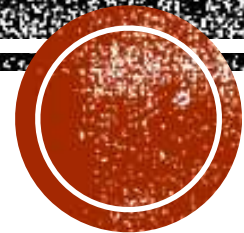




Ken Chilton

Associate Professor, TSU (kchilton@tnstate.edu)

September 15, 2022



INVESTOR HOME PURCHASES



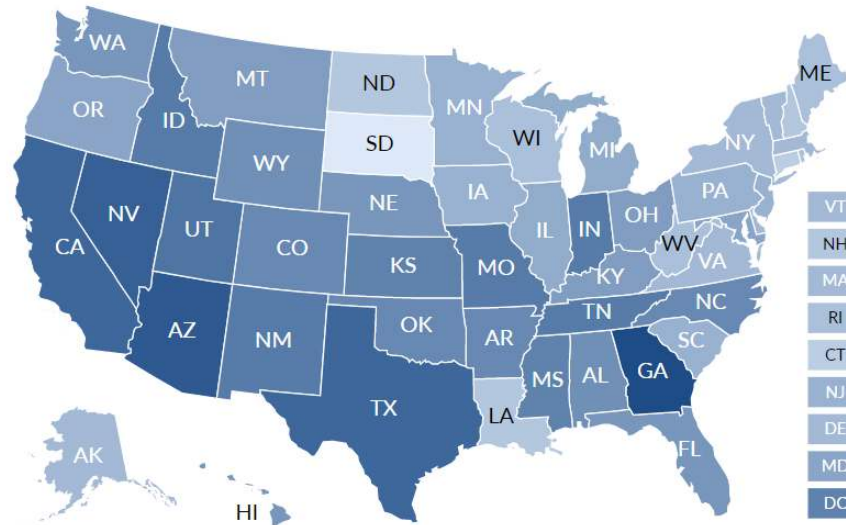
TOPICS PROJECTS FEATURES

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

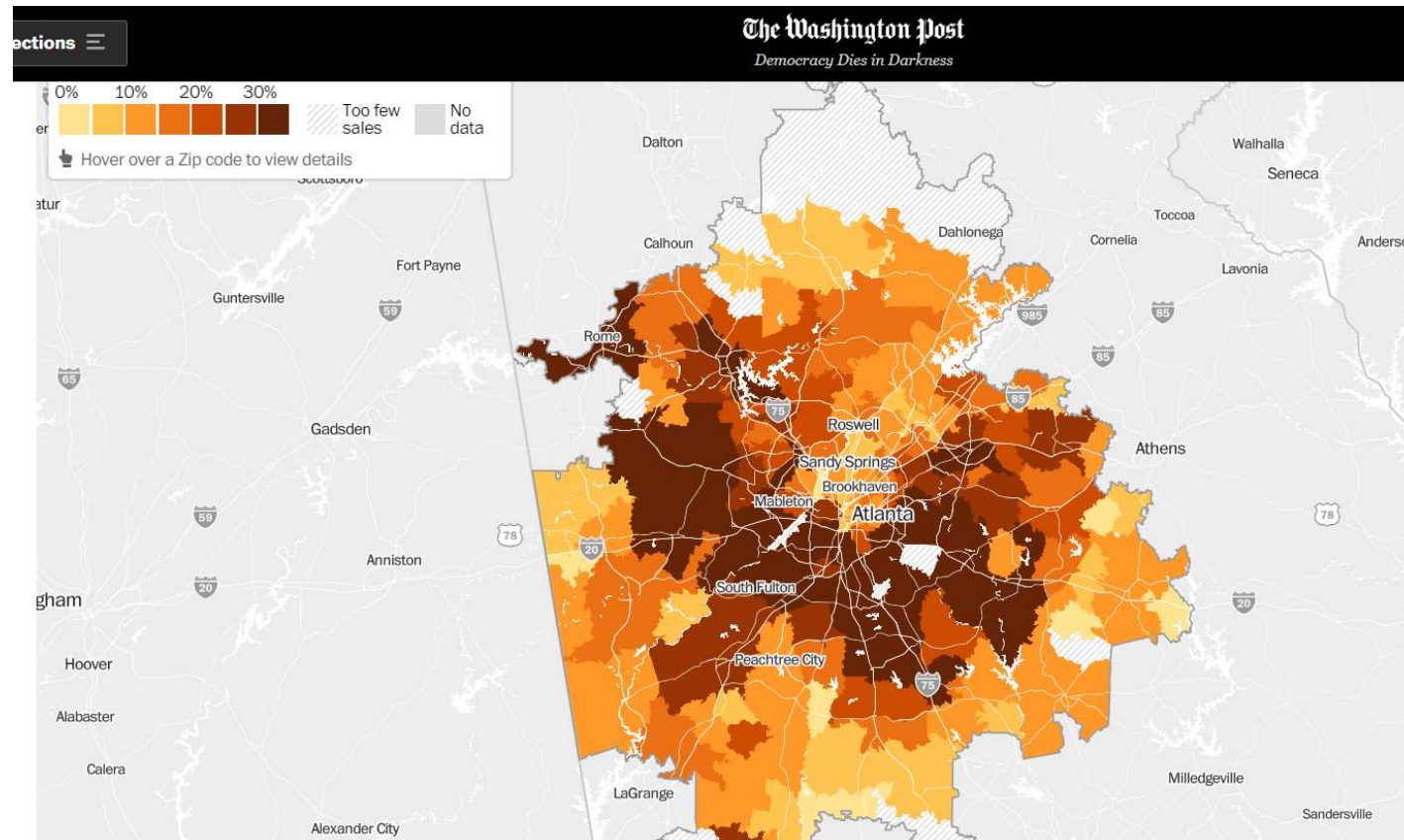


