

A Property Manager's
Guide to

Tenant Retention



ButterflyMX

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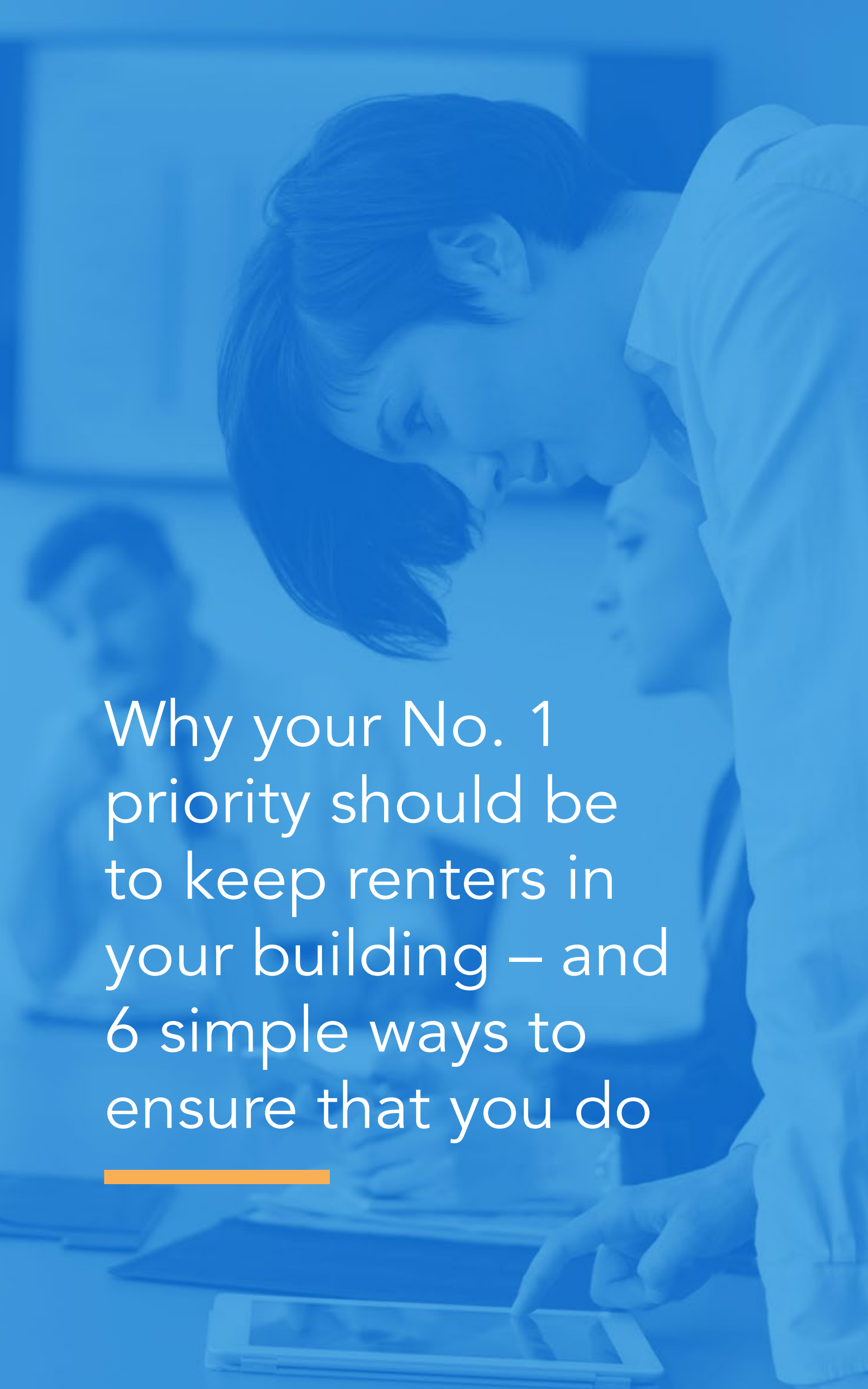
Why your No. 1 priority should be to keep renters in your building – and 6 simple ways to ensure that you do.

