



The Growth of Wall Street Landlords: Implications for Public Policy”

Dr. Kenneth Chilton, Ph.D, Tennessee State University

Charlotte Davis, Legislative Director, J.L. Morgan Company

Tracy Albers, Community Development Director, City of Woodstock

Fall Conference 2022 – Columbus, Georgia

September 15, 2022

Moderated by Brantley Day, AICP, Community Development Agency Director
Cherokee County, Georgia



Ken Chilton

Associate Professor, TSU (kchilton@tnstate.edu)

September 15, 2022



INVESTOR HOME PURCHASES



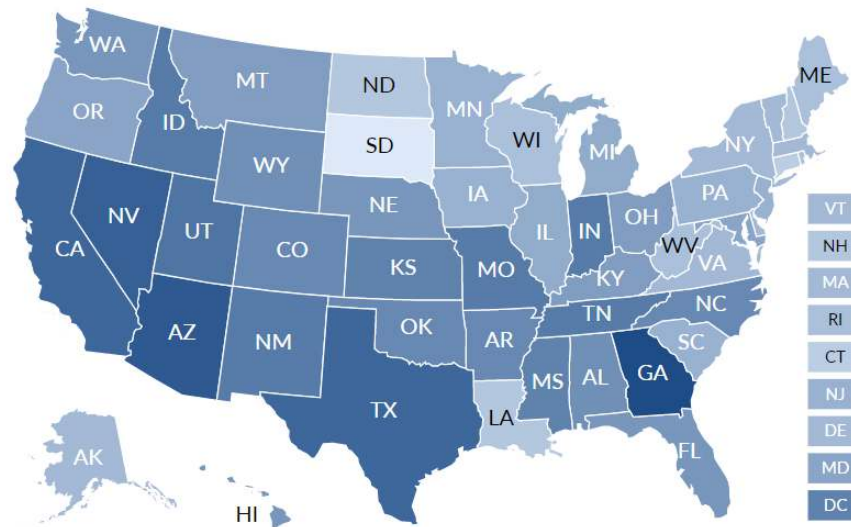
[TOPICS](#) [PROJECTS](#) [FEATURES](#)

