IREM® From the Front Lines Podcast

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Real Estate Payment Trends

Todd:
Welcome to another edition of From the Front Lines, where we discuss both the day-to-day, and one-of-a-kind issues facing real estate managers. In this episode, Brian Thayer from IREM Industry Partner AvidXchange talks about real estate management payment trends. Welcome to the podcast, Brian.

Brian:
Thanks, Todd, excited to be here with you today.

Todd:
First, can you tell us a little about yourself and your company?

Brian:
Yeah, absolutely so myself. Brian Thayer, Vice President and GM of sales. I oversee a number of key verticals, primarily our real estate space at AvidXchange, which is, you know, our oldest vertical, probably our most mature, our deepest kind of customer penetrated vertical. And I've been kind of working within that space for 15 years here at Avid, so I've held a number of different roles. All of them have been surrounding the real estate space in some capacity, and again, now lead our overall kind of real estate strategy from partners and helping with demand, obviously, sales, product, direction, etc. So that's a little bit about me, a little bit about AvidXchange is we are an accounts payable and bill payment organization. It started back in 2000, so going on to our 25th year next year. We went public in 2021, have about 8000 customers, have about 1 million suppliers or vendors within our payment network as well, which provides a lot of value, especially within the real estate space, as so many common customers share the same suppliers or vendors. So a lot of work one customer may do to enroll and bring on those suppliers now benefits all of our future customers within a lot of that same kind of MRO spend categories. But yeah, that's kind of Avid, at the end of the day, we don't try to be more than that, right? We're really good at accounts payable. We're really good at payments. And again, I've been lucky to be in the real estate space since our since our start.

Todd:
Can you walk us through the evolution of supplier payments over the past 10 years or so?

Brian:
Yeah, for sure. This is an interesting one, right? So especially the last 10 years, I would say, you know, ePayments and digital payments have certainly led the way. Beyond that it was, you know, there were some basic ACH's occurring, lot of checks still. So unfortunately, I think we still sit at about 50 to 70% dependency on checks within the real estate space. So it's kind of interesting, right

as I think, as consumers, individuals, we made that leap so long ago. But again, businesses have continued to lag. But I would say the biggest evolution, again, is trying to eliminate checks, trying to lean into new payment modalities, which, to be honest, are coming out every year. Things like Real Time Payments, FedNow, the use of virtual cards, for example, really didn't even exist 10 years ago. It was very early on. So yeah, I think the end of the day, it's all about speed, it's all about digital data, and it's all about as much electronic payments as possible, which can help minimize fraud and some other kind of issues.

Todd:
Now why are real estate companies moving toward digital payments and innovation and supplier management?

Brian:
Yeah, that's a really great question. So we'll kind of take it in two parts here. I think, first off, when we think about just the nature of managing accounts payable in real estate, right, so just receiving bills, processing bills, and paying bills, it's incredibly slow. It's incredibly difficult, and it's really due to the, I'd say, the decentralized nature of accounts payable, right? Where you have properties all over the place, cities, different states, different countries, perhaps even so. And as you know, those bills and everything's product-related or property-related, right? So the end of the day, each location has their own subset of bills showing up and subset of payments tied to their bank account. But it usually still needs to go back to somewhere at corporate, somewhere for a final decision or approval. But that clock is ticking from the day that vendor, supplier does their project or the work. So it's just been really difficult within the 30 day time frame to receive that bill, process it internally, and ensure you're getting a payment out on time. So I'd say that's at the kind of crux point of what's caused real estate companies, especially, to move into this kind of digital space. So it's just about speeding things up. It's about creating visibility across the board, and quite frankly, it's about getting bills paid on time. Now, all of that also leads to the back end of this question around supplier management and how we kind of work with vendor relationships. So again, in the real estate space, maybe more important than anywhere else is they live and die and really depend on these suppliers being there for them to kind of perform job duties and work at sites sometimes at their beck and call when needed. So improving vendor relationships is a huge value add in the space, and one of the easiest ways to improve those vendor relationships is simply paying suppliers on time in the format they want, I think, with the detail they need. So what that means is we're more of a supplier-led network, meaning we let our suppliers dictate how they'd like to get paid for many PMCs, for example, and they can choose whatever format kind of works best for them, and then what kind of required remittance detail they might like to have a company with that payment. So all of a sudden, now these suppliers are saying: "You know what, wow, I'm getting paid on time, I'm getting paid the way I want. I'm getting all the detail I want. I'm happy to work with you guys more." Or, you know what, sometimes we see them even say, "Hey, you jump to the top of the list." Or they can drop something and help you out in a crunch time, fixing a leak at a property really quickly, or whatever else may go on. So, yeah, I think it's a few things, right? Just to recap, it's like getting some speed, getting into that digital space, solving that decentralized kind of impact, and then at the end of the day, if you can improve your vendor relationships, it's a beautiful thing.

