



Family Renter Housing

A Response to the Changing Growth Dynamics of the Next Decade

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A Response to the Changing Growth Dynamics of the Next Decade

About the Urban Land Institute

The Urban Land Institute is a global, member-driven organization comprising more than 45,000 real estate and urban development professionals dedicated to advancing the Institute's mission of providing leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.

ULI's interdisciplinary membership represents all aspects of the industry, including developers, property owners, investors, architects, urban planners, public officials, real estate brokers, appraisers, attorneys, engineers, financiers, and academics. Established in 1936, the Institute has a presence in the Americas, Europe, and Asia Pacific regions, with members in 81 countries.

The extraordinary impact that ULI makes on land use decision making is based on its members sharing expertise on a variety of factors affecting the built environment, including urbanization, demographic and population changes, new economic drivers, technology advancements, and environmental concerns.

Peer-to-peer learning is achieved through the knowledge shared by members at thousands of convenings each year that reinforce ULI's position as a global authority on land use and real estate. In 2019 alone, more than 2,400 events were held in about 330 cities around the world.

Drawing on the work of its members, the Institute recognizes and shares best practices in urban design and development for the benefit of communities around the globe.

More information is available at uli.org. Follow ULI on Twitter, Facebook, LinkedIn, and Instagram.

About the ULI Terwilliger Center for Housing

The goal of the Urban Land Institute Terwilliger Center for Housing is to advance best practices in residential development and public policy and to support ULI members and local communities in creating and sustaining a full spectrum of housing opportunities, particularly for low- and moderate-income households.

Established in 2007 with a gift from longtime member and former ULI chairman J. Ronald Terwilliger, the Center integrates ULI's wide-ranging housing activities into a program of work with three objectives: to catalyze the production of housing, provide thought leadership on the housing industry, and inspire a broader commitment to housing. Terwilliger Center activities include developing practical tools to help developers of affordable housing, engagement with members and housing industry leaders, research and publications, a housing awards program, and an annual housing conference.

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Acknowledgments

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Introduction

Family renter households are a large and often forgotten segment of the American housing landscape.

As the millennial generation has come of age, the development community has largely responded by focusing on its youngest members. Often single, urban, and transient, these individuals have driven the construction of the luxury rental apartment buildings that now line the central business districts, mixed-use neighborhoods, and rapidly changing suburbs of most major metropolitan areas. At the same time, new development has largely neglected one of the largest and most critical renter segments: families.

Going forward, families are likely to play an even more important role in the rental housing market. Although the number of families living in the United States remained relatively constant during the past decade, this demographic is poised to experience significant growth in the 2020s and beyond as more and more millennials have children. Similar to these demographic trends, housing preferences are also shifting in a way that is supportive of family-oriented rental development. Together, declining homeowner rates and rising housing costs are spurring a need for—and a business opportunity to build—new and interesting forms of rental housing that target a broader range of households, including many families.





Today, families are more diverse than ever. Defined in this report as those households with children living at home, families are no longer limited to the traditional archetype of two parents with one or more children. Single-parent and multigenerational households are becoming increasingly common, and these groups have vastly different housing needs, prompting an important question: What is family-oriented rental housing? This report defines it broadly: housing of any density with two—or ideally three—bedrooms.

The development community is beginning to react to this opportunity in a number of ways. From suburban townhouses to multifamily apartments, family-oriented rental housing is starting to emerge across the country. Although rarely explicitly marketed to families, these communities offer floor plans, amenities, and locations that are especially attractive to households with children. More important, these family-friendly rental options have been built in relatively small quantities during this economic cycle, despite the increasing demand.

This mismatch between the supply of and the demand for family-oriented rental housing is partly attributable to barriers that stand in the way of its development. There are a number of reasons why this product is not yet widespread, ranging from developer resistance and unfamiliarity to regulatory obstacles and limitations. Moreover, this product is actually disappearing in many cases, as developers convert, subdivide, and redevelop existing family housing into units less appealing to households with children. This dynamic highlights the risk that family renters face, as well as the opportunity to better serve these individuals.

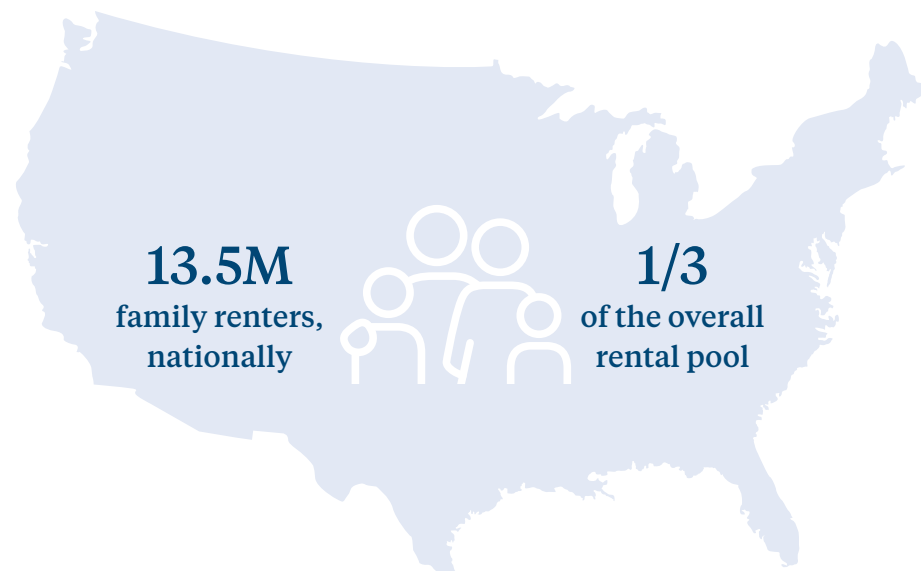
This report demonstrates the changing demand dynamics for family-oriented rental housing, illustrates the new and exciting development typologies that are responding to this opportunity, and discusses the barriers that have stood—and continue to stand—in the way of construction.



A Large and Untapped Market

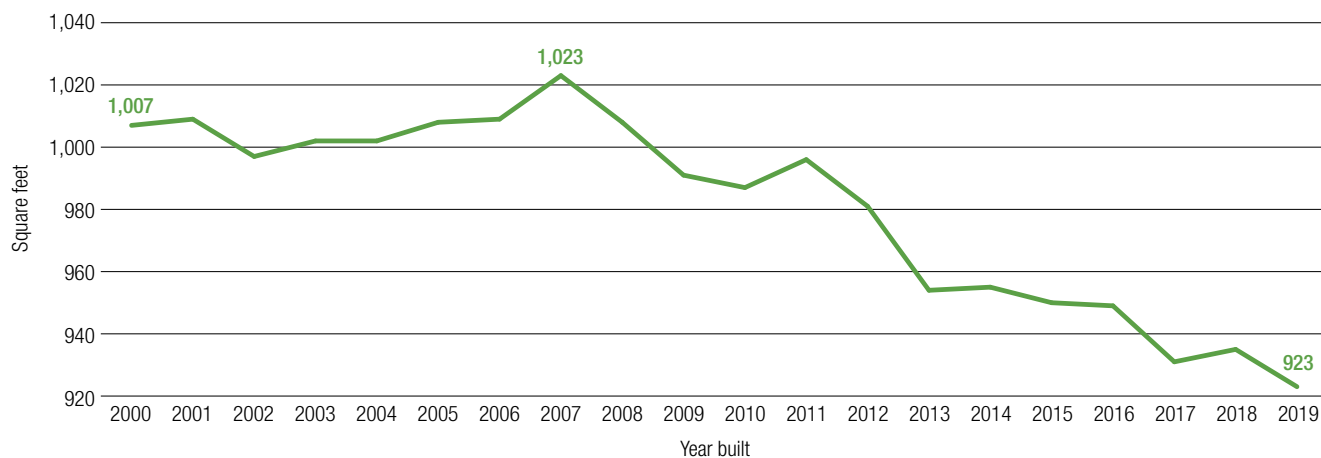
Family renter households are a large and often forgotten population. As the millennial generation has come of age, the development community has largely responded by focusing on its youngest members. Often single, urban, and transient, these individuals have driven the construction of the luxury rental apartment buildings that now line the central business districts and mixed-use neighborhoods of most major metropolitan areas. At the same time, new development has largely neglected one of the largest and most critical renter segments: families.

Families comprise one-third of the entire renter pool in the United States, where they represent more than 13.5 million households. That figure is more than three times larger than the number of single millennial renters in the country, and it is greater than the populations of both New York City and Los Angeles, combined. Given this magnitude, families play an important role in the rental housing market, even if current development patterns might mask their collective influence.



