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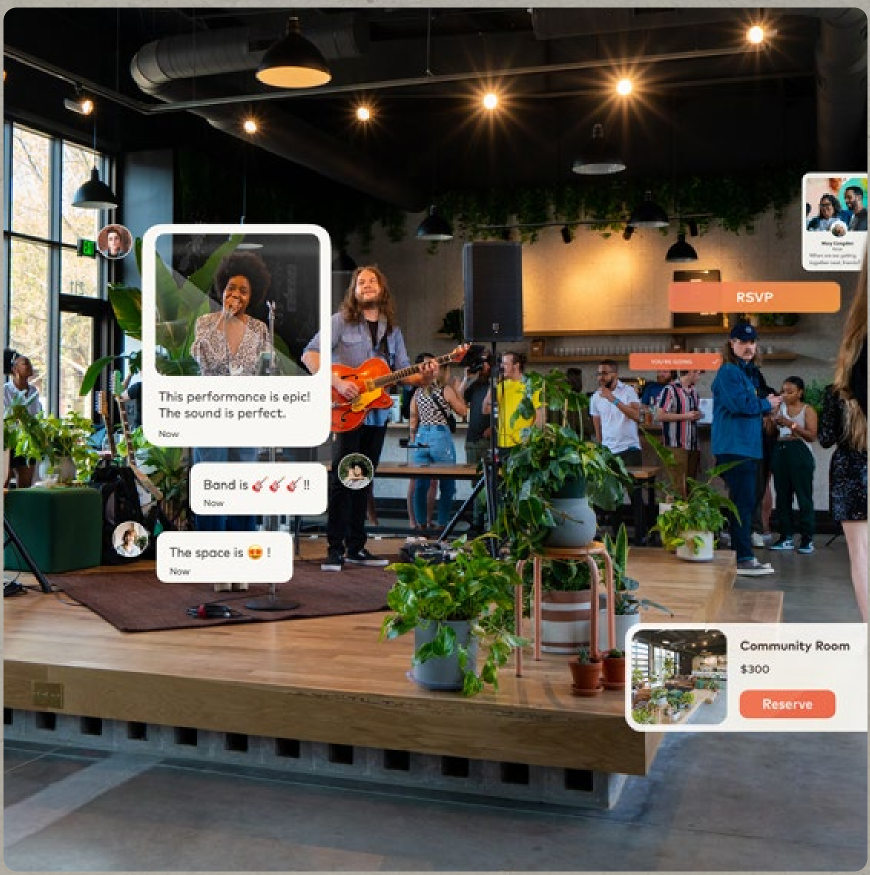
2023
Benchmark Report



Renters in the Experience Era

The Experience Era is here.

And it's going to change everything. Especially real estate. What is it? And what do owner-operators need to do now to win in the coming decades?

Read on to find out...


Are you ready?

Lyft.
Netflix.
Peloton.

What turned these once-fledgling start-ups into the global juggernauts they are today? The answer may surprise you: it's not their products.

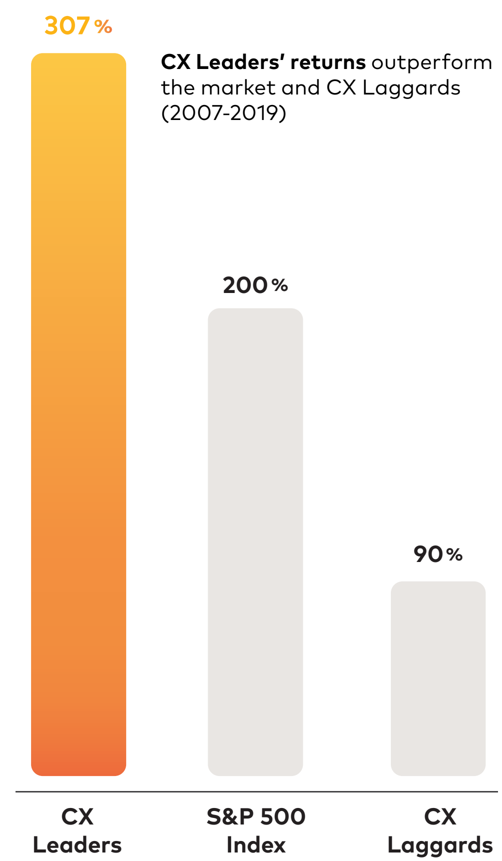
Riding in a Lyft is nearly identical to riding in a traditional cab: they're both cars; you sit in the back seat; you're dropped off at your destination. What about Netflix? Its shows and movies are essentially the same as what you'd find on traditional TV. And Peloton? Its riders get their workouts on exercise bikes just like Technogym or Lifecycle.

What makes Lyft, Netflix, and Peloton different from their industries—what makes people excited to switch to and stay with these brands—is that their experiences are better. How you hail a ride; how you find and stream new programs; how you compete with thousands of riders from the comfort of your living room...it's these experiences that are the true innovations.

