

SPOTLIGHT ON U.S.

SINGLE-FAMILY RENTAL & BUILD-FOR-RENT MARKETS

MID-YEAR

2022

REPORT

SO WHAT'S THIS BOOMING HOUSING SECTOR ALL ABOUT?

Sizable Market Opportunity

The number of build-for-rent (BFR) homes—single-family homes constructed expressly for the purpose of renting—increased 30% from 2019 to 2020. Over the past year, 50,000 new single-family homes were added to the rental market. Developers expect BFR homes will reach a double-digit share of new construction by 2024, compared to its 6% share of new homes being built in the U.S. today. SFR is the fastest-growing sector of the housing market.



\$50 Billion

SFR/BFR Investor and
Capital Transactions
Since 2020



There will be an increased adoption of the SFR/BFR asset class by investors and demand from renters, particularly as entry-level homes become more difficult to afford. Demand in the Sunbelt markets will continue to be strong, Coastal markets will gain more interest due to the lack of affordability of for-sale housing, and new markets will emerge in this space as adoption of the asset type moves up the coasts and further into mid-western markets with good demographics.

Jeff Coles, VP and Lead for Berkadia Single-Family Rental

The SFR market is currently valued at \$4.4 trillion and is 98% dominated by noninstitutional players. In recent years, REITs and private players such as Invitation Homes Inc. and American Homes 4 Rent are flocking to the SFR space, starting the institutionalization of the sector. Larger investors currently represent a 6% portion of the SFR market and are poised to double that percentage in the next 10 years.

Phoenix leads the way as the No. 1 metro for BFR homes, with a total of 6,420 homes in SFR communities, followed by Columbus, Dallas, Houston, and Riverside. The Phoenix metro area also leads the way in new apartment construction. The two largest build-for-rent communities of SFRs are in Las Vegas.



51%

SFR/BFR Communities
Built in Past 5 Years



PURPOSE-BUILT SINGLE-FAMILY RENTAL HOUSING BY NUMBER OF COMMUNITIES

NAME	COMMUNITIES
Phoenix, AZ	57
Houston, TX	24
Dallas, TX	23
Kansas City, MO	22
Columbus, OH	21
Atlanta, GA	18
Warren, MI	16
Indianapolis, IN	14
Nashville, TN	14
Cleveland, OH	13
Charlotte, NC	13
Inland Empire, CA	13
Las Vegas, NV	12
San Antonio, TX	12
Rochester, NY	11
Tucson, AZ	11
Austin, TX	10
Jacksonville, FL	10
Tampa, FL	10



NUMBER OF COMMUNITIES

- 5-7
- 8-10
- 11-16
- 17-24
- 25-57



\$4.4 Trillion

SFR Industry Value



Higher interest rates are slowing down single-family sales, especially among entry-level homes. This, coupled with the rising price of for-sale homes, has resulted in Americans finding homeownership increasingly out of reach or not worth the commitment and instead turning to the next closest thing: single-family rentals.

Mortgage Rate

5.94%

2.86% last year

Median Home Sales Price

\$439,400

▲ 8.2% year over year

Apartment Rent Growth

+14.8%

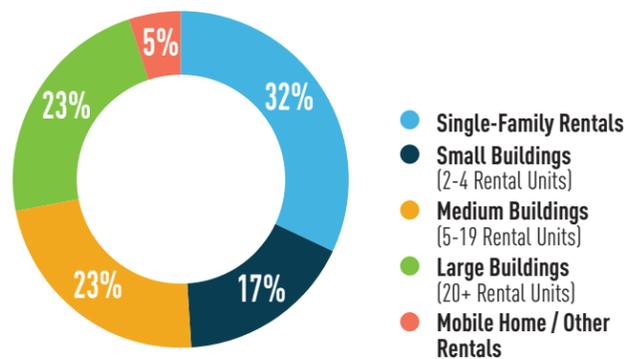
▲ 4.3% year over year

Mortgage rate - 30-year fixed APR on August 24, 2022; median home price - July 2022, not seasonally adjusted; Apartment rent growth - the second quarter of 2022

Sources: Berkadia Research, National Association of Realtors, RealPage

Single-Family Rentals now take up a significant market share of the total occupied rental housing stock. These properties make up approximately one-third of all rental inventory, which accounts for 16 million of the 47 million total rental units. Purpose-built SFRs make up about 6% of all new homes being built in the U.S., up from 3% pre-COVID.

