THE APARTMENT AMENITIES RACE: DO MORE AMENITIES AND ELITE DESIGN LEAD TO BETTER PERFORMANCE?

Newmark Knight Frank

APRIL 26, 2018
KEY FINDINGS

1. There is no “silver bullet” amenity that guarantees successful lease-up or above-market rents.
3. More amenities + good design = even stronger performance.
4. Developers can reverse-engineer their budgets for amenities and design to fit their goals for lease-up pace and rent.
5. Social amenities come with diminishing returns to sales price.

Source: NKF Research; April 2018

2. We examined high-rise and mid-rise projects.

3. Garden-style projects were excluded due to small sample size within the specified age range.

4. We focused on service amenities and social amenities, which comprise 80% of renter satisfaction.
WHICH AMENITIES DRIVE LEASING PERFORMANCE?

SERVICE AMENITIES
- Package Handling: 93%
- Concierge/ Front Desk: 63%
- Pet Services: 40%
- Valet: 19%
- Other Services: 18%
- Away Services: 16%

SOCIAL AMENITIES
- Fitness Center: 94%
- Meeting/ Party Room: 93%
- Pool: 73%
- Rooftop Lounge: 56%
- Pet Spa/ Pet Wash/ Dog Run: 48%
- Fire Pit: 40%
- Indoor and Outdoor Courts: 23%

Source: NKF Research; April 2018
Amenities Increase Leasing Performance

Multi Housing Effective Rent and Lease Up Pace

Washington Metro Area

Well-amenity properties achieve higher rents than those that are not.

Source: Axiometrics, Delta Associates, NKF Research; April 2018
AMENITIES INCREASE LEASING PERFORMANCE
MULTIHOUSING EFFECTIVE RENT AND LEASE UP PACE
Washington Metro Area

Less Service: 0-3 Amenities, More Service: 4-6 Amenities, Less Social: 0-4 Amenities, More Social: 5-7 Amenities
Source: Axiometrics, Delta Associates, NKF Research; April 2018
GOOD DESIGN PAYS DIVIDENDS
MULTIHOUSING EFFECTIVE RENT AND LEASE UP PACE
Washington Metro Area

Good design pays dividends with higher effective rental rates and substantially improved leasing performance.

Only 45 out of 124 properties were considered well designed.

Source: Axiometrics, Delta Associates, NKF Research; April 2018
**AMENITIES + GOOD DESIGN = PEAK PERFORMANCE**

MULTIHOUSING EFFECTIVE RENT AND LEASE UP PACE

Washington Metro Area

We found this trend to hold true regardless of location.
1. Building Structure
   • High-rise
   • Mid-rise
   • Recently-delivered high-rise properties achieved an average effective rent of $3.02 – a premium of 45.9% over mid-rise properties

2. Location
   • City
   • Suburban
   • Recently-delivered properties in the city achieved an average effective rent of $3.41/SF – a premium of 39.8% over suburban properties

Source: NKF Research; April 2018
AMENITIES INCREASE SALES PERFORMANCE
MULTIHOUSING AVERAGE PRICE PER UNIT
Washington Metro Area

AVERAGE PRICE PER UNIT

$300,000
$350,000
$400,000
$450,000
$500,000

$429,714
$451,301

Total Amenities

Fewer Amenities
More Amenities

Source: Real Capital Analytics, NKF Research; April 2018
WHICH TYPES OF AMENITIES BRING GREATEST VALUE?

MULTIHOUSING AVERAGE PRICE PER UNIT
Washington Metro Area

$431,999  Service Amenities
$451,555
$450,273

$300,000  $350,000  $400,000  $450,000  $500,000

AVERAGE PRICE PER UNIT

Social Amenities

$418,406

Expensive maintenance and larger common areas (which reduce unit count) suppress sales price

Source: Real Capital Analytics, NKF Research; April 2018
1. When the overall budget for amenities is modest, consider focusing on service amenities.

2. Invest in elite design to increase rental rates and lease-up pace.

3. Be mindful of holding periods.
By quantifying the impact of amenities and design on lease-up pace, rent, and sales price, we have created a blueprint that developers can use to reverse-engineer a budget in order to calibrate their spending with their investment goals.

But... a strong portfolio of amenities and elite design can be offset by poor marketing and management.
DOWNLOAD OUR THE APARTMENT AMENITIES RACE WHITE PAPER AT:

NGKF.COM

ALSO OF INTEREST TO LOCAL DEVELOPERS:
• PAID PARKING ARRIVES IN TYSONS
• THE SILVER LINE EFFECT
• QUARTERLY MULTIHOUSING REPORT, SPONSORED BY GMU’S CENTER FOR REAL ESTATE ENTREPRENEURSHIP

Source: NKF Research; April 2018
THE APARTMENT AMENITIES RACE:
DO MORE AMENITIES AND ELITE DESIGN LEAD TO BETTER PERFORMANCE?