



# PURPOSE-BUILT SINGLE-FAMILY RENTALS

## Markets, Products and Strategy

**Charles A. Hewlett, Managing Director**

**Todd LaRue, Managing Director**

**Joshua A. Boren, Managing Director, Strategic Initiatives**

**RCLCO**  
REAL ESTATE CONSULTING



# TODAY'S PANELISTS



**Charles A. Hewlett**

Managing Director

**P:** (240) 644-1006

**E:** [chewlett@rclco.com](mailto:chewlett@rclco.com)



**Todd LaRue**

Managing Director

**P:** (512) 215-3157

**E:** [tlarue@rclco.com](mailto:tlarue@rclco.com)



**Joshua A. Boren**

Managing Director, Strategic Initiatives

**P:** (310) 984-1757

**E:** [jboren@rclco.com](mailto:jboren@rclco.com)

(Moderator)

# WEBINAR AGENDA

## Market Update

- ▶ New News regarding vaccinations, economy and real estate markets

## Single Family Rental Market Overview

- ▶ Demand Drivers & Supply Overview
- ▶ Highlights from the RCLCO-ULI Terwilliger Center for Housing Upcoming Report
- ▶ Capital Flows into SFR

## RCLCO's Roles in the SFR Sector

- ▶ Site Specific & Portfolio Evaluations
- ▶ Strategy Planning

# **MARKET UPDATE**

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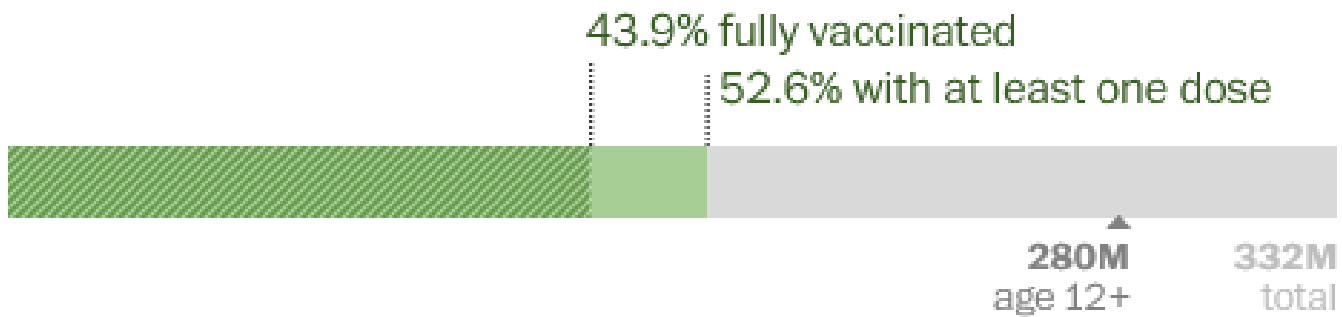
# IT'S NOT THE ECONOMY, STUPID...IT'S THE SHOTS...

As of June 14, approximately 146 Million Have Been Fully Vaccinated

53% of Adults Have Had at Least One Dose of a COVID-19 Vaccine...

## 174.7 million vaccinated

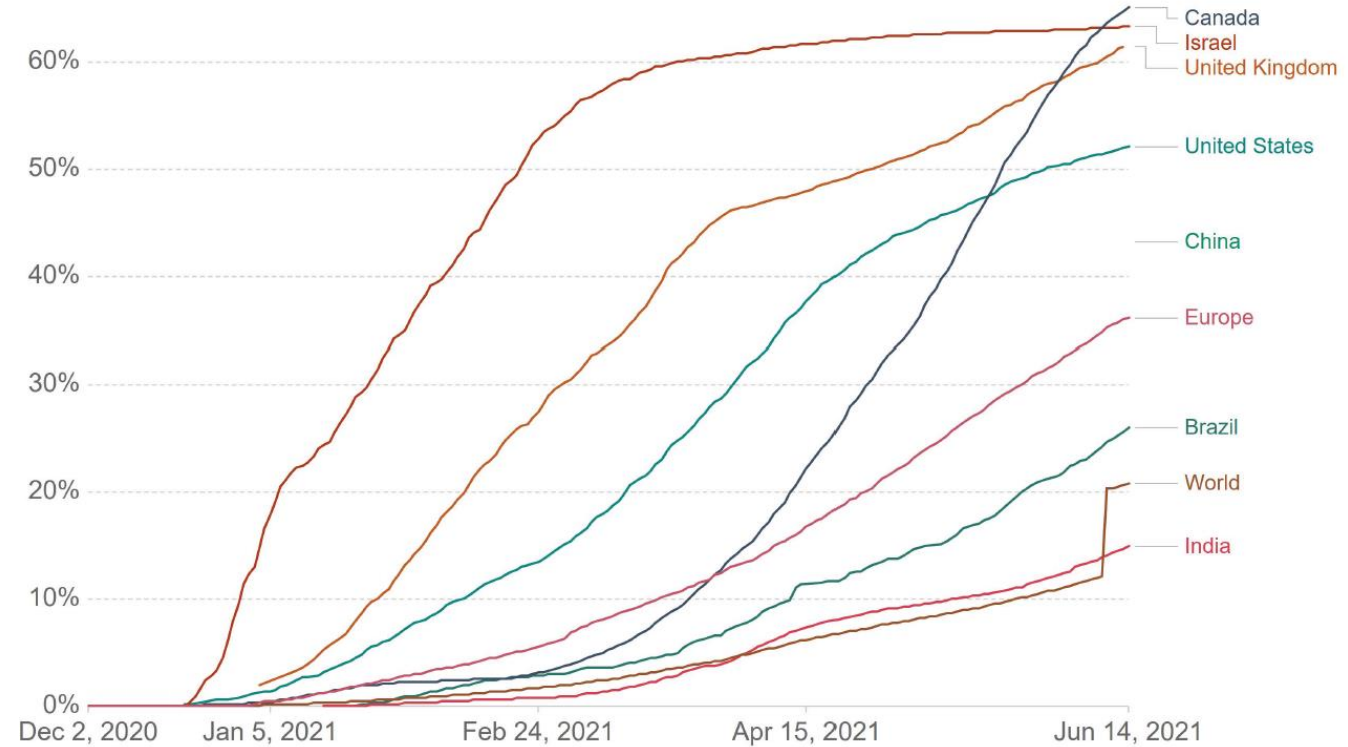
This includes more than **145.8 million people** who have been fully vaccinated in the United States.



In the last week, an average of **1.14 million doses per day** were administered, a **6% increase ↑** over the week before.

Share of people who received at least one dose of COVID-19 vaccine  
Share of the total population that received at least one vaccine dose. This may not equal the share that are fully vaccinated if the vaccine requires two doses.

