Apartment ReSources

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June-1 Market Hotline!

The Older Adult Market:

First Look at a Nationwide Survey

Regular readers of Apartment Resources know that we pay special attention to the older adult multifamily market. As we've noted in previous issues, the older adult market continues to have an increasing role in the multifamily market for a variety of reasons. Further, the older adult market encompasses a broad spectrum of housing alternatives, from independent apartment living to nursing homes. To gain further insight into the preferences, demographics, and lifestyles of the older adult market, we've recently conducted a nationwide survey of adults age 60 and over. This edition of Market Hotline! contains a first look at this survey, focusing on those adults

(Continued on Page 2)

Apartment Resources is a monthly publication designed for apartment developers, lenders, and builders involved in all forms of multifamily housing.

In This Issue:

who may be interested in retirement communities.

- **We asked our respondents if, now or sometime in the future, they would consider moving into a retirement community. Nearly 20% responded "yes." To better identify the preferences of potential retirement community tenants, we retabulated the survey results using only the answers of these respondents. The following results, therefore, are not based on our entire nationwide sample—only those respondents who said they would consider moving into a retirement community.**

- **Seventy percent (70%) of the respondents feel that the neighborhood in which they were currently living is a desirable place to live. In general, as the age of the respondent increased, so did the feeling that the neighborhood was a desirable one. Only 65% of the respondents age 60 to 64 feel their neighborhood is a desirable place to live, compared to 87% of the respondents age 85 and over.**

- **In general, higher-income adults are less satisfied with the neighborhood in which they currently live than lower-income adults. Over three-fourths (77%) of the adults with an annual income of $15,000 or less feel their neighborhood is a desirable place to live. Only little more than half (55%) of the adults who earn between $25,000 to $50,000 feel their neighborhood is a desirable place to live.**

- **Interestingly, although only 70% of the respondents feel their neighborhood is a desirable place to live, over 82% of the respondents feel that they will probably remain in their neighborhood during retirement.**

- **Both age and income appear to have strong impact on the mobility of older adults. Respondents with higher incomes were more likely to move—65% of the respondents who earn over $40,000 per year intend to remain in their current neighborhoods, compared to 82% overall. Also, younger tenants were more likely to move—67% of older adults age 60 to 64 intend to remain in their current neighborhoods.**

- **It is commonly accepted that older adults turn to multifamily housing because smaller units are easier to maintain than single- family homes. Our survey reveals that to be true, but only to a certain extent. Only 45% of the respondents said that a need for smaller housing was a very important reason for moving. An equal number of respondents said that the need for smaller housing was not an important reason for moving at all.**

- **Sixty eight percent of the respondents indicated they live in single-family homes. Nearly one-fourth (24%) live in multifamily housing. A higher-than-average number of respondents age 60 to 69 live in single-family homes—71%. However, as the age of the respondents increased, the number of respondents who live in single-family homes decreased. A slight decrease occurred among respondents age 70 to 79, of whom 69% live in single-family homes, and 25% live in multifamily housing. A major decrease in the number of adults living in single-family housing occurred among the respondents age 80 and over, of whom 53% live in single-family homes, and 41% occupy some form of multifamily housing.**

