



Risky Business.

PAUL KALIADES

Tap security deposit alternatives as a viable marketing tool

Owners and fee managers with properties throughout the U.S. are offering prospective residents a variety of incentives to remain competitive and maintain or boost their occupancy levels as historically low interest rates and a sputtering economy have taken their toll on soft rental markets.

Gift certificates, concierge service or free parking may seem like harmless enough marketing ploys to attract residents. But in competitive markets where it's commonplace to offer free rent, a \$99-move in special or waive their security deposits altogether, owners and managers are sacrificing good risk management principles for the immediate satisfaction of leasing a unit. These tactics, however, leave them exposed to bad debt if a resident vacates the unit leaving damages or skips out owing rent.

Ultimately, these seemingly quick fixes can have a lasting and negative impact on an owner's balance sheet over the long term. In spite of the multifamily industry's historical tendency to operate on a transactional basis, it has become a business imperative to more carefully consider the long-term implications of their marketing tactics and look for other ways to lease up units now while trying to be financially competitive tomorrow.

With this in mind, hundreds of owners and management firms are marketing their properties with a different but very potent marketing tool—a security deposit alternative. Currently offered at more than one million apartments nationwide, security deposit alternatives such as the kind SureDeposit offers, allow owners and property managers to continue to adhere to sound business practices and remain competitive in a concession driven market.

These proactive owners whose communities offer a security deposit alternative allow the onsite management team to pitch their community with a “no-security-deposit-

required” headline in their advertisements, a viable and effective means to attract residents to their properties.

Russ Peterson, director of property management for Affinity Property Management in Portland, Oregon, started to offer SureDeposit to his residents during the first quarter of 2004. “Almost immediately, we received a favorable response from prospective residents to our ads and literature displayed onsite that promoted the fact that we do not require a security deposit,” noted Peterson.

ADD VALUE FOR RESIDENTS

In another example, one of California's premier property management firms of senior communities, USA Multifamily Management, Inc., has 18 adult living communities in California that currently offer their senior residents a choice between the traditional security deposit and the security deposit alternative.

According to Karen McCurdy, president of the Roseville-based USA Multifamily, “We started offering our residents SureDeposit's security deposit alternative in 1999 as part of our lease-up initiatives. In response to the program, nearly 95 percent of our senior residents across all 18 communities opted for the alternative over paying the traditional security deposit, which was equivalent to one month's rent in most locations.

“Not only do our senior residents appreciate the ability to move in without tying up significant funds for the long term, the program has also has given us a real competitive advantage in a highly competitive marketplace. Offering the alternative to our prospective residents distinguishes us from other senior communities,” explained McCurdy. “In fact, we envision our use of security deposit alternatives as a long-range initiative by leveraging the program to enhance resident retention especially in high rent markets to offset the pain of those rental rates.”

Residents too acknowledge how much SureDeposit has influenced their decision to rent a particular unit. George H. a resident from Glen Burnie, Maryland said, “As a retired fire protection engineer, now forced

to live on social security disability, I am in favor of SureDeposit. The reduced payment, although nonrefundable, allowed me to use the large difference in the amounts, and did not put a dramatic drain on my limited funds at the time of my rental. This was a major factor in my selecting the apartment I did.”

Automobile dealers and electronics and appliance retailers often differentiate themselves among consumers by running ads that promote “no money down” or “interest free until 2005.”

“This same kind of marketing tactic can be instrumental in helping to fill vacant units. By underscoring the fact that residents will not have to pay a security deposit at move-in, owners and property managers that offer a security deposit alternative are differentiating themselves from their competition and positioning their properties as a more desirable option to prospective residents,” said Lisa Trosien, a multifamily educator and consultant. “In addition to their print advertisements, apartment owners and property managers leverage the *no security deposit required* pitch by incorporating it into how they answer their community telephone, voicemail, on their leasing signage, and communities' web site.”

Tom Rogers, the owner of Rogers Rische Doll PM, Inc., a fee management firm located in Oak Harbor, Washington, implemented SureDeposit one year ago. “This is a military town where we see a steady stream of residents come and go, and cash flow can be a problem. Since we began offering the program, 85% of prospects chose the security deposit alternative over paying the more costly security deposit. We now have the lowest vacancy rate in the area, something we attribute in large part to SureDeposit.” **AP**

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