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New York's Premier Apartment Building BrokerSM
www.multifamilyinvestor.com

Drop Your Vacancy Rate to Zero

You have a vacancy in your apartment building. Ideally, you want a new tenant to move in immediately after your old tenant moves out so your cash flow continues without interruption.

If you've been an apartment building owner for a while, however, keeping the unit vacant for a few months seems a better option than a landlord's worst nightmare: a non-paying tenant who occupies the unit for years – with the encouragement of a pro-tenant judge in landlord-tenant court.

What can you do?

If you're screening your applicants, you may be rejecting otherwise qualified applicants who need a co-signer. That applicant may be:

- 1) self-employed**
- 2) a foreign national**
- 3) someone with weak credit**
- 4) a college student, or recent graduate, with no credit history**
- 5) someone whose annual salary doesn't meet your annual rent multiple (40 or more times)**

You can send these people to guarantors, but they may either have no guarantor immediately available, or prefer not to use one. In this rough economic climate, apartment building owners lower rents in place for their current tenants. At least four of the above five categories are among the most likely candidates to pay more in rent than their counterparts because of the difficulties they face in securing a rental unit.



Instead of looking for a guarantor or co-signer, or having to pay a significantly larger security deposit or prepaid rent, such a renter may utilize the Insurent® Lease Guaranty to satisfy a landlord's financial and credit requirements.

Suppose you have a 6-story elevator apartment building with 64 units. If your vacancy rate is 5%, and your annual rent roll is \$700,000, your vacancy rate costs \$35,000 off the bottom line. If you have a 20-unit walkup, with a \$250,000 rent roll and a 5% vacancy rate, your vacancy rate costs you \$12,500 a year. In either situation, Insurent allows you to put all this money back into your pocket – for free.

The landlord does not pay anything to Insurent. The tenant submits an application to Insurent, which either approves or declines within a day – typically within a few hours. The tenant then pays Insurent a small fee, insuring the full rent obligation under the lease. The Insurent® Lease Guaranty Program is underwritten and issued by CastlePoint Insurance Company, a property and casualty insurance company rated A- (Excellent) by A.M. Best.

If a landlord accepts the Insurent program, he is under no obligation to ever accept any tenants under the program. It does not cost him any money. He is under no contractual obligation. There is no downside to accepting the program.

An interesting, unpublicized feature of the Insurent program is that the tenant does not have to be the one to pay the fee to Insurent. If Insurent approves the tenant, and guarantees the full rent obligation, the landlord may be tempted to pay the fee up front to secure a good tenant.

Here's what makes paying this fee attractive: the fee to Insurent can be built into the rent by either slightly increasing it, or offering the tenant two weeks' free rent. This way, the landlord does not pay anything out of pocket. He has the best of all worlds: an occupied unit with a guaranteed rental stream – all at no out-of-pocket cost.