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# Gem *insight*



June 2010

Property Management - Leasing/Sales - Appraisal/Consulting - Public Sector

## **Gem Real Estate Group Secures New Office Space For United Way In Downtown Dayton**

DAYTON (June 21, 2010) – Gem Real Estate Group recently negotiated a lease agreement between The United Way of the Greater Dayton Area and 33 West First Partners, LLC , at The Soin International Building, 33 West First Street, in Downtown Dayton. The five year deal for 15,000 SF on the building's fifth floor was signed in April. United Way moved into their new space in Suite 500 the first week of May.

Amanda Cox, VP at Gem, said United Way first engaged Gem's services in early Fall of 2009, and Gem began surveying the Greater Downtown area for suitable space. The search team, comprising President and CEO Allen Elijah and CFO Teri Warwick, with support from United Way's Board of Directors, considered all space possibilities. These included some non-traditional space and others outside the urban core, but ultimately found the most economical and most appealing opportunities Downtown.

"United Way's top priorities were reducing expenses and finding a new headquarters that would be more visible and accessible to the Dayton business community. The Soin Building is in an ideal location, has high visibility, and had virtually turn-key office space, which reduced the out-of-pocket for both parties."Cox said that the landlord provided a compelling lease package consisting of competitive rates, a reasonable build-out allowance, and parking in the attached garage.

"The deal worked out very well for all parties," Cox said, "United Way will have professional office space that suits their needs today and allows flexibility for growth and expansion in the future without having to repeat the site selection process."

To learn more about The United Way of the Greater Dayton Area, visit their website at [dayton-unityway.org/](http://dayton-unityway.org/).

Gem Real Estate Group, Inc. is a full-service commercial real estate company offering a variety of services including sales, leasing, property management, appraisal and public sector consulting. For more information on Gem, please visit our website at [gemcompanies.com](http://gemcompanies.com).

