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RENTAL HOUSING JOURNAL
INSIGHT FOR RENTAL HOUSING PROFESSIONALS

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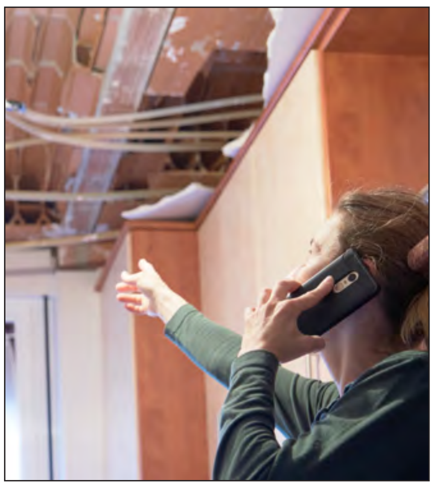

Must Landlord Provide Housing During Rental Renovation?

By Hank Rossi

Dear Landlord Hank: When a landlord is installing a shower where a bathtub has been for 50 years, and says it will take two weeks to replace, does the landlord have to provide housing/ motel/etc. during the renovation time? Is the tenant still responsible for rent for that full month? — Roger

Dear Landlord Roger: I don't have all the information here but if the rental unit only has one bathroom and that bathroom is not usable during repairs or renovation, then you as the landlord would be responsible for your tenants' housing since your project is making the property uninhabitable.

If the tub removal can wait until the tenants' lease is over, then that would be the best option.

See 'Can' on Page 6

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Denver Rents Up Sharply in July

Rental Housing Journal

Denver rents have increased 0.8 percent over the past month and are up sharply by 8.8 percent in comparison to the same time last year, according to the August report from Apartment List.

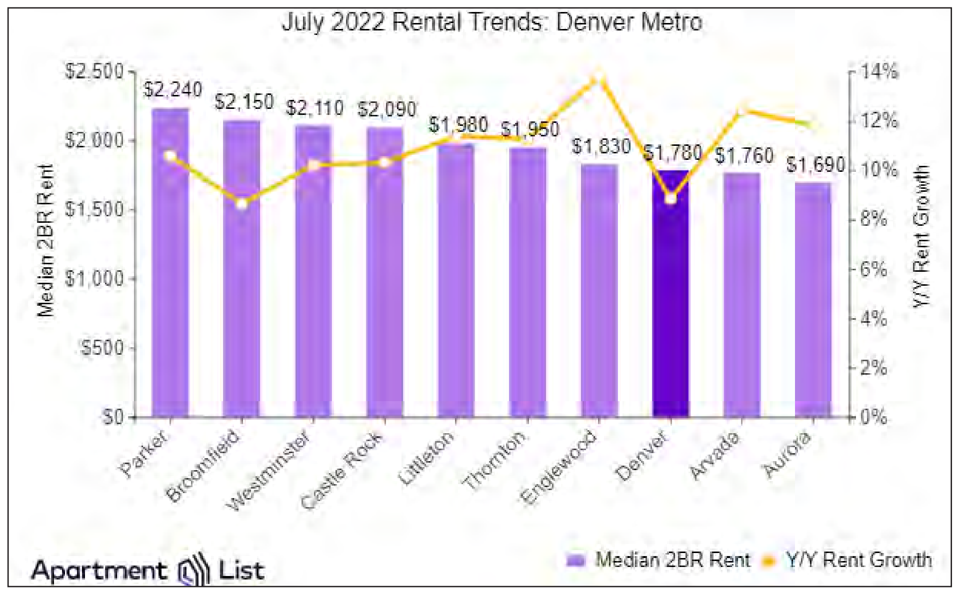
Currently, median rents in Denver are $1,443 for a one-bedroom apartment and $1,785 for a two-bedroom.

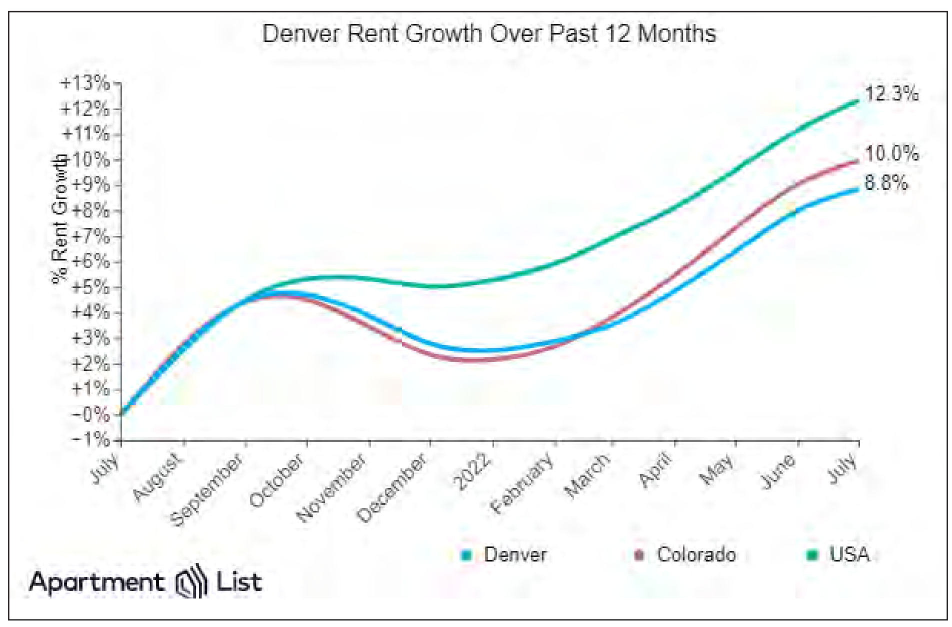
This is the sixth straight month that the city has seen rent increases after a decline in January. Denver's year-over-year rent growth lags the state average of 10 percent, as well as the national average of 12.3 percent.

