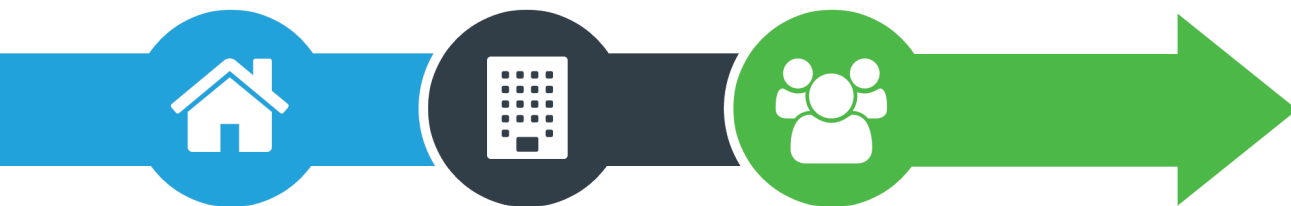


Scale Your Accounts Payable Team with Automation

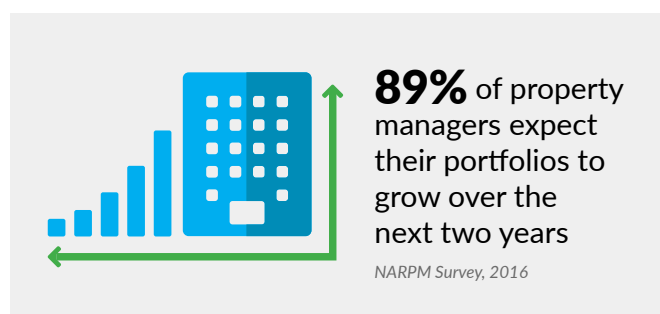
How Property Managers Can Automate and Save



Introduction

Success in property management can be assessed in several ways—by looking at revenue, efficiency, tenant satisfaction, vendor relationship health—but portfolio growth is often the leading factor in measuring success over time.

A recent report¹ from the National Association of Residential Property Managers (NARPM), which surveyed more than 1400 property managers in the United States, showed that a majority of property managers (89%) expect their portfolio to grow over the next two years. However, growth can be a double-edged sword if the business can't scale to accommodate the additional responsibilities that come with managing multiple properties.



As a whole, the property industry is booming, which has created a strong demand for property management services across the board. This means that one of the biggest challenges for property managers today is staffing. Without a reliable team in place, property managers aren't prepared to capitalize on new opportunities as they come up. Not only does it take time to find and train new employees, making staff retention important, but with rising staff costs, many property managers are finding it difficult

to recruit new staff without breaking the bank. Instead, managers are looking for ways to make better, more efficient use of their current staff's hours, to get more accomplished in less time.

For specialist positions, like accounting, the demand is even higher. Even a cursory search of the job listings online will yield a high recruitment demand for accounting professionals in the real estate industry. Accountants fulfill many essential functions within a property management business by providing regular financial updates, monitoring cash positions and budgets, completing tax preparations, and handling accounts payable tasks, alongside many other duties. An efficient accounting team will be able to focus their energies on the tasks that offer the highest return-on-investment (ROI) for hours spent. As a property manager, it's up to you to find a way to minimize, and ultimately eliminate, the more mundane, repetitive work that costs your staff time without providing comparable value on the investment.

In this whitepaper, we'll outline the top challenges in property management. We'll also show how automation is the key to maximizing efficiency by focusing on one of the most time-intensive accounting processes: accounts payable (AP). As a follow-up, we'll also take a tour of the real world benefits that AP automation unlocks for property management companies.

State of the Property Management Industry

In the last decade, rental demand in the United States has surged to unprecedented rates.

Back in 2005, the rental population totaled nine million households, rising to 43 million households² by mid-2015. Reports³ today put that number even higher, with 45 million households living as tenants. The rental housing stock has grown in tandem with demand, expanding to 8.2 million units across the country⁴ in only ten years. The trend among investors has been to amass large portfolios of these new homes across markets (multifamily, converted single-family, single-family share, etc.). This has essentially created a new model of property management whereby multiple property types are owned and operated across several sites.

