



THOUGHTS ON BFR DEMAND

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Caption This Picture



Start with a Quick Case-Study

Zilber leased all 230 1- and 2-bedroom casita style homes in less than 24 weeks, at an absorption rate of over 9.5 unit per week (due to pre-leasing backlog), surpassing their lease-up rate projections.

Current rents at Estia:

1/1's (711 sf) are \$1,800+ (up 25% from April) = \$2.53/sf

2/2's (1,000 sf) are \$2,200+ (up 26%) = \$2.20/sf

On a per-square-foot basis, these rents can be as much as 20%-25% higher than many area apartments (including some that are inside Lakewood Ranch. (Rents were below these numbers when leasing first started, just under \$1,400 for the 1/1s).

Garages cost \$150 per month additional. Pets are \$15/month per dog.



Example in Atlanta: Leased 58 units in 90 days.

Rents range from \$1,950 to \$2,350 per month.

**Sweetwater Springs
BFR Townhomes**

Lawrenceville, GA





A BFR Comparable: Mills Creek

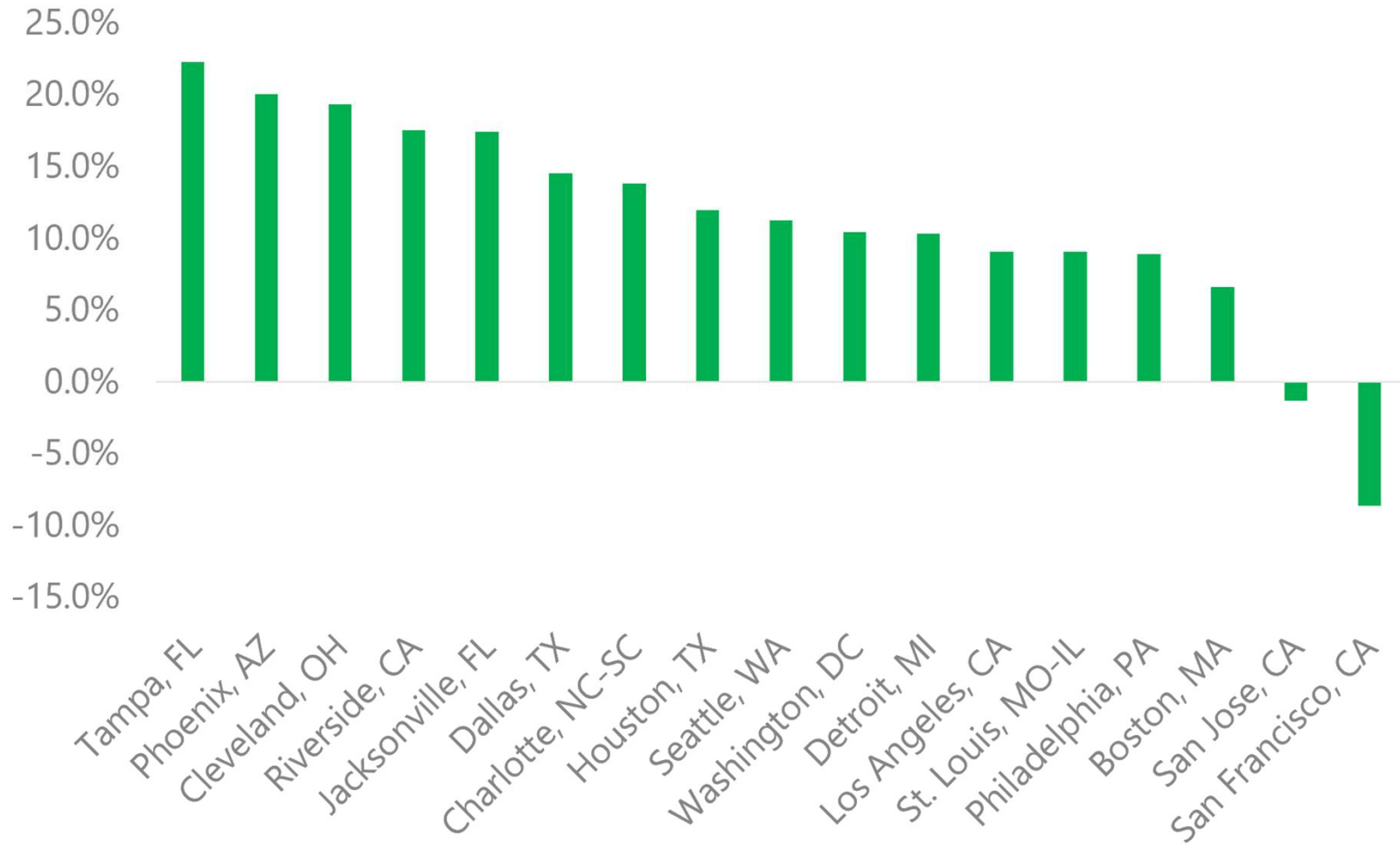
The only BFR developments in the Twin Cities metro area have been those of Watermark Equity Group. One of these is Mills Creek, in Maple Grove, which is northwest of Minneapolis. This development was built and leased successfully by Watermark. Community amenities there include:

- Clubhouse
- Pool
- Lounge Deck
- Outdoor Fireplace
- Business Center with High-Speed Wi-Fi
- Outdoor Grilling Station
- 24-Hour Fitness Center
- Putting Green and Game Lawn
- Community Garden
- On-Site Maintenance
- On-Site Management
- Attached 2-Car Garage on each home

Rents at initial leaseup ranged over \$3,000 per month, and from \$1.30-\$1.90/sf. Typical size around 1,800 sf.

Recent Rent Growth

Percent Change from Year Ago in Single-Family Rents



Source: Freddie Mac

Conclusions | Expected Renter Types (Pages Copied from One of Our Recent Market Studies)

Household types interested in the subject development may include starter families moving to the area, as well as singles/roommates or young childless millennial couples choosing to rent before buying to explore a neighborhood or construct a home, and those moving up from stacked apartments. Recent divorcees are also common renters at single-family attached communities, given the need for larger homes with additional storage space. The expectation is that the renter profile at the subject will be dominated by families with young children, but there will also be boomers / independent seniors / retirees choosing to rent at the Subject, who will appreciate the master-down plans that are to be offered.

Millennials are starting to "age out" of apartment living as they begin to have children, adopt pets, and to generally outgrow apartments. Many more of them will want a room for a dedicated home office as well. The high cost of home ownership (and the need for a down payment) is pushing many young family households to rent a home, but there is also a large and growing class of "renters by choice" who make \$75,000-\$100,000 per year or more and still choose to rent.

There are three (3) dominant LifeMode segments as categorized by the Ersi Tapestry analysis surrounding the Site:

1. The **Up-and-Coming** are ambitious and they are starting families. They prefer new homes to accommodate their growing families. Like the Boomburbs, they represent renters in transition. They earn less than the Boomburbs, and therefore, may stay longer to allow more time to afford to buy a new home.
2. The **Bright Young Professionals** are renters and, while they are primarily couples, there is a high concentration of single-parent households. Renters in this segment are 'renters by necessity', and like the Up-and-Coming segment, are likely to renew for economic reasons in this housing environment.
3. The **Silver and Gold** are older and affluent. They prefer to live in a more bucolic setting but want to be close to metropolitan cities. They are retiring comfortably to sunnier climates (e.g., Ft. Myers) and they enjoy amenities and the outdoors.



