

Due Diligence **Report**

West Lake Rental Community

Overview

The Florida Land Investments, LLC (FLI) team, headed by Fredrick "Freddy" Sanchez, has over 30 years of single-family home development experience. Since 1987, Freddy has successfully completed residential projects totaling over 4,000 new homes, with a total construction value exceeding \$1 billion USD.

The West Lake Project

FLI's latest project is the West Lake Subdivision, a \$180 million, single-family home development near Gainesville, Florida. West Lake is a fully planned residential neighborhood specializing in single-family detached homes for rent. The design and amenities cater directly to the needs of the local community. The West Lake subdivision is a classic "bedroom community" that is located in an attractive living location. The move to bedroom communities has been trending well before COVID-19 and its appeal is now accelerating due to the demands of the virus.

The coronavirus pandemic has caused the real estate market to skyrocket as Americans seek to change their living conditions, Compass Real Estate Vice President Mike Aubrey explained.

"The pandemic caused everyone to reevaluate where they're being quarantined," Aubrey said. "You look at the fact that a home is no longer a home, the home is now a workplace as well. It's also a school. And I think that that really has gotten a lot of people in a position where they've decided to pull the trigger and change the condition that they live in."

Aubrey said the largest buying group is millennials, since most are marrying and starting families, a phenomenon that is also contributing to the number of people leaving urban centers.

"They're looking at *bedroom communities* because they want better schools and they want sort of a different way of life," he said. "And that was happening before COVID. So I think that they were beginning to sort of look at going into those spaces and then it was just exacerbated by COVID."

Benefits of Single-Family Build-to-Rent (B2R)

There are numerous benefits B2R rental communities have over multifamily apartment rentals. The first of which is more space—more living space as well as outdoor living area.

Market Trends Single-Family B2R

Since COVID 19, Americans are increasingly seeking reduced proximity to large populations and greater access to healthy outdoor areas such as provided by West Lake subdivision.

Small business owners are going so far as purchasing residential houses and converting them to office space in order to avoid close contact with other company's employees, as would be experienced in the typical high-rise commercial office building. There is no surprise then to see similar trends in residential housing decisions of populations moving from urban areas to suburban neighborhoods and suburban households moving to rural communities. Much of this is COVID-19 driven. People are looking for open spaces, healthier environment and less proximity to large populations. The West Lake rental community is uniquely poised to take advantage of these trends. It is located in a less populated area with larger backyards and greater natural open spaces. In addition, larger living areas and well designed interiors make Westlake a natural choice for many renters seeking a move from the center of Gainesville Florida.

Another advantage of the B2R community is that people who rent single family homes tend to stay longer resulting in lower turnover of rents, therefore significantly reduced vacancies. This is not merely anecdotal, but is proven through statistics. Less renter turn over not only ensures a steady flow of income, but it also reduces the cost of seeking out new renters. The result is a big cost savings.

NEARLY 1,000 PEOPLE MOVE TO FLORIDA DAILY

Another demographic shift within United States is a geographical shift from the northern coastal states of New York, New Jersey, Pennsylvania etc. To the southern state of Florida, Texas and Georgia, for example. Florida is the number one destination and the State with the fastest growing population within the country.

Putnam and Alachua counties in Florida are expanding highway 20 (located immediately in front of West Lake subdivision) from a two-lane to a four-lane highway. This is being done in anticipation of the consistent population growth the area is experiencing. In fact, the lack of housing and especially in the mid to lower price range is significant. The leveling of the supply/demand ratio in the local housing sector is forecast to occur well into 2026.

In 2020, homes went from the place people returned to after work, school, hitting the gym or vacationing, to the place where families do all of the above. West Lake has designed its floorplans and lot layouts accordingly. This includes dedicated home office space whenever possible in our floor plans. Two-thirds of people surveyed by Zillow in May were working from a room that's not a dedicated home office space, while the desire for one was at the top of their wish list.

Yards need to be of sufficient size and useable year-round. People want more space in their next home, and one way to get it is by turning part of the backyard into a functional room, "an outdoor space for play as well as entertaining or cooking," says Detwiler. West lake has that extra space.

Gainesville's New Regulations Leads to Higher Rents

Gainesville is implementing stricter housing rental rules, which will raise rental rates significantly. Since the West Lake Subdivision is located outside of Gainesville city limits, it will not be subject to the costly rental rules, but it will benefit from the rising rates in general.

The new housing ordinance forces Gainesville landlords to keep up with new energy efficiency standards, make homes subject to inspections and give homes an energy efficiency rating every eight years. Other requirements include insulation standards, homes free of insect infestations, installing carbon monoxide alarms in all homes and rental permits for all city landlords.

