

Jen McFadden: This episode of Beyond the Bottom Line is brought to you by the Program on Entrepreneurship at the Yale School of Management where we're educating students in business and society.

Jen McFadden: Today we have with us Bridgette Farrer Muir, who is a 2015 graduate of the Yale School of Management who went on after graduating to be an early employee at Common, which is a co-living startup. Bridgette, we would love to hear a little bit about your background, pre SOM, and talk a little bit about how you made the move from SOM to an early stage startup.

Bridgette F.: Absolutely. Thanks for having me Jennifer. I had worked in commercial real estate before coming to the Yale School of Management. I worked at CBRE, which is the world's largest commercial real estate professional services firm. I was based out of the Chicago Office. Knew I wanted to come to business school, didn't necessarily know that I would work in real estate again. I was really interested in startups. I knew I wanted to do something early stage. I wasn't sure if that meant a path in venture capital or a path at a startup. I just knew I wanted to be at a place that was changing rapidly and growing quickly. So I came to SOM, I took full advantage of the entrepreneurial studies program here, did a lot of interesting coursework as well as worked on a couple of ventures myself and did a few internships in venture capital.

Bridgette F.: Actually in my fourth semester, second semester of my second year, I had the opportunity to meet Brad Hargreaves on campus. He is a Yale College alum who had come back to give a talk on entrepreneurship and this was right after he had left General Assembly and was working on his next venture, Common, which had a different name at that time. So we actually met on campus and kept in touch it. It was probably about a month or two after that I ended up signing an offer with Common to join the team in New York City, which was really small at that point. So I started in June, right after graduation.

Jen McFadden: Can you tell us what Common is?

Bridgette F.: Yeah, absolutely. Common is a residential property manager that specializes in the design and operation of homes, specifically catered towards the needs of roommates. We look at the residential housing market and all of the different types of demand that exists and all of the different types of supply that exists, housing inventory, and really identified that roommates were actually this huge underserved market within real estate. If you look at a city like New York, actually a third of households are groups of unrelated adult individuals living together, and yet there's no housing being built for them. We really identified this as a mismatch in supply and demand and perhaps a problem that we could help solve.

Jen McFadden: Can you explain what your first role was and how that role has evolved since you've been there, and also within the context of you've raised now over \$35 million? How has that evolved as the company has grown?

Bridgette F.: Sure. I'll talk first about role. I was hired to be a director of admissions. I joked that I sounded like a headmistress of a school, but our admissions function was our sales function. As I've told folks before, being hired as the head of sales at a really early stage startup just means you're the first salesperson. So I got to cut my teeth really filling our first buildings. Because I joined before we had actual buildings open, spent a lot of my early time on partnerships to make sure that when we did open our first home, we had a steady stream of applicants coming to Common. How has it evolved? I spent my first year in New York really focused on sales partnerships and marketing. In July 2016, about a year after I joined, actually relocated to the West Coast to help us expand our operations there.

Bridgette F.: We opened our first homes in San Francisco in Q3 and Q4 of 2016, and actually our third one just this year. Have been West Coast based for almost a year and a half now. To your question about financing. We've raised two [rencher 00:04:14] rounds. The first one in 2015, the second in 2016. I think the third financing that you are referring to is a recent partnership we announced with a real estate private equity group called Herman, that is actually not an investor in the operating company. They are a real estate investor, equity investor, that is going to deploy that capital to actually invest in Common projects. One of the interesting things that many people don't realize about Common is that we don't own the buildings that we operate.

Bridgette F.: We are a flag operator much in the way that a hotel flag works. We worked directly with real estate owners and developers to manage these properties, much like a hotel flag, but we were not involved in the capital stack. We've sort of thought over the last two years, what is our role in the kind of acquisition of the real estate? It's something that we haven't dipped our toes in to date. But it is interesting that there are dedicated sources of real estate equity that are interested in getting involved in the upsides of co-living. So we just recently announced a partnership with Herman. They did raise \$15 million for their first fund and we are actively working on four new properties with them, three in New York City and our first announced home in Los Angeles.