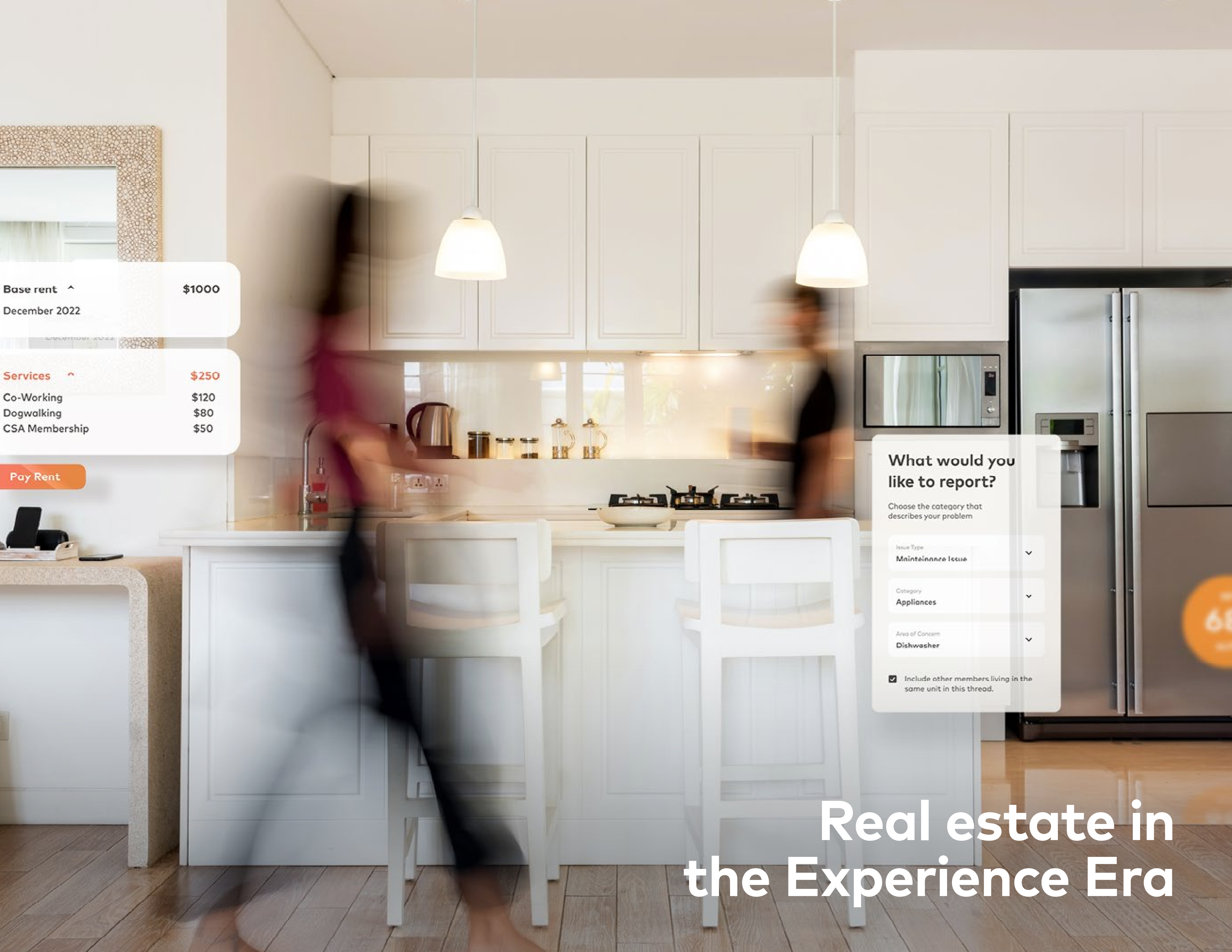
Today, consumers are clamoring for the simplicity, ease, connection, and community that together define The Experience Era—a time in which people value the experience a product delivers just as much as the product itself.[1] People are now willing to pay a premium for world-class experiences—which, in turn, generate loyalty and make customers into promoters who offer recommendations to their friends, family, and colleagues.[2]

The financial impact of these behaviors is big. So big, in fact, that in a thirteen-year analysis of stock market performance, **customer experience leaders generated a total return more than one and a half times that of the S&P 500**—and nearly three and a half times greater than customer experience laggards.[3] This financial upside isn't limited to publicly-traded companies. Experience leaders in any industry—including real estate—can expect revenues ranging from 4% to 8% above the market.[4]

Experience-led companies outperform the market 1.5x



Source: Watermark Consulting



Real estate in the Experience Era

The “experience-first” shift is so big that it has transformed nearly everything people spend money on. When we look at the budget of the average American renter, we see that **nearly every major spending category has been disrupted by an experience-led company.**[5] Yet, none of these products has fundamentally changed—you still get your typical groceries and take-out food with Instacart and DoorDash. But it’s the experiences that are now totally different. The big exception? Real estate. The industry that represents the lion’s share of renters’ budgets is the only one that hasn’t been disrupted. Yet.

Property owner-operators are starting to recognize this and are taking steps to improve the resident experience. They’re adding technology to their buildings—like digital maintenance request apps and keyless entry—that drive greater connectivity and ease of use. They’re also investing in state-of-the-art physical spaces—like movie theaters and speakeasies—that provide new levels of service and convenience.

Since 2018, **multi-family owner-operators in the US have spent billions to make their buildings and the living experience more attractive**. But, many of them make these expensive decisions with little to no data, and the resulting amenities are often underutilized by residents. So, for all this investment, what’s the return? The honest answer is that no one really knows.

But that’s not true for all amenities. There’s one more experience that every property owner already has access to—and that every resident is already part of—but that owners aren’t leveraging to grow their business. If activated the right way, this amenity can dramatically transform the resident experience and have a massive impact on the NOI. And it’s hiding in plain sight. So, what is it?

