



**DANTER
COMPANY**

Apartment Resources

A Real Estate Research Periodical

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

Volume 7, Number 9 December 1992

PAGE

2 The Aggregated POP Surveys: Amenity Preferences by Gender and Income

Amenity preferences are crosstabulated by respondent gender and household income.

4 Bigger is Not Necessarily Better

Important reasons that you should consider developing smaller projects.

6 Market at a Glance

A special look at the housing market in Hartford, CN; Des Moines, IA; Tampa-St. Petersburg, FL; and Denver, CO.

The Aggregated POP Surveys: Amenity Preferences By Gender and Income

This article continues our series detailing the aggregated POP (Project Opening Plan) survey results of upscale apartment shoppers. The aggregated results include over 2,100 survey respondents.

Amenity Preferences

Of all the aspects of our POP Surveys, we have received by far the most interest in the results of our survey of amenity preferences. Therefore, we are presenting amenity preferences with two special crosstabulations: gender and income.

We asked survey respondents to indicate how important certain amenities were to them when shopping for a new apartment. The charts in this article will detail the number of respondents who indicated that an amenity was "very important."

Gender Differences

Among all respondents, the key difference between men and women was that women had a tendency for a higher level of "very important" responses than men. Women

Men were more interested in recreational facilities, being closer to employment, fireplaces, ceiling fans, and microwave ovens.

preferred the same amenities as men, albeit at a generally higher rate. Among the top ten amenities, the only difference in order was that women placed cheaper prices above a self-cleaning oven, while men did the reverse (See Table 1).

Several amenities were preferred by women at a significantly higher rate: larger units, swimming pools, and closeness to shopping.

Table 1: Amenity preferences by gender

Percent of Respondent Who Indicated that an Amenity was "Very Important" When Shopping For a New Apartment		
Amenity	Women	Men
Washer/Dryer Hookups	91.9%	87.5%
Plush Carpeting	81.4%	79.7%
Storm Doors/Windows	76.5%	71.4%
Balcony/Patio	71.4%	69.3%
Larger Unit	70.1%	62.0%
Project Landscaping	64.2%	60.3%
Frost-Free Refrigerator	61.3%	58.9%
Cheaper Prices/Rents	54.7%	51.0%
Self-Cleaning Oven	52.9%	53.1%
Closer to Employment	47.3%	51.0%
Swimming Pool	46.3%	40.1%
Garage	40.9%	41.1%
Better School District	33.3%	29.7%
Recreational Facilities	33.1%	44.3%
Closer to Shopping	32.8%	28.1%
Fireplace	28.4%	34.4%
All First-Floor Units	28.2%	28.1%
Ceiling Fan	23.8%	31.3%
Microwave Oven	23.8%	33.9%
Vaulted Ceiling	12.0%	14.1%
Smaller Unit	3.9%	3.1%

For ease of interpretation, those amenities displaying a difference in preference by gender of greater than 5.0 percentage points have been set in bold type and shaded.

Men showed a significantly higher preference than women for the following amenities: recreational facilities, fireplaces, ceiling fans, and microwave ovens.

Income Differences

The distribution of shoppers by income indicates some significant differences by income. For example, the percent of shoppers desiring washer/dryer hookups generally increased with income, as did the number of shoppers wanting a better school district, a garage, or a fireplace, and vaulted ceilings, some of the traditional upscale amenities.

Not surprisingly, the group most interested in having cheaper rents was the group making under \$20,000. For them, cheaper rents was the fourth most

important amenity, compared with the eighth most important amenity overall.

Interestingly, the percentage of renters wanting all first-floor units decreased with income. All first-floor units is an amenity generally preferred by empty-nester and elderly tenants, and our survey shows these groups to be predominantly in the lower and middle-income groups.

Other amenities that were generally valued more by shoppers in the lower income ranges were storm doors/windows, frost-free refrigerators, and being closer to employment.

Coming soon: Apartment shoppers by age.

