

# AVALONBAY COMMUNITIES

## NATIONAL RESOURCES. LOCAL EXPERTISE

By Jan Wilson



The Cove

“We are long-term partners with the towns that we serve,” says Ron Ladell, Senior Vice President, AvalonBay Communities, Inc. “We make a commitment to develop quality communities that stand the test of time. Our developments reflect the best new thinking about how people want to live and can help bring underutilized areas of New Jersey back to life.”

AvalonBay Communities, (NYSE: AVB) a publicly traded Real Estate Investment Trust, (REIT), has a market capitalization of \$17 billion and focuses on developing rental communities in high barrier-to-entry markets throughout the Northeast, Mid-Atlantic states, Seattle and California. The company’s philosophy is to rely on local decision makers, experts in their markets, rather than a rigid, centralized structure. “Our approach has always been to have decentralized decision making by local development teams,” says Ladell. “We pride ourselves on having the strength of our national resources combined with local expertise.”

With 15 existing developments across New Jersey and four new developments under construction, AvalonBay continues to benefit from its “high-barrier-to-entry, but low-barrier-to-execution” model, says Scott Fishbone, Development Director. “We have the ability to have a steady flow of development activity because of our access to capital,” he says. “This also gives us the ability to be decisive, which is a trait that municipalities appreciate.”

### A Beneficial Structure for Municipalities

AvalonBay’s status as a REIT makes it a desirable partner for municipalities. “When government officials start a project with us, they know exactly what they are going to end up with,” says Fishbone, who joined the firm in 2011 with extensive experience in multifamily residential, mixed-use and medical office properties throughout the area. “We aren’t coming in as a merchant builder and trying to ‘flip’ projects—that is not what a REIT does.” Adds Albert Hromin, Senior Project Manager: “We are a publicly traded firm with an excellent reputation. Our communities feature innovative designs, upscale amenities, and high grade durable materials and finishes. Every project we complete has to build upon that reputation, so we never cut corners.”



Avalon at Hackensack Riverside and Avalon Florham Park

AvalonBay is the result of the 1998 merger between Avalon Properties, Inc. and Bay Apartment Communities. With a local office in Woodbridge, New Jersey and national headquarters in Arlington, Virginia, the firm also maintains offices throughout the country. Residential REITs are uncommon in New Jersey, giving AvalonBay a distinct advantage when they approach towns where they are seeking to develop. “Once municipalities understand how REITs work, they gain comfort in knowing that their interests and our interests are aligned,” says Fishbone. “We are not developing for short-term gain and it is apparent in the quality of the design and construction and our dedication to maintenance and constantly upgrading our properties. This approach makes us good corporate citizens as well as good neighbors.”



Avalon Cove and Avalon West Long Branch

Executives at the company also stress that multi-family rental housing is their core expertise and the only kind of development that AvalonBay ever does. “We aren’t dabblers who might then change focus depending on the strength of another type of asset class in the marketplace,” says Ladell. “Apartment development, construction and management is all that we do, and we do it well.”

### Community Presence

Throughout the State, AvalonBay’s developments attract renters from many demographic groups including young marrieds, empty nesters, young professionals and active adults. “They all come to

us for a certain kind of lifestyle,” says Brett Rubin, Senior Development Director. “We offer luxury apartment living that you don’t typically find in this marketplace. “ The benefit to New Jersey’s municipalities also is immediately apparent. “We focus on creating tangible value for the towns we serve and we help them grow and redevelop in a smart way,” says Yewande Fapohunda, Senior Development Manager.

AvalonBay also embraces the communities in which they develop, and they often partner with local charities that serve those communities. One example of a group that has benefitted from the firm’s support is the **Center for Great Expectations**. The Center provides a continuum of care for pregnant women and adolescents designed to break the cycle of homelessness, addiction, abuse and neglect,” says Ladell. “We have provided 16 affordable housing units in **Avalon Somerset** to help these women get back on their feet.” The Center honored Ladell as their Humanitarian of the Year at its annual Gift of Hope Gala in October and Ladell now serves on their Board of Directors. AvalonBay also contributes to local first aid squads and supports community events such as fireworks displays and festivals.

The spirit of caring is also evident in the many hours local employees donate to organizations every year ranging from the **Ronald McDonald House** to the **American Red Cross** to **Habitat for Humanity**. “We hire people for whom community service is important,” says Ladell. “And we proudly support their efforts.”

