



Photo Credit: Preliminary site plan for BB Living at Eastmark

Part one of a two part series, published February 3, 2017. Part two published February 10, 2017 (below).

Phoenix area – Just as being in the wrong place at the wrong time can have devastating effects, being in the right place at the right time can be incredibly rewarding. That looks like it will be the case for **BlankBerger**, a Scottsdale-based company that specializes in developing single-family rental housing in the Valley through its subsidiary **BB Living Residential LLC**. The single-family rental business is a burgeoning industry with companies investing tens of billions of dollars to assemble massive portfolios of homes in major growth areas throughout the U.S. Three publicly-traded firms now own a combined 130,000 homes in 10 states (including Arizona), and those companies, as well as many others, are looking to add to their holdings of single-family rentals. That should increase the demand for the 1,000 + single-family rental homes planned in the Phoenix area by BlankBerger, a venture formed by **Matt Blank** and **Sam Blank** of **Blank Property Group LLC** in New York City, N.Y. and **Darryl Berger** of **Berger Holdings LLC** in Scottsdale. The privately-held company has found a niche developing in the single-family rental category with its **BB Living Residential** brand. The individually-platted units, which are being built by BlankBerger subsidiary **Higley Homes**, fall within a new sub-category of single-family rentals called “build-to-rent.” The single-family residences, which are designed and constructed for renters, include attached condominiums and townhomes and detached single-family units. “(Our) build-to-rent thesis is that a clustered community of new single-family rentals can be managed as efficiently as an apartment community, but with the benefit of exit options – selling ultimately to consumers or investors,” says Berger, who initially joined forces with the Blanks in 2011 to acquire existing single-family rental properties. BlankBerger formed Higley Homes in 2012 after buying partially-developed, single-family detached lots in a stalled subdivision within the **Higley Park** planned community in Gilbert. In mid-2014, BlankBerger acquired a 6-acre parcel in Chandler that was part of a partially-developed, condominium project planned for 184 units called **Santana Ridge**. Higley Homes completed construction of the two individually-platted single-family rental communities, now known as the 185-unit **BB Living at Higley Park** and the 112-unit **BB Living at Santana Ridge**. Those build-to-rent developments, which have been running at nearly 100

