

# TINY APARTMENTS BECOME GIANT OPPORTUNITIES

## RESEARCH ARTICLE

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The average U.S. apartment size fell 7% from a high of 1,010 square feet in 2006 to 940 square feet in 2013.<sup>1</sup> Small units are certainly more common in highly densified markets such as San Francisco, Washington, D.C, and New York where apartment sizes have historically been below the national average. In recent years, demand to live in urban areas has surged, resulting in even smaller apartments, or micro-units, which are barely one-third the size of an average U.S. apartment and are often more expensive on a per square foot basis.

A micro-unit is essentially a one-room apartment, designed to accommodate a seating area, sleeping space, bathroom, and kitchenette within roughly 150 to 350 square feet. Although these smaller apartments often cost more per square foot than the standard-size apartment, they also tend to lease faster than larger units. This leads to the question, “Why are micro-units so popular?”

The answer is simple; people relish the opportunity to live in certain urban areas. Micro-units are usually available in high-density urban centers where demand exceeds supply and renters clamor to an urban lifestyle. Despite the increased cost per square foot, tenants generally pay less total rent than they would for a standard-size apartment. In addition, the 21 to 34 age group represents the largest segment of apartment renters, and developers have found that this cohort prefers an active outdoor lifestyle and apartments serve as just a place to sleep.

In many cases, micro-units are location-specific developments that offer the potential for a win-win scenario – tenants get the opportunity to live in places they could not typically afford while developers get to charge more rent per square feet. We have already seen further expansion outside the major gateway markets as Austin, Portland, and Denver have recently embraced micro-unit developments. The demographic data suggests that more people will gravitate toward urban core areas over the next three to five years, and micro-units may represent the most affordable opportunity for many tenants.

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<sup>1</sup> Data provided by Axiometrics



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