Throughout the past year, rent increases have been occurring not just in the city of Denver, but across the entire metro.

Of the largest 10 cities for which Apartment List has data in the Denver metro, all of them have seen prices rise. Here's a look at how rents compare across some of the largest cities in the metro.

- Englewood has seen the fastest rent growth in the metro, with a year-over-year increase of 13.8 percent. The median two-bedroom there costs $1,827, while one-bedrooms go for $1,186.
- Parker has the most expensive rents of the largest cities in the Denver metro, with a two-bedroom median of $2,235; rents increased 1.3 percent over the past month and 10.6 percent over the past year.
- Aurora has the least expensive rents in the Denver metro, with a two-bedroom median of $1,695; rents grew 0.8 percent over the past month and 11.8 percent over the past year.





Blame Game is a No-Win for Landlords

By Denny Dobbins

If you have spent more than 30 seconds in the last year watching cable news, you are more than familiar with something called "the blame game." Regardless of political party affiliation, age, race, gender, sexual orientation or any of a host of other categories, it appears that our society has become a place of great divide.

As a landlord you are not immune to this growing epidemic of blame and, in fact, you're likely to take more than your fair share of blame when it comes to tenants and their problems. After all, those same media outlets have spent years painting the picture of the big, bad landlord, creating an evil, money-focused image that even the happiest of tenants sometimes buy into believing.

See 'Understanding' on Page 6

Sponsored Content

Seven DST 1031 Exchange Terms Every Real Estate Investor Should Know

By Betty Friant, Senior Vice President, Kay Properties & Investments

KEY TAKEAWAYS:

- **Knowing key terms for a 1031 Exchange is important for investors**
- **What is the definition of "beneficial interest" and how does it relate to DST's?**
- **What is a Tenant In Common Investment?**
- **Do you know what a Qualified Intermediary is?**

Becoming a serious 1031 Exchange real estate investor can involve a significant learning curve. For example, there are many investment terms that every investor should know and understand in order to better understand the nuances surrounding 1031 Exchange real estate investments and help find success as an investor.

Therefore, Kay Properties thought it would be a good idea to present some of the most important investment terms that all Delaware Statutory Trust 1031 Exchange investors should know.

1. DST

This term stands for "Delaware Statutory Trust" which is an entity that is used to hold title to investment real estate. A DST is also a powerful real estate planning tool because it allows "beneficial interest" ownership where multiple investors can share ownership of a single property or an entire portfolio of properties. A DST is often paired with the 1031 Exchange. Pairing these two entities together allows for individual investors to diversify* their investment dollars into multiple properties and potentially mitigate concentration risk of over-concentration in their investment properties. This can potentially be accomplished by investing in DSTs with properties in different geographies, in many of the asset classes, and with various property managers, asset managers, and sponsoring companies.

2. TIC

This term means "Tenancy in Common", and refers to an investment arrangement where two or more individuals share the ownership rights of a property that qualifies under the rules to be used as like-kind in a 1031 Exchange. TIC investments must comply with IRS Rev Proc 2002-22 which has a limit on the number of investors. This gives the TIC entity unique challenges where each investor is named on the mortgage and each investor has the right to vote on decisions concerning the property which can be cumbersome in a co-ownership arrangement. This property can be commercial or residential. TIC allows investors to own different percentages of a property. Tenants in common can leave their share of the property to anyone of their choice upon their death.

3. NNN

Anytime you see three N's in a row when referring to real estate, it will invariably be referring to the concept of triple net lease investing. This is a lease agreement where the tenant promises to pay all expenses of the property. This includes real estate taxes, building insurance, and maintenance. Typically, these are expenses of the landlord. However, in a NNN lease agreement, the tenant pays these expenses along with rent and utility fees. Tenants generally pay a lower rent charge by taking on these additional expenses. Triple net leases have become popular as they have the potential to provide low-risk steady income to investors.

4. 1031s

Section 1031 is probably one of the most familiar passages in the Internal Revenue Code (IRC). These numbers refer to an IRS provision that allows individuals to defer tax on qualifying exchanges of like-kind real estate. To utilize this tax strategy investors must take certain steps when selling and buying real estate. The replacement real estate must be like-kind, tax must be paid on any boot in the year of the exchange, and replacement real estate must be identified within 45 days and acquired within 180 days to utilize the 1031 exchange.

5. QI

The letters "QI" typically refer to a Qualified Intermediary. The Qualified Intermediary is an accommodator or facilitator that works as an entity that facilities 1031 tax-deferred exchanges. They act like the glue that puts the buyer and seller of property together into the form of a 1031 Exchange. A QI is an individual who enters into a written agreement with the taxpayer of a property. The QI acquires the relinquished property from the taxpayer, transfers the relinquished property to the buyer, acquires the replacement property from the seller, or transfers the replacement property to the taxpayer.