INDUSTRY GENESIS

- 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

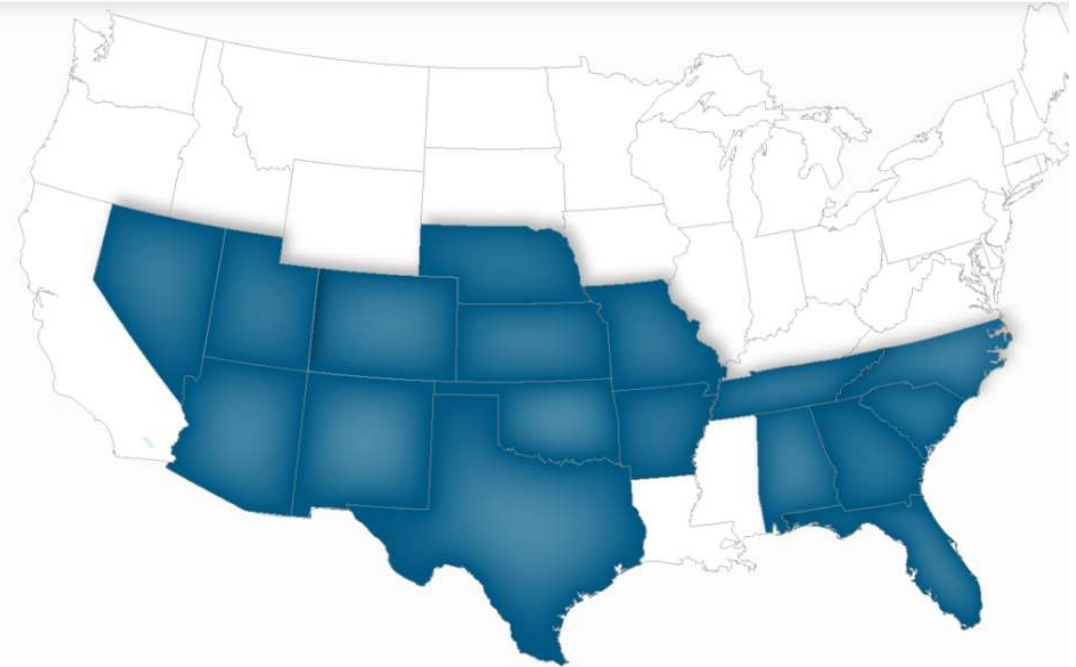
Licensed States

8

Current Markets

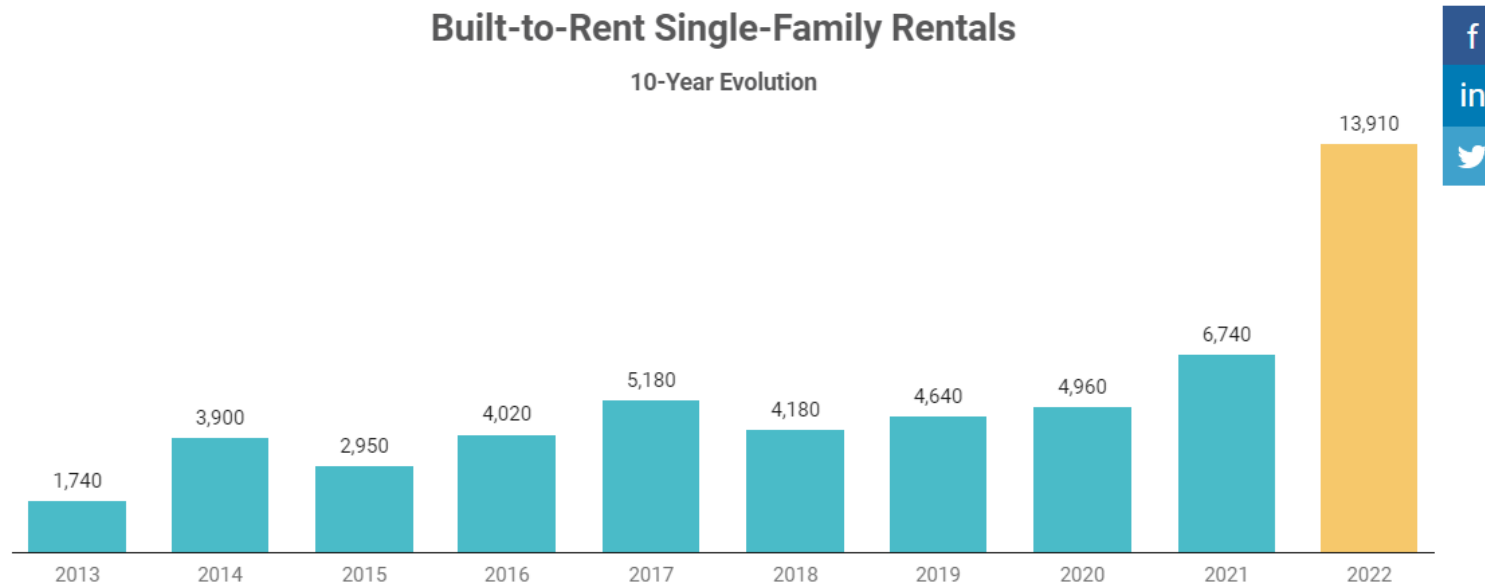
400+

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

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

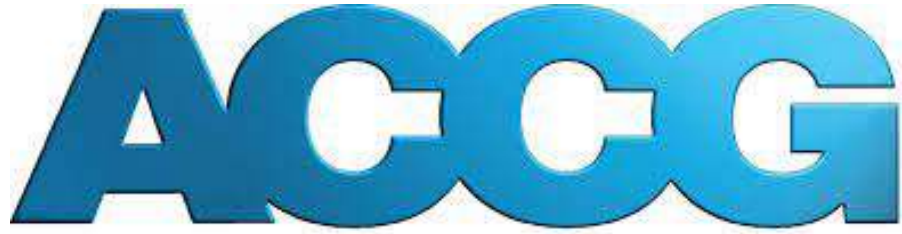
It's an industry that we are providing necessity to every American. And so it's going to be in a high-visibility area. For us, we -- it's noise around the edges. We are not in the middle of any significant investigations. And it's something that we deal with from time-to-time.”



