

A Guide to Increasing Property Income

There are multiple ways to add value to a property, but generally speaking the two main strategies of adding value to any property is either by increasing income or lowering expenses. In this document we will focus on strategies to increase income.

When I walk a property, I walk with my iPad and go over every possible income increase idea and take notes. Working with a list would be a great idea for you too.

A word of caution: not every strategy here will be right for every property and every market. Some strategies are great, but have little to no demand from tenants, and some are expensive for them. So, you have to make sure that tenants are both able and willing to pay for those strategies. Some owners hold tenant focus groups to hear what services and amenities they want/need.

This guide is built in three parts:

Part I – This part of the guide will discuss ways to **DIRECTLY increase income from tenants**, meaning, strategies you can implement to directly collect more money from tenants. An example is reserved parking. If a tenant wants one – they need to pay for it.

Part II - The second part of this guide will discuss **INDIRECT strategies to increase income**, meaning ways to make your property more desirable so more tenants will want to live there and perhaps even pay higher rent than some other cheaper options. However, you will not collect money for using these services. An example is a dog park. Everyone can use it for free, but it makes your property more desirable.

Part III – This part discusses ways to increase income by implementing ideas that do not add any value to tenants, but still allow you to make extra money. An example is advertising on your property.



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Why is Increasing Income so important?

The first benefit of increasing income is pretty obvious: you want to increase your cash flow so you can have higher returns – both for you and your investors.

Second, when you have higher income, it increases your Net Operating Income (or “NOI”), and when it’s time to sell your property, a higher NOI means a higher selling price.

The Three Types of Income Increasing Strategies

Part I – Strategies that Add Direct Income

Raise Rents

The first thing you will have in mind when trying to raise income is raising rents. If your property rents are below market, then bringing them up to market, even without renovating, can be a great way to boost income. But the key here is “under market”. Without renovating, you can usually increase rents only if the comps are charging higher rents (comps and not newer or better located properties or those who offer more amenities than you).

When Rents are at Market and You Decide to Renovate the Property.

If rents are not below market, you can renovate the property to “justify” rent increases. Renovation can be to either the exterior, interior (units), or both. Look at “Interior Renovation Scope” and “CapEx Budget Estimate” to get more insights into renovation plans, scope, and budget.

When it comes to **exterior** renovation, curb appeal is key. Consider enhancing landscaping and painting the property with a fresh paint. That can do wonders to a property. When it comes to **interiors**, analyze what the comps are offering and try to match your renovation level to theirs and charge rents accordingly. You never want to be the nicest property on the block, because you will be affected by competition.



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Another great way to evaluate interior renovation scope is to match the renovation to the scope of currently renovated units, as some owners renovate a portion of the property and already get premiums for those units. This is what I call “proven premiums” because you don’t assume what premiums would be – the property is already getting them for select renovated units.

When Rents are at Market and You **Don’t** Renovate the Property.

Another strategy is to raise rents by a minimal amount \$15-\$20 a month (without renovating the units) and keep increasing rents by this amount until you get a pushback from the market, then you adjust accordingly.

Renovate While Tenants Live in the Unit

Most syndicators assume they can start renovating only when the units are vacant. While this is a common practice, it doesn’t have to be. The issue with this strategy is that you lose potential rent while the unit is being renovated, which usually takes 2-4 weeks. A creative solution is to renovate the units while tenants are still there, but a few months before they move, and in exchange, give them a discount in rent. Your contractor can do the renovation work while tenants are at work and do it gradually.

Floors can be fixed in one day, fixtures and appliances can be brought to the apartment and installed in several hours. It’s a bit inconvenient for tenants, but if you give them 20-30% discount on 1 month rent, you will get a fully renovated apartment the moment they leave. In addition, it will be available to lease to a new tenant right away and prevent losing months of rent.

