

## Pretium, Ares to Purchase Front Yard in \$2.4 Billion Deal

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Pretium and Ares Management Corp. have agreed to purchase Front Yard Residential Corp. in a deal valued at \$2.4 billion that would create the second-largest single-family landlord in the U.S. Front Yard shareholders will receive \$13.50 a share, a premium of about 36% over the closing price on Friday, according to a statement on Monday. The equity value of the deal is about \$800 million. Shares of Front Yard surged 35% to \$13.45 in New York.

Wall Street has been plowing money into the single-family rental industry in recent months, betting on the demand for homes with more space in the suburbs. While record-low mortgage rates have fueled a housing rally, that's driven up prices, possibly pushing homeownership out of reach for many.

That has investors looking at single-family rentals, which give residents who can't afford to buy access to backyards and extra rooms for home offices. Blackstone Group Inc., Nuveen Real Estate, and JPMorgan Chase & Co.'s asset management arm have all made fresh bets on rental houses since the pandemic started.

"Across the country, you can see rent growth in single-family rental, increased demand, and a significant reduction in available home supply," Don Mullen, Pretium's chairman, said in an interview. "That turbocharged our confidence."

Mullen, a former Goldman Sachs partner, founded Pretium in 2012. It was part of an early wave of Wall Street firms to invest in single-family rental homes in the aftermath of the U.S. foreclosure crisis, building economies of scale that made sprawling portfolios of rental houses easier to manage.

Roughly three-quarters of Front Yard's rental houses are in markets where Pretium has an existing footprint, allowing the firm to add density to its portfolio that should translate to higher quality services for renters and better margins for investors, Mullen said.

### Deal Nixed

Amherst Holdings had announced a deal to buy Front Yard back in February for \$12.50 a share, or about \$2.3 billion. But the deal fell apart in May as the coronavirus roiled real estate markets. That announcement sent Front Yard's shares spiraling lower.

While other single-family rental landlords have seen share prices recover from market lows in March, shares in Front Yard languished, leading shareholders to call for the company to liquidate itself. The stock had dropped 19% this year and closed Friday at \$9.96.

Front Yard put itself on the block last year after settling with an activist investor. The landlord owns roughly 15,000 homes, making it an attractive target in an industry where efficiencies of scale are key. Pretium has more than \$16 billion in assets under management across residential real estate, mortgage finance, and corporate credit. Last year, it completed a \$1.5 billion recapitalization of more than 20,000 houses acquired through an early single-family rental fund.

The new combined company would own and operate more than 55,000 homes across the U.S., making it the second-largest landlord in the industry.

Invitation Homes Inc., which owns roughly 80,000 houses, recently announced a new joint venture with a Boston-based firm to deploy more than \$1 billion, including debt, to buy and renovate homes.