



THE NEXT GEN APARTMENT

EVOLVING TECHNOLOGY AND LIFESTYLE PREFERENCES OF
DIFFERENT GENERATIONS OF RENTERS

Exclusive Research Conducted for Multifamily Executive's Concept Community

SEPTEMBER 2016



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ABOUT J TURNER RESEARCH

Insight. Empowerment. Advantage

J Turner Research offers customer insights that empower multifamily companies to advance their business. We enable our clients to enhance customer satisfaction, increase closing ratios, improve online reputation, and optimize resources. We do this by surveying more than 207,000 residents and prospects each month. Our Online Reputation Assessment™ (ORA™) Score serves as the industry benchmark for measuring a property's online reputation. This score is based on monthly online reputation monitoring of more than 62,000 properties nationwide, across all review sites.

All customer insights are delivered through our state-of-the-art Dashboard that equips clients to make timely and effective management decisions.

As industry influencers, we have produced more than a dozen national research studies and white papers that unravel emerging trends, shifting demographics, industry best practices, and new market opportunities. Headquartered in Houston, we have been serving the multifamily industry since 2003.

Contact us at research@jturnerresearch.com

For more information, visit <http://www.jturnerresearch.com/>



ABOUT MULTIFAMILY EXECUTIVE

Multifamily Executive (MFE) provides coverage on all segments of multifamily housing, with a unique focus on operating performance. In print, online, or in person, MFE supplies the information apartment pros need, in the medium they prefer.

Each year, MFE partners with different developers and architects to design and produce its annual Concept Community project. In its fifth year, the Concept Community is a multiplatform experience that encompasses twice-monthly e-newsletters, a dedicated website, and a special print edition of MFE, all culminating in a keynote presentation at the annual Multifamily Executive Conference (MFEC). The 2016 Concept Community, dubbed “The Next Gen Apartment,” takes a deep dive into the technological wants and needs of various generations and will be presented at this year’s MFEC from Sep. 19–21 at the Bellagio in Las Vegas.

J Turner Research has been MFE’s data partner for the Concept Community since the project’s inception in 2012. Through large-scale, national, joint research projects, J Turner Research and MFE reveal what renters of various ages and demographics want each year. For more information about MFE and the Concept Community, visit www.multifamilyexecutive.com or e-mail Jerry Ascierto, MFE’s editor at large, at jascierto@hanleywood.com



EXECUTIVE SUMMARY

Cost Conscious: What Renters Want in the Next Gen Apartment

The multifamily industry is going all out to entice renters with contemporary homes embellished with the latest smart home technology, stylish interiors, and lifestyle enhancing amenities.

But are renters ready to pay for upgrades? The unequivocal answer is NO; they don't want any additional increase in their rents. This is the central conclusion of J Turner Research's latest study **The Next Gen Apartment: The Technology and Lifestyle Preferences of Different Generation of Renters** involving **84,924 responses** nationwide.

Residents are definitively price conscious. However, there are certain exceptions to that rule. Upgrades for which some residents are willing to pull their purse strings include: 24/7 package lockers, fitness classes, steam rooms, walking trails, a reserved parking spot, and a gated community. The verdict is almost evenly divided when it comes to shelling out money for hardwood floors and large closets.

Residents are interested in smart home amenities that save them money—free Wi-Fi connectivity, smart thermostat, and energy star kitchen appliances. They have clearly voiced their reservations about short-term rental models similar to Airbnb.

Scope of the Study

As Multifamily Executive's Concept Community data partner for the fifth consecutive year, J Turner Research undertook an extensive national research project titled – The Next Gen Apartment: The Technology and Lifestyle Preferences of Different Generation of Renters. Nationwide 84,924 residents, living across **1,555 communities**, representing **26 companies** responded to the survey. This is the highest participation ever for a concept community study.

The 2016 Concept Community study takes a deep dive into technology, lifestyle, and design upgrades most desired by renters. Specifically, it investigates – the common area and smart home upgrades, short-term rental trends, health and fitness amenities, electronic vehicle charging stations, bike ownership and bike sharing trends, and apartment design features preferred by renters.

Demographic Profile

In the study, the majority (59 percent) of respondents were Millennials (18-34 years), followed by Gen Xers (35-50 years) at 25 percent, Baby Boomers (51-70 years) at 14 percent, and the Silent Generation (70 years and above) at one percent.

Airbnb - "My Home is Not a Hotel"

The hot topic of services like short-term rental outfit Airbnb received a lukewarm response from survey



respondents. One fourth of respondents (25 percent) answered “definitely not” to living at a community that allowed residents to rent out their units for a day/week, similar to the Airbnb model. Additionally, 21 percent of respondents are “less willing” to rent at such communities, while another 18 percent expressed ambiguity, saying they’d be “somewhat willing”. All told, more than 64 percent of all renters expressed a degree of negativity regarding short-term rentals.

Across generations—18 percent of Millennials, 31 percent of GenXers, 40 percent of Baby Boomers, and 47 percent of the Silent Generation indicated “definitely not” to renting at a community that permits short-term rentals. Millennials are more likely to accept the idea of temporary neighbors.

Health and Fitness - Steam it up

New constructions often boast of a rich menu of health and fitness amenities to attract a diversity of demographics. While a fitness center and pool is commonplace in a community, this survey researched the interest of residents in certain other amenities. Are residents willing to put their money where their mouth is? Yes! Out of all amenities which residents are willing to pay for, a steam room merits attention from the industry.

Offerings for which respondents would be willing to pay a minimum of \$5 a month in additional rent include fitness instruction classes like Zumba (46 percent of

respondents), steam rooms (43 percent), track/walking trails (42 percent), and fitness machines with individually tailored connectivity and Bluetooth options (38 percent).

Streamline Package Delivery

The meteoric rise of online shopping is evident from the survey, with 62 percent of residents reportedly receiving two or more packages a month at home. This equates to at least 875 packages being delivered on a 300-unit property per month.

As owners and managers struggle to keep up with the rapidly growing volume of packages, more than 27 percent of those polled indicated they personally have experienced problems/and or inefficiencies with receiving their packages at their communities.

Close to half (48 percent) of residents gave their consent to in-unit delivery of packages by on-site staff. Thirty-one percent of respondents are willing to pay for a 24/7-accessible package locker.

Parking Lot Payday

A key finding of our previous studies is that parking is the number one complaint of residents nationwide. Finding a spot to park is not a struggle renters want to have each day.

The overwhelming majority of renters (67 percent) own one car, while another 21 percent of all renters own



two. Another 9 percent indicated they do not own a car. The region scoring the most in terms of no car ownership is the Northeast—30 percent of residents in the Northeast indicated not owning a car.

As evident from the results, renters are more willing to pay for dedicated spots and avoid the hassle of open parking. The majority of respondents (60 percent) indicated that they would pay more for a dedicated spot, versus open parking. While 46 percent of renters will shell out \$25 for a dedicated spot, 14 percent will pay \$75 for a reserved carport. Each generation surveyed was more willing to pay for a dedicated space than a free one. The older the driver, the more willing they are to pay that extra \$25 to forego the hassle of finding a spot.

Price Elasticity of Design Options

To help developers assess the opportunity to increase rent for different interior upgrades, we provided respondents with a stock rent increase for certain interior features. During the survey period, we adjusted the price of certain features to determine the effect of price on preference for those features. The experts on the MFE panel advised on this rent increase.

This rent increase amount helped us determine the value in dollars the respondents place on their choices. For instance, residents were given the option to choose between carpeted living floors and hardwood floors with an additional \$75 a month in rent. Half of the respondents (51 percent) opted for carpeted floors and 49 percent opted for hardwood floors at the \$75 price increase. The hardwood floor percentage dropped to 46 percent when the price was increased to \$100. ***“No carpet anywhere. Hard surface is the same price now as carpet with less maintenance,”*** echoed one resident.

The choice between regular closets (4x6 ft) and large

closets (10x6ft) with an additional \$75 drew the same response. Fifty-one percent of residents chose regular and 49 percent went for the larger closets. The large closet percentage dropped to 45 percent with a \$25 price increase.

As observed in our 2015 Concept Community study, safety is a paramount concern for residents. Mirroring this, when asked to select between a drive-through community and a gated community for an additional \$25, the majority (54 percent) of residents opted for a gated community. This number dropped to 49 percent when the price was increased to \$50.

The choice between electric cooktop and gas cooktop with an additional \$15 was more decisive. More than half (57 percent) of residents opted for an electric cooktop, as opposed to 43 percent who chose a gas cooktop.

In conclusion, while testing the price elasticity of a design option, a \$25 price increase in a feature resulted in a four percent decline in preference and vice versa. Hence, overall, residents are unwilling to pay for upgrades. As expressed by one respondent, ***“Many of these items are one time costs, I don’t want to pay for them year after year.”***

Money Saving Smart Home Technology

With smart home technology on the upswing, residents across generations most desire amenities that will save them money. Ranked in order of preference, these include: free Wi-Fi connectivity, smart thermostat, and energy star kitchen appliances. Next are features that offer convenience—keyless electronic entry to front, built-in USB charging ports, in-unit motion detection cameras, and motion sensor lighting.



Electric Vehicles - Not in the Near Future

Bloomberg forecasts that electric vehicles (EV) will represent 35 percent of global new car sales by 2040. But in the near term the outlook for them is not so robust.

Only 15 percent of residents polled plan on buying an EV in the next five years. Out of this 15 percent, 58 percent are willing to pay for a charging station on site. The vast majority (85 percent) of residents have no plans of buying an EV in the next five years.

Common area amenities - On Demand is Big

With increasing demand for music and video streaming, it is no surprise that residents are in favor of upgrades that support this feature. More than half (56 percent) of residents said that they would use a Bluetooth connected speaker in common areas such as the pool, picnic tables, and grilling areas at least once a month. Close to half (47 percent) of residents said that they would use a high-definition theater room where they could plug in their mobile devices for viewing at least once a month. Not ready to let the weather play spoil sport, 55 percent of residents expressed that they would use a weather sealed exterior high definition screen on a rooftop or pool area a minimum of once a month.

Other noteworthy themes

This survey received close to 30,000 comments from residents. Some noteworthy themes surfaced in these comments that merit attention from the industry.

Respondents warned multifamily companies against adding amenities in haste without paying attention to their functionality. It's not enough to add amenities, they said; operators need to make sure the amenities are functional the majority of the time.

Respondents repeatedly echoed the importance of focusing on ***“basic services like competent leasing office staff and interior maintenance—everything else is window dressing to attract new tenants, not existing residents,”*** said one.

Besides these themes, residents also voiced a concern for better soundproofing and offering amenities for families with children, such as playgrounds.

Conclusion

The study ***The Next Gen Apartment: The Technology and Lifestyle Preferences of Different Generation of Renters*** informs management companies and developers about the technology, lifestyle, and design preferences of today's and future renters. It echoes the voice of 84,924 residents nationwide, the highest participation in a MFE Concept Community study to date.

The bottom line of this exhaustive survey is that renters are undoubtedly cost conscious, they do not want any additional increase in their rents. Their willingness to pay for certain amenities is driven by convenience (reserved car spot, 24/7 package lockers), a sense of security (gated community), and staying healthy and fit (fitness classes and steam rooms).

Residents are more discerning, they don't want to recurrently pay for design upgrades such as hard floors or large closets which are a one-time investment for the developers.

Residents desire smart home upgrades that save them money. Majority of the residents have expressed a degree of negativity towards a short-term rental model like Airbnb.

For questions, contact research@jturnerresearch.com



IN THEIR OWN WORDS

Resident Comments

"Some things need to be included in the exorbitant prices you intend to charge for rent. Nickel and diming the resident will not earn you any new tenants. All you will do is encourage them to buy houses."

"We will be looking to move to a house where we can get more bang for our buck. Upgraded amenities are always wonderful, but they have to be kept in balance with affordability for your tenants too."

"Amenities go only so far if they're not backed up by an outstanding management and maintenance team that would provide for a stellar residency experience."

"Offer units with no upgrades at discount prices. Offer units with desired upgrades for premium prices. This guarantees everyone has options that suit their income and lifestyle."

"Do not allow Airbnb guests because then it will no longer be a community."

"Make sure that the 'amenities' are functional the majority of the time."

"Never forget about families with children. There needs to be a place for children to gather. A game room in the clubhouse and/or playgrounds and basketball courts on the property, bike trails or somewhere to ride their skateboards. When the kids are happy the parents are happy. We are the ones paying the bills."

"Keeping up with the curve on technology is important. Along the same lines, don't make certain utilities proprietary—give your residents the choice of their carrier."

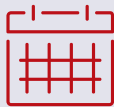
*"Streamline package delivery to the unit. Amazon Prime and other online purchases are increasing. ** that the office won't accept any packages. It is a major headache."*

"Work on soundproofing. Ensure that minimal noise is transferred from unit to unit."

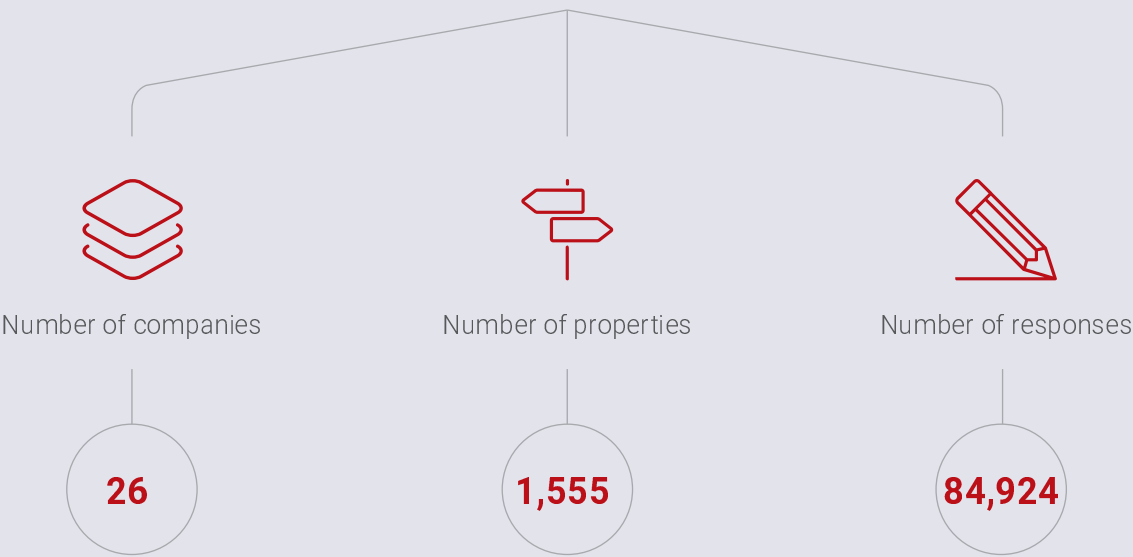
"Additionally, why should flooring cause an increase in rent cost? It is a one-time cost for the apartment and the current rent is more than enough to recoup this cost. Unless the flooring will be replaced with each tenant it shouldn't be added into the rent for the apartment cost."



