

## ULI Chicago

June 24, 2021 Webinar

### “Exploring Multifamily’s Latest Boom: Single Family Rental”

ULI Chicago members and guests gathered virtually for a panel discussion on the latest boom in the single-family rental (SFR) and build-for-rent (BFR) housing sectors. The panel was moderated by Susan Tjarksen, *Managing Director*, Cushman & Wakefield who engaged a conversation with Jake Anderson, *Assistant Vice President*, Heitman; Josh Hartmann, *CEO*, NexMetro Communities; and George Maravilla, *Senior Vice President*, Tower Capital, LLC.

The panel began by discussing how excited they are about the recent boom in the SFR and BFR housing sectors. Although this housing sector is not new, it has not gained much traction until recent years. Many large investors have not included SFR in their portfolios, however, the successful rise of SFR is attracting attention and expanding investment. As an underwriter, George Maravilla described the metrics associated with SFR and BFR which are very positive and don't show signs of slowing down. One of the factors mentioned includes the turnaround from construction to occupancy. Rather than needing to receive a certificate of occupancy for a multiunit apartment building, individual houses can begin occupation even while other parts of a development are under construction.

The panel also discussed the reasons behind the drive for people to rent a single-family home rather than owning one. Demographic shifts of younger people who don't have savings for a down payment, who have concerns about owning a home after the housing market crisis in 2008, or who don't want to be tied down to one location for very long are driving the demand for the SFR housing sector. Although millennials and generation Z are a large driving force for demand, there is still a diversity of age groups that are making the choice to rent homes rather than own. Because of the diversity of residents, a variety of amenities and home sizes are offered with some SFR communities ranging from 1 bed, 1 bath to 4 bed, 2.5 bath homes.

However exciting as this boom is, Josh Hartmann did express some challenges that are delaying the progress of expansion in the SFR and BFR sectors. As is the case with most new construction, SFR and BFR have challenges that are delaying development or preventing emergence into certain regions. SFR often does not have a specific category included in municipal zoning codes, so it gets pigeon-holed into multi-family zoning. Communities want to increase housing supply, however, the NIMBY effect multiplies when “multi-family” is mentioned. Stigma against multi-family, or rental housing in general, causes hesitation from communities to allow SFR development.

Susan Tjarksen closed the discussion by engaging the panel with their final thoughts on the knowledge they have gained as the SFR housing sector evolves with the changing landscape of the post-COVID world. George Maravilla concluded that the continued rise of SFR means that more builders and investors will join the market and will result in greater variety of product and expansion into new regions. Josh Hartmann was optimistic that SFR is a long-term trend with a lot of growth potential. Josh seasoned his optimism with a dose of reality; communities need to adapt to the growing trend and change the way they view SFR.