AvalonBay has almost 200 full time New Jersey employees and up to 700 New Jersey residents working on constructing their communities —a number that has held steady through the economic downturn and into its recovery, says Hromin. “We continued to have work for many vendors and contractors because we have the capital and we continued building even when the economy was slow,” he says. “We had the financial strength to see projects that began before and during the recession reach fruition.” A national presence also means that they share economies of scale on the construction side, Hromin says, thereby reducing costs and enhancing affordability.

### The Comprehensive Approach

Everyone in the New Jersey office works collaboratively, and one unique aspect of the firm’s culture is that a project’s developer works with the property from conception to completion. “The developer here takes the project all the way from conceptual design through approvals and construction, and is involved in marketing, pricing and designing interiors — virtually every aspect of the development until the project is completed and fully occupied,” says Fishbone. “It’s very different from firms where one executive buys the land, another gets the approvals and a third person decides how it will be marketed.”

Since the firm develops the properties and then manages them, aesthetic values and a ‘built to last’ approach are paramount. “Our exterior design is responsive and contextual to the area in which the property is located,” says Rubin. “We have collected a lot of data over the years, allowing us to know what works well. Based upon demographic and market studies we can cater to the kinds of housing communities need.”



Avalon Westmont Station Rosie Square and Avalon North Bergen Fitness Center

AvalonBay’s build-and-operate approach also means that once a property is completed, it is maintained to high standards that municipalities as well as residents, appreciate. “It is not uncommon for us to have property managers living on site, so that they have the same experience that residents have,” says Rubin, who also lives in an AvalonBay community. Some of the firm’s older properties, such as ones in Florham Park and Princeton Junction, have already been updated or completely renovated. “We are moving into some submarkets where the last large developments occurred over 30 years ago,” says Ladell. “To be able to bring this level of quality of housing to those areas, and assure the town’s residents that it will be maintained is of great benefit.” In recognition of the quality of its communities, the firm was awarded **New Jersey Apartment Association’s Property Management Company of the Year in 2012**.

### Local Development Expertise

AvalonBay develops in both suburban and urban markets and the firm was instrumental in introducing new products into the multifamily market. One example was Avalon Cove, a 504-apartment complex in Jersey City. “This was a product that didn’t exist in that area before,” says Ladell. “We brought an amenities-rich community of one-to-four bedroom apartments to the Hudson River waterfront.” The development was quickly leased and established the company’s reputation on New Jersey’s Gold Coast. Originally constructed in 1997, Avalon Cove underwent a major renovation and upgrade in 2011. Its amenities include a swimming pool with sun deck, a well-equipped expanded fitness center, and an indoor racquetball and half-basketball court.



Avalon Hackensack Kitchen and Avalon West Long Branch

In the suburban market, **Avalon Princeton Junction** was first constructed in 1988 and has been recently redeveloped. The firm also developed two properties in Lawrenceville, **Avalon Run** and **Avalon Run East** in 1996 and 2003 respectively. In Northern New Jersey, **Avalon at Edgewater** was completed in 2002.

Executives at AvalonBay bring extensive real estate experience to their development work and say that it is the collaborative atmosphere and opportunity to work at a best-in-class developer that attracted them to the company. “We have a completely open office here,” says Ladell, who has been on NJBIZ’s list of the 50

Most Influential People in New Jersey Real Estate each year since its inception, ranking #10 in 2010. “There is a large sense of camaraderie and emphasis on the team—everyone is committed to the successful completion of our projects.” Rubin has been with the firm nearly seven years after some time as Planning Project Manager at the Lower Manhattan Development Corporation. He says that the work-life balance that AvalonBay promotes is also important. “We work hard and perform, but the firm supports the idea of having a rewarding life outside of work as well.”

Fapohunda was attracted to the firm’s focus on value creation for the municipalities in which it develops, as her background includes a Master’s in Public Policy degree and experience in advising city authorities on procurement of large-scale infrastructure and real estate development projects. “I was drawn by the ways in which our communities can help bring towns back to life,” she says. “Our work is very concrete and rewarding.”

### Focus on Sustainability

AvalonBay has a focus on sustainability that is in line with what both residents and municipalities demand in upscale housing developments. The firm was awarded the **National Association of Real Estate Investment Trusts Leader in Light Award** for superior and sustained energy use practices in 2011. In New Jersey, **Avalon West Long Branch** was ENERGY STAR certified in 2010. The materials and equipment reduce energy consumption and lower the residents’ utility bills. In public areas, for instance, the community’s swimming pool features solar panels used to heat the water.

