



The single-family rental opportunity

How did Lyvwell get into the single-family rental (SFR) space?

Lyvwell Communities began life back in the '80s as Proluxe Properties, an SFR operator. During the next 40 years, the group grew its SFR multifamily and development business until 2021, when a build-to-rent (BTR)-focused sister company was launched and branded as the LyvWell Communities to acknowledge the wellness focus it was incorporating into its SFR. It was this focus on lifestyle and wellness that led the management team to develop BTR communities. SFR has been an asset class for well over a century, but it was strictly a mom-and-pop venture until the great financial crisis. During the GFC, many families were unable to purchase homes and so were looking to rent. Apartments and multifamily developments had plenty of studios, one bedrooms and two bedrooms, but there was a shortage of three-bedroom and four-bedroom apartments, as well as actual single-family homes, for families that needed more space but chose not to or couldn't afford to own a home. We had already been operating a SFR portfolio, but the GFC supercharged our SFR focus because we were able to acquire a lot of foreclosed and bank-owned homes and capitalize on that opportunity.

Why did you begin developing your own SFR communities?

Eventually, the economy turned around, and homeowners become financially healthy again. We knew it'd be more competitive to buy single-family rentals and the foreclosure pipeline would dissipate over time. We knew the demand was there for larger rental homes and decided if we couldn't buy them at competitive prices, then we would build them. That's when we decided to start a separate brand – Lyvwell – that's strictly focused on build-to-rent.

Where is the demand coming from?

There has been a surge of multifamily apartment development during the past several decades. Millennials absorbed most of those. Eventually this cohort got married, had kids and needed more space. Less than 8 percent of the class A rental product was three bedrooms and close to 0 percent were four bedrooms. We decided to focus on bigger single-family homes with three and four bedrooms, garages and a backyard – a true single-family house experience.

We hear the multifamily markets are getting overbuilt. Is this affecting the SFR market?

Generally speaking, there is a short-term oversupply. It's mainly driven by the cheap capital all the developers have had access to for almost a decade now. Therefore, too much got built in too short of a period of time. But, long-term, there's still a



Michael Bednarski is the CEO of LyvWell Communities. He oversees the strategic initiatives, capital relationships, investment strategy and operational execution of the investment and development company.

Prior to launching LyvWell, he spent two decades as an investor and developer for various real estate strategies, such as urban infill self-storage development, land development, SFR acquisitions and management, multifamily and the office sector. His venture partners typically include private equity partners or an institutional capital group. Mike has raised more than \$150 million for investments/projects to date.

major shortage. Once we get past this hangover phase, we see a massive drop off of supply in the next couple of years. We will go from an oversupply situation to a major undersupply situation in a very short period of time.

Are you in competition with traditional multifamily rentals?

We view ourselves as being the next stage of a life cycle for apartment dwellers. We want to complement multifamily, not compete with it. We want to be a potential partner with multifamily groups by building a complementing product to their communities. For example, we'll look for multifamily groups that may have excess land for their multifamily project, and they don't want to sell it to another multifamily competitor, but they're willing to sell it to us because we're not competing head-to-head with them, and vice versa, too.

Are you geographically focused?

We're focused right now on the southeast U.S. and Texas. Even though we have that temporary supply hangover I mentioned, we believe these markets are primed to deliver housing. They're still growing. They're very robust. There's still a major housing shortage long term. We focus on the demand side just because we're opportunistic. We're a merchant builder, where we build, stabilize and then sell. We're narrowing it down to the southeast U.S. and Texas. Within those markets, we're not looking everywhere. I'd say 90 percent of our focus are major MSAs. Many groups have gone to the tertiary markets chasing yield. Frankly, we don't think you get paid to be in those markets. We are building class A high-quality communities, not only for the consumer, but for the ultimate buyer, the institution that's going to be building a portfolio in these stabilized communities. They want to be in your major markets.

What are your target buy parameters?

As mentioned, we focus on large markets in the southeast U.S. and Texas. Within those markets, we're building or acquiring

between 100 and 220 homes at a time. Once you get below 100 homes, the properties tend to be scattered and it's very difficult to manage from an institutional management standpoint.

