

The Continuing Threat of Private Equity Investment in Single Family Rentals

April 2019 Update

Private equity investment drives second wave of single-family rental acquisitions

Wall Street private equity funds are continuing to snap up single-family houses to pad their expanding portfolio of rental properties. Today, institutional investors own nearly a quarter million single-family rental (SFR) homes. These distant Wall Street landlords often hike rents, avoid investing in repairs and upkeep, gouge tenants with additional fees and costs, and are more likely to evict tenants.¹

A few years ago, some analysts questioned whether the single-family rental (SFR) industry would continue to draw investment, as foreclosures ebbed, housing inventory left over from the global financial crisis had been sold off, and home prices increased. But institutional investors bought more SFR properties in 2017 than in the prior year – the first year-over-year increase since 2013 -- and continued the 2017 purchase pace in 2018.²

The substantial waves of private equity money into the single-family housing market have made it harder for families to become homeowners. Institutional ownership of single-family rental (SFR) homes in the United States has surpassed 240,000 homes owned, totaling nearly \$40 billion of investment in the sector.³ In many markets, these private equity funds are pushing up home prices and outbidding – often with all-cash offers – potential first-time buyers. While mortgage credit availability has improved marginally, it still remains at or around historically tight levels.⁴

Large, publicly-traded REITs have significantly slowed acquisitions

The large publicly-traded single-family rental Real Estate Investment Trusts (REITs) including Invitation Homes (Blackstone), American Homes 4 Rent, and Front Yard Residential (formerly Altisource) have significantly slowed acquisitions in the last year.

Private-equity firms, institutional investors have continued to be aggressive investors

Unlike the publicly-traded REITs, privately held, private equity-funded SFR companies including Progress Residential (Pretium Partners), FirstKey Homes (Cerberus Capital Management), Tricon American Homes (Tricon Capital), and Main Street Renewal (Amherst Holdings) have continued to be aggressive acquirers.

All four firms have recently raised or are in the process of raising dedicated funds to invest in single-family rental properties, with Pretium Partners raising a \$1 billion+ single family rental fund in 2018⁵, Cerberus seeking to raise a \$500 million single family rental fund,⁶ Amherst Holdings seeking a \$1 billion single family rental fund,⁷ and Tricon Capital forming a \$750 million joint venture to buy single family homes with the Teacher Retirement System of Texas and the Government of Singapore Investment Co. (GIC).⁸

See table of the largest corporate owners of single-family rental properties on next page.

Biggest Wall Street Landlords of Single-Family Rental Homes

Company	Homes	Owner Type	States	Owner(s)	Notes
Invitation Homes (Blackstone)	82,260	PE/ public REIT	AZ, CA, CO, FL, GA, IL, MN, NC, NV, SC, TN, TX, WA	Blackstone Group (42.3%), Vanguard (8.1%), Cohen & Steers (6.53%)	Invitation Homes has not grown significantly in since Starwood Waypoint acquisition in 2017.
American Homes 4 Rent	52,464	Public REIT	AZ, CA, CO, FL, GA, ID, IL, IN, KY, MS, NC, NM, NV, OH, OK, OR, SC, TN, TX, UT, WA, WI	Vanguard (12.61%), Blackrock (6.59%), Security Capital (5.0%)	American Homes 4 Rent's growth slowed in last year. 12/31/17: 51,239 homes 12/31/16: 48,422 homes 12/13/15: 38,780 homes
Progress Residential	26,000	PE	AZ, FL, GA, IN, MS, NC, NV, TN, TX	Pretium Partners	Pretium recently raised \$1 billion SFR fund.
FirstKey Homes	20,730	PE	AL, AZ, FL, GA, IL, IN, MN, MO, NC, NV, OH, SC, TN, TX	Cerberus Capital Management	Cerberus' FirstKey was formed in 2015, later than most other firms in the SFR space. Cerberus has been most aggressive buyer in 2017-2018. Raising \$500 million SFR fund.
Main Street Renewal	20,000	PE	AL, AZ, CO, FL, GA, IN, KS, KY, MO, NC, NV, OH, OK, SC, TN, TX	Amherst Holdings - Owned by PE firm Stone Point Capital	Amherst Holdings raising \$1 billion SFR fund. Also manages homes for Luxor Capital, Global Atlantic Financial Group, Front Yard Residential
Tricon American Homes	17,000	PE	AZ, CA, FL, GA, IN, NV, NC, SC, TX	Tricon Capital	\$750 million joint venture with Texas Teachers Retirement System, Govt of Singapore Investment Co (GIC).
Front Yard Residential (Formerly Altisource)	15,000	Public REIT	AL, FL, GA, IN, MN, NC, TN, TX	Vanguard (13.15%), Putnam (9.9%), Deer Park Road Corp (7.1%), Blackrock (6.88%)	12/31/17: 12,574 homes 12/31/16: 10,533 homes 12/31/15: 6,516 homes
Connorex-Lucinda (Conrex)	7,500	PE	AL, GA, IN, KS, KY, MO, NC, OH, SC, TN	Connorex Lucinda	Manages homes for Angelo, Gordon & Co, others
Vinebrook Homes	4,500	PE	IN, OH	Berkeley Capital Partners, Highland Capital Management	
Gorelick Brothers Capital	2,440	PE		Gorelick Brothers Capital	
Top 10	247,894				

¹ [ACCE Institute, Americans for Financial Reform and Public Advocates. "Wall Street Landlords Turn American Dream into a Nightmare." January 2018.](#)

² ["Single-Family Rentals Growing as an Institution-Owned Asset Class," National Real Estate Investor, Dec 2018.](#)

³ ["Single-Family Rentals Growing as an Institution-Owned Asset Class," National Real Estate Investor, Dec 2018.](#)

⁴ ["Single-Family Rentals Growing as an Institution-Owned Asset Class," National Real Estate Investor, Dec 2018.](#)

⁵ ["Pretium Partners Raises More Than \\$1 Billion for Single-Family Rental Platform," Media release, Jul 9, 2018.](#)

⁶ ["Cerberus Is Seeking More Than \\$500 Million for Rental Homes," Bloomberg, Aug 20, 2018.](#)

⁷ ["Amherst Seeks More Than \\$1 Billion for Rental Houses," Bloomberg, Aug 22, 2018.](#)

⁸ ["Amherst Seeks More Than \\$1 Billion for Rental Houses," Bloomberg, Aug 22, 2018.](#)