

Executing Multifamily Renovations: One Strategy Does Not Fit All

Maintaining your apartments can boost resident satisfaction and NOI and make your property more competitive.

Keeping apartment communities in tip-top shape is an important part of resident retention—and it also ensures steady NOI. Renovations can not only make a property more competitive in the market place but can also generate higher rents.

“Life safety and infrastructure stabilization are obviously paramount,” says **Michael Wolfe**

“If my roof leaks and my hot water’s not being delivered to apartments, I’m going to focus there first before putting new carpet in the hallways.” Plus, aesthetics are subjective. Maybe you don’t need to put wallpaper in the hallways today, but paint’s not that expensive.

“With inflation and the economy, renters are certainly looking at ‘what’s this (apartment) going to cost me,’” says **Wolfe**. *“Their No. 1 consideration is dollars out of pocket.”* Upgraded unit interiors with central AC and in-unit laundry will certainly attract prospects to a property, but **Wolfe** notes that curb appeal is a powerful motivator too. Prospects might never get out of the car for a walk-through if the parking lot is full of potholes or if they see weeds and the sidewalks are all broken up.

Apartment operators can help create a great first impression by ensuring signage (as well as the actual name of the community and its visual messaging) are fresh and appealing. Also, by filling in dry lawn patches with new grass, trimming overgrown bushes and trees and cleaning up plant debris. To reduce long-term operating costs, consider low-water landscaping elements like native grasses, plants and



Contractors Inc performed extensive upgrades for Retreat at Barton Creek, an Austin, Texas, multifamily community with 20 buildings managed by Oden Hughes. The exterior renovations included siding, windows, painting, metal repairs, stone wall replacement and LED lighting. Image courtesy of Contractors Inc.

stones. Using gravel mulch in flowerbeds can actually help prevent weeds from taking root. In urban areas, add attractive planters for a touch of greenery.

“We believe well-maintained landscaping, a clean and inviting entrance and a visually appealing exterior can create a positive first impression, deter crime and make residents proud of their community,” says Joseph Ouellette, chief operating officer at Standard Communities. The company’s renovation scope covers unit kitchens, bathrooms and floors. “We also try to add significant energy and water conservation measures, like LED lighting fixtures, low-flow plumbing fixtures and energy-efficient appliances wherever we can to save residents money.”

Looking at the comps

“When asset owners are thinking about curb appeal or a branding upgrade—

especially when having to compete in markets with a lot of new construction comps—they should consider a property paint,” says Dannielle Wornall, manager of communications and engagement with Contractors Inc | Crane Renovation Group. “A property paint is not only going to help from a marketing perspective, but it also adds to the longevity of the property’s veneers such as siding, stucco or brick.”

Investing in the market analysis and understanding your target residents will help inform what upgrades to do. Wornall notes that if the area has been greatly gentrified and affordable apartment homes are in short supply, adding a few new exterior amenities, such as a dog park or outdoor grill station will help keep vacancy loss down and help attract the residents that want to live at this community.

“Spending a lot of capital to upgrade all of your finishes in unit, as well as curb appeal, isn’t going to change the fact that your three-story garden style property is 30 years old. “It starts with shopping your comps and doing the market research and avoiding deferred maintenance so the qualified residents you attract feel comfortable and confident in your more mature property,” says Wornall.

She adds that REITs that plan on holding their assets long term tend to invest in higher grade materials for siding replacements and roof systems. Wornall says, “They can not only get a return on their investments but they can also avoid additional unforeseen costs down the road due to subpar or failed systems.”

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Short- and long-term returns

Interior renovations offer the best outcomes financially, functionally and cosmetically, according to Andrew Lavaux, vice president of redevelopment at UDR. Efficient appliances save on electricity and water consumption. Similarly, surface flooring has a longer useful life and is easier to clean than carpet, thereby saving on turn costs.

According to Lavaux, new flooring, light fixtures, kitchen and bath upgrades (appliances, countertops, backsplashes, sinks, cabinetry, mirrors and vanity, etc.) and/or washer/dryer installations or upgrades carry returns in the mid-teens. Smaller scope items include new outlets, outlet covers, cable jacks, door hardware, smoke detectors and fresh paint. “These “smaller” items are more along the lines of basic blocking and tackling, but you would be surprised how easily items like this are overlooked within the industry and can discourage a potential renter from signing a lease.”

Technology upgrades are also a must at UDR apartment communities. Approximately 98 percent of units have a Smart Home package including locks, thermostats, light sensors and leak detectors. “We started making these installations approximately five years ago and found we were capturing \$25/month in additional rent when compared to a similar non-smart unit. At \$1,000 cost per unit, this equates to a 30 percent cash-on-cash return in a year,” says Lavaux.

Improving kitchens and baths

Updated kitchens and bathrooms add the



Convenient built-in desks enable a work-from-home/hybrid lifestyle for residents at Aura Residential, a multifamily community in Airdrie, Alberta, Canada operated by FirstService Residential. Photo by Rimy Rehal

most value to rentals with better ROI than other renovations—and these upgrades can lower maintenance requests. “The leap does not always have to be from a composite countertop to a quartz countertop, but having a more modern look and durability is a worthwhile investment for asset owners and their residents,” says Wornall.

“Residents love new appliances,” says Joann Genova, principal of Genova & Co. “The addition of washer/dryers is an upgrade that can come with a rent increase.” Genova also stays competitive by outfitting furnished rentals with a dedicated work area—comfortable chair and desk plus high-speed Wi-Fi network—for the hybrid lifestyle. Some units have outdoor spaces where residents can access Wi-Fi.

Managing disruptions

Listening to feedback from residents at the property and perhaps even doing a survey can help owners and operators plan upgrades in a strategic manner. “When it comes to luxury apartment communities, residents are looking for us to push that envelope with outdoor rooftop space, dog

parks, meditation rooms and charging stations for electric cars,” says Wolfe. “We’ve been converting tennis courts to accommodate the growing number of pickle ball players.”

Any large common space amenity addition or major upgrade would be absorbed across the community at renewals leading to increased rent. And if a resident decides not to renew, the silver lining is the opportunity to perform simple unit upgrades for a quick turn or a leisurely renovation. “If somebody is leaving an apartment after 40 years, it’s probably going to be a major turn with an upgraded kitchen and bathroom,” says Wolfe. “Depending on the price point and location of the property, we might be putting in granite countertops and stainless steel appliances—all the bells and whistles.”

Often, capital improvements can cause disruptions to residents. Wolfe says, “I don’t want to drive people out. I want people who want to stay in the buildings we own.” It’s a delicate balance that seasoned owners and operators figure out.

“We work (around) other residents to cause the least amount of disruption,” Genova says. “We just did a gut renovation and we found out the neighboring resident was going on vacation. We were able to schedule the noisier part of the renovation working into the weekends while they were away. Planning is key to happy residents,” adds Genova. “If they know what’s going on, most of the time that’s all that’s needed.”