WILLING BUYER MEETS WILLING SELLER

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





Advancing Georgia's Counties.

HOUSING LEGISLATIVE AND POLICY UPDATE

2023 GPA Fall Conference

September 22, 2023

Clint Mueller, Director of Governmental Affairs, ACCG

HOUSING ISSUES

- Access and affordability of workforce housing is a major issue in Georgia.
- 2022 House Study Committee on Regulation, Affordability and Access to Housing met over the summer.
- Stakeholders: Realtors, Homebuilders, Georgia Chamber of Commerce, Habitat for Humanity, Vinyl Siding Institute, corporate investors, GMA, ACCG and others.
- Many factors involved with housing costs.
- Much legislative focus centered on restricting or eliminating local government regulations.

HOUSING ISSUES

Various Recommendations Made in House Study Committee:

Build-to-Rent Subdivisions – Prohibit local governments from regulating corporate-owned subdivisions.

Design and Aesthetic Standards – Prohibit local governments from requiring any residential design/aesthetic standards.

Moratoria on Development – Limit or restrict local government moratoriums on new construction.

Mobile Homes – Require local governments to allow new mobile homes to replace aging ones.

Lot Sizes – Reform or restrict local governments' ability to enact residential minimum lot sizes.

Home Sizes – Reform or restrict local governments' ability to enact residential minimum square footage or height requirements.

Accessory Dwelling Units (ADU) – Reform or restrict local governments' ability to regulate ADUs, duplexes, fourplexes, etc. in single family neighborhoods.

Impact fees – Prohibit any additional impact fees. Reform the current impact fee process to add transparency. Possibly eliminate impact fees.

HOUSING ISSUES

Various Recommendations Made in Study Committee:

Zoning Standards and Procedures – Create consistent zoning standards statewide. Local governments should provide more notice before enacting zoning changes. Require locals to employ a unified development code countywide.

Quality of Life Amenities – Prohibit local governments from requiring quality of life amenities in new subdivisions.

Multifamily Units (Apartments) – Local governments need to authorize more multifamily housing and allow in more areas. Local governments should be restricted from requiring mixed-use (commercial establishments) when permitting apartment complexes.

Environmental Ordinances – Examine the cost and complexity of local government tree and soil erosion ordinances. Prohibit local governments from requiring hook ups to public water and sewer systems. Limit locals' ability to require minimum lot sizes for installing septic tanks or drilling water wells. Local governments need to invest more in water and sewer to facilitate development of affordable housing.

Property Assessments – Examine limitations on property assessment increases. Make property assessments more consistent statewide.

Property Taxes – Pass constitutional amendment to require that low-income housing projects pay reduced property taxes and make this reduced tax rate consistent statewide.

Permitting and Plan Review – Local governments need to speed up the inspection and permitting processes. Local permitting processes need to be streamlined and the state should reduce the cost. Permit costs should not be based on the square footage of the home/building nor the cost of the construction materials. Need statewide uniformity in calculating permit fees.

HOUSING ISSUES

The Local Perspective:

Elected county and city officials face several competing values surrounding housing:

- Property rights of individuals vs. property rights of neighbors.
- Housing affordability vs. property tax digest.
- Community values for quality of life vs. affordability and diverse housing options.
- Homeowner equity vs. perceived devaluation from rental and affordable housing.
- Types of housing wanted vs. public infrastructure to support the housing (water, transit, roads, parks, schools).
- Builder/developer/investor project profitability vs. what the community wants.
- Home ownership or corporate owned rentals?

