





# The Macro View on Micro Units

The Urban Land Institute Multifamily Housing Councils were awarded a ULI Foundation research grant in fall 2013 to evaluate from multiple perspectives the market performance and market acceptance of micro and small units.



## Executive Summary

A common perception exists that unit sizes in new apartments have been shrinking as developers seek higher density and higher revenue per square foot to offset rising land value and construction costs and to hold monthly rent at an affordable level relative to income. The ultimate incarnation of this trend has been the introduction—or the reintroduction—of very small units, often referred to as *micro units*. These very small (by traditional standards) apartments, leasing at approximately 20 percent to 30 percent lower monthly rent than conventional units, yet at very high value ratios (rent per square foot), have been offered or are being considered in urban and urbanizing locales, particularly high-density, expensive metropolitan markets such as Boston, New York, San Francisco, Seattle, and Washington, D.C. This research report explores this renewed trend in the United States and seeks to answer the following key questions:

- What exactly is a micro unit?
- How have smaller and micro-unit rental apartments performed in the marketplace compared with larger, more conventional apartments?
- Does the higher per square foot rent justify the higher construction cost?
- What are some of the examples across the country where micro units have been successfully developed and operated?
- What are the critical success factors and lessons learned from developers, owners, operators, and design professionals that have experience with this new breed of micro-unit community?
- What has been the experience of residents who have actually lived in one of these tiny apart-

ments, what do they like and dislike, and what motivated them to consider a micro unit in the first place?

- What would motivate potential renters of conventional apartments to live in a smaller unit?
- Based on a compilation of all of the above, what is the likely future for micro units; is this a passing fad or a growing trend?

To answer these and other questions, the research team for this report analyzed hard data to understand the performance of smaller and micro units in the marketplace. The team also conducted consumer research with residents of micro units to understand their experience and satisfaction levels compared with occupants of conventional units. Finally, the team compiled case studies of micro-unit rental apartment communities and conducted a series of interviews with industry experts to identify best practices and lessons learned. The ultimate objective of this research is to gather and share innovative ideas that can contribute to the successful development of micro-unit communities in the future.

Some of the key findings, which the report provides in greater detail, follow:

- Although *micro unit* has no standard definition, a working definition is a small studio apartment, typically less than 350 square feet, with a fully functioning and accessibility compliant kitchen and bathroom. Under this definition, a 160-square-foot single-room-occupancy (SRO) unit that relies upon communal kitchen or bathroom facilities does not qualify as a true micro unit.
- Smaller and micro units outperform conventional units in the marketplace—they achieve higher occupancy rates and garner significant rental-rate premiums (rent per square foot) compared with conventional units. However, the stock of very small units is still quite limited, and it is difficult to know whether the performance of these smaller units is driven by their relative scarcity or whether significant pent-up demand for micro units actually exists.
- Both the consumer research and the case studies indicate that a segment of renters is indeed interested in the micro-unit concept; nearly a quarter of renters in conventional apartments indicate they would be interested or very interested in renting a micro unit. Depending upon one's perspective,

either this speaks to a potentially huge untapped market, or it remains a niche market.

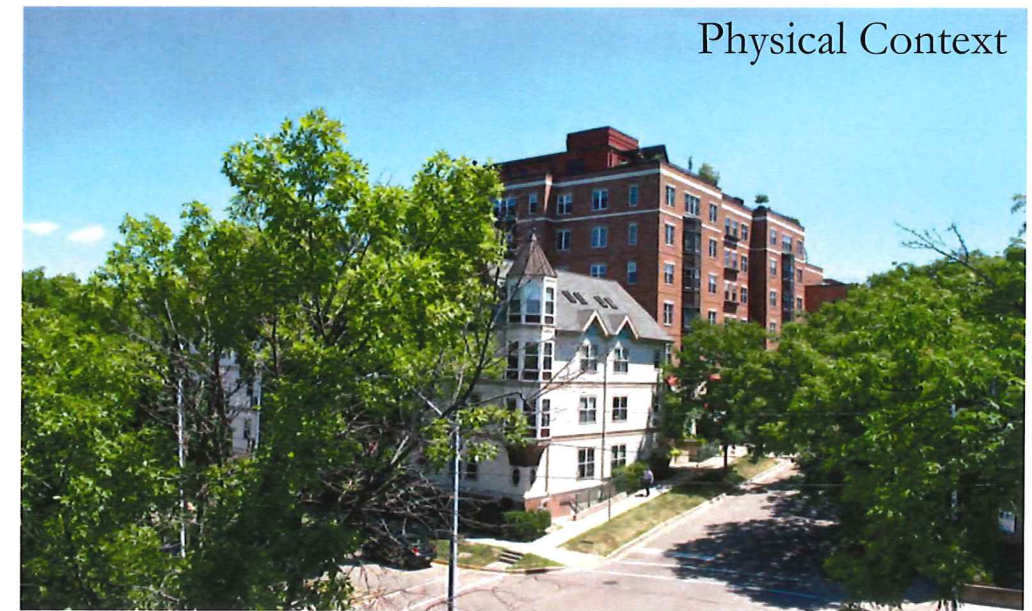
- The appeal of micro units is largely about economics, but place and privacy are all part of the equation. Most respondents interested in micro units are willing to consider them in exchange for a lower monthly rent (approximately 20 percent to 30 percent below that of a conventionally sized unit), a highly desirable (typically authentic, urban/urbanizing, walkable, trendy) location, and the ability to live alone.
- The target market profile for micro units is predominantly young professional singles, typically under 30 years of age, with most under 27 years of age, trending slightly more male than female. Secondary segments include some couples and roommates, some older move-down singles, and pied-à-terre users.
- Developing and operating a rental apartment community with micro units are more expensive, but the premium rent per square foot achieved more than makes up for the added cost.
- Developers and design professionals have come up with a number of creative solutions that ensure micro units are compliant with Fair Housing Amendment Act and accessibility requirements, livable, and actually feel larger than they really are. Such items include flexible furniture systems, high ceilings (more than nine feet), oversized windows, built-in storage, gadget walls, and movable kitchen islands.
- Rental apartment communities with micro units also emphasize what is outside the confines of the unit itself. Developers tend to offer an extensive array of amenities, intimate gathering spaces, and services to residents that enable them to experience community outside their micro unit.
- A definite shift has taken place toward a greater mix of smaller studio and one-bedroom apartments, and micro units are a growing trend across the country with a number of communities under construction and many more in the planning stages. However, to hedge their bets, some savvy developers are building in the flexibility to convert side-by-side micro units back into conventional one- and two-bedroom units, just in case the concept is a flash in the pan.



