

## **Weathering the Storm: Advice for Landlords** **by Curran Hagstrom & Collin Hagstrom**

For apartment owners, 2009 has been a challenging year to say the least. With the jobless rate and market vacancies rising across the country, owners and managers are being forced to adapt to the confines of a more labor-intensive rental market.

Coming off the heels of one of the hottest rental markets in history, 2009 is proving to be a testing ground for landlords who for the last three-plus years have enjoyed the passive role of managing in a thriving rental environment. Now, with declining values and increasing expenses, how owners adapt to the challenges of the current market is key to the long-term sustainability of their property's net operating income (NOI).

### **Update Your Rentals**

While it is easy to adopt a "doom and gloom" mentality during a down rental market, times like these present opportunities for owners to become better stewards of their investment properties. Updating units as they turnover is a critical step in preserving rental values in an over-supplied market, as well as setting the stage for maximizing income when the market returns to a more landlord-friendly environment.

Painting, replacing old carpets, floors, cabinets and windows are all important factors in separating your 500 square foot one-bedroom unit from the hundreds of others serving as competition. As long as inventory continues to outweigh demand, the importance of creating and sustaining a competitive advantage remains imperative.

### **Meet Tenant Demands**

Flexibility and patience are key ingredients to effectively managing investment properties during an uncertain rental climate. Gone are the days of the "12:00 to 2:00" open houses followed by picking the best of 20 applicants to fill a unit; in are the days of shaping your schedule to meet the demands of potential tenants. In a market where renters have 10 comparable units to choose from, complacency and an inflexible schedule can often be the difference between locking in a year lease and going three months with a vacant unit and no income.

### **Properly Determine Rent Prices**

Adapting to the realities of the market is equally as important when determining rent prices. As competition grows, deciding on an effective management strategy is crucial in grooming your NOI. An earlier edition of the Dupre & Scott Apartment Vacancy Report showed that while actual rents have dropped modestly over the last six months, rent concessions are being offered on nearly 50% of the units surveyed. Whether it's lowering rents to meet demand or conceding a free month to lock in a more favorable market rate, a willingness to conform to the demands of an evolving market is the single most important component of maintaining a healthy NOI.

### **Fine-Tune Your Operations**

Regardless of preferred strategy, those who efficiently utilize their time during this challenging market to fine-tune operations and become more attentive landlords will benefit most as the rental climate begins to stabilize.

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