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EXCHANGE --- The Rise of The Forever Renters --- Americans who would traditionally be homeowners are instead renting. They're sparking new kinds of neighborhoods, changing savings patterns -- and even buying different light fixtures.

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The Scranton lace factory closed in 2002 and sat abandoned for about two decades -- a relic of the industrial Pennsylvania city's glory days when its workers churned out more Nottingham lace curtains, tablecloths and napkins than anywhere else in the world.

Today, about 1,000 people have said they'd like to rent 32 luxury apartments built inside the factory's original walls for $950 to $3,600 a month, said project property manager Michael Basalyga, who collected sign-ups in an online registration form. As of December, about two-thirds of the units were preleased. Renters get granite countertops, at least 12-foot ceilings, high-end stainless-steel appliances as well as access to a hot yoga studio, a spa, a dog park, pickleball courts and room service via an on-site restaurant.

Americans who would traditionally be homeowners have become long-term renters, including some with no plans to ever buy a home. Renters are changing savings patterns, sparking new developments, and inspiring businesses, from contractors that help out with renovations for renters to high-end fixtures that are easily removed from one dwelling to the next.

Lace Village is one of hundreds of new rental developments rising up to serve a wave of higher-income and older renters flooding into America's towns and cities searching for luxury without commitment, retirement without feeling old and tidy lawns without owning lawn mowers.

Homes in Scranton -- which is a roughly two-hour drive from Philadelphia, New York City and Syracuse and is now known for being where the hit mockumentary show "The Office" took place -- are listed at a median price of $179,900 on listing platform Realtor.com. With a $150,000, 30-year mortgage at a rate of 7% on such a home, average monthly payments would be around $1,000.

Sustained high interest rates in the U.S. have made mortgages unpalatable to many, though the Federal Reserve recently signaled an end to more rate hikes. There has been a dearth of inventory of homes for sale and there are more rentals available with luxuries that make life seem easy. About 64% of people in the U.S. are homeowners compared with about 89% of people in China and 72% in Brazil, according to a Euromonitor analysis.

Real-estate investor GID, which owns and manages about 50,000 apartment units across 30 markets in the U.S., says nearly a quarter of its residents earn over $200,000.

"Not an income you typically would have associated with a renter versus homeowner, but that is increasingly the case today," says GID Chief Executive Greg Bates.

The influx of higher-income renters has in part led to a decline in the number of lower-priced rental properties available in the U.S.

The number of renter households with incomes of more than $1 million reached a record high of 4,453 in 2022, according to census data compiled by the IPUMS. That is more than four times as many as there were in 2017, when 956 millionaires were renting their homes. The number of renters earning over $200,000 a year is up fourfold since 2010, according to the census bureau.

Brian Alvarez, the chief executive of a finance consultancy, pays about $3,200 a month including parking and utilities for a one-bedroom apartment in Tampa's high-end Water Street complex. He appreciates that the building has a rooftop lap pool, dry-cleaning pickup and a concierge service to help secure restaurant reservations and event tickets. And he loves being across the street from the Amalie Arena, where he frequently sees concerts and goes to hockey games.

Some of his friends pay more than five figures a month for their apartments in the building, where rents start at $2,768. Alvarez says he's looked into buying, but never gotten very far into the process.

"This is a relatively low price to pay for all the things I want," says Alvarez, 36 years old.

Luxury rental buildings are quickly filling up in cities across the country. The Heron building, where Alvarez lives, surpassed 95% occupancy seven months after opening.

There were nearly 103 million people living in rental housing in 2022, according to an analysis by the nonprofit trade organization the National Multifamily Housing Council, a 15% increase from 2007.

For decades, renting was merely a steppingstone for the upper and middle class before it was time to buy. And a home was considered a key asset that would appreciate over years and help its owner fund retirement.

New subdivisions full of single-family homes for rent -- all but nonexistent a decade ago -- are springing up from coast to coast. More rentals are advertising themselves as kid- and pet-friendly and permitting renters to make extensive modifications to their spaces.

"A lot of that growth is coming from renters who are married, who have a college education and in some ways fit the profile of what would have been first-time home buyers," says Whitney Airgood-Obrycki, a rental-housing researcher at Harvard's Joint Center for Housing Studies who herself leases an apartment with her family.

With a combined household income of $122,000, Alicia Couch says she and her husband could comfortably afford a mortgage and down payment on a house in Dawsonville, Ga. Instead, they are choosing to stay in the four-bedroom townhome they rent for $2,085 a month.

"It's not that we can't afford to buy, it's that we don't want to and we don't feel like it's worth it," says Couch, who is 37 and works in operations for a veterinary clinic.

With income to spare, the family plans to buy new furniture and decor for their home and to repaint their 12-year-old daughter's bedroom. They also splurged on three domestic vacations in the past year, and increased their savings.

Couch says her daughter, Mikayla, loves that the development they live in is filled with other children and offers two swimming pools, a packed calendar of social events and a clubhouse. Couch and her husband appreciate that it is located in a great school district -- and that they don't have to mow their own lawn.

