

There's Free Rent Down the Street!

By Tami Siewruk

Here's how it started. A future resident at my new apartment community sent an e-mail to his leasing consultant. He'd recently toured the community, was extremely interested, and had a couple of questions about the community's technical features. He also mentioned that he wondered why our community wasn't offering a special incentive, since the others in the neighborhood were giving away as much as two months free rent... he was still impressed and interested, but choosing our community wouldn't be as easy to justify.

The leasing consultant gave the matter a great deal of thought, then forwarded the gentleman's e-mail message to me, having added a rather convincing case for us to consider offering concessions too. Those of you who are familiar with exactly how adamant I am about never, never, never offering concessions are probably praying for the repose of her soul -- but I promise I didn't kill her. Instead, I responded with all of the reasons why, in my experience, it's far better to avoid concessions at all cost than to succumb to them. Then I killed her. (Just kidding!)

Our future resident, and the Leasing Consultant, had a seemingly valid point. They needed a better understanding of why I continued to stick to our rental rate when our competitors were giving their apartments away for free. The crux of the matter is that our future resident and our Leasing Consultant were posing an objection.

Why is it really important to avoid concessions? There are plenty of answers, but they all boil down to one basic principle – the desire for a concession is really just an objection... and objections can be overcome.

Why do Future Residents Object, Anyway?

An objection is defined as any obstacle, however slight, that stands in the way of and prevents a signed lease. Naturally, our goal is to remove obstacles, but objections must be understood before they can be removed.

Life can be pretty complicated these days. Everything is specialized and customized. Whatever we may want, we can almost always choose from several varieties of it. Now that's all well and good, but if you've ever wasted twenty minutes in the shampoo aisle, then you know that choice is a mixed blessing. How do we know that underneath all the splashy colors and shapes, what's inside isn't pretty much the same? How could they charge me more for this one than that one? They're all pretty much the same, aren't they? It's almost second nature to think "there's just got to be more to it than this!" That need to know more -- to understand the difference, to have it explained or resolved in a way that makes sense -- is the seed from which objections grow.

Before we begin to analyze concession or rental rate objections and preventive techniques, you should begin to recognize all objections as a necessary part of the

leasing process. No one signs a lease without first satisfying their need for information. An objection is nothing more than a request for more information, and in the case of a concession or rental rate objection they simply want you to give them a good solid reason why your community is worth paying more.

Concession and Rental Rate Objections

These objections are by far the most common and the ones that most leasing professionals dread dealing with. Consider how careful you are in parting with your own money, and you'll understand your future resident's point of view. The key to successfully handling rental rate or concession objections is to understand the reasons behind the future resident's protest, but to be fully prepared to defend the value that your rental rate represents.

A future resident that objects to your rental rate sincerely believes that the rate is too high. See the situation from his or her point of view. They're worried about the cost, not just the rental rate. They're imagining the sum that you just quoted in the context of their budget and the sum seems inordinately high. Of course, you can't change your rental rate to suit every budget or whim, but you can change the future resident's perceived value. How? Make the cost insignificant in light of the value that the future resident will receive in return. If they are not objecting to the rental rate then they may be asking you for a concession.

Begin by showcasing your features, services, and amenities; then explain exactly how and why the future resident will benefit from them. Remember what I said about the stresses of daily living and working these days? We're all looking for ways to make our lives easier. Next, sell yourself. You're there to make life easier, and that's part of the package. Never apologize for your rental rates or for not offering a special. Quote your rates with confidence. Now you're ready to tackle the objection head-on.

Make certain the future resident understands, and sees (if possible), all of the extras that come with the rental value (special features, appliances, amenities, services, etc.). What else are you selling? You're selling peace of mind. The service technicians are on call twenty-four hours a day in case of a maintenance problem. You're selling an improved self-image. Higher rent helps your community maintain a better resident profile. Everyone has to meet the same high standard, so the prospect will be living among his/her peers.

Tips for Avoiding and Overcoming Concession Objections:

1. The Future Resident understands that the fastest, most effective way to get you to lower your rental rate or give away a month's free rent is to tell you that your rental rate is too high, or that your competition is cheaper. It works, so they use it! When the Future Resident talks about the rental rate being too high, it's your time to talk about all the benefits the Future Resident will receive when living in your community. When they mention that the community down the street is giving away free rent, it's your cue to spotlight everything about your community that makes it

the better choice (remember to do this professionally. The goal isn't to trash the competition, but to show your community in the best possible light). Please don't offer them free rent or a color television when they simply say, "Your rate is too high." They are just trying to negotiate the price down, and it's up to you to "stick to your guns" and illustrate why your community is worth its asking price.

