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Utility Check

Vacancy Management Impacts Bottom Line

If you're a victim of skyrocketing utility costs, it's time to take a second look at your utility management practices. While shifting utility expenses to residents is the No. 1 way to save money, there's a smaller piece of the puzzle that shouldn't be overlooked -- vacancy management.

Several utility billing companies have recently added vacant unit cost recovery programs to their energy management services. These programs not only ensure that all new residents have put utility bills into their name, but also provide oversight of wasted utility costs in vacant units.

"During difficult economic times, small changes, such as implementing a vacant unit recovery program, can yield significant cost reductions," says Robert Sherman, executive vice president of National Water & Power (NW&P), Santa Ana, Calif.-based utility billing and management company. "As recovered funds, these dollars can have an immense impact on a property's bottom line, improving financial performance and shareholder value."

Just ask BH Management Services Inc., a Dallas-based real estate firm. The company has seen tremendous savings since its February launch of NW&P's vacancy management program, says Howard Berends, BH Management's asset manager. On average, BH expects to recover \$20,000 to \$25,000 per month from residents evading utility bills. The company discovered that one resident didn't make payments for more than a year and owed \$1,300.

PAYBACK TIME

When it comes to recovering costs from new residents, property owners often don't know how much money

they're losing. Approximately 20 percent to 40 percent of new residents delay transferring utility bills to their names, either intentionally or due to a utility company's ag time, says Mike Clements, president of Viterra Energy Services Inc., a submetering Diego. Viterra is finding an average recapture of \$30 per occurrence, which adds up to an annual savings of \$1,500 to \$3,000



for a 250-unit community.

And the recovery process is simple. Utility billing companies compare vacant unit utility invoice data against monthly resident files. For example, a resident moves into the building on the 15th of the month. When the billing company receives the electric bill for that unit on behalf of the property owner, its database will detect the billing discrepancy and charge the resident for the prorated amount owed. The property owner isn't stuck paying the whole bill.

"The program's been tremendously successful," Berends says. "It relieves the site staff of all the responsibility, allowing them to do what they do best, lease apartments." Typically, the staff receives a large pile of bills from utility companies for vacant units, and they have to manually check those dates against new move-ins. "In theory, that

doesn't sound difficult, but in reality, they don't have time to sit there and go bill by bill," Berends adds.

UNIT OVERSIGHT

Keeping utility costs in vacant units to a minimum is another way to save. Wellspring Wireless Utility Services, a submetering company in San Diego, provides property owners with real-time data on the Internet for water, electric, and gas usage in vacant units. Wellspring also sends out a separate report on water leaks.

"It's really useful either to pinpoint faucets that leak or toilets that are running," says John Jaffe, owner and manager of Pacific Living Properties, a San Diego-based real estate firm. "It allows us to proactively go in and fix things [in vacant units]." Before, an annual walkthrough of all units was the only way to detect leaks. That meant a leak in a vacant unit could go undetected for months, Jaffe says.

To minimize electricity costs, NW&P notifies owners if electrical use in a vacant unit exceeds a limit set by the property. This is especially important in high-vacancy markets where leasing agents aren't showing units on a regular basis and may not catch wasted utilities, Sherman says.

USIenergy, a Norcross, Ga.-based energy management and utility billing company, provides owners with a daily updated online report on energy usage in each vacant unit.

Looking forward, vacancy management will grow in popularity as a way to control utility expenses, says David Richitelli, vice president of USIenergy's energy management services. "When times get tougher ... utilities are [an expense line] owners are now realizing they can control," he adds.