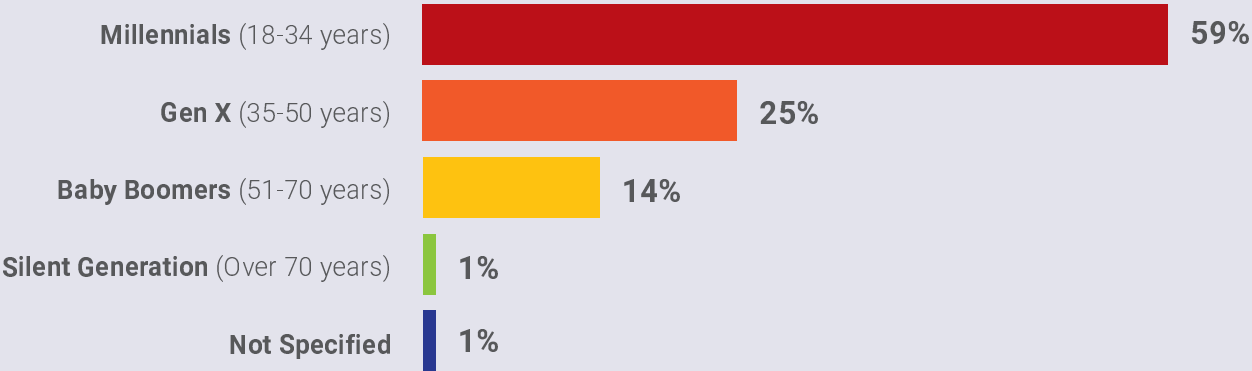
SURVEY RESULTS



The Survey in Numbers



Classification





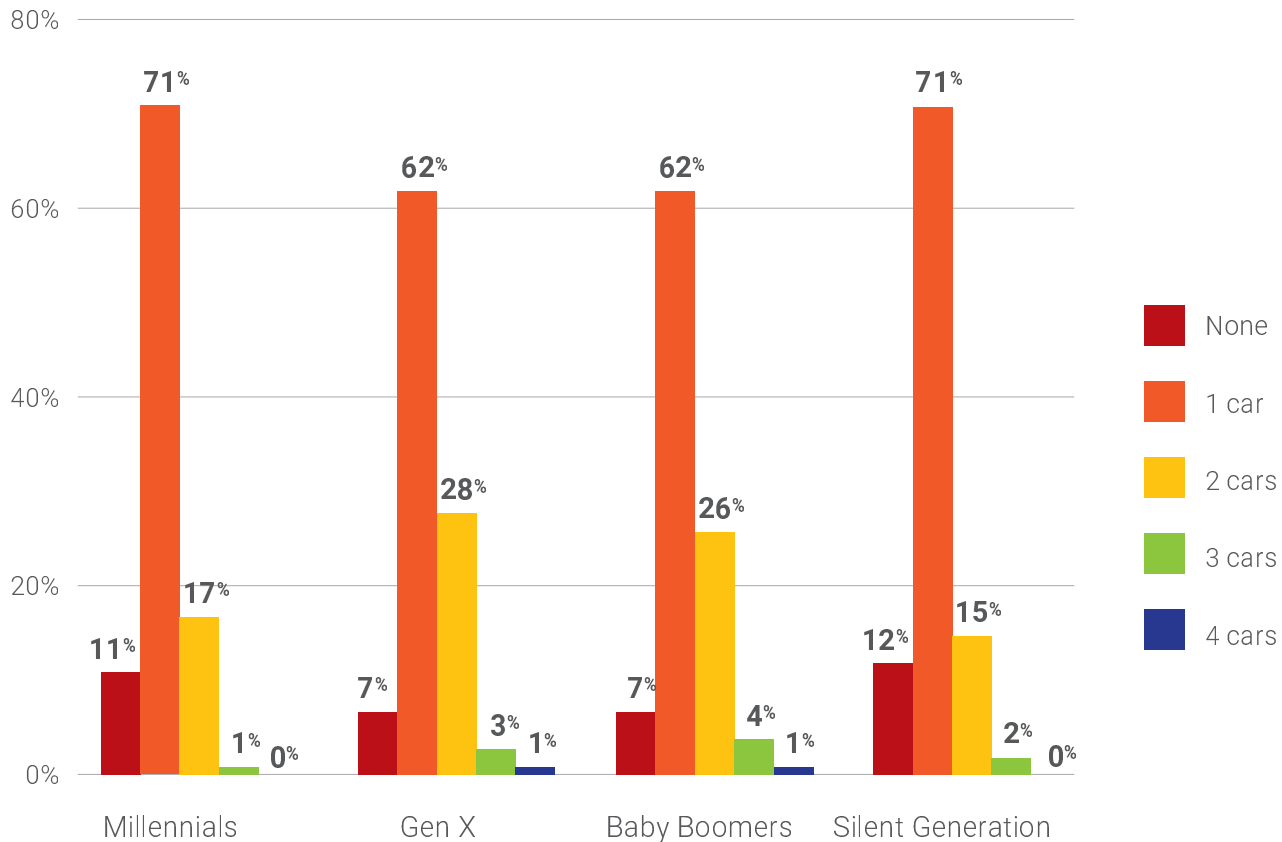
PARTICIPATING COMPANIES



VEHICLES

How many cars do you own?



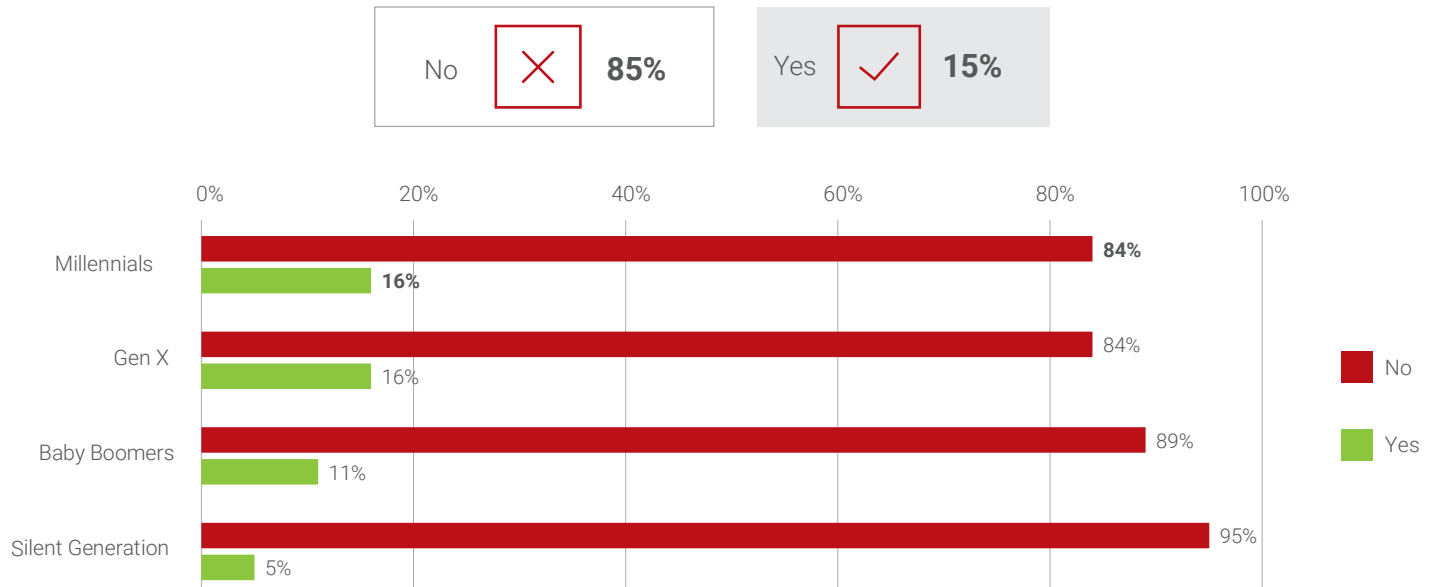
The overwhelming majority of renters (67 percent) own one car, while another 21 percent of all renters own two. Another nine percent indicated not owning a car.

Demographically, Gen Xers own the most cars among all generations (32 percent own two or more cars) followed by Baby Boomers (31 percent own two or more cars). The region scoring the most in terms of no car ownership is the Northeast—30 percent of respondents in Northeast indicated they do not own a car.



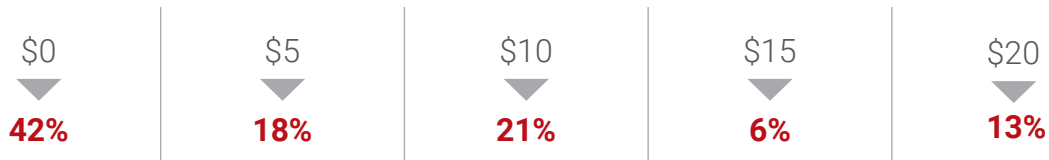
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Do you plan on buying an electric vehicle in the next five years?



The residents indicating “Yes” were asked the following

How much more would you be willing to pay per month to have a charging station on-site?



Bloomberg forecasts that electric vehicles (EV) will represent 35 percent of global new car sales by 2040. But in the near term the outlook for them is not so robust. Only 15 percent of residents polled plan on buying an EV in the next five years. The vast majority (85 percent) of residents have no plans of buying an EV in the next five years.

Out of the 15 percent who intend to buy an EV in the next five years, 58 percent would be willing to pay at least \$5 a month in rent for a charging station on site, while 40 percent would pay at least \$10 for a charging station.

Given the EV buying aspirations of some of the renters, the owners may want to consider future proofing their properties.

Interest in EVs is higher among the younger demographics—16 percent of Millennials and Gen Xers expressed interest in buying an EV. Meanwhile, the older generations were less enthused by this idea –11 percent of Baby Boomers and five percent of the Silent Generation intend to buy an EV in the next five years. Regionally, the West (18 percent) and Northeast (17 percent) showed the most interest.

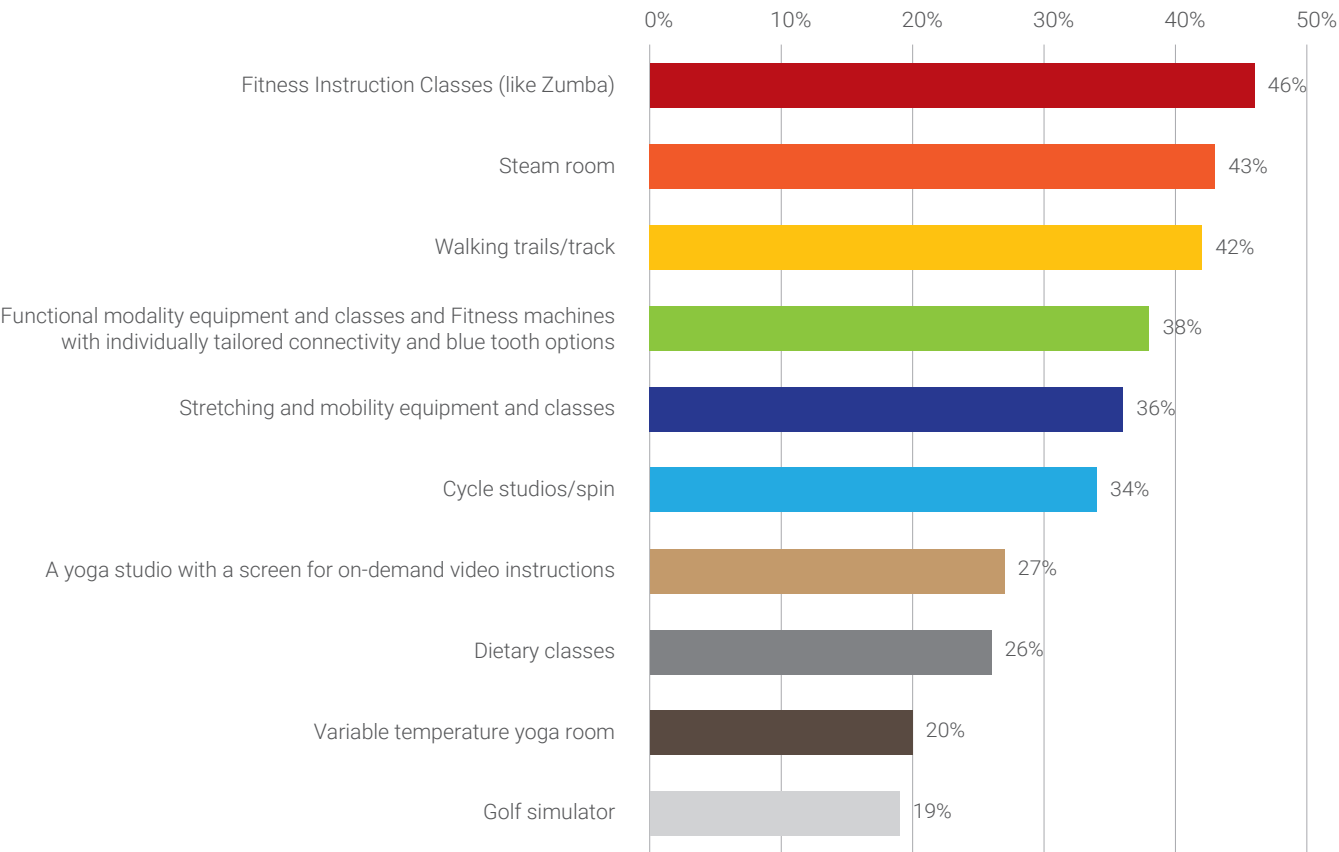


HEALTH AND FITNESS AMENITIES

New constructions often boast of a rich menu of health and fitness amenities to attract a diversity of demographics. This survey focused on a variety of health and fitness amenities to identify the ones that demand a premium, if any. While pools and fitness centers are somewhat expected, three amenities stood out from the pack as offering owners the highest rent premiums: fitness instruction classes, steam rooms, and walking trails. Millennials were the most enthusiastic about these amenities, followed by Gen Xers.

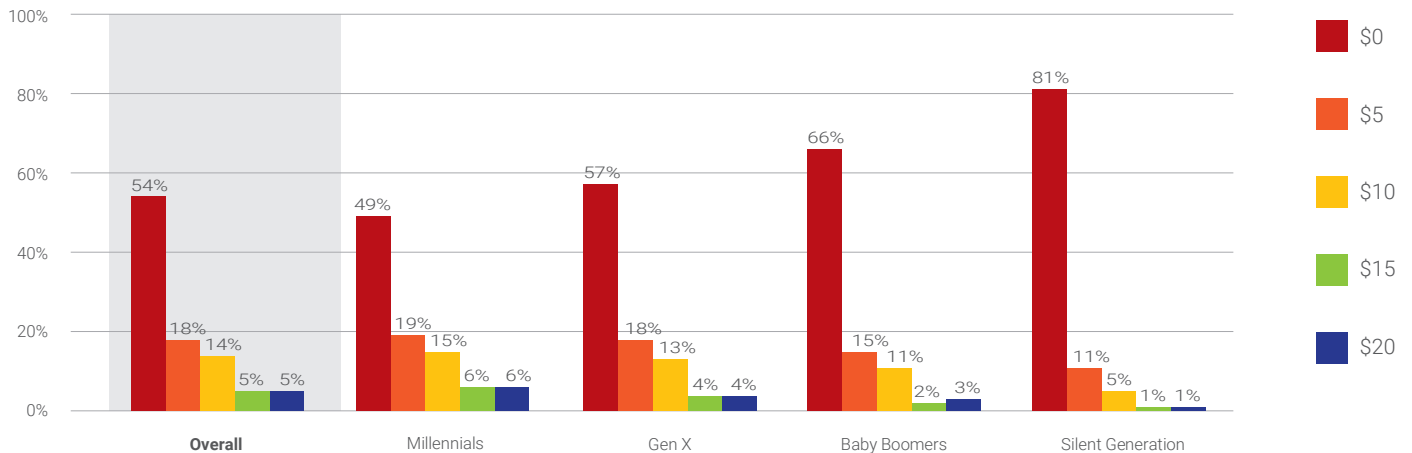
Another noteworthy trend observed with regards to health and fitness amenities is that for some amenities residents are willing to stretch their dollar. For amenities such as stretching and mobility equipment and classes, cycle studios/spin, yoga room with variable temperature, and golf simulator almost an equal percentage of residents are willing to pay \$5 and at least \$10 a month in rent.

Ranking of amenities for which renters are willing to pay a premium





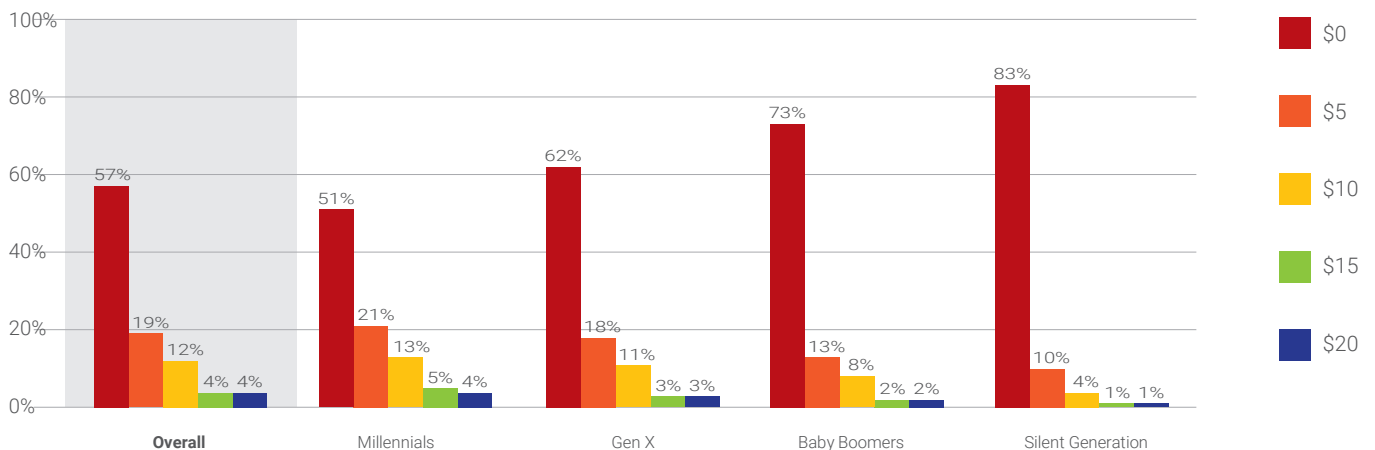
Fitness instruction classes (like Zumba)



Fitness instruction classes like Zumba is the number one amenity for which residents are willing to pay an additional rent. What premium do renters place on this amenity? Eighteen percent of renters were willing to pay \$5 additional in rent per month, and 24 percent of all renters were willing to pay at least \$10.

