

Exploring US Single-Family Rental Demographics



Josh Scoville
Hines

Despite being an historically important part of the US housing market, single-family rentals (SFRs) with institutional ownership are a relatively new phenomenon, coming onto the scene in a meaningful way only in the aftermath of the global financial crisis. Initially, large institutional investors amassed portfolios by taking advantage of the surplus of foreclosed properties available at auction.



Erik Thomas
Hines

More recently, developers have begun to deliver purpose-built, single-family rental communities catering to people who desire a single-family lifestyle but are either unable to afford a single-family home or want the flexibility of renting rather than owning. In addition, SFR renters may enjoy the lack of responsibility for home maintenance.

In this article, we explore the SFR market using anonymized individual household data from the 2022 American Community Survey (ACS), with respondents representing just under 130 million US households.¹ Of the 130 million, just over 45 million households rent

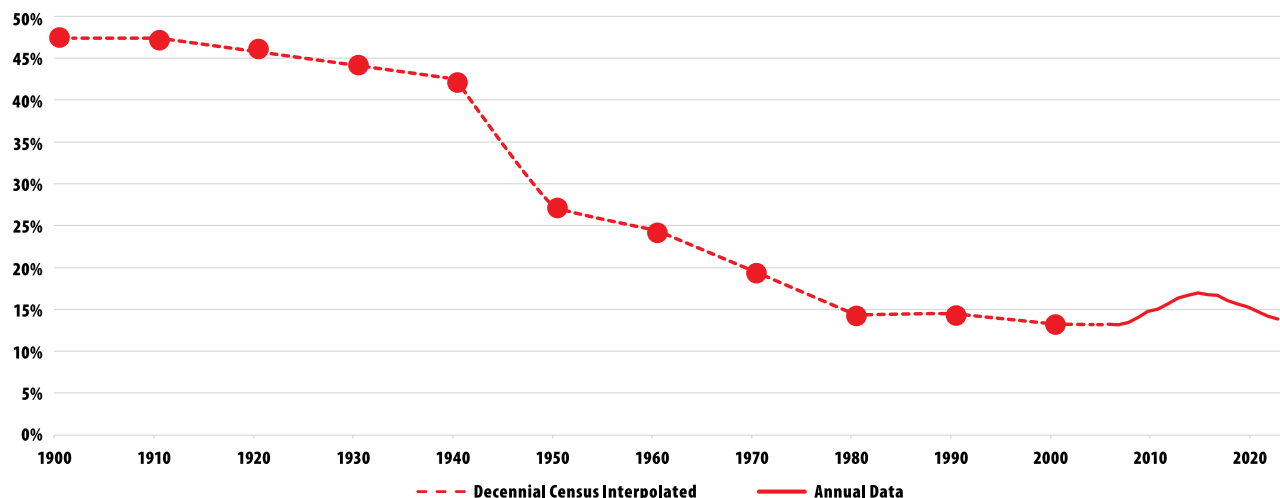
their homes, including 11.2 million who rent in SFRs. We compare these households with those that live in other forms of rental housing—namely, large apartment buildings, which institutions are more familiar with, as well as townhomes, which offer a similar lifestyle.

Despite recent consternation that institutions are crowding out would-be single-family homeowners, the share of detached SFRs in the US has declined dramatically since the turn of the 20th century, as shown in Exhibit 1.