Table 2: Amenity Preferences By Income

Percent of Respondents Who Considered Each Amenity "Very Important" When Shopping for an Apartment						
Amenity	All Respondents By Household Income					
	Under \$20,000	\$20,000-\$29,999	\$30,000-\$39,999	\$40,000-\$49,999	\$50,000-\$59,999	Overall
Washer/Dryer Hookups	87.5%	88.8%	90.8%	94.3%	93.9%	90.5%
Plush Carpeting	78.1%	79.8%	85.8%	78.6%	84.8%	80.8%
Storm Doors/Windows	81.3%	72.3%	70.0%	75.7%	77.3%	74.8%
Balcony/Patio	69.5%	71.3%	71.7%	74.3%	65.2%	70.7%
Larger Unit	67.2%	68.1%	68.3%	72.9%	66.7%	67.5%
Project Landscaping	66.4%	61.7%	56.7%	67.1%	63.6%	63.0%
Frost-Free Refrigerator	64.1%	61.2%	55.8%	65.7%	51.5%	67.9%
Cheaper Prices/Rents	69.5%	52.1%	45.0%	44.3%	51.5%	53.5%
Self-Cleaning Oven	52.3%	52.1%	48.3%	65.7%	51.5%	53.0%
Closer to Employment	53.1%	47.3%	56.7%	38.6%	45.5%	49.0%
Swimming Pool	46.9%	38.8%	45.8%	55.7%	42.4%	44.3%
Garage	38.3%	39.4%	41.7%	44.3%	43.9%	41.0%
Better School District	29.7%	29.8%	34.2%	32.9%	40.9%	32.2%
Recreational Facilities	33.6%	34.0%	37.5%	44.3%	43.9%	28.6%
Closer to Shopping	31.3%	30.9%	28.3%	31.4%	33.3%	31.3%
Fireplace	22.7%	34.0%	37.5%	44.3%	43.9%	36.7%
All First-Floor Units	33.6%	30.9%	21.7%	30.0%	18.2%	28.2%
Ceiling Fan	24.2%	23.9%	25.0%	32.9%	30.3%	26.2%
Microwave Oven	27.3%	19.7%	24.2%	34.3%	37.9%	27.0%
Vaulted Ceiling	7.8%	13.8%	12.5%	17.1%	13.6%	12.7%
Smaller Unit	3.9%	4.3%	2.5%	4.3%	4.5%	3.7%

For ease of interpretation, those amenities showing a range by income of greater than 10.0 percentage points have been set in bold type and shaded.

Bigger is Not Necessarily Better

The last 30 years of multifamily development have been marked by a tendency for the development of bigger projects (over 200 units). In many markets, we commonly see projects of 200 to 500 units, and in some markets we see projects with over 1,000 units. For the Nineties, however, developers and lenders will have to rethink what they have learned about developing big projects, because bigger is not necessarily better.

Some History

During the boom years of multifamily development, larger projects were the norm. It was more economical to build on a larger scale, particularly if a substantial project amenity package was to be included. In addition, the pent-up demand for units from Baby Boomers coming of age encouraged large-scale development to meet this demand.

As a result, many developers and lenders learned to develop large projects. In the process, many have become so familiar with large projects that they are not comfortable with developing smaller projects.

Multifamily demand patterns, particularly the aging of the Baby Boomers, will make it critical for multifamily lenders and developers to quickly become comfortable with smaller projects, because inserting the large projects of the past into the market of the Nineties could make future development even more difficult.

Problems with Big Projects

While there are big payoffs, so too can there be comparable losses. A look at some of the problems that many large projects are currently experiencing can help identify some of the problems that big projects developed today might face down the road.

One key problem for big developments is the decreasing demand for multifamily units due to the aging of the Baby Boomers. Most of the big developments of the Sixties and Seventies are now finding that their market position has shifted from their original upscale orientation to a current positioning as

mid-priced or even entry-level apartments. As a result, these projects are now being affected by the decrease in demand for entry-level apartments. Their tenants are moving up to better apartments or single-family housing, and they are not being replaced at the same rate as before.

