

Texas developer plans big rental home project in Oswego

It's one of the biggest trends in real estate today—building single-family houses and townhomes for rent—as developers target people who want to live in a house but can't afford one or don't want the responsibilities of ownership.

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Lynd Living

A rendering of one of 178 build-to-rent townhomes planned for Oswego.

A Texas residential developer plans to build hundreds of single-family houses and townhomes in southwest suburban Oswego, but with a twist: They're for rent, not for sale.

It's an idea that caught on after the housing bust and has become one of the hottest trends in real estate today. Catering to people who want to live in a house, but either can't afford a big down payment or just don't want to own

"It gives people that stepping stone from an apartment to a home without buying one," said Adam David Lynd, president and CEO of Lynd Living, the San Antonio-based developer leading the Oswego project.

A Lynd joint venture is raising money for a 178-unit build-to-rent townhome project at 137 Dorset Avenue, about a mile southeast of downtown Oswego, according to [online marketing materials](#) from CrowdStreet, a crowdfunding firm that's soliciting investors for the project. Lynd also plans a large single-family rental development next door that's not part of the offering, he said, declining to discuss specifics of that project.

The Lynd venture aims to finance the first phase of the project, called Ashcroft Place, with \$14.9 million in equity raised by CrowdStreet, about \$800,000 of its own equity and \$47.2 million in debt, according to the CrowdStreet website. CrowdStreet requires a minimum investment of \$25,000, with a fundraising deadline of March 4, according to the site.

The single-family and townhome rental market gained traction after the housing crash, as big investors bought up foreclosed homes at low prices and rented them out. It was a distressed investment strategy. But the past few years, developers have been building homes specifically for rent.

They're targeting tenants, often millennials with growing families, who don't want to be burdened with all the responsibilities of ownership or don't have enough savings to make a down payment for a purchase. Rising home prices also have pushed many would-be homebuyers out of the market, creating demand for single-family rentals.

Many have outgrown their apartments and are saying, "I want to live in a house and have a backyard and a dog," Lynd said.

He cited a survey showing that 45% of all renters want to own a home but can't afford it. He sees parallels with the subprime lending craze that fueled

the housing bubble more than 15 years ago. Back then, loose residential lending standards allowed people to stretch to buy a home, ultimately resulting in the housing bust. Today, home rentals are a much healthier and sustainable solution, he said.

Big real estate companies, including homebuilders like Lennar and PulteGroup, have been investing in the sector over the past few years. Last month, Harrison Street Real Estate Capital, a Chicago-based private-equity firm, and Chicago developer Core Spaces formed [a \\$1.5 billion joint venture](#) to build subdivisions with hundreds of homes in markets including Denver, Dallas and Nashville. The venture is also working on plans for a project in west suburban Westmont.

Growth prospects for the sector are strong, especially in metropolitan areas like Seattle, Los Angeles, Phoenix, Atlanta and Denver, according to a recent report from Green Street Advisors, a California-based research firm.

“Demand is strengthened as the 35-44-year-old cohort continues to grow and age into later life stages that typically require the space a single-family home has to offer,” the report says. “Greater adoption of work-from-home has and should continue to provide an incremental lift to demand for the sector as well, as renters seek more space.”

Green Street is less enthusiastic about the Chicago market, which ranks at the low end on key growth and return metrics. The firm forecasts a risk-adjusted expected return of 6.4% for the Chicago-area single-family rental market, versus a 6.9% average for the top 25 U.S. metro areas.

Lynd plans to develop the Oswego townhomes in a joint venture including Hinsdale-based West Point Builders. In the Chicago area, Lynd also is developing a [224-unit apartment project](#) in Willow Springs. Its past projects here include [EnV apartments](#) in River North.