

STUDY ON THE OPERATIONS OF
APARTMENT COMPLEXES IN
OKLAHOMA CITY

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Purpose of Study:

Low occupancy is a problem facing many of the owners of apartment complexes in the Oklahoma City area like many other cities across the nation. The boom in apartment construction has now reached a point of near saturation of the available market, therefore, causing many apartments to get in a serious financial position. Apartments are finding out that now they must satisfy the needs and wants of the renters or go bankrupt. Many complexes seem to be adapting well to this type of marketing while others are not. The purpose of this paper was to help the apartment industry by trying to determine what factors appear to be effecting the occupancy rate of these apartments. It was designed to help the apartments improve their occupancy position. Thus, this study presents information obtained through the use of a questionnaire and personal interviews. The idea was to study various facilities and determine their effect upon occupancy rate. At the same time, the study was to find other information that might help the operation of these apartment complexes. Of particular interest in the study was the effect of landscaping upon the occupancy rate.

Findings and Conclusion:

The study determined five factors that significantly effected the occupancy rate of apartments. These factors were: whether or not they had disposals, whether or not they allowed children, the price, the shortest possible leasing term, and the quality of landscaping. The price further determined that many of the apartments are running into problems because they are not properly defining their market. There appears to be a definite failure in the marketing of their apartments. Therefore, a large part of the paper was contributed to explaining market research and market segmentation. With this in mind, an explanation of how these apartments can improve their operations through designing a total marketing theme, was introduced. With this information and an understanding of the concepts, the apartments should be able to improve their occupancy position.

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APARTMENT COMPLEXES IN
OKLAHOMA CITY

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INTRODUCTION

In the past ten years there has been a tremendous development of apartment complexes in Oklahoma City and surrounding areas. This increase in the number of apartment units has proceeded to a point of near, if not complete, saturation of the potential market. Therefore, the competition for the market has increased substantially in the need for filling these complexes. As the competition has increased the number and complexity of methods for drawing people to the complexes has increased.

At first, complexes generally competed solely on price but as time has progressed this method of competition has seemed to lose some of its significance. People still look for the best buy for their money but the means of evaluating the complexes has increased in difficulty. The renter at this time can find an apartment in just about any price range that he desires.¹ This wide range of prices shows that there must be some other factors at work.

The apartment market is made up of a wide variety of renters. What these people are looking for in their rental homes seems to cover a rather large spectrum. Of course, price is a major decision point but people are also looking at several other factors that affect their decision. Things such as location, facilities, security, management, landscaping, etc., seem to weigh heavily in the selection of apartments. All the elements of apartment living must therefore be evaluated by the renter in his search

¹Apartment Survey, Office of Community Affairs and Planning, August 1972, p. 16.

for the apartment of his choice. He must decide for which facilities he is willing to pay more to have.

Since people's values are different, this makes different factors of apartments more attractive to some than others. Then those things that are attractive must be weighed against what they must pay for them. So, on one side you have all the facilities in the complex and on the other side you have the price of these facilities.

These variances in the public, the renters, make it necessary for the apartment owners and managers to understand their business in order to make it successful. They must be able to understand to whom they are trying to rent their apartments before they can be successful in doing just that. In other words, the owners and managers must be able to market their product.

The purpose of this paper is to help in just that process, the marketing of these apartments. By looking at the various factors that fall in the evaluation process of the public, a better understanding of the apartment's market should become apparent. As different strategies are discussed, their appropriateness of each of the different apartments should come into light. It is obvious that not all apartments can use the same strategy, but there are several factors that all apartments can use to increase their effectiveness.

One of the major factors that will be discussed in this paper is the appropriateness of landscaping in apartment complexes. It appears that landscaping could possibly be beneficial to these apartment complexes in terms of higher occupancy and profitability. This has been reflected by an increasing interest in the development of landscaping in a large number of new apartment complexes.² Since landscaping is an additional expense in

²House and Home, "Environment," Vol. 44, December, 1973, p. 71.

the construction of apartments, it seems that there should be some justification to this added expense.

Even though landscaping seems to be a plausible means of helping apartment operations there are other factors that could also help. The other factors evaluated in this study are:

- A. Dishwasher
- B. Disposal
- C. Off-street parking
- D. Covered parking
- E. Lease terms
- F. Storage space
- G. Children
- H. Pets
- I. Playground
- J. Swimming pools
- K. Laundry facilities
- L. Fireplace
- M. Security
- N. Age of complex
- O. Number of units
- P. Price
- Q. Tenant types

Any of these factors could possibly have an effect upon the occupancy of apartment complexes. The purpose of this paper is to identify those factors that have a significant affect on the occupancy rate and to give some reasons why they may have this effect.

Occupancy rate is used as the device for evaluating these factors for several reasons. First of all, occupancy is a common tool used for evaluating the success of apartment operations. Secondly, it is easily obtained for a certain period of time. Finally, it is expressed in quantifiable terms that can be used in the analysis. Even though occupancy is not a direct reflection of profitability, it will be assumed close enough for purposes of this study.

PURPOSE OF THE APARTMENT STUDY

The incentive for this paper was first generated by a request made by the Oklahoma City Beautiful Committee. The request was for a study to be made on the affects of landscaping and beautification on apartment complexes in the Oklahoma City area. Their interest was to help deal with the low rate of occupancy in the Oklahoma City apartment complexes. They felt better landscaping would help these apartments draw more customers into their units, therefore aiding the apartments financial position.

As research was conducted on this problem it became obvious that there were a number of factors to be dealt with in the successful operations of these apartments. The idea of improving the landscaping of these apartments appears to be a very useful means of increasing the effectiveness of the complexes but only when it is considered in respect to many other factors. So, it becomes obvious that landscaping is one of many steps that apartment owners and managers must take to deal with this low rate of occupancy.

This paper will be a study of those elements that appear to make a significant difference between the successful apartment operation and the unsuccessful one. It will serve as a guide for the apartment owners and managers toward those elements that will help the apartment market get back on its feet. In other words, it will help the apartments understand the market with which they are dealing.

Basically, the problem of the apartments seems to be a misunderstanding of their market, the people to whom they are trying to rent their apartments. This is one of the main problems that all businesses must know:

to whom they are trying to sell their product. The better understanding they have of their market the better they will be able to do so. So, many of the basic concepts of marketing are very applicable to this problem.

To better understand the problem that apartment owners and managers have, it may be useful to understand national trends toward apartment construction and housing in general. An explanation of the reasons for this development of apartments will help in understanding the problem and how to deal with it.

National Trends in Housing

Nearly every person in the United States has several times in his life when he must decide where he is going to live. In his decision he has two different types of housing from which to choose: single-family housing and multiple-family housing. The type of housing on which he decides is usually influenced by such factors as: his salary, place of work, size of family, and social background. Whatever the factors are that make him decide on a particular type of housing, there are trends on the overall population's choice of housing.

In the 1950's there seemed to be a trend for the population to prefer single-family housing over apartments or multiple-family housing. This trend was generally explained by the fact that as people become richer, their demand for living space increases causing the person to be more satisfied by single-family housing on their own plots in the suburbs.

The buildup of apartment complexes was a nationwide trend that started in the early 1960's and progressed to overproduction by the early 1970's. There seemed to be a much larger market for these complexes than was at first assumed. Then, when the early complexes started doing so well, everybody started getting into the act. The percentage of multiple-family units

has increased substantially in relation to the number of single-family housing units. In 1963, apartments made up about one-third of all housing starts, but by 1968 this had increased to 40 percent and 45 percent by 1969. In the larger cities and their suburbs where the largest number of apartments are build this percentage is even higher.³

What is the reason for this upsurge in apartment complexes? Is there really a market here that has been overlooked before or is the introduction of these complexes generating a new market? In past years, apartments were usually just a temporary stop for the consumer on his way to purchasing a home. Today, this does not seem to be the case.

Apartment dwellers used to be known as "floaters" or "drifters". Not so anymore. Apartments are becoming a way of life for many people and many experts claim that it is a permanent shift in the American way of life.

Always before the American's dream was to own his own home. Home ownership was regarded as a political, psychological, and financial advantage. Therefore, with the recent upsurge of apartment dwellers, one would assume that this American ideal is changing. This may be true but it has not necessarily been changed by the American's own free will. Many people have been forced into the apartment market because of the cost of houses.

Construction costs have skyrocketed so much that it has priced many of the low-income families out of single-family housing. The typical young couple setting up housekeeping used to go into apartments until they could get their own house, now the length of time spent in the apartments by these people is longer. For the time being, these people have been all but priced out of home ownership.

While this cost factors is probably one of the main reasons for this recent trend, it is not the only reason. There are several other matters

that have caused people to look for apartments instead of their own houses.

A few of these are:

- * A growing scarcity of land close to cities where the majority of Americans live. High-density development becomes essential as more and more people move into the metropolitan areas.
- * A transient population. One developer says, "These employees who are shifted about all the time do not want to buy, and their employers do not want them to buy, either."
- * An increase in the age groups that are normally renters--young single people who often double up, young married couples, and elderly people who are anxious to shuck the care and maintenance of a house. Population experts say the number of persons in both age groups is likely to continue to rise significantly during the 1970's.
- * Changing racial patterns are also mentioned by some experts. A study by the National Association of Home Builders suggests that people are more willing to be racially integrated in apartments than in single family neighborhoods. Possible declines in property values when blacks move in do not worry renters the way they do homeowners.⁴

This shows that there are a variety of reasons for the upsurge in the interest for apartment living. It seems reasonable to assume that there is a future for apartment complexes, if dealt with in the right manner. At first, there was no reason for the apartment owners not to make a profit and many of them did. Now this is not the case. The opportunity for high profitability prompted many of the construction companies to move into apartment construction, causing over supply.⁵

⁴U. S. News and World Report, "The Rush to Apartments," December 8, 1969, pp. 46-48.

⁵U. S. News and World Report, p. 47.

