



# SINGLE-FAMILY RENTALS IN BUILD-TO-RENT COMMUNITIES

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NOVEMBER 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

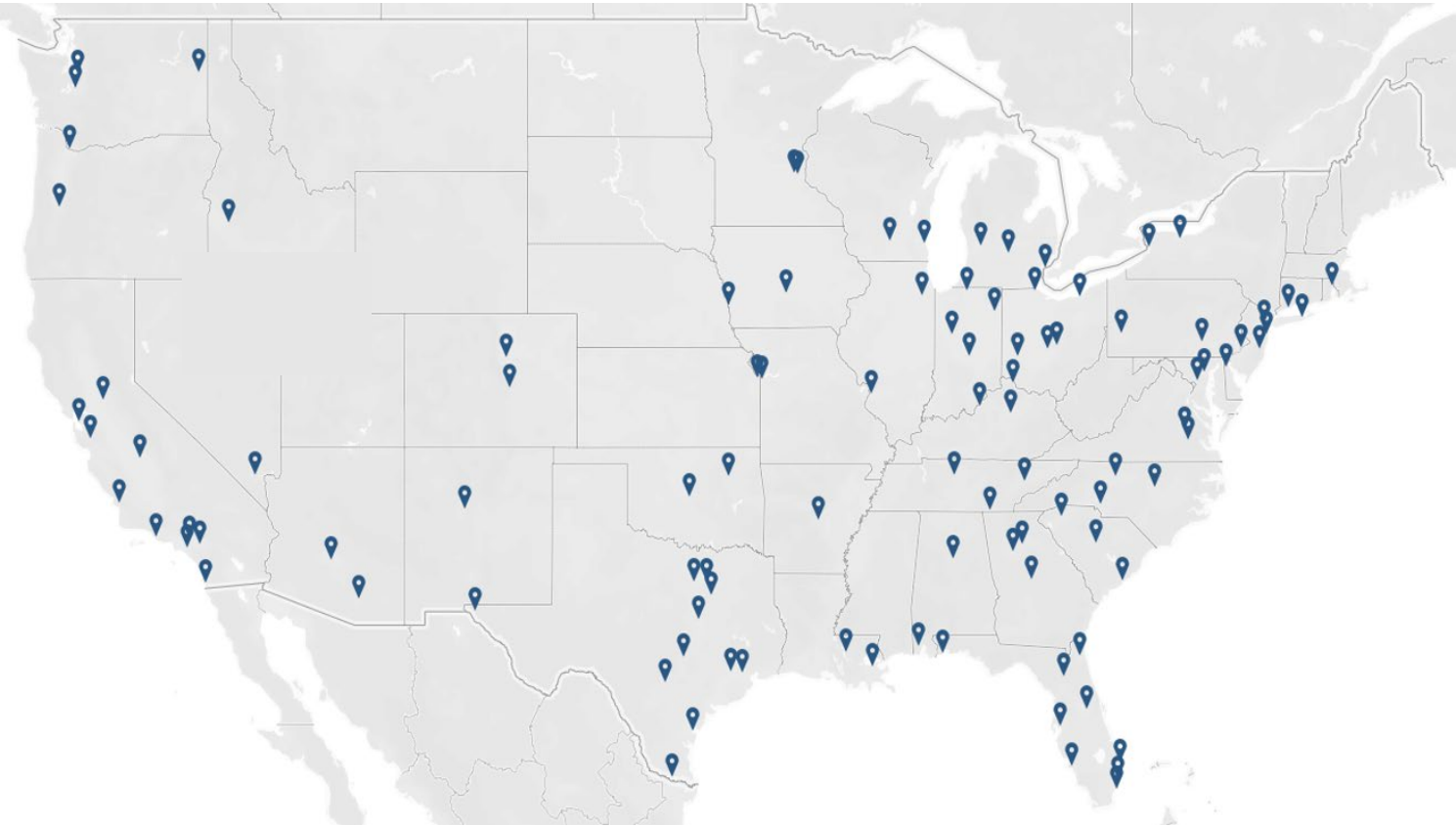
- 2,000-3,000 sq ft
- >4 bedrooms
- \$4,500-\$7,000 monthly rents
- California + Nevada
- No community amenities

## 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	1,229	154,051
Under Construction	356	58,150
Planned	185	35,801
Prospective	219	36,582
<b>TOTALS</b>	<b>1,989</b>	<b>284,584</b>



\*Yardi Matrix coverage include single-family rentals and built-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:

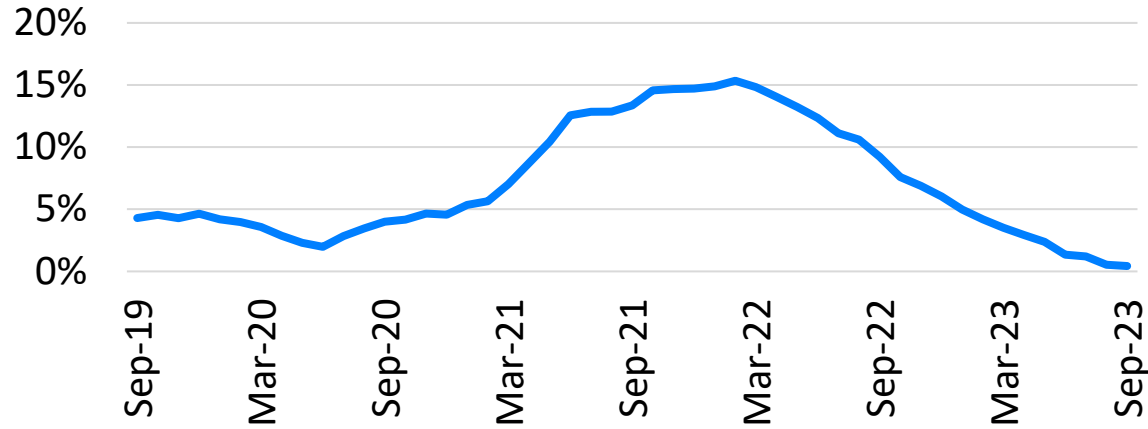
- **Work from home**
  - **50% of workers are back to the office** – hybrid work is becoming the norm
  - More conducive to work than noisy apartments
  - Offers more space for multiple workspaces
- **Household formation growth** during the pandemic as a result of:
  - Employment/wage growth
  - Stimulus 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

