



MACK
INVESTMENTS

Single-family home rentals rise 14 percent

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The local single-family home rental market keeps growing as more investors snap up houses, fix them up and rent them out.

The number of single-family homes rented out in the seven-county Chicago area totaled 11,433 through Dec. 16, up 13.7 percent from all of 2013, according to the North Shore-Barrington Association of Realtors, based on data from Midwest Real Estate Data. That's nearly triple the 4,184 single-family homes that were rented out in 2007, as the housing crash was gaining momentum.

Once the domain of local real estate entrepreneurs or a short-term fix for homeowners forced to relocate for jobs, the single-family home rental market has been transformed by the housing crisis. As prices plunged, the landlord ranks grew more crowded with large investment firms seeking to capitalize on the crisis and with homeowners who opted to rent their homes out and move rather than sell at fire-sale prices.

Companies like Blackstone Group, American Homes 4 Rent, Mack Cos. and Starwood Waypoint Residential Trust have scooped up and rented thousands of distressed homes in recent years, stabilizing some Chicago neighborhoods. Last year, investors bought 9,771 single-family homes in the Chicago area, up from 3,442 in 2012, according to RealtyTrac, an Irvine, Calif.-based research firm.

Though big investors trimmed back their home purchases this year, they still bought enough to expand the single-family home rental market. Investors bought 4,174 Chicago-area homes in the first three quarters of this year, down 37 percent from the same year-earlier period, according to RealtyTrac.

The rise in rentals in 2014 likely includes some of properties bought last year that took some time to rent out, said RealtyTrac Vice President Daren Blomquist.

"Investors are having to rehab and put them into rentable condition," Blomquist said. "It would follow that a surge in acquisitions in 2013 would result in higher rentals in 2014."

Among the buyers this year is Mack. The Tinley Park-based company acquires homes, fixes them up and sells them to investors, which hire Mack to manage the properties and rent them out.

Mack's management portfolio has grown to 1,500 homes this year, up from about 1,200 in 2013, said John Gutman, the company's vice president of sales and acquisition. He said Mack faces more competition from new, smaller investors.

"A lot of people are buying one or two homes and trying to get into the rental market," Gutman said.

Housing experts say the continuing climb in single-family rentals is a sign that the renting ranks are here to stay and that the Chicago area likely won't see the homeownership rates return to pre-housing crisis levels anytime soon.

SIGN OF TRANSITION

"We're at a transitional point where we're seeing investors pull back but we're not quite ready to say people are rushing back into homeownership," said Geoff Smith, executive director of DePaul University's Institute for Housing Studies. "The economy has improved in some segments but not broadly for all types of households."

The Chicago metropolitan area's homeownership rate stood at 67 percent in the third quarter, down from 68.1 percent a year earlier and well below the 70.4 percent hit in the third quarter of 2007, according to the U.S. Census Bureau. A key indicator of home-buyer confidence, the local homeownership rate peaked in 2006 but fell once the housing market turned. Many homeowners were forced into renting once the foreclosure crisis took hold.

Rental patterns varied from county to county. The surge in rentals was strongest in Cook and Kane counties, while the number was flat or fell slightly in Lake, McHenry and Grundy.

In Lake County, the number of rented homes ticked down 0.4 percent this year to 1,626. The drop could reflect the fact that some high-end and so-called accidental homeowners now are opting to sell as prices recover in many areas, said Wayne Paprocki, board president of the North Shore-Barrington Association of Realtors.

"One of the strongest areas is the high-end market, and they're starting to sell," Paprocki said.

Many housing experts don't anticipate the number of homes rented to fall back to pre-crisis levels until more people get jobs that pay well enough to obtain and commit to a mortgage. The people forced to sell their homes for less than they paid are probably going to have to rent for a while, said Paprocki.

"The bottom line is we've lost a lot of people who used to be homeowners," he said.

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