6. PPM

Anytime an investor is involved with a private or public investment vehicle, a Private Placement Memorandum (PPM) will be involved. A PPM is a document that divulges everything an investor needs to know before investing in a Regulation D Offering. The PPM is very beneficial to an investor as it details the investment opportunity, disclaims legal liabilities, and explains the risk of losses. All real estate investors are strongly advised to carefully read the PPM and consult their tax attorney or CPA prior to investing.

7. IOI

When real estate investors become interested in a particular real estate asset or portfolio, they will usually request more information on the property in question. In many cases, the seller will provide a document called an Indication of Interest (IOI). An IOI is an informal proposal that is non-binding and designed to provide the investor more information on the investment. For example, IOI's typically include property details like leasing data, square footage, and market overview. An IOI might also include due diligence plans, aerial photos, and site maps. Finally, the IOI will typically include information about the sponsoring seller of the real estate asset.

Knowing and understanding these acronyms will help in placing you on a path of success in the investment world. You might want to keep this list of the alphabet soup of acronyms handy as you research the world of investment real estate.

About the Author:

Betty Friant holds her FINRA Series 6, Series 22, and Series 63 licenses, in addition to the coveted CCIM designation, that recognizes expertise in commercial and investment real estate.

She currently is Senior Vice President with Kay Properties & Investment's Washington D.C. office where she serves as an expert Delaware Statutory Trust (DST) 1031 exchange advisor to high-net-worth investors and 1031 exchange clients. In her executive capacity with Kay Properties, Friant was instrumental in assisting the firm achieve a record $408 million of equity placements for real estate investments in 2020 and is at the forefront of helping Kay break that record in 2021.

Prior to joining Kay Properties, Betty spent 35 years in the commercial real estate industry focused on the acquisition and disposition of single-tenant NNN properties, including acting as Senior Managing Director for the Calkain Companies and co-founder of a Sperry Van Ness office in Winchester, VA.

Betty has spent her career building a reputation for providing superior client service that emphasizes transparency, integrity, and attention to details. This lifelong effort was recently recognized by GlobeSt. as one of the "2021 Women of Influence" in the commercial real estate industry.

In addition to her focus on the commercial real estate industry, Betty is dedicated to her family and is involved in the volunteer efforts of several community and civic organizations.

Know Your Local Fair Housing Laws

By The Fair Housing Institute

Fair Housing is complicated and ever-changing. Combined with state and municipal laws that can vary greatly, proper training becomes even more critical.

But what does that training look like? Should it encompass more than federal laws, and how often should training occur?

Fair Housing - Know Your Local Laws

More is needed than a basic knowledge of the protected classes. This is because state and municipal laws can change how fair housing compliance is interpreted. Not knowing the laws specific to your area can leave you open to a fair housing complaint.

For example, in Austin, Texas, students are considered a protected category. Meanwhile, in New York City, reasonable modifications are covered at the expense of the property regardless if they are private-market or not. Another example would be when it comes to source of income. Some states view this as a protected category, while others do not.

As a result, fair housing training needs to include an understanding of all laws specific to where your property is located. These are just a few examples. The list goes on.

How Often Should Fair Housing Training Happen?

As highlighted above, fair housing can be challenging and can cover a considerable range of topics and sub-topics. It stands to reason that a one-and-done approach to training will never be adequate. In addition, laws are continually changing, as is their application.

Currently, the industry average for training is every two years. That being said, more and more companies are gravitating to annual training as better practice. Annual training provides staff the opportunity to brush up on skills as well as become familiar with any changes that they need to be aware of.

By having access to regular training, companies are giving their staff the best possible chance to remain fair housing compliant and therefore reduce the risk of a complaint or violation.

Choosing the Right Fair Housing Training for Your Company

Training can and should take many different shapes and sizes. People learn differently, so employing various learning methods will ensure that everyone has access to the information they need.

Thanks to COVID-19, we have seen an increase in online training offerings. A few things to keep in mind if you choose the online route are: when the course was last updated, what it covers, and whether it provides a way to gauge how your staff is doing. Try to find industry-accredited training programs that include both tests and certifications. Online learning is an excellent way for staff to learn at their own pace and when it's convenient for them, and it can be easily added to your training suite.

Another great way to help your staff is training via role play. Have you had a recent situation come up that staff was unsure of how to handle? Why not turn it into a teaching/learning experience? Recreate the problem with the team and discuss possible solutions and outcomes. This type of diverse training will reach every style of learner.

And happily, we can also now return to in-person training! Look again for industry-accredited instructors and enjoy the one-on-one training and the opportunity to network.

Fair housing training doesn't need to be complicated, but it does need to be thorough and regular. You can avoid time-consuming and costly mistakes and create a positive work environment by ensuring that all your staff has access to up-to-date, reliable training in multiple formats.

In 2005, The Fair Housing Institute was founded as a company with one goal: to provide educational and entertaining fair-housing compliance training at an affordable price at the click of a button.

