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Build U.S. Back: Opportunities in the U.S. housing market

At his office just north of Miami, Jordan Kavana stood at his desk wondering about the future of the U.S. housing market. It was December 2013, and since 2008, Kavana had watched his company, Transcendent Investment Management (TIM), grow from a two-person company to become a real estate private equity fund management company with over twenty employees. TIM's growth had been fueled by its investments in REO[1] homes. During the uncertainty of the housing bubble collapse, Kavana had identified an opportunity to purchase these foreclosed properties at significant discounts. Now, nearly five years later, TIM owned over 1,400 homes across the Southeastern U.S. and had expanded its operational scope to managing the rental of these properties.

In addition to the changes within TIM, much had changed in the real estate industry since Kavana began his fund. By 2010, residential real estate was beginning to recover. As a result, properties could no longer be purchased at the significant discounts to replacement cost that they could during the depths of the housing market collapse. While TIM had been one of the first real estate funds to invest in the REO space nationally, large Wall Street firms were now pursuing a similar strategy. Though Kavana believed that single-family rental (SFR) homes were emerging as a new institutional asset class, he was still unsure of how this nascent asset class would evolve and what strategy he and TIM should pursue to capture a slice of what he believed would be a growing pie.

Housing market collapse[a]

The modern housing system had expanded home ownership to millions, but after decades of price increases, low mortgage rates, creative mortgage options, and societal focus on home ownership, the housing bubble finally burst in 2007. The ensuing credit crisis shook the U.S. financial industry and is commonly identified as the primary cause of the recession that started in 2007.

Foreign savings inflows depress mortgage rates: Beginning in the early 1990s, the U.S. economy and some other industrialized countries were the recipients of a great deal of foreign savings. The net

[1] REO stood for "real estate owned," an industry term for properties which were owned by the lender, usually due to foreclosure.

Professor Nicolas Retsinas, Christopher Mintle (MBA 2014), and Peter Kuhlmann (MBA 2014) prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

inflow of foreign saving to the U.S., which was about 1.5% of GDP in 1995, reached 6% of GDP in 2006.[b] Initially, these foreign investors focused on U.S. Government securities such as Treasury bills and bonds, but as prices increased and yields decreased, they branched out into mortgage-backed securities issued and guaranteed by Fannie Mae and Freddie Mac, two government-sponsored enterprises (GSEs). Foreign investors were attracted to these securities because mortgage-backed securities offered higher yields than Treasuries. Investors believed these securities to be low-risk because, if trouble arose, they assumed the U.S. Government would step in and bail out the GSEs. As the demand for mortgage-backed securities grew, Wall Street firms entered the market and began issuing private label mortgage-backed securities that also appeared to be low-risk because they had received favorable ratings from the credit rating agencies such as Moody's and Standard & Poor's.

Federal Reserve policy keeps short-term interest rates low: From 2002 to 2004, the Federal Reserve lowered its federal funds rates to historically low levels in an attempt to strengthen the recovery from the 2001 recession. Beginning in 2001, the Federal Reserve, led by Chairman Alan Greenspan, lowered the federal funds rate eleven times, from 6.50% to 1.75%. When the economic recovery proved sluggish and no sign of excessive inflation emerged, the Fed continued its low interest rate policy by further lowering the federal funds rate to 1.25% in November 2002 and to 1.00% in June 2003. Even though the Fed gradually increased the federal funds rate beginning in June 2004, the rate had remained at or below 2.00% for more than three years. (**Exhibit 1** shows a graph of the Federal Funds rate).

As house prices rose faster than household incomes, many prospective homebuyers were unable to afford house payments under fixed rate mortgages and instead purchased homes with adjustable rate mortgages (ARMs). ARMs typically featured an initial fixed-interest rate, sometimes referred to as a teaser rate, which was adjusted after two or three years to a floating rate. When the teaser rates adjusted upward, homeowners could refinance their homes with new mortgages. Homeowners with ARMs assumed inflation-related risk. If interest rates rose, these homeowners could find themselves unable to afford their increased mortgage payments and unable to refinance with a new ARM or fixed-rate mortgage.

Also, interest rates contributed to the bubble by encouraging institutional investors to leverage their investments by borrowing at low short-term interest rates and investing in higher yielding long-term securities such as mortgage-backed securities. Essentially, institutional investors were making money from the interest rate spread between the higher yielding security and their lower cost of short-term capital. The leverage used by institutional investors increased the financing available for mortgage lending because these investors quickly purchased mortgage-backed securities from lenders. Home prices rose as lenders became increasingly willing to issue mortgages to potential homeowners, after which they bundled and sold them to investors in the form of mortgage-backed securities.

Relaxed standards for mortgage loans: Prior to the mid 1990s, standards for mortgage loans were fairly consistent. Most mortgages were made to qualified, or "prime", borrowers, who were required to make a down payment of at least 20%, and were 30-year fixed-rate loans. Governmental policies imposed new lending requirements to compel banks to increase their lending to lower-income households. As a result, many banks relaxed their mortgage lending standards to comply with the new requirements. Additionally, the Department of Housing and Urban Development began to increase the percentage of mortgage loans to lower-income households that Fannie and Freddie were required to hold in their portfolios. Since Fannie and Freddie only purchased conforming loans – loans with standard down payment and income requirements – the new requirements encouraged the GSEs to relax their conforming standards.