Although families represent a large share of the overall rental housing market, the bulk of new development is not oriented toward these renters. As the development community has increasingly targeted young urbanites, average unit sizes for new multifamily apartments have continued to decrease. Notably, the average unit size of 923 square feet for rental apartment units built in 2019 is 100 square feet smaller—equivalent to 10 percent—than the average unit size for new rental apartment units built in 2007. Meanwhile, the purpose-built single-family rental inventory remains small, with relatively few national players in the market at this time. These development paradigms point to clear opportunities to better serve family renters, who represent a key and growing segment of the overall housing market.

Figure 1 Average Size of New U.S. Multifamily Housing Units, 2000–2019



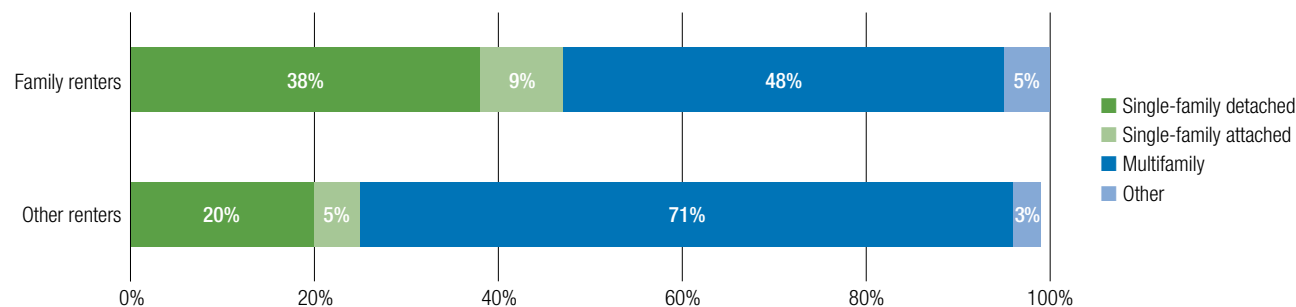
Source: CoStar.

Note: Includes units in market-rate and market-rate/affordable buildings with 50 or more units. Excludes corporate, military, senior, and vacation housing.

Family renters live in many different types of housing, ranging from multifamily apartments to single-family homes.

Although these households have diverse product preferences, they are currently more likely to gravitate toward single-family homes than are other types of renters. Nearly half (47 percent) of family renter households live in single-family detached or attached homes, compared with just over a quarter (26 percent) of non-family renter households. This difference suggests that suburban settings—as well as the schools, amenities, and lifestyles that they offer—continue to attract many family renter households, much like family owner households. Even so, very few homebuilders are delivering single-family homes with the intention of renting them. Although limited data exist on purpose-built single-family rental housing, anecdotal evidence suggests that this product represents a very small share of the broader single-family housing deliveries, even though many Americans live in this product type, assumedly by choice in many instances. On the other hand, roughly just as many family renter households live in multifamily apartments (48 percent), underscoring the diversity of this market segment and its housing decisions.

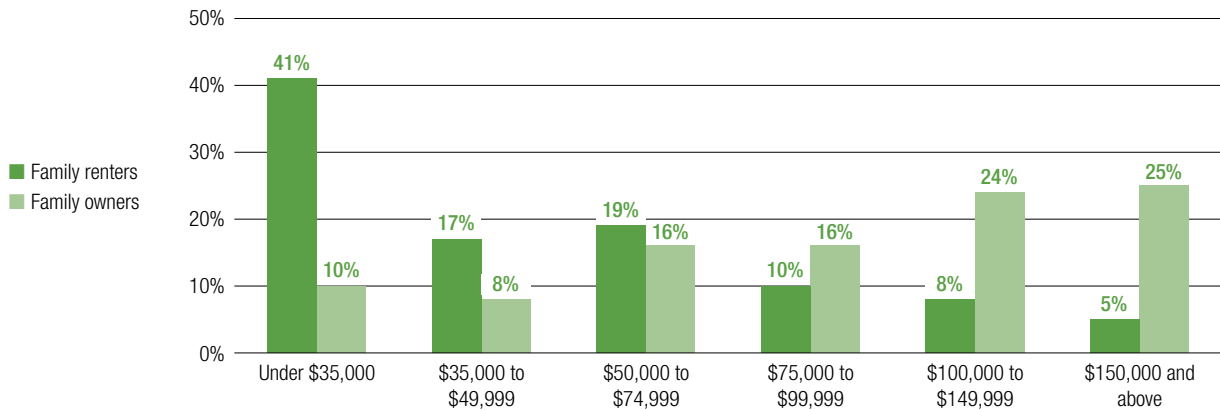
Figure 2 Current Type of U.S. Residence, 2017



Sources: U.S. Census Bureau; 2017 American Community Survey 1-Year Estimates.

Although many families rent by choice, others face economic constraints that prevent them from purchasing homes. In the United States, nearly 58 percent of family renter households have incomes below \$50,000, compared with less than 19 percent of family owner households. Likewise, just 13 percent of family renter households earn more than \$100,000 annually, while nearly half (49 percent) of family owner households have incomes above this threshold. These differences illustrate the economic reality that many lower- and middle-income families confront. Faced with skyrocketing housing costs, many of these families choose to rent rather than to own, often to avoid sacrificing other items such as space or location.

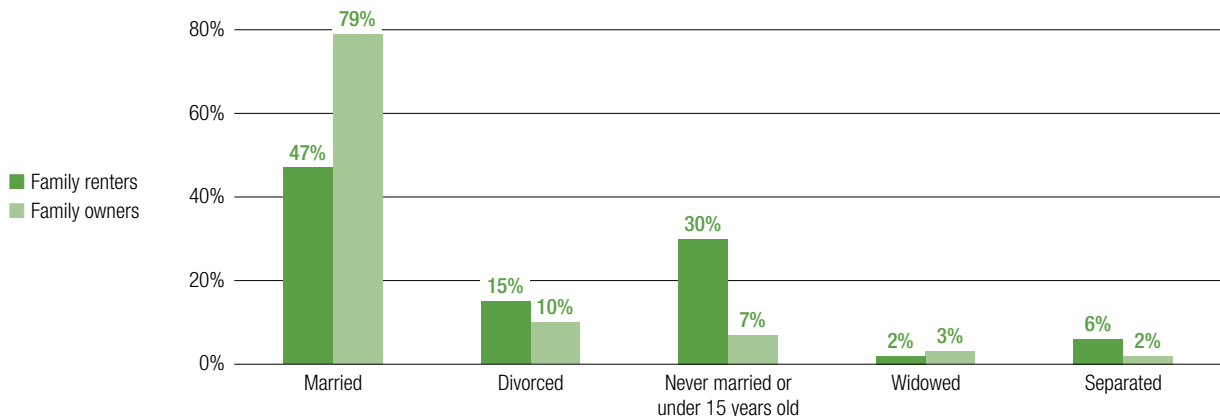
Figure 3 **Income Distribution of U.S. Family Households, 2017**



Sources: U.S. Census Bureau; 2017 American Community Survey 1-Year Estimates.

Similar to economic circumstances, the life stages of many families also motivate them to rent. In the United States, more than half (58 percent) of divorced, widowed, separated, and unmarried families live in rental housing, compared with just over a quarter (26 percent) of all married families. This statistic suggests that many families decide to rent because of major life changes or for other personal reasons. These decisions also have economic motivations and implications in many cases. For example, single-parent households often have lower incomes than two-parent households, which tend to be more economically stable and better equipped to purchase their own homes as a result. Perhaps for these reasons, nearly four-fifths (79 percent) of families that own their homes are married, compared with a minority (47 percent) of families that rent them.

Figure 4 **Marital Status of U.S. Family Households, 2017**



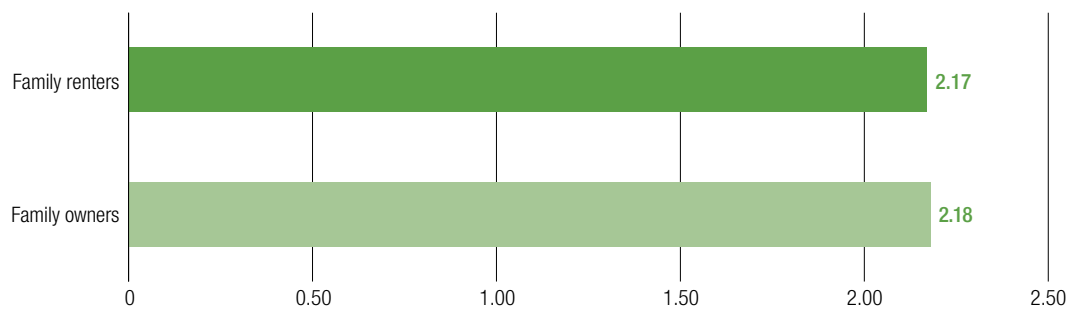
Sources: U.S. Census Bureau; 2017 American Community Survey 1-Year Estimates.



