Rent Estate™ for Real Estate Agents
Renters Warehouse provides national, third-party, single-family rental leasing and property management services for both homeowners and institutional-level investors throughout America.

As one of the largest and most awarded residential property management companies in the U.S., Renters Warehouse is the only property management firm focused on single-family rentals to be rated by Morningstar Credit Ratings, a nationally recognized statistical rating organization.

Backed by growth equity investor and majority stakeholder Northern Pacific Group, and under the leadership of President and CEO Kevin Ortner, Renters Warehouse currently manages more than $3 billion in residential real estate, servicing 13,000+ investors across 18,000+ residential homes over 35 markets and 24 states, and is a recognized leader in real estate, business management, and innovation.
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Introduction

At the crossroads where both demand for rental housing—and rental property as an investment converge—real estate agents are stepping up to fill a gap in the market, and looking for ways to better serve investors—a group that’s forming an increasingly significant portion of homebuyers.

This paper highlights new developments in the single-family rental (SFR) market and outlines changes that are taking place. It also uncovers the growing opportunities for real estate agents to capitalize on the shifting dynamics of the single-family rental market.

Finally, this paper concludes with helpful resources and information for agents to pass on to investors as well as homeowners who are looking to invest in single-family rental properties, allowing them to better serve this growing group of home buyers—a segment that is responsible for a significant percentage of all home purchases today. [1]
THE RENTER NATION:
Growth of the Single-Family Rental Market
Rampant unemployment and exploding interest rates after the recession pushed millions of homeowners into foreclosure, creating a ripe patch of cheap housing for would-be landlords—and a new pool of renters to absorb the supply.

LANDLORD NATION: BOOMER'S NEW RETIREMENT PLAN IS MILLENNIALS PAYING RENT [2]
For years, the U.S. single-family rental market has been growing – and now, the country is seeing an unprecedented demand for rental investments as the country shifts toward becoming a nation of renters—and rent collectors.

A delay in first-time home purchases, along with a significant decline in homeownership rates across the board are contributing to an increase in renters across almost every sector. The rise of the sharing economy has also helped to fuel growing rental housing demand, as more people are exchanging homeownership for rental accommodation thanks to the freedom and flexibility that it offers.

This demand, coupled with relatively low housing inventory is contributing towards the nation’s housing shortage. There are fewer homes available to buyers of all income levels, and particularly, for first-time home buyers; starter home inventory dropped by 34 percent between 2012 and 2014. These factors, along with interest from foreign investors, are helping to drive housing prices higher; keeping many first-time buyers out of the housing market.
The Renter Nation

But the housing shortage isn’t just affecting home prices—but rent growth as well.

Demand for rentals—and particularly single-family housing is high, a fact that hasn’t been lost on many investors. Post-recession, institutional investors were snatching up single-family homes—but by 2014, rising home prices caused them to scale back on their purchases—and even start trimming their portfolios—leaving a surge of mom and pop investors following in their wake.

These new landlords are joining the ranks of what Redfin’s Chief Executive Glenn Kelman calls “Landlord Nation.” [6] That is, small-scale investors who are taking advantage of low mortgage rates and strong rent growth, and investing in rental properties. These investors are largely responsible for raising the share of single-family homes used as rental properties to an all-time high.

Today, the rental market continues to drive the housing recovery, with over 36 percent of US households opting to rent in 2015; the largest share since the late 1960s according to Harvard University’s Joint Center for Housing Studies: The State of the Nation’s Housing 2016. [7]

But demand for rentals has been growing for a while. The number of renters has increased by 9 million over the past decade, the largest ten-year gain on record, according to Harvard’s 2016 study, while the national vacancy rate has fallen steadily since 2010, dropping to just 7.1 percent by 2015.

Much of this renter household growth has been absorbed by single-family rental housing.

