

Pieces Of The Puzzle

A SFRHUB WEBINAR



Economic, Demographic, and BTR Housing Market Overview and Discussion

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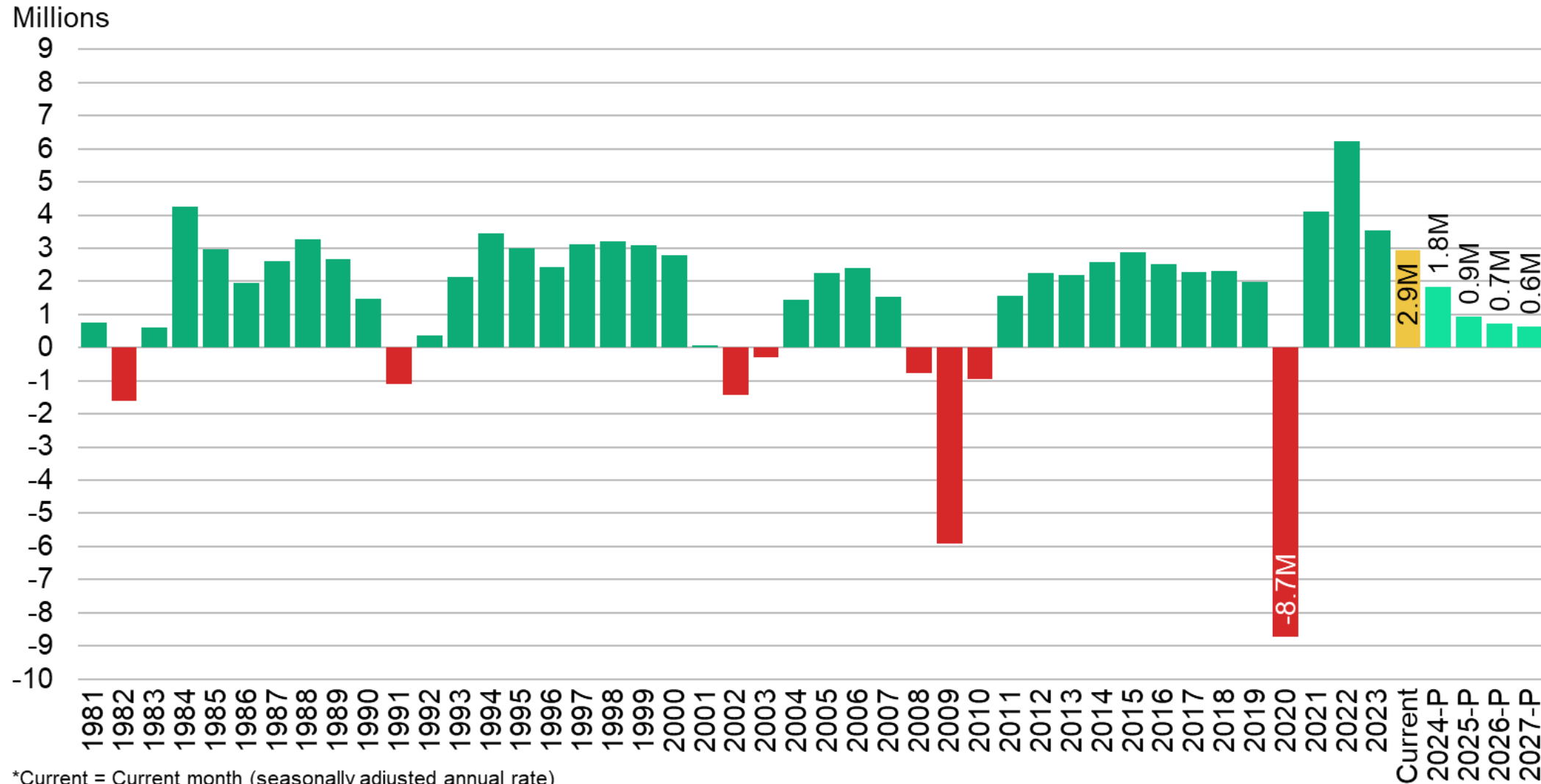
Outline

- **High Level Economic and Demographic Trends**

- **Key Apartment Market Trends**
- **BTR Market Trends**
- **Wrap-up**

January's job growth was a solid 353K, followed by 275K in February. We expect growth to be positive but slowing due to Fed rate hikes.

US Employment Annual Growth



*Current = Current month (seasonally adjusted annual rate)

Sources: BLS with John Burns Research and Consulting, LLC projections (Data: Jan-24, Pub: Feb-24)

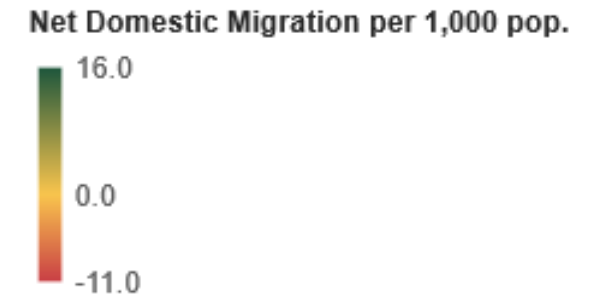
Job openings are down from peak levels, but still at 8.8M as of November, which equals about 1.4 jobs for every unemployed person.



