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Apartment Resources

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Using Your Tenant Applications

In *The Wizard of Oz*, Dorothy is stunned to find that she had been wearing the answer to the problem of getting home on her feet the whole time she was in Oz.

When we talk to multifamily professionals, many are equally stunned to find out that much of the data they need to begin solving some of their turnover and vacancy problems have also been right under their noses the whole time - in their files.

Diseases, Symptoms, and Leaky Roofs

We find that many multifamily professionals tend to use stopgap measures to temporarily fix the symptoms without curing the disease. For example, when confronted with vacancies or high turnover, the tendency is to offer a special or giveaway, cut the rents, or fire the management company.

Sometimes these solutions work in the short term, but they often do not identify why the problem existed in the first place. To compare a turnover or vacancy problem to a leaky roof, such stopgap solutions are the equivalent of putting a bucket under the leak instead of fixing the hole. Sure, the bucket keeps the carpet from getting wet immediately, but eventually the bucket will fill with water and run over onto the carpet anyway, and the underlying problem (the leaky roof) has still not been solved.

Asking the Right Two Question

Many times, the misguided cures are the result of well-intentioned people who are simply not asking the right questions. These questions are, first, "Who are my tenants?", and second, "Who would I like to have as my tenants?"

The most accurate map is useless unless you know where you are. Likewise, the first step in plotting a solution to your problems is to determine where you are. When clients come to us with ongoing turnover and vacancy problems, we recommend what we call a strategic rehabilitation (see *Apartment Resources*, November 1990). The first step of a strategic rehabilitation is a tenant profile, followed by a complete inventory of a project's operations from a market perspective, including examining management practices, surveying the project's physical condition and maintenance

practices, identifying rental and vacancy patterns, and a field survey of the surrounding apartment market. From this strategic rehabilitation, we suggest adjustments to help make the project more successful in the market.

The Tenant Profile

Of these components, one of the most important - and one that you can do yourself - is the tenant profile. All the information that you need is already sitting in your files: your tenant applications. Through compiling the information from your applications, you can create a thorough tenant profile that includes medians and distributions by unit type for key demographic information, including age, family status, household composition, and income.

From this demographic information, you can identify important historical trends. For example, a distribution of age by unit type may show that your one-bedroom units are mostly occupied by elderly tenants while your two-bedroom units are mostly occupied by tenants between 25 and 35. A distribution of household composition by unit type might

The Right Two Questions:

- 1) *"Who are my tenants?"*
 - 2) *"Who would I like to have as my tenants?"*
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show that your two-bedroom townhouse units have a high percentage of single-parent households and your two-bedroom garden units have a high percentage of young married couples without children.

Knowing such information - and comparing it to the profile of tenants that you would like to have at your community - allows you to target your project's marketing. You can refocus your marketing to appeal more directly to the groups you are already capturing, or you can create strategies to capture the market that you want but are not capturing. Or, you can do both. Whichever approach you

choose, knowing your tenant makeup helps you to create more effective marketing strategies that target the people you want to see in your community.

The Previous Address

While demographic information is important, the most important piece of information on your tenant application is the new tenant's previous address. By mapping tenants' previous addresses, you can establish an Effective Market Area (EMA) for your project. The EMA is the smallest geographic area from which your project attracts 60% to 70% of its tenants. Once you know the EMA, you can use it in several ways.

Your tenant applications contain vital information on all your tenants:

**AGE
FAMILY STATUS
HOUSEHOLD INCOME
HOUSEHOLD COMPOSITION
PREVIOUS ADDRESS**

By knowing the EMA, you can establish the definitive area in which your project is competitive with other modern apartment projects. Knowing the competition allows you to track them more efficiently, and counter their marketing moves and price adjustments.

In addition, knowing the EMA allows you to focus your marketing strategies more efficiently. Combining the demographic information with the EMA allows you to identify not only who to target, but in what area to find them. For example, instead of advertising in the classifieds of the major metropolitan daily, you might find that a less expensive advertisement placed in a neighborhood paper might show better results for a lower cost. Or, for example, if you find that most of your tenants work downtown, you might try renting billboard space on a major artery between your EMA and downtown on which most of your current

(and future) tenants will likely be traveling daily. In addition, many areas have advertising services that deliver coupon magazines or packets to certain areas on a regular basis. Such advertising might be a cost effective method of reaching your specific EMA.

Ongoing Profiles

Computer technology has revolutionized apartment management and ownership. Today's apartment managers and owners depend on computer software applications that create traffic reports and track rental payment patterns and operating expenses. In addition, survey analysis and data base programs are available that allow you easy aggregation and trending of tenant application data. Once the tenant profile is established by installing the program and entering past applications, an ongoing tenant profile is as simple as entering the information from your tenant applications as they are received.

In Conclusion

Creating a tenant profile is not a cure-all. Some problems, such as an overbuilt market, poorly-designed units, or pricing problems, cannot be identified through a tenant profile. The best use of a tenant profile is always in the context of a strategic rehabilitation that examines all aspects of the management and the market. However, a tenant profile does provide a place to start that you can do yourself. Once you have the data in hand, you can use your resources wisely. Maybe all you need to do is adjust your marketing program. Maybe the problems run deeper. Either way, you are in a better position to discuss with a consultant what the problems are, and you will have saved yourself the expense of having the consultant do a tenant profile for you.

A TENANT PROFILE CAN:

- **Establish EMA**
- **Generate Demographic Profile**
- **Tell you who is in which units**