

22 Exchange building to convert from student housing

Renovation project will bring 236 one-, two- and three-bedroom market-rate apartments

BY DAN SHINGLER

Downtown Akron is getting a new round of apartments that are expected to come online next year, thanks to the redevelopment of a major student housing complex.

The project is at the corner of South Main and Exchange streets in what's known as 22 Exchange — a student housing project that went into foreclosure and was subsequently sold last year.

The buyer, Alabama's Capstone Real Estate Investments, is converting the building to market-rate apartments that it plans to begin leasing next year, said Capstone principal and executive vice president Christopher Mouron.

"The entire property will be transformed, much of which is centered around enlarging bedrooms, creating kitchens, additional storage space and expanding bedroom closets while also changing the unit count," Mouron said.

The building currently has 142 units, but most are three- and four-bedroom pods designed for students, with individual leases for each bedroom, Mouron said. While 19- and 20-year-olds might not mind sharing their common space, including living rooms and kitchens, that's not a model that will work when it comes to leasing to health care workers and other adults, or to families, Mouron said.

"The older a person gets, the fewer roommates they want," he said.

With enrollment down at the University of Akron, 22 Exchange wasn't able to attract and keep enough student tenants, Mouron said. So the building needs to be redesigned if it's to succeed.

"When it (a building like 22 Exchange) fails at the purpose for which it's built, it often doesn't succeed at



The 22 Exchange student housing building, which its owner says will soon be converted to market-rate apartments. | SHANE WYNN/AKRONSTOCK

any other purpose. ... 22 Exchange is built specifically for the more transient, 18 to 22 (-year-old) student," Mouron said.

Redesigning it will result in more units, and Capstone's plans will leave the building with 236 units, including 123 one-bedroom apartments and 105 two-bedroom units, according to Capstone vice president of acquisitions John Baumhauer. The remaining eight units will have three bedrooms each.

Capstone purchased the building last year from Rialto Capital Management for a little less than \$13 million, Mouron said. He declined to say what the company expects to spend on the redesign and renovations other than that it will be "millions" of dollars.

"We're excited. We're about to begin phase one, which will be our smallest phase. And then phase two will more



Mouron

or less coincide with the expiration of the current leases," Mouron said.

Because it's student housing now, most leases run from August through the following July to match the school year. Mouron said the major work on the site will begin when the next round of leases expire at the

end of July. The whole building should be done by the summer of 2022, though Capstone will likely finish and rent some units before then, he said.

"We'll begin converting units in phase one. Phase one will also improve the offices there on site, the amenities there on site and when it warms up and the temperature allows we'll paint the exterior," Mouron said.

Phase two of the project will entail the conversion of most of the building, which Capstone hopes will then appeal to a different market than 22

Exchange has traditionally served — students — but also a different market than what many other developers in and around downtown are chasing.

Mouron said Capstone plans to offer units for rents that are lower than some of Akron's other notable developments, such as The 159 (formerly the Law Building) or the Bowery District. Rents in the Bowery, for example, typically range from about \$1,000 to \$3,000 per month. The Bowery, which already has rented many of its residential units, has reported no trouble attracting residential tenants, even while retailers and restaurants have held off awaiting the end of the pandemic.

Capstone's changes to 22 Exchange should make the building attractive to a larger market, though. That includes possibly some students, particularly graduate and post-graduate students, Mouron said.

"We're trying to deliver a product that is fairly price-conscious and lends itself to be more available to students, should they be interested in that product type, and nonstudents of course," he said. "We'll be able to publish rents probably in the springtime, but we will be well below the Law and Bowery."

That's a good plan in the eyes of the city, which is trying to attract a broad range of new residents downtown, from those who can afford the Bowery's most expensive units to those who need cheaper rent or even subsidized housing, said Jason Segedy, Akron's planning and urban development director, who said he's supportive of the project.

Segedy said Capstone's plan to offer more affordable rent is also a positive for another reason.

"The fact that he said that is kind of a

sign of competition in the market. With housing in particular ... it's almost hard to have too much," Segedy said.

Asked if he worried that downtown was developing more housing than the market can support, Segedy said he's not, so far, because city officials think downtown still has a way to go before it approaches market saturation.

"I'm confident it can (take more housing), and we have some data to back that up," Segedy said. "When the downtown plan was done a couple of years ago ... it showed us downtown could absorb another 1,500 or so units. We're still a long way from that."

The city is also abating new construction in the hopes of spurring still more residential development, downtown and elsewhere. Segedy said improvements that Capstone makes at its building will enable it to take advantage of the city's 15-year abatement on any increase in property value that comes from the company's investment.

Mouron and his company are also not newcomers to this sort of development. Capstone owns 22 other properties, representing 11,000 bedrooms, most of them student housing, he said.

But it's successfully converted other buildings, including in Lexington, Ky., and Murfreesboro, Tenn., he said.

Capstone has done those conversations because, like the University of Akron, other schools have also seen their enrollments decline in recent years.

"The demographics would lead you to believe these tick-downs in enrollment are more holistic. ... I don't think what they (UA) are facing is unique, Mouron said.

Dan Shingler: dshingler@crain.com, (216) 771-5290, @DanShingler