

## **ASK DR. CASH FLOW**

### **Cut Your Losses When Tenants Vacate**

*By Nick Sidoti, R.A.M.*

**Q:** Nick, I would like some ideas on how to avoid losing a month's rent between tenants. Even my good tenants do not leave the place in move-in condition. It needs painting, cleaning, and minor repairs. Do you have any suggestions? J.P. Cleveland, OH

**A:** Even with the best tenant, it is inevitable that your unit will need some cosmetic work after four or five years. At the very least, it will need to be painted, and the carpets will need to be cleaned. It is very difficult if not impossible to get this done when one tenant moves out on the 31<sup>st</sup> and the next moves in on the first.

See if your current tenant is flexible. If your current tenant leaves a little early, you may have time to get the work done before the new tenant moves in. If they are reluctant, try paying them to leave early. If their lease ends August 31<sup>st</sup>, tell them that you will rebate part of the rent to them if they leave by the middle of August.

See if the new tenant is flexible. Sometimes their schedule is not rigid and they can give you some time after the 1<sup>st</sup> of the month to get the work done.

Another way to avoid the problem is to never rent for a 12 month period. Instead, rent for 11½ months. This can be beneficial in several ways.

- An 11½ month rental will end on the 15<sup>th</sup> of the month. This gives you two weeks to get the apartment ready, and cuts your losses in half.
- Having the term end on the 15<sup>th</sup> of the month makes it harder for tenants to move, since most places are only available at the beginning of the month. Tenants that are trying to move at odd times will have fewer places to pick from.
- The tenant's rent is due on the first of each month. On the first of the month that they are vacating they owe you two weeks rent. This gives you a wider spread between what they owe you, and what you have of theirs (security deposit), so they are less likely to try to use their security deposit as their last month's rent. If they are short-changing you on the previous month's rent, you will have an extra month to take action.

Best of all is to encourage your good tenants to stay. The longer they stay, the less frequent the down-time for cleaning and the smaller your vacancy losses.

**[Editor's Note: Don't miss Dr. Cash Flow's FREE seminar at the "Million Dollar" Trade Show and Educational Conference on May 18, 2006 at the Long Beach Convention Center. Come meet Nick in person where he'll share with you "How to Double Your Cash Flow and Reduce Tenant Headaches". You won't want to miss this one!]**

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