02

Tenant satisfaction starts with you.

03

Four pitfalls to avoid when tenant retention is your priority.

A woman with dark hair and a man in a light-colored shirt are looking at a tablet together. The woman is pointing at the screen. In the background, another person is visible, and there are papers and a laptop on a desk. The entire image has a blue overlay.

Why your No. 1
priority should be
to keep renters in
your building – and
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As of the last half of 2018, the United States was officially in a so-called “renter’s market” for the first time in more than eight years, according to data collected by Florida Atlantic University and Florida International University [1]. This means it makes better financial sense to rent and invest in equity markets than it does to purchase a home.

That’s obviously great news for property managers who need to quickly lease up their buildings. But the unfortunate reality is that half of these renters will turn over their lease within one year of moving in, according to the National Center for Housing Management [2]. What’s more, turnover expenses – including lost rent, capital improvements, and marketing/realtor fees – can easily range from \$1,000 to \$3,000, or an average of \$1,500 per unit. That can quickly eat into the gross operating income of the building.

TURNOVER EXPENSES

AVERAGE **\$1,500**
PER UNIT





Property managers love renter's markets for obvious reasons: They have an easier time finding renters than they do in a buyer's market. Renters are seeking them out. But to keep them once you get them, you have to keep them happy."

– Tarah Vela, asset manager
at Hines Development

In fact, a typical 200-unit apartment building in which each unit rents for an average of \$725 per month (producing \$1.74 million in gross potential rent) can expect to lose about \$150,000 annually to turnover expenses if half of its renters vacate [3]. That's a hefty 8.6 percent of yearly gross operating income. The good news is that if you're able to reduce your tenant turnover for the same 200-unit building by just 5 percent, you'll improve the gross operating income of the property by \$15,000 [4].

So, how do you reduce tenant turnover? Fortunately, it's neither very difficult, nor does it require a large investment of time or money.

✓ REDUCING
✓ TENANT TURNOVER
✓ 5% IMPROVES
✓ OPERATING
✓ INCOME BY
\$15K



Tenant satisfaction
starts with you

Did you know that nearly 60 percent of all tenant turnover is controllable? It's true. According to a study by Zillow Rentals [5], the largest contributors to tenant turnover are poor staff performance and dissatisfaction with the property. That means by simply changing how you and your staff listen to and interact with your tenants, coupled with minor property improvements, you can greatly reduce the likelihood that they'll leave.

But as you undoubtedly know from years of life and work experience, this is sometimes easier said than done. And, unfortunately, in some cases, satisfaction alone isn't always enough to keep a tenant around. Sometimes, circumstances and opportunities such as a new job, a growing family, or even the desire for a change of scenery can compel tenants to move away – even though they're content and satisfied where they are.

It's important not to become disillusioned by things you can't control. Instead, if you remember the facts and statistics listed above, you'll be more likely to focus on what you can control – namely, tenant satisfaction.

Let's explore six simple ways to improve tenant satisfaction at your property.

PROPERTY
MANAGERS
CONTROL



60%

OF ALL
TENANT
TURNOVER



Tenant retention needs to be an obsession for every property manager. They need to ensure that their tenants are satisfied and happy.”

– Stacey Arias, ARM[®], property manager at Kettler

01

Know your competition

We've all heard the phrase "keeping up with the Joneses." That's bad advice in both life and in property management. Don't spend your time and money trying to keep up with your competition, because you'll wind up tired and broke. Instead, take some time each month to research the appearance, quality, and price of similar apartments in your area to learn what they aren't offering or can't offer. Do they have a nice, new, modern building with the latest appliances and amenities? That's fine, but many people like well-appointed and well-maintained older buildings, which can offer a kind of grace the newer buildings simply can't. If yours is one of those buildings, then it's true you'll have to spend time and money to improve the exterior and interior – but it's a small expense compared to the outsized returns.

Another alternative is to differentiate your property from those with similar price points. Do your competitors' buildings have a garden area? Make yours better. Simple additions such as drip irrigation, decorative stones, and a picnic space and/or a fountain can boost your property's perceived value to tenants.