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Comparing across the last 3 years, domestic migration has moderated, which translated to slower total home sales activity.

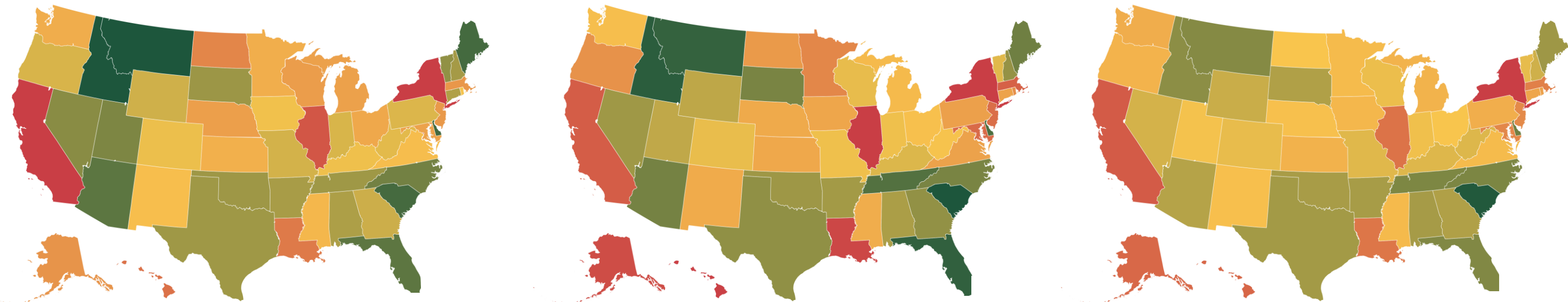
Net Domestic Migration per 1,000 Residents



2020-2021

2021-2022

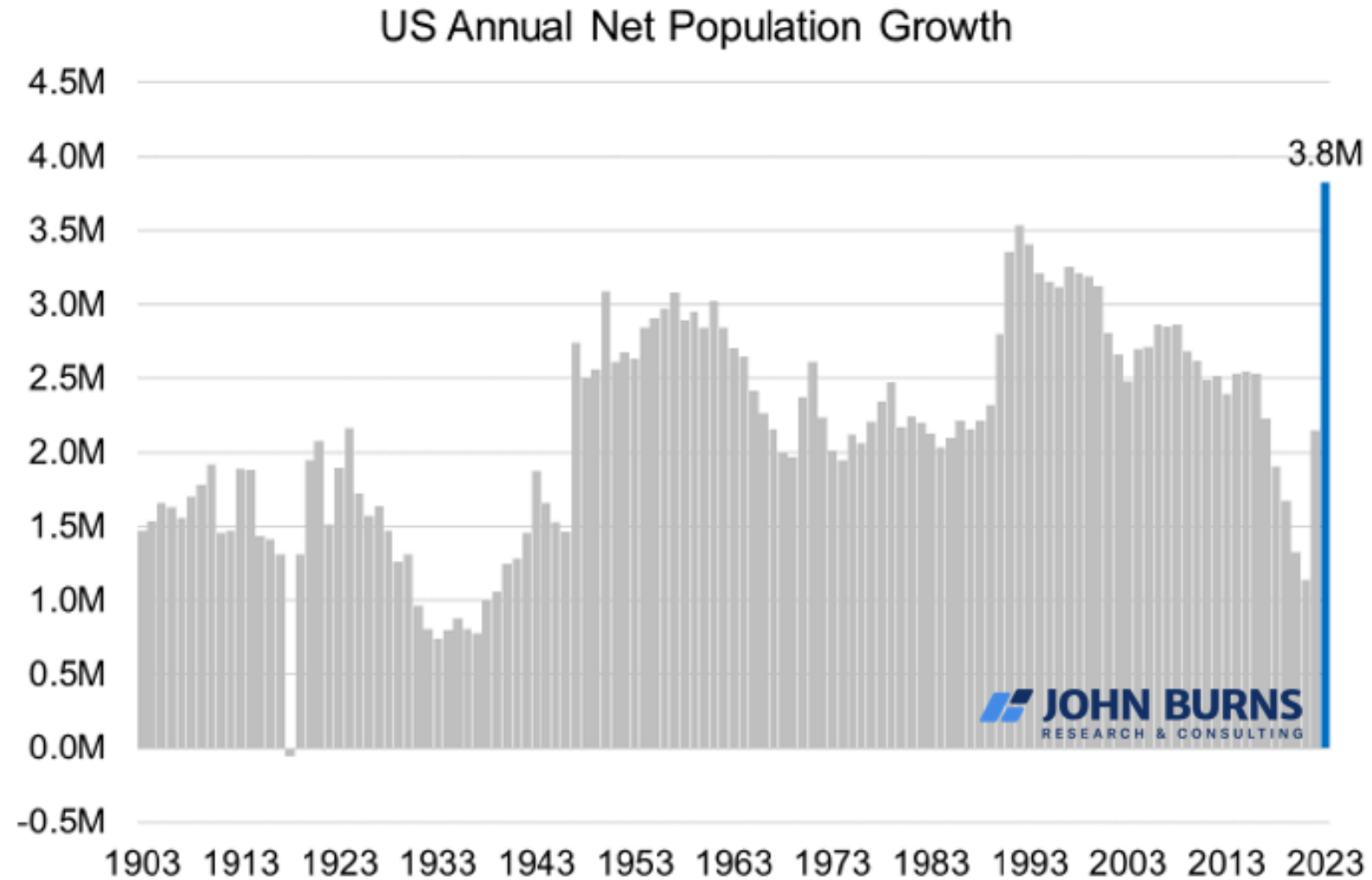
2022-2023



Moderation went both ways:

- Most states with positive migration gained fewer people and
- Most states with negative migration lost fewer people

Population grew +3.8M in 2023, the largest one-year increase in US history.