00 block of North Butler looking Southwest



00 block of North Butler looking Southeast



00 block of North Butler looking Northeast



100 Block of North Butler looking Northeast



100 Block of North Butler looking Southeast



100 Block of North Butler looking Southwest



100 block of North Butler looking Southwest



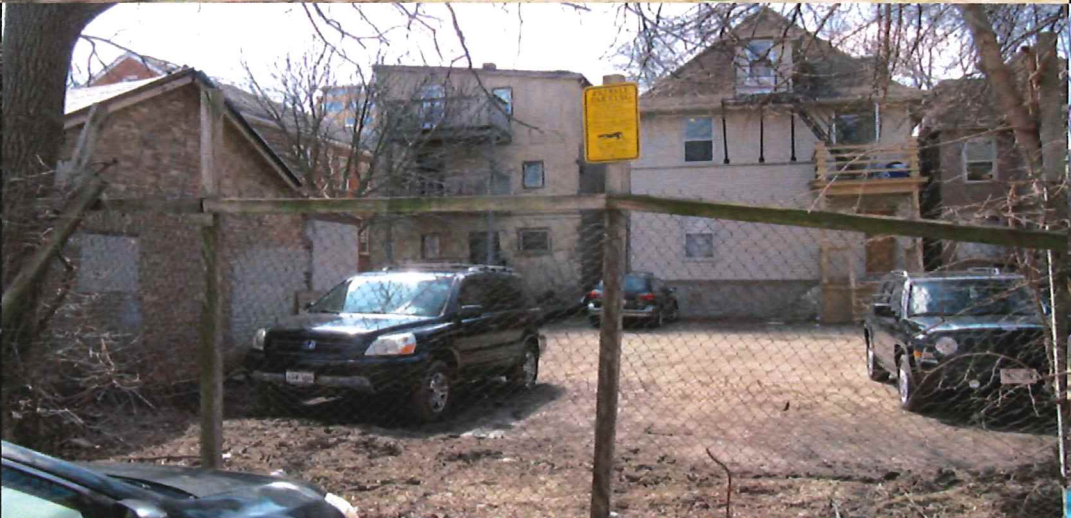
300 block of North Butler/Hamilton looking Northeast



300 Block of North Butler looking Southwest



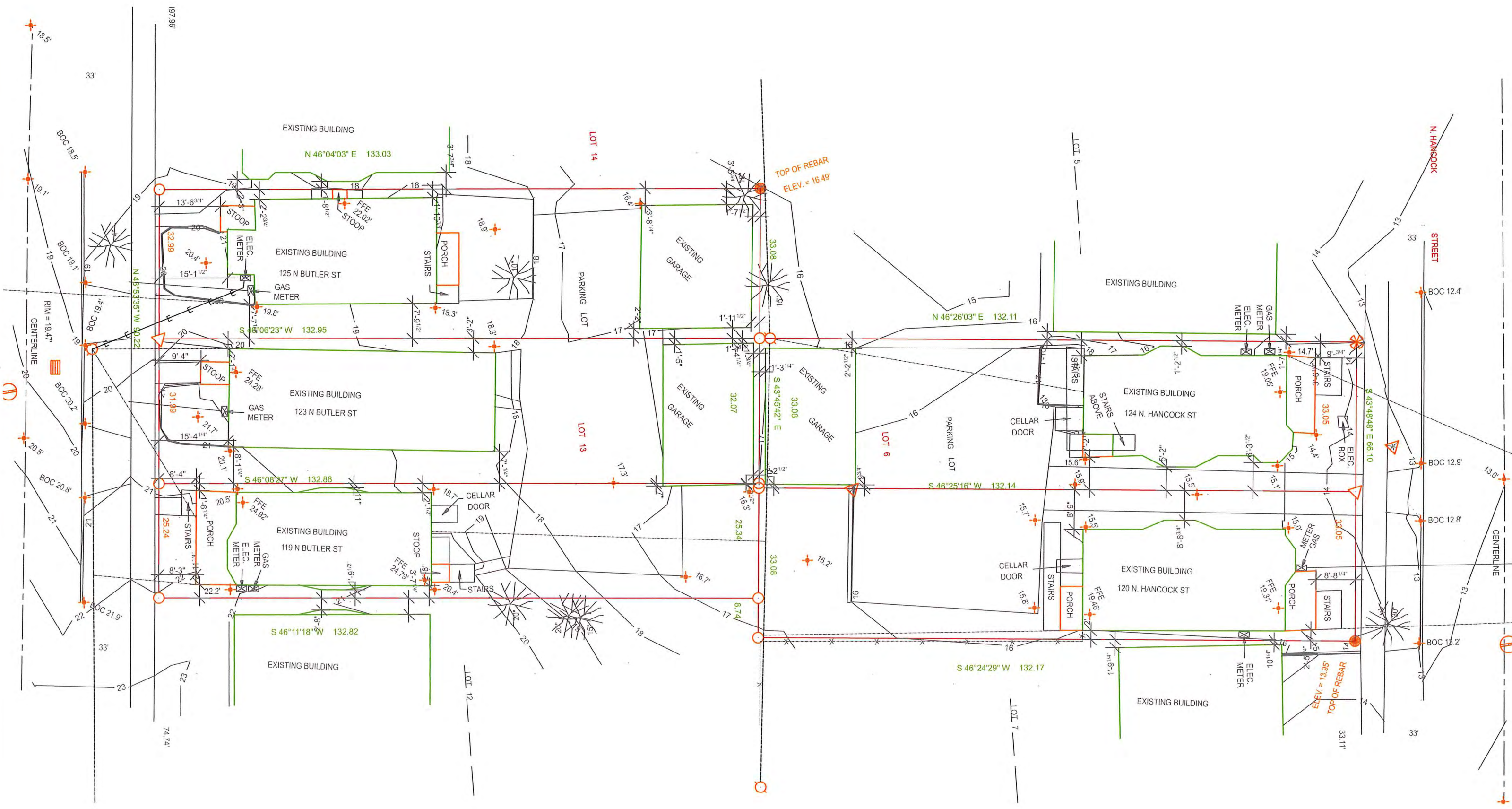
View from Site Directly Across Butler Street  
February 20, 2017