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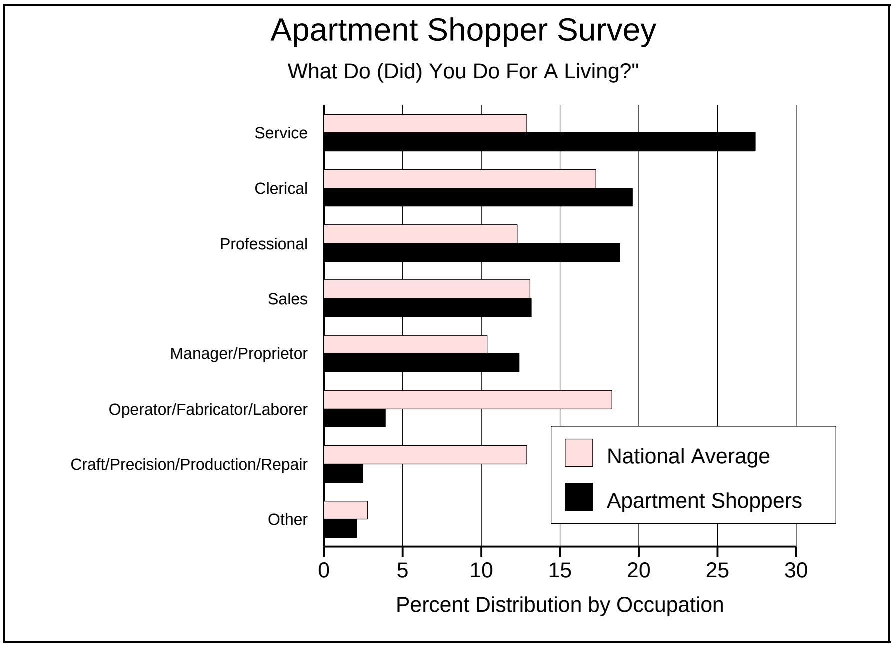
Apartment Tenants Go To Work

The ***Apartment Resources Special Report*** *(see Page 4)* this month focuses on amenity and feature preferences of tenants from two demographic standpoints: age and income. Our research indicates that determining the age ranges and incomes of your tenants is a vital step in deciding which features will appeal to them most.



But there is a third demographic factor that must be considered when developing a project—occupation. In general, the lifestyles and needs of tenants are closely related to their professions.

For this reason, this month's *The Pop Results* takes a look at tenant occupations. As always, the survey sample used in this survey comprises over 500 recent visitors of modern, market-rate apartments. The purpose of the interviews is to help identify characteristics of the tenants who'll be leasing your units in the coming months.

During the telephone survey of these apartment shoppers, respondents were asked what they do for a living (or, if retired, what their previous occupations were). The responses were tabulated into major occupation classifications.

Most of the respondents (27.7%), are in service occupations (this includes food, building, health, and personal services, as well as protective services such as police and firefighters).

Almost tied for second are clerical and professional occupations (19.6% and 18.8%, respectively). Sales and management professions also scored closely—13.2% and 12.4%, respectively.

Tenants in traditional blue-collar occupations such as construction, labor, repair,and machine operators scored less than 5% in their respective categories—far lower than the national averages for these occupations.

The POP Results:

One of the real estate research services offered by Kenneth Danter & Company is the Project Opening Plan (POP)^{SM}, a 12-month study of an apartment project's rent-up process. The objective of our POP studies is to give the project's development and management team all of the necessary information required to fine-tune rents and marketing strategies during the first year. Among the analyses conducted are comparative shopping reports of the project and its competitors, an analysis of the Effective Market Area (EMA)^{SM}, an area advertising/marketing analysis, and rent-up tracking by unit type.

Another analysis conducted is an in-depth survey of all visitors who shop the project in its first 12 months. These surveys provide management with detailed shopper profiles within the EMA.

To produce **The POP Results**, we've aggregated the results of all of our POP surveys to provide the most accurate overall tenant profile available today.

We'll be bringing you more POP results in future issues of ***Apartment Resources***.

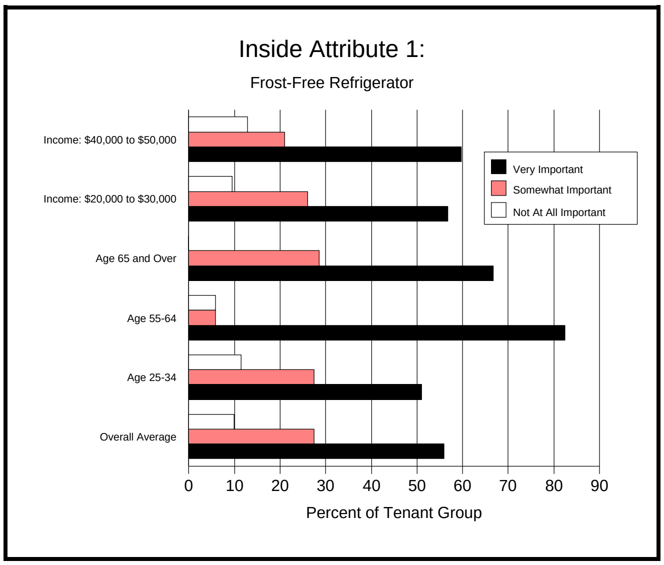
Who Wants What: An Analytical Approach to Amenities

