36-unit Multifamily Rental Property - Case Study
RL Property Management

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In October of 2015, a client of RL Property Management purchased a 36-unit townhome complex located in Columbus Ohio. The client turned over management of the property to us on the day of closing.



Photo of the 36-unit townhome complex

RL Property Management had been given an opportunity to walk the property and inspect several units prior to closing, and we worked closely with the client to put together a property management plan in the weeks leading up to the purchase so that we could hit the ground running.

Right away it was clear that there were opportunities to improve the performance of the asset for our client. Vacancy was high, rent was below market, appliances were end-of-life, and water bill collections were spotty. We got to work.

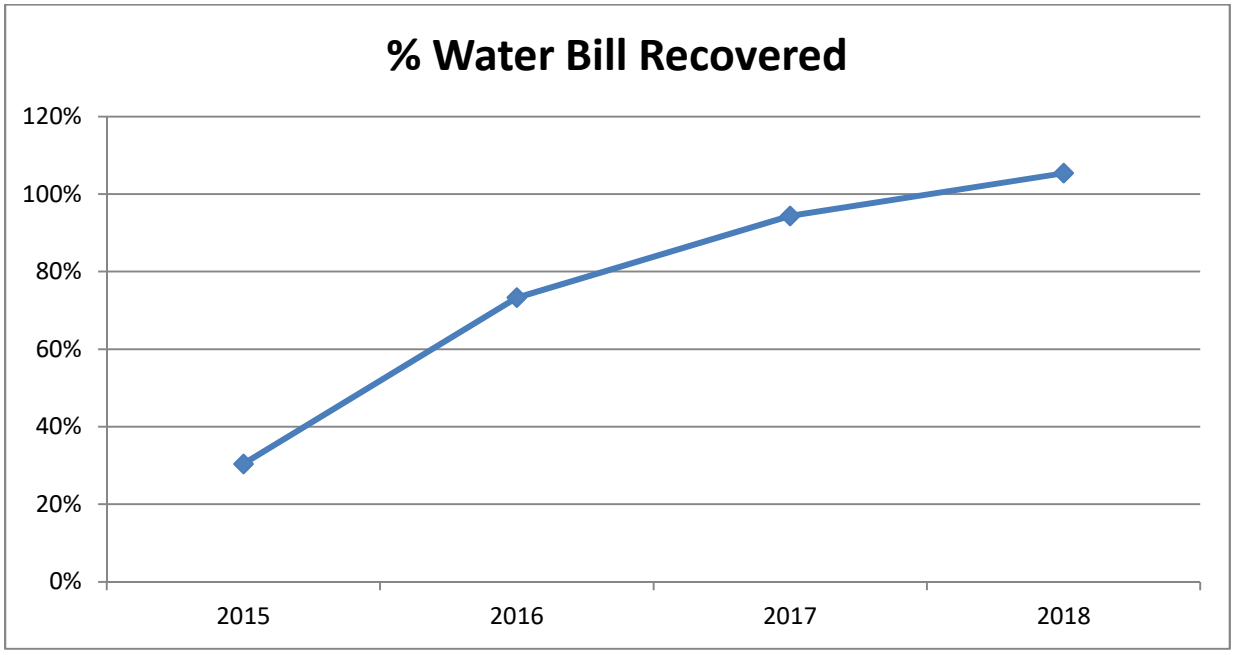
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Utility Revenue

The first step we took was to inspect and repair as needed all 36 water submeters throughout the property, so that tenants could be individually billed for their water usage. In Columbus, there is typically only 1 city water meter per building (billed quarterly), and it is up to the property owner to recover the cost of water usage from individual tenants. This is done with water "submeters" which are read monthly.

