

SPECIAL ASSET STRATEGIES:

In this challenging economic environment owners may want to consider upgrading the property by making some simple improvements and/or adding services that tenants want. After you've done some market research, perhaps you can take a unit and convert it into an exercise studio or a business center. What will it cost to provide free wireless high-speed internet service for your residents? Maybe you could offer a concierge service in a luxury property. If it is a larger family-oriented community, you could provide a supervised after-school care program at no (or low) charge. This has proved very beneficial in increasing occupancy in some communities.

What is the cost of doing this versus the cost of the 5% to 10% vacancy loss you are gaining? Take an example of 100 units rented for \$700 a month: the difference would be \$42,000 to \$84,000 a year for the increased 5% to 10% occupancy. You can probably operate an after-school program for somewhat less. Will tenants stay longer, thus reducing the costs of having to paint and repair every time a tenant decides to move on? How much more will you save due to lower turnover of tenants and associated turnover costs? (A study surveying more than 40 large apartment communities found that the real cost of a unit turnover, including marketing, maintenance, vacancy and concessions, was \$2,700.) Wouldn't you rather use this as additional profit? Will word of mouth spread among the residents' friends and acquaintances that this is a great place to live? No question about it.

Source | Michael Bull

