

Text – Dialogue for www.ApartmentToolKit.com Interview #1

Karen: Hi, this is Karen Deis, and welcome to “Marketing to Apartment Complexes with apartmenttoolkit.com.” In my 28 years in the business, I owned a real estate company, a mortgage company, and was affiliated with one of the largest builders in my area. And one of my favorite quotes that I practiced regularly in my business was, “Many streams make a river.” And I consider marketing to apartment complexes and first time homebuyers as one of the most effective income streams.

Over 30 percent of my closings month after month, were to first time homebuyers. And that equaled about eight to ten closings in my mortgage business. In the real estate company, it averaged four to six closings. And with the builder, three to five closings per month. And here are some of the reasons why the apartment complex marketing was so successful.

First of all, they had no affiliation with any other mortgage company, realtor or builder. You became the referring source. There are many mortgage programs and State Housing Authority programs exclusively for first time homebuyers. So, you can offer something different vs. the regular old 30-year fixed rate mortgage that most other people offer. And best and most importantly, is that the addresses of the complexes never change, but the people who live there constantly turn over. So, you’re marketing to new people with every single mailing.

Now, we’re going to cover some of the statistics and demographics from both the National Multi-Family Housing Council and the National Association of Realtors. And in addition, later on, we’re going to talk to my partner, Jim Stayman [SP], who will share with you how to do the research and make sure that you’re marketing to the right target complexes, not spending your money on complexes where the tenants don’t have the money to even purchase a home, and how to figure out if there are some high vacancy ratios in an apartment complex.

So, let’s go ahead and start with the demographics and statistics. In addition, you can print some of this information that we’re going to be covering here today that is on our website. But, we also recommend that you get a pen and paper and write down some of this information because not all of it is posted on there.

Every year, the National Association of Realtors publishes a report called, “The Profile Of Homebuyers and Home Sellers.” And you can purchase it at Realtor.org. It’s something that loan officers and real estate agents should subscribe to. It is a wealth of information on the typical profiles of homebuyers and home sellers. And it’s published once a year. So, the statistics I’m going to share with you are for 2004.

The National Association of Realtors says that 40 percent of all home purchases are to first time homebuyers. The startling statistic is that 40 percent number has

been that way for the last 10 years. And again, according to the report, 42 percent are in the northeast, 43 in the mid-west, 39 percent in the south and the first time homebuyers in the west are 36 percent. So, there is a lower percentage on the west coast vs. the east coast. The booklet also states that over three-quarters or over 75 percent of all first time homebuyers rented an apartment or a house before they bought their first home. And 17 percent of those lived with family and friends.

The Multi-Housing Council also says that there's a shortage of rental units out there. The number of units being built or converted over the last few years has been 6.4 percent, while the rental population has expanded to 13.2 percent. So, there is a shortage of apartment complexes, which creates less of a vacancy and pushes up the amount of rent. So, you have more concentration of people who are renting who are paying higher rents.

So, who is your ideal apartment dweller? Again, the Multi-Housing Council that provides the statistics to landlords says that people age 24 or below make up 82 percent of the renters. Age 25 to 34 are 54 percent. And age 35 to 44 comprise 34 percent of the renters. So, your highest percentage of renters are between age 21 and 34.

At the apartment complexes, the make-up of the household type, the single males are 22 percent of apartment dwellers, single female 25 percent, husband and wife only, only nine percent. A single husband or a single male or a single female with children compromise 12 percent. And a husband and wife with children is about 11 percent.

Now, the National Association of Realtors statistics on the first-time homebuyers sales, 62 percent of the first time homebuyers are married, 18 percent are single women, and eight percent are single men. So, your biggest percentage are the married couples. Now, this is where it gets interesting because the single households combine to purchase a home, chances are because of this previous statistic, 22 and 25 percent are single female and male, that these are the people who are marrying each other. So, if you are mailing to apartment complexes, you may be mailing to both of those while they're single. And this is what I call buying brain cells that now, both of them know who you are from independent mailings from different apartment complexes.

The medium income for apartment dwellers is \$36,500. And 25 percent of the total number of renters throughout the United States pay \$1,000 or more of rent. And 50 percent pay \$700.00 to \$1,000. The other 25 percent of the apartment units are government assisted or rent subsidized. Now, the NAR says that the average income of the first time homebuyer is \$54,500, which I believe reflects the percentage of married couples, who are the first time homebuyers.

The ethnic distribution for both the apartment dwellers and first time homebuyers from both statistics, 84 percent are non-Hispanic and 16 percent are Hispanic.

