

Can't afford to buy? Homes built for renters might be what you're looking for

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SOUTH FLORIDA SUN SENTINEL | OCT 02, 2021 AT 7:00 AM



A new single-family townhome community being built by Stellar Communities is under construction Pompano Beach (near Palm Aire). All 39 units are for rent only, part of a rising trend among developers

to serve people who are not yet positioned to buy a home. (Amy Beth Bennett / South Florida Sun Sentinel)

It's tough out there for would-be home buyers. Too many people chasing too few properties, and [down payments](#) that keep getting further out of reach.

But here's an idea whose time might have come: New homes built to be rented, not sold.

And it's catching on in Florida and other states around the U.S., with "build for rent" programs gradually taking hold in [overheated housing markets](#).

One such development — a 39-unit townhome project in the lush Palm Aire section of Pompano Beach — is nearing completion.

Its two-story homes are nicely appointed with a pool and clubhouse, small backyards, golf course views and smart technology that controls security, thermostats and other key functions.

The project is being built by Stellar Communities of Dania Beach, and homes will rent from possibly \$3,200 a month. Stellar has a number of other rental projects on deck: Stellar at Wilton Manors, with 260 units, and Stellar at Emerald Hills in Hollywood, with 197 townhomes.



A new single-family townhome community is being built in the Palm Air section of Pompano Beach, by South Florida developer Stellar Communities. The company is focusing on "build-for-rent" projects that can help people unable to buy a house in South Florida's overheated market find a more affordable alternative. (Amy Beth Bennett / South Florida Sun Sentinel)

“I think this is type of product is good for the baby boomers and the millennials,” said Stellar managing partner Larry Baum. “They are the two largest demographics in the country. The baby boomers — some of them would rather rent. [The millennials don't have the down payment](#) to buy, so they rent.”

A surge in demand

Brad Hunter, president of Hunter Housing Economics in West Palm Beach, has been following the emergence of single-family home rental projects since their inception several years ago. He said the idea took hold in Phoenix, which was the scene of massive numbers of foreclosures during the housing collapse

in 2008, and moved across country to Texas, the Carolinas and other points in the South including Florida.

“There is a huge need for it,” Hunter said. [“It’s a project alternative](#) that really didn’t exist — being able to rent a detached single-family home or a townhome with a yard in a community.”

Previously, he said, people could rent a house in any local suburb. “But you couldn’t rent a new one and you couldn’t rent a new one in a professionally managed community.”

Now the demand exists among millennials who want to live in the suburbs in homes with private outdoor spaces for children.

“The millennials are aging out of apartments,” Hunter said. “They no longer fit their lifestyle — especially if they have children or a baby on the way.”

The single-family home projects are coming at a time when landlords are [jacking up prices](#) for properties that many tenants no longer want. Many of the rents for proposed single-family home projects appear to be in line with downtown high-rise apartments, which range in many cases from \$,2000 for a studio to \$3,000 to \$4,000 for multiple bedroom units.

High demand

“I think the build-to-rent program is a great asset class and it’s becoming more popular with developers,” said Bret Forman, executive managing director, eastern U.S. for Trez Capital, a private real estate lender in Boynton Beach. “We at Trez have financed many, many of the single-family-for-rent projects. We can tell as a lender that it’s being well received by the renters. It’s easier to build for rent.”

Lennar, the Miami-based homebuilding giant, has entered the build-to-rent space, principally in the West. Through a spokesman, the company declined to comment for this article about its activities in South Florida.

But Jeff Roos, Lennar's western regional president, told the Orange County Register in California that the company sees the home rental sector as underserved.

"A lot of people want to buy a single-family home, but for whatever reason, they're credit challenged," Roos said. "There's a great deal of demand."

David Lynd, CEO of LYND LIVING in Houston, said he took a hard look at the nation's renter population and found that 70% of them were leasing homes while 45% of the tenants could not afford to buy a home.

He said Friday that the company is negotiating to buy land for projects in the Orlando and Tampa areas. His firm is also scouting for land in the Wellington area in Palm Beach County.

"We would be building single-family rental projects in those markets," Lynd said. "It will be 150- to 200-home projects and maybe two, three and four bedrooms."

The rents, he said, would range from \$2,000 to \$3,500 a month.



Motif, a seven-story apartment project under construction in Fort Lauderdale's Flagler Village neighborhood in 2019. Developers and housing analysts now say there is a growing market for single-family home rentals as many millennials and baby boomers seek more open, greener spaces in the suburbs. (Amy Beth Bennett / Sun Sentinel)

Limited land

The chief obstacle to the concept expanding in South Florida — particularly in Broward and Miami-Dade counties — is a familiar one for developers as well as consumers: a scarcity of land.

“Post-COVID, if you are a single-family build-to-rent developer you have to compete with traditional multifamily [builders] who want to construct traditional apartment buildings,” said John Zalkin, senior vice president at RKW Residential, a property management and development consulting firm in Miami.

That type of pressure is less intense in Central and North Florida, where there is far more available land to build than in South Florida. Moreover, land to the north is less expensive, which in turn leads to better prices for the renter.

“The land in Boca Raton is a lot more expensive,” said Forman of Trez Capital. “What may be a \$4,000 rental in Boca, in Atlanta, it may be \$2,500 a month.”

But the competition for land can occasionally divert a developer’s plans.

“We were going to start 359 villas in Florida City and D.R. Horton came and gave us a ridiculous offer,” said Baum of Stellar Communities.

He said Horton plans to build homes — to sell.