Our World in Data

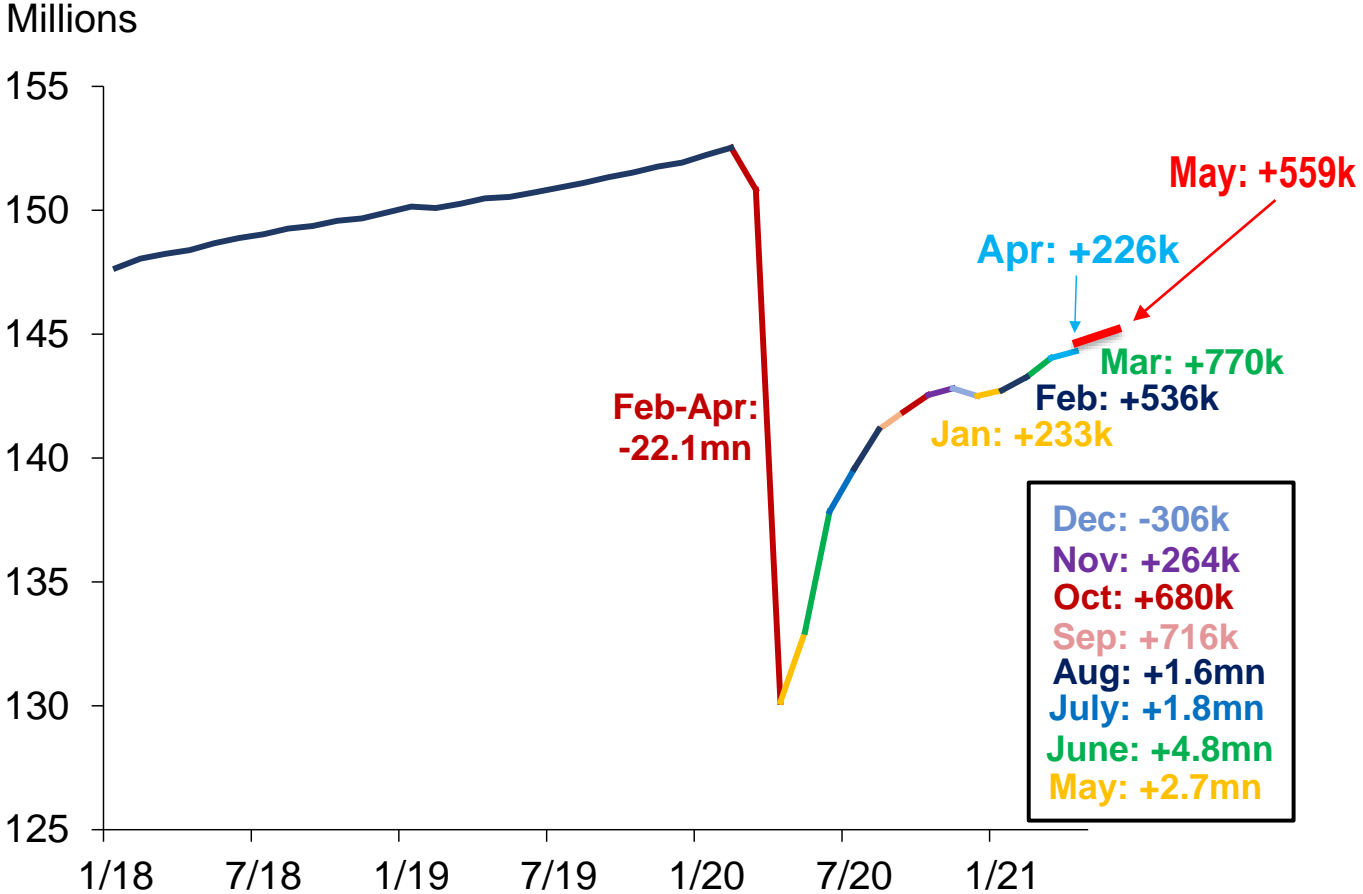


Source: Official data collated by Our World in Data

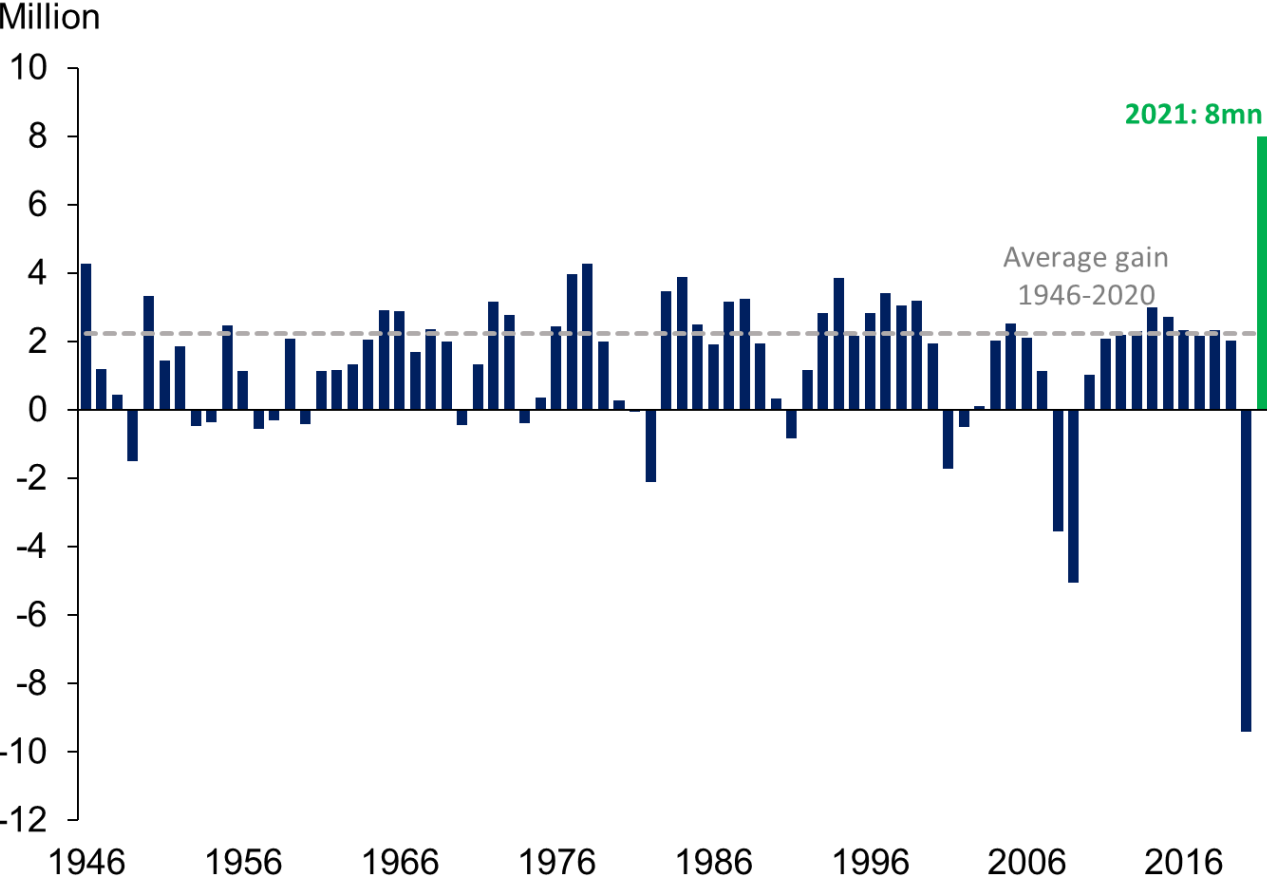
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# SPRING BLOOM TO SUMMER JOB BOOM...

## US: Nonfarm payroll employment

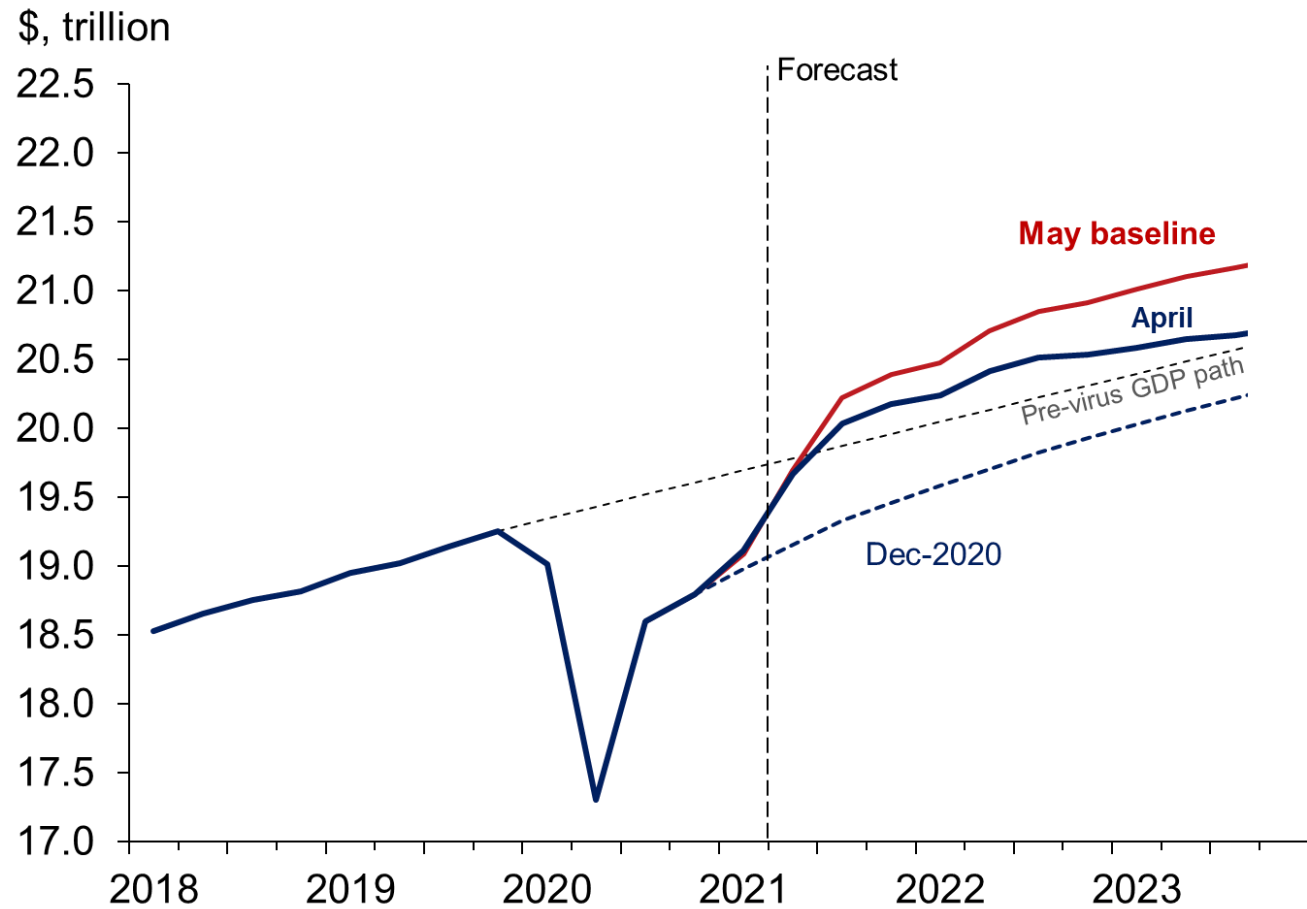


## US: Strongest job creation in history in 2021



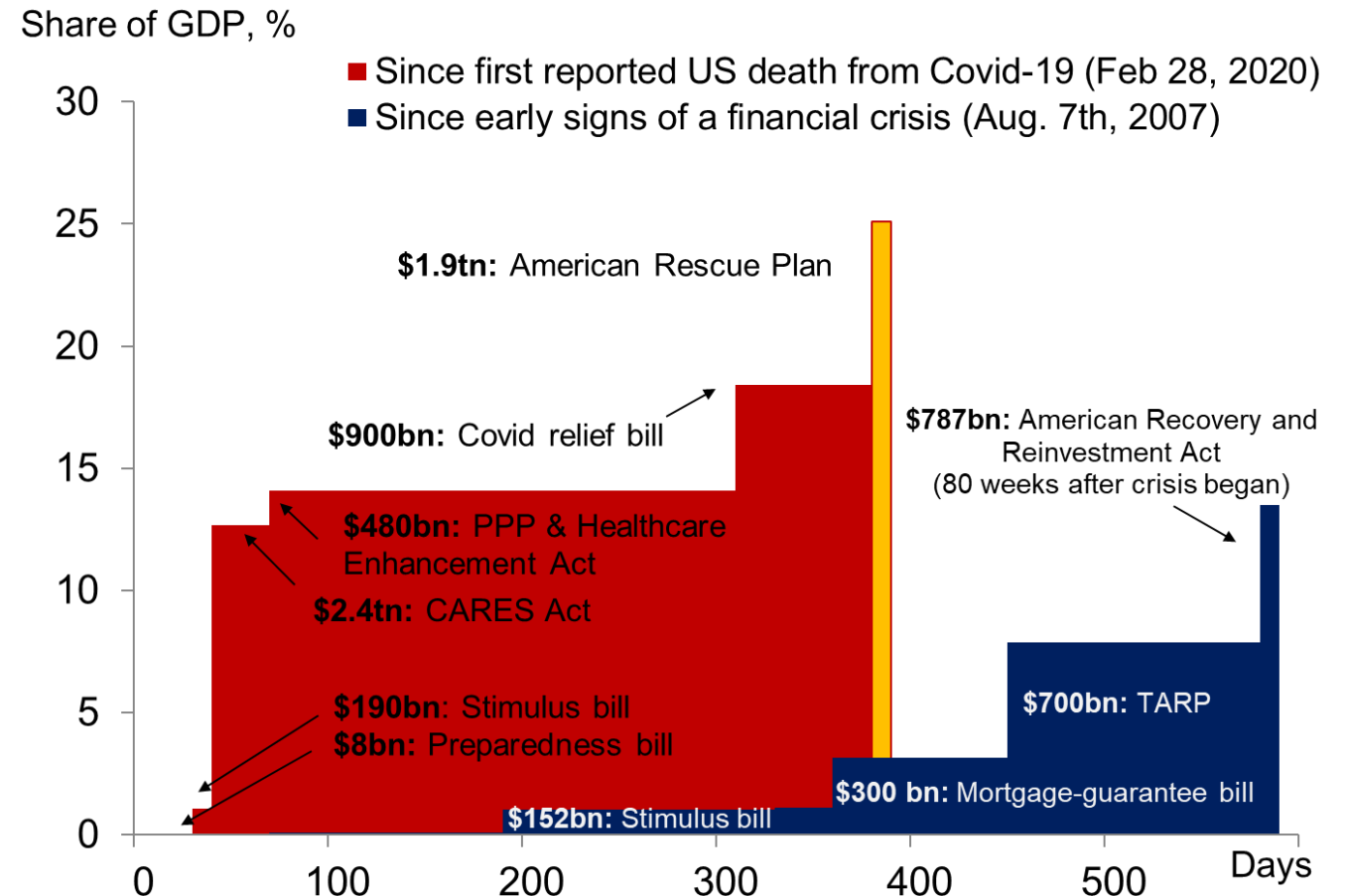
# STIMULUS WILL PUT U.S. ECONOMY ON A HIGHER TRAJECTORY...