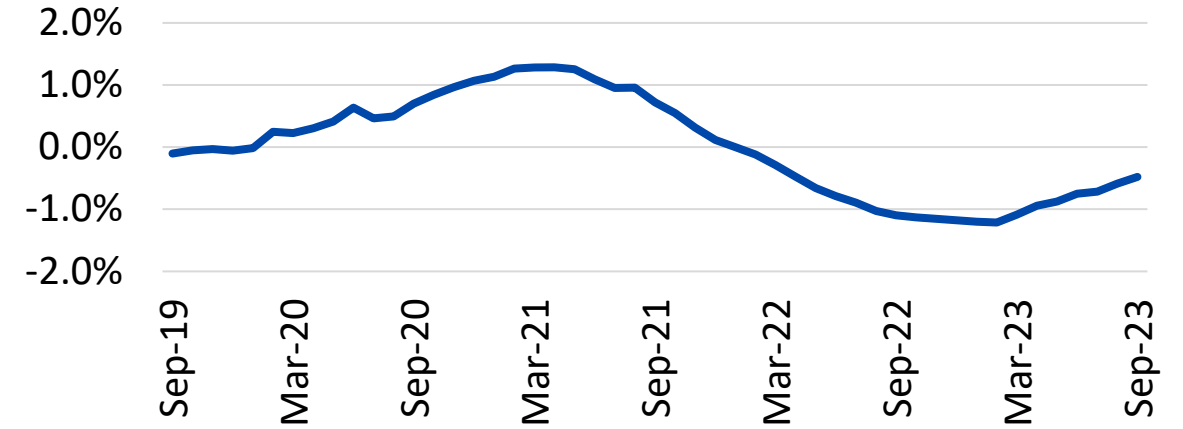
- Amenities
  - Most popular: on-site maintenance and a community
  - Highly desired: better parking, storage, privacy and a yard (even if small)
  - Bonus: apartment-like amenities such as a pool, clubhouse and trails
- **Smart home technology is a MUST** – will likely become standard
  - Plan for future 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 Continue to Decelerate

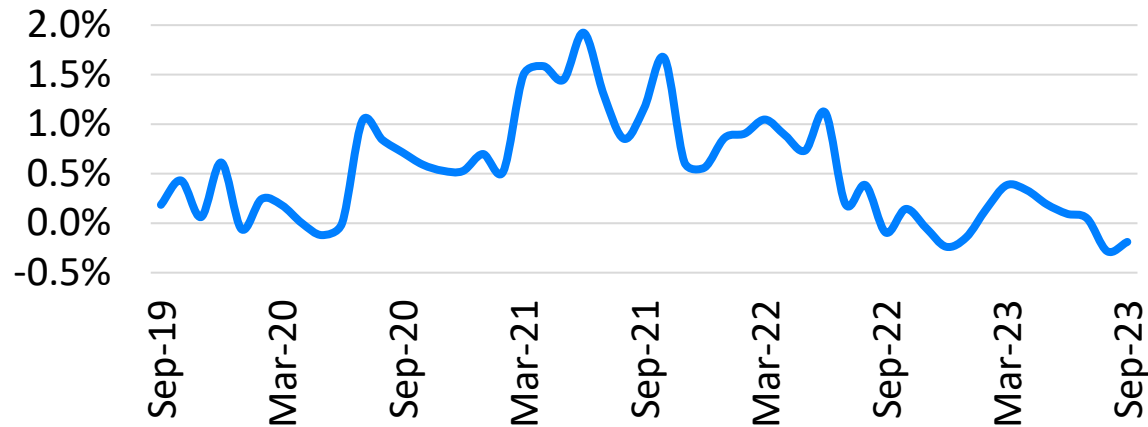
## National SFR Rents: Year-over-Year



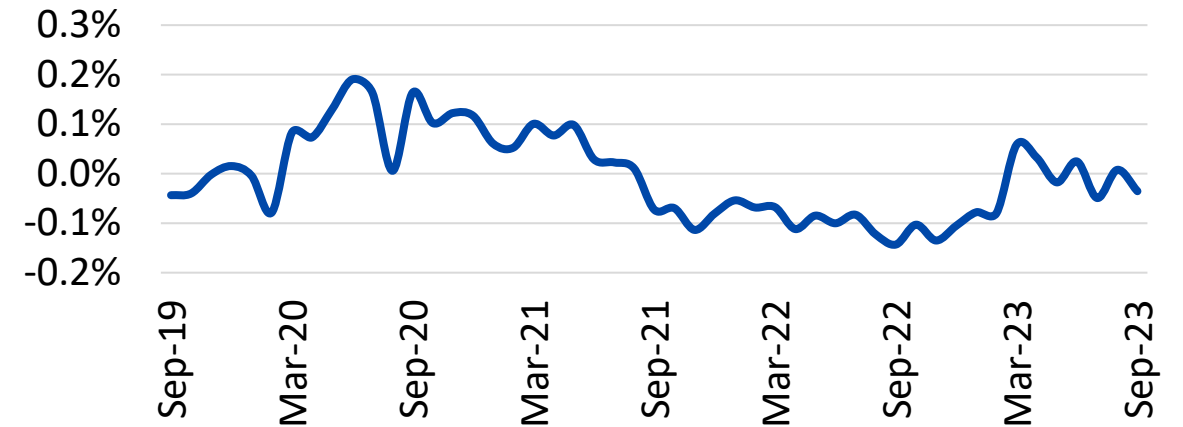
## National SFR Occupancy: Year-over-Year