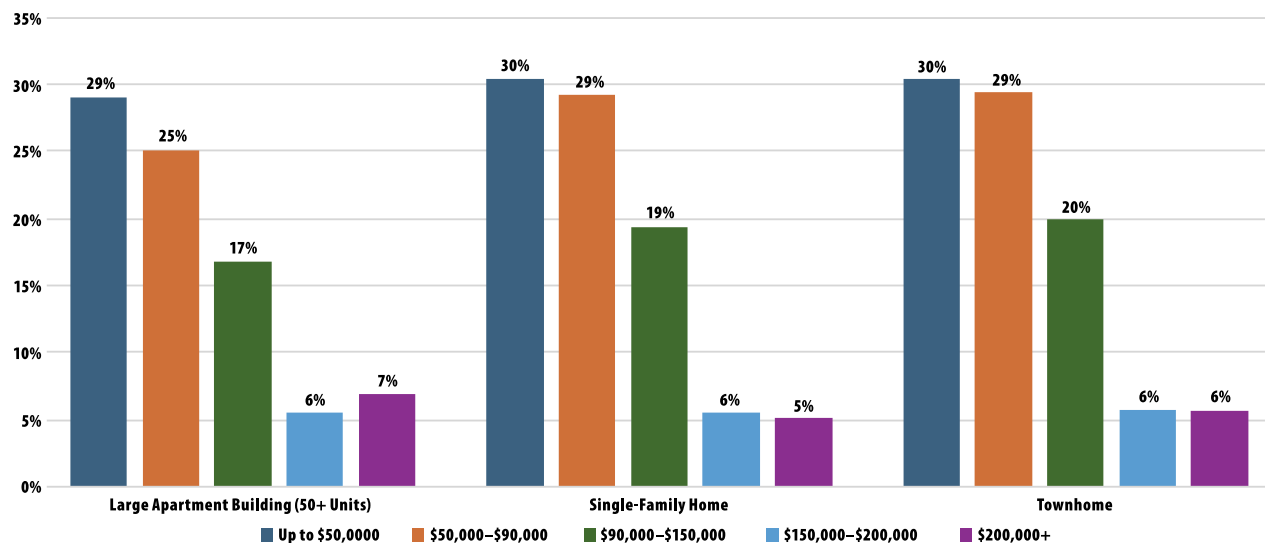
At the start of the 20th century, nearly half of detached single-family homes were owned by landlords, primarily mom-and-pop owners (who are still the primary owners today). But the percentage of single-family homes owned by landlords steadily ticked down over the next four decades, was nearly halved following World War II, and then hit an all-time low of 13.2% in 2006. Despite its modest rise following the financial crisis, the percentage

1. Data are from the 2022 American Community Survey (ACS), US Census Bureau, [IPUMS USA](#), University of Minnesota. The ACS is a 1% survey of the US population. We have excluded “group quarters” residents from this analysis. Group quarters include correctional facilities, nursing homes, mental hospitals, college dormitories, military barracks, group homes, missions, and shelters.

Exhibit 1: The Share of Detached SFRs in the US Since 1900



Sources: Hines Research; 1900–1930, 2005–2022: IPUMS USA Census and ACS; 1930–2000: US Decennial Census

Exhibit 2: Composition of Household Income by Rental Type

Sources: 2022 American Community Survey, Hines Research, IPUMS USA

has since resumed a downward trend, and the latest data, from 2022, shows it has fallen back below 14%.

Similarly, the detached single-family housing market has captured a declining share of overall rental demand, according to census data. In the 1900 Decennial Census, 74% of renters rented detached single-family homes, but like supply, those have been on a long-term decline. As of the latest ACS (2022), only about a quarter of renter households rented a detached, single-family home, though that still equates to about 40% of the renter population, given that SFRs have a larger household size than other forms of rental housing.

Institutional investment in SFRs is still in its infancy, but the size of the market is significantly larger than traditional institutional living-sector asset classes, such as large apartment communities. The 2022 ACS reported that 25% of the total rent collected came from single-family rentals. That compares with 19% for large apartment communities, which include all properties with 50 or more units—the largest data cut provided by the census. If the analysis could be limited to more-institutional apartment projects—with at least 150 units, for example—the percentage of gross rent collected in those communities would be an even smaller share of the overall rental pie. As a result, the size of the opportunity within SFRs is significant.

Demographics

Unsurprisingly, age and income as well as the presence or absence of children within a household are important determinants of housing choice. Renters in SFRs tend to be less educated than renters in competitive housing, with only 21% having a bachelor's or an advanced degree compared with 29% in townhomes and 42% in large apartment communities.

However, household income levels in SFRs are fairly similar to those in competitive housing, likely because of the greater prevalence of multiple breadwinners. SFRs with heads of households under age 65 have an average of 1.5 workers per rented house versus 1.2 per unit in large apartment communities. Exhibit 2 illustrates the breakout of income levels for SFRs, townhomes, and large apartment communities.

As mentioned earlier, children appear to be a large factor driving demand for SFRs. Less than 14% of renters in large apartment communities have children. Conversely, in SFRs and townhome rentals, the percentage of households with children is 40%. In large apartment complexes, the children are more likely to be young; 45% of children are under age six, which is the highest share of any rental housing type, versus 35% in SFRs, the lowest share.