Up-and-Coming

Ave HH Size: 3.12
Median age: 31.4
Median HH Income: \$72,000



Bright Young Professionals

2.41
 33.0
 54,000



Silver & Gold

2.03
 63.2
 \$72,100

Renter Segmentation Analysis (Copied from One of Our Recent Market Studies)

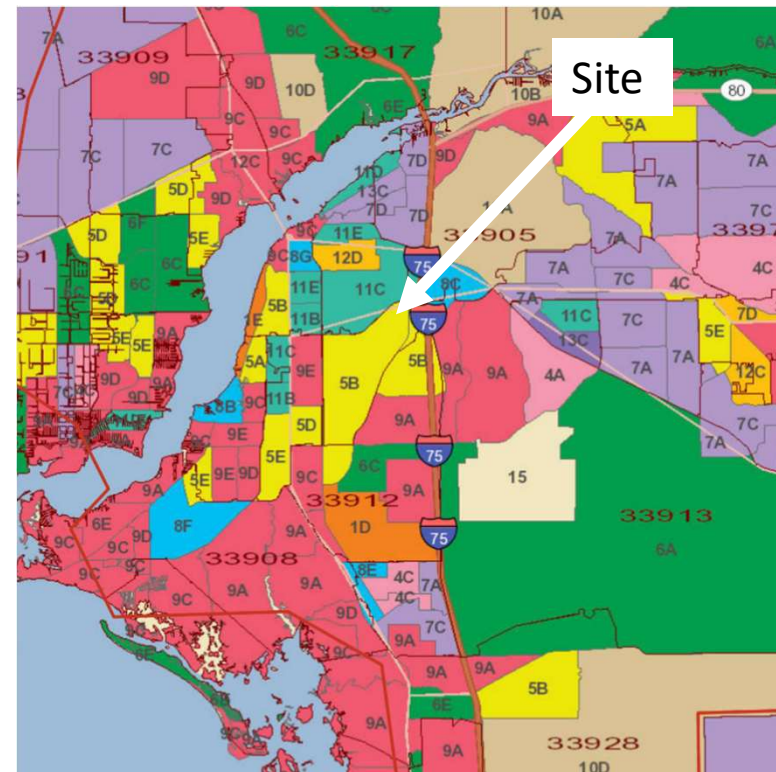
Study of the demographics and conversations with leasing agents at the competitive properties allow for a profile of the household type likely to lease at the Subject. The Tapestry lifemode map shows that the households currently living in the area around the subject site are in the group called Middle Ground, with the Sprouting Explorers also populous nearby (primarily the subgroup called "Up-and-Coming Families"), as they are professional families with young children, preferring a suburban setting. Young families will be the single most important target for the Subject. The retiree influence is noted too, in the red-shaded areas, labeled Senior Styles.

Looking at the map, the adjacent zone going east tends to include more single people, which would be a secondary audience for the Subject. The breadth of household types in the area and the broad offering of product at the Subject will allow rapid absorption.

Up and Coming Families, highly represented on the east side of I-75, are younger and more mobile than prior generations. They are ambitious, working hard to get ahead, and willing to take some risks to achieve their goals. They are optimistic, with incomes above the median. And this is one of the fastest-growing groups in the country.

Silver and Gold represents the retirees who will also be a solid group of prospective renters at the subject.

Some tenants at the subject will be professional millennials, move-up families, people who are in a "life transition" (i.e., divorce), working empty-nesters, retirees, and independent seniors. Some will be young people who are not yet ready to buy a home. In addition, there is significant demand from Boomer households who are downsizing from owned single family but who don't want apartment living. **Many of the residents will have dogs, so features such as pet doors and pet grass should be included. This will further differentiate the Subject from most other rental options in the area.**

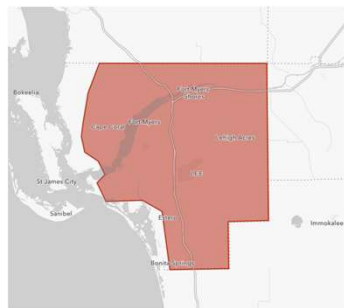


8C	Up and coming families
9A	Silver & Gold
11C	Metro Fusion

The PMA's growth rate exceeds the state and the nation. It is projected to outpace the state and the nation in the growth of the population, households, families, and owner households over the next five years. The PMA is expected to grow by over 1.9% in population annually which is at a rate 47% faster than the state. With this robust growth in population and households will come strong demand for housing, both for-sale and for-rent. It will also attract more entertainment, retail, and services, and promote job growth in the area.

