# The State of the Rental Housing Market: 2017 Home Rental Trend Report

About 10 years ago, Americans experienced one of the worst economic declines since the Great Depression, resulting in a recession that impacted all aspects of the U.S. economy, including the housing market. As a direct result, millions of Americans lost their homes—more than 7 million homeowners, to be exact—forcing them to saturate the rental market. Real estate investors are taking full advantage of this trend and have invested more than $25 billion into the housing market, purchasing more than 150,000 rental properties.

You cannot deny that the rental market is hot and based upon recent data on the next generation of homebuyers, this trend should continue for some time. Many Millennials are wrapping up college with huge student loan balances and a fear of taking on additional debt, causing them to be a bit more cautious about obtaining a mortgage than their parents and grandparents. With this said, the rental market continues to be in demand with nearly 15% of single-family rental homes currently making up the U.S. housing market, versus the 9% before the housing bust of 2007. According to the Urban Institute, from 2010 to 2030, 13 million of the 22 million new households to be formed will likely be renters as opposed to homeowners. With figures like these, you can see why single-family rental homes have increased 35% since 2006 from 11.2 million to 15.1 million.

> “from 2010 to 2030, **13 million** of the **22 million** new households to be formed will likely be renters”

We developed this report to give real estate investors, like you, insight into the current rental housing market, as well as applicable ways that you can leverage current conditions to your benefit. **In this report you will learn about:**

- The current state of the rental housing market
- The increase of rental spending and its effect on the housing market
- Real estate investing trends and best places to invest
- What’s on the horizon for 2017 and beyond

# The Current State of the Rental Housing Market

In today's market we see home prices on the rise, slow new-home construction, and demographic shifts pushing homeownership rates down. The U.S. is now a land of renters, rather than individuals and families following the "American Dream" of one day owning a home. With homeownership rates at 62.9% within the first half of 2016, a low that hasn't been seen in 50 years, it is clear to see why in 2016 nearly 40% of sold homes did not have those buyers living in them—many were considered second homes or fixer uppers to be resold at a profit. Nonetheless, it is a strong indicator that landlords are becoming more prevalent in the U.S. housing market.

So, who is renting these properties? Here are a few key characteristics about today's renters. They are:

**Demographically diverse** in terms of race, ethnicity, and household type

**Minorities and foreign-born citizens**, accounting for half of renter households

**Households earning $100,000 or more**—the fastest growing segment over the past three years

**Middle-aged renters**, ranging in age 30–49, making up 40% of the new rental demand

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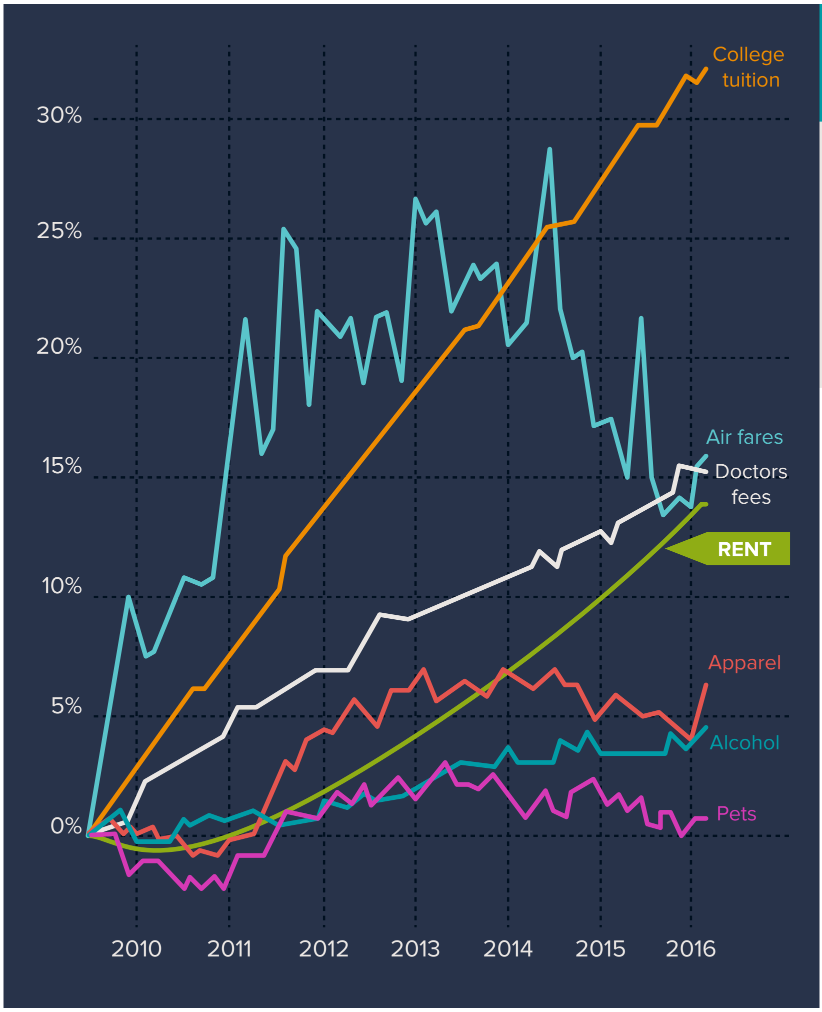
# The Increase of Rental Spending and its Effect on the Housing Market

