

What to do instead of FREE RENT 2.0 - The Road Less Traveled By National Speaker and Author, Toni Blake

Play games, spin a wheel, and give away a car - I'm not against wooing, cooing and pursuing every customer in the market. I just don't believe in messing with the rent check. In this article I am going to do my best to help you stay away from FREE RENT concessions!

First let's ask the question WHY do communities offer free rent? It seems everyone knows it's a bad idea - so what makes them do it? My answer is - it's easy! It does not take a plan, an idea, it doesn't require creativity, you don't have to explain it and owners seem to let you. A five-minute phone call for approval and you have (what you think) is the answer. Remember just because people do it, does not make it the right answer. There are plenty of bad ideas that get copied.

Just look around. Have you ever seen an outside amenity sign that says "POOL"? Almost every apartment in America has a pool! What do they think is going to happen, someone driving 40 miles an hour is going to slam on the brakes and pull in because there is a pool? Not a great idea, but they are easy, ready-made and you do not have to think about it. Today, Great American Business Products has hired a team of marketing experts (including me) to plan and create dynamic amenities signs that will get you noticed!

If you are willing to have a plan, an idea and be creative - you do not have to give away rent. The first thing you are going to have to commit to if you want to avoid free rent is thinking! You are going to have to stop, think, research, create and implement a plan that will keep the money in YOUR bank!

The Market Doesn't Decide - You Do

I asked my colleague Jennifer Nevitt, the renowned guru on pricing in the multifamily industry to share her thoughts and ideas. Here's what she had to say:

Jennifer: Toni, our current thinking is sad. Actually hearing someone tell me "it's the market" makes me cringe. In a conversation with a property manager last week, we discussed the market's condition of 83% occupancy. Her perception was that the 2 month's FREE rent would help her gain ground against her competitors. The reality is if the market is 83% occupied; 2 month's FREE rent isn't going to fix the insufficient demand within the market place. The question should be -- Who even started such an irresponsible practice? They obviously did not understand basic real estate investment theory clearly enough to know how to respond to a drop in the market. The customer did not start it - but they will love it. This is not successful thinking, do not let your competitors get you on this train of thought, it is on the wrong economic track. It is dangerous to match the lowest concession - you give a week free as my competitor, I will match you. If you give two weeks free, I will match you again. If you give two months free, I will match you again.

We are only hurting ourselves and believe it or not, we are still renting the same number of apartments based on available market share just at much lower rents. The continued consequence of these irresponsible actions is an owner unable to make a mortgage payment by fourth quarter.

Toni: Your entire existence - in real estate - is to increase the value of the asset. Everything you do from flags to flowers is to build image and increase value. In one misguided move, you can devalue your entire effort. When you lower the rent, it does not just change your bank balance, it changes the perceived value of your product in the market. My reaction to a soft market is not to decrease my value - it is to increase it!! I need the customer to see me as the best choice not the cheapest. One of my favorite new closing lines is: Choose your next home because of what you get...not because of what

you get free! I like to up sell. Increase value, increase passion, increase flowers, flags and cookies, add living models to my tour, and be the irresistible choice in the market. I will play games, conduct contests, cook food, have fun and add lots of LOVE to my property.

I would look at what is right and not what is wrong. I would sing my praises and repeat my worries. I would concentrate on being the best choice and not the cheapest deal! You don't want me as your competition because I will kill you with my kindness - I will keep my market rents, my residents and close the highest percentage of the traffic. When the market gets tough, the tough get marketing. Have you been watching the Olympics? Picabo Street was in 16th place after her downhill race. Do you know what the time difference between Picabo and the Gold Medal winner was? One and five tenths (1.05) seconds. Being the better choice is about 500 one-second decisions, not one decision to give free rent.

I will have more colorful flowers, cleaner grounds, brighter painted curbs, more colorful door mats, fresh and not fake flowers, a selection of cookies not one, a better smelling, looking, feeling apartment. I will have more area information, better move in gifts and a friendlier staff. I will improve 100 % of the things I do by 1% across the board and win by paying attention. I will win with a simple and yet very clever value marketing plan.