WILLIAM WRIGHT PHOTOGRAPHY

Families that rent tend to have as many children as families that own, in spite of their economic and demographic differences. In the United States, the average number of children in family renter households is virtually the same as the average number of children in family owner households (2.2 children). For this reason, families that rent tend to require just as much space as families that own, even though most new rental housing units are much smaller than similarly aged for-sale housing units.

Figure 5 Average Number of Children per U.S. Household, 2017



Sources: U.S. Census Bureau; 2017 American Community Survey 1-Year Estimates.



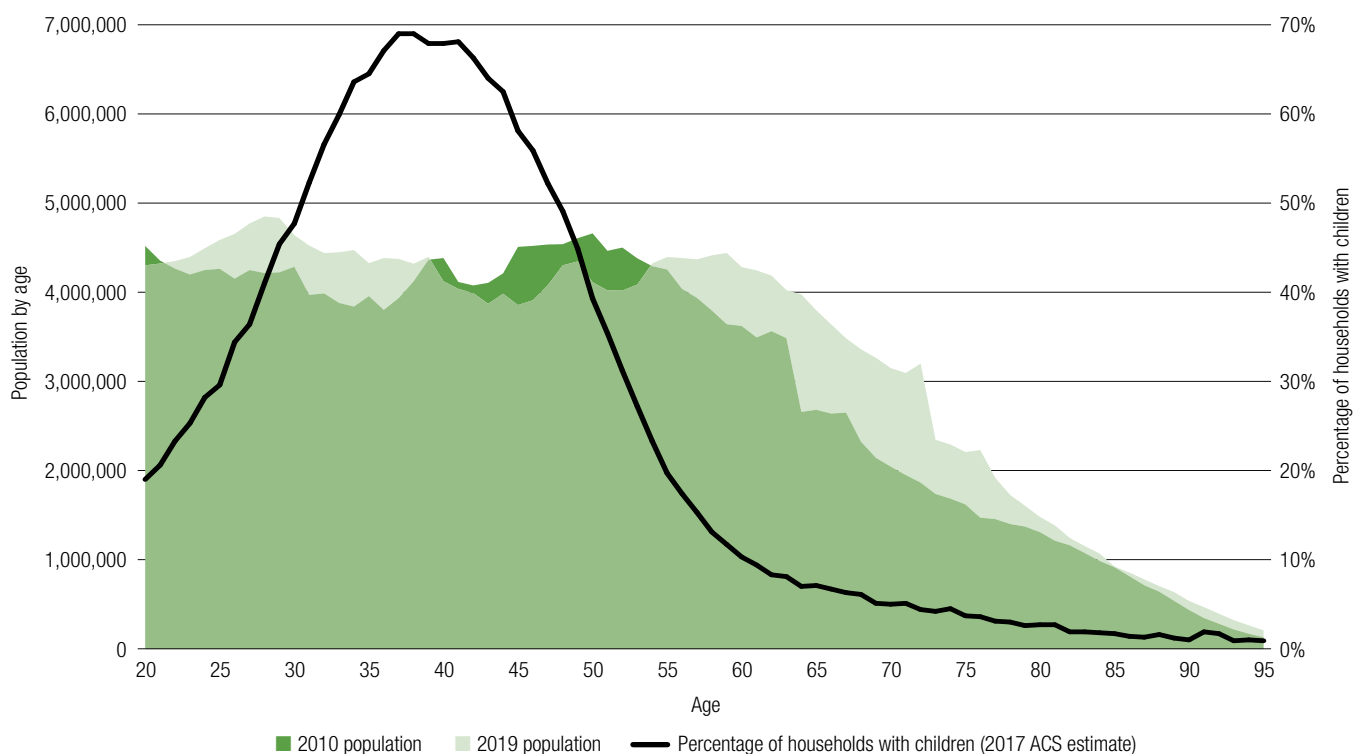
Future Outlook

Families are likely to play a key role in the rental housing market in the coming decade and beyond. Although the number of families living in the United States has remained relatively constant during the past decade, this demographic is poised to experience significant growth in the future as more and more millennials have children.

Young millennials and aging baby boomers have driven most recent population growth, which is part of the reason why new housing development has focused on singles and couples rather than on families.

In recent years, the number of families in the United States has remained relatively constant, as millennials have entered into parenthood at roughly the same pace that baby boomers have transitioned out of it. As a result, net new growth in family-aged households has remained low. The U.S. Census Bureau estimates that between 2010 and 2019, people ages 30 to 50 accounted for just 2 percent of all population growth, despite representing more than 26 percent of the country as a whole. People in this age range are generally more likely to have children, highlighting that non-family households have driven the bulk of household growth—and therefore housing demand—during this economic cycle.

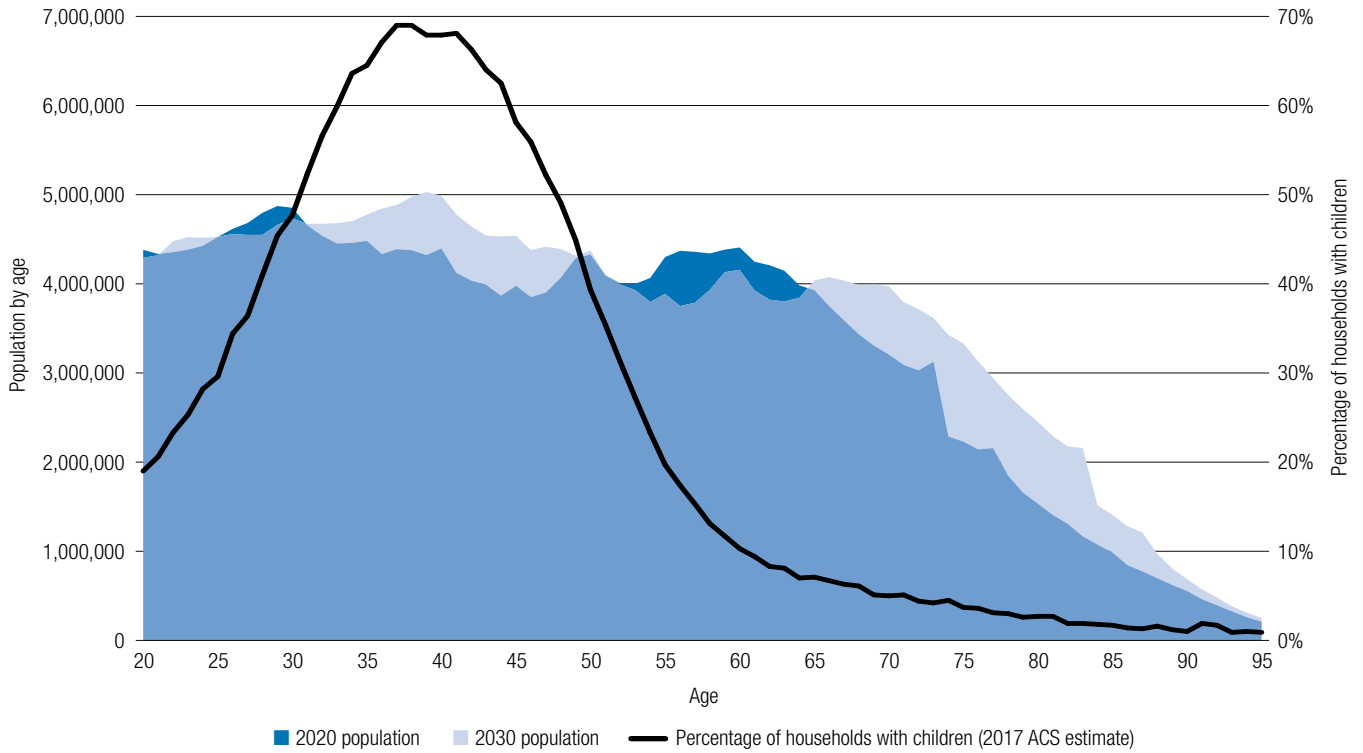
Figure 6 U.S. Population by Age, 2010 and 2019



Sources: U.S. Census Bureau; 2017 National Population Projections Tables; 2017 American Community Survey 1-Year Estimates.

However, the millennial generation is reaching a demographic tipping point, and many of its members are poised to have children in the years to come—regardless of whether the housing market is ready for them. The U.S. Census Bureau expects the number of people between the ages of 30 and 50 to grow by 8 percent between 2020 and 2030, compared with less than 1 percent growth in this demographic between 2010 and 2019. As a result, families are likely to play an even more substantial role in the national housing market than they have in years past.