Increased mortgage industry competition and securitization of home mortgage debt, driven by an increased demand from foreign and domestic investors for mortgage-backed securities, also contributed to relaxed mortgage standards. Mortgage lenders were forced to choose between lowering their lending standards or losing market share. The practice of securitizing debts increased the amount of capital banks could lend while decreasing their exposure to the risks of these loans. Banks bundled loans and sold them to third-party trusts, which sold securities based on the revenue associated with loan repayments. By 2005, 63% of mortgage debt was securitized.[c] As a result of the process, the parties who issued the loans and performed due diligence on borrowers no longer bore the brunt of the default risk.

Transcendent Investment Management and Build U.S. Back

Jordan Kavana founded Transcendent Investment Management in 2008. Kavana started his career in the finance and operations department of one of South America's largest vacation property developers before returning to the U.S. to analyze real estate investment for Morgan Stanley's private wealth division. Later, Kavana founded an Asian-based consumer electronics company. After selling this business in 2003, Kavana invested in several multi-family properties throughout the Southeastern U.S., structuring each as a separate investment with different partners. He subsequently developed a new business plan, focusing on the single-family residential (SFR) asset class and structured TIM as a real estate private equity fund. In order to fully understand the opportunities presented by the financial crisis, Kavana travelled to 15 foreclosure-laden markets across the United States. During his travels, Kavana noticed that single-family residences could be purchased for prices below their replacement value. These prices were a small fraction of the prices at the peak of the housing bubble.

Kavana's business plan called for TIM to acquire, rehabilitate, and sell single-family residences across the country. This strategy, where properties were held for a short amount of time, was commonly referred to as "flipping." In order to diversify the fund, properties were purchased across the nation, focusing the on the most distressed areas—the Southeast and Southwest. Essentially, the goal was to purchase distressed single-family residences, fix up the properties with any necessary repairs, and then resell the properties to other real estate investors at a profit. Each "fix and flip" targeted an 8-10% return, with multiple "fix and flip" iterations occurring in a year to yield a 30% net return. (**Exhibit 2** provides illustrative "fix and flip" economics). To achieve such high returns, TIM sought to exclusively work with local operating partners, who possessed local market knowledge and had established relationships with contractors, real estate agents, and investors. Kavana knew that local knowledge was a key success factor. These local partners would find properties and fund the renovations while TIM would purchase the properties.

TIM established a typical real estate investment private equity closed-ended fund structure where TIM served as the fund's General Partner (GP) and its investors were Limited Partners (LPs). The LPs collectively contributed $35m and were comprised primarily of high-net-worth individuals and family offices that had previously invested with Kavana in his multi-family projects, his Asia-based business or were introduced to Kavana through referrals from previous investors. The fund's duration was 7 years, although the GP could extend the fund.

While fundraising, Kavana communicated his belief that the "fix and flip" strategy had a limited duration because it was an opportunity that arose from a once in a lifetime market crash. Kavana raised funds under the premise that the fund would execute the "fix and flip" and then shift to a "buy and hold" strategy as market conditions changed. Under the "buy and hold" strategy, TIM would acquire and rent out single-family residences and manage the properties owned through the fund. While the exact timeframe was uncertain, Kavana believed that the "fix and flip" opportunity window would last from 2008 through 2013. After this time, he would transition to a "buy and hold" strategy.

As the housing market slowly recovered, Kavana began to notice that the profit margins for the "fix and flip" strategy were decreasing, primarily as a result of increasing home acquisition prices. (See **Exhibit 3** for Case-Shiller home price index data). At the same time, the rental market was building momentum as demand grew from former homeowners needing a place to live. (**Exhibit 4** shows the year over year price change in owners' equivalent rent of a primary residence). In the post housing crash environment, lenders had become stricter when underwriting mortgages. Kavana believed that the income requirements and down payments lenders now required would prevent individuals from purchasing homes, even at low prices. The combination of these two factors caused Kavana to fully transition from the "fix and flip" strategy to the "buy and hold" strategy earlier than originally anticipated.

In late 2010, after deciding to go long on single-family residential, Kavana returned to his investors to raise additional capital. Many investors expressed concerns, ranging from macroeconomic uncertainty to Kavana's limited credibility in the SFR asset class, but 70% of TIM's original investors chose to reinvest, bringing the total capital raised to $100m. While raising capital, one of the key items Kavana marketed was TIM's desire to target a minimum 7% cash-on- cash yield from the SFR properties. A 7% yield was about 200 bps above multi-family REIT yields, and Kavana felt that this spread adequately compensated investors for the risks inherent in this emerging asset class. (See **Exhibit 5** for multi-family REIT dividend yields from 2003 – 2013). By the end of 2013, TIM had acquired approximately 1,400 homes and had decided to become a Southeast U.S.-focused fund with homes in Florida, Georgia, Tennessee, North Carolina, and South Carolina.

Build U.S. Back

When forming his SFR fund, Kavana chose to create a brand name for his operations, selecting the name "Build U.S. Back." He felt it was important not only to investors, but also to potential renters to have a professional name brand. The SFR market was historically comprised of small, "mom and pop" operations. This meant that renters often had to deal with relatively unprofessional landlords. Once Build U.S. Back had built a strong track record as a professional owner of SFR properties, Kavana believed that potential renters would choose Build U.S. Back over unknown, small-scale landlords, decreasing Build U.S. Back's vacancy rate and increasing returns to TIM's investors.

Kavana identified property management as the key challenge in the SFR space. Unlike with traditional multi-family apartment complexes, SFRs were spread out and could not be managed as cost effectively by company employees. Kavana had initially hired a nationally recognized property management company that specialized in managing REO properties, but quickly found that this company did not focus on leasing. As vacancy rates climbed to 70%, Kavana looked for other options.