Real-world community.

Financial opportunity for owner-operators presented by U.S. renters’ avg. monthly budget

%	Expense	Innovator
33	Real Estate	???
16	Transportation	Lyft
12	Personal insurance	Lemonade
8	Health and personal wellness	Peloton
7	Groceries	Instacart
6	Restaurants	Doordash
5	Entertainment	Netflix
3.5	Other	N/A
3	Cash contributions	Venmo
3	Apparel + services	Rent the Runway
2	Education	Masterclass
1.5	Personal Care	Hims

Source: Moving APT

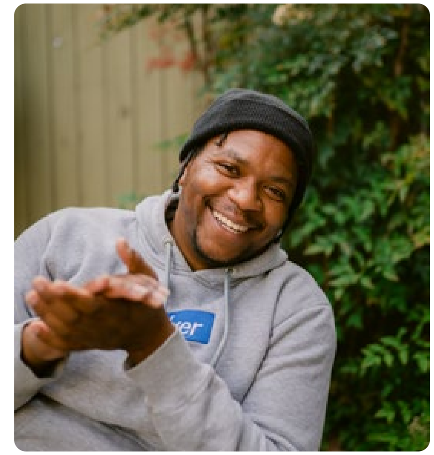
Imagine an experience focused not just on smart home connections, but on the connections between residents, local businesses, and events already around them. Imagine transforming neighborhoods into amenities that make residents feel like they belong.

How would this community-as-an-amenity stack up against traditional tech and physical amenities in the eyes of renters? What impact would it have on their rental decisions? And **what would the resulting answers mean for owner-operators' businesses?**

For this study, Venn conducted a survey of more than 1,500 renters in multi-family apartment buildings across the United States to understand what resident experience improvements are important to them—and how The Experience Era is impacting their decisions about where to live.

What we learned will make everyone in the industry rethink their approach to maximizing the value of their portfolios. Transforming the community into an amenity powers demand, retention, and new revenues that are key to increasing NOI.

1,500+ renters in cities across America contributed to this study.



Vibrant communities attract and keep renters

Marketing the community increases demand.

The Experience Era has changed what people expect in all areas of their lives, including where they live. True to this trend, US renters have high expectations for what they can get out of their communities: More than four out of five renters said that it's important for them to live in a place with thriving local businesses. Roughly **three quarters said that it's important for them to be able to grow their network of connections and socialize with their neighbors**. And, nearly three out of four are looking for opportunities to volunteer locally and improve their neighborhoods.

What's more, people are willing to make rental decisions based on their desire for these kinds of real-world neighbor-to-neighbor connections. In our survey, 67% of renters said they'd be more likely to choose an apartment building that offered services to help them connect to their neighbors over a building that doesn't.

Venn has seen first-hand the impact that community connections have on rental demand. When Venn advertised the experience of living in a North Brooklyn neighborhood—rather than showcasing empty apartments or building amenities in online ads—**agents saw a 25% lift in renter inquiries, overnight**. And, after making the living experience a key message in every stage of the demand funnel—from online ads and landing pages to interactive quizzes and tour scheduling—the number of apartment tours increased by a massive 80%.

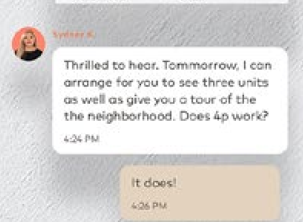
Integrating community messaging into your marketing funnel makes your advertising work harder.

Awareness

Including resident experience messaging in your ads and listings increases performance by **25%**

Consideration

Landing pages that help renters find the right apartments in the right communities...



...lead to higher response rates and...

Conversion

80%
More tours

...a much higher conversion of leads to tours booked.

Neighbors drive resident retention.

Vibrant community experiences don't just attract renters—they also motivate them to stay.

Unsurprisingly, rent is the single most influential factor when renters are deciding whether or not to renew. What might be surprising is what else bubbled to the top. When we asked US renters about the top three considerations influencing their likelihood to renew, **57% mentioned at least one community factor**, including the neighbors they feel connected to, the availability of local businesses, or their overall sense of belonging in their neighborhood.

