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Red-Hot Rental Market Shows No Signs of Cooling

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AUSTIN, TX—The Austin rental market is red hot due to the sheer volume of people moving into the metro. This demand shows no sign of cooling, says **Spencer K. Rinker**, co-founder and president, **AHV Communities**. He recently discussed this intense rental housing demand with GlobeSt.com.

GlobeSt.com: What main factors are contributing to Austin's hot rental market?

Spencer K. Rinker: Simply put: Demand. Roughly 175 to 200 people move to Austin every day (approximately 65,000 per year) with no signs of that number decreasing. People are moving to Austin because of jobs, affordability and quality of life, among other factors. Austin is an economic engine with an unemployment rate of less than 3% and favorable employment sectors including technology, medical and education.

Demand for rental housing in Austin is similar to national trends, which has seen an increase in renter households to 9 million in the last 10 years. Supply has not kept up with demand particularly as a result of the slowdown in construction during the latest downturn.

GlobeSt.com: What is AHV doing to capitalize on this market, specifically with rental housing?

Rinker: Starting in 2010, we identified Austin as a huge opportunity, initially for apartment acquisitions and then evolving into single-family rental communities. For the past six years, Austin has been our focus and we've built our team, relationships and reputation here locally.

To capitalize on opportunities, we build our communities to provide a unique and better value proposition for residences seeking the flexibility of renting, the benefits of living in a detached home with the amenities and services of a class-A apartment community. Increasingly, people are renting by choice, particularly among higher-income households. We are meeting the demand by providing the right product in the right locations.

GlobeSt.com: Are there any particular neighborhoods that are booming right now? What about future neighborhoods that may be the next hot market for single-family rental?

Rinker: We've been very selective with our land acquisitions. Schools, retail, employment and transportation access are all very important to us. We're also careful to select sites in high growth areas where we can value engineer items others may have overlooked.

We like the I-35 corridor from San Antonio up to Georgetown. It's become increasingly competitive to identify good available land sites but our team has done an incredible job of being creative and building strong relationships with sellers and brokers.

GlobeSt.com: What amenities and services are renters looking for most? How does AHV's product fulfill that?

Rinker: If you visit most new class-A suburban/exurban apartments, they typically offer the same amenities and unit interior finishes as one another. Our communities provide similar amenities (pool, fitness center, etc.) but where we differ is in the actual residences and service. Our homes offer yards, two-car direct access garages and spacious, open floor plans. Unlike a merchant developer/builder, we intend to own all of our properties long term, allowing us to add small touches throughout the community that other developers may not add because of the impact of those costs on their returns.

GlobeSt.com: How has the single-family rental industry changed in the last three to five years and where do you see it going in the next three to five?

Rinker: The single-family rental industry's growth over the last few years has been well publicized. It goes without saying that supply, demand and the national economy will all be determining factors in the next three to five years. Other factors include interest rates, consumer debt and student debt. These are all headwinds that could continue to push the homeownership rate down.

Single-family rentals are obviously a growing institutional asset but it's becoming more competitive and tougher to buy and operate at the yield requirements for a lot of these investors. Ultimately we expect to see more and more interest in single-family rental communities like ours.

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