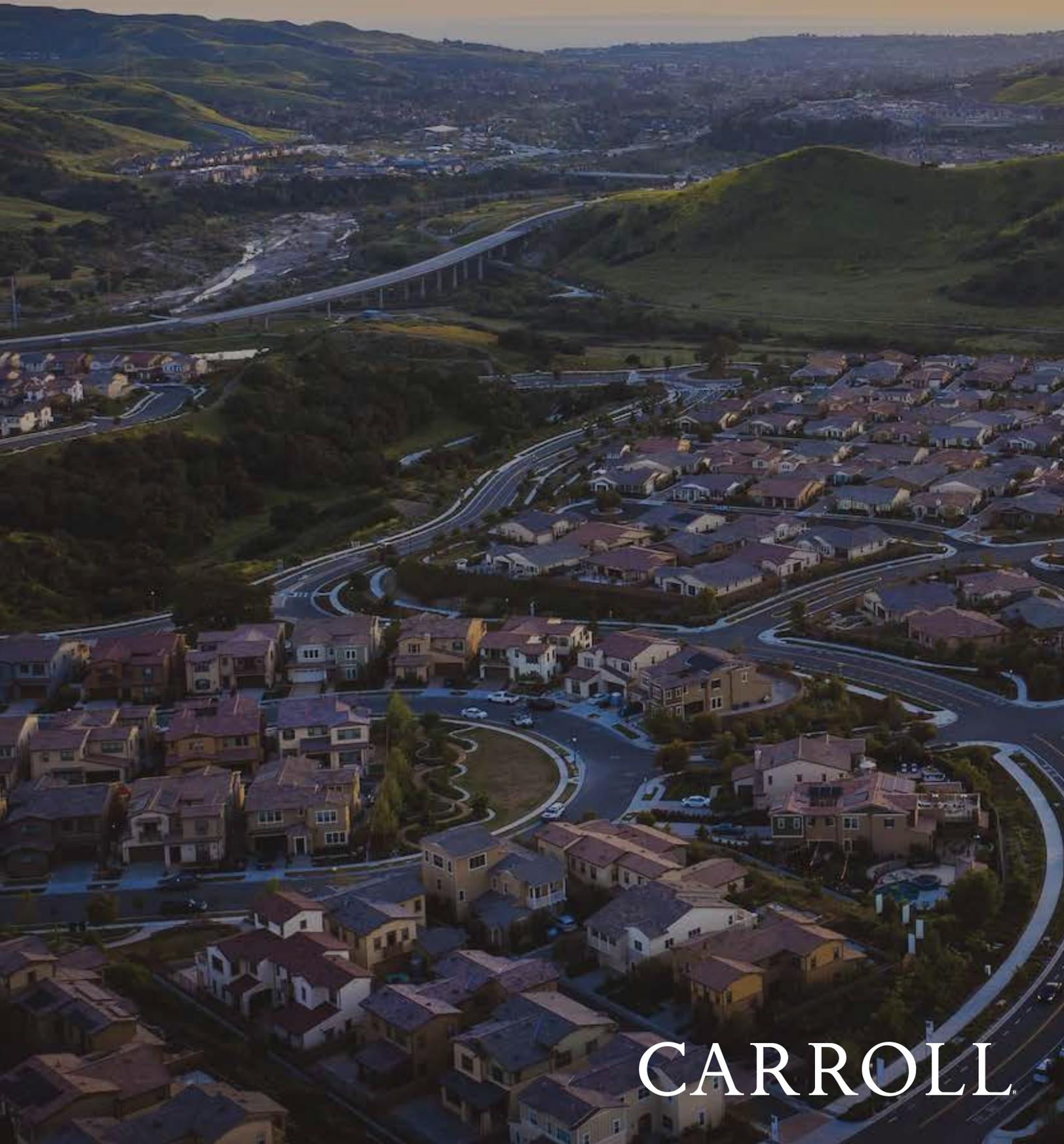


# MULTIFAMILY RENTALS

THE SUBURBAN FRONTIER



CARROLL

# Introduction

Ten years ago, as the nation's economy was slowly climbing its way out of the Great Recession, the real estate industry was experiencing a shift of its own. Across the country, once-forgotten urban areas were experiencing an influx in residents as people of all ages flocked to the magnetism of urban amenities and lifestyle. While several of the industry's top players followed the masses into the city, CARROLL saw an opportunity in the void that was being left behind: the suburbs.

