

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 2, Number 11 November 1988

Section:

Update on adults-only development laws.

Our November Market Hotline! discusses the impact of recent legislation banning adults-only projects. Not all of your tenants will be pleased with the new regulations.

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Apartment shoppers with children—Warming trends.

*In keeping with this month's **tenants-with-children** theme, we've compiled some interesting results regarding utilities and children.*

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"We were surprised to find that the preferred utility is directly related to the number of children in the apartment shoppers' households."

The children's hour.

*In anticipation of the new legislation regarding adults-only apartments, we conducted an extensive survey that gives you insight into the **tenants-with-children** market.*

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"A common belief concerning apartment tenants with children is that they are often single-parent households."

Coming attractions—FAX/Line.

Don't have access to a modem? Don't despair—you'll soon be able to request and receive REAL/LINE reports from your FAX machine!.

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Update on adults-only development laws.

*As this issue was going to press, we obtained more information on the federal law prohibiting adults-only apartment projects. Since this special Tenants-with-children issue offers an in-depth profile of this tenant group, this month's **Market Hotline!** discusses the impact this bill will have on your projects.*

- The federal law not only bans adults-only development, it also requires that apartment complexes offer suitable housing for physically and mentally disabled tenants. When this portion of the bill goes into effect in March 1991, complexes with elevators and 100% of the units in first-floor, garden-style apartments must be accessible to the physically handicapped. (This applies to new construction only.) Unit features required by the handicapped may be installed by the tenant at the tenant's expense, and must be removed by the tenant when vacating the unit.
- Developers have expressed concern over the need to "retrofit" existing projects when the first section of the law (banning adults-only development) goes into effect in March 1989. Although there is no law requiring any modifications to existing structures, apartment managers will have to decide how far they wish to go (1) to ensure their complex provides a suitable atmosphere for children, and (2) to retain the marketability of their project now that the exclusivity of an adults-only environment is no longer marketable. That means that areas such as swimming pools and balconies, which may be unsafe for unsupervised children, may need to be fenced in or otherwise barricaded. Suitable play areas for children may also need to be provided.
- Fines for noncompliance with the new regulations are sizable. A first-time offense can mean a fine of \$10,000. A third-time offense can go as high as \$50,000.
- Perhaps more than the apartment developer, the older-adult tenant will have to make difficult adjustments in response to the new law. As we have noted in previous issues of **Apartment Resources**, the older adult market comprises a large percentage of the apartment market, and is growing steadily. Although the law exempts apartment projects for the elderly from compliance, this has little impact on the true older adult market.
- Our research has shown that many older adults are healthy and fully active. Therefore, they often do not need or desire the services offered by congregate-care and assisted-living developments, and even tend to shun projects marketed to the elderly. These adults, who live in apartments primarily to escape household maintenance chores, prefer to live in adult-only complexes that are marketed to all age groups. They prefer a quieter housing environment, and tend to avoid projects that allow children.
- However, older adults will now be forced to choose between an elderly complex or a complex with children. Unlike tenants with children, there is no legal recourse that will allow these adults to live in housing of their choosing.
- You will probably encounter shoppers who would normally seek out an adults-only development. One thing you can do to allay their concerns is to discuss the actual impact of tenants with children in the overall apartment tenant group. Note that relatively few apartment tenants are single parents, and that the vast majority of tenants who have children have only one child. Further, point out that apartment tenants without children make up over 75% of tenants in an average complex. For details on these statistics, see "*The children's hour*," our special report appearing this month in **Apartment Resources**.

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Apartment shoppers with children—Warming trends.