Investors Bought a Quarter of Homes Sold Last Year, Driving Up Rents

SHARE



Investor Home Purchases Spiked in 2021



24% Investor share of U.S. home sales, 2021

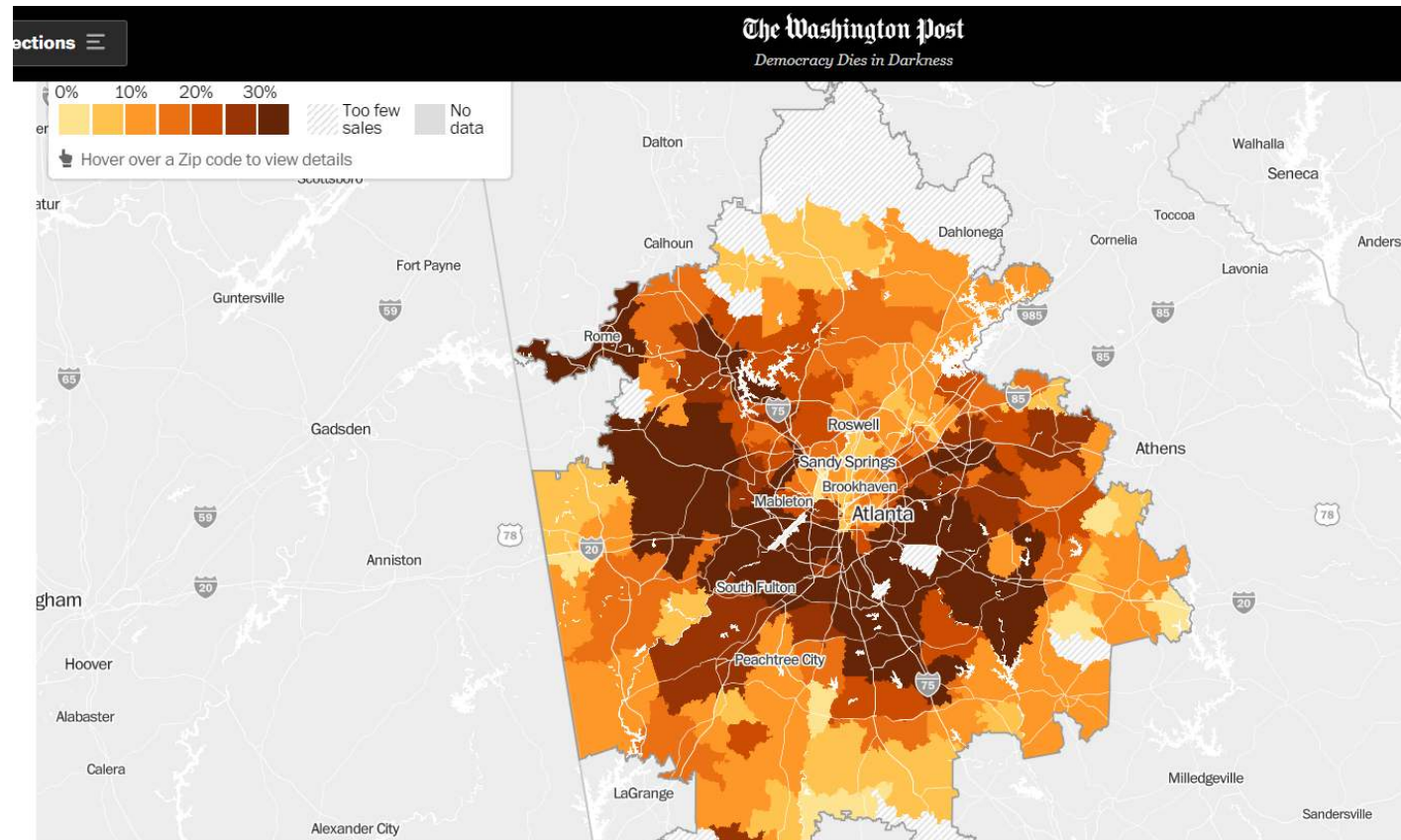


INDUSTRY GENESIS

- 2009-2010 Foreclosure Crisis
- Large Portfolios
- Tens of thousands of homes purchased at discount
- Vulture Capitalism



ATLANTA INVESTMENT, 2021



MAJOR PLAYERS

- American Homes 4 Rent (REIT, 56,000 units)
- Progress Residential (PE, 72,000+ units)
- Tricon (REIT, 27,000 units)
- Invitation Homes (REIT, 82,000 units)
- Amherst CPI
- OfferPad & Other investors



BUILD TO RENT COMMUNITIES

TRICOR

[HOME](#)

[ABOUT US ▾](#)

[SERVICES ▾](#)

[SUBCONTRACTORS ▾](#)

[CLIENT RESOURCES ▾](#)

[CONTACT](#)

We thrive on challenging projects that produce bigger rewards.

