

HouseCanary's Third Quarter Rental Investment Index Attests to Health of Single-Family Rental Market

HouseCanary has released third-quarter data for its groundbreaking Rental Investment Index (HCRI), which shows continued health in the U.S. single-family rental market. The nationwide Effective Gross Yield (EGY) for U.S. single-family rentals held steady at 8.0 percent, sustaining a strong yield in spite of the continued rise in housing prices.

“HouseCanary’s latest HCRI results show that the recalibration of home prices to historic norms is continuing to put overall downward pressure on effective gross yields for the single family rental sector,” noted Alex Villacorta, PhD., HouseCanary’s Executive Vice President of Analytics. “In particular, the accelerated growth in the Western and Northeast regions over the past few years has seen the strongest effect of compressing yields as the cost to acquire continues to increase.

“Of the top 50 metros, only 3 metros have shown more than 0.5 percent positive growth in yields over the last quarter, suggesting that nationwide, the growth of rents is slowing relative to that of home prices,” Villacorta added. “Though the most abundant double-digit opportunities reside in the Southern region of the country, there are still several localized pockets of high-yield opportunities in most markets throughout the country.”

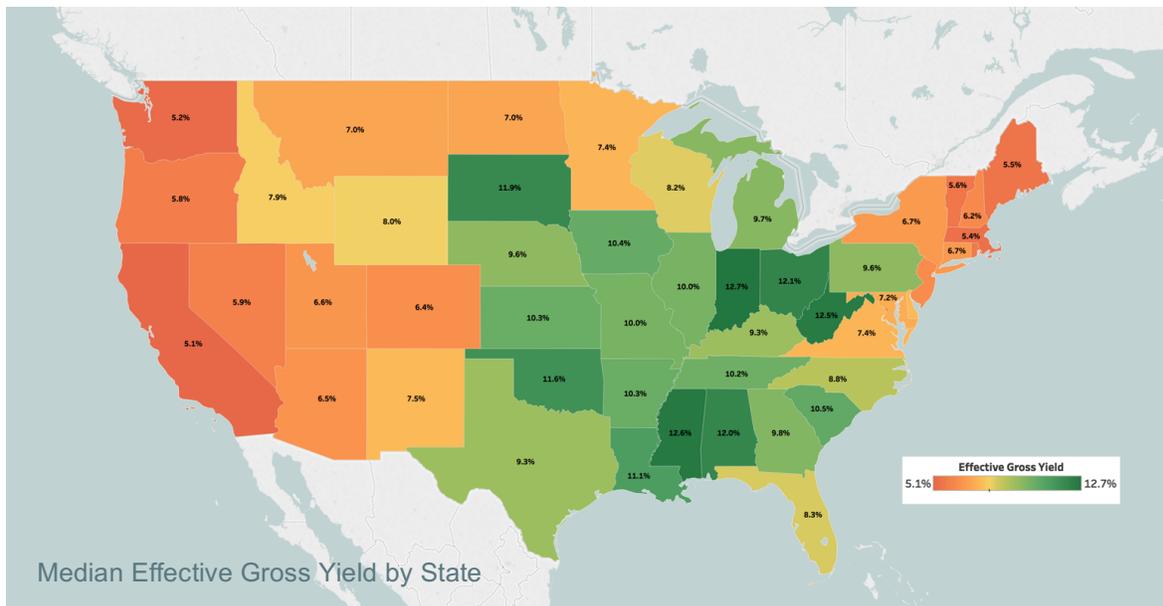
Statewide average yields in the Midwest and South continue to show stark differences, where EGY ranges from 8.3 percent to as high as 12.7 percent, and in the West and New England, no state surpasses 7.0 percent. California, which has the lowest statewide EGY in the country at 5.1 percent, also contains the four lowest yielding MSAs, each with EGYs between 3.5 percent and 4.8 percent.

There is heavy variation within individual states, too. In Rochester, a 13.9-percent EGY is elevating the metro to the highest-yielding individual city in the nation — despite New York managing only a 6.7 percent EGY statewide. It is worth noting that while Rochester maintained the top EGY in the nation, its EGY dropped 3.3 percentage points since last quarter, which may indicate a softening at the top of the market — though no other MSA saw its EGY drop more than 0.7 percentage points since last quarter.

HouseCanary's vast granular dataset of rent and home values enables the company to compute EGY at the national, state, and ZIP code level, and for 3 million census blocks across the country. The HCRI helps investors avoid the challenges traditionally presented by fractured information in the single-family rental sector. By providing the market with a uniform, centralized index of rental yields, HouseCanary is making it easier than ever for investors to amass large-scale SFR properties remotely and with confidence.

The HCRI Index measures EGY for the industry, computed as the current fair market annualized rent minus estimated property tax, divided by the current fair market home value. EGY is an important profitability metric for single-family rental home lenders and investors, who have historically only been able to calculate gross yields for individual properties or their own portfolio of properties.

Effective Gross Yield by State



The regional fragmentation of rental yields remained severe throughout the third quarter. Yields in the South and Midwest more than doubled some of their counterparts on the West Coast and New England, two regions in which skyrocketing home prices have suppressed EGY.

