

# The Key to Making Better Business Decisions

A guide to predictive analytics in the multifamily industry



One of the most difficult parts of running any successful business in any industry, but especially in multifamily, is planning for the future. Because the job market and housing market go hand in hand, there are a lot of factors that go into determining demand so it can be especially difficult to know what demand will look like next year, five years from now? What markets should I be entering, and/or exiting? Where should I spend my marketing dollars to get the best results?

These are questions, that PMCs have to continuously address. Because there are so many dependencies that other industries likely don't have to think about when forecasting demand, you shouldn't be afraid to take advantage of every tool you have available to you. If you're an industry veteran, your instincts have served you well up until now, but as AI continues to advance, there are new tools that will significantly improve your planning, forecasting, and decision making. Specifically, we are talking about predictive analytics.

Data analytics is "the practice of examining data to answer questions, identify trends, and extract insights" to improve strategy and help businesses make the right choices. When it comes to predictive analytics, it helps answer questions about what to expect in the future.<sup>1</sup>

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<sup>1</sup> What is predictive analytics? 5 examples

Predictive analytics differs from business intelligence in that it not only identifies trends, but makes recommendations on how to proceed, whereas business intelligence aggregates large data sets and visualizes the data to give you a better understanding of what has happened. Simply put, business intelligence gives us a view of the past and predictive analytics provides a look at the future.

There are many potential use cases for predictive analytics in the multifamily industry. Below we highlight the ones that will have the biggest impact on efficiency and your bottom line.

### **What you need to know before getting started**

To ensure a successful AI and predictive analytics implementation, it's paramount to have access to quality data and have that data organized in a way that allows it to be effectively leveraged. Having access to all relevant data in one place and configured in a way that it can easily be accessed is the best way to give you a holistic view of your property performance.

Another thing to consider is hiring consultants or dedicated data scientists to operate data analytics and predictive analytics programs. Even better, look inward to identify if you have someone already on the team that is familiar with your business and also excels at digesting data and making good use of it. Putting together an effective process can be complicated, it doesn't hurt to have experts in the building or to train capable employees who are up to the task. Now instead of relying on your gut feelings when making decisions, you'll have the data to back up your decision making process and will be well on your way to make more effective decisions.

When implementing predictive analytics at your properties, it's imperative that the regional and site teams trust the data output and are willing to accept the recommendations and take action on those recommendations. If faith in the data team is lacking, that could sink your program before it even gets started.

### **Dynamic pricing**

One of the hardest things multifamily businesses have to do on a regular basis is price their units. There are so many factors to take into account like supply, market demand, advertised rent prices, comparable units with publicly available rents, seasonality, and vacancy recovery. Before dynamic pricing, the process of pricing was time consuming and by the time you got the optimal price figured out based on the data you were reviewing, it was likely out of date.

Dynamic pricing is a predictive analytics tool that takes into account all of those factors and recommends what the optimal rent is for each unit across your entire portfolio, helping you to efficiently maximize revenue. Instead of spending countless hours deciding on pricing. Utilize a dynamic pricing tool to help you determine the optimal rental rates in real-time and enable your team to focus on other areas that might need improvement.<sup>2</sup>



**Utilize Entrata's proprietary machine learning algorithm to analyze public market data to help set the optimal rental rate across your entire portfolio.**

### **Digital and targeted marketing**

Marketing is one of the top data analytics use cases across all industries because it's the most easily applied. Multifamily businesses can use predictive analytics tools to simplify the process of identifying trends amongst your residents to help you better identify who your target markets and prospects are to ensure you are reaching the right people and are able to get the most out of your marketing spend.

Additionally, it enables you to better analyze the success of digital marketing campaigns and show what channels and content types have the highest conversion rates. Armed with this knowledge you can more confidently craft and execute digital marketing campaigns that drive more leads and applications, and ultimately ensure you reach your occupancy goals.<sup>3</sup>



**Digital Marketing Bundle enables businesses to increase traffic, leads, and conversions by utilizing data to optimize messaging, audience, and channels.**

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<sup>2</sup> The role of data analytics in the multifamily industry

<sup>3</sup> How Predictive Analytics Can Enhance Your Digital Marketing Strategy?

**Better understand how to grow your business**

Use predictive models to anticipate housing demand to know when and where you need to expand your portfolio. Identify markets that have the biggest growth potential and build or purchase more properties in them.