Of course, rental demand also varies widely by region. In cities like San Francisco, New York, and Boston, 60% of the population⁵ live in rental housing. Similarly, much of the new rental construction work is happening in urban areas and include large properties meant to house

higher-income earners. However, other reports show that there is also substantial growth in the less expensive markets because of interest from smaller investors. In Dallas, for example, where the median home price is around \$201,000, the share of homes bought by non-occupiers has nearly doubled since 2005.

Commercial property is also experiencing a boom in certain urban⁶ areas, including the downtown centers of Boston, Los Angeles, Dallas and Atlanta. Areas like these are increasingly becoming beacons for millennials who want to live and work in dense, walkable cities, especially with the rising costs⁷ of suburban living.

What has been causing this shift? A combination of low homeownership rates, demographic changes, and rising home prices⁸ has created the present situation, in which investors who are new to the market

In the United States...

45 million

households are living as tenants



Forbes, 2017

\$73 billion

total worth of the property management industry

IBISWorld, 2016

8.2 million

new rental units built across the country in the last ten years



JCHS Harvard, 2015

have begun to purchase and manage more properties. The result is a high demand for property management services.

Today, property management is a \$73 billion industry⁹ in the US alone. While current conditions present some excellent opportunities for those looking to grow their businesses, the downside is that property managers are also having to do more with less, including in many cases, with less staff.

Property owners and real estate investors know that property managers can add enormous value to their investments by running a tight ship at their properties. In almost all cases, property managers accomplish this by relying on their staff, who execute the daily tasks of the business. However, for many property management companies, finding and keeping the right talent has become a hidden burden. The reasons for this vary, but the rising costs of employment are at the top of the list for most companies. When property management companies expand to new locations, many firms are simply not in a position to hire and train new staff. Instead, they must find ways to leverage their current employees' hours to provide maximum effect.

Accounting is essential to the smooth running of a property management business, and accounting staff, as specialized employees, are even harder to recruit and retain in the long term. There is a high demand across the industry for accounting professionals, and once brought on board, their time is valuable. Successful property managers will want to make sure that they direct those hours to the tasks that provide the highest value. Accounting employees who are able to focus on the most rewarding tasks will experience higher job satisfaction, which in turn will boost your employee retention rates.

Top Challenges in Property Management

Today's property managers have to juggle time and resources to manage their finances, vendor relationships, and staff.

According to the NARPM report, property managers are struggling to stay on top of all the demands of their business. Managing people, processes, and time was listed as a top challenge by 29% of property managers, while vendor relationships, staff turnover, and financial management also made the list.

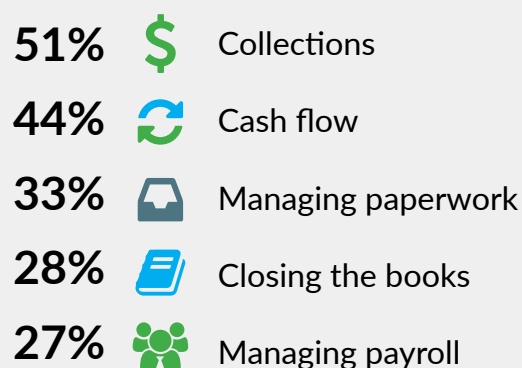
In another survey, business owners revealed that although some of their biggest pain points are related to financial management, 60% of those respondents¹⁰ did not feel very knowledgeable on the subject of accounting or finance. It follows that accountants were also ranked as one of the most important professional roles within businesses, according to that same survey. As a property manager, you will undoubtedly wear many hats, but accounting may not be your strength. In that case, having experts on your team is vital.

As for specific accounting functions, the top accounting challenges for business owners ran the full gamut to include: accounts receivable and collections (51%), cash flow (44%), managing paperwork (33%), closing the books each month (28%), and managing payroll (27%). Underlying these challenges is another process that often goes neglected. It typically involves massive amounts of paperwork, and, if in error, can result in major difficulties in forecasting cash flow, managing the books, and dealing with audits.