Smaller SFR property management companies typically charged 10% of the gross rents collected as a management fee. These companies checked up on vacant properties, leased them, collected rent, coordinated maintenance, and performed accounting and tax functions. Build U.S. Back created its own property management company, Build U.S. Back Property Services. As it was not economically feasible to have managers in all the areas where it owned properties, Build U.S. Back contracted local property management companies to perform only those functions that could not be managed from the Build U.S. Back offices in Florida. The local companies would monitor vacant properties to prevent vandalism and collect rent on occupied properties. Build U.S. Back Property Services would perform leasing and accounting centrally. As they performed fewer duties, the third-party property management companies would earn fees around 6% of gross rents. While many of the companies initially balked at this, Kavana convinced them that institutional ownership of SFR properties would become more common. Other institutional owners would want similar services and those local property management companies that adapted to this structure would reap the benefits. Once Kavana switched to this model for property management, vacancy rates declined to 8-10%.

In addition to Build U.S. Back Property Services, Kavana created several other Build U.S. Back subsidiaries: Realty, Title, Construction, and Credit. (See **Exhibit 6** for TIM's organizational chart). Build U.S. Back Realty was a licensed broker, allowing Build U.S. Back to work directly with sellers' agents. Build U.S. Back Realty collected standard fees and charged them to fund investors. Build U.S. Back Title operated similarly, avoiding the need for a third-party title company. Build U.S. Back Construction Management managed the outsourcing of contractors hired to fix properties. It also managed inspections and building permits.

Build U.S. Back Credit was an innovative attempt to help former homeowners rebuild their credit. Many of Build U.S. Back's tenants had poor credit scores due to past foreclosures and had a hard time rebuilding their credit histories. Build U.S. Back Credit partnered with a third-party financial institution to allow tenants to pay for their rent with a Build U.S. Back branded debit card. Initially, this card could only be used for rent, but after tenants had demonstrated the ability to consistently pay rent, their card could be converted from a debit card to a credit card. Approximately 25% of Build U.S. Back tenants had signed up for the credit program by late 2013.

Software

TIM faced significant challenges purchasing, renovating and renting thousands of homes over a five state area. Early on, Kavana realized that a software solution would be needed to overcome the difficulties of managing such a geographically diverse portfolio. As existing software did not fulfill all of its needs, TIM decided to develop a proprietary software solution. This software, ResiPro, managed all aspects of Build U.S. Back's business. Real estate agents submitted potential properties through the system, contractors sent in their bids on renovations, tenants were approved and third-party property managers inputted all information about the performance of properties. The software also allowed TIM to conduct market analysis. Early on, Kavana had recognized that the data available on local markets was inconsistent and often biased. For instance, sale prices, which helped to chart trends in local prices, were obtained from county records. Counties varied drastically in the speed with which they updated these records, with the slowest taking over a year. Real estate brokerage companies also provided data, but it was often subjective and was potentially biased given that brokers were incentivized to persuade investors to buy properties.

Kavana thought that ResiPro gave TIM an advantage in the SFR market. The analytics ResiPro generated gave him a better idea of which properties to buy and which markets to focus on. It also allowed him to streamline the management of the properties. Unlike software often used in the management of multifamily properties, ResiPro was specifically designed to be easy to use for property managers and real estate agents who did not use it on a day-to-day basis. Additionally, Kavana assembled a data integrity team in India to manually check the data that was inputted, catching any errors that the agents or managers made. The software worked so well that Kavana planned to license it to competitors. Many of the larger institutional investors who had begun purchasing SFRs were still tracking their investments using Excel spreadsheets. Kavana believed that licensing this technology to large investors could be extremely lucrative.

Purchasing Homes

The vast number of distressed homes during the financial crisis presented a unique opportunity for buyers and investors. A distressed property is a property that is in foreclosure, has been foreclosed upon and is being sold by its original lender, or is being sold by the homeowner for less than the outstanding mortgage principle. All of these circumstances present a buying opportunity for investors because distressed properties were sold at significant discounts. Lenders used the foreclosure process to repossess a property, which was often in poor condition due to owner neglect. Next, lenders sold the distressed property at a discount because they did not want these assets on their books and were not in the business of home ownership and maintenance. Distressed properties were resold to the public through foreclosure auctions, online auctions, real estate brokers, or internal lending divisions. Furthermore, distressed properties could be sold individually or be bundled together with other distressed properties to help facilitate bulk buying.

TIM had experimented with several options to purchase homes. Early on, when TIM was executing the "fix and flip" strategy, local operating partners sourced the properties. As TIM transitioned to the "buy and hold" strategy, it ceased working with local operating partners and began sourcing homes itself. Kavana explored several options. Fannie Mae had conducted bulk sales of homes, but Kavana felt that too few of these were good rental properties. Fannie Mae also sold homes through a website, homepath.com. Other companies also used websites, such as auction.com, to sell properties. While TIM had purchased some homes through auctions and websites, sifting through the numerous options was time and resource consuming. While more expensive, Kavana found that it was best to work with trusted real estate brokers. Good brokers knew the qualities that made properties attractive to TIM. TIM preferred to do less than $6,000 worth of renovations and targeted homes in the $100,000 price range. Rather than sift through thousands of homes, TIM let the brokers do this work. Ideally, Kavana liked to see four good options for every one home he purchased. As housing prices rose, this ratio had begun falling. By late 2013, TIM was seeing only two promising SFRs for each one it purchased. Nevertheless, TIM was still actively buying new homes, while also selling homes, primarily those that were underperforming as SFRs so it could redeploy the capital more productively.

