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The Aspens at Twin Creeks in Allen is a Class A age-restricted property with 180 units. Completed in 2011, the property is located at 480 Bray Central Drive and features community amenities including a saltwater swimming pool, library and movie theater.

PRODUCT FOR TODAY'S ACTIVE OLDER ADULT

While not a wholly new concept, age-restricted apartments cater to growing senior population.

By Cody Tremper

With the country's 65-plus population forecasted to increase 3 percent per year through 2018, the seniors housing industry must look to the future to adapt to the changing desires of the aging seniors population.

While there are many choices in the for-sale market (single-family homes, townhouses, condos, mobile homes), on the rental side the options are few and far between. For many seniors, a traditional independent or assisted living model is the most appropriate, unless the need exists for a memory

care unit or skilled nursing facility.

However, a subset of seniors desires a different type of community. To meet the needs of this population, age-restricted apartments are a new approach. ASHA defines age-restricted apartments as "multifamily residential rental properties restricted to adults at least 55 years of age or older. These properties do not have central kitchen facilities and generally do not provide meals to residents, but may offer community rooms, social activities, and other amenities."

The typical age-restricted resident

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THESE ARE NOT YOUR DAD'S DORMITORIES

Enrollment explosion leads developers to build more student housing with more amenities.

By John McCurdy

The phrase "back to school" is taking on a new meaning in Texas, as investors and developers alike are diving into the state's student housing sector. Practically every important indicator — from cap rates to enrollment numbers — shows that the market has reached critical mass.

"The perfect storm has hit in terms of demographics, investment and the records of student housing properties in the last couple years," says Greg Faulkner, president of Dallas-based Humphreys & Partners Architects LP. "Everybody is investing in student housing and wants to build student housing."

While Austin has traditionally dominated the headlines — the University of Texas (UT) and its 50,000-plus student body are undeniably a huge demand creator — a big part of the increased interest is due to the emergence of other markets in the Lone Star State.

For example, as reported by local newspaper *The Bryan Eagle* and many other news outlets, Texas A&M University surpassed UT in enrollment for the first time ever this school year, thus creating increased interest in College Station.

Meanwhile, Texas State University in San Marcos set a new enrollment

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Northpoint Crossing in College Station includes 627 units and 1,842 beds. The community also features two swimming pools, a rooftop garden and 55,300 square feet of retail space. Humphreys & Partners Architects LP designed the property.

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THESE ARE NOT YOUR DAD'S DORMITORIES: STUDENT HOUSING EVOLVES

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record for the 16th consecutive year, according to the school's website, with 35,568 students attending in the 2013-2014 school year. The University of Texas at San Antonio has grown by 68 percent during the past 15 years and now hovers around 30,000 total enrollment.

The success stories are myriad: *The Chronicle of Higher Education* ranked the University of Texas at Arlington as the No. 7 fastest-growing school in the nation in 2013, and the University of North Texas in Denton set a school enrollment record this year with 36,221 students for the current school year.

"What we're looking at there is the fact that these schools have been growing over the last 10 years, and the universities themselves are making investments in themselves," says David Nelson, senior vice president of development with Atlanta-based Carter and Associates.

"The schools might be building some housing themselves, completing the transition from a commuter school to a true university or really developing the campus environment with more classroom space and growing Greek life and student organizations."

As such, the question of where a company should build or buy continues to become more open-ended.

Demand for Development

According to Axiometrics, Texas universities topped those of any other states by adding 93,876 beds from 1995 to 2013. There's no sign of that trend slowing, says James Tramuto, managing director at JLL.

"There is quite a bit of development going on in student housing right now, and for a handful of reasons," says Tramuto, who is based in Houston. "For one, student housing development offers relatively higher yields than multifamily.

While the construction periods for the two products are the roughly the same, conventional apartments typically require 12 to 16 months of absorption, while student housing developments will oftentimes open their doors 100 percent leased."

