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Renting Value Instead of Cost: The Importance of Quality Landscaping

Editor's Note: This article is based on a speech first given by Kenneth Danter, president of The Danter Company, to the Central Ohio Urban Forestry Conference, and since given to the Columbus (OH) Landscape Association. There was such an overwhelming response to the speech that we decided to share the most relevant parts of the speech with our *Apartment Resources* readers.

The multifamily industry has at least given lip service for years to the notion that landscaping is an important part of their business. Yet, most within the multifamily industry are continually failing to take full advantage of the tremendous power of landscaping, which provides the opportunity to rent based on value instead of cost.

Tenants Want It

Since 1972, The Danter Company has been recommending increased landscaping in multifamily development. In survey after survey of tenant preferences, we have seen project landscaping consistently outperform other amenities.

We asked apartment shoppers who had recently shopped an upscale apartment community to rate a list of unit and project amenities based on their importance in selecting a new unit. According to our most recent aggregation of these surveys (see *Apartment Resources*, July 1991), project landscaping finished as the amenity with the sixth-highest amount of "very important" responses (63.0%). In doing so, it beat out such amenities as swimming pool (44.2%), garage (41.2%), and recreational facilities (36.7%).

If "very important" and "somewhat important" responses are considered together, then project landscaping has the

second-highest level of importance, behind only washer/dryer hookups. A total of 95.4% of respondents felt that project landscaping was "very" or "somewhat important," with only 4.5% indicating that it was "not at all important."

Renting Value

Landscaping is loaded with intangible values. Good landscaping gives people pleasure. People want to live in attractive places, and good landscaping is one component, along with architecture and continual building and grounds maintenance, of a multifamily

Table 1: Tenant Amenity Preferences

How Important Are the Following Amenities When Shopping for a New Apartment?

Amenity	Very Important	Somewhat Important	Not at All Important
Washer/Dryer Hookups	90.6%	8.2%	1.2%
Plush Carpeting	81.1%	14.4%	4.5%
Storm Doors/Windows	74.7%	19.0%	6.4%
Balcony/Patio	70.7%	23.5%	5.7%
Larger Unit	67.5%	22.8%	9.7%
Project Landscaping	63.0%	32.2%	4.5%
Frost-Free Refrigerator	60.5%	28.1%	11.4%
Cheaper Prices/Rents	53.4%	32.2%	14.4%
Self-cleaning Oven	53.1%	30.3%	16.6%
Closer to Employment	49.1%	30.0%	20.9%
Swimming Pool	44.2%	29.6%	26.1%
Garage	41.2%	34.5%	24.1%
Recreational Facilities	36.7%	30.0%	20.9%
Better School District	32.0%	7.2%	60.5%
Closer to Shopping	31.2%	42.4%	26.5%
Fireplace	30.5%	29.0%	40.5%
All First-floor Units	28.1%	22.9%	48.7%
Microwave Oven	26.8%	15.2%	58.0%
Ceiling Fan	26.1%	30.0%	43.7%
Vaulted Ceilings	12.8%	25.3%	61.8%
Smaller Unit	3.7%	6.4%	89.9%

We surveyed over 2,100 apartment shoppers who had visited an upscale community for our POP studies. This table is the result of aggregating the results of these surveys. Note that **Project Landscaping** (shaded) is one of the top responses, above such responses as swimming pool and garage.

community that is attractive to its residents. Potential residents are attracted by the quality of your landscaping, making your units easier to lease, and increasing the flow of potential tenants.

However, we have found that good landscaping can also provide a tangible (dollar) value. In order to put a dollar value on quality landscaping, we developed a four-step process.

Step 1: The Regression Analysis

We started our analysis with a standard field survey that we had conducted in a typical suburban market. Our field surveys are based on two important methodologies: the **100% Data Base** and the **Rent/Value Index**. The **100% Data Base** insures that we survey all modern multifamily development in the **Effective Market AreaSM** in order to get a

complete picture of the apartment market at all pricing and amenity levels.