This decrease in demand is particularly critical for big projects because they have more units to fill. A 150-unit project experiencing a 50% turnover rate must lease 6 units per month to new tenants to maintain a 95% occupancy. A 400-unit project experiencing the same turnover rate would need to lease 16 units per month to maintain 95% occupancy. Often, increasing reabsorption can only be accomplished by becoming a better value in the market (i.e., reducing prices).

This problem is particularly critical in dealing with initial absorption. If initial absorption lasts beyond 12 months, then replacement absorption of initial tenants who choose to move must also be added to the total. Adding replacement absorption to initial absorption can increase the absorption period dramatically.

Lower Rents and Fewer Rent Increases

Because large projects need to have a large continual supply of new tenants, they must always be priced low enough that potential tenants consider them a value. As a result, large projects almost always have rents below those that can be achieved with the same units in a smaller project.

In addition, rent increases are also limited by the same need to attract and keep as many tenants as possible. Rent increases which make the project less of a value not only slow ongoing replacement lease-up, but also increase turnover, as existing tenants leave for projects which provide better value.

Magnified Problems

Larger projects tend to have small problems magnified because of the number of units. For example, current apartment design has made many apartment units designed in the Sixties and Seventies functionally obsolescent. Compared to more modern

units, they are woefully short on closet space, have very small bedrooms and living areas, and many lack modern appliances, such as frost-free refrigerators. In addition, many do not have washer and dryer hookups, by far the most prized amenity based on our surveys of upscale shoppers.

These obsolescence problems are magnified when they occur at a large project. Many large projects of the Sixties and Seventies do not only have obsolescent units--they have hundreds of them. As a result, such projects can only be competitive on price, and so they struggle to compete by reducing rents and offering incentives.

Another problem magnified in a large problem is ineffective leasing. An ineffective leasing agent that fails to meet replacement lease-up demands for 3 months in a row can cause as high as a 30- or 40-unit backlog of vacant units.

Many large projects are also experiencing a deterioration of their surrounding neighborhood. Many neighborhoods which were once the bright new frontiers on the fringe of the city are now experiencing crime and decay problems as residents continue to move farther out from the central city. Attracting a high number of potential tenants to an undesirable neighborhood can be very difficult.

Marketing

Most of the large projects of the Sixties and Seventies look alike: they have the same kind of units and project amenities. They also have no defined target market. As a result, many of them have difficulties marketing themselves and distinguishing their units from those of their competitors.

Therefore, many large projects market themselves the only ways they know how: price and giveaways. They try to attract as many potential tenants as possible and hope that the pricing and giveaways will convince enough potential tenants to overlook the project's faults. In order to attract potential tenants,

Many large projects of the Sixties and Seventies not only have obsolescent units that cannot compete with modern developments: they have hundreds of them.

they run frequent large advertisements in many media outlets, an expensive process.

By contrast, smaller communities with defined target markets can target their market more selectively, using the media most likely to attract their tenants of choice. Not only is such marketing less expensive, but it creates an initial screening process, thus increasing leasing agent efficiency and closing rates.

Zoning

Because of the problems that many communities perceive to be associated with large projects, many communities are creating substantial obstacles for larger projects, particularly through the zoning process. Available land for multifamily development is often the least desirable, and unit density requirements often make large developments impossible or impractical.

Advantages of Smaller Projects

Smaller projects have several advantages over larger projects. A smaller project is less subject to extended initial absorption, as well as extensive turnover and replacement absorption problems. In addition, smaller projects are usually less dependent on giveaways and incentives to stay full because they need fewer tenants.