While the single-family sector has traditionally housed about 30 percent of the nation’s renters, today its market share stands at roughly 37 percent. [8] Currently, there are more than 18 million non-owner occupied single-family homes—making one in four single-family residences a rental. [9]
Rentals as a Solid Investment

While some speculate that demand for rentals could fade—as more people enter the market as buyers, the fact remains that homeownership rates are still hovering near historic lows, even as the housing market continues to improve.

The rental landscape is experiencing a permanent shift, as homeownership—once regarded as a necessary part of the American Dream, is no longer considered as significant as it once was.

Over the last several years, the majority of new households have been renters. In 2016, over 43 million U.S. households were renting, \(^{10}\) compared to just 34 million in 2005—and the number of renter households only continue to grow. \(^{11}\)

Far from being a temporary uptick, rental demand is on track to continue to grow into the foreseeable future. Rental properties, it seems, are here to stay.

According to the Urban Institute, 59 percent of the 22 million new households that are formed between 2010 and 2030 will rent, while just 41 percent will own homes. \(^{12}\) This growth will strengthen rental demand—and continue to drive rental prices higher.
But these rent increases are unlikely to drive renters to homeownership en masse. In many cases, incomes just aren’t keeping pace with rising home prices—making it more difficult for people to buy. Savings haven’t improved much either. Most young homebuyers still cite saving for a down payment as one of the biggest barriers to buying a home. [13]

It’s not just affordability issues, though, that are keeping renters out of the housing market—renting is increasingly becoming a preferred lifestyle choice as well. With changing market dynamics, and attitudes toward renting shifting, tenancies no longer have the stigma attached to them that they once did, and renting is becoming increasingly popular for professionals, and high-income households. From 2005 to 2015, the number of renter households earning more than $150,000 a year increased by 217 percent, making this demographic the fastest-growing sector of the rental population. [14] For busy professionals, renting presents a viable option—freeing them from the responsibilities that are often associated with homeownership. For some, renting allows them to reside in an area that they may be unable to buy in, giving them access to valuable jobs.

Whether by choice or necessity, one thing is certain: more people are opting to rent. And it’s not just the young that are eschewing homeownership, rental demand is rising across all age groups, income levels, and household types, with large increases among older renters and families with children. [15]

For investors, the single-family rental market holds tremendous growth potential. Traditionally, real estate has been the alternative investment of choice for many, [16] and today, real estate has excellent prospects for long-term appreciation in most markets. It can also serve as a valuable hedge against inflation, helping to protect against a loss in purchasing power of the dollar. With rental property, though, there’s an added benefit that makes it especially attractive to institutional and small-scale investors alike: the potential for immediate cash flow. Income property can provide an alternative or supplementary revenue stream in the form of monthly rental income; especially promising in light of both recent price appreciation, and projected rent growth.

All of these factors combine to create the perfect storm for sustained growth in the single-family rental market, and are fueling the rise of the renter nation.
AGENT RESOURCES:
Partnering With Renters Warehouse – National Agent Referral Program
In every market, real estate agents have a wide range of companies with which they can join forces. An industry that is as diverse and dynamic as residential real estate allows for a wide range of approaches and business models. It is up to individual agents to determine the models and perspectives that fit with their own objectives and then to move forward in building their careers.

“WHAT REALLY MATTERS IN REAL ESTATE: A WHITE PAPER, KELLER WILLIAMS REALTY [17]"

For real estate agents, the booming single-family rental market—and growing interest in single-family rental investments has sent floods of prospective—and seasoned investors alike to their doors.

According to the National Association of Realtors, 25 percent of all home sales are now investor transactions. [18] Additionally, the single-family rental market comprises roughly 13 percent of all occupied housing and 37 percent of the total rental market. These units are expected to continue to capture a significant percentage of the 3.9 million new renter households that are on track to form between 2016 and 2020, translating into approximately 1.5 million new units of single-family rental demand. [19]

Many real estate agents are branding themselves as investor-friendly agents, and are tailoring their strategies to market and sell properties to this growing group of home buyers. Some brokers are also branching out and adding additional services to their list of offerings—including property management;
an especially valuable service since many owners of single-family rentals, as well as apartment and commercial property investors are looking for professionals who can take over the responsibilities and day-to-day tasks of rental management.