This brings the problem back to the basic concept of supply and demand. At first the demand was greater than the supply, causing the increase in apartment building. Now it appears to have reached the point of over supply. Since the supply is greater than the demand, something must be done to regenerate the demand. This usually takes the direction of price reductions but the apartments could not go too far in this direction. They could not drop the prices very far and still hope to be profitable even at 100 percent occupancy. This caused the apartments to start using other means of increasing demand. Many used things such as a free months rent, free television, bus service, etc., just to bring in new renters. Many more facilities started appearing in the complexes. Tennis courts, multiple swimming pools, club houses, and game rooms started becoming common to a large number of complexes.

Apartment owners and managers started trying any gimmick they could think of just to increase their occupancy. As each complex would offer these gimmicks all of the others would retaliate with something else. As this has continued the apartments have found little relief in their occupancy problems.

Why have these ideas not been successful? Most of the problem appears to come from the fact of not understanding the market. Since, they do not understand the market, obviously they are not correctly identifying their market. Without identifying the market they are trying to approach, how can they hope to be successful?

This paper is intended to be an aid to the apartment owners and managers in dealing with this problem. The purpose is to present the type of market that is open to different complexes and the means to identify it. Specifically, the paper will deal with the Oklahoma City area, pointing out

the problem with which they must deal and introduce methods to handle these problems. It will explain what is meant by market segmentation and how it can be of use. When this is better understood, a study of different practices used in apartments will be discussed to show how this concept can be advantageous. A special amount of attention will be spent on an explanation of how landscaping can be most effective and what its effects are on the occupancy rates of these apartment complexes.

An in-depth study of the landscaping of apartments will show its usefulness and advantages. It is a new device that has been used in the last few years to help draw people into these apartments. Its use is a sign that apartment builders are realizing the importance of designing the complexes with the consumer in mind. The success of these apartments that deal highly with landscaping is subject to the extent that the builders realize what the consumer wants. Its use is not a simple matter and if not done in the correct manner will amount to a great amount of expense without much return for this expense. Landscaping is considered as giving a competitive advantage to those who use it. In the study described here, an analysis is performed to determine if landscaping provides the apartments a competitive advantage in the Oklahoma City area.

MARKETING OF APARTMENTS

The general purpose of this study is to give a basic explanation of the different methods of marketing apartments. To investigate the marketing practices of apartment complexes, it is necessary to get an overall understanding of the problems that must be faced and why these problems exist. The projected results will provide a systematic means of evaluating the market to help the individual manager or owner of an apartment better evaluate his needs to improve his occupancy position.

Before proceeding into the problem definition it may be useful to define some of the terminology used in later parts of the study. These definitions should help to clarify the terms when used to explain the operations of the apartments.

Explanation of Terminology

First of all, it is necessary to define the meaning of the word, "market." Essentially, "market" is used in three different ways: a verb sense, a place sense, and a people sense.⁶

Frequently the word "market" is used in the context of dealing in or exposing for sale. This leads the word to be held synonymous with selling when used in this fashion. This form of the word is used in this study when referring to the marketing of apartments.

Secondly, this word is commonly used in the context of a place.

⁶Gist, Ronald R., Marketing and Society, Holt, Rinehart, and Winston, Inc., New York, NY, 1971, p. 5.

Usually it refers to a place of common trade. In other words, it is used to describe where goods are exchanged for other goods by either trading or selling. In earlier times, the common trading area was referred to as the market place.

The final use of the word is as a description of people. This is used to define the people to whom a certain product has access. They are the people to whom the product could possibly be sold. This type of market is the one that is referred to in this paper. As the term is used in this paper it is defined as: 1) people with purchasing power and with 2) either a felt or quiescent need for some product or service.⁷

In reference to the definition for this last use of the word "market", it would probably be helpful to further explain. Where it says that people must have purchasing power, it does not mean that these people must have money. If they have something of value which they could exchange for real goods then they have purchasing power. Therefore, purchasing power can have monetary or a real form.

Further stipulation of the definition is that the people have either a felt or quiescent need. What this means is that a market may be either aware or unaware of its needs for products or services. Then if this is true, the market may be developed or expanded through promotional activities.⁸

This last meaning of "market" is the most used and the one that is used the most in this paper. In terms of apartment complexes, the market would be those people that have a need to live in an apartment. This need

⁷Gist, Ronald R., Marketing and Society, Holt, Rinehart, and Winston, Inc., New York, NY, 1971, p. 5.

⁸Gist, Ronald R., Marketing and Society, Holt, Rinehart, and Winston, Inc., New York, NY, 1971, p. 5.

may be a fully realized need, a completely hidden need or something in between these two extremes.

Now that there is an understanding of what is meant by the apartment market, it is necessary to explain what is meant by market segmentation. Basically, market segmentation is splitting the market into sub-markets or just plainly segments of the total market.

The concept of segmentation is based upon three propositions:

- 1) Consumers are different.
- 2) Differences in consumers are related to differences in market demand.
- 3) Segments of consumers can be isolated within the overall market.⁹

In reference to the first proposition, consumers can always be split into such categories as age, income, education, ethnic background, race, religion, etc., and this is what segmentation does. Segmentation splits the total market into factors such as these and also into qualitative categories such as needs, personality, motives, and perceptions. These qualitative factors may be hard to measure but none the less, consumers exhibit differences in these variables and they may be used to help segment the market.

The second proposition simply states that there is a relationship between the differences in the characteristics of the consumers and their subsequent buying behavior. What this proposition brings to light is that if this relationship can be defined it can help in determining what must be done to stimulate a specific buying behavior.

The third proposition states why segmentation can be useful. If these

⁹Cayley, Murray, James F. Engel, and Henry F. Fiorillo, Market Segmentation, Holt, Rinehart, and Winston, Inc., New York, NY, 1972, pp. 1-2.

segments could not be isolated, there would be no usefulness in knowing that consumers are different. It is obvious that the consumer differences that are of the greatest interest are those that reveal differences in consumer needs, wants, and product preferences. When a specific market has a wide range of differences in consumer product preferences, the ability of one product to satisfy all of the customers is greatly reduced. So, if a segment of the market could be better served by a different product this would provide a greater opportunity. The problem exists in being able to isolate this segment from the rest but, when it is, it constitutes a viable region of potential sales. If businesses are continually in a process of adapting to the buyer needs of carefully researched and defined market segments, then they are gaining a substantial competitive advantage over other firms.

All of this means, when studied in context with the apartment business, it is not possible for one complex to be able to satisfy every kind of apartment dweller. Apartment dwellers are made up of a wide variety of people. They have many varied interests, backgrounds, occupations, incomes, etc., which makes it impossible to please all of them. So, it is necessary to pick a certain segment of this market and attempt to draw them into the complex. Chances are that a complex will be more successful and will probably save a little money on their promotional expenses. Of course, for the complex to be successful it must be working on a market segment that is not already satisfied by other apartments.

How do you determine what market segments you should try to approach? The method of gathering information to determine your market segment is called "marketing research." Generally, marketing research is defined as "a systematic and objective search for and analysis of information relevant

to the identification and solution of any problem in the field of marketing."¹⁰ This definition gives you a basic, though not explicit, explanation of what is considered to be marketing research. The reason the definition is so broad stems from the fact that marketing research goes into many different areas of study.

Below is a list of many of the problem areas that are contained in marketing research:

I. Market Analysis

- a) General market measurements--economic forecasting, determination of market potential and sales forecasting.
- b) Analysis of specific market territories and trade areas, and sales analysis-market share estimates, salesmen evaluation, evaluations of dealers or distributors, etc.

II. Advertising Research

- a) Audience measurements--identify characteristics of media audiences. Helps in use of most communications.
- b) Effectiveness studies--impact of particular media, particular advertising vehicles (specific stations) and particular advertisements.
- c) Allocation studies--identify the proper level of advertising effort.

III. Consumer Research

- a) Brand awareness and preference studies--identifies changing levels of consumer awareness of different brands and the strength of consumer brand loyalties.
- b) Motivation studies--identify the reasons underlying particular aspects of consumer behavior.
- c) Allocation studies--gains insight into consumer behavior through detailed examinations of consumer expenditures.

¹⁰Paul E. Green and Donald S. Tull, Research for Marketing Decisions, Englewood Cliffs, N.J., Prentice - Hall, Inc., 1966, p. 2.

- d) Product design and performance studies--seeks to determine preferences of consumers, as well as the desired functional attributes of products or services.¹¹

This shows that marketing research goes into many different problem areas but to make a proper analysis of the market most of this information is essential. This is true, especially when the target market segment being approached is being determined. Since the product is being aimed at a particular segment of the market, this marketing research must be done in order to determine whether they are aiming at the correct segment. Therefore, the marketing research is obviously a very important step in the study of one's market.

The terms just explained will be used in the presentation of the rest of the paper. With these terms explained, a better understanding of the total process can be obtained.

Problem Definition

The marketing of apartments is not something that can be stated in ten easy steps. At present, there is no positive method to bring more people into apartments. There are just too many interacting variables to be able to specify what must be done, and yet, there are many things that may help. The proper approach is to determine trends that people are looking for in their rental of apartments.

Too many apartment managers and owners seem to be doing things in their apartment complexes according to what everyone else in the apartment business is doing. They may not know why the other apartments are doing what they are, but if one is giving away new TVs to new renters, they seem to feel they have got to do the same thing to be competitive. This is how

¹¹Gist, pp. 249-250.

many people approach the problem of renting apartments -- do whatever the competition does. Therefore, they will stay in as good as a position as everyone else, whether it is good or bad.

The downfall of many of the apartment complexes appears to be making adjustments based on competitors actions and not based on public or customer wants. Actions of their competitors are not necessarily the best for their complex. Apartment complexes are different and the people to whom they rent are different, so why should the same strategy work for all apartments?

This does not mean to completely ignore your competition. It is necessary for the smart businessman to keep track of what his competition is doing. It may help him to improve his position. The trick is to evaluate every possible move by deciding which moves his market wants and acting on them, if possible. The ones that do not apply to his particular market should be discarded.

