

Presentation to the St. Lucie County EDC

“Residential Potential”

Brad Hunter

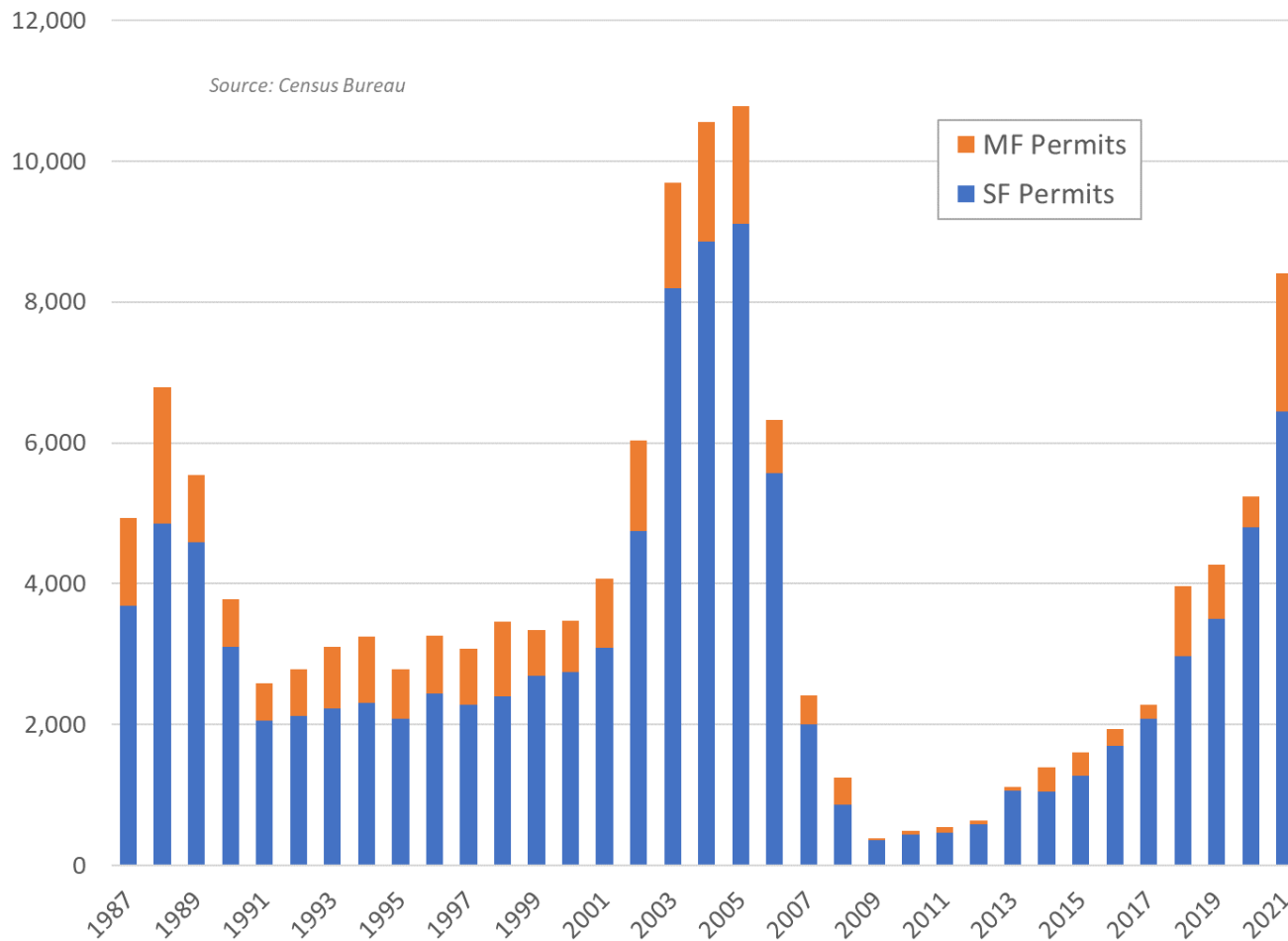
