Problem statement
With all else being equal, developers are able to sign lease contracts with tenants for yet-to-be developed office space with effective rent levels equal to, or even lower, than effective rent levels of existing office space ("The Phenomenon"). This is under the assumption of "an arm's length transaction and rented out to the highest bidder" (Lusht, 2001). The use of lease incentives is suspected to be of influence.

Objective
Precondition for the phenomenon's occurrence is the price lagging of existing assets' rent levels. This research will focus on the side of the developer for trying to identify additional reasons for the phenomenon to occur. Lease incentives are thought to be of influence. In short this research is set out to prove existence and form an overall explanation of a not-yet researched phenomenon. In no way will this research discuss any moral hazard or social values, in order to refrain from personal affiliation (bias) to stand in the way of determining market mechanisms allowing the phenomenon to occur.

Results
Through the incentive of profit sharing, developers are able to lower effective rent levels of tenant. On the basis of a foreseen profit the developer can offer the tenant a lower rent up front. However, the lower rent will result in a lower selling price, ergo less profit to be shared. Instead by use of incentives, the contract rent will remain high, and so will the selling price. This allows for the full margin to be shared with the tenant (figure 2).

Profit sharing requires profit to be made. A number of market influenced in the period of 2004-2008 enabled great margins to be created between development costs and selling price (figure 3). This margin was for the developer to use either as profit or for sharing with the tenant (figure 2). The main aspects of influence are: 1) the Wall of Money/Yield compression, leading to a drop in yields and financing costs and 2) the use & price lagging of the normative residual land value method, allowing any margin to exist at all.

For the phenomenon to occur a difference in GIY of 0.75% between actual selling price and the municipal's assumption on selling price should exist. This is not unlikely to occur as is proven by a dataset analysis (off: 21%) and market figures.