While no state reached Mississippi's nation-leading 12.9-percent EGY from last quarter, two new states eclipsed the 12.0-percent mark: Alabama and West Virginia joined Indiana, Mississippi, and Ohio, each of which held steady above 12.0 percent from last quarter.

The Lake States, led by Michigan's 9.7-percent EGY, may not be performing up to the level of their neighbors in the Midwest and the Rust Belt, but they remain well ahead of states in the Northeast and West Coast. The nation's two biggest losers during the third quarter were Montana and North Dakota, each seeing their EGY drop to 7.0 percent from 9.6 percent and 11.2 percent, respectively.

EGYs not pictured: Delaware (7.5 percent), New Jersey (6.3 percent), Rhode Island (5.7 percent), Washington D.C. (5.6 percent)

Effective Gross Yield by Metropolitan Statistical Area (MSA)

Despite the nationwide EGY holding steady at 8.0 percent, only 12 of the 50 MSAs tracked saw an increase in EGY from last quarter, led by Pittsburgh's 2.3-percentage-point increase in EGY over the second quarter.

While no MSA took a hit quite like that of Rochester, New York, 29 MSAs saw a decrease in EGY from last quarter. Just over half of the MSAs tracked surpassed the nationwide average, and five top performers surpassed 13 percent — though three of those five notably saw their EGY decrease since the second quarter.

Top 50 MSAs	Yield
Rochester, NY	13.9%
Memphis, TN-MS-AR	13.7%
Buffalo-Cheektowaga-Niagara Falls, NY	13.3%
Birmingham-Hoover, AL	13.1%
Cleveland-Elyria, OH	13.0%
Pittsburgh, PA	12.3%
Indianapolis-Carmel-Anderson, IN	12.1%
Kansas City, MO-KS	11.6%
St. Louis, MO-IL	11.2%
Oklahoma City, OK	11.2%
Columbus, OH	10.9%
Detroit-Warren-Dearborn, MI	10.8%
New Orleans-Metairie, LA	10.1%
Cincinnati, OH-KY-IN	10.0%
Louisville/Jefferson County, KY-IN	10.0%
Houston-The Woodlands-Sugar Land, TX	9.6%
Atlanta-Sandy Springs-Roswell, GA	9.4%
Chicago-Naperville-Elgin, IL-IN-WI	9.2%
Charlotte-Concord-Gastonia, NC-SC	9.1%
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	9.1%
Milwaukee-Waukesha-West Allis, WI	9.0%
Tampa-St. Petersburg-Clearwater, FL	9.0%
Baltimore-Colombia-Towson, MD	8.9%
Jacksonville, FL	8.9%
Dallas-Fort Worth-Arlington, TX	8.6%

Top 50 MSAs	Yield
San Antonio-New Braunfels, TX	8.6%
Nashville-Davidson--Murfreesboro--Franklin, TN	8.2%
Richmond, VA	8.2%
Miami-Fort Lauderdale-West Palm Beach, FL	7.9%
Orlando-Kissimmee-Sanford, FL	7.8%
Virginia Beach-Norfolk-Newport News, VA-NC	7.8%
Raleigh, NC	7.7%
Hartford-West Hartford-East Hartford, CT	7.3%
Minneapolis-St. Paul-Bloomington, MN-WI	7.3%
Denver-Aurora-Lakewood, CO	6.6%
Phoenix-Mesa-Scottsdale, AZ	6.4%
Austin-Round Rock, TX	6.3%
Riverside-San Bernadino-Ontario, CA	6.1%
Las Vegas-Henderson-Paradise, NV	5.9%
Portland-Vancouver-Hillsboro, OR-WA	5.7%
Providence-Warwick, RI-MA	5.7%
Washington-Arlington-Alexandria, DC-VA-MD-WV	5.6%
Boston-Cambridge-Newton, MA-NH	5.4%
Sacramento--Roseville--Arden-Arcade, CA	5.1%
Seattle-Tacoma-Bellevue, WA	5.0%
New York-Newark-Jersey City, NY-NJ-PA	5.0%
San Diego-Carlsbad, CA	4.8%
Los Angeles-Long Beach-Anaheim, CA	4.5%
San Francisco-Oakland-Hayward, CA	4.3%
San Jose-Sunnyvale-Santa Clara, CA	3.5%

Effective Gross Yields by Metropolitan Statistical Area are available for download at:

www.housecanary.com/rental-investment-index

Methodology

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About HouseCanary

Founded in 2014, HouseCanary's mission is to help people make better real estate decisions. Built on a foundation of great data, powerful models, and predictive analytics, the HouseCanary platform aggregates millions of data elements, including more than four decades of property data and a rapidly expanding arsenal of proprietary calculations and analytics, to accurately define and forecast values and market influences. HouseCanary is financed by notable investors including Hillspire (Alphabet Executive Chairman Eric Schmidt's family office), PSP Growth/PSP Capital (firm founded by entrepreneur and former Commerce Secretary Penny Pritzker), Alpha Edison, ECA Ventures, Raven Ventures and others top Silicon Valley investors. The company is headquartered in San Francisco. Learn more: www.housecanary.com.

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