Sources: U.S. Census Bureau, John Burns Research and Consulting, LLC; 2021-2023: JBREC estimates based on net immigration estimates from Congression Budget Office (Data: Dec-2023, Pub: Mar-24)

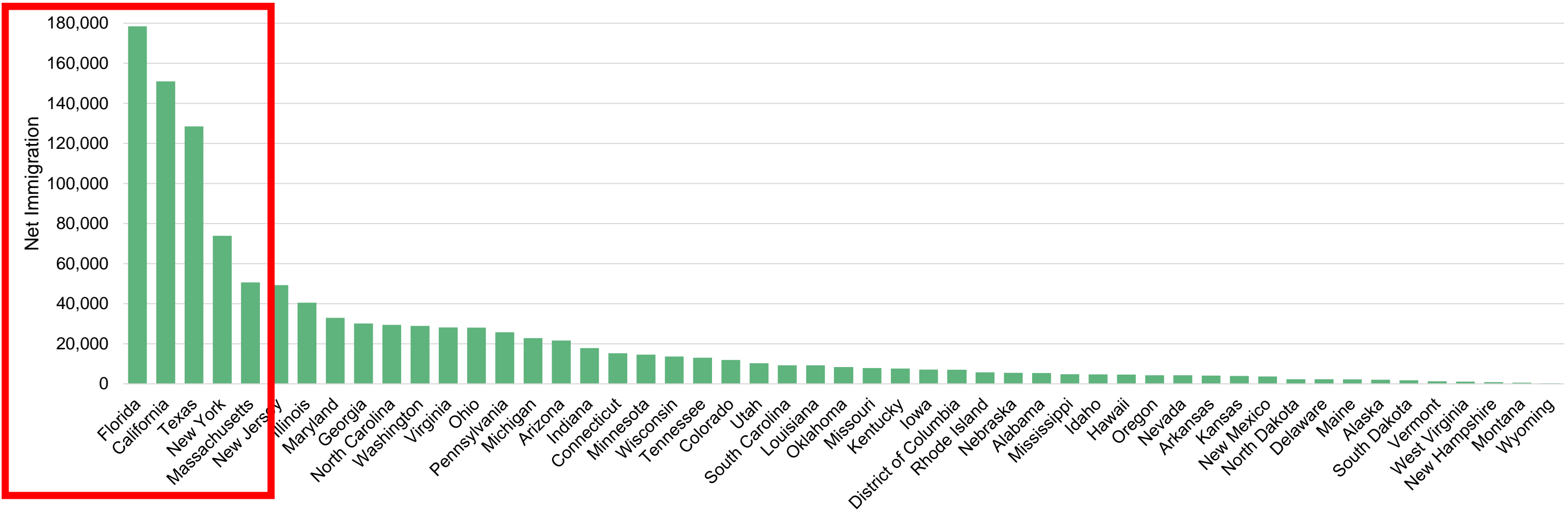
As seen in *Burns US Demographics Analysis and Forecast (released to clients March 7th)*

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One-half of net immigration is concentrated in just 5 states. Florida got the biggest boost in 2023.

Net Immigration
July 1, 2022 to June 30, 2023

51% of Total



Source: John Burns Research and Consulting, LLC tabulations of US Census Bureau 2023 Population Estimates

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The US needs 1.86M new homes (for sale and for rent) per year through 2033, based on underlying demographics and current undersupply.