## National SFR Rents: Month-over-Month

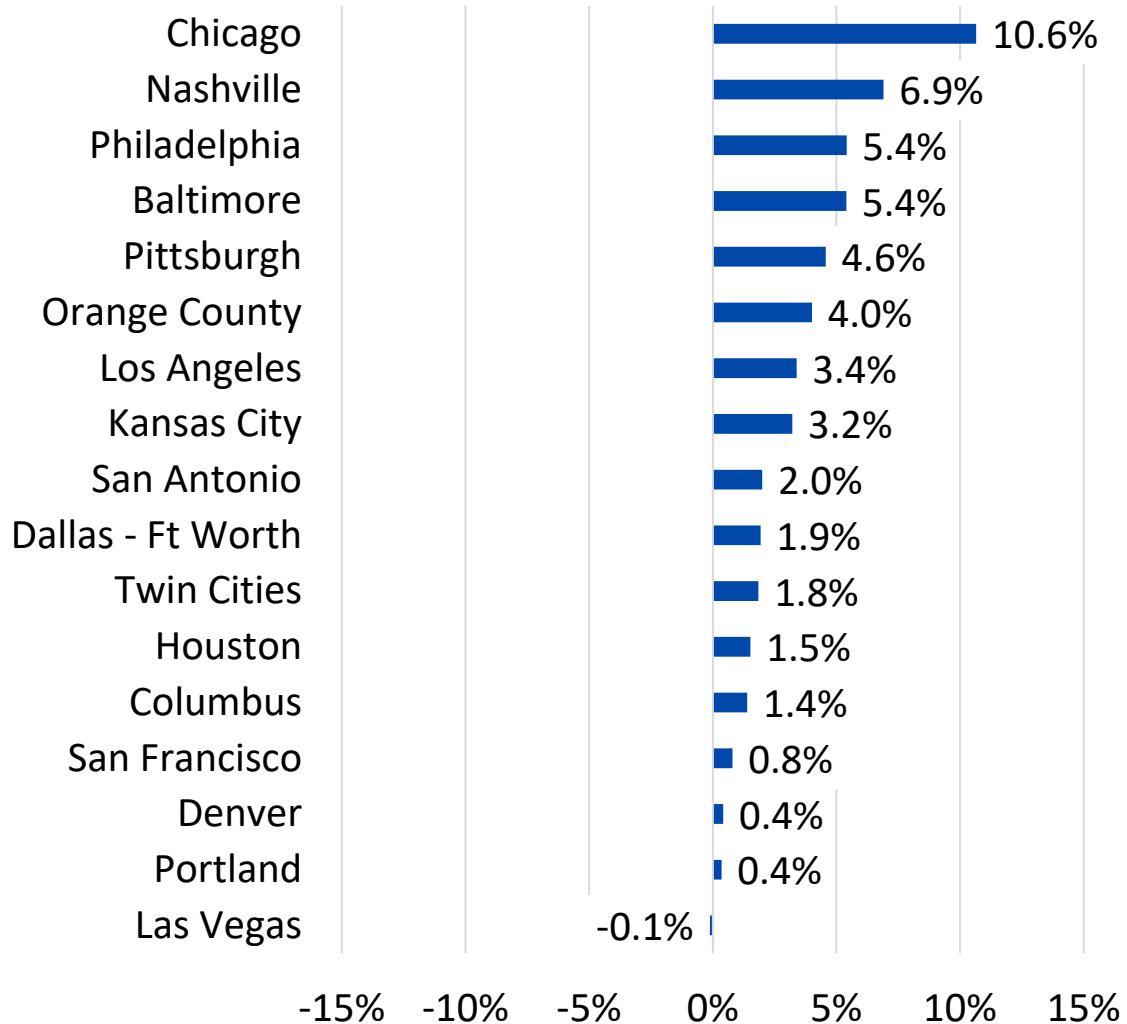


## National SFR Occupancy: Month-over-Month

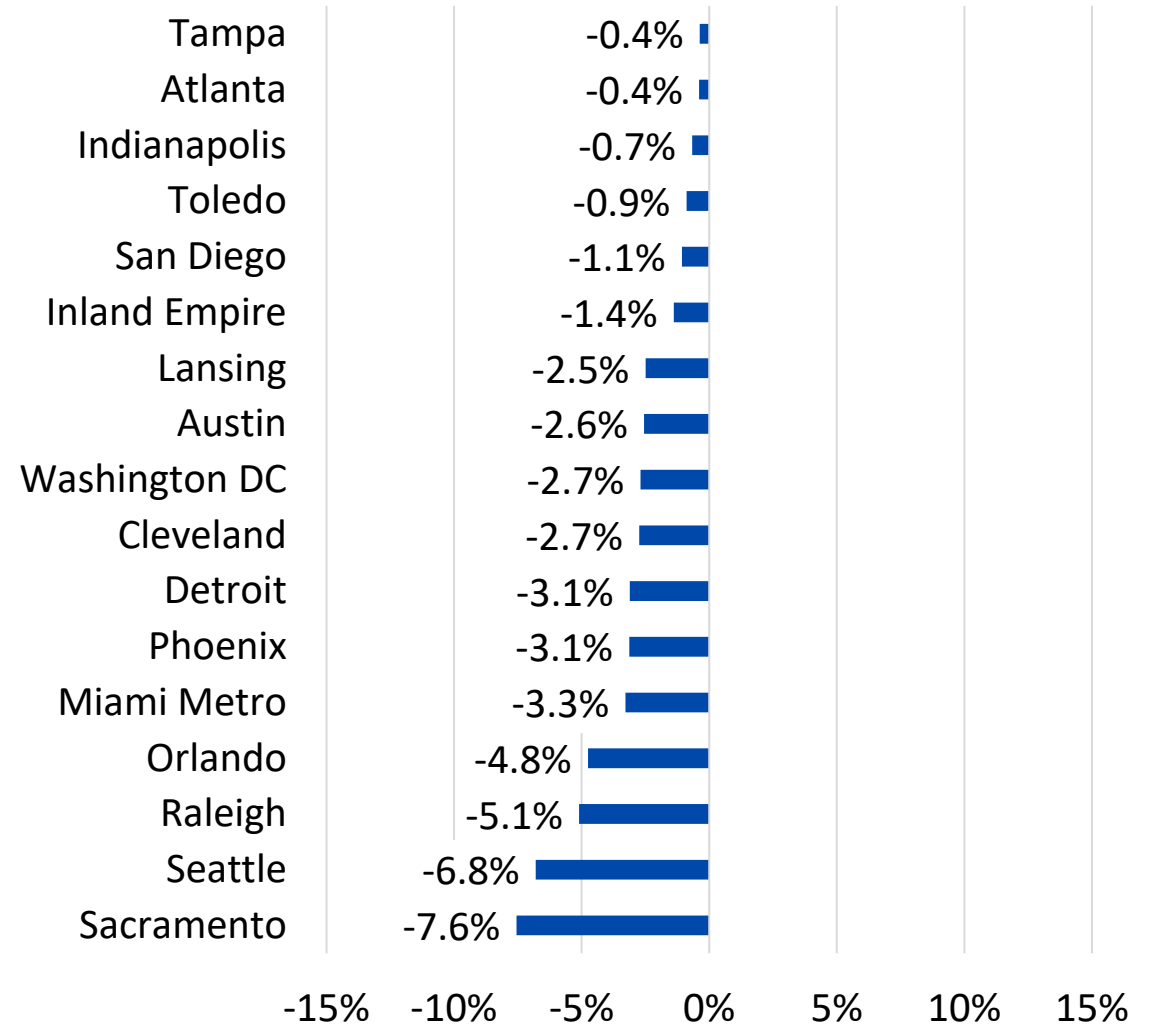


