

# EXECUTIVE SUMMARY

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## Overview

Independence is a 2.72 acre, luxury mixed-use student housing development located one block from Utah State University (USU) in the thriving city of Logan, Utah. Independence will contain 648 beds in a total of 108 units and will offer 11,800 square feet of ground-floor retail space and two levels of covered parking.

In addition to providing off-campus apartment-style living with high-end amenities, Independence creates a safe academic and social atmosphere that meets the expectations of both students and their parents and reflects the quality of the USU institution. The Independence experience includes a variety of residential leasing options, as well as restaurant and retail offerings, making Independence a community that students will be proud to call home.

The ownership group and development team behind Independence recognized a need for high-quality student housing at USU, giving students the option to live off campus, while still taking full advantage of the social aspects of campus life. The Independence team includes USU alumni who understand the market and have deep ties to both the institution and the surrounding community. Logan City Planning Commission has already approved Independence for 108 housing units and 11,800 square feet of commercial retail space on 2.72 acres. Independence will house 648 students or community residents and development will include two levels of covered parking, a clubhouse, theater, gym, indoor and outdoor courtyards, and multiple study areas, all located next to a major transportation hub.

Independence is also committed to advancing the mission of the city of Logan, which is to sustain and enhance the quality of life for its citizens. The Independence community will serve as a hub for USU students, faculty, alumni and fans, as well as the over 112,000 residents in Logan and Cache County. The project will create over 350 jobs through construction, and will directly or indirectly create over 250 jobs long-term.

## Key Facts & Figures

- > With more than 17,000 students living on or near campus, USU is the largest public residential campus in Utah
- > Independence serves a growing demand for luxury student housing
- > Historic school term occupancy rates in the Campus Residential zone are  $\geq 95\%$
- > Estimated project cost is \$25 million
- > Anticipated timeline for completion is 18 months from the time of funding
- > Experienced ownership/management group and development team with history of success in both residential and commercial properties

## Opportunity

Student housing represents a specialized niche within multi-family housing, and has generated strong buzz among both developers and financiers. Although development has been sluggish for most new office, industrial and retail space, institutional capital has supported the growth of a few distinct property niches, including student housing. According to a white paper issued by the Customized Fund Investment Group at Credit Suisse, the “off-campus student housing market has seen a significant increase in demand from enrollment growth at public universities” and universities lack the capital and expertise to build or manage new on-campus facilities. Credit Suisse concludes that these two drivers, in combination with relatively limited competition in the highly-fragmented student housing market, should “continue to create opportunities for investors,” especially with housing projects within a short walk of campus.

Developing, leasing and managing student properties is a complex process that requires a seasoned operator who understands the nuances of finding quality tenants and maintaining a property that has good buzz among the student population, as well as a good standing within the larger community. Local and regional ownership groups and development teams who have good relationships with their universities, a good understanding of their markets and the ability to get smaller-scale development done are well-positioned to capitalize on this real estate section. Similar projects completed in 2012 at Brigham Young University (The Village at South Campus in Provo, UT) and USU (Blue Square in Logan, UT) achieved 100% school term occupancy in the first year of operation.

## Business Model

Of the 30,000 students who attend USU statewide, 17,000 attend the Logan campus and most of these students live off campus. There are also over 112,000 residents in Logan and Cache Country.

Independence is a smoke-free, alcohol-free, drug-free community that will include 108 housing units with an average size of 1500 square feet and a total of 648 beds. Independence will also include 11,800 square feet of main-floor commercial retail space, with reserved parking for retail customers. The retail space is designed to accommodate a variety of student-friendly businesses, including a grocery store, coffee shop, salon and restaurants.

### Housing Amenities:

- > Open plan with 9' ceilings
- > Gourmet kitchen with granite countertops
- > Private bedrooms & bathrooms
- > Fully-furnished with custom quality furniture
- > Private laundry
- > Private deck/patio
- > Wireless internet

### Community Amenities

- > Covered parking
- > Clubhouse
- > Theater

- > Fitness facility
- > Indoor & outdoor courtyards
- > Study areas

## Leasing Structure

Independence will lease 1) private and shared bedrooms to individuals interested in living near USU and 2) commercial retail space to businesses that desire a location in close proximity to the university campus.

### Residential Rentals

Residential rental contracts will be 9-month school year contracts and 3-month summer contracts. Each unit will house 6 students. Rent will be \$395 per month for a shared bedroom or \$550 for a private bedroom per month during the school year, dropping to \$250 (shared) or \$350 (private) over the summer. Additional tenant fees include a \$30 application fee, \$500 security deposit (\$150 of which is non-refundable), utilities (excluding wireless internet) and \$150 annual parking passes. At 98% occupancy during the school year and 50% occupancy during the summer, the total annual residential revenue would be \$3,880,000. Historic occupancy rates in the Campus Residential zone, where Independence will be located, are 95% or above during the school year, so these estimates are conservative. At the Utah Board of Regents annual meeting on the Logan campus, Dave Cowley, vice president of business and finance, told the board that he expected 99% school term occupancy for the 2012-2013 year. (Retrieved on May 14, 2012 from [http://news.hjnews.com/news/article\\_0a2dfa5a-b662-11e0-9977-001cc4c002e0.html](http://news.hjnews.com/news/article_0a2dfa5a-b662-11e0-9977-001cc4c002e0.html)).