Total Projected US Housing Demand (2023–2033)
(for Sale and for Rent) =

18.6 million over 10 years



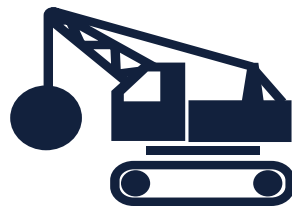
+ **13.7 million**
households formed



+ **500 thousand**
new second homes

Growth:
14.2 million

Total:
18.6 million



+ **2.3 million**
teardowns



+ **2.1 million**
undersupplied homes

Undersupply:
2.1 million

Replacement:
2.3 million

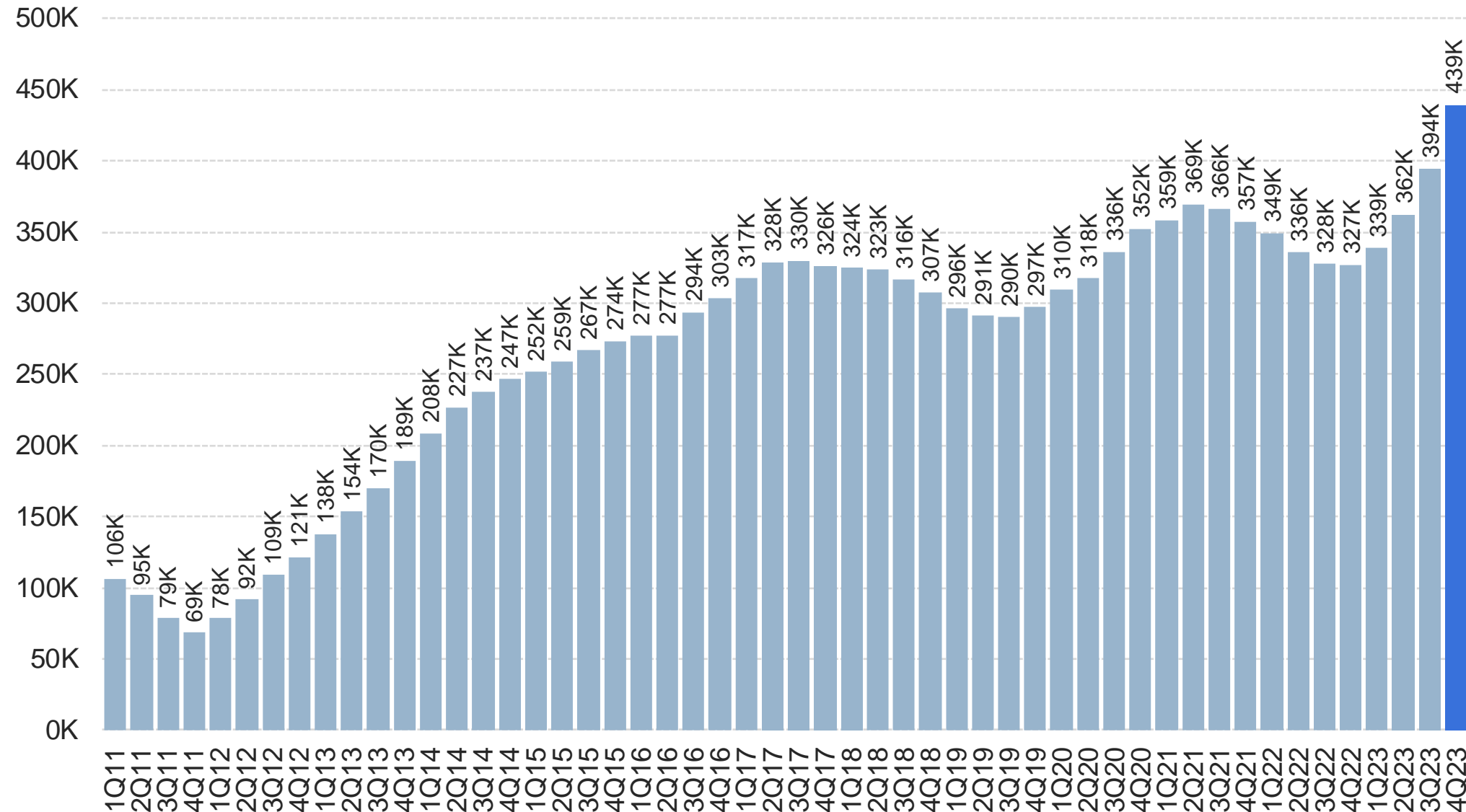
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The post-pandemic boom triggered a wave of new construction that is now hitting the market.

Trailing-Four-Quarter Apartment Completions



Annual completions are at their highest levels in over a decade and will remain elevated in 2024.

Roughly 440,000 apartment units were completed in 2023.

With new permits and starts down sharply, the pace of deliveries should subside around mid-decade.

There are still 961,000 units under construction!

Sources: RealPage, Inc.; John Burns Research and Consulting, LLC (Data: 4Q23, Pub: Jan-24)

