

# CHANGE AGENTS

[Sociodemographic]

## Single Family Rental Communities Are Giving Millennials a Way to Come Home

Millennials are charting a course through a housing landscape that is both familiar and new. While their hopes for homeownership echo those of previous generations, the financial landscape they must navigate to get there is markedly different, complicating their journey toward the American Dream. From staggering student loan debt to increasing home prices, a new set of challenges is reshaping the way Millennials approach the concept of home and the way investors approach their rental residential portfolios.







## Student Debt

One of the most oft-cited roadblocks to Millennial homeownership is mounting student loan debt, despite some post-pandemic forgiveness.



**47%**

of Millennials have outstanding student loans<sup>1</sup>



**\$500**/month

monthly expenses which might otherwise go toward saving for a down payment<sup>2</sup>



**20** years

for average borrower to repay student debt<sup>3</sup>

<sup>1</sup> Horymski, Chris. "Average Consumer Debt Levels Increase in 2022." Experian. 24 Feb. 2023.  
<sup>2</sup> Hanson, Melanie. "Average Student Loan Payment." Education Data Initiative. 30 May 2023.  
<sup>3</sup> Ibid.

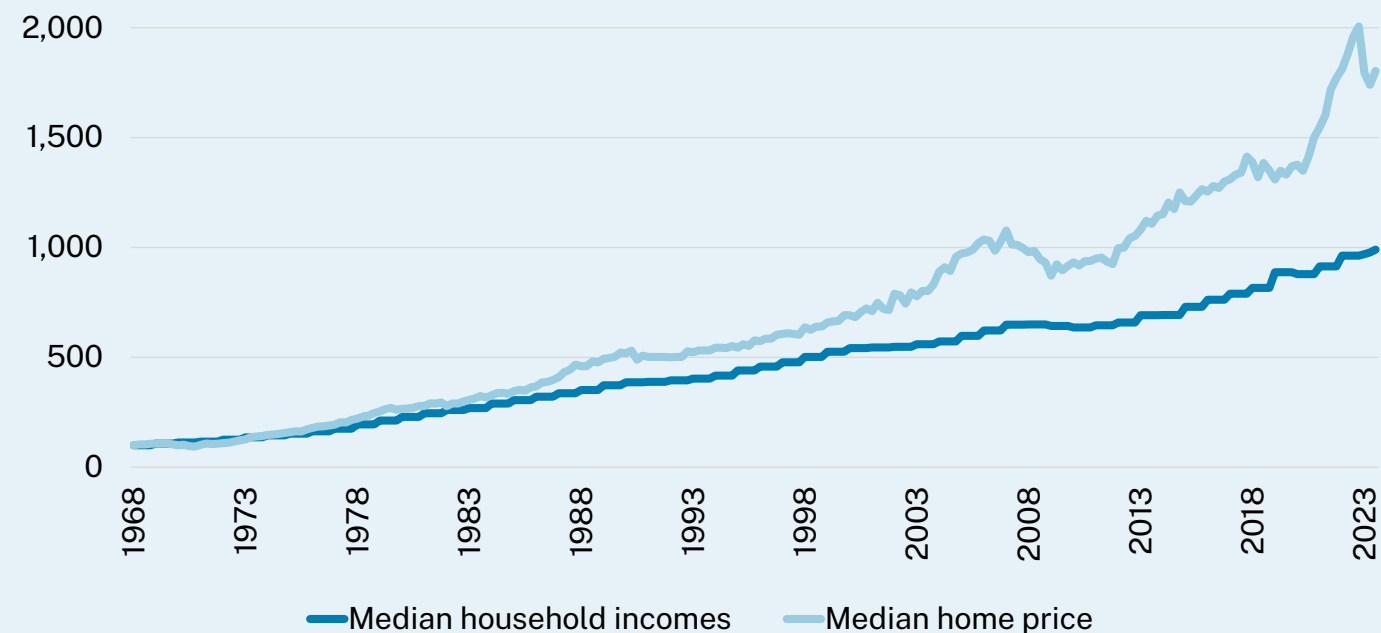




# Rising Home Prices

Over the last two years, an 18% average growth in incomes has failed to keep pace with the increase in home prices.<sup>4</sup> This widening gap between income levels and home prices has kept homeownership increasingly unattainable for Millennials, especially in markets that seemingly offer better employment prospects, like Austin, where home prices have risen 116% over the last decade.<sup>5</sup>

**Median Household Incomes, Median Home Sales Price, U.S., 1968-2023 YTD (Q1 1968 = 100)**



Note: Median Household Income Growth utilizes Oxford Economics to calculate 2023 data.