The city is also increasing the number of required rental permits. The number of landlords that would be forced to obtain a rental permit will increase four fold. The ordinance would force landlords to comply with the mandates or run the risk of being fined or losing their rental license.

Terry Martin-Back, a Gainesville real estate broker, said costs for landlords to comply with the changes will be pushed onto renters in the form of higher rental rates.

Target Market

The West Lake Rental Community is located 20 miles to the East of Gainesville on Highway 20. West Lake's target renters are residents of Gainesville Florida with household incomes in the range of \$79,000 to \$120,000. The typical renter would be a family of four, employed within the University of Florida or the UF medical system. Combined, these employers comprise almost 60% of all economic activity in Gainesville Florida.

West Lake seeks to draw Gainesville residents who are looking for a more economical housing environment than can currently be found in Gainesville, which is a short 25 minute drive to Gainesville's city center.

Local Rental Market Conditions

The supply of single-family home rentals in Gainesville and the surrounding areas is extremely limited. In addition, three and four bedroom Multi-family apartment units are also in short supply. The Single family homes that are available for rent are typically older houses with no additional amenities or community attributes.

West Lake's main competitor is Dream Gainesville located at 3793 NE 1st Way, Gainesville, FL 32609. Rental rates are significantly higher than West Lake comparable single-family homes Dream Gainesville is a single Family home rental community located near the Gainesville airport. It has closer proximity to University of Florida and the Shands Hospital system. However, West Lake Single family homes are almost identical in size and style, but offer a more competitive rental rate. On average, Westlake is offering rentals at 35 to 40% discount to what is offered by Dream Gainesville. This is a significant incentive for single-family home renters who prefer a more

affordable housing option. West Lake's aggressive rental pricing makes it an extremely attractive option for many Gainesville families.

DREAM Gainesville

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Staying home? **See Online Tour Options**

Beds	Baths	Rent	Sq Ft
3 BRs	2 BAs	\$2,484	1,380 Sq Ft
3 BRs	2 BAs	\$2,790	1,550 Sq Ft
3 BRs	2 BAs	\$2,979	1,655 Sq Ft
4 BRs	2½ BAs	\$3,253	1,807 Sq Ft
4 BRs	2 BAs	\$3,438	1,910 Sq Ft

Sales Comparables



3 bd 2 ba
1,645 Square Feet
3053 SW 98th Dr, Gainesville, FL 32608
Sold on 08/13/20 for \$344,900
\$210/sq. ft.



3 bd 2 ba
1,584 Square Feet
12089 SW 28th Ave, Gainesville, FL 32608
Sold on 02/25/20 for \$335,000
\$211/sq. ft.



3 bd 2 ba
1,722 Square Feet
2711 SW 4th Pl, Gainesville, FL 32607
Sold on 06/30/20 for \$410,000
\$238/sq. ft.



3 bd 3 ba
1,680 Square Feet
308 NW 4th Ave, Gainesville, FL 32601
Sold on 02/27/20 for sure eight\$349,000
\$207/sq. ft.



3 bd 2 ba
1,612 Square Feet
501 NE 8th Ave, Gainesville, FL 32601
Sold on 04/15/20 for \$347,000
\$215/sq. ft.



4 bd 2 ba
1,516 Square Feet
2718 W University Ave, Gainesville, FL 32607
Sold on 03/25/20 fro \$280,000
\$185/sq. ft.

Rent Supply

The analysis comprises the entire market, not just the properties within three miles from campus that are commonly called “student-competitive.”

The Gainesville, Florida rental market has quietly strung together a few years of favorable performance. The North Florida market averaged 4.4% rent growth in 2018 and 2019, which ranked 24th, just ahead of Ann Arbor, Michigan. Meanwhile, an average occupancy rate of 96.2% over that same period was 18th nationally.

Development in Gainesville has remained dormant for the better part of the past decade, with only one property totaling 296 units delivered from 2009-2019. The lack of development activity means Gainesville is not facing the supply challenges that most markets have gone through. Likewise, the market has been able to post good, albeit not substantial, job growth in recent years. The market’s employment base expanded 6.6% the past two years (compared to 5.3% nationwide).

More importantly, the types of jobs exhibiting growth in Gainesville have been conducive to positive apartment rental market performance. Professional and Business Services grew 11.5% and Financial Activities grew 9.5% over the past two years, besting national growth for those sectors by 340 and 540 basis points, respectively. Furthermore, over 36% of Gainesville’s population is between the ages of 18 and 34, creating an ample pool of prospective renters in the market.