As we visit each development, we rate it on three levels: unit amenities, project amenities, and aesthetic amenities. Each type of unit and project amenity has been assigned a point value, with final ratings in each category typically falling between 0 and 10, although some upscale projects with significant unit or project amenity packages occasionally score above 10 in a category.

The aesthetic amenity rating is a subjective rating based on how attractive the community looks. It is designed to measure curbside appeal. This rating includes an evaluation of the quality of the landscaping, architecture, and maintenance and care of the grounds. This rating, like the other two, is also on

Figure 1

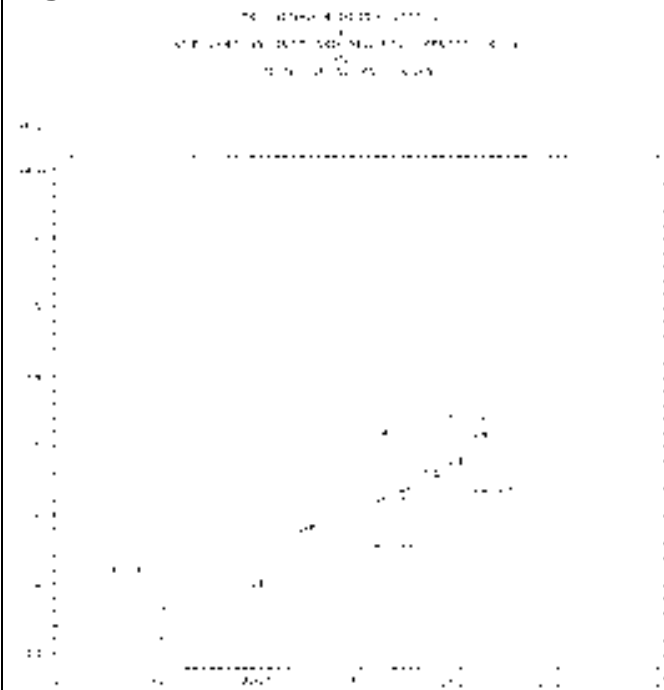


Figure 1: This graph illustrates the regression analysis. Each community is rated by our field analysts when they visit to determine its Amenity Index: unit amenities plus project amenities plus aesthetic amenities (curbside appeal). Each project is then plotted on a graph by Amenity Index and rent to create a regression analysis. Through regression analysis, the market-driven rent can be determined for a project at any amenity level.

Figure 2

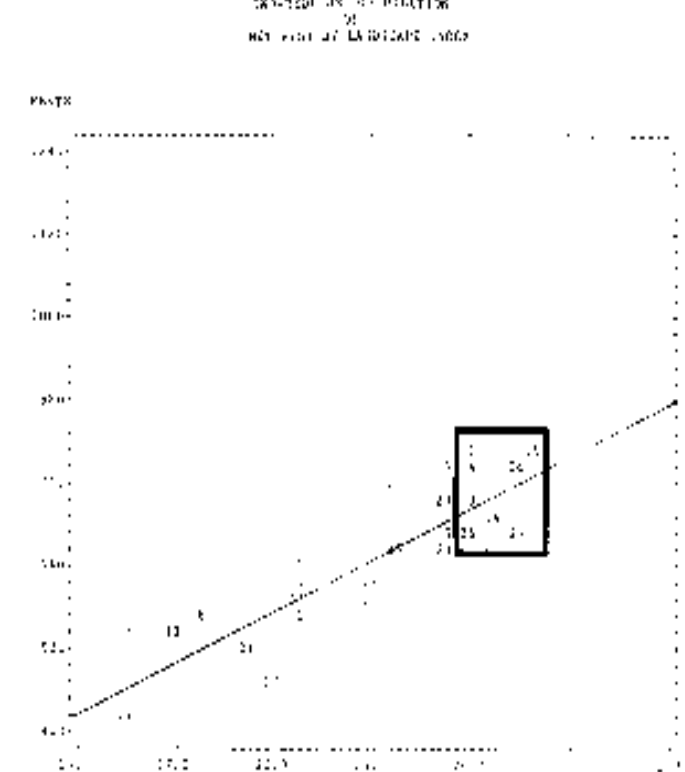


Figure 2: This graph illustrates a regression analysis with all projects in the EMA plotted by Landscaping Index and rent. The 8 projects identified are those with the most outstanding landscaping. It is these projects that we will continue to track to determine their performance compared to the projects that do not have outstanding landscaping.

a 10-point scale, and so the combined rating, or Amenity Index ends up on a 30-point scale.

