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Newly Launched CoreVest Looks To Tap Single-Family Rental Middle Market

JULY 24, 2017

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NEW YORK CITY—In an exclusive interview with Globest.com, Beth O'Brien, CEO of newly launched CoreVest American Finance Lender, LLC, believes that with an infusion in capital by affiliates of Fortress Investment Group, the firm is on solid footing to grow its lending operations in the single-family rental sector.

Earlier this month, Fortress Funds, managed by affiliates of New York City-based Fortress Investment Group, acquired the equity and substantially all of the assets of Colony American Finance, a specialty residential REIT finance company that financed more than 20,000 properties and closed over \$2.8 billion in loans since its inception in 2014. With the deal, Colony began operating as [CoreVest American Finance Lender](#). The firm specializes in the single-family rental residential market and offers single-asset and portfolio loans on residential properties, as well as credit lines and single-asset bridge loans.

O'Brien stressed with Globest.com that despite the infusion in capital from Fortress Funds, CoreVest will remain an independently-run company and in fact will be managed by the former senior management team at Colony. No financial terms of the transaction with Fortress Funds were released. The new company also shed its REIT status and is operating as a privately-held company.

O'Brien, who served as CEO of Colony American, says of the newly launched financing firm, "We are excited to bring the same team and the same approach to the market under the CoreVest brand. Our customers will continue to work with our people and experience our high level of service, while also benefiting from the strategic capital brought by the Fortress Funds."

Ryan McBride, COO of CoreVest, adds, "We believe our opportunity for growth is especially strong given the demographic tailwinds for housing in the U.S. This transaction will enable us to provide scalable debt capital and innovative financing products to our investor clients."

O'Brien, who has nearly 30 years of mortgage industry experience, says the deal with Fortress ensures the company's source of capital. She also describes Fortress' funding as "strategic

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capital” in that Fortress has invested in the past in other mortgage-origination related entities. O’Brien has overseen more than \$15 billion in transactions and before joining the company in 2014, was EVP at Auction.com, president of AuctionFinance.com and held positions in RMBS trading and securitization at Citigroup and Goldman Sachs.

She relates that the firm grew steadily prior to the deal with Fortress and with the new Fortress Funds capital source will be able to grow even faster, especially since the company no longer is constrained by operating as a REIT. O’Brien says that CoreVest’s growth will come from not only from the volume of business in its core lending product—single-family rental investment loans—but perhaps in other lending specialty arenas as well.

The company, which is headquartered in New York City, also has operations on the West Coast with locations in Irvine and Los Angeles, CA. The company will continue to cater to individual single-family rental property or portfolio investors across the country. CoreVest caters to borrowers who either acquire portfolios or investors who purchase properties and require bridge loans to make investments to upgrade those properties, and then flip those properties in the short term.

The company plans to continue to provide services to a wide gamut of investors—from “Mom and Pop” firms that purchase one or a few single-family properties, to institutional investors who acquire several thousand single-family homes.

“We will do a \$100,000-loan to one person who has one rental house,” she explains. “We have done a \$60-million loan to somebody who had a couple thousand rental homes. We have a few investors who we have funded over \$100 million over time.”

While no decision has been made on new product lines that may be launched in the future, O’Brien says that the company could venture out from solely in the single-family rental property space into the more conventional multi-family arena and could also perhaps offer small balance commercial loans.

O’Brien believes that CoreVest American is in a great position to take advantage of the projected growth in the single-family rental sector in the coming years.

John Burns, CEO of John Burns Real Estate Consulting, at the 2017 National Multifamily Housing Council Research Forum in April estimated that single-family rentals currently make up 11.6% of all housing stock nationwide. At the forum held in Plano, TX, Burns noted that in some markets like Las Vegas, Miami and Riverside-San Bernardino, CA, single-family rentals account for more than 25% of the single-family stock.

Despite the market share, the projected growth and the entrance of major players like Blackstone to the space, less than 1% of the single-family rental stock is owned by investors with scale (1,000 houses in portfolio), NMHC states. The data suggests that there is plenty of opportunity for investors and lenders specializing in the single-family rental space.

O’Brien says that Fannie Mae and Freddie Mac for example, provide financing for individual investors for single-asset single-family rental properties. Fannie Mae has a lending limit of 10 homes to an individual investor, while Freddie Mac has a limit of six homes, she notes.

Players like Blackstone’s Invitation Homes turn to Wall Street to finance their major property purchases in the single-family rental sector. The niche that CoreVest hopes to dominate is the middle-market.

“What no one is financing is the person in the middle who is running a business of 50 (single-family rental) homes or 100 homes,” she says. “They can’t get financing from Fannie or Freddie because of the limits and they are not big enough to go to Wall Street and get \$100 million.”

While some local banks are putting their toe into the single-family rental housing space, most lenders are shying away because the loan product is sort of a hybrid that is not pure residential or pure commercial, she relates.

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O'Brien says that GSEs and others are beginning to focus more attention to the single-family rental sector because of its market share now and projections for growth in the future and the fact that investors, particularly in the middle market, have few financing options available.

She describes the middle market in the single-family rental space as “huge” and expects CoreVest to fully take advantage of that favorable market dynamic.

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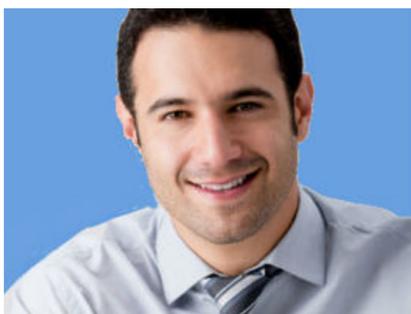
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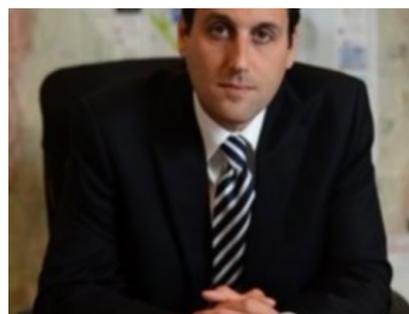
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