RENTAL HOUSING INVENTORY



Sources: Berkadia Research, Harvard JCHS; U.S. Census Bureau

Strong Fundamentals



Builders are showing a clear preference for certain regions in the country while holding off on construction in more mature (but lower-growth) local economies.



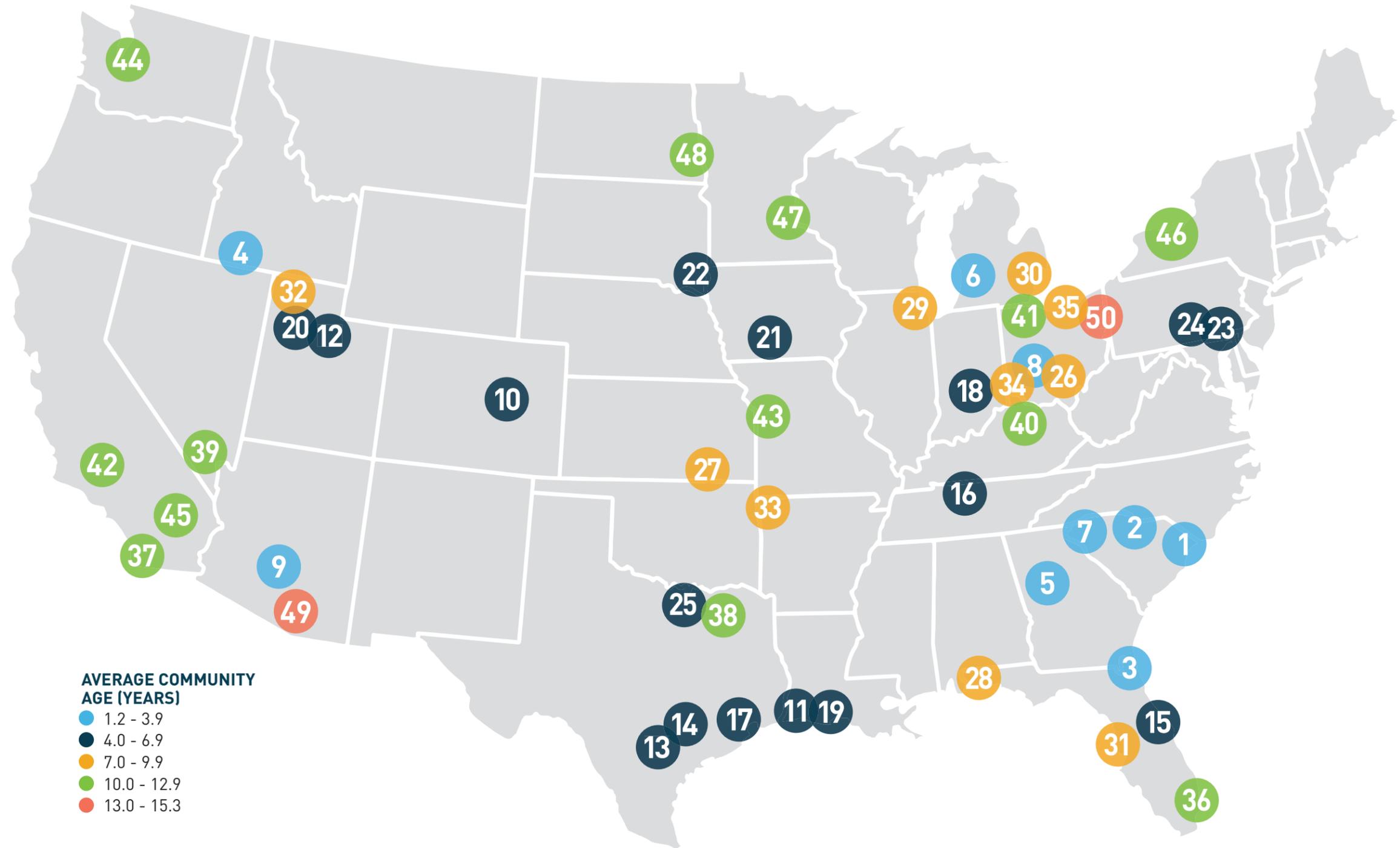
Likewise, Sunbelt metros like Phoenix, Albuquerque, and Dallas are exhibiting increased rental demand as families seek more affordable, spacious living arrangements than gateway markets.