Rental subdivisions like the one the Couchs live in, known as build-to-rent communities, are designed to replicate the look and feel of white picket-fenced suburbia. The only difference: All the houses are rented, not owned.

There are currently 553 of these developments completed or under construction, with a combined 84,459 units, according to property-management software firm Yardi, roughly triple the 185 projects with 21,231 units as of 2019. Their average occupancy rates are currently 97%, Yardi says, above the already-high industry average of 95%.

Northmarq, one of the country's largest private commercial real-estate firms, is going all-in on these types of purpose-built rental projects.

"They are trying to derive a community feel with all the niceties that come with homeownership without the burden of homeownership," says investment sales president Trevor Koskovich.

Ark Homes for Rent, which owns the Cottages at Riley Place subdivision where the Couchs live as well as 14 others in various stages of development, says it receives between eight to 10 qualified applicants for every unit that comes on the market. Tenants who sign two-year leases renew their contracts 80% of the time, the company says, above the overall industry resigning average of 60%.

"We thought this was going to be a transition to owning, but in fact it's not, it's become a lifestyle choice," says Ark Chairman Jordan Kavana.

Deborah and Joseph LaLonde, 71 and 68 years old, knew they could no longer handle the upkeep on their large family home. When they toured Phoenix retirement complexes, however, they disliked their hotel-style, multi-floor designs and the homogeneity of being surrounded exclusively by seniors.

"It really made us feel like we would get older faster," says Joseph LaLonde, a retired physical education teacher who works part time at an Amazon robotics center.

The $2,300 a month Yardly MacDowell rental they moved into in August was a compromise. The couple says Yardly was happy to pay the installation costs associated with swapping the existing toilets in the unit with accessible versions, and that the company has promptly handled other small maintenance tasks.

"We treat our home here like it is our home, not like it's a rental. It's a house and we take care of it and we take pride in it," Deborah says.

They are also struck by the community's similarities to the Baldwinsville, N.Y., suburb, where they raised their five children. Their only complaint: It might be a little too family-friendly. "I hate to sound like an old fart, but especially when they come down by the pool, I always say 'Look boys, you have to be careful, there is no diving,'" Joseph says.

With renters staying in their spaces longer, they are more likely to spend money transforming them to match their tastes and preferences.

Tempaper & Co., a removable wallpaper brand, says their website traffic in the fourth quarter of 2023 is more than double last year's. At Poplight, which sells battery-powered and easy-to-remove light fixtures, online store visits more than quadrupled from October to November.

Renters are also using TaskRabbit more often to hire workers to help with upgrades. The company reports four times more demand for rental showerhead installations and a 20% increase in flex wall installations between January and the end of October 2023 compared with the same period last year.

Patrick Janelle, a 42-year-old talent-agency owner, went more extreme.

He estimates he spent more than $40,000 on upgrades to his leased loft in the Flatiron district of Manhattan, including refinishing the hardwood floors and gut renovating the kitchen and bathrooms.

In addition to the money he spent himself, he received gifts from design companies in exchange for promoting their products to his 427,000 Instagram followers. Janelle's home was featured by Architectural Digest last year.

He knows that, far from seeing a return on his investment, his landlord could actually raise his rent because he's made it so much nicer. He's already experienced one price hike of $1,500 since arriving in 2021. Still, he has no regrets.

"What could I possibly get in Manhattan putting $40,000 down? Nothing. Now, I'm in my dream apartment," he says.

Historically, homeownership rates have tended to increase with age. The median age of renters who are the heads of their household is 41, up from 37 in 2000 according to a Zillow analysis of census data. But millennials have been taking longer to make this transition compared with previous generations. At age 34, 52.7% of millennial households owned a home, compared with 57% of Gen Xers and 58.9% of baby boomers at the same age, according to NMHC tabulations.

Renting allows Cary Beale and his family to live in more expensive and beautiful homes than they could buy, he said. Cary, 49, his wife Jamie and their three children have been renting for about 12 years.

They also love the flexibility of renting. His family moved to Costa Rica during the pandemic. He pays about $7,500 a month to rent an oceanfront 5-bedroom home valued at about $4.5 Million.

There is a cost to all of this change. As the rental market shifts to appeal to higher income tenants, renters who make below the median wage are left in the lurch.