16

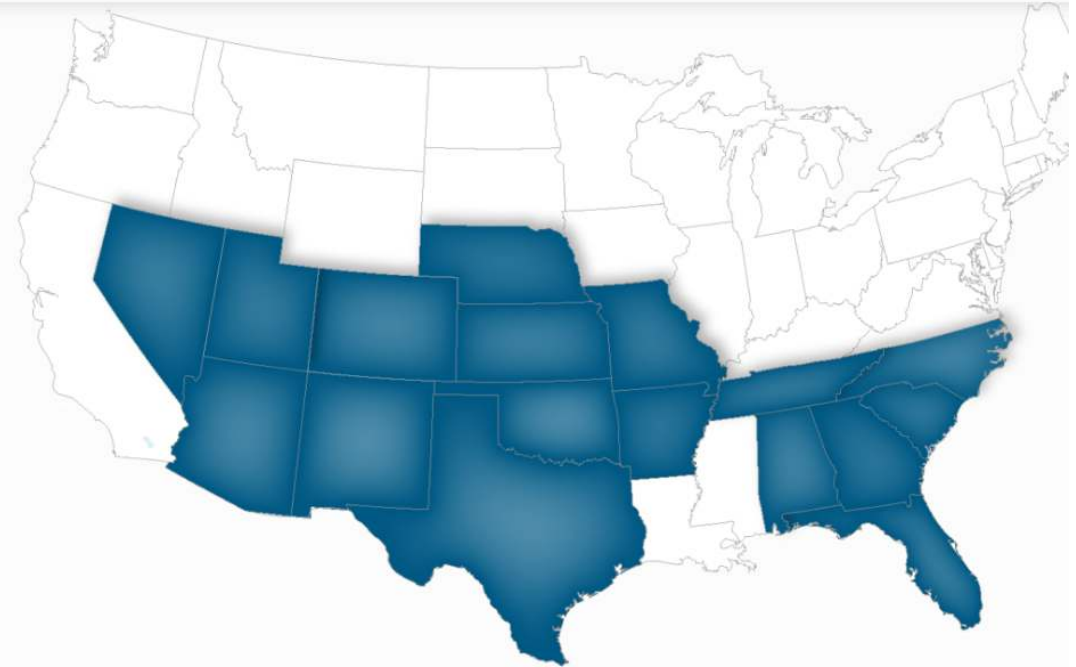
Licensed States

8

Current Markets

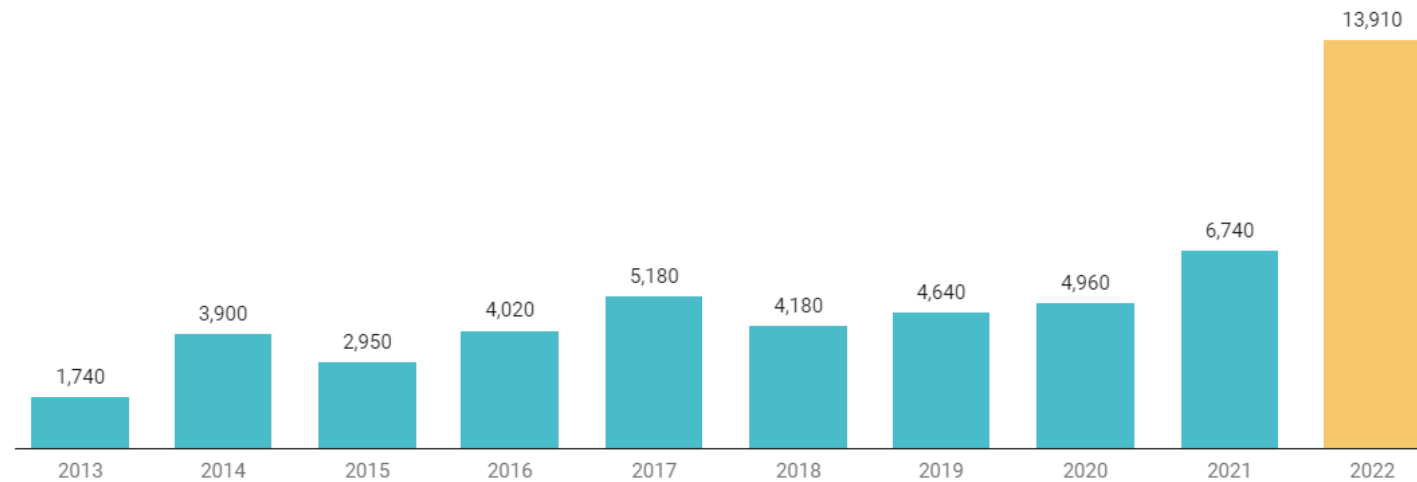
400+

Vendors & Subcontractors



BTR GROWTH

Built-to-Rent Single-Family Rentals
10-Year Evolution



**2022 data represents built-to-rent homes under construction in U.S. markets where data is available and is subject to change.
Unit numbers may be rounded.*

Source: [RentCafe analysis of Yardi Matrix data](#) • [Embed](#) • [Download image](#) • Created with [Datawrapper](#)



WHY NOW?

- Technology
- Scale
- Data
- “has allowed this business to operate efficiently... the margins have improved 1800 basis points over the last 10 years... All of our leasing is self-showing... that was done pre-Covid... Well over 90% of our residents move in without meeting a Progress person.”



PREFERENCES

- People can't own because they lack a down payment
- Bad credit score
- They don't qualify from a debt/income standpoint
- Millennials prefer flexibility



BUSINESS MODEL

- Technology-based
- Algorithm-driven
- Build-to-Rent
- Monopoly Rent
- Government Affairs/Lobbying



HOUSING SUPPLY

- Supply Chain
- Labor
- Materials
- Demand > Supply (we're told)

“There were 37 million one-person households in 2021, or 28% of all U.S. households. In 1960, single-person households represented only 13% of all households” ([2021 Current Population Survey's Annual Social and Economic Supplement](#)).



