



Increasing rent for current tenants when their current lease is up?

I always rent properties for the highest amount possible at that time. That amount is dependent on the time of year economics, condition of the property, location, etc. - all of which effects the demand and price / value the property offers. For example, renting a house in a great school district around the holidays can be harder as families are less likely to move that time of season which reduces the economic demand for the house. A few months later or sooner one could rent it faster for higher rent. I always try not to have leases expire during the holidays.

As tenants rent and live in the home - sometimes the market can change (rent!) for the same reasons described above. One can then increase the rent accordingly for tenants at their renewal if the market and tenant will accept it and they are taking care of the property. This can result in a small increase in rental income for owners, I've never lowered rent! One has to understand that some properties are harder to rent due to their location, general condition, time of year to rent, etc. In addition, if you offer the tenant a renewal at a higher rate than the market for the home they may not accept your renewal offer. They will move out to a cheaper place to live. Then your owner is looking at no rental income and several hundreds to thousands of dollars in make ready expenses. All to raise the rent say \$75. What just happened here?

Let's look at the ROI of a \$75 rent increase for a home renting for \$1,500. Over a 12 month lease that's \$900 more rental income (5% increase!) for the owner with no change in expenses. Awesome! However, if the tenant won't accept it and decides to move out you are looking at zero rental income for 1 to 2 months while it's being made ready - that could be \$3,000 in lost owner rental income (17% decrease)! In addition owners are looking at hundreds to thousands in make ready to rent expenses. Bottom line here is a few thousand dollars in lost cash flow all for \$75 a month increase.

Get rental income for owners / investors as they likely have principal, interest, taxes and insurance still due if it's not generating any rental income. That is most owner's objective - RENTAL INCOME! Most all owners I know what it rented, they do not want the lost income and or increased out of pocket expenses. They want positive cash flow!! Note that there are always exceptions to this process depending on owner objectives and the type of property.

If you are looking for a residential property manager that knows how to maximize property cash flow, please contact me.