Staying Competitive, Sticking to the Basics in Multifamily

By Debbie Willis

In today's market, we continue to see high demand in the multifamily rental industry, yet the basic priorities remain in place: leasing up properties, staying competitive, and providing quality housing. New communities have the latest amenities to stay on-trend, but older communities that lack the latest interior and exterior updates can struggle to stay competitive. Rather than coming up with elaborate techniques to attract new prospects and retain current residents, property management teams can practice fundamentals like putting residents first, conducting market surveys, giving older properties facelifts and updating the roster of community perks.

Putting Residents First

One of the most basic but important tactics to staying competitive, especially for older communities, is showing residents how much on-site and property management teams care. Despite the few who like to keep to themselves, many residents want to feel valued in the community where they live, and it's simple to achieve this. One example is property management and onsite teams hosting a schedule of fun activities and incentives for a coordinated resident-appreciation week. Genuine gestures like these go a long way with residents and will likely result in an increase of their overall satisfaction with the property. In addition, maintenance continues to be a priority with all residents. Make sure those maintenance requests are handled promptly and thoroughly, and if follow-up is necessary, communicate clearly with the resident.

Conduct Consistent Market Surveys

Property management teams should conduct consistent market surveys to not only understand the competition but also to know what the current consumer is looking for and what is being offered in their submarket. Conducting these surveys can help multifamily property managers understand when changes need to be made. Additionally, the surveys yield results about the demographics of the people living in multifamily communities. The results of these surveys can help older communities make the changes necessary to keep their residents satisfied, as well as attract prospective residents.

Property managers can also gather valuable information by conducting competitive secret-shopper research. To do this, the onsite property management teams can call or email competing multifamily communities in the surrounding area to gain a better understanding of the amenities that they offer (both around the community and in the units), the onsite events that they host for residents, and more. By doing this, older communities can get fresh ideas that will help them stay competitive in an expanding market.

Give an Existing Property a Facelift

Staying up to date doesn't have to include building a brand-new community. Older multifamily communities can stay competitive by identifying desirable amenities and in-unit features that need facelifts. This can mean updating existing appliances and features such as the paint and finish of an apartment's walls and cabinets. A fresh coat of paint or an accent wall can make older rooms feel brand new. Changing appliances to stainless steel or black can help units stay in line with modern consumer preferences. These updates can be made in bathrooms, kitchens, bedrooms and living rooms. As technology becomes a more sought-after feature by prospective residents, units can also benefit from additions of such features as smart thermostats and smart locks.

Update Roster of Community Perks

Lastly, updating the roster of community perks to feature on-demand amenities will help older multifamily communities remain competitive. One community perk that older communities can add is housekeeping and trash pick-up services. One growing real estate trend is known as "hotelification," which includes using technology and services to treat residents like hotel guests. This can include offering concierge services, as well as other common hotel services such as cleaning, dog-walking and more. Adding these services will allow older communities to align with new industry standards.

Regardless of whether the community is brand new or 30 years old, don't forget to stick to the basics, which is providing a nice community someone is proud to call home and where they feel there is value in the rent they pay.

Debbie Willis is president and designated broker for P.B. Bell and is responsible for the company's residential property management operations. Debbie has been in the property management field since 1979 and with P.B. Bell since 1983. Debbie has served as the Arizona Multihousing Association State Convention and Trade Show chairperson, Education Committee chairperson and Ethics Committee chairperson. She currently serves on the Arizona Multihousing Association Board of Directors.

Go Smoke-Free

How Thirdhand Smoke Affects Your Properties

Department of Health and Human Services - Tobacco Prevention and Control

The dangers of smoking and exposure to secondhand smoke are well-known. Inhaling nicotine and other toxic chemicals from cigarette smoke can cause illnesses like heart diseases, stroke and cancer.

What isn't as well-known are the effects of thirdhand smoke.

Thirdhand smoke (THS) is the chemical residue that lingers after secondhand smoke has disappeared from the air. While secondhand smoke is a combination of the smoke coming off a cigarette and the smoke exhaled by smokers, thirdhand smoke is the mixture of smoke and toxic chemicals that stick to surfaces and become embedded in household materials.

These materials include carpets, walls, furniture, and all surface areas that make up your residents' homes.

Thirdhand smoke lowers the value of your properties by contaminating the carpet, furniture and walls. In fact, a news report from realtor.com revealed that smoking in a home and the resulting damage of thirdhand smoke can reduce property value by 29%.

Creating a smoke-free policy protects your tenants, and your investments, from the costly effects of thirdhand smoke.

Does THS pose a danger to tenants once the home has been deep cleaned?

The short answer: Yes. Thirdhand smoke can linger indoors for years.

Despite deep cleaning and renovating, thirdhand smoke can be reemitted through dust and becomes embedded in carpets, furniture, fabric and building materials. Residents, including pets and children, can be exposed to this toxicity by just breathing within the same apartment that a previous smoking tenant occupied and through touching surfaces in past smokers' homes.

New research shows that thirdhand smoke carries a unique chemical compound called 1-(N-methyl-N-nitrosamino)-1-(3-pyridinyl)-4-butanal (NNA). NNA is one of the many tobacco-specific nitrosamines – a group of cancer-causing compounds found in tobacco products. Tenants are exposed to NNA by touching surfaces polluted by thirdhand smoke or by inhaling dust contaminated with smoke residue.

The U.S. Surgeon General has concluded that there is no safe level of exposure to tobacco smoke, including thirdhand smoke. The greatest line of defense to protect your residents and your properties is to enact a smoke-free policy.