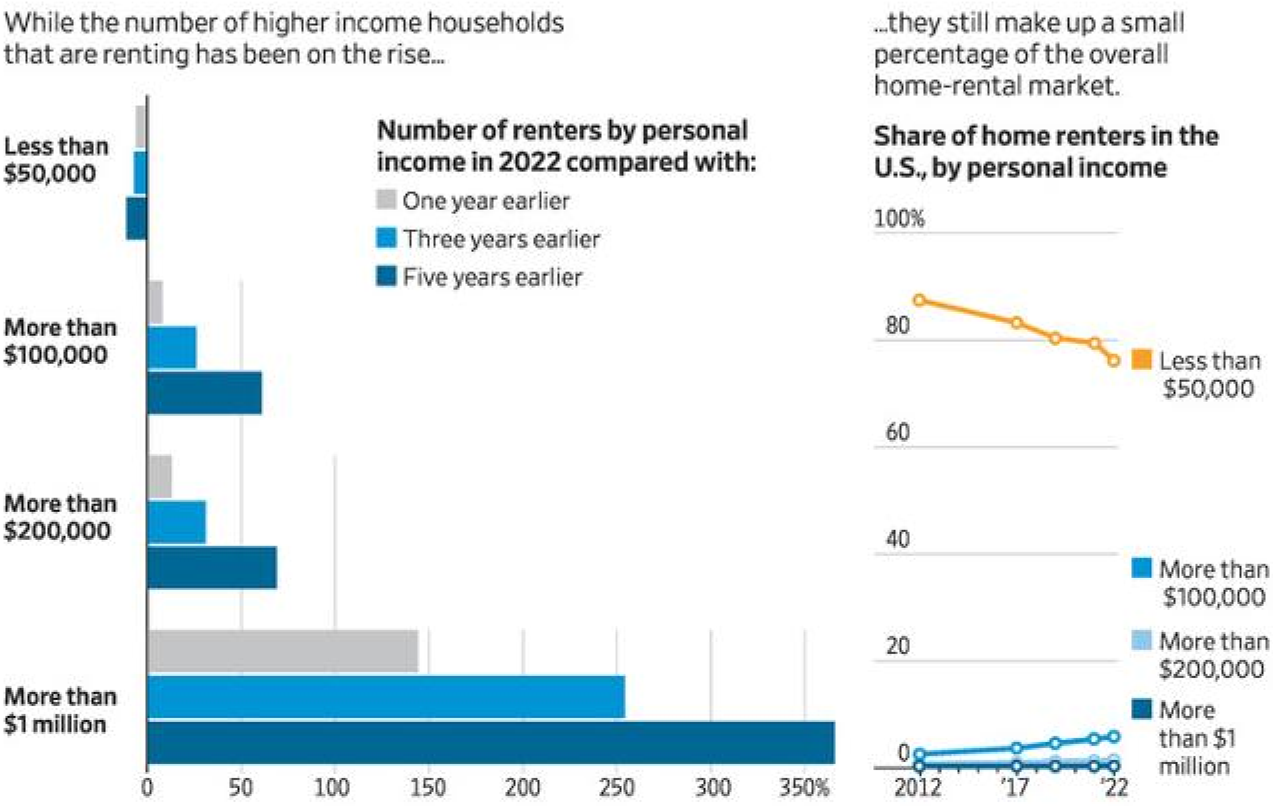
From 2012 to 2022 the number of units available for less than $600 a month plummeted 23%, from 9.4 million to 7.2 million units, according to the Harvard Joint Center. At the same time, those charging $2,000 or more jumped from 3.2 million to 7.3 million.

"Everything is shifting upwards," Airgood-Obrycki says.

For those that aren't buying homes out of choice, financial planners are preaching that they need to adjust. A simple portfolio that mixes stocks and bonds isn't going to cut it for the forever renter.

Elliot Pepper, a financial planner in Baltimore, says that these renters need to find other ways to invest in real estate, be it real-estate investment trusts or other tradable securities, to have the diversity needed for a healthy portfolio.

Renters don't get to use tax breaks provided to homeowners, such as deducting mortgage interest or property taxes. They also can't use the capital-gains exclusion of up to $500,000 on the sale of a home. As a result, these investors should attempt to put more of their portfolios in less taxed products, such as municipal bonds, he said.



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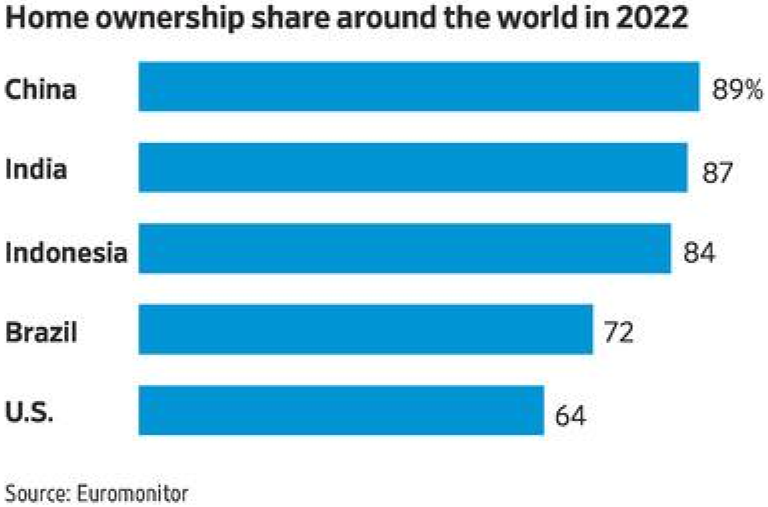

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