

Colorado's Build-to-Rent Market: Addressing Housing Demand

The Denver metro area and Northern Colorado are some of the fastest-growing markets for build-to-rent communities. These communities usually consist of exclusively rental duplexes, townhomes or single-family detached homes managed by a single operator and often include shared amenities such as a fitness center, coworking space, community gathering space and a swimming pool. BTR communities offer residents more space and privacy than is typically found in an apartment complex, alongside the same benefits of nearly maintenance-free living and the flexibility to move without having to sell a home first. And because they don't require a large down payment and aren't susceptible to today's high interest rates, they are an important and growing option in fulfilling housing demand.

In Denver alone, RentCafe reports that the number of BTR single-family home completions has jumped 91% in the past five years, from 981 comple-



Dani Sassower
Vice President of Development for Multifamily and Build-to-Rent, McWhinney



Taylor Hazlett
Director of Development for Multifamily and Build-to-Rent, McWhinney

tions in 2017 to 1,869 completions last year. We expect this number to continue to increase as new communities come on line, such as Finley, a townhome community located in the Baseline master planned community in Broomfield, and VellaTerra, part of Kinston at Centerra in Loveland, which McWhinney is partnering with AHV Communities to develop. Additionally, several other communities are emerging, including Goodwin Knight in Colorado Springs and Cottonwood Hollow by Avenue 5 Residential in Firestone.

These communities appeal to a wide range of renters, including millennials forming households, empty nesters and folks moving to Colorado who want to get a sense of the area before purchasing a home. They also appeal to those who want to wait and see if interest rates will come back down, making homebuying more affordable. Some of the top considerations for BTR prospective tenants include:

- **Affordability:** With the average price of a single-family home in the metro area at \$600,000, when current interest rates and maintenance are factored in, people can pay more than a \$1,000 monthly premium to purchase a home versus renting a similar home in a BTR community.
- **Location:** The quality of the school district is a key factor in home values and neighborhood desirability that can price people out of purchasing a home in their desired area. Build-to-rent communities provide the op-



The rendering shows the clubhouse and pool amenities at Finley, a build-to-rent townhome community in the Baseline master planned community in Broomfield.

tion to live within a highly desirable neighborhood at a more attainable price.

- **Amenities:** A big benefit compared to stand-alone, single-family rental properties are the amenities many BTR communities offer, including swimming pools and fitness centers, conference rooms, and common areas and entertaining spaces.

- **Low to no maintenance:** The on-site maintenance offered in BTR communities is another appeal. The convenience of having someone on-site to address issues as they arise beats even stand-alone rentals where challenges can occur in contacting the landlord and arranging to have someone come to the property for a repair.

- **Management company:** A high-quality, attentive management company sets the tone for a BTR community and has a significant impact on residents' quality of experience. Renters are looking for a responsive management company while also maintaining the affordability of the community fees.

In addition to what motivates prospective renters, there are a few considerations we recommend developers of BTR communities keep in mind:

- **New product offering:** Build-to-rent communities operate like a multifamily property but are developed like a for-sale community. Developers need to understand how

to operate a multifamily property and build a neighborhood. Many can do one, but few can proficiently do both. Partnerships are common between homebuilders and commercial real estate developers.

- **Inconsistent zoning requirements:** Related to the newness of BTR communities in Colorado, zoning requirements differ from municipality to municipality, and planning commissions will have different levels of experience with proposed BTR projects. With less experienced planning commissions and municipalities, plan extra time for the education phase of plan development.

According to the housing affordability advocacy group Up for Growth, Colorado is facing a 101,000-home shortage, placing the state as the eighth worst in the U.S. in terms of severity. This gap, paired with the likelihood of interest rates on mortgages remaining elevated, means we may be seeing more BTR communities developing across the state. As people seek quality, attainable homes that offer privacy, space and low-maintenance living with access to amenities and a sense of community, the BTR market is well positioned to continue growing and addressing the housing demand.\

Dani.Sassower@mcwhinney.com

Taylor.Hazlett@mcwhinney.com



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