Figure 7 Projected U.S. Population by Age, 2020 and 2030

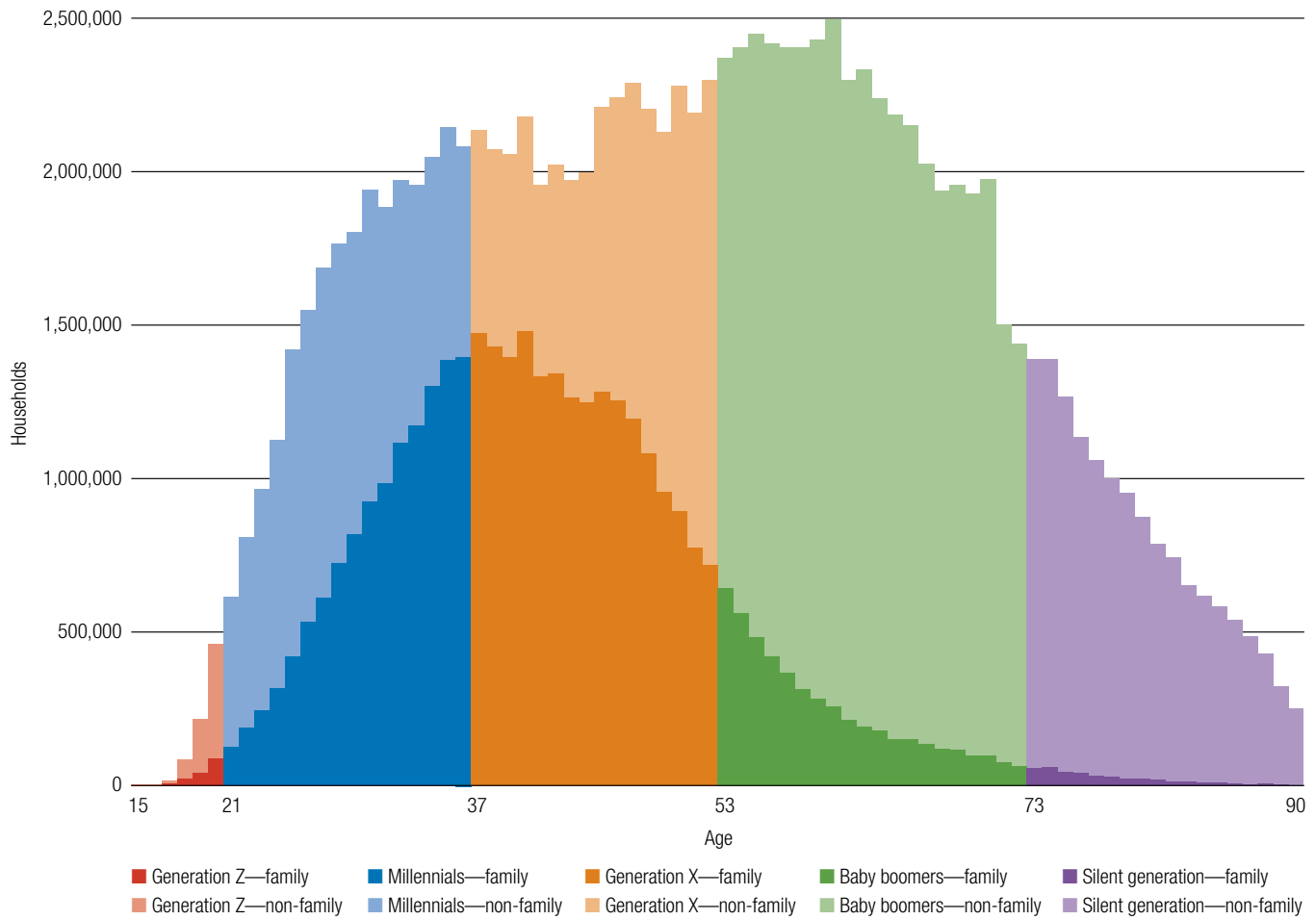


Sources: U.S. Census Bureau; 2017 National Population Projections Tables; 2017 American Community Survey 1-Year Estimates.



In fact, a large number of millennial households already have children, and this figure is likely to continue to grow as the generation ages. Today, 47.6 percent of millennial households have children, even though their generation is only just beginning to reach “peak” family age. In comparison, 55.9 percent of generation X households have children at this time, highlighting the room for growth among millennial households. As more and more millennials have children, the lack of family-oriented rental housing is likely to become a growing constraint in the national housing market and a growing opportunity for the real estate community.

Figure 8 U.S. Family and Non-Family Households by Age and Generation, 2017

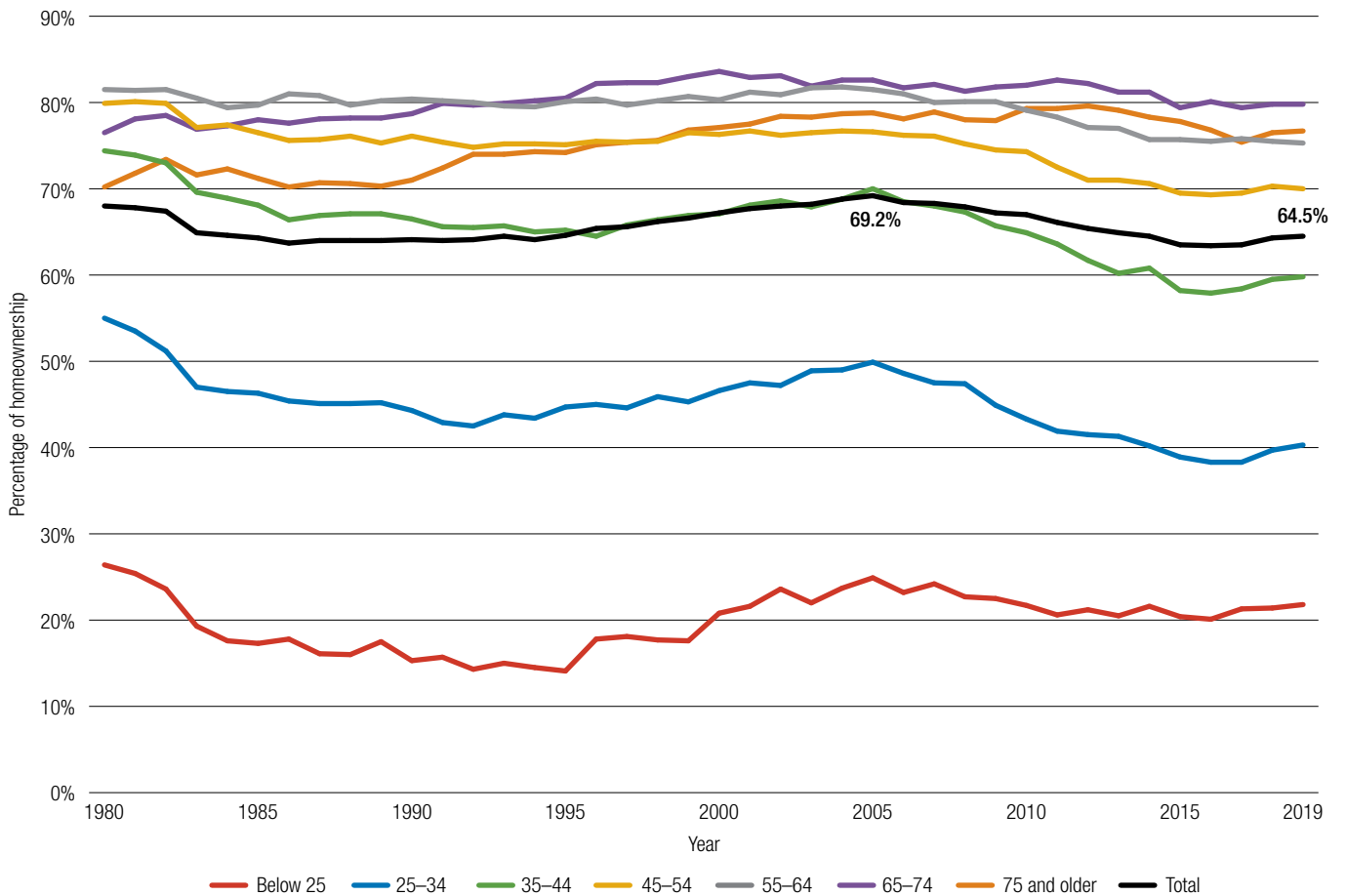


Sources: U.S. Census Bureau; 2017 American Community Survey 1-Year Estimates.