percent occupancy, set the stage for three more property acquisitions completed by BlankBerger. The company now has 685 single-family rentals either completed or planned in five **BB Living Residential** neighborhoods, three of which are located in top-selling master-planned communities in the Valley. Higley Homes completed 297 homes in the two projects in Gilbert and Chandler and has built half of 134 units planned at **BB Living at Vistancia** within the **Vistancia** community in Peoria. Next month, the first tenants will start moving in at **BB living at Verrado**, a 122-unit townhome project within the **Verrado** master-plan in Buckeye. By year-end, renters are expected to begin occupying the 132-unit **BB Living at Eastmark** being developed within the **Eastmark** community in Mesa. The Eastmark property, which was acquired in December, is the most recently closed land acquisition for BlankBerger. That 11.274-acre parcel is adjacent to a newly-built community center within Eastmark. The site for the planned subdivision is located just east of Ellsworth Road at the northwest corner of Ray Road and Inspirian Parkway. **BB Mesa Gateway LLC** (BB Living company) paid \$2.198 + million (\$195,000 per acre) to buy the land in a cash sale. The seller was **DMB Mesa Proving Grounds LLC**, a company formed by **DMB Associates Inc.** in Scottsdale (**Brent Herrington**, pres.). The sale was brokered by **Nate Nathan, Dave Mullard** and **Casey Christensen** of **Nathan & Associates Inc.** in Scottsdale. Higley Homes will be building four-plex and six-plex townhome residences at **BB Living at Eastmark** ranging from 1,608 to 2,172 sq. ft. Monthly rental rates on the three- and four-bedroom units are expected to run between \$1,500 to \$1,800. Eastmark, ranked as the No. 1 selling master-plan in Arizona and the 11th top-selling community in the country, will be the second **BB Living** project within a DMB development. One year ago, BlankBerger acquired 122 finished home sites within the Verrado community from another DMB entity. That \$3.416 million (\$28,000 per lot) transaction, also brokered through Nathan & Associates, was completed in February 2016. **BB Living at Verrado** features tri-plex to seven-plex townhomes ranging from 1,700 sq. ft. to 2,200 sq. ft. Monthly rental rates run from \$1,500 to \$1,800. In May 2015, Nathan, Mullard and Christensen negotiated the first of three sales they have now completed with BlankBerger. In that deal, the build-to-rent developer paid \$2.345 million (\$18,911 per lot) to buy 134 finished lots at Vistancia. **BB Living at Vistancia**, with duplex units averaging about 1,600 sq. ft., has monthly rental rates running from \$1,400 to \$1,600. With the two stabilized projects at Higley Park and Santana Ridge, and the three developments within the major, top-selling master-planned communities of Eastmark, Verrado and Vistancia, **BB Living** has clearly established a name for itself in the build-to-rent sector of the single-family rental industry. "I think it is a great business model," says Christensen of Nathan & Associates. "(Build-to-rent) is going to be a big part of the housing market. It's not going away." **HUB Realty** in Chandler manages the **BB Living** communities. (This is the first part of a two-part series on single-family rental housing and build-to-rent projects. Next week, *BREW* will take a further look at **BB Living**, additional industry trends and **NextMetro Development LLC**, a Phoenix-based company also finding success developing "horizontal apartments" in the Valley and other markets). Find out more from the principals of BlankBerger by calling (480) 922-5965. **Aaron MacNeil** is the contact at DMB Associates . . . reach him at (480) 367-7000. Talk to the Nathan & Associates agents at (480) 367-0700.

Part two of a two part series, published February 10, 2017. Part one published February 3, 2017 (above).

Phoenix area – Following a trend that shows an increasing number of single-family homes in the U.S. being occupied by renters, there is a parallel pattern traceable to a spike in demand from those wanting to live in newly-built residences in traditional neighborhoods without having to buy the houses. While there are varying explanations for the 50-year low in the rate of home ownership in the country, most agree it is a good time to own single-family rental properties in the Valley and other markets. The number of renter households in the country increased by 9 million between 2005 and 2015, representing the largest increase over any 10-year period on record, according to the **Harvard Joint Center for Housing Studies**. In 2016, roughly 5 percent of all newly-built homes were constructed for renters. That market share becomes more impressive when considering the historical average is less than 3 percent. In the first part of this story (see related story above), *BREW* reported **BlankBerger** of Scottsdale finding a niche developing single-family rental housing in the Valley through its subsidiary **BB Living Residential LLC**. The individually-platted units, which are being built by BlankBerger, a subsidiary of **Higley Homes**, fall within a new sub-category of single-family rentals called "build-to-rent." BlankBerger was formed by investors **Matt Blank** and **Sam Blank** of **Blank Property Group LLC** in New York