The demand for a great rental property has taken rent prices to new heights. In 2015, The National Council of Real Estate Investment Fiduciaries reported that in a year's time a real estate investor can see a 12% annual rate of return on rental property investments because of price appreciation.

So, what does this mean for real estate investors interested in capitalizing on this piece of the pie? Americans are now spending more of their salaries on rent and the new median rent is now $1,381 per month. Since there is a bigger pool of renters, real estate investors are noticing big profits when it comes to their real estate portfolios. Last year in 2016, marked the biggest surge in renters—making the number of Americans living in rentals to a whopping 110 million, or about 36% of U.S. households.




## Figure 1.

Compared to many other consumer costs that have gradually risen over the last seven years, rent rates have spiked.

(SOURCE: BLS)

In another report from Trulia, and seen in Figure 2, you can see how home ownership has been diminishing, while renters continue to move up over time. The 10-year downtrend in homeownership is partly due to new and strict mortgage lending guidelines—making it a little more difficult to obtain a mortgage from a reputable lender plus raising interest rates since the mortgage bust. Mortgage rates have certainly risen since the housing market crash and in today's market an average lending rate is now in the low 4% range, assuming your credit score is up to par. The Mortgage Bankers Association predicts that the 30-year fixed-rate mortgage will rise gradually over the year, averaging 4.7% in the fourth quarter of 2017. Other sources, such as The National Association of Realtors, expects it to be around 4.6% by the end of this year—giving Americans more of a pause when choosing to buy now or continue to rent.