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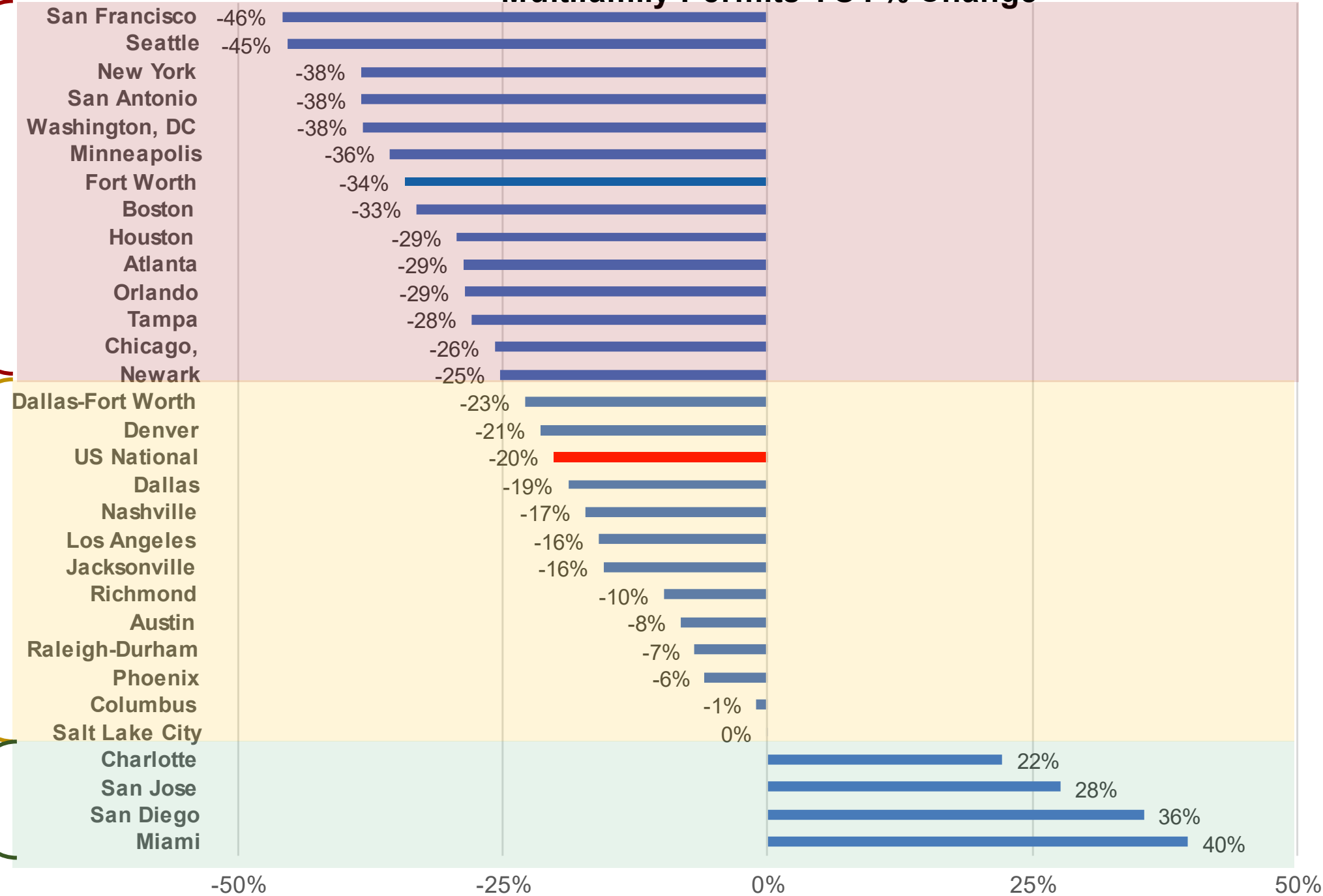
New apartment permits are down in most markets due to a surge in units under construction.

-25% to -50%

0 to -25%

0 to +40%

Multifamily Permits YOY% Change



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What is BTR? We group build-to-rent into four primary product categories:



Product Category

Horizontal Apartments

Small single-family detached and attached homes

Single-Level Rowhomes

Single-level homes in 2-7 unit building configurations

Townhomes

Multi-story homes in 2-10 unit building configurations

Single-Family Detached

Detached homes on traditional lots

Typical Home Size Range

650 sq. ft. — 1,350 sq. ft.
1 bd/1 ba — 3 bd/2 ba

1,000 sq. ft. — 1,700 sq. ft.
2 bd/2 ba — 3 bd/2 ba

1,300 sq. ft. — 1,800 sq. ft.
2 bd/2.5 ba — 4 bd/2.5 ba

1,400 sq. ft. — 2,000 sq. ft.
3 bd/2 ba — 4 bd/3 ba

Typical Density (DU/Acre)

12-14

5-8

10-25

4-8

Project Examples

Isle Cottages (amenitized)

Estia at Lakewood Ranch
(amenitized)