Water & sewer usage is one of the larger expenses that a property owner has to pay at a multifamily property, and it's important to recover those costs from tenants. We found many broken and inoperable water submeters and had them repaired. We also put a standard process in place for charging and collecting water from tenants and got all tenants on a lease that made them responsible for water & sewer charges. The results are shown here:



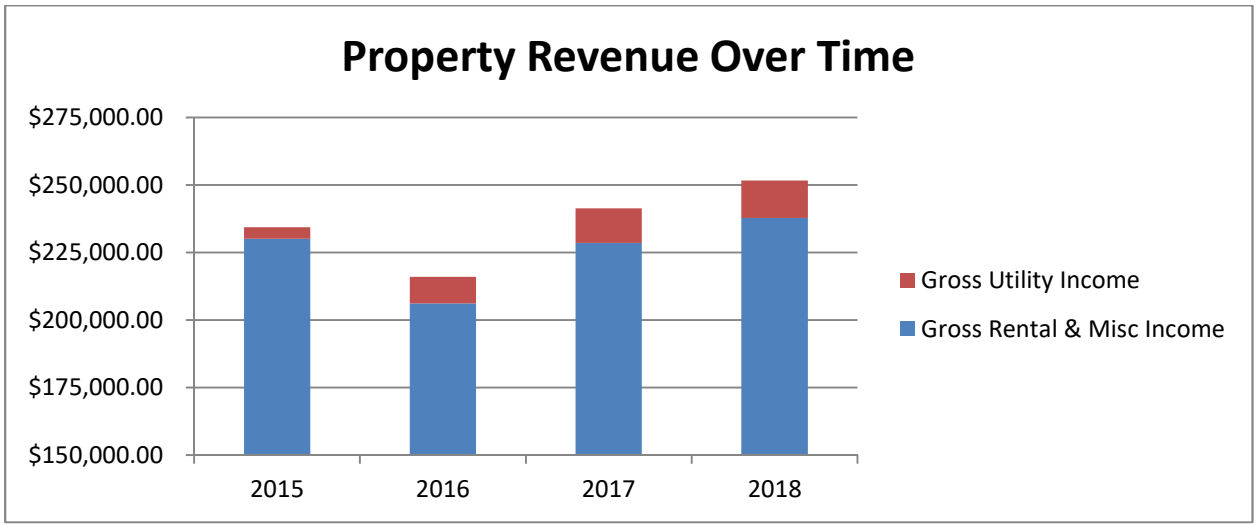
Percent of property water bills paid for by tenants through accurate submetering and effective collections.

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Rent Revenue

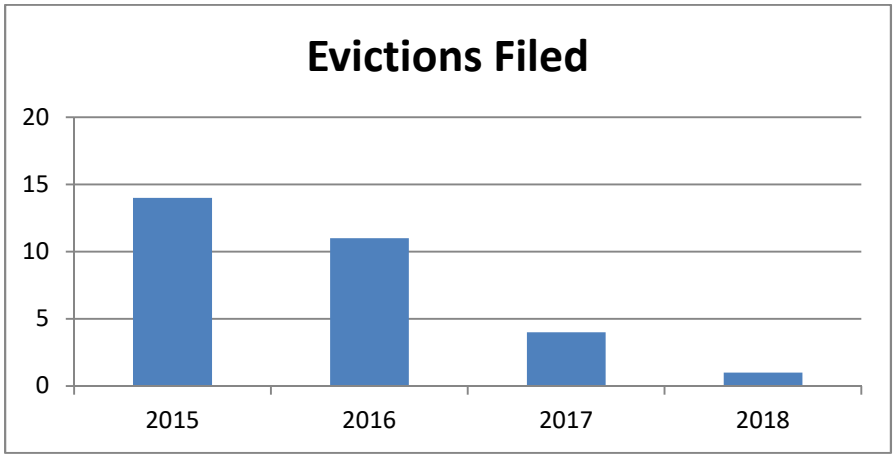
Combined with a standard rent collection process and regular rent increases, gross revenue started increasing almost right away. And over time, the effects compounded as shown here:



Gross revenue, showing the breakout of utility income collected from tenants.

