

The NOI of Your Multifamily Building

with ButterflyMX



Executive Summary

Your goal is to maximize your multifamily property's net operating income (NOI), but improving NOI isn't always easy. It requires increasing your building's revenue, reducing expenses, or, preferably, both.

This report demonstrates how ButterflyMX's property access solutions boost the NOI of a typical 125-unit building by \$38,643 per year — increasing its value by \$858,733.

With sleek hardware and powerful software, ButterflyMX cuts operating costs by drastically reducing the time property staff spends on repetitive and monotonous tasks. It also creates opportunities to not only boost existing revenue streams but introduce new ones.

To illustrate ButterflyMX's impact on NOI, we've calculated the revenue and expenses of a typical 125-unit multifamily property. This property, which we call 'Building A', has rental rates of \$1,312/month per unit, an occupancy rate of 94%, and expenses such as property management and leasing fees. The values used throughout this report are from both third-party sources and survey data, and are intended to reflect the average of similar multifamily properties throughout the U.S.

Though your building's revenue and expenses may differ from the building in this report, ButterflyMX's effect on NOI is clearly positive. While reading this report, we encourage you to replace the numbers in each calculation with your building's actual data to see for yourself the impact ButterflyMX can have on your property.

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I. Introduction

Turning a profit in any business means your revenue is greater than your expenses. And for real estate professionals, it has never been more difficult to turn a profit than it is today.

Today's multifamily property owners and managers face three massively expensive problems eating away at their profit:

1. A tight labor market with rising wages
2. Overwhelming package delivery rates
3. High resident turnover

First, today's labor market is costing you a lot. In the wake of continued economic uncertainty, property management is experiencing extreme worker shortages. And finding viable employees is only the tip of the iceberg. Beyond that, you're facing rising wages based on worker demand, high employee turnover, and diminishing employee satisfaction — largely caused by the monotony of repetitive and unfulfilling tasks.

Second, a never-ending stream of package deliveries is consuming your property staff's time. Online shopping is on the rise — today, residents order everything from groceries to furniture online. But unfortunately, the burden of processing and managing this influx of deliveries often falls squarely on the shoulders of your property staff, robbing them of time to focus on other, more important and rewarding tasks — such as leasing and resident satisfaction.

And third, resident turnover poses an ongoing and exceedingly large challenge. The main side effects of high turnover rates include lost revenue due to missed rent from vacant units, added costs for new residents like rekeying locks or reissuing key fobs, managing apartment tours, and paying leasing agents' salaries.

Thankfully, there's a solution that addresses all three of these problems: ButterflyMX.

ButterflyMX — your solution for reducing costs and increasing revenues

This NOI report demonstrates the value that ButterflyMX adds to both existing properties and new developments. As a leader in building-wide access control solutions, ButterflyMX is relied upon by more than 8,500 buildings, including those developed, owned, and managed by the most trusted names in multifamily real estate.

As you'll see, ButterflyMX not only reduces expenses but also creates new revenue opportunities. By the end of this report, you'll know the tangible benefits of our products. More specifically, you'll see how they increase NOI and, ultimately, the value of your multifamily property.

II. The NOI of multifamily buildings without ButterflyMX

To start, let's briefly go over what net operating income is and why it matters. Net operating income (NOI) is a property's profitability before any costs from financing or taxes. In other words: NOI equals all of a property's operating revenue minus all of its operating expenses. Real estate professionals use net operating income to determine the value of their properties.

$$\text{Net operating income} = \text{Revenue} - \text{Expenses}$$

To calculate the NOI of a building, let's first assume the annual revenue of a standard, mid-rise multifamily property, which we'll call "Building A":

- Building A has 125¹ units and an average occupancy rate of 94.2%².
- The average rental rate of Building A is \$1,312/month³

So, the annual revenue of Building A is **\$1,853,856** ($\$154,488^4 \times 12 \text{ months}$)

Now, let's estimate Building A's annual operating expenses. It's usual for a property of this size to have property managers, leasing fees, and other common costs. Below are some of Building A's operating expenses:

- Property managers → **\$25.50/hr**⁵
- Repairs & maintenance → **\$120,000/yr**
- Property insurance → **\$120,000/yr**
- Property taxes → **\$39,360/yr**
- Leasing fees → **\$110,208/yr**

To better understand Building A's property management expenses, let's take a closer look at how their property managers are spending some of their time on tasks that could be completed more efficiently with technology.