Millennials at 51 percent are most likely to pay extra for fitness classes. Surprisingly, for this cost-conscious demographic, 15 percent of Millennials would be willing to pay \$10 extra per month for fitness classes. Fitness classes are also a hit with Gen Xers, 43 percent would be willing to pay more for this amenity, and 13 percent would even pay \$10 additional per month.

Steam room

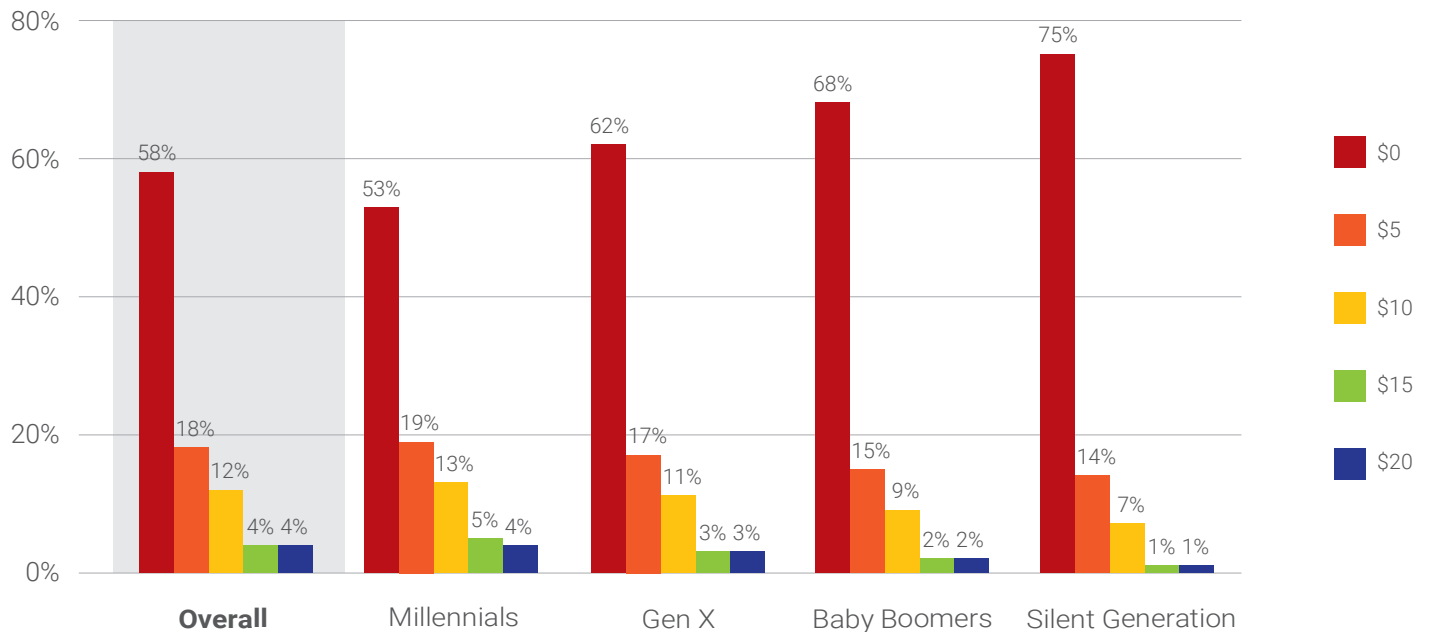


Somewhat surprisingly, with 43 percent of respondents willing to loosen their purse strings for a steam room, it ranked as the second premium amenity. Nineteen percent of all renters indicated they would pay \$5 more per month for a steam room, while another 20 percent would pay at least \$10.

Millennials were the most upbeat about a steam room, with 21 percent willing to chip in \$5 more per month, 13 percent saying yes to \$10, and nine percent saying that they would go as high as \$15 or more per month.



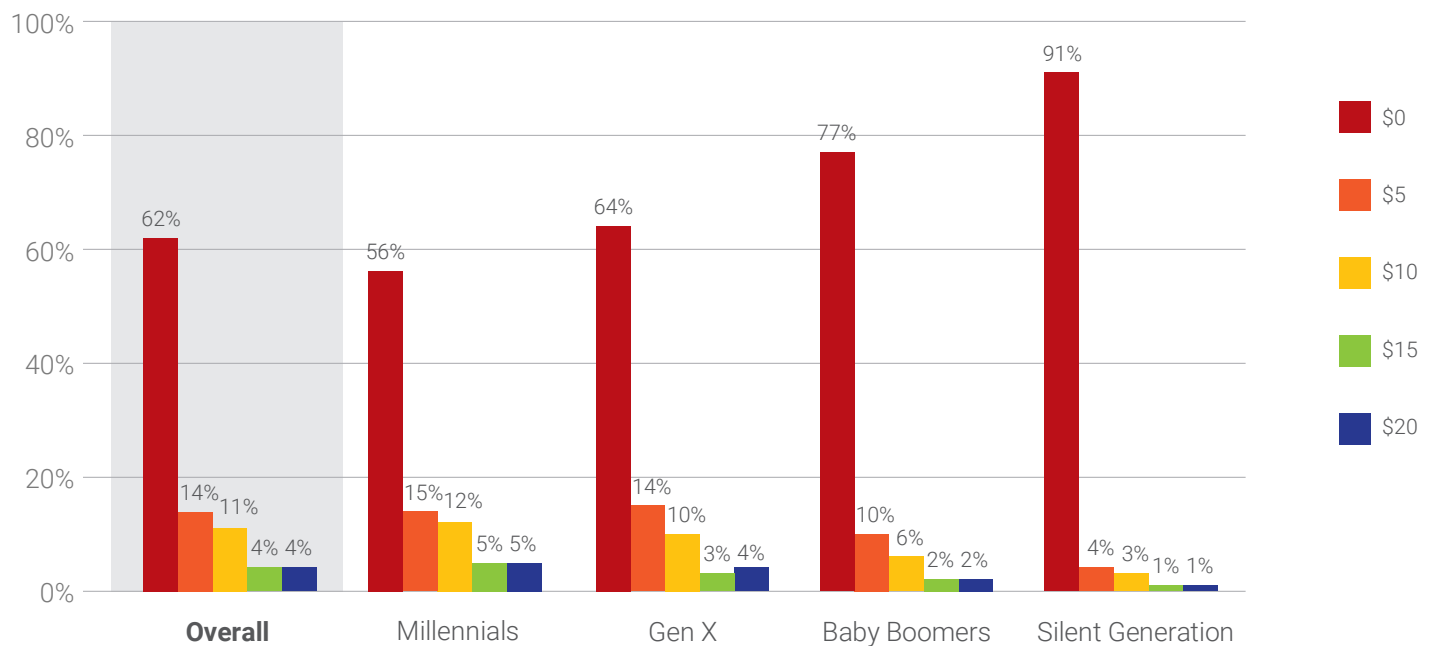
Track/Walking trail



Track/walking trail is the third premium fitness amenity—42 percent of respondents would be willing to pay extra for this amenity. While 18 percent of renters would pay \$5 extra per month, 20 percent would pay at least \$10 for access to a walking trail or track.

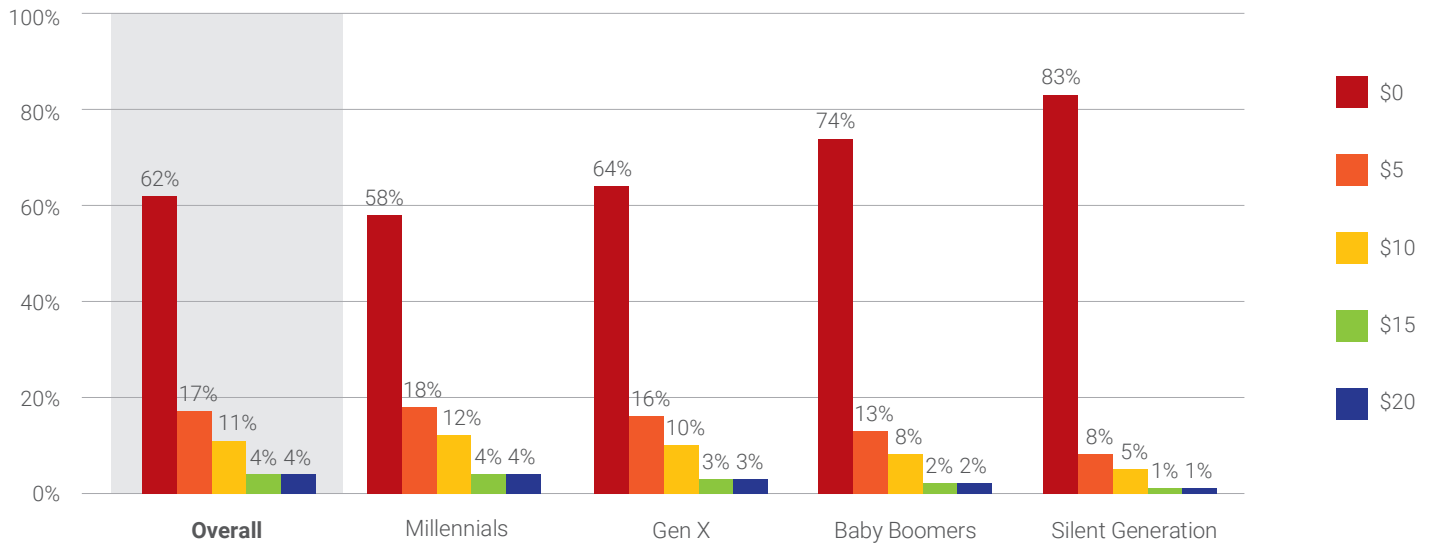
Millennials were most excited by the prospect of a track/walking trail, 19 percent would pay at least \$5 and 22 percent would pay at least \$10 a month for this amenity.

Functional modality equipment and classes (Such as CrossFit)



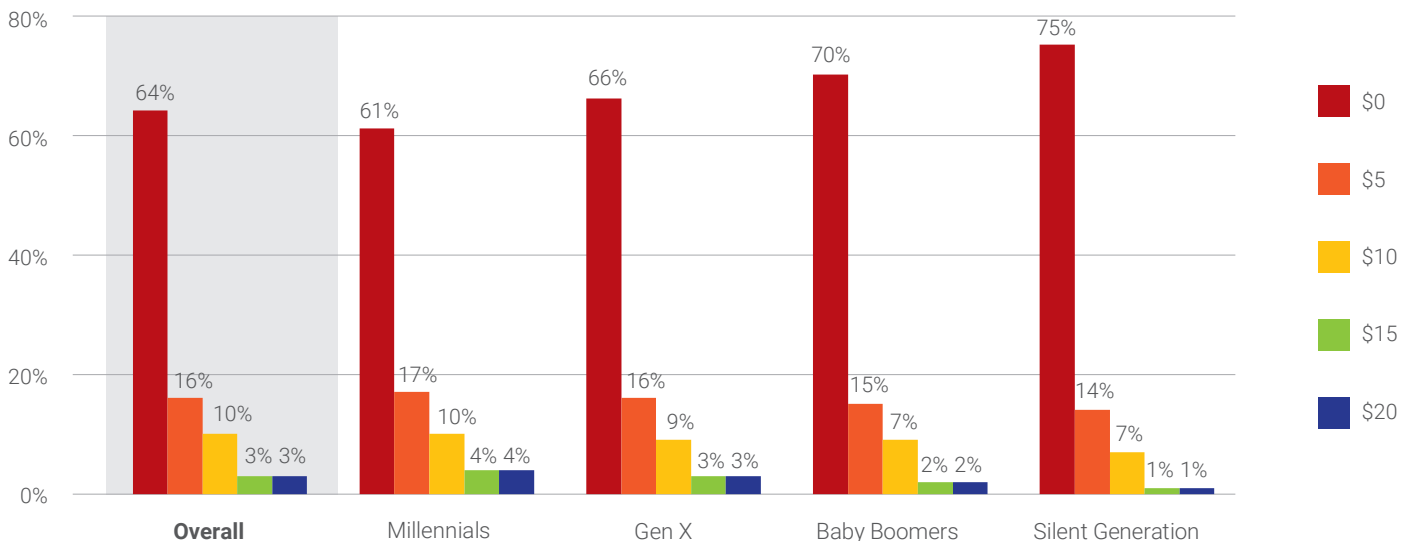


Fitness machines with individually tailored connectivity and Bluetooth options



Functional modality equipment and classes such as CrossFit and Fitness machines with individually tailored connectivity and Bluetooth options both tied for the fourth place as amenities offering rent premiums to owners. Thirty-eight percent of respondents would pay additional rent for these features. In terms of rent premium, one feature has a slight edge over the other. While, 17 percent of renters would pay \$5 for fitness machines with individually tailored connectivity and Bluetooth options, 14 percent would pay the same amount for functional modality equipment and classes.

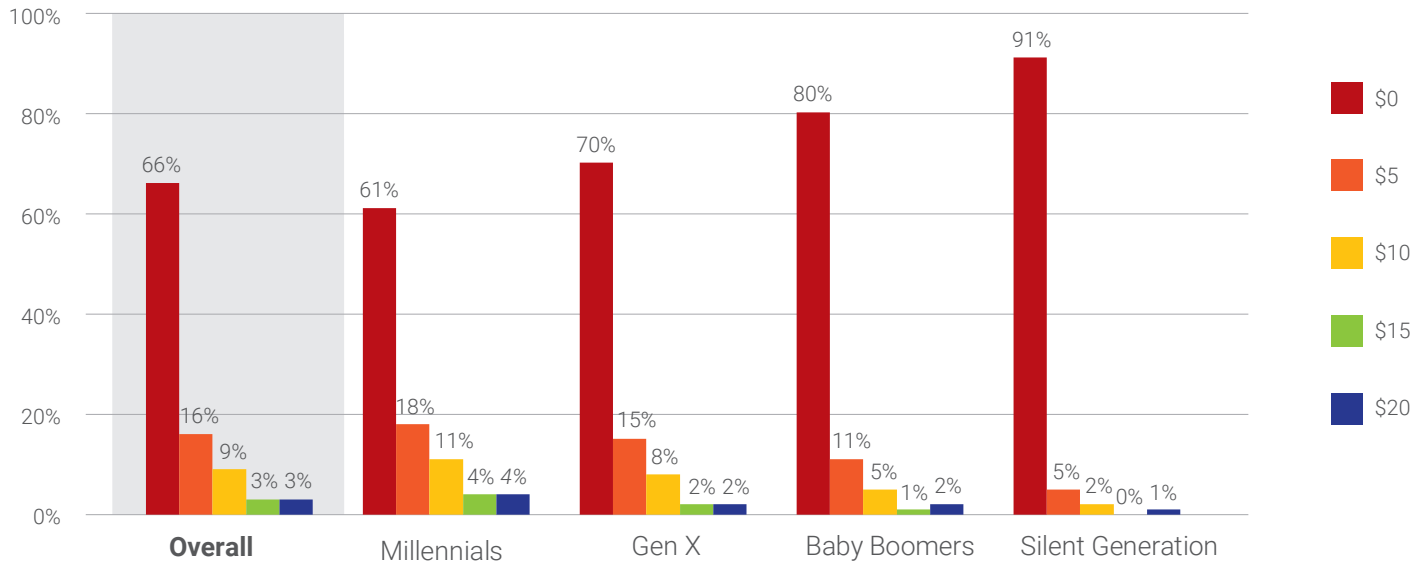
Stretching and mobility equipment and classes



Stretching and mobility equipment and classes rank fifth in order of premium amenities among residents. More than one third (36 percent) of residents are willing to pay extra for this feature. Surprisingly, at 16 percent, the percentage of renters willing to pay \$5 additional is same as the percentage willing to shell out at least \$10 for this amenity.

