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David Adelman  
President and Chief Executive Officer  
Campus Apartments



Donna Preiss  
Founder and Chief Executive Officer  
The Preiss Company

# Young Turks

## Challenge Student-Housing Status Quo

*Top executives to discuss trends in the growing student housing niche market at the 2011 NAA Student Housing Conference & Exposition.*

*BY LAUREN BOSTON*

**Y**oung Turks was a term coined around the turn of the twentieth century to describe members of the Ottoman society who were progressive, modernist and challenged the status quo. In subsequent years, the term “Young Turks” has come to signify any groups or individuals inside an organization or industry who are reform-minded, take-charge individuals who inspire others.

These industry leaders are true Young Turks. Having bucked trends and inspired many, these executives are reshaping how student housing is being viewed, not only by people within the industry, but also by Wall Street.

Whether it's adapting to increasing technology demands, turning units more effectively or dealing with the unique challenges of student residents, the leading providers of student housing are constantly looking to the future of one of the fastest growing niche markets in the real estate industry.

Three of the panelists from the Student Housing Conference &

Exposition's Opening General Session, “The Young Turks of Student Housing,” addressed these topics during a recent interview. Following are highlights.

**Q. How critical are telecommunications and broadband capabilities to student housing providers in terms of resident satisfaction and retention? What does it take to satisfy today's student's communications needs?**

**Peter:** For many residents, broadband and Internet connectivity has become as important as heat, water and electricity. We strive to exceed industry-standard bandwidth levels at our properties because it is often one of the deciding factors for students when they're deciding where to live. It can make or break a community's performance.

At several of our properties, we have developed a tiered usage strategy. It typically is complimentary for the casual user. For movie buffs or those into a high-level of online gaming, the



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Maximus Yaney  
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bandwidth increases along with nominal rate increases.

With wiring, we recommend a hybrid wire and wireless approach at most of our properties. This enables students to use their laptops or other devices throughout the community and enjoy a robust online experience wherever they go.

**Preiss:** High-speed, high-quality Internet is critical. Student residents demand high bandwidth with no interruptions or down time. It is their life blood. Basic TV service is nice to have, but you don't really need to include premium channels, because students now get most content through the Internet. Phone service isn't necessary because everyone is on a cell phone or using Skype.

As more Internet appliances (such as games, TV, browsers and apps) appear and bandwidth gets cheaper, we plan to stay ahead of the curve by continuing to keep pace with demand and monitor (and add) bandwidth as needed.

**Adelman:** Internet is one of the most critical factors in resident satisfaction and retention; some would argue that it is more critical than any amenity. Phone and video are becoming less important as more content is Internet-based. Our residents depend on the Internet to conduct their daily lives and have the same expectation as they would with electricity or water—it should always work and you should never run out.

We attempt to plan for at least 10 years' growth with our Internet distribution wiring. We use glass fiber optics for backbones and category 6 copper for individual connections. Even with Internet connection speeds doubling every two years, this

technology is reliable and its capability is more than five times that of the most aggressive demand estimates. Having said that, we continually re-evaluate and adjust the best practice for wiring at least a couple of times a year.

It takes a lot of attention to detail to be able to deliver fast and reliable Internet at reasonable cost. We have deliberately spent a lot of time making sure we understand how to do it and see that as a competitive edge.

**Q. What does your team do to turn units more effectively?**

**Peter:** While we are integrating iPads, cell phones or other handheld devices, at the end of the day, turn is still about old-fashioned blocking and tackling. Making sure properties have well-executed primary, secondary and tertiary plans to ensure as smooth a turn as possible is important.

It takes eight months of planning on all levels of the company to have a well-executed turn. If we can incorporate some high-tech factors that will remind people about tasks, or help in the planning, then the final product will be better for all.

**Adelman:** When it comes to turnover, we place a tremendous focus on the basics, which has allowed us to closely manage and cap turnover costs over the years. Our team has perfected the art of planning. Rather than waiting until June or July, we begin planning five months in advance of resident move-outs. Typically in February, we issue vendor RFPs and solicit a detailed scope of work for painting, carpeting and other maintenance contractors. This significantly reduces pressure on cash flow and also allows us to secure the best contractors.



