

# MEE

MULTIFAMILY  
EXECUTIVE

Randy Churchey  
CEO  
Education Realty Trust

# MAKEOVER MAN

In just 24 months, Education Realty Trust changed its management team, cleaned up a burdened portfolio, and reorganized its operations. Meet this newly revamped student housing REIT.

## INSIDE:

- ▶ New Design DNA: Inside the Smaller Floor Plan
- ▶ Resident Rewards Programs
- ▶ HR Hiring & Training Tools



Small. Dense. Urban. Cool.  
Today's apartment designs  
are a distinct change of  
pace, as developers and  
architects face smaller,  
tighter budgets coupled with  
a renter lifestyle that prefers  
quality and community over  
physical space.

# New Design DNA

BY CHRIS WOOD

f you're even considering apartment development, and believe your firm to be on the progressive side of multifamily builders and operators, then you'd better be designing for a resident who eats standing up, doesn't care to look out the bedroom window at night, and has traded in traditional concepts of privacy for exciting communal spaces. "Suffice it to say, everyone is catering to the Gen Y renter, trying to understand how they live and what their space needs are, including how they bathe and how they eat," explains Rohit Anand, a principal of

Irvine, Calif.-based architectural firm KTGy Group, which has a pipeline of 10,000 units' worth of apartments. "We are finding that these kids live differently from the renter who has come before them, and the product needs to respond to that," says Anand, who runs KTGy's East Coast office in Vienna, Va.

Indeed, Gen Y—those 80 million individuals ages 16 to 29—boasts a set of needs and habits distinctly disparate from their parents' and grandparents'. For example, this group was born and raised into technology: 37 percent of Gen Yers access the Internet with their phones, and the demographic spends an average of 11 hours and 32 minutes per month online, according to a 2009 Nielsen report titled "How Teens Use Media." What's more, they don't buy based on brand alone, preferring to take into account peer recommendations. Still, when they do make purchases, they spend big, doling out approximately \$170 billion annually of their (and their parents') money.

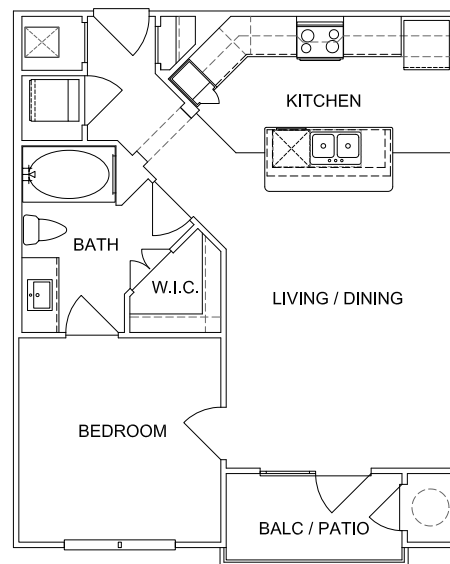
Thankfully, apartment developers ramping up in the post-recession recovery have some changing needs of their own that will likely coalesce with this new renter's lifestyle. Specifically, capital requirements for new construction financing are forcing developers, along with their equity partners and lenders, toward smaller projects that require less of an all-in cash commitment but are dense enough to generate solid rental revenue, particularly as rents begin to rise. **Investors are also continuing to chase urban infill product in high job-growth MSAs, a follow-the-money tactic that architects say is a testament to the evolution of new development opportunities. "These are sophisticated investors and developers who base their decisions on all the research and data that is out there," says Michael Ytterberg, principal of Philadelphia-based BLT Architects.**

**"Our clients are following the market, not leading it."**

The development sector's need for smaller projects that still pencil out supersized returns is thus aligning with a resident desire for more efficiently designed apartments at communities that nevertheless pack in a super suite of amenities. A net out-migration of square footage is leaving the unit floor plan and being incorporated into open common areas that lack defined boundaries. Where walls and halls once separated amenity areas, a hotel-inspired great room space is beginning to define apartment community life outside of the unit, and given access to adequate technology and programming capabilities, residents seem all too eager to activate those spaces. As architects begin processing the first wave of post-recession apartment developments coming out of the ground, small, dense, urban, and cool are ruling the day—even outside core downtown markets.

