



In a hot real estate market, homes built for renters are starting to trend.

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By [Mitchell Parton](#) and [Parimal M. Rohit](#) – San Antonio Business Journal

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Belinda and Jaime Salazar, along with their four children, lived in a single-family home for more than a decade before deciding to move from the Rio Grande Valley to San Antonio.

Still, after selling their home in Mission, they weren't ready to make the commitment of buying a house in their new city quite yet. So naturally, they researched rentals.

That's when Belinda discovered Pradera, a development of 250 single-family homes on the Far West Side built exclusively to rent by San Antonio-based AHV Communities, a place where the family could keep their privacy, yard and space during their transition to the Alamo City.

"When we came and did the tour, we felt it was very welcoming. It just felt like home," Belinda said. "It felt like nothing was going to change."



Belinda Salazar stands in front of the door to her family's home in an area they have grown to love.

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After living there for a year and eight months, the family has grown to love the surrounding neighborhood, to the point where they recently bought a new-construction home.

The idea of communities like Pradera — of detached single-family homes built from the ground up for renters — has been picking up traction across Texas, boosted further by the changing desires of renters during the Covid-19 pandemic as well as the extraordinarily tight housing markets in the state's major metro areas.

Although these properties are designed similarly to typical for-sale subdivisions, they often have the same types of features as a Class A apartment complex — leasing staff, maintenance staff and amenities such as swimming pools, dog parks and fitness centers.



Pradera Luxury Rental Home's come with amenities like this clubhouse filled with modern furniture.

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Not only has the build-to-rent concept attracted the attention of several major traditional builders in Texas, but companies dedicated almost exclusively to these developments are bullish on the Lone Star State. Lenders and investors are also more receptive to the product type after seeing headlines all over the U.S. spotlighting its newfound popularity.

The consumer demand and long-term investment potential have proven build-to-rent to be a viable alternative to luxury apartments for developers.

“It’s really the biggest paradigm shift in real estate this generation has seen, and it’s very complimentary to our business. Our early projects have been a home run,” said [Darin Rowe](#), president of the build-to-rent division of Arizona-based builder Taylor Morrison. “Consumers can’t get enough and are welcoming the diversity in housing offerings that our concept brings, which is a blend of single-family homes in a multifamily setting with central amenities.”

A new kind of rental lifestyle

Phoenix-based NexMetro, founded in 2012, was one of the earliest players in the build-to-rent space. Coming out of the housing crash, the founders expected the offering to appeal to customers with bad credit and who would not be able to afford a home.

Instead, they found that many of their customers had excellent credit and the ability to afford a home, but they had various other reasons not to buy. During certain life transitions, such as after a divorce or when getting a new job, people may not want to make the large commitment of buying a home.



An interior view of a NexMetro home in Grand Prairie.

NEXMETRO

That reasoning remains true today, said [Jacque Petroulakis](#), executive vice president of marketing and investor relations for NexMetro, which builds communities under the Avilla Homes name.

“They are renters by choice, meaning that these are consumers who want to live in a home, they love the detached nature of a home, they want to have the backyard, they don't want to walk down a shared hallway or get in an elevator,” Petroulakis said. “They love that community experience, but they want to rent.”

While build-for-rent developments definitely attract young people who are unable or unwilling to buy, the maintenance-free aspect of these communities is also a big plus for empty nesters and retirees who may have a fixed monthly budget.

Founded in 2013, AHV Communities also found its roots in the “best of both worlds” idea during the product’s infancy.

“That thesis was always designed around the concept of giving the best of the apartment world and the best of the single-family rental world to an individual tenant,” said [Mark Wolf](#), founder and CEO of AHV Communities, which [moved its headquarters to San Antonio last year](#).



Mark Wolf of AHV Communities shows off one of Pradera's amenities — a crystal clear, blue community pool.

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While the momentum was there before 2020, build-for-rent developers have seen tremendous growth since the onset of the Covid-19 pandemic. With the growth of remote work, renters may also want more space, such as for home offices. Also, suburban markets — where single-family rental developments are most common due to land pricing and economics — have become more desirable as many remote workers find themselves driving to city centers less often.

“People want more space. People don't want to be cooped up in apartments. They want to be able to work from home,” Wolf said. “All those different nuances really catapulted and accelerated the research out there and the interest in this kind of burgeoning space.”

A brutal housing market demands options

Build it and they will come? More like they are coming, and it can't be built fast enough.

Homebuilders are hard-pressed to keep up with demand for new houses, resulting in skyrocketing prices across the state. Median home prices in Austin, for example, hit \$435,000 in March, an all-time high according to the Austin Board of Realtors.

Those seeking to buy a home in Austin are at a fork in the road — they want to buy a single-family home but can't afford to do so. [Matthew Turnage](#), a real estate agent with Realty Austin, said someone seeking to buy a home in Austin needs at least \$40,000 to \$50,000 in the bank when an offer is made and accepted.

“What a lot of people are doing is, maybe they do have a little bit of money in the bank, maybe not that much, so they jump into the market and they find a Realtor and they try to put in a couple offers,” Turnage said. “A lot of these people are not winning after three offers, four offers, sometimes even 10 or more.”