2. JUSTIFY your rental rate. When a Future Resident says something about your rental rates, what he is really saying is that he doesn't appreciate the VALUE your apartments and community offers. You MUST review the benefits and build VALUE.
3. If you drop your rental rate or give the Future Resident a discount, you probably don't realize how much you have weakened your leasing position. Your response says: "This apartment and community isn't worth very much in itself so let's just decide how much you'll pay and sign the lease." In the end, your Future Resident may lose trust in you for initially asking for a higher price while trying to rip him off.
4. Realize that beneath the objection, most people generally believe that "you get what you pay for." They will respect you and your community for successfully defending its true value, and they will be pleased with themselves for selecting a home that is worthy of its price. Cutting the price undermines your own personal reliability and respectability as a sales professional, and devalues your community and your future resident's choice.

The objections that most leasing professionals have the hardest time handling and overcoming are: "The apartments down the street offered me one month's free rent" and "What's your special?"

Tried and True Techniques for Overcoming Concession Objections:

LP: "I'm glad you brought that up. Let me ask you a quick question: Why do you think they are giving away _____?"

FR: "I don't know, why?"

LP: "I'm not permitted to talk about our competition, but...I can tell you that we don't *have* to offer specials nor do we have the type of residents who move in and out because of specials."

LP: "I'm glad you mentioned that special...let me ask you, did they guarantee that your rental rate would remain the same at the end of your lease or tell you how much of an increase to expect?"

FR: "No, they didn't mention that."

LP: "Specials are usually given to attract you to a community. Once your lease expires, it only makes sense that they need to recover their loss. In other words, they'll probably need to pass along a rental increase. We feel that specials are only a temporary benefit. We prefer to offer the long-term benefit of a high quality apartment with _____ and a quality community where residents don't move in and out looking

for the next special. We prefer long-term quality and stability. Don't you agree that's more important?"

LP: "Thank you for bringing that to my attention. Our community is known for quality in its residents, management and service. We have a community where you can feel comfortable and confident that you and your family will be well taken care of. Don't you feel that those things are more important than a temporary concession?"

LP: "Yes, I've noticed that they recently *had to start* giving away the moon to attract residents. I'm sure that once you compare our community to theirs, feature to feature, you'll understand why they have a need to give away a special, and why we don't have to.

(Use this one with Service/Maintenance Guarantees, and "You'll Love it Here!" Guarantees)

LP: "There are many reasons why other communities *have* to offer specials. Our community, on the other hand, gives each and every resident dependable, caring management and service. We back it up with two very important guarantees. First, we guarantee you'll love it here. (Hand the future resident the guarantee.) Our second guarantees you prompt courteous service on your routine maintenance requests. (Hand them the second guarantee.) Isn't knowing you're going to be happy and comfortable more important than a concession?"

Your Rental Rates are Too High!

What if the future resident objects because your competition costs less?

The first step is to be certain the future resident is comparing "apples to apples." Ask the future resident if he or she genuinely sees the competing community as offering the same value as yours. Walk the future resident through a step-by-step comparison of benefits and features. When the future resident is convinced that the competition costs less, take it as a sign that you'll have to demonstrate how the value of your community is much greater than the perceived cost difference. Prove that there is really very little cost difference, and you're offering the better value.

Don't concede! The future resident often views and poses a rental rate objection as the easiest means of getting you to give away a month's free rent or to lower your rate. Dropping your rate or giving away a gift or discount as a means of overcoming objection only serves to permanently weaken your leasing position. The message is "My community really isn't worth much, so I'm open to negotiation. You just decide how much you want to pay – any old amount is fine with us – and then you can sign the lease." Don't give anything away unless you get something in return! Ask for a longer lease term, prompt rent payment by the 30th of the month, or a higher security deposit. View every concession as a loss of profit, and protect your community from that loss by getting a return on your investment!

No matter where your community is located or how low or high your prices are, you have probably heard, “Your rates are too high!” or had someone hang up on you after you gave them the rental rates. Why do future residents raise the price objection?