## US: Real GDP



Source : Oxford Economics

## US: Funds authorized by Congress

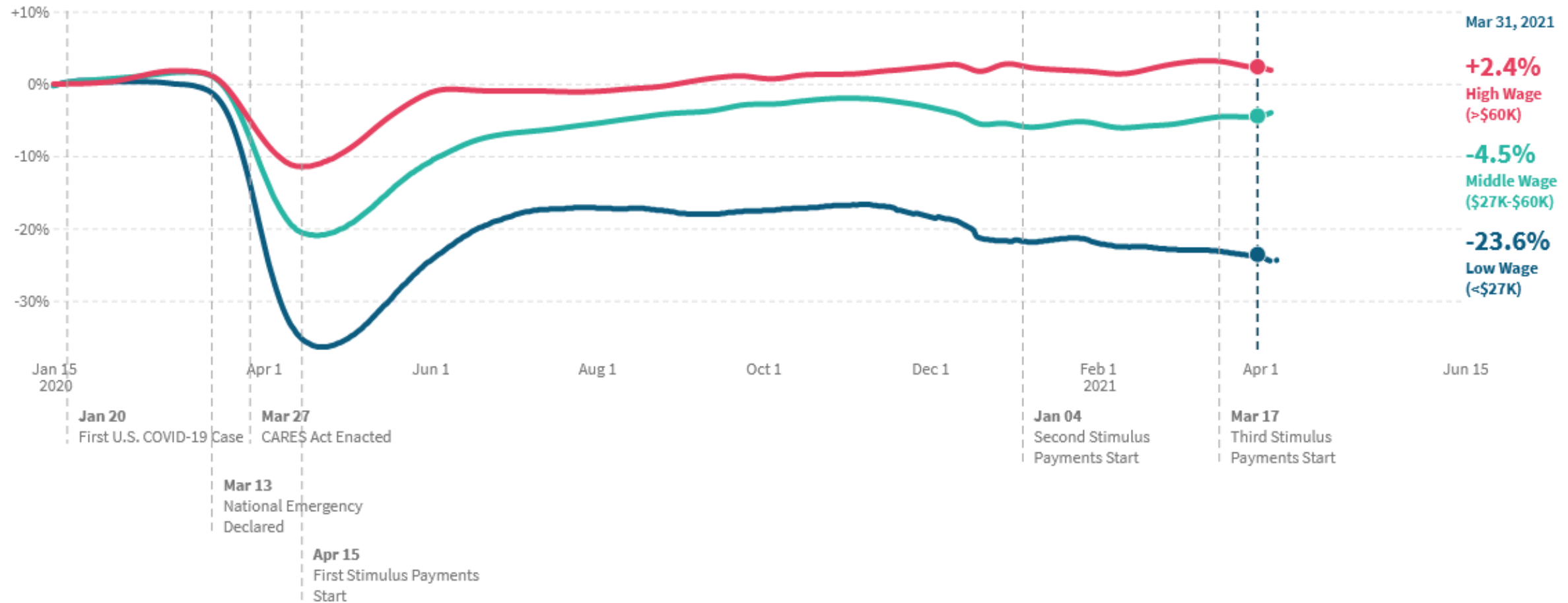


Source : Oxford Economics/CBO

# K-SHAPED RECOVERY IS STILL A THING...

Recession Has Ended for High-wage Workers, but Job Losses Persist for Low-wage Workers, and in Fact Have Gotten Worse In 2021...

### Percent Change In Employment



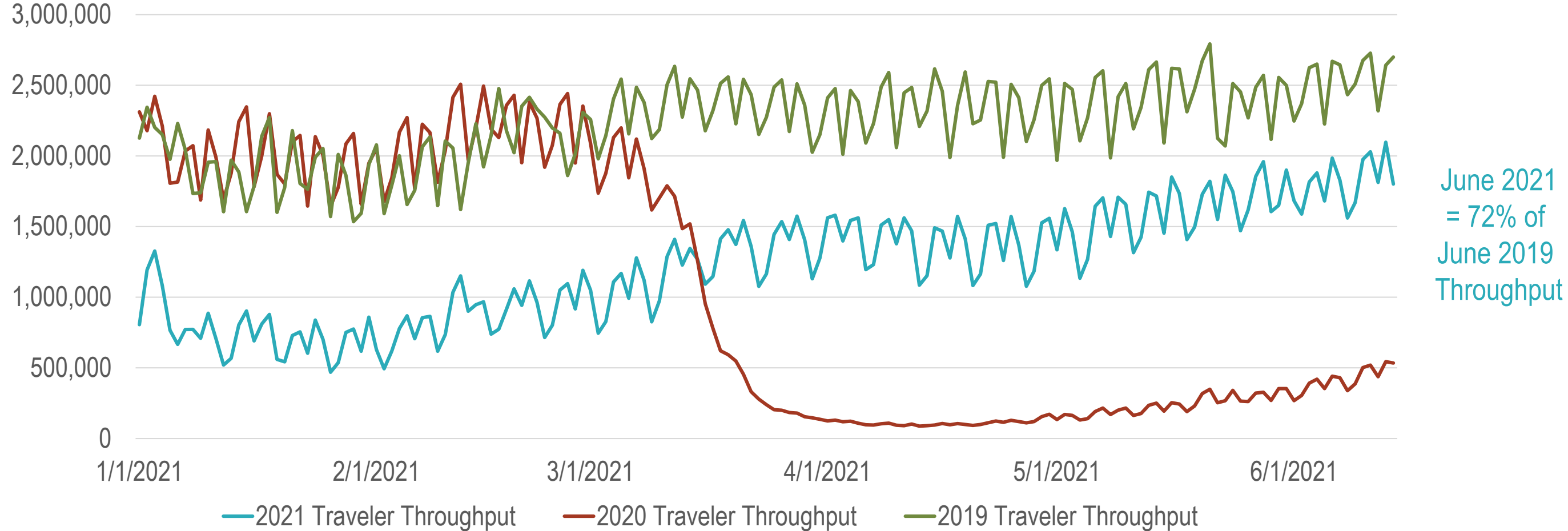
data source: Earnin, Intuit, Kronos, Paychex



# TRAVEL AND MOBILITY IN THE U.S. PICKING UP STEAM...

But Still Far Below Pre-COVID Levels...