Jen McFadden: What is that mix of new units from the ground up versus working with existing property owners?

Bridgette F.: Yeah, it's a great question. One of the things that really makes our model work is dealing with entire buildings. Rather than taking a unit here and there, we do manage entire buildings. Those buildings need to be vacant in order for us to come in and do what we do. The way we think about building our real estate pipeline in a given city is existing projects are a... existing properties rather are a great near term solution because they can be brought online really quickly. Ground up projects have other benefits and that we get to sort of design them to spec. They are built exactly how we would like them for Common, but they do take a long time. I wouldn't say there's necessarily a preference of existing property versus ground up.

- Bridgette F.: They really serve two different needs for us. Existing properties, like I said, are great for entry into a new market because they allow us to bring Common to market quickly. But ground up, even though it takes longer, is where we get exactly what we want.
- Jen McFadden: Great. Tell me a little bit about the Common experience itself. What you are essentially trying to do is build this brand around real estate and kind of residential real estate, that's international brand around residential real estate. What is that experience like and how do you make sure that that brand is extended across all of your properties and all of the different cities with all of the different personalities?
- Bridgette F.: Yeah, absolutely. It's a great question. So how do we think about the Common brand? One thesis we've really had from the beginning is that there is a lot to be learned from the hospitality industry in residential, multifamily real estate. So we look at hospitality and the amount of really valuable and resonant consumer brands that exist in the hospitality space. Yet there is really nothing comparable or similar in residential rental housing. We think that there's a gap there that we hope to fill. Your question about what is the experience and how do we maintain consistency. The experience is really... I think that this word, co-living, is tricky for some people because it feels new and different and maybe people don't understand what it is. We say all the time, "We actually didn't invent living with roommates." This is something that people have been doing for a long time.
- Bridgette F.: They certainly continue to do. We're actually not asking the consumer to change their behavior at all. We are taking an experience that's usually kind of difficult and trying to make it a lot better.
- Jen McFadden: Just to interject there. Where are some of those pain points that you see? Why do you say it's difficult?
- Bridgette F.: Absolutely. I'll start by saying that a lot of our members, not all of them, but probably 70% are new to the city in which they are looking for housing. What are some of the challenges? Finding a place. If you are in a roommate situation and you don't have other people that you are looking with, you are either looking for a bedroom in an existing apartment with a group of other people, or you're finding a larger apartment and then trying to go fill the rooms yourself with other roommates that you go find. There's least risk on both sides. If you're a consumer, if you're moving into a bedroom, it's unclear whether or not you are going to actually be on the lease. There's risks because if you're not on the other side if you're taking down a lease for an entire apartment and expected to go find the other people, you're absorbing many lease risks.
- Bridgette F.: So you do find groups of people because they have different move dates and perhaps even different budgets, sort of running their own ad hoc leasing processes. So finding a place. Furnishing it is a huge one. Who owns what?

Who's going to bring their couch? What do you do when the roommate who owns a TV moves out? No one wants to invest in a third of the replacement TV. That's another big one. Utilities, and I would say household finances altogether. Who's going to set them up? Who's going to pay them? Same thing with rent payments. Who is going to be the apartment treasurer and collect rent money from all the other roommates and then send it to the landlord? Cleaning. Cleaning is a huge one. I really can't understate that.

Bridgette F.: But there really is this kind of sense of the tragedy of the Commons in a shared space. I think even the best intentioned roommate situations can kind of go sour over that. So cleanliness is one. Shared supplies, things like who's turn is it to go buy toilet paper?

Jen McFadden: It was my dream to have unlimited supply of [crosstalk 00:10:10] restocked in my house and laundry detergent, which I also understand is a small amenity that you offer.

Bridgette F.: Yeah. I mean, really the best way to think about is all the things that you would very naturally share in a home. So if you have an apartment in New York and there's three or four roommates living there, you don't need four bottles of olive oil, you just need one. Same thing goes with household cleaning supplies and stuff like that. We take care of that as well. Last but not least, I mean it's really... we are giving people a platform to interact with one another. So I can talk a little bit about community and how we think about that. The best communities are organic ones that are really created by the stakeholders. Rather than Common being an event planner or an organizer of social events, what we've really done is, A, created the expectation that this is a great place to get to know others.

