

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 7 July 1989

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!

Section:

1

The Danter Survey—Serious Shoppers.

*According to Kenneth Danter & Company, Inc.'s **Market Support Matrix (MSM)SM**, up to 75% of your apartment tenants come from other apartments. Find out what this crucial market segment expects in this month's analysis of the The Danter Survey.*

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"For comparison, 48% of the serious shoppers indicated they are single, compared to 43% of the overall base. Fewer of the serious shoppers are divorced or separated (6% compared to 9% overall), and less than 1% are widowed (compared to 3% overall)."

The Danter Survey—Deeper into the tenant pool (Part 3).

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

Up to this point, we've been taking overall views of the respondents in our survey. But an apartment market comprises a number of unique components, each with its own interests and attitudes.

This month, we examine one such component—the serious shoppers—apartment shoppers who are both currently apartment residents and who also intend to move 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 recently added neighborhoods in *Louisville, Kentucky*; *Indianapolis, Indiana*; and *Lincoln, Nebraska* 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 Lincoln has an overall vacancy rate of 3.0%, and upper-quartile two-bedroom rents of \$450 to \$520. Of the projects in this north-end market, 39% of the projects offer pools, 14% have clubhouses, and 100% offer garden units.

A sample report from the far east portion of Louisville also revealed interesting results. Over 7,000 units in over 35 projects in this area registered an overall vacancy rate of 2.9%. Upper quartile one-bedroom rents range from \$410 to \$639.

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
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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: <i>N</i> Stop Bits: <i>1</i> Duplex: Full (Or Echo: Off —depending on the terminal program) 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.
Baud: 300 or 1200 Data Bits: 8	

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The Danter Survey—Serious shoppers.

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.

Up to this point, we've been looking at responses from our total survey base. We found that information helpful, because it uncovers much about the kind of person you're most likely to find shopping a modern, market-rate apartment.

But an apartment market comprises a number of unique components, each with its own interests and attitudes. Although overall views of a typical market are useful, it is equally important to examine each component to determine its impact on the apartment market base in general and your project in particular.

Kenneth Danter & Company, Inc., has developed several ways of examining these market components, including the **Market Support Matrix (MSM)SM** (an input-output model of tenant mobility) and **Profile Polarity AnalysisSM** (which examines the profiles of individual demographic components in an apartment market base).

With regard to Profile Polarity Analysis, we're currently preparing an *Apartment Resources Special Report* that will detail these demographic components, and use tenant survey results to examine the lifestyles and attitudes of each. In the meantime, you may want to examine the December 1988 issue of *Apartment Resources*, which contains an analysis of *Ms. Tenant*, an apartment market demographic component comprising the largest share of a typical apartment market.

This special report is more related to the **Market Support Matrix (MSM)**. This method of

analysis, introduced in the January and March issues of *Apartment Resources*, is a way of examining tenant mobility by both geographic origin and household tenure. In general, the apartment tenants who move into (and out of) your project have two related points of origin (and departure). The first is geographic origin—the amount of distance, as it relates to your **Effective Market Area (EMA)SM**, that the tenant is moving. The second is the type of household has previously occupied (or is going to occupy).

Only three household origins are possible: home ownership, rental, or the formation of a new household.

As we noted in the March issue of *Apartment Resources*, our research has indicated that the largest share of tenants in a typical modern apartment complex were previously tenants in other apartments. On the average, 75% of an apartment complex's tenants originate from other apartments. Further, 45% of an apartment complex's tenants originate from other apartments *within the EMA*.

That statistic is the basis for this month's special report. We've filtered our database to include only those shoppers who indicated that they will definitely be moving soon, and only those shoppers who currently occupy apartments. These respondents—the serious apartment shoppers—will have the greatest impact on your complex of all rental office visitors.

Serious shoppers—who they are. Most serious shoppers are between the ages of 25 and 34—44% of the shoppers in our response base fall into this group. The next leading age group, 18 to 24, comprised 36% of our respondents.

These shoppers tend to be slightly younger than our overall response base. As noted in our April issue, for comparison, 30% of the overall base are between the ages of 18 and 24, and 41% are between the ages of 25 and 34. Fewer serious shoppers are over the age of 45, compared to the overall base.

These shoppers are most likely to earn between \$20,000 and \$29,999—32% are in this category.

Compared to the overall base, the distribution of serious shoppers by income is close to the norm. A higher percentage of overall shoppers earn more than \$50,000 (8%). In other categories, differences amount to no more than 2%.