### TSA Traveler Throughput 2019-2021

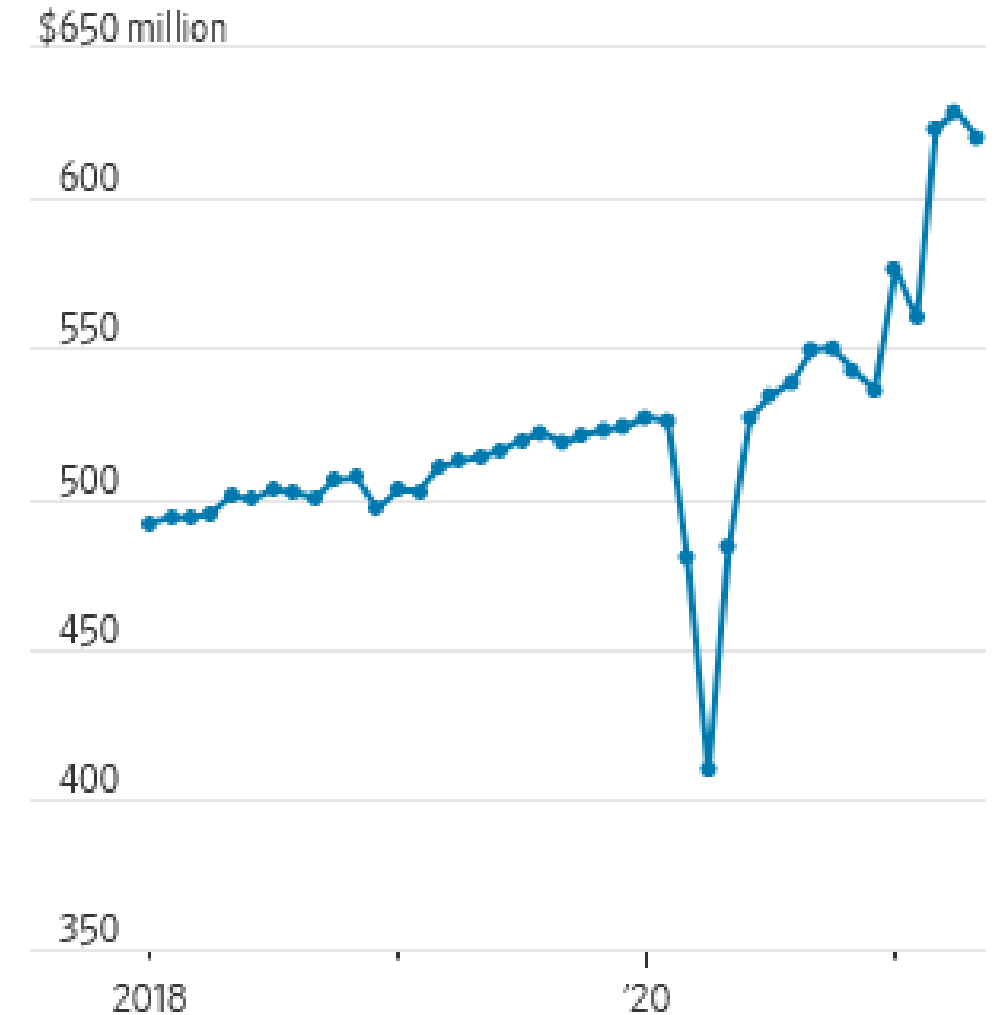


# RETAIL SALES DROPPED 1.3% IN MAY

## As Consumers Make the Pivot from Goods to Services

- ▶ U.S. consumers trimmed expenditures on autos, furniture, electronics and building materials (down -1.3%)
  - » Supply-chain disruptions and higher prices may be crimping sales of longer-lasting items
- ▶ Instead, Americans are spending more on services (up +1.8%)
  - » However services are largely excluded from the retail-sales report
- ▶ Online sales are down as consumers return to more in-person shopping
- ▶ Sales on clothing and health and beauty products were up as people contemplate returning to work

### Total U.S. retail and food-service sales



Note: Seasonally adjusted.

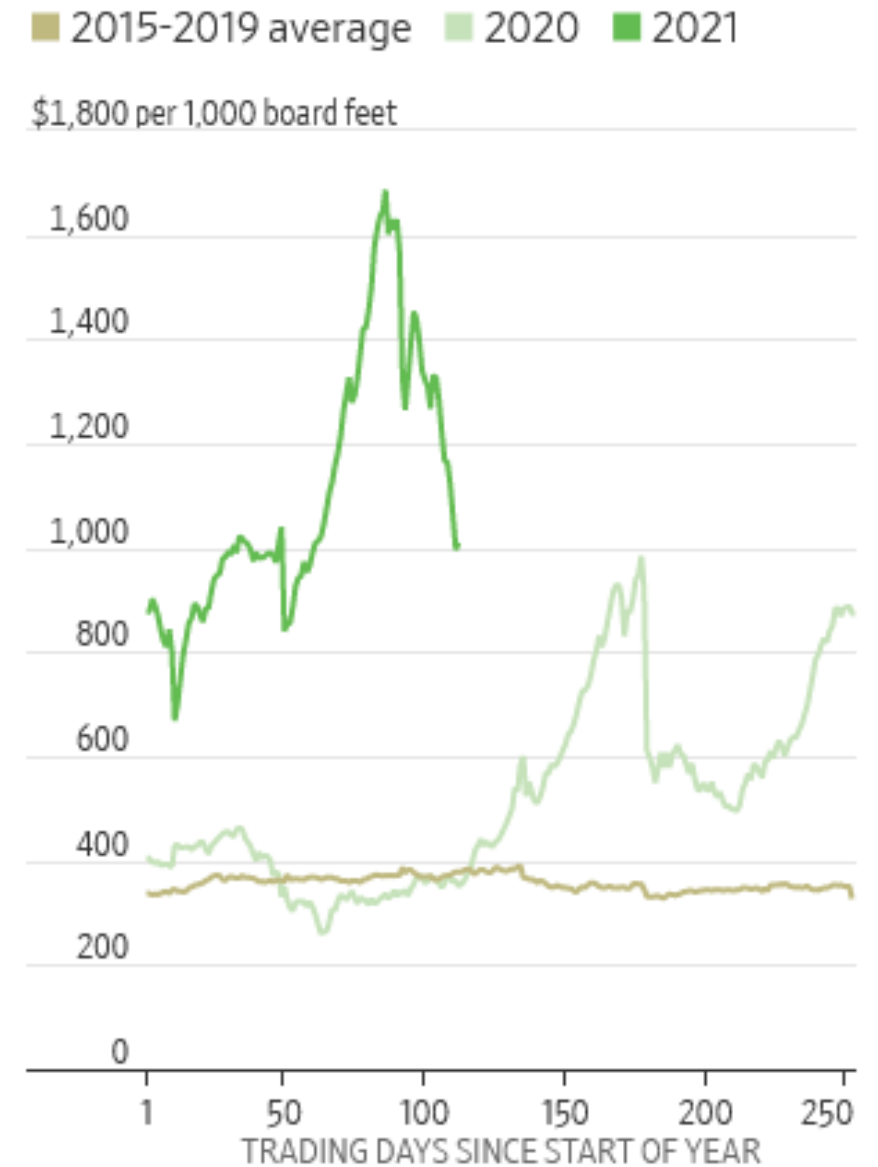
Source: U.S. Census Bureau via St. Louis Fed

# LUMBER FUTURES HAVE DECLINED SIGNIFICANTLY

## But Remain Elevated Over the Long-term Average

- ▶ Lumber futures for July delivery are down -41% from the May record
  - » Futures declined for 14 of the last 16 trading days
- ▶ Cash lumber prices have also come back to earth as builders, retailers and others who had been hoarding supply disgorge this back onto the market
- ▶ Despite this, lumber producers expect prices will remain high as builders try to satisfy demand
  - » Freddie Mac estimated that in April the U.S. is about 3.8 million houses short of meeting demand, dating back to the GFC