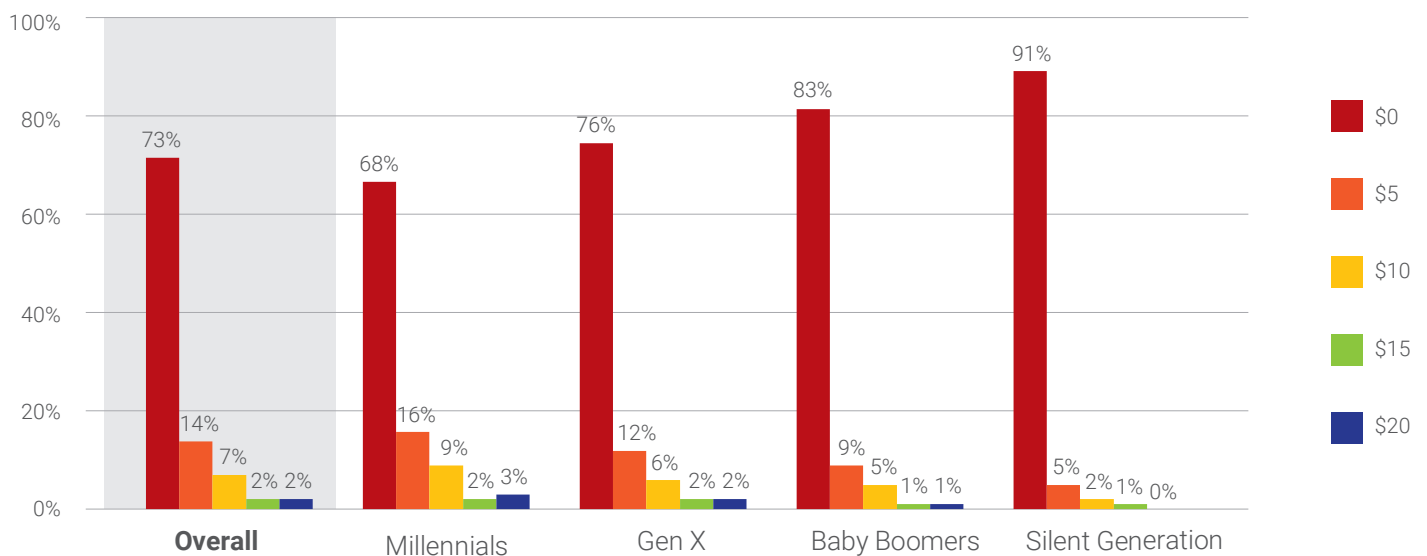


Cycle studios/spin



Cycle studios and spin was a close second to stretching and mobility equipment and classes. With 34 percent of respondents putting a premium on it, cycle studio ranked sixth among premium fitness amenities. Sixteen percent of respondents would pay \$5 and 15 percent would pay at least \$10 for access to a cycle studio/spin amenity.

A yoga studio with a screen for on-demand video instructions

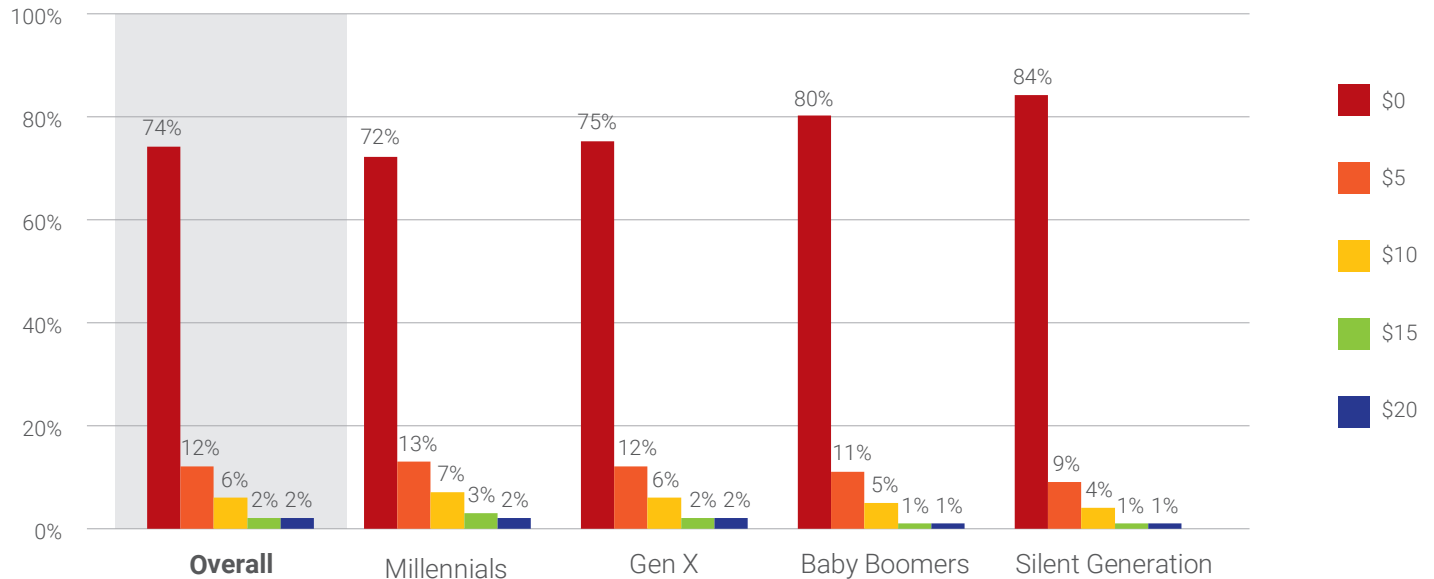


With more than a quarter (27 percent) of residents willing to pay an additional rent per month for a yoga studio with a screen for on-demand video instructions, it ranked seventh among premium fitness amenities. Fourteen percent of residents will pay at least \$5 for a yoga studio.



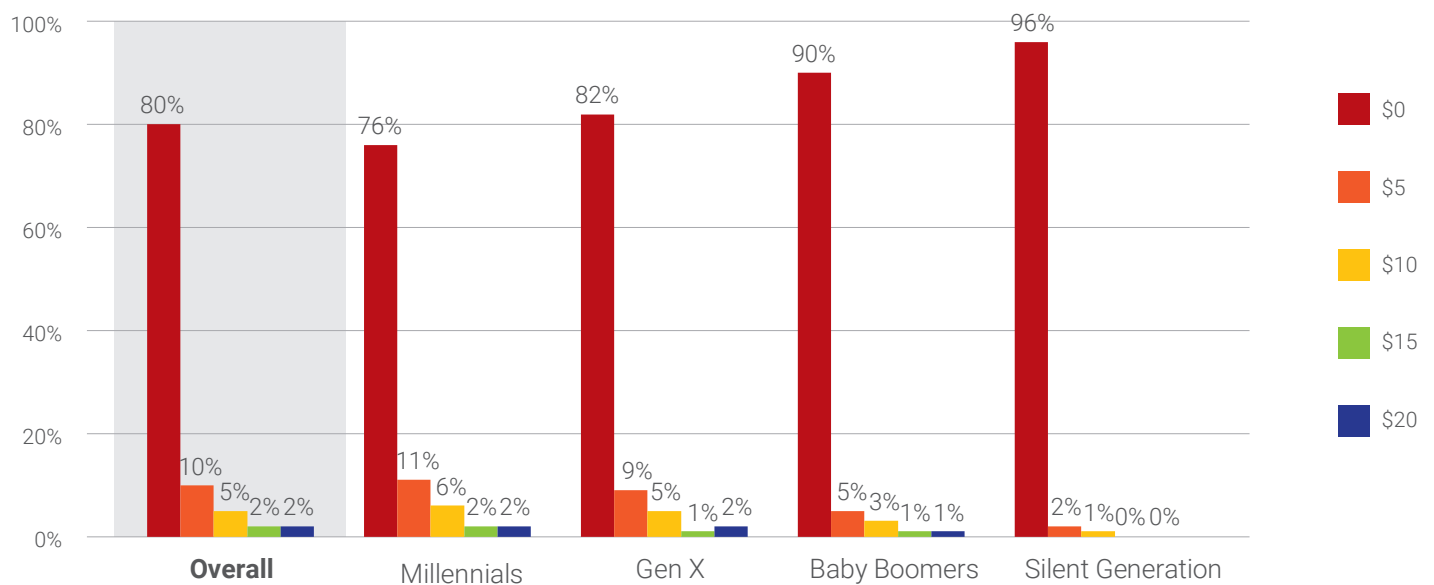
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Dietary classes



Dietary classes ranked eighth out of all options for premium health and fitness amenities among residents, with 26 percent of residents putting a premium on it.

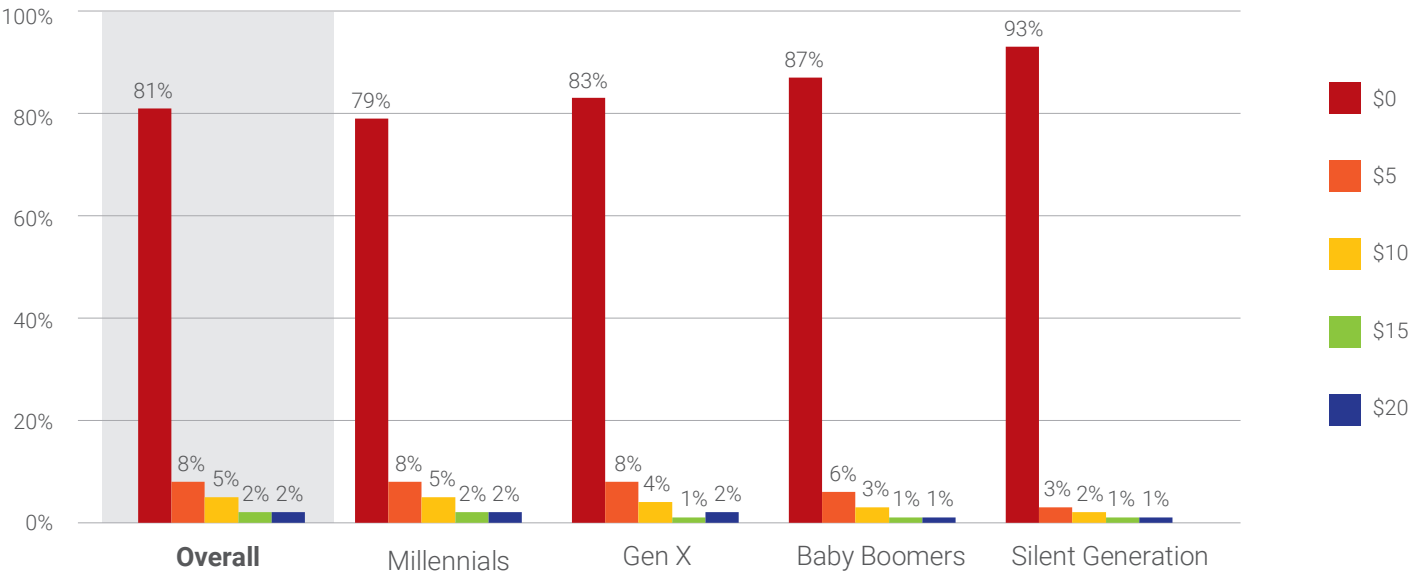
Variable temperature yoga room



Variable temperature yoga room ranked ninth in order of premium fitness amenities with 20 percent of residents willing to pay extra for it.



Golf simulator

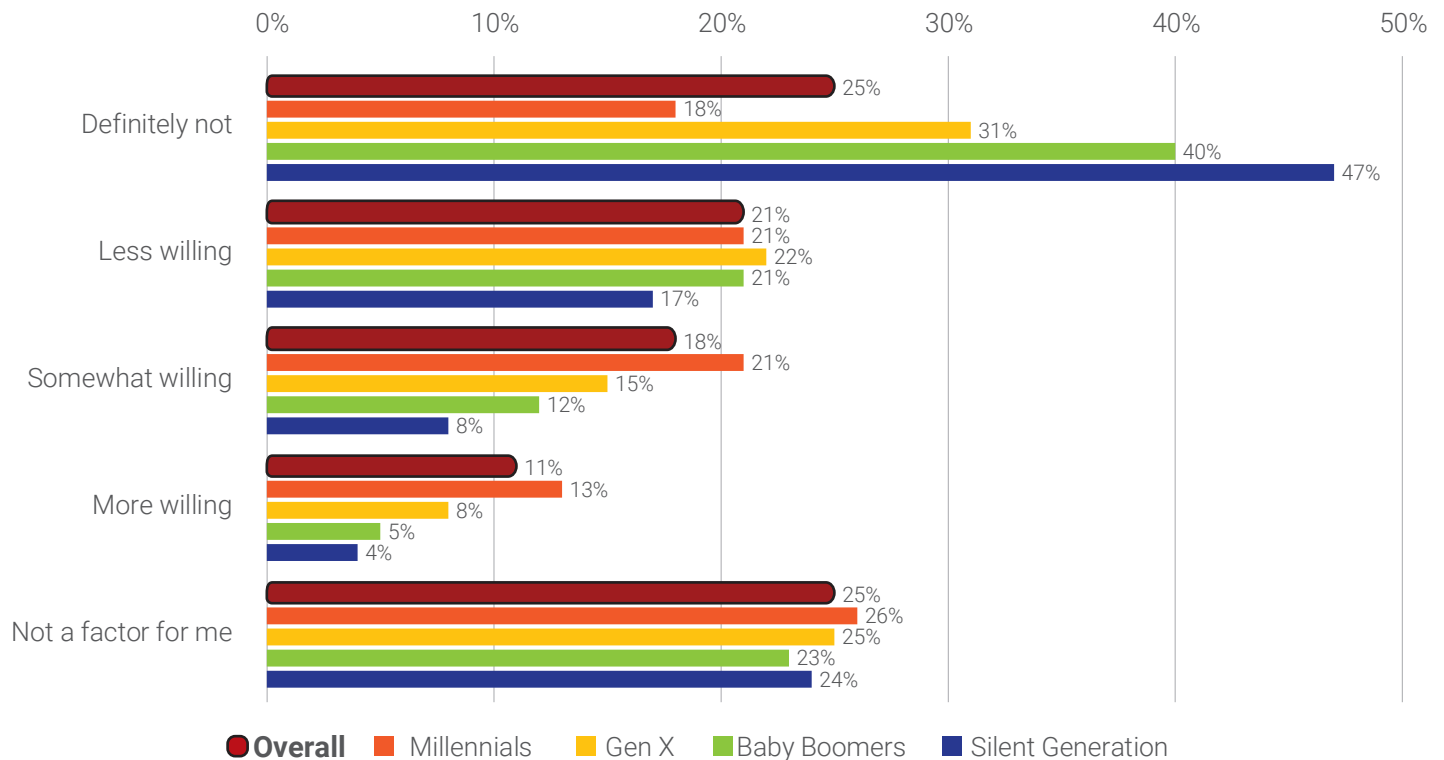


Golf simulator was the least likely health and fitness amenity for which residents were willing to pay extra.



SHORT TERM RENTALS

Would you be more or less willing to live in a community that allowed residents to rent out their units for a day/week (like AirB&B)?



Home sharing or short-term rental model that has become synonymous with Airbnb, the company most often associated with this model, received a lukewarm response from the survey respondents. The majority of renters have reservations about living in a community that allows such rapid subletting.

One fourth of the respondents (25 percent) answered “definitely not” to living at a community that allowed residents to rent out their units for a day/week, similar to the Airbnb model. Additionally, 21 percent of respondents are “less willing” to rent at such communities, while another 18 percent expressed ambiguity, saying they’d be “somewhat willing”. All told, more than 64 percent of all renters expressed a degree of negativity toward short-term rentals.

This negative perception is somewhat balanced by 25 percent of respondents who say the presence of short-term rentals is not a factor in their decision making, while 11 percent of respondents answered that they are “more willing” to live at such communities.