SFR: An Emerging Asset Class?

History of rental in the United States

By the late 20th century, the U.S. had one of the highest rates of homeownership in the world, but this had not always been the case. Prior to the Great Depression, more than 54% of Americans rented their dwellings. [d] In large part due to the establishment of the Federal Housing Administration and the formation of a residential mortgage system, home ownership was on the rise, but in the wake of the housing crisis, some wondered if renting would grow in popularity. Those who believed in a growing "rentership society" called attention to the declining homeownership rate amongst young adults. Many young adults chose to pursue advanced educations or move to new cities to advance their careers.[e] For these people, home ownership was either unobtainable or did not make economic sense. However, contradictory evidence showed that between 2011 and 2012, fewer than 10% of adults aged 25 to 29 moved, compared to over 13% a decade earlier. (See **Exhibit 7** for a graph of moving trends).

Whether the rental market was growing due to changing housing demands or the inability of former homeowners and young people to get mortgages, multi-family apartments had dominated the rental market in the U.S. Apartments came in many varieties from suburban garden-style complexes consisting of sprawling low-rises constructed in the same wooden "stick" style as most homes, to steel and glass urban high-rise apartments. SFRs traditionally made up a relatively small proportion of the overall rental units available and institutional investors did not invest in them. (**Exhibit 8** provides a comparison of SFR properties to traditional multi-family properties from both a tenant and investor perspective).

Single-family rentals

The institutional single-family rental industry was relatively new in the U.S. Until very recently, the single-family rental business consisted primarily of private and individual investors in local markets and was managed individually or by small, local, property managers.[f] (**Exhibit 9** illustrates investor trends in SFR). Ushered in by the financial crisis, the opportunity to acquire single-family residences on a large-scale basis allowed investors to purchase REO properties in bulk at heavily discounted prices. Most of the properties required renovation and standardization before they could be leased. Properties were then leased to residents at market rates, which generated attractive income yields to the investors. Ultimately, the properties could be sold to realize gains from appreciation.

One of the key risks associated with the REO-to-rental asset class was the sustainability of the "buy and hold" strategy. Numerous competitors had implemented very similar strategies, and this increased competition made it harder for investors to achieve attractive risk-adjusted returns. Changes in regulation, housing prices, rental demand, along with many other factors, threatened the sustainability of the strategy for many REO-to-rental investors, both in terms of rental income sustainability and REO property acquisition availability.

Another key risk associated with the emerging asset class was overexposure to a single market. Housing prices and rental demand were driven in part by macroeconomic and demographics factors, including existing home supply, vacancy rates, population and household growth, migration, regional building activity, mortgage delinquency rates, employment trends, income ratios and price-to-rent ratios. Diversification within the rental portfolio could be accomplished through geographic diversification as well as purchasing rental properties with different property characteristics (home size, number of bedrooms, etc.).

However, the geographic dispersion of single-family properties increased the operational and maintenance challenges as compared to traditional multi-family apartments. Because each single-family property had unique features and building materials, the renovations, maintenance, marketing, and operational tasks were far more varied and demanding.[g] These challenges translated into higher operating costs and limited economies of scale.

Competitors

The REO-to-rental space became increasingly crowded as investors of all sizes realized the magnitude of the opportunity. Well-capitalized institutional investors, including public and private REITs, specialty finance corporations, and public and private funds entered the market and pursued the buy and hold strategy. With little differentiation, institutional investors deployed significant amounts of capital. As competition increased, home prices began to rise because many of the larger financial institutions could afford to pay more due to their lower cost of capital. Large institutional investors included Invitation Homes (a Blackstone subsidiary), American Homes 4 Rent, Colony Financial, Silver Bay Realty Trust Corporation, and Altisource Residential Corporation.

