



TAKE THE  
LONG-TERM  
VALUE  
PERSPECTIVE  
WITH  
FAUCETS FOR  
MULTIFAMILY  
PROPERTIES

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PERMANENT FIXTURES

IT IS CRITICAL FOR BUILDING MAINTENANCE SUPERVISORS AND PROPERTY MANAGERS TO CONSIDER EVERY MEANS AVAILABLE TO IMPROVE NOI FOR THEIR MULTIFAMILY PROPERTIES. Those who are successful will also reap the benefits of increased property value, which is essential to refinancing an expiring loan on a property that may have few interested buyers in the current economy.

One method for improving NOI is to analyze expenditures on maintenance and repair costs to identify targeted areas of improvement that will reduce overall expenses. Since a significant portion of the maintenance budget for multifamily properties is allocated to plumbing fixtures, it is important to consider the total cost of ownership for the life of a faucet rather than looking solely at the initial purchase price. Paying less up front may actually cost more down the road. Faucets that require fewer repairs during their service life will cut both material and labor costs. Those with features designed to speed installation—such as factory-installed supply lines or deckplate gaskets that eliminate the need to use plumber’s putty—will immediately reduce labor costs. Even durable Physical Vapor Deposition (PVD) finishes will prevent normal wear and scratches from diminishing the life of an otherwise functional fixture.

Specifying a single faucet brand across all units will also reduce maintenance costs by unifying parts inventory and standardizing training. For example, brands that use a common cartridge assembly in each faucet model make it easier for maintenance technicians to become familiar with the change-out process. Once a technician is properly trained, subsequent installation and repairs become streamlined and systematic.

In a real-world application, Equity Residential, one of the largest publicly traded owners, operators and developers of multifamily housing in the United States, found savings when it implemented a standardization strategy across its portfolio.

“By standardizing, we’ve noticed a meaningful improvement in our total cost of ownership driven by the reduction in the time needed to perform repairs,” said Stuart



Helfman, vice president, facilities services.

Another area to consider when looking to improve NOI is energy expense and utility costs. Because water is typically included with the base rent in units that do not feature submeters, tenants are less aware of their usage patterns and have no incentive to conserve. Installing efficient plumbing fixtures will not only automatically lower water use, but will curb energy costs as well since less fuel is needed to create hot water. Plus, local utilities may offer assistance or rebates for multifamily properties that retrofit using products that conserve energy.

Management companies can specify faucets that meet WaterSense labeling criteria as they meet water-efficiency and performance criteria defined by the U.S. Environmental Protection Agency (EPA), similar to what has been done with the ENERGY STAR program for appliances. Converting units to 1.75 gallons per minute (gpm) showerheads that use 30 percent less water than standard flow rates will save up to 7.5 gallons for every 10-minute shower. Without relying on behavioral changes or affecting tenant satisfaction in any way, making these simple changes can result in a tremendous reduction in water and sewer costs to improve NOI.

Even relatively modest savings in operating expenses will proportionately increase NOI—which is magnified to increase property value. Assuming a cap rate of 7 percent, a modest \$25,000 reduction in maintenance costs will increase the value of a property by more than \$350,000.

$$\left[ \begin{array}{l} \$25,000 \text{ increase in NOI} \div 7\% \text{ Cap Rate} \\ = \$357,142 \text{ additional property value} \end{array} \right]$$

This opportunity to increase value can be of significant importance in the current economic climate as multifamily sales transactions have ground to a virtual halt and many owners are forced to refinance existing loans and hold on to properties longer than they may have planned. ■



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