Figure 2. The Shift from Owning to Renting

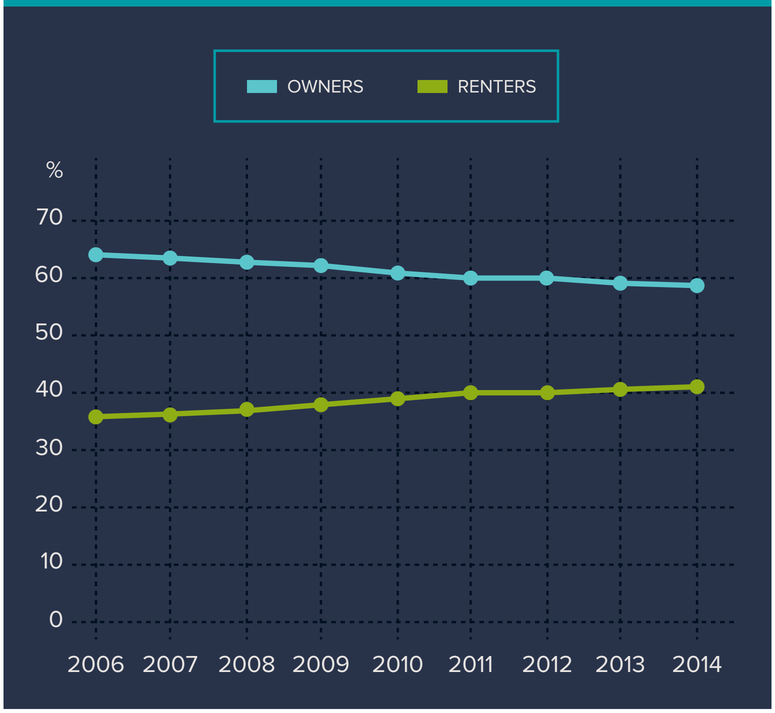
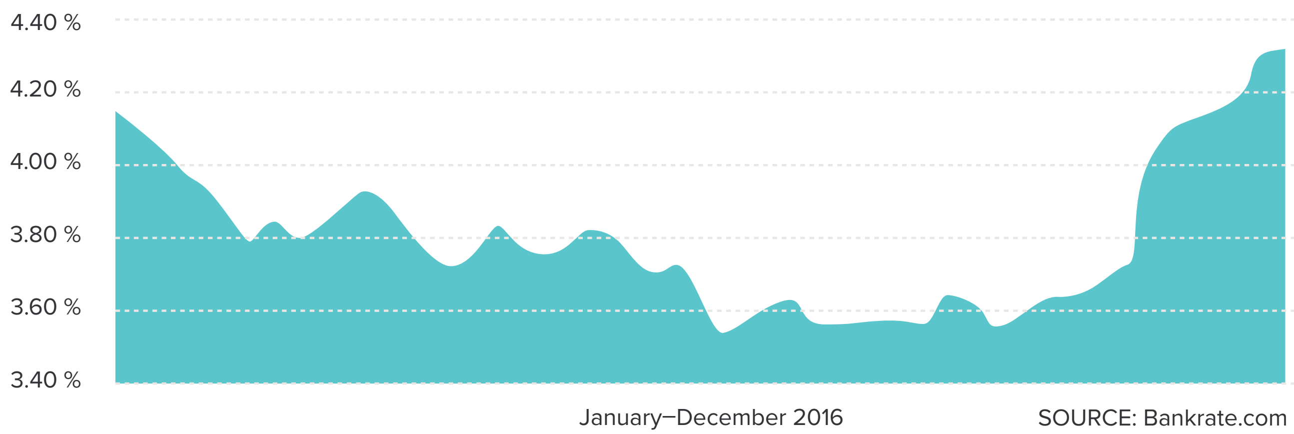



Figure 3. 30-Year Fixed Mortgages



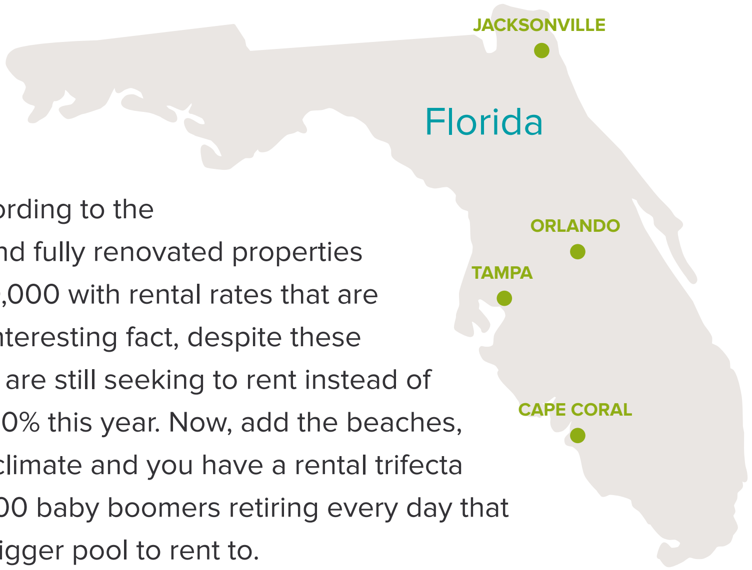
# Real Estate Investing Trends and Best Places to Invest

Whether you already have your very own pool of real estate properties, are thinking about expanding your portfolio, or you're just getting started on your real estate investing journey, it's important to stay abreast of current market trends and have a pulse on the best places to invest. To help you reap the maximum return on your real estate investment, there are three things to look for when it comes to great places to invest: job growth, population growth, and affordability.

