

Affordable Apartments? Skip the Amenities

Categories: [National Analysis](#) [Apartment Analysis & Forecast](#)
by [Adam Artunian](#) & [Pete Reeb](#) July 24, 2019



New apartment communities must have amenities, right? Not necessarily. Our consumer research shows that the most valued amenity is frequently “low rent.” A recent survey by the NMHC showed that the two top community amenities nationwide are:

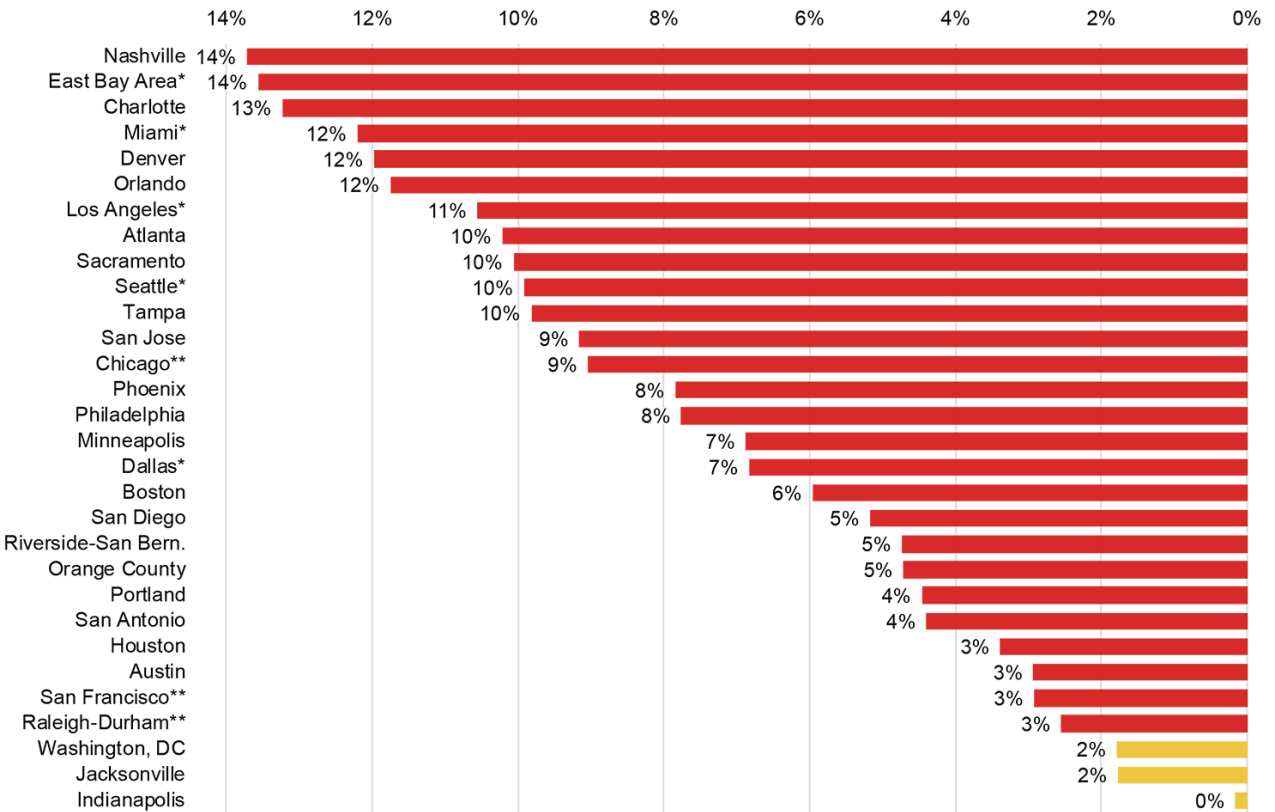
- reliable cell reception (78%)
- secure resident parking (71%)

Only 60% desired a swimming pool, and 55% wanted a fitness center.

As rental rates continue to rise nationwide, rental affordability has become a big concern and the need for affordable rental options has never been greater. Our Burns Intrinsic Apartment Rent Index, which measures apartment rent valuation based on the long-term median ratio of rents to incomes, suggests that about half of the major markets in the country are overvalued by more than 5% and many by 10%+. San Francisco East Bay Area rents are 13% higher than they should be, meaning that we think a 13% correction is needed to get back to norm. This likely will not happen until the next recession.

Unsustainable Rental Rates

The Burns Intrinsic Rent Index measures apartment rent valuation based on the long-term median ratio of rents to incomes.



*Metro division **Combination of metro divisions (except Raleigh-Durham, which is a combination of metros)

Note: Percentage equals the apartment rent above/below the intrinsic value. We calculate the Burns Intrinsic Apartment Rent Index based on the following key assumption: a rent-to-income ratio that is consistent with the past 25+ years as well as an adjuster that considers any fundamental shifts in the metro. In markets that we feel are permanently more expensive due to increased demand or limited supply, we have made compensating adjustments. We do not have access to data for Las Vegas or New York City.

Source: John Burns Real Estate Consulting, LLC (Data: 1Q19, Pub: Jul-19)

Developers' focus on building Class A apartments in expensive urban markets over the last decade increased the number of higher-priced apartments. At the same time, rents rising faster than inflation and investors' thirst for value-add opportunities decreased the overall supply of lower-priced apartments.

One way to provide more affordable rental options is by building smaller apartment communities *without* amenities or with fewer amenities. Foregoing traditional community amenities (pool, fitness center, etc.) reduces development and operating costs, allowing for more affordable rental rates. Consider the following:

- Zoning laws and high land prices often make it difficult to build housing that low- and moderate-income people can afford.
- Many renters don't want to live in a 400-unit apartment complex because they feel less safe and just like a smaller number. These people prefer small communities and are willing to have less amenities.

- Land is scarce in infill neighborhoods close to jobs, limiting the feasibility for large, highly-amenitized communities.

Example: 54 Woodstock – Portland, OR



Image source: <https://www.54woodstock.com/>

54 Woodstock in Portland is an example of a small apartment community with no amenities. The community is pet friendly and includes bike storage, surface parking, individual utility meters, outdoor mailboxes, and WiFi. The community has a high walk score (73) and is within a few miles of downtown Portland.

We suggest looking for locations where the amenities are nearby and free. Below are a few strategies to keep in mind:

- **Walkability.** Locations with easy access to parks, restaurants, shopping, and/or mass transit command high rents. Advertise your proximity to the local fitness center, park/community pool, hiking/bike trails, and dog park. If applicable, promote high walk or bike scores. Market the surrounding neighborhood as the amenity.
- **Create community.** Allow your tenants to create a “high-touch” community where they can come together to enjoy life. Groups that do things together are wonderful amenities, and they are free. Social connection can be a wonderful amenity.
- **Nearby businesses.** Build partnerships with the local fitness centers where residents get discounted monthly gym fees, yoga/cycling classes, etc.

The rental market has changed, providing developers with great opportunities. If you have any questions, please contact Adam Artunian at (949) 870-1213 or Pete Reeb at (858) 281-7216, and we will put you in touch with the expert you need.



If you have any questions, please contact Adam Artunian, Vice President at (949) 870-1213 or by [email](#).



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