



**JACKIE TOM**  
www.RentalsInSF.com

## Aiming High Can Cost You Money

by Jackie Tom (Reprinted from SF APARTMENT MAGAZINE - April 2005)

Your unit is vacant. You have spent time cleaning it and upgrading the appliances and fixtures. Now the time has come to put it on the market. With the rules of rent control spinning in your head, you are determined to get the highest possible rent—so you aim high.

Many landlords feel they can dictate market rents for their properties, so they market them on the high side. They take this approach in order to compensate for negotiations; and also in order not to be trapped with low rents in a rent-controlled unit. They conclude that by setting the rents high, they will eliminate financially irresponsible applicants. But in my experience, tenants dictate the market and what the market rents will bear. This is mostly a result of the Internet. Tenants are able to both research and compare available rentals more thoroughly than ever before, so this is why setting realistic rents can offer you so many benefits.

### Set Realistic Rents

Knowing what the market can bear is the key to pricing your unit correctly and getting the highest possible rent. As a landlord, your goal should be to get a good rent, with a great and responsible tenant. Sometimes, however, landlords aim too high and are disappointed with the turnout at open houses, followed then by even further disappointment with the quality of applicants who apply.

When you have a vacant unit, your first question should be, "How much can I get?" Your second question should be, "How do I determine what is market rent?" There are many sources that list available rentals. You can even narrow your search to specific neighborhoods. But the problem is these sources only list the asking price. What you don't see is the final rental price of the unit. But rest

assured—experienced rental experts have this information.

Increase the pool of qualified tenants by advertising your vacant unit at market rents. Imagine having the difficult task of choosing from multiple, well-qualified, eager, potential tenants who want to move in now. One of my clients with a unit in the 900 block of Castro had just such a dilemma this month. Having priced her unit at market rent, she received several nice, exceptionally qualified applicants within a week and had a signed lease shortly thereafter.

### Rent Your Units Quickly

Each month your unit sits vacant you are losing money that could help pay the mortgage, property taxes and insurance. Every month it stays vacant increases the amount of time you will need to recoup your losses. For example, let's say you list your unit for \$2,300, and three months later you finally rent it for \$2,000. Obviously you will have lost out on \$6,000 rent. So why would anyone overprice their unit?

About four months ago, I had a listing appointment and presented the landlords with a very realistic rent for their unit. But the owners wanted to market it at a rent that matched a comparable house located just down their street. So they politely declined my services and put the house on the market themselves. Just last week, they came into my office to have me help analyze credit reports from some potential tenants. Thus, I was able to find out that the landlords had ended up renting their unit at the same rent I had quoted them. Sadly, all this occurred four months after my first meeting with them, which meant they had lost out on \$8,000 in rent. Aiming high cost them money.

### Reasons Landlords Price High

*"I won't rent it too low because it's a rent-controlled unit and I don't want to be stuck with these rents for a long time."*

I know this feeling well. Having a vacancy in this market is a lot of work and no fun. Tenants are out looking at properties all the time, so they see what is available in their price range. Thus, they know how units should be priced, and believe it or not they keep track of how long units are on the market. Armed with this knowledge, prospective tenants will not pay more than market rent. Would you?

*"Charging higher rents will give me the type of applicant that is more financially stable and mature."*

In this economy, nobody can guarantee the stability of their employment. People get transferred and move now more than ever before. They move for promotions or better jobs, or they get laid off and are forced to move to a less expensive unit. But keep in mind that regardless of how financially qualified tenants are they will not pay more for their units than they are worth. In January 2005, we rented 26 units. This success was due in part to a pricing strategy that relied on our experience in the rental market. We have seen clients aim high; and we have seen the result—lost income. But when you know where the target is, your aim will get you a pool of qualified tenants, a filled vacancy and a rent check in your hands. Meanwhile, those who chose to aim high will still be searching for the target.

---

The opinions expressed in this article are those of the author and do not necessarily reflect the viewpoint of SFAA or the San Francisco Apartment Magazine. Jackie Tom is a native San Franciscan and started her real-estate career in 1995. She has been an active participant in many different aspects of the real-estate market and has found her passion and expertise in rentals. She can be reached at 415-552-3263, or at [jackie@rentalsinsf.com](mailto:jackie@rentalsinsf.com). Copyright © 2005 by the San Francisco Apartment Magazine. All rights reserved.