Bridgette F.: It's very friendly. People know their neighbors at Common. But, two, giving people the resources predominantly through technology to self organize, whether it's the impromptu brunch on Sunday or a weekend trip get away, we've been able to deliver that to people. It's ironic in a place like New York, which is where we're headquartered, that people live in such high density and yet there is so much loneliness. You can ride the elevator in any high rise in Manhattan and you better not make eye contact. It's really isolating. We've asked the question of how do you take that sense of neighborhood and that neighborliness of the suburbs or a cul-de-sac and infuse that into a high rise in New York? We think it's possible.

Jen McFadden: How do you do that?

Bridgette F.: I think, one, people that are coming to Common are sort of looking for this. So there is this element of selection bias. I think people that are not looking to live with others or not looking to meet new people or probably not attracted to Common. We don't pretend to be for everyone. I think that's one. Two, I think this... everything that I've described in the way of conveniences, really been able

to remove all of the challenging parts of living with others and leave all the best ones behind. I don't think anyone would contest the fact that there are huge social benefits to living with others. If you can remove the challenging parts in theory, all that's left is the good stuff.

Bridgette F.: I think one other interesting thing to consider from a macro perspective is the fact that there are a lot of demographic shifts that lead to people living with roommates longer and later into their lives. We see people delaying marriage, delaying families, delaying home ownership, living in cities longer. I think this idea of sort of getting your own place, this pinnacle of your life or your career, to some extent still exist. But it's interesting. We've seen people who have maybe been living alone for five years and they end up moving into Common because they're still living in the city, they're still renting and this idea of getting their own place has perhaps worn off.

Jen McFadden: Explain how you integrate technology into the Common experience.

Bridgette F.: Absolutely. If you think about your own life, if you are a renter, your lease is probably one of the only things that you're still using paper for, perhaps aside from government agencies. There is a lot to be desired in the way of technology from the user's perspective. As a renter, there's also a lot of amazing things that can be done in the way of providing better, more holistic, more real time information to landlords as their property manager. There's two sides of that coin in the way that we think about technology. From the consumer side, everything that is done really at Common is done online. You apply online. You can even take a tour online.

Bridgette F.: You signed your lease online. You set up your bank account information online, everything is done via ACH. We have an entire customer service function that exists online. Technology really is throughout the experience. There's also some in-home technology. That is great. On the consumer side there's all of that. Then on the landlord side, being able to again deliver perhaps better financial information or better kind of property reporting because we do have all of this data is a huge value add to owners.

Jen McFadden: Let's dig a little bit into the property owners side of things. How are you positioning yourself relative to other people in the industry? There are a couple of other players who are moving into this space. What are you doing to express whatever that value proposition is to property owners so that they want to work with you?

Bridgette F.: Yeah, absolutely. In the last two years that we've been open, we just opened our 14th home, we've got about 400 beds under management, we really have honed our expertise. I would say unique expertise in both the design and operation of co-living homes. We have done a lot of work on the backend to enable this really smooth consumer experience. Like I said, everything from lease signing to payment has all been kind of digitally integrated in a way that is

really powerful for consumers. Then on the flip side for owners being able to provide better data, being able to really give them real time insights into how their properties are performing is quite powerful.

Jen McFadden: Great. You guys are predicting that you'll have 10,000 plus members by 2020. What are you thinking about in terms of fueling this growth feeling?

Bridgette F.: Fueling in what sense?

Jen McFadden: Are you trying to increase the number of units? What is your mix now between one bedroom, two bedroom, three bedroom?