Todd:
Now, fraud and theft are big concerns when it comes to payment processing. What security features are companies looking for to manage that risk?

Brian:

Yeah, that's a great question too, right? And I speak at a lot of industry shows and panels, and fraud comes up. And whenever I ask the question in the room, "How many folks have ever experienced fraud, or been part of something?" It's almost 80% now, Todd, it's crazy, the hand raises in the room, and most of it's tied to, unfortunately, to check still, right? It's the easiest pay modality to curse theft or fraud around, right, check washing or stealing. There's people out there that do this as a full-time job. ePayments, on the flip side, are, I think, inherently more safe, right? They're built with certain rules and regulations and certain vendors that they're tied to. Now, if you're dealing with something like a check still, some of the security features that people are looking to manage is certainly looking for a company to take that risk off their plate, right? So our customers are no longer the ones having to cut the checks and mail them out and expose themselves from that fraud. AvidXchange does that, and we layer things like positive pay in place, which you know would stop a payment or prevent a payment from being cashed if it was not tied to the correct vendor, the correct dollar amount, if anything changed around that kind of key check data, it prevents itself from being stopped. So it's not going to solve everything. It's not like this, end all be all safety net. But having a having a partner that cares about fraud, thinks about it, has measures like positive pay in place. And then the other big one we do is when we enroll vendors or any customer, we're going through like Patriot Act backgrounds, we're doing compliance checks, we're doing verification on who this person is. Are you who you say you are? If we deliver money to you, is it the right way, right? And is it coming to somebody who can be trusted to do the right things with those? So kind of all those kind of coupled together, but communication is important too, right? So just, just providing real time notifications back, and again, being able to stop payments when we when we kind of flag anything for potential risk.

Todd:
Can you talk about the importance of integrating payment solutions with other systems?

Brian:

Yeah, I think there's a lot of benefits there, right? There's one that's more vital than anything, and that's the integration with the ERP or the property management system. So the good news is, AvidXchange has built integrations with every significant ERP or property management system within the real estate space, and we've actually built our product inside a number of those, so the experience is even more seamless, customers don't really ever have to leave their accounting package or their property management platform, and they could still manage payments kind of in real time directly there. I'd say there's also more future benefits and things that are coming around, you know, tying a payment tool to a procurement system or purchasing platforms, or spend management tools, where you can originate, you can purchase, you can procure in a smart, effective way, and tie that directly to the issuance of payment on the back end.

Todd:
How does AI factor into automation of real estate payments?

Brian:

Yeah, this one's a doozy, right? And I'd say that openly like, I don't think anyone fully knows just yet. We're starting to see areas where it's applicable, where we can leverage AI, and I'll share a few areas where we do it today. But on the payment side, there's things like, you know, calling out to vendors using AI, for example, to deliver certain types of payments or update information, so connecting with another IVR network or running scripts and calls to their web page to issue web payments. And on the invoice side, it's things like, when you capture data, do you have an AI tool that can kind

of scrape that data down, can verify it, can validate it, can capture it in real time, could do things even like applying a GL Code, helping the accounting team do some of their kind of AP work? It gets smarter, it has learning patterns built in. And then when it comes time to payment, we've sped up the time of the invoice, so we've kind of granted more time on the back-end issue payments, and again, it's like this constant evolution of where AI can help, and we're going to lean into that always here at AvidXchange. But Avid does something a little different too. I think anytime we're using AI, we're kind of doing this hybrid approach Todd, where we let AI do as much as we can, but at the end of the day, we still have a team of people, validating the information, ensuring it's accurate, ensuring nothing was missed. So we've kind of as much as we want to, you know, see what's capable of AI and fully kind of lean into that, we're also providing, I think, a back-end safety net, just around having a human element still involved to validate.