Evictions

Turning around the performance of a multifamily property usually means getting rid of bad tenants. This step must be addressed immediately, painful as it may be. Bad tenants affect the good tenants, attract bad activity, and generally bring properties down. RL Property Management has a strictly enforced rent collection process combined with an aggressive lease violation monitoring and enforcement program and moves quickly to evict bad and delinquent tenants. This property had a decent tenant base overall, but in recent times the quality of tenants had started to slip. As more and more of the 36 units became occupied by tenants we had placed, the eviction rate went down:



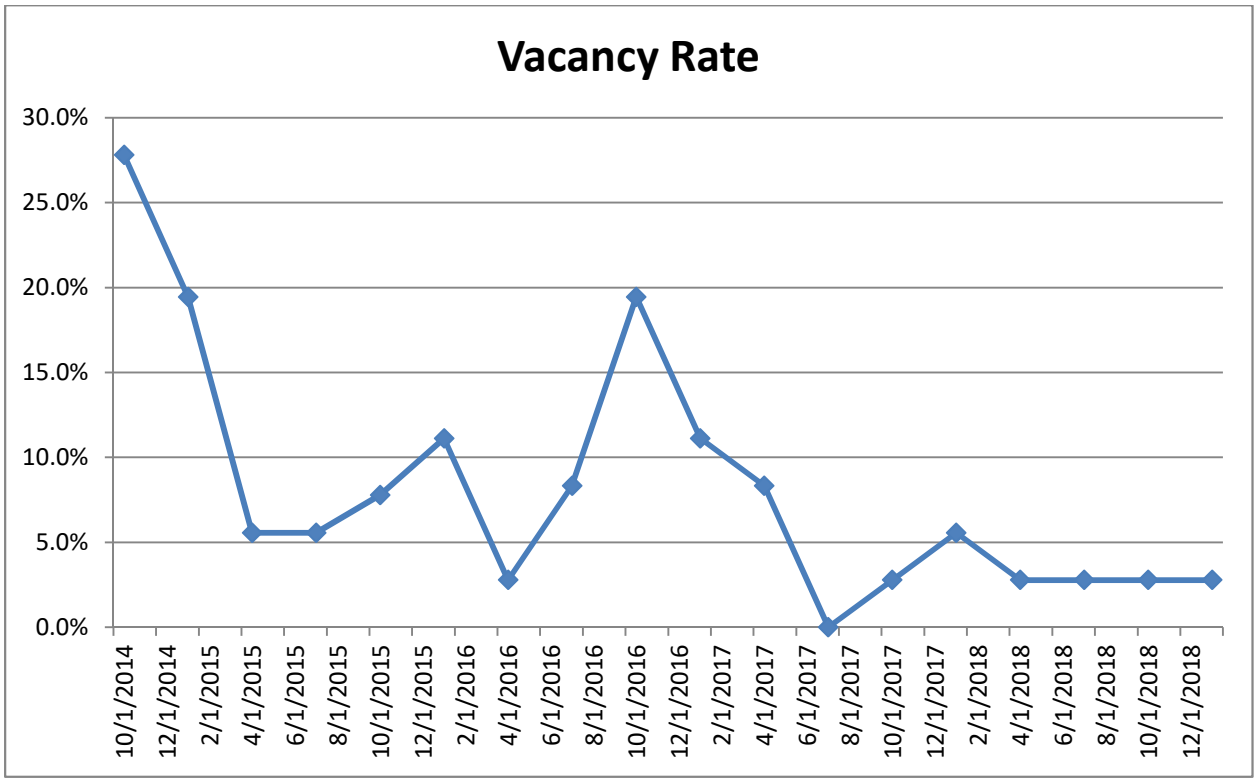
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Vacancy

It is normal for vacancy to fluctuate seasonally, but on the day RL took over management, 10 of the 36 units were vacant – way above normal and completely unacceptable. Several of the units were move-in ready, so we immediately listed them for rent at competitive prices to begin filling the property back up. In the meantime we got to work on turning over the remaining units in order to get them ready to list for rent as the rent-ready units began to fill up.