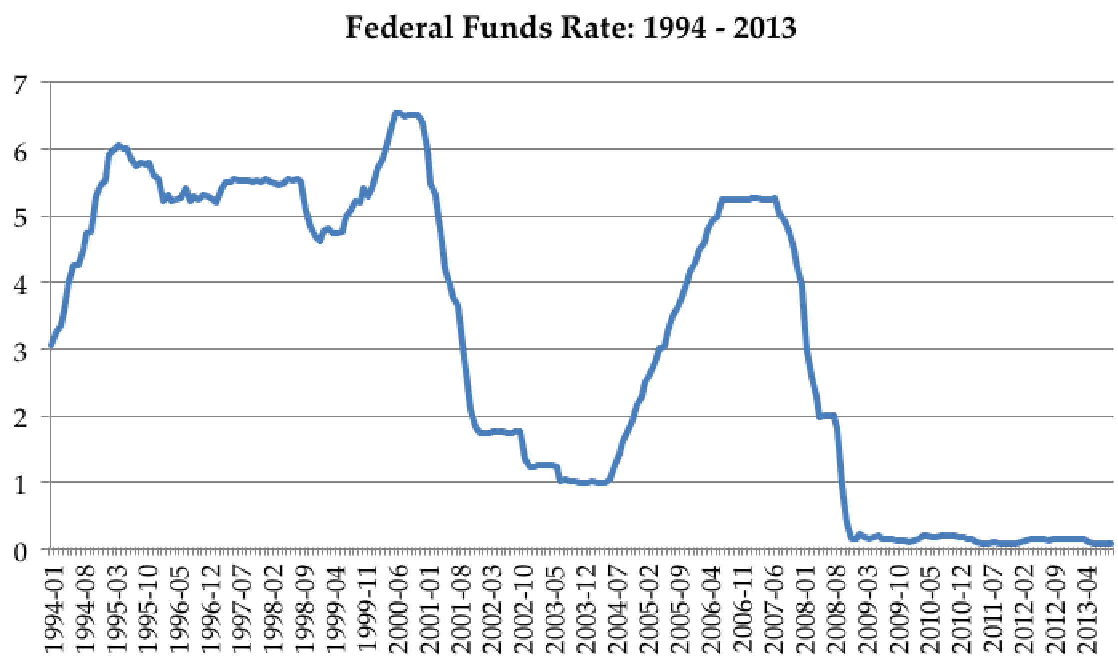
Kavana and his investors felt that the entry of these large investors was a positive sign for Build U.S. Back. In 2010, 1.2 million homes were at some step in the foreclosure process[h]. Blackstone, through its Invitation Homes subsidiary, had purchased roughly 40,000 homes for $7.5 billion by November 2013.[i] With over 14 million SFR properties in the U.S., Kavana felt there was plenty of room for Build U.S. Back and the larger competitors.[j] In fact, the entry of competitors helped Build U.S. Back. When dealing with investors, property managers, and brokers, Kavana found that he and his strategy were more credible once major Wall Street institutions had adopted the same strategy.

The Uncertain Road Ahead

By the end of 2013, the national housing market was starting to show signs of improvement. Median housing prices were increasing, inventory was tight, and many homeowners were no longer underwater on their mortgages. However, a steady flow of distressed inventory still remained in Southern states where a large backlog of delinquent homes was finally working its way through the foreclosure pipeline and becoming available for sale at the public foreclosure auctions or as bank-owned homes.[k] Also, Blackstone's Invitation Homes had recently debuted the sale of bonds backed by U.S. rental homes. This event marked the first time that a large institutional investor packaged and securitized the income from SFR properties, and the market for rental-home securities was expected to grow to $900 billion.[l] Wall Street's newfound appetite for SFR-related securities allowed institutional investors to access the favorable credit markets and lower their cost of capital.

Kavana once again pondered the strategic decisions facing TIM. Was this opportunity a once in a lifetime opportunity due to the housing crisis, or was this an emerging asset class? Was Invitation Home's bond offering a sign that TIM should also start cashing out or a sign that SFR was becoming a recognized asset class? How would the institutional investors with a lower cost of capital affect TIM? Could the Build U.S. Back operating businesses become standalone businesses? If so, which Build U.S. Back subsidiary was best positioned to capture value going forward? Where and how could Kavana and TIM best create or capture value going forward?

Exhibit 1 U.S. Federal Funds Rate between 1994 and 2013



Source: U.S. Federal Reserve

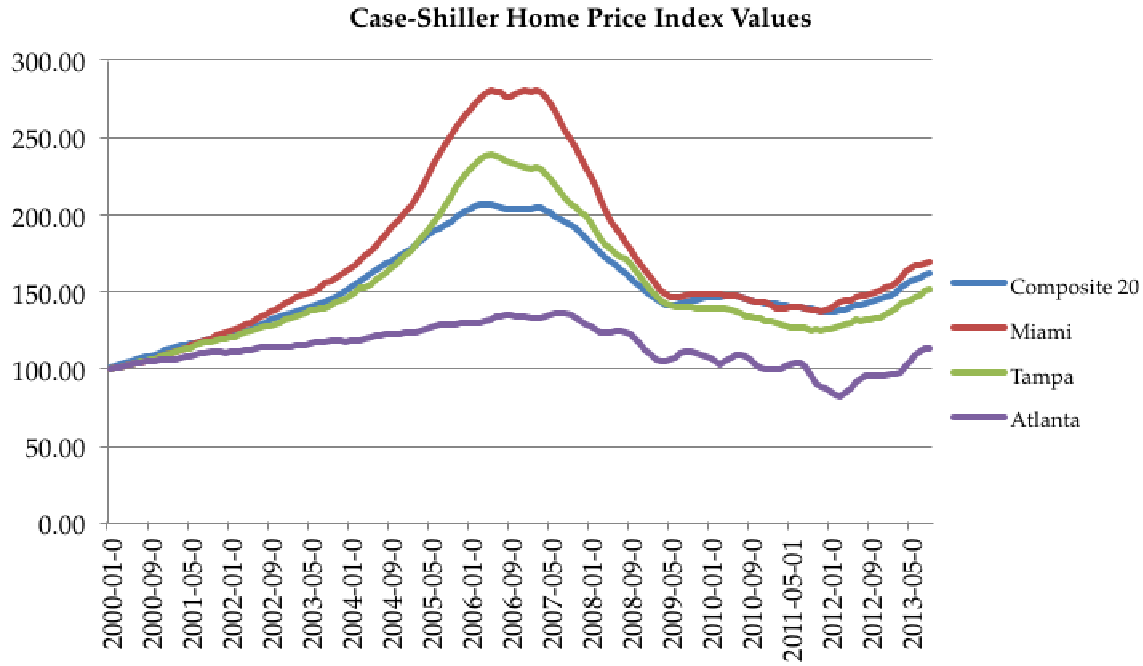
Exhibit 2 Illustrative economics of "fix and flip" strategy