Finally, 67% percent of the shoppers were female; 33% were male, also nearly equivalent to the overall base—68% female and 32% male.

Household size and marital status. As in the age and income categories, serious shoppers display similar marital status characteristics to the overall base. Nearly half

(45%) are married—a percentage equal to the overall base. However, 48% of the serious shoppers indicated they are single, compared to 43% of the overall base. Fewer of the serious shoppers are divorced or separated (6% compared to 9% overall), and less than 1% are widowed (compared to 3% overall).

Over half of the serious shoppers live in two-person households; twenty-eight percent live alone. In general, the distribution of shoppers by household size is skewed more

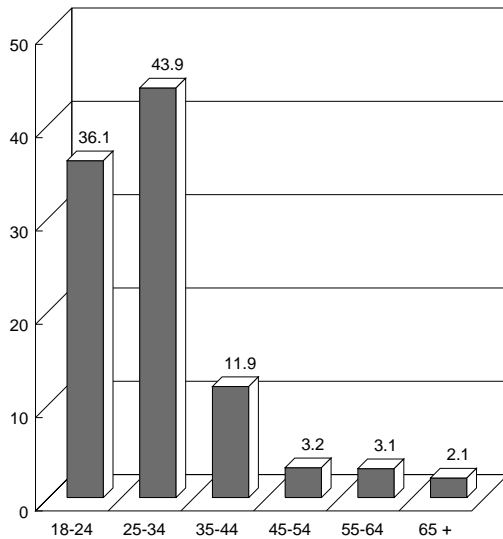
Age of shoppers

- 36% are between the ages of 18 and 24.
- 44% are between the ages of 25 and 34.
- 12% are between the ages of 35 and 44.
- 3% are between the ages of 45 and 54.
- 3% are between the ages of 55 and 64.
- 2% are 65 or older.

Upscale shoppers and income

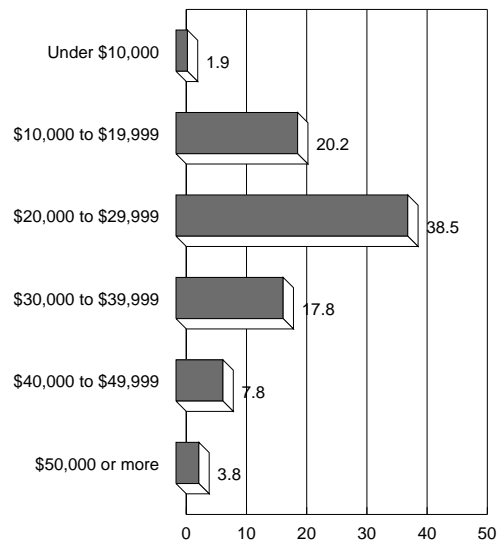
- 2% earn under \$10,000.
- 20% earn between \$10,000 and \$19,999.
- 32% earn between \$20,000 and \$29,999.
- 18% earn between \$30,000 and \$39,999.
- 8% earn between \$40,000 and \$49,999.
- 4% earn over \$50,000.

Which of the following categories includes your age?



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Which of the following categories includes your total income?



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toward two-person households than that of the overall base.

Most serious shoppers have no children (72%), and 24% have only one child. The overall base of respondents, which had surprisingly few children to begin with, has a higher percentage of children than serious shoppers.

Serious shoppers and their work. As might be expected, more serious shoppers are employed full-time compared to respondents in our overall base (90% compared to 83% overall). Equal percentages of respondents in both response bases are employed part-time (5%); fewer serious shoppers are retired (3% compared to 8% overall); and slightly fewer are unemployed (2% compared to 3% overall).

When asked “What is (or was) your occupation?”, serious shoppers displayed slight

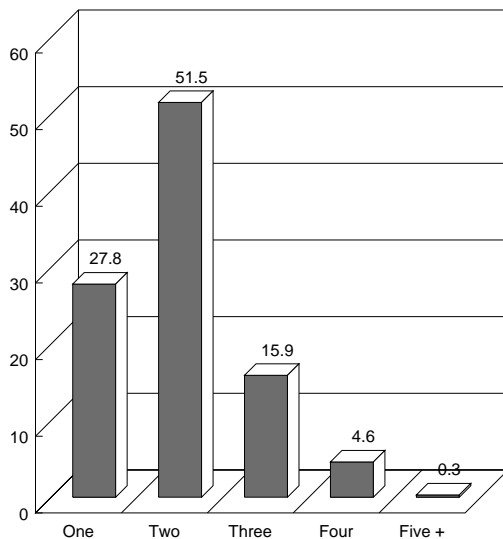
Household size

- **28% of serious shoppers live alone, compared to 24% of the overall base.**
- **51% are in two-person households, compared to 44% of the overall base.**
- **16% are in three-person households, compared to 19% of the overall base.**
- **5% are in four-person households, compared to 9% of the overall base.**
- **Less than 1% are in more-than-four-person households, compared to 3% of the overall base.**

