



ARE 528
Real Estate Management

Chapter 6
Marketing and Leasing
Part-I

Principles of
Real Estate Management

Twelfth Edition

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REAL ESTATE MANAGEMENT



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Introduction

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- The marketing programs for all property types generally observe the same principles
- **Renting or Leasing:** Finding prospective tenants and closing arrangements for occupancy
- **Renewal** :the process of keeping a tenant who is already in the space for an additional period
- Both processes are termed **selling** and **merchandising**, but the author believes the latter term is more appropriate
- **Selling** involves the transfer of an article to someone who either had not wanted the article, admitted a need for it, or had an opportunity to purchase it
- **Merchandising**, however, creates a desire for a particular article that people use almost universally by pointing out features in the specific item that will appeal to the buyer

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Introduction

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- Applying this distinction to the renting of residential and commercial space, renting is merchandising rather than selling
- Property manager's objectives are:**
 - **First**, finding known prospects to see and desire a particular property
 - **Second**, finding the type of prospects who can pay the rent being asked

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Factors Affecting Marketing Strategy

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- Successful merchandisers realize that the greater the number of people who view their merchandise, the greater will be their volume of sales.
- A large number of potential customers creates *consumer pressure*, which is a desirable condition for all who deal in merchandise the public needs or wants
- The property manager's job is to attract as many prospective tenants as possible. the most effective and economical way of accomplishing this depends on several factors:
The *property's age, size, and location*.

1) property's age: It is much easier to attract prospects to a new building than to an old one

- This interest in new space varies with the number of similar structures under consideration, but it is safe to say that a new building has much greater appeal than an older one. And this extra appeal is necessary, since a new building must rent 100 percent of its space at one time, while the average standing structure needs to rent only a small percent of its space in a given period

- To profit from the interest created by a new building, developers sometimes construct a display model

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Factors Affecting Marketing Strategy

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- display model: the prospective tenants can see the kind of space available. This is especially important with office buildings and other properties that are preleased before the the occupancy date
- If it is not possible, it should be done at the earliest opportunity. In any case, signs should be displayed prominently to acquaint the public with the new building's features, its size, how it may be inspected, and whom to contact for rental information

2) The size of the building: because the number of units or square feet determines the promotional program. With a proper rental schedule and with proper promotion, there should be definite correlation between the space available for rent and the number of acceptable prospects

3) The location of the property: must be given most careful consideration when a marketing program is implemented. a property in a premium location advertises itself through its physical presence.

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Factors Affecting Marketing Strategy

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Examples:

- If the building is located in a densely populated area with high occupancy levels, if its suites are of the size most in demand in the area, and if the rental schedule matches the consumer purchasing power within the area, marketing should not be costly.
- But, if the building is located in a sparsely populated area, if the size of the units does not match demand, or if rent prices greatly exceed the average purchasing power of consumers, then a carefully thought-out promotional program is absolutely necessary.
- *Inflation*, which causes construction and interest rates to rise continually, will probably increase rent for new space

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Types of Advertising

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- In analyzing the neighborhood and market as part of the management plan, the manager has discovered sources from which tenants could be selected.
 - Although the problem of knowing where tenants may be found has been solved, the problem of reaching them at the lowest possible cost remains
 - several types of advertising that may be used by property managers are analyzed
- 1) **Signs:**
- Every property, whether it has vacancies or not, should display a small and tasteful sign, informing interested passers-by of the name of the managing agent and how rental information may be obtained.
 - some managers believe that a sign is degrading, such an attitude should not prevail. A discreetly placed sign will stimulate prospects and prospects are the foundation of the management business.
 - The use of signs is a productive practice, too. The use of billboards and wall displays to promote certain types of buildings, especially those under construction, can be quite effective. *The problem* is that circulation is relatively small, and these signs are successful only for large apartment complexes, office buildings, and shopping centers

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Types of Advertising

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2) Newspaper Advertising:

In cities where there are two or more newspapers, one usually is dominant in real estate advertising and should be preferred when a marketing plan is formed.