Hunter Housing Economics

www.hunterhousingeconomics.com

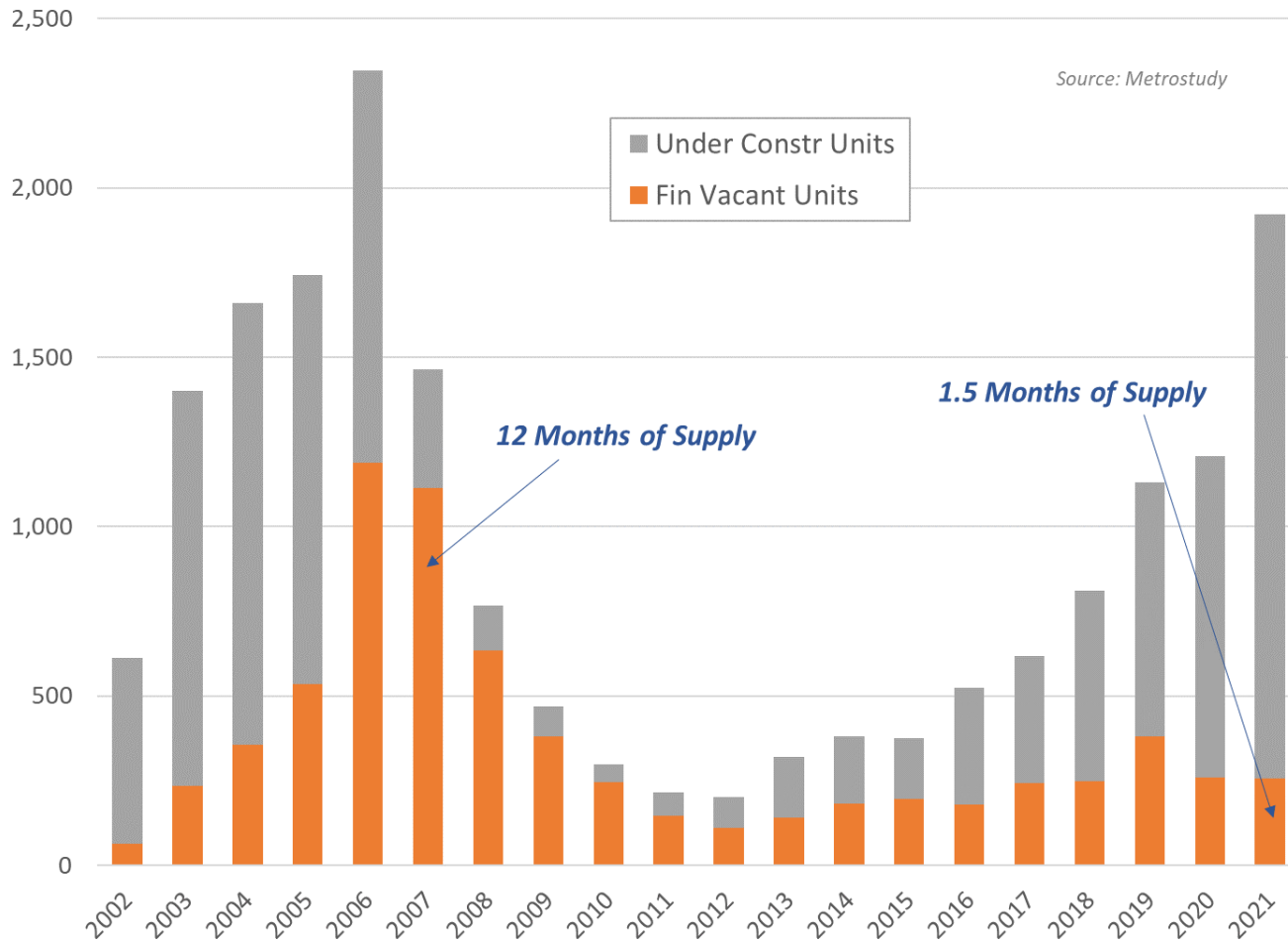
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