

Letting of apartments, Akelius new system

Lars Lindfors, 2009-03-23

Letting in general

In this text I will talk about letting in relation to apartments, and also provide some short comments about commercial letting. Furthermore, I will describe our new fully web based letting system Husar.

Why is letting important?

In all types of companies, the incomes are very important. In a real estate company, our incomes are the rents from all our tenants. It does not matter if the rent comes from apartments, offices, shops, public buildings or parking. We need the rent to pay our costs and to present a profit in the company.

Therefore, in all real estate companies it is necessary to have a clear strategy of how to work with letting. You need to do a lot of homework to be able to create the best letting organization. This means that you have to analyze your different markets.

Geographic: country, town and city area. Type and quality of property: apartments, offices, shops or public buildings. Type of tenants: age, country of origin, family size, employment.

Legal questions and different contracts

All letting personnel must have full knowledge of how the different contracts apply. For example apartment contracts are more standard than commercial contracts.

The apartment contract runs with three months cancellation notice. The tenant always pays the rent one month in advance. There are special rules concerning how to manage tenants that do not pay on time, or those who behave badly in the apartment. The contract

normally includes heating and water, and the tenant pays the electricity bill.

For commercial contracts, you sign a contract over a fixed period of time with a cancellation period of notice of nine months before the contract expires. You must negotiate about who pays the heating, water, electricity, property tax and so on. You can also put an index on contracts over three years.

Strategy for letting.

If your property portfolio includes both apartments and commercial properties, you need to have different expertise required for working with the letting.

With regard to commercial letting, the personnel must know the individual contract, the market, the branch and the property. There is much more negotiation required with every single contract.

Letting of apartments is more of a standard process that continues over time. You normally have a turnover of tenants of approximately 15-20% which means that your tenants, on average, live five to six years in the same apartment. In Akelius with 30,000 apartments in Sweden, we sign around 5,400 contracts per year. Now you understand that we need a well developed process for letting.

BoButik

At Akelius, we have decided to invest in and manage apartment properties with a good standard and rather good location in growing towns. We also say that we need a substantial amount of apartments in every town. Today we focus on about twenty towns in Sweden, from Trelleborg in the south to Haparanda in the north.

As I mentioned earlier, we have a tenant turnover of 15 – 20% and an economical vacancy rate of 0.75%, 13.6 Msek. This translates to a vacancy of around 220 apartments.

Our strategy of working with and maintaining a low vacancy rate is to have effective BoButiker in all our towns. The BoButik is close to the market and consists of a property manager, letting personal and outsourced property caretakers.

The letting process

In every BoButik, we have on average one letting personnel for every 1,000 apartments. The amount of staff differs depending on the type of houses, apartments, tenants and character of the town. There could possibly be an over or under supply of apartments in one particular town. The letting personnel need to be aware of all the legal, contractual and the market questions regarding the letting of an apartment in this specific town or area.

The letting personnel must always be aware of the vacancy and the turn over circumstances in the properties.

Akelius and our nice apartments must besides having an excellent reputation in the town; they also need to be easy to find for prospective clients living in other parts of Sweden. Locally you can always have Akelius signs on the facades, if needed you can put small adverts in the local newspaper. Locally there are always possibilities for putting Akelius on different websites, for example the municipality's web site. Sometimes you can use the local municipality letting office such as Bostad Stockholm.

Of course we always use our own Akelius letting system on our website. Here the prospective client can browse for apartments which are vacant and also sign up for one. Our letting personnel must always keep this website nice and updated. Later on, I will explain about our new upcoming web based letting system Husar in more detail.

There are other different websites for promoting vacant apartments such as Bovision, Hemnet and so on.

If the vacancy level starts to increase more than normal you must be alert and initiate some specific actions. It could be more promoting on our website or on Bovision for example. Talk to the local municipality letting office and discuss if this is a general problem in the town, or only a local problem in our particular building. Every week, try to put small adverts in the local newspaper or even try to send out specific campaign letters to a specific group of people. Sometimes we have been successful with open house events, where you present some apartments and offer some specific campaign offers in combination. Have some coffee and cakes ready.

Akelius new web based letting system

The first week of June 2009, our new web based letting system from Husar will be installed and running.

This is a computerized system that takes care of the letting process, from the cancellation until we have a signed contract.

Husar is a real estate system that offers our personal IT-support for both maintenance and letting. Connected to the system are two modules, the marketing system and the contractor portal. The marketing system offers a modern layout to run the letting of apartments. The contractor portal offers a system for contacts with all our contractors all over the country.

Akelius new letting system

All prospective tenants can now search for, find and sign up for a new apartment on the Internet by simply filling in some search criteria such as apartment size, area, and price.

When you click on the file you can see information about the apartment such as pictures, floor plans, rent etc.

As an alternative the prospective tenant can fill in their dream profile and receive answers suggesting potential apartments via mail. Utilising this system we never use letters and almost never use the telephone.

When the prospective tenant has chosen some apartments, they sign up for one or more of them. With the Husar letting system vacant apartments are matched with their profile. Automatically the system performs a background credit check of the client. Who is finally accepted to have an apartment depends on our company letting policy.

Once we have a new tenant for an apartment, the system can produce a contract.

At Akelius, we always want to meet the new tenant before the final signing of the contract.

With this new web based letting system, we will achieve both a better quality of our layout and a much better and quicker letting process for our personnel and for our new tenants.