



Q&A: GENNADY GOREL, DECHERT

THE RISE OF THE SINGLE-FAMILY RENTAL MARKET

Real Estate Finance & Investment (REFI):

Let's start out with a quick overview of what's going on in the single-family rental market.

Gennady Gorel (GG): It's been an interesting market. Single-family rentals have been around forever but after the recession, institutional investors became interested. We initially viewed single-family rentals as a trade to pick up distressed properties and sell them after the recovery kicked in. But this institutional business became an important part of the U.S. housing stock and recent numbers report that more than 30% of all rental housing is single-family homes. That's a pretty significant portion of the market.

My view is that the number of renters will remain high, especially now that we have a whole generation of people who view real estate ownership as risky. Growing up, we felt it was a sure bet to get a job and buy a house, but that perception has changed and we'll continue to see a lot of people choosing to rent over buying.

REFI: How is Dechert involved in the sector?

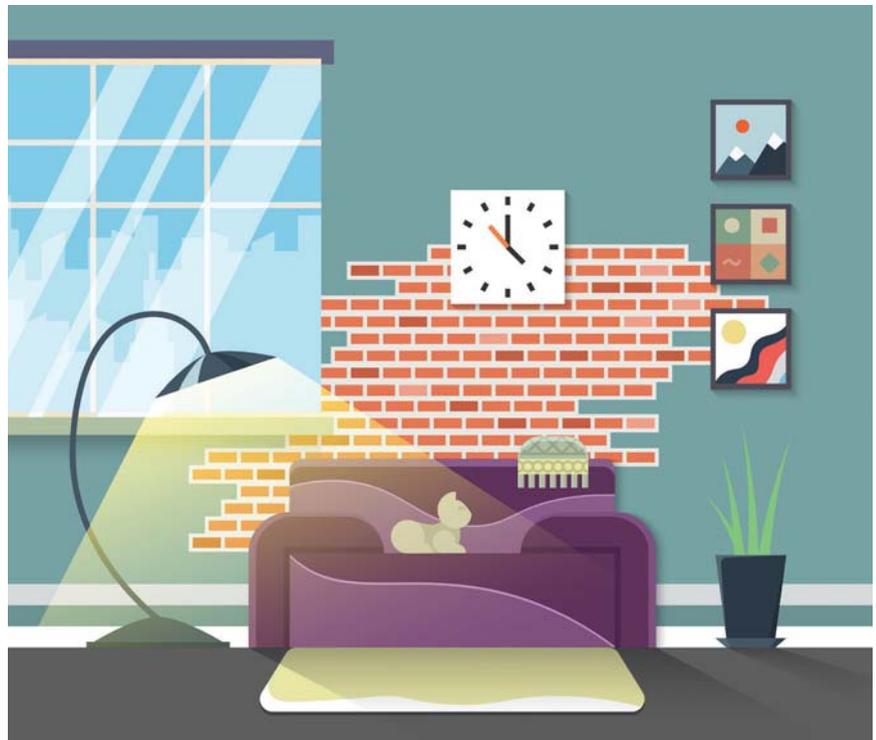
GG: Our work is an extension of our real estate and structured finance practice. One of the deals I'm working on today is representing one of the larger issuers as counsel on a securitization and as a borrower on a warehouse line. We also represent one of the lending platforms that makes loans secured by rental properties to mom and pop landlords.

REFI: Starwood Waypoint and Colony American Homes are merging. What's the significance of that transaction?

GG: I think [M&A activity] was bound to happen eventually. It was just a question of what would happen first. The market has only been around for five years and now that it's finding its feet, you would expect more merger activity as institutional investors enter trades to consolidate synergies. Along these lines, one of the things that these aggregators will be doing is focusing on smaller areas to acquire within certain areas to get critical mass.

REFI: What's the latest in the SFR securitization market?

GG: It seems like the larger aggregators have done multiple deals and they seem



to comprise the bulk of the securitization market. We think they will continue to do that and we're not sure what new entrants will be coming in at this point. The place where we might see some growth is with multi-borrower deals from firms like First Key and B2R. The multi-borrower deals are serving the smaller, mom and pop aggregators, which is a part of the market that has been traditionally underserved.

REFI: What's next?

GG: I think certainly, the mom and pops will continue to be a major part of the single-family rental market. I also think that means that there is more room for institutional players to grow. Additionally, iStar Financial has started to buy new construction homes for rental and we're now hearing talk of single-family home rental communities. This signifies that this segment of the market has significant growth potential and will be interesting to watch.

It's not often that we get to see an entire industry develop—the institutional players

are about five years into this and we have quite a bit of time to watch it play out. Generally, we're still seeing strong investor demand for single-family rental securities. It's interesting that there's not as much distressed stock out there—this business model seems to be working and more investors are buying houses at market rates. The model is more or less proving itself.

Gennady A. Gorel is an associate at Dechert, based in Philadelphia. He specializes in finance and real estate matters, with a particular focus on representing participants in the mortgage markets. He has represented issuers, underwriters, mortgage loan sellers, servicers and investors in connection with public and private commercial mortgaged-backed securitizations. He frequently represents buyers and sellers of commercial and multifamily mortgage loans, loan participations and mezzanine debt. He also frequently represents clients in connection with early purchase and repurchase financing facilities.