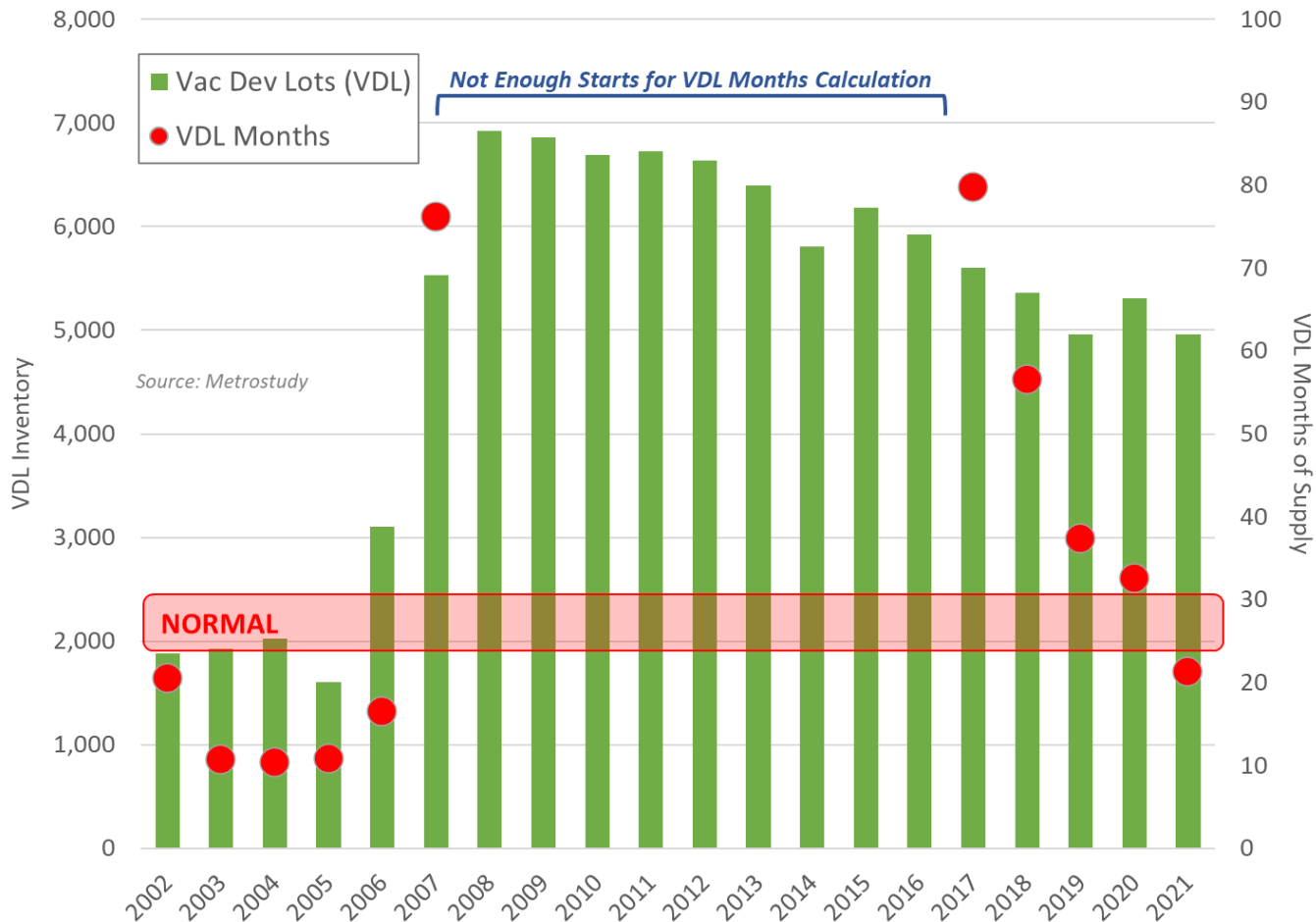
Climbing Back to Prior Peak Levels



A Completely Different Inventory Picture....