Existing Rear Yards 100 N Butler & Hancock

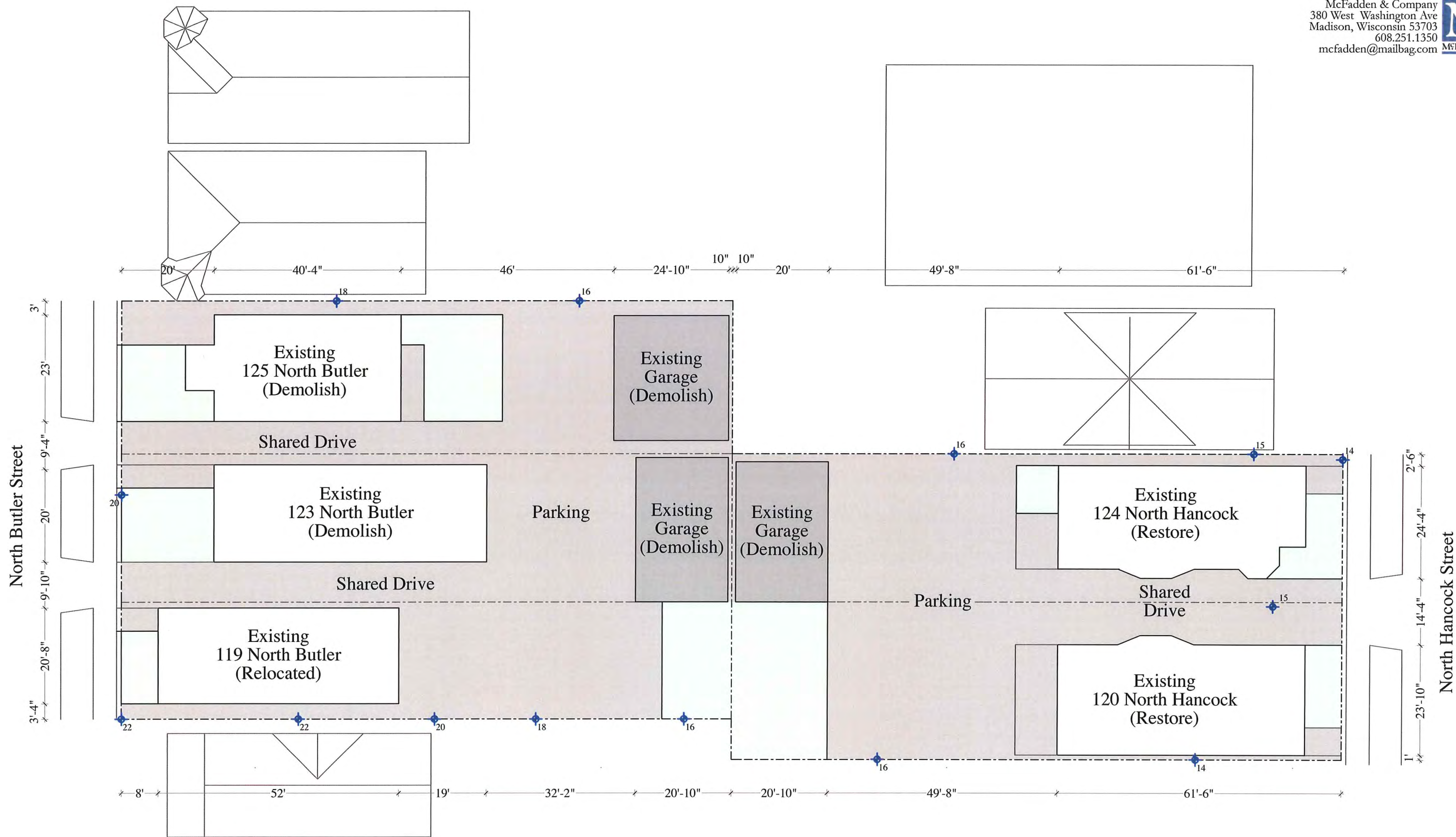
100 North Butler Street Property Information

Property	Owner	Address	Assessment	Use	Built	Stories	Setback
103 N Butler	Housing Initiatives, Inc	1110 S Ruskin, Madison, WI 53704	\$59,600	6 Unit Apartment	1925	3.0	15'-0'
105 N Butler	JEBE Properties LLC,	101 N Mills, Madison, WI 53715	\$557,100	5 Unit Apartment	1914	2.5	7'-4'
109 N Butler	SRM Properties II LLC,	PO Box 628395, Middleton, WI 53562	\$361,000	5 Unit Apartment	1879	2.0	14'-8"
113 N Butler	SRM Properties II LLC,	PO Box 628395, Middleton, WI 53562	\$357,700	3 Unit Apartment	1900	2.0	13'-5"
117 N Butler	BNBC Properties LLC,	201 W Gilman, Madison, WI 53703	\$377,700	2 Unit Apartment	1894	2.5	8'-0"
119 N Butler	Cliff Fisher	107 N Hancock, Madison, WI 53703	c \$98,700	Vacant			
123 N Butler	Cliff Fisher	107 N Hancock, Madison, WI 53703	\$293,000	4 Unit Apartment	1938	2.0	
125 N Butler	Cliff Fisher	107 N Hancock, Madison, WI 53703	\$274,100	2 Unit Apartment	1874	3.0	
133 N Butler	Hamilton Butler LLC	101 N Mills, Madison, WI 53715	\$331,900	2 Unit Apartment	1900	2.0	15'-2"
135 N Butler	Hamilton Butler LLC	101 N Mills, Madison, WI 53715	\$522,700	4 Unit Apartment	1938	2.5	19'-0"
141 N Butler	Lofgren Properties 4 LLC	5223 Tonyawtha , Monona, WI 53716	\$469,000	3 Unit Apartment	1903	2.5	19'-0"
143 N Butler	Sutter Investments LLC	185 Ohio, Madison, WI 53704	\$376,200	2 Unit Apartment	1892	2.0	19'-5"
145 N Butler	Keith Baal	1021 Prairie Queen, Cambridge, WI 53523	\$285,700	2 Unit Apartment	1889	2.0	13'-5"
149 N Butler	Robert Hall	1014 Friar, Madison, WI 53711	\$254,000	Single Family	1912	2.0	9'-0"
301 E Johnson	Danny Tzakis	PO Box 2138, Madison, WI 53701	\$428,700	Apartment/Office		2.0	0



Survey @ 1" 20'  
 119-121 North Butler  
 September 20, 2016





Site Area	20,625 SF
Coverage	
Buildings	7,318 SF
Paved	10,230 SF
Total	17,548 SF
Useable Open Space	1,510 SF



View West between 120 & 124 North Hancock



View from the South West of 119, 123 & 125 North Butler



View from the North East (Rear) of 119, 123 & 125 North Butler



View from the South East (Rear) of 119, 123 & 125 North Butler  
119, 123 & 125 North Butler Existing Exterior Conditions  
May 5, 2007