But while some agents are embracing property management, others are holding back – aware that expanding into property management could cause them to deviate too far from their primary business model of showing and selling homes. Additionally, many real estate agents realize that rental management requires an extensive amount of time, and isn’t always cost effective.

Recognizing the need for an alternative option – Renters Warehouse has recently developed a referral program for real estate agents – one that allows qualified agents to refer their investor clients to Renters Warehouse – and their award-winning property management services. Renters Warehouse’s National Agent Referral Program [20] is designed for real estate agents who are looking to capitalize on the vast opportunities within the SFR market – without having to commit to the day-to-day responsibilities of property management. Instead, agents can earn commission through referrals, and receive up to $500 for each client that signs up. It’s a new revenue stream – and one that requires very little time and effort.

This referral program works both ways. Not only does Renters Warehouse pay out for each client that signs up, but they’ll also share leads with the agents that they partner with – putting them in touch with people who may be interested in selling or buying income property; including tenants who may want to cycle out of renting.

Additionally – since Renters Warehouse specializes in renting, focusing solely on the area of leasing and property management – real estate agents can rest assured in their promise that they will never compete with them in buying or selling real estate.

For more on how the Renters Warehouse National Referral Program works, please visit http://renterswarehouse.com/referral/
Renters Warehouse National Agent Referral Program: How It Works

1. Real estate agents submit their contact and referral information and Renters Warehouse will add them as a qualified agent in their preferred agent network.

2. Preferred agents can earn up to $500 commission per new management contract*.

3. Renters Warehouse will share warm homebuyer and seller leads in exchange for 25 percent agent commission.

Note: This program is not available in all Renters Warehouse markets and subject to change. Real estate agents should contact their local Rent Estate Advisor for more details.

*New clients only; no spiff on leasing-only contracts. Agents can earn up to $500 per unit on rental portfolios up to 10 properties and $400 per unit on rental portfolios between 11 and 25 properties. Interested real estate agents should contact Noel Christopher in Portfolio Services for commissions on rental portfolio referrals over 25 units at noelc@renterswarehouse.com
AGENT RESOURCES:
Partnering With Online Marketplaces for Referral Commission
Partnering with online marketplaces that sell turnkey single-family rentals is another opportunity for real estate agents to profit off of the booming SFR market. In exchange for every referral that leads to a sale, an agent will receive a commission.

Online rental marketplaces that real estate agents can partner with include:

- **Investability** provides real estate agents who partner with them commission for referrals that lead to sales.
- **Roofstock** offers referral fees to real estate agents for referring an investor who buys any of the properties listed on its site.
- **Own America** gives real estate agents the chance to earn referral commission. Agents can open a free partner account and receive commission every time a client transacts.
- **HomeUnion** allows real estate professionals to partner for commission. Referring agents earn commissions every time an investor transacts with HomeUnion.
CLIENTS RESOURCES:
The Benefits of Rent Estate
If I had a way of buying a couple hundred thousand single-family homes and if I had a way of managing them..., I would load up on them.

WARREN BUFFETT [21]
Most real estate agents come across a number of prospective investors every day, ranging from experienced professionals to new investors who are thinking about buying their first income property.

Because investors form a significant percentage of homebuyers today, real estate agents who are well informed about the business of property management and are able to assist their clients in the decision-making process will be at a distinct advantage. Not only will they be able to provide valuable information to their clients, arming them with the facts that they need to make their purchase, they’ll also be able to cement their reputation as experienced professionals in the investment property market.

Renters Warehouse has developed a range of information and materials that real estate agents can pass on to their clients, as well as use to educate themselves on property management.

This section expands upon the benefits of Rent Estate or, real estate as an investment, for investors.

**The Benefits of Rent Estate**

There’s a reason investors are lining up to purchase single-family homes. Not only do these properties offer valuable long-term rewards of equity growth and appreciation, they also provide immediate cash flow—not to mention, income property presents the opportunity for some decent tax breaks as well.