Comprehensive smoking bans are essential for protecting everyone.

Thirdhand smoke is toxic to residents and other people entering your properties. It puts renters and their families at risk for a decision they did not choose to make.

The benefits of going smoke-free not only support the health and well-being of your residents, but also support the longevity of your properties.

Find out what steps to take to ensure you are creating a healthy place for all to live and work. For more information on smoke-free housing, visit tobaccofreeutah.org. For free resources to help you quit, visit waytoquit.org.

Understanding Landlord's Duty to Tenants

Continued from Page 1

Let's create a blame framework for this by using a scenario where a tenant or guest of a tenant is injured by a weapon that the landlord allowed on the property. To create some protection for you as a landlord we must first turn to the general principle of negligence law and liability.

It is helpful to understand the basic law and how to apply it in a real landlord-tenant situation. Every landlord must have a handle on these basic principles, so we'll first discuss the law and then get back to the questions. Whatever the cause of the injury/damages to the tenant, occupant, guest, or invitee, the landlord does have some basic duties to the tenant in every residential lease, single-family or multi-family home of every kind and variety.

Here is the basic legal test for this scenario:

1. Duty

Generally, the duty of the landlord is to provide a reasonably safe place to live for the tenant, occupants, guests, and invitees (and there may be more than just this duty, depending on the lease and the applicable laws). The basic legal theory about a landlord's duty from settled case law is, "if the landlord knew or should have known about a danger or peril in, or on, the property, the landlord must ensure reasonable and timely remedies to prevent damages (injuries) to whom the landlord owes the duty of reasonable safety."

Did the landlord have a duty to allow the tenant to have a weapon inside of the private, inside quarters of the home that the tenant controls in order to protect the tenant's family/household? That is a big question. Arguably, if the tenant had nothing in their background that would put a landlord on notice that the tenant had a propensity for violence, and the tenant is an ordinary, law-abiding citizen, why would anyone not allow that person to have adequate home protection? So, is there such a duty?

The question does not seem to be resolved by any court, although some states prohibit a landlord from such a prohibition. Do you want to fight this case in court?

Then:

2. Causation

"But for" the landlord actions or inactions, would a particular event or damage have occurred? "But for" the landlord allowing the tenant to have a weapon for protection, would the injury/damage likely not have not occurred? Here the answer is, probably, yes.

Then:

3. Foreseeability

Even if there is a duty and there is causation, there is one more test to be applied before we can determine if the landlord actually has any liability for the damages/injuries.

Was it foreseeable by a reasonable person that if the landlord allowed the tenant to have a weapon to protect his/her private home that this very injury/damage would take place? Here the answer is again, probably, yes.

I suggest running any scenario where you as a landlord feel you may be vulnerable through the three prongs of the legal test as described above. In fact, I invite you to do that right now with the above scenario, only reversed, where the landlord prohibited the tenant from having a weapon on the property and the tenant or their guest was injured because they did not have a weapon for self-defense. What is your duty, what could your actions cause, and is a specific outcome foreseeable?

What is the course for best practices to avoid blame and liability?

Examine your property, your practices, and your policies through the lens of an attorney and make the proper adjustments to boost the protection of both your tenant and your property. After all, the best way to avoid any blame at all is to anticipate potential problems, remedy them, and document what you have done.

Denny Dobbins is vice president and legal counsel for Rent Perfect, the creator of the Crime Free Addendum, a private investigator, and fellow investor. Subscribe to the weekly Rent Perfect podcast (available on YouTube, Spotify, and Apple podcasts) to stay up-to-date on the latest industry news and for expert tips on how to manage your properties.

Can Landlord Insist Long-Term Tenant Fill Out New Application?

Continued from Page 1

If there is more than one bathroom, you may want to give the tenants a rent concession since a part of the property is not available.

Also, if you are using your tenants' electricity for your renovation, you may want to work out something with them in advance for this, too.

Can I Insist a Long-Term Tenant Fill Out A New Application?

Dear Landlord Hank: Can I insist that a long-term tenant fill out a new application? Not for the purposes of "applying" (they've lived there for 11 years) but for the purpose of updating employment and other information. Thank you. — Janeese

Dear Landlady Janeese: Great to hear you have long-term tenants of 11 years. You are apparently doing everything right to keep them happy for so long.

I would think that your tenants wouldn't mind you updating your contact info in case you need to reach them in an emergency situation.

If they are reluctant to fill out a standard information form, maybe you could just ask them verbally for the information. If the tenants still won't comply with this simple request, I'd ask them what objection they have.

If the objection doesn't make any sense, it may be time to seek out new tenants.

How Do I Stop Second-Hand Smoke Coming Into My Apartment?

Dear Landlord Hank: How do I get property management to do something about the second-hand smoke coming into my apartment? — Sandra

Dear Tenant Sandra: Exposure to second-hand smoke in multifamily buildings is a common and unhealthy issue that could lead to serious health issues, especially for children. The smoke can come through vents, or cracks in floors, or walls.

The first place to check is your lease. Does the lease allow smoking in the units or is this supposed to be a smoke-free environment?

In most leases that prohibit smoking, this would be a serious violation and could be grounds for eviction.

You can also check to see if there are any laws in your community that address second-hand smoke in multifamily housing.