View from North West



View from South West



View from North East



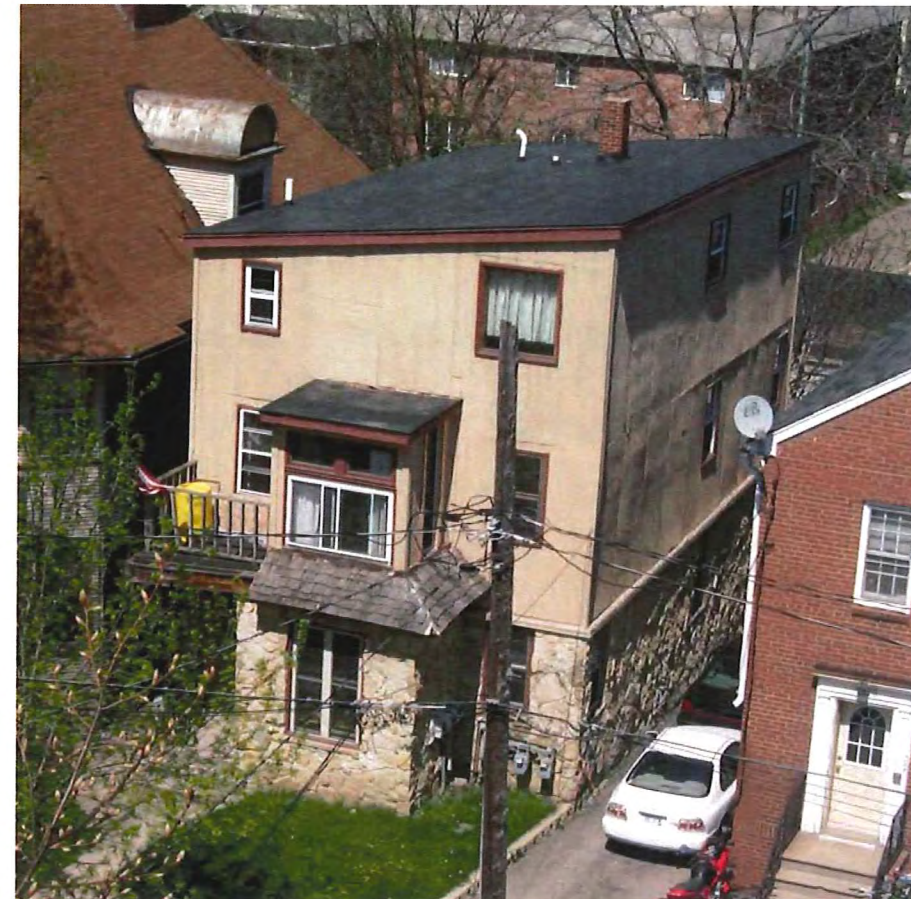
View from South East



View from North West



View from South West



View from South West



View from North East



View from South East



View from South East

125 North Butler Existing Exterior Conditions  
May 5, 2007

Comparable Neighboring Masonry Residences



200 block of North Hamilton looking Northeast



200 North Pinckney looking Northeast



200 North Pinckney looking Southwest



100 Block of East Gorham looking Southeast



'00 Block of East Johnson looking Northwest



100 Block of East Gorham looking Northwest



100 block of West Gilman looking Southeast



100 block of West Gilman looking Southeast



400 Block of North Butler looking Southwest

**28.077 DOWNTOWN RESIDENTIAL DISTRICTS.**

- (1) Statement of Purpose.  
These districts are intended to recognize historic Downtown neighborhoods comprised of predominantly residential uses with some non-residential uses. The districts are also intended to:
  - (a) Facilitate the preservation, development or redevelopment goals of the comprehensive plan and of adopted neighborhood, corridor or special area plans.
  - (b) Promote the preservation and conservation of historic buildings and districts while allowing selective infill and redevelopment based on the recommendations of adopted City plans.
  - (c) Ensure that new buildings and additions to existing buildings are designed with sensitivity to their context in terms of scale and rhythm, building placement, facade width, height and proportions, garage and driveway placement, landscaping and similar design features.

**28.078 DOWNTOWN RESIDENTIAL 1 DISTRICT.**

- (1) Permitted and Conditional Uses.  
See Table 28E-2 for a complete list of allowed uses within the downtown and urban districts.
- (2) Dimensional Standards.  
Standards represent minimums unless otherwise noted. Dimensions are in feet unless otherwise noted.

Downtown Residential 1 District	
Lot area (sq. ft.)	3,000
Lot width	1, 2, and 3-unit dwellings: 30 >3-unit dwellings, and non-residential and mixed-use buildings: 40
Front yard setback	15 See (a) below
Side yard setback	5 Lot width <40: 10% lot width
Rear yard setback	20% of lot depth, but at least 30 See (b) below
Maximum lot coverage	75%
Maximum height	See Downtown Height Map
Stepback	See Downtown Stepback Map
Usable open space	40 sq. ft. per bedroom See (c) below

- (a) Front yard setbacks may be designated on the zoning map as a specific location (build to line), a minimum, or a range.
- (b) Underground parking may extend into the rear yard setback if located completely below grade.
- (c) Usable open space may take the form of at-grade open space, porches, balconies, roof decks, green roofs or other above-ground amenities.

- (3) Residential Point System.  
To ensure a variety of housing types in the downtown area, the following point values are established:

Type of Dwelling Unit	Point Value
Studio/efficiency unit	0.75
One-bedroom unit	1
Two-bedroom unit	2
Three or more bedroom unit	3

In any development site except for the Residential - Group Living category (see Table 28E-2) the average point value for all dwelling units must be at least 1.25.

- (4) Building Standards.  
The following standards are applicable to new buildings and additions, within any ten- (10) year period, exceeding fifty percent (50%) of existing building's floor area.
  - (a) Maximum Building Width. The maximum width of any building fronting the primary abutting street shall not exceed sixty (60) feet.
  - (b) Through-lot Development. Development of through lots shall be designed with buildings oriented to each street and with a minimum distance of sixty (60) feet between rear facades of above-ground building elements. Underground parking may extend into this shared rear yard area if located completely below grade.

**James Madison Park Recommendations**

**Objective 4.11:** *The James Madison Park neighborhood should accommodate a mix of dwelling units, some of which are suitable for families with children. The renovation of existing houses coupled with selective redevelopment that generally reflects the scale and rhythm of the existing structures should help reinvigorate the area, provide a variety of housing options (including workforce housing), and strengthen linkages to the adjacent Tenney-Lapham neighborhood.*

**Recommendation 101:** *Promote the construction and rehabilitation of family-supportive housing and consider adopting an ordinance with standards for such development.*

**Recommendation 102:** *Require that new development provide ample on-site open space and play areas for use by young children, and do not waive usable open space requirements in the James Madison Park District.*

**Recommendation 103:** *Encourage family-supportive workforce housing design in new multi-family developments, including more modern, larger units (2-3 bedrooms) and true usable on-site open space.*

**Recommendation 104:** *Allow relatively higher-density development that conforms to the Maximum Building Heights Map along North Hamilton, Butler and Gorham Streets.*

**Recommendation 105:** *Allow infill and redevelopment along Hancock, Franklin and Blair Streets generally compatible in scale and design with the predominantly "house like" neighborhood character.*

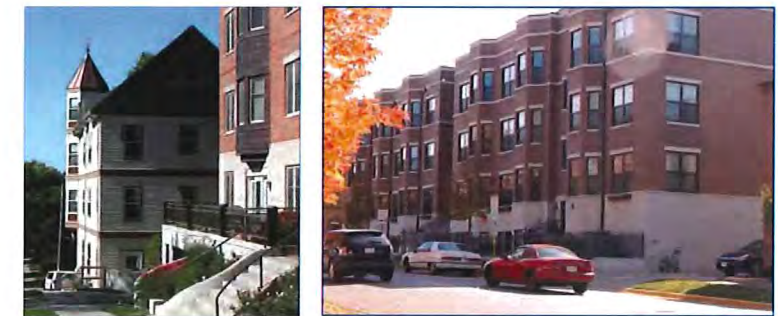
**Recommendation 106:** *Consider establishing a Neighborhood Conservation District as identified in the Downtown Historic Preservation Plan.*

**James Madison Park**

The James Madison Park neighborhood is characterized by fairly intact blocks of two- to three-story houses. Many of these houses have been long time rental properties and include larger units that would accommodate families with children.