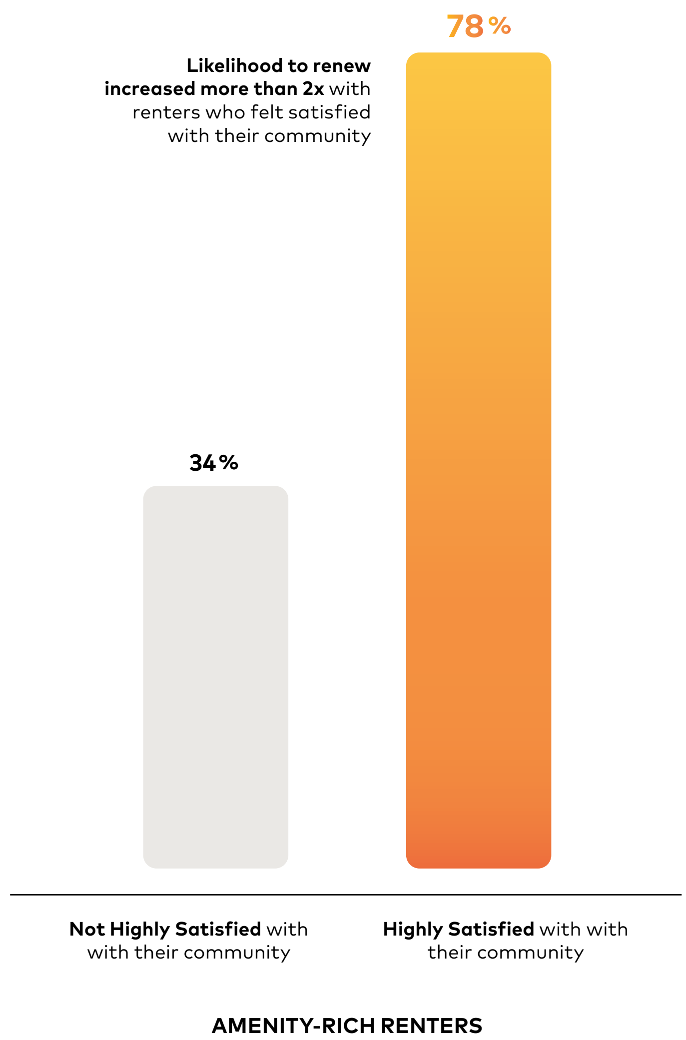
We also found a disconnect between what owner-operators think their renters want and what actually matters to them. Despite sizable investments in the latest smart-home technology and improved common spaces, these experience improvements don't factor into renters' renewal decisions nearly as much as their neighbor-to-neighbor connections. In fact, fewer than two out of five renters said that their buildings' technology or spaces were a top factor in their renewal decision. And only a third to half of the renters in our study who have access to cutting-edge building technology and luxury common spaces rated these features as very important to them.

Community outperforms other resident experiences.

Real-world community truly plays a pivotal role in renter decision-making. Consider this: Venn analyzed two groups of renters to determine just how important community is in lease renewal decisions. The first group was amenity-rich: They had an above-average number of tech and building amenities available to them.[6] The second group was amenity-rich and highly satisfied with their community: in addition to having an above-average number of amenities, they were also highly satisfied with their local businesses, social connections, and opportunities to get involved with their community.

The result? The group that was highly satisfied with their community was more than twice as likely to renew their leases (78%) than those who were amenity-rich and not highly satisfied with their community (34%). The big takeaway: **The real-world community is the untapped amenity when it comes to driving retention**.

Even in buildings with many amenities, it's connections among neighbors that most impact renewal

