

HIGH SPEED, LOW DRAG

SUCCESS
STORY

CEO DALLAS
TANNER
ON THE
BREAKNECK
CREATION AND
GROWTH OF
MULTIBILLION-
DOLLAR
HOME RENTAL
COMPANY
INVITATION
HOMES.





SUCCESS STORY

Like a lot of successful businesses, Invitation Homes was a seemingly overnight hit that had been in the making for many years.

“We bought the first 30,000 homes in the first 18 months,” says CEO Dallas Tanner, of the single-family home rental company.

Based on that burst of early success, it might seem as though Tanner did the impossible—come up with a brilliant idea, instantly get buy-in from an investor, and reap immediate rewards.

But long before Invitation Homes launched in 2012, Tanner had already cut his teeth in the home rental business. During college, he bought a couple of houses with his dad and managed them while going to class. He later co-founded the Treehouse Group Companies, which focused on workforce housing in the Southwest.

So, when Tanner and his co-founders set out to start Invitation Homes, they did so with a large body of experience, knowledge, and accomplishments in their chosen field. That could have had something to do with the quick traction he got at Blackstone, his early capital partner and provider of funds for those 30,000 homes.

“High speed, low drag,” Tanner says of their initial goal. There was an intense focus on getting out there, scaling up, and achieving meaningful gain in as short a time as possible. Were they worried, though, that the swift pace might blind them to any turbulence ahead?

“If you’re building an airplane while flying it, there’s always a risk that you may miss a step. We were lucky to have no major issues and that’s because we were comfortable in the area we were building. We knew it and understood it.”

That early work and knowledge of the industry paid off. In 2017, Invitation Homes went public with an initial share price of \$20. Two years later, it hovers between \$29–30 per share, a 48% increase. Blackstone sold its remaining shares (11%) of the company in November 2019 for \$1.7 billion, bringing Blackstone’s total profit from IH to \$7 billion.

Systemize to Scale

Tanner attributes much of the company’s success to its fast, effective scaling. “Economies of scale give us a really strategic advantage in terms of the services we can provide residents, and establishing predictability of the experience.”

Cases in point: Each of the roughly 80,000 homes in the company’s portfolio is visited by one of its 300 technicians every six months, whether there’s a known issue in the home or not. Customer care is offered 24 hours a day. Day-to-day management and communication are provided by local teams of 10–15 people or, as they’re called at Invitation Homes, “pods,” each of which serves anywhere from 1,500 to 3,500 homes.



and the system seems to work. On average, Invitation Homes residents stay for about three years. More than 80% of them take advantage of another system innovation—online auto-pay.

Tanner is constantly reviewing data, though, to ensure the company is being as efficient as possible.

“As we think about our business, we’ve gotten more and more efficient here in year seven,” he says. “We’re focused on the kinds of things that deliver a really good customer experience but make us as optimized as possible.”

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For example, the inaugural days of the business found technicians switching out locks each time a home got a new resident. New tech eventually provided the option of electronic entry, which Invitation incorporated into its homes. Now, when a resident moves out and a new one moves in, only the code needs to be changed. This made the move-in experience that much smoother for new residents and saved time for the team.

Knowing What to Hold Onto

Crunching data is also how Tanner reviews the performance of each property and whether it's time to sell. Their typical home is a three bedroom, two bath with 1,800 square feet, which will rent out for about

\$1,800/month, depending on the market.

Invitation Homes sometimes sells off certain properties that either aren't performing or have experienced such increases in value that a sale presents a better gain for the company.

"Just like any good asset manager," Tanner says, "you look at the data and make these decisions in real time."

And, true to form, he's even created a system that kicks in when the decision is to sell. The "Resident First Look Program" allows the home's current resident to consider purchasing before the home goes on the open market.



Dallas Tanner's Advice for System Creation

Tanner is firm in his belief that fine-tuned systems allow for the best customer experience and most efficient performance within the company. So what's his advice for others who are looking to create systems that allow for scale?

- 1. Align yourself with good people who are willing to carry the flag.**
- 2. Be willing to understand that you do not always have the answer yourself.**
- 3. Do your research and challenge yourself as you develop systems and processes.**
- 4. Do not be afraid of being wrong. You'll learn through trial and error. Use regression analysis to reveal if your decisions were right.**
- 5. Early on, figure out how to capture your data.**

That last point is crucial. "If you're not capturing data from an early stage, then you're kind of playing with one arm behind your back," Tanner says. That early information provides keen insight and helps you make sound decisions about best practices in years two and three.

Remember, though, that the quest for good systems shouldn't overwhelm everything. "You've got to spend your time being as efficient as possible, but driving growth at the same time," Tanner says. "It's always a balancing act."

For Invitation Homes, the priority is to find long-term residents and put them into homes in markets and submarkets that are the most appealing and as efficient to manage as possible. This priority steers decisions and interpretation of data at the company. It defines how the company and its people best use their time.

Finally, Tanner offered two key activities that he believes lead to success for startup entrepreneurs:

- 1. Gather people who share the vision and will work.**
- 2. Work hard.**

He acknowledges that it also takes some luck and good timing. "But, the only way those things go your way is if you're head down and going hard."



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