MACK INVESTMENTS

# Investors pull back on home purchases

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The big-money investors that gobbled up thousands of local homes aren't as hungry anymore.

Institutional investors accounted for 4.7 percent of Chicago-area home sales in the third quarter, down from 7.6 percent a year earlier, according to Irvine, California-based RealtyTrac. Investor activity peaked at 10 percent of the sales in first-quarter 2013, according to RealtyTrac, which defines institutional investors as business entities that have purchased at least 10 homes in a year.

Companies like Blackstone Group, American Homes 4 Rent, and Starwood Waypoint Residential Trust capitalized on the housing crisis by acquiring thousands of often-distressed homes and renting them out, a practice that helped stabilize neighborhoods across the Chicago area. Institutional investors have bought 15,801 single-family homes here since the start of 2012 amid rising prices and falling foreclosures.

Now, those investors are slowing their purchases as the distressed inventory dries up, making it harder for them to find homes at bargain prices. The pullback is one reason home sales overall have fallen this year.

The question is whether traditional homebuyers can pick up the slack.

"That's the only way the recovery can be sustainable, is if more traditional buyers get involved," said RealtyTrac Vice President Daren Blomquist.

## 'DOUBLE-EDGED SWORD'

Investor participation in the residential market is a "double-edged sword," Blomquist said. While investors help stabilize markets by buying foreclosures and other distressed properties, they can beat out regular buyers also searching for affordable homes. Investor activity was one reason home prices rose by 11.3 percent last year.

“The good news is the traditional buyer has less competition, but it probably means there’s not a lot of great affordable inventory in that market right now,” Blomquist said. “If there were, the investors would be jumping on it.”

In the third quarter, investors were most active in Memphis (16.4 percent of all sales), Charlotte (14.2 percent), and Columbus, Ohio (12.6 percent). Blomquist said these metropolitan areas have more supply of the homes that investors seek: those priced between $150,000 to $250,000 and less than 25 years old. Investor sales fell to 4.3 percent of the total market nationwide in the third quarter, down from 5.3 percent a year earlier.

New York-based Blackstone, the largest owner of single-family homes in the United States, bought more than 1,300 homes in Cook County alone last year through its Invitation Homes subsidiary, according to a DePaul University study. Agoura Hills, California-based American Homes 4 Rent (AH4R) owns 1,828 homes in the Chicago area, the third-largest concentration in its nearly 31,000-home portfolio, according to a November securities filing. Starwood Waypoint owned 553 homes here as of the end of September, according to a November securities filing.

Benefiting from the fallout is a local firm, Tinley Park-based MACK Cos., which has bought 303 homes in the Chicago area this year, and expects to surpass last year’s total amid less competition. The investor has sold some of its portfolio in recent years to Scottsdale, Arizona-based real estate investment trust American Residential Properties Inc., but the REIT isn’t buying as many homes from MACK as it did last year, said John Gutman, MACK’s vice president of sales & acquisitions.

MACK is adjusting to higher prices with a renewed focus on buying more expensive homes, renovating them and “flipping” them to new homeowners, Gutman said.

“A lot of these groups have stabilized their assets,” Gutman said. “They need to have some reporting done to decide whether they’re going to move forward and buy more. We know the model, we know it works, so we’re not slowing down.”

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