



Sharing Best Practices:

What Can Managers of Multifamily and Commercial Real Estate Properties Learn From Each Other?

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Multifamily rental housing is a much different animal than other types of commercial real estate, like offices and warehouses. Aside from the obvious contrasts in building structures, tenant needs, and lease types, tenant demands can also widely vary.

Therefore, it's no surprise that residential and commercial properties must be managed differently. Multifamily property managers face a host of challenges never encountered by managers of office buildings and warehouses — and the opposite is equally true. So, it can be assumed that the priorities and daily activities of residential and commercial property managers are quite dissimilar.

Or are they? Despite many differences, multifamily and commercial property managers face similar challenges, and each one can learn from the other. This ebook explores the wealth of knowledge to be shared between the two groups. But first, let's understand the differences.

Different Animals: Multifamily Versus Commercial Properties

Owners of all rental properties share the same primary goal of maximizing net rental income while minimizing operating expenses. However, managers of multifamily apartment buildings and managers of commercial real estate typically deploy disparate strategies to meet this goal.

Multifamily buildings will have many more residents compared to tenants in commercial buildings of a comparable size. Lease durations are also different. Leases in multifamily buildings are very short — generally one year or less — and annual turnover is typically high. By contrast, commercial leases are much longer — normally a minimum of three years, often five years, and sometimes ten or more — so turnover is much less frequent. Even more important, each commercial tenant is much larger and thus accounts for a greater share of the overall building revenue.

These differences lead to distinct approaches with how management addresses resident or tenant retention. With commercial buildings having fewer tenants and each lease lasting multiple years, each individual lease matters significantly to the property's success. Thus, tenant retention strategies in commercial properties focus on individual tenants. Among other implications, commercial property managers will invest more time cultivating individual tenant relationships and provide tenant improvement dollars to customize most tenant spaces.



By contrast, in residential buildings, management focuses on building community. With a near-constant turnover of residents, managers cannot obsess over losing any particular resident. Instead, they seek to maintain overall occupancy and rental income by creating a positive overall living experience that fosters general resident retention versus investing time or resources to retain an individual resident. In particular, multifamily owners tend to invest in common-area spaces and services rather than customizing individual units.

This basic dynamic — commercial managers focus more on individual leases and tenant spaces, while multifamily managers pay more attention to the overall community — has numerous implications for how managers of each property type spend their time and invest their resources.

Communication: As noted, each resident is less critical to the operational success of the multifamily than the usual commercial building. What does this mean for how managers approach resident relations? A multifamily manager might attempt to get to know individual residents, but given the sheer volume of people in a community, these relationships are unlikely to be more than cursory, especially in large buildings or complexes. Thus, most communication with residents tend to be mass messages that do not vary much per resident. By contrast, in commercial buildings, retention strategies are paramount, so property management will seek to build long-term partnerships, often hiring “Tenant Experience Coordinators” to ensure more personal communication and a more individualized commitment to tenant satisfaction.



Technology Investment: Multifamily and commercial property managers tend to invest in different kinds of technology. Since apartments are a high-volume business with many residents — typically one- or two-person households — the technology tends to prioritize user-friendly digital solutions for rent collection, maintenance requests, and resident communication. On the other hand, commercial property management software tends to be more sophisticated, allowing for complex lease administration and tenant billing appropriate for working with larger individual tenants.

Management Focus: Residential managers typically devote considerable time and resources to activating common areas and providing services and amenities to make the community more fun. By contrast, commercial managers must prioritize providing a professional environment that supports tenants' operational needs. Preventative maintenance schedules are crucial to minimize disruptions and ensure business continuity for tenants. A potential malfunction in a commercial building automation system could have a significant financial impact on a tenant's business, making preventative maintenance a top priority.



Similar Breeds: Commonalities Between Multifamily and Commercial Properties

There are some clear differences in how multifamily and commercial properties are managed. But are the differences as significant as they appear? More importantly, can these two types of property managers learn from each other? We think so. Let's unpack these one at a time.