Now, this is something I recommend you take note, that the Multi-Family Council says that tenants under the age of 30 move 53 percent more than anybody else. And then, over age 30, 34 percent of them move every two years. So, you have almost 90 percent of the people turning over within a two-year time period. Only 13 percent of apartment dwellers stay four more years. So, again, it goes back to my first statement that you will be marketing to new people at the same apartment complex addresses.

OK, now I'm going to bounce back to the National Association of Realtors first time homebuyer purchases, 80 percent of them purchased single family homes, and 20 percent purchased duplex, town homes or condos. And I know some loan officers and real estate agents that specialize in town homes and condos and you can niche it even further for first time homebuyers. The average square footage is 1,600 square feet. Fifteen percent of the first time homebuyers bought their home on the Internet, and the year previous was 12 percent. So, that is forever increasing.

Ninety percent of all first time homebuyers use a real estate agent to buy a home vs. 77 percent used a real estate agent if they were a repeat buyer. So, there is a huge percentage of first time homebuyers who prefer to use real estate agents. So, loan officers, if you're marketing to apartment complexes, you have a great opportunity to refer to your real estate agent. And the real estate agents have a chance to refer to the loan officers, who specialize in working with first time homebuyers.

Now, as I mentioned, a printed copy of the stats from the National Multi-Housing Council are on the Apartmenttoolkit website. And you can print it when you visit the website. And for the book, it's NAR.org. And I think the book runs about \$60.00 to \$70.00, but it has a wealth of information.

When I created marketing campaigns, I asked myself these six questions: Who, why, what, how, where and when? Now, what we had just shared with you was the research of the who, who are your first time homebuyers? And at this particular point and the demographics that I shared with you, there are some areas of the country that are either retirement communities or vacation areas. And it may not be worth it to market to apartment complexes. However, again, I recommend that you do your research.

But, the next question that I recommend you ask yourself is why do you want to market to first time homebuyers? Do you like working with them? Do you have the patience to explain things in detail? Do you have any unique mortgage programs like the 103 percent financing, FHA, community homebuyers, or State Housing Authority programs that you can offer them? What is the percentage of

first time homebuyers in your area? And again, look and see if you live in a vacation or a resort or a retirement community because it may be worthless for you to market to first time homebuyers.

Next question, what is the message that you want to convey, that you're the expert? That they don't need any cash to get into a new home? Do you want to cover credit scoring issues? Are you specializing in looking out for their best interest? What are you going to say to them to make them want to do business with you?

Next question, how are you planning to reach them? As I mentioned before, a higher percentage every year is looking for homes on the Internet. Another way that I used was a direct mail marketing to apartment complexes. I held home buying seminars for both first time homebuyers and singles. That's a new seminar niche, a home buying seminar for single men and women. And working with buyers, agents or loan officers who specialize in working with first time homebuyers.

Fifth question, where are you going to advertise? Are you going to direct people to your website? And you going to have a wealth of information on there for first time homebuyers, the things that they should look out for in writing a contract. Inspection reports, mortgage programs, cash needed, credit scoring. People go to the Internet for information and I do recommend that you have a special page for first time homebuyers. Are you going to advertise in the real estate magazines, specifically for first time homebuyers? Radio, TV, direct mail postcards to apartment complexes or sending them seminar notices on a regular basis?

And then, last question, when is the best time to market to them? Now, that all depends on the area of the country that you live in. When I was in the mortgage business, the majority of the real estate transactions were from April to October in my area. So, I only marketed to the apartment complexes in the spring and the fall. I held monthly first-time homebuyer seminars, but I didn't hold them in November or December because I had a low attendance, and I figured out it was because of the holidays. So, for 10 months out of the year, you can market home buying seminars to apartment complexes. Again, get your statistics from the local MLS and find out when the majority of the homes are bought and sold in your area.

Now, what to send them. I sent postcards on a regular basis, and I was a huge fan of using headlines to attract niche markets and specific types of homebuyers. So, I'm going to share some of those headlines that I used with you. The first headline, "When your lease is up, do you know where you're going to live?" That headline gets them thinking about the future. It may be nine months from now; it may be two months from now. But, it gets them thinking should they go to another apartment complex, renew their lease, or buy a home?

Next headline, “Did you know that a low credit score could cost you thousands of dollars in extra interest when you buy a home?” That relates to becoming a credit expert and one of the things that you wish to convey as a loan officer or a real estate agent.

Another headline, “Don’t renew your lease. Maybe you can own a home, instead.” It gets them thinking well maybe I could be a homeowner, instead of throwing my money down the proverbial rental hole and not getting any return on the investment.

And one last headline, “Did you know that for as little as your first month’s rent and security deposit, that you could own a home, instead?” Think about all of those headlines and on the website, we do have postcards with those headlines that are available for you to purchase.