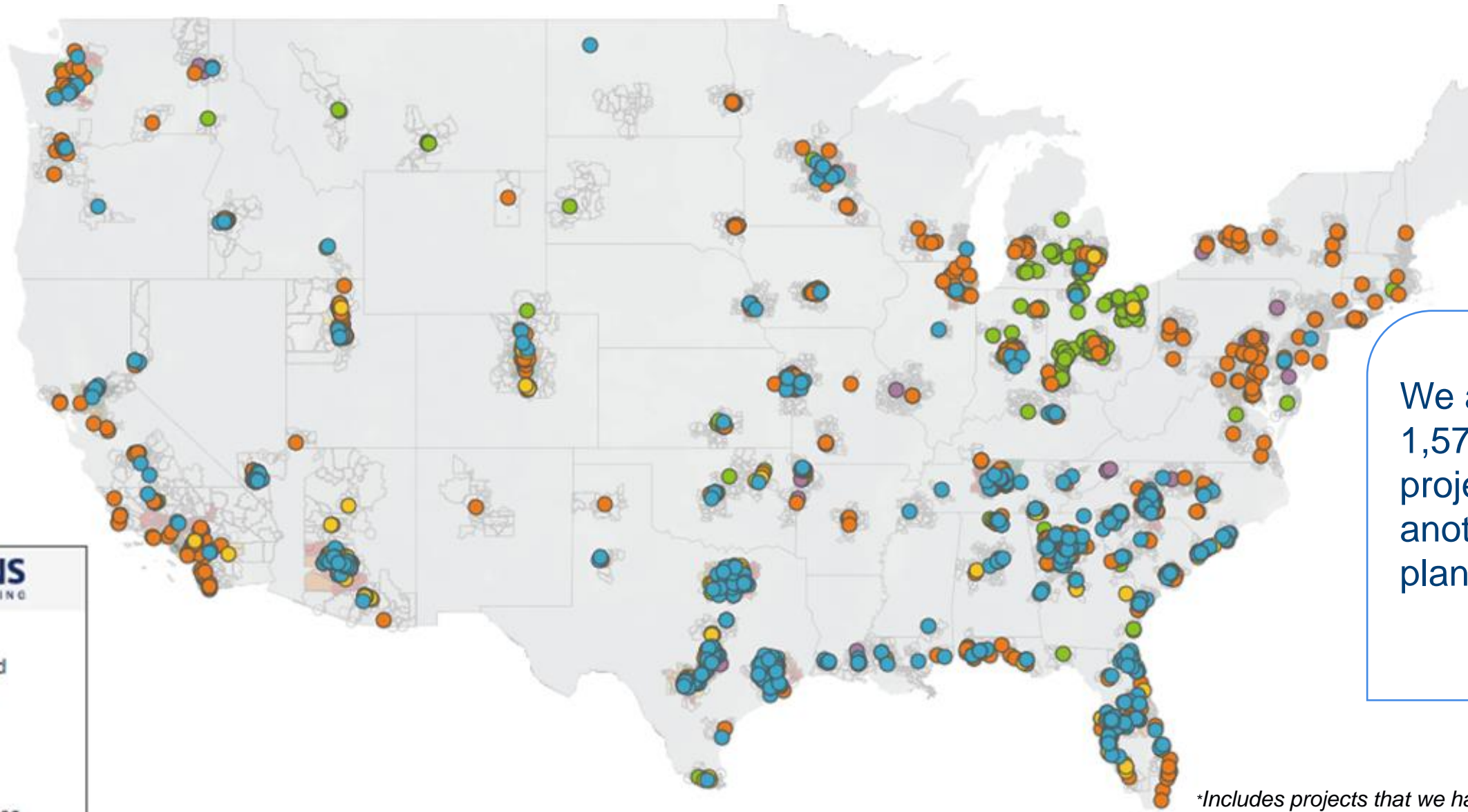
Beacon Place
(single-level rowhomes)

BB Living at Val Vista
(two-story townhomes with amenities)

Pradera (amenitized)

Rockridge (non-amenitized)

Where are they? Often actively leasing, SFD, and horizontal apartment communities are in high-growth markets, townhomes are in coastal or infill areas, and single-level rowhomes are in more affordable markets



We are tracking +- 1,575 active BTR projects plus another +- 1,200 in planning*

JOHN BURNS
RESEARCH & CONSULTING

COMMUNITY TYPE

- Single-Family Detached
- Horizontal Apartments
- Townhomes
- Mixed
- Single-Family Rowhomes

Updated: February 2024

*Includes projects that we have been able to identify

Who rents BTR? While renter profiles vary based on the type of home and price of rent, renters of newer single-family rental homes tend to be:

- **Affluent:** 47% of tenants **earn \$100,000 or more** annually. 18% earn \$150,000 or more.
- **Previous Owners:** 32% have **owned a home before**. The majority of mature renters have owned before.
- **Families:** **58%** of traditional detached rental homes are occupied by families with children. Single-level rowhomes and horizontal apartments have far fewer kids (24% or less)
- **Pet owners:** 45% **have a dog**. 16% have a cat.
- **Moving from further away:** 62% of tenants are from a different city or state.