**Rent Estate Offers:**

- Asset Appreciation
- Long-Term Rewards
- Tax Advantages
- Portfolio Diversification
- A Hedge Against Inflation
- Leverage
- Monthly Revenue: The Ability to Use Other People’s Money
**Asset Appreciation**
In most markets, property values are increasing. When looking at home values from a historical perspective, they perform especially well long-term. Nationally, home prices have increased 18.4 percent between 1980 and 2016, and the NAR expects home prices to increase 3.9 percent in 2017 as well.

**Long-Term Rewards**
Rental property can be an excellent long-term investment—one that can provide investors with a valuable source of income into their retirement years. Real estate’s value gains are generally stable over the long-term, especially when compared with savings accounts or cash assets that lose value as inflation rises.

**Tax Advantages**
The majority of expenses pertaining to rental property are tax-deductible. Available deductions include repairs and maintenance, taxes, insurance, mortgage interest, and even professional services such as accounting, legal, and property management. Travel to and from the property is also tax deductible, as is depreciation.

**Portfolio Diversification**
Rent Estate allows investors to diversify their portfolios with low-risk investments—something that many financial planners recommend—especially if retirement is in the near future.

**A Hedge Against Inflation**
Rental properties provide a hedge against inflation; but more than that, they also allow investors to benefit from inflation as well. Even as the dollar weakens, property prices typically increase—providing a great way for investors to safeguard their wealth.

**Leverage**
The concept of leverage is another benefit that many investors use to grow their wealth quickly. With leverage, an investor uses other people’s money, rather than their own, to finance the bulk of their investment, allowing them to increase their returns exponentially.

**Monthly Revenue: The Ability to Use Other People’s Money**
Cash flow in the form of rental income is another distinct benefit of Rent Estate. Many markets are experiencing rent growth—with the national median rent rising about 2.6 percent between December 2015 and 2016. In the 50 biggest housing markets, the average rent rose 22.3 percent between 2006 and 2015. Thanks to rent revenues, investors can effectively allow their tenants to pay the mortgage down for them—a benefit that is largely unique to rental property.
CLIENT RESOURCES:

How to Profit From Rent Estate
Most real estate agents know that investment opportunities are not created equal. Being able to guide clients on their investment journey will help to improve their chance of success considerably.

For agents, having information on hand to pass on to their clients will arm them with the facts that they need to make better investment decisions, helping to improve their success rate, which in turn could lead to them adding additional properties to their portfolio in the future.

Investors should know that successful rental property management is largely a matter of three basic steps:

1. Finding the right property
2. Obtaining favorable financing
3. Managing the investment successfully

It is easier to be a landlord now than it has ever been in the history of the U.S.

DENNIS CISERNNA, CHIEF REVENUE OFFICER, INVESTABILITY REAL ESTATE
Finding Rent Estate

Locating and obtaining an investment property often involves partnering with a qualified real estate agent who has extensive experience with the local market and selling income property.

Via MLS Searches

While many services offer a list of homes on the market—they rarely provide comprehensive data. To obtain this, investors will want to ask their real estate agent to set them up on a home search—which will provide data from the Multiple Listing Service listings (MLS). Investors should always ask for the most comprehensive report, rather than a customer copy. They should request specific search criteria—such as price reductions as well as pending or sold sales data.

With an MLS search, an agent can enter the investor’s name, email, and search preferences into a search engine, and the investor will receive automatic email notifications of new listings. This allows them to receive up-to-the-minute updates and gives them access to information that they couldn’t easily find anywhere else.

Agent and Investor Networks

Real estate agents are often an investor’s most valuable resource—and it’s important for buyers to find an investor-friendly real estate agent who is experienced with the local market, as well as familiar with Rent Estate income properties. Agent and investor networks are great places for investors to locate agents, and can be a good resource for finding investment properties. Connected Investor is one such network that helps income property investors to connect with real estate agents.

