HOME REAL ESTATE

JPMorgan is about to spend $1 billion on hundreds of rental homes across the US on the way to becoming a megalandlord

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JPMorgan is getting into the single-family rental industry. Mike Blake/Reuters

- **JPMorgan and Haven Realty Capital entered into a joint venture agreement on November 15.**

- **The companies plan to acquire up to $1 billion in build-to-rent properties, starting in Atlanta.**
- **Housing experts warn that it can take a long time to bring build-to-rent properties to market.**

A new joint venture between one of America's largest banks and a growing build-to-rent operator is the latest sign that big investors are undeterred by the volatile real estate market.

Haven Realty Capital and JPMorgan Chase's asset management arm said they will invest up to $1 billion to develop build-to-rent single-family homes across the country, according to a November 15 announcement.

The duo plans to seed their investment with up to $415 million in equity. The first installment will include a purchase of 250 homes in three communities around the Atlanta metropolitan area, and the deal could close within the next 90 days, the statement said.

The partnership comes at a time when demand for new housing continues to slide, according to data from the Census Bureau. Meanwhile, the National Association of Homebuilders reports that builder confidence is at its lowest level since 2012 because of rising interest rates and construction material costs.

"The for-sale housing market has been significantly hampered by recession fears, inflation and rising interest rates placing a burden on homebuilders and their ability to add to the housing stock," Haven's founder Sudha Reddy said in the statement, adding that the partnership will allow the company to work with homebuilders who "are becoming increasingly comfortable selling entire communities to operators" like Haven.

Build-to-rent is a 'useful response to the market's needs'

The build-to-rent trend initially emerged during the Great Recession as a way for homebuilders to continue adding supply at a time when consumers were not buying homes. It refers to a process where developers construct an entire community of typically detached single-family homes that are later rented out by an operating partner.

The trend gained steam during the COVID-19 pandemic as demand for single-family homes and suburban living skyrocketed.

Haven Realty has emerged as a national leader in the space, with a portfolio of 35 build-to-rent communities valued at more than $1.2 billion. Similarly, JPMorgan is one of a handful of companies that are pioneering digital rent payment options for renters and landlords.

Institutional investors like Fundrise as well as pension funds, and public companies have been steadily acquiring single-family homes to rent for a profit. This has only increased competition for homes at a time when housing affordability is a primary concern for many.

However, some, like Tomasz Piskorski, a professor of real estate at Columbia Business School, believe that the build-to-rent model is more efficient than the traditional model of selling each newly built home to separate private individual buyers.

He told Insider in early November that the build-to-rent trend is a "useful response to the market's needs."

"Professional rental companies in some ways bring more efficiency and they might help solve affordability problems because of very high mortgage rates right now," Piskorski said. "A lot of people simply cannot afford to buy a home."

Not everybody agrees with Piskorski's assessment.

Housing experts like John Burns, of the eponymous real estate consulting firm in Phoenix, Arizona, have cautioned developers against going "all-in" on build-to-rent because it can take a long time to bring those communities to market.

"We're still very bullish overall, but not everything's going to work out," Burns told Insider in October.

Get the latest JPM stock price here.