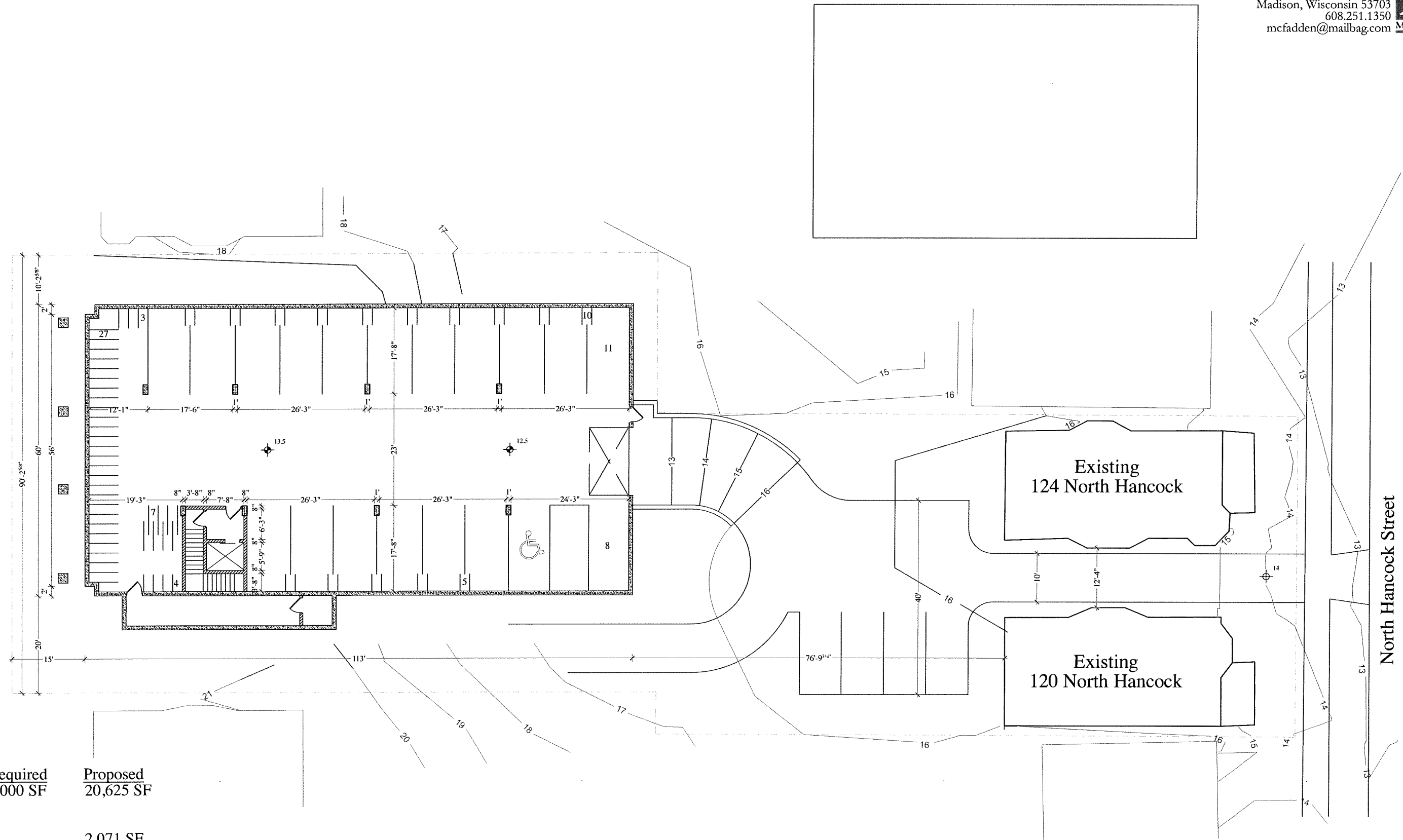
The renovation of existing structures, coupled with selective redevelopment that reflects the scale and rhythm of the existing structures, will help ensure the future vibrancy of the area, provide a variety of housing options, and strengthen linkages to the adjacent Tenney-Lapham and Mansion Hill neighborhoods. During the planning process, many participants expressed a desire to create Downtown neighborhoods that were inviting to families with children. With its proximity to Lapham Elementary School, presence of houses that could accommodate such families,

and a large park (James Madison Park), this neighborhood provides the best opportunity to foster this type of environment. The *Downtown Historic Preservation Plan* (1998) recommends that a neighborhood conservation area be created, "wherein the existing residential character of the core of the neighborhood would be preserved and encroachment by incompatible uses will be prevented." A neighborhood conservation district is a tool provided in the Zoning Ordinance to help ensure that important, unique, and consistent development patterns and design features (such as setbacks, roof forms, or the presence of large front porches) within the neighborhood are conserved. The first step in implementing this recommendation would be a study to articulate the specific characteristics of the neighborhood to be preserved. The Fourth Lake Ridge National Register Historic District runs along portions of East Gorham Street.



