

How Common Does Pricing

Posted February 9, 2016 by Danielle Robin

At Common, we're making the experience of living with people better. While there are a lot of angles to that, **getting pricing right** is a very big one.

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For better or worse, the traditional rental apartment market has set a pretty low bar. Bait-and-switch tactics are everywhere, with many landlords requiring large sums of pre-paid rent or steep application and broker fees.

So we really needed to start from scratch. To do that, we sketched out four basic principles with which that any pricing system would need to align. Given our mission and experience with traditional rentals, we believe that Common's pricing must be:



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Inclusive.

The rental apartment search is full of hidden fees. Broker fees, application fees, bait-and-switch tactics, and utilities can greatly increase the cost of a rental apartment beyond the quoted price. We wanted to eliminate all the hidden fees and quote one straightforward monthly price that includes everything we provide: all utilities, wifi, cleaning, free laundry, kitchen and bathroom supplies, and access to all our community events.

Transparent.

Common's pricing should not only be inclusive, it should be transparent. That is, the price of any Common room should be the output of its location, its size, and any special characteristics like a private bathroom or a particularly nice view.

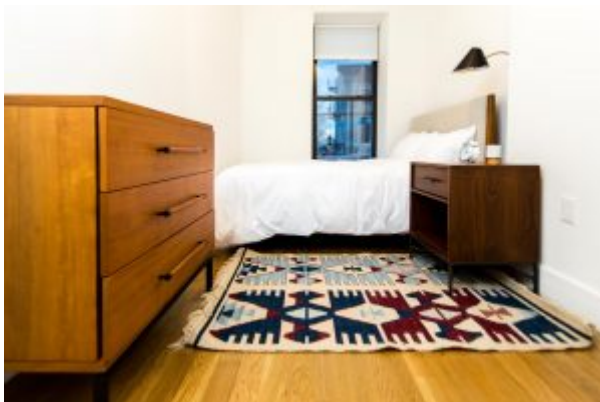
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Flexible.

The nature of work is changing. For instance, the mean job duration for someone in their 20s today is only 16 months, a trend that has had an impact on all age groups. Linear careers are far less common than they once were, with people switching between freelance roles, jobs, startups, and mid-career education at a faster pace than ever before.

Occasionally these changes involve moving, and we deserve flexible housing built for today's career paths. Traditional 12-month leases don't accommodate this, and we want to build a better product for the way people work today.

That said, we don't desire to serve transients, and we want to reward those who are a long-term part of the community. Our minimum stay is 30 days, and I'll discuss some of the ways we incentivize and reward long-term members below.



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Comparable.

Our members aren't making a decision to move into Common in a vacuum. They're often looking at other options, especially getting a studio on their own in the neighborhood. Therefore, we need to be able to compare Common dollar-for-dollar with other local options and help prospective members weigh the pros and cons on each side.

Common Versus a Studio

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We decided to build a product that could compete directly with a studio apartment in the neighborhood. While there are pluses and minuses for each, we wanted to make sure we were attracting customers who put value on the things that make Common unique rather than simply searching for the best deal.

While a studio offers more private space – and a small private bathroom and kitchen – Common provides much better shared spaces and a bundle of other benefits. Most notably, we include utilities in our all-in price, and we've eliminated the fixed costs that come with getting a studio – specifically broker fees and furnishing costs.

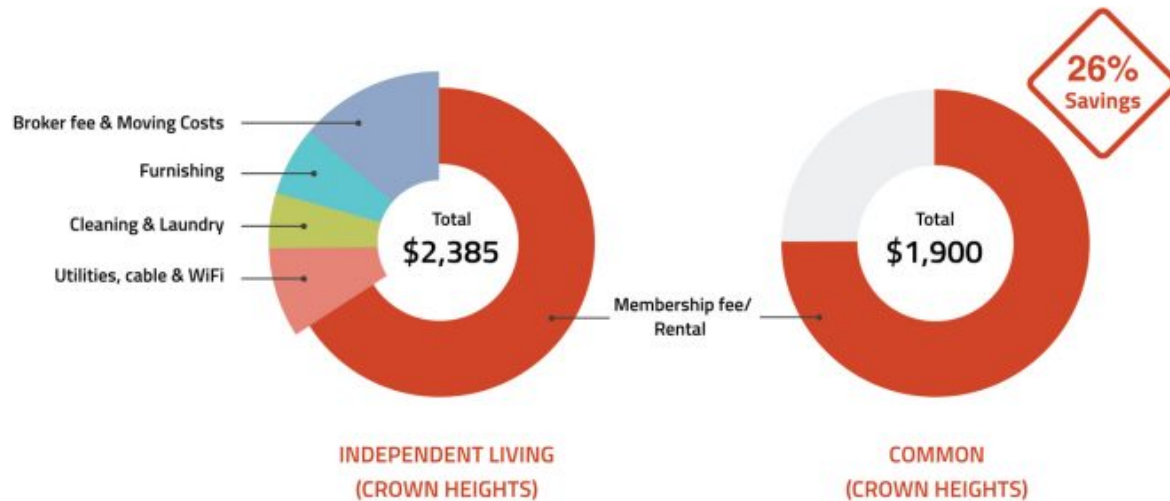
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Monthly cost comparison- Common vs a Studio Apartment



