JOHN WILHOIT

FIVE RENTAL REVENUE GROWTH STRATEGIES

THE FIVE POINT

JohnWilhoit.com

Volume 2 2021

Copyright © 2018 by John Wilhoit

All rights reserved. No part of this publication may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanical methods, without the prior written permission of the publisher, except in the case of brief quotations embodied in critical reviews and certain other non-commercial uses permitted by copyright law.

WIN Publishing – The Five Point Reports

Each report delivers five or more methods, measures, or processes that are intended to have a positive impact on your rental property assets. The Five-Point may validate your thinking, provide new knowledge, and sometimes offer further information towards a "course correction" in advance of important decisions.

Books by the author:

How to Read a Rent Roll: A Guide to Understanding Rental Income
Rent Roll Triangle: The Ultimate Rental Property Grading System
12 Steps Homeownership: A Guide for First-time Homeowners

Internet and Social Media Links:

Website	JohnWilhoit.com
Blog	JohnWilhoit.com/blog
Podcast	JohnWilhoit.com/podcast
LinkedIn	John Wilhoit on LinkedIn
Twitter	John Wilhoit on Twitter

Cover Design by Chan's Artistic Life

Cover Photo by Max Andrey

Contents

Summary

We know that most revenue from a rental property comes from rents, but that's not the whole story. How many rental revenue growth strategies are you deploying presently on your property right now? Just know that as much as we always want to focus on rental revenue growth, our real objective should be higher; to maximize the value of the asset.

There are five areas to focus your efforts for rental revenue growth: Lease Renewals, they are always at the top of the list. Resident screening is a cornerstone for ensuring that you bring quality people into the property. Other income categories are an important driver of added revenue. Include resident referrals. built on a CRM system. And consistent use of email to build relationships with residents and communicate important information.

There is always going to be one additional service or potential revenue stream that you can implement if you think through the process based on your property and what you know will work for that asset in that market.

Introduction

This article presents five key areas to assist in rental revenue growth. But it goes beyond just rents and ancillary income. We know that most revenue from a rental property comes from rents, but that's not the whole story.

My big “ask” of you is to deploy all five recommendations for a sustained effort – long enough to see the one or two that provides you with the best results for your assets. If you were to rely on just social media for new leases, such as a full-court press using the big brands, and 8 of 10 leads were from FB, how long would you keep the others? My point is there is a reason to use all five recommendations is to see a path towards the best results for your rental property assets.

How many rental revenue growth strategies are you deploying presently on your property? How many are in process: working, operational, functional, and bringing in dollars? For some folks, that's an easy question. They can rattle off those that are implemented and bringing in money, and for other people, you've got to stop and think about it.

To start: write down all current rental revenue growth strategies in use now. Making a list will be difficult initially; that number could be zero rent growth strategies in play. That's a good reason to use the recommendations here to get started! Reading the list below will point to you in the right direction. You are bound to think of other appropriate strategies and categories for your individual circumstances. This is why I ask you to brainstorm in front of reading the examples below.

We know that having an income that's too high in certain areas is not necessarily a positive, such as late fee income. We want to have revenue sources appropriate for the asset and create sustainable revenue sources. Sustainable rent growth strategies are the areas that we're covering here.

Michael Lanning is the president of the Institute of Real Estate Management. Mike wrote an article asking investors to recognize a substantial difference between focusing exclusively on rent growth versus maximizing property value. I want to bring that to your attention: that as much as we always want to focus on rental revenue growth, our real objective should be higher; to maximize the value of the asset.

What do we mean by that? One example I can give you is when the ground's value under the physical as-built property has a higher value than the property itself. If that's the case, we don't necessarily want to put more money into the building (more lipstick on the pig).

If the land values have a greater potential value for the investor than the asset sitting on top of the dirt, consider this before sinking money into the building to increase rental value. With land, if the long-term view is a five or ten year hold time, then it could be necessary to make further investments into the rental property piece to maintain either the underlying mortgage or enhance yield during the hold period. That makes sense. The point is to be aware of land value as a stand-alone value creator before making additional investments into the physical plant and operational improvements.