Lot Supplies are Low. More Development is Needed.



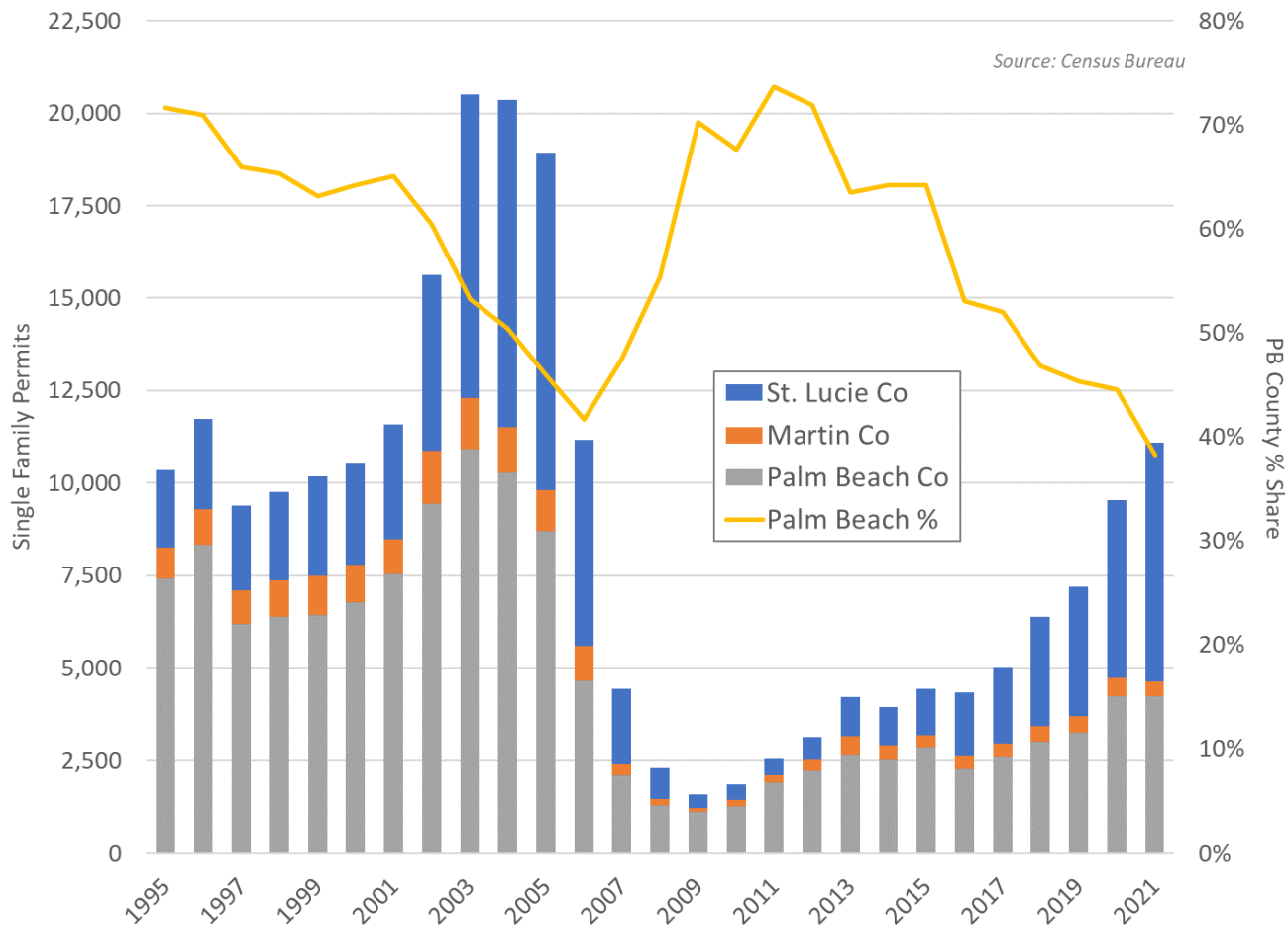
Of the nearly 2,800 subdivision starts in 2021 in St. Lucie, 1,094 units – or 39 percent – were in active adult communities. This is a very prominent market that is targeted by builders and developers in the county. Below is the ranking of those active adult projects, followed by images of Valencia at Riverland, the top-ranked community.

