

# Once Again, Giants of Wall Street Dote on Housing

by *Rick Roque*, 05 Feb 2013



A little more than six years ago, renowned American hedge fund manager John Paulson was so convinced that subprime mortgage-backed securities would go belly-up that he took very short positions against them. That was a very lucrative move for Mr. Paulson, who is now expressing a different type of interest in the United States housing market. According to a recent CNN article, Mr. Paulson's hedge fund has been accumulating land zoned for residential development in some unlikely places: Arizona, California and Nevada.

Mr. Paulson is not alone in this investment trend. Other private equity firms are looking at the U.S. housing market as a source of investment profits in the years to come from different angles, including distressed properties, home builders and other ancillary sectors.

## **Homes, Investment Trusts and Initial Public Offerings**

Big names like the Blackstone Group are opting for direct investments, snapping single-family residences from real estate owned (REO) bank portfolios at prices much lower than what small investors and first-time home buyers could expect to find. In this regard, Blackstone holds the upper hand in terms of cash flow and connections.

Another Wall Street firm boasting home acquisitions as an investment strategy is Pine River Capital Management, which recently acquired an established real estate investment trust (REIT) and expects to load up its portfolio with single-family residences. Pine River is following a similar strategy as Paulson and Blackstone, descending upon neighborhoods where the housing crisis left an ugly mark and buying up scores of cheap homes.

In an unusual move, home builders are taking their companies public. This includes TriPointe Homes in the West Coast and Taylor Morrison of Arizona and Florida. TriPointe recently began trading in the New York Stock Exchange after a successful initial public offering (IPO); Taylor Morrison is considering floating an IPO soon. Boise Cascade, a company that manufactures and distributes building supplies, will also debut an IPO in the coming days.

This may just be the beginning as more companies turn to Wall Street to boost their market share.

As with any other recovering market, investors with fast access to cash and ample credit lines stand to gain the most from bargain opportunities. Real estate analysts expect to see increased activity from Wall Street investors who will be watching the foreclosure inventories like hawks in the months to come.