



## CHAM 2020 Asset Manager Survey

### Qualitative Analysis

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To gain a better understanding of the state of affordable housing asset management, asset managers were asked to consider the greatest challenge they have faced and the most impactful asset management strategy they have adopted in the past year. The survey was open for one month, closing on March 14, 2020, so it reflects conditions prior to the pandemic.

Several recurrent themes were observed in the responses to these open-ended survey questions:

#### **Asset managers are becoming more systematic in the way they approach their work.**

They are preparing deal books to help members of their teams better understand the affordable housing investments under their supervision, increasing their reliance on key performance indicators to determine if those investments are progressing to plan, and formalizing the way they assess whether any such plans are ripe for revision. They are also clarifying the criteria by which they make refinancing, repositioning, and redevelopment recommendations to reduce ambiguity and heighten transparency.

#### **As the profession has become more sophisticated, asset managers have shifted their orientation from reactive cash flow monitors to proactive cash flow managers.**

In many cases, this involves pursuing any rent increases allowed by affordable housing programs and reigning in controllable expenses when possible. Asset managers are accomplishing the latter by rebidding service contracts frequently, consolidating service providers to benefit from economies of scale, and implementing programs to conserve water, energy, and other resources.

#### **New technologies continue to permeate the asset management process.**

Robust data management platforms and comprehensive forecasting models, all linked to user-friendly dashboards, are being employed at a high rate. These tools are helping asset managers spot trends, diagnose problems, and identify opportunities that might easily have been overlooked in the past. The information derived from these tools is reducing asset managers' reliance on data filtered by other parties, thereby enabling them to act more quickly and decisively.

#### **Efforts to improve financial performance and manage risk often extend beyond the confines of asset management departments.**

A significant number of affordable housing providers call on contractors and consultants to oversee compliance functions, manage property tax appeals, prepare tax credit applications, and evaluate tax credit re-syndication options. Retaining the services of these professionals allows asset managers to focus on their core competencies.

**Capital budgets are receiving a growing amount of attention.**

Asset managers are increasing the amount of time they spend assessing affordable housing's capital needs, developing short- and long-term capital improvement plans, and advocating for capital reserves. Capital constraints are also forcing asset managers to become more strategic in the way they approach deferred maintenance, with many giving just as much thought and deliberation to decisions not to spend money as decisions to spend money.

**Asset management departments are taking affirmative steps to promote organizational learning.**

In addition to encouraging asset managers to share ideas, they are carefully evaluating the skills and aptitudes of their staff to determine how they can be used most effectively to achieve defined goals. Furthermore, they are comparing outcomes across properties to determine which asset management interventions are working and which are not. Senior leadership teams are using the information derived from these exercises to hone in on generalizable best practices and modifying their departmental culture to ensure those best practices are adopted in the ordinary course of business.

**Some affordable housing providers are positioning their asset managers for success by ensuring they have a strong voice in development decisions.**

Rather than simply asking asset managers to vet underwriting assumptions or informally assess the merits of proposed projects, thought leaders in the affordable housing industry are implementing development procedures that coordinate the activities of their asset management, property management, and finance departments from the time projects are conceived until the time they are leased to stabilized occupancy. Such procedures have been found to reduce miscommunication and conflicts among team members with different job priorities.

**Creative financing strategies are on the rise.**

In addition to using cash flows from strong properties to subsidize weaker ones, asset managers are turning to cross-collateralized loan obligations and bundled tax credit syndications to raise capital for underperforming affordable housing. The trend has raised questions about the advantages and disadvantages of these financial arrangements, as well as demand for guidance as to how they should be structured to achieve various investment objectives.

**Little consensus exists as to how affordable housing providers should approach property management.**

Some asset managers are ardent supporters of outsourcing, while others believe insourcing yields notable benefits such as greater control and accountability. In between are those who favor outsourcing on an opportunistic basis when third-party property managers have market knowledge or product type experience that outweighs concerns about imperfect goal alignment and potential conflicts of interest.

**Irrespective of whether property management is outsourced or handled in-house, many asset managers feel they are too heavily involved in day-to-day operational activities.**

A host of inefficiencies are perceived to stem from asset managers second-guessing property management decisions and losing sight of longer-term financial goals. These problems can only be addressed by retaining the services of competent property management teams, clearly communicating strategic objectives to them, and empowering them to do their work at a high level.

**A significant number of asset managers believe the importance of their work is underestimated by both the organizations who employ them and the other affordable housing professionals with whom they interact.**

The problem is attributable at times to a lack of understanding of what asset management entails and the benefits that can be derived from doing it well. As such, affordable housing providers benefit from educating their staff on how asset management fits into the broader enterprise and explaining to them the important role it plays in interdepartmental coordination.

**Making the affordable housing industry more aware of the value-add nature of asset management is imperative to address human resource shortfalls.**

This is the case because many affordable housing providers appear to be reluctant to bring on new asset management personnel as their portfolios grow in size. There are many reasons to believe such behavior may impinge upon the financial success of these organizations.

For other trends uncovered in the 2020 survey about salaries, roles, functions and workloads, see the report on the qualitative results at [www.chamonline.org](http://www.chamonline.org).

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