Community	Builder	2021 Starts	Avg \$ TH*	Avg \$ SF*
Valencia at Riverland	GL Homes	554		\$415,000
Tradition	Del Webb	164	\$320,000	\$452,000
Veranda Preserve	Lennar	134		\$401,000
Verano Cresswind	Kolter Homes	101		\$519,500
Tradition Telaro	Mattamy Homes	70	\$361,000	\$519,000
Tradition Vitalia/Esplanade	Taylor Morrison	66		\$478,000

* 2021 closings
 Source: Metrostudy

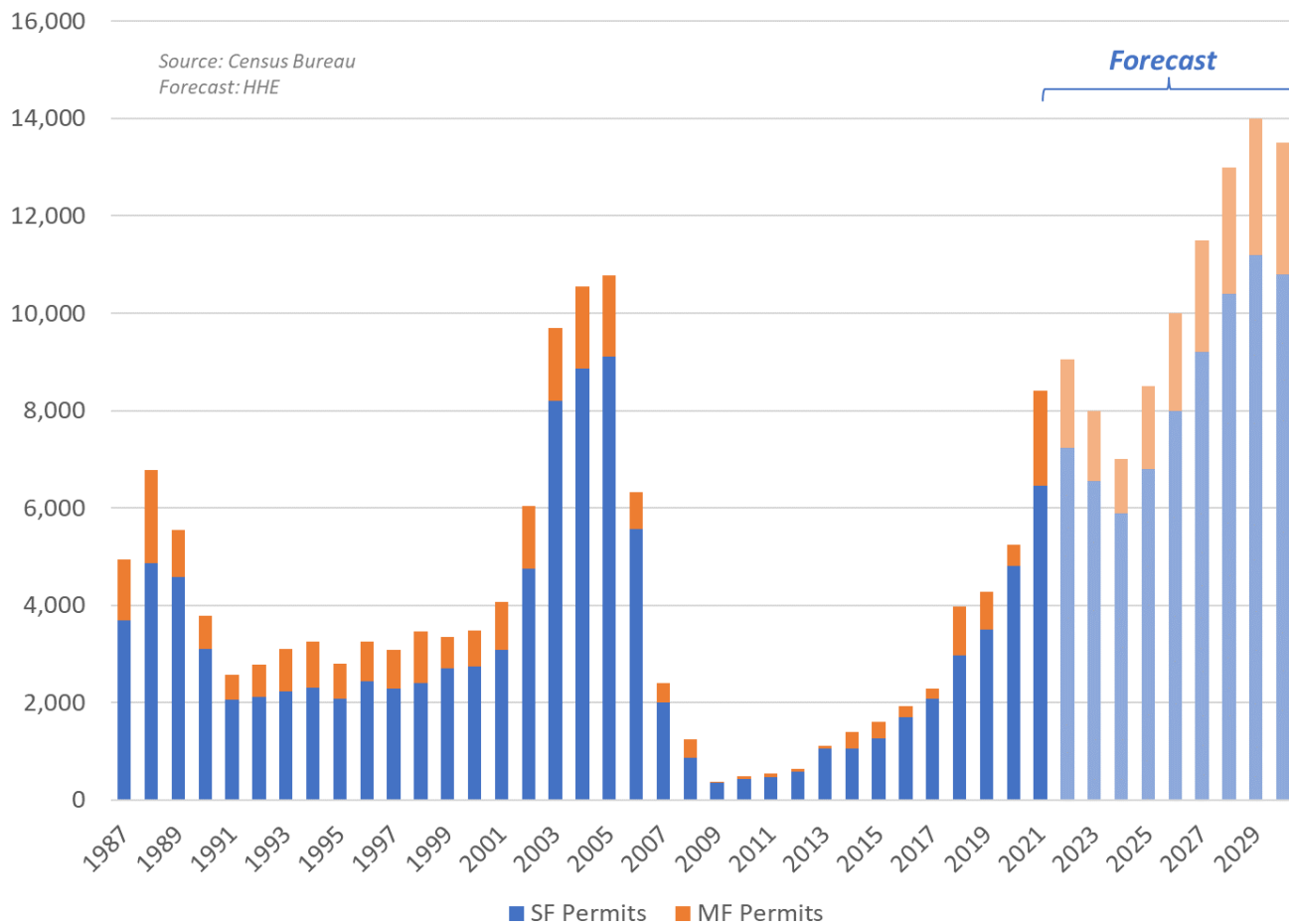


St. Lucie has **passed** Palm Beach County in Single-Family Permits



St. Lucie could hit 11,000 single-family permits a year by 2025-2030

(Hunter Housing Economics Forecast)



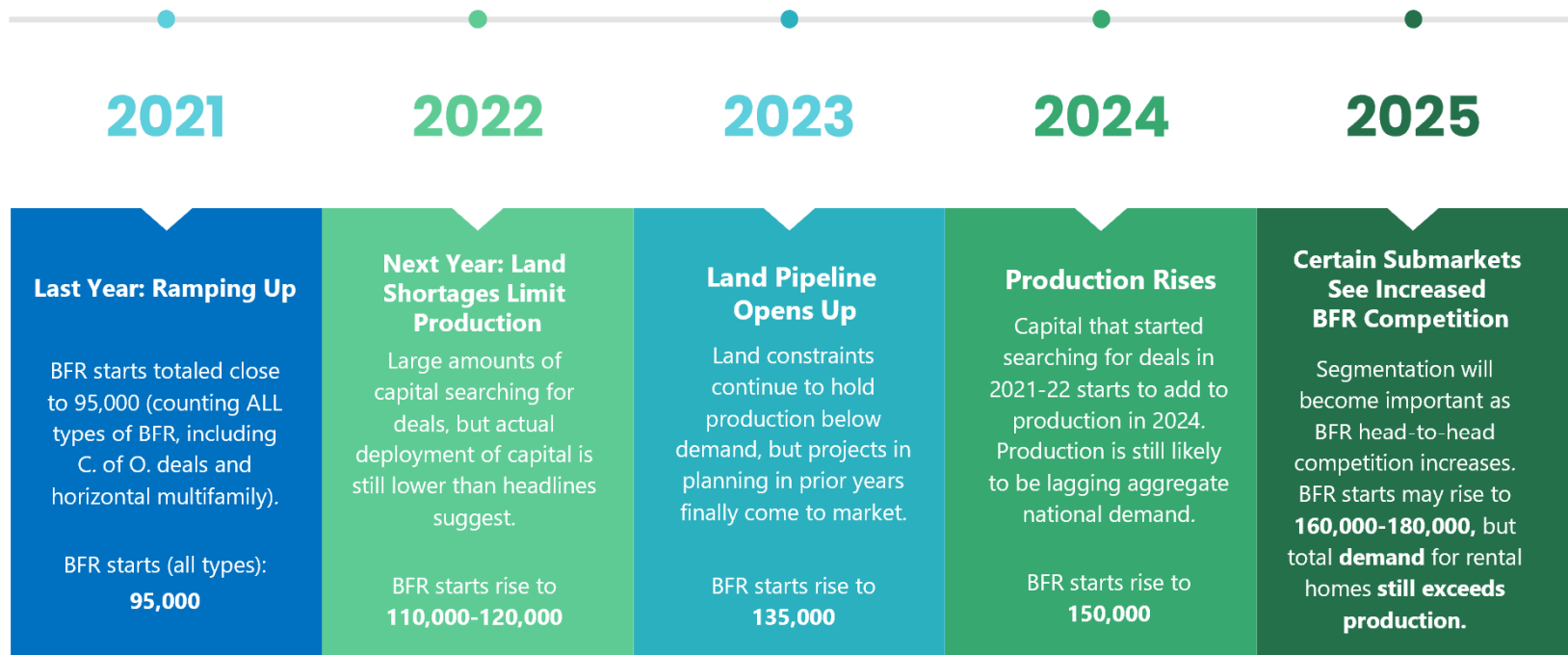
Demand is strong, and production is struggling to keep up. This forecast describes a way that things could evolve.