The older generation is the most opposed to this idea, with 47 percent of the Silent Generation and 40 percent of Baby Boomers rejecting it outright. Millennials at 13 percent are more likely to accept the idea of temporary neighbors.

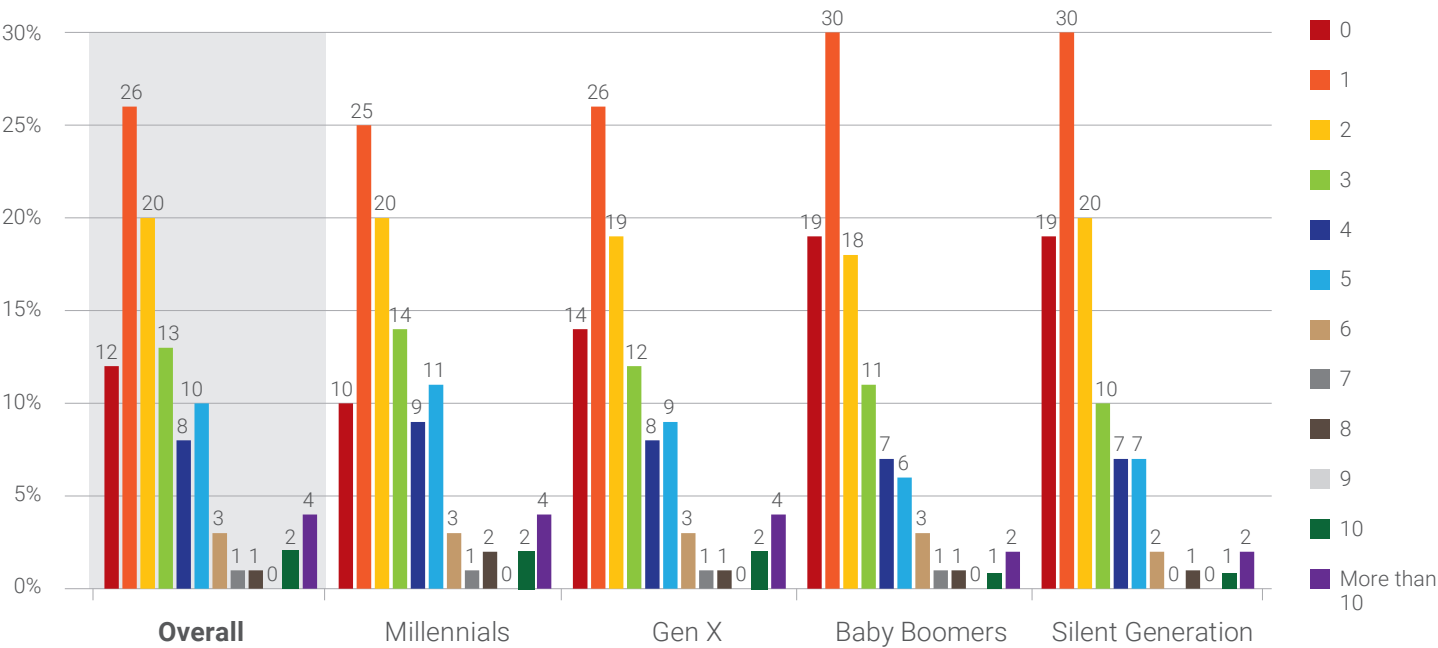
“Please don’t allow people to rent out their apartment temporarily. The people that live here are sufficiently disrespectful of the property as it is. My “home” is not a hotel.”



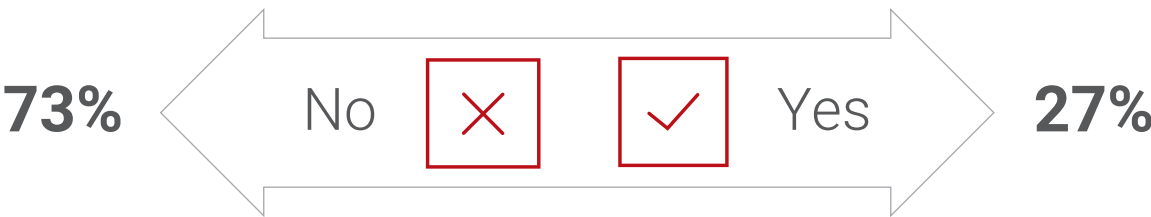
PACKAGE DELIVERY

The meteoric rise of online shopping is driving the industry to incorporate solutions that ensure a seamless e-commerce experience for its residents. The enormity of the problem of package delivery is evident from our survey. Property management companies are struggling to find a satisfactory resolution to this issue.

How many packages do you receive in a typical month?



Have you experienced any problems/inefficiencies with receiving your packages?

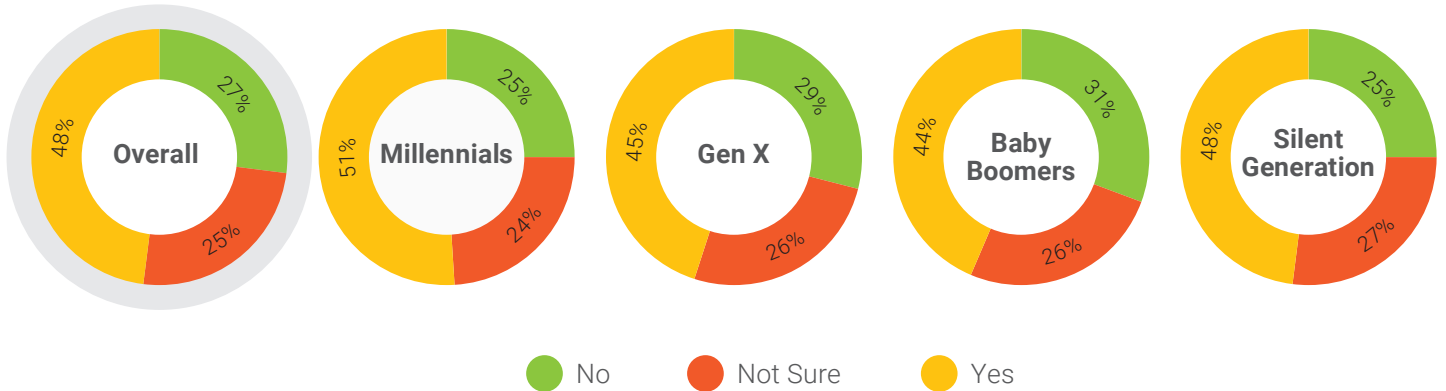


More than a quarter (26 percent) of residents receive one package a month, 20 percent receive two, and 21 percent receive five or more packages a month. Overall, 62 percent of residents receive two or more packages a month at home. This equates to at least 875 packages being delivered on a 300-unit property per month.

As owners and managers struggle to keep up with the growing volume of packages, 27 percent of those polled indicated that they personally have experienced problems/and or inefficiencies with receiving their packages at their communities.

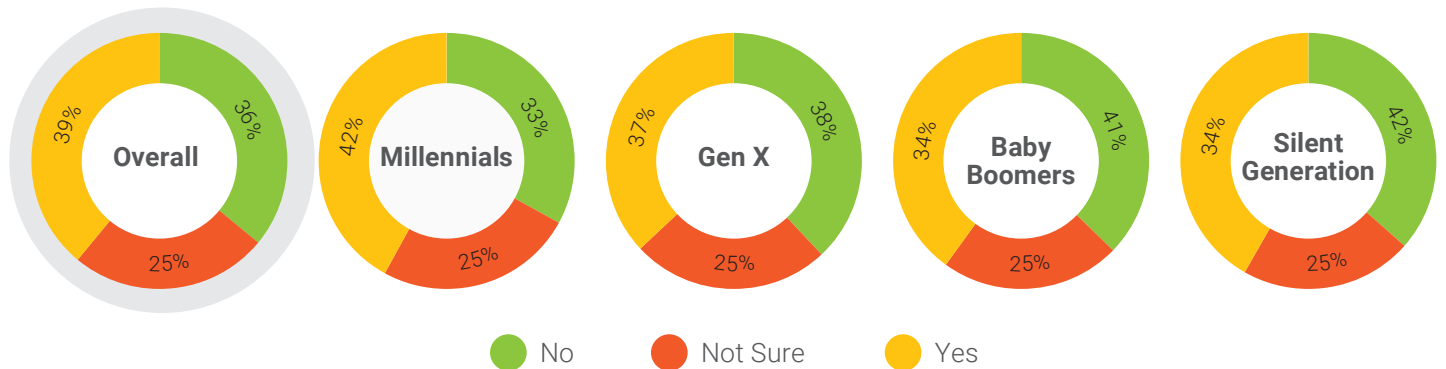


Would you allow in-unit delivery of packages by on-site staff?



Close to half (48 percent) of residents gave their consent to in-unit delivery of packages by on-site staff. At 51 percent, Millennials are the most in favor of this arrangement.

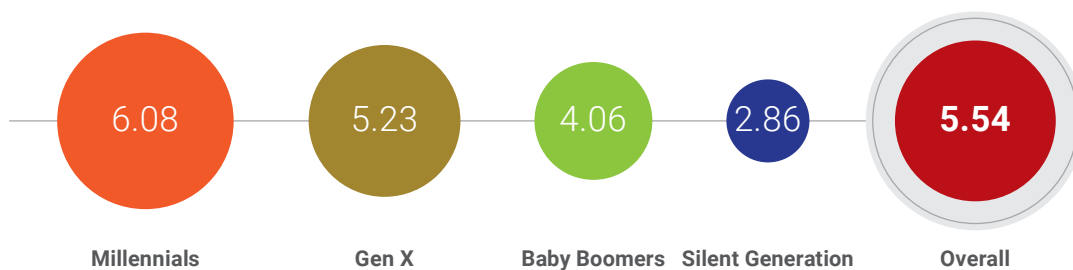
Would you allow in-refrigerator delivery of perishable items by on-site staff?



As grocery delivery services continue to spring up all over the nation, the delivery of perishable items need special handling. Will residents allow in-refrigerator delivery of these items by on-site staff? Convenience rules! More than a third, 39 percent of all respondents said yes to this service. Millennials at 42 percent favor this the most, followed by the Gen Xers at 37 percent. At 34 percent, both Baby Boomers and the Silent Generation also gave in to the convenience of in-unit delivery of perishable items.

How important is it to you to have a 24/7-accessible package locker?

(10 - Very Important)





Fearing the loss of critical employee productivity time in receiving and handling packages, management companies have begun enforcing strict package delivery policies. For instance, some companies do not accept tenant packages in their management offices. Instead, renters can receive packages at their doorstep without a signature, pick up packages themselves, or have their goods shipped to another address*. Others reportedly use electronic lockers on some of their properties. Yet, some others are pilot testing the Amazon locker program**.

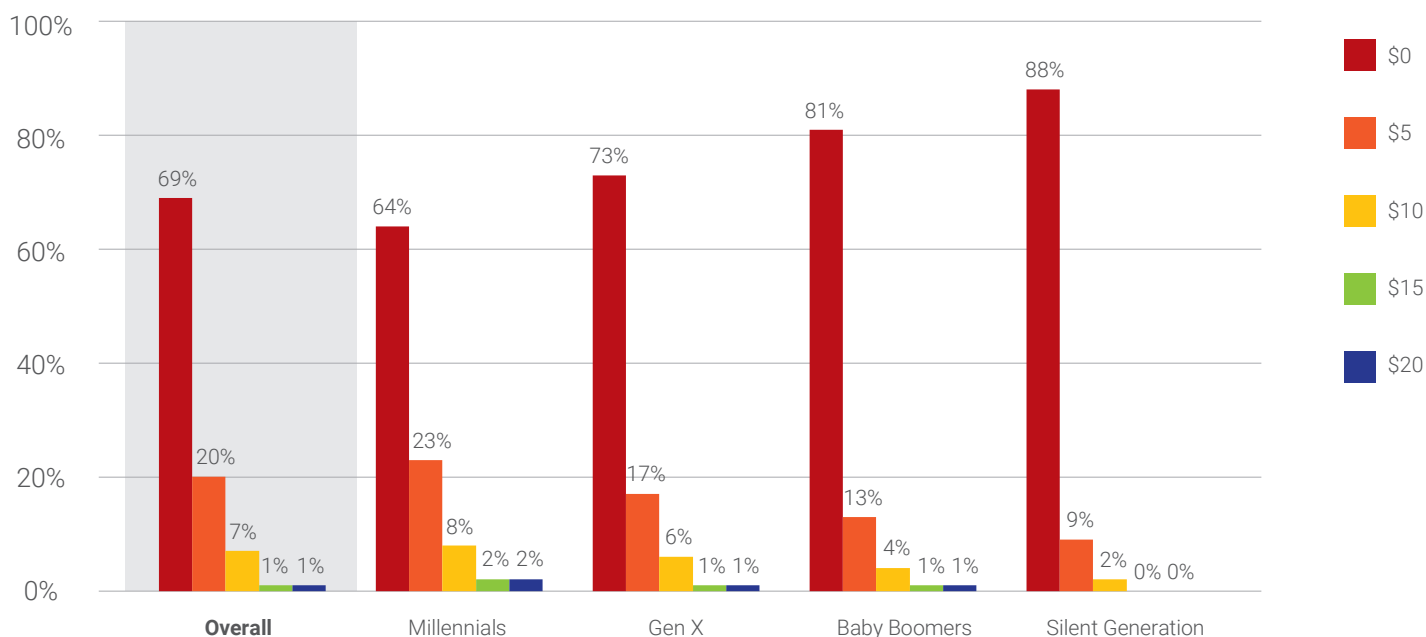
As owners struggle to find a solution to this perennial and growing problem of package delivery, 24/7- accessible package lockers seem to offer a reasonable alternative. When asked how important package lockers were to them (on a scale of 0 to 10, 10 being very important), respondents rated it at a lukewarm 5.54. Rating it at 6.08, Millennials were somewhat more likely to think it's important, but not that much.

Source:

* <http://www.today.com/home/no-more-packages-landlords-push-back-against-online-shopping-onslaught-t51636>

** <http://units.naahq.org/august-2016/amazon-locker-enters-apartment-market>

How much more per month would you pay to have a 24/7-accessible package locker?



Are residents willing to pay for a 24/7- accessible package locker? An overwhelming majority of renters (69 percent) expect efficient delivery of their packages to be a free, on-demand amenity. Only 31 percent would be willing to pay for it. What price can owners demand for this facility? Twenty percent of respondents are willing to pay \$5 a month for a 24/7-accessible package locker. At 23 percent, Millennials are the most willing to shell out \$5 for this facility.

"I also really like the idea of storage lockers for package deliveries. This would really help lessen the worry about package theft."