Increase Current Fees

Increasing fees is another way to increase income. For example, if tenants pay \$30 for washer and dryer, you can charge \$35 instead. Check the leasing agreement to see if you can increase



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those fees, because you might be locked in during the lease period. It's important to shop the competition on what they charge on fees and compare their fees with what you currently charge for fees to ensure you are competitive on the one hand, but also not charging fees that are too low.

Apply New Fees

Always assess what fees you can add to your property. Use the competition's fees to get ideas, but also be creative. As long as you provide value to your tenants, you can create new fees. Here are some main fees you can implement:

Renter's Insurance Fee

Many lease agreements require tenants to acquire renter's insurance. You can make renter's insurance a mandatory fee and increase your income. You can do that in two ways: charge a premium or revenue share.

- Charge a premium - You can purchase renter's insurance for \$10-\$15 per month and charge tenants for \$15-\$20 a month.
- Revenue share – You can sign a revenue share agreement with an insurance company if you provide them with exclusivity to offer renter's insurance on your property.

Location Fees

Not all units are created equal. Some units have great views, such as to a lake, mountains, or the pool. Others face the road. So why charge the same for both? Some tenants will be willing to pay more for a better view.

Other versions of location views are charging premiums for units that are close to the property entry or the parking.



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Move in & Move Out Fees

Most owners charge security deposits. Instead, consider charging a move-in and/or a move-out fee of \$200-\$500. Tenants won't get those fees back, but it's usually cheaper for them than a deposit (that they do get back). You can benefit from it in 2 ways: first, you don't need to return the money, unlike a deposit. Second, paying a move-out fee might impact tenant's plans to move out and they might decide to renew the lease, so turnover costs will be eliminated. If you are still concerned about covering damage to the property, you can require tenants to get a SureDeposit or other surety bond agreement before they move in.

Implement RUBS

RUBS is one of the main ways to increase income. RUBS stands for Resident Utility Bill Back System. If you are paying all utility bills directly, you can save a lot of money by charging back all utilities. In most properties, when a utility provider enters a property for the first time, they install a single large electric, water, or gas meter, and bill the community directly for total usage. Owners then bill their tenants to cover the bills. If there are no individual meters in each unit, owners have no way to calculate how much each unit used a certain utility.

When implementing RUBS (through a 3rd party company that bills tenants), the total utility usage is calculated and then bill tenants based on their unit size and number of tenants in each unit.

You won't be able to bill back 100% of your utilities, since some of the usage comes from common areas, vacant units, leasing office, model unit, etc. Many owners can get ~75% of the utilities bills to be paid for by tenants.

Pet Fee

Charging pets fee is a very common practice. Tenants pay for the extra wear and tear that their pets cause. Many owners limit the size of pets that are allowed on the property.



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Weekly or Bi-Monthly Payment Fee

If your property is in a low income or blue-collar areas, some of its tenants may struggle to pay full rent at the beginning of each month. Some will be willing to pay a premium or a fee to be able to split rent to 2 or 4 and pay it twice a month or every week.

It will require extra work to track those payments, so a premium for this service can be charged. Automating the payments is a good way to make it easier for your Property Management team to handle more frequent payments.

HOA or Resort Fee

In a nicer A or B properties, you can charge an HOA or Resort fee for overall amenities. An HOA or Resort fee can range from \$9.99 to \$29.99 a month.

Rent Appliances

Another way to increase income is to offer tenants an appliance rent service. You can rent out carpet steam machines, high power vacuums, etc.

Add New Services and Amenities

A great way to increase income is to add new services and amenities. You must pay attention to the market and your demographics. Not every service or amenity will have a demand from your tenants. So, study the market and the comps well before you implement anything new. Here's a list of popular amenities that generate direct income:

Reserved Parking

One of the most desirable amenities out there. Many tenants will pay a premium to be able to have a designated parking spot, especially if parking is an issue. Make sure to look at the



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total number of parking spots compared to the number of units. It will tell you if parking is an issue.

The cost can be very minimal – all you have to do is add a number to a spot. A cheap sign or a painted number will be enough. Average monthly premiums are \$20-\$35 a month.

