

Q & A



A new lease of life

Scott Lawlor, CEO of Waypoint Residential, tells PAM why his network of high-net-worth individuals (HNWIs), family office and wealth manager clients in the US and abroad are seeking alternative real estate investment propositions

Q Why might a HNWI or family office invest in individual, multifamily property limited partnerships rather than investing through REITs or direct purchase?

A Recent data from Yardi Matrix showed that apartment rents rose in 2015 by an average of 6.4% across the 111 metro areas it tracks. That national average represents the second highest increase over the past decade. Demand for rental properties is expected to remain robust through 2016, and real estate investors can look forward to continued rent growth.

The multifamily sector is the only one in my view with strong structural tailwinds. Home ownership rates that previously stood at 70% in some states have now dropped to an average of 63%. There are a growing number of reasons why individuals are choosing to rent rather than buy: the age of marriage is going up; there is so much student debt; immigration is on the rise – the list goes on.

Our high-net-worth investors do not want to be landlords or operators, but they do want income-producing assets that are not correlated with the equity markets. Waypoint is filling a void in the capital markets; there are very few, if any, institutional caliber real estate investment managers focused on the private capital market. Investors can use traditional structures, such as REITs, but they don't often meet the needs of private capital investors and they largely track the equity markets. Other alternatives frequently don't meet the needs of private investors either.

Q How does the investment process through Waypoint Residential work?

A The investment opportunities we present are high-caliber deals; we have a senior team sifting through approximately



100 deals for every one we select. The team looks at the function, geography and potential of the properties in order to choose which to acquire.

Each investor then decides on a deal-by-deal basis which property they would like to invest in; the opportunities are presented in a way that mirrors an institutional transaction. They have about a month to decide whether to invest – some of our investors like to go in on every deal, but they appreciate the opportunity to say yes or no. Some have geographic preferences and others may just select one deal per quarter.

Q How many investment opportunities do you offer to investors over the course of a year? Is there a minimum or maximum level of investment for each deal?

A We'll present about 15 deals per year to our investor base, with an average deal value of \$30m. We've completed 50 deals since our inception, representing approximately 15,000 apartment units across the Sunbelt and Midwest. We like to take a long-term view, sometimes owning a property for more than 10 years, and

expect overall returns to be in the mid-teens with a current return on investment of about 8%.

Our clients can invest a minimum of \$100k per deal, and we'll allow a maximum of up to 50% of the deal value. All our capital comes from HNWIs and family offices in the US, Europe and Latin America, and we'll continue to roll out international services.

Q Is there any interest in expanding your property set farther within the US?

A There are plenty of opportunities across the country, but what sets us apart is that we select markets that most institutions aren't going after, such as Birmingham, Alabama and Memphis, Tennessee. Markets like San Francisco and New York are very overcrowded. We look at the smaller markets in our geographic footprint and plan to expand further west next year. ■

Scott Lawlor is founder and CEO of Waypoint Residential, a \$1bn investment management firm focused on the US multifamily rental sector across the Sunbelt and Midwest