

# The Untapped Money Potential of the Rental Market



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# Why Renters and Landlords are Worth Your Time



Today in the United States, more than **44 million properties are rental units** but many real estate agents at best don't seek out landlords or renters to work with, and at worst, actively decline those seeking assistance with rental transactions. The reason being that many view the rental market as laden with frustrations and not worth their time. In short, rentals are often overlooked.

Yet this mindset causes many missed opportunities and ultimately leaves commissions on the table. This is particularly true for agents for whom developing consistent earning potential from rentals could be essential during periods when the buying and selling market slows down. This short-sighted aversion can keep agents from fostering relationships with current renters, many of whom will turn into home buyers in the future.

The homeownership rate in the United States is estimated between 63% to 64% of all households. This, of course, means that **36% to 37% of all households are renters.**



**Steve Murray**  
Founder of RealTrends and  
Senior Advisor to HW Media

# Costly Oversight: Renters Often Become Homebuyers

Once renters are ready to purchase a home, it shouldn't come as a shock that they will turn to people they know, like, and trust. Forward-thinking real estate agents can benefit greatly from making an effort to stay involved during a person's rental journey to build a strong rapport. They can be a helpful resource in a variety of ways, such as schedule showings, negotiate lease terms and point out helpful tips, including how reporting on-time

payments can boost renters' credit scores and increase their chances of getting a mortgage for a home down the line.

**If agents don't make an effort now, their one-time renter client is likely to employ someone else when it's time to buy later.** In short, missing out on fostering a relationship is probably going to translate into squandered commission opportunities.

“The rental market is booming, today and for the foreseeable future in many markets across the U.S. That is especially true with the rising interest rate environment we are currently in, which makes it extra challenging for many to buy a home. We think it's a seriously missed opportunity if agents avoid assisting renters today that could become clients for life.”



Michael Lucarelli  
CEO of RentSpree

## It's the Perfect Time to Start with Rentals



Some real estate agents might be concerned over what could seem like a missed opportunity by not having focused on the rental market earlier, but there's no need to fret. A much larger percentage of people today than ever before are delaying well into their 30s before they are able or want to commit to purchasing a home.

# Common Misconceptions About Working in the Rental Market

Quite commonly, real estate agents avoid working in the rental space, citing an unfavorable effort-to-income ratio.

A RealTrends survey completed in partnership with RentSpree revealed that **real estate agents frequently cited time limitations as their reason for staying clear of rentals.** “There are many reasons why I don’t work with rentals, but the number one reason is my availability,” said Angela O’Hare, Home Realty Center, Las Vegas. “I simply do not have the time to work with people who want to rent here in the Las Vegas Valley.”

Others find that some landlords and building managers will not pay a commission to a renter’s agent or surmise that the commission is too low, said Laura Agado from Apartment Management Magazine. **The RentSpree + RealTrends study showed that 50% of the surveyed agents claimed that the commission was too low for the time and effort required to lease a rental property.**

These sentiments and others permeate the narrative and often lead to poor perceptions about the income

potential in representing a rental property. With the right attitude and tools, however, real estate agents can earn a good living when working with landlords and assisting tenants.

Said Nina Dosanjh during an interview on the Inman Connect Panel, “There is profitability being a leasing agent; otherwise, they wouldn’t be doing it.



**In San Francisco, agent compensation for delivering a signed lease is usually**

**a full month’s rent. In San Francisco, some units rent for up to \$20,000/month.**

The problem of representing landlords and showing units to potential tenants arises because not all available units are in the MLS. Agents are not always connected in the rental space and have difficulty providing their client, the renter, with reliable information about all available rentals.”

