

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

A Real Estate Research Periodical
Volume 3, Number 6 June 1989

Section:

Exciting new additions to REAL/LINE!

We've added even more markets to our 24-hour on-line database. We've listed the latest additions in this issue!

1

The Danter Survey—Shoppers and income.

*In the May issue, we analyzed apartment shoppers who participated in **The Danter Survey** by age group. This month, we'll see how income affects shoppers' attitudes and preferences.*

2

"One of more interesting results of our survey concerns the value a brand-new unit has for some apartment shoppers. Our past research has indicated that "newness" is an amenity that is as marketable as swimming pools or tennis courts."

The Danter Survey—Deeper into the tenant pool (Part 2).

*This month's issue of **Apartment Resources** continues our analysis of the tenant shopper survey introduced in the April issue.*

This month, the second of a two-part series on attitudes and market patterns of apartment shoppers in different demographic strata.

Our special report in this issue focuses on tenants by income, and uncovers what nearly 1000 tenants revealed about their preferences and mobility patterns. Next month, we'll begin a special analysis of "serious shoppers"—current apartment residents who will definitely be moving in the next 12 months.

What is REAL/LINESM, and what can it do for me? REAL/LINE is the fastest way to evaluate a market area's multi-family development potential. Users can access information on rents, vacancies, and market absorption—and a comprehensive analysis of the comparable market rents for projects based on their “amenity index.”

If you subscribe to this publication, you've already paid your system access fees. See the access summary below to learn how to sample REAL/LINE *today!*

Also, be sure to check each month's REAL/LINE Connection for the latest updates on system features and additions.

Latest Markets On-Line! We've added new neighborhoods in *Gahanna, Hilliard, Portsmouth, and Columbus, Ohio* and *Novi, Michigan* to our growing database of REAL/LINE markets.

What kind of information do you receive in a REAL/LINE report? Here's a sample of the data found in one of the above-mentioned reports: According to a field survey conducted this summer, one neighborhood market in the northern portion of Columbus has an overall vacancy rate of 2.3%, and upper-quartile two-bedroom rents of \$525 to \$609. Of the projects in this north-end market, 31% of the projects offer pools, 20% have clubhouses, and only 38% offer garden units.

A sample report from the northern portion of Novi, Michigan also revealed interesting results. Over 6,000 units in over 20 projects in this area registered an overall vacancy rate of 3.8%. Upper quartile one-bedroom rents range from \$435 to \$560.

We place new reports on the REAL/LINE database continually. Remember to download

our list of current reports (it's called REALLINE.LST on Area 1) to ensure that the apartment market information you need is right where it should be—under your fingertips. Also, remember that you are never billed for access time on REAL/LINE, nor are you billed for any reports you download from Area 1. REAL/LINE charges are based solely on the apartment reports you download to your computer.

REAL/LINE access summary	
REAL/LINE is available 24 hours a day, seven days a week. Anyone is welcome to access REAL/LINE at any time, as our guest.	system prompts as follows: First Name: NEW Last Name: USER Password: DANTER
To access the system, you need (1) a computer with modem attachment, (2) a terminal program for your computer (popular ones include Crosstalk, Smartmodem, and ProComm), and (3) the REAL/LINE phone number and password.	You'll be given access to nearly every system feature, except the ability to download market reports. Of course, if you're an <i>Apartment Resources</i> subscriber, you are entitled to a free subscription with full access to the system. For more information, call 1-(614)-221-9096 and ask for the REAL/LINE coordinator.
The REAL/LINE phone number is 461-8980. To enter the system, respond to the opening	
REAL/LINE system defaults	
To access REAL/LINE, you'll need to make sure your terminal program is set up properly. You don't really need to know what the following terms mean—just make sure they are set as listed:	Parity: N Stop Bits: 1 Duplex: Full (Or Echo: Off —depending on the terminal program)
Baud: 300 or 1200 Data Bits: 8	Also, most programs offer a <i>Filter</i> or <i>Strip 8th Bit</i> function. This should be turned OFF, although it is not critical.

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The Danter Survey—Shoppers and income.

Special Report Executive Summary.

We recently interviewed nearly 1000 apartment shoppers who visited upscale, market-rate rental offices.