MONOPOLY RENTS

- Who determines “comps?”
- SFR homes predominately in residential neighborhoods, not multi-family neighborhoods
- Corporate landlords build in COLA
- THEY determine the comps



MARKET RENTS

Rent Growth By Market - September 2021					
Phoenix, AZ	21.3%	▲	San Diego, CA	11.5%	▲
Las Vegas, NV	21.0%	▲	Indianapolis, IN	11.4%	▲
Tampa, FL	20.0%	▲	Nashville, TN	11.1%	▲
Fresno, CA	19.0%	▲	Grand Rapids, MI	10.9%	▲
Jacksonville, FL	17.5%	▲	San Antonio, TX	10.5%	▲
Atlanta, GA	16.9%	▲	Detroit, MI	10.3%	▲
Miami, FL	16.3%	▲	Riverside, CA	10.2%	▲
Albuquerque, NM	16.1%	▲	Stamford, CT	10.0%	▲
Austin, TX	15.9%	▲	Denver, CO	9.9%	▲
Tucson, AZ	15.6%	▲	Baltimore, MD	9.6%	▲
Memphis, TN	14.3%	▲	New Haven, CT	9.6%	▲
Orlando, FL	14.1%	▲	United States - Median	9.6%	▲
Charlotte, NC	13.3%	▲	Richmond, VA	9.6%	▲
Salt Lake City, UT	12.8%	▲	Worcester, MA	9.5%	▲
Raleigh, NC	12.8%	▲	Oklahoma City, OK	9.4%	▲
Virginia Beach, VA	12.7%	▲	United States - Mean	9.2%	▲
Sacramento, CA	12.7%	▲	Hartford, CT	8.9%	▲
Providence, RI	12.5%	▲	Portland, OR	8.7%	▲
Dallas-Fort Worth, TX	11.9%	▲	Buffalo, NY	8.5%	▲
Rochester, NY	11.8%	▲	New Orleans, LA	8.4%	▲
Tulsa, OK	11.8%	▲	Cincinnati, OH	8.4%	▲
			Columbus, OH	8.2%	▲
			Houston, TX	8.1%	▲
			Cleveland, OH	7.8%	▲
			Albany, NY	7.7%	▲
			St. Louis, MO	7.7%	▲
			Kansas City, MO	7.6%	▲
			Urban Honolulu, HI	7.5%	▲
			Omaha, NE	7.4%	▲
			Los Angeles, CA	6.9%	▲
			Seattle, WA	6.9%	▲
			Philadelphia, PA	6.1%	▲
			Louisville, KY	6.1%	▲
			Milwaukee, WI	6.0%	▲
			Pittsburgh, PA	5.6%	▲
			Washington, DC	4.2%	▲
			Chicago, IL	4.0%	▲
			Minneapolis-St Paul, MN	3.9%	▲
			Boston, MA	3.9%	▲
			New York, NY	3.1%	▲
			San Francisco, CA	1.4%	▲
			San Jose, CA	0.8%	▲

Year-Over-Year Change in Zillow ZORI Rent Index. As Of October 2021. Arrow: Change From Prior Month



ACQUISITION STRATEGY

- Information Asymmetry (<https://www.terraresearchpartners.com/podcast/mueller-hamilton/>) 21:55
- The vast majority of those were acquired one at a time off the MLS. And we've done that by investing heavily in the technology and the analytic systems to support those acquisitions... Essentially the way it works is we get an automatic feed every 15 minutes for every home in our buy box across our markets. So when a home goes on the market within 15 minutes we get a feed. If it meets our criteria, we have an algorithm that quickly scores it and helps, does the underwriting. And we're constantly tweaking the inputs to that based on the performance and the data of our overall portfolio ... and that allows us to really tweak the model. We have an acquisition team that has a couple of inputs. They put in the rents and the renovation budget, and they try to generally get an offer out within a couple of hours of the home going on the market. We're able to analyze it very quickly, make an offer—our offers are all cash—very flexible closing, basically whenever the seller wants to move out” (Chaz Mueller, CEO Progress Residential)



THE AMERICAN HOMES 4 RENT STORY

“Third, not only a single-family rental living more convenient than homeownership today, it is also more affordable. And finally, the American Homes 4 Rent portfolio is located where Americans want to live. Our assets are strategically positioned in high quality of life markets benefiting from migration patterns fueled by long-term demographic shifts and changing lifestyle preferences... All-in, the current housing environment supports sustained single-family rental demand for the foreseeable future and American Homes 4 Rent continues to be well-positioned. ”



OWNERSHIP AFFORDABILITY CRISIS

“With AMH Development, we are not only adding high-quality homes to the nation's housing stock, we are providing homes in high-demand, safe communities with good schools where families want to live. Additionally, in the face of an ownership affordability crisis, we are providing an attractive rental solution for households across the country.”



PROPERTY ACQUISITION

“Finally, during the quarter, we grew our owned and optioned land pipeline to over 15,000 lots including lots that have been optioned through our various land banking relationships, which strategically enable us to continue growing our pipeline while also prudently managing land risk. Additionally, at the end of the quarter, we had approximately 7,000 additional lots undergoing due diligence in escrow.”