Children

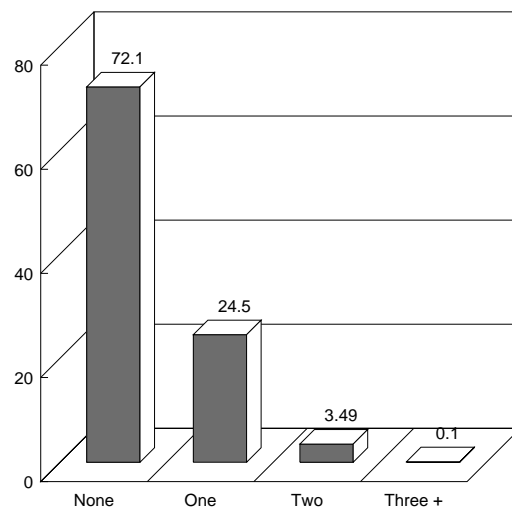
- **72% of serious shoppers have no children, compared to 68% of the overall base.**
- **24% have one child, compared to 22% of the overall base.**
- **3% have two children, compared to 9% of the overall base.**
- **In both categories, less than one-half of one percent have more than two children.**

How many people live in your household?



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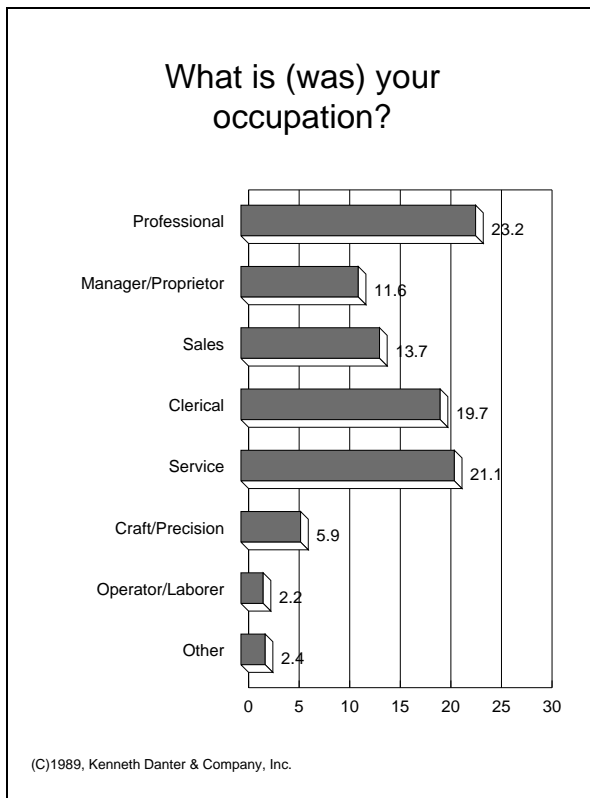
How many children under the age of 18 live in your household?



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shifts in distribution by occupation. In general, you can expect more serious shoppers to be employed in service and clerical occupations than shoppers overall, and fewer serious shoppers employed in sales. Nearly the same percentage of respondents in both response bases held professional occupations.

Occupation		
Employment Category	Serious Shoppers	Overall Base
Professional	23%	23%
Manager/Proprietor	12%	10%
Sales	14%	15%
Clerical	20%	17%
Service	21%	19%
Craft/Precision/ Production/Repair	6%	10%
Operator/Fabricator/ Laborer	2%	3%
Other	2%	3%



What serious shoppers want. We asked our respondents “Into what type of home are you planning to move?”. Interestingly, a slightly smaller percentage of serious shoppers (73% compared to 75% overall) indicated that they would be moving into an apartment. Slightly more (16% compared to 14% overall) said they intend to move into a single-family home. Fewer serious shoppers were interested in condominiums than the overall base (2% compared to 4% overall).