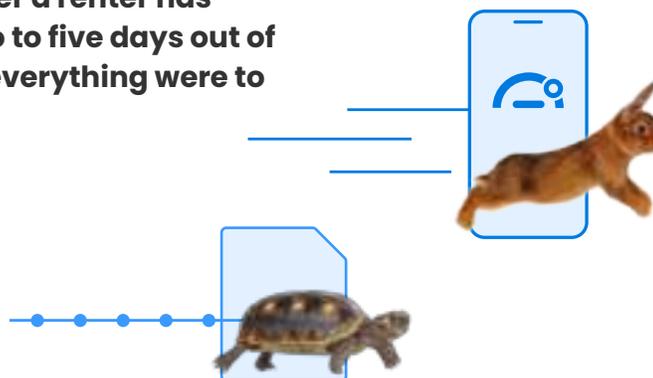
# Misconception #1: Rentals are Time-Consuming

Working within the real estate market—whether it’s with buyers, sellers or renters—takes time. The time constraint becomes an added challenge when real estate agents fail to leverage technology within the rental space the same way they would on the buy-sell side. Renters are eager to apply immediately for a home they love, especially in a tight market. Yet most real estate agents still rely on paper applications, submitting them to the landlord or property management company via fax or scan – agents spend up to 10 hours just vetting applicants for a single listing – and then waiting several days for approval or denial. The process doesn’t have to be this complicated.

## Solution: Technology to the Rescue

Property technology enables real estate agents to guide renters to easy-to-fill-out online applications, facilitate payment of the tenant screening fee and allow them to be notified of a **landlord’s decision in as little as minutes after a renter has applied, cutting two to five days out of the typical cycle if everything were to be done manually.**

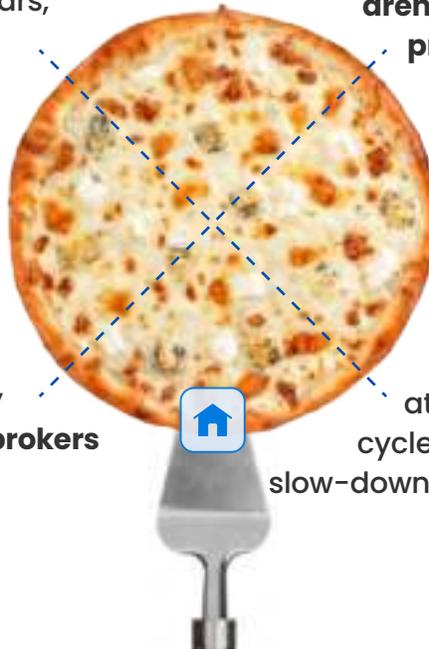
In other words, if we divide the total commission by the number of hours spent on a rental transaction, using proptech will boost hourly earnings exponentially.



# Misconception #2:

## Agents have to Endure Feast or Famine

The real estate market has been on fire for the past five to 10 years, creating a belief among many it will always be this way. But those opportunities are fading fast. About **4.8 million property sales are expected to be sold in 2022 according to the National Association of Realtors® (NAR). Divided by the 1.6 million agents and brokers registered with the**



**organization, it would mean there aren't too many pieces of the proverbial pie to go around.** Even more so, it's much likelier that a number of agents and brokers will sell several properties in any given month if they are seasoned and live in high-volume markets while many won't sell any at all. Plus, the market will cycle once again, and when the slow-down comes, earnings will drop.

## Solution: Rental Transactions can Provide a Steady Income

To buffer a decline in sales commissions, forward-thinking agents will develop and maintain an active presence in the rental market. By working with landlords, agents can earn flat fees, fees equal to the first month's rent, or an agreed-upon percentage. And there's a lot of activity in this segment. According to the U.S. Census Bureau, "In 2021, 8.4% of people lived in a different residence one year ago, down from 9.3% in 2020." That means approximately 28 million people moved in 2021."



# Misconception #3:

## There aren't Good Rental Tools

Agents frequently fear they lack the expertise needed to work successfully with rental property and may look to their brokerages to provide useful tools to gain that knowledge.

