

Raising Rents without Rebellion

by Neil Fjellestad and Carol Levey

Raising rents is necessary to keep up with the costs to successfully operate rental property. The regular review of rental schedules and upward adjustment will increase your property value and maximize return on investment.

The challenge is to raise rents with minimum resident turnover. Some turnover can be cost effective if you are following a plan to methodically upgrade the interiors between occupancies. However, too many move-outs can translate into budgetary overruns and employee turnover as your team tries to keep up with both the demands of preparing vacant rentals and the increased service requests of unhappy residents who remain because of their personal circumstances. If allowed to continue, this situation can create burnout among employees trying to cope with residents who do not feel regarded as customers.

A prolonged negative environment often complicates poor resident relations. Our research survey of 1,200 exiting residents indicates that 70 percent of all moves are due to management issues. These include communication breakdown, untimely service and lack of follow through. Keep in mind that it is four to five times more expensive to attract residents and employees than it is to keep them.

Be prepared for grumbling – and how to minimize complaints.

Therefore, the way you market rental increases – both to your on-site employees and residents – is critical. There are a number of proven solutions that will help you raise rents without rebellion.

Research your market so you will know about new construction coming online, renovation of existing properties, employment trends, home sales and economic forecasts.

On-site employees --- or anyone else who might be challenged by residents --- should have a clear understanding of every detail about why rents were raised. These include the amount of the increase, how often rent increases occur, any operational or market conditions that justify the timing of the increase and most important, any benefits to residents connected with the increase.

Residents may find the increases easier to accept if you can show that it occurred due to some lifestyle improvement you added or is directly tied to consistently superior resident services that everyone wants to maintain.

Personalize the renewal process with a formal invitation to renew and an individual appointment to discuss the new terms and benefits.

Prepare for the renewal appointment. How long has the resident been living there? Have they been a satisfied resident? How much will it cost them to move? Be prepared with a detailed “cost to move” analysis (fees, deposits, utility transfers, time off from work, truck rentals, etc.) so you can candidly review every option.

Look for creative solutions to entice your residents to remain.

Sell the increase. Don't apologize for it. Know your competition and every advantage your rental property has to offer.

Determine what incentives make the rental increase valuable to the existing resident. Be creative. Perhaps it is a lease term change such as an employment transfer or a home

purchase release clause. Explore property improvements such as carpet replacement, paint, floor or window coverings, updating a feature or appliance.

These are proven solutions that work when you are confronting the challenge of maximizing rents and minimizing turnover.

Neil Fjellestad and Carol Levey, nationally recognized industry leaders, are cofounders of I. T. Partners, a San Diego, CA-based firm that delivers revolutionary training and marketing solutions designed specifically for the multi-housing industry. Reprinted with permission from On-Site Northwest.