Mike Peter, President and  
CEO, Campus Advantage, will  
moderate the Young Turks panel.



## Learn More in Las Vegas

These five student housing executives will discuss trends in student housing at the opening General Session, "The Young Turks of Student Housing," Feb. 22, 9 a.m. to 10:30 a.m. at the 2011 Student Housing Conference at the Wynn Las Vegas. *Visit [www.naahq.org/shc](http://www.naahq.org/shc).*

Organization is the second most important element in an efficient turnover. Rather than conducting move-out inspections, we conduct quarterly inspections of every unit to gauge what open areas exist. Then we promptly submit charges to residents and their parents—an approach that has significantly improved the amount and scope of repairs required after move-out.

**Q. Student housing is one of the fastest growing niches in the market. Do you think it will continue to grow?**

**Peter:** You look at the underlying fundamentals of the student housing market—demographics, on- and off-campus housing supplies, the economy—and all point toward future growth.

Nationally, only approximately 22 percent of students can be housed on-campus. More than 70 percent of the members of the high school graduating class of 2009 were enrolled in college last October, the highest percentage on record going back to 1959.

According to the National Center for Education Statistics, college enrollment will grow by 11 percent between 2003 and 2013. Higher education is less affected by economic trends—when times are bad, people go to college to improve their job prospects; when times are good, a college degree becomes even more important. Rents for student housing properties have been rising at a higher rate than at conventional apartments. And finally, college students are taking longer to complete the degree process than a generation ago, as graduation requirements increase.

**Adelman:** Student housing has always been an attractive real estate niche because its fundamental drivers have not changed in a long time. But in

recent years, we have seen this sector become readily accepted by the real estate community. With this acceptance, the student housing sector is now closely followed by investors and more players want to be involved. This, combined with the sector's highly fragmented nature and the increasing number of universities that will seek housing support from the private sector, will continue to spur growth.

**Preiss:** This will continue to be a profitable niche because we continue to have some of the largest freshman classes in history, only about 30 percent of student housing is purpose built (much of it is obsolete), and the universities have reduced budgets and are looking to create more private-public relationships.

**Q. What are some of the challenges property managers have with residents that are unique to student housing?**

**Peter:** Helicopter parents and campus incidents, crises and otherwise. We provide an extraordinary amount of training for our community-level managers—role-playing, classroom and online learning programs—to prepare them in the best way possible. You can't expect someone to make the best decision possible in a tense and stressful situation without training and preparation.

We also have community-specific crisis communication plans that require quarterly update and review. We try to learn the information as thoroughly as possible, so when a crisis does hit, the reaction is second nature.

Also, we stress to our community-level managers that we're all on the same team, and they shouldn't hesitate to call in reinforcements if they feel overwhelmed. It's easier on a corporate level

to be ahead of a problem or crisis, rather than playing catch-up.

**Adelman:** In student housing, we cater to young adults whose level of maturity and perspective in the world is still developing. While we are providing apartment homes, we also have a responsibility to provide resident-life services, which is exclusive to student housing. We must remember that our customers are someone's children and we take that responsibility seriously. For this reason, we implement an intensive employee training program that prepares on-site employees to respond accurately and sensitively in every situation.

Additionally, in student housing, each lease represents three customers: the resident plus Mom and Dad. Each one has a unique perspective and wants (and deserves) to interact with us. Understanding how important housing is to the college experience, we know that we need to accommodate and communicate with residents and parents alike.

**Preiss:** Every year is a new lease-up year. To combat the dynamics of continual leasing, we have devised a series of tools that measure pre-leasing against a daily and monthly target, against historical actuals for the property and against the market comps. Beds that are not rented by the start of the school year will likely remain vacant for the year. The most effective strategy is to get the property leased during the leasing period using the tools we have developed. We have targeted programs to backfill leases.

This niche also resembles the hospitality model. Social events have to be planned, hosted and catered. We hire students who are social and have a sense of urgency. We pay well. We try to attract co-vendors who will help us with the price of food.

Finally, student housing hours are longer than at conventional properties. We have staggered schedules. Student housing staffs tend to command 30 percent more in salaries compared to conventional multifamily. We lease by the bed, which creates a 30 percent premium compared to conventional multifamily housing.

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