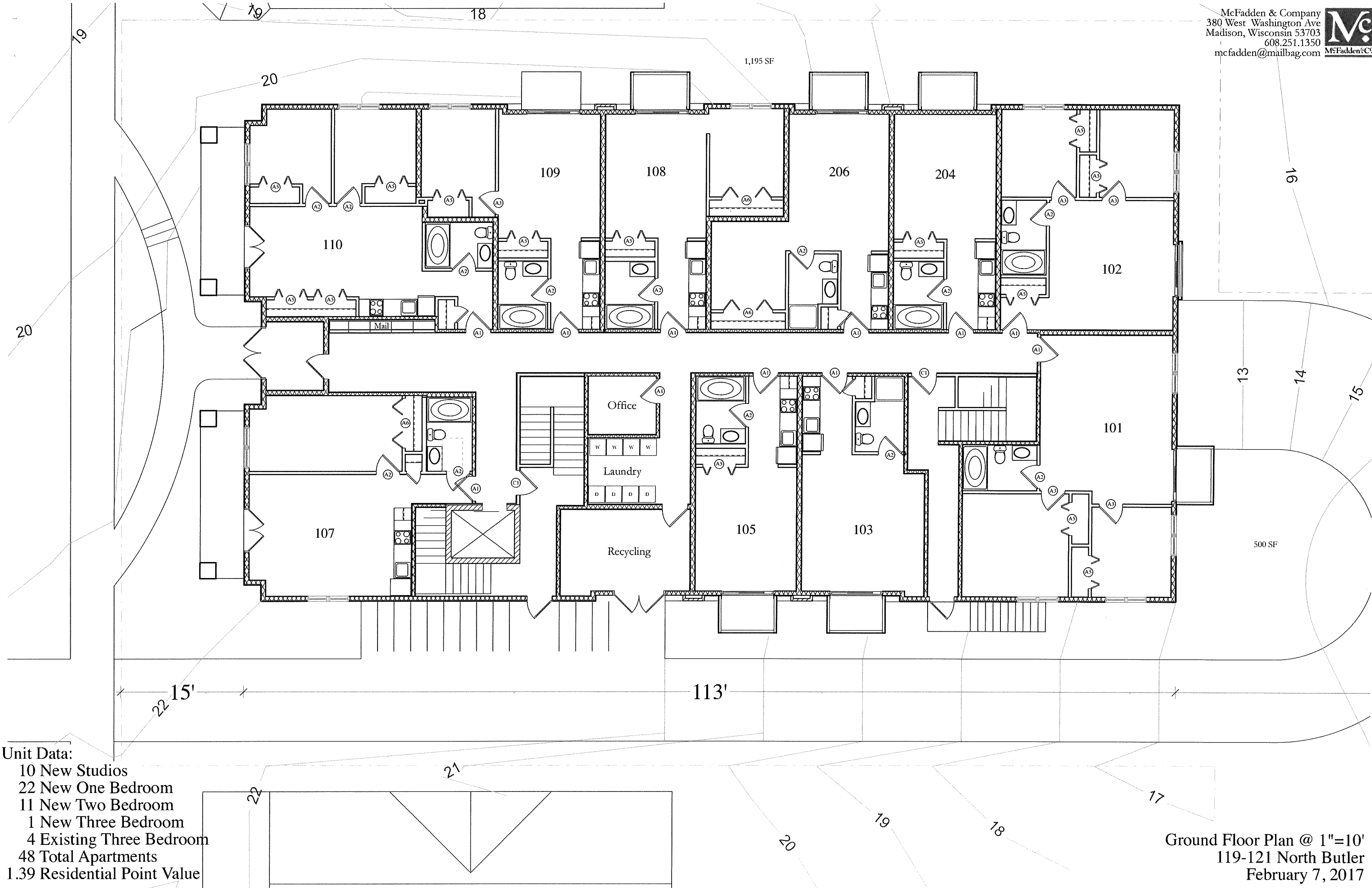
Scenes from James Madison Park

Auto Parking  
 19 Enclosed  
 4 Surface  
 23 Total  
 Bike Storage  
 56 Enclosed  
 12 Surface  
 68 Total



**Project Data:**

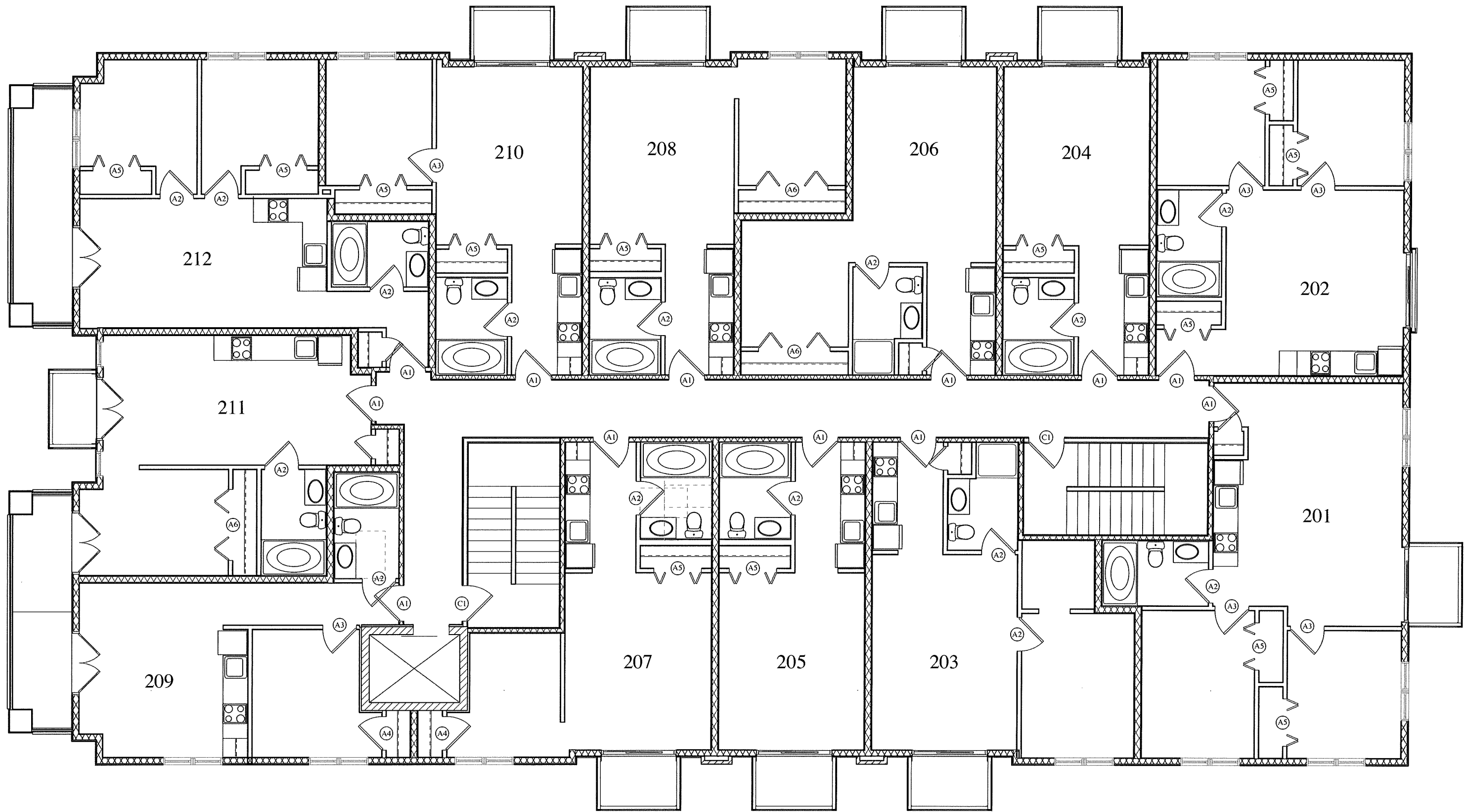
	Required	Proposed
Site Area	3,000 SF	20,625 SF
Coverage		
Buildings		
Existing		2,071 SF
New		6,746 SF
Drives & Parking		4,700 SF
Walks		240 SF
Coverage	75% Max	67%
Front Yard	15'	15'
Side Yard	5'	10'-2" North & 20'-0" South
Rear Yard	60'	76'-9 3/4"
Width	60' Max	60'
Max Height	4 Stories	4 Stories
Open Space	2,800 SF	5,400 SF (3,180 Ground + 2,220 Balcony)