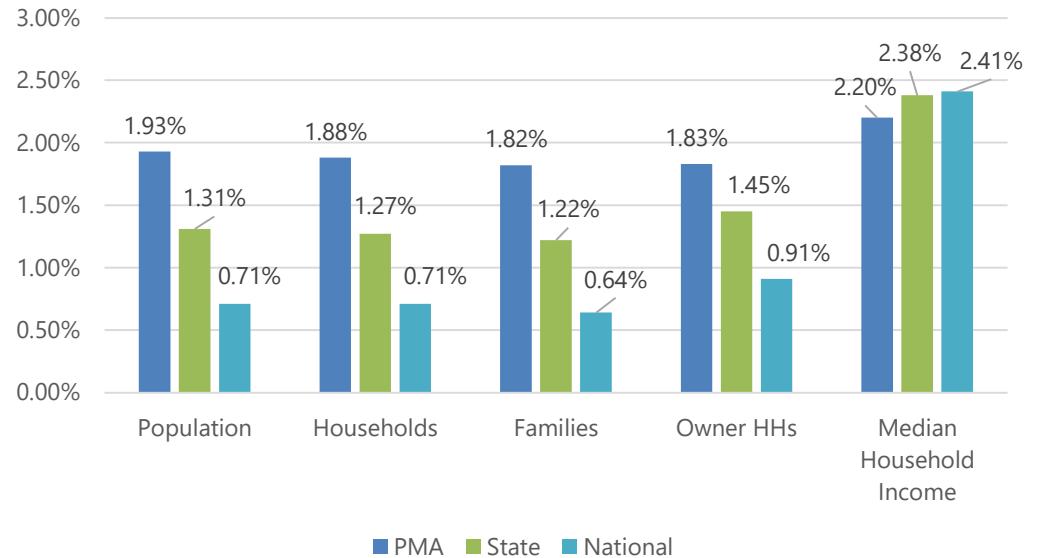
There are an estimated 748,814 people living within the PMA, an increase of 25% from the 2010 census. The projections from 2021 to 2026 call for an additional 68,154 residents, resulting in an average annual projected increase of 2%.

The forecast is for an additional 5,462 households per year in the PMA, 2,075 of whom will be renter households. This growth in the number of renters looking for a place to live will add to absorption at the subject site. An even more important source of demand and absorption will come from renters who are already in the market and who have not previously had the option to rent in a development like the one proposed for the Subject. Apartment dwellers who are looking to move up will represent an estimated 2/3 of the absorptions at the Subject.

