

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

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Section:

Human-engineering for apartments.

Our September Market Hotline! examines ways that you can make multifamily living easier for older adults. Also, marketing apartments to corporations.

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Special preview offer!

Want to see what a REAL/LINE report looks like? This month's REAL/LINE Connection shows you how to get your copy!

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Tenant lifestyles: Garden vs. townhouse tenants.

Part two of our series reveals some fascinating discoveries about tenant occupations and how they relate to unit preference!

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"Many development successes in past years can now be attributed to high demand/low supply markets rather than architectural, amenity, or marketing innovations."

Hula Hoops, Nehru Jackets, and Rent Collection.

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"These results indicate that the future of successful apartment management may lie not in price-conscious marketing, but in features and lifestyles marketing."

Human-engineering for apartments.

- If you are developing rental units targeted for older adults, you should always pay attention to special features that can take the risk and inconvenience out of apartment living. Certain household tasks become increasingly difficult for older adults, and could be made easier with careful planning and design.
 - For example, in some areas of the unit, fluorescent light fixtures can be used in place of typical incandescent fixtures. This would lessen the frequency of light bulb replacement, which can be a risky chore for some adults.
 - Also, take a second look at cupboard placement in your kitchens. We regularly see cupboards placed so high that some older adults can't reach all of the shelves from floor level. Like anyone else, these tenants can feel uncomfortable asking for help with what should be a normal task, and occasionally resort to riskier measures such as standing on chairs, etc. This kind of hardship can be eliminated through more thoughtful design.
 - The use of closet shelving or organizers can be especially useful to the older tenant. Often, older adults have smaller wardrobes than younger tenants, and do not entirely need the hanger space often provided in typical apartment closets. However, they would welcome places to put shoes and other needed articles within easy reach.
 - On the outside, don't overlook the importance of patios/balconies to older tenants. Remember that typical older adult tenants come to apartment housing from single-family homes, and feel the reduction in

size more acutely than younger tenants do. Well-designed patios and balconies offer much in the perception of increased living space.

- Our analysts have noticed strong initial success with the use of lofts in apartment design. Especially in units that contain cathedral ceilings, the addition of lofts not only adds to the aesthetic appeal of an apartment, but also converts what was formerly unused space into a living area. The area can be used as office/computer space, a video/entertainment center, or even a convertible spare bedroom. Projects we've seen tend to rent these units early in spite of premium rents—which means that their desirability may be underestimated by project managers.
- Some apartment projects are actively pursuing corporate clients to lease furnished units for corporate guest use. Projects able to provide this service have a strong competitive position when compared to motels, who cannot offer the same kind of unit size and amenities. Many developers have created a special corporate marketing program designed to provide special services, such as housekeeping and linen, that are routinely performed by motels.

Further, some of these projects have made arrangements with their corporate clients to reserve usage rights to these units when they are not occupied by corporate guests. By doing so, the project then has the potential to rent these units out on a nightly basis to visiting guests of the apartment tenants.

Special preview offer!

Beginning this month, we're offering a way for you to get more information on REAL/LINE market reports. In addition, you'll learn how to use REAL/LINE at no expense to you.

We've placed a sample REAL/LINE report on-line that shows you what to expect from a REAL/LINE market study. It also contains helpful information about using the study to your best advantage. This report is free to all REAL/LINE callers, registered or not. Even if you are just looking the system over for now, you can download this report for later review.

In this month's *REAL/LINE Connection*, we're going to take you step-by-step through the process of downloading this file.

Step 1: Sign on. Please read carefully *REAL/LINE system defaults* (inset, below), and set your communications program accordingly.

Follow the directions in the *REAL/LINE access summary* for logging into the system.

You will then be shown the News and Bulletins Menu.

Step 2: Go to Market Reports. At the News and Bulletins Menu, type *M* and press *ENTER* to go to the *Main Menu*. Then take the following steps to go to the *Market Reports* section:

- At the *Main Menu*, press *M* and press *ENTER* again to go to the *Market Reports* Menu.
- At the *Market Reports* Menu, press *A* and press *ENTER*, then press *I* followed by *ENTER*.

You are now in the *Market Reports* area which contains your sample file. Press *F* followed by *ENTER* to see a list of the files. One of the files you will see listed is *SAMPLE.APT*.