Let’s take a look from the future resident’s point of view. Money isn’t easy to come by, and parting with it represents a bad thing – a *cost*. In order to justify the cost, they need to be certain that they’re getting a fair return – a *value*. The key to overcoming a rental rate objection is to successfully move the future resident’s focus from *cost* to *value*.

RENTAL RATE

VALUE

= COST

(Note to Melissa: I’d like to illustrate this point a little better... maybe show the words cost and value side by side, with the spotlight shining on a really distinct “Value”, and a pale, shadowy “Cost”)

Value is made up of all of the benefits that the future resident will receive. Since you can’t change your rental rates for every future resident’s whim, the only thing you can change is the perceived value. In other words, you must build up the *value* to lower the *cost* of the apartment.

Help your future resident to envision and understand all your features, services and amenities, and explain why he or she will *benefit* from them. Remember when selling your services that everybody today wants things that make life *easy*, and they also want to know “what’s in it for me?” – so tell them!

Tips and Techniques for Overcoming Rental Rate Objections:

1. Compare apples to apples. “Let me ask you if we are comparing prices of other communities or comparable worth?” In other words, are the competitions “apples” the same as yours? Perhaps you’ll find its apples to oranges! Make sure the comparison is fair. A fair comparison begins with benefits and features.
2. When the Future Resident thinks that the competition costs less you must take this as a sign that you’ll have to demonstrate how the value of your apartment and community is much greater than the price difference that the Future Resident perceives. To do this you simply show that there is very little price difference. But much more value when living in your community.
3. Remember the Future residents automatically make a rental rate/value comparison to determine the COST. You must look for and increase their perceived value.
4. Understand that “your rental rates are too high” can be a buying signal. Don’t let it slip away!

5. If you get backed into a corner and have to quote the rental rates before you are ready, try saying, "Let me tell you what's included in that rental rate," and then go straight into all your benefits.
6. The price objection is usually a hidden request or a way to hide the real reason for not leasing. Don't give up! You now have an opportunity.
7. Break the monthly rent down by the week or the month.
8. Question the competition's lower rental rate. Why do they charge less? Where do they cut expenses to operate the community? Service? Lawn Maintenance? Etc.
9. Offer a written guarantee that they'll be happy living in your community.
10. Admit that your rental rate is higher and tell why, i.e., services, maintenance, grounds, amenities, quality, etc.
11. Be confident that your apartments and community has good rental rates for the value. Your confidence is contagious and will rub off on your Future Resident. When you hear "Your rate is too high" or "That's more than I wanted to spend", you will be glad to answer with enthusiasm if you develop your skills.
12. Try asking, "Compared to what?" By saying that, you will isolate what the Future Resident thinks is the going rate and then sell VALUE, don't sell price.
13. Energy efficient – you'll save \$ on utilities. Point out all the energy saving features of your apartments.
14. Figure out what the real objection is.
 - a) The rate is more than the Future Resident budgeted.
 - b) The rate is more than the competitions.
 - c) The rate is unexpected.

In handling:

- a) More than budgeted: Find ways to suggest economics.
 - What is the rate per week? Per day?
 - Closer to work?
 - More energy efficient, explain to them why and what you have to offer?
 - What other areas will the Future Resident save \$\$\$ in? Services? Time?
- b) The rate is more than the competition:
 - Build Value
 - How are your apartments and community different?
 - Compare the floorplan, which layout is better for them

- c) The rate is unexpected: This objection is probably the easiest. Simply show and tell the Future Resident why the rate is reasonable. Review ALL the features / benefits and services.

How Well Do You Handle Rental Rate Objections?

Test Your Rental Rate Objections Handling Skills.

Always	Never	Sometimes
I give up if a Future Resident objects.	_____	_____
I feel like I should offer a concession/special	_____	_____
I get defensive.	_____	_____
I argue the rate is valid.	_____	_____
I feel rejected.	_____	_____
I feel that the rental rate is out of my control.	_____	_____
I ignore the objection and keep selling.	_____	_____

Add up the total number of points. 1 point for each never, 2 points for each sometimes, and 3 points for each always. If you scored between 7 and 10 points, you are doing a good job. Between 11 and 15 points, work on fine-tuning your skills. If you scored between 16 and 21, work on your skills so that you will be able to close more leases.