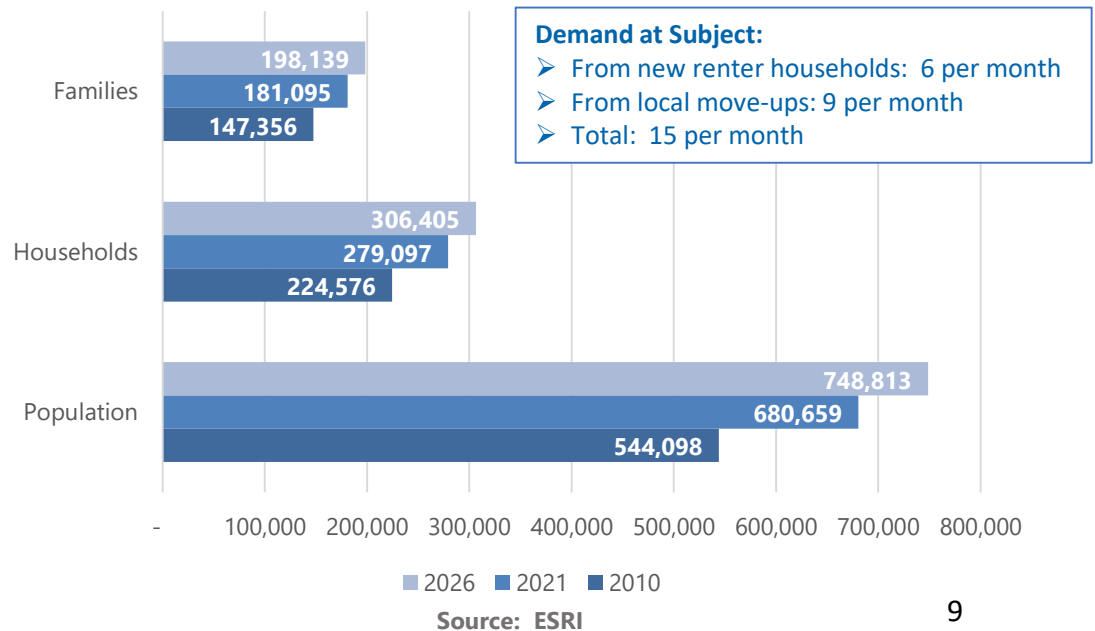


PMA

Growth Comparison: PMA, State and Nation



Population and Household Forecasts: PMA



There are 13,143 renter households living within the PMA who are currently paying \$1,500 to \$2,999 per month in rent who would be prime candidates for “moving up” to the subject, drawn by the desire to have a less dense living environment and a yard, plus usually more space for a home office and kids. People who are renting in the lower rent categories will not be prospects, but those in the higher rent categories will be, as highlighted below. We estimate that this move-up demand will represent the bulk of the absorptions at the Subject, particularly during the first three to six months of leasing.

Renters by Gross Monthly Rent

Number of Renters:	70,522	100.0%	
With monthly rent:	67,555	95.8%	
Less than \$100	12	0.0%	
\$100 to \$149	61	0.1%	
\$150 to \$199	214	0.3%	
\$200 to \$249	344	0.5%	
\$250 to \$299	300	0.4%	
\$300 to \$349	571	0.8%	
\$350 to \$399	305	0.4%	
\$400 to \$449	524	0.7%	
\$450 to \$499	662	0.9%	
\$500 to \$549	655	0.9%	
\$550 to \$599	783	1.1%	
\$600 to \$649	1,176	1.7%	
\$650 to \$699	1,460	2.1%	
\$700 to \$749	1,683	2.4%	
\$750 to \$799	2,350	3.3%	
\$800 to \$899	5,604	7.9%	
\$900 to \$999	7,220	10.2%	
\$1,000 to \$1,249	17,756	25.2%	
\$1,250 to \$1,499	12,028	17.1%	Secondary Group
\$1,500 to \$1,999	9,387	13.3%	Primary Group
\$2,000 to \$2,499	2,880	4.1%	
\$2,500 to \$2,999	876	1.2%	
\$3,000 to \$3,499	301	0.4%	
\$3,500 or more	402	0.6%	
No cash rent	2,967	4.2%	

Lee county unemployment has continued to rebound from the 2020 pandemic related spike. Estimated at 4.6% down from 4.8%. Job growth is driving demand, and demand is driving job growth. Three metro areas within Florida saw 30% increase in median home sales prices the past year, all three are in Southwest Florida. Collier County came in 3rd nationally, with a 42% surge. Lee County ranked 8th with 36% price increases. Naples is now one of 17 metro areas nationwide where a family needs to earn more than \$100,000 to pay a 10% down mortgage. The price crunch in Naples has pushed some companies north into the subject market, closer to their workforce.