Step 3: Receive the sample file. Press *D* to *Download* the sample file. Press *X* to indicate *XModem* protocol, press *ENTER*, then type *SAMPLE.APT*.

Tell your terminal program to receive a file using *XModem* protocol. Your program's user manual will tell you how to do this.

At this point, the computers will take over, and transmit the REAL/LINE report to your computer's hard disk.

Step 4: Log off. When the file has been sent, press *G* (for *Goodbye*), and press *ENTER*. Press *ENTER* twice more.

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: <i>NEW</i> Last Name: <i>USER</i> Password: <i>DANTER</i>
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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.
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The REAL/LINE phone number is 461-8980. To enter the system, respond to the opening	
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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: <i>Full</i> (Or <i>Echo: Off</i> —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: <i>300 or 1200</i> Data Bits: <i>8</i>	

Renter Lifestyles: Garden vs. townhouse tenants

(Part of a series)

Last month, we began a series of demographic and lifestyle comparisons between typical garden and townhouse renters. This second installment will continue that analysis, and our final article next month will detail how this information can best be put to work for you.

Successful management, successful marketing. One of the most significant changes that has occurred in multifamily development over the past two decades has been market saturation. Many development successes in past years can now be attributed to high demand/low supply markets rather than architectural, amenity, or marketing innovations.

For this reason, some development groups today are not achieving anticipated successes with new projects, because the product offered has become inappropriate for today’s competitive housing market. Further, prospective tenants are less likely to compromise their rental expectations when rents have been driven higher by building costs and the post-1986 Tax Reform Act environment.

This series of articles was developed to provide you with insight into successful tenant lifestyle analysis. As noted in this month’s *The POP Results*, the multifamily market increasingly requires lifestyles and amenity marketing to achieve success. Tenant lifestyle analysis will enable you to design and market projects for a specific group with greater accuracy than before. In today’s saturated markets, successful project management means successful product marketing.

In our previous article, we focused on the differences in age, income, and retention for average garden and townhouse tenants. This month, we’ve taken a closer look at other key demographic factors.

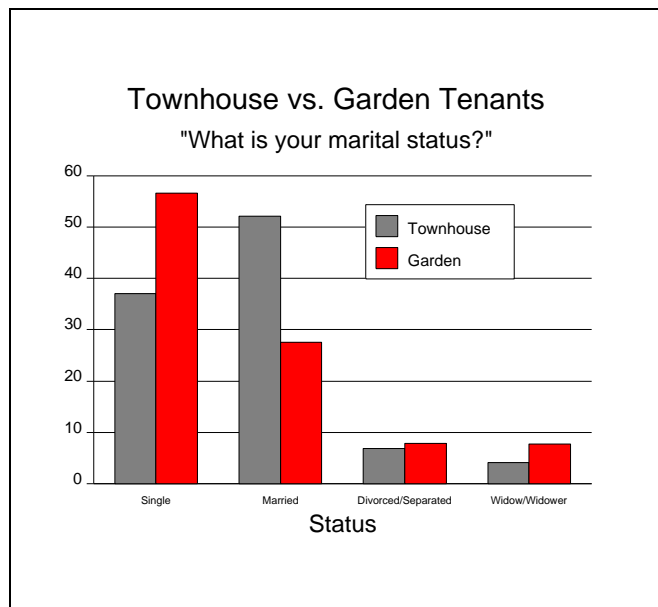
Tenant marital status. Garden units are more apt to contain unmarried renters—over

70% of the garden unit residents indicated they are single, divorced, separated, or widowed. Fewer than 30% are married. Conversely, over 50% of the townhouse respondents indicated that they *are* married.

"We were surprised to note that a relationship appears to exist between unit type and certain occupations."

This percentage of married townhouse tenants is probably responsible for the fact, detailed below, that a much higher percentage of townhouse than garden tenants do not intend to occupy an apartment on their next move. Taken together, these two results signify a progression of lifestyle that begins with single tenants in garden units and ends with a family’s acquisition of a single-family home.

Tenant occupations. When we crosstabulated the results of our survey by unit type, we were surprised to note that a relationship appears to exist between unit type and certain occupations. For example, when tenants are distributed by occupation in the two unit types, 40% of the tenants surveyed in garden



units have Professional occupations, compared to 17% of the tenants in townhouses. Therefore, when shopping for apartments, prospective tenants in Professional occupations demonstrate a 70% chance of leasing a garden unit.

