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The New Economy Renter: Doubling Up or Doubling Down?

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Post Alexander, Post Properties' newest Atlanta community, joins a portfolio that is not seeing evidence of the double-up phenomenon.
Credit: Post Properties

Earnings season is upon us, and as the multifamily industry's cadre of REITs begin to report second-quarter results and offer a mid-year take on 2009, expect to hear anecdotal tales aplenty about residents "doubling-up," the phenomenon by which stretched-and-stressed consumers ditch their one-bedroom apartments and lease-up larger units with two, three, four roommates or more splitting the rent. Doubling-up is considered a multiple blow to already weakened multifamily rent fundamentals: It increases unit vacancies, decreases net

operating income (NOI), shrinks the market of prospects, and puts a strain on the comparatively smaller supply of two- and three-bedroom units.

But is doubling-up real? Like the elusive shadow market of foreclosed condos and single-family homes that proves nearly impossible to quantify but nevertheless sucks renters away from the apartment industry, little (if any) national data exists to confirm a doubling-up trend. Many say they feel the pain, and that a rise in one-bedroom vacancies coupled with two-bedroom demand is hard evidence. Detractors claim their submarkets are not feeling that kind of portfolio pressure.

"We have not seen this urban myth of a lot of folks who normally resided alone in a one-bedroom apartment flocking to room together in two-bedroom apartments," says Tom Wilkes, executive vice president of Post Properties and president of Post Apartment Management, which operates the REIT's portfolio of 21,190 units in garden-style, mid-rise, high-rise, and urban mixed-use communities in Georgia, Florida, Texas, New York, North Carolina, and the Washington, D.C., metro. "What we have seen instead is a movement into the smaller apartments," Wilkes says. "We see residents scaling down: As prospects come in, they desire to be on the property but want to be in the most affordable apartment on that property."

Still, others are clearly seeing the trend, and furthermore recognize a cyclic doubling-up (and un-doubling) of cash-strapped (or alternatively, cash-happy) renters in multifamily housing. "We are experiencing the trend of doubling up in some markets and expect to continue seeing it occur in areas where one-bedroom rents exceed \$1,000," says James Krohn, COO of xx-based Alliance Residential. "But this scenario is not at all unfamiliar to the multifamily industry. We experienced a similar phenomenon during the [post] dot-com era."

Nationally, market watchers have not seen a preponderance of data pointing towards shifting renter demographics or disparate changes in occupancy or lease demand based on unit size. “We actually didn't get clearly measurable doubling-up into larger apartments during this recession,” says Greg Willett, vice president of research and analysis at M/PF Research, the market research arm of Carrollton, Texas-based RealPage. “People probably did it, but if so, a bunch of them likely doubled up into single-family rental homes in the dreaded shadow market. Nationally, the shifts in apartment occupancy during this recession have been virtually identical from one floor plan to another.”

One of the few national studies to shed some light on the doubling-up trends comes from [Rent.com](#). In a June 2009 white paper, the Santa Monica, Calif.-based Internet listing service (ILS) examined the metrics and search terms corresponding to some 450 million Rent.com apartment searches in 2007 and 2008. Collectively, increases in the use of roommate-centric search language, an upward trend in the number of searches for two-plus bedrooms in late 2008, and a bump in both the minimum and maximum average rent amounts all point toward a national doubling-up trend.

“It's either trading up or doubling-up,” says Rent.com president Peggy Abkemeier, who adds that anecdotally most Rent.com clients seem to have a lot more one-bedroom apartments sitting vacant compare to two- and three-bedrooms units. “With the current macro environment of vacancy rates up, effective rents down, and job losses creating cost-conscious consumers, it's really a combination of all those factors that made us recognize that—while maybe not everyone is experiencing it—doubling-up is definitely a trend in the marketplace right now.”

Western National Property Management president Tom Shelton says that—similar to the hype over the shadow market—the doubling-up drama is partly derived from industry buzz becoming a self-fulfilling prophecy. According to Shelton, year-over-year for June 2009, Western National has 3 percent more availability for one bedrooms and 4 percent less availability in two-bedroom units, with surprisingly less availability overall compared to 2008. “So I think the doubling-up assumption is correct,” Shelton says. “But I don't think it is as drastic as a lot of people think. The numbers are not hugely dramatic.”

Likewise Greenbelt, Md.-based The Bozzuto Group is seeing anecdotal evidence of doubling-up across the company's greater Washington, D.C., metro portfolio, with property managers experiencing a greater propensity among prospects to room together. According to the company's Lead2Lease system, from August 2008 to June 2009, the preference for studios and two-bedroom apartments slightly increased, and the preference for one-bedroom apartments slightly decreased. “Of course, in terms of sheer volume, studios and one-bedrooms are still more in demand than two-bedrooms,” says Bozzuto manager of corporate communications Lauren McDonald.

That's not stopping the company from getting out in front of the doubling-up trend, whether driven by verifiable data or mere market drama. Bozzuto's recently launched roommate campaign will help facilitate roommate connections and promote the company's larger, roommate-friendly apartments. The campaign will encompass a Web site, social media pages, advertisements, flyers, and email blasts, all to emphasize Bozzuto's open arms for solo renters or bosom buddy roomies. “It's still very much in its early stages,” McDonald says. “But we have recognized that in the current economic environment, consumers are actively looking for ways to save money, and our goal for this program is to help provide one more way for them to do so.”

For a look at how the “new economy renter” approaches monthly rent payments, click [here](#).