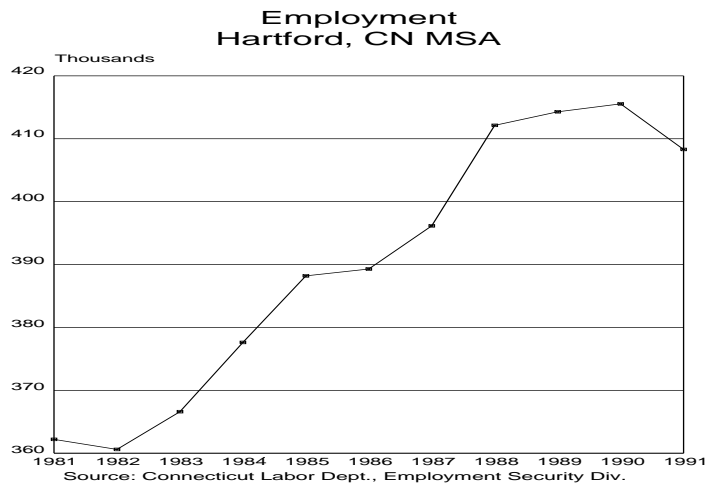
Smaller projects can also maximize rent because they need to attract fewer tenants, and because exclusivity is a premium for which many renters will pay. Rents can be particularly maximized if a project is targeted at a specific market segment. In addition, smaller projects which integrate unit design, project amenities, and marketing to serve a particular target market have decreased turnover, maximized rents, and will be less likely to become functionally obsolescent as long as the target market exists.

Large projects may become the dinosaurs of the multifamily industry. With the aging of the Baby Boomers, there simply is not sufficient apartment demand in many areas to support the massive projects of the past. If today's multifamily developers and lenders do not also wish to become extinct, they will need to rethink much of what they know to adapt to the changing multifamily climate.

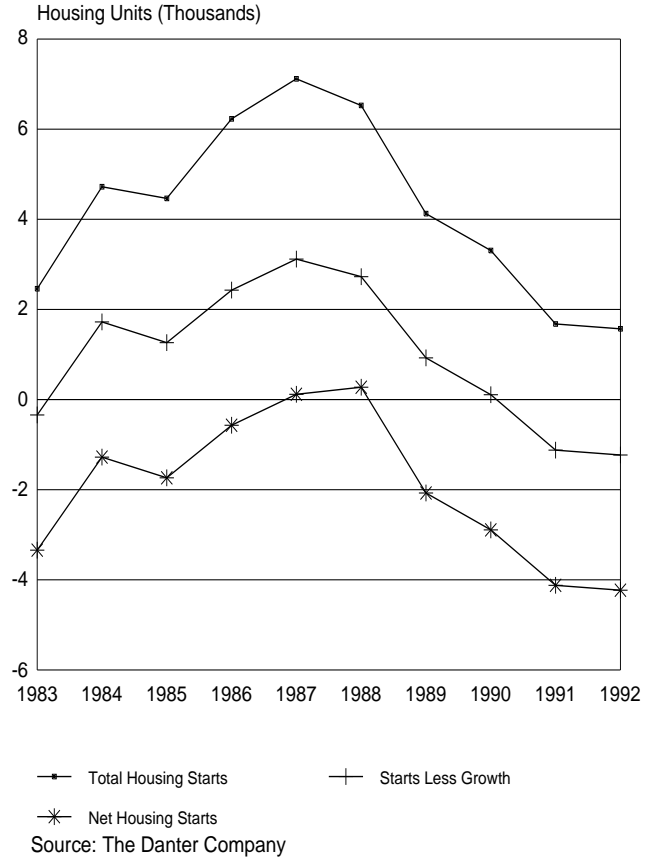
Market at a Glance

Market at a Glance is a special feature offered by The Danter Company that compares housing demand and housing supply to get a true historical record of a housing market. In the Housing Demand Analysis, housing supply (starts) is compared with housing demand from household growth, second homes, and internal mobility to determine the Net Housing Starts total. When the Net Housing Starts line is below zero, that market has a housing deficit, with demand outpacing supply. If the line is above zero, then the market has a housing surplus, indicating supply is greater than demand.