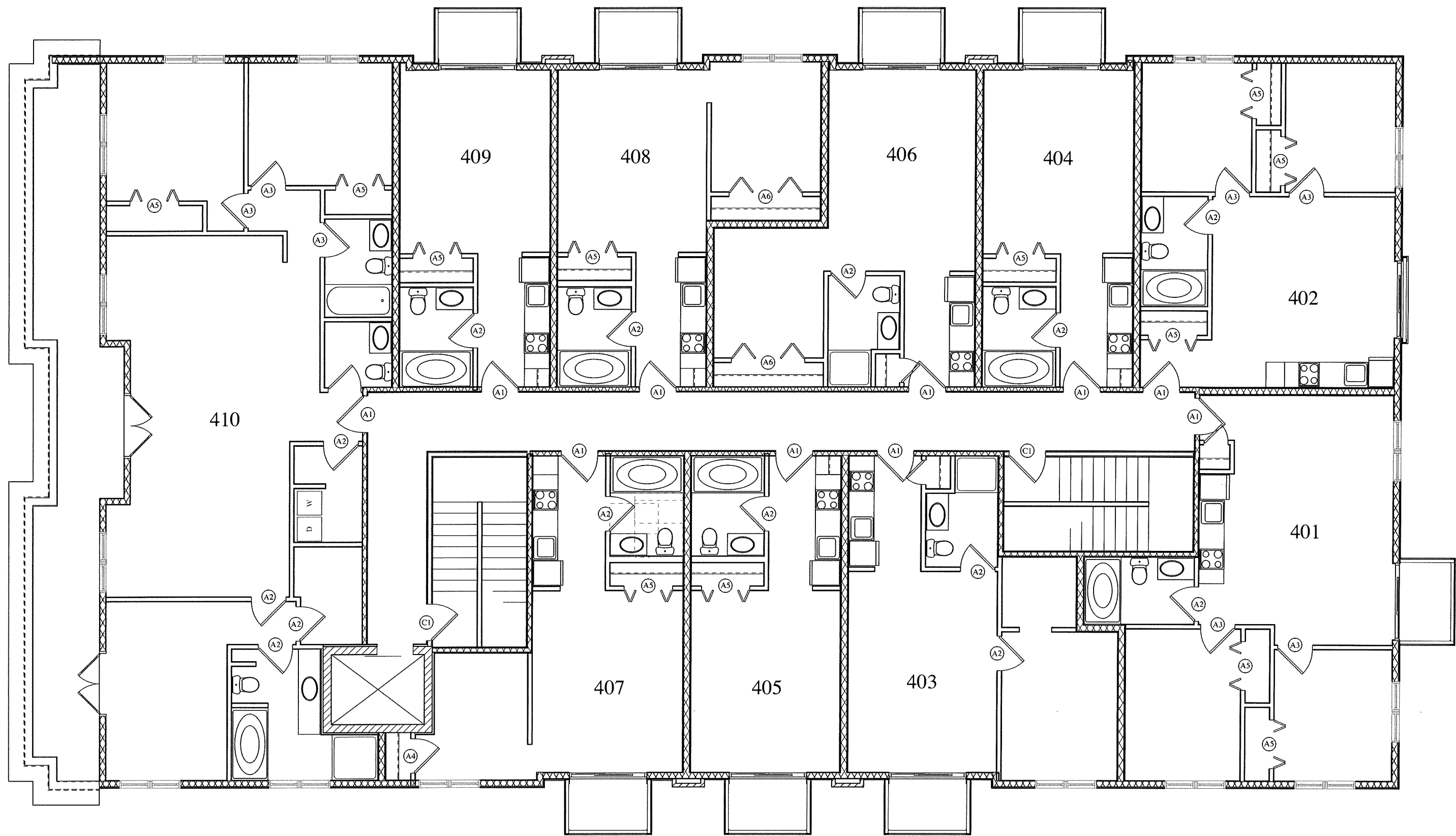


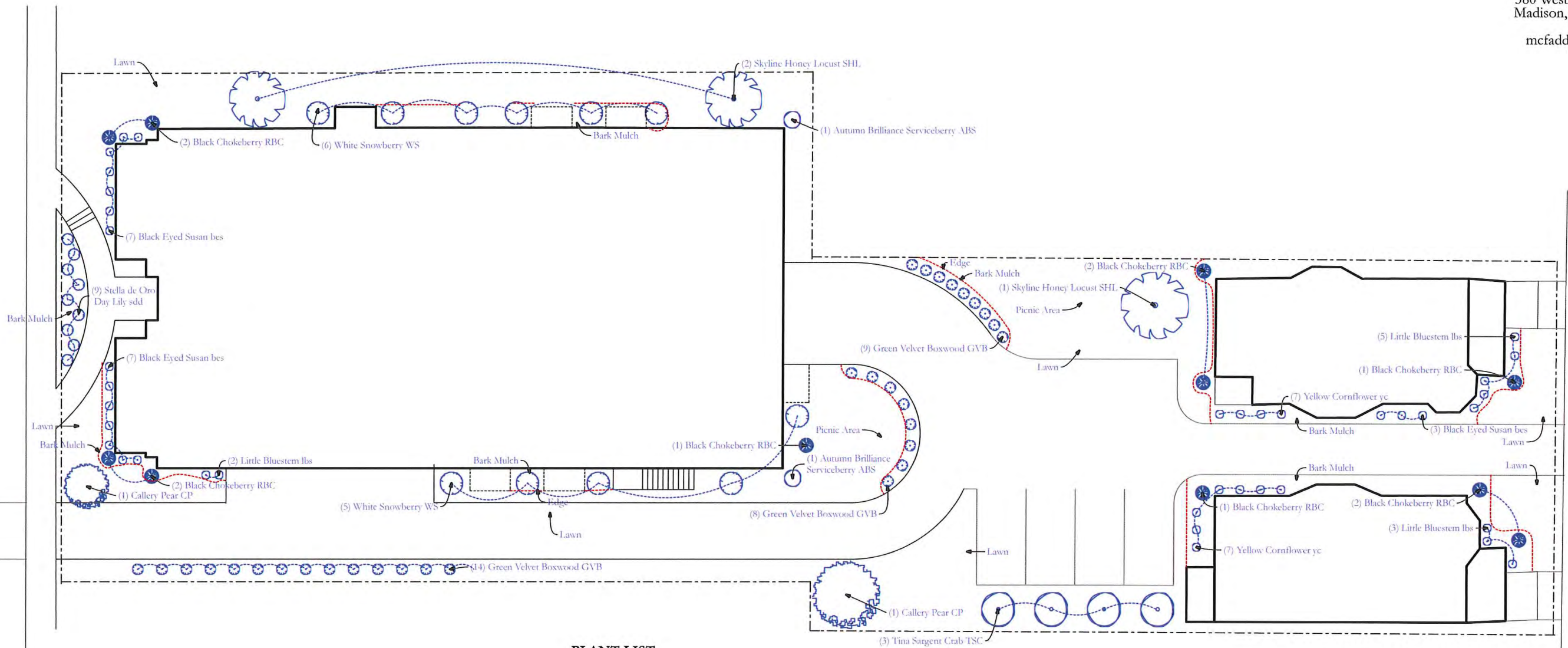
- Unit Data:**
- 10 New Studios
  - 22 New One Bedroom
  - 11 New Two Bedroom
  - 1 New Three Bedroom
  - 4 Existing Three Bedroom
  - 48 Total Apartments
  - 1.39 Residential Point Value