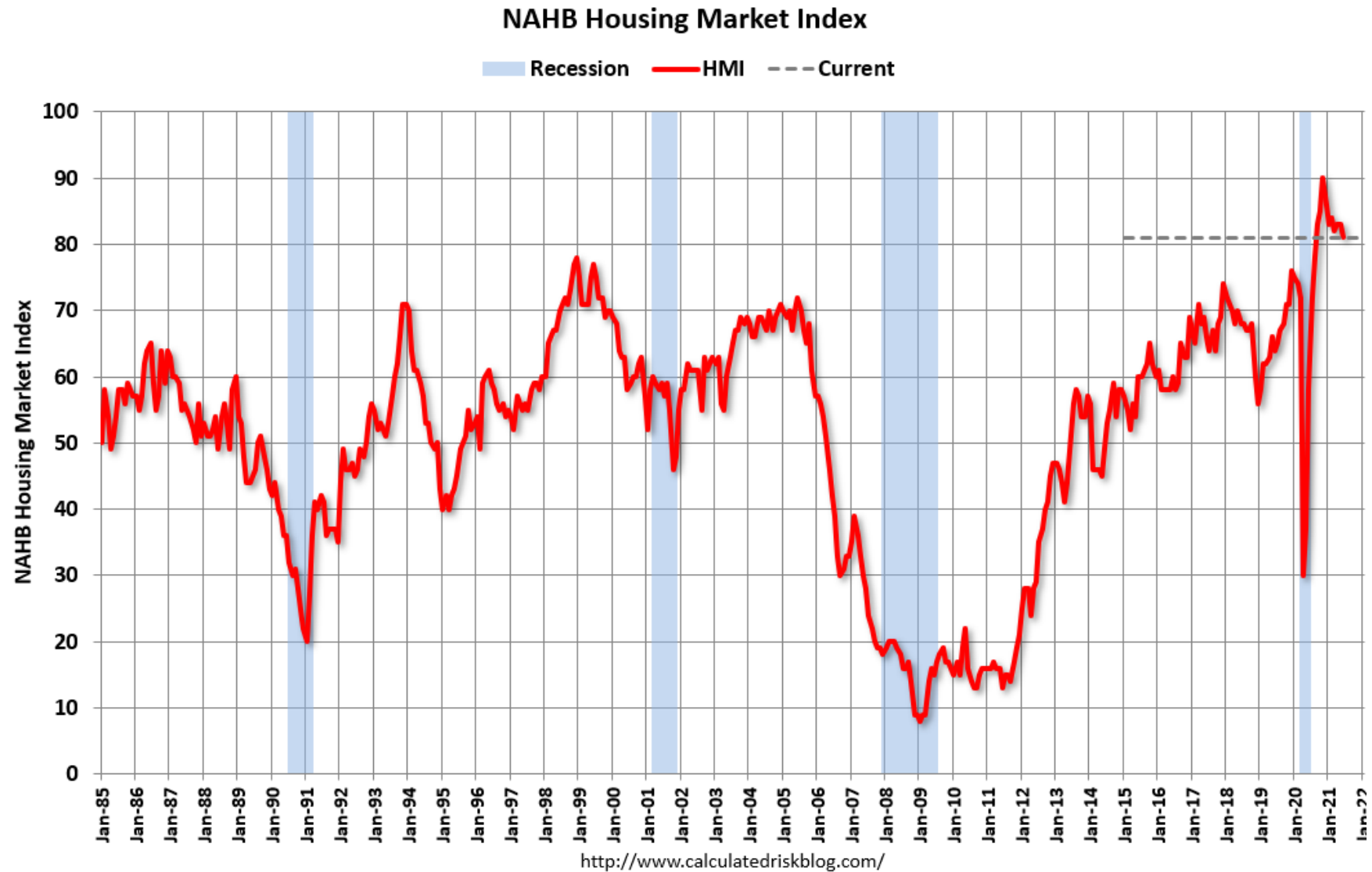
Lumber futures price



# HOMEBUILDING CONFIDENCE SLIPS TO 10-MONTH LOW

## Rising Material Costs are Cited as Primary Cause

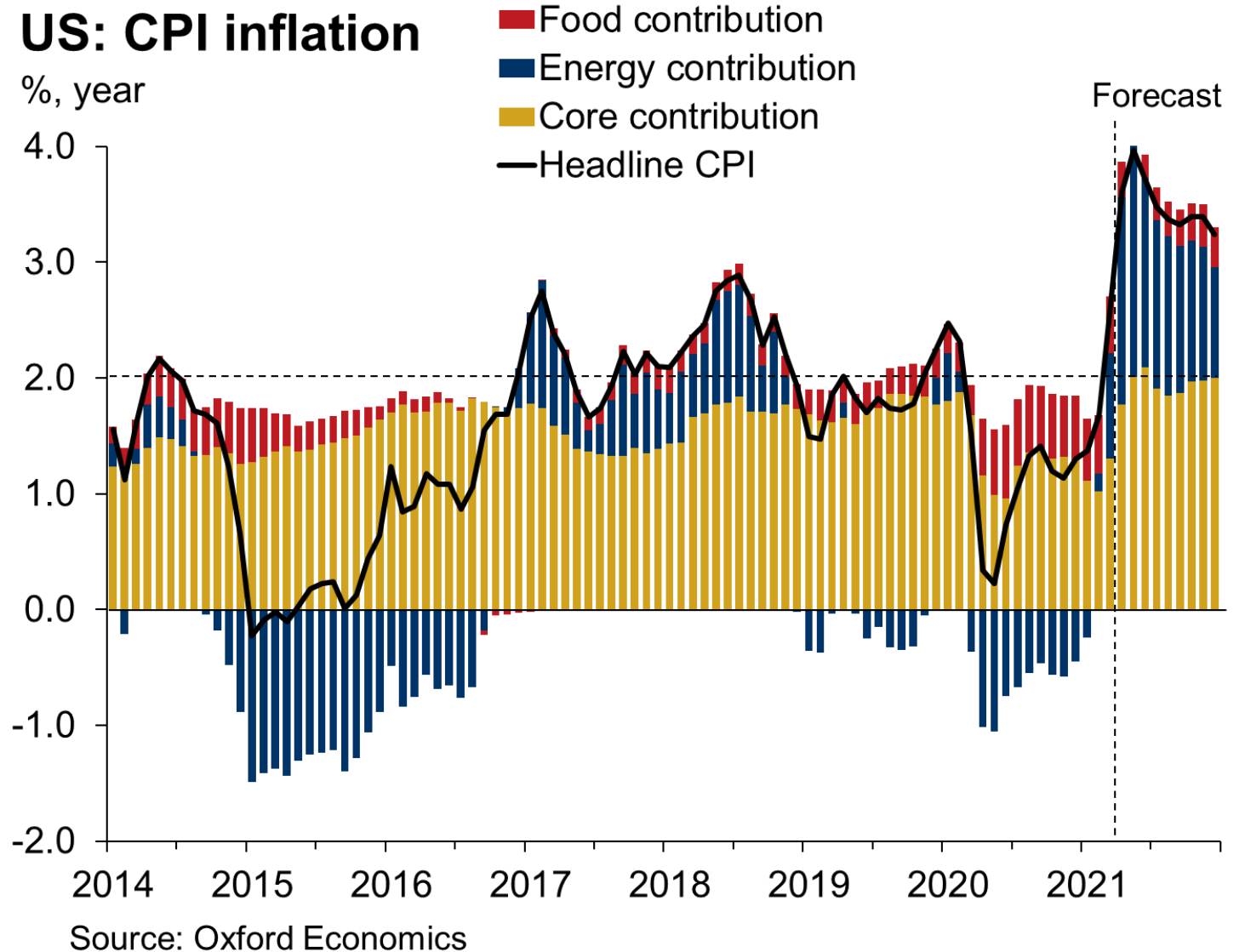
- ▶ Homebuilder confidence dropped to its lowest level since August 2020
  - » HMI index was down 2 pts. to 81 in June
- ▶ Rising material costs and supply chain disruptions were blamed on the loss of confidence
- ▶ All three of the major HMI indices posted declines in June:
  - » Current sales conditions fell 2 pts. to 86;
  - » Sales expectations in the next six months fell 2 pts. to 79
  - » Traffic dropped 2 pts. to 71





# INFLATION IS A (TEMPORARY?) RISK...

- ▶ Inflation spiked in May at an annual rate of 5%
  - » This was the largest rate since August 2008
- ▶ Core inflation (excluding volatile food and energy) rose 3.8% YoY
- ▶ Economists expect May to be the final month of outsized annual increases as the base effects are aging out of the index
  - » May 2020 was the last of three consecutive months of price declines
  - » The next CPI report will be compared against June 2020 when prices were much higher
- ▶ And yet, the Fed is starting to sing a different tune, with possible rate hikes in 2023



# EVEN HARDEST HIT SECTORS RECOVERED IN 2021...

## SFR Has Outperformed All REIT Sectors but for Self Storage

### Investment Performance by Property Sector and Subsector

May 28, 2021

Sector	Total Return (%)		TOTAL
	2020	2021: YTD	
FTSE Nareit Equity REITs	-8.00	18.85	10.85
Industrial	12.17	16.73	28.90
Office	-18.44	15.09	-3.34
Retail	-25.18	31.58	6.40
Apartments	-15.34	27.22	11.87
Manufactured Homes	-1.69	12.16	10.47
<b>Single Family Homes</b>	<b>6.04</b>	<b>24.78</b>	<b>30.83</b>
Lodging/Resorts	-23.60	17.37	-6.23
Health Care	-9.86	9.51	-0.35
Self Storage	12.91	26.29	39.20
Data Centers	21.00	5.36	26.36

Source: NAREIT

# A TSUNAMI OF CAPITAL CHASING SFR, BFR, ETC...

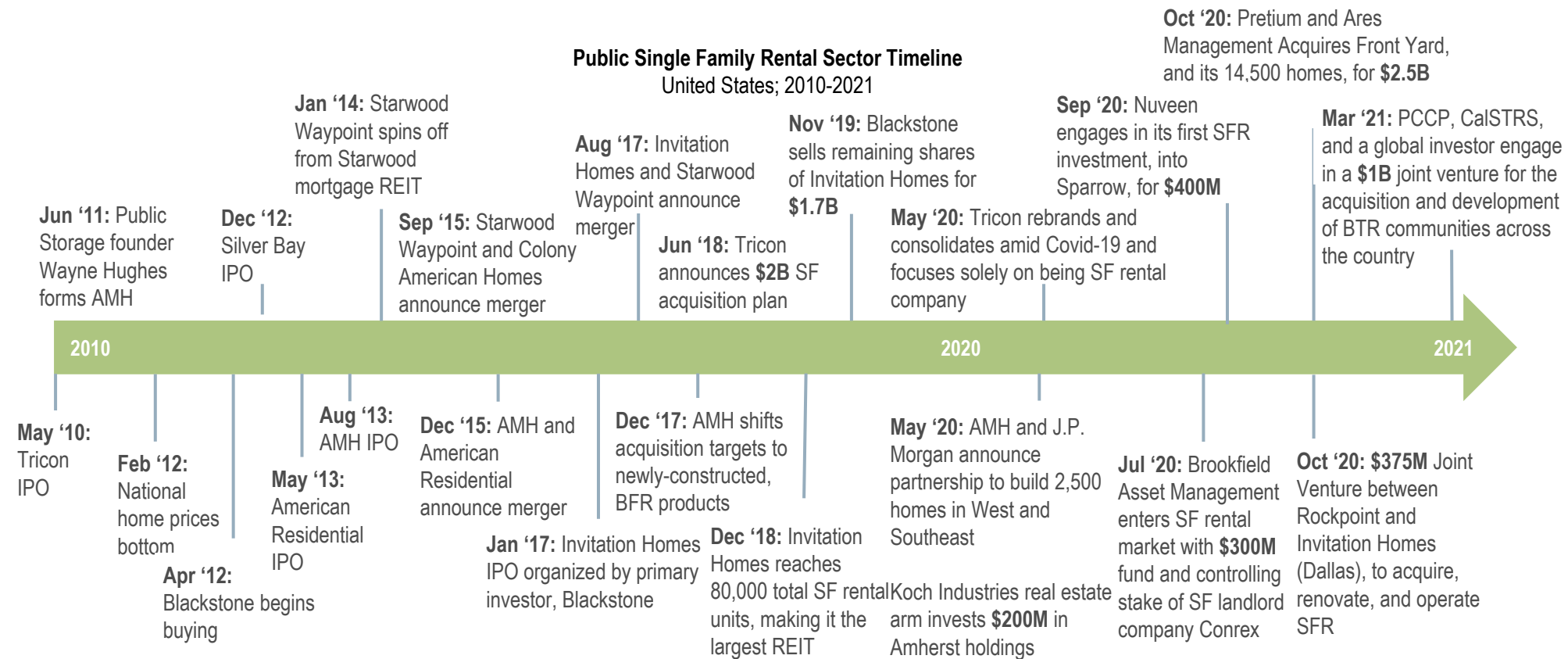


Figure 1: Major SFR Equity Commitments, JVs, M&A, Investment Funds

Announced or Closed	Investment/Commitment (\$ Billion)
Q1 2021	6.3
2020	2.6
2019	1.0
<b>Total</b>	<b>9.9</b>

Source: CBRE Research, SEC filings, company websites, articles, etc., Q1 2021.