Pro Tip

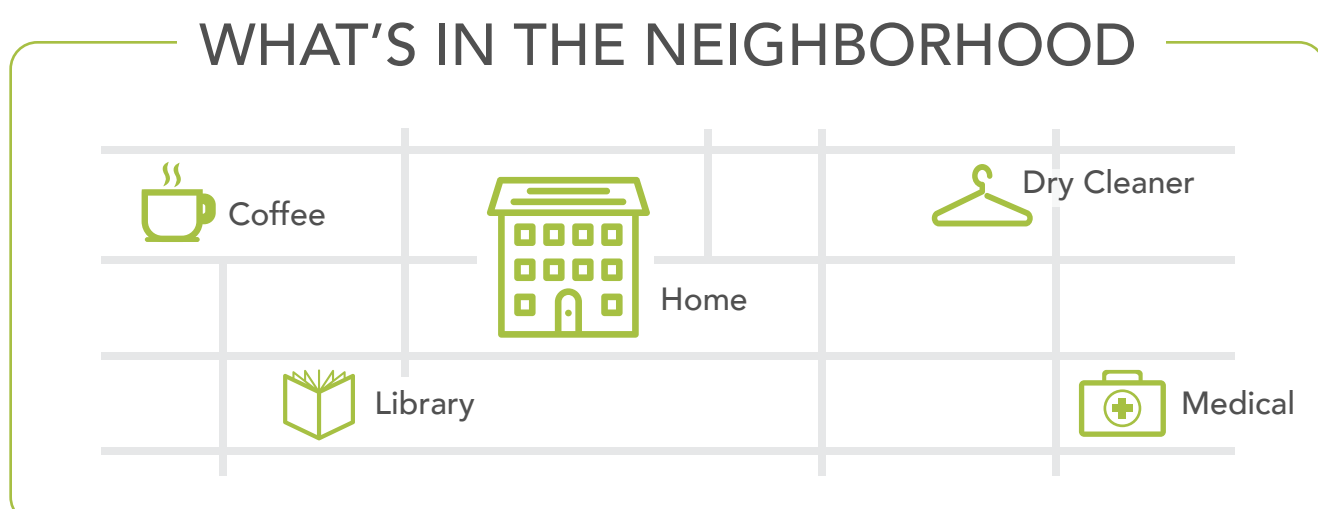
Provide your tenants with a suitable gardening space and encourage them to plant flowers, vegetables, and fruit. That way, they'll feel more invested in their living arrangement and be less likely to leave.

02

Practice listening and answering

From the moment the lease is signed, make sure your tenants know you're there for them. Create an onboarding process that includes a manual containing all pertinent building information such as basic rules, office hours, telephone numbers of the management office and local authorities, and information about local services such as supermarkets, drug stores, dry cleaners, and shoe repair. But don't stop there: Reach out regularly with simple surveys to quickly identify problem areas and address them before a tenant signs a new lease.

When tenants are comfortable and assured that their issues are being listened to and addressed in a timely basis, they will be more likely to stay.





You'd be surprised at how many property managers I've known who don't accept the idea that they're in a service industry. Make no mistake: Tenants want to know that management is running an efficient operation and that they are actively working to increase the value of the property where they live."

– Beth Doty, a former property manager with A.G. Spanos and now national accounts director at ButterflyMX

Here's a list of suggestions for you to build stronger relationships with your tenants. Few, if any, require major investments of time or effort:

Focus on personal, timely service.

Keep units up to date and in good repair, and address tenant issues promptly.

Respond quickly to noise and crime complaints.

Give residents advance notice of potential problems and major maintenance work, such as elevator repair.

Distribute a list of available, accessible "handymen" who can quickly address minor issues such as clogged drains and lost keys.

Make it easy to pay rent: Invest in a payment processing system or online payment portal.

Be visible: Walk the property at least once a day, at different times each day. Let your tenants know you're proactively paying attention to the property and their well-being.

Keep an open-door policy and your lines of communication open. Return tenant phone calls and answer emails promptly.