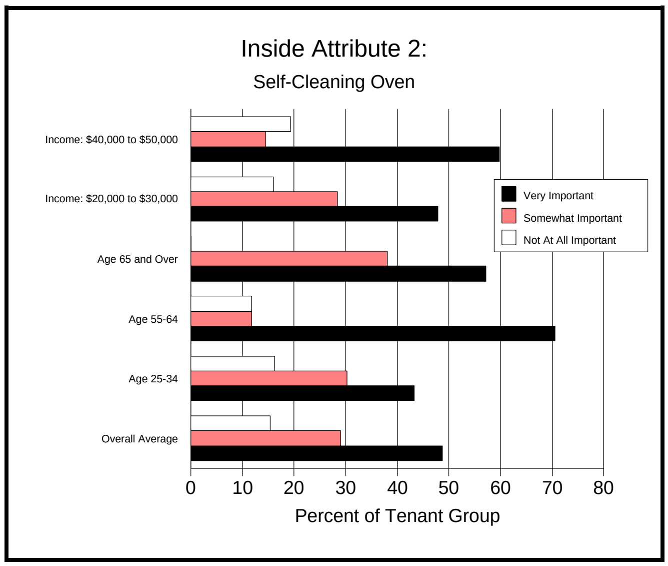
When you develop an apartment project, you often find yourself in the position of trying to be all things to all people. Since it isn't economically feasible to build and equip each unit to the individual taste of its tenant, you try to find those special features that have the greatest universal appeal. This is a difficult task, since lifestyles and fads affect the popularity of some features.

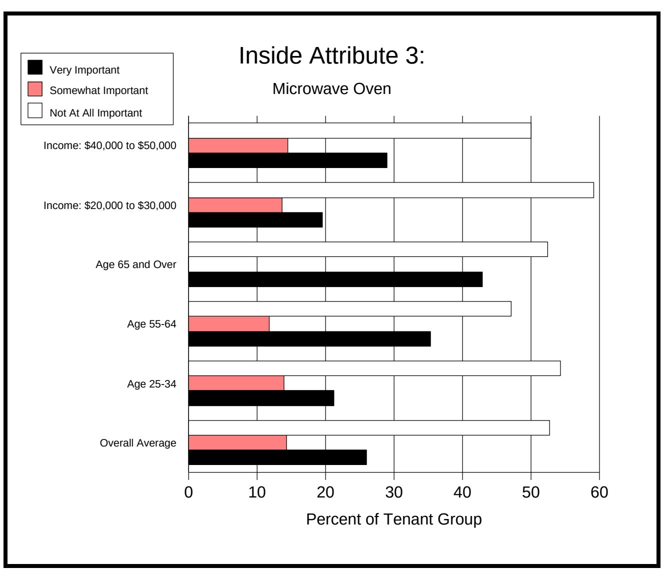
Of course, you can (and should) survey your apartment tenants and shoppers to keep track of their interests and preferences. If you ask the right questions, you can end up with the kind of information we've presented in the following graphs.