Source: Company Filings; Company Websites; CBRE; RCLCO

# **SINGLE-FAMILY BUILD-FOR-RENT**

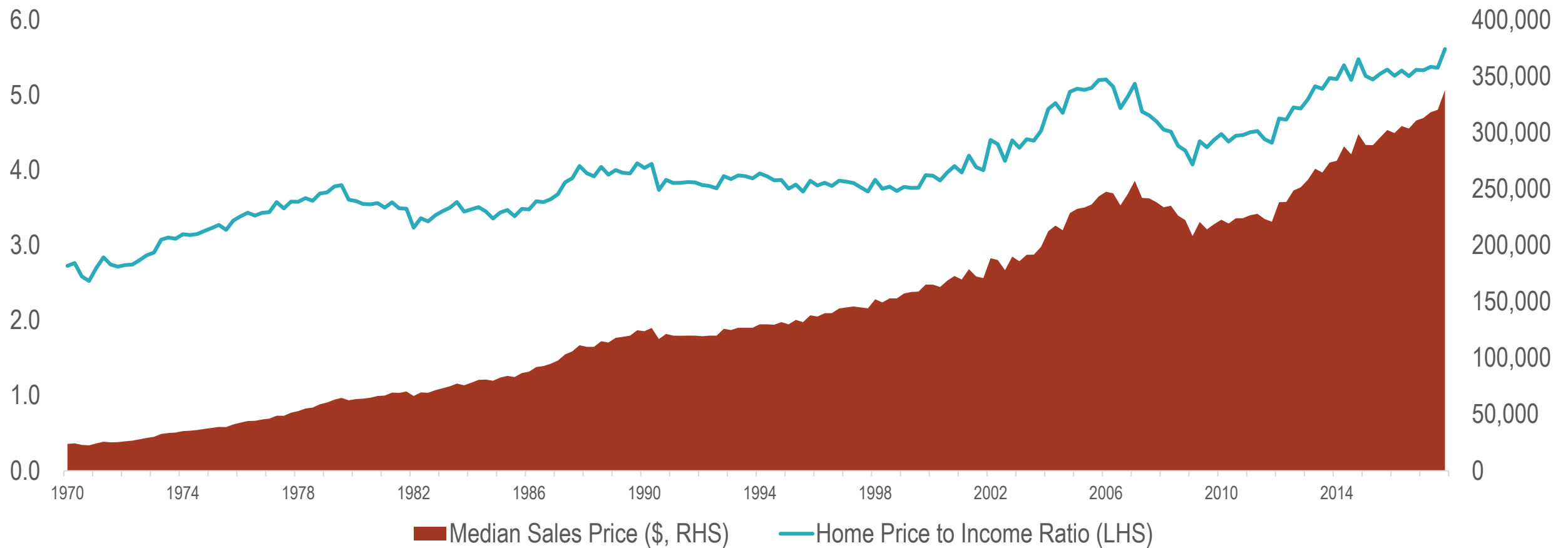
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# AFFORDABILITY

Home prices have continued to rise faster than incomes, leaving many households unable to afford a single family home and pushing additional households towards rental market

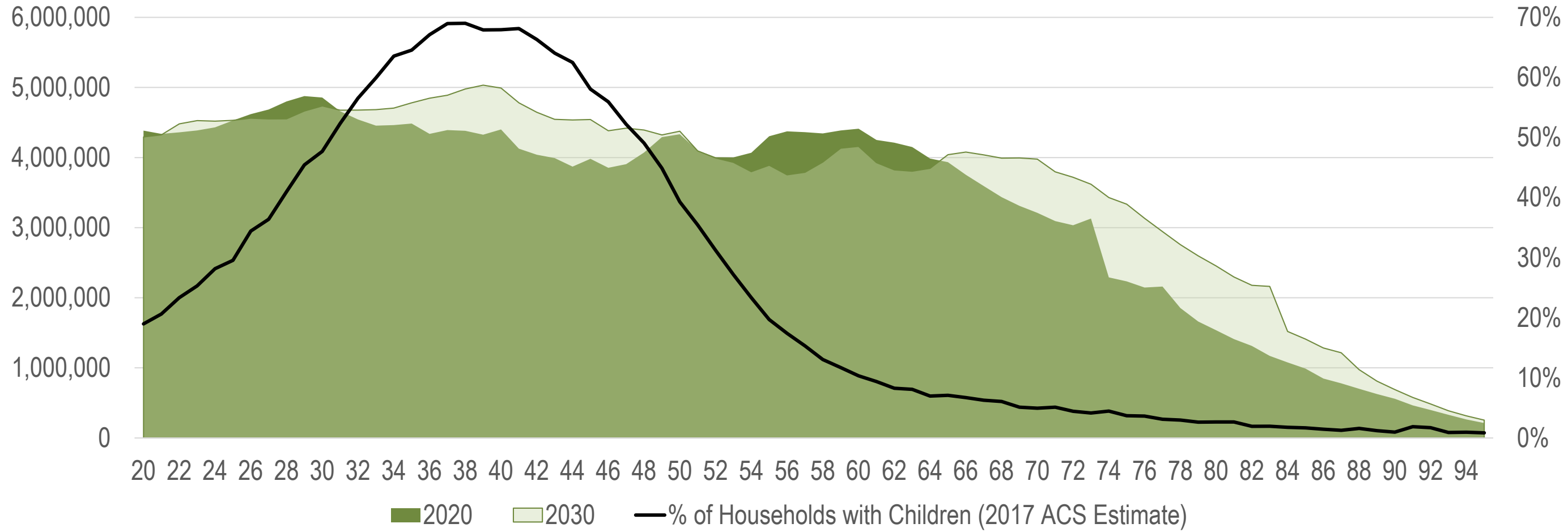
**Home Price to Income Ratio and Median Sales Price**  
United States; 1970-2019



# DEMOGRAPHIC SHIFTS

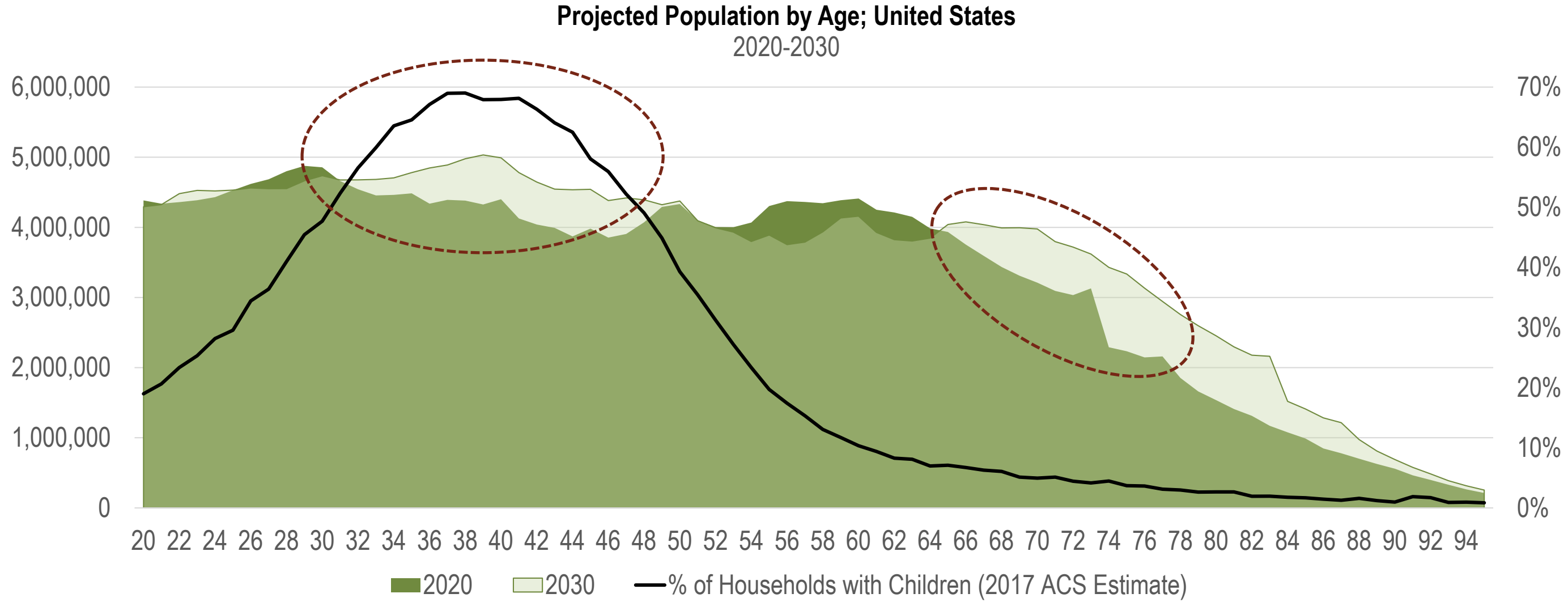
## Family-Age Household Growth Substantial

Projected Population by Age; United States  
2020-2030



# DEMOGRAPHIC SHIFTS

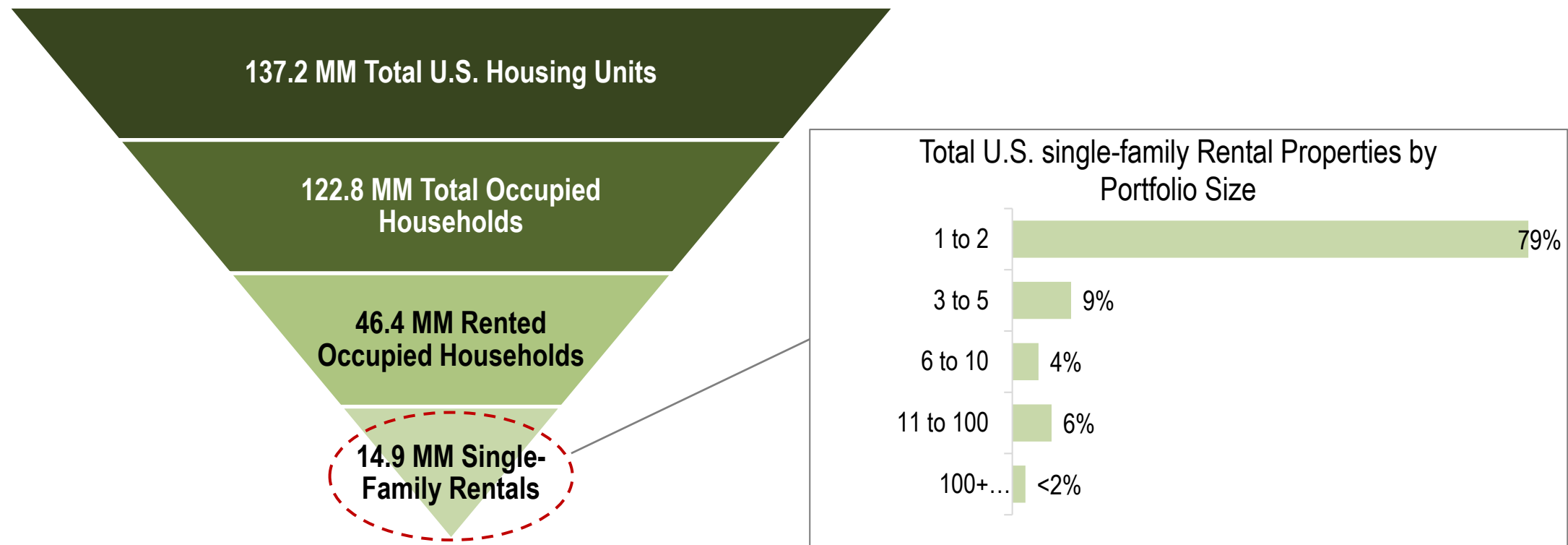
## Family-Age Household Growth Substantial