- 30 apartment showings → **20 hr/month**
- Recutting/reprogramming keys, fobs, and cards → **15 hr/month**
- Managing access for residents, visitors, and delivery carriers → **15 hr/month**
- Accepting, processing, and distributing 30 packages per day → **30 hr/month**
- Coordinating access for maintenance requests → **10 hr/month**

1 <https://www.fixr.com/costs/build-apartment>, the median of 50-200 units for mid-rise buildings

2 <https://www.statista.com/statistics/241286/us-multi-family-rent-growth-forecast/>

3 <https://www.apartmentlist.com/research/national-rent-data>

4 $\$154,488 = \$1,312 \text{ average rental rate} \times 125 \text{ units} \times 94.2\% \text{ occupancy rate}$

5 https://www.payscale.com/research/US/Job=Property_Manager/Salary The average property manager makes \$51,149 annually or ~\$25.50 per hour based upon a 40 hr work week and 50 work weeks per year.

At the end of each month, Building A's property managers spend 90 hours on the tasks above. This equates to \$2,295 per month in wages (90 hours x \$25.50/hr) or **\$27,540/yr.**

Now that we know the annual revenue and expenses of Building A, we can calculate its NOI without ButterflyMX, as shown in the table below:

The NOI of Building A without ButterflyMX

Revenue of Building A	Annual
Rental income	\$1,853,856
Expenses of Building A	Annual
Property management wages	\$102,298
Repairs & maintenance	\$120,000
Property insurance	\$120,000
Property taxes	\$39,360
Leasing fees	\$110,208
Total operating expense	\$491,866
Net operating income of Building A	\$1,361,990

If properties similar to Building A are selling at 4.5% cap rates, **Building A has a property value of \$30,266,444⁶.**

$$\text{Property value} = \text{Net operating income} / \text{Cap rate}$$

⁶ \$30,266,444 = \$1,361,990 net operating income / 4.5% cap rate

III. How ButterflyMX reduces costs & unlocks new revenue opportunities

ButterflyMX empowers you to manage building-wide access from a smartphone or computer, which not only gives valuable time back to property staff but also automates many repetitive tasks.

With ButterflyMX, your property staff can:

- Deliver better resident experiences
- Attract and retain more residents
- Manage more than one building

So, instead of spending time on mundane and monotonous tasks, staff will focus on things that **reduce expenses** and **increase revenue**.

Put simply: ButterflyMX reduces operating costs while increasing staff productivity and revenue.

Six ways ButterflyMX reduces costs

ButterflyMX is designed to allow property managers to do more with less — eliminating burdens for on-site staff by using smart access tools to facilitate a wide variety of workflows. Below are examples that save time and streamline operations, allowing on-site staff to perform other beneficial activities that improve property performance.

1. Property management system integrations
2. No cost for rekeying locks
3. Revamping the third shift
4. Self-guided tours
5. Empower property staff to manage more than one property
6. Reduce employee turnover

1. PROPERTY MANAGEMENT SYSTEM (PMS) INTEGRATIONS

By integrating your preferred property management system with ButterflyMX (we currently integrate with more than a dozen PMS systems, including Yardi, Entrata, Appfolio, Realpage, and MRI), you're cutting out a significant amount of manual administrative work.

After integrating, all you need to do is enter a new resident into your PMS to automate the following tasks:

- Issuing (and removing) resident property access credentials
- Triggering internal workflows for unit turnovers
- Assigning property access for maintenance requests

2. NO COST FOR REKEYING LOCKS

When a resident's building key is lost or stolen, not only do you have to replace their key, but you may also have to rekey or replace the locks for security purposes. This may mean distributing new keys to each resident, purchasing new hardware, and calling in a maintenance technician — needless to say, the whole process costs a lot of time and money.

But with ButterflyMX, you can ditch physical keys. Instead, residents use their smartphones or PIN codes to gain access — and you'll never have to spend time or money on new keys or locks again.

3. REVAMPING THE THIRD SHIFT

Having ButterflyMX frees your staff from overseeing property access during late-night and third shifts, which reduces your operating expenses. And during the day, your team can allocate their time to address more urgent requests from residents, which keeps them happy.

It's no surprise that when residents feel properly taken care of by staff, they're more likely to renew their leases. This further cuts costs by eliminating the expenses associated with turning over units and attracting new residents.

