to learn about a prospect? Also, make sure to inquire about any additional on-boarding costs for the service.

Insurance
There’s a growing trend in the property management industry requiring tenants to purchase tenant liability insurance. It is a great selling point when marketing to new owners, as it offers an additional protection on their investment. If you require your tenants to purchase an insurance policy, it is important that your management software allows you to track the policy information and expiration date. Some property management software companies even go as far as offering insurance services at competitive pricing, freeing you of the hassle of tracking and updating tenants’ insurance information.

Portals (Owners And Residents)
Online portals are also popular as an integrated product. For residents, they provide a one-stop shop to see important announcements about the community, pay rent online, or submit maintenance requests. For owners, they provide a place to see all statements and tax documents associated with their properties. Directing people to these portals can save your company considerable time, since you won’t have to mail everything or answer as many questions by phone.

Full Accounting Suite
Whether you run your accounting in a cash or accrual basis, make sure to select software that can support both and allow you to seamlessly run financial reports in both formats. This will allow you to cater to owners or financial institutions that have specific reporting needs.

Where Do I Find the Right Product For My Business?
Clearly, a good property management software solution can be valuable for your business. But finding the right one for you can be difficult. Some good places to look can be found on the Internet through a Google search or online peer groups, blogs, forums, and LinkedIn discussions. By far the best place to get a recommendation, is from a peer who is already using a good solution. Don’t know any other property managers? Your local chapter of a national association for property managers can be a great place to find and talk to peers.
Here is a list of online places to look for ideas and recommendations:

- Multifamily Insiders, www.multifamilyinsiders.com
- LinkedIn – Property Management Professionals group, www.linkedin.com/groups?gid=36805
- National Association of Residential Property Managers, www.narpm.org
- Local apartment associations in your city

The right property management software can take your business to the next level. By spending time evaluating solutions and understanding what the most recent products offer, you can provide a higher level of service to your residents, owners, and investors.

Excerpt: How to Select the Right Property Management Software, written by Nat Kunes (AppFolio)
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The contents of this eBook were originally published in the book titled “Successful Property Managers” (Volume 1, Appendix C) by Michael Levy. Michael Levy is President of Levy Consulting, LLC, a consulting company specializing in helping individual real estate investors and property management companies manage their properties more effectively. For more information or to order the book, go to: www.SuccessfulPropertyManagers.com.

About AppFolio
AppFolio provides complete web-based property management software designed for the modern property manager. Learn more about AppFolio at www.AppFolio.com.