



Exchange and Engage panelists:  
(clockwise above from upper left)  
Jennifer Clince, COO, Collier Companies  
Bob Clark, President, Peak Campus Management  
Julie Bonin, COO, Asset Campus Housing  
Scott Duckett, COO, Campus Advantage  
Miles Orth, COO, Campus Apartments  
Christine Richards, COO, Educational Realty Trust

# Exchange

Top executives will discuss student housing trends and challenges.

# Engage

BY LAUREN BOSTON

**W**hether it's adapting to increasing technology demands, finding top talent for middle-management positions, or learning from 2012 lease-up challenges, the leading providers of student housing are constantly looking to the future.

Four panelists for the 2013 NAA Student Housing Conference & Exposition's General Session, "2013 Exchange and Engage with Executives," addressed these topics during a recent interview. Following are highlights:

## Q. What are the top three concerns currently facing the student housing industry?

**Orth** The same concerns affecting other businesses are shared by those of us in the student housing and university real-estate industry, including consistent flows of capital, attracting top talent and concerns of over-supply by inexperienced developers looking to the short-term only.

**Duckett** One of our biggest challenges as an industry is to share information and create standardized metrics. The large public REITs have paved the way for standardized reporting but the industry is still largely comprised of private companies. Organizations such as NAA are helping by providing a venue for the private companies to safely share information that can be used to track our industry.

Another is the large number of new owners and management companies entering the space with no student housing

background. Many of the failures in our industry come from properties that are poorly managed, which leads to negative publicity. This can affect all of us when colleges, parents, students and neighborhood groups erroneously hear about mis-managed properties.

**Clark** A rush of new capital to the sector could result in overbuilding in certain markets. The sector still struggles with an appropriate level of transparency relating to supply and demand metrics, thus leading to irrational exuberance for new supply. Related to this concern is the issue of inexperienced entrants into the student housing industry, which could negatively affect the sector due to the lack of operating expertise.

Another is that significant increases are being experienced in the market with regard to real-estate taxes and property insurance. These trends are largely uncontrollable, and the effect can be material on property NOI. We are working with our brokers and appealing real-estate taxes on behalf of our clients where it is prudent to do so, and this will remain a real focus for us as a management company to continue to be able to drive property value.

Finally, state and federal fiscal issues may drive higher tuition, which could result in lower enrollment. Given the captive audience in student housing, the industry and/or micro markets are extremely sensitive to enrollment swings.

**Clince** Many challenges we face today we faced yesterday and will continue to face tomorrow. We have over-supplied markets. Excess investment capital is available that is chasing outsized returns. We are concerned



## About this General Session

2013 Exchange and Engage with Executives: The COO Panel

4:15 p.m., Tuesday Feb. 26  
Aria, Las Vegas

Moderator

Richard Kelley, Publisher  
Student Housing Business

about rising tuition costs competing with discretionary income available in family budgets for housing. E-learning is a concern to monitor in the mid- to long-term, although we believe there are true-life skill development opportunities to young adults through experiencing independent living in college.

### **Q. What were the toughest lease-up challenges of 2012? How will these affect 2013?**

**Duckett** Maintaining high occupancies on the same-store portfolio in markets with significant increases in supply. Texas State University, University of South Florida and the University of Oregon all faced this issue. At the same time, we were focusing on significantly increasing rental rates, which added another challenging layer.

For 2013, we have added an extra focus on these markets to ensure that we are tracking ahead of last year's pace and we are keeping an eye on the supply factors.

**Clark** Overbuilding in certain markets resulted in severe over-supply and downward pressure on rental rates. In these cases, we found that our ability to respond in a smart way was rooted in a keen understanding of the market intelligence that we gather on a weekly basis. The key was to understand the trend early, and make the strategy decisions before the bottom dropped out.

In 2013, we believe that certain markets, such as College Station and Ole Miss, will continue to experience supply pressure, and we have planned our strategy in those markets accordingly to ensure that we get our requisite market share.

**Orth** Our primary challenges were in three markets: Athens, Ga.; Riverside, Ca.; and Lafayette, La. We had secondary challenges in two other markets but were able to overcome them late in the leasing season. Generally our challenges were related to over-supply of new product, which will have a temporary impact on overall market occupancy until the new housing is fully absorbed.

We believe that these markets will rebound in 2013 and early indications are positive.

**Clince** Balancing our desired rental rate goals with market sustainable rates was a challenge in 2012. Our vision of a 2012 economic recovery was lofty. We estimated rental revenue effectively increasing 5 percent; we pushed the limits in terms of overall rate growth, but we unintentionally slowed the initial leasing campaign—requiring additional unplanned gift-card concessions and rate reductions in July and August, particularly in Tallahassee and Gainesville, Florida.

In an effort to improve revenue, we have shifted our focus to total income for 2013. More specifically, we are targeting other income opportunities, such as utility income. We are using direct utility billing to generate income. Residents have had pre-existing negative notions on an “inclusive-rent” package that is

not inclusive with associated cap overage expenses. Direct utility billing sets a clear expectation on day one that each resident will be billed for what the apartment uses. Our residents' and parents' primary concern is having one individual payment due each month. We accommodate resident and guarantor concerns by providing the utility services and dividing per-bedroom costs back to our residents monthly. No negotiating payments between roommates and no frustration with small utility cap charge overages each month when the belief was it should have been included. We have found that in communities that once included a \$40 cap per bed, we have been able to hold rates steady and eliminate the inclusive utility expense.

### **Q. What are some of the techniques you use to fill your middle-management positions?**

**Orth** Finding great people is always a top focus area for our company. We offer financial rewards for referrals. We find that excellent people tend to refer other excellent people, and that helps the company—so we reward that.