# Single-Family Rent Growth Is Beginning to Stabilize in Top SFR/BTR Markets

## September Year-over-Year Rent Growth



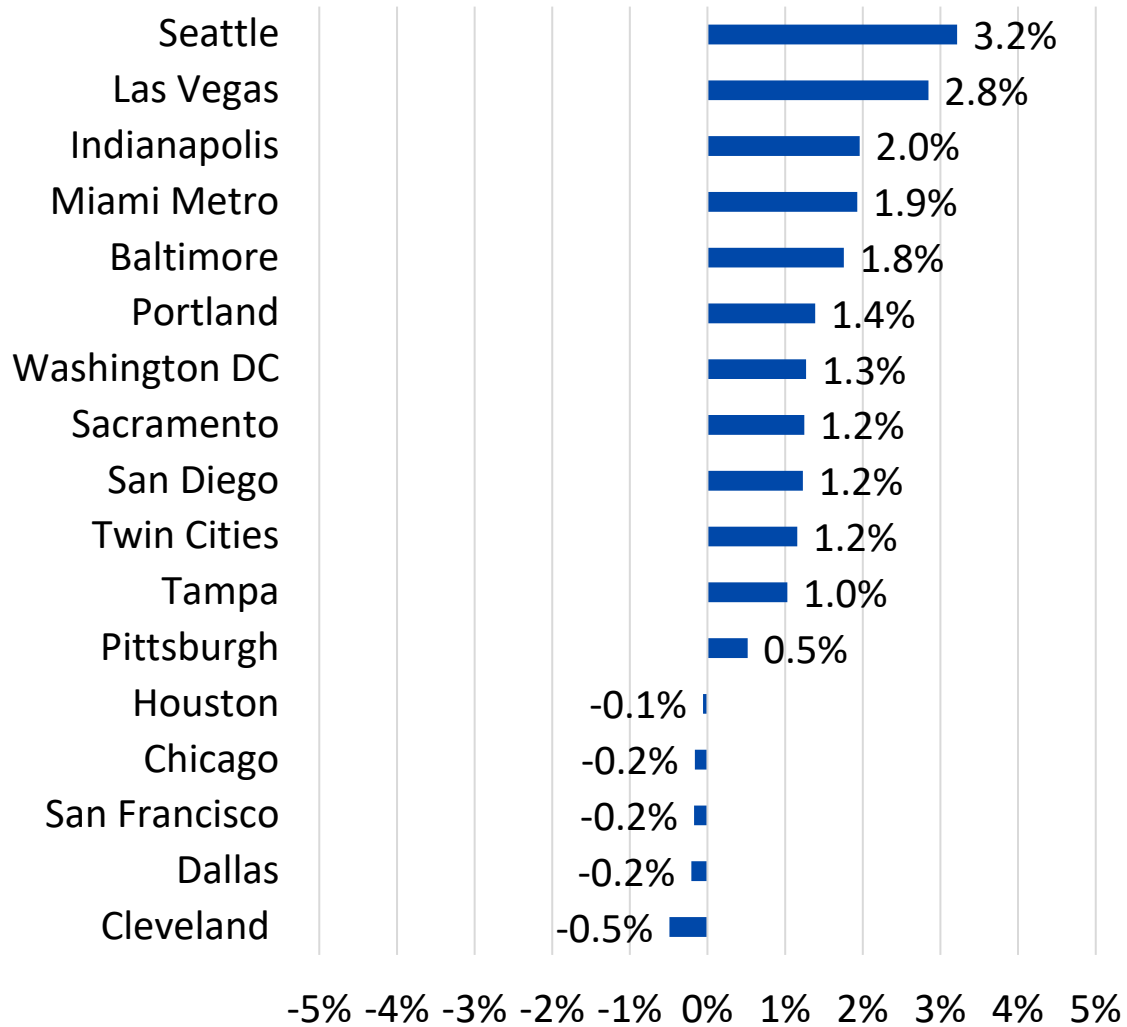