Single-family residence purchase price	$100,000
Rehabilitation expenses	10,000
Total invested capital	$110,000
Disposition price	135,000
Transaction fees / expenses @ 6.0%	8,100
Net disposition proceeds	$126,900
Gross profits	$16,900
10% preference to TIM	1,690
50% share in profits[a]	7,605
Total TIM profits	$9,295
% return on invested capital	8.5%

Source: Case writer analysis

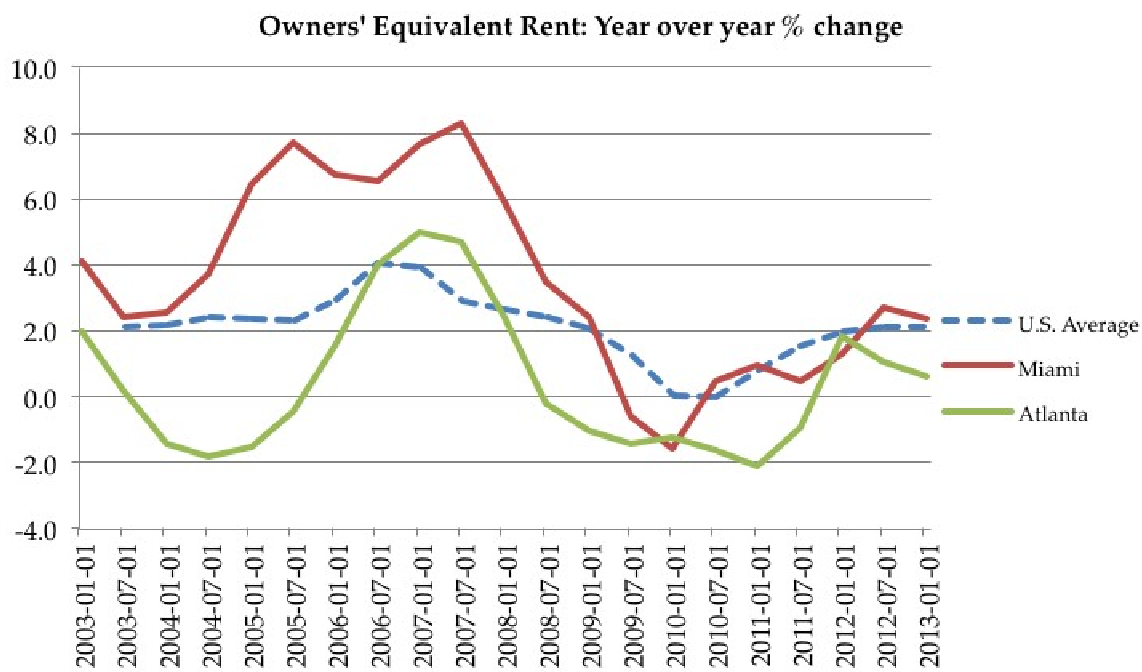
[a]Profits split 50/50 with local operating partner

Exhibit 3 Case-Shiller home price index data



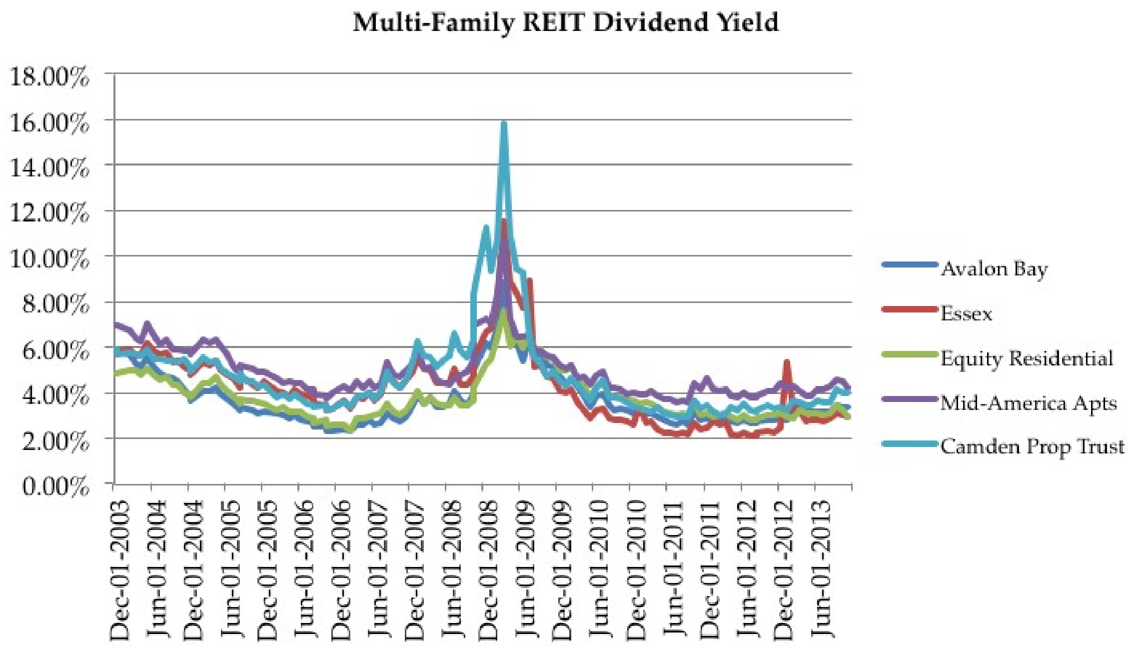
Source: Federal Reserve Bank of St. Louis

