

Multi-Family Housing Making A Roaring Comeback.

By William Henry PhD

According to a recent forum held by the University of Florida's graduate real estate department for its Board of Trustees, the resurgence is due to the following factors:

- 1) Changing demographics leads to increased demand
- 2) The deep recession
- 3) A preference for a more urban lifestyle
- 4) Disillusionment with the American dream
- 5) Mounting cash reserves by certain financial institutions

Changing Demographics

Only one in five households will be married couples with children in 2025. Those who do choose the traditional family lifestyle will postpone this decision for up to (8) eight to (10) ten years after a formal education. 78 million 'echo boomers' are getting ready to enter their prime renting years. 10 million immigrants rent for an average of 10 years.

The Deep Recession

Florida has been particularly hard hit by the current recession. Unemployment remains at historically high levels while median family income remains below many comparable states. Some attribute this to a 'brain drain' to areas like Austin, Texas. Qualified home buyers often revert to renting in times like this.

Urban Lifestyle

A growing number of residents prefer the urban lifestyle and spend less time in the dwelling and more time in assembly areas such as restaurants, cocktail lounges, and at sporting events. Therefore, they really do not prioritize the amount of space in their living quarters. A large single family home in the suburbs does not have the allure it once had, unless the residents are the one in five referred to above.

Disillusionment with American Dream

Potential buyers do not view housing as a promising financial investment. They view it as basic shelter and prefer other investments.

Mounting Cash Reserves in Financial Institutions

Due to the recent change in under writing guidelines, many potential development projects have been shelved. Historically low interest rates coupled with plummeting vacancy rates has 'incentivized' some large institutional investors to place debt and/or equity in potential Class 'A' rental apartment developments.

The above demand factors and investment appetite are spurring development of 21st century rental apartment prototypes. These prototypes can be divided into the following groupings. They do share some common features though. The two types of emerging rental apartment developments are:

The 'Millennium's' Urban Lifestyle Apartment

These complexes can be described as mostly compact dwelling units (DU's) located in populous urban cores in larger metropolitan areas across the U.S. In Florida, Miami, Ft. Lauderdale, Tampa, and Orlando come to mind. These 'Millennium' DU's are typically contained in mid to high rise buildings with structured parking. The average unit size is often below 900 square feet. Dwellers often learn to make due with smaller quarters by compact furniture schemes such as those offered by the well know retailer 'Ikea'.

Single Family Home Substitutes

This new 21st century prototype may be positioned on the outskirts of metropolitan areas co-located with golf communities, water resorts, parks, and other lifestyle amenities. Units may mimic single family home environments with spacious living quarters, multiple baths, oversized storage and convenient covered parking. These units appeal to those who have opted out of the potential home

buyer market for reasons cited above, but wish to retain unit features common to home living such as sound attenuation and reduced transmission, security and multiple layout options.

Common to both prototypes are ever expanding lifestyle features built into common areas such as fitness centers, auxiliary retail outlets, multi-media theatres, internet cafes, and daycare centers.

The challenge that architects, developers, contractors, and investors have in bringing these new products to the market is the opposite pressures of cost escalation and rent pricing thresholds. If the cost of delivery is \$120,000 per dwelling unit, can the rental pricing structure stay at or below \$1.20/square foot of area in the unit per month? Put simply, can the investors reap a return if a unit that equals 1,000 square feet charges \$1,200 per month?

While the features and amenities may vary, there are well established principles that, if followed, will lead to success. Some examples are shown herein. Expect to see cranes reappear on skylines in the next year in cities such as Tampa, Orlando, Miami, and Jacksonville that signal construction of this new phase of redevelopment.

Unlikely supporters will be those who traditionally opposed developments such as the Sierra Club and 'Green Initiative' groups. These groups have come to realize that there is a pent up demand for 60 million new dwelling units by the year 2030. They would prefer these new units to be within redeveloped areas where infrastructure such as roads, sewer, and water are already available and are serviceable. These environmental groups prefer the infill development in lieu of suburban sprawl. Commutes are reduced due to the live/work connection when residences abut work places. Further, green initiatives reduce the 'carbon footprint.' Many of these new developments will attain LEED certification attesting to the efficacy of the project features that support conservation.



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