

## **Trends & Innovations in Property Management Systems**

### **By Dick Jonilonis**

The title and subject of this article identifies many of the new capabilities appearing in property management software. In addition, we will discuss issues associated with systems users upgrading and/or replacing their current system. In some cases, the new capabilities can only be with the acquisition of new software or technology. Some upgrade alternatives may be implemented on older, possibly obsolete systems. The key question therefore, would be is the time and money used to upgrade a dated, somewhat obsolete system the best use of time and money even if they can increase operations efficiency, and reduces costs overall?

As in many other contemporary industries the pace of automation associated with property management systems has quickened over the last five years. In some cases, the changes in technology may dictate that older software be declared obsolete and concurrently an important company commitment is made to replace the system. This is especially true with software that is dependent upon earlier operating systems, storage media, and older peripheral devices. It is also worth noting that many new PC's no longer have three and one half inch disk drives and some new printers and multi-function devices do not work with some older software.

A system failure of one or more of the above at-risk components may entail a major disaster based on the inability to replace the component(s) or re-install the system within acceptable time and cost factors. Property management systems deemed obsolete but still operable, based on the criteria specified above must be evaluated periodically in order to determine the identity of critical components and the expected and acceptable time and cost parameters to replace them.

The time factor is an especially major concern for fee property managers based on the many associated demands and volume of their operations; i.e. checks to owners and vendors, receipts to process, and monthly reports to prepare and distribute, etc. A one week delay in operations will usually create major problems at many levels, and could result in lost business, mortgage or property tax delinquencies, and even DRE violations. Owners and operators generally have significantly less time demands in regards to systems processing operations based on less volume and fewer outside demands.

Often, older software can be enhanced with new add-ons, or modules provided by the original developer, or another software developer. The add-ons or modules may take the form of traditional shrink-wrapped software, or the newer Internet based software (ASP – Application Service Provider). Usually with ASP applications, both the program and the data are stored elsewhere and the use of the program, storage facilities and communications capabilities are leased monthly or paid for based on actual usage either by time or the number of transactions. The Internet software will usually require additional integration since they usually are not created as a cooperative effort with the original developer. Some developers now offer shrink-wrapped and ASP property management systems along with add-ons and modules.

Examples of add-ons and modules include commercial property management routines, tenant receivables / receipt processing via lockbox or point of sale check processing, maintenance work orders and payroll, etc. All of the above can provide a major increase in user benefits based on the new, enhanced programming and technology assuming they can operate effectively with the older program. The use of these routines does not eliminate the basic concerns of obsolescence identified earlier, but can increase operations efficiency, and reduce costs overall.

Realistically smaller owners, operators and fee managers initially will have less interest in the enhanced programming and technology based on their lesser number of properties and tenants, etc. However, some software is priced on the number of units and in those systems, usually the enhancements and technology are available at little or no extra cost. The result being that a small owner, operator or fee manager will acquire many of the same hi-tech capabilities, such as integrated e-mail, scanning and storage programming, point of sale, and remote site operations that the large property management company uses.

Newer technology today within the sphere of property management systems may include the following devices and mediums:

- PDA's, palm pilots, and the newest cell phones
- Scanners including multi-function machines – printer/ scanner / copier
- Point of sale devices – check, credit card / debit card readers
- Internet – for E-mail & web-site access from within the property management program
- PC remote site communications
- GPS devices

The functions and operational capabilities they provide include the following:

- Limited / Specific access to unit, tenant, or work order data from the main office management system using wireless communications devices
- Storage and integration of scanned documents, maps, floor and site plans, and pictures specifically associated with properties, units, tenants, etc.
- Optical Character Recognition (OCR), imaging, and reading of rent payment media including checks, credit and debit cards – also conversion of receipts and payables to ACH transactions minimizing the need for traditional check writing operations for owners and vendors
- Implementation of Internet capabilities for tenant prospecting, better, faster, and lower cost communications via e-mail within the program, plus reporting operations
- Establishing low-cost, non-redundant, real time data entry and access operations for increased efficiencies and bottom line improvements
- Tracking of maintenance staff, property managers, and leasing staff for better scheduling and allocation of staff resources

The above examples of today's technology are both exciting and evolutionary.

