

The US Rent-To-Own Market: Analysis By Distribution Channel (Brick & Mortar and E-commerce), Size & Forecast with Impact Analysis of COVID-19 and Forecast up to 2029

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Abstracts

Rent-to-own (also known as 'lease purchase') is a contract that allows prospective buyers to lease a home with the option to purchase it later. The tenant/buyer pays the landlord/seller an amount equal to the rental amount on a monthly basis. A portion of the monthly payment is then applied to the home's purchase price. During or at the end of the lease period, the tenant/buyer has the exclusive right to purchase the home on the terms agreed upon by both parties. In 2023, the US rent-to-own market was valued at US\$11.95 billion, and is probable to reach US\$18.17 billion by 2029.

The rent-to-own industry is anticipated to showcase a positive outlook during the forecasted years as primary and subprime lenders would tighten credit measures. Furthermore, demand for essential products (appliances and computers) is increasing and would further intensify in the approaching times. Another driving factor is the prospect of locked-in purchase prices. Given the volatility of real estate markets, the ability to set a future purchase price at the start of the lease agreement can be an enticing prospect. It offers a form of financial predictability, a rare commodity in an ever-fluctuating housing market. Moreover, the concept of building equity from day one is attractive when you're finding houses for rent-to-own. Instead of paying rent with no long-term benefits, individuals in a rent-to-own agreement have the satisfaction of knowing that part of their monthly payment is going toward their future home ownership. This empowers people to invest in their future, even if they aren't quite ready to fully commit to a mortgage. The US rent-to-own market is projected to grow at a CAGR of 7.32%, during the forecast period of 2024-20279.

Market Segmentation Analysis:

By Distribution Channel: The report splits the US rent-to-own market into two distribution channels: Brick & Mortar and E-commerce. Brick & Mortar channel acquired majority of share in the market in 2023, as customers might be easily reached by retailers and manufacturers equally. Customers had access to and a variety of options thanks to promotions available online, on social media, and through direct mail. Whereas, E-commerce segment is expected to grow at a highest CAGR in the expected years as stay at home and social distancing orders were imposed all across the US due to the outbreak of Covid-19. This in turn led to more and more people preferring e-commerce channels for purchasing various things on lease.

The US Rent to Own Market Dynamics:

Growth Drivers: The rising urban population resulted in a positive influence on rent-to-own market. Consumers find it more stress-free and convenient way to use rent-to-own services instead of buying the products as there is the possibility of shifting to different locations for different reasons. Further, the market is expected to increase due to significant population of international migrants, surging GDP growth, rising disposable income, growing millennial population, rising virtual rent-to-own market, etc.

Challenges: Rent-to-own facilities is tailed by various issues such as lack of customer security. For example, a lease-option is accompanied by similar risks for tenants/buyers as a traditional mortgage, excluding the benefit of potential recovery. The other challenge that the US rent to own market face is dependency on vendors, suppliers and products, low profit margin, etc.

Trends: A major trend gaining pace in the US rent-to-own market is hike in internet penetration. With increasing use of internet in all phases of life, people have been able to reach and compare many products and knowledge on various industries provided on internet. This opportunity is seized by many rent-to-own companies and they are now providing all the information regarding the new launched services and existing services on the internet. More trends in the market are believed to augment the growth of the US rent-to-own market during the forecasted period include rollout of smartphone as new category, rapid pace in technological advancements, etc.

Impact Analysis of COVID-19 and Way Forward:

The epidemic of Coronavirus illness (COVID-19) had a significant impact on the US rent-

to-own market, as governments around the world implemented lockdowns. However, the market's total impact was favorable in 2020. The enterprises saw a loss in revenue for the first quarter of the year, however the industry recovered due to increased demand for house ownership, higher rental prices, and other factors. The rent-to-own industry in the US is likely to grow further in the future, owing to the rapid speed of technology improvements, more e-commerce in home purchases, and so on.

Competitive Landscape and Recent Developments:

The US rent-to-own market is fragmented with the presence of a large number of players majorly dominating the country. Key players of the US rent to own market are:

Upbound Group, Inc.
goeasy Ltd.
The Aaron's Company, Inc.
Co-Ownership Organization
FlexShopper Inc.
EZ Furniture Sales & Leasing
Buddy's Home Furnishings Company
Snap Finance Company
Home Partners of America Company (HPOA)
Dream America Organization
Zerodown
Verbhouse
Action Rent to Own
Divvy Homes

Rent-To-Own market participants are mostly focused on product advancements through the implementation of advanced technologies. Signing partnerships, contracts, joint ventures, and financial agreements around the world allow the company to preserve its brand identity on a global scale.

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