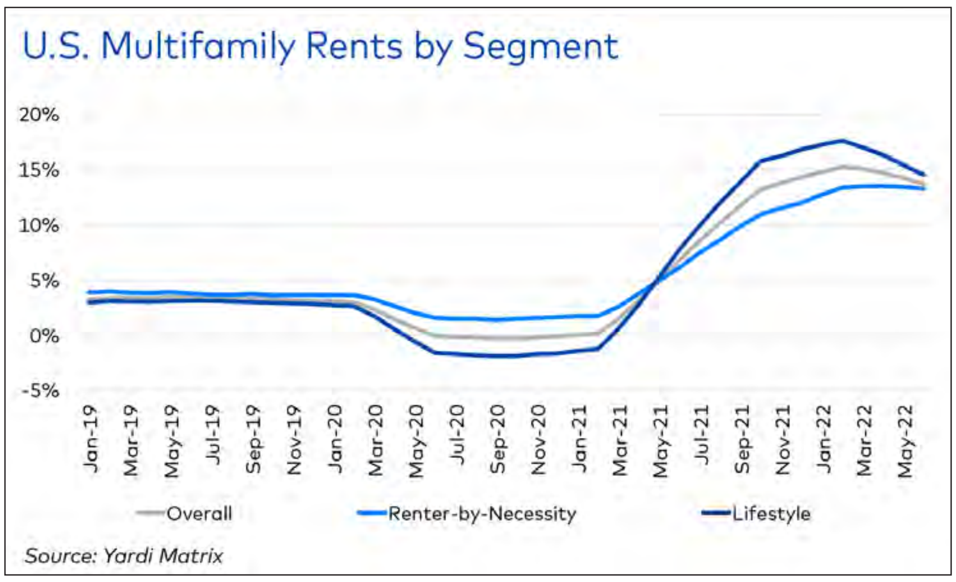
If you have a decent relationship with the offending neighbors you can talk to them NICELY about the smoking, and maybe they'd be willing to smoke outside.

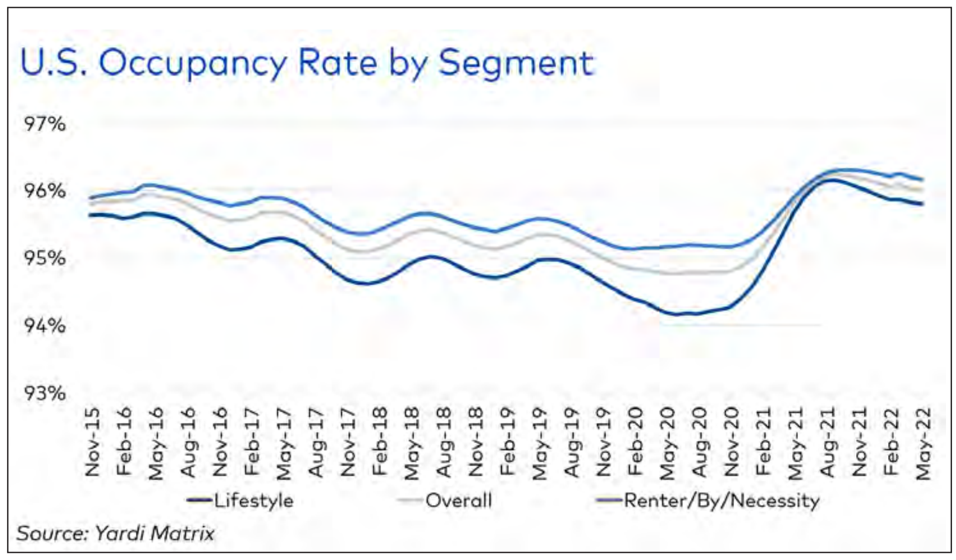
You should definitely talk to your property-management company about the second-hand smoke issue in the apartment and the negative impact it is having on your family.

If there is an impact on your health, you may be able to have your doctor note that second-hand smoke is harming your health and you can show this to the property management company.

Each week Hank Rossi answers questions from landlords and property managers across the country in his "Dear Landlord Hank" blog in the digital edition of Rental Housing Journal at https://rentalhousingjournal.com/asklandlordhank/

Multifamily Outlook Still Hopeful With Volatile Economy





Rental Housing Journal

Rent increases are starting to slow as rent growth is getting moderated by soaring inflation, Yardi Matrix says in a summer report.

So the outlook is still hopeful for the rest of the year, but shows multifamily may have reached a point where potential change is coming in what has been robust growth, the report says.

The report says the economy "features some strong fundamental metrics that are being overshadowed by inflationary pressures that stem from soaring energy and housing prices, global supply-chain issues, and the hangover from post-COVID-19 monetary expansion."

However, the report points out that the economic picture "is not bleak for multifamily" as job growth and consumer spending are still strong, and debt service low by historical standards.

"All these economic measures contribute to strong growth in household formation and demand for multifamily," the report says.

Some highlights of the report:

- Growth will decelerate in the second half, but the question is by how much, as persistently high inflation threatens to roil the economy.
- The Federal Reserve's bid to reduce demand through rising rates and quantitative easing will cut growth, with the odds of a recession in 2023 or 2024 increasing rapidly in recent weeks.
- Multifamily rents are decelerating from 2021's record highs but remained at double-digit percentage growth levels through mid-year. "We expect average asking rents to increase by 7.9 percent by year-end."
- Lenders are becoming more conservative, focusing on cash flow rather than income growth. Many investors and lenders are taking a step back to digest where the market is headed before they resume activity.