The average household size in SFRs is 2.8, comprising roughly 2 adults and 0.8 children. In large apartment

ADDING VALUE BUILDING TRUST

DRA
ADVISORS

New York | Miami | San Francisco

Pursuing a time-tested, real estate strategy across multiple markets and asset types, DRA Advisors seek to reward our investors with consistently outstanding performance and an unfailing commitment to delivering on our promises. www.draadvisors.com

1
FOCUS

38
YEARS

\$40B
ACQUIRED

Exhibit 3: Share of Renters in Single-Family Homes by Age and Income

Age	\$40K to \$50K	\$50K to \$60K	\$60K to \$70K	\$70K to \$80K	\$80K to \$90K	\$90K to \$100K	\$100K to \$125K	\$125K to \$150K	\$150K to \$175K	\$175K to \$200K	\$200K+
20-25	17%	18%	17%	20%	19%	20%	22%	20%	24%	19%	25%
25-30	19%	19%	19%	19%	21%	22%	23%	21%	21%	20%	20%
30-35	24%	24%	26%	25%	28%	26%	26%	27%	26%	22%	21%
35-40	29%	30%	29%	32%	32%	35%	32%	34%	36%	31%	29%
40-45	30%	32%	31%	34%	36%	34%	37%	39%	41%	40%	40%
45-50	29%	32%	34%	33%	35%	37%	39%	41%	43%	43%	43%
50-55	29%	28%	32%	33%	37%	33%	37%	39%	40%	43%	43%
55-60	27%	30%	30%	29%	35%	35%	35%	38%	38%	38%	36%
60-65	29%	28%	28%	30%	32%	32%	38%	37%	42%	41%	37%
65+	24%	26%	27%	29%	26%	27%	31%	31%	33%	27%	27%

Sources: 2022 American Community Survey; Hines Research

Note: Each cell's number and shading shows the percentage of renters in that income and age cohort that rent single-family homes.

communities, the average household size is 1.7, including 1.5 adults and 0.2 children. If the analysis is limited to renters in their child-rearing years, the average size of SFR households is 3.3 because the number of children increases to a bit under 1.3.

Exhibit 3 details where SFRs capture the greatest share of rental demand by income from left to right and age from top to bottom. As is clearly shown, SFRs tend to capture a larger percentage of renter households in child-rearing years, and though many households in the upper end of the income spectrum purchase homes, those that rent are more likely to rent single-family homes.

Rents and Incomes

SFRs capture a larger share of renter demand in higher-income households, but higher-income single-family renter households tend to spend less of their income on rent than do renters in large apartment communities. This is illustrated in Exhibit 4, which analyzes the 133,000+ individual responses from renters with household incomes up to \$200,000 in the 2022 ACS, with a couple of observations to provide a better sense of some of the data available for analysis.

Using the logarithmic trend lines for each of the three property types, we show that for households with incomes greater than roughly \$45,000, the rent-to-income ratio

is lower for households in SFRs than for those in large apartment communities. Furthermore, the gap increases as incomes get higher. Perhaps this is because of the added expense of raising children, but it may also be because of the lack of amenities in SFRs, given that they tend to be one-off homes scattered throughout a region, whether owned by an institution or otherwise.