Now, the expenses involved, I recommend an over-sized postcard, either a 5” x 7” or an 8” x 10”. And in the seminar notices, I’ve put them in a colored envelope, maybe blue, red, green. You can get a supply of those at Wal-Mart or Cosco and it’s very, very inexpensive. Also, since you are marketing to the same complex with the same ZIP Code, I recommend that you get a bulk mail permit for a certain number. And you’ll have to check with your post office for a certain number because you’re mailing to one complex at one ZIP Code, you’re going to get a reduced postage price.

Now, one of the things that I, personally, had problems with was getting the addresses of the complexes. What I had to do was drive around, write down each and every unit number. I went back to the office, entered it into an Excel spreadsheet and then, created labels. Now, I did not care about who lived there because based on the previous information, people move all the time. So, I just addressed it to, “Dear Future Homeowner.” And that was the title of all of my labels, however, it went to the different complexes.

You could also go to a company who rents lists, but renting a list is very, very expensive. You’re only allowed to maybe mail to them two or three times and then, you have to rent the list again. And then, there’s some companies out there that won’t even give you the list. You pay them to send out a mailing in your behalf. Not only do you supply the postcards and the postage, but you don’t even know whether any of them are coming back to you. And they have a high vacancy ratio, so you may be mailing to a complex that’s 50 percent vacant.

Now, my partner, Jim Stayman, has worked with the Hanes Directory and has a background in compiling lists. And the advantages of our list that you would order through Apartmenttoolkit.com is it’s a flat rate. So, regardless if the complex is 200 people or 2,000 people, it’s one price per complex. Not only do you get the list in an Excel spreadsheet or a Word document, but it has the addresses and the unit numbers, so you can print labels on an ongoing basis.

Now, remember what I said. The people change and the addresses never do. So, you won't have the name, but you have the ability to choose different titles, like, "To Our Neighbor," or, "To A Future Homeowner." Now, I have Jim Stayman on the line.

Jim: Hi, Karen, how are you?

Karen: I am fine, Jim. Thanks for joining us.

Jim: You're welcome.

Karen: And I'd like to ask you some questions. We receive quite a few questions about mailing to apartment complexes and especially in knowing the right ones to mail to, those types of things. And I'd like to start out by asking you what do loan officers and real estate agents look for in choosing the apartment complexes to market to?

Jim: OK, you want to choose apartments that, first of all, it's a place where you would want to live there, yourself. You want a clean apartment complex. You want one with good management. You want an apartment complex where the credit has to be good to be in there. And just use your common sense on that. I prefer, if possible, if the apartment complexes that you're interested in are within driving distance, that you do take the time, drive over there and check it out.

I've seen apartment complexes that were built in the 60's that are in very good shape. I've seen apartment complexes built 20 years later in the 80's, and they're total mismanagement and neglected and badly in need of repair. And the apartments are vacant because they're not livable. So, I would suggest going with these clean, good management apartments and take the time to go and check it out, if at all possible.

Karen: Jim, not to interrupt you, but that is a very, very good point, especially for loan officers and real estate agents that the apartments be in driving distance because what I have found and experienced from other people is that if your office is located near their apartment complex, they're more likely to do business with you than having to drive 30 or 40 miles. They want somebody to hold their hand. They want to be near you, so marketing to apartment complexes in the area is very, very important. Good point.

Jim: Absolutely.

Karen: So, when mailings are returned from the Post Office to the loan officers and realtors, what's the reason?

Jim: OK, first of all, when the mail is returned to loan officers and people who use our list, fortunately, they don't get a lot back, to begin with. And the main reason for

any returned mail is that the apartment complex, I'm sorry, the apartment building, and the individual apartments are vacant. And in other words, if you send your mail out at 37 cents apiece, the postman is supposed to return that mail back to you if the apartment is vacant. I think if you send it out at 23 cents, the postman will just take it and throw it in the trash if that apartment is vacant.

Karen: Oh, OK, so you're better off in spending the 37 cents at least for your initial mailings to check out the vacancy ratio?

Jim: Yeah, actually, if you can ever get to the point where you use a bulk mailing program and get your costs down to about 23 cents, let's say you have 100 pieces returned at 23 cents, it's \$23.00. And it's not that big of a deal.

Karen: Ah, you're right, you're right. I know, and the returned mail from the Post Office, if you're asking for a specific return, could cost you extra money if you do ask for that.

Jim: That's correct.

Karen: OK, all right. And then, how do loan officers and real estate agents check the percentage of vacancies in an apartment complex?

Jim: OK, first of all, let's start with a brand new apartment complex. When it first opens its doors, you know, it's 100 percent vacant. I would prefer that you wouldn't pick apartments that are less than a year old. Depending on the country and what the demand is for the apartments, they could fill up in three months. It could take a year and a half.