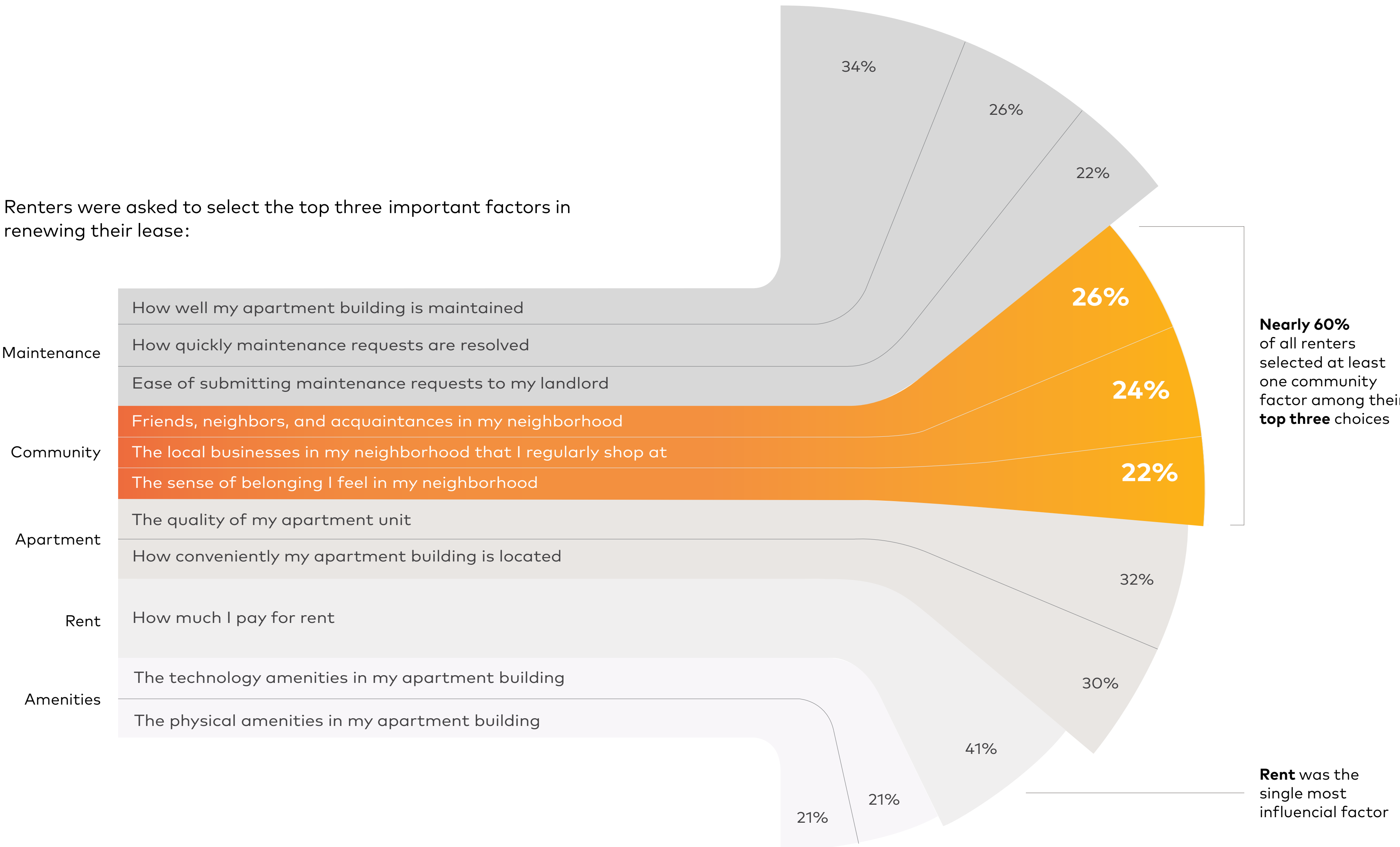


Source: Venn

Base: 1,566 US renters surveyed in June 2022

The real-world community plays a pivotal role in renters' renewal decision-making

Renters were asked to select the top three important factors in renewing their lease:



Source: Venn

Base: 1,566 US renters surveyed in June 2022


BUILDING NEIGHBORS
FREE
Dig In Dinner
General Irving
09
Jul
RSVP
RSVP
Connected renters
renew more

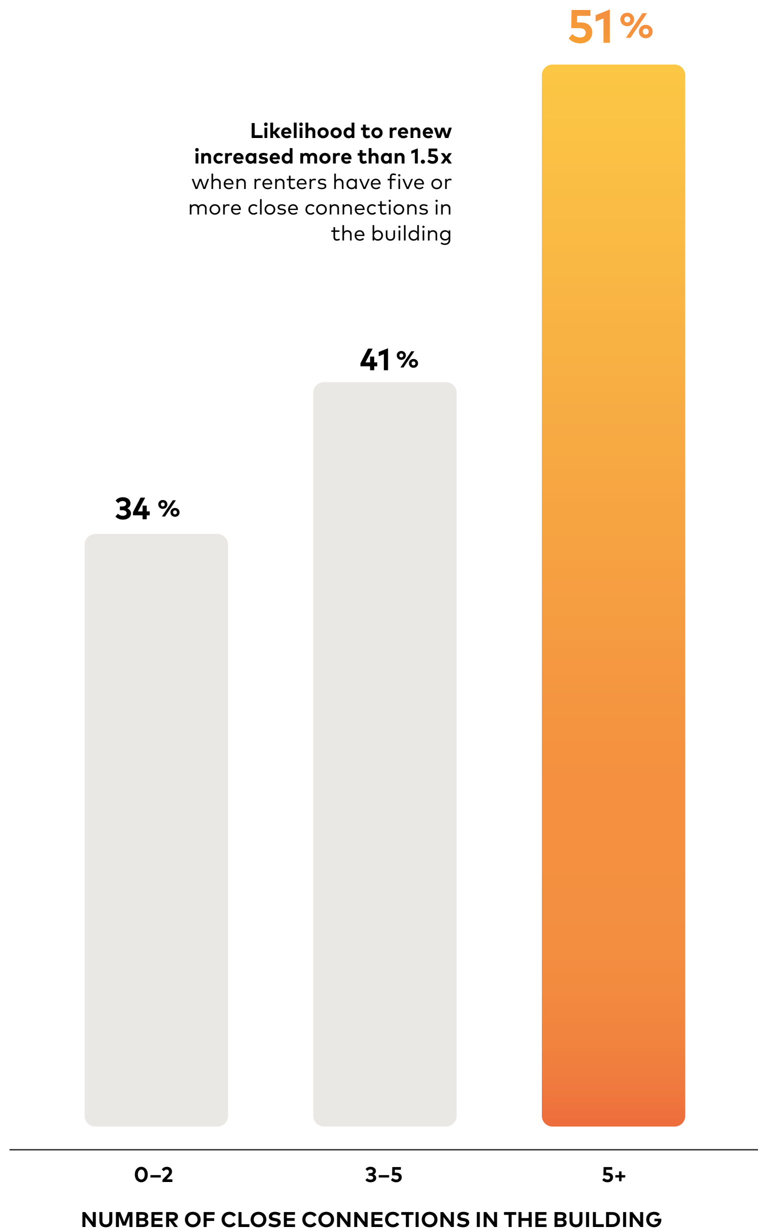
When it's time to renew, renters value human connections over WiFi connections.

Property owners typically miss the kind of connection that really motivates people to stay—the personal one. Yes, tech-based amenities like mobile package notifications and smart thermostats connect renters to information and spaces around them, but they're not really what move the retention needle. What does? A different kind of connection: personal relationships between neighbors.

Why should property owners care about how many close connections their renters have? It turns out that **US renters with more than five close relationships in their neighborhood are one and a half times more likely to renew** than those with two or fewer. Only eight percent of highly connected renters said they were unlikely to renew.

The number of close connections a person has also contributes to their feelings of belonging—how "at-home" they feel in their building and community. Renters who feel that they completely belong in their community are nearly three and a half times more likely to renew than those who feel they don't belong at all. But, nearly a third of US renters have just two or fewer close connections in their buildings. Only 37% said they feel a high sense of belonging. There's opportunity in this.