In a previous issue of *Apartment Resources*, we analyzed responses to our survey by age group. In this issue, we analyze how the respondents' incomes affected their answers.

Leading responses to some of the more significant questions are encapsulated below.

- 32% earn between \$20,000 and \$29,999; 18% earn between \$10,000 and \$19,999.
- The percent of shoppers who actually plan to move to move into single-family homes peaks among shoppers in the \$40,000 to \$49,999 range, and declines thereafter.
- Interestingly, the value of “newness” appears to be consistent across all income ranges. Nearly one-fourth of shoppers who earn less than \$50,000 would expect to pay between \$51 and \$100 more for a brand-new apartment, vs. an older, established apartment with similar amenities.
- Shoppers who earn \$50,000 or more will pay slightly more for a brand-new apartment. Of these shoppers, approximately 13% would expect to pay between \$101 and \$150 for “newness,” as opposed to 7% of shoppers who earn less than \$50,000.
- About one-fifth (21%) of shoppers who earn between \$30,000 and \$39,999 are in single-person households. This percentage increases to nearly one-third for lower-income households, but drops to less than one-tenth for higher-income households.
- The least likely shoppers to have children are those with incomes between \$30,000 and \$39,999—73% of these shoppers have no children; 21% have one child; and 7% have two children.
- The most likely shoppers to have children are those whose incomes are greater than \$49,999—55% of these shoppers have no children; 27% have one child; and 16% have two children.

The effect of income on shopper preferences.

In the April issue of *Apartment Resources*, we began analyzing the results of a recently completed survey of apartment shoppers. These shoppers, who have recently visited rental offices of upscale market-rate apartments, were surveyed by telephone to determine the demographic and lifestyle trends of renters you'll be seeing in the months ahead.

Nearly 1000 respondents were included in the survey. Respondents were asked about age, income, household size, mobility, and rental preferences.

Last month, we examined responses to significant questions included in the survey by age group. In this issue, we'll analyze how shoppers in different income ranges answered our survey, which will enable you to determine how well you may be targeting your project's market.

Remember, our survey respondents include people who have visited a rental office. One can assume that a majority of these persons are actively seeking another residence, but a certain percentage of the respondents do not intend to move soon, and others may simply be “seeing what's out there.” As this series continues, we'll single out certain components of this response base—including a special look at “serious” shoppers (those who will definitely be moving in the next 12 months).

As we noted in our April issue, the leading income group for apartment shoppers is \$20,000 to \$29,999—32% percent of our respondents were in that category. The second leading category is the \$10,000-to-\$19,999 group—18% of our shoppers were in that category. Unlike the distribution of shoppers by age, tenant shopper incomes

tended to be more evenly distributed throughout our response base.

Housing type and housing costs—expectations by income. Although not as dramatic as age, the income of an apartment shopper tends to affect shopping attitude. For certain questions, no trends related to income emerge among shoppers whose household income is less than \$20,000. In such questions, responses for shoppers in these categories tend to echo the overall average responses. Many (but not all) of these shoppers have fewer housing options available to them, and some require some kind of additional assistance to meet the cost of housing.

Also, note that our survey focused on upscale developments, in which lower-income tenants have a relatively small impact. Therefore, income- and price-related questions tend to be skewed toward upscale developments. A separate survey, focusing on lower-income tenants, is currently being completed by Kenneth Danter & Company, Inc.

Trends in attitude and preference do begin to emerge for shoppers whose income is above \$20,000. For example, the percent of apartment shoppers who actually plan to move into single-family homes peaks slightly among shoppers in the \$40,000-to-\$49,999 income range, and declines thereafter as incomes increase. Correspondingly, the percent of shoppers who intend to move into apartments also declines with household income among shoppers who earn between \$20,000 and \$49,999. However, above the \$49,999 mark, the percent of shoppers who have already decided upon apartments increases. This tends to echo a similar trend that occurred with our analysis of apartment shoppers and age—with older apartment shoppers tending to be more definite in the type of housing they intend to select.

Income and the value of “newness.”