“It’s also important that we integrate green practices into our operating standards and track energy usage in our communities,” says Rubin. The firm’s commitment to green development encompasses five key tenets:

- Implementing green standards in lighting, mechanical systems and product specifications
- Building with ENERGY STAR-rated products
- Research and implementing new sustainable products and strategies
- Implementing sustainable best practices during construction
- Focusing on transit-oriented and walkable locations



Avalon Weehawken Station and Avalon North Bergen

The company’s executives note that just by its singular focus on multifamily dwellings it is helping communities make more sustainable choices, due to the density of the dwellings. Rubin added, “We aren’t purchasing farm land and open space to put up new buildings, but in fact we are revitalizing and reusing what already exists, either in an urban core or a well-developed suburban area.”

### Data Driven Builders

AvalonBay builds three types of projects in New Jersey: garden apartments, townhomes and mid-rises. But within these projects types are a variety of apartment styles based on demographic need as well as extensive and ongoing data collection from its current residents. “We want our projects to incorporate the ideas about how people live that also reflect the area’s population and the type of demand for housing that is coming from it,” says Fapohunda.

The firm conducts focus groups of residents when the communities are fully occupied and then again a few years later to learn what they can do to make current communities better and get valuable insight into how to develop new properties that are coming on line. “All of the information we gather from current residents comes right back to our developers,” says Ladell. “That, plus what we learn from our offices throughout the country, means that our properties are constantly evolving and improving.”

The New Jersey team can access design ideas from around the country. “Sometimes we will see something that worked well for a development in Seattle or California which might also work for us,” says Rubin. “We can capitalize on emerging trends in a way that local developers cannot.”

The firm is very deliberate about analyzing what the consumer wants in their home and giving it to them. “Within a single development you need to have a variety of options and a variety of price points,” says Fapohunda. “What roommates want —separate bathrooms and separate bedrooms —is very different from what empty nesters or newly marrieds want.” To further attract residents, the company places a premium on constructing apartments that are easy to furnish; their website shows prospective residents how furniture will lay out in their homes with its “furnish a room” feature. “We are very conscious of making sure that we have rooms and walls that will fit large couches or headboards, which can sometimes be difficult in an apartment, and that electrical outlets and cable junction boxes are placed logically for ease of use,” says Fapohunda.

### **A Catalyst for Community Revitalization**

In Wood-Ridge, AvalonBay is bringing life back to the site of the old Curtiss-Wright aircraft-engine plant that has been unused for decades. "This was the home of Rosie the Riveter," says Ladell, "but it had fallen into disrepair and became an eyesore." What the site lacked in aesthetics however, it more than made up for in location. "It has easy access to Routes 17, 46, 80 and 3, and is close to the Lincoln Tunnel and all kinds of Bergen County amenities," he says.

Somerset Development was named the master builder a decade ago, but the project stalled through the economic downturn. Now back on track, when it is completed this year, **Avalon Wesmont Station** will include four architecturally unique buildings with a total of 406 apartment homes. The apartment buildings were designed to cater to specific lifestyle preferences. One building targets a more active urban audience with its modern aesthetics, community social spaces, and on-site retail. Others are designed to appeal to those seeking more luxurious traditional features and finishes.



Avalon North Bergen Lounge and Avalon Lyndhurst

**Avalon North Bergen** was completed last year and features 164 mid-rise apartment homes on a site where the previous structure had been destroyed in a fire. "When we first acquired the site, the debris hadn't even been cleaned up," says Rubin. "Yet the location was perfect for development because of its access to New York City and surrounding areas of Hudson County." The site's natural elevation affords Avalon North Bergen residents excellent views of Manhattan, the Hudson River, and the Meadowlands. The development, which is the first new apartment community built in recent years in the township, includes a state-of-the-art fitness center, resident lounge, garage parking and first floor retail.

Rescuing a project that was designed as a for-sale age-restricted community before the downturn, AvalonBay built **Avalon Somerset**, which offers 53 townhomes and 283 apartment homes in a five-story, podium-style elevator building, and 48 stacked flats, all on a 42-acre site in Franklin Township. "AvalonBay has done and continues to do a great job in Somerset, turning a failed, partially built condominium project into a beautiful multifamily community," says Brian Levine, Mayor of Franklin Township. "AvalonBay was able to modify the existing approvals by carefully listening to our concerns and worked closely with us to make sure what they built was right for Somerset." Fishbone added that, "the development is close to I-287 and the New Brunswick Train Station and Rutgers University and has drawn residents from many of the large employers in the area."