The accounts payable (AP) process is often seen as the accounting function that affords the lowest ROI for hours logged. In companies that still rely on a paper-first AP process, accounting staff end up wasting countless hours on mundane, repetitive tasks like data entry, manual invoice coding, photocopying, scanning, printing, paper filing, and mailing checks.

In general, the property management industry has lagged behind when it comes to using technology to automate daily business processes. But crunch time is coming, and companies willing to harness the power of technology and automation will be in the best position to seize growth opportunities during the current real estate boom. By automating repetitive accounting processes like accounts payable, property managers can increase their returns, reduce costs and errors, and improve their vendor relationships.

Biggest Accounting Pain Points for Business Owners



CPA Practice Advisor, 2015

Automating Your Accounts Payable Process

The first step to automating your workflow in accounts payable is to take a good look at your current document management practices.

In a report from PayStream Advisors¹¹ that looked at invoice workflows, 50% of businesses still receive most of their invoices in paper format, with a smattering of invoices coming through in emails, electronic data interchange (EDI), and as faxes.



50% of businesses still receive most of their invoices in paper format

Paystream Advisors, 2015

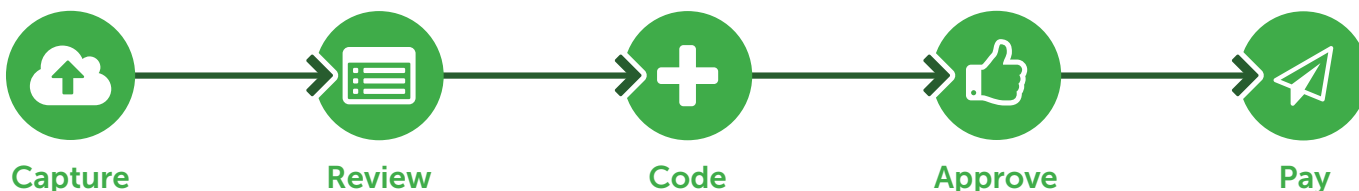
The AP automation solution you choose should not only help you process your electronic invoices, but also have a means of digitizing the paper invoices that come through mail and fax. In this case, digitization is two-fold: first, the system needs to store a secure digital copy

of the invoice (usually in PDF format) and then complete the data entry necessary for coding the invoice. An ideal AP automation system will take care of both these functions and also include automatic purchase-order-to-invoice matching to speed up the process further.

While invoice digitization can already be a big time saver for accounting teams, eliminating a large chunk of the data entry, that's only the beginning of the accounts payable process. For property management companies, the real benefit of automation is in approval routing. When you're managing multiple locations, it's likely that each stakeholder in your AP workflow will be scattered across different sites. The accounting personnel who will be coding the invoices and managing the workflow may not even be working out of the same building as your invoice approvers.

With a cloud-based AP automation system, invoices remain centralized while approvals can happen anywhere. Invoices will be routed

The Automated Invoice Workflow



automatically to approvers based on your specific team requirements, and customized credentials make it so that the right people have access to the right invoices. The approvals can then be made from any device, from any location.

With a multi-property feature, which you'll find in Sage AP Automation, you can go one step further. Since each of your properties will likely have its own invoices to process, you may want to monitor and process invoices for each of your rental property locations as a separate entities. Multi-property functionality allows you to do this from a centralized platform, meaning that you can also run company-wide reports and perform searches for invoices across all entities at once. Invoices will always be associated with the correct property, even when those locations are using different accounting databases.

With regard to accounting software, full integration and syncing should also be on your radar. Accounts payable, in tandem with accounts receivable, impacts your cash flow. With all the data that you'll have accessible through AP automation, it's important that your solution is able to seamlessly integrate and sync with your accounting software, so that your financial data remains accurate and timely.

Finally, to complete the AP cycle, you will want to automate your payments. Look for AP automation software that includes a payment module, which should include payment approval routing and multiple payment method options. Sage AP Automation helps you pay your vendors by your payment method of choice including EFT/ACH, wire, automated checks or virtual credit cards. With your complete cycle in the cloud, all your invoice and payment data is searchable, accessible, and secure.