East: Hartford, CN MSA



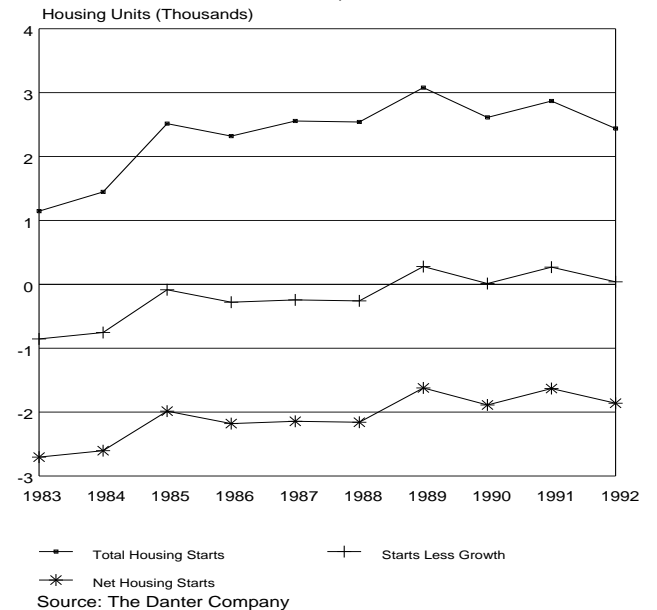
Housing Demand Analysis Hartford, CN MSA



Midwest: Des Moines, IA MSA

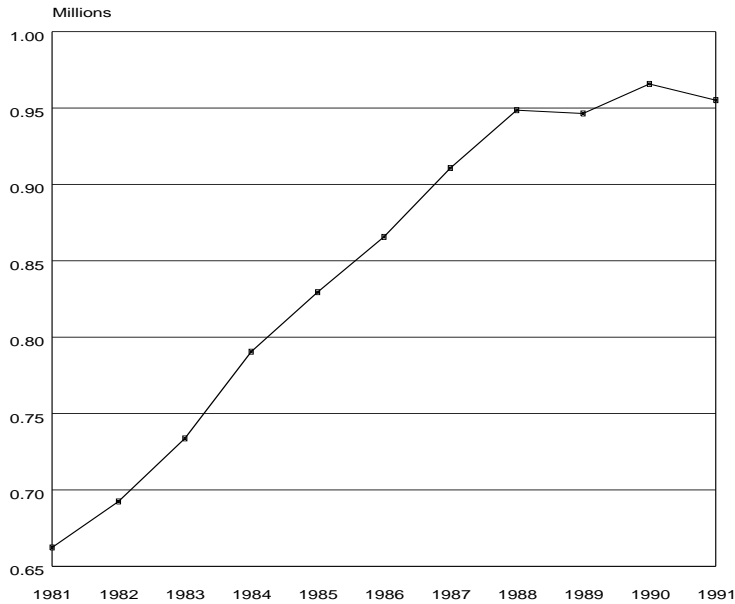


Housing Demand Analysis Des Moines, IA MSA



South: Tampa-St. Petersburg, FL MSA

Employment Tampa-St. Petersburg FL MSA



Source: Florida Dept. of Labor and Employment Security

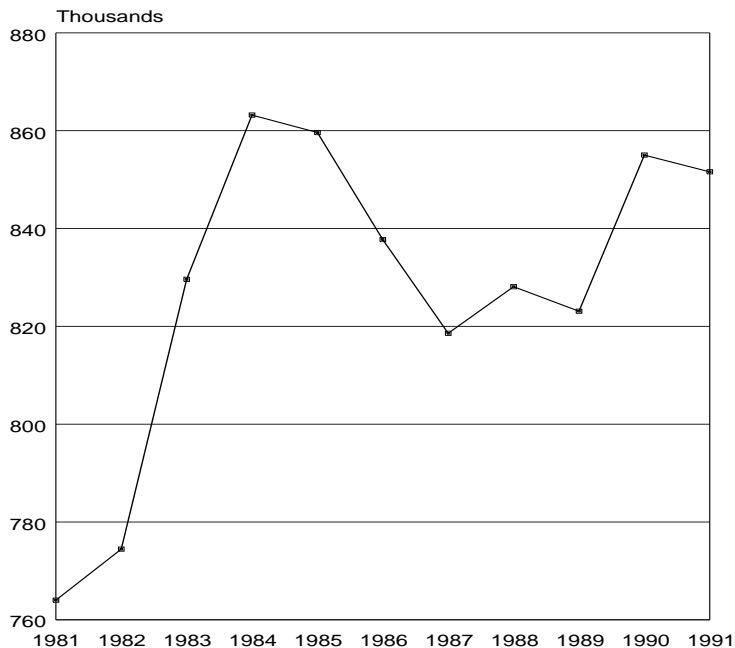
Housing Demand Analysis Tampa-St. Petersburg, FL MSA



