



# BALANCING NOI DURING AN EVICTION MORATORIUM & BEYOND

PRESENTED BY:

ZACH HOWELL

BEAR CONSULTING SERVICES

# NOI



WHAT IS IT



HOW IS IT  
CALCULATED



WHY SHOULD  
I CARE



HOW DO I  
USE IT

# Net Operating Income

Is the standard by which all market rate conventional apartment housing is valued.

It is the benchmark for identifying the financial performance of a multi-family investment property.

It shows in a clean calculation how the unknown financials of any property are being managed on a month to month and annualized basis.

The yardstick by which all industry personnel are being measured by the ownership of the property.

# How is it Calculated

Real Estate Revenue (RER) – Operating Expenses (OPEX) = NOI

All revenue brought in by the property minus all necessary operating expenses needed to run the property. (except know funding cost such as Mortgage, Insurance, Taxes, etc)

These funding costs can not be affected by the good or bad operation of the property, they are set costs and are considered below the line costs. No matter how well a Manager runs the property they can't decrease the taxes or mortgage rate therefore these costs are typically not included in the NOI equation.

The NOI equation uses the unknown and hence the potentially controllable costs needed to operate the property.

# Why Should I Care

Literally every decision made at the site level will impact the NOI either positively or negatively.

As Managing agents there is an expectation of owners/clients that we maintain or even grow the value of the property during our stewardship.

Many time's compensation, bonuses, management fees, or keeping or losing a client will be determined by the NOI.

Whether a property is being run well or poor is usually reflected within the simple NOI equation, and obviously reflects on the existing site staff.

# How Do I Use It

Find ways to increase Revenue

- Resident retention = less move outs = more revenue

Streamline processes = less wasted time = more revenue

Trends = parking fees, pet concierge, special services, storage, etc

Focus on Spending = controlled spending = more revenue

Analyze everything = follow the \$ and ask why & if its needed

Seek ways to Reduce Expenses

Utilities = reduce water use (irrigation, pool/spa, etc) = less costs

Training = better repairs = less return visits = less costs

Vendor negotiation = solid relationships = less costs

Standardization = streamlining = less costs

Organization = less time needed to find things = less costs

Time Management = doing the proper thing at the right time = less costs

# EVICTION MORATORIUM ISSUES

People aren't paying rent and therefore Revenue decreases affecting NOI

People may not be able to pay rent after the moratorium is over

People who don't pay rent may not be taking good care of the unit

People who aren't paying rent may want to sublease portions of the unit to other people in order to make money knowing they can't be evicted.

Some people not paying rent have no intention to pay the back rent and will simply move when the moratorium is over.

The entire industry is in the same boat so when residents leave without paying rent they will go to other properties who have had resident leave as well and need to fill vacant units, and so on and so on.

# Real World Issues

National Average is around 6% of units that are not being paid any rent at all during the moratorium.

Most states are organizing some kind of bail out to Landlords / owners but it is not even close to the needed funding gap left by the moratorium.

Many of these units have been inaccessible for nearly 18 months and most would not be considered typical turns.

Staff are still weary of accessing units due to health reasons.

# Real World Revenue Solutions

Collect as much back rent as possible, remember anything is better than nothing even if it means negotiating with thieves. Using rental history and negative credit marks can be a very persuasive way to settle out a resident who has been taking advantage for months. Get what you can call it a loss and move on if needed. Let people know they can negotiate the total down or we will go after the entire amount in collections.

Retain Good Residents and even incentivize if needed with extended leases, locked in pricing, decent discounts, and additional services. These small give-aways will pay major dividends when the property can stabilize financially and weather the vacancy storm that may be coming.

# Real World Expense Control Solutions

Preventative Maintenance: during the pandemic the property staff should have been hyper focused on Preventative Maintenance inspections. Common areas, exteriors, and amenities especially. This laser focus on preventative maintenance should and will pay major returns on the expense reduction front.

By inspecting, locating, and executing small repairs while they are manageable and usually inexpensive in house will lead to major costs savings down the road when they would have otherwise catastrophically failed and would have needed emergency service and a “throw money at it” approach.

In addition all those Preventative Maintenance issues found on the property will be one less Work Order that will need to be addressed by staff over the next few months. This means happier residents, less parts and tools needed in inventory, and less time needed to perform work orders which means more time available for training, turns, or more preventative maintenance.

All these decisions have real world cost reduction benefits and really add up on the NOI front.

# Real World Expense Control Solutions

Pre-Move-out Inspection: this may be one of the largest expense reduction techniques available. Upon knowing that a unit will be vacated simply post a 24hr notice of entry. Have maintenance gain access and begin the turn inspection process this will pay back the property in expense reduction in the following ways:

Identifying chargeable damages

Being able to define costs associated with chargeable damages

The ability to schedule vendors quickly within the turn schedule

Create a more thorough turn checklist

Order the parts needed for the turn before the resident ever moves out

Schedule proper turn services within the first few days of vacancy

Reduce total turn time

Get rentable units back on the role and rented

Reduce vacancy loss

Ability to negotiate with residents as they leave with known turn estimates & costs

Ability to settle move out dispositions quickly on the last day of physical tenancy

Ability to collect more money at move out since costs are known due to the inspection

THANK YOU

FEEL FREE TO USE ANY PORTION OF THE PRESENTATION

ANY OTHER QUESTIONS

ZACH@BEARCS.COM