Leasing this Fall, **Avalon Bloomingdale**, located near hiking trails, road biking and lake activities, yet close to major highways, will feature 174 one-, two- and three-bedroom garden apartments and townhome-style homes. "These appeal to a wide variety of residents from commuters to families to empty nesters," says Rubin, adding that the project "brings much needed tax revenue into this town, and will hopefully spur further development." Adds Mayor Jonathan Dunleavy: "We expect that the 174 beautiful apartment homes will be a welcome addition to Bloomingdale's housing stock and a major catalyst for the continued resurgence of our Borough."

Revitalizing the site of what was a dilapidated motel, **Avalon Hackensack at Riverside** will bring 226 brand new, mid-rise garden style apartment homes to Bergen County. Ideal for commuters, this new community is accessible by highway or commuter rail into Manhattan or Northern New Jersey. "Residents can walk to The Shops at Riverside as well as the Hackensack River County Park," says Rubin. Studio, one-, two- and three-bedroom apartments are designed within two podium buildings and feature gourmet kitchens with ENERGY STAR appliances. Community amenities include an outdoor swimming pool with deck, well-equipped fitness center, resident lounge, and structured parking.

Completed in 2011, **Avalon West Long Branch** is the first ENERGY STAR certified rental community in Monmouth County, NJ and offers 180 apartment homes in nine two- and three-story buildings. Its sustainable features include ENERGY STAR appliances, energy efficient windows, ENERGY STAR lighting and insulation, sustainable plumbing fixtures and HVAC equipment. "From enhancing air quality to recycling, sustainable living is an important initiative in this project," says Rubin. Community amenities include a solar-heated swimming pool, a clubhouse featuring a fitness center and lounge and a central landscaped courtyard. Completed in 2008 in Monmouth County, **Avalon Tinton Falls** is a community of 216 garden-style apartment homes surrounded by a 62-acre nature preserve. "This was an underutilized site in a great location that hadn't been developed for 35 years," says Ladell. The community offers a variety of spacious floor and resort style amenities.

Rehabilitating an industrial area that formerly housed industrial companies and car dealerships, **Avalon Lyndhurst** was completed in 2007 with 328 apartments. With an outstanding location immediately off of Route 3 in the Meadowlands District in Lyndhurst, residents can board a shuttle to two nearby train stations with excellent access to New York City.

AvalonBay is taking a difficult site in central Morris County and revitalizing it into **Avalon Wharton**, a mid-rise complex of 248 units. "This site is on a hill and very difficult to build on," says Ladell. "In addition to that, there were a series of several different approvals on the site that never went forward and then the seller went into bankruptcy. This was a case where our perseverance paid off, to the benefit of the town and the future residents of this community." The site is easily accessible to several major highways, the Rockaway Townsquare Mall and major employment centers of Morristown and Parsippany.

AvalonBay is currently developing 224 units, named **Avalon Bloomfield**, in a four-story midrise with ground floor retail, adjacent to the NJ Transit Bloomfield station. The property also is on a major bus route and less than a half mile from the Garden State Parkway. "Residents in this community will be able to walk to many of the local retail and entertainment amenities," says Fishbone. "This will be a catalyst for development all around this area. We were able to immediately see the potential in this site for AvalonBay as well as the township of

Bloomfield itself.”

### Eye on the Future

Executives at AvalonBay believe that their continued success in the market rests upon the quality of the residential experience the firm’s developments provide, which in turn burnishes its reputation with the municipalities in which it seeks to do business.

“We are pragmatic and realistic about what can be done with a site and government officials appreciate that,” says Ladell. “We are not newcomers to this business and we present a great deal of third party research that demonstrates that our communities strengthen the areas in which they are located.” He adds that development activity will remain strong for the company as the rental market is attractive to a variety of demographic groups.

Rubin adds that their communities represent the new paradigm in New Jersey in which they offer residents a variety of apartment styles with many amenities in areas that are very convenient to transportation. “We offer many types of dwellings within a single development to appeal to a wide variety of residents,” he says. “One of the things that is very gratifying about this job is that residents say how much they enjoy the types of communities that we create. We take great pride in knowing that we are helping to lead the curve by creating communities that follow Smart Growth principles and that we are always bringing new ideas and innovative solutions to the markets we serve.”

