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Four Creative Ways to Increase the Bottom Line

By: [Jerry Ascierio](#)

Finding new cost-saving and revenue-generation techniques during a downturn is as critical as it is difficult.

Many owners have aggressively reduced staff and closed and consolidated offices since the downturn began. That's the low-hanging fruit of cost-cutting measures.

But some multifamily firms have also been able to creatively wrestle new dollars, while cutting expenses, by uncovering latent opportunities. Here are four creative examples of driving credits and slashing debits on the balance sheet.

1. Consolidate contracts.

Home Properties has seen big savings by adopting a new approach to national contract negotiations. In the past, the company would use a couple of different vendors for the same materials but has now decided to streamline the process, and it's paying off handsomely.

For instance, Home buys about \$4.5 million in appliances each year and has always split those purchases between two vendors. "But we went to them both and said, 'If we give you the whole contract, how much better could we do?'" says David Gardner, CFO of the Rochester, N.Y.-based REIT.

The winning vendor came back with a 20 percent reduction, meaning that Home will save \$900,000 on appliances this year just for choosing one primary vendor. Taking the same approach with carpet suppliers, the company saved about \$175,000.

And by going with one vendor for maintenance, repair, and operations items—such as plumbing supplies and light fixtures—the company again had two vendors duke it out. "We're going to get anywhere from \$500,000 to \$1 million in savings in a year because of the discounts they're willing to give," Gardner says.

All told, those appliance, carpet, and maintenance materials savings could add more than \$2 million to the bottom line.

2. Consider call centers.

To paraphrase an old question: If a prospective resident calls, and nobody hears it, do they still make a sound? Many owners realize that missed calls are missed revenue, and that's why call centers offered by RealPage and LevelOne are becoming a popular alternative to longer leasing office hours.

Essex Property Trust began using a call center last year for all of its prospective resident calls and credits the move as part of the reason its portfolio-wide occupancies have been in the high-90 percent range. "We've seen an increase in traffic and we have better close ratios now," says Michael Dance, CFO of the Palo Alto, Calif.-based REIT. "And over time, we may be able to reduce the number of sales associates on staff."

It's not just about occupancies: More leads can mean more pricing power, too, even at fully occupied properties. Archstone implemented LevelOne's call center for all of its 178 properties this year and is now capturing about 98 percent of all calls.

"In the past, we probably only answered about 50 percent to 60 percent of the calls during the day," says Donald Davidoff, group vice president of strategic systems for Englewood, Colo.-based Archstone. "And about 12 percent to 14 percent of our leads came in after-hours, and if they didn't call back the next day or leave a message, we lost them."

The company ran a test last year at 20 of its properties (and 20 nearby control properties) to measure the effect of pairing the call center's extra leads with its revenue management software. In the process, it was able to overturn a conventional thinking that extra leads at a fully occupied property mean nothing.

Archstone was able to improve per-unit revenue by 1.5 percent at its occupied properties based on the new demand curve generated by the combo of LevelOne and revenue management software. That doesn't sound like a lot, but at a 250-unit community with average rents of \$1,000 a unit, that's an extra \$45,000 annually. LevelOne's price for such a community would average around \$9,600, resulting in a return on investment of an astounding 468 percent.

3. Track every lead.

The Kislak Organization, which owns and manages about 3,100 units in the Southeast and Southwest, wanted to gather some intelligence around where its biggest sources of traffic were coming from.

So the Miami Lakes, Fla.-based company purchased PopCard, a software that tracks leads, in April. The information from PopCard allows the company to refocus its marketing efforts, and gives it leverage when re-negotiating advertising contracts.

At one property, the company reduced advertising expenses by 81 percent by turning from print to Internet marketing, based on the feedback it received from PopCard. And armed with the new data, Kislak reduced its advertising expenses at two other properties by 30 percent.

But the software also allowed the company to better focus its on-site staffing hours. "We can track what times most of the calls come in, modify our office hours, and staff appropriately at peak hours, and that's also minimized costs," says Dung Lam, Kislak's CFO.

What's more, the modified office hours allow the company to discontinue using a third-party answering service for after-hours calls. And paper guest cards are now just a memory.

4. Require renters insurance.

Requiring renters insurance has also been in vogue as both a cost-cutting and revenue-generating technique. Both Kislak and Home Properties turned to the mandatory insurance approach this year.

Home Properties receives a rebate of about \$300,000 annually just for marketing its preferred insurance carrier to its residents, though renters are free to purchase policies from any carrier.

In the past, a large majority of Home's residents, especially at its Class B and Class C properties, did not voluntarily choose to have renters insurance. And if a resident started a small kitchen fire, for instance, that caused \$40,000 in damages, "we couldn't get anything out of the resident; we were stuck ourselves," Gardner says. "But now, if they have insurance with \$100,000 liability, we can collect on that."

The REIT also expects to save on its property-wide insurance renewals, given the increased liability coverage at the unit level.

Editor's note: For more tips from the industry's leading CFOs, stay tuned for the September/October issue of *Apartment Finance Today*.