“A lot of people are saying they are at the end of their rope. They can’t work this out. It’s just not the right time,” Turnage continued. “So, this whole group over here that can’t afford to buy right now, they’re just having to rent.”

As demand for houses went into overdrive in recent months, the housing market in Austin became more and more unaffordable – creating a need for single-family rentals. Even sale prices in San Antonio, traditionally known as a less expensive market, have soared to record highs.

“There is an aspect of the demand that is being fueled by buyers unable to secure single-family homes to purchase,” said [Matt Menard](#), a real estate agent with Austin Real Estate Experts. “We have shrinking inventory [on sales and leasing]. We’re not going to close the gap anytime soon.”

Deals on the rise

That hunger for rentals has led to an unprecedented development boom across the Lone Star State.

Wolf said that when AHV was getting its start, the mood surrounding build-to-rent was vastly different. At that time, AHV was reaching out to major builders to construct its homes — as opposed to building them on its own as it does now — but with little success.

“Nobody wanted to build for us for a reasonable price,” Wolf said. “Everyone looked at us like we were crazy, and you know, maybe we were back then. But here we are now, eight years later, and this is the hottest sector in real estate today, bar none.”

Especially over the past year, national builders have taken notice of the rise in popularity of build-to-rent and realized how the segment could diversify their portfolios and provide a long-term investment opportunity. Several of Texas’ largest homebuilders are making big deals in the space, assisted by the larger awareness of the product in the financial community.



The Pradera kitchens are spacious enough for families and friends.

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“Capital finally understands, and now capital’s rushing into the business,” Wolf said. “The money now understands it, the money is now accepting of it, and so, now everybody wants to be in it.”

Arlington’s D.R. Horton Inc., the largest U.S. homebuilder by volume, has significantly expanded its single-family rental platform — which includes \$182.6 million in assets — from 13 communities as of the end of 2020 to 27 communities as of March 31, said [Michael Murray](#), executive vice president and chief operating officer, in an April earnings call.

Near the end of last year, D.R. Horton (NYSE: DHI) completed its first sale of a single-family rental community — the 124-unit Amber Pines at Fosters Ridge in Conroe, north of Houston. The community sold in a \$31.8 million all-cash transaction to Fundrise, an online investment platform based in Washington, D.C., which said it expects to hold on to the community over the next several years, possibly a decade. The property was 98% leased as of December.

“As with our other equity investments into stabilized properties, our goal is to earn consistent cash flow from rental income over the course of the investment, with the potential for long-term upside by selling the property for more than we invested into it,” according to a statement from Fundrise.

Murray said the company is still learning the business and will evaluate ways to scale it out and capitalize on it.

“We think there is some portion of the population that will be a great customer for this product that desires a single-family lifestyle, but who may not for whatever reason be purchasing a home, and so, we want to build up to be in a position to help supply this,” Murray said.

Wan Bridge, based in Houston, got its start buying existing homes, renovating them and renting them out. In 2015, the company began developing and managing its own communities, and it has now completed several in the Dallas-Fort Worth and Houston areas. It has some deals in the works in San Antonio and Austin, said CEO [Ting Qiao](#).

ICB Construction LLC, a new subsidiary of Houston-based homebuilding giant David Weekley Homes, [announced in January](#) a partnership with Arlington firm ECM Development to develop and build such neighborhoods in Dallas-Fort Worth.

Dallas Tanner, CEO of Invitation Homes (NYSE: INVH), the country’s largest single-family rental housing owner, [told the Dallas Business Journal last fall](#) that the company would want to see its total footprint nearly double over the next three to five years.

And those are just a few examples. Not naming names, Wolf said not everyone in the space has the experience of AHV, which has already completed and stabilized half a dozen single-family rental properties.

“Our job, in some respects, is harder because we have more competition, but we have competition with people who don’t understand the business. We have people who are just reading the headlines and wanting to participate in the story,” Wolf said. “Few people have actually built these communities from start to finish. We have stabilized and sold them.”

Getting the idea across

Developers must factor in zoning and planning into the development of single-family rental communities, which are typically zoned as multifamily — despite their appearance.

Taylor Morrison — which recently announced single-family rental communities in seven markets, including Austin — is doing its part to fill in any gaps and educate Austin city officials during the entitlement process.

“We can work with city staff to chart a course through either single-family or multifamily zoning with variances as needed or a more customized planned development route,” Rowe said. “Also, forward-thinking cities are creating new ordinances to specifically address this new segment of housing.”

[Jim Dobbie](#) — president of Avanta Residential, the single-family residential arm of El Paso-based The Hunt Co., which is building 216 rental homes in The Colony, a master-planned community in Bastrop — said city zoning codes often don’t contemplate build-for-rent projects.

“We’re repeatedly being required to educate the municipalities as to what we’re trying to accomplish,” Dobbie said.

These developments could bring multifamily products to neighborhoods that are opposed to high-density projects but are in need of housing.

“We do see challenges in many municipalities all throughout Texas, and also in other markets as well, but the concept and the product are becoming more understood,” Wolf said. “I think over the long term, you’re going to have a very stable presence in the rental sector for apartments and single-family. I think they’ll coexist very well together. They complement one another.”