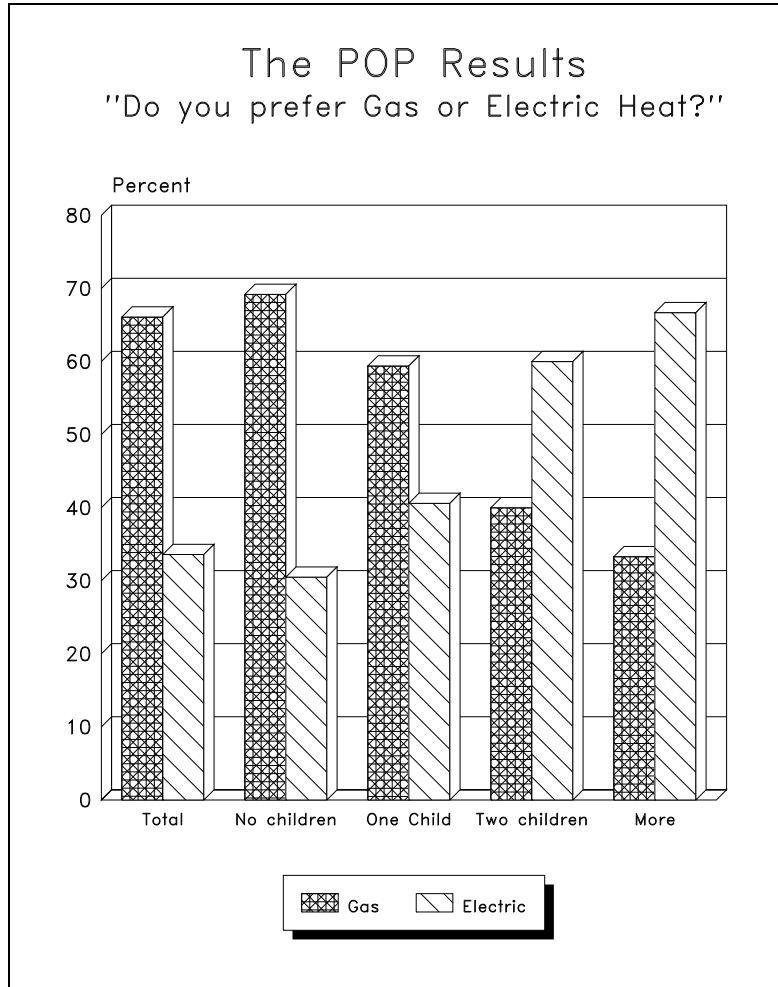
In our March 1988 issue of *Apartment Resources*, we compared the responses of apartment shoppers who were asked, "Do you have a preference for gas or electric heat?"

In that survey, over 60% of the apartment shoppers expressed a preference for gas heat. However, the more intriguing result of this survey is that regardless of the preferred utility, the *reason* it was preferred was cost. Tenants who selected gas or electric heat did so because they believed it was cheaper.

In keeping with this special *tenants-with-children* issue, we've crosstabulated the results of this survey question by the number of children in the shoppers' households.

We were surprised to discover that the preferred utility is strongly tied to the number of children in the apartment shopper's household. Although the total respondents achieved a 65/35 split between gas and electric, 70% of the tenants with no children preferred gas. Sixty percent of the tenants with one child preferred gas; 40% of the tenants with two children preferred gas; and only 33% of the tenants with more than two children preferred gas.

It is probably *not* likely that tenants change their perception of the value of gas heat when they begin to have children. Rather, a number of other lifestyle variables that affect tenants with children result in their choice of utilities. Nevertheless, when qualifying prospective tenants for your units, it is important to note the increased marketability of electric heat to tenants with families.



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*.

The children's hour.

Developers today are faced with a number of nagging questions regarding children in apartments: What percent of potential tenants have children? What percent of potential tenants will live only in adults-only complexes? How fierce will the local zoning opposition be to an apartment development that allows children? And, conversely, how will legislation regarding the legality of adults-only development affect future projects?

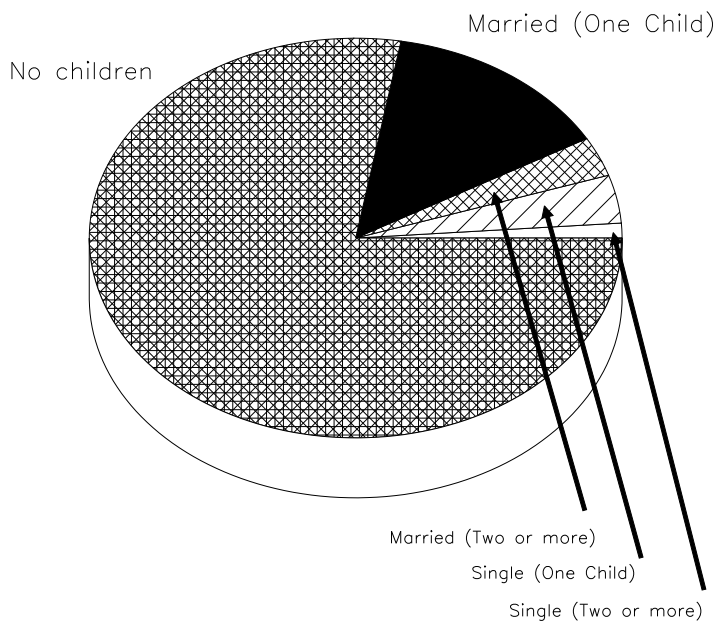
These questions are even more important when one considers how such legislation may affect existing adults-only developments. As we noted in our *November Hotline!*, although no structural or project modifications are required