Multifamily Lessons for Commercial Properties

Cultivating Vibrant Communities: Multifamily managers excel at promoting a sense of community through social spaces, resident events, and shared amenities. Commercial property managers can emulate this by hosting networking events, establishing online forums for interaction, or creating tenant engagement programs. Tenant survey programs for both property types are beneficial to help gauge satisfaction and uncover renewal risks. This fosters a more collaborative and positive atmosphere within the building, increasing tenant retention and attracting new tenants who value a strong sense of community.

Prioritizing Exceptional Customer Service: In multifamily housing, exceptional resident satisfaction is paramount. Indeed, many property managers track residential satisfaction via Net Promoter Scores (NPS). Commercial property managers can benefit by adopting this focus and prioritizing the development of strong relationships with their tenants. This means being responsive to their needs, addressing concerns promptly and professionally, and going the extra mile to ensure a positive tenant experience. In some ways, we've seen this trend emerge with managers of office commercial properties starting to embrace a more hospitality-first approach focused on service to distinguish their buildings.



Optimizing Efficiency Through Technology: Multifamily properties often leverage technology for online rent payments, streamlined maintenance requests, and efficient communication channels. Commercial property managers can explore similar tools to automate processes, improve operational efficiency, and ultimately enhance the tenant experience. Implementing online rent payment options, utilizing a tenant portal or app for submitting maintenance requests, and adopting property management software can streamline daily tasks, free up valuable time for tenant interaction, and allow for faster response times to tenant needs.



Commercial property managers can elevate their strategies by recognizing the transferable skills and best practices commonly used in multifamily residential property management. This fosters a more positive tenant experience, strengthens tenant relationships, and contributes to the overall value and appeal of the commercial property. In today's competitive landscape, where tenant satisfaction is a crucial differentiator, embracing these lessons from the multifamily residential sector can give commercial property managers a significant edge.

Commercial Property Lessons for Multifamily Communities

What about the opposite? What can property managers of multifamily properties learn from managers of commercial properties?

Proactive Maintenance Strategies: Commercial properties prioritize preventative maintenance schedules to minimize downtime and ensure smooth business operations for tenants. Multifamily managers can adopt similar strategies by implementing regular preventative maintenance checks on appliances, HVAC systems, and common areas. This proactive approach reduces the risk of costly repairs down the line and resident disruptions caused by unexpected maintenance issues. Plus, maintenance responsibilities are critical to resident satisfaction. By regularly assessing the effectiveness of your maintenance operations, you can identify problems before they impact renewals.

Tenant Retention Strategies: Commercial property managers prioritize tenant retention to ensure a stable income stream. Multifamily managers can implement similar strategies while not needing to cater to individual tenants. They can offer resident loyalty programs, host resident appreciation events, and gather feedback to identify areas for improvement. By capturing real-time feedback on important milestones in the resident journey, multifamily managers can guide property decisions that improve satisfaction. This fosters a sense of community and encourages residents to renew their leases.



By incorporating these lessons gleaned from commercial property management, multifamily managers can operate more efficiently, enhance the resident experience, and ultimately increase the value and profitability of their properties. Adopting these practices in today's competitive rental market can give multifamily properties a significant edge in attracting and retaining residents.

Data-Driven Decision Making

Intelligent management relies on timely data and sophisticated analytics to make strategic decisions. That applies equally to both multifamily and commercial property managers. Few of the preceding goals and strategies will likely be effective if they do not align with the needs of both residents and tenants.

That begs the question: How can managers determine a retention strategy without understanding their tenants' priorities around building maintenance, services, and amenities? By asking! Some of these insights can be ascertained via informal dialogue with residents and tenants. But, the superior approach, yielding more reliable and actionable information that can easily be tracked over time, will be through resident and tenant surveys. This engagement demonstrates that management cares enough about improving satisfaction to ask their opinions, further fostering positive relations.



Many survey questions will vary for residential and commercial properties, just as management strategies differ. However, the underlying concept is the same: Rather than just guessing what matters to residents and tenants, superior managers will find out through a comprehensive survey program.

Managers with multifamily and commercial buildings in their portfolio might just find more overlap in their management strategies than they initially thought.

Contact Grace Hill today to learn more about our comprehensive survey solutions for both multifamily and commercial real estate.