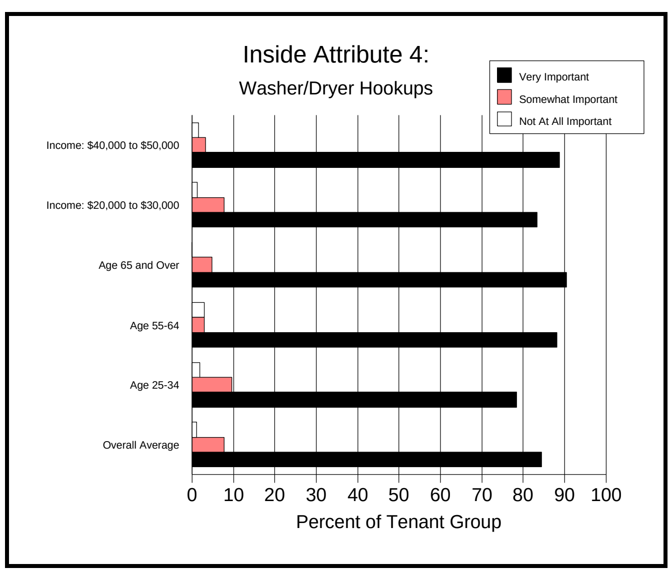
To produce these graphs, we surveyed hundreds of apartment residents to gather lifestyle and preference information, along with basic demographic data. Then, we retabulated the results by age and income. By using this approach, we were able to calculate preferences of tenants within certain income ranges and by age groups. As the following graphs indicate, the importance of a given amenity or attribute varies depending on the lifestyle of the tenant.

Although our survey gathered much information from apartment tenants, we've only presented a portion of it here. For this article, we selected 12







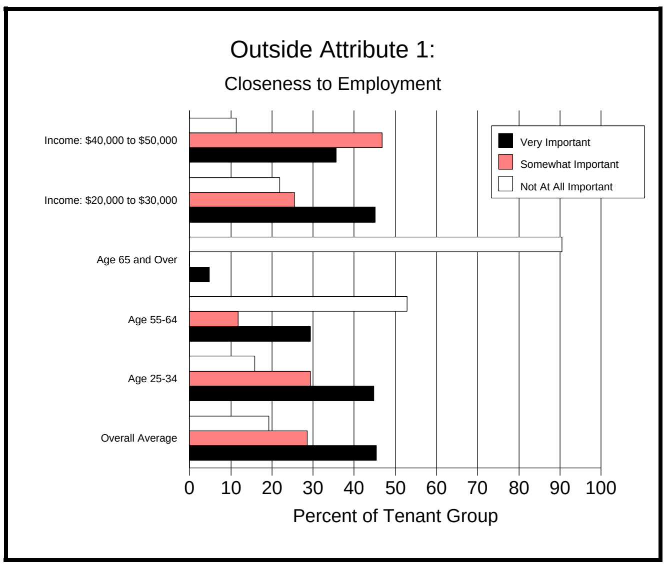


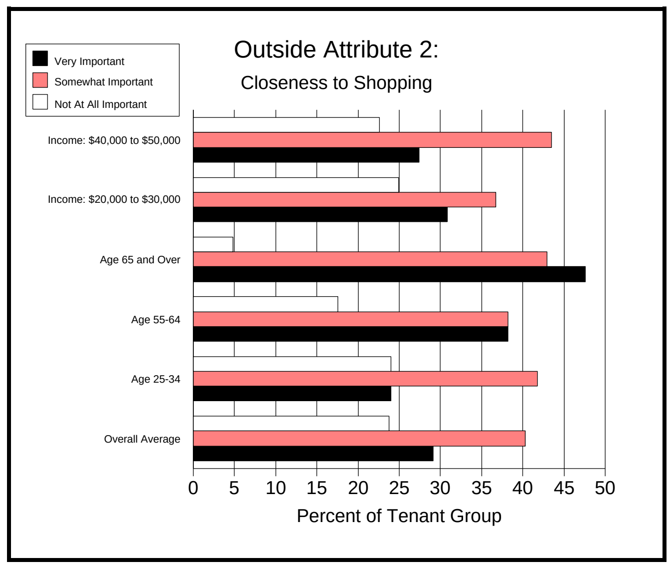
popular features for modern apartments and divided them into three categories: Unit (or inside) amenities, project (or outside) amenities, and design/aesthetic amenities. This last category deals with construction features or attributes that have more visual impact than functionality.