4. SELF-GUIDED TOURS

Gradually, more prospective residents are expressing a preference for taking self-guided tours⁷. Self-guided tours allow prospective residents to view your building and vacant units on their own without being accompanied by a leasing agent. By using our products — such as our video intercom, keypads, key locker, and smart lock integrations — you can easily enable self-guided tours at your property.

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<https://www.naahq.org/your-guide-self-guided-tours>

The best part? ButterflyMX integrates directly into your property management or leasing software for a fully automated experience. Your property managers and leasing agents avoid the administrative work around schedulings and showings. Instead, they can focus on following up and closing more leases.

5. EMPOWER PROPERTY STAFF TO MANAGE MORE THAN ONE PROPERTY

With the visibility, control, and automation that ButterflyMX provides, property staff is more efficient with their time. As a result, they can oversee multiple properties at once.

What's more, ButterflyMX's cloud-based software allows staff to manage dozens of properties from a single dashboard with complete control and visibility over who has access to your property at any time. Plus, your staff can always manage access remotely from any smartphone or computer — whether they're working from home or on the go.

6. REDUCE EMPLOYEE TURNOVER

By automating low-level building tasks, your staff is less likely to get burnt out by the monotony of their work. Instead, they'll spend their time in more fulfilling ways, like interacting and serving the residents of your community. And if your employees are happy, they'll stay in their roles longer — reducing your recruitment and hiring costs.

Three ways ButterflyMX increases revenue

In addition to cutting costs, ButterflyMX also creates new revenue opportunities for your property. According to a recent report by the National Apartment Association⁸, renters are willing to pay more for apartments with smart amenities and services that add convenience and simplicity to their daily lives. Today's residents want to live in a smart, well-connected building powered by robust technology.

Here are the three main ways ButterflyMX increases revenue at your property:

1. Monetizing amenities
2. Self-guided tours
3. Raising rental rates

1. MONETIZING AMENITIES

More and more buildings are looking to offer services that segment the needs of residents and drive additional revenue. The advent of cloud-based access control like ButterflyMX allows property managers to run their buildings more efficiently and in ways that would otherwise require staff to be present.

Without ButterflyMX, it's difficult to restrict amenity access to only those who pay the amenity fees. But with our keypads and other access readers, managing amenity space usage and reservations has never been easier.

Residents will enter those spaces with their smartphone, a PIN code, or even a key fob or card. What's more, our keypad takes a photo of each person entering these spaces. So, you'll always know if someone abuses their amenity privileges by giving access to an unauthorized person.

Additionally, the ButterflyMX OS handles amenity reservations for events and automatically assigns and sends a temporary virtual key to everyone on the guest list. So, residents (and non-residents) can easily pay to reserve an amenity space for anything from a birthday party to a private fitness class.

A cloud-based access system like ButterflyMX allows the property to drive incremental revenue without paying more for property managers' time or additional on-site resources.

2. SELF-GUIDED TOURS

Self-guided tours are also a revenue-producing solution because they result in more leases signed faster.

Self-guided tours work at properties **with and without** on-site staff as a supplement to guided tours. With self-guided tours, prospects can go on tours outside of normal business hours and even on weekends. This will multiply the number of prospects and lease applications you receive, ultimately leading to quicker lease-up and stabilization. Offering wide flexibility in touring times might be the determining factor in whether the prospect applies for and leases an apartment.

And, especially for owners who invest in Class B properties, self-guided tours are a technology solution that can help drive leasing efficiency where staff is not available or budgets are tight.

3. RAISING RENTAL RATES

A research report by Multifamily Executive states that over half of apartment residents are willing to pay at least an additional \$20/month in rent⁹ for smart building technology amenities like a video intercom system and package rooms. These devices make residents' lives more convenient — and residents seek them out in apartments.

⁹ https://www.multifamilyexecutive.com/property-management/apartment-trends/most-renters-would-agree-to-rent-increase-for-smart-home-features_o

IV. The NOI of a building with ButterflyMX

Now, let's go back to Building A to see how implementing ButterflyMX's access control technologies improves the property's NOI.