Tramuto also adds that the variables affecting the success of a student housing project are easier to gauge than those of other property types, as state universities publish public plans of their own upcoming growth and on-campus development. The markets, such as College Station or San Marcos, are also generally smaller.

Finally, the student housing industry has a certain freshness to it, he says, having relatively recently come into its own. "The student housing industry is only recently become recognized by the institutional world," Tramuto notes.

"Correspondingly, anything 'new' inherently suggests there is, or could be, embedded opportunities and everyone wants a piece of the 'new new.'"

Northpoint Crossing, Humphreys & Partners' ongoing project in College Station, embodies this excitement. The two-phase, 627-unit complex includes two swimming pools, two fitness centers and a rooftop garden.

Humphreys & Partners is working with Capstone Campus Communities and Woodbridge Capital on the development. Northpoint Crossing, which will offer 1,842 beds upon completion, is the largest student housing project in the nation, says Faulkner.

With bedroom-bathroom parity in all units, as well as 55,300 square feet of ground floor retail, the property reflects the preferences of the majority of today's undergraduates.

"We're designing for sophomores and juniors, so it's two-bed, two-bath or four-bed, four-bath predominant-

ly," Faulkner says. "With the retail, a lot of these operators don't want to deal with it, but we are seeing that in some form on many projects on top of all the other amenities."

One more contributing factor in the push for new development is the age of the existing properties. In many cases, renovation — if not wholesale replacement — is necessary in order to create a competitive asset.

"In a lot of these markets, there's just a lot of functionally obsolete product," says Ryan Lang, associate director of student housing for CBRE in Dallas. "It's older, maybe close to campus or maybe not, but it hasn't been updated."

Amenities Galore

The focus is clearly on what's "new" and "hot" in the student housing space, and the experts consulted for this article defined those terms fairly similarly. As it turns out, the single most desirable element is simple: location and walkability.

"The biggest issue with new development is just finding land close enough to the university," says Lang. "We've seen a flight to core, pedestrian-to-campus deals, and there's a large amount of institutional and fund groups that need to be within a half-mile or mile to campus."

Faulkner concurs. "It's very competitive to get a site," he notes. "You

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Demographics

Population

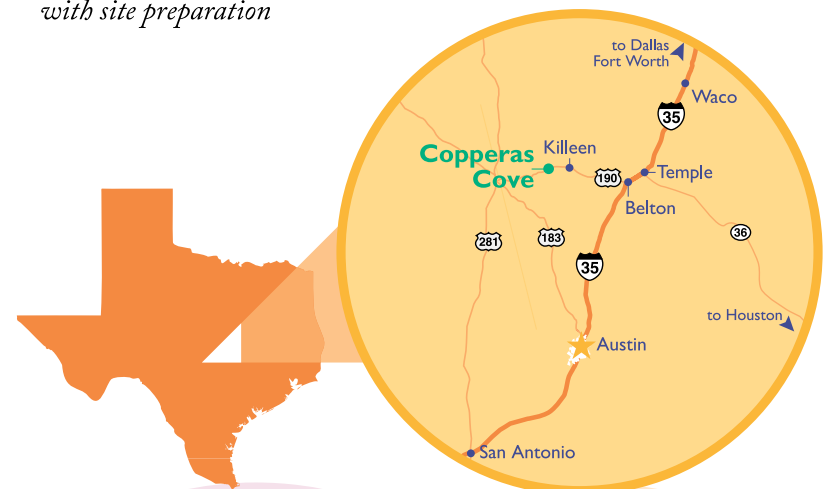
1 mile radius	3,173
3 mile radius	30,377
5 mile radius	61,839

Average Household Income

1 mile radius	\$52,882
3 mile radius	\$52,257
5 mile radius	\$55,425



Carter and Associates has broken ground on Tetro Student Village, a 198-unit apartment complex in San Antonio. The property will serve UT San Antonio, which has grown by 68 percent in the last 15 years, according to the school's website.