It took about 6 months in total (through the slow winter leasing season) to fill those empty units and bring the property back down to a normalized vacancy rate of about 5%. It's important not to rush the leasing process and just place any tenant who might have a security deposit in hand. Strict rental screening criteria must be enforced to improve the likelihood of placing a good tenant. Seeking the best quality tenants means rents will need to be very competitive and leasing timelines may be longer. But the payoff is lower turnover and, in time, lower vacancy rates:



Vacancy aggressively declined in the first six months of management.

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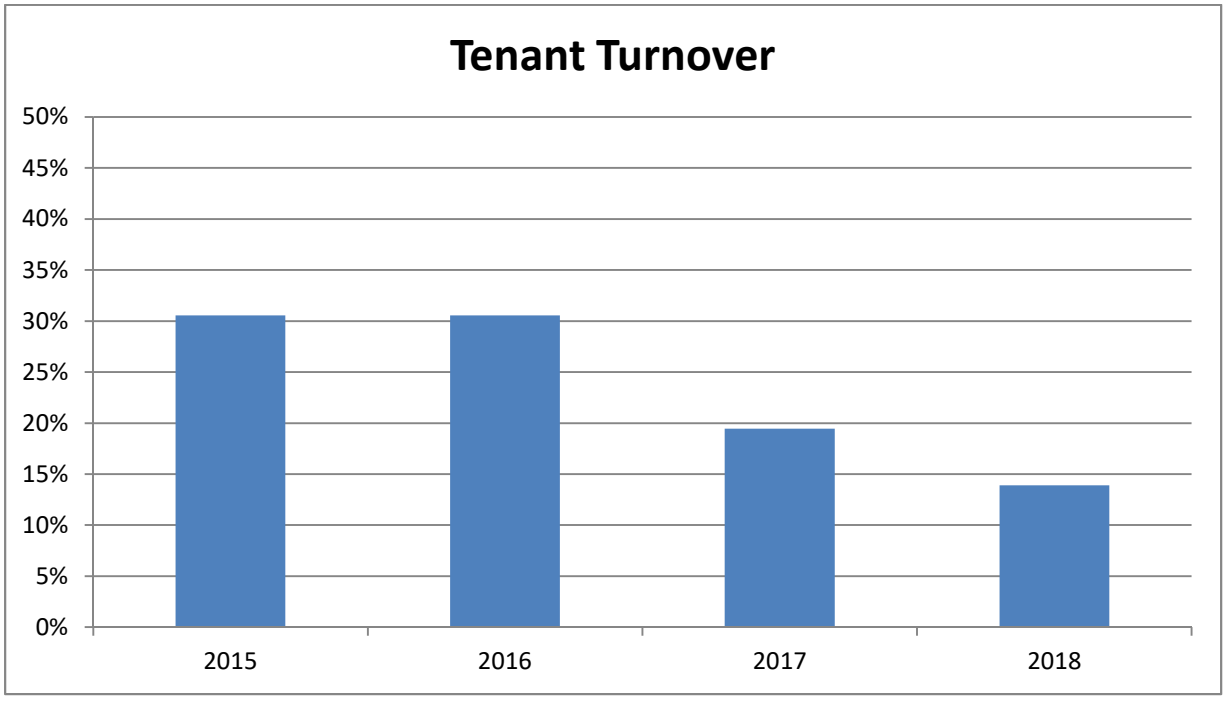
Turnover

Industry average turnover for multifamily property typically floats around the 50% mark. RL Property Management always seeks to improve that figure and has several processes in place to reduce tenant turnover. Turning over of units is the most expensive and destructive part of the property, and should be avoided if possible.