Exhibit 4 Owners' equivalent rent of primary residence



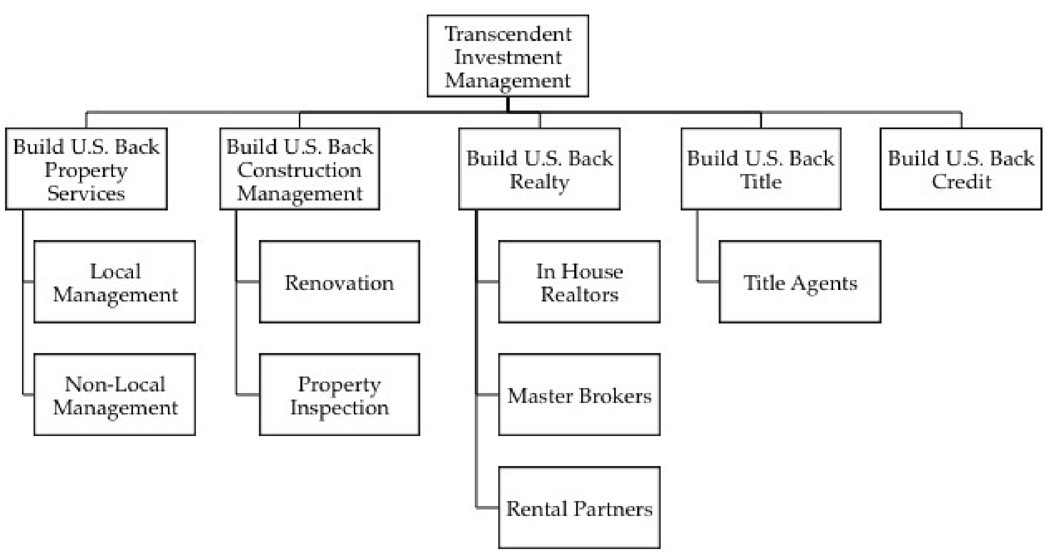
Source: Federal Reserve Bank of St. Louis

