



## Ten Questions Asset Managers Should Ask Themselves and the Organizations They Represent July 2021

All of the individuals who participated in CHAM's 2021 survey of Asset Managers were asked to answer two open-ended questions: 1) How has your organization's approach to asset management changed in response to 2020? 2) What innovative practices has your organization adopted over the last year? Systematic analysis of the survey responses suggests there are at least 10 questions asset managers should ask themselves and the organizations they represent to facilitate ongoing improvement.

- 1. What role should asset management play in helping an affordable housing provider achieve its goals related to racial equity and social justice?** The tragic events of 2020 undoubtedly encouraged many affordable housing providers to renew their commitments to promoting racial equity and social justice. Yet, only two survey respondents mentioned these issues at all. This does not suggest asset managers have little concern for the non-financial goals of their companies, but it does offer some indication that they often view them as outside the scope of their core professional responsibilities. Affordable housing providers must decide for themselves if they are satisfied with such perceptions or if they would like their asset managers to more directly engage in mission-oriented activities.
- 2. Was asset management's response to COVID-19 pragmatic or progressive?** A number of asset managers in the sample described their efforts to manage the detrimental impacts of the COVID-19 pandemic. These respondents generally fell into two camps. Some went into crisis management mode, put efforts to innovate on hold, and doubled down on existing processes and procedures. Others pushed for change, sought out creative solutions to emerging problems, and explored new ways to make their portfolios resilient to external forces. As public health conditions improve, those in the former group must take steps to push themselves forward and those in the latter must determine how to sustain pandemic-inspired efficiencies over the long term. Both of these tasks begin with asset managers considering whether they responded to the pandemic in pragmatic or progressive manner.
- 3. Did the work of asset managers become more operational or analytical in a time of crisis and did the approach yield desirable results?** Even among the most progressive asset managers, responses to the COVID-19 pandemic varied dramatically. There were those who became deeply immersed in operational activities to ensure properties continued to cash flow and those who stepped back and took a more analytical approach. Asset managers who did the latter often reported that they obtained a deeper understanding of the properties in their portfolios by giving substantial thought to what the numbers were telling them, subsequently augmenting that information with conversations with onsite personnel. None of these asset managers dismissed the importance of procuring firsthand knowledge about market and property conditions, but they did argue that there is value in keeping an eye on the big picture, while preserving the autonomy of property management teams.

- 4. How did working relationships with property managers and resident service coordinators evolve in response to mounting organizational challenges?** Irrespective of whether they became more operational or more analytical in response to COVID-19, asset managers in the sample generally agreed that strong working relationships with property managers and resident service coordinators are imperative when things get tough. Several survey respondents said they took steps to improve channels of communications with professionals working in both of these capacities during the pandemic to manage delinquency risk and keep residents in their homes. This is a positive trend, but it does beg the question of why some asset managers were not actively collaborating with property managers and resident service coordinators until a health crisis forced them to do so.
- 5. Did asset management adopt new technology to get better or to get by?** Asset managers described a pragmatic approach to technological adoption. New technologies that did find their way into asset management departments often supported physical distancing and work-from-home operations. Some of the most common examples put forth by survey respondents included technologies accommodating virtual meetings, document e-signing, and “desk reviews” of properties when site visits were impossible. For many asset managers, technological implementation ended there. Only a few asset managers said that they leveraged new business intelligence technologies to improve financial performance. This observation suggests affordable housing providers may need to devote more attention to vetting new technologies and incorporating them into their asset management platforms.
- 6. How is asset management planning to address deferred maintenance and to replenish depleted capital reserves?** Unsurprisingly, asset managers in the sample frequently noted that declining rent collections and increasing operating expenses during the pandemic forced them to defer capital investments and dip into capital reserves to make ends meet. These actions were unavoidable in many instances, but have nonetheless created a need for asset managers to start thinking about how they intend to put the properties back on more sustainable footings in the future as market conditions stabilize. Affordable housing providers must determine where they are in this process and whether asset management teams have the resources they need to make decisions as strategically as possible.
- 7. What steps is asset management taking to manage stakeholder expectations in the face of growing demand for meetings, monitoring and reporting?** Affordable housing debt and equity providers were understandably rattled by the COVID-19 pandemic and responded by calling on asset managers to engage in more monitoring activities. Quarterly meetings and reports became monthly or weekly meetings and reports in many instances, putting increased pressure on asset managers to provide information and assuage investor concerns. Some asset managers also said they were asked to survey residents more frequently to assess their need for rental assistance and to more accurately predict their probability of lease default. These activities are likely to be necessary for the foreseeable future, but there will come a time when affordable housing providers must help their asset management personnel move back to more manageable reporting expectations.
- 8. Has asset management become more efficient and proficient in stress testing and scenario analysis?** To alleviate extreme financial ambiguity, asset managers reported a heightened use of predictive analytics. They described three strategies to complete more robust stress testing and scenario analysis than done in the past – developing in-house expertise through additional training, purchasing new analytical tools, and outsourcing modeling to third-party service providers. Regardless of the manner of acquisition, these analytical tests helped asset managers better

understand the level of deviation their properties could incur and still remain financially viable. Several asset managers stated that the use of predictive analytics tools should continue after the pandemic subsides and it may fall to the senior leadership of asset management departments to ensure this is the case.

- 9. What has asset management learned about the properties in its portfolio and their ability to satisfy residents' wants and needs?** The COVID-19 pandemic forced asset managers to take a hard look at the physical characteristics of the properties in their portfolios and the impact of those characteristics on the resident experience. In some instances, survey respondents found that amenities, common areas, unit design, and broadband infrastructure were insufficient to satisfy residents' wants and needs. It remains unclear how this information will influence the design of affordable housing complexes in the future, but there is at least hope it will lead to positive change where needed.
- 10. Is asset management taking advantage of growing recognition of its value proposition and the essential role it plays in the affordable housing industry?** Despite all of the obstacles asset managers had to overcome in 2020 to keep the properties in their portfolios financially solvent, the COVID-19 pandemic produced at least one positive outcome. It put a spotlight on the value asset managers bring to the table and the essential role they play in helping affordable housing providers achieve their goals. As a result, many companies in the industry appear more willing to invest in asset management platforms, personnel, and training today than in the past. Asset managers, as well as organizations like CHAM that represent their interests, must take advantage of this unique opportunity to continue the professionalization of the field and the standardization of best practices.

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