



SINGLE-FAMILY RENTALS IN BUILD-TO-RENT COMMUNITIES

JULY 2023

National Housing Snapshot

Total U.S. Housing Units	142.5	MILLION UNITS
Total Occupied Households	127.4	MILLION UNITS
Renter Occupied Households <i>~20MM Professionally Managed Multifamily</i>	44.0	MILLION UNITS
Single Family Rentals <i>~500K Institutional Owned SFR</i> <i>~165K SFR in Build-to-Rent Communities</i>	17.0	MILLION UNITS

The Four Types of Single-Family Build-to-Rent

HORIZONTAL MULTIFAMILY

- 1,500 sq ft
- 1-3 bedrooms
- \$1,300-\$1,900 rents
- Single-level cottage homes, enclosed small backyards
- NextMetro & Lennar in Phoenix and Denver pioneered concept
- Fully amenitized community-pool/clubhouse

TWO-STORY TOWNHOMES AND/OR ATTACHED ROW HOUSES

- 1,700 sq ft
- 2-3 bedrooms
- \$1,300-\$1,900 rents
- Western U.S.
- Partial to no amenities

LUXURY SINGLE-FAMILY

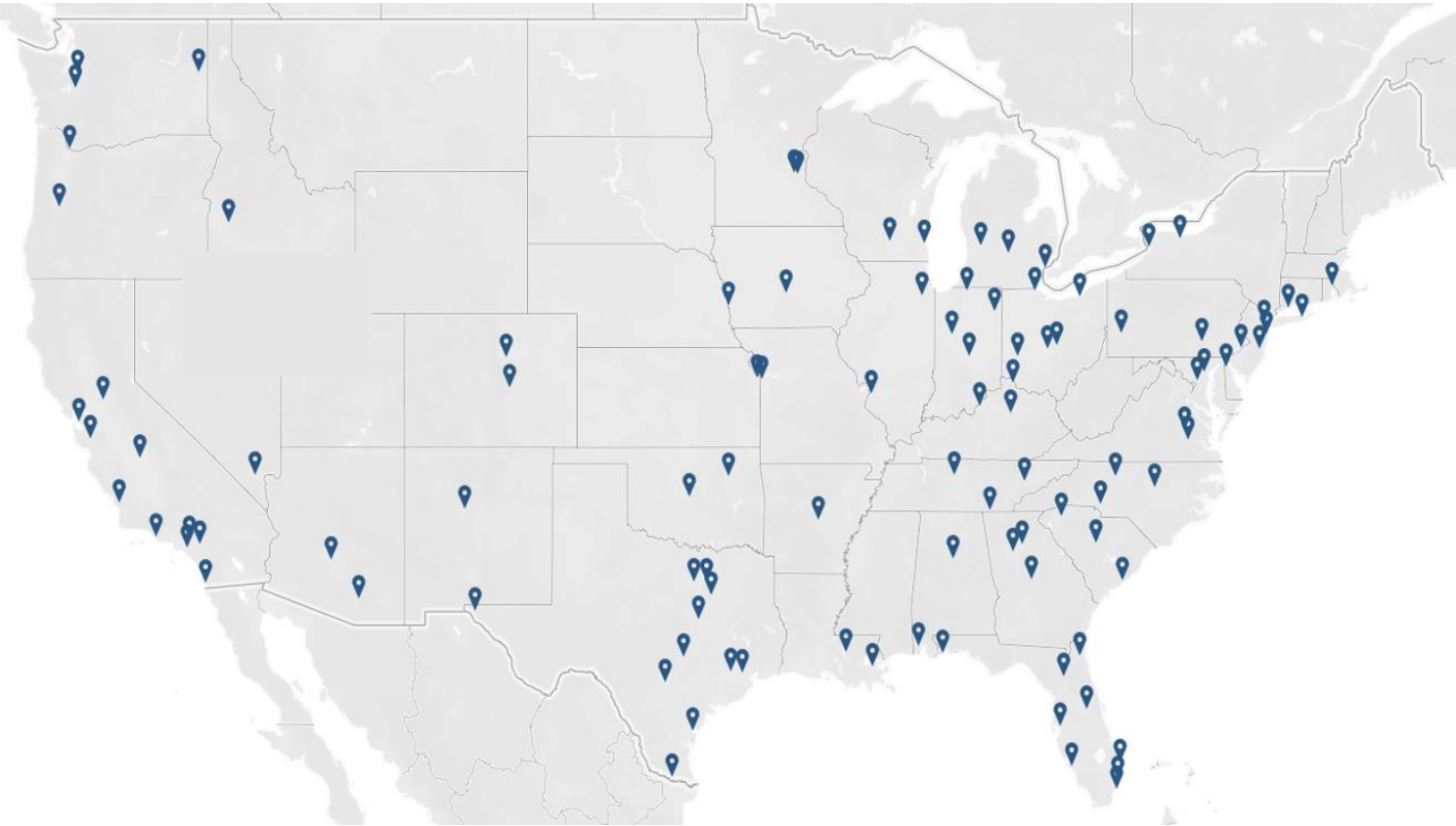
- 2,000-3,000 sq ft
- >4 bedrooms
- \$4,500-\$7,000 monthly rents
- California + Nevada
- No community amenities

TRADITIONAL SINGLE-FAMILY

- 1,800-2,500 sq ft
- 3-4 bedrooms
- Southeastern U.S. (Nashville, TN)
- Larger lot sizes

Single-Family Rentals in Build-to-Rent Communities Are *now a Part of the Yardi Matrix Data Service!*

Yardi Matrix Single-Family Rental Coverage Map



Status	Properties	Units
Completed	1,120	141,316
Under Construction	344	52,136
Planned	185	35,162
Prospective	207	35,726
TOTALS	1,856	264,340

*Yardi Matrix coverage include single-family rentals and build-to-rent over 50 units. Complete explanation of our definition is available upon request

Source: Yardi Matrix



SFR Demand Strong Among Millennials and Blue-Collar Workers

Single-Family Rental Demand Drivers:

