

# APARTMENT ADVISORY

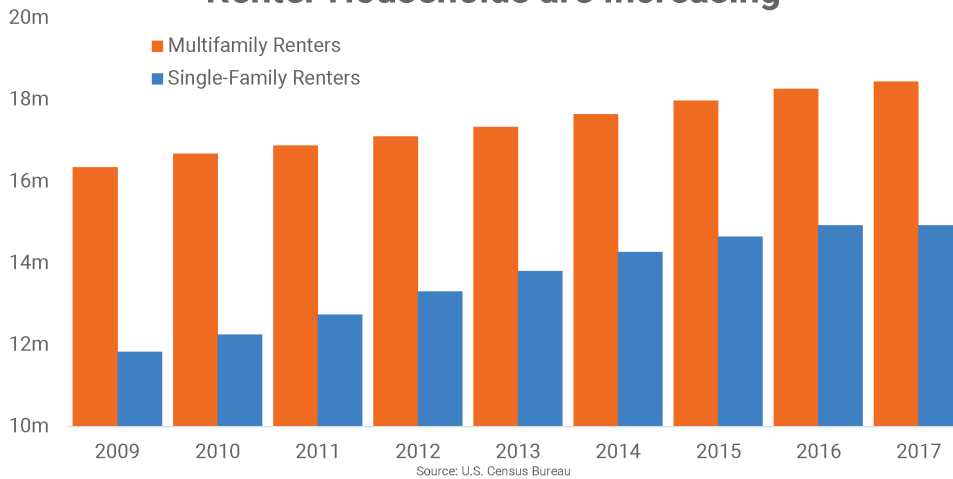
JULY 2019

As the number of households continues to grow, more Americans are becoming renters. And in recent years, more are choosing multifamily units over other rental options, according to the latest Census data.

the national level, with roughly 5.7 million more renter-occupied housing units in 2017 than 2009. That's an increase of roughly 713,000 renter-occupied units annually. Meanwhile, owner-occupied hous-

every year, there are more than 11 new renter-occupied housing units added every year, on average. This reflects that renter-occupied units are seeing substantially faster growth than owner-occupied units.

## Renter Households are Increasing



By Census definition, there are approximately 118.8 million housing units in the U.S. Of those, roughly 75.8 million are owner-occupied (equal to 63.8%), leaving the remaining 43 million as renter-occupied units (or 36.2%).

Of that renter-occupied cohort, the five-plus unit group - structures with five or more rental units - is the traditionally defined "multifamily" group. Within that five-plus unit group, the Census states there are 18.4 million renter-occupied units compared to about 14.9 million single-family renter-occupied units. Duplex and quads - which are two- and four-unit structures, respectively - constitute about 7.7 million that are renter-occupied, while the remaining 1.9 million renter-occupied units are classified as "other" rental housing, which includes mobile homes and RVs, for example.

There has been a clear increase in the total number of renter-occupied housing units since 2009 at

ing units have also increased, but less rapidly than renter-occupied housing units - especially considering the overall smaller share of renter-occupied units.

In 2017, there were 513,000 more owner-occupied units than in 2009,

This rapid increase of renter-occupied units has benefited the overall base of single-family rentals and multifamily rentals alike. Both single-family renter-occupied and multifamily renter-occupied housing units have seen lots of demand throughout the cycle. Of late, however, the increase in single-family renter-occupied units has tapered off from the cycle peak. Meanwhile, renter-occupied multifamily units have generally seen a steady increase throughout the course of this cycle.

In total, there are 3.1 million more single-family renter-occupied units in 2017 than in 2009, compared to 2.1 million more renter-occupied multifamily units. However, about 64% of the new single-family renters came before 2014, while the majority of new multifamily renters came in 2014 and after. New single-family renter households forming at a faster rate before 2014 makes

## Major Markets With Most Single-Family Renters

Metro	Single Family Renter-Occupied Units	Multifamily Renter-Occupied Units
Las Vegas, NV	19.1%	20.5%
Riverside, CA	18.8%	12.2%
Memphis, TN	18.1%	14.2%
Sacramento, CA	18.1%	16.0%
Phoenix, AZ	16.4%	16.3%
San Diego, CA	16.0%	24.4%
Virginia Beach, VA	15.5%	15.9%

Source: U.S. Census Bureau

which translates into an average increase of just 64,000 owner-occupied units per year since 2009. In other words, for every one owner-occupied housing unit added

sense, given the 2008 recession's impact on single-family housing as a whole. Many of the foreclosed and distressed single-family homes

