



MARCUS RIDGWAY

Title: Chief operating officer

Organization: Invitation Homes

Website: invitationhomes.com

Other: Ridgway joined Invitation Homes at its founding in 2012. He previously served as a managing member of the Treehouse Group, an Arizona property management and brokerage firm specializing in investment properties. Ridgway earned a bachelor's degree from Arizona State University.

“We Like the Southeast Market”

An Interview with Marcus Ridgway of Invitation Homes

Marcus Ridgway is chief operating officer of Invitation Homes, the nation's largest single-family-home rental company. As of mid-May, Invitation Homes owned roughly 25,000 houses, including about 10,000 in the Southeast, mostly in metro Atlanta and Florida. Invitation Homes was formed in 2012 as a subsidiary of Blackstone LLC, the nation's largest private-equity firm, with \$218 billion under management. Ridgway spoke with *EconSouth* about his company and the rapidly growing institutional single-family-home rental industry.

EconSouth: *You make the point about the single-family rental industry's similarities to the multifamily business from 20 or 25 years ago. Can you talk a little about those similarities?*

Marcus Ridgway: I'm not a multifamily expert, but I can tell you from an anecdotal perspective. You looked at an [multifamily] industry that was fairly fractured. There were a lot of people who owned 5, 10, 20, or 50 units. There wasn't a lot of lending into that space. It was small, one-off deals. Big institutional plays, rollups, REITs [real estate investment trusts]—all these things just didn't exist.

As cities developed, you saw more developers come in and build larger complexes. You saw institutions enter the space, having an opportunity for consolidation. The result was now you have some publicly traded REITs, you

have some institutional platforms for property management, you have permanent financing. We're seeing some of the same things take place now in the single-family space.

ES: *You've mentioned having an institutional-grade property management network or infrastructure. What are the elements of that?*

Ridgway: Invitation Homes was modeled off the backbone of Riverstone Residential [a multifamily property-management service]. They are a highly valuable partner on the vendor side. When we first started this, the ownership [of Invitation Homes] was able to focus in on acquisition and rehab, which was a monumental task. We had a vision from the beginning that this needed to be all in-house, so—through our partnership with the owners of Riverstone Residential—we were able to benefit from their policies and procedures, their best practices, their employees for the first 10, 11 months of this endeavor. It wasn't until about a month and a half ago that we did a full transition of all of our regional staff into the Invitation Homes brand. From an institutional approach, it's important that the experience that a resident has is consistent across all markets.

ES: *From what I read, institutions are still actively acquiring homes. Will there be adequate inventory in the price range that meets your plan for some*

time to come, especially in Atlanta and the Florida markets?

Ridgway: That's the million-dollar question, how long this opportunity will last. This is what I do know: we are seeing a [housing] recovery as we move east. It kind of started in the sand states [in the West]. Florida is a little different because of the judicial nature of the foreclosure process. I think those markets [Florida and Atlanta] are going to take longer to recover. I believe there's still opportunity there. There's still high demand for professionally managed rental homes.

ES: *How much of your acquiring so far has been through courthouse-step auctions?*

Ridgway: We have about 25,000 homes. Most all of those homes have been one-off deals, sharpshooter deals. We've had one bulk deal that occurred in the Atlanta market, about 1,500 homes. Other than that it has been one-offs, some 10s, some 20s [homes at a time] from local owners. Most everything has been pretty evenly divided between the courthouse steps and traditional, on-the-market MLS listings.

ES: *Do you have a feel for how many of your renters are people who had been homeowners who had homes foreclosed or for whatever reason have elected not to own a home anymore?*

Ridgway: That's a hard one to track down. We buy homes that are occupied and unoccupied. I can tell you anecdotally we've leased back to a lot of people who owned their homes and were living there when we bought them.

ES: *I'm sure you get asked this a lot: As far as an exit—and I know you indicate that you're in this for the long haul—but do you have an estimated time frame for when you'll look to start selling pieces of the portfolio?*

Ridgway: I don't envision us selling these homes any time soon. I think the market more and more is recognizing that, with the way our competitors are approaching

the market, this is a long-term hold, that it will be, in fact, an institutional space. You'll see trades of assets here and there. But similar to what happens in multifamily, that's just optimizing the portfolio as opportunities come.

ES: *Long term, if you could point to a few demographic markers or data, what are the ones that look most encouraging for this business?*

Ridgway: It seems like [the rate of] homeownership is still coming down. There still is a need for product because of two things. People still aren't building, right? And there's population growth. That's an interesting dynamic when you triangulate those things. I think also you look at just the general feeling that there's a generation that sees a value in leasing or renting a home.

Look at how we move so frequently across America and within our communities because of jobs or whatever. And when you really look at the numbers, for the first three to five years of a mortgage—even at these great interest rates—a high percentage of your mortgage payment goes to interest. I think people are looking at that now. They're looking at the fact that there's a high level of comfort in our approach, institutionalizing this. There's still a credit crunch; it's still hard for some people to get lending [to buy a house].

ES: *Do you think metro Atlanta and your Florida markets fit the description you just laid out?*

Ridgway: Most definitely. If not, we wouldn't have done a 1,500-home trade [in Atlanta in April]. We have a high level of confidence in the Atlanta job market, in the community, in the government. It's a great place to live. And central Florida—it's a growing demographic, and there is demand there. There are just not a lot of people building; there are not a lot of people lending. And there are a lot of people needing homes. We like the Southeast market. ■

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