Games

You can play who wants to be a millionaire - have a balloon with lottery tickets worth millions inside. Everyone who looks at an apartment gets a balloon and the chance to win millions. Let them have one chance for every apartment they look at. I love games. Spin the wheel for incentives - vacuum cleaners, special blenders for amazing frozen drinks. People love "custom features". Give them a chance to decorate with a free accent wall painted from a section predetermined by your company. Add chair rail in the dining room to match their furniture, oak, maple, brass or marble. These simple chair rails can be measured and pre-cut to fit your walls and are mounted with small tacks (\$15.00). Add color and style with a great selection of (removable) wallpaper borders (\$17.50 per room). People love the game of chance. Let them take a chance and spin a wheel with \$300.00 - \$800.00 to spend in the design center. This money is re-invested back into your real estate asset. It increases the value and keeps your bank account and your new resident happy

Giveaway or Contest

Before you give in to temptation to give away free rent, try a contest with an exciting (non-rent) giveaway instead! In this new economic environment people feel like they have to sacrifice. The word "Staycation" is now found in both Wikipedia and the online Urban dictionary.

stay-cation, or stacation) is a neologism for a period of time in which an individual or family stays at home and relaxes at home ...

No one really wants to give up his or her vacation! Sell value by using the "hip" term in your ads.

"Resort living that makes everyday a staycation but for the residents of Creekside Apartment - it includes a 5 day cruise! We are giving our residents an \$1800 value cruise vacation with each new one-year lease. Join the residents at Creekside apartments for the lifestyle you deserve.

Here's a decision you can LIVE WITH for the next year -
358 days of luxury staycation
5 days of luxury cruise vacation!

Notice that I position the marketing around what we are giving our residents. My economic marketing strategy is not to position myself as the best deal, rather - the best place to live! If a person chooses your community because of a saving on rent, what reason do they have to stay? Once the free rent is gone, they are looking for the next deal. I had a client offering 3 months free rent have 21 skips in one month on 356 unit property. For a typical cost of \$150 per lease you can offer both your residents and future residents a cruise that includes memories for a lifetime. AIM (AIMCruise.com) has created a complete marketing plan that includes: displays, posters, flyers, be-back cards, door hangers and other marketing materials, as well as personal training - it could not be easier to implement! AIM's cruise incentive often saves properties thousands per month. And remember what I was saying about using the money for your staff? Why not offer a cruise to every employee when you achieve the property goals?

Before you begin, remember that everyone who visits your community must be allowed to enter a contest in order to make it legal. Choose a giveaway that people in your market would love! For example, give away a home office including computer, printer, and software package or a mountain bike if you are in a health-conscious area. What about a recreational vehicle if you are near a lake or other water sports area? You can offer vacation packages for very little, and you can offer them to everyone! Being the most exciting selection of apartment homes in the market is not about free rent.

Prepare Your Strategy

Make a decision about how you are going to compete and then create a complete plan. You cannot win a war without a battle plan and your frontline troops are the key to your success. They need the right training, equipment and motivation to get the job done.

Welcome to my world - where it's all about your new home and not the \$\$\$\$\$. Value selling may not be new, but it is your best option. People want what is best for them, and they can be persuaded - you need to get your team into the persuasion game. Here are some tools for increasing your success. Be visual - give your staff new exciting visual aids. I have a "Self-Closing Apartment" program that includes 48 invitations to rent! Each invitation is in the form of a post-it sized card that includes a simple graphic and a leasing message. Imagine that every apartment your team shows has been designed to incorporate 48 statements of persuasion designed to get people to rent NOW!!! They create closing opportunities for your staff and if the customer can read they will be invited to rent 48 distinct times!!!!!! Sound excessive to you? Hey, you can't just act normally in a market where FREE RENT is being given away! Here are a few examples of the messages on my cards:

**Choose your next home because of what you get -
Not what you get FREE!**

**In a world so big - I can't believe we found the perfect match
YOU + this apartment = HOME!**

TRY our Patience - WE believe in high maintenance

You can't SEE our service . . . it's the best reason for living here!

**We are going to keep asking until you say yes... SAY YES
(there are three more cards that read simply: SAY YES!**

There are 43 more statements of persuasion and invitations to rent where that came from. (Remember, when I was in leasing, I became known for locking people in the walk in and asking them to put a check

under the door to get out. I have no problem convincing someone that my community is the best place to live.)

Build Confidence In The Property

Create a poster in your World that lists, in large letters, 25 reasons why a prospect should become a Resident of "Value World Apartments". Reinforce the message to your team with spot checks where regional managers call or personally ask a team member to state five of the reasons to rent, and if they can, they give them \$5 on the spot.