Recent employment expansions and relocations include:

- **NeoGenomic global headquarters**, along the Alico road corridor, near I-75, is expected to be complete by Sep. 30th, 2021.
- **Best Home Services** is moving next door, into a 65,000 office. Best Home recently secures \$100million from private equity firm Alpine to expand,
- **The U.S. Coast Guard** will be moving from San Carlos Island to Estero Island for about two years. The current headquarters will be torn down and rebuilt.
- **Margaritaville** resort broke ground on a new 254-room resort on the north end of Fort Myers Beach. Scheduled to open 2023.
- **Alta Resources Corp**, a global customer service outsourcing company is building a 97,600-sf structure, expected completion 2/2022.
- **My Shower Door** establishing its North American headquarters and D3 Glass Manufacturing plant also off Alico Road.
- **EHC, Inc. Construction** is moving its headquarters from Naples to Ft Myers.
- **Amazon** announced plans to hire approximately 8,000 in SWFL.
- **Airport** – currently lists 200 openings among airport companies



NeoGenomic global headquarters



Margaritaville



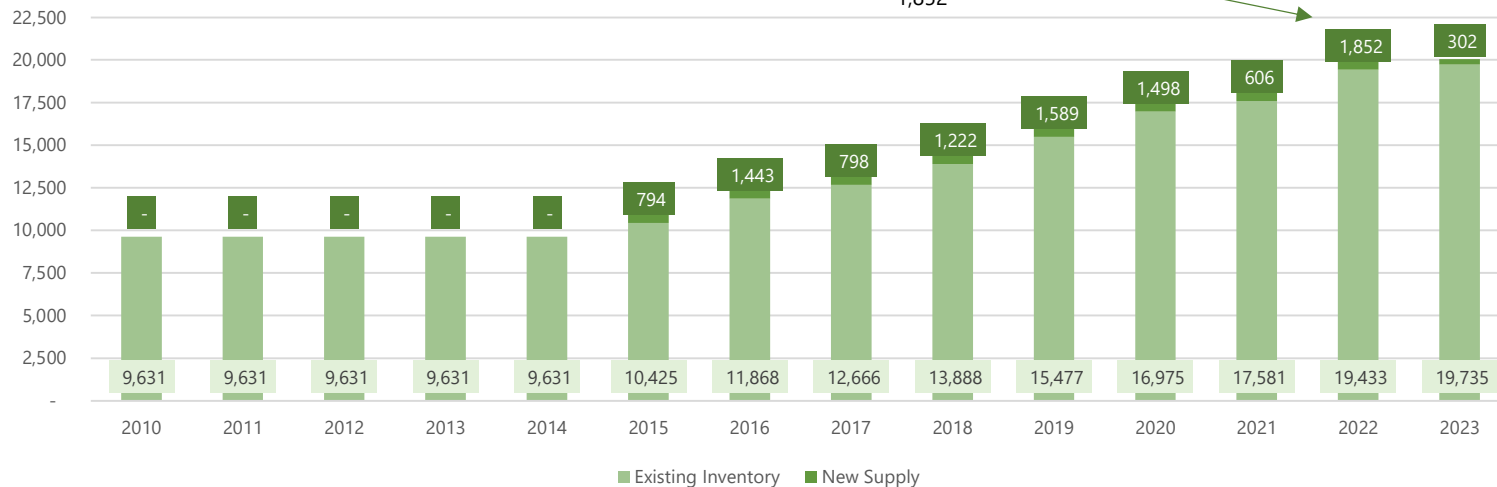
Multifamily Market Overview

Historical Supply Trends and Pipeline

The Ft. Myers multifamily market has grown rapidly starting in 2018 when an average of 1,229 units were delivered from 2018 to 2021. Despite this pace of development, the occupancy rate for the Ft. Myers submarket is estimated to be 90.4% as of August 2021, which is an improvement of 11 percentage points from the same time last year. The pandemic impacted absorption (and supply) in 2020 and early 2021, however, as can be seen by the market metrics, has fully recovered and is poised for more growth.

Although there is a large pipeline of multifamily, there is only one direct BFR competitor, and it shown in the pipeline detail section of this report. It consists of two sites located within The Grove, and is expected to have just over 200 units, in a similar configuration to this site. The absorption and rent forecasts for the Subject take into account the cross-competition that we expect from those sites. The multifamily communities, meanwhile, will offer some competition for the 1-bedroom and 2-bedroom product, but there will be a certain segment of the market that wants a detached home, private outdoor space, and more windows.