More renter connections mean more renewals for buildings



Source: Venn

Base: 1,566 US renters surveyed in June 2022

The good news is there's something owner-operators can do to help renters develop a sense of belonging and improve retention at the same time. Creating and promoting opportunities for renters to connect with each other—like a resident messaging app or in-person social events—can increase their likelihood to renew. That's because renters who are very satisfied with the opportunities for developing friendships with people in their community are more than twice as likely to renew than those who aren't.

Renters satisfied with opportunities to meet neighbors are 2x more likely to renew.

In short, **the most powerful lever owner-operators have to improve retention is helping residents connect to their community**. What's more, the significance of these connections has grown over time. Renters' sense of community has grown in importance as a renewal factor by nearly 20% since 2019.[7]

Spotlight

New Renters

Not surprisingly, of renters who had lived in their neighborhoods for less than two years, over **50% said they had fewer than three close connections** nearby. Only a quarter reported a strong sense of belonging. With a 48% turnover rate in the US, owner-operators have a major opportunity to help these new-to-neighborhood renters connect with their neighbors—and drive renewal rates in the process.

Thank you to everyone who came to our meetup. Welcome to the neighborhood.
4:19 PM
Really felt at home.
4:22 PM
Sep 2022
$1000
Pay Now
Order
RSVP
RSVP
Housekeeping
$70 / Month
Subscribe
Local Bar
Open Bar
Order
Subscribe
Subscribe
Subscribe
RSVP
Connections benefit everyone

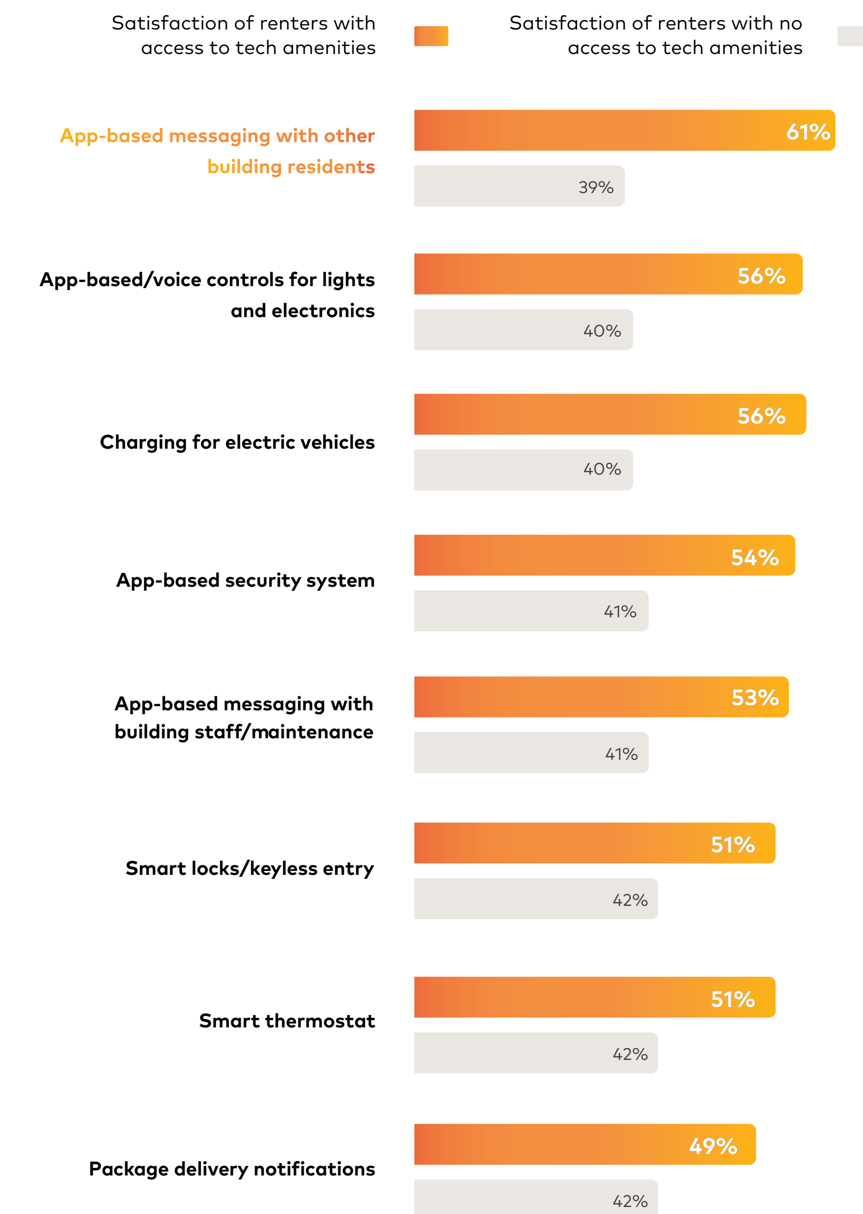
Owner-operators have an image problem. And, it's a money problem too.

Only 45% of US renters are highly satisfied with their building's management—and the Net Promoter Score® for real estate is dismal compared with other industries.[9] Unfortunately, this reputation problem is a money problem, too. Just 27% of renters who are not satisfied with their management say they're very likely to renew.