Source: American Realty Advisors based on data from the Federal Reserve Bank of St. Louis, Macrobond and Oxford Economics as of October 2023.

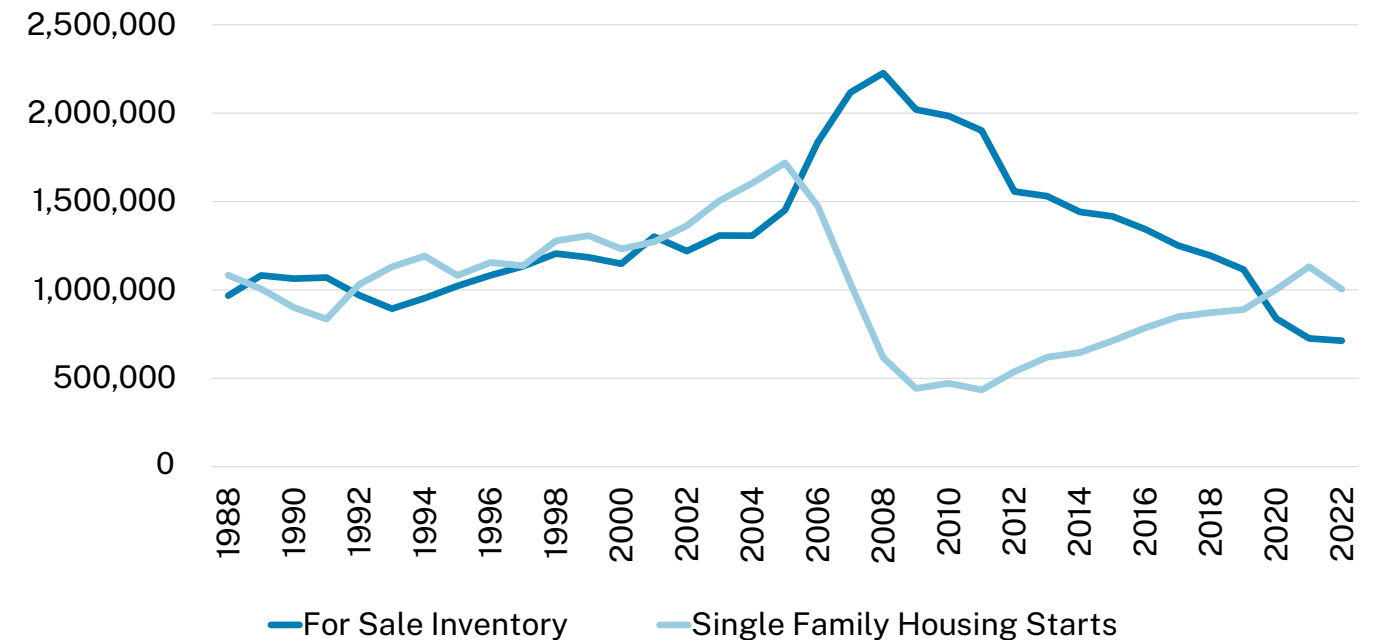


# Supply Constraints

The challenge of rising home prices is unlikely to subside in the medium term. A constrained amount of for-sale inventory, declining permitting activity, and moderating new home starts is expected to continue to push prices higher.

The confluence of limited for-sale supply, rising home prices and burdensome student loan payments has spurred a greater deferral of homeownership for Millennials. Given limited alternatives, this generation has instead been shoehorned into renting for longer as a more economical solution.

**For Sale Housing Inventory, Single Family Housing Starts, U.S., 1988-2022**



Source: American Realty Advisors based on data from Oxford Economics and The Census Bureau as of October 2023.

<sup>4</sup> Oxford Economics.