Similar to demographic trends, housing preferences are shifting in a way that is supportive of family-oriented rental development. Together, declining homeowner rates and rising housing costs are spurring a need for new and interesting forms of rental housing, targeted toward a broader range of households.

Long-term homeownership trends indicate that the share of Americans who are purchasing their own homes is flattening, if not decreasing, in every age cohort. At 64.5 percent, the current homeownership rate has experienced a slight uptick in very recent years, as younger households have demonstrated a greater propensity to purchase homes. While there may continue to be marginal increases in ownership propensity, it is more likely that these latest changes reflect a stabilization of behavioral patterns and economic realities. Looking specifically at family-aged households, the share of households between the ages of 25 and 44 that own homes remains much lower than it was before the Great Recession. Today, 40.3 percent of households between the ages of 25 and 34 own their own homes, compared with 49.9 percent in 2005. Likewise, 59.8 percent of households between the ages of 35 and 44 own their own homes, compared with 70 percent in 2005. These trends away from homeownership highlight the importance of and opportunity for a growing assortment of rental housing.

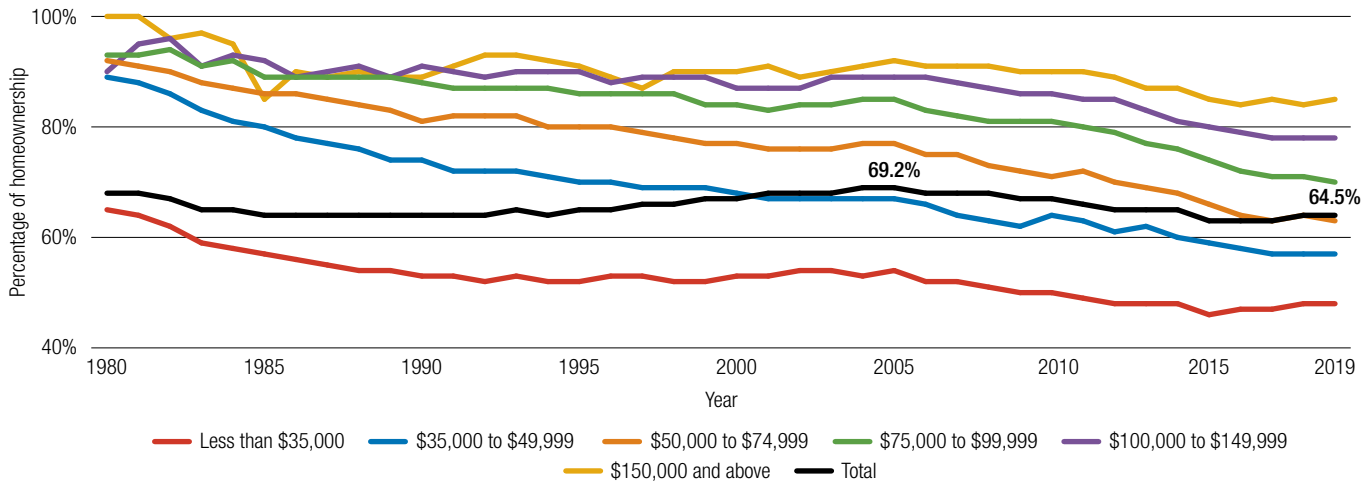
Figure 9 U.S. Homeownership Rates by Age, 1980–2019



Source: Steven Ruggles, Sarah Flood, Ronald Goeken, Josiah Grover, Erin Meyer, Jose Pacas and Matthew Sobek. IPUMS USA: Version 10.0 [dataset]. Minneapolis, MN: IPUMS, 2020. <https://doi.org/10.18128/D010.V10.0>.

Far from being isolated to the lowest income brackets, declining homeownership rates are pervasive across all economic segments. Interestingly enough, the sharpest declines are occurring among middle-income households. During the past 15 years, the share of these households that own homes has fallen sharply, even as the share of lower- and upper-income households has remained the same or decreased slightly.

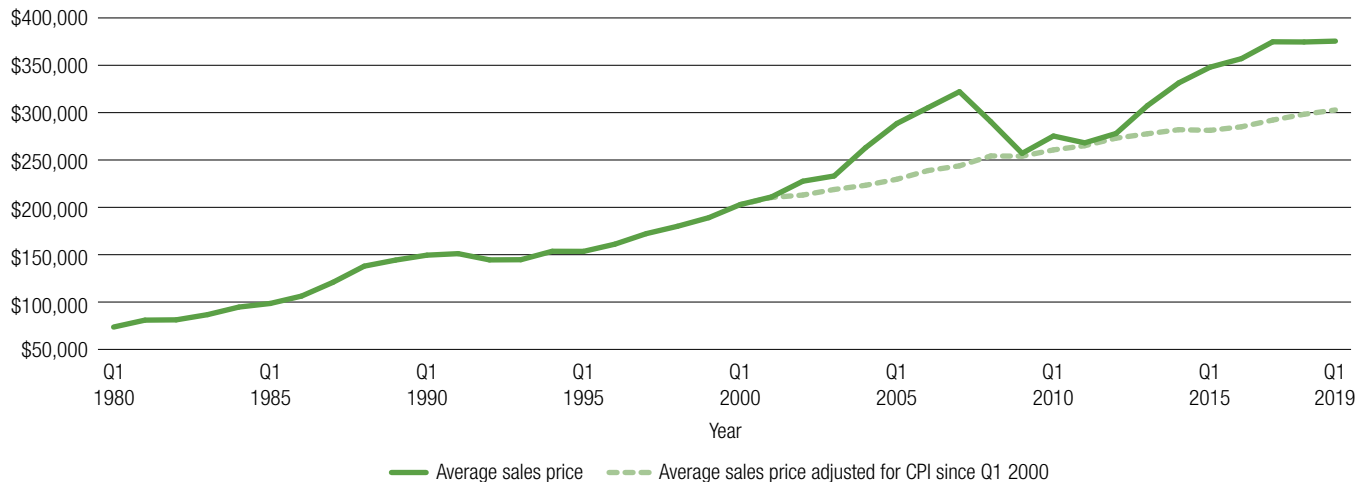
Figure 10 U.S. Homeownership Rates by Income, 1980–2019



Source: Steven Ruggles, Sarah Flood, Ronald Goeken, Josiah Grover, Erin Meyer, Jose Pacas and Matthew Sobek. IPUMS USA: Version 10.0 [dataset]. Minneapolis, MN: IPUMS, 2020. <https://doi.org/10.18128/D010.V10.0>.

Much of the difference between historical and present homeownership rates is likely attributable to the rising cost of housing in the United States. During this economic cycle, pricing has escalated much more rapidly than wages. While this paradigm also occurred immediately prior to the Great Recession, several other trends are causing it to have an outsized effect on homeownership rates, including—but not limited to—lower savings rates, higher debt burdens, and more stringent lending environments. Together with rising housing costs, these patterns are creating an environment in which fewer Americans are financially able to purchase homes.