States with the greatest population growth are the most primed for SFR/BFR housing. They include Florida, Texas, Utah, Nevada, Arizona, Idaho, North Carolina, and South Carolina.

PURPOSE-BUILT SINGLE-FAMILY RENTAL HOUSING BY AVERAGE AGE OF COMMUNITY

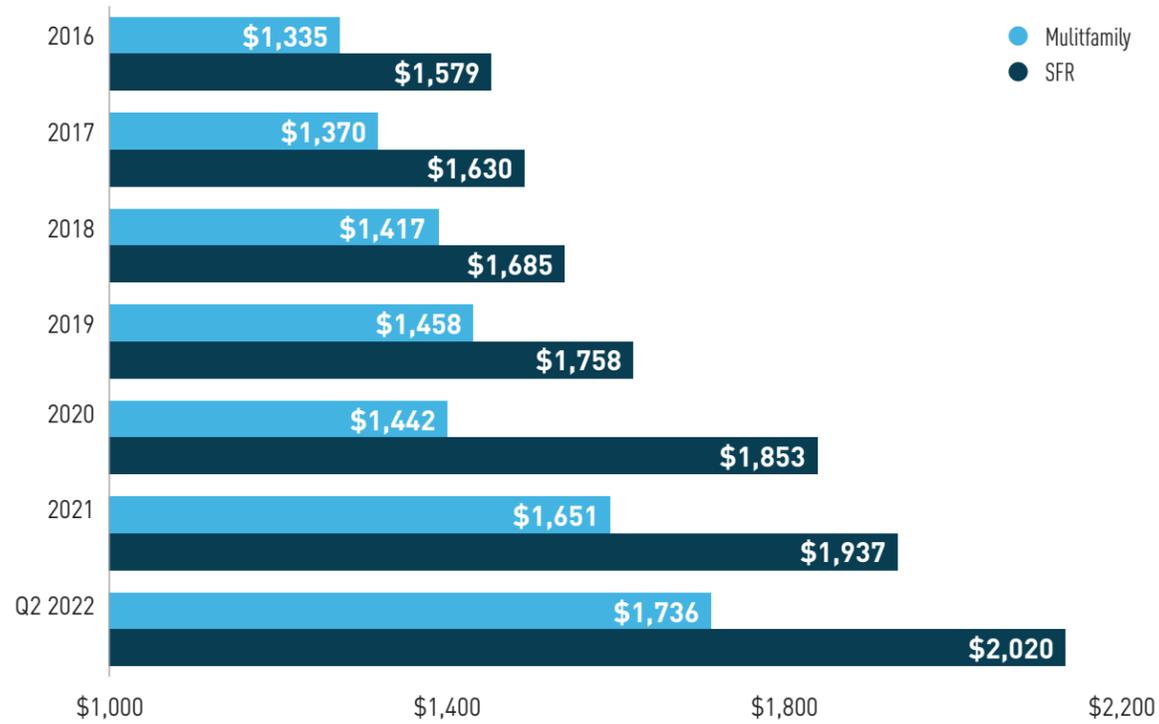
NAME	AGE RANK
Myrtle Beach, SC	1
Charlotte, NC	2
Jacksonville, FL	3
Boise, ID	4
Atlanta, GA	5
Grand Rapids, MI	6
Greenville, SC	7
Dayton, OH	8
Phoenix, AZ	9
Denver, CO	10
Lake Charles, LA	11
Provo, UT	12
San Antonio, TX	13
Austin, TX	14
Orlando, FL	15
Nashville, TN	16
Houston, TX	17
Indianapolis, IN	18
Lafayette, LA	19
Salt Lake City, UT	20
Des Moines, IA	21
Sioux Falls, SD	22
York, PA	23
Harrisburg, PA	24
Fort Worth, TX	25
Columbus, OH	26
Wichita, KS	27
Daphne, AL	28
Chicago, IL	29
Warren, MI	30
Tampa, FL	31
Ogden, UT	32
Fayetteville, AR	33
Cincinnati, OH	34
Cleveland, OH	35
West Palm Beach, FL	36
San Diego, CA	37
Dallas, TX	38
Las Vegas, NV	39
Lexington, KY	40
Toledo, OH	41
Bakersfield, CA	42
Kansas City, MO	43
Tacoma, WA	44
Inland Empire, CA	45
Rochester, NY	46
Minneapolis, MN	47
Fargo, ND	48
Tucson, AZ	49
Akron, OH	50