City, N.Y. and **Darryl Berger** of **Berger Holdings LLC** in Scottsdale. After building 300 units in the Phoenix area in 2016 with its **BB Living Residential** brand, BlankBerger plans to develop 500 homes in 2017. **BB Living** has deals pending to acquire land in the Valley targeted for several hundred additional build-to-rent units. **BlankBerger is scouring the Phoenix area looking for 10- to 20-acre parcels of land suitable for high-density residential with 100 to 200 units . . . prefers master-planned communities with significant amenities.** The **BB Living Residential** founders are on a different track than the one they first started down several years ago when the opportunistic investors were buying distressed residential properties in the Phoenix market. The company now has a clear-cut strategy with a promising business model. The Blanks and Berger are “laser-focused” on managing the 685 single-family rental units either completed or planned in five **BB Living Residential** projects and “finding prime land for future development.” BlankBerger has evolved over the past five years, developing single-family rentals in three of the top-selling master-planned communities in the Valley. The company has come upon its success honestly. “We stumbled into this niche,” says Berger. “We started the business in 2011 by acquiring existing, scattered single-family rentals throughout the Valley. We were attracted to the notion of building a concentration of single-family rentals in one community, especially new homes. We were pioneering, but our first project was highly successful and we grew from there.” So far, BlankBerger is pretty much flying solo in the Valley as a developer of single-family rental homes that can be leased and held for investment, sold to individuals or sold in bulk to a highly-competitive group of private and institutional investors. “In the Valley we do not currently have competition for what we do, which is to build a “horizontal apartment” of single-family platted rental homes,” says Berger. “We describe our product as “horizontal apartment” as it differs from a traditional stacked-flat apartment building where units are on top of one another, where there are typically no attached garages, and where the units are platted multi-family instead of single-family, meaning that they can’t be sold individually.” **NexMetro Development LLC** in Phoenix may be the closest competitor to BlankBerger and **BB Living**. That privately-owned company, headed by **Ken Abrahams**, has been successful developing build-to-rent product in communities with the **Avilla Homes** brand name. NexMetro also develops a “horizontal apartment” but its projects are platted multi-family instead of single-family, which excludes the possibility of individual sales. The Avilla Homes residences are also smaller (600 sq. ft. to 1,250 sq. ft.) and they do not have attached garages, but they do have private backyards. The company has more than 1,500 units either completed, under construction or under contract in the Valley. NexMetro is in the process of selling **Avilla Palm Valley**, a 125-unit project in Goodyear that the company developed in 2015. **Berkadia** is marketing the project as a multi-family asset. NexMetro built 400 units in the Phoenix area in 2016, and plans to deliver another 500 homes in 2017. NexMetro is now leasing from three active projects in the Valley and is underway with construction on five other communities. The company also develops build-to-rent complexes in Tucson and Dallas, Tex. “Avilla Homes offer a lifestyle choice,” says **Josh Hartmann**, chief operating officer at NexMetro. “It’s for those who want to live in a new home, but don’t want the burden of maintenance and constraints of a mortgage.” The build-to-rent market has been growing significantly over the past several years. With a portfolio of 48,431 units in the U.S., **Invitation Homes Inc.** in Dallas, Tex. (NYSE:INVH) is the country’s largest single-family home rental company. **Blackstone Group L.P.** in New York City, N.Y. (NYSE:BX), which manages \$102 billion in real estate assets around the world, started Invitation Homes in 2012 by acquiring large pools of foreclosed homes. The global investment firm began buying the residences in bulk about five years after the housing market started to crash. Blackstone Group and other institutional investors were able to scoop up tens of thousands of foreclosed homes at significant discounts and repositioned the residences as rental properties. Invitation Homes owns rentals in nine states, predominantly located in the southeastern and western U.S., including the Phoenix area. Housing markets throughout the country have stabilized in recent years, prices have been rising steadily and the large pools of lender-owned homes have dried up. Two weeks ago, Invitation Homes raised \$1.54 billion in an initial public offering after Blackstone Group took the company public. Shares in the company began trading on the New York Stock Exchange on Feb. 1. Three weeks ago, **Fannie Mae** announced that it will be backing up to \$1 billion in debt held by Invitation Homes. This is the first time the government-controlled company has agreed to guarantee the debt of an institutional owner of single-family homes. The move suggests Fannie Mae believes home ownership will remain out of reach for many people and

ultimately will make it cheaper for buyers like Invitation Homes to acquire more inventory. As of Sept. 30, 2016, **American Homes 4 Rent** in Agoura Hills, Calif. (NYSE:AMH) owned 48,153 single-family residences in 22 states, and **Colony Starwood Homes** in Scottsdale (NYSE:SFR) owned 30,000 + units in nine states. **Progress Residential**, another Scottsdale-based firm, owns the fourth largest pool of U.S. homes with 20,000 + units in 10 states. Find out more from the principals of BlankBerger by calling (480) 922-5965.



