

HOUSING COMPLEX

A NOTE FROM OUR SPONSOR



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The US remains the largest global commercial real estate market—and an attractive target for investors. Past return performance, favorable growth and demographics, a strong legal infrastructure, and a diverse asset base continue to appeal to foreign investment.

Home is where you hang your hat, as musician Leon Redbone famously observed. He's right, of course, but where we live today has evolved over the course of human history into so much more than a mere address or even a basic necessity to seek shelter from the elements.

With respect to apartment complexes in particular, twenty-first century housing in its most aspirational form—when thoughtfully considered, conceived, and constructed—represents a healthy environment for the residents who inhabit these spaces, a sustainable asset for investors who underwrite them, and a safe, thriving space for surrounding communities that welcome them.

When approached with these noble intentions, modern apartment dwellings can:

- Improve residents' health, well-being, and community cohesion,
- Offer powerful, creative solutions to some of the most pressing challenges of our time, such as climate change, social inequality, and urban revitalization, and
- Remain profitable investments that provide high financial returns while contributing to a more equitable and resilient future.

LIVING LONGER AND BETTER

Green spaces, eco-friendly designs, communal areas – amenities such as these are found more frequently in modern apartment buildings because they've proven to help foster environments that elevate the quality of life for their residents. Benefits include improved life expectancy, increased community engagement, and the promotion of healthier living habits, all of which contribute to better physical health, mental well-being, and overall longevity.

It begins with intentional design practices. Green building practices, such as using eco-friendly materials and maximizing natural light, contribute directly to physical well-being. Green roofs and urban gardens, for instance, can reduce urban heat island effects, filter air pollution, and create spaces for relaxation.

The Solara development in Rotterdam, New York, for example, was recently featured in the Propmodo newsletter because it managed to achieve “net zero” sustainability status by leveraging its renewable energy sources in creative ways. Solara's carport is covered with solar panels, its walls and roofs are foam-insulated, and its buildings, featuring a vented attic, are positioned to maximize daylight in winter, while adding exterior shading during peak summertime hours.

When residents have access to well-ventilated rooms, reduced pollutants, and better indoor air quality, they can experience fewer respiratory problems and improved cardiovascular health. As a result, they're also more likely to engage in outdoor activities and exercise, which naturally fosters better physical health and decreases risks related to heart disease, obesity, and other chronic conditions. Apartment complexes that offer fitness centers, swimming pools, and walking trails make it easier for residents to incorporate physical activity into their daily routines. It's no secret that regular exercise has been directly linked to improved health outcomes, from reducing blood pressure to improving cognitive function as we age.

Beyond the physical benefits, our psychological well-being is also deeply influenced by where we live. A study from the University of Texas found that environments with better lighting and natural elements contribute to decreased feelings of anxiety and depression. While cluttered or dimly lit rooms can lead to feelings of claustrophobia and stress, the opposite is true of bright, open spaces, which provide visual and psychological relief. Well-organized, aesthetically pleasing spaces have further proven to reduce stress and promote mental health.

Furthermore, integrating nature into urban living spaces – think communal gardens, trees, and water features – helps reduce mental fatigue. Research shows that exposure to natural elements like these and others, even in small amounts, leads to lower cortisol levels, helping individuals manage stress more effectively.

The social dynamic of apartment complexes plays another critical role in residents' mental and emotional health. According to social learning theory, the people with whom we surround ourselves can influence our behaviors and attitudes. Therefore, apartments designed to encourage social interaction – whether through communal kitchens, co-working spaces, and/or event rooms, for example – create opportunities for residents to form meaningful connections, which can buffer against loneliness and social isolation.

The George, a 21-story complex in San Francisco, has set aside nearly a third of its units for middle-income residents, who can enjoy such amenities as a professional bar and a private library with a substantial book collection. There's also access to a neighborhood park, sculpture garden, and community gathering space for arts and educational programs.

Especially in urban settings, loneliness has been linked to negative health outcomes, including heightened risks of cardiovascular disease and cognitive decline. By promoting community interaction, apartment complexes can foster a sense of belonging, which encourages residents to engage in healthier behaviors (participating in exercise groups, sharing meals with neighbors, etc.) that further enhance their quality of life.

Take Los Angeles, one of the largest and most densely populated areas on Earth. One particular section of LA, Alondra, suffers from a man-made phenomenon known as “shade inequity,” where a lower ratio of tree canopies generally represents less affluent and less healthy populations. According to environmental statistics, people who live in one particular neighborhood there experience an 87-percent pollution burden, compared to the significantly lower 57-percent score enjoyed by the more leafy and wealthy Manhattan Beach community just a few miles away.

