

Optimization of the Renting Process - from lease determination to new tenant

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Introduction

After implementation the own administration in January 2010 and the new software "Immotion", the workflow has been improved after the initial difficulties, since the different work steps can be handled entirely within the company. Prior to this implementation, the Asset Manager and the renter had to depend on the information given by external administrators. Often it was not possible to handle matters on time. Due to the missing capacity, renting had to be given to a real estate agent. The result was that Akelius had a minimal influence when choosing new tenants.

The various regions in Germany afford different marketing strategies. This report concentrates on strategies and optimization in the Northern region.

Receiving the cancellation until a new tenant moves in

Cancellation

After receiving the written cancellation, we immediately compare the data with the tenant's contract. The contract data will be digitalised in our program "Immotion" and the date of the cancellation will be also registered. Confirmation of the cancellation will be automatically generated by the system. The confirmation proposal letter will be saved automatically in the tenant's file. Together with this confirmation, the tenant receives an appointment for the pre-inspection.

Pre-Inspection

The landlord arranges a pre-inspection with the existing tenant.
The aims are:

- to get an overview of the condition of the apartment
- pre-inspection report showing the tenant obligations, any necessary aesthetic repairs
- to take pictures of the apartment
- to inform the tenant about several visits by potential applicants
- to discuss the reason for moving out and if possible to solve any problem

After this pre-inspection, it will be decided whether the apartment has to be refurbished or if it can be rented without any action being taken.

If there is no refurbishment needed, the landlord can immediately start looking for a new tenant.

Marketing

If the apartment is ready to rent out, the data and conditions will be revised and added to the system. "Immotion" is able to archive the apartment onto the Internet, but unfortunately it can only be communicated to one portal; therefore, we have the additional program "OnOffice".

The landlord can edit the exposé in "OnOffice" and add the exposé to different internet portals e.g. immoscout or immonet. It will also be added to our homepage.

The following information has to be mentioned in an exposé:

- an interesting headline
- accurate data about the apartment
- the expected costs - net rent, operational and heating costs
- a detailed description of the apartment, the property and the neighbourhood
- a lot of pictures of the apartment, the property and the neighbourhood
- a floor plan of the apartment

It is important to describe the apartment in as much detail as possible so that only the desired tenant audience will attend the viewing.

The potential tenants have the opportunity to get in touch with the landlord by email or phone. The enquiries and appointments will be mostly handled by email.

The landlord takes care of displaying the exposé during the viewing

For good marketing the landlord has to consider the following details:

- accurate data about the apartment
- exact knowledge of the technical data of the apartment - e.g. about the heating system
- to define the additional costs
- to know something about the neighbourhood, parking places, city transportation, shopping facilities etc.
- to know something about the other tenants in the property
- high flexibility, most of the viewings are in the evening or at the weekend
- to be friendly every time;-)

Find the right tenant

It is very important to choose the new tenant very carefully to ensure the avoidance of loss of rent, and to find a tenant who fits in the actual tenant structure.

During the viewing, the potential tenants have the opportunity to fill in a letter of interest with their personal data, address and their current employer. Details about their salary are optional.

Based on this letter and the face to face contact, it is possible for the landlord to carry out a pre-selection.

Afterwards, the landlord gives the potential tenant a call asking whether or not they are still interested.

If so, additional documentation is required to check the financial situation.

A landlord needs to check to following documents:

- salary statement copies of the last three months or a contract of employment
- positive credit report - called Schufa-Auskunft
- copy of identity card
- a statement from the current landlord

If the landlord finds the right tenant they will inform them and make an appointment to sign the contract. This will take place in our office to provide a second face to face contact and to finalize the agreement.

The date that the new tenant will be registered in the program and be linked with the data of the apartment. After merging the data, the landlord is able to generate the new contract.

Moving out - moving in

The final inspection and the apartment handover will be taken by the caretaker. Every month the caretaker receives a list with the updated moving out and moving in information, in order to be able to make appointments with the tenants.

At every final inspection and apartment handover, the caretaker generates a report from the current situation of the apartment.

The pre-inspection report supports the caretaker as to whether the tenant has fulfilled the renovations optionally agreed upon.

The following information has to be mentioned in the report:

- the address and the floor of the apartment
- the new address of the existing tenant
- the name of the new tenant
- the apartment's meter readings
- each room's interior and status
- the numbers and kinds of keys

Finally everybody has to sign the report which will be attached to the contract. A copy will be handed out to the tenant.

Refurbished apartments

The condition of the apartment has already been documented at the pre-inspection. If the landlord is of the opinion that the apartment has to be refurbished, they have to discuss the situation with the Asset Manager as well as the Project Manager. After the final inspection with the tenant, the Project Manager and the General Contractor discuss the refurbishment needed and define the measures for the apartment.

It takes 4 to 6 weeks for a big apartment to be refurbished.

In Hamburg we only work with a few selected companies. These companies meet our expectations of standard and price.

Nevertheless, the General Contractor has to prepare a quotation to maintain an eye of the cost quotation.

Based on this and the current market rent, we calculate the new rental price.

It is important for the landlord to know the refurbishment schedule to be able to start publishing the exposé early enough, in order to avoid vacancy.

Market Rent

In our yearly budget, we calculate the average net rent for all properties.

Depending on the condition and the location of the apartment in the property, the market rent can differ from the average rent listed in the budget. The market rent is the maximum rent that a new tenant ought to pay.

The market rent can be determined throughout market research based on the internet or on our latest rent for comparable apartments within the property or in similar locations.

Summery

Optimization of the renting process affords the following steps:

- the more accurate the choice of the new tenant, the more secure the contractual relationship will be
- the active market steps start immediately after the cancellation
- the aim is always to avoid vacancy and to rent according to the calculated budget
- be flexible and to fullfil tenants wishes if possible
- the first impression the new tenant receives from Akelius is very important for the contractual relationship and the image of our Company