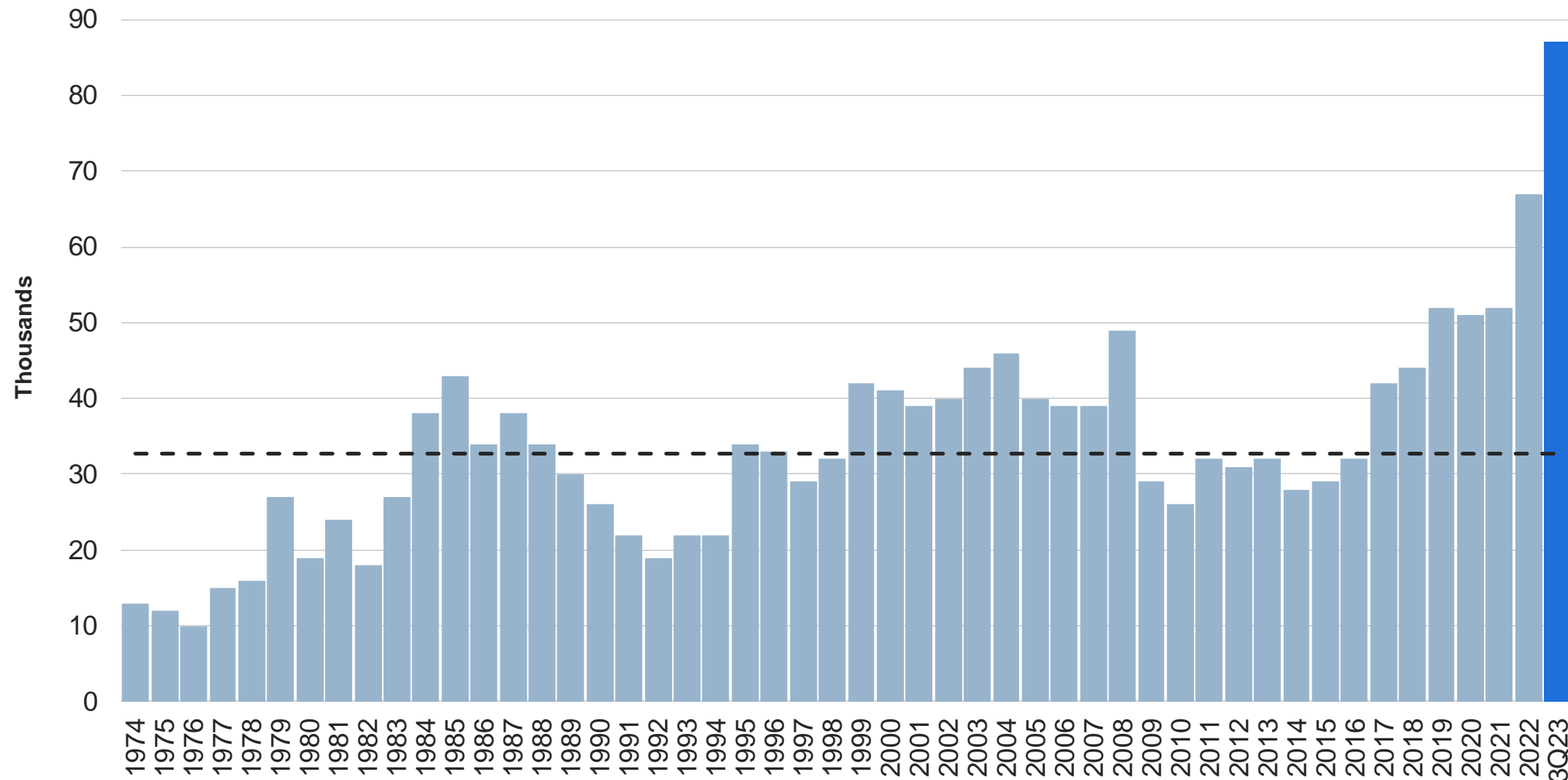


Source: New Home Trends Institute by John Burns Research & Consulting, LLC May–June 2023 survey of 6,074 build-to-rent tenants across the United States.

BTR completions reached a historical high, with 87K units delivering TTM. This sounds like a lot, but this level or more will be the new norm.

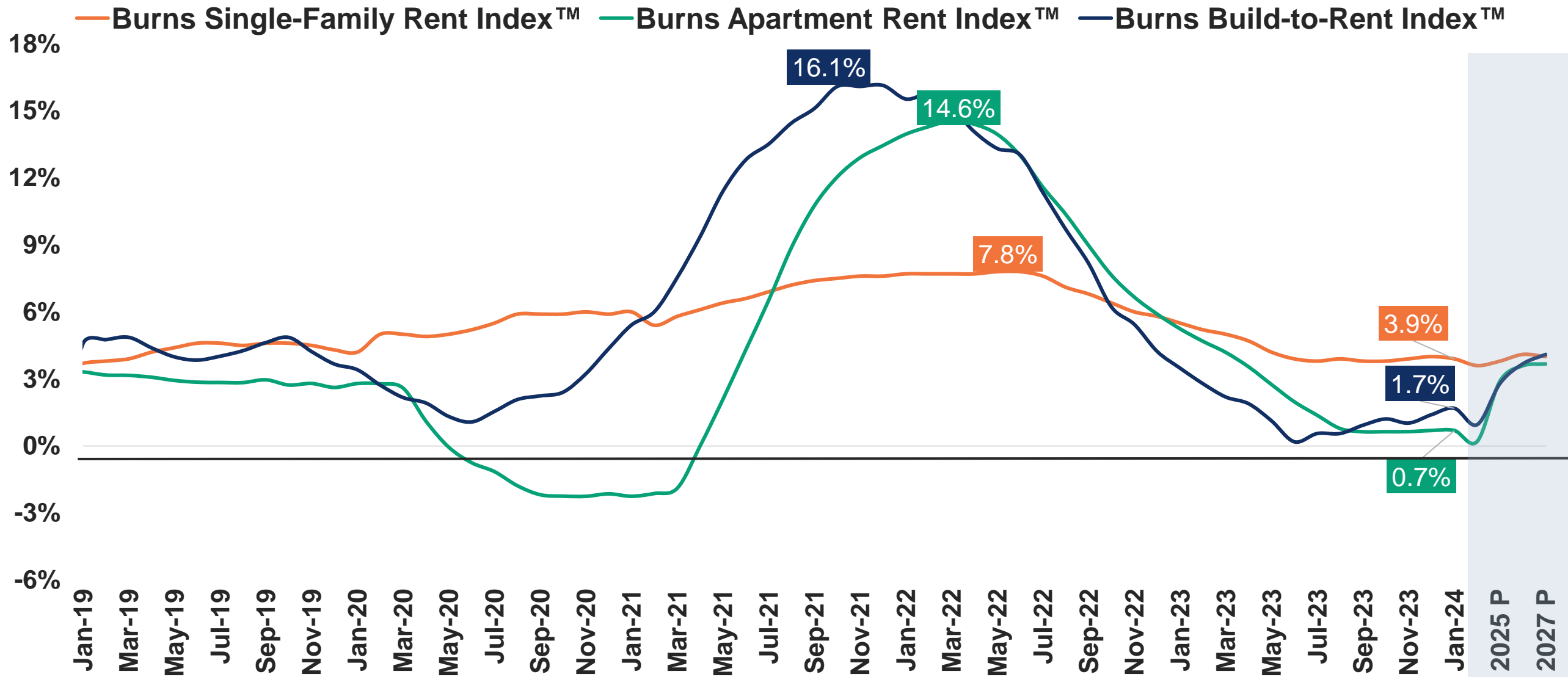
Single-Family Build-to-Rent Completions (Trailing 12 Months)