Once each community is rated, we enter the unit and project amenities, the aesthetic rating, and the rents by unit type into a computer application. This program creates a scatter graph that plots each community by its rent and Amenity Index for each unit type. Using this scatter graph, we create a regression line indicating the median rent at each Amenity Index level in the EMA. This analysis creates the Rent/Value Index, and is an indication of the relative value that each project represents within the market. This Rent/Value Index is represented in Figure 1 (see Page 3).

Step 2: The Landscaping Index

The second step in the process of putting a dollar value on landscaping was creating a method of identifying projects with the most outstanding landscaping. To do this, we created a Landscaping Index similar to the Amenity Index.

We devised the Landscaping Index to operate on a 30-point scale like the Amenity Index so that we could use the same computer application program. The landscaping Index was subjective, with points awarded on the following basis: 10 points for uses of trees and shrubbery, 10 points for use of flowers, and 10 points for general effect, which included quality of landscaping maintenance, the amount of landscaped space, whether there were picnic areas or walking

Figure 3

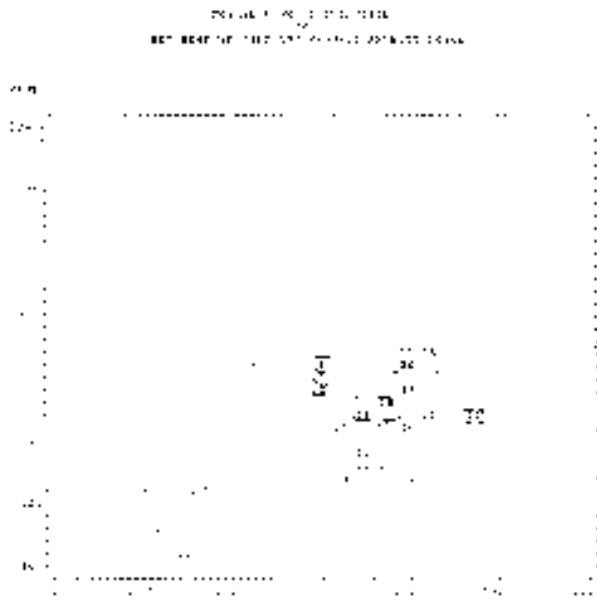


Figure 3: This regression analysis plots the total rating for each project based on a rating of only unit and project amenities, with no consideration of curbside appeal and each project's rent. As the chart indicates, those projects with outstanding landscaping (boxed) are achieving well above what they would merit based solely on their unit and project amenities, an average of \$79 above the median. The only variable in this figure is curbside appeal, of which landscaping plays a substantial part, along with architecture, grounds care, and quality of maintenance