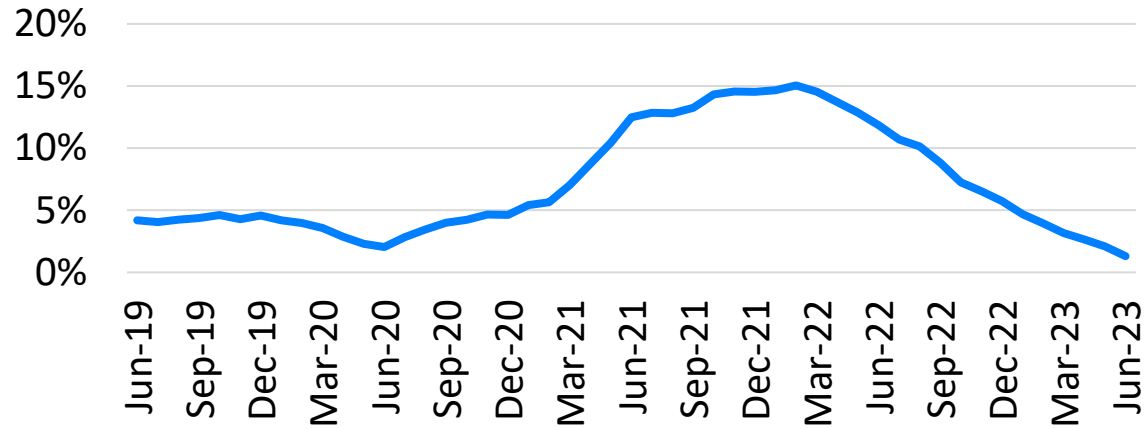
- **Work from home**
 - **Only 49.8% of workers are back to the office** – hybrid work is becoming the norm
 - More conducive to work than noisy apartments
 - Offers more space for multiple workspaces
- **Household formation growth** during the pandemic as a result of:
 - Employment/wage growth
 - Stimulus payments
 - Increased savings
- **Declining affordability of homeownership**
 - 61% of renters in the largest metros are priced out of homebuying
 - SFR is prime for millennials and blue-collar workers who would like to buy a house but are priced out
- **Demographics**
 - Millennials and blue-collar workers
 - Ages 24 to 40
 - Salaries averaging \$60,000 to \$70,000 a year

SFR/BTR Development Trends

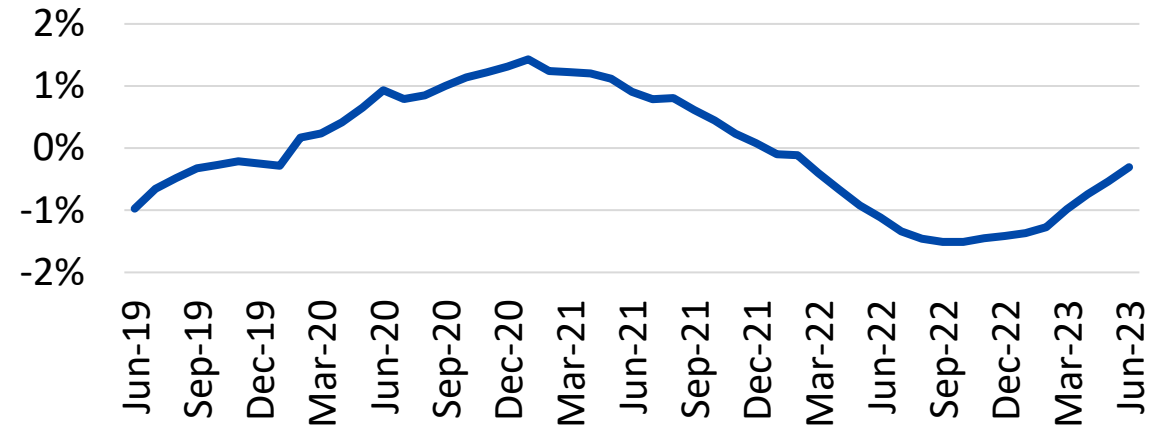
- Amenities
 - Most popular: on-site maintenance and a community
 - Highly desired: better parking, storage, privacy and a yard (even if small)
 - Bonus: apartment-like amenities such as a pool, clubhouse and trails
- **Smart home technology is a MUST** – will likely become standard
 - Plan for future demand – EV charging in garages
- Design homes to accommodate frequent moving
 - Resilient materials (e.g., laminate faux wood flooring, granite/quartz countertops)
 - Wider hallways
 - Standardized appliances
- Flex SF and lot size by location based on consumer demand
 - Young singles and couples prefer pet-friendly units
 - Young families prefer large common areas
 - Singles and couples want an attached garage