## September Year-over-Year Rent Growth



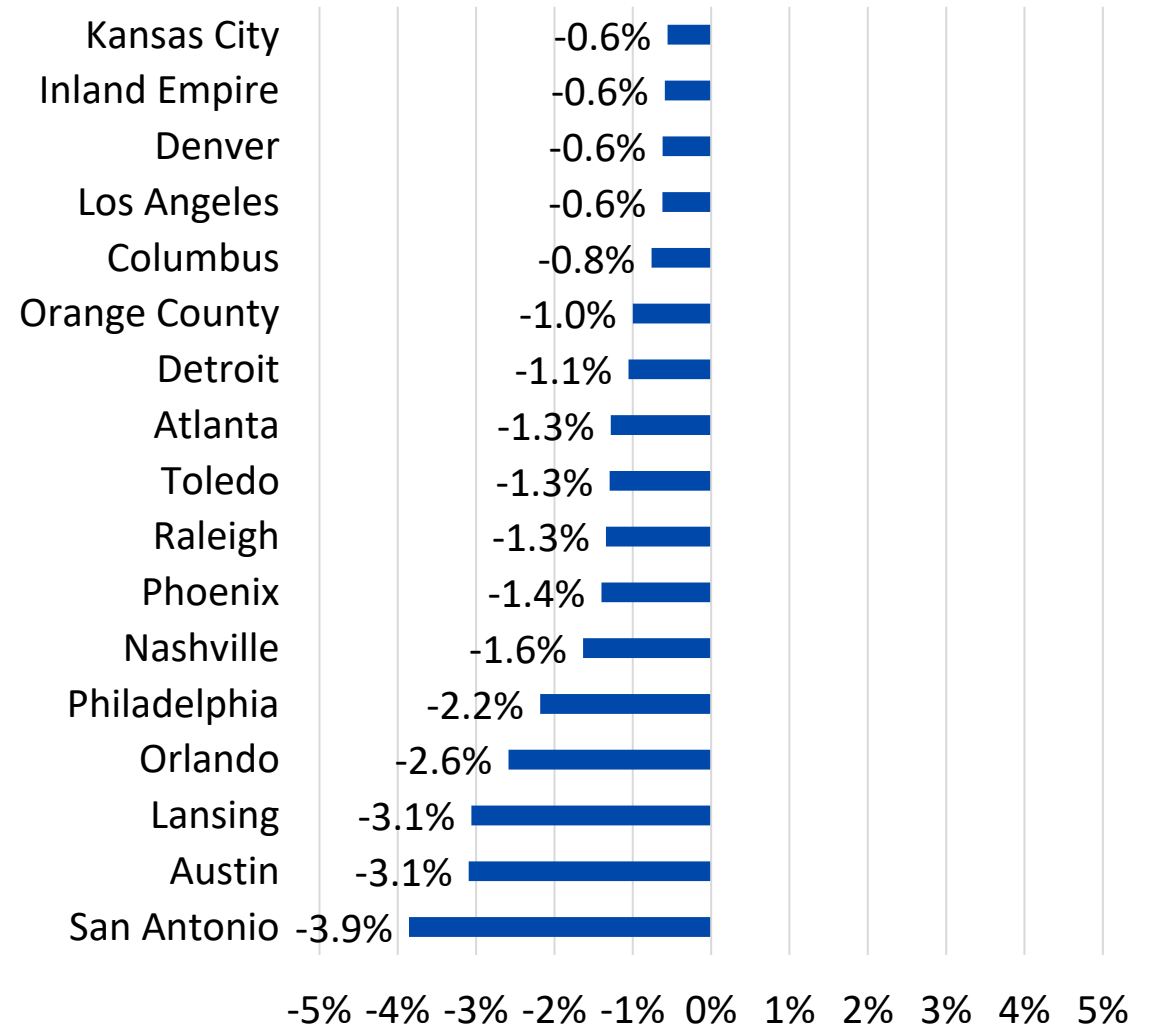


# Occupancy Growth Continues to Decline in Most Markets

## September