In today's market, there are several cities across the United States where these factors exist—places where you can find homes to purchase under $100,000, in most cases, and with an option to rent them at a rate to cover your mortgage, earn a decent return on your investment, and watch your equity grow.

**Here are two states with the top five cities to consider investing in real estate.**

## FLORIDA




The Sunshine State is leading the nation in the best places to invest with four of the top five cities located within the state. The demand for single-family homes has been on the rise in Florida for quite some time. According to the Real Wealth Network, if you search, you can find fully renovated properties in good Florida neighborhoods for under $120,000 with rental rates that are upward of 1% of the purchase price. Another interesting fact, despite these low housing prices statewide, many Floridians are still seeking to rent instead of buy—causing the cost to rent to go up nearly 10% this year. Now, add the beaches, theme parks and other attractions, and warm climate and you have a rental trifecta at your fingertips. Throw in the estimated 10,000 baby boomers retiring every day that are moving to Florida and you have an even bigger pool to rent to.

### Orlando, Florida

Orlando, Florida ranks number one as the best place to purchase a rental property in Florida in 2017. The area is known for its warm climate the majority of the year, pristine beaches, and the exhilarating Walt Disney attractions. According to the Real Wealth Network, job growth continues to be on the upswing with 173,900 jobs created since the recession. Likewise, the population has grown tremendously, 41% since the year 2000 to be exact. Living in Orlando continues to be affordable with neighborhoods showcasing fully renovated homes for sale for less than $120,000.

| 173,900 JOBS CREATED SINCE RECESSION | POPULATION UP 41% SINCE 2000 | FULLY RENOVATED HOMES FOR LESS THAN $120,000 |
|---|---|---|



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### Tampa, Florida

Next on the list is Tampa, Florida. Tampa has been singled out as having the fastest job growth in the state with nearly 45,000 private, new jobs created in 2015. The population is 4 million strong with a local economy well worth over $130 billion. In a nutshell, Tampa has been ranked as one of the top 20 fastest growing metros in the United States. If real estate investors are not shocked just yet, they can find properties in the area as low as $90,000 and then flip them around to rent from anywhere between $950 to $1,250 a month.

| | | |
|---|---|---|
| 45,000 PRIVATE, NEW JOBS CREATED IN 2015 | POPULATION OF $4M; ECONOMY OVER $130B | PROPERTIES AS LOW AS $90,000 |

### Jacksonville, Florida

Jacksonville, Florida made the list for its rank from Forbes as one of the best cities in the U.S. for jobs. The Jacksonville area has top-notch health care systems with over 20 hospitals. There is also a bioscience community on the rise. The population growth rose nearly 2% in 2016 and is projected to do the same in 2017 and could continue this upward trend at a 2% rate annually. We also see from the site, the Real Worth Network, real estate investors and those Jacksonville residents are seeing a median home price at or around $153,400, which is 23% lower than the national average. When it comes to rental rates, an average home priced at $100,000 could rent for just over 20% more than the national average.

| | | |
|---|---|---|
| TOP-NOTCH HEALTH CARE SYSTEMS | POPULATION GROWTH OF NEARLY 2% IN 2016 | MEDIAN HOME PRICE OF $153,400 |