As shown below for the years 2021 and 2022, the BFR segment is running at twice the level of absorption and construction that is widely reported. The Census number does not include all of what participants think of as BFR single-family.

The key takeaway is that there is a significant amount of room for this trend to run. On a macro basis, even at 180,000 per year, that will only be 40% of the annual level of apartment construction, and will likely still be far short of the total amount of demand for rental homes.

BFR Annual Production Forecast

HunterHousingEconomics.com



Source: Hunter Housing Economics' Feb. 2022 forecast of all types of built-for-rent housing starts, including SFD, SFA, and horizontal multifamily. Total is expected to eventually surpass 160,000 new-construction units per year.

Examples of Segmentation in Built-for-Rent

Segmentation will become more and more important in the BFR sector. Shown on this exhibit are some of the product types and configurations emerging in the evolving BFR sector.

Within each of these categories there is further stratification, in terms of unit size, community amenities, and age-targeting.

Some build all four-bedroom units, targeting larger families and those who need an office for work-from-home, while others opt for smaller product to keep “chunk” rents below a certain threshold. The optimal product depends on the particular submarket and renter types.



SINGLE-FAMILY DETACHED

4 to 6 units/acre

Popular with families, often with dogs.

Example Players: AHV Communities, AH4R, Kinloch, Lennar, Clean Living Communities, Stellar Development



SUBURBAN TOWNHOMES

10 to 11 units/acre

Attached single-family product in suburbs, for empty-nesters, singles, divorced, roommates and couples without kids.

Example Players: BB Living, Stellar Development



HORIZONTAL APARTMENTS aka “Cottages”

12 units/acre

Combines advantages of single-family home with those of apartments. Popular with single women, singles, young families.

Example Players: NexMetro, Christopher Todd, Bungalows

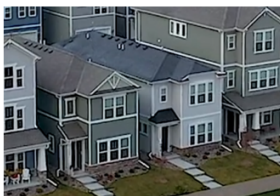


INFILL

10 to 15 units/acre

Provide advantage of proximity to urban entertainment, jobs, as well as the services and shopping of a “close-in” suburb.

Example Players: Empire Group, Tricor, RedPeak



SMALL DETACHED

7 to 9 units/acre

When zoning allows small high-density detached homes. Appeals to young families, often with dogs.

Example Players: Watermark Equity Group, Tricon



MANUFACTURED HOMES

5 to 7 units/acre

Popular with middle-class families who need more than an apartment can offer.