SFR/BFR Rent Trends

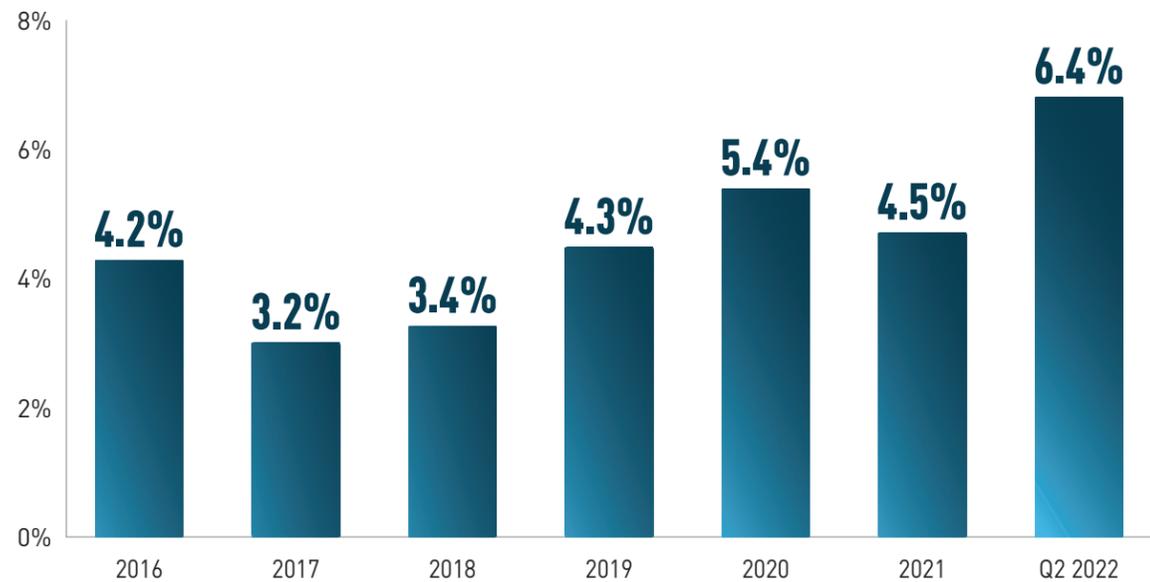
Demand for single-family rentals is skyrocketing, which will push up the average single-family asking rent to an all-time high of \$2,040 by year-end 2022. Buying and building rentals continues to be a great inflation hedge, especially if incomes keep growing.

SFR RENT VS. MULTIFAMILY



Since 2010 single-family rents have consistently increased by about 3% annually, and in the second quarter of 2022, posted the fastest year-over-year increase in the past decade.