Year-over-Year Occupancy Growth

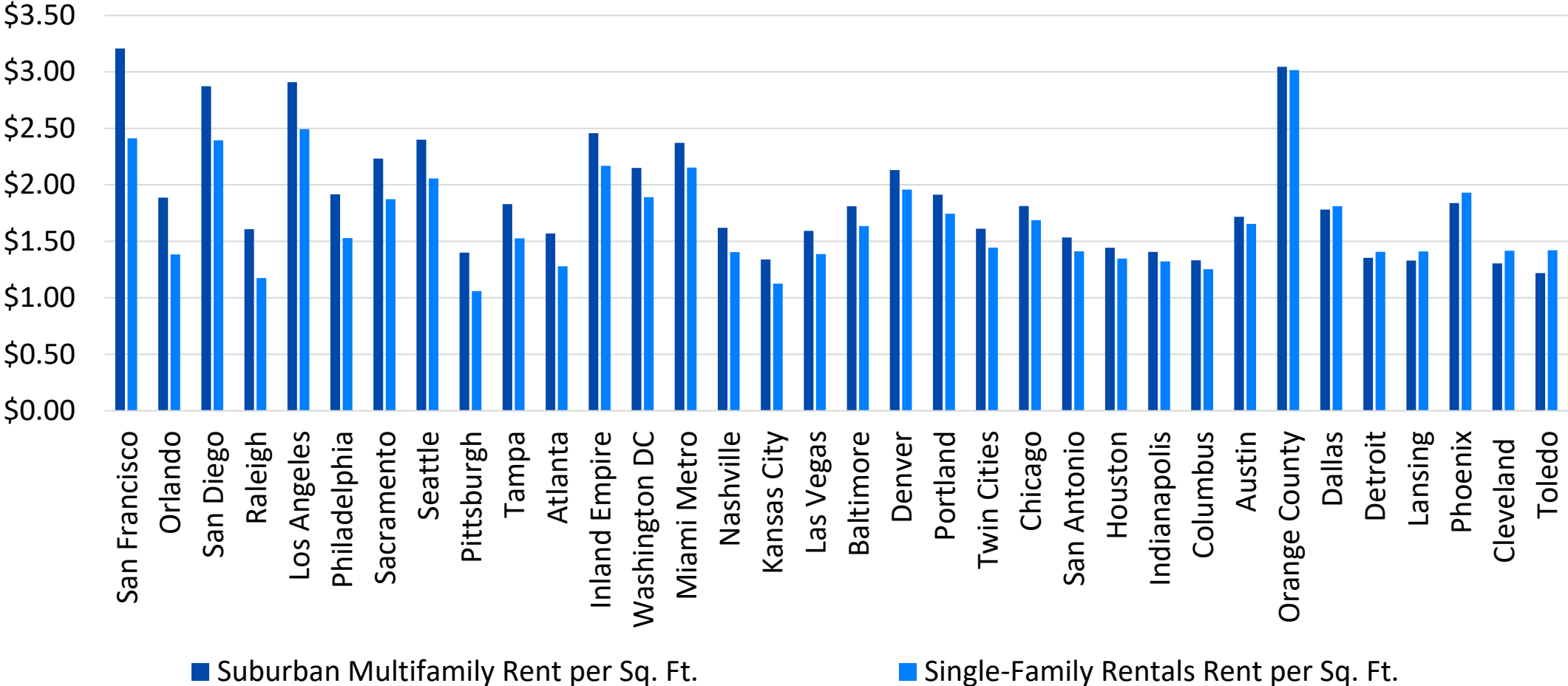


## September Year-over-Year Occupancy Growth



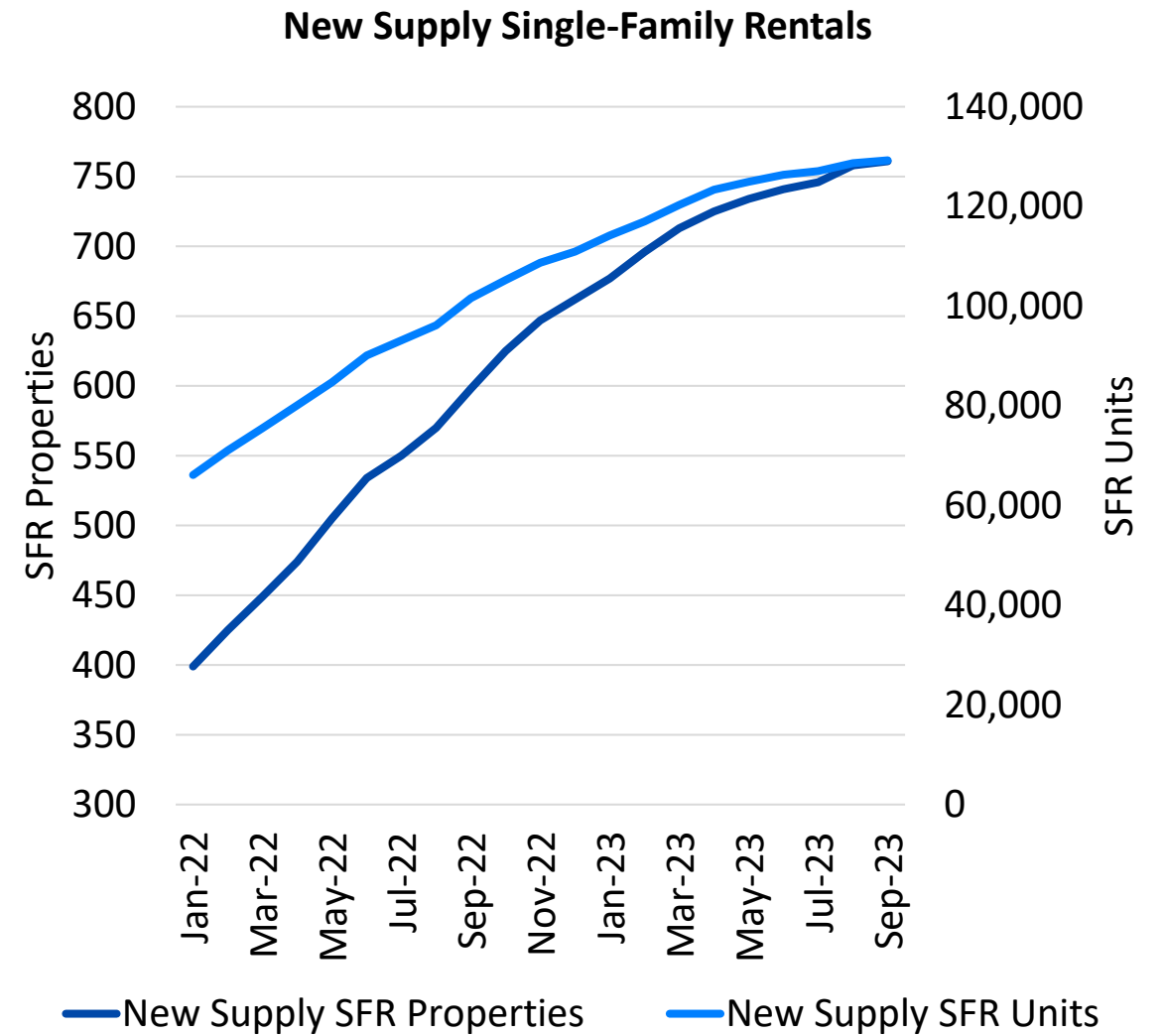