Single-Family Rental Fundamentals Are Beginning To Level Out

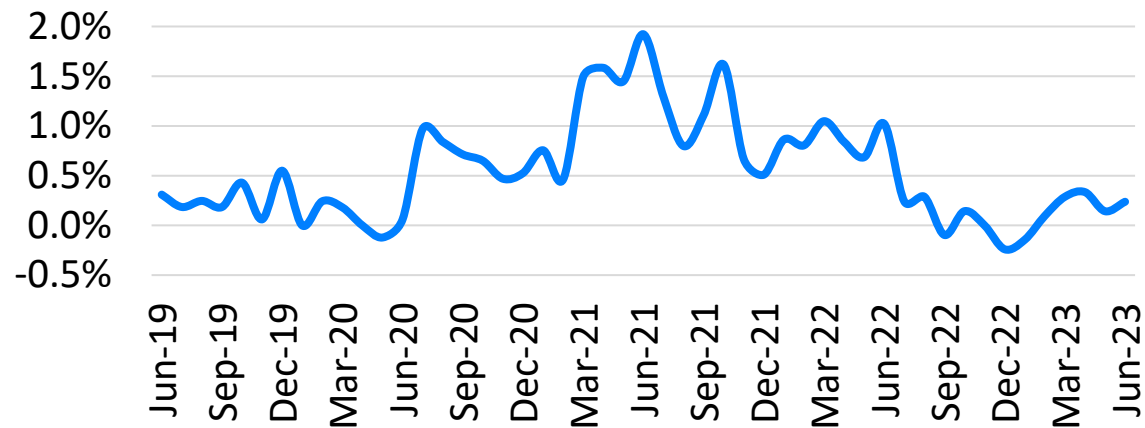
National SFR Rents: Year-over-Year



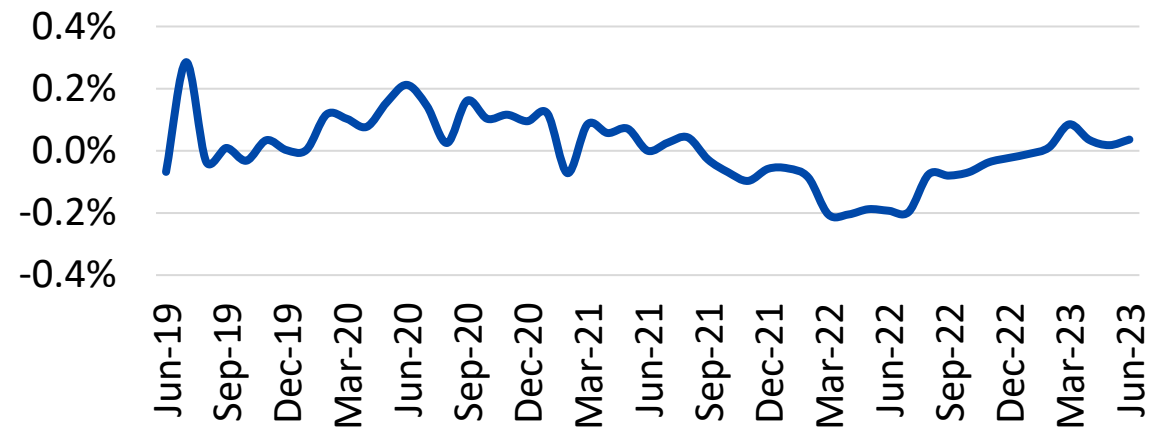
National SFR Occupancy: Year-over-Year



