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National

No Picket Fence: Younger Adults Opting to Rent

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Brandon Neil, left, and Stacey Bran enjoy movie night in a courtyard of The Lotus, in Fairfax, Va.

VIENNA, Va.

On a recent sunny afternoon, a half-dozen grinding and spinning cement trucks helped lay the foundation for what many real estate developers see as the most promising housing opportunity in postrecession America: apartment living.

Here in suburban Vienna, about 16 miles west of downtown Washington, Joshua Solomon's DSF Group is remaking a congested but nondescript intersection into a haven for young adults of the millennial generation. Like many other developers who survived the housing bust, he now expects a coming wave of renters who intend to stay that way for a while to help lead the industry to a brighter future.

"That generation of folks has seen people really get hurt by homeownership," said Mr. Solomon, president of the company, which is based in Waltham, Mass. "The petal has really fallen off the rose as it pertains to homeownership. People don't want to be tied down to a mortgage they can't get out of quickly."

That is true of Cabell Dickinson, 30, who had rented an apartment in Arlington, Va., for eight years when she and her boyfriend decided in May to get more serious about their relationship. Instead of marrying and buying a home, however, they followed friends to Mr. Solomon's complex, known as Halstead Square, moving into a $2,000-a-month apartment.

They often watch football in the lounge and have friends over for barbecues around the rooftop grill. "I can pretty much do my whole life in the building," Ms. Dickinson said.

The developer's bright red and yellow rental high rises — three already filled with young tenants — are a modern mix of glass, metal and fashionable ipe wood. The complex has fire pits and waterfalls, and each unit has a built-in iPod docking station hard-wired to speakers that pipe music throughout the apartment and link to TVs. When a fourth, 200-unit building is finished next year, it will have a residents-only bowling alley.

Since 2008, the year Lehman Brothers collapsed and home prices dropped precipitously, there has been a steady increase in the number of people ages 18 to 34 renting instead of buying homes. About 875,000 more households are now made up of young adult renters than would have existed if the 2008-era trend had held steady, according to an analysis of census data by Jed Kolko, chief economist at Trulia, a real estate marketing website.

Moreover, as the economy slowly improves and job growth picks up steam, the millions of 20- and 30-somethings who shared living quarters with friends or nestled in their parents' basements to ride out the economic shock waves from the Great Recession are beginning to branch out on their own. But they are still largely shut out of the mortgage market.

"They're not going to go from living with their parents to buying a home," said Mark Zandi, chief economist at Moody's Analytics, speaking at a housing conference in Washington. "They're going to rent an apartment."

Developers and builders are responding to a rising demand not just from young adults but also from the larger population of Americans who do not have the means or the desire to buy a house.

"A lot of people 10 to 15 years ago who were able or willing to get a mortgage, now they can't," said Ian Shepherdson, chief economist for Pantheon Macroeconomics. "They're caught in an awful Catch-22 trying to get a down payment" now that they're spending on rent.

While construction of single-family homes is only halfway back to its prerecession levels, construction of multifamily units — which include both condos and rentals — is at its highest level in 25 years. Apartment construction is exceeding its prerecession peaks in some markets, including Austin, Tex.; the Washington metropolitan area; and San Jose, Calif., according to a recent report from the Joint Center for Housing Studies at Harvard.

Mr. Zandi said the nation needed even more new rental units, especially affordable ones. Vacancy rates for rentals are as low as they have been in more than two decades, and the price of renting, in turn, is climbing.

"Our problem in the next three to five years isn't a surfeit of multifamily housing but a shortage," Mr. Zandi said.

In California, SCM Construction Management Services built single-family homes for 30 years, but after the recession it began building rental complexes in the state's Central Valley region, which was hit hard with foreclosures, as well as the San Francisco Bay Area, which never really stopped growing.

Renters abound in both regions, said Steve Mothersell Sr., president of SCM. Young, educated technology workers with good salaries want to live in San Francisco, where home prices are out of reach for all but dot-com millionaires. "And out here in the Central Valley, we're seeing families come back together as kids are moving out after living with their parents," he said.

Developers are zeroing in on the generation of people in their 20s and early 30s, who now outnumber baby boomers. Many new amenity-laden complexes are updated versions of the 1990s soap opera "Melrose Place," where socializing takes place at bocce courts and outdoor movie theaters next to swimming pools.

Developers are particularly creative in finding sites with cheaper land costs that give them the ability to offer more affordable near-luxury units. The Parkway Lofts in a scruffy neighborhood near a commuter train station in Bloomfield, N.J., opened in January and offers 17-foot ceilings, a roof deck and a movie screening room. "It's not your typical suburban, four-story, wood-built apartment building," said Eugene Diaz, principal at Prism Capital Partners, which developed the 361-unit building from an old multistory factory.

Mr. Solomon's company, the DSF Group, has new apartment buildings on the outskirts of New York as well as a 445-unit complex in Danvers, Mass., near Boston. All locations were selected because of their proximity to public transit. His modern apartment buildings in Vienna are a short walk to the Washington Metro line.

The Halstead Square apartments in Vienna, which rent for as much as $3,000 a month, include granite countertops and access to a smartphone app that allows residents to check on deliveries and request repairs. Focus groups of young people told the developer they want an almost hotel-like experience.

"What we've seen in this demographic is they are really looking for a Four Seasons level of service but without ever looking up from their iPhone," Mr. Solomon said.

The buildings' lobbies are scented with a white tea and thyme fragrance. Residents can play a round of virtual golf in the 24-hour gym or go to Zumba and Brazilian Butt Lift classes on the basketball court. They can watch movies on plush couches arranged in stadium seating or let their dogs roam in a small dog park. The complex hosts wine tastings and cooking classes in common areas.

"Everyone gets together around the pool and plans for the rest of the night," said Gabriela Gomez, 36, who pays about $1,400 for her studio apartment.

Ms. Dickinson, who moved in with her longtime boyfriend, said she expected to eventually put together a down payment so she could emulate her few home-buying friends.

But she is in no hurry. And for now her savings are taking a beating: She has to buy gifts for the 13 weddings she has been invited to in the next year.