Carports/ Covered Parking

Similar to reserved parking, carports are in high demand. In TX and FL, it usually cost about \$1,000 for 1 spot and the premiums are \$35-\$50 a month. Carports can be in high demand in areas where storms and hail can damage the car's paint. When I am considering adding carports, I also pay attention to whether there is room on the property to add carports.

Premium Parking

You can charge a premium for allowing tenants to park in an area closer to their units, the property entry, or the clubhouse. Try to see things from their prospective: would they pay more to park in a certain area?

Pet Yards

For me, it's the low hanging fruit. Adding pet yards to first floor units can be a great idea. Tenants who own pets will pay \$50-\$100 a month to have a fenced yard. The beauty is that you don't need to have the unit vacant and can add the yard in a day or two, with a total cost of about \$1,000.

Washers and Dryers

One of the most desirable in-unit amenities. Many tenants would pay a premium to have their own washers and dryers instead of carrying their laundry all the way to the laundry facility. Premiums are usually \$30-\$45 a month. Another advantage of adding in-unit washers and dryers is that you can convert the laundry facility to another income producing usage.



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Valet Trash

Many communities offer trash pick-up services, so you don't have to walk your trash to the dumpster. You can make valet trash mandatory and charge \$10-\$25 a month for this service. Most owners hire a third-party company to collect trash (the cost is about \$12 a month per unit).

Garages

Another great way to charge fees, though requires more space on the property.

Storage

Providing self-storage facilities onsite is an up and coming trend. Storage units can be in high demand, especially in properties that have no storage space in the units.

Gym Membership

If there is no gym on the property, you can partner with a nearby gym and offer your tenants a discounted membership rate. You can increase your income by having a revenue share agreement with that gym. You can also collect the gym membership dues and transfer the money (minus your share of the revenue) to the gym.

Dry Cleaning

Another great idea is to partner with a local dry-cleaning company and have a revenue share agreement while offering those companies exclusivity to sell their services on your property. A common revenue share cut is 15%-20% of their gross revenue. They can include these costs as part of their marketing costs or increase their prices to make up for it.

Amazon Lockers/ Package Room

With the rising popularity of Amazon and internet shopping, almost everybody orders online. Some properties hold packages in the leasing office and some deliver outside tenants' doors, which exposes packages to theft. Many tenants prefer to have a package locker room provide



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an extra level of protection for packages that are being delivered, especially if they can only get the package from the leasing office, and only during their working hours.

You can either build a package room or contract with Amazon for adding Amazon Lockers to the facility.

Amazon Key

Some tenants will be happy to pay a monthly fee for [Amazon Key](#) – a service that delivers their packages inside their unit. You can collect a monthly fee for installing the special key that is placed on the door and allows delivery guys to enter the unit. The Amazon Key service also adds a security camera in the unit so tenants can view the delivery guy from their app. Tenants can use the app to monitor other people in their apartment when they are gone (dry cleaning, pet walkers, etc).

Cable TV/ Satellite Services

You can offer exclusive rights to cable TV or satellite services and have a revenue share agreement with those third-party service providers.

For example, you can offer a package of high internet speed at \$35 instead of a market rate of \$50.

Clubhouse Rental

If the property has a clubhouse, you can offer to rent its clubhouse to tenants for special events at a fee. Many properties rent their clubhouse for \$200-\$500 flat fee.

Vending Machine

You can place a third-party vending machine for snacks and sodas and have a revenue share agreement with them.



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Add More Rooms

Some units are built in a way that allow you to add more rooms by putting up walls or constructing more rooms. You can add more bedrooms, bathrooms, sunrooms, dining rooms, etc.

Add More Units

A strategy that requires more work, but can be very effective, is adding more units to the property. If you can convert some amenities, such as the laundry room, into a studio or a 1-bedroom apartment, that can increase your income.

Short-Term, Furnished, & Airbnb Rentals

You can furnish some units and offer them for a premium as furnished apartments or rent them out as AirBnb units. In addition, you can allow tenants to do a month-to-month lease. Some premiums of short-term leases can be as high as \$500 a month.