Pro Tip

On move-in day, make sure there's a full roll of toilet tissue in each bathroom. "They will love you forever," said Doty. "This one falls directly under the 'It's the little things that count' category."

03

Build a sense of community

This principle piggybacks on No. 2. The essential idea is to provide tenants with a sense of belonging and comfort. The following checklist provides some good ideas and may even inspire you to come up with others:

Publish a community newsletter/blog containing timely news, events, and other information. Encourage residents to contribute.

Negotiate deals with local vendors. If local shop owners think you can bring them more business, they'll likely be eager to provide your residents with discounts and special offers.

Organize events and activities such as holiday parties, barbecues, potlucks, and game nights.

Schedule seminars on matters that will interest your tenants, such as financial advice or proper nutrition.

Acknowledge birthdays and anniversaries.

Set up leagues for sports and video games – and encourage them to bring friends (future tenants?) to onsite events.

Engage in charitable work: Sponsor teams in charity walks/runs, stage collection drives for local charitable organizations, contribute to toy drives.



Pro Tip

Don't overdo it. You're the property manager, not every tenant's best friend. Their privacy should always be paramount. Mind the boundaries of a business relationship.

04

Hire a solid staff and cross-train your team

You don't need anyone to tell you that managing a building is hard, multifaceted work. That's why hiring competent, reliable staff is a critical component of being a quality property manager. But it's good to know what, for example, your custodial people do on a daily basis – or if you know how to unclog a drain with a snake.

“I might be the manager and you might be the head of maintenance, but I want to know what you do and how you do it. I also want you to know what I do and how I do it, because that extra knowledge and experience really can pay off in terms of how well we do our jobs,” Doty explained. “It's good for all employees to cross-train, because that will help everybody set realistic expectations about what can be done and how long it should take. Shadowing employees is very important to help you know the ins and outs of the business on all sides.”



Pro Tip

If you can't hold staff meetings because of scheduling disparities, use a closed email list to communicate everybody's work priorities and schedules on a weekly basis.

05

Embrace the importance of amenities

Amenities are nearly as important to your building as the building itself. They differentiate your property from your competitors and in some cases are the deciding factor for a prospective tenant; however, not all amenities are created equal. Some, such as a swimming pool, offer a “wow” factor, while others, such as in-unit laundry, offer convenience. As a property manager with a limited budget, you must understand the difference among amenities and invest in those that will not only boost your ability to charge higher rent but also reduce tenant turnover by providing an enhanced living experience.



When it comes to amenities, it's all about security and convenience. Today's tenants want amenities that make their lives easier while still allowing them to feel safe in their own homes."

– Tara Nguyen, property manager, Greystar

When deciding which amenities to invest in, it's important not only to do the math but also the research. For example, renters in the Sun Belt may value swimming pools more than those in the Pacific Northwest. And those in major urban cities, such as San Francisco or New York, are more likely to pay a premium for dedicated parking spaces than renters in the suburbs. Generally speaking, however, renters have always been attracted to amenities that provide security and convenience.



Pro Tip

If you're looking for the most-valued amenities to offer your tenants, property technology is hard to beat. In fact, in a recent national survey of 272,000 renters by NMHC, amenities such as parking, pools and fitness centers, and in-unit washers and dryers, ranked behind reliable cell reception and high-speed internet. [6]

06

Tenant-retention plans and programs

A simple approach – coupled with the right technology – can help you create a workable tenant-retention program. Essentially, you should divide your desirable tenants into two categories: Those most likely to move out and those least likely to move out.

Obviously, you'll want to focus your priorities on the former group by leveraging the preceding suggestions and principles in this document.

What's more, think about investing in property management software – many of which are now available through affordable, easy-to-use, cloud-based subscriptions. Property management software helps you keep track of an individual renter's profile as well as their lease history, collect and process rent, manage building vendors, assess the number of issues reported and resolved, and more. These programs, at their core, are devoted to streamlining your building's operations with far less time and effort than managing unwieldy spreadsheets and countless emails – allowing you to focus more of your time on what matters: delivering the best tenant living experience.