First, let's recalculate the annual revenue of Building A with the additional revenue created by ButterflyMX:

- Building A has 125¹⁰ units and an average occupancy rate of 95%¹¹
- The average rental rate of Building A is still \$1,312/month¹²
- \$5/month per unit for smart building technologies ¹³
- \$30/month amenity & reservations fees (17% of units participate → 21 units)

In short, the new annual revenue of Building A after installing ButterflyMX is **\$1,884,285**.

$$(\$1,869,600 \text{ rental income} + \$7,125 \text{ smart technology fees} + \$7,560 \text{ amenity fees}) = \mathbf{\$1,884,285 \text{ annual revenue}^{14}}$$

Next, let's recalculate Building A's annual operating expenses after installing ButterflyMX. To remind you of the time saved by the property managers who work at Building A, we've struck through the old values.

- 30 apartment showings → ~~20 hr/month~~ → **12 hr/month**
- Recutting/reprogramming keys, fobs, and cards → ~~15 hr/month~~ → **10 hr/month**
- Managing access for residents, visitors, and deliveries → ~~15 hr/month~~ → **8 hr/month**
- Accepting, processing, and distributing 30 packages per day → ~~30 hr/month~~ → **8 hr/month**
- Coordinating access for maintenance requests → ~~10 hr/month~~ → **8 hr/month**

After installing ButterflyMX, the property managers only spend 46 hours (instead of 90 hours) on the tasks above. ButterflyMX has saved Building A 44 billable hours per month, which equals \$1,122/month (at \$25.50/hr) or **\$13,464/yr**.

Finally, let's once again calculate the annual NOI of Building A — this time with the added revenue and cost savings that ButterflyMX provides.

¹⁰ <https://www.fixr.com/costs/build-apartment>

¹¹ We assume an .08% increase in occupancy (95% occupancy) due to the added value of ButterflyMX

¹² <https://www.apartmentlist.com/research/national-rent-data>

¹³ https://www.multifamilyexecutive.com/technology/smart-apartment-technology-is-a-must-for-gen-z_o

¹⁴ \$1,884,285 = ((\$1,312 rent x 12 months x 95% occupancy) + (\$5 tech fees x 12 months x 95% occupancy) + (\$30 amenity fees x 12 months x 21 units participate))

See the table below for the new NOI calculation:

The NOI of Building A with ButterflyMX

Revenue of Building A	Annual
Rental income	\$1,869,600
\$5/month smart technology charge	\$7,125
\$30/month amenity fee	\$7,560
Total operating income	\$1,884,285
Expenses of Building A	Annual
Property management wages	\$88,834
Repairs & maintenance	\$120,000
Property insurance	\$120,000
Property taxes (~2%)	\$39,360
Leasing fee	\$110,208
ButterflyMX	\$5,250 ¹⁵
Total operating expense	\$483,625
Net operating income of Building A	\$1,400,633

15 \$5,250 = \$42/yr x 125 units

So, after installing ButterflyMX, Building A **increased annual revenue to \$1,884,285** (\$1,853,856 original + \$30,429¹⁶ in additional revenue).

It also **lowered annual operating expenses to \$483,625** (\$491,866 original - \$13,464¹⁷ in additional savings + \$5,250 for ButterflyMX).

This puts Building A's new annual NOI at **\$1,400,633** — an increase of **\$38,643**¹⁸.

Most importantly, Building A, with its 4.5% cap rate, is now valued at **\$31,125,177**¹⁹ — a **\$858,733 increase**²⁰ from its original property value.

V. Conclusion

As we've demonstrated in this report, adding ButterflyMX to your multifamily property substantially increases your NOI by reducing costs and increasing revenues.

In summary, ButterflyMX:

- Simplifies property access with one unified online platform.
- Streamlines property management tasks.
- Cuts costs by eliminating time spent on repetitive tasks.
- Boosts revenue by increasing rent and adding technology & amenity fees.

Join more than 8,500 properties that are already using ButterflyMX today. Your journey to reducing expenses and increasing revenue starts now. To get started, visit butterflymx.com or call (800) 398-4416.

¹⁶ \$30,429 = \$15,744 rental income + \$7,125 smart technology fees + \$7,560 amenity fees

¹⁷ \$13,464 = 44 hours saved per month x \$25.50/hour x 12 months

¹⁸ \$38,643 = \$1,400,633 NOI with ButterflyMX - \$1,361,990 NOI without ButterflyMX

¹⁹ \$31,125,177 = \$1,400,633 net operating income / 4.5% cap rate

²⁰ \$858,733 = \$31,125,177 new property value - \$30,266,444 old property value