### Retail Rentals

Retail rentals will be NNN 5, 10 and 20 year leases, leased at \$20 to \$25 per square foot. Similar retail space in Logan leases for \$16.50-\$28.50 per square foot (Retrieved on May 16, 2012 from <http://www.loopnet.com/Utah/Logan-Commercial-Real-Estate/4/>).

Independence will provide management, maintenance and security for all those who lease.

## Target Market

The target market is moderate- to high-income students who are seeking an off-campus college living experience that combines amenities and unparalleled service with easy access to places to eat, socialize and relax. Parents of these students prefer for them to live in a manner that is similar to home.

## Competition

The Student Housing rental market near USU consists of three types of housing:

- > USU On-Campus Housing
- > Multi-Unit Housing Complexes
- > Single Family Homes Turned into Rentals

CRITERION	INDEPENDENCE	BLUE SQUARE	OAKRIDGE	USU ON-CAMPUS
Monthly Rent for Private Room	\$550	\$665-1050	\$330	\$328
Monthly Rent for Shared Room	\$395	--	--	\$275
Security Deposit	\$350	\$500	\$230	\$100
Redecoration Fee	--	\$150	--	--
Application Fee	\$50	\$50	--	\$50
Square Footage	1458-1560	1675	600	600-1000
Private Laundry	X			
Private Deck/Patio	X			
Elevators	X	X		X
Private & Semi-Private Bath	X	X		
Covered Parking	X			Some
Cable	X		X	
Year Built	2012	2012	1996	1950

### USU On-Campus Housing

On-campus housing can accommodate 3,479 students for single and family housing, with buildings ranging in age from new to >75 years old. Single housing is typically set up as dormitory-style living, with shared kitchens and laundry. The majority (75%) of on-campus students are freshman. Rent for on-campus housing ranges from \$2,220 to \$2,475 for a shared room per school year, or \$247 to \$275 per month.

### Multi-Unit Housing Complexes

Multi-unit housing complexes around USU consist of apartment developments, six-plexes, four-plexes and duplexes, ranging in quality, price and age. Overall, the largest competitors in this space are Oakridge (1996) and Blue Square (2012).

Oakridge offers private rooms and amenities, including a swimming pool, game room, outdoor basketball court and sand volleyball. Units lack private laundry and are finished with builder grade materials, i.e. laminate counter tops and vinyl flooring. There are no elevators to reach the second and third levels. Rents are \$2,970 for the school year (or, \$330 per month) and \$750 for the summer, with a deposit of \$230. Total number of beds is 600.

Blue Square was built in 2012 and will be the most comparable to Independence. Unlike Independence, Blue Square does not have private laundry, private decks or shared bedrooms. Amenities include a sky room deck and lounge, fire pits, media room, game room, fitness facilities and on-site retail. Rents range from \$665 to \$1,050 per month for private bedrooms in 1-, 2- and 4-bedroom units. Phase 1 was completed in August 2012, with 93 units and a total of 225 beds. As of September 2012, Blue Square had 100% occupancy. Additional phases are underway, with a projected total of over 1000 beds once all phases are completed.

## Single Family Homes

The remaining student housing is made up of converted single family houses of varying quality, safety and age, where property owners rent out bedrooms to students and follow no regulations. Rooms range from oversized closets to master suites. Contracts for such rooms range from \$100 to \$400 per month with 3 to 6 students per house, depending on the zone. Logan City is currently trying to limit these sometimes illegal rentals by enforcing a landlord license and reclaiming their parking strip.

In summary, other multi-unit housing complexes represent the major competition to Independence. However, Independence has some competitive advantage over each of these developments in terms of amenities, accessibility, quality or pricing. While the finishes and amenities at Blue Square are comparable, Independence is aggressively priced at nearly half the rate of Blue Square.

## Marketing

### Positioning

Independence will be positioned as a safe, clean and upscale living community for students who want to immerse themselves in the full academic and social college experience. Branding will emphasize a smoke-free, alcohol-free and drug-free environment that feels like home, rather than a dormitory. Positioning will also incorporate the message that Independence was developed by former USU alumni who are committed to serving and supporting the next generation of Aggies.

### Marketing Strategy

The marketing plan will consist of a variety of strategies that create and sustain buzz about the property. In addition to a student-oriented website that promotes the amenities and related benefits of living at Independence, online marketing efforts will also include 1) social media engagement via Facebook, Twitter, You Tube and other channels, 2) advertising on USU student housing sites or local news sites and 3) promotion on USU's lists of Off-Campus and Summer Citizen housing. Marketing will also leverage traditional media outlets, including press releases and news articles that drive people to visit in person or seek additional information from the website. Ongoing buzz will be generated by positive word-of-mouth referrals from current tenants.

### Promotions

Independence will offer periodic promotions, such as discounts for paying for the entire school year in advance or for referring friends, in order to support marketing efforts.