Example Players: ERC Development

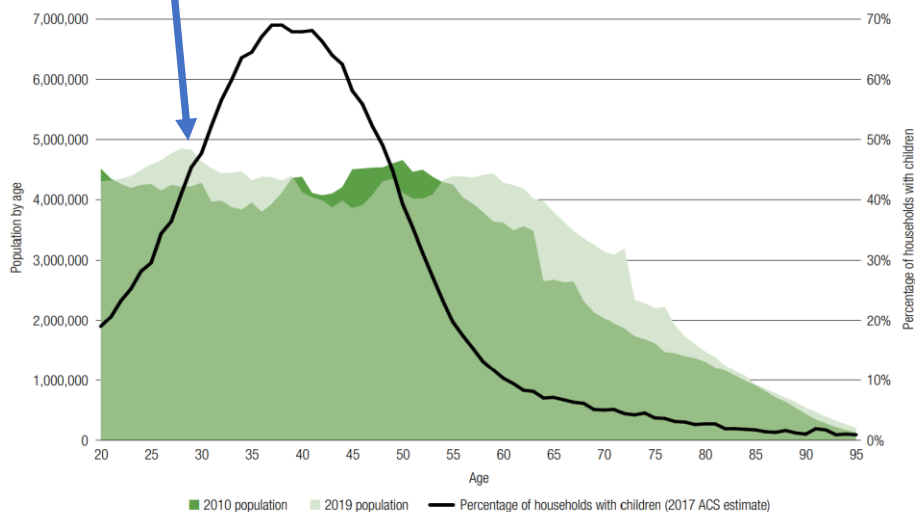
Source: Hunter Housing Economics

Demographic Trends Point Toward More Family Demand

Demographic trends show that there will be a pronounced increase in demand for rental housing coming from families over the next five to ten years. The demand will increase year by year over the next five years and will stay high for at least ten years.

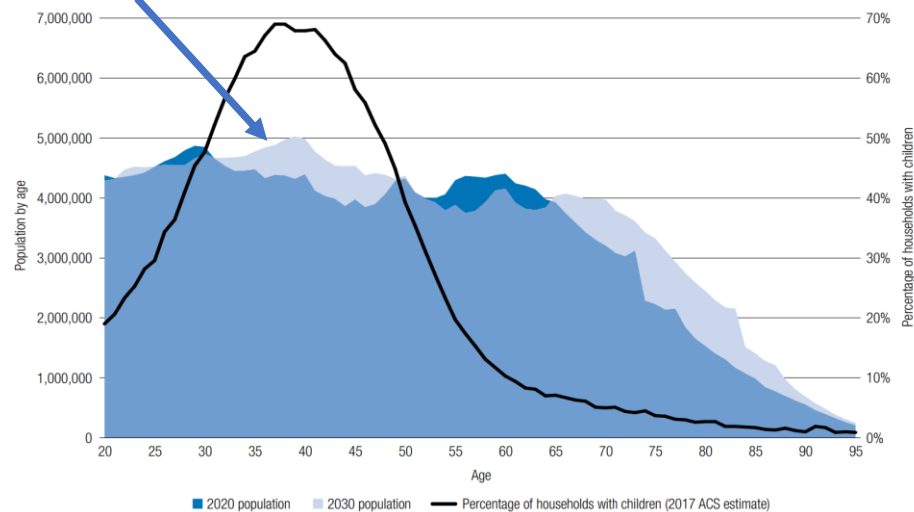
The graph on the left shows the millennial generation's population peak as of the year 2019, centered just under the age of 30. By the year 2030, it will be centered just under age 40.

Millennial bulge has only begun to hit family-formation age



Source: Terwilliger Center report: "Family Renter Housing: A Response to the Changing Growth Dynamics of the Next Decade" 2020

Family demand will surge over the next five years



Source: Terwilliger Center report: "Family Renter Housing: A Response to the Changing Growth Dynamics of the Next Decade" 2020

Over the 2020-2030 period, it is clear that there will be a massive increase in the need for all kinds of housing for families, and many of them will be potential tenants for rental single-family housing, if it is affordable to them.

The 2020 Terwilliger Center report on the need for more family housing points toward "rental townhomes" and "rental detached and attached apartments" as key types of housing that will be needed in greater quantities over the next five to ten years to address the shortage of family-appropriate housing. Below is an excerpt from that report, with some examples of success stories in other parts of the country.

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.



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



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



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.

MARKET DATA

INSIGHTS

GUIDANCE

Hunter Housing Economics is a widely-followed resource for research in built-for-rent as well as for-sale residential development. For regular market updates, follow @bradleyhunter, and browse the resources at the company website.

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