Pro Tip

When desirable tenants move out, try to schedule an exit interview with them. They're likely to be candid and honest with you in their assessment of the pros and cons of living in your building.



Four pitfalls to avoid
when tenant retention
is your priority

01

Ignoring Principles 1 through 6 above

It's always good to be positive and proactive in every business deal, and that includes how property managers handle their tenant relations. This tip is a reminder that one of the biggest pitfalls is to forget to do the right things first – so always remember Principles 1 through 6.

02

Renting to the wrong tenants

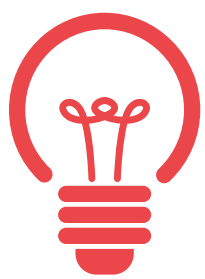
Even though your goal is 100-percent retention, the truth is that sometimes your property and community will be better off if the leases of some tenants aren't renewed. That's why good tenant-retention practices begin with thorough tenant screening. Finding the right tenants requires a careful and thorough process.

You can screen tenants yourself, or you can enlist the services of any of a variety of tenant-screening organizations whom you can find through a simple Internet search. Applicants' most salient details are publicly available, including income, credit score, employment history, eviction records, criminal records, fraud indicators.

03

Ignoring tenant lease terms

Know exactly when their leases expire. If you want them to remain, communicate that with them and let them know if an increase in rent will occur. Prepare contingency plans in the event you'll have to find new tenants, which will include initiating marketing and advertising efforts.



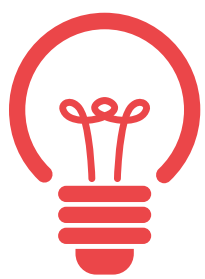
Pro Tip

If you know a tenant is leaving, don't wait until the unit becomes vacant to put it on the market. On average, it takes 1.5 months to find a new tenant, so begin marketing the unit well before the current tenant moves out to ensure you have a new paying renter as soon as possible.

04

Ignoring fair housing laws

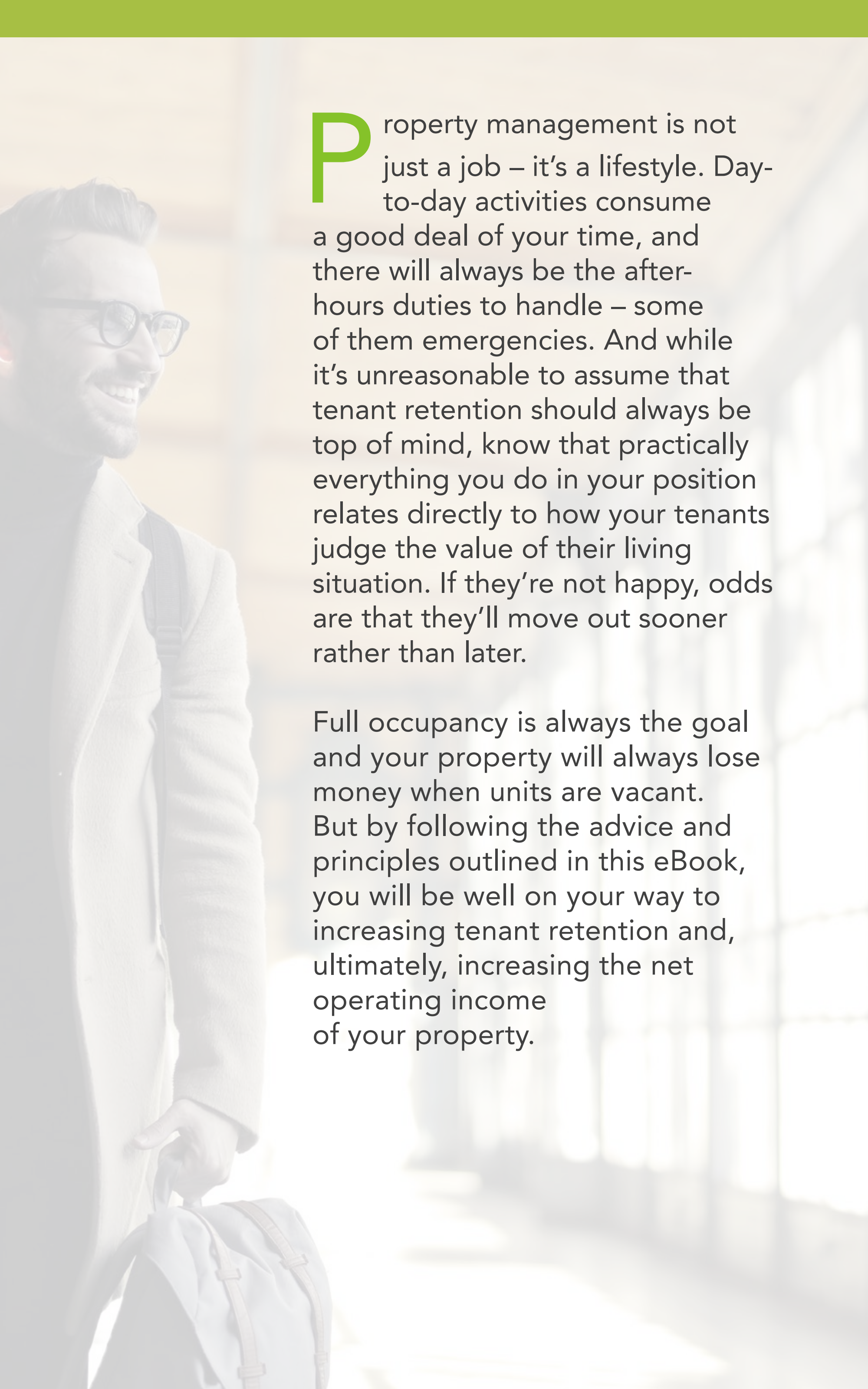
Landlords have rights – but so do tenants. Fair-housing laws vary from town to town and state to state. Did you know, for example, that it's against the law for landlords to change locks or turn off power if a tenant has stopped paying rent? Evictions in particular are difficult, messy, and full of legal traps. Even the most minor misstep can result in large fines, loss of reputation – and possibly your termination.