The value shoppers place on living in a brand-new unit tends for the most part to remain constant regardless of income. However, a slight increase does occur in this value as income increases. As with the responses to the previous question, shoppers who earn more than \$50,000

would be willing to pay more for a new unit versus a similar, established unit than those who earn less than \$50,000.

Income and household size. We also examined the effect of income on size of household. Our research indicates that the commonly accepted stereotypes of “low-income/large-family” tenants and “high-income/single-professional” tenants may not be accurate representations of today’s typical apartment market.

In fact, our survey indicates that among apartment shoppers, income and household size tend to be directly related. Higher-income tenants tend to have larger households, and the highest percentages of single-person households are among lower-income shoppers.

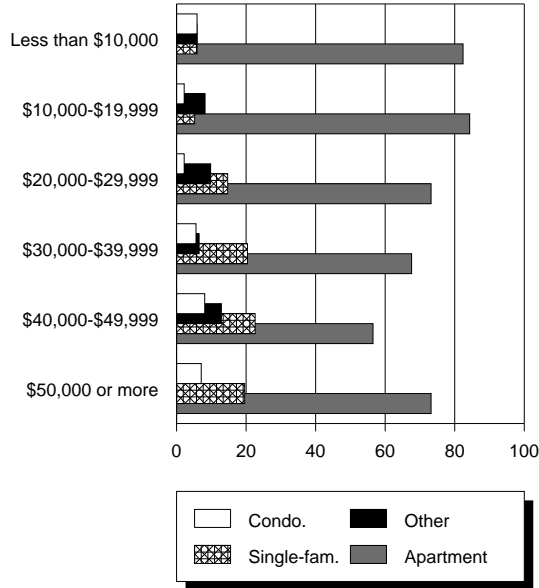
Income and marital status. The income range with the highest percentage of married shoppers is \$40,000 to \$49,999—63% of these respondents are married.

Income and unit preference. Finally, we asked our respondents who lived in apartments if they occupied a townhouse- or garden-style unit. For tenants earning above \$29,999, garden units and townhouse units tend to be fairly equal in popularity. However, tenants earning below \$30,000 are more likely to be found in garden units.

Next month—Household tenure and serious shoppers. As our analysis of the Danter survey continues, we’ll take a look at apartment shoppers who are currently apartment tenants and filter our database to include only those shoppers who intend to move in the next 12 months.

Readers familiar with the Danter **Market Support Matrix (MSM)SM** know that the largest percentage of a project’s incoming tenants are from other apartment projects in the **Effective Market Area (EMA)SM**. By filtering our shopper response base to apartment tenants who want to move now, we’ll begin to focus on the shopper group who will have the biggest impact on a modern apartment project.

Into what type of home are you planning to move?

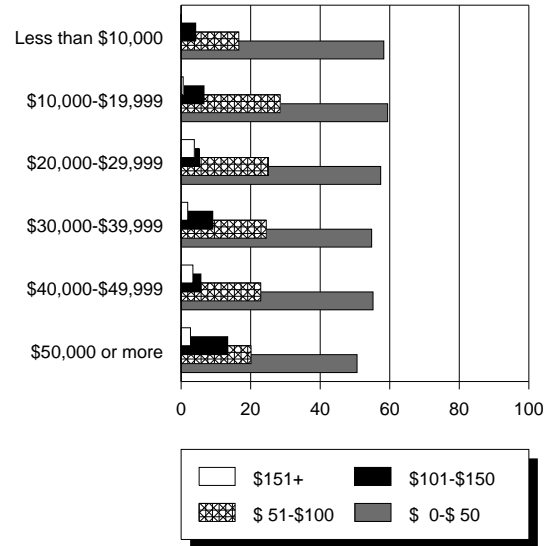


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Unit preference

- 73% of the shoppers with incomes between \$20,000 and \$29,999 indicated apartments; 15% indicated single-family homes; 2% indicated condominiums; and 2% indicated some other type of housing.
- 68% with incomes between \$30,000 and \$39,999 indicated apartments; 20% indicated single-family homes; 6% indicated condominiums; and 6% indicated some other type of housing.
- 56% with incomes between \$40,000 and \$49,999 indicated apartments; 23% indicated single-family homes; 8% indicated condominiums; and 13% indicated some other type of housing.
- 73% with incomes over \$50,000 indicated apartments; 20% indicated single-family homes; and 7% indicated condominiums. (None specified any other type of housing.)