The Real World Benefits of AP Automation

How AP automation will help your team and save you money

We can talk about the technological benefits of automating accounting processes—security, efficiency, accountability—but any system, however advanced, will fall short of expectations if that system doesn't also offer qualitative improvements. For property managers, the effects of AP automation can be felt across the whole organization, making it easier to retain accounting staff and reducing turnover, maximizing the ROI of accounting staff hours, minimizing stress during busy times like tax season and during audits, and improving vendor relationships. Let's analyze each of these real world benefits in more detail.

Property managers were surveyed¹² about their job satisfaction and 95% answered that they loved property management. Of these respondents, one third said that their primary motivator at work was the drive to become more efficient (31%). Logically, it follows, that what's true for property managers should hold true for their professional staff.

AP automation vastly improves process efficiencies for accounting staff, which is a great motivator! Less data entry and chasing approvals means that your accounting professionals will be free to tackle more rewarding, higher ROI work. Higher job satisfaction means better staff retention, which can effectively lower costs that would otherwise be lost to turnover, hiring and retraining. As an additional benefit, allowing your staff time for higher ROI activities, like accounting analysis,



95% of property managers love working in the industry

NARPM Survey, 2016

can often unearth new ideas for revenue opportunities and ways to improve other processes.

Automation also reduces the chance of human error. Mistakes add up quickly over time, and in a paper-based system, they will be far more frequent: misplaced invoices, data entry errors, coding errors, duplicate payments, late payments, overpayments, and more. At tax time or when an audit hits, the consequences of these mistakes can hurt your business,

The Effects of AP Automation on Your Property Management Business



Maximize ROI of staff hours



Less stress during tax time



Better record keeping for audits



Better staff retention



Saved processing costs



Improving vendor relationships

by increasing the chances you'll be paying additional taxes or penalties down the line.

Just as it's difficult finding and keeping staff in the property management industry, the same can easily be said of vendors. In fact, maintaining vendor and contractor relationships is a top challenge¹³ for property managers. Positive vendor relationships hinge on payments—paid on time and accurately. With an AP automation system in place, you get unparalleled visibility into all your bills, when they're due and when they're paid. Your vendors will never be paid late, thanks to features like payment scheduling and notifications that can remind you about all pending due dates.

Businesses that implement AP automation technology will be able to compete in the property boom we're living in right now, while others will see their margins eaten away by staffing costs. Take a look at your current process and see where AP automation can lift burdens from your accounting staff and ultimately boost your bottom line.

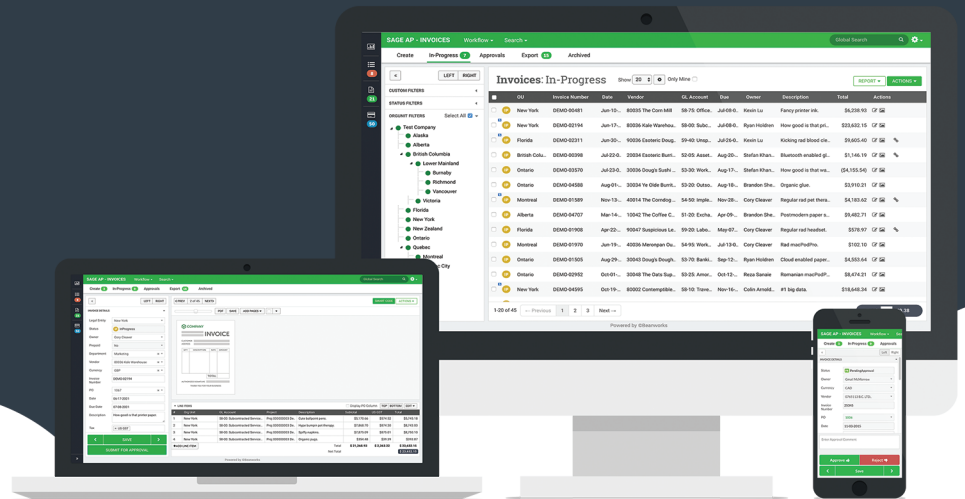
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We take care of the data entry. You easily approve and pay invoices for one or more companies from one integrated solution.



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