The draw of the suburb first gained momentum in the post-WWII era. At the time, these markets provided a luxury-like experience thanks to new methods in building that made homeownership a reality for the masses. Fast-forward 60 years and the quaint affordability of suburbia is once again a leading trend in real estate; and thanks to a forward-thinking strategy and a resistance toward the herd mentality, CARROLL was well-positioned to welcome people home beyond the city lights.

# 01

## Population Power

Throughout the past few years, with Millennials leading the charge as the largest population, the suburban allure has been fueled by a number of factors: quality of neighborhood, quality of school district, affordability, and less-congested access to a downtown-style area. However, it's not just houses consumers are seeking. With consumers finding benefits beyond CBD hubs, multifamily rentals in secondary and tertiary markets have been on the rise.

The housing market has also seen a shake-up in recent years due in large part to changing lifestyle trends. Unlike generations prior, coming-of-age moments like starting families and buying houses are happening later in life for younger generations. In 2016, 48 percent of women ages 20 to 35 were moms, compared to the year 2000 when 57 percent of women born between 1965 and 1980 were already moms. Looking at home ownership for the first part of 2020, 40.3 percent of households between the ages of 25-34 owned their own homes, compared to 49.9 percent in 2005; 59.8 percent of households between the ages of 35-44 own their own homes, compared with 70 percent in 2005.

One significant factor postponing those major life milestones is the increasing burden of debt – mainly from student loans. In a recent survey of people ages 22 to 35, 61 percent cited student loan debt as the main reason for delaying a home purchase. The number of young adult households, ages 20 to 35, with any student debt doubled from 1998 to 2016. Similarly, the average amount of outstanding debt was roughly 50 percent higher in 2016 for Millennials than for Gen X at the same age range.

# 02

## Home Ownership

Beyond the lifestyle and economic changes, consumers in recent years have found less appeal in home ownership – especially for homes with massive footprints. People are drawn to the convenience of no-maintenance living and access to areas where purchasing would not normally be an option, heightening the value of multifamily rentals.

Studies show that 69 percent of Class A rental absorption in 2019 was in the suburbs, besting the previous 10-year average of 60 percent. This growth was recognized early on by CARROLL and led to a significant investment in the suburban multifamily market. Today, nearly 80 percent of CARROLL's portfolio is comprised of multifamily rentals in these submarkets.

Consumers continue to seek out multifamily rentals in highly desirable off-city markets. CARROLL's properties oftentimes offer access to larger units at affordable rates, in addition to features once staples of urban environments like walkable amenities and proximity to office spaces. And as increases in housing prices have continued to outpace wage growth during the past few years, multifamily rentals have proven an attractive option for Americans either not financially able to purchase a home or not willing to incur the debt associated with the acquisition.

# 03

## Location is Key

Multifamily rentals also provide relocation options for people seeking the “small-town” charm of secondary and tertiary markets like Charlotte, Nashville, Denver, and Austin – especially as work-from-home mandates continue to shape today’s workforce. At-home employees will require larger units with room for home offices and the ability to separate work and life. Experts anticipate this migration to pick up steam as companies follow the workforce beyond the city limits. Already, 52 percent of the office workers live in suburban areas, with only 27 percent still in an urban environment.

As an active investor in suburban markets throughout the past decade, CARROLL has always sought to proactively identify demographic trends. CARROLL expects growth in suburban markets to accelerate in the aftermath of COVID-19, as people seek more space, lower cost of living, and higher quality of life. Not all suburbs are created equal, though. When evaluating new markets, CARROLL’s focus has prioritized identifying areas with barriers to new apartment supply, good school systems, high single-family home values, diverse employment bases, ease of access, walkable amenities, safe neighborhoods, and high quality of life. Those factors, when combined with the affordability benefits, will be paramount to renters as the nation recovers from recent widespread financial pain caused by job losses and uncertainty. Through it all, CARROLL remains steadfast in its investment principles and strategy as it looks to the future of multifamily investing.

# About CARROLL

CARROLL is a Private Real Estate Company that combines the infrastructure and abilities of an institutional investor, with a best in class team of real estate operations professionals. This unique combination of skills has allowed CARROLL to become a top national real estate owner and operator. Our core focus is to acquire properties that exhibit attractive long-term investment characteristics, and improve the performance of these properties using our talented and passionate professionals.

CARROLL has made a conscious effort to become institutional in our execution, reporting, and communications with our clients; while maintaining the mindset of an entrepreneur. We study trends, make quick thoughtful decisions, and continually recruit and hire the brightest minds in the business.

Our investments focus on capital preservation, generation of current cash flow, and the implementation of value creation strategies. This investment philosophy, in our opinion, is what makes our company unique. While we will always be ambitious, CARROLL has the ability, and desire, to be patient and wait for the right investment opportunities.



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