Bridgette F.: Oh, interesting. Yes. I'll answer that in a couple of ways. There's really three primary ways that we think about growth. The first one is just more density in the existing markets that we're in. So Common is currently in four markets in New York City, in Washington, DC, in Chicago, and in the San Francisco Bay area, in SF and Oakland. One way to grow would be to kind of double down on those markets and bring more inventory online, which we plan to do. The next is to think about growth in other markets. One of the interesting network effects that's really powerful at Common is when members join Common and sign a 12 month lease, they are committing to 12 months at Common, but they actually have the ability and the flexibility to transfer to another Common home. We've seen this used in a couple of ways. We've seen people use this to get to explore a city.

Bridgette F.: So maybe they join Common in crown heights and four months later decide, "You know what? I'd love to try living in Williamsburg. I don't know that neighborhood at all." We've seen it use that way. We've also seen it be used for folks that have personal, professional opportunities in another market that they might not otherwise be able to pursue because the burden of trying to get out of their lease and moving all their furniture and trying to secure housing in a new city is just too great. The second way that we think about growth is adding more cities to the Common network. We really do know that there is huge value in that for our members because it just opens up a lot more places that they can come live or explore. The third one is product. We have really focused predominantly on roommate housing. We think that there are other interesting applications for co-living. So we've thought a lot about what would a co-living building look like for families.

Bridgette F.: How could we build a building from the ground up in a way that had the same values and same convenience when it comes to shared goods and services, but are targeted at a slightly different market? We've actually had a number of empty nesters that have joined Common. That's a really interesting demographic as well. I think the product in a lot of ways is the same as what we currently offer, but thinking about how we might grow that segment of our business. If you think about my earlier comments of people staying in cities longer for empty nesters. Their children are staying in cities longer, their

grandchildren are being born in cities. Thinking about kind of coming back to urban centers, I think a lot of the amenities from a retail location or actually the same in both demographics, wanting great access to transit and retail and entertainment. I think it's the same.

Jen McFadden: How would you describe the Common brand?

Bridgette F.: Oh, the brand. That's a really good one. I think more so than anything, we have worked really hard to make Common feel like home. I think one of the challenges, whether you're moving to a new city or just staying in a city longer and really more people being renters later into their lives is, there's this feeling of not being able to make it feel like home because it's impermanent. You don't want to invest in that great piece of furniture, you don't want to take the time to hang your art on the walls because it just feels like, "Eeh, maybe it's not worth it." We want people to feel like this is a home. This is a place that they can live for a long time. I think one of the challenges which is interesting is that because we are fully furnished, there's sort of an assumption that fully furnished means short term.

Bridgette F.: We combat that. We combat that notion a little bit. We take so much time and care thinking about how to evoke the sense of home, pretty unique for a property manager. We actually have an in-house design team. We have designers, construction managers, architects that think long and hard about the usability of the space and how people interact with it and how they interact with each other. Our thinking has evolved in the last two years but I'd say above and beyond, above all really making it feel like home, making people feel like they have a home wherever they're living.

Jen McFadden: Great. Can you describe just back to the earliest stages, those first six months, first year, what was your life like? What were you doing on a regular basis? What does it mean to come out of an MBA program and be one of the earliest employees at a fast growing startup?

Bridgette F.: Absolutely. It's humbling. So how did I spend my early days? Let's see. I started in June and our first home wouldn't open until October. That's actually four months. I spent the bulk of that time working on partnerships. So I alluded to this earlier. Even though we didn't have any product to sell yet, does not mean that there was nothing to do. There was plenty to do because I knew that when we opened that first building, we were incentivized to get it filled quickly. Spent a lot of time establishing partnerships with groups in New York City that had an audience of people that were either new to town or had some sort of acute need for furnished and flexible housing. Spent a lot of time on that.

Bridgette F.: Once we opened our first building, I was our first salesperson. I can think back to jobs I had in college. I leased apartments. It was like doing it all over again and schlepping out to... from midtown, from our office to Crown Heights, mostly nights and weekends because that's when people look for housing. I did a lot of

that and pretty quickly sort of building the team because we would open our second home right around the corner just a few months after that. Then our third home that we opened in Williamsburg was quite large by comparison. It was 51 bedrooms. So spent a lot of time really getting to know the product, getting to know the customer.

