

## At what price proximity?



Near-campus housing for U students attracts developers even in down economy

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There's nothing shabby about the new apartments being aimed at students at the University of Minnesota.

A wave of units that run from \$1,100 to \$2,500 a month is being constructed around the Minneapolis campus as developers seek projects with built-in demand.

"There's not a lot of other types of real estate that make sense to develop," said Kelly Doran, a developer who's behind two U apartment projects and has another in the works. "That's one area where you can make sense of the numbers to build."



A worker checks studs at the 412 Lofts site at Fourth Street and 12th Avenue southeast in Minneapolis. Multiple apartment buildings are going up near the University of Minnesota.

For one thing, new construction rents are much higher. While Minneapolis-based Marquette Advisors put the average rent for a two-bedroom apartment in the Twin Cities at \$985 in its fourth-quarter 2010 report, these new two-bedrooms run \$1,800 to \$2,000.

A big reason for students living in high-end new units: parents.

"What I'm finding is, in parents' minds, they don't think the students should have the older housing," said Shannon Staten, director of housing and residence life at the University of Louisville in Kentucky. "They think the students have to have the high-end amenities so they do everything they can to get it for them."

Perks at these buildings include in-unit washers and dryers and on-site game rooms and fitness centers.

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A Doran Cos. project, the 412 Lofts in Dinkytown, features apartments targeted at the student market. Seventeen floor plans are offered, from studio to three-bedroom, along with luxury amenities.

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FloCo Fusion at 1000 University Ave. S.E. will have 84 units and will be marketed to young professionals as well as students.

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Construction begins soon on Stadium Village Flats, which will be topped with a sky lounge, said Dave Menke, senior vice president of Minnetonka-based Opus Development Corp. "There'll be a high level of amenities offered within our project," he said.

More projects are talked about, and these apartment developments are currently under construction or recently completed near campus:

- Opus soon will knock down two buildings at Washington Avenue and Ontario Street southeast to put up 120-unit Stadium Village Flats aimed at undergrads. Units are to be ready by fall 2012.

- Solhaus, at 2428 Delaware St. S.E. in Minneapolis, will offer 75 units when construction is completed in August and has targeted graduate students.

- FloCo Fusion has 84 units under construction at 1000 University Ave. S.E. to be completed next summer. While close to campus, the property's management also is marketing to young downtown professionals.

- The Dinkydome was redeveloped with 16 units, and the adjacent 125-unit Sydney Hall apartments were com-

pleted last year in Dinkytown by Bloomington-based Doran Cos. Units come furnished.

- Doran Cos. also is behind the 412 Lofts with 102 furnished apartments. They are under construction at the northeast corner of Fourth Street and 12th Avenue southeast. Leasing has begun for fall semester.

More U freshmen live on campus these days than in the past. After that experience of being close to classes and libraries, many, including sophomore Payton Larson, opt for housing on the edge of campus.

Larson enjoys the perks of having laundry and cable in her Sydney Hall unit, which rents for \$1,784. Larson, a finance major, manages the expense of a two-bedroom, as many students do, by sharing the unit with two roommates. Her share of the rent is \$668. She's studying in China next year but plans to return to Sydney Hall for her senior year.

"You can obviously find some cheaper options, but I looked at the big picture and I had a long list of what I wanted," said Larson, who works at Sydney Hall's front desk. "I like the security and location. I don't have to buy furniture. I don't need quarters every

time I need to do laundry and I save time while I'm doing it."

There are other reasons for the surge in high-priced new units around campus.

Demand is one. The Twin Cities metro-area vacancy rate at 2010 year-end was 3.8 percent, down from 7.3 percent a year earlier, according to Marquette Advisors. That's considered low enough to warrant development of more units in the market.

Cassidy Turley, a commercial real estate firm in Minneapolis, reports there are 5,032 new units proposed across the metro, and the U area is one of the neighborhoods with the most activity.

As both the office and new-home construction sectors

suffer, high-rent apartments are some of the few projects that support the costs of construction and property management. While banks have tightened lending in most sectors of real estate, both Kelly Doran and Curt Gunsbury, who's behind Solhaus, said their projects are funded by loans.

For developers, housing aimed at students involves more turnover and day-to-day management. At Sydney Hall, parents are asked to co-sign leases, Doran said. Much new housing at the U is leased to students as whole apartments versus by the room. When a management company leases apartments by the room and matches up roommates, costs

to the property manager are 25 percent higher, Doran said.

Meanwhile, the U offers a high volume of renters who want to live near campus. Developers still see the campus as underserved compared with others.

"If you go to other Big 10 schools, the University of Minnesota is vastly under-housed with new construction, yet it's the same student base," said Gunsbury, the Solhaus developer.

Some of the housing that's historically been around the campus has been of questionable quality, creating demand for new construction, Doran said.

Given the housing collapse, the days of parents purchasing a house or condo near campus for their children and then selling after only four years are gone.

The U has been adding more on-campus housing, too, as studies show improved graduation rates for first-year students who start their college lives on campus, said Mannix Clark, associate director of housing and residential life at the U. It has 2,000 more beds on campus since Clark arrived in 1999.

Most of the U's housing is aimed at freshmen, and now a much higher percentage of them live on campus. The number has risen to 84 percent from 68 percent in 1995, Clark said. Typical cost of dorm life: Freshmen pay \$7,728 for a double room for a full academic year including

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*Doran Gunsbury, Solhaus developer*

14 meals a week.

Clark believes the on-campus experience may influence students to stay nearby.

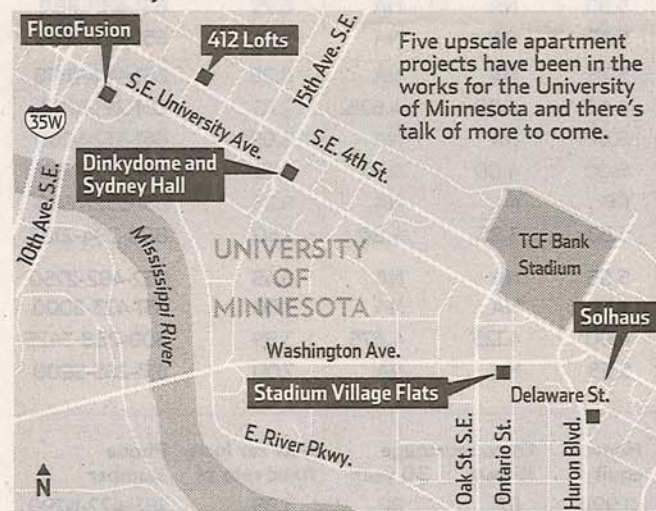
"Once you're there, you think, 'I'm close to campus,'" he said. "Then you think, 'I still want to find a place that's close to campus.'"

Even as Doran is in the planning stages of a third project near the U at the former Oak Street Cinema location, he doesn't see the current rash of apartment construction going on indefinitely because there are few locations available for development and a limit to demand.

"It's not a market that's going to grow and grow and grow," Doran said. "At some point, there's going to be enough."

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### New apartments under construction at the University of Minnesota



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