



TENANT RETENTION TIPS FOR LANDLORDS



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Tenant Retention Tips for Landlords

Obtaining new tenants can be a costly affair for landlords. If tenants are dissatisfied, given today's market, they can easily seek new space. It is always the preferred option to retain good tenants – those who pay their rent on time and cause little or no problems.

Why are long-term leases good for landlords?

- They reduce the potential of 'void' periods between tenants
- Extended vacancy or frequent tenant turnovers are expensive and can create unfavorable market perceptions
- Long-term leases reduce the risk of getting an undesirable, marginal credit tenant – if you've got a good one, keep it!
- You already have an established relationship with your current tenant and both of you understand the expectations you have of each other
- There will be less credit and reference checks to perform
- The fewer times furniture / fixtures are moved in and out of a property, the less likely there is to be wear and tear or minor damage to door frames, carpeting / floors and paintwork = less replacement costs
- Reduces the landlords cost of capital required for new tenants
- Asset pricing is a function of the quality, quantity and durability of cash flows. Longer leases = more stability (assuming a credit-worthy tenant) = less risk = higher price

The **Coldwell Banker Commercial**® organization offers these tips to assist in Retaining Tenants:

1. Meet your tenant

Even though the property was bought as an investment, you are still in the people business and going out of your way to meet up with lessees can lead to longer, more meaningful dealings between yourself and your tenant. Also, understand their business and business model. They may have unique requirements.

2. Don't get complacent

A long-term tenant is a valuable asset in a saturated rental market, so make sure you keep on top of all those little jobs that will make it easier for the tenant to feel like it is a good working environment.

- Maintain the property in the best possible condition; make sure equipment is up to date
- When the tenant reports maintenance problems, sort them out immediately
- Issues involving water, electricity, heating and air conditioning or safety should be resolved inside of 4 hours with a follow up to the tenants.

3. Have the right attitude

Show that you're fair-minded and understanding. Don't act like the tenant is 'bothering' you when they call. Be pleasant and show concern for their needs. Don't ignore their questions or distresses.

4. Replace a minor item at least once every year

Have a plan to maintain the property on an annual and rotating basis so you are constantly generating a fresh appearance. Keeping up with some of the competing buildings will make a tenant see you care about the property and they will be less inclined to look around for unnecessary reasons. Amortized over time, the minor expenses don't cost that much. Plus, they will be attractive to new tenants, and they increase the value of the space.

5. Tenant improvements

Requests for improvements should always be considered. Be open-minded and flexible with the tenant's space. The tenant can always restore the space to its prior condition if agreed.

6. Respect their space

When landlords meet tenants in their property, be respectful, friendly and informal. Avoid disparaging comments causing them to be unsettled by voicing possible future plans that are adverse to the current tenancy.

7. Pro-active problem search

Perform regularly scheduled "preventative maintenance checks." Make sure the tenants are aware of when such things are scheduled. Performing these checks demonstrates a proactive approach as opposed to a "wait and see" and allows you to find issues before they escalate to a stage where they hand in their notice. Always ask if everything is acceptable or if the tenant has any problems.

8. Communication is key

Make sure you communicate with your tenants on a regular and consistent basis throughout their tenancy. Let them know if there is a scheduled maintenance such as parking lot cleaning so they can make arrangements. Tenants don't mind being inconvenienced once in awhile as long as they are aware and can make the necessary arrangements.

9. Ask what would make the building better

Another great way to increase your relationship is to speak to your tenant and inquire as to what would make their environment better to work in. Tenants might have ideas, but don't openly present them. Many times, it may be something really small that could make the world of difference. If it is a bigger item, it may be possible to amortize the cost in the general operating expenses if all the tenants will benefit from the suggestions.

10. Send your tenants anniversary and holiday cards

This is a simple thing that can go a long way. Write your tenants a hand-written note inside. Another idea is to give your tenant a small gift, like a DVD player, when they first move in. It is small, but they will realize you are not an ordinary landlord.

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11. Improve property energy efficiency

In today's market, efficiency and sustainability are very current issues that more and more tenants are acutely aware of. If your property is inefficient, cold or drafty, a tenant won't want to extend their tenancy. That inefficiency can translate in higher operating costs. There are many federal programs and tax advantages to retrofits of properties that result in efficiencies and reduced operating costs. These will go a long way to helping retain tenants.

12. Improve property grounds

Maintaining the front door to your property and the common areas where people walk thru on a constant basis is an often overlooked and important tool to help retain tenants. Plant flowers in the front of your property. Keep the parking lot clean, the grass mowed and the bushes trimmed. Make the property inviting to come into work.

13. Offer a re-signing bonus for a lease extension

The simplest and easiest way to incentivize your tenants to stay is to offer them a discount for signing a new long-term lease. Consider how much money and time it would cost you to find new tenants. Look to incentivize your tenants for signing up early, possibly with free rent, a larger tenant improvement allowance, reduction of security deposits, an offer to refresh paint or carpet during their lease term, etc. (Note: be proactive with such a program and start two years in advance of the expiration of their lease, to encourage them not to look at other options).

14. Rent reductions

If a tenant gives notice because they can't afford to continue renting the property, consider revising and extending their term to help get the rent down or draw a new lease up for a longer period of time. Repositioning the lease is better than having them move, potentially losing rent revenue or the required new and likely larger capital dollars to make the space ready for a new tenant.

15. Why are they looking to leave?

Always cross-examine the tenant on why they want to leave when they give notice. It's vital to find out their objections to try and overcome them. Sometimes it's an issue you can't do anything about, such as lack of space, but other times it's something simple that's easily resolved and encourages them to stay.

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