

Swiss Investment Giant Partners Group Buys \$1 Billion Portfolio of US Single-Family Rentals

Fortress Investment Group, Kairos Living Sell More Than 3,500 Homes Across Sun Belt



Affiliates of Fortress Investment Group and Kairos Living have sold a portfolio of single-family rental homes, including this one in Montevallo, Alabama. (Partners Group Holding AG)

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CoStar News

May 16, 2022 | 2:04 P.M.

Swiss investment giant Partners Group Holding AG has made its second billion-dollar investment in the U.S. housing market in the past six months, buying up a portfolio of more than 3,500 single-family rental houses across the high-demand Sun Belt.

Partners Group said Monday it acquired, on behalf of its clients, the portfolio with a combined asset value of \$1 billion from affiliates of Fortress Investment Group and Kairos Living. The portfolio consists of 2,528 recently constructed single-family rental homes and a pipeline of over 1,000 houses under construction spread across 17 states, with most in Texas, Alabama, Georgia and Oklahoma.

The performance of single-family rental properties has been boosted by an economy rebounding from the pandemic, with increasing home prices and rents. Large institutional investors have been particularly active in the property type.

Partners Group is the latest such player, with 20 offices, 1,500 employees and a history that includes \$150 billion in private equity investments since its inception in the mid-1990s. Its portfolio spans real estate investments around the world, including a growing presence in new U.S. home construction.

And the building of new homes is helping to expand the supply of rental properties, according to Partners Group.

“Millennials are raising families at a time when the high costs of living and a chronic undersupply of housing are making purchasing a home difficult for many,” Ron Lamontagne, head of private real estate in the Americas for Partners Group, said in a statement. “The provision of affordable rental properties for families that are not ready to buy their first home has therefore never been more important. We were attracted by this investment as it sits within one of our high-conviction themes, residential-for-rent, and helps ease housing supply constraints.”

Sun Belt Focus

The Sun Belt is particularly attractive, according to Scott Egarian, a Partners Group executive focused on the Americas.

“A rising number of companies are locating or relocating to the Sun Belt from more expensive and high-cost, high-tax” metropolitan areas, Egarian said in a statement. “As a result, the target demographic for the portfolio, which typically includes young families with stable incomes that are looking for more space, is growing. Our vision is to capitalize on the fragmented nature of the single-family rental market to build a platform across the region whilst ensuring superior tenant experiences.”

Partners Group plans to work with Kairos Living to execute on the pipeline of homes under construction. Kairos Living plans to handle the management of the portfolio. Partners Group also expects to provide growth capital to acquire additional homes and invest in the Kairos Living operating platform.

In December, Zug, Switzerland-based Partners Group entered into a [\\$1 billion joint venture](#) agreement with Austin, Texas-based StoryBuilt to build luxury housing in densely populated urban areas.

The business model for large-scale institutional ownership and management of single-family rental properties in the United States was born out of the Great Recession and gained even wider acceptance following the outbreak of COVID-19. The first securitization of loans backing single-family rental portfolios occurred in 2013, according to Kroll Bond Rating Agency, which has rated 95 such deals since then.

None of the loans underlying those deals has ever been 60 or more days delinquent or specially serviced, and 32 securitizations have been repaid in full prior to maturity. In addition, cash flows and value of the underlying properties in those transactions have generally increased since issuance.

However, the pandemic and the war in Ukraine present the first time the asset class has been subject to economic disruption. Additionally, rising interest rates may put downward pressure on home prices, according to KBRA.

So far, the sector has performed as home prices and rental rates have generally risen, according to KBRA. However, tenant delinquencies have increased modestly, the firm said. Furthermore, it projected the sector could come under stress should home prices or rental rates decline meaningfully.