by federal law, many apartment projects currently market the exclusivity of an adults-only environment to their target market. These projects, which no longer have that feature, must find a way to retain their marketability. A possible solution to the problem is actively competing for the tenants-with-children market,

"The total number of single parents with children account for only 5% of the total tenant universe."

which would include adding features and services desired by this tenant group.

Tenants with children
Percent of renters



Tenants with children—what's out there. *Apartment Resources* will continue to track developments in the coming legal requirements for apartment development. In the meantime, the best defense against future uncertainty is identifying today's potential market, and the degree to which children influence that market.

We recently conducted a survey of apartment tenants in modern, market-rate apartments. In that survey, we asked tenants about their households, specifically their marital status and number of children. We then asked these tenants questions about their lifestyles and preferences, and analyzed the results according to household type.

How many tenants have children? Of the total tenants surveyed, 22% have *at least* one child. Most of these tenants (18% of the total tenants) have only one child. Far fewer have two

children (3% of the total) or more (less than 1%). Therefore, it is true that a significant portion of the rental market has children, but tenants whose household size increases beyond one child appear to consistently seek housing alternatives.

Households—traditional and otherwise. A common belief concerning apartment tenants with children is that they are often single-parent households. The assumption is that parents who are either single, divorced, or widowed seek economic refuge in apartments.

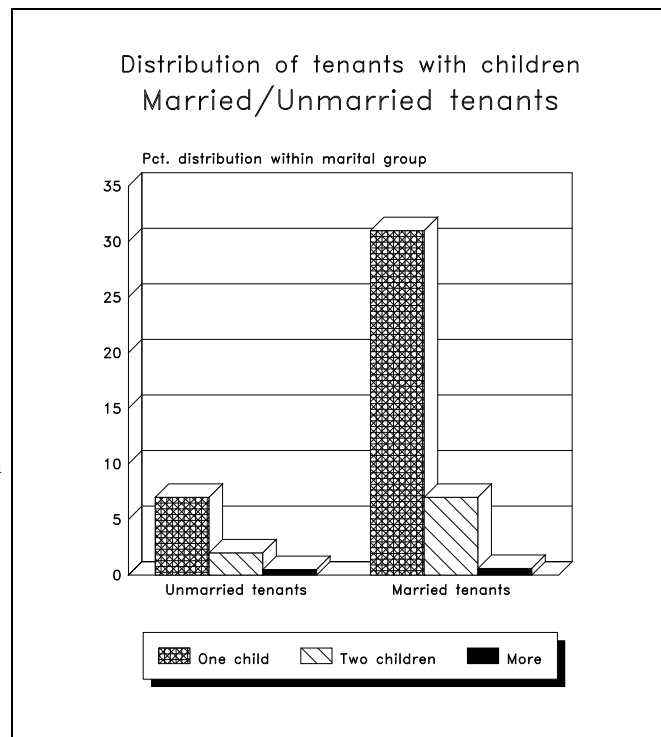
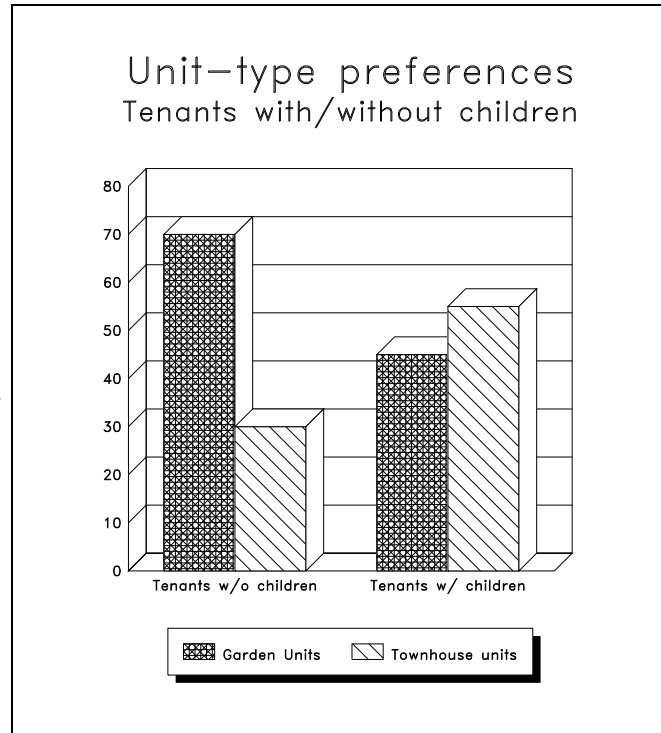
However, our survey of tenants in modern, market-rate apartments tends to belie that assumption. Over 55% percent of our respondents stated that they are unmarried. Of these tenants, 7% have one child, 1% have two children, and less than 1% have more than two children. The total number of single parents with children account for only 5% of the *total* tenant universe.