For larger communities, the challenge is a lease-up period and absorption rates are much lower than multifamily. Naturally, trying to lease more expensive, bigger homes takes more time, and you rent less for a month than you would on cheaper apartments. If you build a community that's too big, you end up competing with yourself and cannibalizing your own lease up. We've found the sweet spot is closer to 150 homes. If greater than 150, we start having to think about how we position our products. Maybe we build 150 homes with garages and backyards. Or, we build another 25 or so that are cottages, another 25 that don't have garages and are surface park units. You start having to bifurcate your community in terms of product offerings if you start getting past 150 homes.

What are the major challenges?

A few years ago, the major challenge was competition that drove prices to unsustainable levels. With players from that time dropping out of the market, competition is drying up. However, we still need to deal with nimbyism, entitlement processes and restrictive zoning. Even in your developer-friendly states like Florida and Texas, they're getting much worse than they ever used to be. Everybody wants housing and sees the shortage, but nobody wants it next to their community.

What is your exit strategy for your communities?

The goal is to optimize value by creating a stabilized community. In a perfect world, we're looking to build a portfolio of these communities and then exit the whole portfolio, which means we hold and manage the property for around seven years. Although that is the optimal exit, we have a lot of optionality, which is great because we can move with the markets. The upside scenario is to sell to the same groups that buy institutional multifamily assets. You have everything from family offices to U.S. institutions to international capital all seeing the opportunity now in the build-to-rent space.



Are there many other groups that do this?

Initially, there was a gold rush into the asset class because of the demand drivers. Everybody was trying to get into the build-to-rent. There was more capital than deals. Since the interest rates shot up and the environment became very difficult to get deals to underwrite, much of the capital went to the sidelines, especially development equity. I would say the actual bench of operators doing this shrank 75 percent during the past few years. In most big markets like Dallas and Atlanta, you have two active groups doing a lot of build-to-rent business, and then everybody else is one-off. It's still a very bifurcated market of the small shops versus just a few large ones.

Can someone walk in and know that this is a Lyvwell community compared to something else?

When we launched the platform, we had two things in mind. One was having a mission behind the strategy. It's great to build homes and generate profits for investors. We partner with institutions and generate strong returns, but we wanted to have a mission behind the brand. Wellness was the first thing that came to mind, not because of my personal experiences and passion for it, but the fact that in the U.S. the top five or six causes of death are self-inflicted. People are now trying to focus on becoming healthier. We want to have wellness as the force behind how we design our communities, to not only build homes, but to build healthy families. This is our prime differentiator. Everyone is offering amenities and smart homes. Those features are very commoditized. Very few other groups are focused on wellness.

Is this a long-term class that's going to be here in 20 years?

Absolutely. SFR has been around as long as multifamily has been around. We've always had the need for larger homes. You need a new product type for all the folks – the millennials and even Gen Z behind them – that are living in apartments but are going to eventually get married, form larger households, and need more space. They're either going to buy or they're going to rent. We're not solving the homeownership side. But you'll always have a demand channel that wants to rent. As long as you have multifamily around, they're always going to have to move out and find more space and bigger homes, and we're going to deliver that.

Where do you want to be in five to 10 years?

We want to be able to have 10,000 homes in 10 years through both acquiring communities from builders, as well as developing. That would be very challenging to do via development alone because of the entitlement climate that I mentioned. We are focused on quality locations and execution. We want to be the best, not the biggest – but we look forward to being a top-five player in the country.

For more information about Lyvwell Communities:

 (813) 406-4966

 info@lyvwellcommunities.com

 www.lyvwellcommunities.com

This article has been written for informational and educational purposes only and should not be considered as investment advice or as a recommendation of any particular security, strategy or investment product. Past performance is not necessarily indicative of future performance. Investors must consult the applicable private placement memorandum for a discussion of the risks specific to any investment program.

Copyright © 2025 by Institutional Real Estate, Inc. Material may not be reproduced in whole or in part without the express written permission of the publisher.