Rent Growth Will Moderate Later In 2022

"Coming off record-high rent growth of 14.7 percent in 2021, deceleration in multifamily rents in 2022 was inevitable, but the question was how much?

"Rent growth has started to come down, but slowly as the conditions that produced strong gains have persisted. Average national asking rents increased 5.7 percent in the first six months of the year.

"Year-over-year rent growth at the year's midpoint was 13.7 percent, down 100 basis points from the end of 2021 and 150 basis points from the February peak of 15.2 percent.

"While growth is moderating, we expect gains will continue to remain well above trend, with average asking rents increasing by 7.9 percent nationally by the end of 2022," the Yardi Matrix report says.

You can find a copy of the full report at https://www.yardimatrix.com/Publications/downloads.

Yardi Matrix researches and reports on multifamily, office and self-storage properties across the United States, serving the needs of a variety of industry professionals. Yardi Matrix Multifamily provides accurate data on 18+ million units, covering more than 90 percent of the U.S. population. Contact the company at (480) 663-1149.

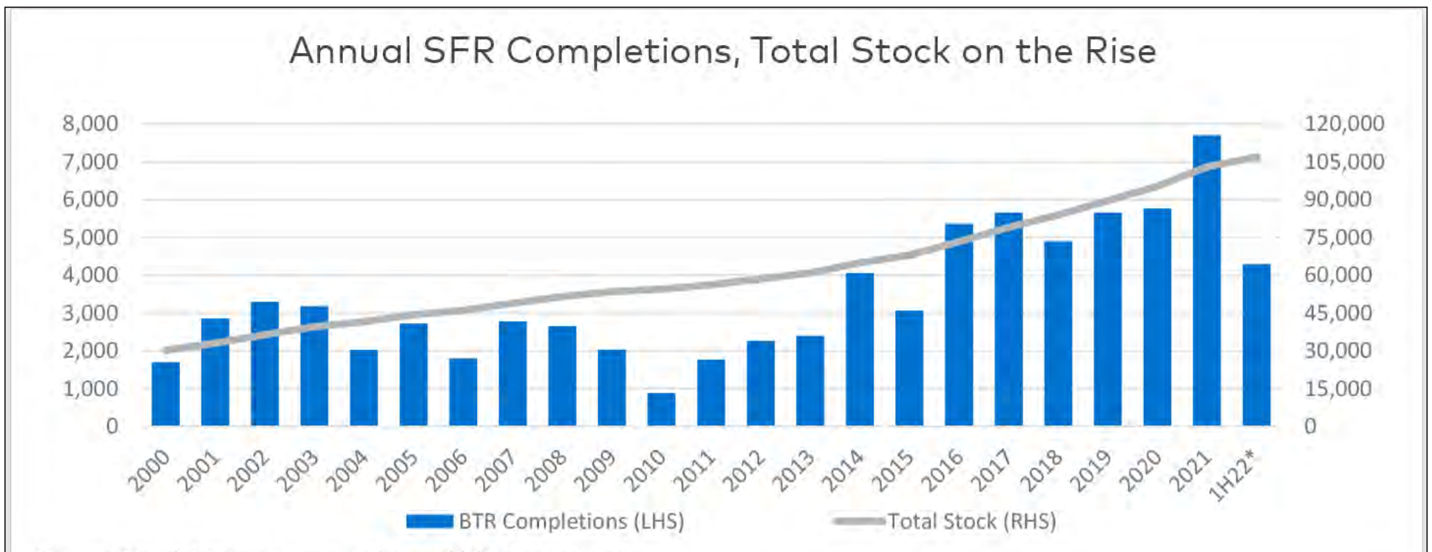
Rate Hikes Alter SFR Strategies for Investors

Rental Housing Journal

The recent increase in interest rates is forcing institutions to reassess growth strategies in the single-family rental market, according to a report from Yardi Matrix.

"With home sales cooling as rising mortgage rates bump up against soaring property values, institutional single-family rental-property companies are adjusting growth strategies and facing the prospects of lower total returns," the report says.

Growth in the near future, however, may be concentrated on build-to-rent projects, which are being delivered at record levels.



Source: Yardi Matrix, communities of 50 or more units

Institutional Ownership of Single-Family Rentals

The growth of institutions is currently focused on build-to-rent projects or acquiring portfolios from smaller owners.

"Institutional ownership of single-family rentals is growing rapidly as investors seek property segments with outsize growth prospects as long-term demand for single-family rentals solidifies.

"Institutions have committed more than $60 billion to buying single-family homes over the past year, according to various corporate announcements and news articles," the report says.

Single-family rentals will continue to be in demand

While costs of homes have skyrocketed, demand for homes has continued to be strong. And there are multiple drivers for this demand.

"Some households decided during the pandemic lockdowns to move out of urban areas to suburbs to get more space for children and pets, and as a better environment to work from home," according to the report. Plus, historically low interest rates contributed to a spike in home-buying.