Ground Floor Plan @ 1"=10'  
 119-121 North Butler  
 February 7, 2017









**PLANT LIST**

KEY	QUAN	SIZE	COMMON NAME	ROOT
<b>Canopy Trees</b>				
SHL	3	2 1/2"	Skyline Honey Locust	BB
<b>Low Ornamental Trees</b>				
CP	3	2"	Callery Pear	BB
TSC	4	2"	Tina Sargent Crab	BB
<b>Deciduous Shrubs</b>				
ABS	2	5"	Autumn Brilliance Serviceberry	BB
RBC	12	24"	Black Chokeberry	Pot
WS	11	24"	White Snowberry	Pot
<b>Evergreen Shrubs</b>				
GVB	33	18"	Green Velvet Boxwoods	BB
<b>Perennials</b>				
bes	21	1 G	Black Eyed Susan	Con
lbs	8	1 G	Little Bluestem	Con
sdd	9	1 G	Stella de Oro Day Lily	Con
yc	11	1 G	Yellow Coneflower	Con

**NOTES:**

- 1) Designated lawn areas to be fine graded, fertilized, and sodded with locally grown, premium bluegrass mix sod.
- 2) Designated planting beds to be separated from lawn area by a 5" black vinyl edge.
- 3) Planting beds to receive shredded hardwood bark mulch spread to a depth of 3".
- 4) Individual trees and shrub groupings in lawn areas to receive shredded hardwood bark mulch plant rings (4' diameter) spread to a depth of 3".
- 5) Owner will be responsible for landscape maintenance after completion and acceptance of the project.

**LANDSCAPE WORKSHEET**

**Zoning Classification:**

**Landscape Points Required**

Developed Area = 3,684 SF  
 Landscape Points: 3,684/300 x 5 = **61 points**

**Total Landscape Points Required 61 points**

**Landscape Points Supplied**

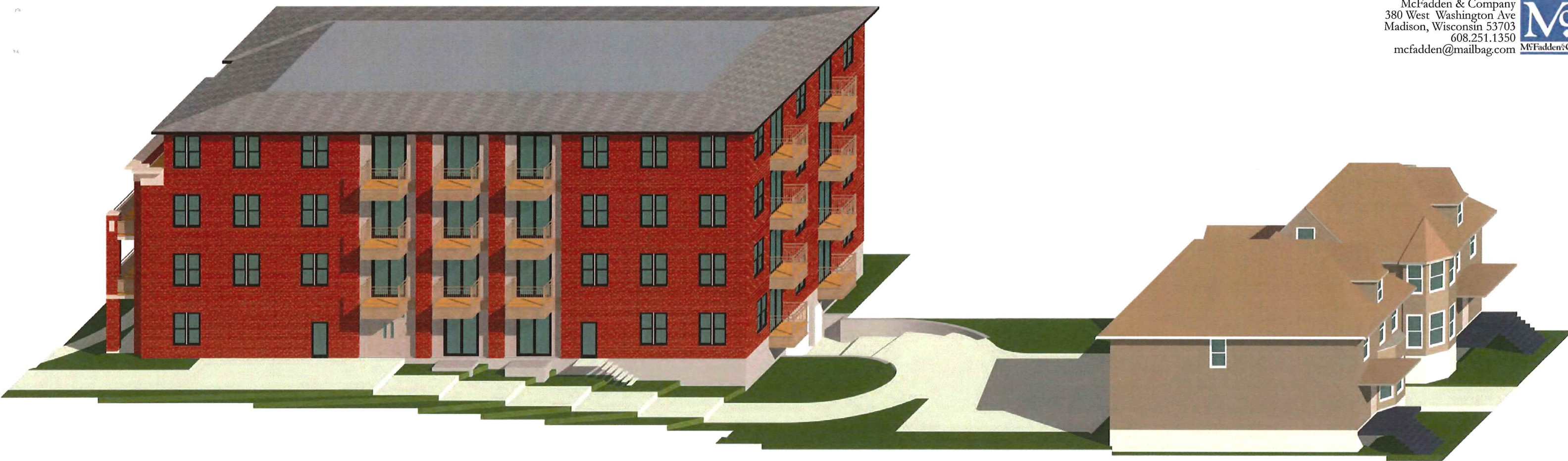
Existing canopy trees - 0 @ 35 = 0 points  
 Proposed canopy trees - 3 @ 35 = 105 points  
 Existing evergreen trees - 0 @ 35 = 0 points  
 Proposed evergreen trees - 0 @ 35 = 0 points  
 Existing ornamental trees - 0 @ 15 = 0 points  
 Proposed ornamental trees - 7 @ 15 = 105 points  
 Existing upright evergreen shrubs - 0 @ 10 = 0 points  
 Proposed upright evergreen shrubs - 0 @ 10 = 0 points  
 Existing deciduous shrubs - 0 @ 3 = 0 points  
 Proposed deciduous shrubs - 25 @ 3 = 75 points  
 Existing evergreen shrubs - 0 @ 4 = 0 points  
 Proposed evergreen shrubs - 33 @ 4 = 132 points  
 Existing perennials & grasses 0 @ 2 = 0 points  
 Proposed perennials & grasses 49 @ 2 = 98 points

**Total landscape points supplied = 515 points**



Looking East

Looking West



Looking North



Looking South



South



West

South & West Elevations @ 1" = 10'  
119-121 North Butler  
March 18, 2017



North



East



Site Plan @ 1"=30'  
January 24, 2017





Existing & Proposed Street Elevations  
119-121 North Butler  
September 20, 2016