Offer "storewide discounts". Most businesses place only a few products on sale at a time. Very seldom do you have a discount across the board. Each apartment is a different address, a separate piece of real estate. You need to think of each apartment in your inventory as an individual home. Like on a street in a neighborhood, each house does not sell for the exact same amount. I like to use a "secret envelope". Each apartment has a sealed envelope filled in by the "owner" and the property manager. This amount is a personal matter between the property and the person who rents the apartment. The envelopes are kept in the manager's office and can be retrieved with a completed application. They do not have to take the offer, but the information is private. Who says we can't require something of our customers? Are we so afraid they will run out of the door screaming if we make rules? I think not! The secret envelope is working beautifully with many of my clients. To add interest, the leasing agent can give hints as to the amount of the offer -

Here's what Jennifer Nevitt had to say about individual unit values:

Jennifer: When looking at your available inventory, categorize it by floor, by unit type. Rule: When total availability is less than 5% by floor, by unit type. Don't give FREE rent. Supply is low and demand appears to be sufficient. Take a specific address that has the greatest days vacant; offer a limited offer on that exact address. The phrase "Offer Expires" moves people to buy. Do your concessions currently have an expiration date and are they address specific?

Also, look for other income increases. In a recent pricing workshop we offered to owners, we were able to find a Gross Potential Increase of \$200,000 representing only two (2) assets and 798 units. Look for income increases in fees, garage and carport pricing based on availability and lease renewals in high demand apartment types. All is not doom and gloom.

What is Fair market value - how do you get that - establish rents? I like to work with per square foot.

Create Your Own Lease Up Team!

Take your best leasing people and let them travel from Property to Property as your TOP GUNS! I'd rather see you inspire your on-site team with a pool comprised of a percentage of the first month's rent (that you collected instead of giving it away) per apartment divided by the appropriate percentages for each team member. Scale down starting with the highest percentage to the manager, then renting agent, then maintenance, then assistants, then other leasing, then housekeeping and grounds. Get everybody on board and give the incentive to your staff. Rather than giving away the money, see if awarding it to your staff inspires them enough to rent without a special. You will be amazed how quickly they will enter your new world! They won't complain about a market condition that lines their pockets!! This approach keeps your people motivated and your residents in a world where their apartment has value.

What Else Can You Give?

- Cover some moving expenses

- Pay for the Van
- Groceries
- Trips (cost you less)
- Utility Deposits - A check to cover the costs
- Upgrades (that remain with the apartment home)
- Selection from a gift table - i.e., vacuum cleaners, fancy appliances (\$75.00)

The Difference Between A Negotiation Tool And A "Giveaway"

When you print the words FREE RENT in your ad, it is a give-away. The consumer knows it is free, and therefore you have no ability to establish any kind of requirement or negotiations in return for that gift - you gave it away, and in writing no less - like a special secret, with no mystery or suspense. No need to call and find out the special - you've given it away in your very own advertising. This is a serious mistake! If you have anything printed with your special - take it off!

The special or incentive you give should be changed per unit type, view and other important specifics and not across the board. However, most important it must have conditions. You must have requirements of them, fill out an application, meet the credit criteria and leave a deposit. When you give something with no requirement in return, it has no value.

Use your advertising space to talk about why your property is the best choice - have them call to discuss details and specifics about finding the right apartment for each customer. If you must give incentives in your printed advertising, offer deposit insurance, complimentary applications and other services that will encourage people to make you a top choice. Some people not only print the free rent in their ad, they put a banner on the building. Price is not the only consideration for renting. I would recommend you feature other reasons for stopping. Great Value! That works for me. I once saw a banner that said "\$100 Moves You In" I wondered how long the homeless guy on the corner needed to come up with that. Winning in a concession market is not about lowering your rent and then your standards. It is about raising your work ethic, increasing your passion and persuading your traffic that nowhere else in the world is a better place to live than right here!

Think About It

People want a good deal -so give them one! Do not feel obligated to keep up the "FREE RENT" concessions. It is a dangerous game and the industry loses every time it's played. Just because one person jumps off an economic cliff does not mean you have to follow. Do not let someone else set the rules or the pace for you. IT IS AN ILLUSION! You need to create your own world - one separate from "the others" in which different standards of behavior are practiced. Create a world with a different belief system - a new way of thinking - a thinking based on value. Do not buy into the idea of FREE RENT - it will cost you.



Toni Blake began her career in 1978 as a leasing agent and worked her way to a nationally recognized Speaker & Author with a drive for excellence, innovation, and high performance. Toni was selected by the National Apartment Association as one of the industry's "Marketing Gurus" and is recognized for her industry research and innovative concepts in customer service, sales, and marketing. Toni is greatly loved by many in this industry. She received the 2001 Sales & Marketing Magic's "People's Choice" Award for Educational Excellence and Imagination and Innovation. Toni has appeared at many of the country's popular comedy clubs, including Denver's famed Comedy Works and Seattle's Comedy Underground. Toni's industry comedy makes her a

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