A similar anomaly occurs in the Sales category. When distributed by occupation, only 5% of the tenants in garden units are occupied in Sales occupations. Over 28% of the respondents in townhouses are occupied in Sales. Therefore, when shopping for apartments, Sales tenants demonstrate an 80% chance of leasing a townhouse unit.

Other interesting disparities occurred in the Craft/Precision/Production/Repair (generally blue-collar) category, which make up 20% of the townhouse tenants, and 30% of the garden tenants. Tenants in this category demonstrate a 60% chance of occupying garden units. Tenants employed in Clerical occupations lease 7% of the townhouses, but 1% of the garden units. Tenants in this category demonstrate an 80% chance of occupying townhouses.

Tenants in the Manager/Proprietor category tended to be equally split between the two unit types, and those in the Operator/Fabricator/Laborer category dominated slightly in townhouse units.

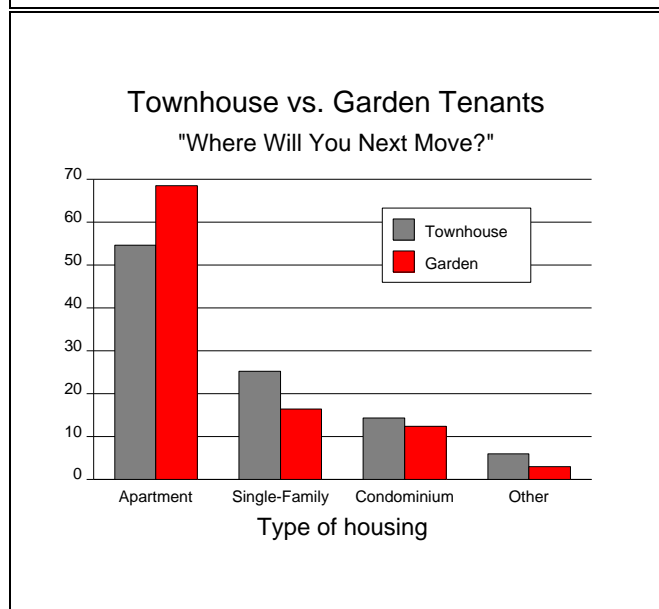
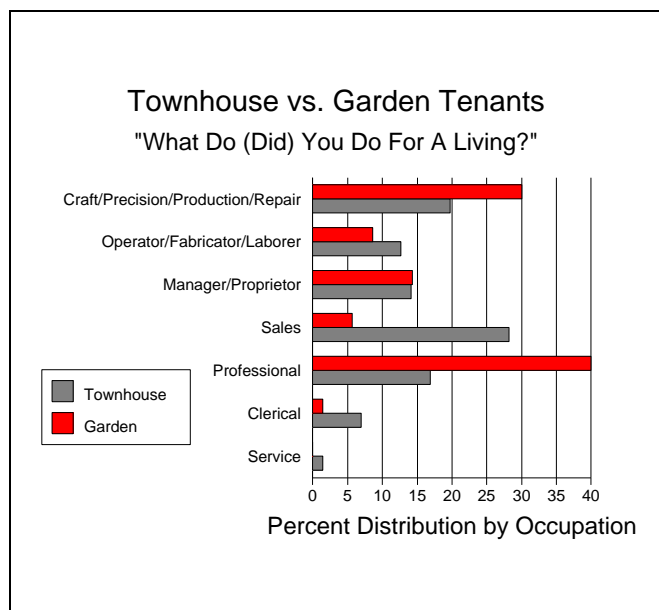
This occupation/unit-type relationship can provide valuable assistance to rental agents during the initial contact with a prospective renter, especially one who does not specify a unit preference. After the tenant has been qualified by occupation, he or she can be directed to the unit type that stands a better chance of appealing to tenants of that occupation.

Move-up preferences. Only 50% of the respondents who live in a townhouse intend to occupy an apartment on their next move. The remainder of these tenants specified some kind of home-ownership—single family, condominium, or other—as the type of housing they will next occupy. (However, see "Eight Billion Dollars—The Hard Way" in *Apartment Resources*, Volume 2, No. 4, for insight into

tenant intentions vs. actual tenant movement.) At the same time, nearly 70% of the tenants in garden apartments intend to move to an apartment on their next move.