In order to be able to decide what moves are good for his market, the apartment manager and owner must know what his market is. In other words, he must know to whom he is trying to rent his apartments. The determination of one's market is one of the most important steps in the operation of any business. Many apartment managers say they are trying to rent to anybody that wants to rent. This approach could explain why many apartments are going bankrupt.

Determining market segments that a particular complex would like to approach should be done after a proper amount of marketing research has been done in the area where the complex is or will be. Marketing research helps to determine the holes in a market in a certain area. In other words, it helps to determine what part of the market is not being satisfied by

present facilities. This gives the owners and managers an idea where there is a potential for gain. So, marketing research is something that can be very helpful but only when all facts are taken into consideration. Therefore, marketing research is another area where problems can exist in apartment operations.

Advertising is considered to be a very important part of renting apartments but like everything else if it is not done right, it can lose its effectiveness. This paper will discuss how advertising can be used to an advantage without going over the advertising budget. It is not necessary to spend an overwhelming amount of money on advertising if it is done correctly. This part of the paper will give some tips on how this can be used effectively within a reasonable price range.

Management and maintenance of these apartments will also be discussed. These are two items that can be hidden at first from the renter but in time, incompetence in these departments can possibly be costly. Therefore, it is important that these two factors be studied closely. Poor management and maintenance does not show up as great in the renting of apartments but makes its appearance in the turnover rate. Renters get more frustrated and want to leave more often when they have trouble getting things fixed. This problem is probably even worse than the fact that facilities go wrong in the first place.

Also, the usefulness and effectiveness of landscaping and beautification is studied. This part goes much into the ideology behind landscaping and what it can do for an apartment complex.

The concept of landscaping is many times misunderstood. A lot of people feel that a well landscaped complex is one with some trees and shrubs and is kept up well. Landscaping, if done correctly, is much more compli-

cated, In this study, much of what goes into the landscaping of an apartment complex is discussed. There is the possibility of a problem existing in the fact that landscaping is put in as an after-thought and not a part of the total concept of the apartment complex.

Finally, the different facilities offered in an apartment complex will be studied. Problems could possibly exist if facilities considered unimportant are in reality important to the consumer. If a complex does not provide the facilities wanted by the public than it is hampering its possible success. Therefore a problem can exist in not recognizing the importance of certain facilities in the development of an apartment complex.

In summary, the results of the study will aid in the development of a total concept for the marketing of apartments. Its purpose is to provide apartment owners and managers with information that can help them to be more successful in filling their apartments on a permanent basis.

Questions and Hypotheses

The major part of this study is of the descriptive nature. Therefore, most of the study was to answer questions relating to the renting of apartments. The purpose has been to determine what the apartment managers and owners can do to improve their occupancy rates and financial position. At this point a number of questions will be raised that should be answered in the study.

1. How does market research apply to the apartment business?
2. How can market segmentation help in the renting of apartments?
3. How important is promotion? What types of advertising and promotion are best for the apartment business?
4. Where does the manager fit into the picture? What purposes does he serve?

Also the study will be looking at different factors that could possibly affect the occupancy rate of apartment complexes. It will be assumed that these factors have no influence on the occupancy rate.

Hypothesis 1

The factors studied will have no significant influence on the occupancy rate of apartment complexes in the Oklahoma City area.

Another area that will be studied in depth is the affect of landscaping on apartments, especially in connection with the occupancy rate. Where and when landscaping should be used, will be discussed along with what are some of the most affective types of landscaping. The study will be attempting to prove that landscaping has a significant affect on the occupancy of apartments.

Hypothesis 2

The occupancy rate will vary positively with the quality of landscaping on apartment complexes in the Oklahoma City area.

Theory

The theory behind this study is incorporated mainly into the explanation of the terminology. When a basic understanding of such things as market, market segmentation, and marketing research is obtained then the objective of the study is more easily understandable. With these terms in mind, the framework of the analysis can be constructed to give attention to a specific area of study.

So with the background of the terminology supplying a framework from which to work, a procedure for improving occupancy rates of apartment complexes can be designed. The idea here is to take basic marketing theory

and apply it to the apartment industry. Its purpose is to point out areas in which improvements can be made by apartment owners and managers about apartment operations. These owners and managers have the same problem with apartments that many other small businesses do--a need to understand all areas of the business. Therefore, these people are not able to spend the proper amount of time in each of these areas. If these people are supplied with some information which makes the business a little bit easier to understand and operate, it would be very useful.

The only thing that needs some explanation, beyond the definitions of market, market segmentation and marketing research, is what is meant by landscaping. Generally, landscaping is considered to be the development of an environment. As stated by Phil Shipley, a landscape architect, "Landscaping is not just a question of prettying things up. It is an integral part of the whole project, and it has to be studied and designed from that standpoint."¹² So landscaping should be something planned in an apartment project from the beginning and not something added in at the last minute.

The analysis of the landscaping of the apartments used in this study was done by Mr. Warren Edwards, a Landscape Architect from Oklahoma City. In his analysis he took a number of factors into affect. He explained them to be:

1. Apparent natural condition prior to construction; naturally wooded, bare, scattered vegetation; grade changes, relatively none; quality and type of soil condition.
2. Density of construction.
3. Architectural quality and lack of it.

¹²House and Home, "Landscaping Can Help To Give a New Apartment Project an Old, Established Feeling."

4. Site treatment following construction.
5. Obvious building siting so as to create a thoughtful composition, or placement of standard building plans on a site regardless of existing condition.

RESEARCH DESIGN

As was stated earlier, the major part of this study is of the descriptive nature. Therefore, much of the information was gathered from conversations between the researcher and the apartment managers. These conversations were held while the managers were answering a short questionnaire which provided information for the quantitative portion of the study. This descriptive information was obtained to provide examples of what apartment managers thought about the apartment market. They would express their reasons why their apartment was doing good, bad, or average. The managers were asked for what they thought renters were looking in their search for apartments. It was attempted to find out to whom the manager was trying to rent the apartments. Also, some indication of how long the managers had been at this particular apartment complex was obtained.

All of this information is gathered to determine the degree of awareness of the apartment market the managers possessed. It gives the researcher an impression of the quality of managers used in these apartments. At the same time, the researcher gains some understanding of the apartment business and where a lot of the problems lie.

With this information and a knowledge of marketing concepts, an overall approach to the apartment businesses problems can be accomplished. This provides an explanation of what the apartment manager should do in order to increase the occupancy of their apartments. This part of the study is purely subjective and has no quantitative backing but it can serve a very useful purpose.

The second part of the study goes more into a quantitative analysis. Its purpose is twofold. First of all, the study is designed to determine what facilities in the apartment complexes have an affect upon the occupancy rate. In order to be able to obtain this information, it was necessary to develop a questionnaire. In this questionnaire, facilities were listed, providing a space to check whether the complex has the particular facility or not. Also, information regarding the size of the complex and the number of units occupied was necessary to determine the occupancy rate.

One last bit of information that was collected was on the tenants. What was wanted here was the different categories of tenants in each complex and the category that tended to be most prevalent. This information may serve to determine which tenants are drawn to which type of complex. This information may also help to determine whether it is better to go for a variety of types or limit the complex to certain types.

An example of the questionnaire is shown in Appendix I. The questionnaire was designed to be short and easy to fill out, so the managers would be more willing to answer it. It was also to be filled out while the researcher was there if at all possible. This was to insure that the response type and rate would be better than if it was just given to them. It allowed questions to be clarified and emphasized its importance.

In administering the questionnaire some problems arose with the cooperation of the subjects. A number of the complexes from the original sample refused to give the information requested. They would usually give all of the information except the occupancy of the complex. Since the occupancy was essential to the study, these questionnaires were deleted. Therefore, the original sample taken differed from the final sample. Besides these complexes no other problems arose from the cooperation of the subjects.

In this study there was no problem with the researcher giving the questionnaire understanding its purpose. Since, there is only one person giving the questionnaires and tabulating the results there is no problem with how the questionnaire was given. All comments the researcher had were written on the questionnaire before and after each questionnaire was given so as to aid in the overall impression of the apartments. These comments were used later to help in the subjective portion of the study. Inferences were made about how the managers appeared to understand their problems and their attitudes toward them. This helped to arrive at some generalizations about the managers influence upon the apartment market.

First Sample

It was decided that, because of the large number of apartment complexes located in the Oklahoma City area, the questionnaire would be given to a sample of the total population. A list was made containing all of the known apartment complexes containing twenty units or more who had started renting before 1974. The reason these two stipulations were made was to simplify the process and provide better results. Apartments having less than twenty units would not have many of the problems that a larger complex would. Also, the smaller complex could not possibly provide many of the facilities of the larger apartments. It was felt that the purpose of the study would not apply to them as much as it would to the larger complexes. The reason for not having apartments that were not open before 1974 was to make sure the apartments had had enough time to get started and therefore make the sample internally comparable.

The list of apartment complexes was compiled from a combination of;

1. Apartment Survey--prepared by the Office of Community Affairs and Planning.

2. Apartment Construction Dictionary--provided by Jim Williams of the Oklahoma Publishing Company.
3. Apartment Guide--published by Clyde D. Blythe.
4. Oklahoma City Telephone Directory.
5. Criss-Cross Directory of Oklahoma City.

The final list ended up with a total of 515 complexes in Oklahoma City and surrounding areas (excluding Moore, Edmond, and Norman). This list was then split up into four areas as shown on Figure 1, making up four lists of the complexes in alphabetical order. This was done to help stratify the sample to make sure each area of Oklahoma City was well represented.

From these lists a total of 60 apartment complexes were selected for the study sample. The sample size desired was 50 and the other ten were used in case some of the original 50 would not answer the questionnaire. As it turned out more than ten would not answer the questionnaire and more complexes were picked so as to obtain a sample of 50.