Here are five areas to focus your efforts for rental revenue growth:

Lease Renewals

Number one is lease renewals; they are always at the top of the list. Nothing keeps income ticking like retaining existing in-place residents, or customers or clients. We still want to start the lease renewal process early, sometimes as much as six months before the end of the lease term.

Recognize that retaining an existing client, or resident, is always more cost-effective than replacing them. Whenever we can reduce the turnover rate, we are automatically saving money because dollars are saved in repairing the unit and making it ready for the next resident. Lease renewals enhance recurring income and represent the most direct path to attaining maximum rent growth.

The value of a resident that remains in a lease for more than one year is far higher than you may think. Consider the expenses generated from a single vacant apartment:

- Loss of Revenue (and the fixed costs without attribution)
- Turnover costs: Labor, material, staff time to schedule all
- Marketing expense
- Utility expense

The primary reason that a longer-term lease has value is that it replaces the unknown with the known. An occupied unit has a known income. An unoccupied unit has zero income and hidden expenses until filled. With an extended lease, the revenue never stops, and turnover expenses are kicked down the road indefinitely.

Resident Screening

Second, on the list is residents screening. Our customers make or break the rental business. Yes, we need to have quality standards, and you must stick to those standards. Residents' screening is a cornerstone for ensuring that you bring quality people into the property to fulfill their lease obligations if they come with a long-term view of staying beyond the initial lease term.

Some questions can make or break the process, such as "how long are you looking for a lease." Most of us know that six-month leases are a loser even with premium rent; the turnover expense is just painful. This question, though, "how long are you looking to lease" can also lead to a conversation about a 13-14-15 month lease. This small increase in term can have a powerful effect on aggregate turnover.

If a unit lease rate is $1500 a month, but $1490 for 13 months, $1480 for 14 months, and $1470 for 15 months – with the 15-month option selected, you have just secured $4,410 rental revenue beyond the initial twelve-month term. This presentation is during the resident screening process. If your potential tenant qualifies for a 12-month lease, shouldn't they be eligible for a 15-month lease? Well, sure, if it's offered!

As much as it would be nice to set a single standard and leave it in place forever, the reality is that markets and submarkets change over time. Once "hot" markets cool off and where no concessions were needed, now they are everywhere. It's important to stay in-the-know about changes within your market, including changes in demographics. This fact allows you contour offers to the customer-base now interested in your apartment property.

The fact is that neighborhoods change over time. The average age was once 25-years old, it could now be 35-years old – and that is not the same renter profile. Their income, marital status, and needs are different. It's in part of your job to meet their needs with your leasing rental rates, amenities, and services. You don't treat a different demographic any differently, but it is imperative that you know their desires and contour your lease offering. Fact: an older person is more concerned about the number of stairs than the volleyball court. Good know. Fact: women have a more profound concern about personal safety; it's essential to point out the added security lighting.

Fair Housing Laws evolve, so make sure your staff is trained in real-time to ensure they know what questions they can and cannot ask. The rules of engagement here are the same for everyone, so make sure your lead leasing agents are experts and can train new team members.

Other Income Categories

Third on the list is increasing the other income categories. Other income or other revenue categories include:

- Application fees
- Late fees
- Pet fees (recurring monthly)
- Storage
- Cable revenue
- Parking
- Utilities sub-metered (water, trash, sewer fees)

These are all well and good, but you can't do all of them all at once smoothly. Select one or two to implement, reasonable, and a good fit for the asset and get that done. Then, move on to the next and onto the next. Having a huge list of other income categories that you might/maybe do one day doesn't produce a single dollar of revenue. Select one or two that are appropriate for the property you have and implementing those that will have an impact and generate revenue once in place.

Resident Referrals

Resident referrals are built on a CRM system; Customer Relationship Management System. This system allows you to contact all current residents, send rent due to statements, rent receipts received, and make them offers from time to time. One of the offers can be an offer of cash for a new resident referral.