# CURRENT NATIONAL SCALE

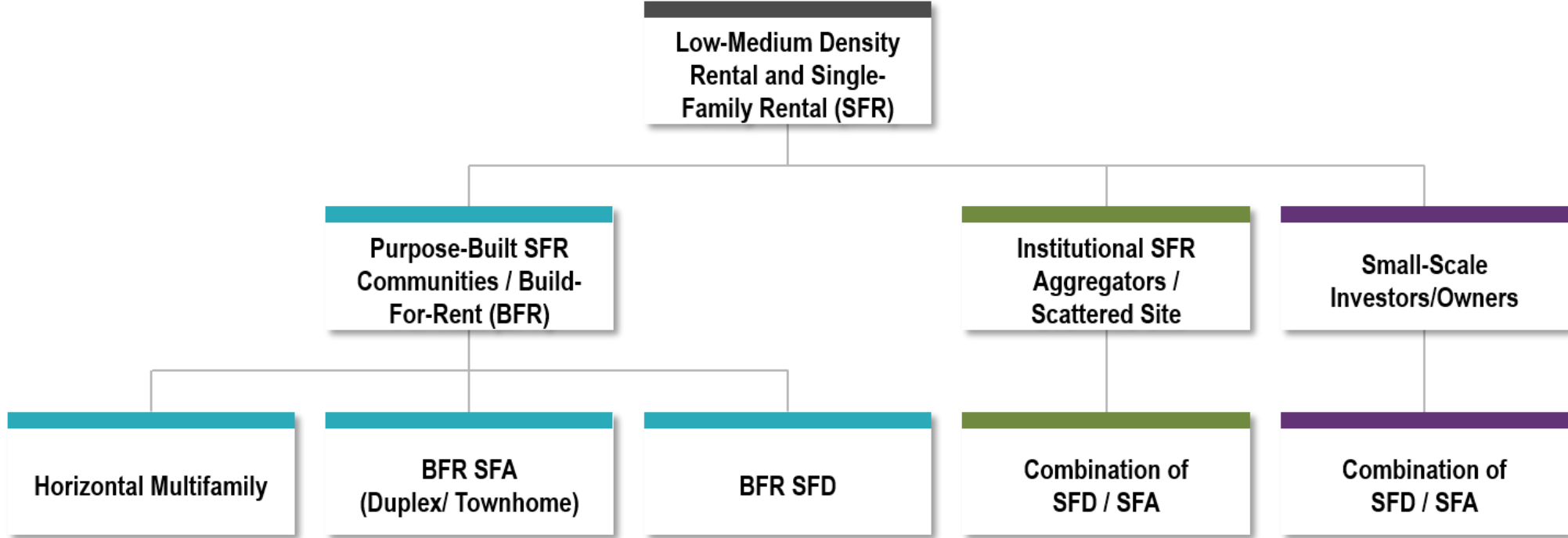
## 15 Million SFR Units in the United States and Ownership is Highly Fragmented

- ▶ 88% of single-family rentals are owned by mom and pop investors who own 1-5 single-family rental homes. In a fragmented market, a large amount of small and unsophisticated portfolios across the United States present a market consolidation opportunity for investors and operators, particularly in the top 50 MSAs.
- ▶ RCLCO expects continued consolidation throughout the industry, particularly in large, urban markets where barriers to entry are high, home values are high, and cap rates continue to compress





# DEFINING A RAPIDLY EVOLVING PRODUCT TYPE



**BFR Communities** provide cohesive offerings of single-family rental homes, with on-site management & maintenance *within the below three subcategories:*

**Horizontal Multifamily Communities** share many similarities with multifamily properties in terms of unit sizes, unit types, and amenities, but does not stack units

**BFR Single-Family Attached** vary in scale, density, and orientation, but typically provide attached garages and larger unit sizes than horizontal multifamily communities

**BFR Single-Family Detached** typically offer the largest homes of the three sub-categories, often containing three or more bedrooms

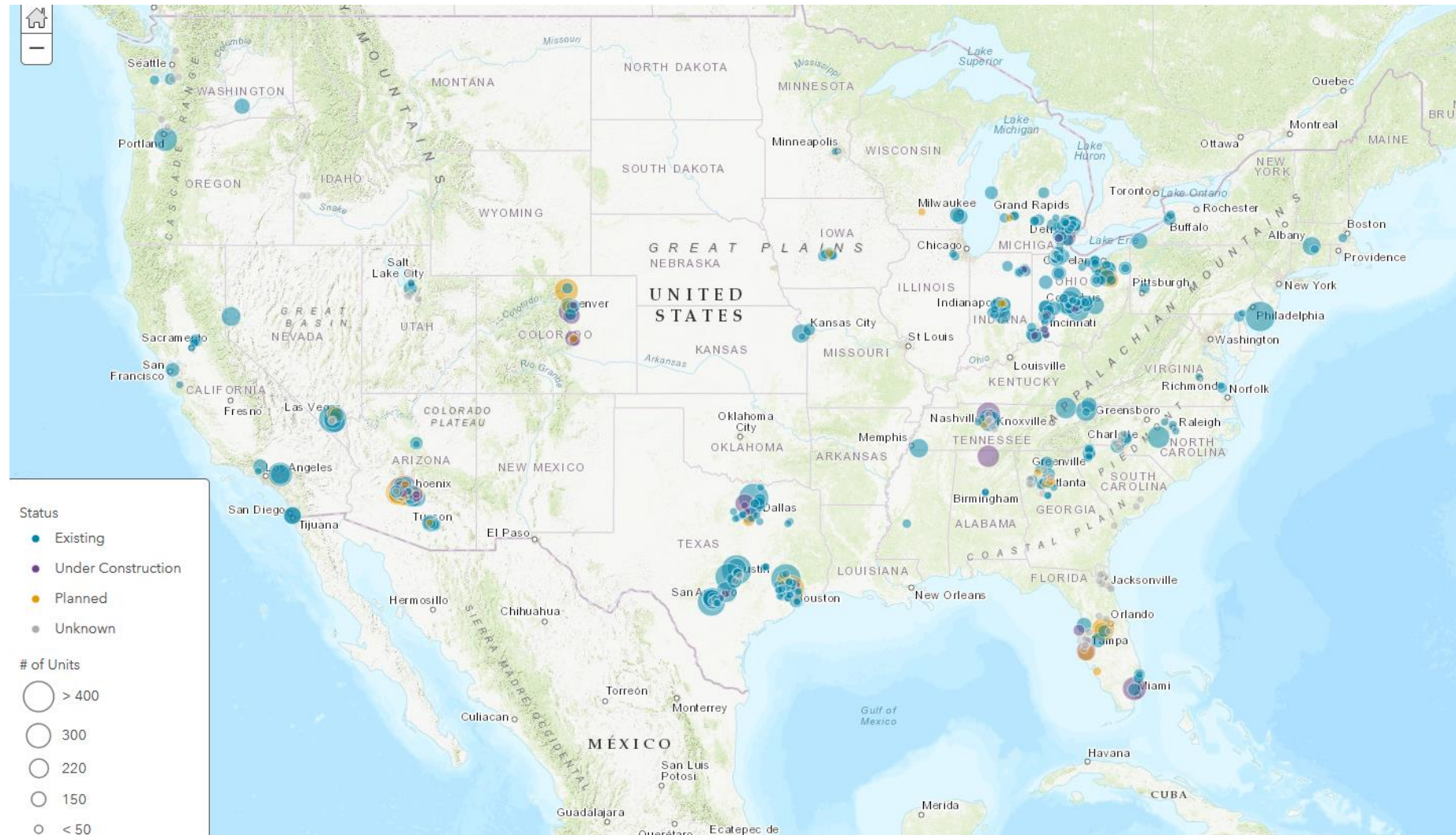
**Institutional SFR Aggregators / Scatter Site** consist of uniformly branded properties that are professionally managed and utilize a master leasing and operating platform; given housing supply constraints, aggregators are moving to bulk home takedown structures in partnerships with homebuilders

**Small-Scale Investors/Owners** represent the largest share of units in the single-family rental market; homes are owned and operated by small-scale investors who typically own fewer than three rental properties

**Single-Family Definition:** Single-family structures include fully detached, semi-detached (semi-attached, side-by-side), row houses, duplexes, quadruplexes, and townhouses. For attached units to be classified as single-family structures, each unit must be separated by a ground-to-roof wall, have a separate heating system, individual meters for public utilities, and no units located above or below.

# BTR SUPPLY – RCLCO DATABASE


Database Includes ~50,000 Units Within BFR Communities (Including Planned and Proposed Communities) – Less Than 1% of all SFR in the United States



*Note: Database in progress and continually updated as we find additional communities. Most missing communities are likely by one-off developers.*



# EVOLVING LOW-MID DENSITY RENTAL PRODUCT LANDSCAPE

Product Type	Picture	Neighborhood Location	Development Strategy	Key Examples & Geographic Focus
Suburban SFD (MPC-Style)		Greenfield Lifestyle Suburb Greenfield Value Suburb	Provide traditional single family product in outlying suburbs or in MPCs. located in areas with good school districts, proximate to other single family housing.	<b>AHV Communities</b> Sun Belt Markets
Single-Story Apartment-Style (also referred to as horizontal apartment)		Greenfield Lifestyle Suburb Middle-Income Suburb	Alternative to multifamily apartments, providing additional privacy and space at a similar price point	<b>NexMetro, Christopher Todd, Bungalows</b> Sun Belt & Rocky Mountain Region
Suburban SFA		Greenfield Lifestyle Suburb Middle-Income Suburb	Provide smaller, lower-priced single family product in outlying suburbs or in MPCs.	<b>BB Living</b> Sun Belt Markets
Urban/Suburban Infill SFA or Small-Lot SFD		Stable Urban Neighborhood Stable Suburb	Located in in-town locations just outside of the urban core offering high-quality product for lifestyle renters	<b>RedPeak Platt Park Townhomes</b> National
Urban Rowhome/SFA		Emerging Economic Center High End Urban & Suburban	Located in urban core locations, likely in markets where high-density construction isn't feasible	National

# BUILD-FOR-RENT CONCEPT AND COMMUNITY PROFILES

## Horizontal Multifamily

**Avilla Eastlake**  
Thornton, CO

Product Type: Horizontal MF  
Developer: NexMetro  
Year Built: 2020  
Units: 244  
Status: Lease-Up

Avilla Eastlake is a new horizontal multifamily community in Thornton, CO. Its suburban infill location provides residents with excellent accessibility around Denver and ample neighborhood retail. The primary target markets are maturing millennials, and adult households that rent by choice.



