

# SVN Single-Family Report

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Elevated interest rates and a limited inventory of houses are driving **Millennials and Gen Z** towards the **single-family rental (SFR) market** in search of budget-friendly initial homes. Currently, SFRs account for more than **50% of the U.S. rental marketplace**, and financial experts anticipate this portion will expand in the future. A breakdown of a recent report conducted by **multi-family lender Arbor Financial shows clear advantages**: low maintenance expenses, consistent extra revenue, and prospects for long-term appreciation all make investments in single-family residences an attractive option in an economic downturn.

## SFRS ARE LESS VOLATILE THAN STOCKS

- **RESILIENCE IN MARKET INSTABILITY:** SFR construction starts reached record levels in 2022, even as other housing sectors declined.
- **HISTORICAL RETURNS:** According to the real estate fin-tech company Roofstock, SFRs generated consistent returns with less volatility compared to the S&P 500 from 1992-2017.
- **RISK AND REWARD:** While the S&P 500 had annual returns of 35% or declines of similar magnitude, SFRs had a best-year return of 17.5% and a worst-year decline of just 2.5%.

## ACCESS TO THE MARKET

- **LOWER ENTRY COSTS:** Single-family homes are typically cheaper than multifamily properties, requiring less initial capital.
- **CAPITAL REINVESTMENT:** Investors can reinvest capital from one property into multiple properties, creating a growth snowball effect.
- **LIQUIDITY:** Single-family homes are easier to sell due to a larger pool of potential buyers.
- Incredibly competitive to a traditional MF apartment, SFR is **on average 33% cheaper per square foot** and 54% larger by area.

## LOWER MAINTENANCE AND REMOTE POTENTIAL

- **NO NEED FOR ON-SITE MANAGEMENT:** SFRs generally don't require an on-site manager, unlike multifamily properties.
- **TECHNOLOGY-ENABLED MANAGEMENT:** Advances in technology make it easier to manage properties remotely.
- **GEOGRAPHICAL DIVERSIFICATION:** In a 2022 survey conducted by property management company Mynd, 72% of respondents considered investing in properties outside their residing state or city.

## A SMART HEDGE AGAINST INFLATION

- **CAP RATES:** As of Q4 2022, cap rates in the SFR sector increased by 5.6%, even when U.S. inflation was over 9%.
- **LOCAL VS. NATIONAL IMPACT:** SFR values are more influenced by local economic conditions than national trends.
- **RENTAL DEMAND:** Rental demand has historically increased when mortgage rates rise, providing investment opportunities during economic downturns.