This indicates that retention marketing can be more difficult for projects that are predominant in townhouse units, since the "single-family drain" is a significantly greater factor.

Next month: Our concluding article will contain more survey surprises, and how to use lifestyle analysis in successful project marketing.



Hula Hoops, Nehru Jackets, and Rent Collection.

Once, rent collection played a significant role in the operations of rental management. The percent of a renter's budget that was devoted to housing had climbed dramatically, sometimes creating problems such as late payments and harsh collection procedures.

But our research indicates that the problem of rent collection, while not entirely disappearing, may occupy a less important role in rental management today. Our recent survey indicates that household incomes may be rising faster than rental housing increases.

Research and rentals: Better leasing through science. In our POP research (See *The Pop Results*, inset), we help apartment management control unit absorption by identifying and tracking key factors in the local apartment market. When these key factors are analyzed, the management for that project can develop marketing and advertising strategies that will have the greatest impact on target markets.

For this column, we aggregate the results of all of our POP research. This type of analysis can help you identify renter trends that will affect

your project in the coming months. The survey sample used for this column comprises apartment tenants who recently shopped modern, market-rate apartments.

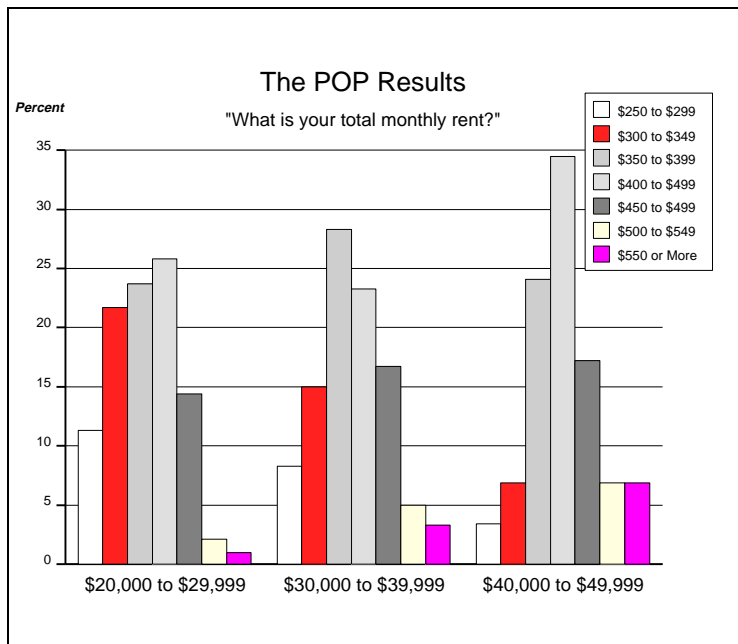
Two questions we asked of these renters were "What is your total monthly rent?" and "What is your total annual household income before taxes?" We then cross-tabulated the results to determine the distribution of tenants by their current rent range within individual income ranges.

Tenants in transition—preparing for step-up. One would normally expect that household income bears a direct relationship to housing expenditures; people who earn more are likely to spend more on housing. According to the current rents of the tenants who shopped new units, this appears to be true.

In the accompanying graph, we've displayed the distribution of current rents by income range. As the graph indicates, the rents do appear to increase as incomes increase. In this survey sample, the median rent for tenants with household incomes of \$20,000 to \$29,999 is \$389; the median rent for tenants with household incomes of \$30,000 to \$39,999 is \$396; and the median rent for tenants with household incomes of \$40,000 to \$49,999 is \$425.

However, these rents are *exit rents*. The sample in this survey are tenants who have decided to move or are strongly considering moving from their current apartment. Therefore these rents are skewed slightly downward from actual market rents, because many of the units were leased by tenants months earlier—in which case their rents no longer reflect the actual market value of their units.

Further, for most of the survey sample, the tenants have decided to "step-up"



to a unit of higher value, because their household income can now support a greater housing cost. Therefore, tenants surveyed at this point in the housing cycle are paying a comparatively smaller percentage of their household income for housing than average renters.