The majority of tenants with children are in married households. Nearly 45% of the tenants who occupy apartments are married. Of those tenants, 31% have one child, 7% have two children, and less than 1% have more than two children. If the percentage of unmarried tenants who have children is surprisingly low, the percentage of married tenants with children is higher than commonly believed: of all *married* tenants, 38% have children.

Where to find them. Tenants with children are far more apt than tenants in general to occupy townhouses. Seventy percent of tenants without children occupy garden units. But among tenants with children, only 45% occupy garden units and 55% occupy townhouses.

Of married tenants with children, 53% occupy townhouses; of unmarried tenants with children, 63% occupy townhouses.

Further, tenants with children occupying garden units are usually found in first-floor units (67%). Among tenants with no children, 51% occupy



first-floor units. Nearly 100% of tenants with more than one child occupy first-floor units.

Among tenants with children, the apparent preference for first-floor units is more by design than accident. When we asked tenants which

floor they would prefer to live on if they had a choice, 53% of the tenants with children specified first-floor units, compared to 38% of tenants with no children.

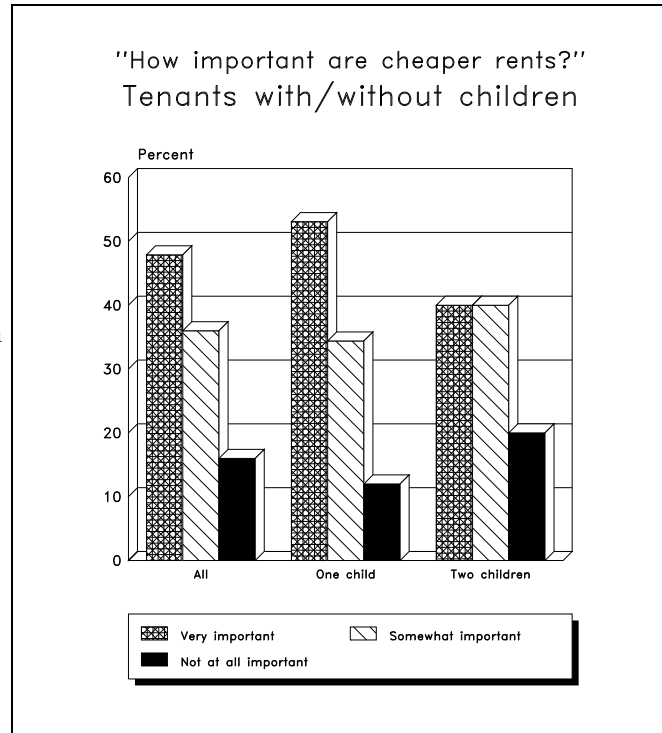
Where they want to go. As we've noted in earlier issues of **Apartment Resources**, the idea that "location, location, and location" are the most important aspects of successful apartment development is more often cliché than truth. Nevertheless, it is interesting to note that tenants with children often have very different views on the relative importance of nearby facilities than tenants with no children.