Online Marketplaces

Turnkey rental properties are growing in popularity—and for good reason. These assets allow investors to start generating cash flow right away. Renters Warehouse partners with a number of online marketplaces that offer tenant-occupied income properties.

Here’s a look at some of these marketplaces, and what they have to offer:

- **Investability**
  Investability gives investors access to over 800,000 income single-family properties, including exclusive listings. They also offer a variety of resources and data to help investors make educated real estate decisions without geographic limitations.

- **Roofstock**
  Roofstock allows investors to find and purchase tenant-occupied single-family rental homes online, and also offers research, analytics, and insights
for investors to evaluate and purchase independently certified properties.

- **Own America**  
  Own America serves investors who are buying or already own rental investments. They offer end-to-end solutions for finding, funding, acquiring, rehabbing, and managing investment properties—and turnkey SFR properties in a number of markets across the country. They also provide market research and insight for investors.

- **HomeUnion**  
  HomeUnion delivers qualified and professionally managed properties to investors around the world. HomeUnion was founded with one singular goal in mind—to provide investors with a trusted and simple way of investing in real estate. Their end-to-end comprehensive solution includes property selection, acquisition, management, and sales.

**Note:** Experienced investors know that finding a property that’s going to produce a decent rate of return is important. For this reason, it’s important to determine not only the projected cash flow, but also the cash-on-cash return and the cap rate—in order to ascertain how well the property will perform as an investment—before making a decision.
Financing Rent Estate

While first-time buyers can usually obtain a favorable loan—especially if they’re buying the property as an owner-occupant, for experienced investors, it can be more difficult to secure a low interest rate loan from a conventional lender. Banks will often require a 20 percent or higher down payment for investment properties, and these loans often carry higher interest rates as well.

For investors who are looking to expand their portfolio, obtaining financing through private lenders is a viable alternative, giving them access to loans that are tailored specifically for them. Renters Warehouse has developed strategic relationships with a number of lenders that can help experienced investors to obtain the funding they need for their investments.

Lending Partners:

- **5 Arch Funding**
  5 Arch Funding is an investor-friendly company that’s committed to disrupting the status quo in lending. They realize that investors need more convenience, speed, and agility to fund their investments, and are focused on providing reliable capital to residential Investors, mortgage brokers, and private lenders nationwide.

- **Colony American Finance**
  Colony American Finance is a leading provider of financing solutions for residential real estate investors. They provide attractive long-term debt products for stabilized rental properties as well as credit lines for new acquisitions.

- **Connected Investors**
  Connected Investors created the first online portal to allow real estate investors to receive multiple offers from several verified hard and private money lenders in minutes. The technology allows real estate investors to quickly and easily submit their funding requests to a network of lenders who will compete for the loan. This helps to ensure that the borrower receives the best terms for loans on their investment properties. Connected Investors also has a real estate investing social network for real estate investors to connect, share resources, and transact.
Managing Rent Estate

Finally, the performance of an income property will depend largely upon the management strategy. Rent Estate investments require a hands-on management approach, and many people appreciate that this gives them direct control over their property and the ability to influence its performance—something that other investment options don’t offer.

But investors who prefer to take more of a backseat approach—or who may be buying property outside of their local area, or who have more than one or two investment properties—should consider enlisting the services of a professional property management company to oversee their investment.
SFR Management: Four Steps

STEP #1: PRICING THE PROPERTY FOR THE MARKET
Pricing the property competitively is key to keeping vacancy rates low, and allowing investors to maximize their returns. It can easily take anywhere from one week—to three months to rent a property. Often, though, the speed at which a property will rent is directly related to the pricing strategy. For this reason it’s important for investors to set a price that’s high enough to provide a good rate of return, while at the same time keeping their rates competitive enough to attract interest from prospective tenants. A good property manager can assist with pricing; helping investors to get the most out of their investments.