■ 3Q23 = 87K (28% YOY) - - Historical avg. = 33K



Apartment and BTR rent growth falls below pre-pandemic lows following two years of exponential rent appreciation.

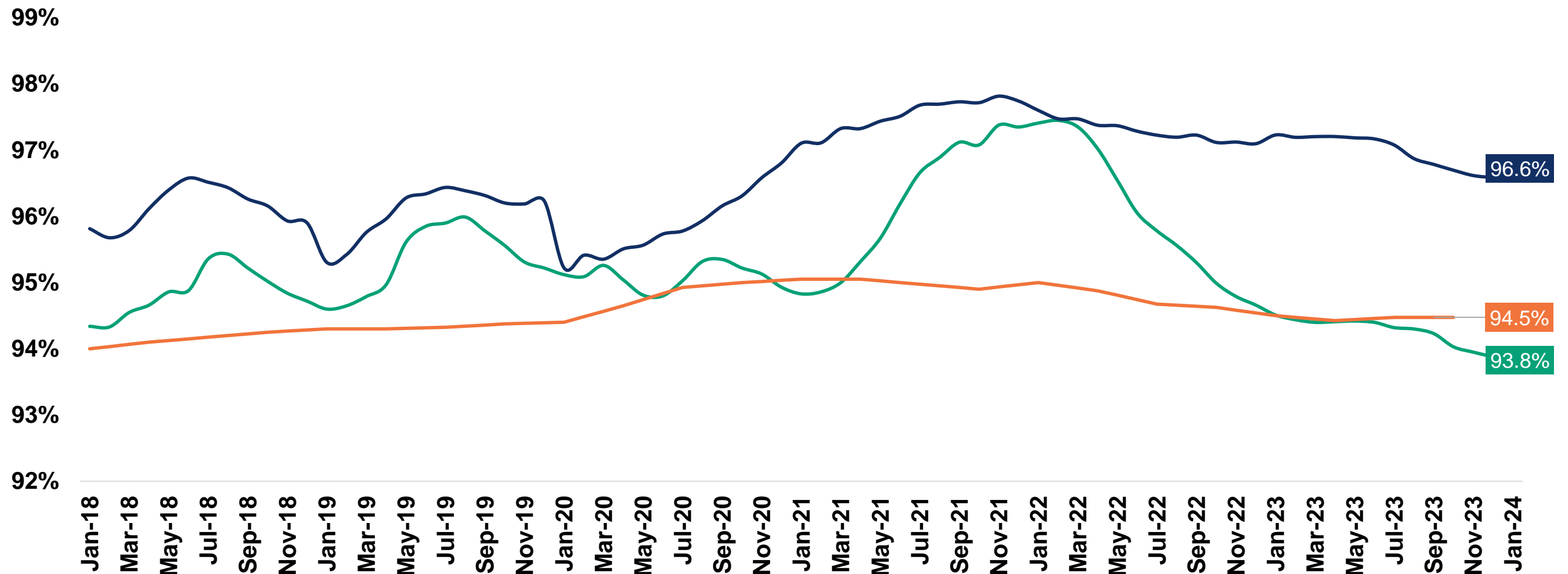
National Rent Growth YOY % Change



BTR operators prioritize occupancy vs rent increases.

National Occupancy Stabilized (%)

— Burns Apartment Index™: Occupancy Rate — Burns Build-to-Rent Index™: Occupancy Rate — Single-Family Occupancy



BTR rent growth remains minimal or falls in supply-heavy metros on a YOY basis

Burns Build-to-Rent Index™ Growth YOY



Sources: John Burns Research and Consulting, LLC, and Yardi Matrix (Data: Dec-23, Pub: Jan-24)

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We avoided a recession (so far) but remain cautious.

2024 Outlook

In sum, for 2024 we expect:

- more jobs
- lower interest rates
- higher home sales (new and resale)
- higher home price appreciation (new and resale)
- Apartment rents will stay flat in 2024 due to supply
- SFR rents will keep growing nationally
- BTR construction to increase over the long term but is pulling back sharply due to capital costs and constraints
- BTR rent growth muted in 2024, stronger in 2025-2027



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