



[PRINT](#) | [CLOSE WINDOW](#)

Developers Jockeying for Position

By Paul Gatling - 2/20/2012

Enrollment at the University of Arkansas has increased dramatically in recent years.

Last fall, Chancellor G. David Gearhart announced there were 23,199 students at the state's flagship university. That represented a 17 percent increase from an enrollment of 19,849 in the fall 2009 semester.

The enrollment figures among freshmen were even more significant with 4,462 students on campus, representing a 53 percent increase from the freshman class enrollment of 2,919 just two years ago.

Like bees to honey, companies that specialize in purpose-built student housing - and even a couple of firms that are taking their first shot in the market - have zeroed in on Fayetteville.

Developers from near and far have proposed four upscale housing developments in the city targeting the UA student market.

Three of them will follow the same lifecycle, with project start dates this spring or early summer and completion dates in time for the start of the fall 2013 semester.

Asset Campus Housing, based in Houston, expects to start construction on The Domain at Fayetteville in April or May. The 16.24-acre development's address is 833 Beechwood Ave., just south of Martin Luther King Boulevard.

908 Development Group, a boutique firm in Tampa, Fla., is making its first venture into the student housing market with The Standard at Fayetteville. That 14.3-acre development is just south of Wedington Drive at the corner of West Jewel and North Salem roads.

Likewise, Springdale-based Specialized Real Estate Group will develop its first student-housing project at 555 W. Maple St., a 2.96-acre development that figures to be sought-after, given a location sandwiched between the UA and Dickson Street.

A fourth project is getting a head start on its competitors, with an eye on being completed and ready for students this fall.

Campus Crest Communities of Charlotte, N.C., will bring its "Grove" brand to Fayetteville with the The Grove at Fayetteville. The 12.5-acre development sits at the old Washington County Livestock Auction on West 11th Street, east of the Fayetteville National Cemetery. The company intends to have the complex operational and fully leased by the fall semester.

That spike in activity will represent a building boom that's not often seen.

"I'm not sure I've seen that before in any other market," said Barrett Kirk, senior vice president for development at Asset Campus Housing. "We actually started looking in this market two years ago and in that time these other deals popped up and that makes us a little worried.

"I know what we build will be popular and we have a great site, but it's always concerning when you hear of other projects."

Together, the four developments will add 2,493 beds - an average of about 623 at each development - to the existing apartment inventory of approximately 13,000 in Fayetteville.

That's an increase of just less than 20 percent, a fact that makes it easy to assume the market could see some disruption.

It harkens back to the great housing boom in Northwest Arkansas, economist Kathy Deck said, when too many houses were built to chase too few buyers.

Deck, the director of the Center for Business and Economic Research at the UA, agrees the surge in student enrollment necessitates a clear need for additional off-campus student housing. But are too many developers identifying the need at once?

Deck believes dropping such a large number of beds into the existing inventory all at once will have a clear impact on the overall market.

"Inasmuch as students move, their preferences are new units versus old units," she said. "And these projects are not just plain vanilla units.

"We know there is demand for additional units, but in the short term, we may see vacancy rates at a very unhealthy level," Deck added. "It's a large number of beds, particularly when you compare it to the existing stock."

University View

The UA mandates all freshmen students spend their first year living on campus.

For the most part, the school can accommodate that, though roughly 400 freshmen were shipped to off-campus apartments last year because there simply weren't enough beds.

Gearhart said last fall the campus, which has 16 dormitories for students, needs another 600 to 700 rooms on campus and that is in the planning.

But that response will primarily be for the benefit of freshmen and not address options for other students who would prefer to live on campus.

That will only grow the demand to live off-campus and, according to one university official, there are ample students to meet it.

"I think the [student-housing] market is responding wonderfully well to the enrollment increases," said Danny Pugh, vice president for student affairs and dean of students. "I'm not sure what the optimal size is, but we've gone from two years ago the vacancy rate was just under 20 percent in the area. The most recent [data] refers to less than 10. All of a sudden it's gotten really tight."

But the enrollment growth the developers are banking on continues to be a question mark for the UA.

Gearhart said last year the enrollment goal was 25,000 students. Pugh said that number could be reached as early as this fall.

"You graduate [approximately] 3,000, bring in 4,450, already at 23,200," Pugh said. "The numbers say that's where we're going to be."

What happens once the goal of 25,000 students is reached is the question mark.

"That's a conversation we continue to have," Pugh said. "What is the right size for the institution from an infrastructure standpoint, a classroom standpoint and an economic standpoint."

Competing Forces

Chris Russ, vice president of development at publicly traded Campus Crest Communities, doesn't share Kirk's concerns about too much building activity.

"It's not a new phenomenon for us," he said. "When we choose a site, we take into account a lot of factors ... and pay attention to what is in the pipeline, rumors of other complexes and what's being submitted. That is part of the decision making when we decide to say 'Go' on a site."

CCC first proposed a development at the site, owned by Billy Joe Bartholomew, in 2009, and came out on the short end of a somewhat contentious rezoning case with the city of Fayetteville.

"The owner of the property took it upon himself after that to go back and get the property rezoned himself," Russ said. "That ended up being successful this past year. Once that was complete, I would say the rest of the approval and design process with the city was relatively smooth."

CCC owns an interest in 33 student-housing developments across the country, ranging from Georgia to Washington and Maine.

The Fayetteville project is one of six the company has under construction, all scheduled to be complete by the fall semester this year.

There are several companies that operate under the CCC umbrella, including development, construction and property management.

"I guess we call ourselves a vertically integrated company," Russ said. "That works well in terms of controlling costs, programming and producing a quality product."

Asset Campus Housing also plans to start developments in Oxford, Miss., and Columbia, Mo. Kirk said the privately held company has an occupancy rate of 95 percent in its entire portfolio of nearly 40,000 beds.

ACH, Kirk said, puts its construction projects out for bid to three or four groups.

"We hire a general contractor and they hire the local subs," he said.

For its last several projects, Kirk said, the company has used CEI Enterprises Inc. in Nashville, Tenn.

Leaders from 908 Development Group and Specialized Real Estate Group both say the enrollment growth was a chief factor in their decision to enter the student-housing market.

"We already build in the multifamily niche," said Justin Wilson, a principal at 908 Development. "We just think that the long-term investment outlook for student housing weathers better during recessionary times than just multifamily housing."

Wilson added that he, too, has some concerns about the impending building boom in Fayetteville.

"It's something we are keeping our finger on the pulse of," he said. "We do have concerns of overbuilding in a given market and it seems all of a sudden Fayetteville has very little to no student-housing specific activity the past couple years, and now for whatever reason there are several large-scale projects proposed."

Jeremy Hudson, a partner with SREG, doesn't have concerns that the number of projects will throw off the supply and demand balance, simply because his product has the most desirable location.

"We are close to campus and to Dickson Street, so we feel like we have the best of both worlds," he said. "There are vacancy rates in other apartments all over town, but they don't necessarily fill a need. I don't worry about that for our project."

SREG will demolish the existing Maple Street Apartments to make way for its new development.

Hudson said he has explored this opportunity for two years, running through different scenarios of how to make it work.

"Part of the reason we were able to make it feasible," he said, "was because of the growing student population."

SREG is also working to develop a housing development on Lafayette Street near downtown, but said the project's target market is to be determined. Construction likely won't start until early 2013. "It's going to be built primarily for students," he said, "but it could certainly fit for other demographics."

Copyright © 2012, [Arkansas Business Limited Partnership](#). All Rights Reserved.