But, we're living in The Experience Era—so a focus on resident experience amenities that better connect renters can make a big difference in brand perception. In particular, **tech-based messaging between residents has proven uniquely popular—and effective**. Renters who can easily connect with their neighbors via digital platforms—particularly apps—are one and a half times more satisfied with their management than those who lack access to this experience. In addition, renters with app-based messaging also report having significantly more close relationships in their community than those who don't.

These findings point to app-based messaging as one part of a powerful toolkit for creating the kind of neighbor-to-neighbor connections that increase satisfaction and drive renewals. Even better: it turns out the **owner-operators may even be able to generate new revenues by implementing app-based messaging**. Nearly two-thirds of US renters say they're willing to pay extra for services to help them feel more connected to their neighbors and neighborhood.

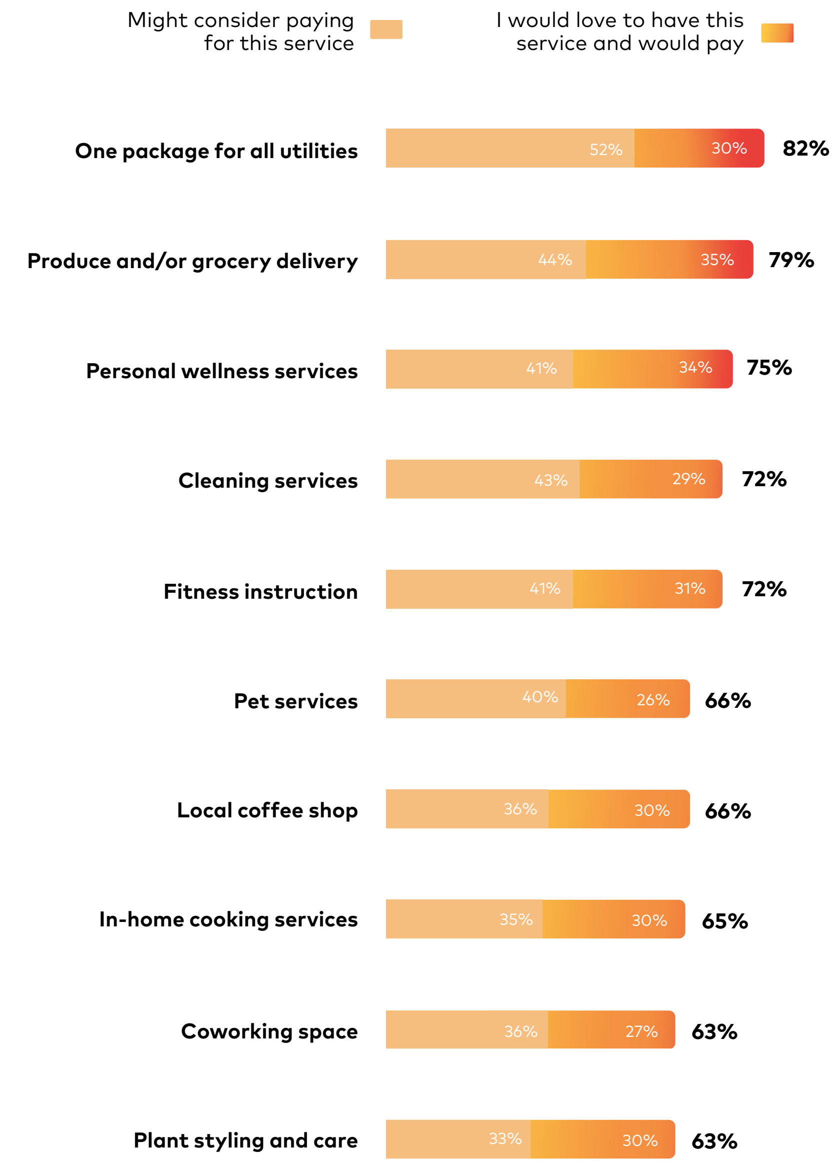
Tech amenities that connect residents improve satisfaction with the management



Source: Venn
Base: 1,566 US renters surveyed in June 2022

Delivered by USPS
Sender: Eli Van Luke
Address: 100 Maple Lane
Westport, CT 06880
Arrived: 9/3/22, 9:50am
Package: #9873898658978
Weight: 3.5lb
Pick up at The Package Room: 475 Clermont Ave, Brooklyn, NY 11238. Monday to Friday 9am-5pm.
View Package Details
Dog Sitter
$50 / night
Neighborhoods
create new
revenue streams

The majority of renters would consider paying their building for local services



Source: Venn

Base: 1,566 US renters surveyed in June 2022

Every month, renters pay for services that make living in their apartments simpler, more enjoyable, and just plain better—everything from WiFi and grocery delivery to fitness instruction and dog walking. More often than not, renters purchase these services from businesses in the surrounding neighborhood.[10] Unlike Peloton, Lyft and the other juggernauts of The Experience Era, property owners aren't sharing in any of the financial upside. But they should.

Today, the extent of owner-operators' financial relationship with renters starts and ends with monthly rent payments. Yet, they are in an amazing position to capitalize on the single point of delivery for everything that renters want to make their homes, buildings, and communities better by partnering with neighborhood businesses in a hyperlocal marketplace.

This type of marketplace doesn't entail rewiring the local economy. The recipe is simple and the ingredients are accessible to most landlords: a solid commitment to the community, a depth of local expertise, and a bit of tech.