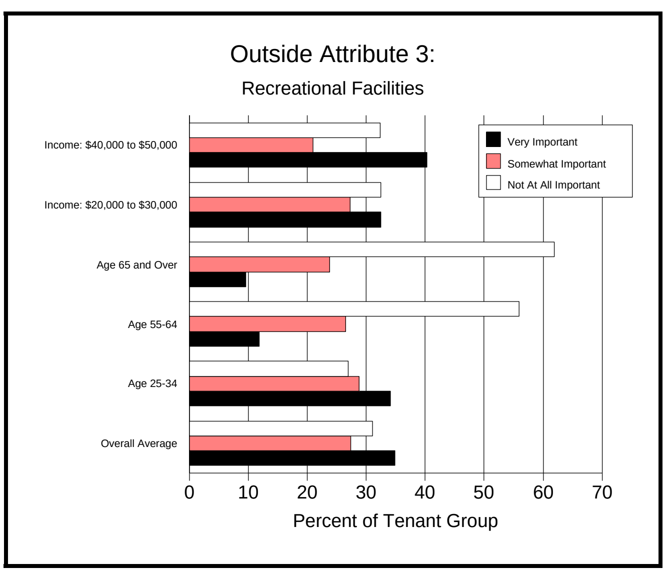
Of course, it's important to keep in mind that these results were based on tenant perceptions. This has significant bearing in two ways: (1) tenants will sometimes look for projects with particular amenities, such as a pool or recreational facilities, but use these amenities rarely, if ever. (2) tenants will also attach little significance to some design features or amenities, yet respond favorably to projects that have those features.

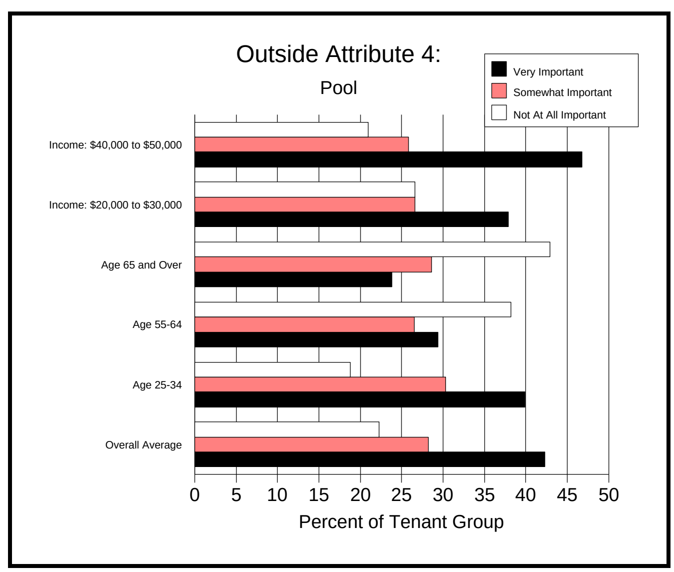
In the first case given above, those amenities that tenants look for but don't always use are called *attraction* amenities. These amenities are important at the point of sale, but do not affect tenant retention as well as the amenities tenants often use or rely upon (the *retention* amenities). To identify the strength of your retention amenities, it is important to survey long-term tenants and move-outs as well as apartment shoppers.

In the second case given above, it is important to view the relative effectiveness of amenities in influencing rentals. For example, most respondents in our survey said that vaulted ceilings were not at all important to them. However, our research indicates that vaulted ceilings strongly and favorably affect the tenant's perception of space. Use of this attribute can decrease unit absorption time, in spite of tenants' opinions to the contrary.