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have to have patience, and sometimes, you have to have the pocketbook.”

Of course, even once the land is secured, the job is far from over. Next are the amenities, which are reportedly getting more lavish by the day.

For example, Northpoint Crossing features study areas, lounges with pool tables and outdoor courtyards with fire pits in addition to the aforementioned two pools and two fitness centers. And that’s not even the most extensive amenity package within the Humphreys & Partners portfolio. Faulkner cites the firm’s District on Apache project in Tempe, Ariz., which features a “lazy river” swimming pool.

“It’s just over the top,” laughs Faulkner. “Barbecues, tanning beds, steam rooms, poolside cabanas — it’s like we’re designing resorts.”

A development of Carter and Associates, Tetro Student Village, speaks to this trend towards an elaborate suite of extras. Being built to serve UT San Antonio, the 198-unit property will feature a coffee shop; volleyball, basketball and bocce ball courts; soccer field; arcade; and dog park.

That goes without mentioning the “standard” club room, fitness facility, media room and resort-style pool which will be incorporated into the complex.

“Amenities are very important to students, so having a good, strong, robust program is critical for projects,” says Nelson. “In Texas, having a large pool is just the start. Students ultimately want a place where they can hang out, congregate and call home.”

On the subject of social interaction, one final feature worth mentioning is a property’s internet connectivity and area wireless performance. With on-line study resources and social media essentially overtaking their predecessors, having a good signal is key for today’s college student.

“If they don’t have five bars on their phone, they’re not moving there,” laughs Faulkner.

Popular with Investors

In the end, demand for new development and high-end amenities do not together translate into a healthy student housing market in Texas. Behind it all is tremendous investor interest, and not just from those traditionally involved in the sector.

“Historically, it had been the REITs that were out there buying a lot of student housing,” says Nelson. “But the sector fared pretty well during the recession and was fairly resistant to the downturn, and now what you see from both the development and asset purchase standpoints are institutional,



Amenities at Tetro Student Village include a resort-style swimming pool, coffee shop, soccer field, arcade, dog park and fitness facility. Cardinal Group Management will operate the asset, which is slated for completion before the 2014-2015 school year.

national and international investors are looking at the sector.”

That’s not to say that large REITs such as American Campus Communities, EdR (formerly Education Realty Trust) and CampusCrest Communities have been totally dormant, but all three have become less active in the last nine months due to fluctuations in their stock prices, says Lang. That’s opened the door for relatively new players.

Take, for instance, a deal brokered by

Lang in which a joint venture between operator Gross + Cohen Real Estate Investors Ltd. and investment firm Chain Bridge Capital LLC acquired Z Islander, an 864-bed property in College Station. Constructed in 2009, the complex features a swimming pool, theater room, 24-hour fitness center and cyber café.

In general, the velocity of transactions is high in Texas. Sales of student housing properties the past three years — approximately \$1.73 billion from 2011 to 2013 — exceeded that of the prior five-year period — \$1.58 billion from 2005 to 2010 — according to Real Capital Analytics. With the increased competition and desirability of product has caused a corresponding increase in prices, says JLL’s Tramuto.

“Cap rates today for infill product in a major metro market like Austin are 5 to 5.5 percent,” he says. “Even smaller markets like College Station, San Marcos and Denton are seeing cap rates ranging from 6 to 6.75 percent, depending on how close to the campus the asset is.”

Rising rental rates — a product of the demand and quality of property described above — in part explain those compressions of cap rates. Lang and Tramuto each note nationwide gains in between 2 to 3 percent, and Faulkner cites typical prices per bed of \$600 to \$800 monthly in Texas markets.

That, of course, could be conservative in the case of an infill project in a major metro such as San Antonio or Austin. In general, though, profits are achievable regardless of market, given solid university fundamentals, the right proximity to campus and an adequate amenity package.

“Generally speaking, we’ve seen pretty good, sustained growth,” says Lang. ■

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