STEP #2: FINDING THE RIGHT TENANTS – AND KEEPING THEM
The tenants who investors allow into their property will also have a significant impact on the performance of the investment as well. To ensure that only qualified applicants make it into the rental, it’s important to establish a solid tenant selection process—to screen out unqualified applicants. Investors should also take care to ensure that their screening process is in compliance with the Fair Housing Act—and doesn’t discriminate against any protected classes.

STEP #3: SECURING DAY-TO-DAY PROPERTY MANAGEMENT
Property management requires a great deal of work—and involves a significant investment of time as well. Many investors don’t have the time or inclination to deal with sourcing and screening tenants, managing financial accounts, performing inspections, repairs, and maintenance—as well as handling issues with late paying tenants and other violations of the lease. Rental properties require hands-on management, and investors who are looking to save time should consider enlisting the services of a qualified property manager to act in their stead.

STEP #4: OBTAINING PROTECTION AGAINST THE UNEXPECTED
Finally, investors should ensure that they’re protected in case of unforeseen circumstances. Renters Warehouse offers eviction protection services that can save landlords from potentially costly and time-consuming evictions.
Rent Estate Resources

Renters Warehouse provides a range of helpful resources on the single-family rental market, as well as informative guides that can assist income property investors. Real estate agents can share any of these resources with their investor and homeowner clients on a case-by-case basis or link to them from their website.

Watch videos and review or download a wealth of educational guide books and infographics at www.renterswarehouse.com and www.rentestaterevolution.com. You can also sign up for their informative blog to stay current on developments pertaining to rental property.
About Renters Warehouse

Renters Warehouse is one of the fastest-growing and highest reviewed residential property management companies in America. Backed by growth equity investor and majority stakeholder Northern Pacific Group, and under the leadership of President and CEO Kevin Ortner, Renters Warehouse now manages more than $3 billion in residential real estate, servicing 13,000+ investors across 18,000+ residential homes over 35 markets and 24 states. NPG Managing Partner Scott Honour, who in 1999 was a founder of YapStone, a leading online rental property payment service provider, serves as Chairman.

Renters Warehouse expertly serves everyday single-property homeowners as well as real estate investors. In 2015, the company officially trademarked the term Rent Estate to redefine the entire SFR (Single Family Rental) industry as more traditional real estate began to give way to this new lucrative asset. Through their dedicated Portfolio Services Division led by Chief Investment Officer Anthony Cazazian, the company also brings professional, scalable and efficient single property
management solutions to investment portfolios with both centralized services and local market expertise and staff.

Not only has Renters Warehouse received the prestigious honor of being included on the Inc. 500 | 5000 list of fastest-growing privately held companies in America seven consecutive years in a row, it was also named one of the “Best Places to Work” in Minnesota (where they are headquartered) by the Minneapolis St. Paul Business Journal in 2010, 2011, 2012, 2014, 2015 and 2016. The company was also honored as a best place to work in Arizona (a centralized corporate services center) by the Phoenix Business Journal in 2013 and 2014, and achieved a spot on the prestigious 2016 Top Companies to Work for in AZ list. Nationwide, Renters Warehouse has been honored as one of America’s “Best Places to Work” in 2012, 2014, 2015 and 2016 by Outside Magazine. Recognized as pioneers in real estate, business management, and innovation, Renters Warehouse has been awarded 22 Business Stevie Awards both internationally and stateside.

In 2017, Renters Warehouse received an “A” rating from the Better Business Bureau (BBB) after meeting the BBB’s eight Standards of Trust and earning BBB Accreditation. In 2016, Morningstar Credit Ratings, LLC, a nationally recognized statistical rating organization (NRSRO) offering a wide array of services including operational risk assessments, assigned its MOR RV2 residential-vendor ranking to Renters Warehouse as a residential property manager, indicating that the company demonstrates proficiency in managing key areas of operational risk.

To learn more about Rent Estate and the opportunities that it holds for real estate agents and investors alike, reach out to schedule a consultation with a Rent Estate Advisor, or visit Renters Warehouse online today.
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