> *A **CRM system** essentially provides a central place where businesses can store customer and prospect data, track customer interactions, and share this information with colleagues. It allows companies to manage relationships with customers, helping the business to grow.* [*Salesforce.com*](Salesforce.com)

These systems are part of RealPage and Yardi, but smaller operators can create CRM (Customer Relationship Management). I know that sounds like a little thing, but if you have existing customers that are happy with the services provided, a small incentive may be all it takes for them to talk to their co-workers and friends and say, "Hey, this is a good spot, and I think that you should join us over here." Because as much as people complain about where they live, that's not everyone. For those clients, customers, and residents (our clients) that are happy with where they reside, give them a resident referral fee of X that makes it worth their while to bring people to your doorstep. If one new lease a year is worth $20,000 in revenue, then developing a CRM for a few thousand dollars has a real and measurable payoff almost immediately.

Email

Next is the email. Email is the best way to communicate with clients. We've seen over the last ten years how online sales have overtaken in-store sales. A lot of that marketing is accomplished through email or email marketing, where business stays in touch with their client base almost exclusively by email. Meaning there are no phone calls. There's no knocking on anyone's door. There's just this little electronic box we call our email account where people communicate. The use of email will become an even larger part of our marketing in the future.

Think about the most effective rental revenue growth strategies that you have at your disposal and don't try to implement all of them at one time. Select the one or two you know you can implement and start with those. And identify those that are suited best for creating rental revenue growth.

We can't tell you which one of these will work best for you. There's a substantial difference between a scale of 2 units and a scale of 200 units. There's a difference between urban and rural environments. But there's always going to be one additional service or potential revenue stream that you can bring online if you think through the process based on your property and what you know will work for that asset in this market.

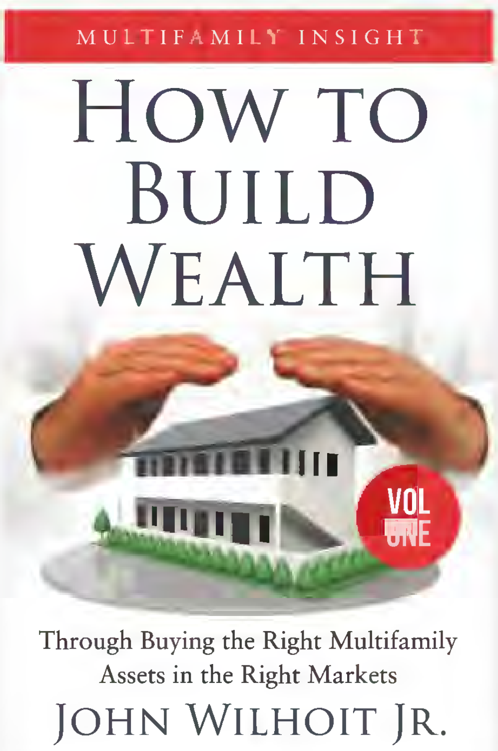
You can't be in the shower and the kitchen at the same time. Nor can you implement revenue growth strategies if your full effort is not behind those you've selected for success. Success will require focused attention on implementing the programs you've chosen if you want them to take hold, maximize revenue, and be part of a going-forward revenue stream.

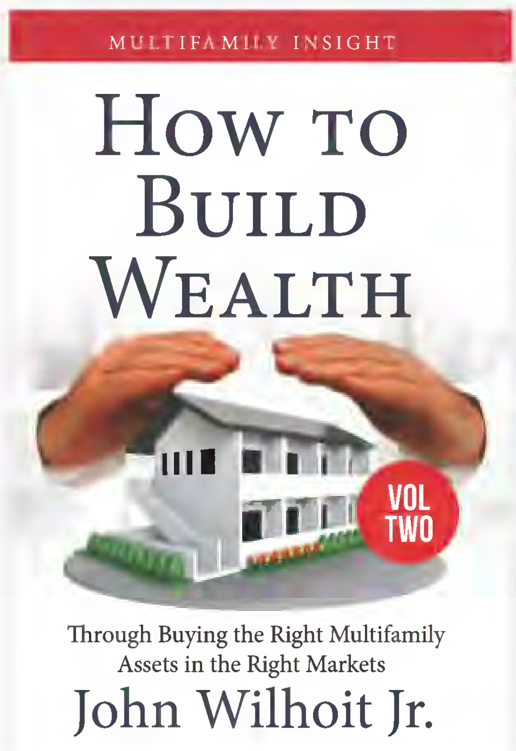
Concluding Remarks

The ideas presented here are intended to get you thinking about what will work best with your property assets given their market, submarket, competitive forces, and rentability. These ideas represent a quality starter list. Survey your competition to find out what they are doing and what is working for them.

