

OPENING UP NEW MARKETS:

How Single-Family Rental
Homes Will Shake Things Up.



The American Dream. It traditionally revolved around owning a home with a yard, a car or two in the driveway, and a family to fill both. While different people have different versions of the American Dream, this is the iconic image many of us grew up with and still exerts a strong appeal. But as the economy changed, so did the manner that the American Dream played out. Over the past 15 years, homeownership rates fell — dramatically. While ownership is on the rise again, it's well below the record highs of the mid-aughts.

Even though homeownership decreased, the commonplace desire to live in a house has not. In fact, it's led to one of the hottest and most intriguing new trends in housing development: single-family rental housing. Cultural, financial, and population trends indicate that the demand for these residences will be undersupplied within the next 10 years, representing an excellent opportunity for developers.

According to the United States Census Bureau projections, the greatest population growth by age over the next 10 years will be people in their 30s and 40s, including the dominant Millennial cohort, currently ranging in age from about 24 to 39. While Millennials aged into the life stage of exiting apartment living and moving into single-family dwellings, their rate of homeownership is below that of both the Boomer and GenX cohorts at the corresponding age. There are many possible reasons, including the lack of financial capability correlating to remnants of the Great Recession, higher student-loan debt levels, or just the simple desire to avoid homeownership risks. However, this group still shows a desire to have the single-family home lifestyle and living experience. Additionally, single-family rental developments appeal to young professionals and families with children, and empty-nesters looking to downsize.

To answer this demand, multi-family developments are turning to single-family homes purpose-built for rental. Perhaps because of these multiple market appeals, single-family rental developments, which started in Arizona, are now extremely popular in Texas. Soon, they will be common throughout the U.S. as the projected demand continues climbing.



WHAT IS THE SINGLE-FAMILY, FOR-RENT DEVELOPMENT?

Single-family rental homes are characterized by a blend of the garden-style apartment building and the traditional single-family home. In fact, single-family rental residences provide residents with many of both housing types' best attributes. These developments are typically comprised of densely distributed structures scattered throughout a site, providing separate living spaces detached from adjacent families. Each unit generally features dedicated outdoor space as well, often a fenced-in yard, increasing their appeal to families with children. Residences usually offer one to three bedrooms and an average total of 1,200 to 1,600 square feet. They are the logical next lifestyle step that started with apartments and progressed to townhomes.

Utilities can be pooled together at the public service but metered separately, then billed to the specific users based on their in-home usage. This resembles how a traditional single-family home might access utilities, but group amenities are available similarly with garden-style apartment projects, within walkable distance from each unit. Usually, individual units do

not feature a garage or driveway, with parking instead addressed via shared surface lots or structures with allotted spaces complying with local-zoning requirements. Groundskeeping and maintenance are provided for residents, combining the convenience of apartment living with the single-family home residential experience.

For developers, the benefits go beyond growing demand. Single-family rental developments are comparable in density to garden-style apartments and are commonly developed on properties ranging from eight to 12 acres. These units often command premium rental values equivalent to other offerings in the planned-community space. Also, developments can be constructed in phases allowing for occupancy prior to total completion, providing cash flow during construction.



THESE DEVELOPMENTS CREATE CHALLENGES

Their unique nature means they present some novel challenges to developers, particularly with zoning. Cities and jurisdictions align their zoning ordinances to traditional multi-family or single-family dwellings, so many communities don't have a separate zoning distinction for single-family rental developments. At WGI, we have extensive expertise in managing the process of acquiring a zoning change. We have the capability to educate municipal and jurisdictional leadership about the type of adjustments needed to permit these developments and to ensure that the needed zoning changes are made. We understand that these projects may need to be compatible with multi-family — not single-family — zoning types. Some locations may also

require a special zoning district. We have that experience, assisting development projects in all major Texas cities and surrounding jurisdictions, and decades designing and constructing residential homes, multi-family apartments, and single-family condominiums.

For those looking at pursuing such a development, WGI assists clients in researching property entitlements for suitability of single-family rental projects. We can help if the property is not correctly entitled. We work with the entitlement team to oversee the allowance process, resulting in a single-family rental project approval on the project site. WGI can provide preliminary engineering plans to assist in preparation of cost assessments, as well as the design, permitting, and construction oversight required to gain a site development permit and build the project.



SINGLE-FAMILY RENTAL HOMES

A NEW ECONOMIC MODEL FOR SINGLE-FAMILY COMMUNITIES

Traditional Subdivision

Single-Family Zoning Required



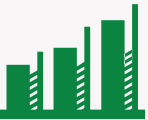
Wide Public Roads

Public Pavement Section



Utilities Are Public In A Right-Of-Way

2 Service Connections Per 100ft Of Frontage



Higher Infrastructure Cost

Fewer Units Per Acre To Spread Infrastructure Cost



Start One Home At One Time

Higher Price Point For Buyers



Homeowner Maintenance

Single-Family For Rent



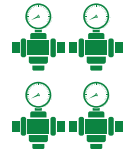
Multi-Family Or Depending On Jurisdiction, May Require Special Zoning District

Private Drives And Fire Lanes



Privately Maintained Pavement

Utilities Are Public In An Easement



Master Meter At Property Line With Sub-Metering Internal To The Site

Lower Infrastructure Cost



More Units Per Acre To Spread Infrastructure Cost

Homes Built And Rented In Phases



More Affordable Price Point For Renters

Management Provided Maintenance



BEYOND DESIGN & CONSTRUCTION

WGI's knowledge extends beyond the design and project-management scope. We offer marketing and public relations assistance to help with community communications and driving preliminary and ongoing sales. We can assemble and oversee the talent needed to create and distribute impactful marketing materials and address community stakeholder concerns, should they arise.

We are often able to anticipate and address issues, reduce costly delays and project stalls, and oversee your development team to ensure that your investment begins to offer an immediate return.

LET'S TALK.

For more information about this study or to have a conversation with one of our experts, please contact us:



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