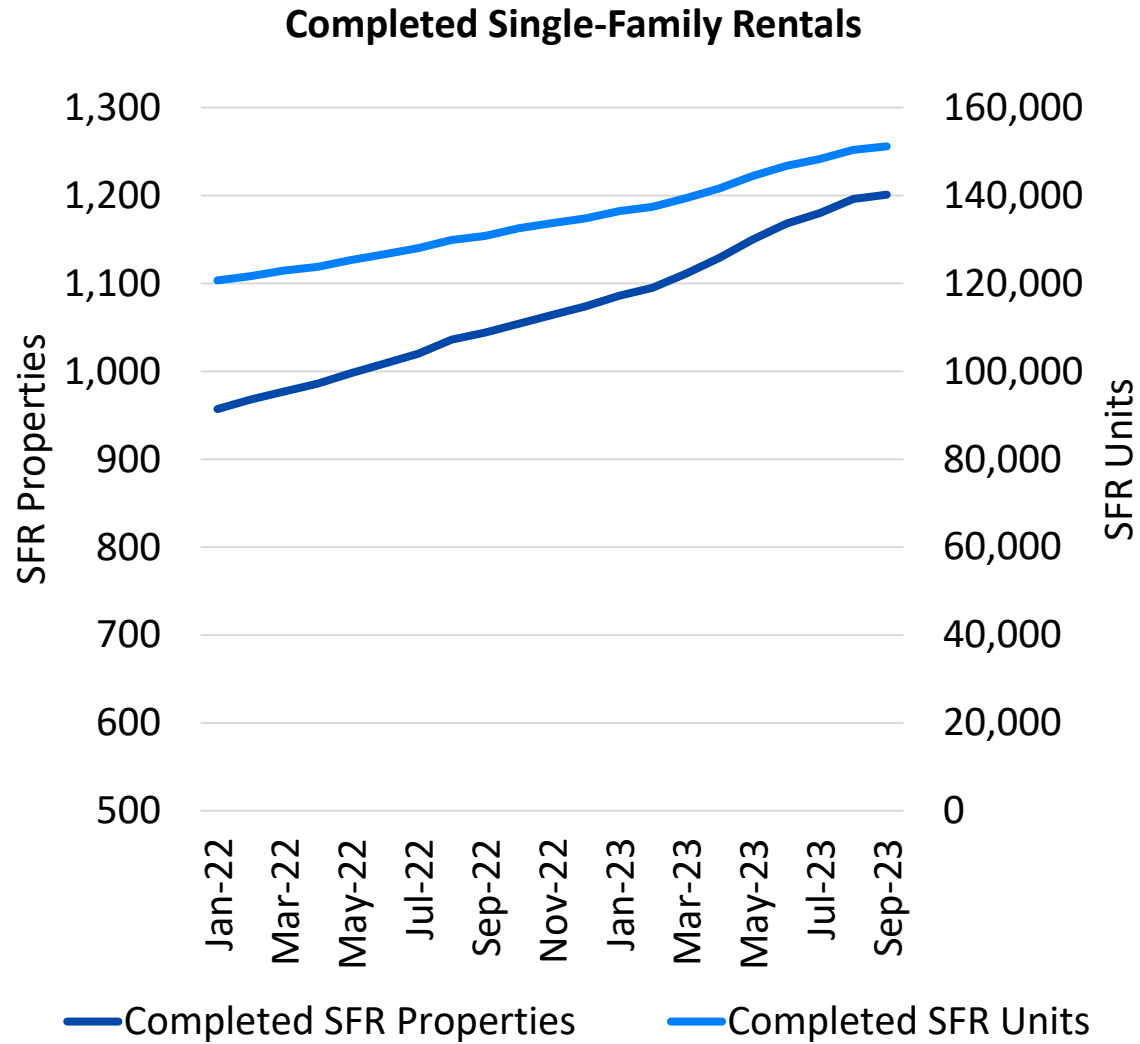
# Rents per Sq. Ft. Remain Higher for Suburban Multifamily Rentals Than Single-Family Rentals in Most Markets