The method for selecting the sample was to first decide how much of the total sample was taken from each area. This was done by taking the fraction of total apartments that each area had and multiply it by the total sample. For example, Area 1 had 128 apartments and its share of the sample was:

$$(120/515) \times 60 = 15$$

$$(\text{Apts. in Area 1} / \text{Total Aprts.}) \times \text{Total Sample} = \text{Apartments.}$$

After the number of apartments taken out of an area was determined, then that number of apartments was drawn at random from the list for that area. This was done by first numbering the apartments by alphabetical order. Then a table of random numbers was used to pick numbers that fell within the range of apartments in the list. So, for Area 1 the sample would be the first 15 numbers that fell in the range from 1 to 128. Then the apart-

ment complexes that corresponded to each of these numbers would be in the sample.

With this method of obtaining the sample used the sample should be representative of the total number of apartment complexes. The only problem that could arise would be if there is some relationship between those apartments that refuse to answer the questionnaire and the occupancy rate. If this were true, we would not be getting a representative sample. There seems to be no reason for this to be true, therefore, the sample will be assumed to be valid.

There did seem to be a problem with several of the complexes not answering the questionnaire. The final sample obtained had a total of 49 complexes. This was out of about 70 complexes contacted. The refusal to participate was assumed to have no affect on the outcome because the types of apartments refusing to answer varied greatly in size, type and quality.

Second Sample

The second sample in the study cannot claim the validity of the first but can be considered reliable. The part of the study to determine whether the quality of landscaping in the apartment complexes had an affect upon the occupancy rate of these complexes contained a smaller sample from necessity. The sample size was 12 apartment complexes and was collected from mainly Area 1 and part of Area 2. The reason for the small sample size was because it was the most that could be evaluated on the quality of landscaping in the time period allotted. It was necessary to have Mr. Warren Edwards to evaluate these complexes because he has the necessary expertise. His time schedule made it impossible for him to be able to handle more than twelve complexes.

Another reason for this size came about because of the results obtained in the first sample. It became apparent through administering this questionnaire that there were some other factors that had a significant affect on the occupancy of the apartments. It appeared that, except in extremely high quality landscaping, location had an overriding affect on the occupancy. This does not mean that the apartments in one of the four areas had higher occupancy than any of the rest. It means that there were different locations having a higher occupancy rate than others but they were only small areas. In these areas though, it did not appear that it made any difference what kind of complex was there. What seemed to be the case was that within these areas there was not a large number of apartments and there was a high enough demand for apartments that they had no problem renting them.

Therefore, to be able to find the effect that landscaping has on the occupancy rate, it would be necessary to find some areas in which there is a large number of apartments. In this case there would be a lot of competition for the market in this area and it would make it easier to see if landscaping would affect occupancy.

There were four areas picked that had a large number of complexes. These four areas are shown in Figure 2. Three apartment complexes were drawn at random from each of these four areas to serve as the sample. Then these twelve complexes were given the same questionnaire used in the first part of this study and their landscaping was evaluated.

Quantitative Analysis

All of the analysis of the data was done using the Statistical Analysis System (SAS). SAS provides a variety of possible tools for evaluating data for statistical significance. The two procedures used from SAS were the

Pearson Product Moment Correlation Procedure and the Spearman Procedure.

The Product Moment Correlation Procedure is used to measure the linear correlation between two variables. The measure of linear correlation-- commonly used in statistics is called the coefficient of correlation between two variables called X and Y. This quantity, commonly denoted by the symbol, r, is computed by:

$$r = \frac{\sum_{i=1}^n (X_i - \bar{X})(Y_i - \bar{Y})}{\sqrt{\sum_{i=1}^n (X_i - \bar{X})^2 \sum_{i=1}^n (Y_i - \bar{Y})^2}}$$

where:

n = number of observations

X_i = ith value of X

\bar{X} = the mean of N values of X

Y_i = ith value of Y

\bar{Y} = the mean of N values of Y

The correlation coefficient can range in values from -1 to +1. The value 1, positive or negative, means total correlation between the two variables. The signs tell whether they vary in the same direction or not. If the value is zero, there is no correlation between the variables. Any value between zero and one indicates to what extent the variables correlate. So, if they had a value of $r = .83$, the variables would have been more highly correlated than if they had the value $r = .50$.

Along with the correlation coefficient given is the coefficient's significance probability. What this does is determine the probability that a correlation coefficient that is large or larger in absolute value would arise by chance were the random variables truly independent. This prob-

ability is based on the assumption that the values are realizations of random variables having a bivariate normal distribution.¹³

The Spearman procedure is a statistical test much like the correlation procedure, the only difference being that this test is for nonparametric data, while the correlation procedure is for parametric data. In this study, some of the results can be ordered (ranked), but the location of the responses on a scale of measurement is arbitrary. In other words, an exact measure of some of the variables cannot be made, but they can be put into a specific order.

The word "nonparametric" came about as a kind of a reflection of the type of hypothesis usually tested when dealing with ranked data. Parametric hypotheses are those concerned with the population parameters. Nonparametric hypotheses do not involve the population parameters but are concerned with the form of the population frequency distribution.

The Spearman procedure produces a Spearman rank coefficient much like the correlation coefficient, r . It is calculated using the ranks of the variables as paired measurements on the two variables, X and Y , in the formula for r .

$$r_s = \frac{n \sum_{i=1}^n X_i Y_i - \left(\sum_{i=1}^n X_i \right) \left(\sum_{i=1}^n Y_i \right)}{\sqrt{\left[n \sum_{i=1}^n X_i^2 - \left(\sum_{i=1}^n X_i \right)^2 \right] \left[n \sum_{i=1}^n Y_i^2 - \left(\sum_{i=1}^n Y_i \right)^2 \right]}}$$

This can be simplified because the sum of the ranks $\sum_{i=1}^n X_i$ and $\sum_{i=1}^n Y_i$ will be the sum of the integers from one to n , which is

$$\sum_{x=1}^n X = \sum_{y=1}^n Y = \frac{n(n+1)}{2}$$

¹³William Mendenhall and James E. Reinmuth, Statistics for Management and Economics, Duxbury Press, 1971, p. 335.

Also, the sum of the squares of the integers from one to N is,

$$\sum_{x=1}^n x^2 = \sum_{y=1}^n y^2 = \frac{n(n+1)(2n+1)}{6}$$

This last equation, though, can be used only when no ties are present in the ranks.¹⁴

Along with the Spearman rank order correlation coefficient the Spearman procedure gives an approximation to its significance probability. This approximation is acceptable unless the sample size is too small.

¹⁴Mendenhall, p. 469.

RESULTS OF THE STUDY

First Sample Analysis

The first sample was made to get an overall view of the apartment complexes in Oklahoma City. Its main purpose was to determine what factors appear to have an affect upon the occupancy rate of the apartments. These results were necessary in order to evaluate the affect of landscaping upon the occupancy rate as studied in the second sample. For this part of the study the sample size used was 49.

In the questionnaire there was both parametric and nonparametric data, therefore, both the Pearson Product Moment correlation and Spearman rank order correlation procedures were used to evaluate the data. The variables that were parametric were those that were answered either yes or no. Therefore, these variables had a value of either zero or one. The rest of the questions were nonparametric because they had values of order and not exact measures of value.

In the first sample, only four variables seem to correlate very strongly with the occupancy rate, as shown in Table I. Using the Pearson Product Moment Correlation, the fact of whether apartments had disposals or not, correlated with the rate of occupancy with a coefficient of 0.274 (.06 significance level). The other variable that correlated with the occupancy rate in this analysis was whether the complex allowed children or not. In this case, it was a negative correlation with a coefficient of .240 (.10 significance level).

What this appears to say is that apartments that have disposals and do not allow children in the complex have higher occupancy rates. The only problem that occurs here is that the intercorrelation between disposals and children is also high with a coefficient of .390 (.01 significance level). Therefore, these two may be explaining the same variation.

In the Spearman procedure there are also two variables which vary closely with occupancy rates shown in Table II. The variable that most closely varies with the occupancy is the leasing terms, with a coefficient of .503 (.001 significance level). What is meant here is that as the shortest possible lease term becomes longer the occupancy rate increases.

The other variable that correlates with the occupancy is the price of the apartments which has a coefficient of .253 (.08 significance level). So, it appears that as the price goes up the occupancy rate increases. Again, though, these two variables may be explaining the same thing because they correlate very highly themselves with a coefficient of .356 (.02 significance level).

Second Sample Analysis

The main purpose of this sample was to determine if there appeared to be any correlation between landscaping and the occupancy rates of the apartment complexes. The sample was picked from four areas which had a high number of apartment units. Three were picked from each of these four areas making a total of twelve complexes for the sample.

Since the sample size is so small, complete faith in the validity of the analysis cannot be made but they can be considered fairly reliable. The main analysis that was to be made was between occupancy and the landscaping but other nonparametric variables were also analyzed for general information.

The way the variables were compared was by their rank. All of the variables were ranked by comparing the values of a variable between all twelve complexes and then ranking them in order from 1 to 12. Then the Spearman procedure was used to determine if there was any correlation between variables by their rank order.

The results showed two variables that highly correlated with landscaping. The highest correlation was with the number of pools in the apartment complex, which had a coefficient of .636 (.04 significance level). The other variable was the occupancy rate, with a coefficient of .615 (.05 significance level). Since there is such a high correlation it would appear that the quality of landscaping has a significant effect on the occupancy rate. When you look at the variables correlating with the occupancy rate, it is found that landscaping explains occupancy better than any other variable. Also, the number of pools does not correlate highly with occupancy rate; therefore, they are probably not explaining the same variance.

One thing that might be of interest at this point is the fact that the price of the apartments does not correlate with landscaping. This would make one conclude that the better landscaped apartments are not always the most expensive ones.

DISCUSSION OF RESULTS

In studying the significance of the results obtained in this analysis, there is one thing that must be kept in mind. The correlation coefficients obtained in the analysis are limited in that they only assess the relationship between variables. They cannot determine the cause and effect. In other words, they cannot tell you which variable is causing the other to vary or even if there is a cause and effect relationship. It is possible for two variables to vary together without one causing the other to do so.