Figure 11 U.S. Average Home Sales Price, 1980–2019

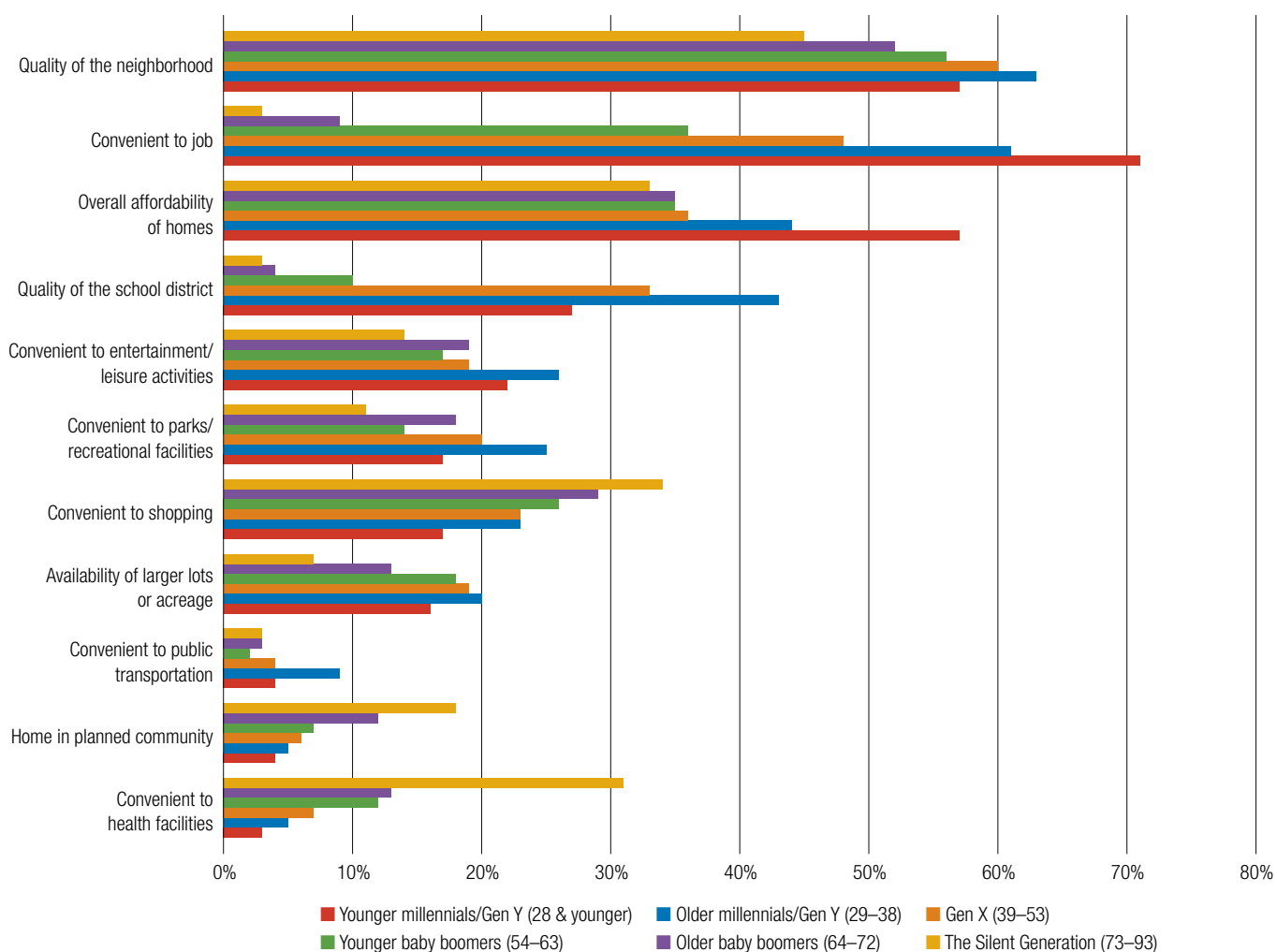


Sources: Federal Reserve Bank of St. Louis; RCLCO.

Note: CPI = consumer price index, which measures the change in the price for a market basket of consumer goods and services.

In addition, there is evidence to suggest that millennials are being more selective and deliberative with their housing decisions, potentially prolonging the time that it takes them to purchase homes. According to the National Association of Realtors, millennials accounted for the greatest share of homebuyers in 2018, at 37 percent. However, the preferences of these buyers also suggest that they often consider a greater number and variety of factors than members of other generations, possibly leading them to take more time to purchase homes. Relative to members of other generations, millennials tend to place a higher value on a number of neighborhood characteristics, including proximity to employment, convenience to entertainment, proximity to parks and recreation, availability of larger lot acreage, and access to public transit—all factors that tend to increase construction and land costs and, ultimately, housing affordability. Coupled with barriers to homeownership, these varied preferences and their related costs highlight some of the reasons why many millennials continue to rent.

Figure 12 Factors Influencing Neighborhood Choice in the United States, 2019



Source: National Association of Realtors.

Note: Not all factors shown in figure.



Development Processes

The development community is beginning to react to this opportunity in a number of ways. From suburban townhouses to urban apartments, family-friendly rental options are emerging across the United States. Although rarely explicitly targeted toward families, these communities offer floor plans, amenities, and locations that are especially attractive to households with children. More important, these family-friendly rental options are delivering in relatively small quantities, despite their increasing demand.

Potential development responses include, but are not limited to, the following:

- **Suburban rental apartments** appeal to families that require more space—or more bedrooms—than what is typically available in more urban settings. In many cases, these communities attract parents who are looking for access to a certain neighborhood or school district, but who are still saving or waiting to purchase homes. Often located in master-planned communities and other residential settings, these apartments also provide transitional living opportunities for families that are building or searching for homes nearby.
- **Suburban single-family rentals**, much like their for-sale counterparts, often attract families that require more space than what is available at traditional rental apartment communities. Typically located in suburban or exurban settings with outdoor amenities and high-performing schools, single-family rentals are appealing options for families that cannot yet afford to own homes in these communities, or that desire the flexibility of rental living.
- **Rental townhouses** serve as an appealing alternative to homeownership for young families who are not ready to leave the mixed-use neighborhoods in which they live, but who are starting to require additional space as they have children. This product is also common in the suburbs, where it can serve as a permanent solution for households that are priced out of homeownership, or it can provide a transitional living option for families that are looking to purchase their own homes nearby.
- **Detached and attached apartments** offer a plethora of suburban amenities, while still providing the flexibility and convenience of denser rental apartments. As distinguished from single-family rentals, detached and attached apartments tend to feature smaller units at higher densities, making them viable in infill suburban, or even urban, locations where land prices are higher. Even so, these homes offer features like attached garages and private yards, which appeal to families—including young families, in particular—that want to experience or transition into suburban lifestyles, but that do not want or cannot yet afford the larger homes in these neighborhoods.

- **Urban rental apartments for families**, although still uncommon, are beginning to emerge in some neighborhoods, as millennials seek to maintain urban lifestyles even after having children. These communities tend to appeal to families that value urban lifestyles but cannot afford to purchase large enough homes within their existing neighborhoods, or that simply prefer the convenience and flexibility of renting in highly amenitized, maintenance-free communities.
- **Mixed-income and affordable housing**, which can take any of the above forms and is rarely exclusively oriented toward families, often does serve those renters, nearly 58 percent of which have incomes below \$50,000. Today, this group is facing dwindling market-rate housing options, as new rental apartments grow smaller and smaller, and as existing ones grow more and more expensive. For this reason, new affordable housing development—much of which is produced under the Low-Income Housing Tax Credit (LIHTC) program—is a vital way to provide socioeconomically disadvantaged families with the spaces that they require at lower price points. Of concern is the possibility that, as the affordability restrictions expire, some owners of existing affordable housing communities will sell those properties and/or convert them to market-rate communities—sometimes redeveloping them and making them less family appropriate.



COURTESY OF CHRISTOPHER TODD COMMUNITIES

Suburban Rental Apartments

Suburban rental apartments appeal to families that require more space—or more bedrooms—than what is typically available in more urban settings. In many cases, these communities attract parents who are looking for access to a certain neighborhood or school district, but who are still saving or waiting to purchase homes. Often located in master-planned communities and other residential settings, these apartments also provide transitional living opportunities for families that are building or searching for homes nearby.

Avalon at the Pinehills

Plymouth, Massachusetts



CAMILLE MAREN PHOTOGRAPHY

Avalon at the Pinehills is a suburban rental apartment community that appeals to both parents and children. With a desirable South Shore location between downtown Boston and Cape Cod, the community is accessible for commuters, while still offering a number of outdoor and family-friendly amenities. Avalon at the Pinehills is close to parks, golf courses, beaches, and whale watching, as well as attractions such as Plymouth Rock and the Mayflower II. Moreover, the community is situated within The Pinehills, a master-planned community that, upon completion, will include up to 1.3 million square feet of mixed-use space and more than 3,000 homes—all while preserving 70 percent of its land as open space. With a majority of units offering two or more bedrooms, Avalon at the Pinehills is an attractive residential option for many families that are looking for the amenities of suburban living but prefer or need to rent.

Casa Mirella

Windermere, Florida



COURTESY OF HIGHMARK RESIDENTIAL

Casa Mirella is a rental apartment community in Windermere, a high-end suburb of Orlando. Located on an isthmus of several lakes, Windermere features a number of waterfront mansions and private golf courses, resulting in a median home value that is nearly \$200,000 higher than that of the broader metropolitan area. For this reason, rental apartment communities like Casa Mirella serve as price and product alternatives for families and other households in the area. More than 80 percent of units at Casa Mirella feature two or more bedrooms, and the average unit size of the community is nearly 1,400 square feet. Moreover, the units at Casa Mirella feature oversized balconies and patios, much like the nearby single-family homes. Other family-friendly features of this community include a playground and a beach-style pool.

Suburban Single-Family Rentals

Suburban single-family rentals, much like their for-sale counterparts, often attract families that require more space than what is available at traditional rental apartment communities. Typically located in suburban or exurban settings with outdoor amenities and high-performing schools, single-family rentals are appealing options for families that cannot yet afford to own homes in these communities, or that desire the flexibility of rental living.