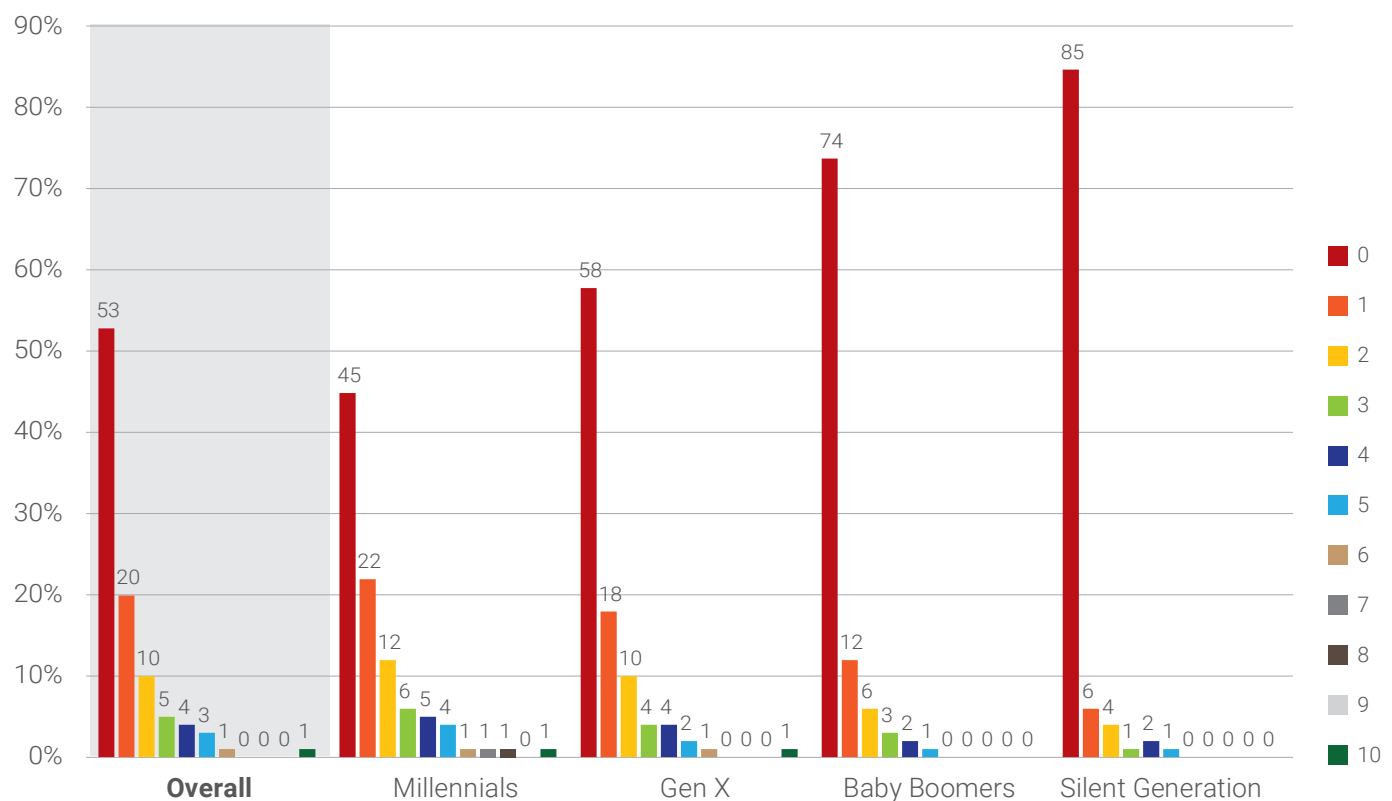


TECHNOLOGY ENABLED AMENITIES

The growth of on-demand music and video streaming is altering the nature of technology-enabled amenities desired by residents. A total of 209.4 billion on-demand streams, up 58 percent year on year were registered by BuzzAngle in the first six months of 2016, more than half being audio streams (114 billion, up from 54.9 million, or 55 percent of total streaming consumption)*. Given this robust growth, it is no surprise that residents, especially the Millennials, are in favor of upgraded amenities that support on demand streaming. The younger generations, both Millennials and Gen Xers are most enthused with a Bluetooth connected speaker in certain common areas such as pool/picnic tables/grilling area.

*Source: <http://www.musicweek.com/digital/read/streaming-fuels-us-market-growth/065252>

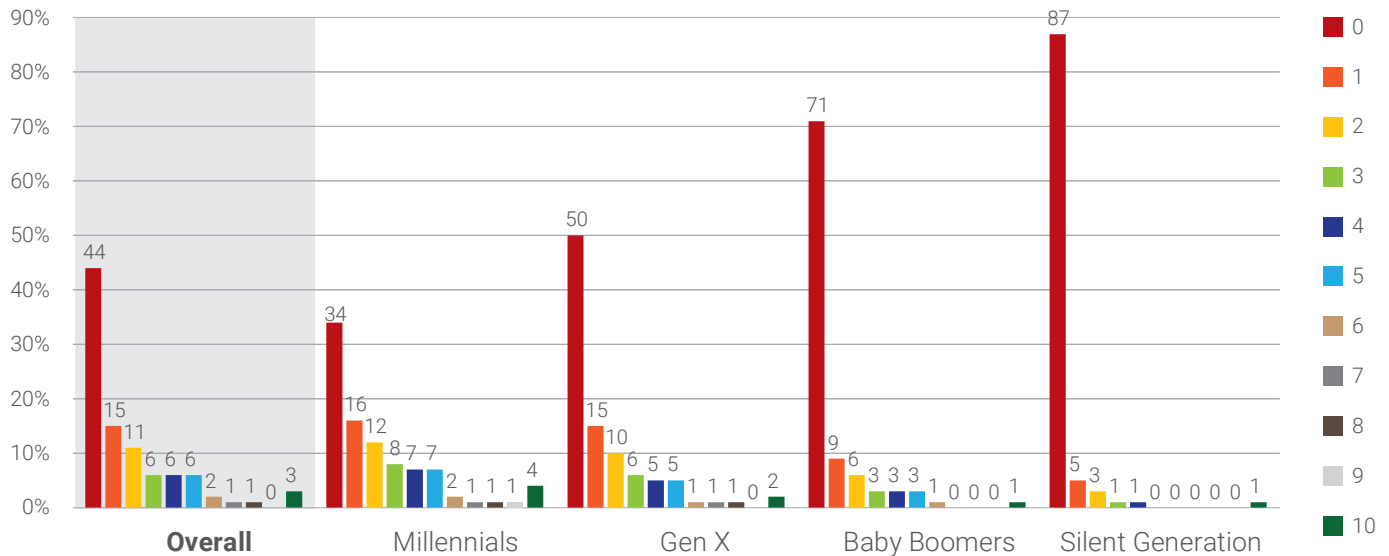
How many times a month would you use a high-definition theater room, where you could plug in your own mobile devices for viewing?



While old-fashioned theater rooms fell out of favor with many apartment developers, it appears renters are still very much in favor of them. Close to half (47 percent) of residents said that they would use a high-definition theater room where they could plug in their mobile devices for viewing at least once a month. At 55 percent, Millennials most desire this amenity.

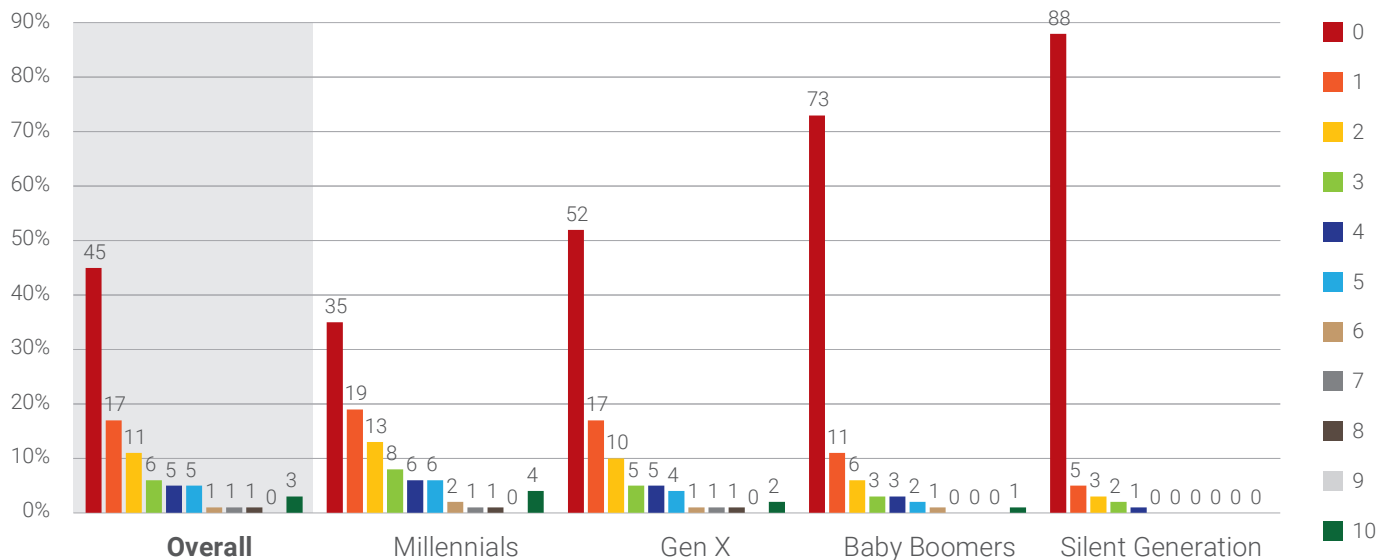


How many times a month would you use Bluetooth connected speakers in certain common areas (pool/picnic tables/grilling area)?



More than half (56 percent) of residents said that they would use a Bluetooth connected speaker in common areas such as the pool, picnic tables, and grilling areas at least once a month. Once again, Millennials (66 percent) lead the charge.

How many times a month would you use a weather-sealed exterior high-definition screen on a rooftop or pool area?



Not ready to let the weather play spoil sport, 55 percent of residents expressed that they would use a weather sealed exterior high definition screen on a rooftop or pool area a minimum of once a month. Millennials at 65 percent, desire this amenity the most.

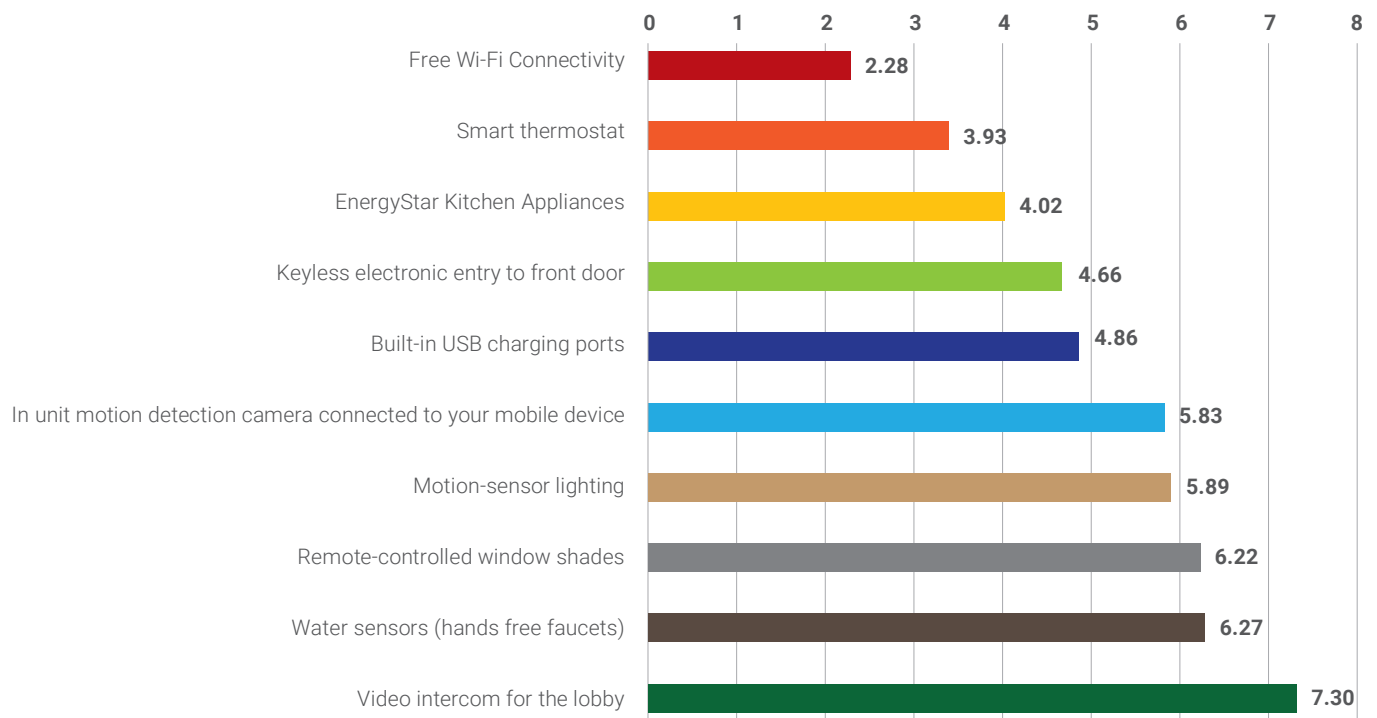


SMART HOME APPLIANCES AND AMENITIES

Which smart-home appliance/amenity are you most interested in?

(1 is most interested)

Overall



As the apartment industry experiments with smart-home appliances and applications, renters are most in favor of features that will save them money, followed by items that offer convenience.

We asked residents which in-unit smart home amenities they are most in favor of, and the top four picks were strikingly consistent across the generations.

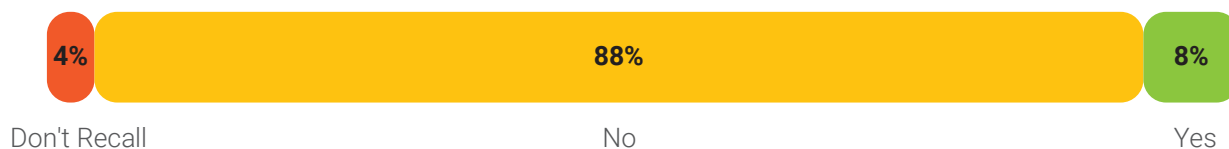
The most-desired smart home amenity, regardless of demographic, is free Wi-Fi connectivity, followed by smart thermostats, and EnergyStar kitchen appliances. The fourth unanimous choice among generations was keyless electronic entry, and after that, the consensus pointed toward, in order– built-in USB charging ports, in-unit motion detection cameras, and motion-sensor lighting.

Keyless entry is making its way to the apartment driven by a need for control and convenience. But how important is this feature to the residents today? On a scale of 0-10, with 10 being the most important, respondents rated it at 4.12. It appears that residents are still on the fence about the value of having a keyless entry to their apartment, until it can provide other “services” beyond just opening the door (turning the air on/switching on TV/Music etc.).



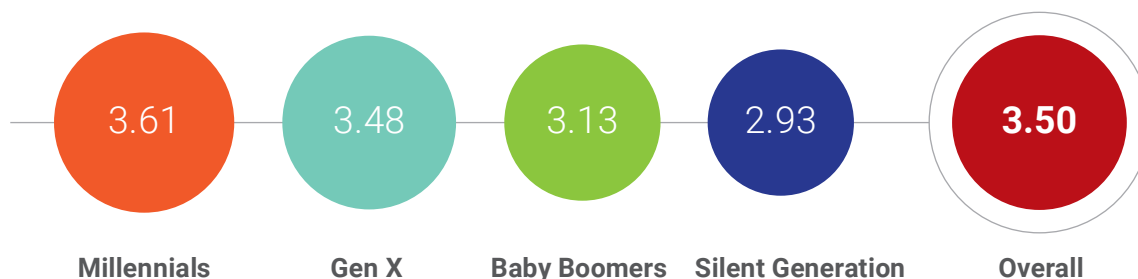
VIRTUAL REALITY TOUR

Have you ever taken a “virtual reality” tour of an apartment with virtual reality glasses/headsets?



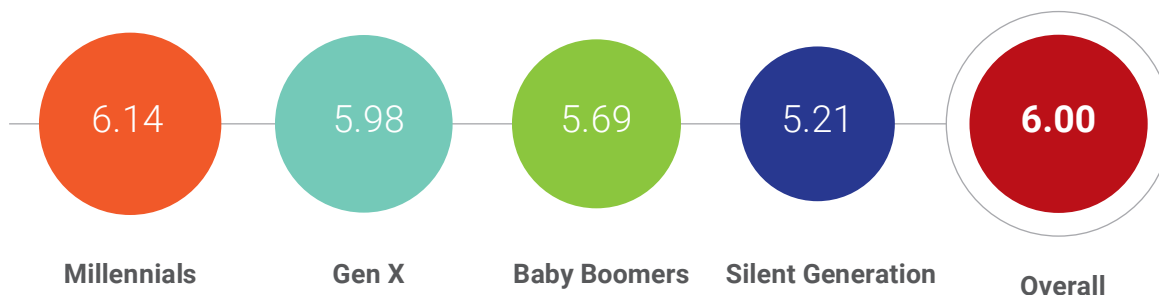
In your opinion, how valuable is a “virtual reality” tour of an apartment with virtual reality glasses/headsets?