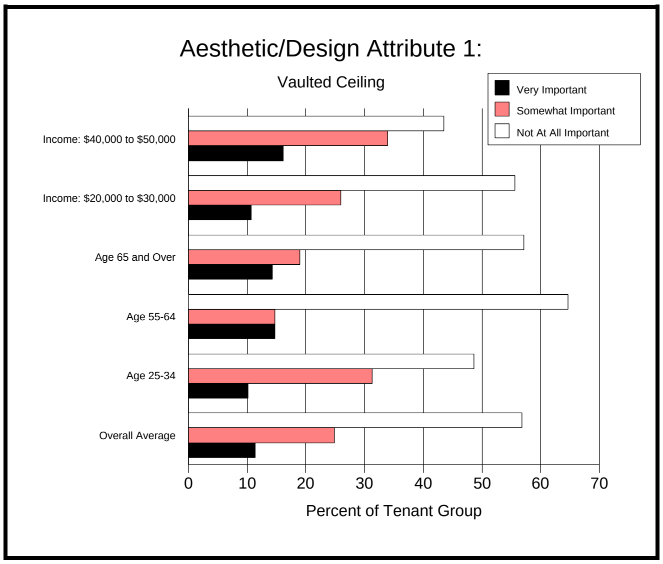


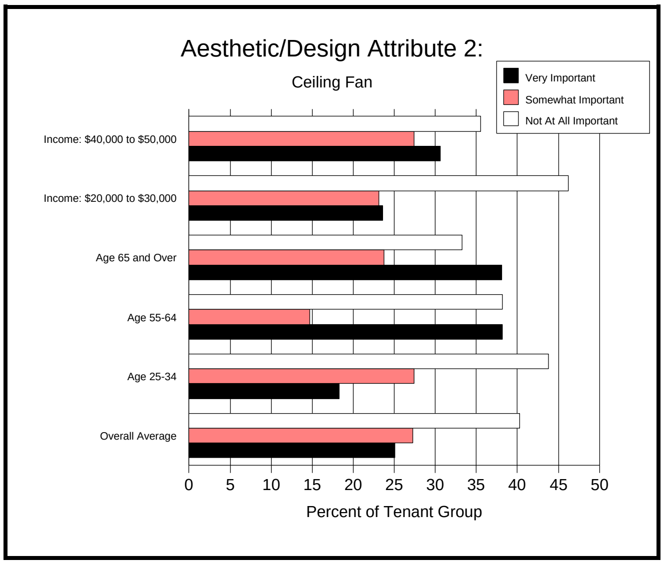


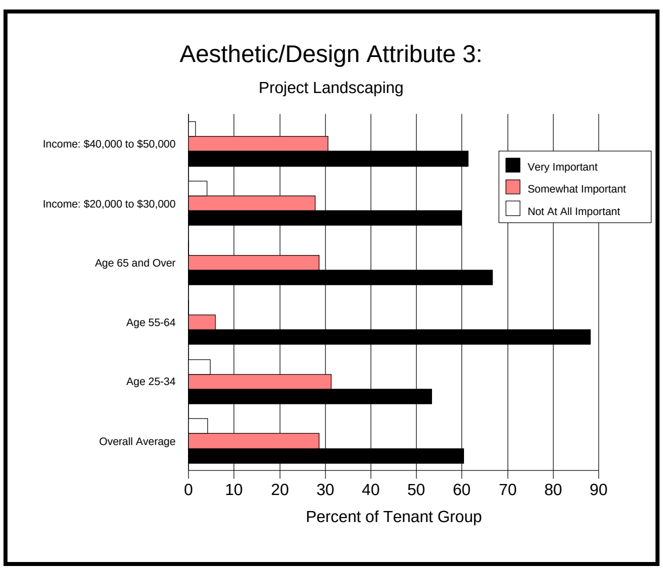
Once you've evaluated the relative *popularity* of amenities, you need to assess their *worth.* Analysts often make the mistake of calculating what the average tenant would be willing to pay for various amenities, and adjust rents based on that analysis. But remember, *your goal is to optimize the return on your development expenditures*. To some of your tenants, a certain amenity is worth much more than the average; to others, the amenity is worth little. Therefore, if you place the amenity in every unit, you'll be able to increase rents only to the average amount (or less). However, if you place the amenity in only a percentage of your units, then those units will be able to command premium rents from those tenants who highly value the amenities.

