

## New Hybrid Housing Project Supplies Unmet Demand

NexMetro's latest projects area a hybrid between apartments and single-family homes.

By Kelsi Maree Borland | November 06, 2019



Zi Sen Chong

Developer **NexMetro** is building housing that serves as a hybrid between conventional apartments and single-family homes. The for-rent community is focused in high-growth markets Peoria, Arizona, and Thornton, Colorado. EverWest Real Estate Investors is bullish on the product type, funding construction loans totaling \$24.3 million for the two projects.

“The greatest advantage of the NexMetro product is that it serves an unmet market demand—that is, the renter who wants to rent but does not want the drawbacks of apartment life. These home units take the three primary things that renters dislike about a traditional apartment—no yards for their pets, shared walls and access by stairs or elevators—and basically eliminates them,” **Zi Sen Chong**, director of structured finance at EverWest, tells GlobeSt.com. “While some NexMetro homes do have a shared wall, the majority are stand alone and all have ground-floor walk-up access and a yard while still maintaining common area amenities like a resort-style pool. There is a large pool of renters who want this lifestyle but a limited inventory of product that checks all of these boxes.”



McCahill

NexMetro's choice markets are also attractive to EverWest. They focus on emerging markets in the sunbelt. “Most of their development is happening in sunbelt states with strong economies, an attractive lifestyle and high levels of in-migration,” **Tom McCahill**, EVP of structured finance at EverWest, tells GlobeSt.com. “This includes renters by choice, Tom those saving up for a down payment before purchasing

a home and those who may only be residing in an area for a few months or years and want a rental option like NexMetro's—something that is spacious and open and feels more like a home than an apartment.”

NexMetro isn't the only developer supplying this market segment. EverWest is seeing sponsors with similar projects. “One of the things we like about NexMetro is that it produces at scale,” adds McCahill. “Developing the same general plan in multiple markets ensures that they are meeting common renter demands while keeping costs down. That has earned them significant success, and success does spawn competition. I expect we'll see more of this type of product popping up around the country but so far in markets like Denver we have not.”

While these deals are similar to a standard multifamily project, Chong says there is one distinction. “Because the NexMetro model is horizontal construction, the company can turn units into rentals as soon as they are completed, much like you would in a single-family community,” he says. “This allows a NexMetro project to begin earning rental income months before a traditional multi-story apartment unit, which must be completely finished before the move-ins can commence.”

EverWest has done several deals with NexMetro, and they have an ongoing relationship with the developer. “That kind of foundation can be a great advantage with a client like NexMetro, who was looking as much for capital resources as they were a strategic capital partner,” says McCahill. “They know EverWest has a reputation for doing what we say we're going to do, and that helps with the certainty of execution. While there is certainly ample competitive capital, our relationships and track record—as well as our firm's resources—enable EverWest to be a preferred capital partner.”