



## ESTABLISHING BASE RENT

To lease your property at its highest market value you must capture and cultivate the initial surge of interest from prospective tenants as your property enters the marketplace. Failing this, you will have likely repeated the most common mistake made by landlords - overpricing. The mindset behind this damaging action is usually caused by one of the following:

1. Landlords “test the water” with an inflated asking price anticipating that will attract a “windfall” tenant who *‘just loves the place!’*. The landlord’s mindset is that if they fail to attract serious interest within a reasonable timeframe, they can simply reduce the asking price and not adversely affect the property’s overall marketability.
2. The landlord refuses to dismiss his/her opinion of the subjective value of the construction of the property and is convinced that the market value should be a direct result of his/her incurred costs invested to purchase or upgrade the rental unit. (*Effectively exaggerating an achievable capitalization rate on their real estate investment*).

It is foolish to price your property at an unrealistic price with the mindset that you will beat the underlying principles of supply and demand for an open (free) market where the principles of competition and substitution **thrive**. Equally as foolish is the mindset that you will ‘windfall’ an uninformed Tenant who rents the first property he/she sees – we live in the age of information! It is the Landlord who ultimately determines the **base rent** for the property. This represents his/her willingness or motivation to lease. However, it is the qualified tenant who commits to rent or lease the property (*under free, open market conditions*) and ultimately determines the **market price** for the particular property of interest.