They are significant based on the new capabilities they provide when compared to earlier property management systems and, in most cases, they evolved from technology applications used in other industries. A review of the above capabilities will identify that owners and operators with large property portfolios and mid to large fee property managers will benefit greatly from the technological advances now available in some property management systems. Focus has been directed to system operations that have traditionally been labor intensive, utilizing minimal technology, and have a clerical orientation. Examples include keyboard data entry of tenant receipts and preparation and distribution of owner and vendor checks. Property managers should especially appreciate the benefits of relocating receipt processing out to their larger apartment and commercial remote sites plus the conversion of owner checks and recurring payables to ACH transactions. The reduction or disappearance of traditional receipt data entry and check processing will not be missed. The time and costs of those operations will presumably be re-directed to other key operations and efforts in providing increased services, enhanced income, and lower costs among the owners and tenants.

These new capabilities can and should provide significant improvements upon any of the operational activities they are applied. They can:

- Provide new sources of income
- Provide higher levels of service
- Provide better, faster management information for improved decisions
- Provide lower cost per new tenant
- Promote increased responsibility of staff
- Reduce losses of rental income
- Reduce labor costs
- Reduce mailing and postage costs and time delays
- Improve average length of tenancy
- Introduce new levels of file storage and retrieval abilities for legal, marketing and other operational efficiencies

It is generally perceived that the newer property management systems tend to encompass significantly greater levels of management operations than their predecessors. In many cases, this expansion has also reduced the need for supplementary files and sub-systems which were created to fill the perceived need of staff and management to have additional data for improved management. In the past, we have observed files related to additional information on units and tenants, forms and letters, property marketing pieces, maintenance history information, and appointments, to do's, and reminders. In many of today's systems those files and operations are already incorporated within the basic system thus eliminating the need for additional supplemental files and eliminating the redundancy and inaccuracies relating to supplemental file structure and maintenance. Newer systems provide the opportunities for add on data, unlimited notes, letter writing, sophisticated contact and calendar based functions, plus presentation and marketing capabilities for tenant prospects, and client prospects for fee property managers.

Older systems are often perceived as simple, comfortable, and user friendly while at the same shortcomings are minimized. Generally, the positive attributes are true-based on the very logical rationale that the older program is doing considerably less. It has fewer features, less exception routines, basic, often outdated technology, and requires a lot less system resources. Those characteristics translate into greater administrative and labor costs, processing times, and additional manual procedures. They also provide significantly less information which means an increase in filing and retrieval activities. The more popular systems will tend to have a larger offering of add-ons and modules which may provide significant benefits and payback. At some point however, the old clique relating to a "dead horse" must be considered.

Significant additional expenditures on an older system should be considered carefully in conjunction with future upgrade options. It is possible an upgrade plan might use the dollars being considered for the older system as a means to start a move into the new system earlier. The new system would then be capable of staff familiarization, and picking up the new business which may have been the reason the old system was being updated or expanded.

Evaluating new systems to replace the old is an important and enlightening effort and by no means to be considered in a casual manner. Our experience with a number of property management systems and product lines has indicated that the developer's potential successor to the old system is not necessarily the best alternative available. Major issues to consider include:

- Developer's current financial, market share and focus
- Conversion of and compatibility with the old system
- Pricing – Initial costs, follow on costs and future upgrades
- Training & support options and considerations – Local vs. out of area
- New and upgraded features – Developers commitment to new technology?
- Staff commitment and availability

For those systems developers that now offer ASP alternatives the possibilities of a new user trying out the new system in a low cost, low volume operation is a valuable and important alternative to the traditional expensive, up-front purchase and implementation of a system. Occasionally, new users will discover that the program is not quite as user friendly, accurate, or complete as was indicated. The ASP option provides a realistic method of sampling the program on an operational basis at a very low initial cost in time and money.

The fore-mentioned items above are all very real issues among many of the property management systems currently available. Once the details of features and technology are extracted for specific system comparisons, it is only necessary to weight the systems for importance based on the potential user's current and future requirements. Now, more than ever, your choice of a new or upgraded system will mirror and manage your business.

Determine that the system does have the features and technology necessary to manage your business in the manner desired. Start early, evaluate carefully, plan your implementation and implement your plan.

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