

When Leasing, Don't Give Away the Farm! by Ask the Secret Shopper

As market conditions change, many leasing consultants are eager to use rent concessions and other incentives to entice people to rent at their communities. Yet even when there are few vacancies, it's hard to break the habit of readily promoting a "bargain", rather than the value received for the price. The following concern was brought to my attention by a property management company.

Question: My leasing staff has become so conditioned to using rent concessions and other types of incentives at the first sign of an occupancy problem that I think they are actually selling the concessions, rather than the available apartments. Even when we only have a few vacancies, they immediately want to resort to the use of concessions. What can we do to get out of this vicious cycle, especially if this is what our competition is doing?

Answer: This is a very "sore" subject as concessions are meant to solve the very problem they create; rent loss. To further add insult to injury, rent concessions and deposit incentives will ultimately devalue a community over time.

The rental market goes through cycles, just like everything else. If you teach your employees how to sharpen their leasing skills and reward them for NOT offering concessions, then you will enable them to "ride out the storms". You can also network with the competition in your area. If your rents are all approximately the same price per square foot and no one is "giving away the farm", then everyone will have some "honest" competition. If you lose a prospect to the community down the road, then find out why and figure out what you can do about it. (i.e. If they have an exercise room and you don't maybe you can work out a deal for your residents with a local health club, etc.)

Quality promotions like open houses, prize drawings, parties, etc. can increase traffic and boost employee morale. However, rent reductions and low move-in costs will ultimately have a negative impact on your existing residents and compromise the quality of your resident profile. Sure. You might move in MORE people with all the "deals", but how long can they afford to stay once the rent goes back up?

Higher turn-over affects the stability of the "community" environment you have created and also increases the wear and tear on your apartments. Plus, how will these "shorter term" residents pay to restore the apartment to its original condition on the way out if they didn't have to pay a full deposit on the way in?

Concessions cannot take the place of skillful leasing. They are merely a quick fix which creates problems and challenges of their own. You must invest in quality training and come up with creative incentives to motivate your leasing staff. In addition, you will have to educate other property management companies in your area on the value of "fair" competition in order to level the playing field. This will pay off in higher occupancies and increased revenues for EVERYONE!

ASK THE SECRET SHOPPER is provided by Shoptalk Service Evaluations. Visit their website at www.shoptalkservice.com.