Brian:
Yeah, right. It's a crazy time right now in the real estate space. So, you know, we've just kind of finished up one of our annual surveys to about 500 finance professionals in the real estate space. Kind of identified, I think, seven to eight big trends that we anticipate in 2025/26, so we'll talk through a few of those in a moment. But I think you kind of hit it on the head in the beginning even, the shortage of affordable housing options, that feels like the biggest pain to solve right now. So I think we're going to see just more and more public and affordable housing projects getting started where we know it's incredibly difficult to purchase a home now, and not everyone can or wants to live in an apartment. So I think we're going to see a number of new public and affordable housing projects getting started. And I think we're also going to see a number of organizations continue to kind of diversify their portfolio, right? It's maybe getting out of some of my commercial space, leaning more into residential or multi-family or certain development projects now, right, where you're creating more mixed-use space, repurposing a few floors of office that may no longer be kind of filled. So outside of those kind of big movers, some of the trends that we really believe are going to be, I think, embraced and leaned on here in the coming year is one that we just talked about, right? It's how to leverage and embrace AI to improve your own operations, to make decisions faster and really trust that there's an ROI or return on that investment in time when you make any kind of key decision. So AI is going to be at the forefront for a long time. Finance orgs are just really kind of figuring it out where it can be applied, but I think we'll see some new innovation on that front here in the next 12 months. Another topic we hit on earlier, it's security, it's fraud, right? This remains a top concern for folks as companies like Avid and others out there, we do everything possible to prevent that. You know, there's fraudsters out there who are doing everything possible to reinvent their game, right, to always stay ahead of whatever new measures we put in place. So just as soon as we solve something, you know, something else is arising, and a new tactic's coming to fruition. So this kind of keeps us on our toes. From a constant evolution, constant innovation standpoint, to put security at paramount and put it at the top of house is one of the most important things. But again, so using a trusted partner, using somebody who's, you know, compliant, regulated, trusted is never going to solve it all, but it's going to alleviate some of those concerns. The last few, I'd say, is, ePayment is going to continue to grow. It's the ePayment adoption is going to grow massively. And I think we're going to see folks really, you know, kind of consolidate things. So we're going to see kind of, you know, cloud usage continue, tech stacks within organizations start getting consolidated, and automation in general, getting rid of paper,

being digitized, being kind of quick is really going to allow a few things to occur within organizations. And it's that you're going to see a separation between companies all of a sudden where the leaders and the folks on the forefront are going to recognize that automation really has some big advantages, right? It's allowing you to become more nimble. It's going to increase margins, and it allows for really faster decision-making and acquisitions. So we will see a separation here. The folks that lean into this will win at the end of the day. And then maybe, just to tie it up, I'd say the last thing is, in this space, maybe more than ever, we talked about it before, too, is just the importance of these supplier relationships, they are paramount, right? So important for success to have your property managed in real time to the best of its ability. And one of the easiest ways to do that, again, is pay those suppliers on time, and you're going to end up getting probably some of the best results out of them.

Todd:
Now, any final tips or advice for our listeners as they prepare their organizations for 2025?

Brian:
Yeah, great question to wrap on. So not that I, you know, have the magic wand underneath everything figured out, but change is coming. It's continuing to come. So the more you can embrace that, you're ready for it, you have continuity plans, and you're an adaptable organization that embraces the idea of change, leverage technology, right? It's out there. It's available to help you become better, I would say maybe even prioritize kind of adaptability. So know that what got you here today isn't going to get you there tomorrow, and then just don't be last, right? There's so many great tools out there. There's so many great partners out there. Do your research, lean in, be open to it, and don't be last, or you might get left behind. So those are those would be the kind of final tips I think I'd leave everyone with. And yeah, I really appreciated the time today Todd.

Todd:
Yeah, thanks for joining us, Brian.

Brian:
Appreciate the time again.

Todd:
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