HOUSING LEGISLATION

SB 188 – Preempt Build-to-Rent Subdivision Regulations

- No local regulations on newly developed corporate rental subdivisions that do not apply to other single-family residential areas.
- Aimed allowing unlimited access for hedge funds, private equity firms and other investors to develop “build-to-rent” subdivisions which vary greatly in price, quality, management and tenant protections.
- ACCG and GMA believe that land use decisions are best made at the local level through comprehensive planning and citizen input.
- **FAILED to PASS**

HOUSING LEGISLATION

HB 517 – The “Georgia Home Opportunity Act”

- Prohibit local governments from regulating one and two family-dwellings with design elements unless they are in a historic district.
- Building design elements include exterior color or building materials, roof styles, architectural orientation, location of windows and doors, number and layout of rooms.
- Cannot require minimum square footage greater than 1,200.
- Cannot require minimum lot sizes of greater than a half acre, except when needed for septic tanks.
- **FAILED to PASS**

HOUSING LEGISLATION

HB 514 – “Housing Regulation Transparency Act”

- Limit zoning or permitting moratoriums or single- and multi-family residences to a maximum of 180 days.
- Subsequent moratoriums cannot be enacted less than 180 days after a moratorium has lapsed.
- Requires zoning application fees, review fees, and other fees to be used solely for zoning administration.
- Moratoriums can be extended if a local government is responding to:
 - A natural disaster
 - A state of emergency
 - Health or safety concerns
 - Judicial order
 - A third-party or in-house study is being conducted to revise local ordinances.
- **FAILED to PASS**

HOUSING LEGISLATION

SB 213 – Must Allow Nonconforming Mobile Homes to be Replaced with New Ones

- Requires counties and cities to allow new mobile homes to replace preexisting and nonconforming mobile homes.
- Applies to a community/park or on other residential land.
- The local government cannot enforce any zoning, regulation or restriction or impose any conditions on the new home that are not required of the existing home. There are several exceptions to this preemption:
- **PASSED – Effective July 1, 2023**

OTHER HOUSING BILLS FAILING TO PASS

- SB 136 – Impact Fees May be Waived for Workforce Housing
- SB 239 – Require Landlords to Provide Carbon Monoxide Alarms
- HB 404 – The Safe Home Act
- HB 304 – Uniform Residential Landlord and Tenant Act
- HB 344 – Landlord Property Duties
- HB 476 and HB 483 – State Tax Credits for Low Income Housing
- HB 490 – Restrict Corporate Income Tax Deductions on Rental Property
- HB 574 – Local Governments may Require Sprinklers in Residences
- HB 627 and SB 125 – Local Governments may Enact Rent Controls

HOUSING ACCESS AND AFFORDABILITY TASK FORCE



- 6 Organizations Coming Together
- 20 Members Appointed
(5-ACCG; 5-GMA; 3-GCC; 3-GAR; 3-HBA; 1-HFH)
- 3 Meetings Scheduled

GOALS OF THE TASK FORCE

- To determine the challenges.
- To increase conversations between stakeholders.
- To develop potential solutions to address housing needs across the state.
- To work collaboratively and share tools, incentives and best practices.
- To build relationships between elected officials and housing industry.
- To educate stakeholders on effect of local zoning regulations, changing living patterns, and housing preferences.
- To establish common ground to improve the quality of life in communities.

SOME IDEAS THAT HAVE BEEN FLOATED

- Updated Plans and Zoning to provide “Workforce Housing Zone” with fast-track approvals and more flexibility in design.
- Expedited review for DRI, EPD permitting, septic tank approval, for targeted development.
- Limited scope and time for residential zoning and/or building moratoriums.
- Incentives to fund infrastructure for housing, including state and local tax credits and abatements.
- More local authority for inspection and remediation of housing code violations.
- Periodic review of local zoning and development codes and standards.

THANK YOU

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