

## STOP SENDING OUT RENEWAL LETTERS WHEN YOUR MARKET GOES SOFT!

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Here's a PROVEN strategy to deal with Resident turnover in a soft market (I've used it many times and it has always worked better than sending out renewal letters when my market disappeared!) This idea is based on my two basic beliefs about Residents who move:

There are two kinds of Residents who move: Those who HAVE to move and those who WANT to move.

1. Residents who move due to necessity (job, marriage, divorce, financial condition change, roommate add/subtract, buy house, etc.), are going to move - no matter what you say or do - because they have no choice! Stop trying to "save the notice" and do whatever it takes to make their move as stress-free as possible; it's your last chance to let them leave with a good impression of you and can result in referrals to you later on!

2. Most Residents who don't HAVE to move due to necessity aren't really aware that their lease is expiring until WE tell them it is - with our array of 120/90/60/45/30 days prior-to-lease expiration letters! (The Residents who WANT to move because they can't stand living somewhere know EXACTLY when their lease expires - they're marking the number of days left on their lease on the living room wall - the way prisoners do in jail!)

So, in a soft market, where concessions and specials abound, most people who are reasonably happy with where they are currently

living DO NOT peruse the real estate section, reading the various specials, because they aren't thinking about moving. If we don't send them a renewal letter, and we do not notify them that they are now month-to-month Residents (the other part of this strategy is that we DO NOT send them a MTM letter and we DO NOT charge them a MTM fee - in almost every jurisdiction, under the Landlord Tenant law, the lease will AUTOMATICALLY convert to a MTM lease.) The only REAL reason to send them a MTM letter is to be entitled to collect MTM charges and to notify them that we are/will seek relief under any holdover tenant provision. So, the majority of Residents will stay put, paying their rent each month and living their lives.

When the market "comes back", we now have the ability to raise rents to whatever the market will bear with a 30-day written notice to all of those MTM Residents; if we had followed "conventional" property management procedure, we would have signed new, one-year leases with all these Residents at depressed rental rates - possibly with renewal specials - and we would have to wait for their lease expiration before we could take advantage of the stronger market. Plus, we could have forced turnover by "telling" the Residents to shop around for the best deal.

While I don't have any "hard" statistics for this since I leave all of that stuff at whatever company I was working for at the time, I can tell you that in the app. 16 years I have been using this strategy, I have always had less turnover during the "no renewal letter" period than in the rest of the year; my occupancy was higher than my comps without specials; and, when the market came back, we realized significant (15 - 25%) rental increases even if I had to force turnover, eat the turn costs and some vacancy - or, if the Residents just stayed put and signed the new one-year lease at the current market rate.

Why not give it a try – what have you got to lose? It really works!

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