Bridgette F.: The value of that can't be understated. The other thing that I always tell MBAs is that for early stage businesses, there is so much value in actually being a generalist. You have to be a Jane of all trades. There's just no option when there's only three or four of you trying to do everything. If you understand a little bit about marketing and a little bit about finance and enough about sales, that's really ideal. Obviously as a company grows, specialists become more important. But in the early days, being able to figure out challenges as they come and having this toolkit I'm in the back of your head is huge.

Jen McFadden: I know one of the things that when you were here as a student we talked a lot about was diversity. I also know that Brad's wife is a pretty high powered entrepreneur herself. I'm curious how you think about diversity as a company and how that is important to your culture and how that manifest itself?

Bridgette F.: Yeah, absolutely. I would say first and foremost, our customers are diverse. If we're really gonna understand all of the elements of customer demand, we would be really remissed to not have that reflected in our own team. One of the things I think is the most interesting about Common and proudest of in fact is that our membership is so diverse across so many metrics. Actually some fun facts, the average Common member is 30 years old, which is actually older than people assume-

Jen McFadden: [crosstalk 00:24:06] older than I would assume.

Bridgette F.: Yeah. It does. But I think that does speak to the fact that people are living in cities longer. Our average member is 30, but there are dangling modifiers on both ends. It's really such a wide range. 30% of our members come from other countries. Our Common team probably is about 30% international as well. When we think about, what does diversity mean as a company, it would be so silly and short sighted to not really seek that out because that's who we're serving. I think one of the other interesting things about being... kind of diversity in background, about being a full-stack property management company is that, a typical startup, even if have a founder or a salesperson and a dozen engineers, we don't look like that at all. We have maintenance techs, we have cleaners, we have people that come from traditional real estate brokers and real estate finance.

Bridgette F.: We have designers, architects, salespeople, customer support. We really have everything. That has made for a really rich environment as well because people just have such fascinatingly different backgrounds, and a lot don't come from startups.

Jen McFadden: Awesome. Last and perhaps the toughest question, which is your favorite Common property and why?

Bridgette F.: Oh, that's such a tough one. Oh, favorite Common property and why? I'll talk about our largest, because I think it's the most interesting for us in the long term. It's a home called Baltic. It's in Boerum Hill. It's a ground up development with a developer called Adam America, which is the largest apartment developer in Brooklyn actually. The reason why I'm choosing this property is because it marked the first time we tried something pretty different and it worked. It has super interesting implications for us, longterm, as we grow our business. All of our homes up until then, and actually since then were a 100% co-living. There were obviously variations home to home. A lot of our homes are existing, some are ground up. Similar to hotels, they have a look and feel that is consistent, but they're not cookie cutter and all identical.

Bridgette F.: Baltic is different because it is a hybrid of furnished co-living, the way Common does it everywhere else, and unfurnished traditional apartments, studios, ones and twos. We knew we had the infrastructure to manage a traditional building, but we thought, what is the power of the brand in a building that's not 100% co living? Are there people that are attracted to Common that actually don't want to co-live? The answer was yes. I think that was really interesting for us because, as I spoke about earlier, this idea of not making eye contact in the elevator in a traditional high rise in New York City, Baltic is really different, people know their neighbors. It challenged our assumption that, you need to share a kitchen to know your neighbors. You don't.

Jen McFadden: It's like you're creating a cul-de-sac in the city.

Bridgette F.: I mean, it's something we think about, and there are plenty of people that I think are looking for that. It also I think can serve more people and more life stages. We actually had some members that had been living in co-living. I'd say about 10% of our members are couples, which is another surprise to people. But we had some that were living in co-living that had just recently gotten engaged and said, "We love Common. We love living here, but we think we're ready for our own space." Baltic provided this beautiful next step. I would say that's my favorite because of the implication that it has for us in our business longterm.

Jen McFadden: Excellent. Well, Bridgette, thank you so much for coming back to the School of Management and for talking to us. As always, so great to see you and to hear what's going on. We look forward to watching Common's continued success into the future. Thank you.

Bridgette F.: Thank you so much for having me Jennifer.

Jen McFadden: Yeah.