In 2021, a diverse group of Alondra residents banded together to help address this problem. With the help of the Good Shade organization, these proactive volunteers planted dozens of trees in a nearby park that lay otherwise barren. According to organizers, planting costs (including maintenance for the first three years thereafter) can range from \$250-\$600 per tree. However, each of those trees can yield some \$90,000 in direct social, natural, and aesthetic benefits over the life of the tree.

This example of a shared purpose attracted people of all ages and from disparate cultural backgrounds who helped bring not just more shade, but also improved, long-term public health conditions to their immediate community. And such an approach has been adopted on a macro level in places – and with positive results – that might surprise you.

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STRENGTHENING COMMUNITIES

Certain regions of the world, known as “blue zones,” have become famous for the unusually long and healthy lives that their residents enjoy. The Italian island of Sardinia is one such place. Researchers who conducted a formal study of the island’s population found that Sardinians’ strong community networks proved a decisive factor in their longevity. Closer to home, the Twin Cities community of Fort Worth, Texas is quickly becoming another positive example of blue zone living. More on that in a moment.

Meantime, for residents of apartment complexes that prioritize community living, the individual physical, mental, and emotional health benefits we just discussed in the previous section can extend to the community level as well. Shared living spaces such as lounges, fitness centers, rooftop terraces, communal gardens, and co-working areas facilitate the kind of daily interactions that generate more solid friendships and social networks that go beyond neighborly small talk.

In turn, better social interaction and a supportive community can provide residents with emotional support during challenging times, reducing the likelihood of chronic stress and promoting mental resilience. Medical studies have verified that regular social interaction is associated with lower rates of depression and anxiety. As a result, over time, these meaningful social bonds can lead to a more fulfilling and longer life. In the interim, communal areas also give residents a platform to work together on shared goals, such as local initiatives or sustainability projects, which can lead to a more secure, resilient, and engaged society.

Communities, of course, aren’t limited to the apartment buildings themselves, but include the wider neighborhoods in which they exist. And the strength of any community lies in how people interact with each other. In contrast to the isolation often felt in traditional urban living, modern apartment complexes that are designed with communal living in mind can serve as a foundation for better social integration, safety, and collective well-being.

Let’s now examine how Fort Worth is succeeding in this regard. Often overlooked as Dallas’ “other sibling,” Fort Worth is making more of a name for itself. For instance, a decade ago, the city ranked 185 out of 190 metro areas surveyed by the Gallup-Sharecare Well-Being Index in terms of its residents’ health and wellbeing. By 2017, just three years later, it had skyrocketed to 31 after adopting several blue zone concepts and practices.

Recognizing the correlation between better health and improved economic development, then-mayor Betsy Price spearheaded efforts to reduce healthcare costs among Fort Worth residents through healthier living. Mayor Price and fellow likeminded civic leaders embraced the blue zones’ systematic, environmental approaches to well-being which focus on optimizing policy, building design, social networks, and the built environment. As a result, this made healthy choices the most logical choices for many people who live and work in Fort Worth. The success of those initiatives has since helped make a serious dent in rates of obesity, loneliness, and chronic disease in that community.

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Another benefit to the close-knit community ethos (even in larger cities like Fort Worth): apartment complexes designed with community in mind often experience lower crime rates due to the “eyes on the street” phenomenon. When residents know their neighbors and are engaged in their community, they are more likely to look out for one another, report suspicious activity, and cultivate a collective sense of responsibility for the safety of the area. This can deter crime because residents feel more accountable to one another and more invested in maintaining a safe and orderly environment.

With close to a million residents, Fort Worth is currently enjoying a boom as one of the fastest growing communities in the United States. Experts predict that its population could swell to 1.2 million by 2030, making this region a potentially lucrative opportunity for modern apartment dwelling investors. Blue zone concepts incorporate many of the same health and wellbeing ideas found in modern apartment buildings. So, if this approach can succeed in places as sprawling as the Dallas-Fort Worth metroplex, why not elsewhere in similar big cities?

BUILDING ETHICALLY, BENEFITTING ECONOMICALLY

Modern apartment complexes as we’ve been describing them can further benefit their communities by contributing significantly to the broader revitalization of urban areas. For example, many mixed-use apartment complexes that include retail spaces, dining options, and entertainment facilities breathe new life into previously underserved neighborhoods. The building and ongoing maintenance of these apartment complexes generate employment opportunities in fields such as construction, energy efficiency retrofitting, and property management.

Intentionally well-designed housing developments can thus act as economic engines, attracting businesses, increasing property values, and creating jobs. Developments that feature vibrant and attractive areas for residents and visitors alike spur additional investment and economic growth. They can also provide housing for a diverse range of income levels, allowing for socioeconomic integration that can further strengthen the community’s resilience.

