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Industry Architects Weigh in on Deals that are Getting Done and Design Trends for the Future

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Washington, D.C.—A paradigm shift is occurring in real estate today, noted Mark Humphreys, CEO of Dallas-based Humphreys & Partners, at a recent Webinar, entitled “Multifamily Design Trends,” sponsored by NAHB (National Association of Home Builders).

While in good times, real estate is all about location, in today’s difficult economic climate, those deals that are getting done are primarily HUD Section 221 (d)(4), he asserted. Other examples of projects that are in demand, he said, are high-density student housing communities. The typical type of student housing today has small units—four bedrooms are particularly popular.

Meanwhile, David Senden, principal at Irvine, Calif.-based KTG Partners, noted that those projects he has seen moving forward today are those that rely on some form of non-traditional financing. In particular, he has observed that niche projects with complicated entitlement projects are moving forward, as clients are seeing this as a good time to do so.

“Our processes in California are long anyway, so if the client can shoulder the soft costs for design, challenging sites may pay off later,” Senden noted. “We are also seeing opportunities with redevelopment agencies...Many clients are moving into areas they avoided in the past.”

Niles Bolton, CEO of Niles Bolton Associates in Atlanta, also noted that many of those projects going forward fall under the Multifamily Accelerated Process (MAP) in second- and third-tier cities.

As far as the type of floor plans the architects predict will be popular in the near future—particularly as more Gen Y renters come onto the market—the architects could not agree whether “less is more.”

Bolton argued that whether or not you reduce the size of a unit’s open area, you aren’t reducing the number of fixtures; therefore cost per square foot increases as you remove some open area. In addition, he added that some of his clients have said that they would rather have more square footage to sell—in order to get payback by square footage. He acknowledged that while rent per square foot is higher on smaller units, it is important to consider “just what you are reducing.” He also noted the difficulty of timing the market to meet your project’s demand, so it is important to take a long-term view.

On the other side, Humphreys argued that we are experiencing a shift—a “Manhattanization in

the rest of the country,” and that there is great demand for smaller units, which are also achieving higher income. He attributes this mainly to the Echo Boomers who are looking for their first apartments in “hip areas.” Furthermore, while “we talk in price per square foot...renters don’t,” he said.

Senden, meanwhile, takes an approach between the two. He maintained that “most of what we do and cost is per square foot, so smaller is generally less expensive, but what gets missed sometimes is livability. You can build as cheap as possible, but if people won’t buy or rent, it misses the point. It’s important to know the buyer/renter profile.”

With the smaller units, however, it is important to place emphasis on the project’s amenities, particularly for those projects specifically targeted toward a Gen Y demographic, added Rick Mercer, partner at Wood Partners, who moderated the discussion.

Each of the panelists also noted key “trends for tomorrow.” Humphreys believes small units will be key—though he did note that it won’t work for every project in every location. In addition, he pointed to the trend of readapting well-located office buildings into transitoriented developments, as well as an increasing demand for workforce housing. He also noted his firm’s “Big House” design—a design that arranges apartments to look like a single-family house—for those interested in remaining in the suburbs but who cannot afford to purchase a home.

At the same time, Senden and Bolton agreed that simplicity will dominate. “I think the days of value engineering comes down to getting back to the basics of doing good projects,” Senden noted. “Let the form and cost of building drive aesthetics rather than build the same building as always.” Each site, he said, presents a unique situation and trying to come up with a prototype is the wrong approach.

“I like to think of future-proofing,” Bolton added, thinking for the long-term owner and whether utilization, longevity and flexibility have been designed into the property.