First Sample

In the first sample there were four variables found to correlate significantly with the occupancy rate: Disposals, Children, Leasing Terms, and Price. Since these results were obtained, Hypothesis 1 must be rejected. The hypothesis stated that the factors being studied would have no significant effect upon the occupancy rate of apartment complexes. Therefore, if any variables were found significant, the hypothesis could be considered true.

At this point, it would be helpful to try to determine why these variables were significant. The first variable, whether the complex has disposals or not, appears to say that an apartment complex will have a higher occupancy rate if it has disposals. Renters evidently tend to go with apartment complexes that provide disposals. Of course, there is a possibility that the disposals are explaining some hidden factors that are really causing the higher occupancy, but without further information this cannot be determined.

The second variable, whether apartment complexes allow children or not, could have several meanings. First of all, since this is a negative correlation, the variable is simply saying that the apartment complexes that do not allow children tend to do better. This could stem from the fact that these complexes are trying for too small of a market. As was stated earlier, the largest markets tend to be the younger singles and the older couples. So this could simply mean these complexes are going after the wrong market.

Another explanation could be that this is really an after effect. These complexes could have possibly been already having occupancy problems and then decided to start renting to families to help fill their vacancies. In this case, the occupancy rate was already a problem and this variable was an effect of the existing problem. This will be discussed later, in context with developing the market, in more detail.

The third variable, the shortest possible leasing term, could also have different meanings. It could mean the renters would rather go to an apartment complex that has a longer lease term, but this does not seem to be very reasonable. It is possible that the lease term is explaining some other factors that the renters want. In this case there could be several things that are drawing renters to certain complexes and in order to live in these places they must commit themselves to a longer lease. If this is true then the leasing term is explaining some other factors that really have the effect upon occupancy rate.

Again this variable could be an effect and not a cause of high occupancy rate. It is possible that low occupancy rate is causing these complexes to lower their leasing time in order to draw in more renters. Therefore, as the occupancy rates increase there is less need to lower the lease terms.

In fact, the complexes can be choosier because they have fewer apartments to fill.

The last variable, price, like the other three variables could be explaining more than one occurrence. First of all it appears to be saying that as the price of apartments goes up the occupancy rate goes up. What could be happening when this occurs is that as the price goes up the apartments could be offering the renter a combination of better landscaping, more facilities, more status, etc. This way the renter is getting more benefits for spending more money. Therefore the price could be explaining better overall living conditions which makes it easier to rent the apartments.

As were the other three variables, price can also be explained as possibly being an effect on occupancy rate and not the cause. For example, if an apartment complex has a low occupancy rate then the complex may choose to lower their price to draw in more renters. This may work at first but when competition answers the price cut by doing the same, the complex will end up in the same delima. If the complex is just about full, then there is no reason to decrease the price.

Price appears to be an instrument of last resort. After a complex has used all of its other assets in attempting to increase its occupancy rate then it seems to go to price cutting. Therefore, when a complex starts cutting its price, it is usually already in bad shape.

Second Sample

The main purpose of the second sample was to determine whether or not landscaping had a significant correlation with the occupancy rate in apartment complexes. From the analysis, landscaping was found to have a high

positive correlation with the occupancy rate. Therefore, Hypothesis 2 can be accepted as true.

What seems to be happening is that quality landscaping seems to be a reflection of other factors in an apartment complex that makes it more appealing to renters, causing a higher occupancy. Things such as better facilities, cleaner grounds, customer minded complex, etc., tends to make renters more appreciative of the complex. Landscaping seems to have this high correlation when it is incorporated into a total plan of development. One designed at making an apartment complex a home and not just some place to live.

Using landscaping as a portion of the total development of an apartment complex is discussed in the following chapter. Landscaping takes a lot of planning and designing and if the landscaping is not developed along the same theme of the total complex then it will be ineffective.

The next chapter will go more into the qualitative aspects of this study, showing how everything is joined together under one essential theme to develop a number of apartments into a successful complex. In this chapter the questions asked earlier will be answered under a form of total development of the apartment complex.

DEVELOPMENT OF THE APARTMENT MARKET

Just looking at what appears to be happening in the quantitative analysis gives an idea what is happening in the apartment business. Many of the strategies that the apartments are taking have been brought about by low occupancy rates. This is not the way that it should be done. The strategy for renting the apartments should be something planned on from the start. Every aspect of the complex should be in the same direction. It is not good enough to say that a certain apartment complex is going to fill all of its units. It must have a plan all drawn up, giving the complex a uniform method of adapting to problems, so there is no question about what should be done.

Earlier in this paper four questions were introduced relating to apartment operations. These questions dealt in the areas of market research, market segmentation, promotion, and management of apartments. All four questions were in essence asking how each concept is used in apartment operations. The following sections explain how these concepts should be used in order to better the operations of apartment complexes. It shows where pitfalls can occur in the use of these concepts and how to avoid them. The idea here is to show how apartment complexes can develop a strategy and follow it through in their operations. In this manner the questions are answered through the overall development of an apartment strategy, without direct reference to the questions as stated. This manner of presentation is used in order to give more continuity to the thought process behind the development of an apartment strategy.

Market Research

Before any apartment complex is built the owner should know if there is a market for his type of complex. The way this should be done is through market research. The aim of market research is to find holes, identify them accurately and give the builder, with considerable precision, the market's absorption rate - the number of apartments he can expect to rent in a given period of time. With this information the builder knows what kind of apartment he needs and about how many units he should build.

What the market research does is to help to define the target market for the complex. This is the most important part of the renting of apartments. The designation of the target market and then everything else is led in that direction.

What can the market research supply you with? Its purpose is to tell you how you can rent your apartments. They can tell what facilities you could build that could give you access to a particular market and what facilities are not necessary. It is to show you where the opportunity is. As a rule the market research is for verifying and fine-tuning a market. For example, a builder is starting work on a complex in a certain area for a certain price range that he thinks is going to do quite well but he wants to make sure. He asks to find out if he has the correct price range and what his absorption rate will be.

Who should do the research? Some builders are large enough that they have their own staff who can do the work, but most do not. So, there are a number of researcher firms that specialize in the field of research and at the same time knows a lot about the housing industry. Another reason for using an outside firm is because they can usually be more objective. A builder may be so set on a project that he may overlook the real facts if he does the research.

There are several things that should be taken into consideration if you have market research done:

1. Do not take the report as the absolute last word--the builder should always scrutinize the report very carefully. Anything that is not completely clear should be questioned to the fullest extent.
2. Use the researcher for all he's worth--the research process should not stop when the report has been handed over. Ask the researcher to critique such things as floor plans and designs, promotional and merchandising campaigns, etc.
3. Take pains not to preinfluence your researcher.
4. Make sure the researcher is dealing with the real world.
5. Insist that your researcher be specific--make them give clear, definite recommendations, but if there is not a clear recommendation, that should be known, also.¹⁵

Roughly, how much does a research cost and how fast can it be done? Usually a complete study takes about 45 days to do.¹⁶ It is possible, though, to get a go or no go decision within three weeks if there is a hurry. As far as the cost goes, you can spend just about as much as you want. They have ranged from \$2,000 up to \$35,000.¹⁷ Normally, if you want to know if your general concept is sound and you want very specific recommendations as to what type of apartments should be built, you will be in a price range of \$3,000 to \$5,000.

All of this gives an indication of what it takes to get some market research done and what can be received from it. Most of this discussion has been before the fact. What about market research after the complex

¹⁵Herbert L. Aist and Byne Sparks, "Market Research," House and Home May, 1972, Vol. 41, pp. 104-5.

¹⁶Aist, pp. 104-5

¹⁷Aist, pp. 104-5

has already been built and operating for a few years? Basically, it entails about the same type of study. In this case the alternatives have greatly been limited. The researcher may not be able to give a way to reach a hole in the market. It may take entirely too much change, but he should be able to tell you what you can do to improve your position.

After the market research has been done, the target market should be pretty well defined. The owner and manager should have an idea of what age group, salary range, and social position that their market falls within. Everything about the type of customer that they are trying to reach should be defined. This information is necessary in the total development of the project.

It is not possible to appeal to every segment in the market, and that is why the segment that is being approached should be fully defined. This is the downfall of many apartments. These apartments just try to rent apartments, not to any specific group, just anyone. They may be able to pull people into the complex for a while but chances are that they will not stay long.

When the questionnaires were being distributed to the apartments in the sample, it was interesting to note just how many complexes were trying to rent to everyone. These were usually the ones with the lowest occupancy rates. What appeared to be the case with these apartments, was that the ones that allowed families in their complexes were not able to fill them. The reason that these complexes had allowed families to rent was because they were having some renting problems. What happens when this is done is to help drive away some of the other renters who did not want noisy children around. Therefore, they were really defeating the purpose of allowing families into the complexes.

There were some notable exceptions to the case, though. For example, one manager who filled out the questionnaire was renting to three different markets and was having a lot of success doing so. The reason for his success was the fact that he had not lost the concept of market segmentation. This manager had three small complexes right beside each other all with different styles. Each complex was used to appeal to a certain market segment. He had one complex strictly for older couples, one designed for the family, and one designed for young couples and singles with no children. Therefore, he had been able to appeal to three different market segments and keep an occupancy rate at around 95 percent, which is considered good in the apartment business.

This case was definitely an exception to the rule. In most cases, those complexes which tried for the family market could not get their occupancy above 80 percent, and at 80 percent most complexes are barely breaking even, if at all. There are a couple of reasons for this happening. First of all, the family market segment is not as large as the older and younger market segments. As was stated in the section on national trends in housing, the major market segments were the older couples wanting to shuck the responsibilities of a house and the younger married couples and singles. It appears that although more people are renting now-a-days, the American family still likes to own their own home.

The second reason for this low occupancy with these apartments is the fact that families are usually not compatible with the other market segments. This means that most complexes will not rent to families until they are already having problems, then this just adds to their problems. It tends to run their other renters away and when other complexes do the same thing, it spreads an already small market segment over a large number of complexes.