## Considering the Specialized Asset Class of Student Housing

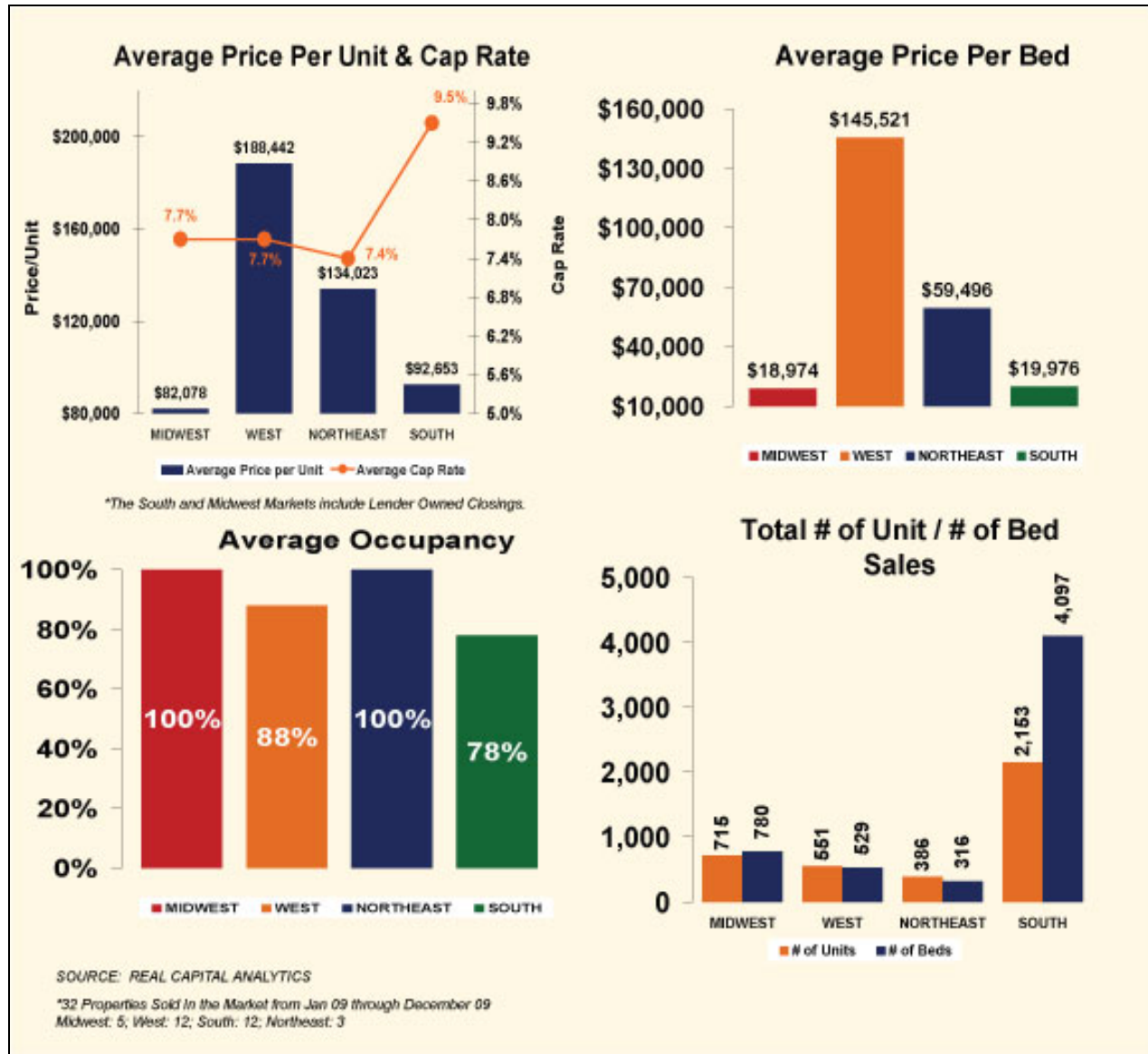
Within the multi-family housing market are several specialized segments; condominium, low income housing tax credit, manufactured housing, subsidized, and senior housing. One of the most recent segments to emerge as a specialized asset class is student housing. Student housing began to evolve in the 1990's as university and college enrollments increased beyond the capacity of available campus housing options, and became a distinct asset class in the late 1990's as national developers began to differentiate themselves and their product from conventional apartments with purpose-built complexes offering features such as private bathrooms for each bedroom, high-speed direct-connect internet, and student-based amenities including swimming pool, fitness centers, activity rooms, and shuttles to campus.

Over the past decade, the student housing market has seen tremendous growth, as growing enrollment numbers continue and corresponding budgetary constraints work to diminish capacity for on-campus housing options. It is estimated that public universities have capacity to house roughly 25% of their current student population. As a result of this continuing trend, a larger number of national and institutional investors have entered this segment. Currently, there are two publicly-traded real estate investment trusts (REITs) within this segment of the industry: American Campus Communities (NYSE:ACC) and Education Realty Trust (NYSE:EDR). Recently, however Campus Crest Communities Inc. has filed with the SEC for an initial public offering and intends to qualify for REIT status by year end. It is estimated that approximately 85% of beds remain owned and managed by local or non-institutional investors. However, given the large influx of owners and managers over recent years into this market segment, additional consolidation is seen as likely.

Obviously, student housing appeals to a different target market than conventional apartments: namely college students. Therefore, there are several notable differences between a student housing complex and a conventional housing complex. Even with shuttle service offered, location within walking distance to campus is a necessity for the success of a student housing complex. Pricing must be competitive with on-campus housing alternatives, and it is typical for leases to be structured individually (i.e. by the bed) so that each student (or parent) is responsible only for the individual lease and not burdened by a roommate who does not live up to their financial obligation. In addition, most leases require a co-signer to guarantee payment. Kirk Preiss, President and CFO of The Preiss Company, an industry leader in the acquisition, development and management of student housing complexes, states that the individual per bed lease structure for these complexes can increase revenue by as much as 30% compared to leasing by the apartment unit.