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

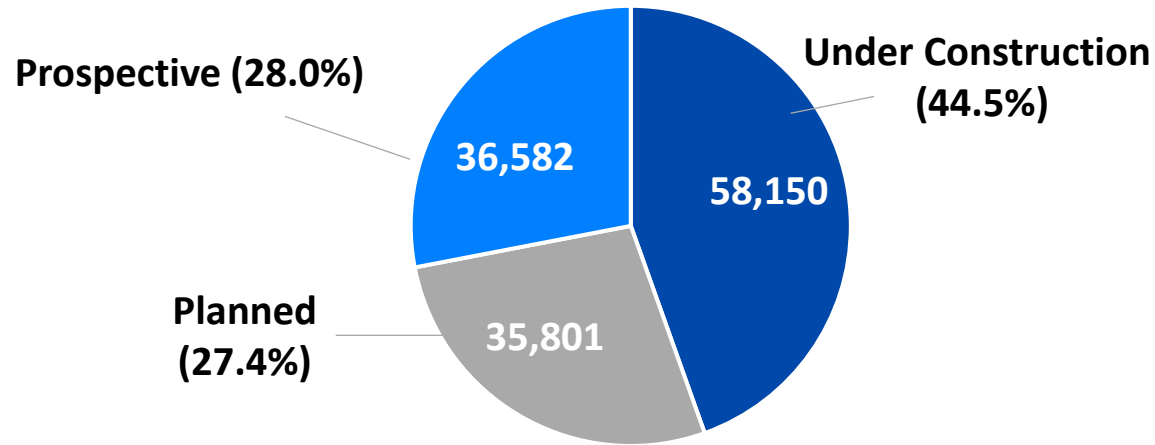


Source: Yardi Matrix

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



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



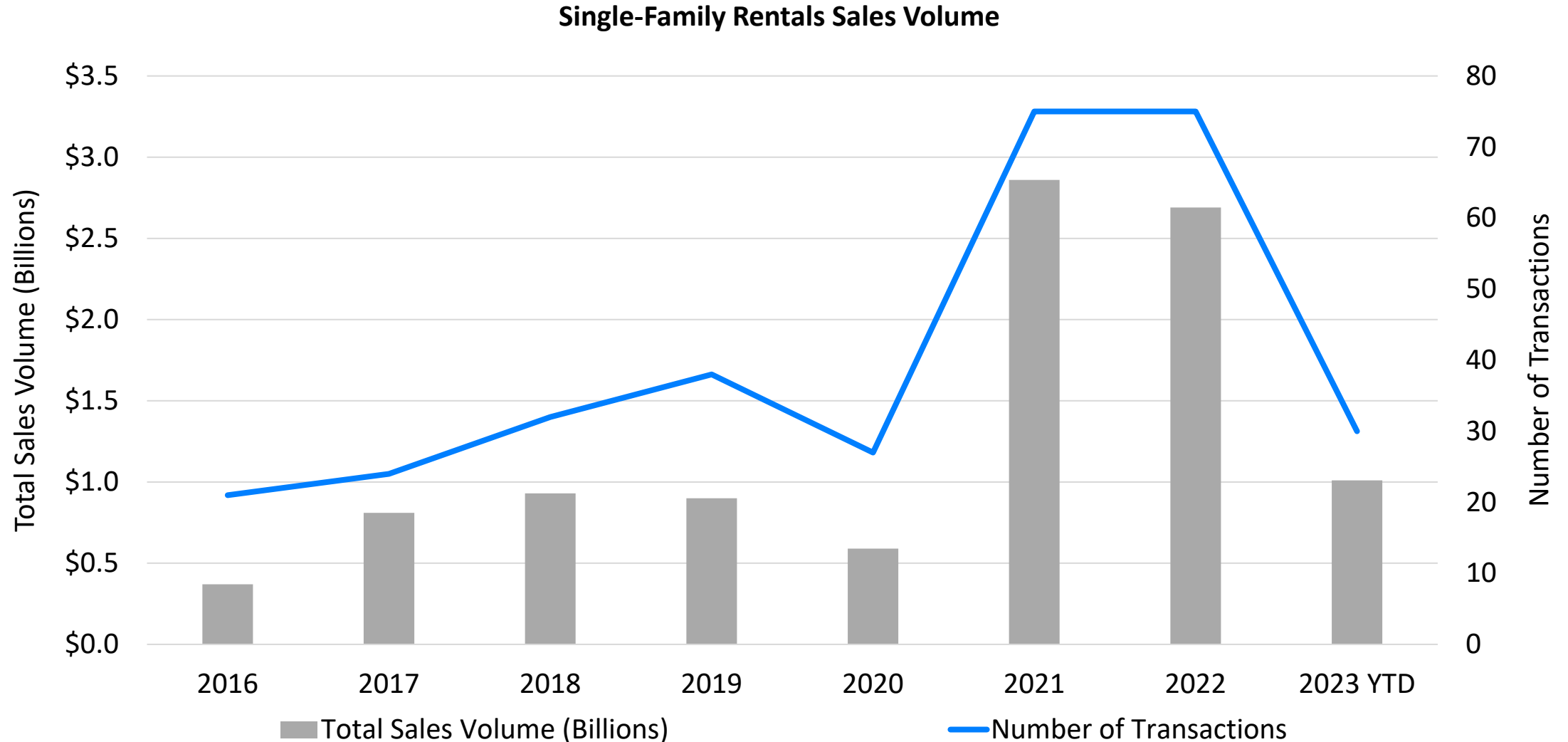
Top 10 Markets	Units	UC as a % of Existing Stock
Hickory	354	364.9%
Savannah - Hilton	1343	337.4%
Wilmington	361	319.5%
Atlanta - Urban	512	279.8%
Huntsville	1142	259.0%
Jacksonville	2256	224.7%
Omaha	299	198.0%
Orlando	1365	158.4%
N. New Jersey	97	156.5%
Port St. Lucie	374	155.8%

Top 10 Markets	Units	Planned as a % of Existing Stock
Colorado Springs	533	200.4%
Bay Area - East Bay	404	182.0%
Boston	171	178.1%
N. Central Florida	793	176.6%
Hickory	154	158.8%
Chattanooga	357	157.3%
Fayetteville NC	567	150.0%
Huntsville	544	123.4%
Milwaukee	583	112.8%
Louisville	207	108.9%

Top 10 Markets	Units	Prospective as a % of Existing Stock
Northern Virginia	604	290.4%
Omaha	422	279.5%
Chattanooga	591	260.4%
Boston	224	233.3%
Athens	1563	209.5%
Bay Area - East Bay	452	203.6%
Boise	614	182.2%
SW Florida Coast	1319	150.2%
Fayetteville NC	562	148.7%
Charlotte	2360	117.2%



# Single-Family Rental Sales Volume is Down From It's Peak in 2021 and 2022, but On Track to Reach 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 construction financing
- **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**
- **15.3% more homes under construction September 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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