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Monthly cost comparison: Common versus a Studio Apartment in Crown Heights

Some people will always prefer to pay a bit more to live alone in the studio. And that's totally okay with us – there are 24 million people in the New York metro area, and not every one of them needs to live in Common. But we must make sure that the people who choose to live in Common are getting a great deal.

Pricing for Flexibility

Flexible lease terms are one of the most difficult things to get right. We always want to offer the option of moving out with 30 days notice, but offering this kind of flexibility has real costs for us, both monetary and social.

On the social side, it's close to impossible to create community if you're serving transients. While it's okay if some percentage of our members churn every month – they got a different job, decided to move in with their significant other, or they just wanted a change of pace –

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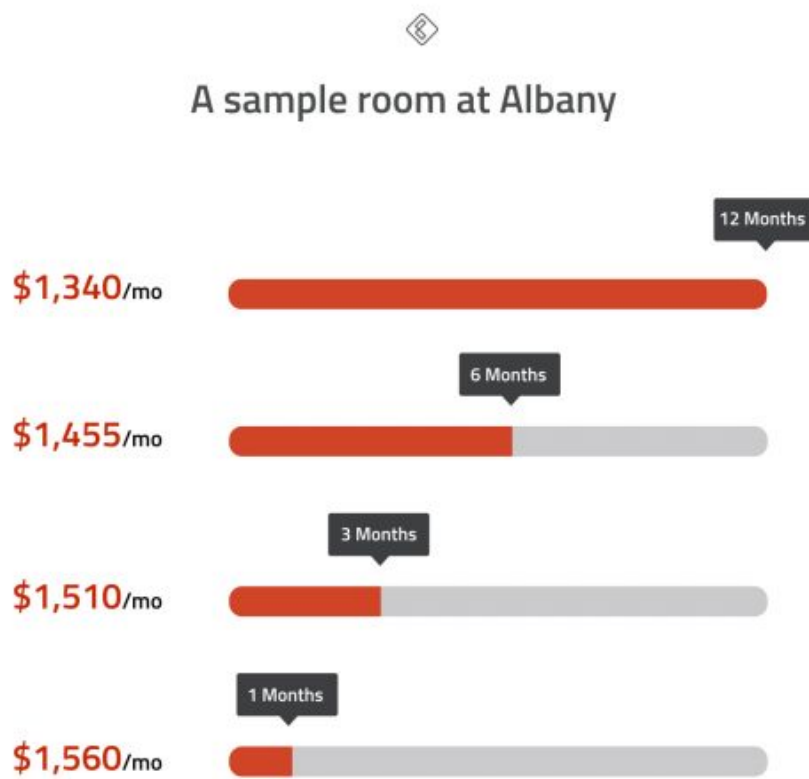


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On the monetary side, there are costs to turning over a room. One, we need to make sure the room is in tip-top shape for the next member. Two, if a member moves out at an awkward time – such as over the holidays – we may not have a new member ready to move in immediately. While both of these are negligible issues at our current size of 31 members, they could be major problems at 3000 members.

With all that in mind, we decided to incentivize our members to commit to longer term stays by giving them lower monthly rates in exchange for their commitments. Not only does this encourage members who are long-term aligned with our mission, it also makes Common an even more attractive option versus a studio.

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Pricing tiers for a typical room at our Albany home in Brooklyn, NY

While the pricing tiers depend on the room, in general members receive approximately a 15% discount for a 12-month commitment, with smaller discounts for 3- and 6-month commitments.

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All in all, pricing is a challenging question for a company offering a new product like Common. Comparables help, but none of them are perfect, and small changes can radically impact how our customers are incentivized to work with us. But as long as we make decisions in line with our principles of transparency, inclusiveness, flexibility, and transparency, we can only screw it up so badly.

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