

ON-SITE

Bonuses Can Improve the Bottom-Line

Your leasing professionals are the face of your property—the difference between a great on-site representative and an average one can be an increase of 3 percent to 5 percent occupancy at your property.

Do you have salespeople with the best skills to sell your community? If the answer is “No,” you’re not alone. There is an industry-wide problem rooted in how owners pay and empower their leasing staff. The current compensation structure for leasing professionals is discouragingly low, compared to other sales-driven industries. As a result, the multifamily industry isn’t attracting the best talent in the marketplace.

Typically, leasing professionals are paid a base salary plus commission. Some companies pay commission based on a percentage of the total amount of the lease, while others compensate leasing representatives a set amount for each move-in and lease renewal. According to the 17th Annual CEL & Associates Inc.

“2006 National Real Estate Compensation & Benefits Survey,” the median annual salary for leasing professionals is \$25,500 plus \$2,200 in bonuses for a total of \$27,700 per year.

What value would you place on a leasing representative who can increase your occupancy rate by 3 percent? At an average monthly rent of \$900 on 300 units, a 3 percent increase in occupancy is equivalent to \$97,200 per year in increased revenue. At a 6 percent cap rate, this equates to an increase in property value of more than \$1.6 million.

With that in mind, it makes sense to compensate successful leasing professionals who can affect the bottom-line with a more rewarding commission structure. A rule of thumb is to create a structure in which the leasing agent has an opportunity to make at least as much as the property manager. According to the CEL survey, the average salary including bonuses for managers with less than 300 units is \$43,600. If this were the norm in multifamily staffing, owners would be able to retain the best leasing professionals and appeal to other high-quality talent who can attract, close, service, and retain residents.

Aside from pay structure, owners need to grant their leasing staff more

responsibility and empower them to make good business decisions. Attractive careers almost always involve increased responsibility. In this case, the multifamily industry would be wise to empower the leasing representative to take control of the sale.

Nordstrom, a company that regularly doubles the sales-per-square-foot performance in the retail industry, has proven the success and attractiveness of a sales position that empowers the employee. The Nordstrom Employee Handbook is only 70 words long and only has one rule—“Use your good judgment in all situations. There will be no additional rules.”

The multifamily industry needs to better value a property’s leasing team in order to attract the best prospective employees. By creating greater financial incentives and empowering the staff to make good business decisions for the property, the leasing profession will be viewed as a lucrative career and not just a job. With the best leasing professionals on staff, owners will benefit from having higher occupancy rates and increased profitability, while simultaneously reducing employee turnover.

—Dee Strong, Multifamily Strategic Advisors