- *Classified advertising*; is relatively inexpensive and appears in a special section of the newspaper, is a basic medium for announcing space for rent. It is especially effective in promoting residential rental units. Since most prospective tenants search for apartments on weekends, promoting rental space in the weekend editions of a newspaper often yields fast results and saves advertising costs.
- *Display advertisement*; is larger and more expensive but will attract more attention than a classified ad. This is the usual way of marketing a new property and is especially effective in promoting commercial and industrial space. Since a display advertisement can appear in any section of the newspaper, proper placement will ensure that the advertising message is aimed at the appropriate audience.
- In metropolitan areas, major newspapers periodically publish real estate salesmen, managers, tenants-in fact-the general public. This medium should not be overlooked when the marketing plan is designed.



Types of Advertising

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Real State Newspaper and Magazine





Classified Advertisements

WALK TO SCHOOLS, SHOPPING, PARK from Sutton Surrey Studios, 1 & 2 bedroom apts. Available for immediate occupancy. Outstanding kitchen with self-cleaning oven, dishwasher. Central air and carpeting throughout. Pool and tennis courts. From \$250.

Open daily 9 til 6
2000 Ridge Avenue
440-8683

Olympia Fields
1 & 2 bedroom apts.
Spacious & bright apartments in wooded setting. Only 20 minutes to downtown.

- Wall-to-wall carpeting
- Central air conditioning
- Self-cleaning oven
- Dishwasher
- Patio or balcony
- Swimming pool
- Security

From \$300
Open daily 9 am to 7 pm
Take I-57 to Central St. exit—
Go east 3 blocks.
2100 Central St.
492-9761



Display Advertising

**BROADWAY SHORES
CAN'T PROMISE EVERYTHING.**

We can't promise you expressway commuting and long hours in traffic. We're too close to things for that, only 10 minutes from downtown.

What we can promise is a self-contained community of modern apartments with vista views of the lake. We can promise free parking. We can promise a shopping center, with restaurant, supermarket, drugstore, and more. We can promise recreational facilities for tennis, shuffleboard, basketball, softball, volleyball, and an imaginative children's play area.

We can promise rentals ranging from \$100 for studio apartments to \$320 for three bedrooms.

Applications now being accepted for future availabilities.

ABC Management, Inc.
Model Apartments
Daily 9 til 9
2500 Broadway Avenue/Kansas City
492-1000



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3) Broadcast Advertising

- *Television advertising*; can be effective in describing new properties that are for rent or lease. Because it is so costly, television advertising should not promote individual rental units, but large properties
- Television advertising usually is less expensive in smaller communities. This means that, in large communities, TV advertising will be productive only for large properties that appeal to selected viewers
- *Radio advertising*; requires careful analysis of its cost-to-prospect ratio, primarily because there are so few potential renters in the listening audience. Most managers believe that radio advertising is economical only in smaller communities to promote large properties

4) Direct Mail

- every person is a prospect for an apartment and every business is a prospect for office space, this does not mean that all are prospects for a particular apartment or office building. However, if there are bona fide prospects for a specific property, then direct-mail advertising aimed at these individuals can be effective.

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Types of Advertising

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- The best method of direct-mail advertising for the average building is to prepare a personal list from local and private information.
- If direct-mail advertising is chosen, the copy and format should be aimed at the intelligence and income level of the proper audience. Costly advertisements, unselectively composed, create the wrong impression and lose their effectiveness.
- While *brochures* are ideal for direct-mail advertising, a colorful, appealing brochure that fully describes a new office and includes sample floor plans should be available to give prospects who visit the property.