Source: The Danter Company

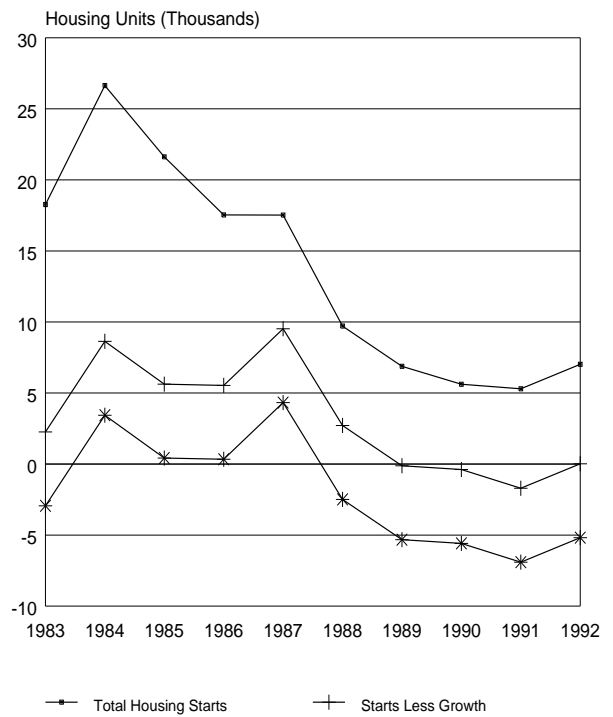
West: Denver, CO MSA

Employment Denver, Colorado MSA



Source: Colorado Department of Labor and Employment

Housing Demand Analysis Denver, Colorado MSA



Source: The Danter Company

News and Notes

- The Danter Company is pleased to announce *The Danter Apartment Rent and Vacancy Report Series*. Call us today at 1-800-532-6837 to find out which cities are now available.
- Don't forget that The Danter Company is more than the best source of information on apartments. We are a full-service real estate research firm that also studies condominium, single-family, golf course, motel/hotel, retail, office, industrial, congregate care/assisted-living, nursing home, resort, marina, and mobile/manufactured home development. In addition, we have experience studying area economic development/revitalization and examining real estate development potential by market. Call us to find out how we can meet all of your real estate research needs.
- Kenneth Danter, president of The Danter Company and nationally-recognized expert on real estate development and trends, is available for speaking engagements. He has addressed numerous regional and national associations and conferences. Issues addressed include market trends in multifamily and single-family housing and golf course residential development (nationally and locally), survival tips for the changing markets of the 90s, and how to really interpret real estate news in the media.
- In case you missed it, "Apartment Lending After the Boom" is now available in reprint. Written by Kenneth Danter, president of The Danter Company especially for *Mortgage Banking*, this article details survival strategies for the 90s that no multifamily professional should be without. Call, write, or fax us today to get your copy.

Apartment Resources is published monthly by The Danter Company—40 Spruce St., Columbus, Ohio 43215. Kenneth Danter, President and Publisher, Greg Grant, Editor. Phone (614)221-9096; FAX (614)221-4271. Second class postage paid at Columbus, Ohio.

Send all address changes to 40 Spruce St. Additional copies and back issues may be obtained by subscribers only for \$20.00 each by writing to 40 Spruce St. Reproduction in whole or part is prohibited without written authorization. Copyright 1992 by The Danter Company

40 SPRUCE STREET
COLUMBUS, OHIO 43215

BULK RATE
US POSTAGE
PAID
COLUMBUS, OHIO
PERMIT NO. 2836