### AMENITIES

Swimming Pool	Dog Run
Jacuzzi-Spa	Playground
Sports Court	BBQ-Grilling Area
Detached Garages	

TYPE	UNITS	MIX	UNIT SIZE (SF)		ASKING RENT		
			MIN - MAX	AVG.	MIN - MAX	AVG.	AVG. \$/SF
1BR	78	32%	638 - 638	638	\$1,604 - \$1,694	\$1,642	\$2.57
2BR	97	40%	981 - 981	981	\$2,083 - \$2,269	\$2,153	\$2.19
3BR	69	28%	1,289 - 1,289	1,289	\$2,369 - \$2,460	\$2,426	\$1.88
<b>TOTAL/AVG.</b>	<b>244</b>	<b>100%</b>	<b>638 - 1,289</b>	<b>958</b>	<b>\$1,604 - \$2,460</b>	<b>\$2,067</b>	<b>\$2.16</b>



# BUILD-FOR-RENT CONCEPT AND COMMUNITY PROFILES

## Single-Family, Attached

**BB Living at Val Vista**  
Gilbert, AZ

Product Type: BFR SFA  
Developer: BB Living  
Year Built: 2021  
Units: 217  
Status: Lease-up

BB Living at Val Vista is a new townhome community located in Gilbert, AZ. The community is located on the suburban edge in a rapidly growing submarket of Phoenix. The local school district scores above the state average. The site is vehicle oriented, but has excellent access to a nearby highway.



### AMENITIES

Swimming Pool	Dog Run
Fitness Center	Playground
BBQ-Grilling Area	Attached Garages Included

TYPE	UNITS	MIX	UNIT SIZE (SF)		ASKING RENT		
			MIN - MAX	AVG.	MIN - MAX	AVG.	AVG. \$/SF
3BR	135	62%	1,604 - 1,679	1,650	\$2,254 - \$2,370	\$2,305	\$1.40
4BR	82	38%	1,890 - 2,200	2,090	\$2,444 - \$2,634	\$2,563	\$1.23
<b>TOTAL/AVG.</b>	<b>217</b>	<b>100%</b>	<b>1,604 - 2,200</b>	<b>1,816</b>	<b>\$2,254 - \$2,634</b>	<b>\$2,402</b>	<b>\$1.32</b>

# BUILD-FOR-RENT CONCEPT AND COMMUNITY PROFILES

## Single-Family, Detached

**Pradera**  
San Antonio, TX

Product Type: BFR SFD  
Developer: AHV  
Year Built: 2019  
Units: 250  
Status: Stabilized

Pradera is a BFR SFD community in San Antonio, TX. Its location within an established suburban area provides residents with strong accessibility, and good schools. The primary target markets are maturing millennials and families seeking more space in an amenitized and well-executed setting.



### AMENITIES

Amenity Center	Resort Style Pool
Lounge/Café Work Space	Dog Park
Fitness Center	Sports Courts

TYPE	UNITS	MIX	UNIT SIZE (SF)		ASKING RENT			
			MIN - MAX	AVG.	MIN - MAX	AVG.	AVG. \$/SF	
3BR 2BA	89	35.6%	1,435 - 1,435	1,435	\$1,894 - \$1,894	\$1,894	\$1.32	
3BR 2.5BA	138	55.2%	1,555 - 1,555	1,555	\$1,994 - \$1,994	\$1,994	\$1.28	
4BR 2.5BA	23	9.2%	1,942 - 1,942	1,942	\$2,364 - \$2,364	\$2,364	\$1.22	
<b>TOTAL/AVG.</b>	<b>250</b>	<b>100%</b>	<b>1,435 - 1,942</b>	<b>1,548</b>	<b>\$1,894 - \$2,364</b>	<b>\$1,992</b>	<b>\$1.29</b>	

# OPERATING METRICS AND FINANCIALS

## Supportable Land Values

- ▶ Density of concept typically drives supportable land value
- ▶ Horizontal MF and some SF attached concepts can be competitive with MF in suburban infill
- ▶ Conventional SF BFR compete with for-sale SF developers in greenfield locations

## Operating Expenses

- ▶ Higher resident retention rates than MF
- ▶ Operating margins have improved from 50% to 65-70% today (often similar to MF)
- ▶ SFR = higher Capex and higher property taxes, insurance, and HOA compared to MF (lower property mgmt. & utilities)

## Capitalization Rates and Transactions

- ▶ Historically about 20-50 bps higher than MF
- ▶ Yields have decreased in the past year; cap rates now in line with MF in many cases

# NEGATIVE IMPLICATIONS & CONCERNS

## Affordability Impacts of SFR

### ► Concerns:

- » SFR communities competing for land with MF and entry-level for-sale housing pushing affordable housing further to the periphery
- » Investor purchases can create barriers to homeownership

### ► Mitigation efforts:

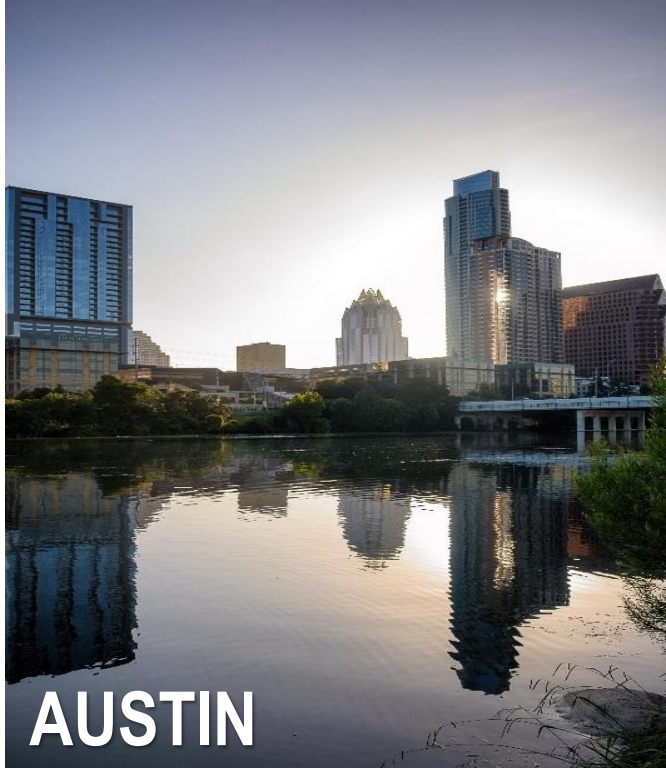
- » Policies that allow for housing supply growth as well as more housing diversity and density in communities
- » Lower cost construction methods (modular) being implemented

# RCLCO'S ROLE IN THE SFR SPACE

## Very Diverse Client Types and Services

- ▶ Site Specific Analyses
  - » Diverse Product Types
  - » Varying Geographies (urban infill, suburbs, exurbs)
- ▶ Portfolio Evaluations
- ▶ Strategy Engagements
  - » For-Sale Builders Entering the Space
  - » Expansion Strategies for Existing Players
  - » Capital Strategies





## AUSTIN

100 Congress Avenue  
Suite 2000  
Austin, TX 78701



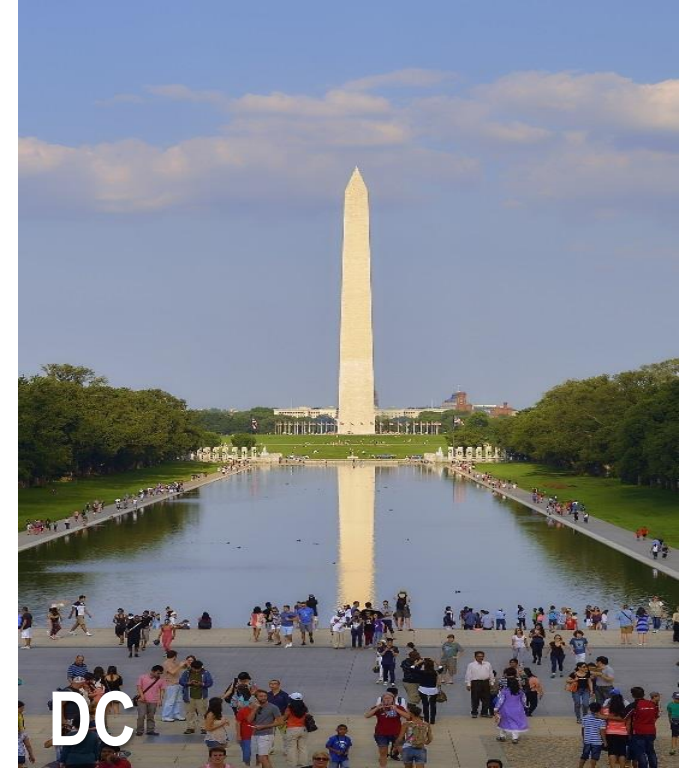
## LA

11601 Wilshire Blvd  
Suite 1650  
Los Angeles, CA 90025



## ORLANDO

964 Lake Baldwin Ln  
Suite 100  
Orlando, FL 32814



## DC

7200 Wisconsin Ave  
Suite 1110  
Bethesda, MD 20814

**RCLCO**  
REAL ESTATE CONSULTING

### Charles Hewlett

Managing Director  
**P:** (240) 644-1006  
**E:** [chewlett@rclco.com](mailto:chewlett@rclco.com)

### Todd LaRue

Managing Director  
**P:** (512) 215-3157  
**E:** [tlarue@rclco.com](mailto:tlarue@rclco.com)

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Managing Director,  
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**P:** (310) 984-1757  
**E:** [jboren@rclco.com](mailto:jboren@rclco.com)