The best of all worlds is when all methods at your disposal for growing rental revenue are in play and working concurrently across your property platform, beginning with that first phone call or text from a potential resident seeking to rent. There should be in-places processes to help them gain a lease and increase your rental revenue for and after the initial leasing term.

PUBLISHED BOOKS





John Wilhoit Jr

Disclaimer

Users acknowledge any actions or outcomes are the result of their free will and that any suggestions or recommendations provided from John Wilhoit or JohnWilhoit.com should and will be reviewed by legal, financial and accounting professionals in the employ of the user. You, the user, take full responsibility for the use or implementation of any and all educational content consumed from this website or its proprietors. Use at your own risk.

This content is intended to be used and must be used for informational purposes only. It is very important to do your own analysis before making an investment based on your own personal circumstances. You should seek independent financial advice, or independently research and verify any information that you find on our Website or Reports whether for the purpose of making an investment decision or otherwise. Simply put, you should not rely solely on this information to make investment decisions. Seek professional financial advisors.

Jurisdiction
This information is owned by WIN Publishing in the United States and is not intended to subject WIN Publishing to the law as or jurisdiction of any country or territory other than that of the United States. WIN Publishing does not represent or warrant that this information or any part thereof is appropriate or available for use in any particular jurisdiction other than the United States and only in those US states and territories where WIN Publishing is exempt from registration or licensing under applicable state or federal law. In choosing to review this information, you do so on your own initiative and at your own risk, and you are responsible for complying with all local laws, rules and regulation. WIN Publishing may limit the availability to any person, geographic area or jurisdiction.

Not Financial Advice
The information contained herein and the resources available for download through this website is not intended as, and shall not be understood or construed as, financial advice. The author is not an attorney, accountant or financial advisor. The information presented and contained herein is not a substitute for financial advice from a professional who is aware of the facts and circumstances of your individual situation.

We have done our best to ensure that the information provided and the resources available for download are accurate and provide valuable information. Regardless of anything to the contrary, nothing available on or through WIN Publishing should be understood as a recommendation that you should not consult with a financial professional to address your particular circumstances. WIN Publishing expressly recommends that you seek advice from professions that are well-versed in your personal circumstances.

Terms of Use
The content of this report is intended to convey general information. It should not be relied on as legal or financial advice. WIN Publishing does not sponsor, endorse, verify, or warrant the accuracy of the information found at external websites or subsequent links.

Limitation of Liability
TO THE MAXIMUM EXTENT PERMITED BY APPLICABLE LAW, WIN PUBLISHING AND THE AUTHOR SHALL NOT BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, OR ANY LOSS OF PROFITS OR REVENUES, WHETHER INCURRED DIRECTLY OR INDIRECTLY, OR ANY LOSS, USE, GOODWILL, OR OTHER INTATGIBLE LOSSES, RESULTING FROM (i) YOUR ACCESS OR USE OF THE INFORMATION CONTAINED HEREIN, OR (ii) ANY CONDUCT OR CONTENT OF ANY THIRD PARTY. IN NO EVENT SHALL THE AGGREGATE LIABILITY OF WIN PUBLISHING OR THE AUTHOR EXCEED THE GREATER OF THE AMOUNT PAID TO ACCESS THIS CONTENT, IF ANY, WITHIN THE PAST SIX MONTHS FOR SERVICES GIVING RISE TO THE CLAIM. THE LIMITATIONS OF THIS SUBSECTION SHALL APPLY TO ANY THEORY OF LIABILITY, WHETHER BASED ON WARRANTY, CONTRACTING, STATUTE, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, AND WHETHER OR NOT WIN PUBLISHING HAVE BEEN INFORMED OF THE POSSIBILITY OF ANY SUCH DAMAGE, AND EVEN IF A REMEDY SET FORTH HEREIN IS FOUND TO HAVE FAILED OF ITS ESSENTIAL PURPOSE.