How much more would you be willing to pay for a similar, but brand-new, unit?

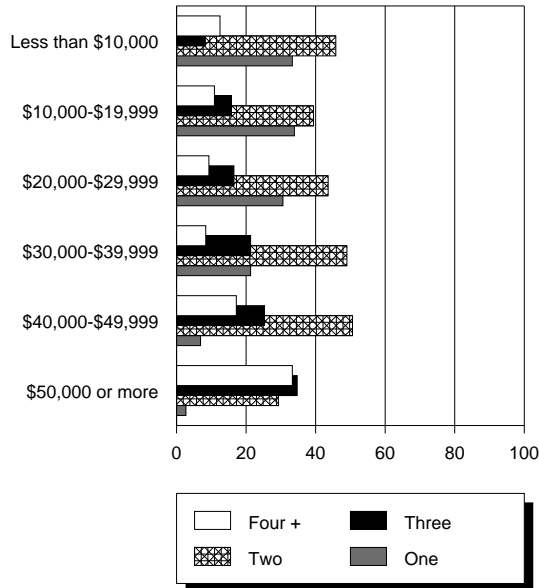


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Value of "newness"

- 57% of the shoppers with incomes between \$20,000 and \$29,999 would pay between \$0 and \$50; 25% would pay between \$51 and \$100; 5% would pay between \$101 and \$150; and 4% would pay over \$150.
- 55% with incomes between \$30,000 and \$39,999 would pay between \$0 and \$50; 24% would pay between \$51 and \$100; 9% would pay between \$101 and \$150; and 2% would pay over \$150.
- 55% with incomes between \$40,000 and \$49,999 would pay between \$0 and \$50; 23% would pay between \$51 and \$100; 6% would pay between \$101 and \$150; and 3% would pay over \$150.
- 51% with incomes over \$49,999 would pay between \$0 and \$50; 20% would pay between \$51 and \$100; 13% would pay between \$101 and \$150; and 3% would pay over \$150.

How many people live in your household?

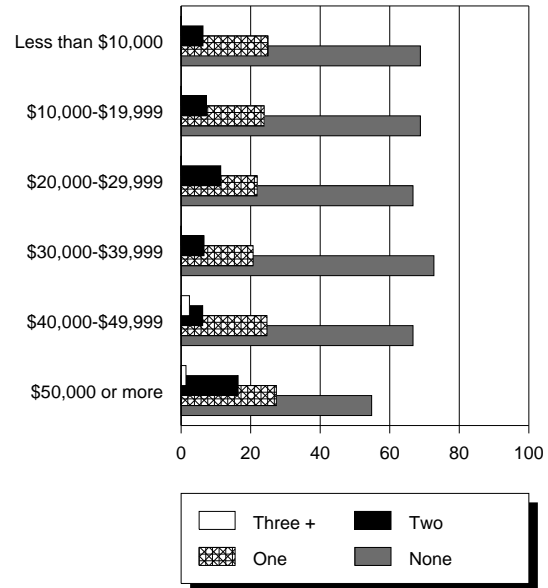


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Persons per household

- 34% of the shoppers with incomes between \$10,000 and \$19,999 have one-person households; 39% have two-person households; 16% have three-person households; and 10% have four- or-more-person households.
- 31% with incomes between \$20,000 and \$29,999 have one-person households; 44% have two-person households; 16% have three-person households; and 9% have four-or-more-person households.
- 21% with incomes between \$30,000 and \$39,999 have one-person households; 49% have two-person households; 21% have three-person households; and 8% have four-or-more-person households.
- 7% with incomes between \$40,000 and \$49,999 have one-person households; 51% have two-person households; 25% have three-person households; and 17% have four-or-more-person households.
- 3% with incomes over \$49,000 have one-person households; 29% have two-person households; 35% have three-person households; and 33% have four-or-more-person households.

How many children under the age of 18 live in your household?