This happens especially when an oversupply of apartments appears like it did in the early 1970's.

Therefore, it seems that the best market segments would be in two areas: the young singles and couples with no children and the older singles and couples. In a few cases there are situations which make the family market a plausible one.

Merchandising Apartments

Now that the first part of the development of an apartment project has been done, the marketing research, the second part must take affect, the merchandising of the apartments. In other words, until now the emphasis has been upon the determination of the demand, how to meet this demand, and what to charge for the project? After these decisions have been made, the project has to be sold to the market.

What must be done is to present the basic elements of the merchandising of any apartment project. These basics are made up of a list compiled by a number of experts in the housing business, presented in the June 1973 issue of House and Home. With this list and a number of suggestions, the apartment owner should be able to see how to better merchandize his apartments.

In the rental market it is necessary to recognize that the apartments need to satisfy people's total needs. Therefore, many times it is helpful to take the people through the entire development before showing any of the available units or models.

This aspect can be very important to the renting of apartments. It gives the renting consultant a chance to determine for what the prospect is looking in his search for an apartment. When this has been determined, the renting consultant can sell the complex on these points. This, like

any other part of the renting game, is a matter of being sensitive to people.

Here are some guidelines to follow in renting apartments:

1. The sales and model area: Keep it separate; make it friendly.

In this the sales building should be kept away from the rest of the apartments but always looking out over the project. This lets the development itself always help in the renting of apartments.

Ideally, prospects should be greeted by a rental consultant as soon as they enter the sales area. Then the first thing that should be done is show a scaled model of the project. This is where the consultant can first get an idea of the prospects needs. Then the consultant should show the decorated models, go for a walk around the project, go see the rent units and then back to the sales area.

The idea is to keep a friendly attitude toward the prospects and convince them that this is a friendly place to live. The idea of immediate attention helps to install this feeling in people. Therefore, during busy periods it is helpful to have some people known as tour guides to show the people around the project until the consultant can get to them.

2. Point-of-sale merchandising: It can do double duty for you.

The sales area has an important impact on the prospective customer and it is usually one of the first impressions they have of the complex. Therefore, it is favorable to get a positive impression right from the start. One of the first things the prospect should be shown is the location board. By showing them this the prospects know exactly where the complex is located and what is around it. This way if a person is looking for a location that will give them easy access to certain highways, shopping

centers, or other facilities, they can be shown right away that this is the place. By doing this the location of the apartment is helping to rent its units.

Also, among the first things to show the prospect is an explanation of who the builder is and what his track record has been. This way the people have an idea from past record how good the builder is.

After the first impression has been created, the next thing the sales office should do is highlight the units themselves. The best way to show this is to show the people three-dimensional scale models of the units. Then along with this should be well defined floor plans and photos or renderings of the models.

An important thing on first impression is for the consultant to try to find out why the prospect is looking at apartments and use that to guide him. Then he can sell the apartment on what is important to the customer.

In the conversations held with apartment managers when the questionnaires were being answered, it became obvious that a lot of the managers realized the importance of the office in sales. It also became obvious that the apartments where the managers realized this, were doing better than most. Their occupancy rates tended to be higher. Many of these people pointed out the sales office as being the one most important item in renting apartments.

3. Inside the model: Keep them honest and up to date.

The main idea here is that the prospect must be able to see themselves living in the apartment. It is important not to turn the people off with furniture or decor that is too far-out or expensive. So the decorator really has to be informed about what market segment that you are shooting for. At all points in the selling of apartments it is important to remember who the target market is.

4. Rental Consultants: Look for people who are sensitive to others' needs.

The rental consultant should be a person who can talk to prospects for just a short period of time and be able to find out for what they are looking in the apartment complex. Then he will be able to demonstrate how the complex can satisfy the prospects interests. They should be especially sensitive to the needs of women because more women rent apartments than men. Even bachelors bring along either their girlfriends, sisters, or mothers to help them pick their apartments.

Besides being on the front line renting of the apartments, these consultants can serve a purpose in other aspects of promotion. Since these consultants are in constant touch with customers, they have an idea for what people are looking. They could serve a useful purpose by helping in the advertising. This can serve a dual purpose. First of all, it is providing the market from someone who knows a lot about the market from a personal basis. The other purpose it can serve is to build up the ego of the consultant and let him know he is an important member of the management staff. Plus his suggestions will surely help him in his job and make things a little easier for him. All of which makes him a more satisfied worker.

In many apartments the rental consultant and the manager of the apartment complex is the same person. This makes things a little more difficult because they have just that many more things to do. In complexes like these, it is evident that the managers cannot spend as much time to do the renting of apartments. Though in many cases the type of person who can satisfy many of the qualities listed above will be able to handle the job.

The main problem that comes up at this point is the fact that a manager

may be a good salesman but he cannot handle the duties of the manager. This is where many apartment complexes run into trouble. The manager is either a good manager or a good salesman but not both. This is why, if it is at all feasible, these jobs should be separated. People who can do one or the other of the jobs good, often become frustrated when the other part of their job causes problems. This is one of the reasons for such a large turnover of apartment managers.

An example of what might happen when the manager cannot handle both parts of the job comes up when the manager is a good salesman but a poor manager. In this case he is able to bring people into the apartments but he is not able to keep them. Therefore, because he is a poor manager, it causes him to work harder as a salesman. This makes him become frustrated with his job and eventually quit. Therefore, if it is at all possible there should be two different people in these jobs. There are very few people who can handle both jobs and do justice to each one.

5. Advertising and promotion: Start early and with a big splash.

One of the most underrated marketing tools by apartment owners is the newspaper. The newspaper can offer a great exposure to a lot of people and if used properly, can be one of the most effective types of promotion. Even though this is true many apartment managers are very casual about its use. Many times the owners just let the managers write the ads and do not even bother to read them. Below is a number of tips that can help apartment owners to rent more units with a tighter budget. These tips are mainly made up of some suggestions made to apartment owners by H. Clarke Wells, senior vice-president of L. B. Nelson Corporation.¹⁸

¹⁸Wells, H. Clarke, "The Apartment Scene," House and Home, Vol, 54, January 1973, p. 54.

Most apartment complexes suffer the same dilemma in their advertising. They cannot give the job of advertising to amateurs but they cannot afford the inefficiencies of using an agency to handle the day-to-day advertising for established projects. Therefore, the owner usually ends up having to do it. There are a number of do-it-yourself, common sense ideas that can help.

If a project is just being started, it is best to design about four to six newspaper display ads to last through the rental campaign, starting about six to eight weeks before the first apartments are completed. Then these should be run in the classified pages, not the real estate display pages. Mr. Wells claims that prospects do not look at apartment ads in the display section, so why waste time and money advertising there.

Photographs add a lot to display ads. In fact, they are usually much more effective than renderings on a design motif. Also, if a lot of emphasis in your promotion is based on your landscaping, the photos should accent this landscaping with up to date photos.

The size of the advertisement is a very critical point to be determined. By watching the size closely, a complex can stretch an advertising budget a lot farther. For example, it is not necessary to run full page ads. An effective add can dominate the classified pages by using less than a quarter of a page. Even if you do not have a catchy design, you can dominate a page with an all-type layout by running a two-by-full--a two column wide ad that runs a full page. This way you get four days advertising for the price of a one day full-page ad.

One pitfall that a lot of apartment developers fall into is to exhaust their budget in just a few weeks with a full page ad. Then without much money left they must use small space classifieds. One way to get around

this is to design about three to five different ads which vary in size and layout. Then during a big promotional period, use the larger ads. After things have slowed down then you can go back down to the smaller ads to save money.

Another thing that should be considered in the advertising of apartments is when to advertise. The best days for advertising is right around the weekend from Friday to Monday. Tuesday, Wednesday, and Thursday are a waste of time. People are always tempted to go to seven days a week advertising, especially on start-ups but those three days are just a waste of money.

On the four days that you do advertise, it is probably best to run display ads only on Saturday and Sunday. The other two days can be filled in by standard one-column classifieds. One little tip that can help these small classifieds noticeable is to always have the ad set off by a headline in larger print.

Even though newspaper advertising is your main promotional device, there are other things that can help give exposure to people you do not reach through the newspaper. Signs can be just as effective as the newspaper if located in the proper places. Billboards on highways are especially good, but they are usually very hard to find.

If you can get signs in high-traffic locations more people will probably see them than are seeing your newspaper ads. This is great until some apartment owners try to save money on the painting of the sign. These signs can make a great impression, either way. So, if you are going to get one of these signs, do it up right.

Lighted displays can be used as another form of advertising. These displays can be made up of illuminated color transparencies showing apart-

ment interiors and environments, plus a map showing how to reach the project. High traffic areas such as shopping centers, county fairs, etc., is where these displays should be located.

Radio and television are usually not too good of methods of advertising. This stems from the fact that success from these methods depends upon heavy saturation and that can run into a lot of money. Radio can be used to an extent. If you are willing to give up one or two units for a year, you can get some free advertising by letting the radio station give away a years free rent at your complex. By this way, you get not only some free commercial time but you are mentioned by the station in their promotion of the contest.

6. Referrals: Satisfied tenants are still your best salesmen.

The way to keep them satisfied is to give them what you promised them.¹⁹ Evidently they liked the life-style you presented to them if they were to move into your apartment, so give it to them. In those apartments that have a wide range of facilities, get the people to use them. Get together some recreational activities and hire someone to coordinate them. If people get interested in activities at the complex then they will be happier. The happier they get, the more enthusiasm they get and eventually it spreads to their friends. When you get people talking good about your complex, it cannot do anything but improve your position.

Management and Maintenance

The importance of the management of an apartment complex can never be over emphasized. The manager of a complex has almost a direct relationship

¹⁹House and Home, "Let these experts tell you about merchandising," June, 1973, Vol. 43, pp. 78-86.

to the success or failure of that complex. Every big name developer will point to management as the one thing that can take a mediocre project and make it a good investment. At the same time a bad management can ruin a good investment within a year's time. So, when an investment is going sour, 90 percent of the time the management is to blame.

