How two acquisitions and $470 million in cash altered control over NYC property management software landscape - by Derrick Chou

September 03, 2019 - Owners Developers & Managers

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Over the last couple of years, Realpage (NSDQ: RP), a publicly traded provider of property management software solutions, acquired On-Site, an online leasing and marketing platform for $250 million in cash (2017) and then Clickpay, an online electronic payments platform for $218 million in cash (2018). Acquiring the two companies has vaulted Realpage into the top two software providers for NYC property management companies next to Yardi owned Rent Cafe.

The software landscape for general property management companies can be listed out into separate functioning online verticals: Applications, payments and maintenance. Online application software allows for prospective renters to apply for a vacant apartment online. A far fetched method compared to filling out physical paperwork via pen and pencil. Renters are able to fill out personal and financial information online, get their credit checks run, all on a secure platform. Online payment platforms are meant for existing resident tenants of the building to pay for bills such as monthly rent. Online payment platforms allow for secure payment via ACH, credit or debit, eliminating the need for the old method of paying by mailing checks. Payments can also be set on an automated basis, eliminating late fees and payments. Online maintenance software platforms act as a catch all, enabling existing resident tenants to perform certain tasks such as file work orders, maintain resident engagement, keep track of delivery orders and building insights. There are multiple software vendors who either specialize in specific needs verticals or vendors who provide end to end solutions and can service all needs of a property manager.

There is an old adage that NYC property managers are believed to be stuck in the old stone age days of processing excessive amounts of paperwork, fearful of online payments and require back and forth phone calls in order to get a work order filled. Specifically any NYC property management company who maintains an operation that consists of over 100 units, there is such an enormous need for software products in order to properly support at least one of these vertical functions. While it's true that the majority of them still maintain older operations, the old processes are slowly becoming a thing of the past as a growing portion of these property managers start to adapt to new technologies. The trend has started.

We sourced the data from transparentcity.co, a platform that connects renters directly to NYC property managers, and canvassed over 100 of the largest NYC property managers who in turn manage over 2,000+ buildings. Looking at the software products these property managers use to enable more efficiencies in managing their large portfolio of properties, what we found in the analysis is that: For application software, 52% of large property managers in NYC had no software in place, meaning they are still only accepting paper or faxed applications. For payments software, 62% of large property managers in NYC had no software in place, meaning the majority of them still require paper checks to be mailed every month. For maintenance software, 63% of large property managers in NYC had no software in place, meaning there is no online portals for a centralized tracking communication tool between tenants, property managers, workers of the buildings. Communication is easy done by email or phone and historical information gets lost in the shuffle.

The statistics come at no surprise considering the old adage only means there is a lot of white space left to grow into for software vendors looking to build and sell products into the space. The analysis was only done at the larger NYC property managers but if all else is generally equal across the market, it may paint a similar picture for smaller private individual landlords.

Looking at the portion of the NYC property managers who have started to adopt technology, it starts to paint a separate picture of who the market leaders are in the software vendor space: For applications software, on-site is the leader by far with 29% of the market share with rent cafe coming in second at 13% share. For payments software, clickpay comes in second with 13% of the market share with rent cafe coming in first with 14% market share. From the Realpage perspective, it makes perfect sense to acquire two market leaders in separate vertical segments of the NYC property management market versus trying to compete selling their home grown products. With so much untapped potential remaining in the NYC market, the two acquisitions of on-site and clickpay places realpage in the perfect position to capitalize on the remaining market.

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