GROWTH OPPORTUNITIES

“Fundamentally imbalanced single-family supply and demand remains a tailwind at our back. Our internal development program continues to differentiate us with a pipeline of consistent and predictable external growth, and our balance sheet is incredibly well-positioned to take advantage of potentially new emerging growth opportunities moving forward.”



LAND BANKING OPPORTUNITIES

“One thing I would add to you on this is, we have a number of relationships with land banking firms. And then that's really good to have a lot of options within your land banking.”

“But the more important piece, maybe what we will see is the opportunities coming from them. They control a lot of land, and we are getting a lot of inbound calls from them about our interest in various parcels that are in very, very attractive locations that are coming back to them from other parties.”



BUILD TO RENT

“The last three years, as we have come out of our test phase of the building program, we've focused significantly on land acquisitions. Today, we own or control more than 20,000 lots, it's closer to 22,000 lots. That's going to be the fuel for future years. We're in 50 markets today that we are building.

The infrastructure is in place that we can do 4,000 and 5,000 homes with little additions other than some construction superintendents. And the land is coming through the pipeline as expected on its horizontal and infrastructure improvements.”



REGULATORY ENVIRONMENT

“No, I would say the regulatory market is kind of where it was -- last quarter when we talked, it really hasn't changed. It hasn't improved. It hasn't gotten worse. There's still a lot of inquiry, a lot of attention being paid to single-family rentals. It's -- when we got into this business 10 years ago, we knew the regulatory piece was going to be a significant piece of this industry.

It's an industry that we are providing necessity to every American. And so it's going to be in a high-visibility area. For us, we -- it's noise around the edges. We are not in the middle of any significant investigations. And it's something that we deal with from time-to-time.”



WILLING BUYER MEETS WILLING SELLER

- Growing consumer complaints
- HOA pushback
- Limited regulatory pushback
- Growth in REIT lobbying
- Bipartisan Issue





The Growth of Wall Street Landlords: Implications for Public Policy”

**Charlotte Davis, Legislative Director
J.L. Morgan Company**

Legislative Recap and Look Ahead

HB 1093 and SB 494 – Build-to-Rent (BTR) Subdivisions:

- Unilateral preemption of locals governments from regulating the rental of residential dwellings for more than 30 days in duration;
- Sovereign immunity waived, with up to \$1M in damages for violations per occurrence
- Failure to comply restricts access to grants from DCA
- Effectively allows BTR by right in any zone
- Restricts local governments from regulating BTR use

HR 1149 – House Study Committee on Regulation, Affordability and Access to Housing

- Sponsored and Chaired by Rep. Dale Washburn
- Other members:
 - Rep. Debra Bazemore
 - Rep. Chuck Efstration
 - Rep. Martin Momtahan
 - Rep. Jason Ridley
 - Commissioner Hubert Parker, Gilmer County
 - Teresa Bidez – Realtor from Blue Ridge
- Focus likely to include local build-to-rent, short-term-rental and design standard regulations.



The Growth of Wall Street Landlords: Implications for Public Policy”

**Tracy Albers, Community Development Director
City of Woodstock**

The Local Perspective

- Development Pressure in Woodstock
 - Single-family (fee simple)
 - Detached / Attached / Condominiums
 - Apartment
 - BTR
 - Senior-Living / Age-Restricted

- Preserve SF Neighborhood Character
 - COVID WFH
 - Short Term Rentals
 - BTR
 - ADUs
 - Mansionization

- Preserve balance for current and future needs to local populations
 - 80/20 policy
 - 5% BTR of total housing stock

➤ Investors Make an Impact in Your Community

- Owner occupied
 - Owner occupied with STR
 - Full-Time STR – Pay to Play Housing, Disneyland Housing,
- Tenant occupied
 - Local BTR
 - Corporate BTR
 - BTR stemmed from the Great Recession
 - Buy to Rent
- Ownership from Abroad
 - This is not “House Hunters International”
- “Lesser of Evils” Game
- Game of unintended consequences

➤ What's a City Planner To Do?

- Be open minded
- Focus on site selection
- Think about unintended consequences
- Be honest with the development community
 - Don't be afraid to stand up to a Rand or Karen too!
- Talk to your colleagues in other communities
- Keep having tough conversations with your elected and appointed officials



The Growth of Wall Street Landlords: Implications for Public Policy”

Q & A