National SFR Rents: Month-over-Month

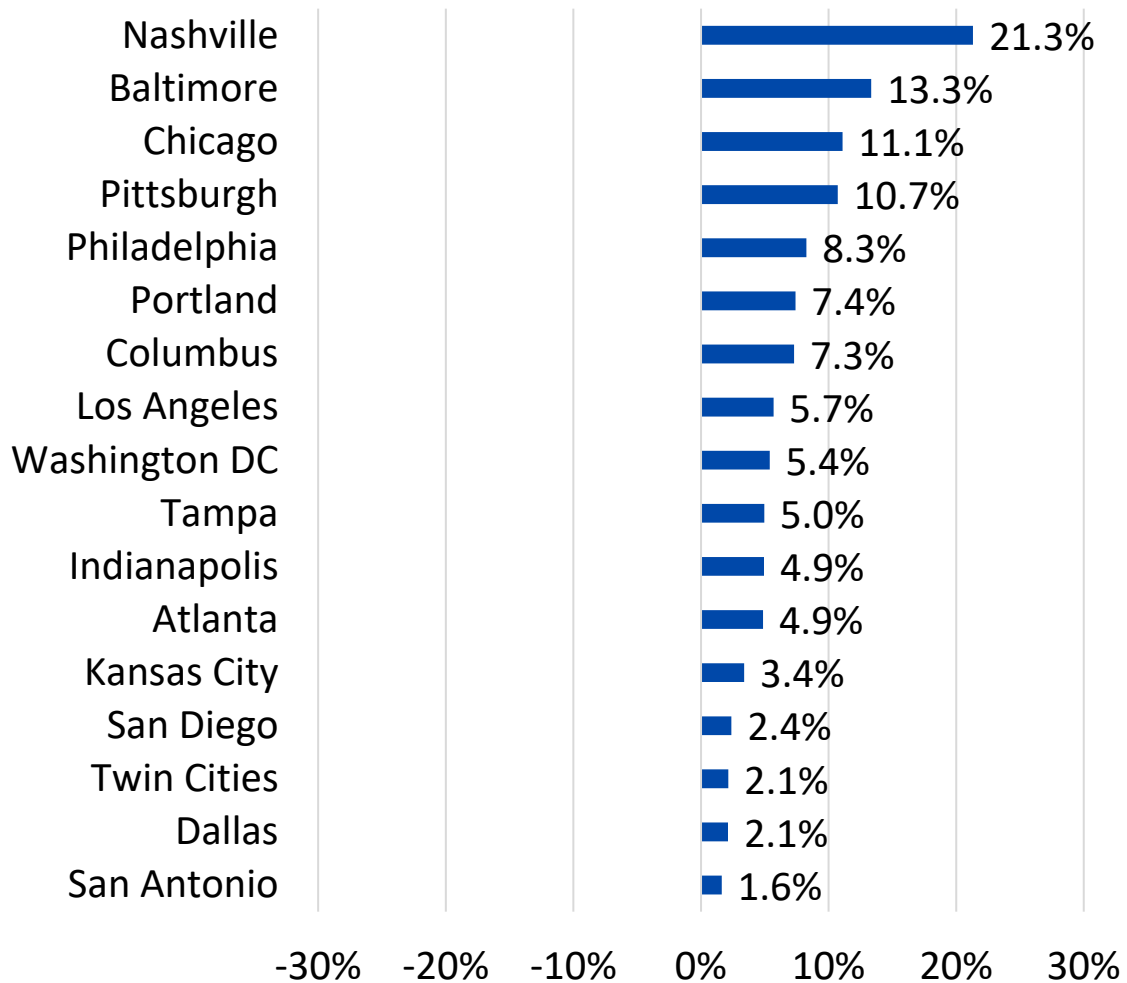


National SFR Occupancy: Month-over-Month

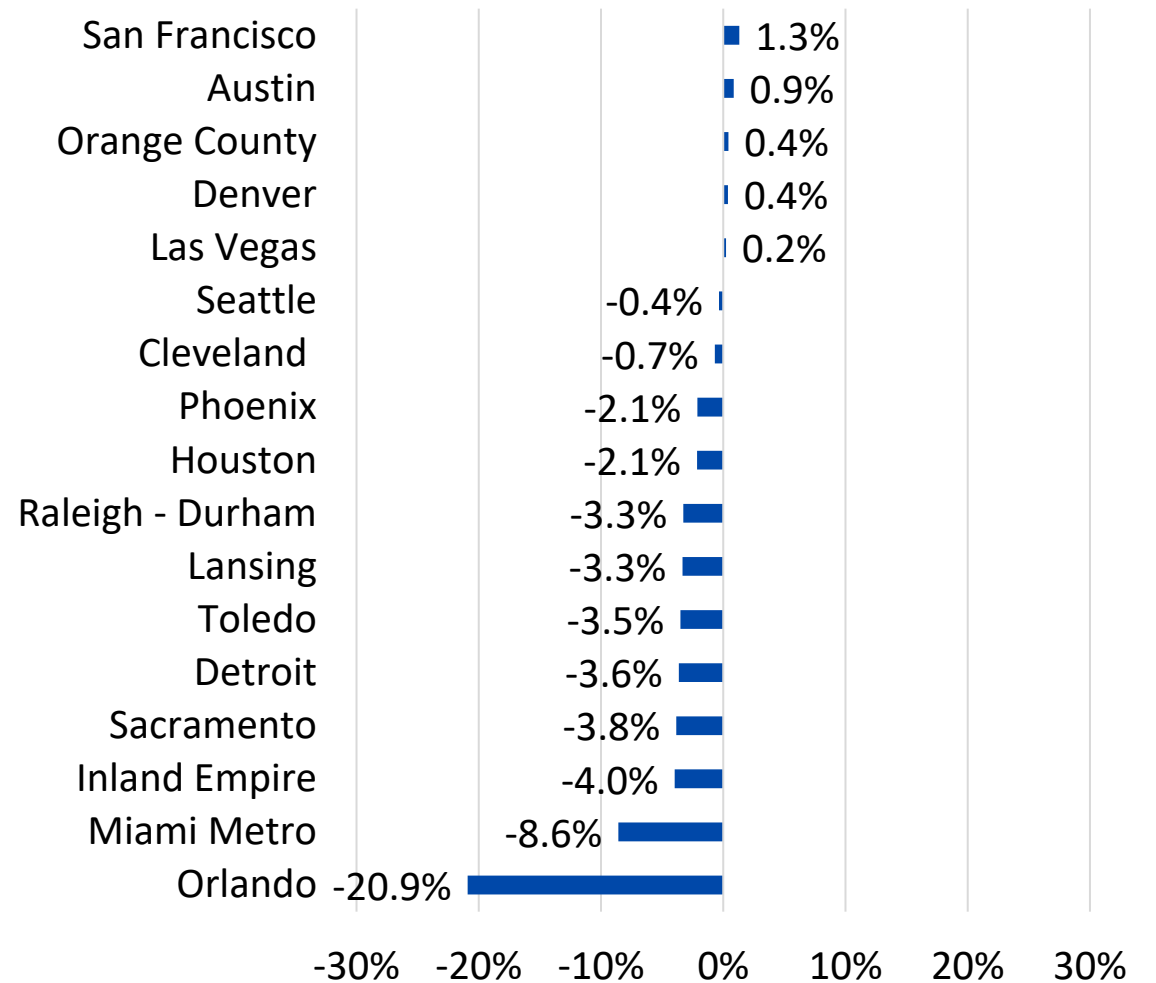


Single-Family Rent Growth is Strong in Some Markets, and Turning Negative in Others