As discussed in the April issue of *Apartment Resources*, one amenity that has a valuable, if short-lived, impact on the value of an apartment unit is “newness.” In general, our research indicates that apartment tenants will be willing to pay increased rent for a brand-new unit, compared to an older, established unit with similar amenities. The value of a brand-new apartment is nearly the same for serious shoppers as it is to our overall response base, although serious shoppers would be willing to pay slightly more for this amenity.

When shoppers get serious. Finally, we asked our respondents “How long have you lived at your current residence?” to determine at what point in residency a tenant begins considering housing alternatives. The distribution of serious shoppers by current length of residency tends to be group more strongly between one and three years, compared to the overall base. This is another indication of this market component’s closer relation to mainstream mobility norms than the total aggregation of tenant shoppers who visit your complex.

Next month—An important interruption. This series will be interrupted by some important editions of *Apartment Resources* now in preparation. Next month, look for our special edition of **What’s Hot and What’s Not ’89**, this year’s look at the best and worst markets for new housing construction in the US.

Following the **What’s Hot and What’s Not** special edition of *Apartment Resources*, we have some other special reports of interest, including an introduction to **Gap Management** and the conclusion of our series on the **Market Support Matrix (MSM)**.

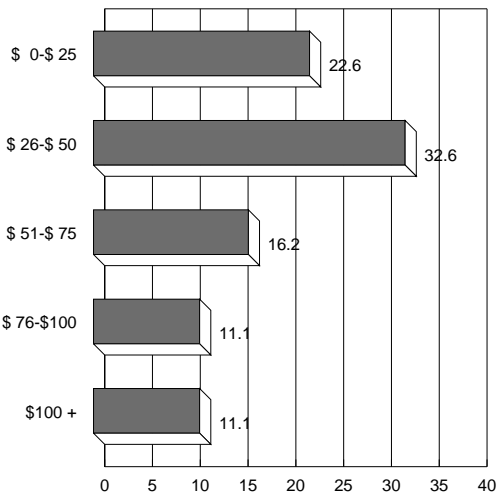
When we return to this series, we'll begin examining the separate demographic profiles that comprise a typical apartment market—beginning with an updated look at the most important component—*Ms. Tenant*.

Shoppers and "newness"

Question: *How much would you expect to pay per month for a brand-new unit, compared to an older, established unit with similar amenities?*

<u>Amount</u>	<u>Serious Shoppers</u>	<u>Overall Base</u>
\$0 to \$25	23%	22%
\$26 to \$50	33%	33%
\$51 to \$75	6%	17%
\$76 to \$100	11%	10%
More than \$100	11%	9%

How much more would you be willing to pay for a brand-new apartment?

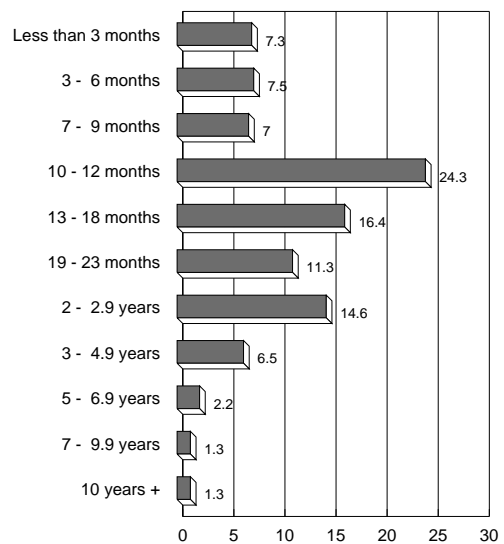


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Shopping and length of tenancy

- **7% of serious shoppers have occupied their units less than three months, compared to 14% overall.**
- **7% have occupied their units three to six months, compared to 7% overall.**
- **7% have occupied their units seven to nine months, compared to 4% overall.**
- **24% have occupied their units ten to twelve months, compared to 14% overall.**
- **16% have occupied their units thirteen to eighteen months, compared to 8% overall.**
- **11% have occupied their units nineteen to twenty-three months, compared 8% overall.**
- **15% have occupied their units for two years, compared to 15% overall.**
- **6% have occupied their units for three to four years, compared to 10% overall.**
- **2% have occupied their units for five to seven years, compared to 5% overall.**
- **1% have occupied their units for seven to ten years, compared to 3% overall.**
- **1% have occupied their units for ten years or more, compared to 10% overall.**

How long have you lived in your current residence?



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