American Homes 4 Rent at Addison

Austin, Texas



American Homes 4 Rent at Addison is an enclave of 130 detached single-family rental homes in Addison, a master-planned community just 10 miles southeast of downtown Austin. American Homes 4 Rent at Addison is a joint project by American Homes 4 Rent and a national homebuilder. The single-family rental homes are located in Addison South, a section of the community that sits on the opposite side of a creek from the remainder of homes at the project. Although no other homes were available in Addison South when the single-family rental homes first opened, the developer started selling homes last year and recently opened an amenity center that serves both homeowners and renters in this part of the community. The rental homes are similar in size to many of the for-sale options in Addison South, ranging from 1,420 square feet to more than 2,500 square feet.

The Village at Brighton Place

Chandler, Arizona



The Village at Brighton Place offers a desirable location in Chandler, a prominent suburb of Phoenix. Home to 53 detached cottages, the Village at Brighton Place combines the feel of a traditional residential neighborhood with the convenience of fully maintained rental housing. Although the community attracts a wide variety of renters, families likely value the size of its homes, which offer three bedrooms and average nearly 1,300 square feet. In addition to these larger unit sizes, homes at the community feature traditionally “suburban” features such as private yards and attached garages. Rounding out the appeal of the community is its proximity to local schools, as well as a family-friendly amenity package that includes such features as a playground, a picnic area, and a pet play area.

Rental Townhouses

Rental townhouses serve as an appealing alternative to homeownership for young families who are not ready to leave the mixed-use neighborhoods in which they live, but who are starting to require additional space as they have children. This product is also common in the suburbs, where it can serve as a permanent solution for households that are priced out of homeownership, or provide a transitional living option for families that are looking to purchase their own homes nearby.

Camden Highland Village Townhouses

Houston, Texas



COURTESY OF CAMDEN

Camden Highland Village offers 38 luxury townhouses, located about five miles outside of downtown Houston between the trendy neighborhoods of Uptown and Greenway/Upper Kirby. The townhouses at the community include high-end features, including custom kitchens, modern finishes, private yards, and attached two-car garages. With unit sizes in excess of 2,000 square feet and rents of more than \$4,000 per month, these townhouses are attractive options for high-income family renters that require more space than what most traditional multifamily apartment buildings offer. Furthermore, the urban setting of Camden Highland Village allows these residents to maintain their urban lifestyles, while still enjoying larger homes. An added benefit of the community includes its access to the amenity offerings of adjacent apartment buildings, which offer resort-style pools, fitness centers, and sky lounges.

Olympus at the District

South Jordan, Utah



COURTESY OF OLYMPUS PROPERTY

Olympus at the District is located in the rapidly growing suburb of South Jordan, about 15 miles southwest of downtown Salt Lake City. Recently, the area between southern Salt Lake County and northern Utah County has emerged as an epicenter of new technology employment, attracting an influx of professionals to surrounding residential communities like South Jordan. Many of these professionals have children, and—as of the 2010 census—nearly half of the households in South Jordan had children under the age of 18 living with them. Located across from one of the top 10 fastest-selling master-planned communities in the country, Olympus at the District is an attractive option for many families that are new to the area. Units feature attached parking and ample storage, and other family-oriented amenities at the community include an expansive clubhouse with two pools, two playgrounds, and a kid's clubhouse.

Detached and Attached Apartments

Detached and attached apartments offer a plethora of suburban amenities, while still providing the flexibility and convenience of denser rental apartments. As distinguished from single-family rentals, detached and attached apartments tend to feature smaller units at higher densities, making them viable in infill suburban, or even urban, locations where land prices are higher. Even so, these homes offer features like attached garages and private yards, which appeal to families—including young families, in particular—that want to experience or transition into suburban lifestyles, but that do not want or cannot yet afford the larger homes in these neighborhoods.

Avilla Buffalo Run Commerce City, Colorado



COURTESY OF NEXMETRO COMMUNITIES

Avilla Buffalo Run fuses traditional apartment living with the comforts of single-family development. Located in the rapidly growing Denver suburb of Commerce City, the community consists of 123 single-family homes, about 70 percent of which feature two or more bedrooms. Similar to other single-family rental communities, Avilla Buffalo Run offers several features that are characteristic of traditional suburban development, including private fenced yards and outdoor playgrounds. Even so, the unit sizes of homes at the community are efficient, helping to ensure that rents are attainable for a range of income segments. With monthly rents that currently start at \$1,900 for two-bedroom units and \$2,100 for three-bedroom units, Avilla Buffalo Run is an attractive option for young families and couples who are looking to transition to suburban living, but who are still saving up to purchase homes.

Christopher Todd Communities on the Greenway Surprise, Arizona



COURTESY OF CHRISTOPHER TODD COMMUNITIES

Christopher Todd Communities on the Greenway is a single-family rental community in Surprise, about 20 miles northwest of Phoenix. More than half of the homes at the community feature two bedrooms, with an average unit size of roughly 1,000 square feet and rents that start under \$1,600 per month. Although features like fenced yards and patios bolster the privacy of the individual homes, the project as a whole fosters a strong sense of community, reinforced by its resident clubhouse and central lawn where regular events are held. An added benefit that likely enhances the neighborhood character is that the property is less than a mile from an expansive public park and baseball stadium, which hosts spring training for the Texas Rangers and Kansas City Royals.

Sunrise on the Monon Carmel, Indiana



COURTESY OF OLD TOWN COMPANIES

Sunrise on the Monon offers townhouse-style apartments in the suburb of Carmel, about 10 miles north of Indianapolis. Home to a vibrant arts district and high-performing public schools, Carmel has a median household income that is close to double that of the metropolitan area as a whole, and many families can find themselves “priced out” of the local housing market. For this reason, Sunrise on the Monon serves as an appealing alternative to homeownership for many households as they save up to purchase homes in the area. Families are likely attracted to the two- and three-bedroom units—which comprise nearly half of the inventory at the community—that average about 1,350 square feet. On top of access to high-performing public schools, families at Sunrise on the Monon have access to amenities such as a community pool, complimentary bikes, and a direct entry point to the popular Monon Trail, which runs north to downtown Carmel and south to downtown Indianapolis.

Urban Rental Apartments for Families

Urban rental apartments for families, while still uncommon, are beginning to emerge in some neighborhoods, as millennials seek to maintain urban lifestyles even after having children. These communities tend to appeal to families that value urban lifestyles but cannot afford to purchase large enough homes within their existing neighborhoods, or that simply prefer the convenience and flexibility of renting in highly amenitized, maintenance-free communities.

Landmark South Doral, Florida



COURTESY OF THE OWNER

Landmark South blends elevated apartment living with a family-friendly program. Located 10 miles northwest of downtown Miami in the tree-lined suburb of Doral, Landmark South is an eight-story rental apartment community with high-end finishes and resort-style amenities. At the same time, the community is proximate to high-performing public schools, and it offers more than 200 two- and three-bedroom units that average nearly 1,200 square feet in size. As such, Landmark South allows families to reap the benefits of living in Doral without sacrificing the flexibility of renting in a low-maintenance and well-amenitized apartment building.

Waterline Square Rentals New York, New York



NOE & ASSOCIATES AND THE BOUNDARY

Waterline Square is a family-friendly, high-rise rental apartment community on the Upper West Side of Manhattan. Contrary to popular belief, the Upper West Side is home to a large number of families, many of which choose to rent. In fact, communities like Waterline Square are even attractive to ultra-wealthy families that could potentially afford to own, given the flexible and low-maintenance lifestyles that these communities afford. In addition to top-of-the-line features and finishes, Waterline Square offers an extraordinary and comprehensive amenity package that caters to family members of all ages. Standout fitness-oriented amenities include a tennis court, a basketball court, an indoor soccer field, a lap pool, and a rock-climbing wall. At the same time, the community also features a number of family-friendly amenities, including a children's pool, a bowling alley, a party room, a game lounge, and even an indoor half pipe. Two- to four-bedroom units at Waterline Square range in size from 1,150 to 2,235 square feet, and asking rents for these unit sizes typically fall between \$8,000 and \$19,000 per month. As a result, the community often caters to ultra-wealthy families, even if this renter segment is rare in most traditional markets.

The Veridian Silver Spring, Maryland



COURTESY OF EQUITY RESIDENTIAL

The Veridian is located in downtown Silver Spring, an urbanizing suburb near the northern edge of Washington, D.C. Although the Veridian did not initially target families in particular, it has become an attractive option for many of these households because of its relatively affordable location in Silver Spring—rather than the District proper—that still provides access to transit, retail, employment, and a walkable urban atmosphere of its own. Likely, families are attracted to the larger, two-bedroom units, which average 1,140 square feet. Family-oriented amenities at the community include a children's playroom and a resort-style pool.