June Year-over-Year Rent Growth

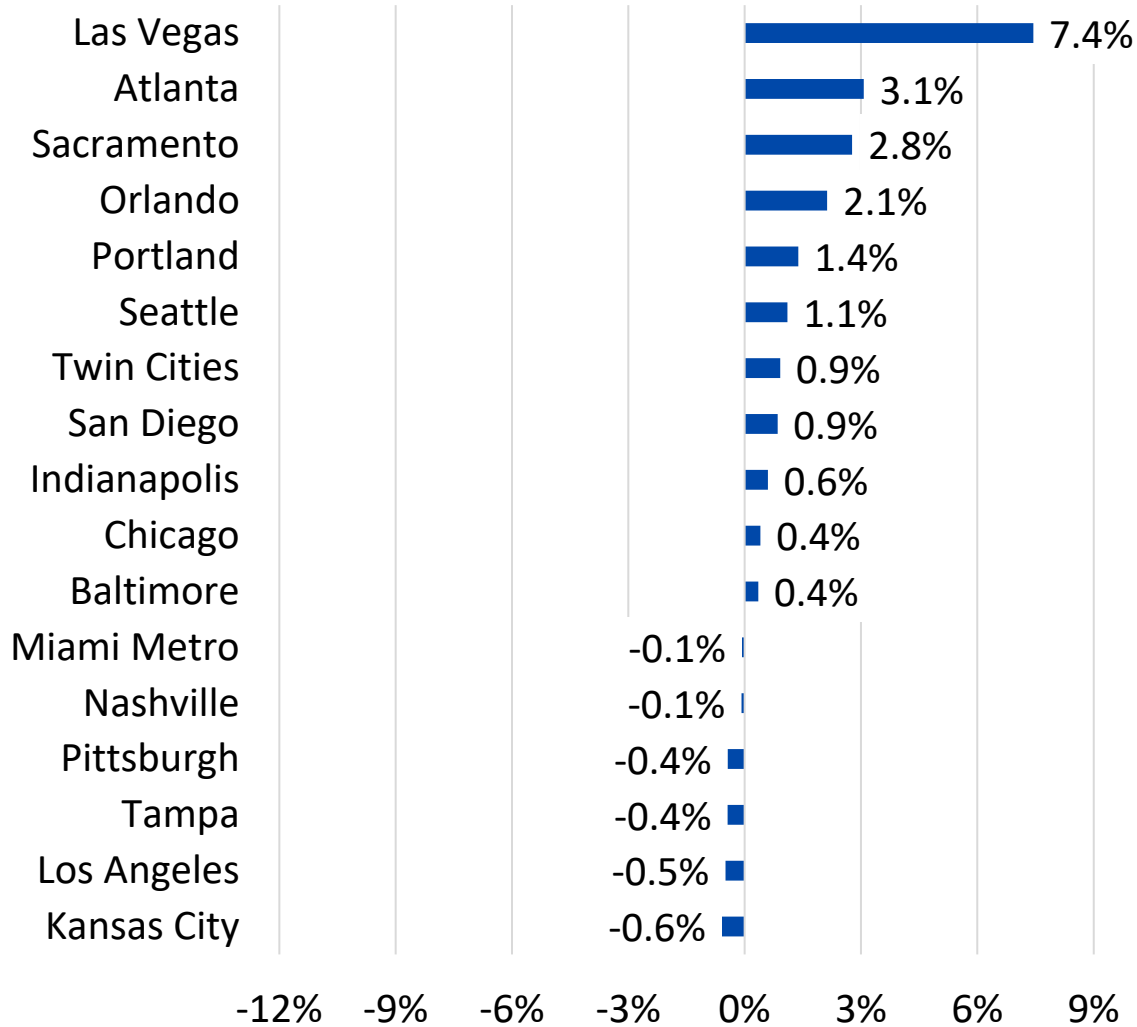


June Year-over-Year Rent Growth

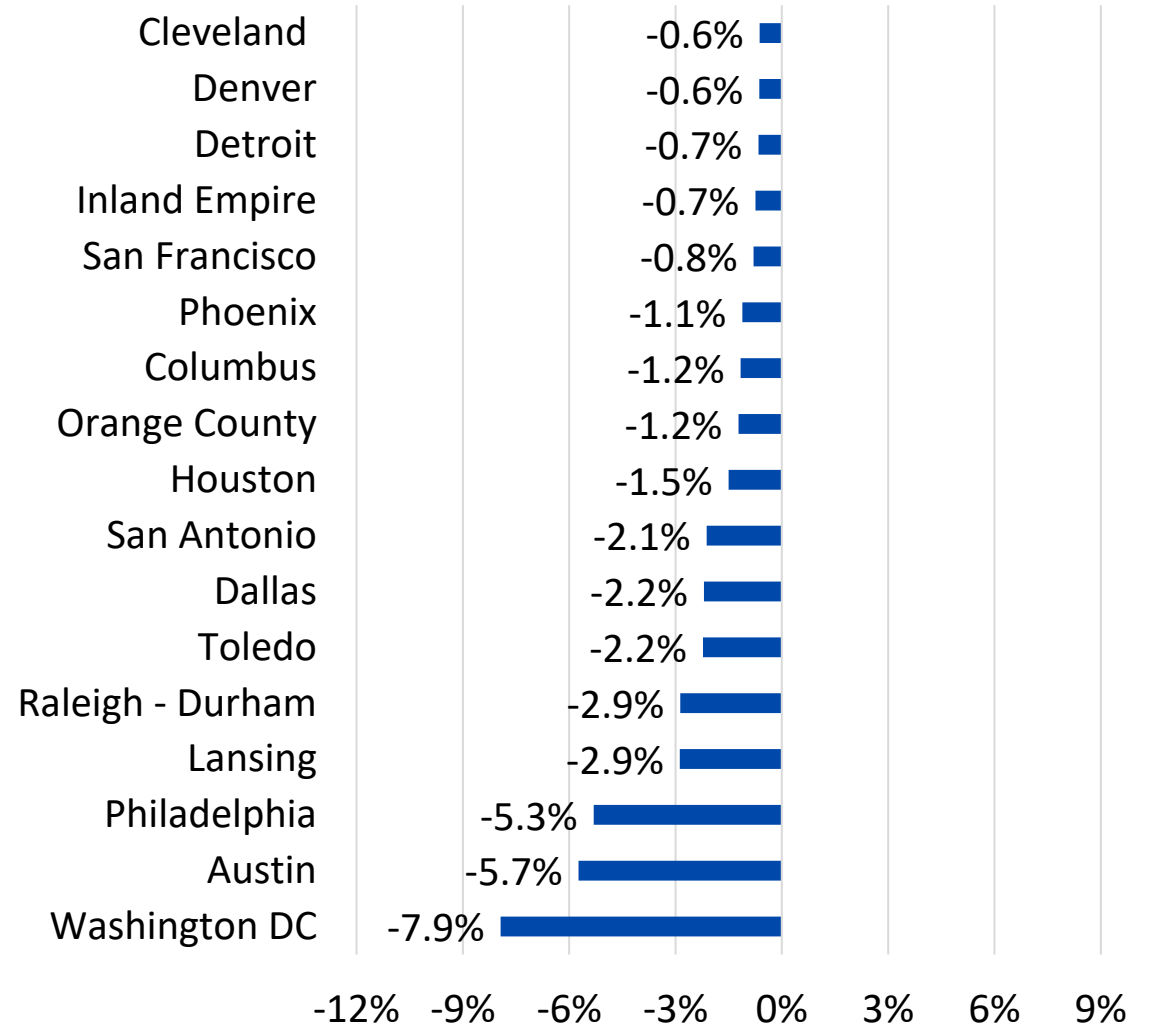


However, Occupancy Continues to Decline in Most Markets

June Year-over-Year Occupancy Growth