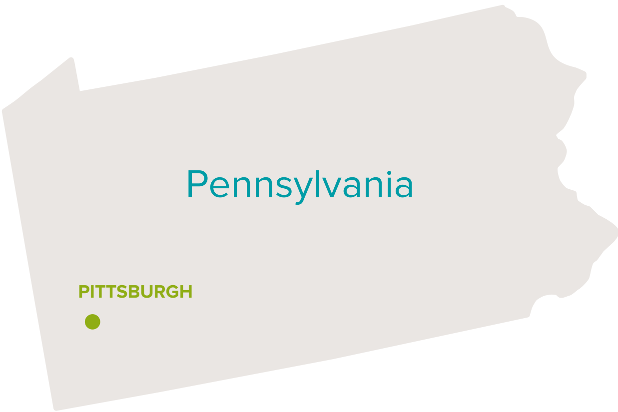
### Cape Coral, Florida

To round out the top four, Cape Coral, Florida is listed because it ranked #1 for startups in 2015. Within the city, job growth is strong because startup businesses create an abundance of job opportunity for residents. According to Forbes, Cape Coral is listed as one of the fastest growing cities in the nation. Since the 2007 housing recession, Real Worth Network states that the Cape Coral housing market has not recovered as quickly as some of its Florida neighbors—making it very possible to purchase a brand new home around $200,000 with options to rent it for more than $1,500 a month.

| | | |
|---|---|---|
| START UPS CREATE JOB OPPORTUNITIES | ONE OF THE FASTEST GROWING CITIES IN U.S. | BRAND NEW HOMES AROUND $200,000 |

## PENNSYLVANIA

### Pittsburgh, Pennsylvania




We now move up the coast to Pittsburgh, Pennsylvania. This city, being dubbed, the high-tech hub, catapulted itself to the #1 spot as best urban area to live in the Northeast by Money Magazine in 2015. Pittsburgh was selected for its healthy job market, affordable housing market, and low crime rate.

Pittsburgh continues to be a great place to live and invest in real estate with offerings like a new Google headquarters and other high-tech startups. Plus, the city has been noticed as a runner up when it comes to film making, right behind Hollywood, California. The population is well over 2.4 million and growing. The median home price hovers around $150,000, but pockets still exist where buyers can find single-family homes in the range of $75,000 to $100,000, with options to rent homes in the range of $1,200 and up to $1,550 in some areas. Pittsburgh real estate investors are seeing a great opportunity to invest and make a nice return on their real estate investments.

GOOGLE HEADQUARTERS AND HIGH-TECH STARTUPS

POPULATION OVER 2.4M AND GROWING

SINGLE-FAMILY HOMES AS LOW AS $75,000

As we move further down the list, rounding out the top ten cities to consider investing in are:

- Huntsville, Alabama
- Montgomery, Alabama
- Houston, Texas
- Cleveland, Ohio
- Cincinnati Ohio
- Dayton, Ohio
- Chicago, Illinois

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## What's on the Horizon for 2017 and Beyond?

A Newsweek report projects that by the year 2025, nearly 15 million American households will pay more than half of their monthly income in rent. This could mean huge profits for real estate investors with large rental portfolios and we could see more of them pumping more money into buying additional properties and capitalizing on the rental market. The number of renter households is projected to grow over the years to anywhere between four and six million. Since our new president took office this year, he has been reviewing numerous government policies, some related to the real estate market that could potentially affect just about everyone. Once President Trump took office, he worked to strike down an order from the Obama administration to cut mortgage insurance premiums for Federal Housing Administration (FHA) home loans. Many home buyers opt to secure an FHA loan because of its low down payment option of 3.5% and the flexible credit score requirements for lender approval. Bottom line, it is too early to tell just yet how the Trump administration will affect the housing market. What we can see is a rise in the rental market and home mortgage interest rates, which could make for a couple of interesting years.

"by the year 2025, nearly 15 million American households will pay more than half of their monthly income in rent"

As a real estate investor focused on growing your residential portfolio and bottom line, it is critical to understand the contributing factors driving the real estate market. These may be demographic shifts, the rise and fall of mortgage interest rates, the state of the economy or a number of other things. With the rise of renters this year, real estate investors could see some large returns on their portfolios for quite some time.

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