Oklahoma City, like every other large city across the nation, is full of examples of how management has ruined a good investment. In the sample of apartment complexes taken in this study it was obvious that there were a number of these complexes that had been ruined by poor management. There were also others that appeared as if the management was on their way to destroying them.

When people move into apartments they expect to be able to shuck the worry of the upkeep of their apartments. As these people live in a complex they find out that the manager is either sensitive or insensitive to their needs. If they are constantly having to hound the manager to get things fixed then eventually they will get fed up and move out.

This is where managers are constantly falling down on their job. It is their responsibility that when a renter has a problem, to take care of it. People do not expect complexes to be trouble free. The problem exists when it takes forever to solve the problems.

Maintenance is probably the most visible means of evaluating managers. When a manager does not correctly perform his job, then usually maintenance of the apartments is first to show. Little things like letting the grass get a little too high before mowing it, shrubbery dying off, paper lying around, etc., are the first indications of bad management. As the upkeep of the grounds begins to falter it is obvious that the upkeep of the apartments is going downhill also.

So, maintenance and upkeep of the apartments is very important. When people come to look at apartments, one of the first things they see is the grounds. If the grounds look run down and shabby then it is probably safe to assume the apartments are in the same condition.

Of the apartments examined in Oklahoma City, there were several that had allowed their grounds to deteriorate. These apartments were invariably ones with low occupancy rates. For example, one complex sampled was built around a square and looked from the outside like a very nice complex. As you walked into the square, though, it was obvious the management was poor. In one corner of the square was a pool of standing water about ten feet in diameter and it was beginning to smell. Almost all of the shrubbery was dying. The swimming pool was filthy and the outside of the apartments needed painting. This was enough to drive any prospect away without ever talking to the manager.

Basically, the key of management is to answer all of the demands of the tenants quickly. If it cannot be done at once, go and explain to the renter. Then when it can be fixed, do it. Keep the grounds of the complex clean and in good shape. You may not have the prettiest grounds with which to work but if they are clean it will do wonders. Know what type of renters you want and develop the complex to accommodate that market.

In this study there were several older apartments that had high occupancy in areas where newer and nicer apartments were having problems. When the managers of these apartments were asked why they thought their complex was doing so good, invariably, they would answer that it was because they served the renter. They said that they kept the grounds in good shape, the apartments in good shape and when the renter had a problem, they would do something about it as soon as they could.

Landscaping

As was shown in the results of the second sample analysis, landscaping can be a very important asset to an apartment complex. It is not just a question of prettying things up. It is an integral part of the whole project, and it has to be studied and designed from that standpoint. As we go further this should be kept in mind. Every little device used in the landscaping is only as good as the environment that is created by the total project. There are a lot of little things that apartments can do to improve themselves but to get their full effect they must follow the pattern of the whole complex.

The following are a few ideas that have been used in a lot of projects to help to develop a total environment. Many of these ideas are things that should be incorporated in the project from the beginning. Of course, it is much easier and more effective to develop landscaping from the start but there are cases when it can be used later.

1. Use water to create serenity--streams running through the projects creates a peaceful atmosphere and drowns out noise at the same time.
2. Water can also be used to dramatize an entrance--falling water at the entrance of an apartment not only has curb appeal, but it kills out street noise.
3. Too little planting is almost as bad as no planting at all--it is good not to have very many blank walls and balconies facing each other, so large trees can often solve this problem and curiously enough causes the buildings to seem further away.
4. Save big trees and design around them--there are many cases when protecting a tree during construction of the project costs less than the removing of it. When handled in the correct manner, it can help add an old established feeling to the project.
5. Plant heavily for low maintenance--by planting ground ivy close to each other you can obtain full ground coverage. Then you do not have any more cultivating

or weeding and all you have to do is water and occasionally fertilize.

6. Change grades to create interest--again this is to help prevent looking straight from one building into another and helps to break up the scenery. Also lowered walks can save you money by allowing lower fences around patios.
7. Break up long runs of walks--by just taking pole arbors and covering them with vines, you can create shade and make pleasant walkways. At the same time they can be used to break up bad views.
8. Pools are the core of the recreation area--the area around the pool should, usually, be treated differently from the rest. In this area the grounds should be sodded for comfortable lounging.
9. Parking is vital to landscaping--it must be close to the apartments, but if it intrudes into the site it can ruin the environment.
10. Earth berms (mounds) are a double asset--they add contour to the site, and help separate facing apartment buildings. They also use excavated dirt that would have otherwise have to be trucked out.
11. When done correctly, landscaping can help to create several environments within one apartment project.²⁰

As can be seen from the preceding devices, landscaping can serve dual purposes that can help pay for itself. This is true for both present and future costs. Of course, not all of the costs of landscaping can be offset, but many builders consider it a necessity. The ones that do not feel this way are failing to look at the long-range economics of an apartment owner. The money saved by not landscaping may benefit the owner at first, but in the future these savings are outweighed many times by the amount spent in promotional expenses and tenant turnover. This results can be seen from the high correlation landscaping has with occupancy rate shown in the

²⁰"Landscaping Can Help to Give a New Apartment Project an Old, Established Feeling," House and Home, Vol. 36, October, 1969, p. 68-75.

Second Sample Analysis.

The idea of landscaping is just one more method of following the premise of all apartment complexes, to rent apartments. It must be incorporated into the total plan of the project or it will lose its effectiveness. As was discussed earlier, it is important to determine when the apartments have been built. When the market segment has been decided on then every aspect of the project should be pointed toward that segment and that includes landscaping. Landscaping is very instrumental in developing the mood for the project and if it is aimed at the wrong market segment it could mean disaster. Therefore, landscaping can have a tremendous affect upon the renting of apartments but the rest of the project must be developed correctly or it will never get off of the ground.

CONCLUSION

The main purpose of this paper was to make a study of apartment complexes in the Oklahoma City area and determine those elements that appear to make a significant difference between the successful apartment operation and the unsuccessful one. Then with this information obtained, suggestions could be made as to how apartments can improve their financial and occupancy positions.

With this purpose in mind, two samples were drawn to help determine factors that appeared to be important to the apartment operations. The first sample was used to determine what factors had a significant effect upon the occupancy rate of apartment complexes. Occupancy rate was used as a measuring device because it was easily obtainable; it is a common measure of apartment success and it can be put in quantifiable terms.

The second sample was used to determine the significance of landscaping in the apartment industry. Landscaping is a device that has had increased interest placed on it in recent years and was a topic of great interest in this study. The apartment complexes in this sample were rated according to their quality of landscaping, then this rating was compared to their occupancy rate. This was to determine if there was a significant correlation between these two variables.

As the questionnaires used in the samples were given to apartment managers, more information was obtained through conversations with these managers. This information was used in the qualitative analysis of the apartment operations. It served to give a better understanding of how people

in the apartment industry viewed their operations. These people helped to gain insight into some of the problems of apartment complexes that would not appear in the quantitative analysis.

The results of the first sample found four variables to have a significant correlation with the occupancy rate of the complexes. These four variables were: Disposals, Children, Leasing Term, and Price. All the variables except children had a positive correlation with occupancy. The disposal variable was saying that the apartment complexes that had disposals had a higher occupancy rate. The children term was saying that those complexes that did not allow children had higher occupancy rates. The leasing variable meant that as the shortest possible leasing term was increased, the occupancy rate increased. Finally, the pricing variable said that as the price of the apartments rose so did the occupancy rate.

In the second sample, landscaping was found to have a significant, positive correlation with the occupancy rate. Therefore, this result confirms the assumption that the increasing quality of landscaping increases the occupancy rate of apartment complexes. Therefore, landscaping can be a useful means of improving the occupancy of apartment complexes.

The remainder of the study was used to develop devices that can be used by apartment complexes to increase the effectiveness of their operations. Through literature study and the interviews with apartment managers, guidelines could be established to aid in the successful operations of apartments. These guidelines were based around the basic marketing concepts of market research, market segmentation, and promotion.

Probably the major factor that appeared from this qualitative portion of the study, was the failure of apartments to recognize their market. The guidelines established were based around the fact that a business must be

able to define its market before it can sell its product. This is where many apartments appear to be failing. They do not realize that they have a product to sell and in order to sell their product they must have a market. Then they have to be sensitive to the needs of this market. Too many apartment complexes are governed by their competition's moves and not the needs of their market.

The chapter on the development of an apartment market takes these basic marketing ideas and incorporates it into a total concept of apartment operations. These marketing concepts along with tips from experts in the apartment industry can prove to be very helpful to an apartment complex with occupancy problems.