How does RL do this? Our approach combines several components:

- Rigorous tenant screening and carefully crafted screening criteria.
- High attention paid to the "customer experience" of being a resident at a property we manage – from the showing process, to lease signing, to move-in day, during maintenance request, and lease renewals. We ensure all touchpoints are carefully thought-through and considered from the resident's point of view.
- A bulletproof lease that holds tenants accountable while still being fair and easy to read.
- Streamlined lease renewal process – we remove all friction from the process
- Modest automatic annual rent increases
- Rapid and professional response to maintenance requests
- Free online rent payments (and other features through the tenant portal)

Implementing these things at this townhome complex resulted in the following turnover:



Careful attention to core processes keeps tenant turnover in check.

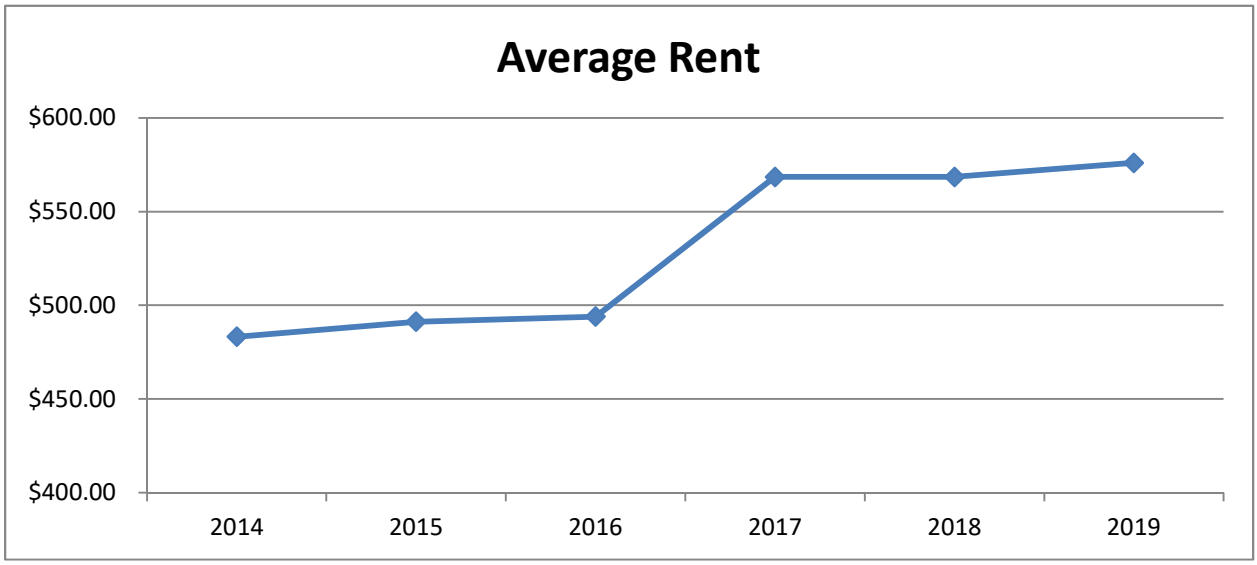
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Property Rents

Another key factor in the performance of a multifamily property is rent amount. Not only must the asking rent on vacant units be appropriate to the market, but leases that come up for renewal must be carefully brought in line with market rents while avoiding costly turnover. This is a delicate process, and we find it best to not take any drastic action during the first few months of management. This can be a sensitive time for existing residents; they will want to see how the new management takes care of them and the property before making a decision on a lease renewal (let alone one with a rent increase).

But it can be done – over time, RL drove the average rent at this property from $483 to $576, almost a 20% increase. And rents will climb further as more leases renew and new tenants are placed:



Average rent at the subject property as of December 31st.

Conclusion

RL Property Management improved the performance of this 36 unit townhome property in several key areas by:

- Addressing lease violations
- Removing tenants unable to pay rent
- Renewing leases to raise average rents
- Addressing maintenance and other resident issues to improve tenant retention
- Improving collections of water/sewer charges

Our company specializes in managing multifamily properties from 2 to 99 units. We would love the opportunity to put together a detailed proposal for your multifamily property. Please let us know if we can be of assistance.

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