Getting Kenect'ed: How this multifamily concept ushered in evolution

BY BRANDI SMITH

Americans are spending more time at home than they ever have before as it becomes the hub for work, school and most social activities during the COVID-19 pandemic.

"If households need to think about working from home and caring for kids, how would shared space be repurposed?" wondered Dr. Victor Calanog, Moody's Analytics head of CRE economics. "Should individual storage units now be offered as a perk in apartment communities?"

Those questions for the multifamily sector, posed in March, are part of a discussion of the pandemic's long-term effects and how the industry will evolve. Some parts of it were already starting that process, however. For the minds behind Kenect, that live/work experience was an obvious next step.

"We saw businesses shifting toward a more flexible/remote work schedule and designed our properties to include a coworking space for our residents as well as our Kenect members," said Rajen Shastri, founder and CEO of Akara Partners, the development firm behind the Kenect concept. "The flexibility of

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working from home is great, but people still like having a place to go outside the home where they can connect with like-minded people."

Flexibility is key in all of this, Kenect properties offer a social club with coworking space, pools and gyms, as well as restaurants, bars and shops with residences above. Members can live on site or pay a membership fee to

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access the coworking space, which includes desks, conference rooms, high-speed technology and more, as well as enjoy the gym, pool and curated events.

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One of its newest locations, Kenect Nashville boasts a 20-story, 21,000-square-foot apartment platform with 420 residential units, as well as more than 16,000 square feet of common and dedicated workspace. Located between Vanderbilt University and Music Row, it offers city dwellers a cost-effective option for a live/work space.

"This is something that has always been a part of our ethos, but is even more important now considering how the pandemic has impacted the workforce," said Shastri.

Let's rewind to early March when the multifamily sector was booming. Most markets were eating up supply, keeping the overall vacancy rate below the long-term average of 5.1 percent, according to CBRE.

"As a part of the development business, we track new supply and how that impacts new projects from absorption rate to rent growth," Shastri said. "From 2017 to 2019, we had a lot of supply in most markets, which resulted in flat rent growth due to apartments giving concessions in order to move product. However, at the end of 2019 leading into the beginning of 2020, we began to see supply decrease and rent growth increase, which leads to a healthier multifamily market."

Then the pandemic hit and the economy hit pause. As jobless numbers surged, worries about delinquencies and defaults rose along with them.

"There have been higher delinquency rates in certain areas, but I think we have been surprised by how resilient the multifamily industry has been since the pandemic started and I think that resiliency is a testament to how well the industry has responded," Shastri said.

Part of that response revolves around how properties engaged with residents and potential residents. The virus and CDC recommendations meant that companies needed to find workaround measures for traditional leasing activities, such as in-person tours. At the time, Akara was pre-leasing its Kenect Nashville and Kenect Phoenix properties.

"We had to think through what that looks like virtually. We created more engagement and opportunities to connect with initiatives such as Alive at 5, virtual tours and Q&As with our teams," said Shastri. "In the past, we have created experiences for our residents and members on site, but the pandemic pushed us to create a community online and I have been excited to see how our property teams have adapted."

In doing so, Kenect provided new opportunities for residents and members to engage virtually, but also for musicians, mixologists, dance studios and chefs in each market to reach a whole new audience.

"We have continued to provide these free virtual experiences on our social media pages as a precursor of what's to come as it pertains to our KEE, which will be available to both Kenect members and residents around the country," Shastri said.

In a way, Kenect is the connection between the traditional multifamily approach and what lies ahead. Though the pandemic ushered in a quick response, Shastri said he expects some of those changes to stick around, bolstering the multifamily sector.

"I think individuals will continue to embrace the flexibility of renting, creating strong demand for multifamily real estate," said Shastri. "Additionally, this resiliency will lead to people continuing to invest in multifamily real estate, so that we can keep up with the demand and continue to develop properties that push the boundaries and focus on the lifestyles of our residents and members."