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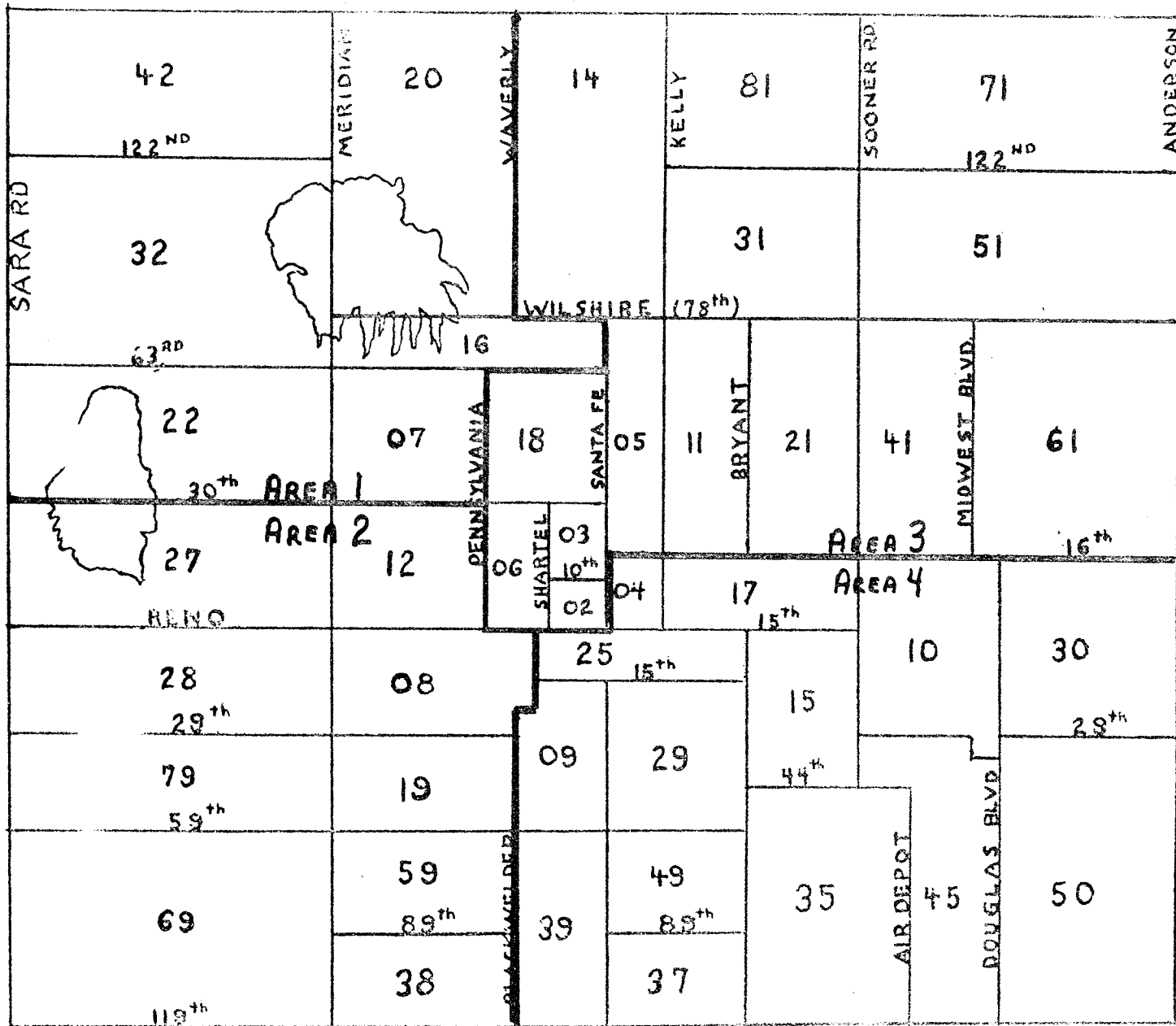
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APPENDIX I



JUST ADD AREA CODE
TO 731...

FIGURE 1
OKLAHOMA CITY ZIP CODES

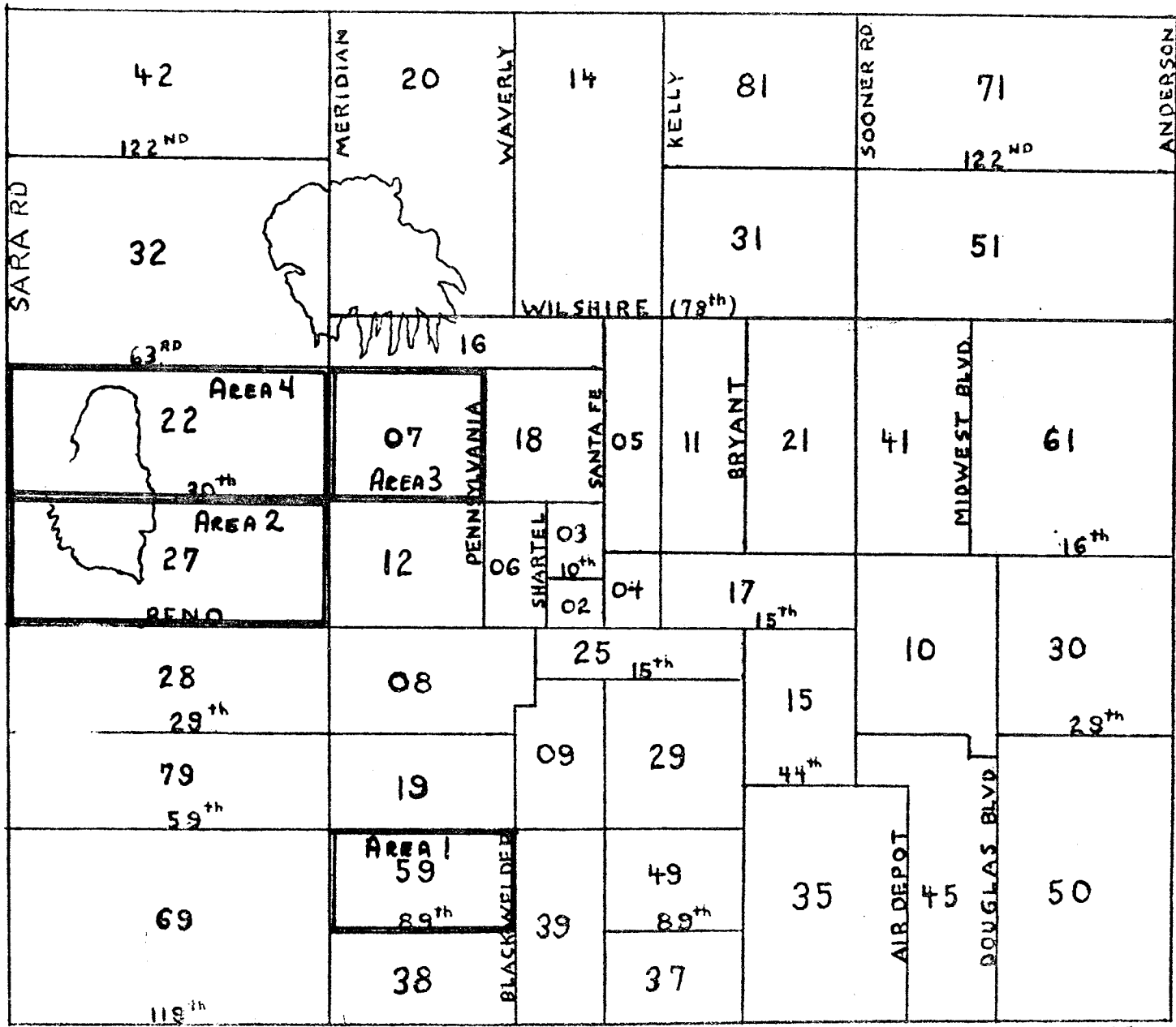


FIGURE 2
OKLAHOMA CITY ZIP CODES

JUST ADD AREA CODE
TO 731...

TABLE I
 First Sample--Correlation Coefficients
 To Occupancy Rates

Variable	Correlation Coefficient	Significance Level
Lease Term	.503	.001
Disposal	.274	.054
Price	.253	.076
Children	- .240	.093
Units	- .179	.215
Dishwasher	.161	.268
Age	- .075	.614
Pools	.073	.625
Storage	.051	.726
Security	.050	.732
Pets	- .045	.758
Furnished/Unfurn.	.038	.791
Covered Parking	- .037	.795
Tenant Type	.025	.861
Playground	- .024	.865
Fireplace	.002	.988
Laundry	.000	1.000

TABLE II
Second Sample--Correlation Coefficients
To Landscaping

Variable	Correlation Coefficient	Significance Level
Pools	.636	.034
Occupancy Rate	.615	.042
# of Units	.468	.144
Age	.449	.164
Tenant Type	.231	.620
Price	.065	.842

STUDY FOR OKLAHOMA CITY BEAUTIFUL COMMITTEE
ON LANDSCAPING OF APARTMENT COMPLEXES

This questionnaire is to help apartment owners and managers determine the affect that landscaping has on the people's choice of apartment complexes. Your cooperation is appreciated.

1. Apartment complex:

FURNISHED UNITS	TOTAL UNITS	NUMBER OCCUPIED
1-Bedroom		
2-Bedroom		
3-Bedroom		
Efficiency		

UNFURNISHED UNITS	TOTAL UNITS	NUMBER OCCUPIED
1-Bedroom		
2-Bedroom		
3-Bedroom		
Efficiency		

2. Apartment Price:

EFFICIENCY
\$ 80 and less
\$ 81 - \$105
\$106 - \$130
\$131 and higher

1-BEDROOM
\$110 and less
\$111 - \$140
\$141 - \$160
\$161 and higher

2-BEDROOM
\$150 and less
\$151 - \$180
\$181 - \$200
\$201 and higher

3-BEDROOM
\$220 and less
\$221 - \$260
\$261 - \$290
\$291 and higher

3. Apartment facilities:

- a. Dishwasher Yes _____ No _____
- b. Disposal Yes _____ No _____
- c. Off street parking Yes _____ No _____

- d. Covered Parking Yes _____ No _____
- e. Shortest Possible Lease Term 4 months _____
6 months _____
8 months _____
1 year _____
- f. Storage Space Yes _____ No _____
- g. Playground Yes _____ No _____
- h. Swimming Pools none _____ one _____ two _____
more than two _____
- i. Laundry facilities none _____ individual _____
community _____
- j. Fireplace Yes _____ No _____
- k. Security Yes _____ No _____
- If yes, explain _____
-

4. Do you allow children? Yes _____ No _____

5. Do you allow pets? Yes _____ No _____

6. Tenant types:

a. Check all tenant types that apply

Young Singles

Young Couples (no children)

Older Couples

Families (with children)

Students

Other (please specify)

b. The One Group that comprises the majority of the tenants is: (check one only)

Young Singles

Young Couples (no children)

Older Couples

Families (with children)

Students

Other (please specify)

7. In what year was this complex built? (If you do not know give the approximate year.) _____
 8. Can you estimate the amount of money you spent last year on maintenance of the grounds of the apartment complex (e.g., new shrubbery, trees; upkeep of existing landscaping facilities)? _____
-