### DECADENT DOWNSIZING

"You know why the dense urban apartment design trend has spread across the entire country?" offers Daniel Gehman, a principal at Los



## THE SWINGING SINGLE

Gen Y doesn't care who sees their laundry. This concept unit used as a design template for student housing and urban market-rate properties shows how the typical one-bedroom pad can save the best for last, pulling residents and visitors through laundry, kitchen, and bath areas before finally opening up into a living space with a balcony. Designed by Meeks + Partners, the unit plan departs from the idea that renters want or need separation between cooking, dining, and chilling spaces—an island without any other interior boundaries serves as the sole transition between kitchen and living room, with the expectation that 20-somethings will eat wherever they want. What's more, a dual-entry bathroom offers an illusory master-suite feel to what otherwise is a typical one-bedroom unit.

**NEW DESIGN DNA:** Nontraditional entryway; no physical separation between eating and living areas; blends private and public spaces.

Angeles and Irvine, Calif.-based architecture and design firm TCA, which is working on a pipeline of approximately 6,500 units this year. “There’s one primary reason: HGTV. And I’m not just talking about the design community. The proliferation and popularity of real estate- and design-oriented television has redefined renter expectations. Everyone watches at least one of those shows.”

For those not completely sold on the omnipotent power of television to alter consumer household design expectations, Gehman offers another compelling reason (one that he says is likely irreversible) for the downsizing of the modern apartment unit: condo conversions. Whether it was competing against condo product before the crash or the legions of condo shadow rentals that have since flooded the apartment market, Gehman says the higher-end finishes of for-sale multi-family housing have permanently raised the bar for rental interiors.

“It’s created a vision in the mind of the apartment dweller that he or she is automatically going to get granite countertops because everything on the market looks like that,” Gehman says. “You have a whole generation that—just as they don’t know what a landline phone is—has no idea what P-Lam and Berber beige are. The way you solve for those expectations and stay at a certain price point is to decrease the square footage. It’s the old champagne-on-a-beer-budget problem—it forces developers to squeeze the unit but make the remaining spaces more luxurious-feeling.”

So just how small are apartment units getting? Anand says the 900-square-foot floor plans for one-bedroom units that were typical prior to the recession have decreased in size by 20 percent or more. “A lot of the [one-bedrooms] we are doing right now have an average unit size of 700 square feet or less,” he says. “It’s a huge difference from the



**SOCIAL SPACES:** The next generation of apartment design, with its numerous areas for gathering together and socializing, is on display at Alliance Residential’s Domain property in Seattle.

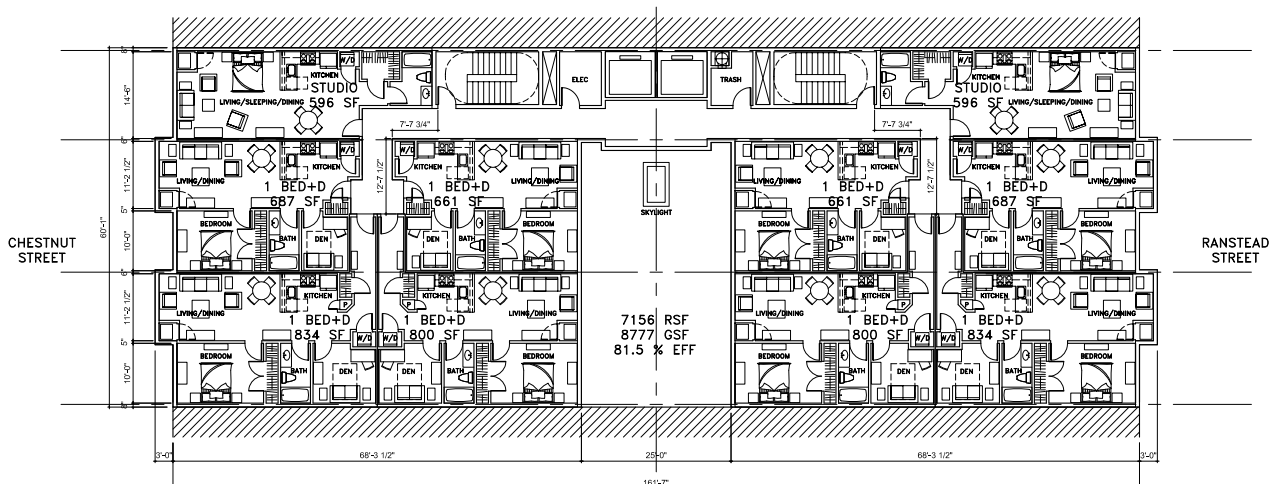
900- and 950-square-foot plans that we saw in the last cycle.” The loss of square footage is also not endemic to geography, price point, or product type, and even has some developers experimenting with modular apartments or micro-units of 400 square feet or less. (For more on this trend, see “How Low Can You Go?” on page 34.)

