

Ask Dr. Cash Flow

3 Ways You Can Prevent Vacancies – Holiday Ideas

Q. Dear Nick: I own a number of buildings in a large North Eastern city that is currently depressed. My vacancy rate is creeping up. At one time it was unheard of to have more than a one month vacancy. Now they are lasting two or three months and I have to work very hard to fill them. I seem to be stuck in a downward spiral - for every one that I fill, I have two or three other tenants give me notice that they intend to move. The loss of rent, the advertising cost, the repainting and other costs of turnover are killing my cash flow. Do you have any suggestions?
Going Bankrupt

A.: Dear Going Bankrupt (NOT): I can really relate to your problem. This is not isolated to your area, or one city. It seems to happen in all large cities from time to time.

Filing vacancies does take a lot of time and can be very costly. You have told me that you are spending a lot of time and money filing vacancies. ***You need to spend more time and money preventing vacancies. Concentrate your efforts on making sure that your good tenants never want to leave to begin with.***

Let me give you an example. Would you be willing to pay \$100 per year to have a very quiet senior citizen live in your rental for seven to 10 years at a time? I would guess that 99.99% of all landlords would answer “of course”. So, why don’t you make it happen?

One way of keeping a senior citizen in place is to do special things for them. Here are some ideas:

1. Once a year send them a check made out to the utility company as a gift. Tell them that it is a gift to thank them for paying on time.
2. How about offering to send your handyman or a window washer to their unit in the spring to wash all the windows - inside and out - as a goodwill gesture? You might also consider hiring a cleaning lady for a day to do a “deep cleaning” for them. Tell them that it is a gift for being a good tenant and paying on time.
3. Birthdays and holidays offer you an opportunity to show tenants that you appreciate them. There are several inexpensive things that you can do that let them know you care, such as:

- A gift certificate for a pizza
- A gift certificate from the local video store with a pack of microwave popcorn
- A bottle of wine
- Lottery tickets
- A birthday card

All of these ideas cost under \$100, some much less. If you work at it, you can probably utilize several of them at various times throughout the year to remind your best tenants that you appreciate them.

To summarize, the easiest way to avoid losses from turnover and vacancy is to prevent them from happening in the first place. Make your tenants feel as if they are already living in the best possible place with the best possible landlord. They may encourage their friends to seek you out and help you to fill those vacancies that you just can’t avoid.

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