The average 30-year mortgage in the United States dipped to 2.8 percent in late 2021, about one-third of the 7.8 percent 50-year average and half of the 30-year 5.7 percent average, according to Freddie Mac.

The weakening of the single-family for-sale market and affordability should keep the single-family for-rent market strong, Yardi Matrix says in the report.

Stock, Rent Growth by Region

Region	Stock-50+ Unit Communities	YoY Rent Growth - May 2022
Midwest	31,312	11.6%
West	17,219	14.0%
Southwest	14,745	11.4%
Northeast	8,230	11.9%
South	7,784	10.5%
Southern Calif.	6,227	15.4%
Southeast	5,706	11.9%
Florida	5,218	20.4%
Central California	4,148	13.2%
Pacific Northwest	4,036	12.3%
Mid-Atlantic	1,381	-16.8%
Northern Calif.	1,040	12.6%

Source: Yardi Matrix

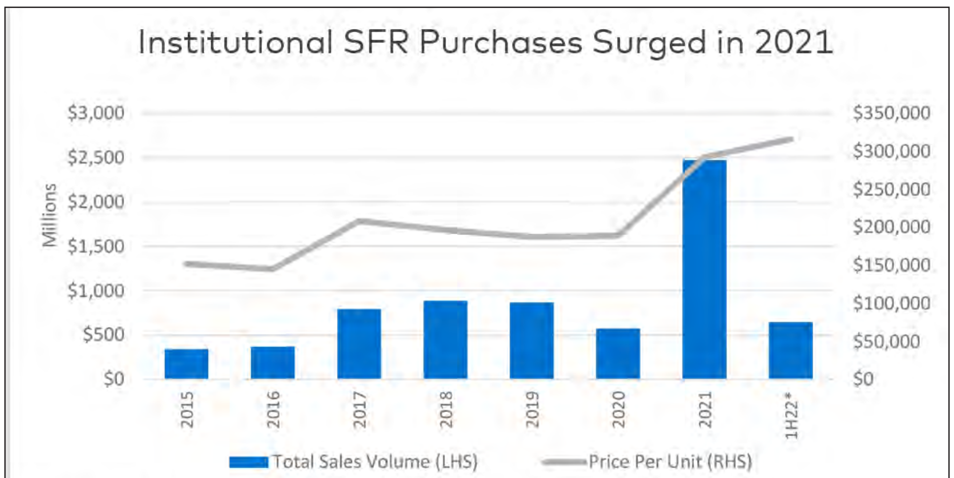
Families Will Continue to Rent

The industry looks to be fundamentally sound and poised for growth, Yardi Matrix says.

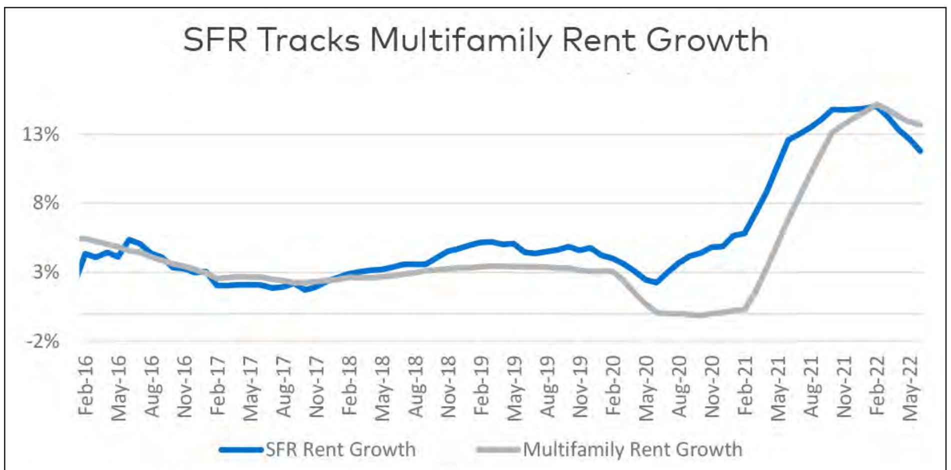
"Homeownership will likely be in for a bumpy ride over the next year or two as home prices reset and mortgage rates remain at recent higher levels, but that should be good news for single-family rentals. Families still aspire to the amenities provided by detached houses, and if they can't afford to purchase, they will rent.

"What's more, supply of single-family homes is likely to remain weak as supply-chain issues delay materials, development and labor costs skyrocket, and the entitlement process delays deliveries. The annualized number of new housing starts dropped 14 percent between April and June, moving in the wrong direction as the U.S. faces a long-term shortage of housing units estimated at 2 million to 4 million. While the housing shortage is unfortunate on many levels, it improves the investment prospects of the single-family rental market."

Yardi Matrix is a business development and asset management tool for investment professionals, equity investors, lenders, and property managers who underwrite and manage investments in commercial real estate. Yardi Matrix covers multifamily, industrial, office and self storage property types. Email matrix@yardi.com, call 480-663-1149 or visit yardimatrix.com to learn more. Yardi develops and supports industry-leading investment and property management software for all types and sizes of real estate companies. Established in 1984, Yardi is based in Santa Barbara, Calif., and serves clients worldwide. For more information on how Yardi is Energized for Tomorrow, visit yardi.com.



Source: Yardi Matrix, communities of 50 or more units



Source: Yardi Matrix, SFR communities of 50 or more units

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