The problem stems from the fact that many agents who focus on sales transactions are not bona-fide "rental professionals" or property managers. Therefore, they may not be aware of the many nuances required to run an efficient rental process that is fair to applicants and complies with a complex set of landlord-tenant regulations that can vary greatly by market.

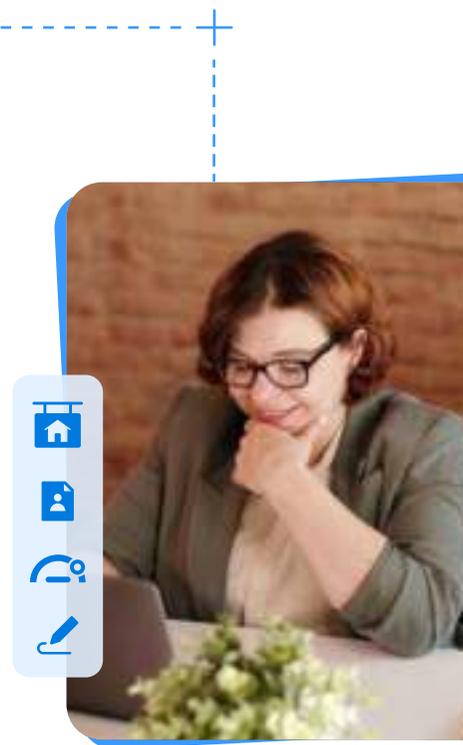
### **Solution:**

## **Brokerages can Offer Helpful Rental Technology to Provide Agents with a Competitive Advantage**

To bridge the expertise gap for agents that are more familiar with the world of buying and selling homes, brokerages can and increasingly do employ solutions that can give their agents the tools to become smart and efficient rental experts.

Brokerages that support their teams with technology and training have done well in rental markets. Of the top 25 brokerages surveyed by RealTrends + RentSpree, the #1 brokerage, McGraw Realtors, listed 1,822 rentals, providing agents plenty of ongoing opportunities to work with rental properties.

Tech solutions like the ones RentSpree offers provide a complete set of easy-to-use digital tools that simplify and add immediate value in working with rentals. A solid proptech platform allows agents to list rental properties, advertise their services, and provide a secure online link to handle renters' sensitive personal information as part of the application and tenant screening process. An additional benefit is hands-on training, which gives agents the necessary knowledge to work with rentals safely, effectively, and profitably.



# Misconception #4: Working with Rentals Never Provides ROI

Many agents feel that the hours spent on a single rental transaction are not worth it when compared with a sale's deal. Yet rentals aren't just about the money earned today but about their longer-term potential and the opportunity to nurture relationships with future homebuyers.

## Solution: Incorporate Rental Client Management to Nurture Future Leads

Rental Client Management can help agents to foster long-term relationships as they often come in contact with dozens of renters per listing. Hence, for those looking to expand their spheres of influence, this is huge. Using tech tools can help automate follow-up with renters and landlords down the line to help stay top of mind for when these individuals have future real estate needs.



## Seize the Moment, Help a Renter



The estimated average annual rental commission potential in the U.S. totals **\$30 billion when taking the total number of rentals, average rents and commissions into consideration.** Saving time by employing proptech solutions while fostering genuine client relationships will enable agents to tap into these potential earnings. Proptech solutions like RentSpree can help agents move beyond the feast and famine experience and provide a steady commission income through every market cycle.



RentSpree, an award-winning rental management software provider, aims to connect landlords and agents through its technology. RentSpree is evolving the rental market by introducing digital products that make it easier to take on rental business for agents. From an industry standpoint, the next step in maximizing rental transactions is rental listings becoming a common occurrence on the MLS.

### Marketing

- Agent Profile
- Listing Pages
- Rent Estimate



### Move-In

- Accept/Deny Letter
- Sign Lease Agreement



### Screening

- Online Application
- Tenant Screening
- Safe Share

### Nurture

- Client Manager