SFR RENT CHANGE



SFR/BFR tenants are “sticker-renters” that tend to stay longer than the traditional multifamily renter. Limited turnover keeps operating expenses lower.

A majority of SFR households are within the 25 to 55 age cohort. These households typically are more affluent and are renters by choice.

Persons ages 25 to 44 comprise about 48 percent of the single-family renters, and overall, these renters average about \$100,000 in annual income, which rates higher than the approximate \$72,000 that Class A renters earn, according to RealPage.

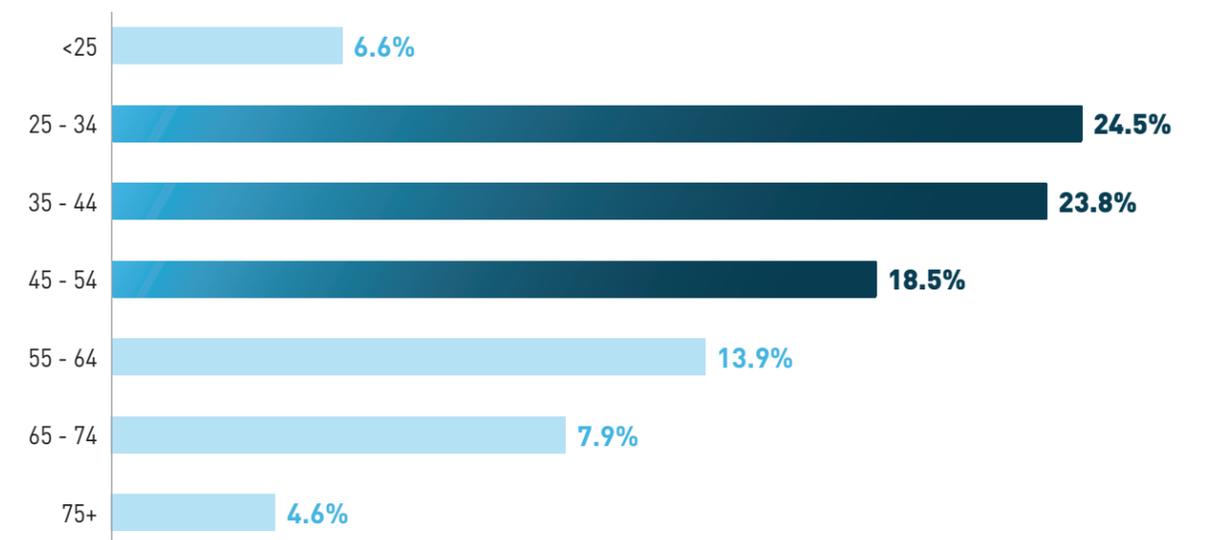
Single-family renters tend to be more educated and have better credit ratings.

What’s enticing home dwellers to stay longer in SFRs?

- emotional attachment to their detached home
- privacy: more space, less-dense neighborhoods
- neighborhood and leisure / relaxation amenities
- pet-friendliness – fenced yards
- affinity to other “like” neighbors
- sense of community
- school district*
- having a yard*
- full office or den requirement*

**Matters more for single-family renters with children*

SFR RENTER HOUSEHOLDS BY AGE COHORT



SFR Market Shows Little Sign of Cooling

The SFR/BFR sector is expected to continue expanding at a breakneck pace:

SFR has always had fewer booms and busts.

- SFR doesn't usually get overbuilt.
- Tenant demand increases during tough economic times.

It is believed that larger investors will continue aggressively investing in SFR communities.

- Double-digit market share is forecast by 2024.

Home builders will increasingly pivot to the build-for-rent sector.

- 57% of households are tightening their budgets.
- 66% believe it is a bad time to purchase a home.
- 85% will not purchase a home at 6%+ mortgage rates.

Heightened demand will continue to push up SF rent growth (projected annual rent gains*) though may soften when/if the forecast 2023 job losses occur.

BFR developers will look for markets with strong population and job development, low barriers to entry, and less expensive land costs

**Source: JBREC*





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