



Home-Like Apartment Buildings Win New Fans

If you envision James Cagney banging on the bars of a prison cell when you read about "**The Big House**," you are missing an exciting design trend transforming today's renter-by-choice apartment market. "Cities love it. Neighborhoods love it. And potential renters love it, too, especially compared to all the alternatives out there," says developer Tom Stone, and enthusiastic Big House proponent.

In July, he completed construction on **Stone Manor**, a project using architect **Mark Humphrey's** design for an apartment community that resembles a tidy village of large single-family homes. As president and chief executive officer of T. F. Stone and Companies, Dallas, Texas, Stone has used **Humphreys and Partners Architects** to design about 3,000 units using this concept. Stone is currently working on another Big House, near a designer golf course in San Antonio, Texas.



Stone's Big House communities are always sited in the most prestigious market locale, he insists, and the apartments blend with top-end single-family homes. He developed Stone Manor, for example, adjacent to Starwood Development of million dollar homes in Frisco, Texas.

When neighbors first learned of the planned apartment development, they were distressed, and packed a local, standing-in-room-only meeting to protest, say Stone and Humphreys. But the project's appearance sold itself.

The thoughtful planning extends beyond streetside appearances, however. Many Big House designs include 11-foot deep walk-in closets and small sitting areas in the master bedrooms, as well as a convenient computer nook in the hallway outside the bedrooms. In addition to living/dining rooms, island kitchens and eat-in kitchens are included. **"We're not designing for people just entering the workforce," Humphreys explains.** The renter-by-choice is Humphrey's target demographic, and the "move-down market," that is, homeowners who are retiring into a smaller, maintenance-free apartment, is an important sub-sector as well.

Stone points out three reasons the design has been successful for him: easy community approval, rapid lease-up and higher-than-market-rate rents. "Everyone perceives the higher value [in the product]. It's more personal, with its own address, private entrance, and attached garage."

The project consists of 234 one-, two- and three-bedroom apartments in 19 buildings plus a pool, putting green, and a clubhouse with a fitness room. All of the homes are market rate and range in size from 662 to 1,465 square feet. Attached, interior access garages are included with 60% of the units. **"All have private entries - no common hallways, no common anything," explains Humphreys.**

Stone Manor represents a new version of The Big House, he adds, because it features a higher density than former designs - 18 units per acre as opposed to 15 units - which saves 25% on the developer's land cost. The community is also the first of its kind to feature individual addresses for each of the units.

Stone financed Stone Manor with a \$15 million FHA/HUD 221(d)(4) loan from Malone Mortgage Company. Malone has financed many of The Big House projects, particularly in Louisiana, Oklahoma and Texas, including Humphreys' first one. Reilly Mortgage Company has funded one or two, and WMF/Huntoon Paige Associates "is doing quite a few," Humphreys adds.

The HUD financing offers a combination of construction and permanent debt. The permanent loan is based on 90% of the replacement cost, has a 40-year term with 7.75% fixed interest, and is non-recourse.

Construction costs for The Big House projects are generally consistent with that of traditional apartment buildings, or about 10% higher, Humphreys says - \$15 million to \$20 million for a 200- to 300-unit apartment complex. **"But the returns are a lot higher - higher rents, higher occupancy rates," according to Humphreys.** Stone adds, "If you educate the builders [about the design], the construction costs can be competitive with breeze-way apartments, but you're getting so much more."

Stone is not alone in his enthusiasm for The Big House. **"We had no idea how big the response would be," says Humphreys, chief executive officer of his Dallas, Texas-headquartered architectural firm.** Humphreys estimates designing 75 to 80 projects in 40 states, of which 30 have already been built and 25 are in construction.

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