What’s Driving Build-to-Rent: Wall Street or Main Street

St. Bourke takes a deeper dive into this trend

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ATLANTA, GEORGIA, UNITED STATES, September 15, 2022 / EINPresswire.com/ -- Build-to-Rent (BTR) continues to make headlines. NIMBYs (Not in My Backyard) hate it. Investors and renters love it. But why the trend, and what's driving it? St. Bourke, an Atlanta-based asset management and property development company, takes a deeper dive into the driving force behind single-family BTR. Is it Wall Street or Main Street?

Build-to-Rent single-family homes is a trend that emerged after the Great Recession. It became a means to deal with the glut of foreclosure homes that became available as banks foreclosed on hundreds of thousands of homes across the country. Real estate mogul Warren Buffet may have inspired the trend. In a CNBC interview in February 2012, Buffett stated that if he could find single-family homes concentrated in a particular metro area and find a way to manage them, he'd "buy a couple hundred thousand." Within a few months of this interview, investment firm Blackstone started spending $100 million monthly on single-family homes and putting them into the rental market.

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>
> *John Hunt*

The BTR trends has gained momentum over the past three years, accelerating in large part due to the Work from Home movement resulting from the COVID-19 pandemic and the combined demographic tailwinds of Millennials aging into homeownership and Baby Boomers transitioning into retirement.
According to a report by Yardi® Matrix, institutional investment in single-family BTR is expected to grow dramatically over the next eight years. Institutional investors have committed more than $60 billion to this market segment this year alone.

"It is a bit of a perfect storm," MarketNsight Principal and Chief Analyst John Hunt said. "Build-to-rent presents a fantastic investment for Wall Street. While at the same time, the overly restrictive zoning laws put into place by local municipalities make it increasingly difficult for builders to make any for-sale deal profitable."

Build-to-rent (BTR) housing is a hot trend in residential real estate and perhaps the most misunderstood. Major investment companies are building and buying BTR communities while, at the same time, municipalities are making development more difficult.

Wall Street

Institutional investors benefit from long-term demand drivers and the explosive growth in institutional capital. Even with the market cooling, demand for single-family homes will continue. There aren't enough homes to meet the current housing demand, leading to high rents and good returns on investment for institutional investors. "Institutions have abundant capital and are eager to invest it," St. Bourke President Ben Simpson said. Build-to-Rent communities allow investors to build to scale efficiently.

Creating many homes in the same place streamlines costs associated with property management, maintenance and service over the project's lifetime; it also streamlines marketing.

Private equity firms, real estate investment trusts (REITs), insurance companies and pension funds see BTR as a relatively high-yielding hedge against inflation.

Main Street

Local municipalities and NIMBYs are pushing back on BTR developments with the belief that rental housing attracts lower-income and less-desirable neighbors.

"Renting a home is similar to leasing a car," said Hunt. "When you turn that lease back in, you want to get your deposit back or buy it. You want the most bang for your buck. You certainly are going to take care of it."

However, municipalities have established regulations that make it hard to make a deal work on the for-sale side. But with less expensive money, institutional investors can often make the for-rent project work. They hold projects for longer, allowing them to invest more in the upfront development cost, driven by impact fees and other zoning hurdles.

So, in essence, Main Street (local municipalities) are pushing builders and developers toward build-to-rent.

Today's Renter

The truth is that renters choose BTR for the same reasons home buyers choose single-family homes, but with a twist. "They prefer the flexibility and simplicity of renting," said Simpson. "They want a yard for a dog, yard maintenance provided and the ability to move in a year if they want to. It's a lifestyle choice."

Renters have virtually zero risk. They don't lose equity in their home if the market crashes, and if something breaks, they aren't responsible for replacing $20,000 roof or $8,000 air-conditioning unit.

The U.S. is facing an unprecedented housing shortage, and BTR is one avenue to help alleviate this pain. This country needs to embrace a wide variety of housing products, including BTR, to fill the enormous gap we've created.

ABOUT ST. BOURKE
St. Bourke develops lots for single-family home builders, building for sale and rent communities.
St. Bourke is an asset management and property development company primarily focused on residential communities and commercial assets. Offering a full suite of placemaking services ranging from acquisition through detailed design and development to ongoing management, St. Bourke has helped a variety of both private and institutional clients achieve their project goals. Founded in 2015, St. Bourke creates thriving communities and drives significant value for its clients, partners and community stakeholders. Active in 20 U.S markets with 90 active residential projects, St. Bourke manages more than 12,000 acres and 25,000 lots. As Placemakers, St. Bourke makes places from the ground up. For more information, call 678-853-2530 or visit www.StBourke.com.

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