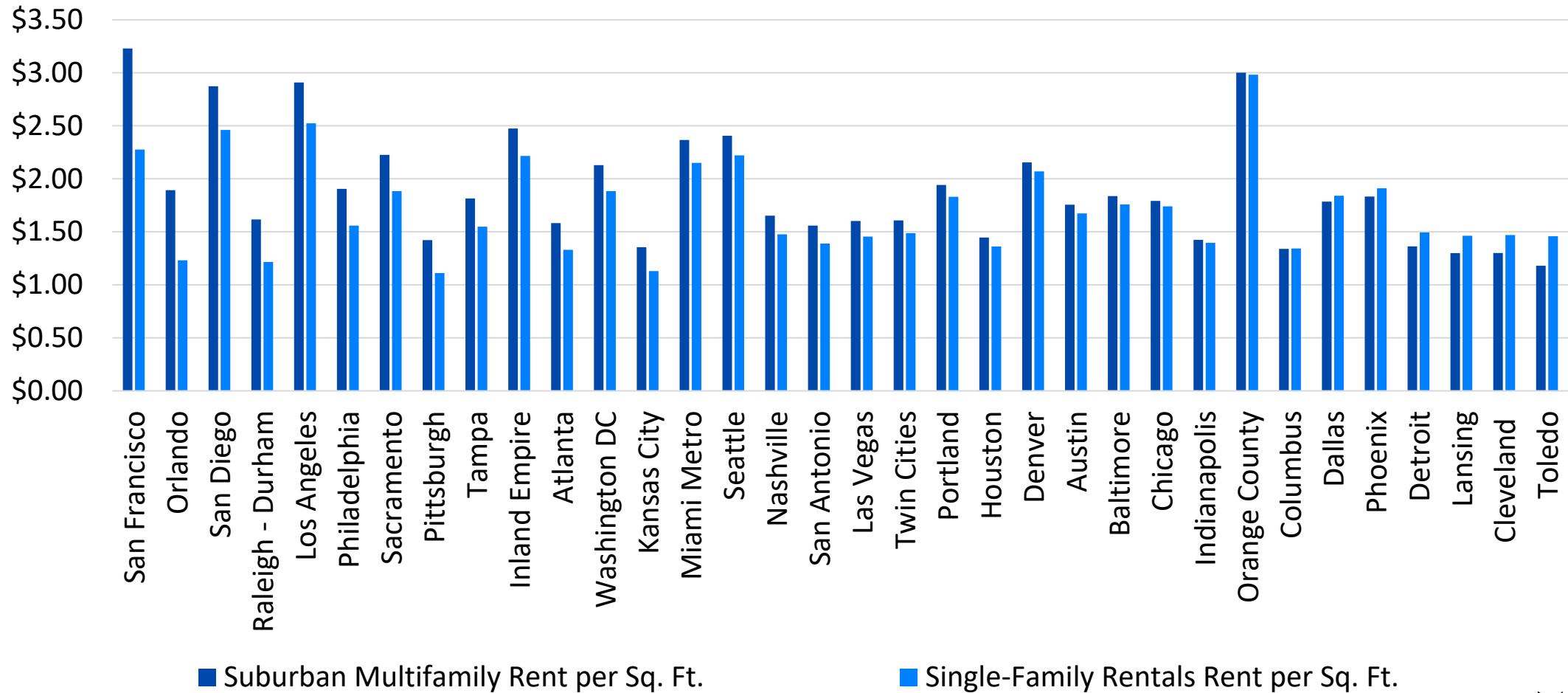


June Year-over-Year Occupancy Growth



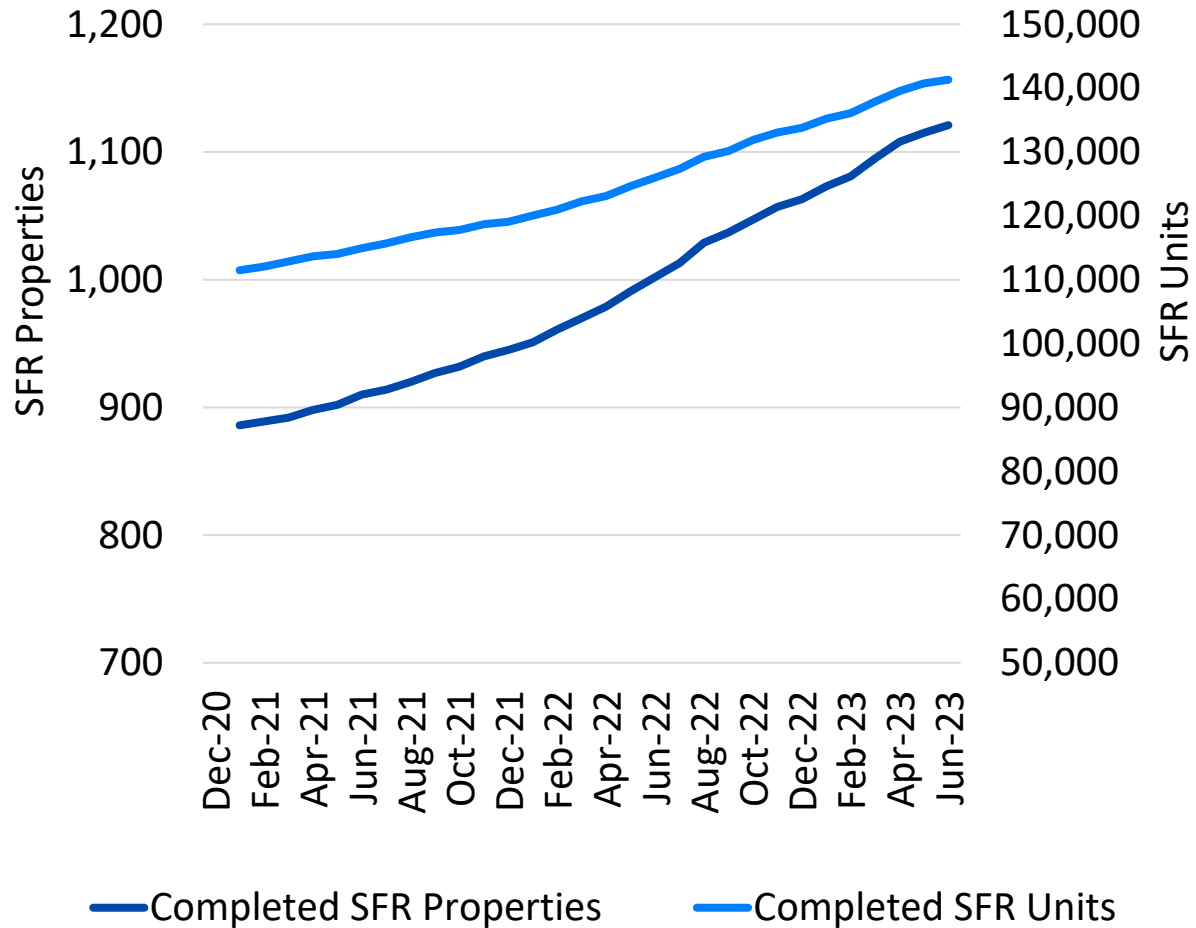
Rents per Sq. Ft. Are Higher for Suburban Multifamily Rentals Than Single-Family Rentals in Most Markets