Although this lease structure can result in increased revenue, expenses can also be expected to be higher than conventional apartment complexes. Student housing complexes require more intensive management than conventional apartment complexes, and require a much more experienced and "hands-on" staff. Unlike conventional apartments that can expect an attrition rate of perhaps 10% spread out over the course of 12 months, student housing complexes can expect 60%-70% to vacate their units all at roughly the same time.

As an asset class, this segment of the market has not been immune to the difficult economic conditions of the past few years. Although the downturn in the economy has resulted in increased enrollment numbers at many educational institutions, vacancies within both on- and off-campus housing projects have increased in many areas as more students opt to obtain their education closer to home and commute. Although it is too early to tell how long this trend may continue, it is not likely to continue beyond the short term downturn in the economy. This asset class has also seen a significant drop in sales volume over in the recent past as well, as conventional financing is the norm for these projects and they have therefore been affected by the credit crunch as have other commercial assets across the board. Student Housing Business Magazine reported that 2009 sales volume for student housing properties trading at over \$5 million marked an 87% drop in volume over 2008. Cap rates are reported to have experienced an increase of approximately 140 basis points during this time period on a national level. However, pricing for these properties has held up better than the apartment sector in general, indicating a 3% drop in price per unit compared with a 13% drop in price per unit for all other apartments on a national level. Below is a snapshot of student housing statistics on a national level for 2009 as presented by the Jackman Prince Group of Marcus Millichap.



In conclusion, student housing complexes have significant differences from more conventional apartment complexes. First and foremost, they target a very narrow segment of the market with more restrictive location requirements. These properties are designed to fit the needs and lifestyles of their target market, which results in characteristics that may not be necessarily acceptable or economically feasible for appeal to the broader market, and offer resort style amenities that are heavily used. The income and expense structures of these properties differ from the broader apartment market, with individual leases offering greater revenue potential, but also experiencing higher expenses due to more intensive management, maintenance and security needs of the residents. The annual attrition rate experienced by these properties at the end of each academic year is another major difference between the student housing market and the broader apartment market in general.

The valuation of a specialized asset such as student housing requires special consideration to the nuances of the market that affect an individual property within its respective specialized asset class. If you require appraisal/valuation or consulting service, or would like additional information regarding the multi-family housing market or the specialized segment of student housing, please contact Beth Surber at [surber@gemcompanies.com](mailto:surber@gemcompanies.com).

### Recent Transaction Highlight



**Gem Real Estate Group** is pleased to announce the successful completion of the sale of a Medical Office Building, Located at *3140 East Dorothy Lane, Kettering, Ohio*. This 5,230 SF. Medical Building, situated on 0.65 acres, was a former Miami Valley Hospital family practice which was relocated to a new facility. The property was purchased by Dayton USMS LLC for \$375,000, who plans on making renovations prior to occupancy. Alan Cohen and Dave Dickerson represented Miami Valley Hospital in the transaction.

## Gem Real Estate Group's New Listings Highlight



**115 Linwood Street, Dayton, Ohio.** Two-story 4,154 SF Office Building. Conveniently located near Dayton's Central Business District. **Sale Price: \$199,000.** For more information contact [Steve Ireland](mailto:Steve.Ireland@gemcompanies.com) 937.228.2882, ext. 3027. 7



**1700 Thomas Paine Parkway, Centerville, Ohio.** 5,080 SF office building with convertible warehouse/service space. features include offices, conference room, and storage. **Sale Price: \$385,000.** For more information contact [Steve Ireland](mailto:Steve.Ireland@gemcompanies.com) 937.228.2882, ext. 3027 or [David Dickerson](mailto:David.Dickerson@gemcompanies.com) 937.228.2882, ext. 3009.



**330 Leo Street, Dayton, Ohio.** 7,444 SF building consisting of 2,324 SF of office space and 5,120 SF of warehouse/service space. Building features offices, conference room, and storage. **Sale Price: \$561,000 / Lease Rate: \$10.50/SF/year; Plus Gas & Electric.** For more information contact [Steve Ireland](mailto:Steve.Ireland@gemcompanies.com) 937.228.2882, ext. 3027 or [David Dickerson](mailto:David.Dickerson@gemcompanies.com) 937.228.2882, ext. 3009.

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