Exhibit 5 Multi-family REIT dividend yields, 2003 – 2013



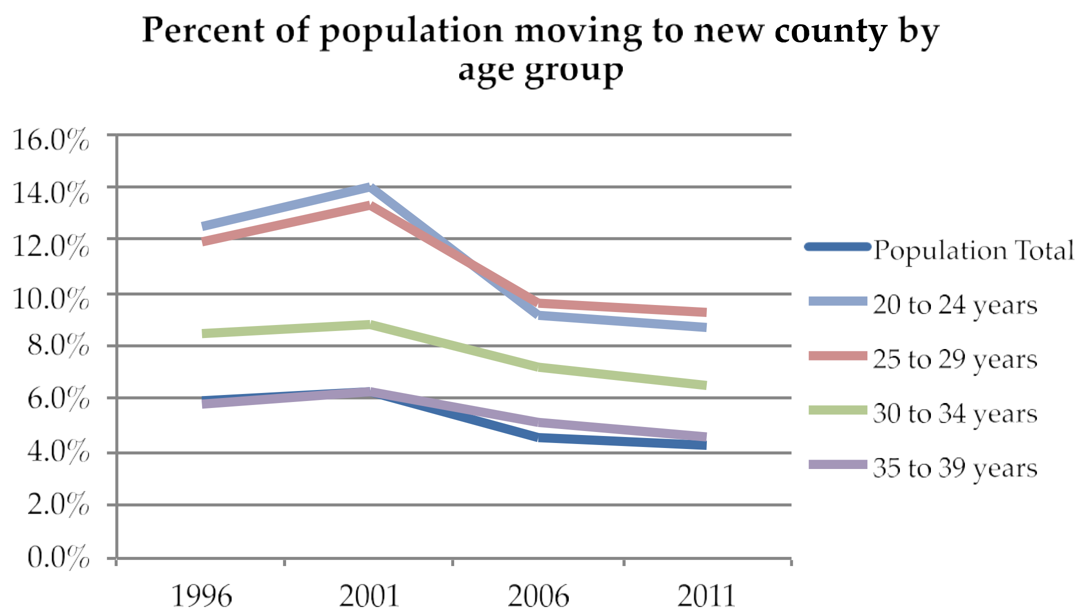
Source: Capital IQ

Exhibit 6 Organization chart



Source: Company documents

Exhibit 7 Decreasing mobility of young adults



Source: Case writer analysis using U.S. Census Bureau survey data

Exhibit 8 SFR to traditional multi-family apartment comparison

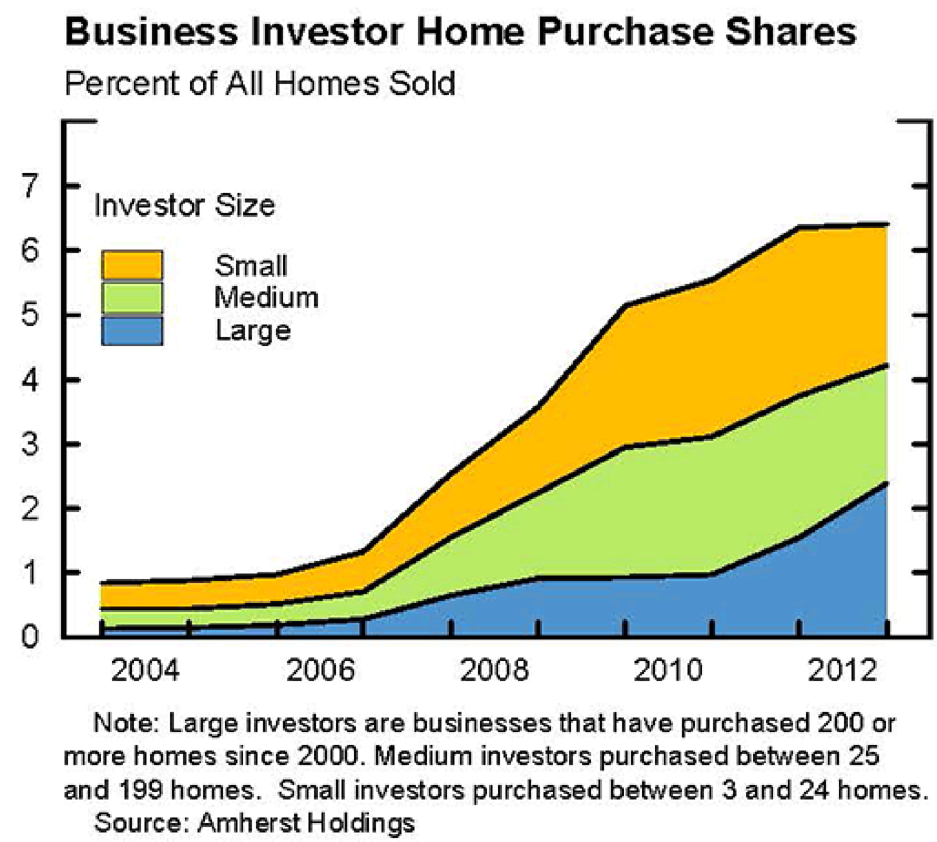
Multi-family apartments

Advantages	**Disadvantages**
<u>For tenants:</u>	<u>For tenants:</u>
Professional, onsite management	Higher density than single-family
Amenities and common areas	Less private space
Good availability	More transient community
<u>For investors:</u>	<u>For investors:</u>
Established asset class	Less diversified
Good liquidity	
Low vacancy	
Low operating costs	

Single-family rentals

Advantages	**Disadvantages**
<u>For tenants:</u>	<u>For tenants:</u>
More private space	Offsite property management
Traditional neighborhood	Likelihood of less professional landlords
More unique variety	Less availability
<u>For investors:</u>	<u>For investors:</u>
Cheaper to diversify	Not an established asset class
Potential discount to replacement cost	Higher transaction costs
Less competition for assets	Higher operating expenses
	Harder to conduct diligence
	Less liquid as a portfolio

Exhibit 9 Investor trends in SFR by investor size



Endnotes

[a] This section is based in part on Holt, Jeff, "A Summary of the Primary Causes of the Housing Bubble and the Resulting Credit Crisis: A Non-Technical Paper," The Journal of Business Inquiry 8 (2009): 120-129.

[b] Ben Bernanke, "Four Questions about the Financial Crisis," speech given at Morehouse College, Atlanta, GA, April 14, 2009. http://www.federalreserve.gov/newsevents/speech/bernanke20090414a.htm, accessed November 2013.

[c] Cather Duggan and Alexander Roehrkasse, "Negotiating Trust: Borrowers, Lenders, and the Politics of Household Debt," HBS No. 710-048 (Boston: Harvard Business School Publishing, 2013), p. 7-8.

[d] United States Census Bureau, "Historical Census of Housing Tables," http://www.census.gov/hhes/www/housing/census/historic/owner.html, accessed November 2013.

[e] Derek Thompson, "Adulthood, Delayed: What Has the Recession Done to Millennials?," The Atlantic, February 14, 2012, http://www.theatlantic.com/business/archive/2012/02/adulthood-delayed-what-has-the-recession-done-to-millennials/252913/, accessed December 2013.

[f] Silver Bay Realty Trust Corp., December 31, 2012 Form 10-K (filed March 1, 2013), http://silverbayrealtytrustcorp.com/InvestorRelations/Filings, accessed November 2013.

[g] Ibid.

[h] Associated Press, "Home Foreclosures Reach 1 Million," The Christian Science Monitor, January 14, 2012, http://www.csmonitor.com/Business/Latest-News-Wires/2011/0114/Home-foreclosures-reach-1-million, accessed November 2013.

[i] Jody Shen, "Blackstone Lures Investors to Home-Rental Bonds: Credit Markets," Bloomberg News, November 6, 2013, http://www.bloomberg.com/news/2013-11-06/blackstone-lures-investors-to-home-rental-bonds-credit-markets.html, accessed November 2013.

[j] John Caulfield, "Single-Family Rental Market Trying to Prove Its Sustainable," Multifamily Executive, August 2, 2013, http://www.multifamilyexecutive.com/multifamily-building/single-family-rental-market-trying-to-prove-that-its-sustainable.aspx, accessed November 2013.

[k] Daren Blomquist, "Single Family Institutional Investors Moving to Greener Pastures," Forbes News, June 4, 2013, http://www.forbes.com/sites/darenblomquist/2013/06/04/single-family-institutional-investors-moving-to-greener-pastures/, accessed November 2013.

[l] Jody Shen, "Blackstone Lures Investors to Home-Rental Bonds: Credit Markets," Bloomberg News, November 6, 2013, http://www.bloomberg.com/news/2013-11-06/blackstone-lures-investors-to-home-rental-bonds-credit-markets.html, accessed November 2013.