June 2023 Rent per Sq. Ft.
Suburban Multifamily vs. Single-Family Rentals

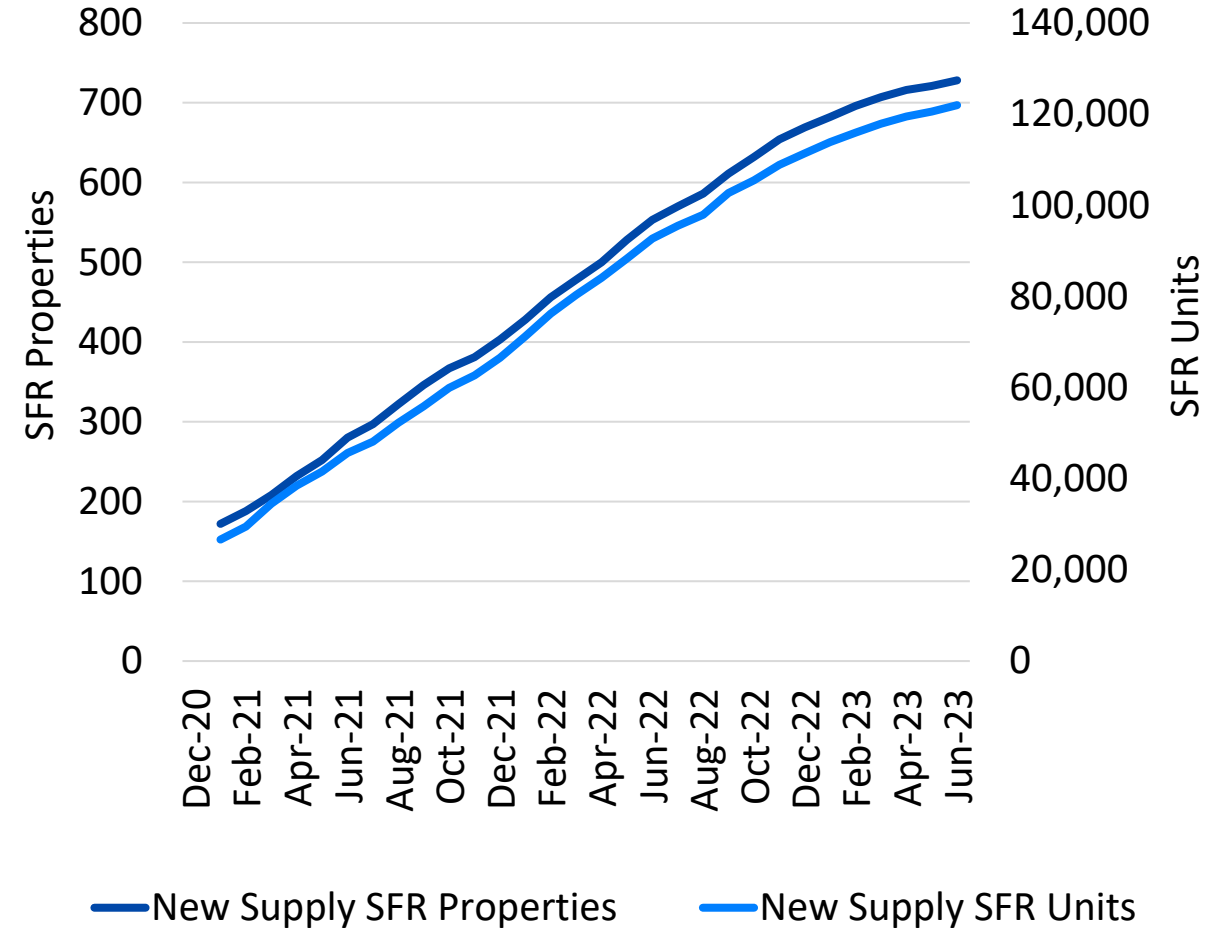


Single-Family Rental Supply Continues to Grow With the Sector's Popularity

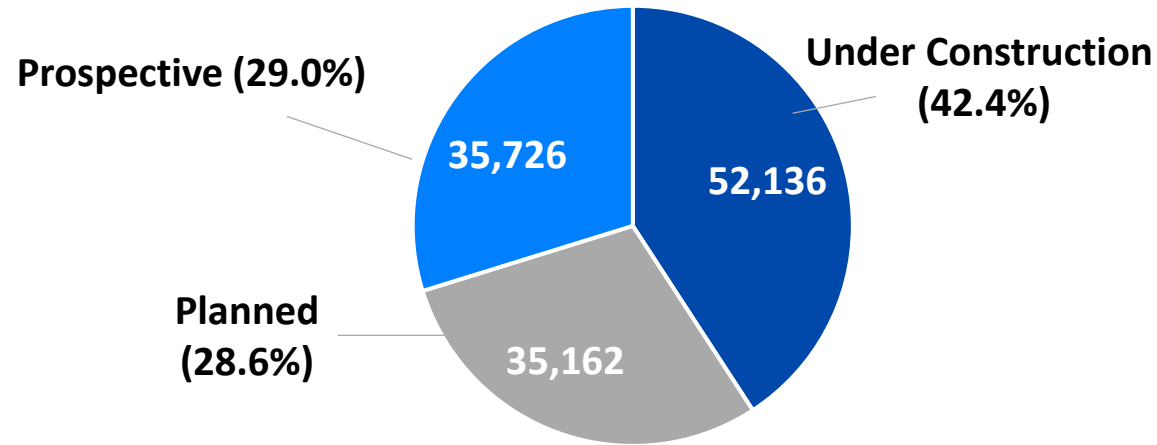
Completed Single-Family Rentals



New Supply Single-Family Rentals



New Single-Family Rental Supply Pipeline: Where is New Supply Concentrated?