Add a Coffee Shop or Convenience Store

If there is enough space at the property, you can add a small shop and sell coffee and snacks. **An interesting and very effective strategy is to provide some of the paid amenities for new tenants (for example, 3 months of free reserved parking).** This is a great strategy for three reasons:

1. It helps compete with other apartment buildings.
2. Tenants get used to the perks and are more likely to pay for it after the free period is over.
3. Your income increases, because you can offer free amenities instead of concessions (discounts). Concessions are a negative number in the T12 and lower your income, so by providing limited-time free perks, you keep concessions down or eliminate them altogether.



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Part II – Strategies that Add Indirect Income

Some amenities are free for tenants to use but can make your property more desirable and hence indirectly supports higher rents (tenants will be willing to pay more to live there because of all the free great amenities they have access to). Here are some ideas.

Co-Working Space

You can allocate some space in the clubhouse and build a little “wework”. It might sound like a lot of work, but all you need is some tables and chairs, extra plugs, and a coffee machine. You can also add a printer, a small meeting space, etc. The cost can range between \$7,000 to \$15,000. This option is relevant if some of your tenants work from home or work at flexible jobs that allow them to work from home a few times a week. You can also open it up for non-residents for a fee.

Yoga Room/On Demand Workout Room

You can allocate a small room for yoga. You don’t need anything besides a hardwood floor. If you want to take it to the next level, you can add a TV screen for an on-demand workout, where tenants can choose their guided workouts.

Bike Storage

Storing a bike, especially if you live on the 2nd or 3rd floor, can be a hassle. You can offer a bike storage room/area, or even rental bike services. Millennials appreciate the convenience of hopping on a bike for a quick ride to town. You can also charge for bike racks.

Picnic Area/Grills

Usually around the pool area and in green common spaces, grills are very popular. If the property lacks grills or has very old ones, purchase new ones and place them in convenient places. Tenants will appreciate it.



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Car Wash Station

Many tenants like to have the ability to manually wash their cars and save money.

Pet Wash Station

If a significant portion of your tenants have pets, having a pet wash station can be very valuable to them. You need a small space and a hookup for water. Many times, a converted laundry facility can be ideal.

Dog park

Carving out a portion of your green areas for a dog park can be a good idea if many tenants own pets. You can fence a portion of the green area and even add some obstacles for those little creatures.

Car Charging Stations

More and more people drive electric cars today, and this trend is only increasing and has created a new demand for charging stations. The convenience factor for tenants who can charge their car right outside their doors is significant. Adding car charging stations is a great way to stay competitive and to increase your income by charging premiums every month. Adding car charging stations can also be an interesting strategy to attract high quality tenants who drive electric cars.

Rooftop Space

If your property has a flat roof, you can use that space for an amenity such as rooftop deck area. Tenants love to spend time on the roof. You can also offer this space for closed events and rent it to tenants for \$200-\$600 per day. You need to make sure you have the right permits to use the rooftop.



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Part III – Strategies that Directly Increase Income from Non-Tenants

Cell Tower Leases

You can place cell phone towers on the property (mainly on roofs) and collect rents from cell phone providers.

Billboard Advertising

You can rent some space on the property for billboard advertising and rent it out to third party companies. You need to know local regulations.

Final words: Light to Moderate Value Add Strategy vs. Repositioning

A light to moderate value-add plan is basically making some improvements to the property to make it nicer, to justify rent increases, and to increase overall desirability for the current tenant demographic.

Repositioning is next level value add plan. A repositioning strategy focuses on adding improvements that attract a DIFFERENT type of tenants, and aims to change current tenant demographic or profile by attracting higher quality tenants. For example, if you have low income tenants and you wish to bring in higher paid tenants, by adding a co-working space, package room, and renovating the units you can attract different tenants. If you want to attract families, you can build a playground.

It's all about tenants needs and experience. If you know the tenants well – you will be able to create a plan that will add value to them, and increase your income.



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