Community	Completion	# Units	Community	Completion	# Units
Encore Vive II	2022	175	Legacy Gateway II	2023	142
Soltura at the Forum, Phase I	2022	129	Soltura at the Forum, Phase II	2023	160
V2 Apartments	2022	308			302
Carlton of Ft. Meyers	2022	442			
Taverna	2022	251			
Forum Peninsula	2022	227			
Springs at Colonial	2022	320			
		1,852			



Renter Survey: “Quantifying the Premium”

- We’re surveying 500 apartment renters
- Gabor-Granger method
- Demand Curve
- Premiums

How much more would you pay to have...

- Attached garage
- Pool, clubhouse, fitness center
- Onsite mgmt



Five-Year BFR Production Forecast

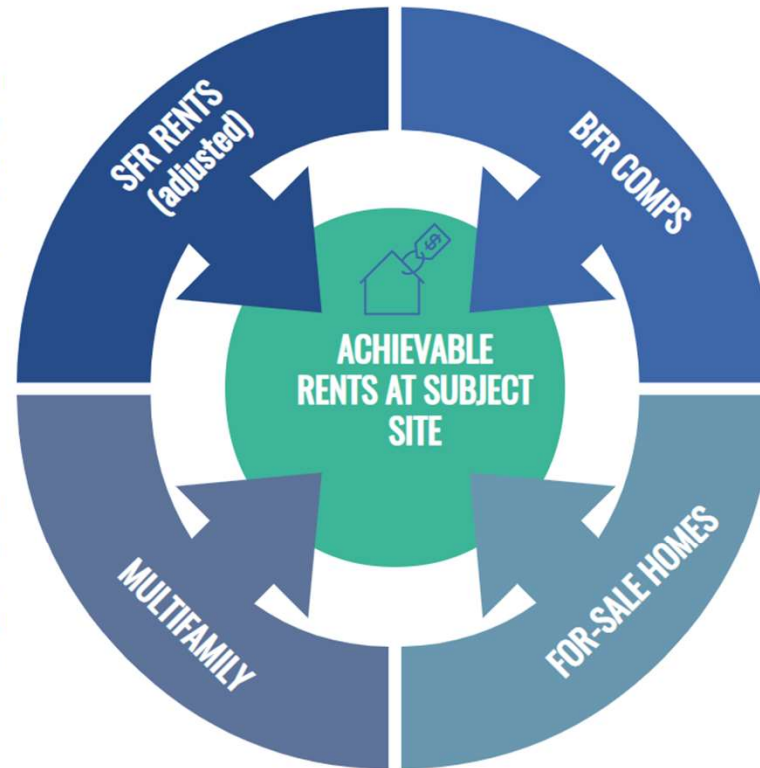
HunterHousingEconomics.com



Source: Hunter Housing Economics' September 2021 forecast of all types of built-for-rent housing starts, including SFD, SFA, and horizontal multifamily. Total is expected to eventually surpass 200,000 new-construction units per year.

Four-Spoke BFR Rent Forecasting Methodology And the RPM (Rent-Positioning Matrix)

We gather data on single-family and townhome units listed, usually splitting out those that are owned by the major platforms from those owned by private individuals.



If there are any built-for-rent comps in the market area, they represent an excellent benchmark.

Even though the renter at the BFR community may not consider a stacked apartment situation, it is important to look at the rents that people are paying in the area for apartments.

We also look at what somebody in the market area would have to pay for a newly-constructed home being sold by a builder, and we take into account all of the costs of ownership, including maintenance.

We meld the data from these four analysis in the RPM (Rent-Positioning Matrix), in which all of the relevant comps for each bedroom count are analyzed together on one scatterplot, which facilitates adjustments for outliers.



THANK YOU!

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Site-specific feasibility studies