

## **AHV Communities CEO talks capital challenges in build-to-rent, opportunities for future growth**

**'We're the Mercedes-Benz of the business while trying to charge Chevy prices.'**



CEO Mark Wolf of AHV Communities at the Frame Med Center community  
GABE HERNANDEZ | SABJ

By Ramzi Abou Ghalioum – Reporter, San Antonio Business Journal  
Aug 18, 2023

Ten years since the founding of AHV Communities, his build-to-rent housing company, Mark Wolf says it's the battle scars he's earned along the way that keep business moving forward in an uncertain economy.

With projects in Texas, Tennessee and Colorado, Wolf is bullish on the Sun Belt market. After all, he moved the company from its birthplace in Costa Mesa, California, to San Antonio because, in his words, Texas was his backyard.

"That's where we were doing all of our business. We planted a flag in Austin when we first started AHV from California, and we were flying out here constantly," Wolf said. From there, he found increasing opportunities to do business in San Antonio.

"So when it came time for my wife and I to pick up and move, Texas was the right place," Wolf said, crediting San Antonio's work ethic, culture and cuisine as some of the main reasons he picked the Alamo City to base his company. With ongoing projects in California and the Seattle suburbs, AHV still enjoys a West Coast presence, but Wolf said eventually he will fold up those operations entirely and devote his attention to growing in the Sun Belt.

AHV's business model is community-centric. Rather than building single-family rental homes on individual lots, the company acquires, develops and operates large parcels of land where it builds entire communities, similar to modern apartment complex models. That allows Wolf and his team to retain control over the entire design process.

"We're in the build-for-rent business," he said, compared to single-family rental investment giants like Starwood Capital and Blackstone that are in the "buy-for-rent business," which is beset by a host of operational hurdles.

"They had invisible portfolios with tens of thousands of units. We saw the operational flaw in that model: How do you manage that? You had to manage it manually," Wolf said. AHV's communities are managed, maintained and amenitized on site.

"I always like to tell people that we're an apartment company that looks like a homebuilder," Wolf said. By Wolf's estimation, the product class — which competes primarily with the production housing market — allows AHV to be the "Mercedes-Benz of the business while trying to charge Chevy prices."

But the zeal for build-to-rent has been tempered by certain market realities, like softening demand in the rental space in the wake of inflation.

At Frame, a Medical Center community where AHV currently has 60 units online, Wolf said 58 have already been absorbed.

"But we got caught at the end of last year, finishing the community, and so we had a slow lease-up — so we were concerned," Wolf said. In the last few months, however, things ramped up and Wolf said occupancy jumped from 90% to 98%.

That absorption rate — which is punching above the market average — is important as the property comes up for refinancing this fall.

"You have to fight for tenants," Wolf said. Property owners have been forced to moderate rent in some cases and offer incentives like one month of free rent or waiving certain leasing costs. As the market recuperates from the twin blows of inflation and interest rates, Wolf said rental rate moderation and concessions will have to be peeled back to keep cash flow where it needs to be.

Earlier this year, AHV announced an enormous 488-unit project at Brooks, a former military base on San Antonio's South Side, called Los Cielos. AHV is the master developer on the project, part of a partnership between Brooks Development Authority, which owns and manages Brooks, and Preston Hollow Community Capital, a Dallas real estate investor.

"At 15 to 18 units a month, that's a couple of years of steady work," Wolf said. The project is AHV's biggest to date, and will involve both single-family homes as well as duplexes.

"The one question they had — which was a very viable question in 2020 — was, 'Can you really build this many houses?'" Wolf said. Despite the economic hurdles imposed by the pandemic, the deal was inked and now Wolf said they're "blowing and going."

Besides Los Cielos, the company has an ongoing project on the Northeast Side called Altura in development and is raising capital for a project on Potranco Road, on the West Side. Wolf said the current state of capital markets means that they have slowed down their acquisition activity and are "tending to their crops."

"We'll onboard another three deals by the end of the year for construction," he said. The goal is to aim for 10-12 yearly acquisitions in Texas, Tennessee and Colorado, but Wolf said they might only hit half that number next year because of the state of the market.

"We might get lucky toward the end and get a couple of extras," he said.

Once the current hurdles clear, however, Wolf said the build-to-rent industry is set up for an "incredible runway."

"Regardless of what happens from a single-source or multiple-source capital scenario, the markets will turn, they'll get better and people will get back to doing deals again," he said. "For the foreseeable future, it's going to be tough. So we look at this year as basically just buckling down and making sure things get done."