

## Business

# Blackstone to Spend \$1 Billion Offering Tenants Reduced Rents

A new program from portfolio company Home Partners of America will discount prices for renters who meet income thresholds

By Patrick Clark  
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Blackstone Inc. plans to spend \$1 billion to acquire rental houses and lease them out at below-market rates, billing the program as a private-sector answer to soaring housing costs.

Home Partners of America, a single-family rental company that Blackstone bought last year, is offering the program, called Choice Lease. It will provide tenants who meet an income threshold a 10% discount on monthly rent payments and the option to purchase their homes at below-market rates.

The move comes as a U.S. housing shortage pushes rents and purchase prices higher. With many first-time buyers struggling to crack the market, politicians have raised concerns about the role Wall Street investors are playing in the housing market.

“The lack of housing supply is a national crisis,” Kathleen McCarthy, global co-head of Blackstone Real Estate, said in a statement. “We are proud to

support Home Partners’ mission of addressing housing access and affordability while also providing underserved populations with a new path to homeownership.”

Home Partners, which Blackstone acquired last year through BREIT, its nontraded real estate investment trust, has a somewhat different business model than most single-family landlords. It buys a home on behalf of its client, who then rents it back on a series of one-year leases. At the end of each lease, the tenant can buy the house. The company owned 17,000 houses at the time Blackstone agreed to acquire it for \$6 billion.

Households must earn 80% or less of the area median income to qualify for the Choice Lease program. That’s similar to government affordable housing programs that cap rents on certain apartments based on how much a household earns. In addition to reduced rent, Choice Lease will cap the annual increase on the purchase price of the home at 3.5%, below the recent rate of home price

appreciation in most markets.

Home Partners expects to deploy at least \$1 billion through the program this year over the next two years, enough to buy roughly 4,000 homes. Charging reduced rents means the company will realize lower profit margins. It may also help the company grow faster by helping it reach potential customers who wouldn’t qualify for its core offering.

Blackstone’s scale and long-term capital make that trade off possible, McCarthy said. Home Partners has been testing the initiative in four metropolitan areas, including Atlanta and Phoenix, and is now bringing it to thirteen other markets. The program is likely to cater to households earning roughly \$55,000, according to the statement.

“We have a unique opportunity to drive change that will help these groups access quality homes while providing a clear and transparent path to homeownership,” said Home Partners Chief Executive Officer Bill Young in a statement.