Additionally, we have an extraordinary group of students working with us who look for positions when they graduate—so we have a constant flow of very bright people looking for unique opportunities. Because we are in the university real-estate business, we tend to interact with very bright people and are able to attract them into our company with our culture and values.

In short, we attract top talent through referrals, communicating our culture and looking to university campuses for excellent talent.

**Duckett** We focus heavily on internal promotions. We have had much greater success promoting team members who understand our systems and culture. That said, we also view recruiting as a team sport. Our internal staff members work with our recruiting team to identify top outside talent and begin developing relationships for future openings.

**Clark** Our middle-management really translates to our property manager position, which we view as the single most important hire we make at each asset. People matter most—thus attracting, training and retaining our people is a daily strategic initiative. Student housing is a very tightly connected industry, and we find that our ability to attract top talent is driven by how the market perceives our company.

One of the best recruiting tools we have is our culture, whereby existing employees recruit their network of student housing professionals because they love working at this company. Further, we find that if we take care of our people, support them, remain transparent as an organization and celebrate our successes, then the top talent will seek us out.

We've also spent a great deal of time and resources building and maintaining an active database of student housing professionals who we would like to see join our team. We establish and continue an open line of communication with these individuals long before we have a position available. A people-first culture and proactive recruiting are key strategies for us.

**Clince** We are all competing in the same game and the team representing you on the field is critical to your play execution.

*Find 2013 NAA Student Housing Conference & Exposition session descriptions and copies of PowerPoint presentations at [bit.ly/V7rCi9](http://bit.ly/V7rCi9)*



We believe in building our bench through both development and talent recruitment. To build and enhance our team we have added a full-time training manager and we have created an in-house talent acquisition manager (TAM) to identify internal—and solicit external—talent. Our TAM has a pulse on our team members' skill sets and open positions, and clearly communicates job-performance expectations and required skills.

We have found that transparency from start to finish with needs, expectations, process updates and awards builds trust and understanding on how one can advance within our company. Our Training Manager works in tandem with our TAM to ensure we are building career-path plans for our team members actively seeking to grow with us. Team members will be actively solicited to participate in training and mentoring opportunities, giving them exposure to necessary skills in line with their career-path plan. We actively seek candidates with a strong drive and passion for excellence and a strong work ethic.

For external advertising we have found traditional advertising placements have not yielded the same success as less expensive, pay-per-click advertising on websites such as indeed.com.

**Q. Students now expect Wi-Fi and Internet connectivity in the same way they expect electricity and water. Where can student housing operators go from here to take their telecommunications and broadband offerings to the next level?**

**Orth** This is an area that our team is constantly evaluating. We have team members in our technology group who are thought leaders in this area and who are regularly evaluating the connectivity in our buildings compared to our predictions of the technology and the state of the art, our competitors and the university communities we serve.

Three years ago, offering 200 megabytes of bandwidth to a property was cutting edge. We're now anticipating 1 gigabyte of connectivity to single student-housing properties to meet or exceed market expectations and address student demand for fast, reliable Internet connectivity.

This has been driven by a number of factors, not least that student housing residents now regularly use multiple Internet-connected devices and consume most of their media content via the Internet. In reality, most of our residents are streaming TV and movie content via the Internet instead of using TVs with a cable connection.

As to what student housing operators can do, they need to take control of their Internet delivery by working with companies that do not require long-term contracts and who understand the student housing model.

Our technology team prepares a white paper on this topic each year which measures the usage of bandwidth both globally and in the United States compared to previous years and provides projections into the future for both bandwidth and student housing network design. Their estimates have largely

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been spot-on, which reflects an enormous increase in bandwidth for users in this country.

It is notable that Internet bandwidth in the United States is actually much less than it is for our competitive peers in other nations. As time rolls on, this differential will likely smooth out with the United States experiencing significant increases in usages. We make this paper available to anyone who requests it.

**Duckett** It's important that any new

projects have wired connections as well as a wireless overlay. Students now demand both.

Additionally, systems that were set up just two or three years ago may need to be enhanced because of increased bandwidth demands.

We work with a number of national providers to monitor and ensure that our Internet delivery meets the needs of students.

**Clark** I would argue that Internet has actually become more important than

water and electricity at most student housing properties. We joke internally that we could shut off water to our property for four hours and not hear a peep from our residents, but if Internet were to go out for 15 minutes, our phones would be ringing off the hook.

This is the reality for this sector of real estate, and we find that our ability to succeed in our markets is largely driven by our reputation for providing a lightning fast, reliable Internet connection.

Our strategy continues to be constantly thinking forward when it comes to Internet service, bandwidth and technology. We are strategic in our contract negotiations to make sure that we have terms that are favorable and flexible for upward expansion of bandwidth. From a design standpoint, our IT department consults with our clients to ensure that the infrastructure at properties is not only state-of-the-art from today's standards, but also has the ability to evolve to the standards of what we see happening 10 years from now.

As we continue to see students consuming more content and communicating online versus other avenues, we're focused on providing market-leading bandwidth, and actively servicing that connection so that it remains stable and reliable for our residents.

**Clince** Reliability, reliability, reliability. If our Internet purveyor is not reliable, it does not matter how much bandwidth we provide. Services must be available on demand. As Internet providers improve services, demand for bandwidth increases; it's a never-ending arms race.

We look for shorter-term agreements with room for bandwidth growth. We require service guarantees at the user level rather than site level. It is not an area to cut corners. As costs decrease for current service levels and demands increase for additional service levels, this is an area of long-term continuous investment. ■■

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*Lauren Boston is NAA's Staff Writer. She can be reached at [lauren@naahq.org](mailto:lauren@naahq.org) or 703/797-0678.*

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