“Certainly what I am seeing is smaller units, and that occurs at every price point and in every category,” Ytterberg says. “The top-of-the-line, ultra-luxury one-bedrooms that were pushing 1,000 square feet are now ratcheted back to 800, and the middle markets are dropping back to the 700s, while university-located housing is starting to get even

## THE DENSE DEN

For a YWCA Annex redevelopment in Philadelphia, BLT Architects went with micro-sized apartments that allow for efficiency in living, renter affordability, and unit density. The eight-story, 160-foot-deep building, which will be converted into 70 units, only allows for windows at the two ends, so the solution for Philadelphia developer Aquinas Realty Partners was to implement an internal courtyard but then feature as many one-bedroom “plus den” apartments as possible. “The units have all of the functionality and appeal of a typically planned apartment with private bedrooms but can be shared by two young people as if they were two-bedroom apartments,” says BLT principal Michael Ytterberg. “So you have a two-bedroom apartment that is as small as 661 square feet without any real compromises.”

**NEW DESIGN DNA:** Extreme density; adaptable living spaces; reduced square footage; high functionality.





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—DANIEL GEHMAN, PRINCIPAL, TCA, LOS ANGELES

tinier, with 600-square-foot apartments and smaller.”

Even if you’re no HGTV fan, developers and designers still stress that television has had one of the most tangible impacts on apartment square footage over the past decade. With the disappearance of the cathode-ray television and the ability to hang panel TVs on the wall, bedroom unit width requirements have decreased substantially. “You don’t need 12- or 13-foot minimums in bedrooms to accommodate those large TVs anymore,” says Donald Meeks, a partner at Houston-based Meeks + Partners, which has approximately 7,000 units under design and reports that the average unit size of its projects has decreased

from 950 to 820 square feet over the past three years, sometimes even falling below the 800-square-foot average. “Also notable is the mix between two-bedrooms and one-bedrooms,” Meeks says. “Back in 2008, it was hitting a ratio of about 65 percent to 45 percent for one-bedrooms over two-bedrooms, and today, we are looking at project mixes of 70/30, 75/25, even 80/20 in a lot of cases. We’re really going to a heavily weighted one-bedroom mix.”

#### A ROOM WITHOUT A VIEW?

Still, despite the cozier propensities of the new modern renter, privacy concerns among the Gen Y renter demographic differ drastically from those of their Gen X and Baby Boomer predecessors. This generation has been raised in a world where it’s OK to talk about your love life with your Twitter followers, and, as a result, they have no problem with guests seeing their dirty laundry.

“I don’t think that [a lack of desire for privacy] means we are sacrificing quality of life, either,” Anand explains. “We are redesigning to resident needs, and the privacy needs of this resident seem to be different: They don’t have a whole lot of issues with people seeing their bed or sleeping area. They don’t seem to need the bedroom on the exterior wall with a window. They are perfectly comfortable with a window that is interior to the unit.”

Getting bedrooms off of the exterior wall, in fact, has been instrumental in opening up new design paradigms for the next era of apartment design. Both Anand and Gehman say they are working on plans for major apartment REITs and national merchant-builder apartment developers that are likely to completely redefine the one-bedroom American apartment. Both also say they are bound by confidentiality agreements not to discuss those plans, even in the broadest of strokes. “Wait until it comes out, and then I’ll call back and say, ‘That’s the one I was talking about!’” Gehman says. “If I say anything else, the spies for this particular client will find me and kill me.”