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Direct-Mail Brochure



- Few buildings are large enough to require *institutional advertising* (advertising designed to raise the prestige of the property management firm or building)
- the only reason for advertising a building is to discover enough prospects to fill existing vacancies or those known about in advance.
- **When is advertising necessary?**
- The answer is definitely related to the occupancy level. If there are no vacancies and no prospect of vacancies, no advertising is needed. In larger buildings in which continuous turnover is normal, continuous advertising may be needed
- No set rule can determine the amount of advertising necessary for any individual property. Some buildings are so located and designed that there are always enough prospects to maintain occupancy levels without advertising. Other properties are so isolated from the renting public that the only practical method of obtaining prospects is through aggressive advertising.
- The manager can decide on an advertising program by asking the following question:



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• *If I advertised, could I increase consumer pressure enough to increase rents or occupancy? If so,*

• *would the amount needed to increase the volume of prospects be a profitable investment?*

• This question can be answered by experimenting with advertising in various media. a manager of a large property should make frequent experiments of this kind as a check against the rental price and the market

• For the smaller isolated property, The amount that should be spent can be determined only by a cost-per-prospect basis

• **Example to explain cost-per-prospect basis**

- Suppose that the manager placed an AD at a cost of \$50, and only one prospect viewed the \$400 apartment. If it is known that AD average of five prospects are needed to contract a lease, This AD would have to be repeated for five days in order to complete a rental. Certainly, the expenditure of \$250 (5 days x \$50 per day) for a lease on a \$400 apartment would be considered productive, so the manager would continue advertising for the five day period. Assume, however, that it was necessary to advertise in a weekly publication (or that Sunday was the paper's only effective advertising day) and that the manager would probably have to wait five weeks to a lease.

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Then, of course, the cost of the waiting period would have to be computed as an extra expense in leasing space. Five weeks' time in itself would be worth slightly more than \$400, and, with the cost of the advertising, acquiring a new tenant would cost more than \$650.

• The property manager's dilemma centers on whether or not the rent should be lowered in an effort to lease the space more quickly. The answer to this depends on two factors:

- (1) the current trend of the market, and
- (2) the number of apartments of the same type in the building.

• If there is a *downward market trend* (because of high vacancy and a poor economy), then the manager should consider a rent reduction in order to obtain a new tenant.

• If *the market trend is up-ward*, then the manager might consider a second factor, "How will a reduction in the price of this unit affect tenants in other apartments?" If the reduction would have an adverse effect, then the manager should wait as long as necessary to find a customer.

• Before lowering the rent on a single unit, both the property manager and owner must agree to having something other than a "one-price house"; they must be willing to negotiate the rent rate on every lease. Market conditions may require frequent changes in pricing, but often the manager creates a market by negotiating each lease

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- The question of *when and how much to advertise* depends on common sense and simple cost calculations. **Total cost** is determined by the net cost to the building after combining the cost of vacancy with that of advertising. Many property managers consider only the expense of the purchased advertising and overlook the often greater cost of vacancy.
- Determining the effectiveness of advertising is a matter of accurately checking on the number of prospects produced by various media and then analyzing the prospect-producing cost of each. **A traffic report** makes this record keeping easy by providing for space to note what led prospects to visit or make inquiries at the property. After evaluating the reports, the property manager can determine the effectiveness to the different marketing methods and respond to the rental activity accordingly.
- The most effective approach is the one that produces the most prospects at the lowest cost, time, and volume
- Another management form used to increase advertising effectiveness is a **rental inquiry** card. By keeping a record of all prospects who call or visit a property and reviewing the record when other units are available, more advertising may be unnecessary

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Traffic Report

Property _____	Week of _____							
	Prepared by _____							
	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Total
Nature of inquiry								
Telephone call								
Visitor								
Time of inquiry								
Morning (before noon)								
Afternoon (noon to 5 p.m.)								
Evening (after 5 p.m.)								
Referred by								
Large display ad in newspaper								
Classified ad								
Billboard								
Directory								
Telephone directory								
Word-of-mouth								
Direct mail								
Apartment locator service								
Television								
Radio								
Unit Desired								
One-bedroom								
Two-bedroom								
Three-bedroom								
Efficiency								
Furnished								
Unfurnished								
Weather Conditions								
Comments								

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