Forward-thinking revitalization of this kind helps reduce urban blight, homelessness, and economic stagnation, causing ripple effects that can lead to more thriving, self-sustaining communities. By building structures with inclusivity in mind, developers and investors help people from different backgrounds live and work together, thereby fostering better understanding, tolerance, and cooperation for a healthier society.

With growing awareness around environmental sustainability and social responsibility, investors are increasingly desiring the long-term value associated with these types of ethical real estate ventures. Projects that emphasize eco-friendly materials, energy-efficient buildings, and social spaces that serve not just the affluent, but also a broad spectrum of society are becoming more attractive to globally conscious investors.

For instance, apartment complexes that incorporate green technologies – solar panels, rainwater harvesting, energy-efficient appliances, and the like – help reduce the development’s carbon footprint while lowering residents’ utility costs, thus increasing both demand and property values. As a result, sustainability is no longer a buzzword in real estate, but now a necessity. Because, as cities grapple with the effects of climate change, rising energy costs, and growing populations, the need for sustainable developments has never been greater.

Tenants are increasingly prioritizing sustainability in their living choices, with a growing number opting for energy-efficient, eco-friendly homes – a trend leading to higher occupancy rates and lower turnover in sustainable buildings. From an investor’s standpoint, this helps ensure steady cash flow. Sustainable buildings also prove more resilient to future regulations and market shifts, making them less risky investments over time.

As cities push for stricter environmental standards, developments that already meet these benchmarks will be at a competitive advantage, avoiding costly retrofits and fines. Such properties often receive government incentives or tax breaks as well, further boosting investors’ returns. Which helps explain why savvy investors are increasingly being drawn to the idea of “impact investing” to focus their intentional dollars on ethical projects that provide both financial returns and measurable social or environmental benefits.

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PROFITING WITH A PURPOSE

Real estate investment has traditionally fixated predominantly on maximizing financial returns. But as society evolves, so, too, is the real estate sector. More investors are recognizing that profitability needn’t come at the expense of ethics. In fact, ethical investments that prioritize social, environmental, and community-focused outcomes are proving to be both sustainable and financially rewarding. As modern apartment complexes become more than just places to live, they offer a unique opportunity for ethically minded investors to make a meaningful impact while still securing attractive returns.

Ethical real estate ventures can attract the growing wave of socially conscious investors and tenants alike, while becoming the backbone of healthier, safer, and more connected communities. By fostering social interaction, reducing crime, and revitalizing urban spaces, these developments provide lasting value to investors, residents, and the cities they inhabit. As we continue to rethink urban living, the social blueprint laid out by these kinds of apartment complexes offers a promising vision for the future of community and city life.

Residents who choose to live in such dwellings can also benefit financially, according to the Transportation Research Board (part of the National Academies of Sciences, Engineering, and Medicine). By living in thoughtfully designed urban villages, they can reduce their need for vehicles that depreciate and generate virtually no equity. Their real estate, by comparison, tends to appreciate in value, particularly in urban settings where revitalization is being prioritized.

In today’s urban landscape, the idea of a well-designed apartment complex goes far beyond creating attractive buildings. When thoughtfully designed, they’re holistic approaches to improving health, well-being, and community cohesion. By incorporating green spaces, communal areas, and opportunities for social interaction, they can help extend lifespans, reduce chronic illness, and cultivate happier, more connected communities.

For example, according to the American Journal of Preventative Medicine, residents of walkable neighborhoods (where many mixed-use apartment buildings exist) weigh between six and 10 pounds less than people who live in more sprawling areas. Ultimately, better-designed living spaces are investments in the improved quality of life both for individuals and society as a whole.

As we've discussed, investing in affordable housing developments meets a critical social need and boosts local economies by providing jobs, increasing demand for local services, and stabilizing neighborhoods. Inclusive developments ensure that a diverse range of individuals can benefit from safe, modern living spaces, further contributing to economic upliftment. Affordable housing, in particular, has been shown to reduce poverty rates and spur economic growth by improving the financial stability of residents, which in turn increases consumer spending and local business development.

Ethically bound investments in real estate offer powerful solutions to some of the most pressing challenges of our time: climate change, social inequality, and urban revitalization. By emphasizing sustainability, social impact, and economic upliftment, investors who participate in these purpose-driven projects are investing in the long-term economic health of the communities in which they live and serve. In so doing, they can achieve high financial returns while contributing to a more equitable and resilient future where everyone profits.

ABOUT THE AUTHOR

Alejandro Dabdoub is a Partner at AOG Living, a full-service multi-family property management, construction and investment firm serving a wide variety of investors—ranging from institutions, private partnerships, domestic and international investors, individual owners and government housing organizations.

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