## HOW LOW CAN YOU GO?

With sustainability and affordability on the brain, multifamily developers are pushing the boundaries with radical new ideas in micro-unit construction.

SINCE OPENING IN 2006, San Francisco’s Book Concern lofts in the city’s South of Market district have continued to redefine the “efficiency” in efficiency apartments. Though technically condos, the loft-inspired one- and two-bedroom units range in size from 270 to 425 square feet, complete with a kitchen and bath. “Book Concern doesn’t just break the paradigm; it completely smashes it and throws it out the window,” says Daniel Gehman,

a principal with Los Angeles and Irvine, Calif.-based architecture and design firm TCA. Gehman—who has since worked on two-bedroom, two-bathroom apartment floor plans at a diminutive 764 square feet, says micro units could see a renaissance in the rental market as construction activity heats up and developers look to pull yield out of ever-decreasing urban infill acreages.

“We’re also seeing the 800-square-foot, single-unit apart-

ment become a one-bedroom ‘plus den’ with the full expectation that the den might be used as a second bedroom,” agrees Michael Ytterberg, principal of Philadelphia-based BLT Architects. “That’s the reason why amenities are becoming so critically important: The reality is that everyone is being squeezed. But we certainly seem to be able to cram a hell of a lot into a small area that still feels commodious.”

Credit that to next-gen renters, who seem to embrace open-space design that allows for smaller kitchens without boxy cabinets and living spaces defined by function and furniture rather than the formality of walled-in boundaries. The fact that such tiny living spaces A) are more affordable and B) create less carbon stress on the environment makes for an easier sell to prospects numbered by the McMansion culture that dominated the first several years of the century. Though they’ve likely

never sailed in one, Echo Boom renters would be happy to call a steamship stateroom home sweet home. “The expectations are completely different,” says Rohit Anand, a principal of Irvine, Calif.-based KTG Group who runs the firm’s East Coast office in Vienna, Va. “It’s suddenly cool again to have galley kitchens without any cabinets.”

Kitchens and baths will likely be the final frontier when it comes to apartment miniaturization, not only for the space required for plumbing and electrical, but also in order to satisfy accessibility requirements. As a result, developers have reached a barrier that as yet seems unsolvable: the 270-square-foot threshold. Gehman, for one, isn’t giving up, though. “Someone, somewhere—and I only hope that it is me—is going to crack the code on kitchens and baths,” he says. “And I’m confident that when we get there, we will learn how to work it within the parameters of universal design.”

Hyperbole aside, designers say that the decreasing square footage of units often presents the developer with the ability to take advantage of opportunistic floor plan avenues that get lost in the homogenization of 1,000-square-foot, single floor plan, stacked communities. “The smaller the plan, the more we open it up,” Meeks says. “In the kitchen, we are making the islands larger and lower, to use as primary eating spaces, and forgetting about additional compartmentalized dining room areas and alcoves. They don’t want that. It’s not so much that they just eat everything at the counter; it’s that they want more flexibility in their space for how they live.”

### SOCIALLY IGNITED

Smaller apartments also mean developers need to create living spaces and opportunities for interaction and community outside of the unit. And a coffee maker in a business center off of the leasing office is no longer going to pass muster. What’s more, square footage sacrifices made for the sake of unit density aren’t necessarily regained in common areas, either. With overall project sizes scaled down to meet land affordability and overall capital financing requirements, community designers are looking to do more with less in the public areas of their properties, as well.