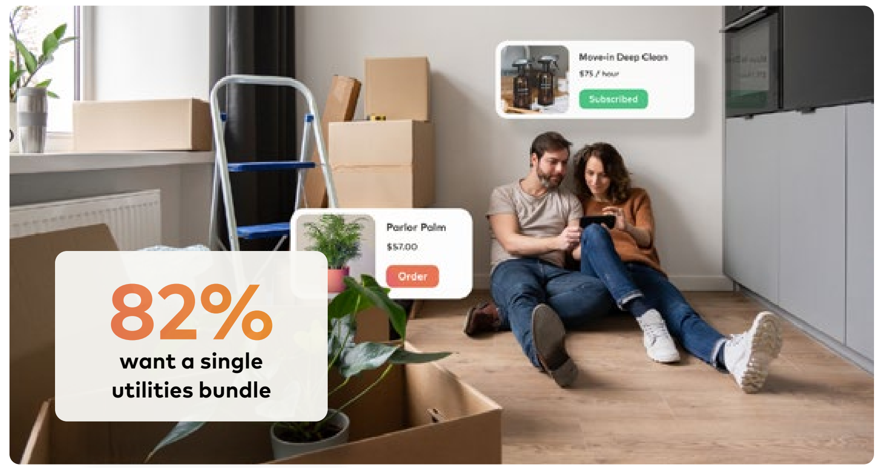
There's a big business opportunity here. How big?

Taken together, this sort of digital marketplace would allow residents to discover nearby small businesses and service providers, all vetted and curated for quality and value. It would provide local shops with a platform to grow their customer base and keep money in the community. What's more, it would empower budding entrepreneurs to easily launch new ventures and offer services directly to neighbors. Yoga classes, design services, in-home childcare—the opportunities are endless.

What if a resident's apartment became not just a refuge from work, but potentially a source of income? What if it all worked together, so residents, local business and owner-operators won together, strengthening the local economy so that everyone benefits?

On average, US renters spend hundreds of dollars per month on these types of services. When we asked if they would pay for specific services that they don't currently have access to, 82% of the renters in our study expressed interest in one package for all utilities, 79% wanted a subscription to local produce and/or grocery delivery, and 75% wanted paid personal wellness services. Even the lowest ranking paid services on our list—plant care and membership to a coworking space—garnered consideration or definite interest from 63% of respondents.

Such neighborhood "subscription" programs improve the resident experience by providing in-demand paid services in a convenient format, while also helping to strengthen the local economy and capturing new revenue streams for property owners. And **this doesn't require new technology or additional investments**. The technical backbone for this value-added experience can integrate directly with existing online rent payment processes.



Turn your community into an amenity

A great resident experience is just as important as an apartment's four walls.

Making your community an amenity can be as transformational to your resident experience and your business as Lyft's friction-free rides, Netflix's on-demand streaming, or Peloton's community of riders. And, **it's already there, in and around your buildings, ready to provide you with new ways to maximize your NOI**.

So, when you think of resident experience, think beyond technology and common spaces. Discover the power of community to attract and keep renters for good.

Start your journey.

Methodology

In June 2022, Venn conducted a survey of 1,566 renters in multi-family apartment buildings across the United States. Below is a breakdown of our respondent demographics.

Location: 12% were from New York City, NY; 10% were from Washington, D.C.; 6% from from San Francisco, CA; 5% were from Dallas, TX; 4% were from Miami, FL; 4% were from Austin, TX; 4% were from Seattle, WA; 3% were from Denver, CO; 2% were from Portland, OR; 2% were from Nashville, TN; and 49% were from other U.S. cities.

Gender: 53% of survey respondents were female and 47% were male.

Age: 8% of survey respondents were age 18-24; 41% were age 25-34; 31% were age 35-44; 12% were age 45-54; and 8% were age 55+.

Marital status: 62% of survey respondents were married or living with a partner; 23% were single; 14% were divorced, separated, or widowed; and 1% were other.

Annual household income: 48% of survey respondents made $100,000 or more; 29% made $50,000-$99,999; and 23% made under $50,000.

Working status: 82% of survey respondents were working and 18% were not.

Time in neighborhood: 16% of survey respondents had lived in their neighborhood for 0-2 years; 55% had lived in their neighborhood for 3-5 years; 20% had lived in their neighborhood for 6-10 years; and 9% had lived in their neighborhood for more than 10 years.

Sources

[1] Source: Salesforce: State of the Connected Customer, 2022

[2] 67% of customers say they'll pay more for a great experience. Source: Salesforce: State of the Connected Customer, 2018

[3] Source: Watermark Consulting: The Customer Experience ROI Study, 2021

[4] Source: Bain & Company: The Five Disciplines of Customer Experience Leaders, 2015

[5] Source: Moving APT

[6] The average number of amenities for US renters is six. The renters in these amenity-rich groups have 7 or more amenities.

[7] Source: SatisFacts: Biennial Online Renter Study, February 2022

[8] Source: CBRE: US Multifamily Research Brief, June 2020

[9] Source: Customer Guru: retail, consumer electronics, fast food, rideshare, entertainment, internet services, utilities, real estate

[10] 70 percent of consumers support local businesses by shopping online only, or a mix of online and in-store. Source: Mint: Buying Local Statistics for 2021

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