Karen: OK.

Jim: You just don't know. But, as a rule of thumb, I would say, don't mail to brand new apartments that are less than a year old. There's no place on the web that you can check for vacancies, so that means you have to go to the apartment complex and either talk with the management or go into the complex and visit it. Now, management, in general, they do not like to talk about how vacant their apartment complexes are. I'd prefer, if you could, just to go into the complex and take a look at the balconies and the patios.

When people are living in their apartments, for whatever reason, there's always plants, bicycles, chairs, furniture of some kind, storage, always stuff somehow makes it to the patio and to the balconies. If you see a lot of just clean, bare, vacant balconies and patios, then you've got a lot of vacancies in there.

Karen: OK. Also, I think we talked one time about let's say, some of the apartment complexes don't have balconies. You talked about maybe looking at the parking lot, as well.

Jim: Yes, and this is something that you'd have to do in the evening, after people come home from work. And certain times of the year, when it gets dark early, if you see a lot of lights on and a lot of cars in the parking lot, then you know it's pretty full. And of course, the opposite is if you see a lot of dark apartments and not too many people parking in the lots, there's a good chance of a lot of vacancies. Now, there is a common denominator between most apartment complexes, and that is the two-bedroom apartment. Almost every apartment complex has two bedroom apartments.

One thing you could do is call the management and ask for their availability on a two-bedroom apartment and let them know that you're interested in moving in fairly soon, within a week or two weeks. If they have to say, "Well, we'll have one coming available in two to three weeks," you know they're pretty full. If there's a waiting list also, then you also know it's pretty full. If they have a lot of different floor plans and you want to ask the availability of different floor plans, is there a lot of apartments to look at in different locations, then to say that there is, then, you may have a question about their vacancy there.

Karen: That makes perfect sense.

Jim: Yeah, in other words, the availability of the two-bedroom apartment that you're pretending that you're looking for, it's readily available . . .

Karen: Red flag!

Jim: . . . then you'd better check vacancies.

Karen: Could be a red flag! OK. All right, thanks, Jim. Now, when you do register at the Apartmenttoolkit.com website, we give you three websites for you to do the research. You know the apartment complexes in your area, you've driven around like Jim had recommended. They're within driving distance. And when you register, we'll give you the three websites. You can go online and check out all three of them. Not every apartment complex is on every website, but if you go to all three, you're going to probably get the majority of them.

If they are not on any of the websites, e-mail us or give us a call and we'll do the research because Jim, I think we had several situations where it was a new complex and there was nobody in the unit and it wasn't listed anywhere. Wasn't that correct?

Jim: Yeah, we found out when we were putting the list together that it was difficult getting the information to put the list together. And I actually contact these apartment complexes and find out that they're relatively new and huge vacancy rates.

Karen: OK.

Jim: We're able to notify the customers and of course, they'd change it to something else.

Karen: OK, appreciate that. But, they're free, they're no obligation and you can use it as many times as you wish. And it kind of gives you some tips that we're talking about today on how to do the research to make sure that you're marketing to the right apartment complexes.

Jim: Yeah, I also recommend when you're doing the research on these websites, there's a button there or a tab, if you will, for photos. Go ahead and click on that and take a look at those photos of the apartment complex. And you can get a lot of good, valuable information, just by looking at those photos.

Karen: OK, all right. And the websites will give you generally, I would say 90 percent of the time, the number of units, the average amount of rent paid, where it's located, what the amenities are. And almost 99 percent of the time, the contact information for the apartment manager or the apartment complex.

Jim: That's correct.

Karen: So in conclusion, just want to remind you that many streams make a river. And 40 percent of all the home purchases over the last 10 years were made by first time homebuyers and 75 percent of them rented an apartment or a home prior to buying. There's a huge market available to both loan officers and real estate agents. While marketing to apartment complexes are a longer-term sale, once you've done your research and you've started to mail informational pieces and seminar notices on a regular basis, you're going to be building a future database of homebuyers and keep that commission rolling in the door.

On any given time, I had anywhere between 300 to 400 potential first time homebuyers in my database because, based on the mailings and the seminars that they attended, I knew that they were in some stage of buying a home, whether they were waiting for their lease to come up, whether they were waiting to get married, going through a divorce, changing jobs, whatever the reason might be. So, if you're planning on looking at this niche market, it is a longer-term sale, but I will guarantee you that once you start it, it will continue to be a profitable pillar of your business. Thanks so much for being online with us today. Jim, thank you so much for all your comments and you can email us at Karen@Loanofficerseminars.com, or Karen@Apartmenttoolkit.com. Thanks, Jim!

Jim: You're welcome, Karen.