Pro Tip

When necessary, find a lawyer who specializes in landlord/tenant issues as quickly as possible. Landlord/tenant disputes can take months to resolve, possibly leaving you without critical rental payments.

Conclusion



Property management is not just a job – it's a lifestyle. Day-to-day activities consume a good deal of your time, and there will always be the after-hours duties to handle – some of them emergencies. And while it's unreasonable to assume that tenant retention should always be top of mind, know that practically everything you do in your position relates directly to how your tenants judge the value of their living situation. If they're not happy, odds are that they'll move out sooner rather than later.

Full occupancy is always the goal and your property will always lose money when units are vacant. But by following the advice and principles outlined in this eBook, you will be well on your way to increasing tenant retention and, ultimately, increasing the net operating income of your property.

Research sources

[1] Beracha, Hardin & Johnson Buy vs. Rent Index, Florida Atlantic University and Florida International University, Aug. 30, 2018
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[2] National Center for Housing Management
<http://www.nchm.org/Resources/Operation-Insights/Review/ArticleId/117/A-50-turnover-rate-Its-not-high-its-the-average>

[3] Calculation based on an estimated \$1,500 turnover expense multiplied by 100 units per year

[4] Calculation based on \$1,500 turnover expense multiplied by 90 units per year

[5] "The Economics of Tenant Retention"
<https://turnkeyinvestproperties.com/wp-content/uploads/2016/04/TenantRetention.pdf>

[6] Disruption, National Multifamily Housing Council, 2018



About



ButterflyMX

ButterflyMX is your complete property access solution, providing a secure, convenient, and affordable way to manage and grant access on the go. Empower your tenants and building staff to open doors, gates, and elevators with a smartphone and ensure they never miss a visitor or delivery. Enjoy easy installation and cut costs by eliminating building wiring and in-unit hardware, and save time by integrating with popular access control and property management systems. Join the 6,500+ multifamily, commercial, gated community, and student housing properties that have made access simple with ButterflyMX.

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