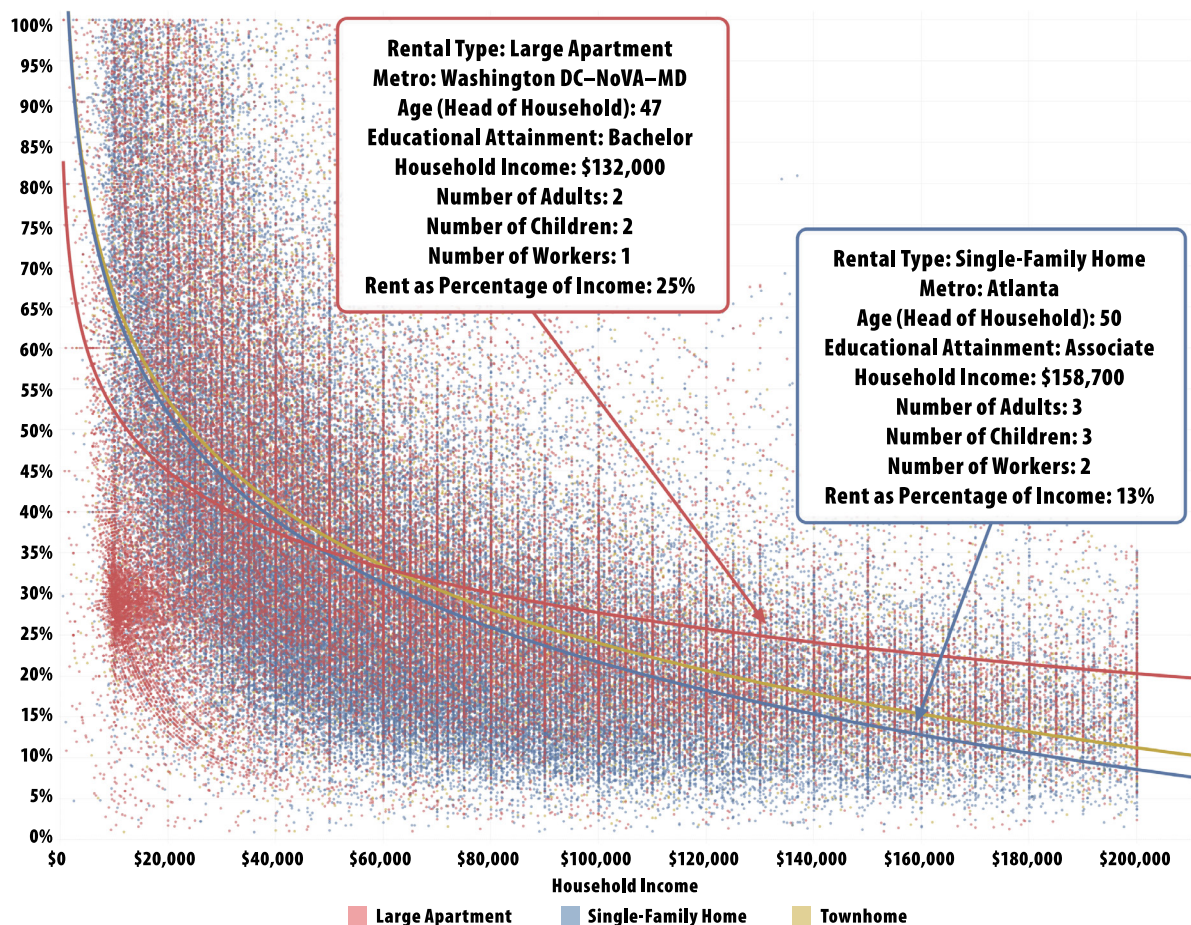
Indeed, many townhome communities do include amenities such as pools and fitness centers, and renters in those communities pay a slightly larger share of their income to rent. As a result, purpose-built SFR communities that include the amenities traditional institutional apartment communities offer could potentially capture a larger share of income from higher-earning renters.

For example, according to the trend lines, the rent-to-income ratio for renter households making \$150,000 per year averages 14% for SFRs compared with 23% for large apartment communities. That gap suggests considerable upside for SFR rents to the tune of roughly \$1,200 per month, or more than 50% of the current average SFR rents for this income level.

Turnover

The 2022 ACS data show that renters in single-family homes have the lowest turnover of any rental housing

Exhibit 4: Rent as a Percentage of Income-by-Income Cohorts



Sources: Hines Research, 2022 American Community Survey

category, with an average tenure of 48 months versus 30 months for large apartment communities, the shortest tenure of any category. However, as educational attainment and household incomes increase, that advantage tends to dissipate. For SFR renters with a bachelor’s degree or higher, the average length of stay is 36 months, and a similar decrease is evidenced from the data for higher-income SFR renters. The decline in tenure length at higher education and income levels also occurs in large apartment communities.

As one of the newer asset classes in real estate, SFRs have some compelling attributes. Given that millennials are aging into their child-rearing years, the 35- to 54-year-old age cohort is forecast to have the second-fastest growth over the next two decades.² With housing

costs unattainable for many of these future young families, SFRs should enjoy strong demand. ■

Josh Scoville is Head of Global Research and a member of the Investment Committee and Erik Thomas is Senior Director of Research at Hines.

The statements in this document are based on information which we consider to be reliable. This document does not, however, purport to be comprehensive or free from error, omission or misstatement. We reserve the right to alter any opinion or evaluation expressed herein without notice. Statements presented concerning investment opportunities may not be applicable to particular investors. Liability for all statements and information contained in this document is, to the extent permissible by law, excluded.

2. Forecast age cohort growth is from Moody’s, as of 2024Q2.