

Are We Moving Toward a Home Rentership Society?

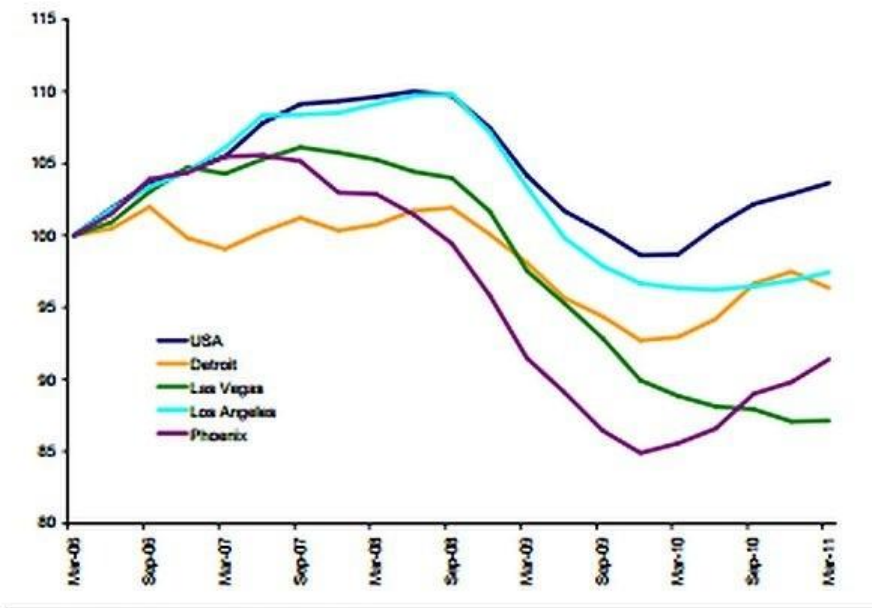
By Suzy Khimm, Washington Post, Published: March 5 | Updated: Tuesday, March 6, 2012

That's what some of the biggest banks are betting. Analysts at the Bank of America Merrill Lynch believe there's been a "dramatic population shift" from home ownership to renting since the apex of the housing bubble, pointing out that there have been 4.2 million new renters since the end of 2006 while 1.2 million homeowners have been lost. What's more, there's a backlog of 7.5 million foreclosed homes that will continue the movement into rentals, and "there is not enough rental inventory to meet this demand," the analysts write. Daniel Aker Bloomberg

That's why Bank of America Merrill Lynch believes that the Obama administration's effort to turn foreclosed homes into rentals has the potential to succeed, estimating that the so-called "Real-Estate Owned to Rental" program could ultimately turn around 1.5 million of 7.5 million foreclosed properties, which are concentrated in about 20 metropolitan areas. The administration's still a ways off from rolling out such a large-scale effort, having just launched a pilot program of 2,500 rental homes. But others in the financial industry are similarly bullish about the growing market for rental homes, noting that even as home prices have plummeted, rents have been rising:

Exhibit 9

Multi-Family Rents Are Rising



Source: PPR, Morgan Stanley Research

Last year, Morgan Stanley put out a report heralding a similar movement toward a "rentership society" that would last well beyond the aftershocks of the current mortgage meltdown. The report pointed out that some bigger structural changes — including looming reforms to Fannie Mae and Freddie Mac, new Dodd-Frank rules for mortgage securitization, and so forth — could make it harder for people to buy homes for years to come. "We believe that the U.S. will become

a Rentership Society, in which the homeownership rate will keep falling, the homerentership rate will conversely rise, and the rental market will dominate the investment landscape in housing for years to come,” the analysts concluded.