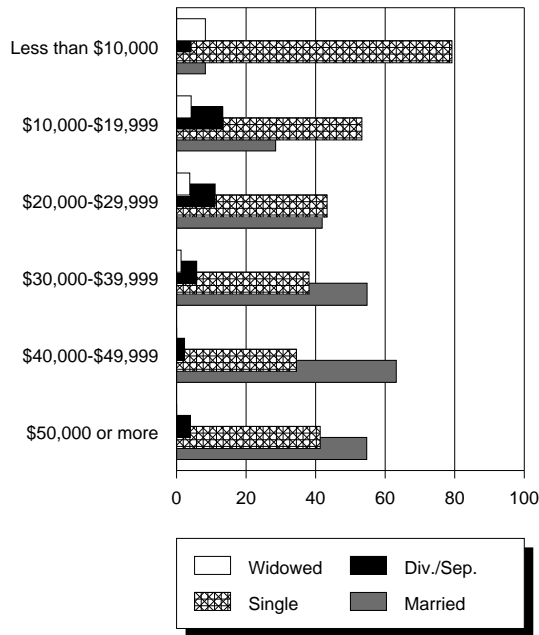


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Children per household

- 69% of the shoppers with incomes between \$10,000 and \$19,999 have no children; 24% have one child; 7% have two children; and less than 1% have three or more children.
- 67% with incomes between \$20,000 and \$29,999 have no children; 22% have one child; 11% have two children; and less than 1% have three or more children.
- 73% with incomes between \$30,000 and \$39,999 have no children; 21% have one child; 7% have two children; and less than 1% have three or more children.
- 67% with incomes between \$40,000 and \$49,999 have no children; 25% have one child; 6% have two children; and 1% have three or more children.
- 55% with incomes over \$49,999 have no children; 27% have one child; 16% have two children; and 1% have three or more children.

What is your marital status?

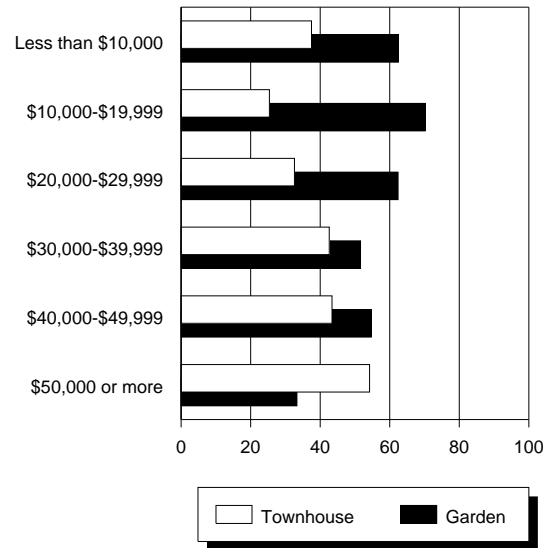


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Marital Status

- 8% with incomes less than \$10,000 are married; 79% are single; 4% are divorced/separated; and 8% are widowed.
- 28% with incomes between \$10,000 and \$19,999 are married; 53% are single; 13% are divorced/separated; and 4% are widowed.
- 42% with incomes between \$20,000 and \$29,999 are married; 43% are single; 11% are divorced/separated; and 4% are widowed.
- 55% with incomes between \$30,000 and \$39,999 are married; 38% are single; 6% divorced/separated; and 1% are widowed.
- 63% with incomes between \$40,000 and \$49,999 are married; 34% are single; and 2% are divorced/separated.
- 55% with incomes over \$50,000 are married; 41% are single; and 4% are divorced/ separated.

Do you live in a Townhouse or Garden unit? (Apartment renters only)



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Garden vs. townhouse

- 62% with incomes less than \$10,000 occupy garden units; 38% occupy townhouses.
- 70% with incomes between \$10,000 and \$19,999 occupy garden units; 25% occupy townhouses.
- 62% with incomes between \$20,000 and \$29,999 occupy garden units; 32% occupy townhouses.
- 52% with incomes between \$30,000 and \$39,999 occupy garden units; 42% occupy townhouses.
- 55% with incomes between \$40,000 and \$49,999 occupy garden units; 43% occupy townhouses.
- 33% with incomes over \$49,999 occupy garden units; 54% occupy townhouses.