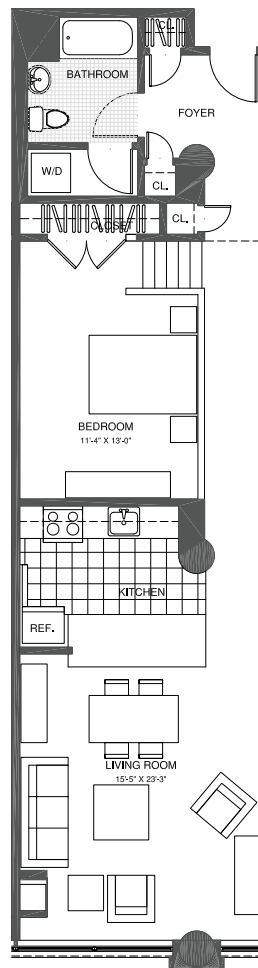
“In general, people seem willing to accept smaller overall floor plans if they have areas and spaces in the community that truly act to expand their living environment,” says Dan McCadden, managing director of development for the West at Phoenix-based apartment developer and owner/operator Alliance Residential. “Of course, that’s easier said than done. There are a lot of communities that get built with a reasonable amount of square footage allocated to fitness rooms, club rooms, or lobby areas that end up not being programmed very well. You need to design your spaces so they are easy to use, as well as easy to look at, and I think sometimes the development community forgets that when they’re trying to make a visual statement that comes at the expense of how things operate.”

In addition to hands-on social programming to activate community spaces, designers are finding that deconstructing amenity rooms into one or two larger common areas provides a less cloistered feel while also saving on square footage. “Three or four years ago, the game room was separated from the media room, which was separated from the club room, which was separated from the café,” Anand says. “Now, it’s all one big space separated by furniture and screens and flooring.”

When it comes to specific amenities, the market mantra is to pack them in, but if you’re forced to pick and choose, there are community elements that are quickly going the way of the business center. The latest amenity in decline has been the clubhouse cinema and theater room, as developers move screening areas to outdoor BBQs, pool parties, and rooftop deck gatherings. In general, outdoor screening areas and similar private/public amenity spaces (think gaming stations, pet-friendly areas, HDTV corners) that transition across common areas are the way to go, designers say, rather than the high-square-footage, closed-off rooms such as business centers and theaters. “The trend right now is four-to-one in favor of an outdoor screen,” says Gehman with coffin-nail finality. “Theaters already feel so last century. Nobody does those anymore.”

### THE PRICE IS RIGHT

Of course, the budget-minded crowd surely looks at dense urban infill with packed-in amenities and sees development costs redlining. And with many shops still vacillating between the “build it” or “buy it” option, pushing for new construction might not pencil out.



## THE ROW HOUSE

This apartment unit, designed by BLT Architects for The Victor, a 341-unit luxury, adaptive-reuse property developed by Philadelphia-based Dranoff Properties, shows how elongating floor plans can maximize square footage in older industrial buildings with deeper column spaces that don’t coincide with standard residential widths. “We designed what we call ‘platform’ units to use up the deep space,” says BLT principal Michael Ytterberg. “These are different from plain loft-type units, or even what is called ‘soft loft’ units, in that they take advantage of taller ceiling heights in older buildings by raising the bedroom a couple of feet, so that in addition to borrowed light from the living spaces, one gets a clear view out the window over the kitchen.”

### NEW DESIGN DNA:

Tailored for urban infill; bedroom off exterior wall; blended living spaces.

Not so, say designers and developers already coming out of the dirt. With the multifamily sector alone practically holding up commercial and residential construction, labor and material costs are still at steep enough discounts to make yields on new construction—even construction of denser, downtown product—palpable to number crunchers.

“The smaller the unit, the more expensive they are to build. You’ve got fixtures for kitchen and bathroom plumbing coming up,” McCadden says. “The cheapest square footage to build is always the last foot that you add on.” In general, McCadden and others say that labor and materials costs are down about 20 percent on urban infill deals compared with where they were four years ago, providing an opportunity to build now at a lower basis historically.

The good times won’t last forever, however. As the recovery ekes its way back into single-family construction over the next decade, and more apartment builders horn in on the action, the ramp-up rebate is likely to disappear quickly. Lumber and copper, in particular, show historical volatility and price inflation on the front end of a surge in new home building. “We’re not seeing it yet, but labor and materials cost increases could happen quickly and show extreme volatility over the short term,” McCadden says. “If you’ve got a long-term vision, it’s a great time to go vertical now.” [M]