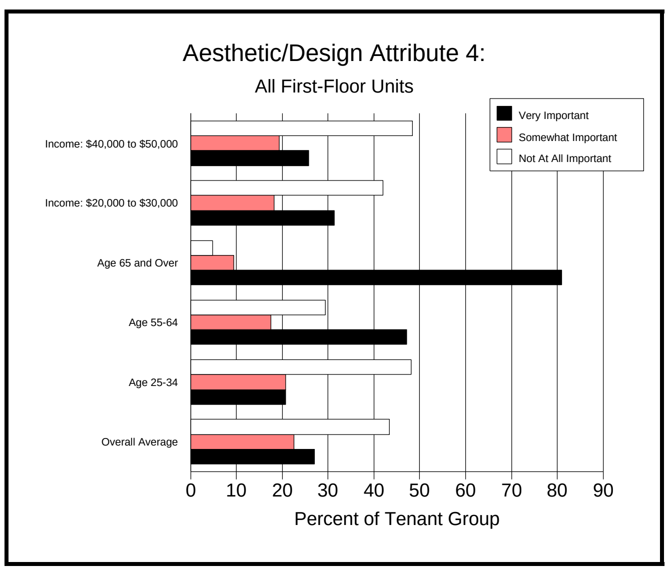
The graphs on these pages indicate how this principal may be applied. In the graph marked *Inside Attribute 1: Frost-Free Refrigerator*, notice that little more than half of the tenants age 25 to 34 consider this amenity very important. Yet over 82% of the tenants age 55 to 64 consider this amenity important. As noted above, this information tells you that a premium quality refrigerator is far more important to developments that attract older adults than those who attract younger tenants. Second, it tells you that in a development for older adults, you may be able to offer a higher percentage of premium-rent units with frost-free refrigerators than in a development for younger adults. An examination of the remaining graphs will show similarly revealing information about other popular amenities.

In future issues of *Apartment Resources*, we'll continue to show you effective ways of analyzing your market, as well as more results from our tenant/amenity survey.









Apartment Building Permit Update:

The Last Roundup

This is the final issue of *Apartment Building Permit Update* that tracks our 1987 *What's Hot and What's Not* market areas. In next month's *Apartment Resources*, we'll unveil our new *What's Hot and What's Not* for 1988. Prepare for some surprises.

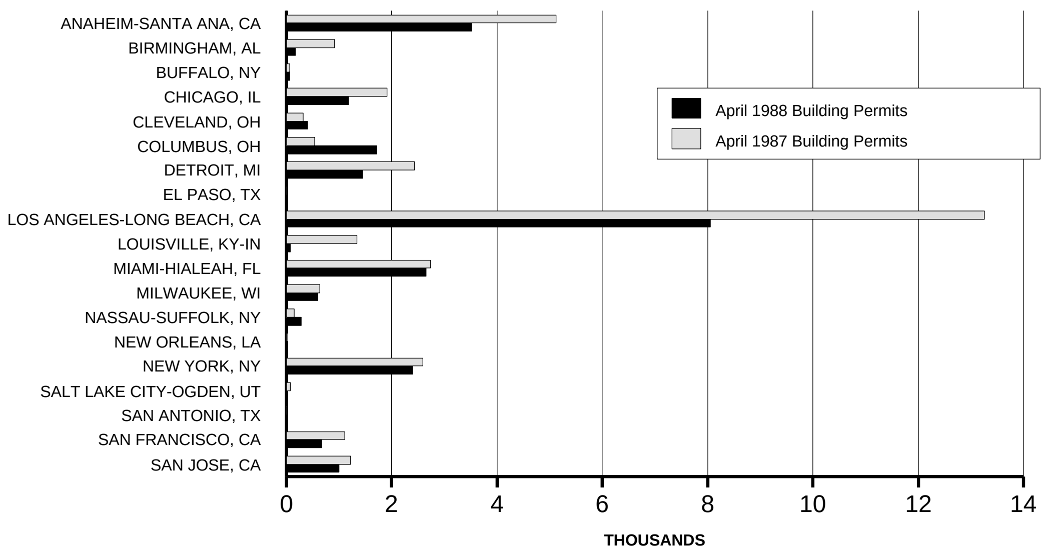
During 1988, most of the *What's Hot* cities have exercised caution in multifamily development—this in spite of the fact that these cities are currently experiencing deficits in apartment units. In April, only 4 of the 19 hot cities were experiencing higher construction levels than in the previous year. However, only Columbus, Ohio experienced a significant increase.

Significant decreases were experienced by the following cities:

- **Louisville, KY**
- **Los Angeles-Long Beach, CA**
- **Detroit, MI**
- **Chicago, IL**
- **Birmingham, AL**

What's Hot and What's Not

April 1988 Update



Building Permit Comparison 1987-1988

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