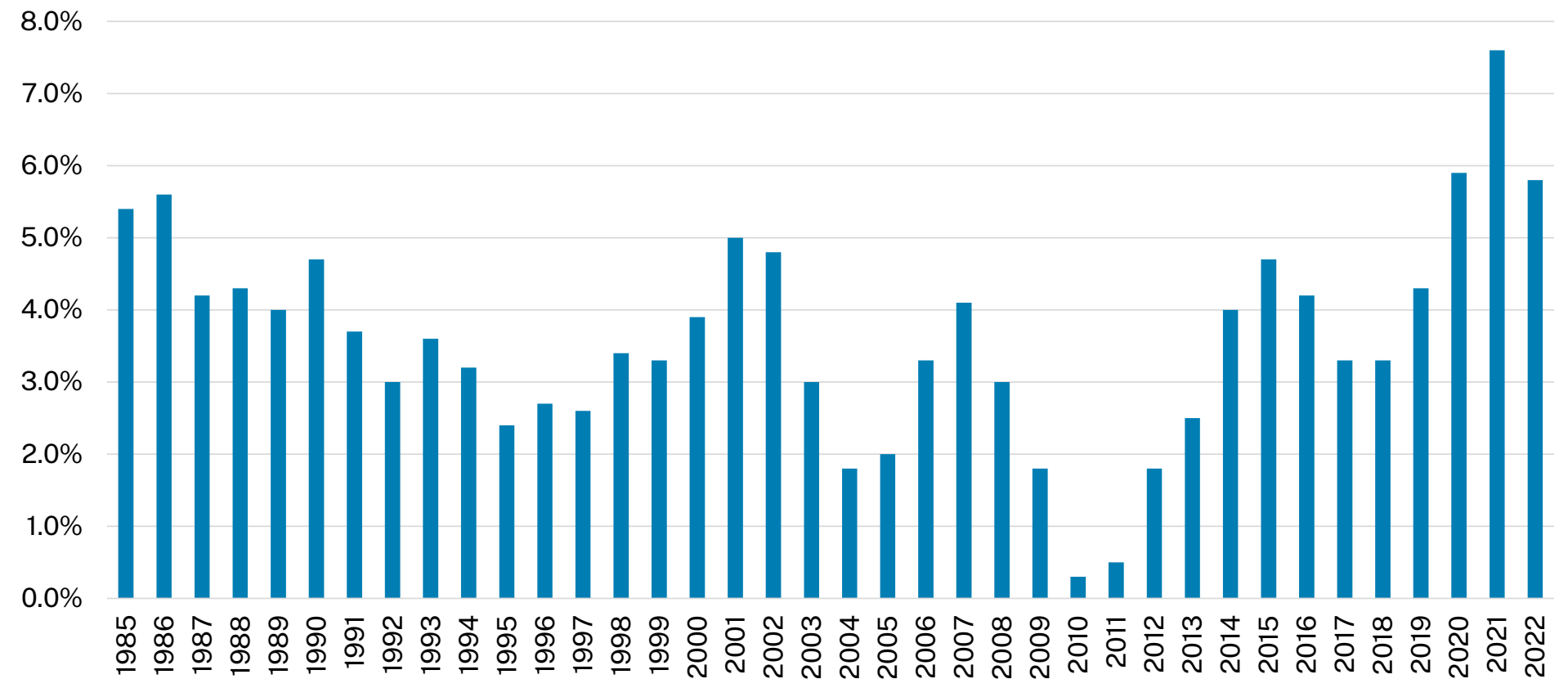
<sup>5</sup> Zillow Home Value Index (ZHVI All Homes (SFR,Condo/Co-Op) Time Series, Smoothed, Seasonally Adjusted).

# Investor Opportunity

Given that these barriers to homeownership Millennials face are not likely to subside meaningfully anytime soon, understanding this evolution in demand is essential to making enduring investments in a changing residential sector. This presents an opening for investors to deliver on new ways of satisfying the needs of an expanding set of renters.

For ARA, that has come in the form of purpose-built single-family rental (SFR) communities. This variation delivers on many of the characteristics Millennials want in a purchased home: larger units, backyards and garages, and an overall more suburban feel, with the conveniences and low-cost barriers-to-entry of traditional apartments. SFRs offer a viable-yet-flexible path to experiencing the benefits of homeownership, creating a reliable and sticky tenant base. This bears out in the durability of SFR rent growth. At no point since 1985 have national SFR rents ever contracted, despite this period including several recessions and different housing cycles.

Single-Family Rental Rent Growth 1985-2022



Source: American Realty Advisors based on data from John Burns Research & Consulting as of October 2023.







## Ultimately, the dream of a white picket fence hasn't faded; it's just been repainted in more contemporary hues.

Millennials still crave the hallmarks of a traditional home – a yard for the dog, a garage for storage, home office space, and enough room to raise a family. And given the maze of financial hurdles Millennials are facing, single-family rentals are emerging as a bright spot for a generation in search of both traditional comforts of homeownership and the economic – and locational – flexibility of renting. SFR delivers on these quintessential American dreams without the long-term commitment or financial burden of a mortgage.





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