Figure 4

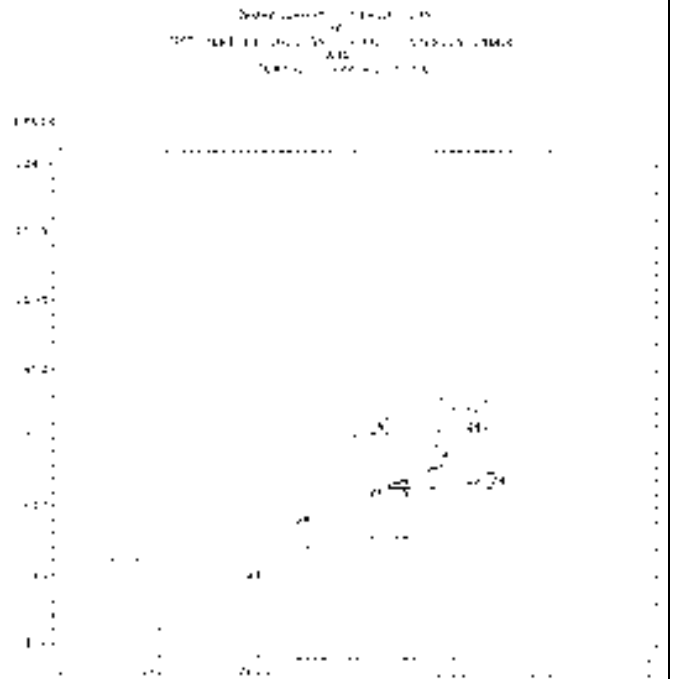


Figure 4: This chart tracks the 8 projects with quality landscaping by their Amenity Index. As illustrated, even when curbside appeal is considered, these projects are achieving rents at an average of \$39 per month above the regression line. This is a clear indication that extensive, quality landscaping provides for the opportunity to rent based on value instead of cost.

trails or other amenities that made use of the project's landscaping, and how the landscaping was used as a buffer from other surrounding development.

We ran the same field survey from Figure 1 through our computer application using the Landscaping Index to create Figure 2 (see Page 3). In Figure 2, we have designated those projects in the top third (8 projects) that have the best landscaping in the EMA. It is these 8 projects that we will continue to track to determine how the projects with the most outstanding landscaping fare in the market.

Step 3: Unit and Project Amenities

The next step we used was to determine a regression analysis based strictly on project and unit amenities to isolate the effects of aesthetic considerations. The result is Figure 3 (see Page 4). Based strictly on considerations of project and unit amenities, units with the same Amenity index should be renting at a similar level, yet it is obvious that significant differences exist.

These differences are the result of curbside appeal considerations. Of the 8 properties identified with outstanding landscaping, 7 are achieving rents well above the regression line and 1 is below the regression line. The chart indicates that these properties, on average, rent for \$79 per month more than their unit and project amenities alone would merit. This difference can be attributed to curbside appeal.

Step 4: Back to the Regression Analysis

So then, once we established that these projects were achieving rents well above average due to their curbside appeal, we decided to go back to the original regression analysis to determine if there was still a difference when the curbside appeal ratings were added to all the projects. As Figure 4 (see Page 4)

All things considered, those projects with extensive, outstanding landscaping in this survey achieved \$39 per month per unit above the median rent based on the regression analysis. In some markets, even higher premiums might be achieved.

shows, 5 projects are still achieving well above the average for projects with their Amenity Index, including curbside appeal, 2 projects are on or slightly above the regression line, and 1 project is below the line. The average of the 8 projects is \$39 above the median for their Amenity Index.

What this indicates is that in this market, which we found to be typical of suburban metropolitan markets across the country, tenants will pay an average of \$39 per month to live in a community with outstanding landscaping. In some markets, tenants will pay more to live in a community with outstanding landscaping.

This additional \$39 per month per unit will generate at least an additional \$3,000 per unit in loan potential. However, our research indicates that the landscaping costs for a well-landscaped unit may only be \$500 per unit. This indicates that increased, substantial, well-coordinated landscaping may be the most cost-effective way to achieve increased net revenue.

On a whole, the multifamily industry has tended to rent based on cost. For premiums such as ceiling fans, garages, and fireplaces, rents tend to be determined based on what the amenities cost to construct and maintain. Yet, quality, abundant landscaping gives multifamily projects the ability to determine rent based on value, rather than cost, as the value placed on landscaping by tenants is substantially higher than the cost of creation and maintenance.

For example, one of the developers we have worked with has always taken great care to provide quality landscaping above and beyond other projects in their market areas. Based on the traditional Amenity Index that we use, their projects rate an 18.0. Yet, they are consistently achieving rents as if their Amenity Index were 21.0, due not only to their landscaping, but their management training and marketing techniques. In most markets, 1.0 on the Amenity Index is generally worth \$20 to \$30 in rent.

In the Nineties, when the number of entry-level renters is going to decrease, and the competition for renters will continue to be intense, landscaping creates the opportunity to not only increase a project's ability to compete, but also increase its revenue. For a project to produce to its maximum potential, quality landscaping must be achieved.