Mixed-Income and Affordable Housing

Mixed-income and affordable housing, which can take any of the above forms and is rarely exclusively oriented toward families, often does serve those renters, nearly 58 percent of which have incomes below \$50,000. Today, this group is facing dwindling market-rate housing options, as new rental apartments grow smaller and smaller, and as existing ones grow more and more expensive. For this reason, new affordable rental housing development—much of which is produced under the LIHTC program—is a vital way to provide socioeconomically disadvantaged families with the spaces that they require at lower price points. Of concern is the possibility that, as the affordability restrictions expire, some owners of existing affordable housing communities will sell those properties and/or convert them to market-rate communities—sometimes redeveloping them and making them less family appropriate.

Residences at Government Center

Fairfax, Virginia



COURTESY OF SGC DEVELOPMENT

Residences at Government Center is a 270-unit apartment community near some of the largest retail destinations and government offices in Fairfax County. Located on previously vacant county-owned land, the community is open to low- to moderate-income households, helping to increase the number of workforce housing options for public and private employees in the area. Although not explicitly targeted toward families, Residences at Government Center offers a large number of two- and three-bedroom units, as well as child-friendly amenities such as a swimming pool and a playground. Notably, financing for the project used 9 percent and 4 percent low-income tax credits, and the National Council for Public Private Partnerships (NCPPT) recently awarded it with the Outstanding Project Innovation Award for its creative financing and its use of a public/private partnership.

Plaza Roberto Maestas

Seattle, Washington



WILLIAM WRIGHT PHOTOGRAPHY

Located two and a half miles south of downtown Seattle, **Plaza Roberto Maestas** features 112 rental apartments for low-income households earning less than 60 percent of area median income. These apartments are largely family oriented, with most featuring two or three bedrooms. Outside of the units, the project offers a number of other family-friendly features, including a central plaza with outdoor space, a seven-classroom expansion of the Jose Marti Child Development Center, and a 6,000-square-foot community center for public use. Through these features, Plaza Roberto Maestas aims to address the growing need for affordable housing, public space, and childhood development in the community, as rapid growth in Seattle continues to place strains on its residential neighborhoods. The project relied on a range of funding sources, including—but not limited to—9 percent low-income tax credits and Seattle housing levy funds.



Roadblocks to Market Evolution

Family-oriented rental housing is being delivered in relatively small quantities, even though the need for this product type is increasing. The mismatch between supply of and demand for family-oriented rental housing is partly attributable to barriers that stand in the way of its development. There are a number of reasons why this product is not yet widespread, ranging from developer resistance and unfamiliarity to regulatory obstacles and limitations.

Many developers are hesitant to deliver family-oriented rental housing, in spite of increasing demand for this product type. This resistance often stems from a lack of precedent and, thus, a limited understanding of market dynamics and likely business outcomes; given the historical lack of demand for family-oriented rental housing, much of the development community has been slow to react to this growing opportunity. More specifically, reasons for this slow reaction include the following:

- **Market story underplayed:** Today, most industry and media attention continues to focus on the urbanization of cities and the influx of millennials, both of which are real phenomena but do not paint the whole picture. For this reason, many developers continue to target young and single urbanites, the market for which is proven, even though there is evidence to suggest that growth in this segment is slowing. At the same time, the industry narrative tends to overlook families that rent, despite the size of this market segment and the likelihood of its future growth.
- **Success of other business lines:** The urbanization of cities has spurred significant opportunities for high-density and mixed-use development during this economic cycle, and developers have realized great economic benefits by responding to these opportunities. At the same time, homebuilders and master-planned community developers have continued to find success in the suburbs. As such, few developers have economic imperatives to disrupt their existing strategies given the success of “business as usual.”
- **Capital market guidance:** Similarly, the capital markets’ appetite for “conventional” multifamily product—often targeting younger and affluent renters—has been enormous, while the resistance to land development and low-density housing has been considerable. The growing sophistication and focus of multifamily developers, coupled with an increasing familiarity with the product type, has bolstered their ability to invest. Meanwhile, the uncertainties around family housing and the thin narrative around middle-class housing needs have presented challenges for organizations looking to expand into this space.
- **Lack of market data:** Like the classic “chicken or the egg” conundrum, the lack of existing family-oriented rental housing serves as an obstacle to its future development. Without examples of new and successful rental housing that targets families, many developers are hesitant to deliver this product type given the uncertainty surrounding its pricing and demand potential. Similarly, most available consumer research on millennial housing preferences still focuses on immediate needs rather than future housing preferences—a large gap in industry knowledge.

- **Perceived level of risk:** Many developers and investors associate family-oriented rental housing with a high level of risk, in part due to the lack of market data to suggest otherwise. Coupled with the success of other business lines, these perceptions often push the real estate community to focus on “known quantities” such as its existing development and investment strategies. Ironically enough, many of these strategies are facing increasing competition, potentially making them just as risky—if not even riskier—than family-oriented rental housing development.

Entitlement, zoning, and other regulatory conditions also limit the amount of family-oriented rental housing development, as well as the locations in which it is able to occur. This dynamic suggests that, even if developers decide to pursue this opportunity, they might encounter regulatory obstacles that prevent them from doing so.

- **Single-family zoning:** Multifamily development faces a number of regulatory obstacles, especially in high-end suburban communities where elected officials and local residents are often hesitant to welcome density. Today, single-family zoning is very common, even in communities that would otherwise be attractive for family-oriented rental housing development.
- **Fiscal policy that works to avoid schoolchildren:** Faced with crowded schools, many jurisdictions are unwilling to approve, and in some cases actively discourage, new housing that might attract additional schoolchildren. Rental family housing in which the tax contribution per child may well be lower than that of luxury for-sale housing proves even more problematic. For this reason, many jurisdictions currently limit or prohibit family-friendly forms of development, even as they approve seniors housing facilities, young professional-targeted apartments, and other product types that increase their tax bases without adding to their school systems.
- **Fear of traffic impacts:** Required practices—including traffic impact and adequate public facilities testing—also cut against the market’s ability to respond to family-oriented rental housing demand. Relative to multifamily product for younger and smaller households, family-oriented housing tends to yield higher trip generation rates, and the service requirements can indeed be more onerous as a result.
- **Impact fee burden:** Although impact fees are no more likely to detract from the economic feasibility of family-oriented rental housing than they are for any other product type, there may be an opportunity to tip the market in favor of more bedrooms by lessening the fees for—or even changing the payment schedules of—housing that serves working families.
- **Zoning and building codes trend toward luxury housing:** In some jurisdictions, the construction requirements and entitlement processes for suburban multifamily and/or low-density rental housing create unintended disincentives for developers who would otherwise be willing to experiment with this product type.

What the COVID-19 Public Health and Economic Crisis Might Mean for Family Renter Housing

This report was researched and prepared before the COVID-19 crisis, and though it largely describes long-term structural shifts in demographics and housing preferences, we suspect that the current crisis will have both near-term and lasting impacts on all housing types, including rental housing oriented to families.

Although it is too soon to speculate on the exact nature of those impacts, we expect certain likely modulations in customer behavior, some of which might be temporary and others of which might be permanent.

- **Household formation.** This report describes in some detail the impact of the millennial generation entering its family years, having children, and thus driving demand for new and different housing. Though some have observed that the Great Recession—2008 to 2010—resulted in delayed household formation and childbearing among young couples, that change was modest. While that phenomenon might continue, there does not seem to be reason to conclude that young couples will dramatically defer or decide against having children in the years to come.
- **Propensity for rentership.** This report also describes a gradual shift toward renting rather than owning as a dynamic that is affecting demand for housing. This evolution is driven by a combination of lifestyle preferences and economic realities for American families. Though we believe the current economic hardships facing many such families will be temporary, at least in the short term and potentially for a longer period, the preferences and economic realities for middle-class families might further encourage renting, even though many will continue to prefer and have the resources to own their homes.
- **Persistence and evolution of housing demand.** Before COVID-19, a shortage of housing in America was in particular affecting middle-class families. The current crisis may interrupt the expression of that demand, but previous recessions tell us that the demand is deferred, or becomes pent up, as the population continues to grow faster than the housing stock (which may now expand at a slower rate) that supports it. There might be changes on the margin, such as the continued rise in multigenerational households, but the fundamental need for housing in America will not be significantly reduced in the decade to come.
- **Importance of home.** This crisis has made families around the globe take to their apartments and houses as a place of refuge, and many sociologists describe a growing sense of importance in feeling rooted and comfortable in our homes. This report describes an opportunity to build housing that better meets the needs of family renters and demonstrates how this development can be accomplished at a variety of densities, geographic contexts, and price points. This crisis might reinforce the instincts of families to flock to housing that better meets their needs.

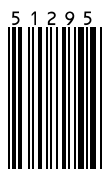


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