

PROPERTY REPORT

That Vacation Home Listed on Airbnb Might Be Owned by Wall Street

Investment firms Saluda Grade and WEG Capital enter the market for short-term rentals, as tourists and remote workers boost demand



A California property operated by short-term rental firm AvantStay, which has formed a partnership with investment firm Saluda Grade.

PHOTO: AVANTSTAY

By [Konrad Putzier](#)

Feb. 15, 2022 8:00 am ET

Investment firms are buying up more vacation homes, aiming to cash in on growing demand from tourists and remote workers.

Most vacation-rental homes are owned by small-time owners who list their properties on websites such as [Airbnb](#) Inc., but the number of financial firms investing in the sector is growing.

New York-based investment firm Saluda Grade is launching a venture with short-term-rental operator AvantStay Inc. to buy about \$500 million of homes, the companies said Tuesday. Saluda Grade said it is also looking to raise debt by selling mortgage bonds

backed by its homes to investors, the first vacation-rental mortgage securitization, according to the company.

Andes STR, a startup that buys and manages short-term-rental homes on behalf of investors, also recently signed a deal with Chilean investment firm WEG Capital to buy roughly \$80 million of properties in the U.S., Andes said.

These investors are betting they can get higher returns if they rent out homes by the night instead of by the year.

Low interest rates have made it more attractive to borrow and buy traditional rental homes, inflating property prices and making it harder for new buyers to turn a profit. That has prompted some institutions and wealthy families to look in more obscure corners of the property market where competition is smaller, investment advisers say.

Some are turning to investments in vacation homes, where demand has surged in many places during the pandemic as more people choose to work from remote locations and leisure travel heated up last year.

“There’s a lot more yield available in the short-term market,” said Saluda Grade’s chief executive, Ryan Craft.

It is the latest sign of how the pandemic is changing the way people work and live, and how real-estate investors are angling to find new ways to profit from these shifts.

Saluda Grade is targeting homes within driving distance of major population centers, Mr. Craft said. His company will buy the homes and AvantStay will manage them for a fee.

SHARE YOUR THOUGHTS

What is your outlook on the real-estate market in 2022? Why? Join the conversation below.

But while vacation-rental homes can offer higher returns, they also pose challenges to investors. Mortgages are usually more expensive and harder to get for short-term rentals than for owner-occupied homes, said Giri Devanur, CEO of reAlpha Tech Corp., a startup that wants to pool money from small-time investors to buy short-term-rental homes.

Buying properties one-by-one takes time, making it hard to invest large sums. A number of cities have tightened restrictions on short-term rental listings, and more might follow.

“Regulatory risk is a huge problem,” said Sebastian Rivas, CEO of Andes STR.

AvantStay CEO Sean Breuner said the vacation-rental sector can follow a route similar to that of single-family-rental homes, which have attracted a surge in investment from private-equity firms and other financial firms over the past decade.

Companies such as Invitation Homes Inc. bought up thousands of rental homes in the years after the 2008 financial crisis, helping to push up property values and attracting lenders. “We see the same thing happening in the short-term-rental space,” Mr. Breuner said.

Write to Konrad Putzier at konrad.putzier@wsj.com

Appeared in the February 16, 2022, print edition as ‘Vacation Homes Draw Big Investors.’