(10 - Very Valuable, 0 - Not at all)



Importance of the “virtual reality” tour from the people that indicated having taken one

(10 - Very Important, 0 - Not at all)



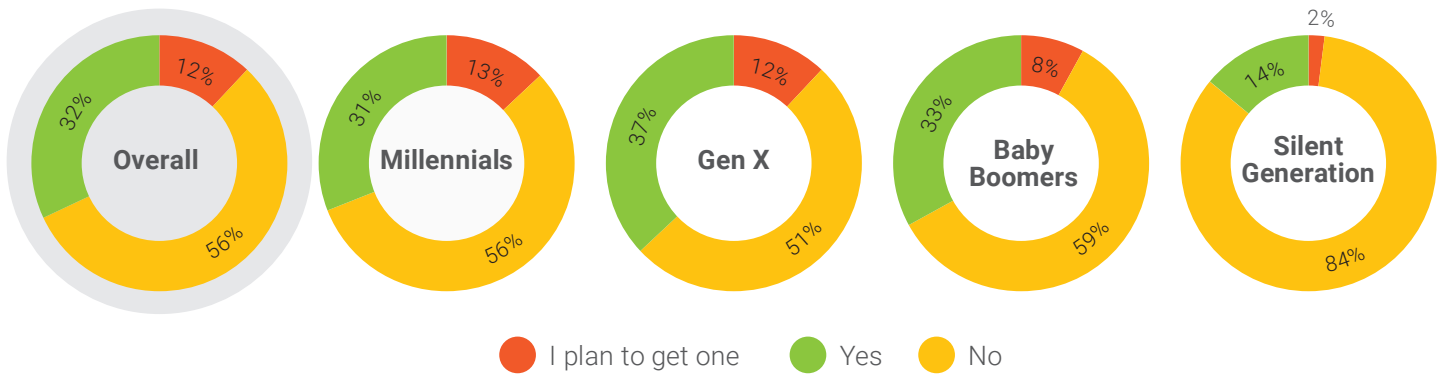
Virtual reality tours give tenants an opportunity to view a range of properties without actually setting foot in the property. However, its adoption is still in the nascent stages.

A huge majority (88 percent) of residents have never taken a virtual reality tour of an apartment with virtual reality glasses/headsets. Neither do they seem to think that it's highly important in the home finding process. When asked about the importance of a virtual reality tour, they rated it at a 3.50. (0-10 scale, 10 being very important) However, the residents who have experienced virtual reality tours perceive its value more positively. The people who had taken a virtual reality tour rated it at 6.00 with Millennials giving it the highest rating at 6.14.



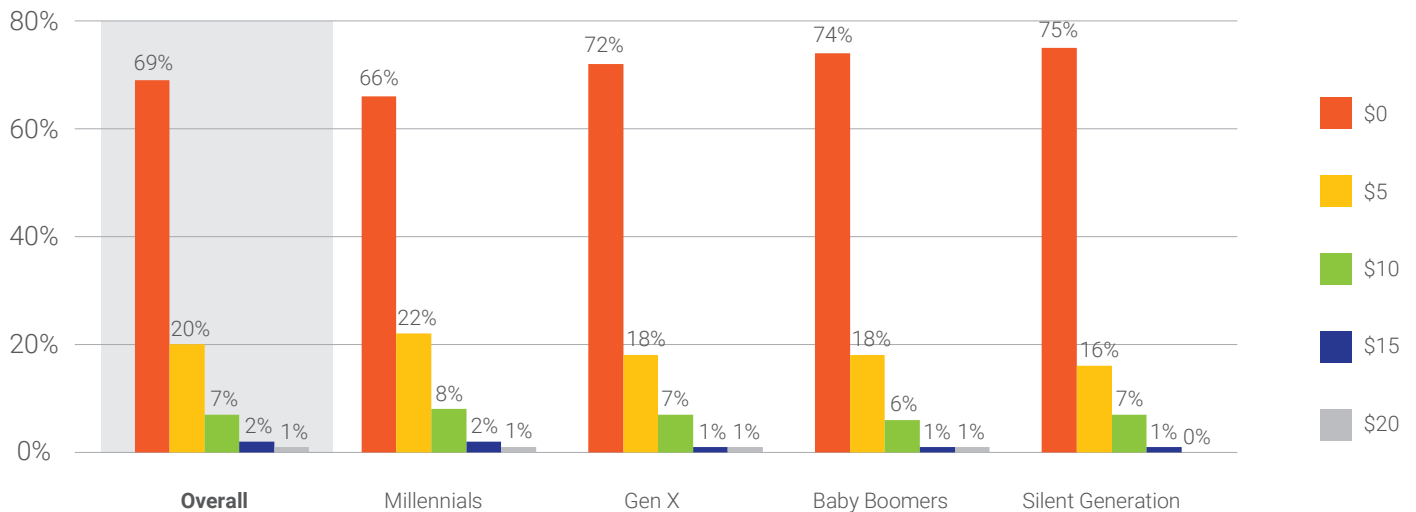
BIKE OWNERSHIP

Do you own a bike?



This was asked to residents that indicated Yes to owning a bike.

How much more would you be willing to pay for extra bike storage space?



More than half (56 percent) of renters do not own a bike, close to a third (32 percent) of them currently do, and another 12 percent plan to get one. So, nearly 44 percent would potentially have a need for bike storage.

A clear majority of all respondents (69 percent) said they would not pay for bike storage, but this includes the 56 percent of renters who do not own bicycles.

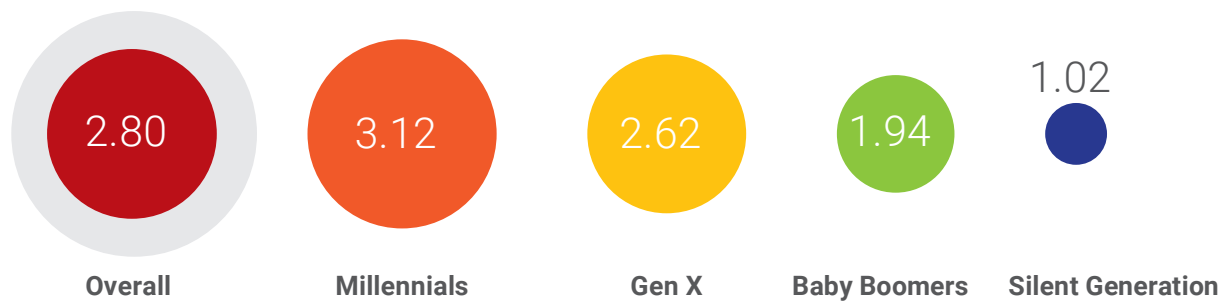
Out of the 32 percent who do own a bike, 20 percent would pitch in an extra \$5 per month for bike storage space, while 10 percent would pay at least \$10 a month. Overall, more than 30 percent of all renters who own a bike are explicitly willing to pay for bike storage.



Of the bike owners, Millennials lead the interest in bike storage, with 22 percent willing to pay \$5 for this facility. Gen Xers and Baby Boomers tied at 18 percent for the \$5 premium. The Silent Generation is not far behind; 16 percent would be willing to shell out \$5 for access to bike storage.

How interested would you be in a Bike Share Program at the community?

(10 - Very Interested , 0 - Not at all interested)



Bike share programs received an unenthusiastic response from the respondents. On a scale of 0-10, with 10 being most interested and zero not at all interested, bike share was ranked at 2.80.



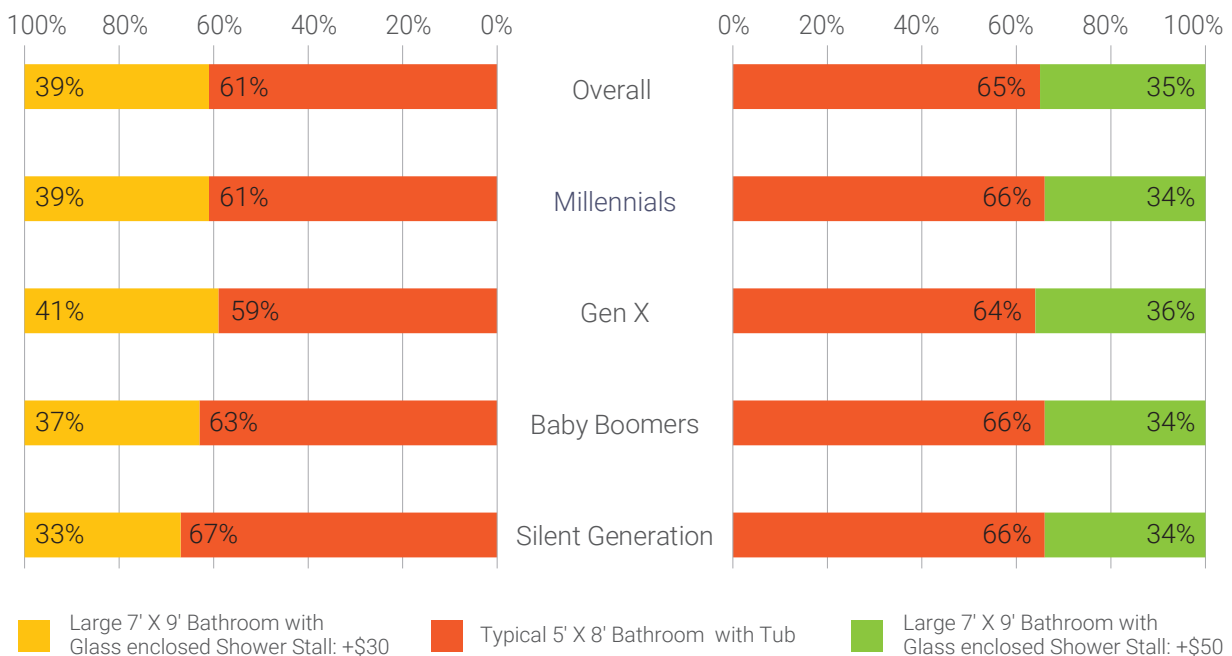
DESIGN PREFERENCES

As stated in the executive summary, to help developers assess the opportunity to increase rent for different interior upgrades, we provided respondents with a stock rent increase for certain interior features. During the survey period, we adjusted the price of a feature to determine how the price revision would affect renters' response. The experts on the MFE panel advised on this rent increase. This rent increase amount helped us determine the value in dollars the respondents place on their choices.

As we tested the price elasticity of different design options, a noteworthy trend that emerged is – every \$25 price increase in a feature resulted in a four percent decline in preference and vice versa. Hence, overall, residents are unwilling to pay for design upgrades. Residents are more interested in standard design features, if it will save them money.

Bathroom

On the graph below, yellow represents the residents desiring a large bathroom at a \$30 increase in rent, the red is a typical bathroom and green is a larger bathroom with a \$50 rent increase.

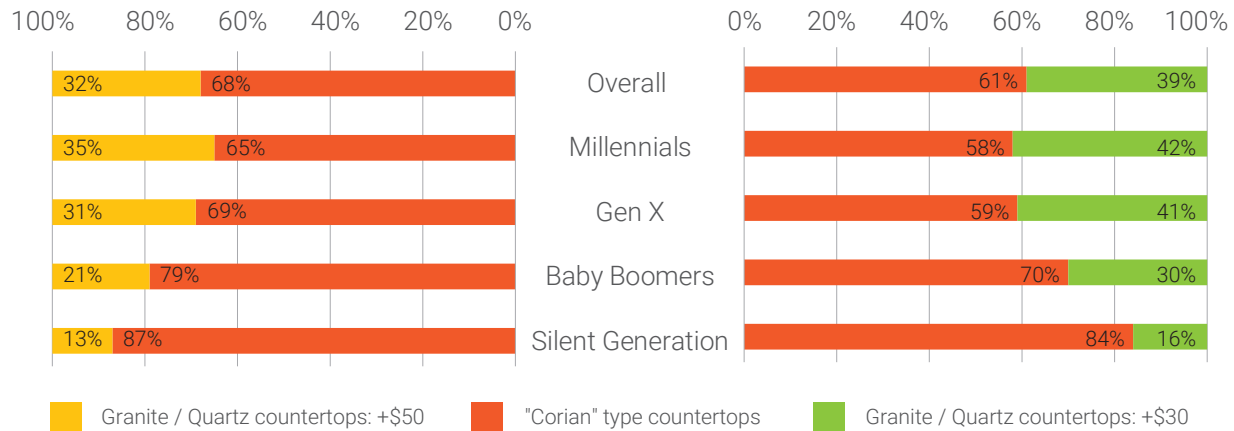


Residents were given the option to select between a typical 5' by 8' bathroom tub and a large 7' by 9' bathroom with glass enclosed shower stall with extra \$30 a month in rent. A good majority (61 percent) opted for the traditional bathroom tub. When the rent was increased to \$50, the percentage in favor of traditional bathroom tub, the less expensive option, rose to 65 percent.

The majority of each generation opted for the bathroom tub. The percentage of the younger generation, Millennials and Gen Xers in favor of the bathroom upgrade dropped by five percent with the price increase, this percentage drop was greater than their older counterparts. This indicates that the younger generation is a more cost conscious cohort.



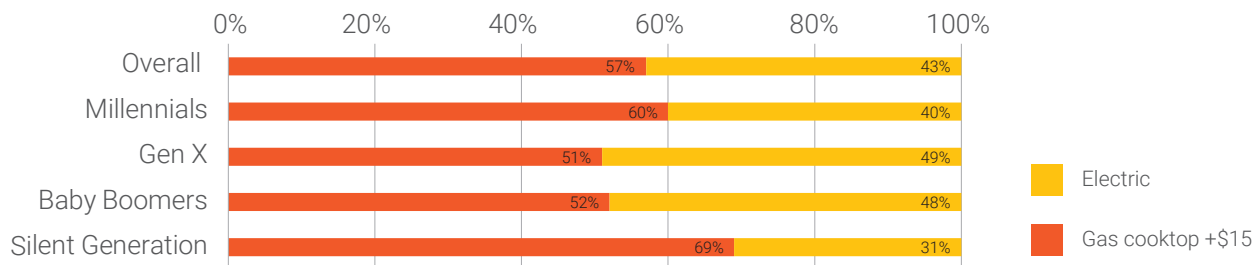
Kitchen Countertops



The kitchen is the central space in any home. A remodeled, upgraded kitchen that is easy to maintain, durable and functional is a top priority for tenants and homeowners alike. Much has been written about the pros and cons of "Corian" or solid surface countertops. Reportedly, while Corian is less durable, easily stained, and is considered to be dated, Granite/Quartz comes with a price tag, but it is low maintenance and it gives a more contemporary look.

Which kitchen countertops do residents prefer? At \$50 extra in rent, 32 percent of residents opted for granite/quartz countertops. When the price was reduced to \$30 a month, the percentage in favor of granite rose to 39 percent. This is a potential area where the pricing could be stretched to more than \$50 without too much affect on the drop-off of residents' willingness to pay, especially with the younger cohorts.

Cooktop



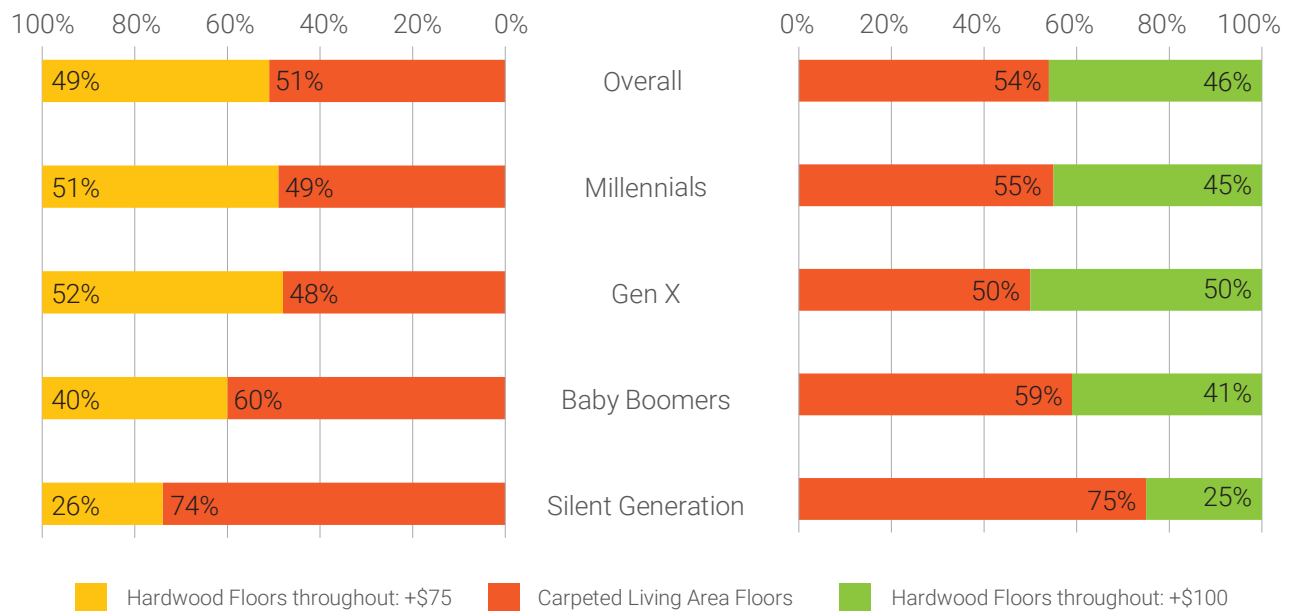
Gas cooktops offer a no nonsense cooking solution; they give instant heat and offer more control. However, for the apartment owners it means additional cost of running a gas line, higher maintenance and increased safety risks due to a higher possibility of accidental fires. Electric cooktops are commonplace in rental properties and apartments, due to their low initial and maintenance costs.

