Why Rockpoint is building a $2.5bn single-family rental platform

The Boston-based manager has launched a $250m joint venture with an Atlanta-based rental home specialist, its second such partnership this month.

By Kyle Campbell - 46 mins ago Managers

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Rockpoint Group is the latest firm to enter the single-family rental space. Through a pair of joint ventures launched this month, the Boston-based manager hopes to grow its exposure to the space from zero to $2.5 billion in assets in the coming months.

This week, the group rolled out a $250 million joint venture with Atlanta-based single-family rental specialist Resicap, *PERE* has learned. Last week it announced a $375 million partnership with Dallas-based Invitation Homes, the listed company spun out of Blackstone's rental home platform in 2017.

In total, Rockpoint hopes to acquire roughly 9,000 rental homes throughout the US Sunbelt.

Institutional capital has been active in the single-family rental market since 2010, after widespread foreclosures during the global financial crisis triggered a home-buying spree. But it has taken on new significance during the current period of disruption. Brookfield, Nuveen and JPMorgan Asset Management are among the firms to launch platforms targeting the property type since this summer.

Rockpoint had opportunities to enter the single-family rental market a decade ago, managing member Tom Gilbane told *PERE,* but passed on them, citing uncertainties around scalability. Since then, changes in technology, the capital markets as well as demographic trends have made the space more appealing.

From a financial perspective, the sector has been embraced by the premier investment banks, most of which now offer warehouse credit facilities for managers to accumulate hundreds or even thousands of homes, Gilbane said. Once those portfolios are stabilized, there is a robust securitization market for refinancing. On the technology front, web-based platforms have made it easier to lease and manage large collections of properties.

When it comes time to exit these investments, Gilbane said Rockpoint will have the option of selling whole portfolios to large firms or single homes to individual buyers. He also noted that with just 2 percent of US single-family rental homes owned by institutions, the space has plenty of room for growth. "As much as it has been around for 10 years, SFR is still in its nascence," he said. "If you want to build portfolios of homes and aggregate them to achieve scale – a buy/renovate/lease approach, we think there are fewer than 10 groups that can do that well. There are huge barriers to entry."

Rockpoint is taking a two-pronged approach to single-family rentals. With Resicap, it will focus on homes catering to middle-income households, those making $50,000 to $75,000 a year that can pay around $1,400 per month in rent. The Invitation Homes partnership will target households earning $100,000 or more annually with the ability to pay rents around $2,000.

Both platforms will concentrate on growing markets in Texas, Florida and elsewhere in the US south-east. In addition to the job and population growth, Gillbane said these areas are uniquely positioned for single-family rental homes because the housing stock is newer, property taxes tend to be lower and the warm weather means less maintenance is required.

While workers and families have flocked to suburbs in search of more space during the pandemic, Gilbane notes this is not a short-term play for Rockpoint. "SFR has been a more consistent performer than almost any other real estate asset class and should become a core holding for real estate investors – we still believe we're on the early end of that," he said.

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