For example, being close to employment is "very important" to 49% percent of our total respondents. However, this percentage decreases as the number of children increase. Over 50% of tenants with no children feel that closeness to employment is "very important." Forty-eight percent of tenants with one child, and only 40% of tenants with two children, feel that closeness to employment is "very important."

On the other hand, the proximity to a good school district skyrockets for tenants with children. Of the total respondents, being in a good school district is "very important" to 28%. Only 16% of tenants with no children feel a good school district is "very important." But 72% of tenants with children indicated that a good school district is "very important."

How much they'll pay. An interesting price curve emerges when we ask tenants how much importance they place on obtaining cheaper rents. When we consider all of the respondents in our survey, 48% stated that cheaper rents are "very important," 36% stated that cheaper rents are "somewhat important," and 16% stated that cheaper rents are "not at all important."

Tenants with no children respond with percentages identical to the entire tenant universe. However, tenants with one child are slightly more cost-driven—53% of these tenants feel cheaper rents are "very important." Only 40% of tenants with two children feel that



cheaper rents are "very important," and only 33% of tenants with more than two children feel cheaper rents are "very important."

In summary, tenants with no children are price-driven to the same degree as the tenant universe, tenants with one-child are more price-driven than average, and tenants with more than one-child are less price-driven than average. This appears to indicate that tenants feel the greatest concern over their household incomes (and the portion of that income they can afford for housing) when they have their first child. Tenants with larger families appear to be comfortable with their earnings, since their desire for cheaper rent drops precipitously below the norm.

Do you know where your (tenants with) kids are? Your future success in apartment management and development may depend on how well your proposed and established projects are adaptable to tenants with children. As our above results indicate, nearly 25% of your potential market will be greatly influenced by your approach to this question.

We'll be discussing more results of this survey in future articles, but some preliminary indications are worth noting:

- **Although tenants with children form a significant portion of the market (22%), less than 5% of the market has more than one child.**
- **The extreme majority of tenants with children are married. Only 5% of tenants are single parents.**
- **A large percentage (38%) of married tenants have children.**
- **Tenants with children tend to gravitate to townhouses.**
- **Tenants who have children and occupy garden units tend to prefer first-floor units.**
- **The location of the complex may be important to most tenants, but the relative importance of nearby facilities varies for tenants depending on their number of children. Tenants with children are not as interested in being close to employment as tenants without children. Being in a good school district is of little or no concern to tenants without children, but of extreme importance to tenants with children.**
- **Tenants with one-child are more rent/price driven than any other group. Tenants with no children are average. Tenants with more than one child are below average.**

Some of these observations (such as the relatively low number of children per unit, and the strong percentage of married tenants compared to single-parent tenants) may make it easier for you to face local zoning resistance when considering area development. Even more important, planning your future development with these considerations in mind may greatly increase your chances for future success when competing in this new apartment market.

Coming attractions—FAX/Line.

We're constantly working on ways to make market information retrieval on REAL/LINE even easier. We're currently working on two projects—a software package that is designed especially for accessing REAL/LINE, and a FAX machine option for those without access to a modem.

If you are interested in receiving more information on FAX/Line or have any questions about our other services, please FAX your requests to (614) -221-4271. We'll give you details how to receive REAL/LINE reports via your FAX.

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 *Apartment Resources* 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)

Also, most programs offer a *Filter* or *Strip 8th Bit* function. This should be turned OFF, although it is not critical.

Baud: *300 or 1200*
Data Bits: *8*

Looking Forward

- Look for a very special feature to begin in the January *Apartment Resources*. This series will take a look at the future of multifamily development, and what happens *when long-term strategic planning becomes short-term emergency planning*.
- Something exciting is coming to REAL/LINE! We'll soon be placing a Housing Demand Analysis (HDA)SM for each of our *What's Hot and What's Not* cities on-line. You'll then be able to download the most accurate housing analysis available for over 150 major MSAs!
- Look for us at the **National Association of Home Builders (NAHB)** 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, and 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

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