You can also use it to identify new services and revenue streams that you might consider offering to residents. A report by MicroStrategy found that “46% of enterprises have been able to create new products or revenue streams using analytics.”<sup>4</sup>

**Improving lead scoring**

Gain the ability to quickly look at the marketing funnel and know almost immediately which leads you should be giving the most attention to. Additionally, through tools like the ResidentVerify Index, score prospects based on their potential risk and screen out prospects that are below your risk threshold.

**95%**

**Entrata scores leads using a proprietary machine learning algorithm that indicates the likelihood of a lead becoming a resident with 95% confidence.**

**Risk Management**

Speaking of eliminating and mitigating risk, predictive modeling can analyze potential risks at each of your properties to help determine how much coverage you need from an insurance perspective. Without the use of technology doing this manually is a very labor intensive, time consuming task. The predictive model helps you to see more acutely where risks are than a human might be able to.<sup>5</sup>



**Entrata Insurance Verification automates the verification process and ensures your properties have the necessary coverage needed to maintain compliance and reduce potential risks.**

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<sup>4</sup> 7 top predictive analytics use cases: Enterprise examples

<sup>5</sup> 7 top predictive analytics use cases: Enterprise examples

### Fraud detection

As highlighted in our recent ebook about [AI and fraud detection](#), fraud is up significantly in the post pandemic world and fraudsters are getting more and more sophisticated with each passing year. They're likely already using AI and machine learning to engineer their scams, so it makes sense for you to use AI to combat it. AI can help you identify which candidates have the highest likelihood to commit fraud and those can be forwarded to human investigators to carefully review before denying or pushing on to the next phase of the leasing process.



**Entrata tools like ResidentVerify, PreciseID and Income Verification streamline the vetting process for prospects to decrease the likelihood of fraud and ensure you get paid.**

### Resident retention

For many owners and operators, predictive analytics can tackle ongoing resident churn. Data science and analytics can give you a clear picture of how long residents will stay at your properties and what signs to look for when residents are about to leave. This help you put strategies in place to mitigate churn, while also informing you when would be a good time to ramp up marketing efforts to attract a replacement resident to ensure you have maximum occupancy

The key to calculating churn is to have a good grasp of the data you have available and how each factor impacts the lifetime value of the resident. This will help you to know if you need to improve communication, offer concessions, or make upgrades to the unit to keep people around longer.<sup>6</sup>

### Reduce late payments and delinquencies

Identify trends in behaviors for residents who pay late or become delinquent on their rent to determine tactics you can take to encourage on-time or even early payments. One tactic could be automated text or email reminders that include a link to pay at the optimal time determined by your predictive model.

### Create an autonomous leasing experience

Enable prospects to navigate the entire renters journey without human intervention. Trigger nurtures, schedule tours, sign leases, and complete move-in checklists—automatically. This can be accomplished by anticipating what the prospect needs based on their previous behavior and sending communications at the optimal time to maximize payment conversion.

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<sup>6</sup> Fighting Churn with Data by Carl Gold

### Predictive maintenance of equipment

Use AI to create schedules of when to service or replace large appliances or when to replace furnace filters or fire alarm batteries. The end result is less inconvenience for residents since their appliances will have very minimal downtime or they won't be stuck in a hot summer or cold winter without heat or AC. Additionally, you will build a more efficient service team, reduce overtime, and need to have fewer team members on call.

### The Entrata difference

The biggest reason to choose Entrata Revenue Management over other solutions on the market is the flexibility it offers you. For each of the above data variables you can set how important that variable is in the overall pricing recommendation (high, medium, or low scale), leading to a pricing suggestion that fits your overall strategy and pricing criteria. Other solutions are not fine-tuned to meet your unique needs and as such will take more work to get them into a place where you feel comfortable with the pricing suggestions, and with ever changing market conditions, you may never get to that point.

With Entrata, the work starts when you're setting the tool up with your customer success manager, and the criteria weighting can be easily modified as conditions in the market change, ensuring you always have the information necessary to choose the optimal price relative to your goals.

**Request a demo today to learn how Entrata uses predictive analytics to help improve decision-making across an increasing number of scenarios.**



Entrata powers over 20,000 communities worldwide helping clients achieve and exceed their goals.