At a \$15 premium for gas cooktop, the majority of residents (57 percent) opted for the electric cooktop, the standard option. However, Gen Xers (49 percent) and Baby Boomers (48 percent) chose the electric cooktop at a \$15 rent increase.



THE NEXT GEN APARTMENT

Apartment Flooring



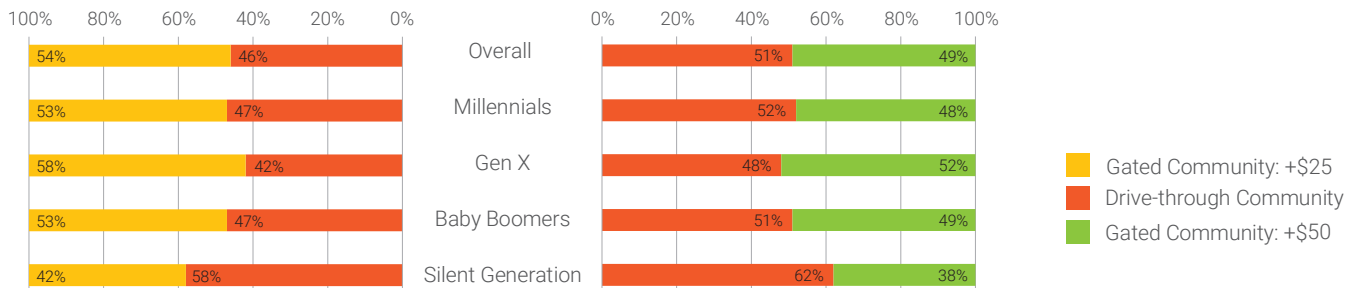
This study also researched the choice between hardwood floors and carpeting. It is evident that not all renters are created equal when it comes to the kind of flooring they like. The younger the tenant, the more inclined they are toward hardwood flooring.

Residents were given the option to choose between carpeted living floors and hardwood floors with an additional \$75 a month in rent. It was a split decision — 49 percent of respondents opted for carpeted floors and 51 percent chose hardwood floors at the \$75 price increase. The hardwood floor percentage dropped to 46 percent when the price was increased to \$100.

More than half of the younger generation, Millennials and Gen Xers are willing to pay an additional \$75 for hardwood floors throughout their living spaces. With a \$25 increase in price, the percentage of Millennials wanting this upgrade dropped to 45 percent, 50 percent of Gen Xers still opted for hardwood floors.



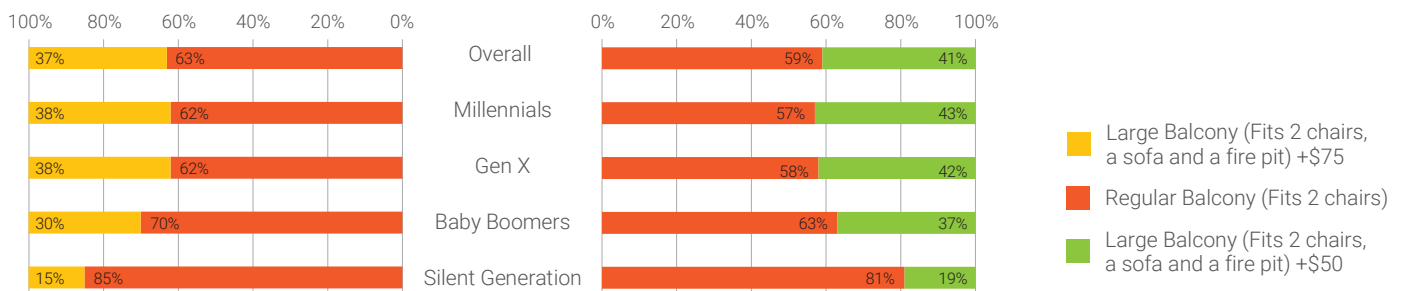
Gated Community vs. Drive-through Community



As observed in the J Turner Research's 2015 Concept Community study, safety is a paramount concern for residents. Gated communities are perceived as safer. Mirroring this, when asked to select between a drive-through community and a gated community for an additional \$25, the majority (54 percent) of residents opted for a gated community. This number dropped to 49 percent when the price was increased to \$50.

Overall, more than half of the residents across generations (Gen X at 58 percent, Millennials and Baby Boomers at 53 percent each) are willing to shell out \$25 for a gated community.

Balcony



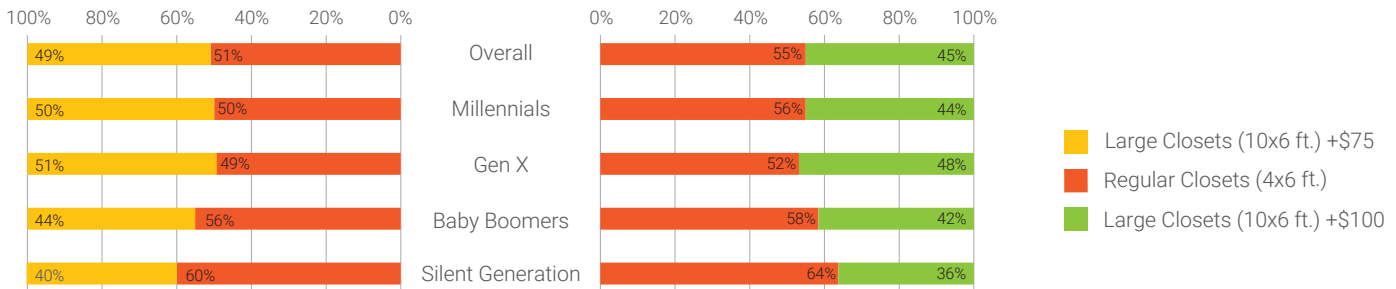
The willingness to pay higher rents for balcony size draws different reactions from different demographics. A small balcony is defined as one that fits two chairs and a large balcony as one that accommodates an additional outdoor sofa.

With the exception of the Silent Generation, a good majority of respondents across generations chose the regular balcony irrespective of the pricing.



THE NEXT GEN APARTMENT

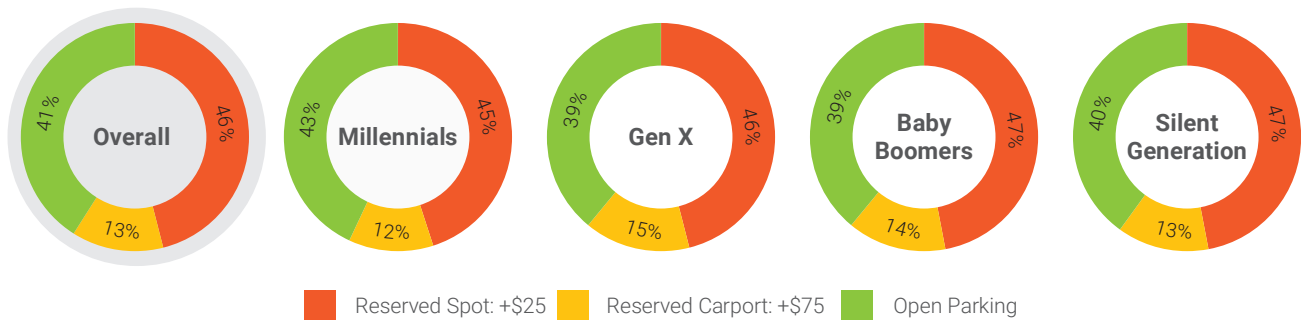
Closet Space



Large, customizable, well-lit closet spaces are preferred design features for all tenants and homeowners alike.

Nearly half of all renters are willing to pay more per month for larger closets (10 feet by 6 feet) rather than try to fit their belongings into standard-sized closets (4 feet by 6 feet) for a lower rent. Demographically, the younger generations, both Gen Xers and Millennials are willing to pay a premium as compared to the other generations. However, Gen Xers are the most keen on larger closets irrespective of the higher rent increase.

Parking



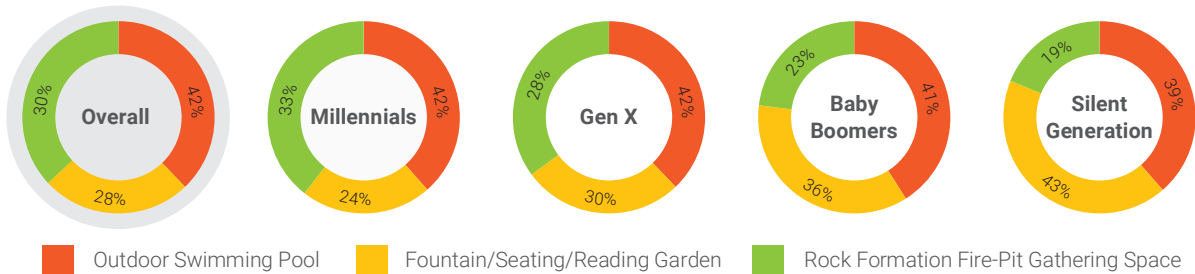
As mentioned earlier, a key finding of our previous studies is that parking is the number one complaint of residents nationwide. Finding a parking spot is not a struggle renters want to have each day.

The overwhelming majority of renters, 67 percent own one car, while another 21 percent of all renters own two. Nine percent indicated they do not own a car. Are renters willing to pay for a dedicated spot? What about a dedicated carport with a roof, how much is that worth to them?

The majority of respondents (59 percent) indicated that they would pay more for a dedicated spot, versus open parking. While 46 percent of renters would shell out \$25 for a dedicated spot, only 13 percent would pay \$75 for a reserved carport.



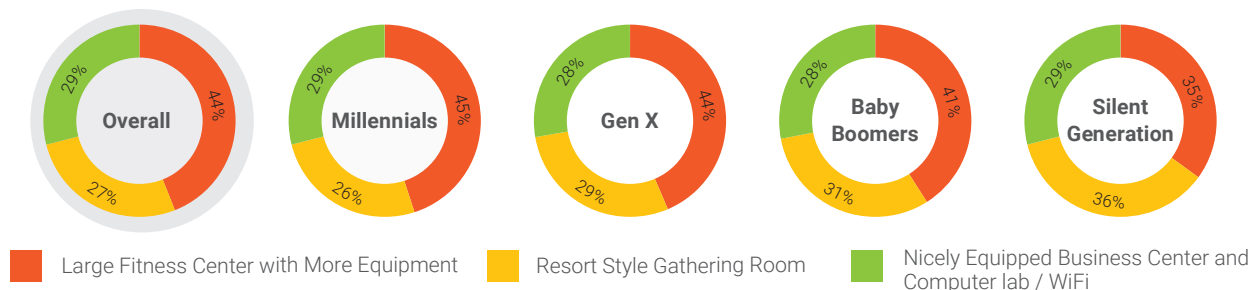
Common Area Outdoors



Among the common area outdoor amenities, an outdoor swimming pool is most popular among all generations, followed by rock formation fire-pit gathering space, and at third spot is fountain/seating/reading/garden.

Unsurprisingly, the quieter spaces such as fountain/seating/reading garden are more popular among the older generations with the Silent Generation leading the pack. The fire-pit feature is more popular with the younger generations, especially Millennials.

Fitness and Business Center

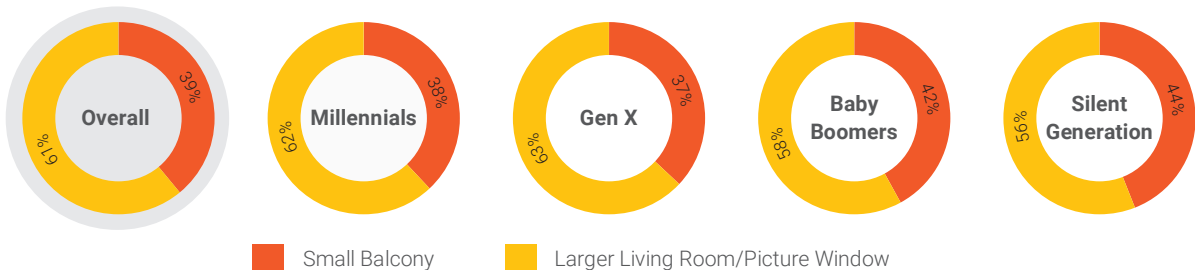


Overall, all residents, with the exception of the Silent Generation, prefer a large fitness center with more equipment.

When it comes to a nicely equipped business center and computer lab with WiFi, overall 29 percent of all residents have expressed their preference for it. This feature is equally popular among all generations.

Though resort style gathering room, drew an overall 27 percent response, it is more popular with the older generations (Baby Boomers at 32 percent and the Silent Generation at 36 percent).

Living Room



When given a choice between a small balcony and a larger living room/picture window, the latter wins hands down with residents across generations. Sixty-one percent of residents opted for the larger living room as opposed to 39 percent who opted for the small balcony.



SUMMARY

The study **The Next Gen Apartment: The Technology and Lifestyle Preferences of Different Generation of Renters** informs management companies and developers about the technology, lifestyle, and design preferences of today's and future renters. It echoes the voice of 84,924 residents nationwide, the highest participation in a MFE Concept Community study to date.

Overall, renters are undoubtedly cost conscious, they **DO NOT** want any additional increase in their rents. They are interested in amenities and upgrades that save them money. Residents' choices are also influenced by convenience and a sense of security.

The following comments by the survey respondents summarize their sentiments.

Overall

"Rent is already expensive. I would focus on energy and cost efficient life style. You will receive a return on your investment as soon as the units are rented."

"You are trying to do too much and increase the price of already expensive apartments. I'm not for that. The overall profit that you would make from some of these prices you suggested is in the millions. It's not in my favor."

"A lot of these things should be standard in today's rental environments and should not come with an "upcharge" as proposed above."

"You need to balance livable with affordability."

Parking and Electric Vehicles

"All tenants should be provided with one parking spot as close to their rental unit as possible at no additional charge."

"We need larger parking spaces, carport spaces are too close together especially if there are two SUV's parked side by side."

Health and Fitness

"A workout room with more weight machines and elliptical/treadmill/stationary bikes would be good."

"A steam room in an apartment would definitely set a new community apart from others."

"Fitness center with smart phone mirroring/USB connections in certain TVs so I can use workouts like p90x in the fitness center."



RESIDENT COMMENTS CONTINUED

Short Term Rental

*"Airbnb is a criminal and discriminatory business that hurts both its customers and the communities where it is rampant. I will move out if this becomes a practice in my building. You are already a gross developer that drives up affordable rent in areas for working families, but if you start allowing Airbnb into your communities as well you may as well just admit that you are actively ** as well."*

Package Delivery

"Accept packages. It has been the biggest nightmare always having to go down to the city post office to receive packages. The post office to which our complex's packages are re-routed to is ridiculous. It takes a minimum of 45 minutes to get a package. It has been incredibly frustrating ever since the complex stopped accepting packages."

Smart Home appliances and Amenities

"Anything that makes living affordable - like smart thermostats means cheaper electricity bills."

"Energy efficient windows to cut on energy cost."

"Free Wi-Fi is a huge plus as well as having set rate utilities so I don't have to worry month to month."

Design Preferences

"Hard floors will reduce your costs over time. These things sound great. But don't price me out of my home."

"Enough closet space is crucial. There can never be too much."

"Make gas cooking a must for all apartments - food tastes better and cooks better with gas cooking, Google it. Hardwood flooring, easier to clean, maintain and no carpet mess (keep carpet only for bedrooms) - or keep it a mix (carpeted vs. hardwood flooring - people's choice varies)."

"All apartments should have a coat closet and walk-in shower instead of over sized tubs."

"Balcony is so important! Fresh air is important and I hate feeling closed in."

"Granite countertops are nicer and more durable. The most important thing would be to update the infrastructure (air-conditioning) and make sure you can control it by room."