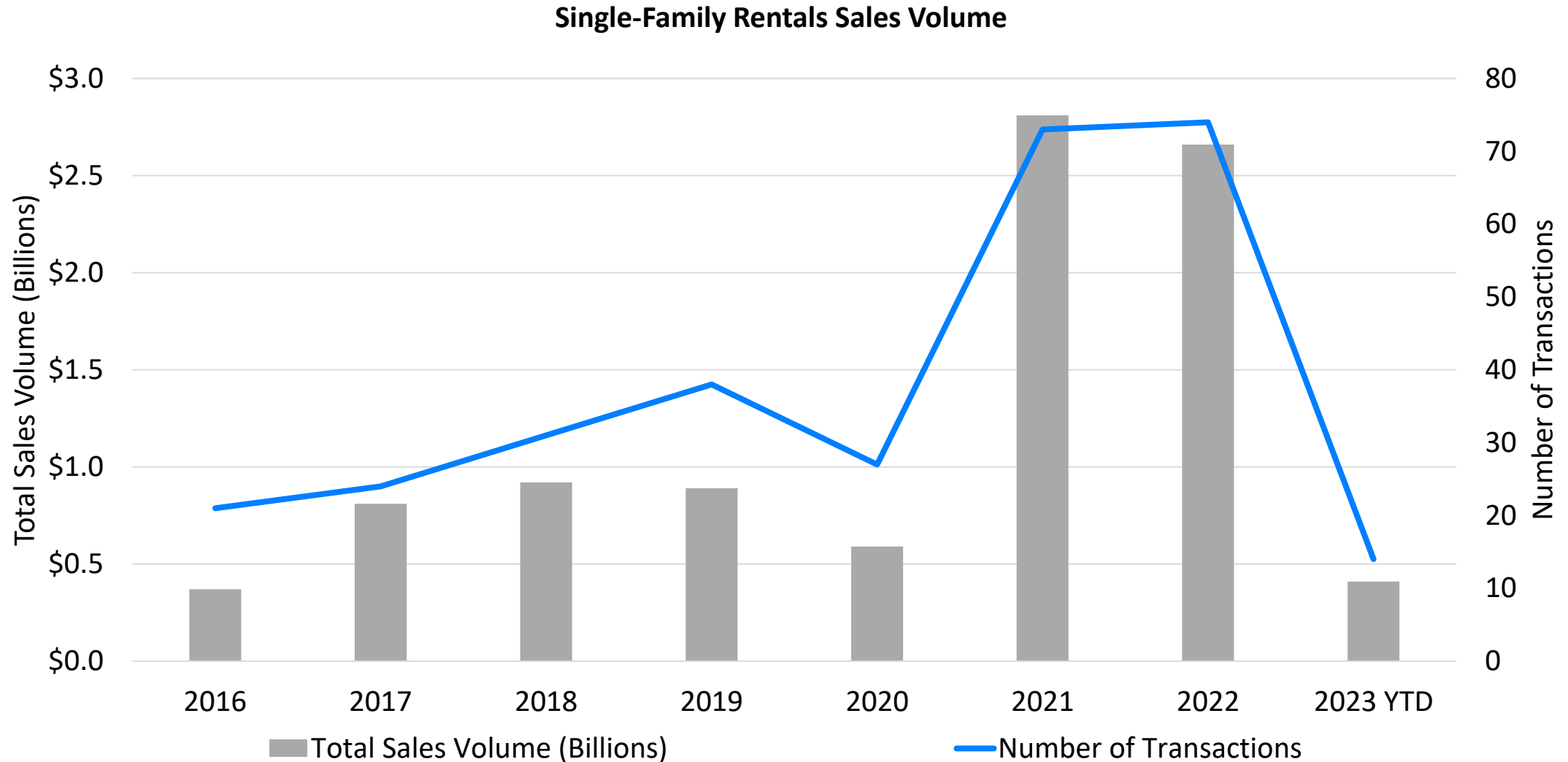


Top 10 Markets Under Construction	Units	UC as a % of Existing Stock
Omaha	299	598.0%
Orlando	1399	417.6%
Atlanta - Urban	512	279.8%
Colorado Springs	194	269.4%
Bay Area - East Bay	160	258.1%
Chattanooga	307	227.4%
Jacksonville	1880	212.7%
Savannah - Hilton	644	211.1%
St Louis	198	159.7%
N. New Jersey	97	156.5%

Top 10 Markets Planned	Units	Planned as a % of Existing Stock
Bay Area - East Bay	808	1303.2%
Colorado Springs	570	791.7%
Orlando	905	270.1%
North Central Florida	1,209	269.3%
Boston	171	178.1%
Huntsville	780	176.9%
Central East Texas	200	158.7%
Fayetteville NC	567	150.0%
Austin	2,076	111.0%
Knoxville	261	103.6%

Top 10 Markets Prospective	Units	Prospective as a % of Existing Stock
Omaha	422	844.0%
Bay Area - East Bay	236	380.6%
Orlando	1146	342.1%
Northern Virginia	604	290.4%
Boston	218	227.1%
St Louis	274	221.0%
Boise	614	182.2%
SW Florida Coast	1328	175.2%
Winston-Salem	398	170.1%
Charlotte	2971	159.4%

Single-Family Rental Sales Volume is Down From It's Peak in 2021 and 2022, but On Track to Surpass Pre-Pandemic Levels



Potential Headwinds: Interest Rates and Possible Legislation

- **Interest Rates**
 - Increasing interest rates will have a negative impact on development
 - Increasing costs
 - Decreasing supply
 - Declining availability of debt financing and equity financing for construction
 - Current homeowners and SFR investors are holding onto low interest rate mortgages, which is impacting availability in the market
- **Potential Legislation** presented at the House Financial Services Subcommittee on Oversight and Investigations
 - Rental Housing Registry Ordinance
 - Rental property databases
 - Landlord registries
 - Just Cause Eviction legislation
 - Anti-competitive legislation
 - Rent control
- **More competition** as more developers look to purchasing rental properties as their near-term strategy

However, This Could Also Create SFR/BTR Investment Opportunities

- Due to rising interest rates, an increasing number of traditional home buyers are pulling out of the market
- **Builders are stuck with more homes than they can sell**
 - **Offering to sell to landlords at 15%-20% discounts**
- **62.5% more homes under construction June 2023 than previous year**
 - Selling to landlords is cheaper - involves less customizations
- Major homebuilders reportedly walking away from building projects
 - Lennar Corp., KB Home
- Investor focus is still primarily existing homes
 - New home purchases still only around 2% of investor home purchases (John Burns RE Consulting)
 - Empty lots or communities can help build margins in any market
- Home builders selling to investors means fewer options for home buyers but also protects current homeowners by keeping home prices from falling further than they may otherwise



THANK YOU

Feel free to contact me with any questions

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