



BUSINESS

Renters Only: These New Homes Aren't For Sale

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Chris Arnold



Iitzel Alarcon recently moved into a rental development near Denver. She says she's renting for now because she saw relatives hurt by the housing crash and is worried that home values might drop again.

Chris Arnold/NPR

A different sort of American dream is under construction outside Denver. More than 130 homes are being framed and nail-gunned together. But there won't be any real estate agents staging open houses. Instead of homeownership, this development is all about home-rentership.

"We got started in around 2010 after the housing crash and people were losing their homes," says Josh Hartmann, the CEO of NexMetro Communities, the company building these homes.

He says the business idea was that all those families losing homes to foreclosure wouldn't want to go back to renting apartments. They'd want to rent single-family houses until they got back on their feet financially.

But that's not who kept walking into the sales office to rent the houses.

"What we were shocked to find out was it was people that had great credit, they had money for down payments, they had great incomes, but they just didn't want to own a home," Hartmann says. "They were a lifestyle renter, renter by choice."



So why are so many people who could buy a house renting one instead?

"This is perfect for me," says Lou Ann Erwin, who lives in a finished NexMetro development in Commerce City, Colo., a Denver suburb. "I wanted the house feel, but not the house payment and not the commitment of a 30-year mortgage."



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Chris Arnold/NPR

Erwin just got divorced. She's not sure where she's going to want to live longer term. Her cottage-style house here isn't big. But it has 10-foot-high ceilings and a spacious-feeling kitchen and living area. The yard is tiny and the homes are packed tightly together, but that doesn't bother Erwin.

"I've got a gas grill out there. I've got a fire pit and we sit out there at night," she says. "My neighbor next door came over the other night, and we just sat around, drank wine and just talked. It felt like home to me."

There's also a pool for residents to share with a big hot tub. "Yeah, this is the spot where our residents love to hang out in the evenings or on the weekends with their friends," Hartmann says.

He says there are basically three types of renters of these houses: recent divorcees like Erwin, aging baby boomers who don't want the headaches of owning a house anymore and millennials.

Most millennials say they want to own a home someday. But they're not buying as young as prior generations. For some, student loan debt is a factor. And the high cost of rent in many areas can make it difficult to save up for a down payment.

Itzel Alarcon, 25, moved in recently, shortly after getting married.

She says she saw relatives hurt by the housing crash. And home prices have doubled in this area since then, so she's nervous they might fall again.

Alarcon says home prices seem ridiculously high, "so we'll stay here at least for a year or two for sure." At \$1,500 a month, she says, the couple's one-bedroom cottage is cheaper than buying a house in the neighborhoods she finds appealing.

So for many residents, renting seems to make perfect sense. But if they stay here too long, would they be violating one of the fundamentals of good personal finance? After all, owning a home and building equity in it is still the most powerful way for most Americans to accumulate wealth.

"Owning still makes much more sense," says William Wheaton, a housing economist at MIT. He says these rental homes are fine short term, but he hopes young people don't wait too long to buy into the housing market.

"If prices continue to rise like they have in Denver, buying in Denver will be a money tree," Wheaton says. "But even if you're very cautious and say, 'No, no, no, they're not going to continue to rise a lot, they'll inch up a few percentage points each year' — over five or 10 years, that adds up to a sizable nest egg. And that's what you're giving up by renting."

At NexMetro's development in Commerce City, Hartmann says he, too, hopes more young people buy homes and build equity. That's what he did. But until they're ready, he has 3,000 more single-family rental houses under construction or in development in Arizona, Texas, Colorado and Florida.

Hartmann is not alone. In the past year, developers around the country built more than 40,000 homes as single-family rentals, the National Association of Home Builders says.

For her part, Erwin says her little cottage beats an apartment any day.

"I've got my own private patio," she says, walking out through the sliding porch doors. "So I love this. I really do. I mean, you're not gonna get a patio like this in an apartment. You're just not."



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