For this reason, the tenants surveyed display a lower-than-average percent of income dedicated to housing cost. Although the typical average for apartment costs is between 20% and 25% of household income, the percentages for these "pre-step-up" tenants are somewhat lower: 18% for tenants in the \$20,000 to \$29,999 income range, 14% for tenants in the \$30,000 to \$39,999 range, and 11% for tenants in the \$40,000 to \$49,999 range.

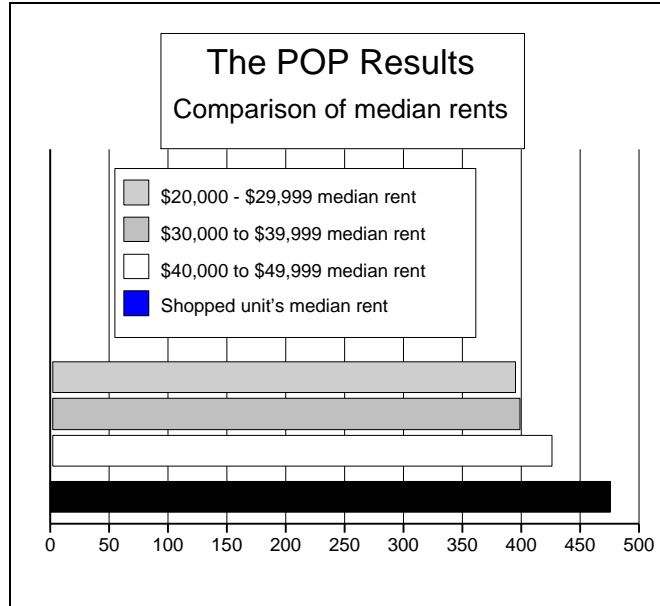
What the market will bear? Or what the market can offer? In spite of the tenant's desire to step-up, however, our survey also indicates that for the upper-income tenants, product that meets the typical income/housing cost-ratio is not available in large supply.

After tabulating the results of our survey, we returned to the apartment complexes these tenants shopped to establish the rents of the units offered. The median rent of these modern, market-rate developments is \$471. The accompanying graph illustrates the median rents paid by the tenants surveyed compared to the median rent of the projects shopped.

Tenants in the \$20,000 to \$29,999 income range who rent these units will readjust their percentage of household income to housing cost closer to the average ratio described above. But for tenants in the higher income ranges, the increase of rents in the average apartment market has not kept pace with their incomes. Therefore these tenants will become less interested in the affordability of the units they shop, and more interested in the benefits they obtain by moving to a particular project.

These results indicate that the future of successful apartment management may lie not in price-conscious marketing, but in features,

amenities, and services marketing. In the coming months, rental management may find that it spends less time concentrating on rent collections, and more time on improving tenant



retention. For further insight into tenant lifestyle analysis, see our series "Renter Lifestyles: Garden vs. townhouse tenants," appearing in our **Special Reports**.

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*.

Looking Forward

- Look for us at the **Mortgage Banker's Association** 75th Annual Convention in San Francisco, October 23-26. Representatives from Kenneth Danter & Company will be available at our booth (No. 504) to discuss your development concerns.
- Two **National Association of Home Builders (NAHB)** meetings we'll be attending are the Fall Meeting in Reno from September 29 through October 2, and the Atlanta Builder's Show from January 20-23.
- We're also looking forward to April 1-3, 1989, when we'll be appearing at the **Multi-Housing World** show in Dallas. Please be sure to stop by our booth for the latest information on *What's Hot and What's Not*.
- Did you subscribe to REAL/LINE prior to June 1988? If you did, you'll be happy to hear that your old REAL/LINE account has been

re-entered into the new system, including your old password. However, on the new REAL/LINE system, you have the capability to change your password at any time. We think you'll be surprised at the new system features, including the on-line Developer's Library, and the ease of operating the new system. But best of all, we still offer the most recent apartment market information available in major markets throughout the US. If you have any questions, please call us at 1-(614)-221-9096 and ask for the REAL/LINE coordinator.

- If you are not yet registered for free access to the REAL/LINE system, you can log on to the system at any time by responding **NEW** to "First Name: ", **USER** to "Second Name: " and **DANTER** to "Password: ". You'll be let onto the system with access to everything except the market reports. Be our guest on the system for as long as you like. If you get a busy signal when attempting to connect, please keep trying.

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