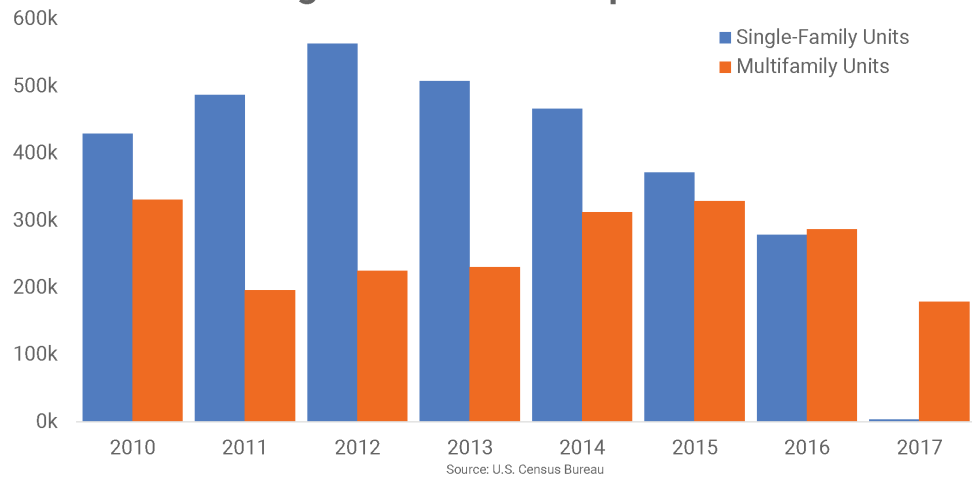
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were repositioned as rentals, and many former homeowners became single-family renters. And the recent slower growth in single-family renter-occupied units may suggest that the pool of readily available single-family rental housing is tightening, especially considering that the U.S. homeownership rate has increased slightly since bottoming in 2016.

To summarize at a national level, there is not much concern that single-family rental housing is a concern for the near-term performance of multifamily rental housing. In fact, the overall lift in total renter households should serve as a boost to the overall rental housing market. To borrow an oft-used phrase, "A rising tide lifts all boats." In this case, the tide being renters, and the boats being rental housing options of all kinds.

## Change in Renter-Occupied Units



create slightly more pronounced short-term headwinds in regard to the multifamily rental housing market - namely markets with lots of readily available single-family rental stock.

These markets are more influenced by migratory farm labor, so it's not necessarily surprising to see such high rental rates among single-family housing units considering the mobility of those renters. Secondly, the list contains a handful of markets with a significant military presence like Lawton, OK, and Fayetteville, NC. Considering the mobility of this group as well, it's not necessarily surprising to see such a large share of single-family renter-occupied units.

Among the major U.S. markets, the most immediate thing that stands out is that Las Vegas, Riverside, and Phoenix were among the hardest hit during the recession. A similar story could be said for Sacramento and Orlando.

In short, single-family rentals do not appear to be a huge concern for the multifamily rental market in the near term. On a market-by-market basis, there are a handful of tertiary markets where single-family rentals make up a large portion of overall rental stock. But when looking at the nation's major markets, there are only a few markets in which single-family rentals make up a considerable portion of the overall housing stock.

## Smaller Markets With Most Single-Family Rentals

Metro	Single-Family Renter-Occupied Units	Multifamily Renter-Occupied Units
Merced, CA	29.8%	7.9%
Jacksonville, NC	26.7%	8.2%
Hanford-Corcoran, CA	26.1%	10.6%
Stockton-Lodi, CA	26.1%	11.0%
Visalia-Porterville, CA	25.7%	6.6%
Modesto, CA	25.6%	9.2%
Lawton, OK	25.4%	12.6%
Yuba City, CA	23.5%	10.1%
Madera, CA	23.4%	5.1%
Bakersfield, CA	22.7%	8.6%
Enid, OK	22.6%	6.6%
Fayetteville, NC	22.3%	14.4%
Salinas, CA	22.3%	17.1%
Kahului-Wailuku-Lahaina, HI	21.7%	13.2%
Santa Rosa, CA	21.3%	11.6%

Source: U.S. Census Bureau

Parsing this data out on a more granular level, there are a handful of markets across the nation where the single-family rental market may

Many of the markets that currently have the highest percent of total housing stock belonging to the single-family rental unit grouping are located in central California.

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