SOUTHERN ECONOMIC ADVANCEMENT PROJECT

An 8-point framework for tracking the rise of large corporate landlords in single-family rentals

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ABOUT SEAP

SEAP is your partner and resource. We amplify the efforts of existing organizations and networks that work towards broadening economic power and building a more equitable future. Broadening economic power brings attention to how race, class and gender intersect social and economic policy in the South. We explore policy ideas designed to address these connections directly. SEAP focuses on 12 Southern states and marginalized/vulnerable populations within the region.

Authored by Elora Raymond, Ph.D.
Raymond is an urban planner and Assistant Professor in the School of City and Regional Planning at Georgia Tech College of Design. She is interested in the financialization of housing and property on land, displacement and dispossession through housing systems, housing and disasters, housing justice, race, segregation, and the transnational Pacific Islander community.

Dr. Raymond has explored widening housing wealth inequality following the real estate and financial crises of the 2000s and the relationship between the financialization of rental housing and eviction-led displacement. She has studied the effect of the foreclosure and affordability crises on Pacific Islander communities in Los Angeles, as well as the financialization of customary land in Samoa. Dr. Raymond has ongoing projects on housing, displacement and disasters, including work on eviction and migration following disasters.

KEY TAKEAWAYS

- Homeownership is the main path for building wealth.
- Large corporate firms are buying up larger shares of neighborhoods—especially in majority Black neighborhoods.
- Concerns around these large corporate landlords include extracting profit from the region, undue power over tenants, dislocation of local renters and homebuyers, property deterioration, and creation of asset bubbles, among others.
- The racial wealth gap will widen if Black households are crowded out of the market.
- Firms vary in their spatial purchasing patterns. In Metro Atlanta (the area of study), some large corporate landlords are concentrating their purchases in the same locations where they bought properties following the 2011 foreclosure crisis.
- This analysis provides researchers and policymakers with a framework for tracking large corporate landlords.
- Policymakers must seriously consider tenant protection in response to the increasingly consolidated rental markets operated by extremely powerful firms.

INTRO

Real estate processes can exacerbate existing inequalities during disaster recovery. In the aftermath of the foreclosure crisis and the rise of investment in single-family rentals, there is a growing interest in the effect rental property investors might have on various outcomes for low-income tenants. Many investors viewed the COVID-19 economic crisis as another opportunity to accelerate investments in purchases of residential housing stock, including single-family houses, apartment buildings, long-stay motels and mobile home parks.

Large corporate landlords in single-family rentals (SFRs) like Blackstone and Pretium Partners have been joined by Rent-to-Own investors like DIVVY Homes and trading platforms like OpenDoor and Zillow. Combined, they accounted for high percentages of purchases in single-family housing markets across the southeastern United States following the foreclosure crisis. The volume of purchases by these firms accelerated dramatically over the past three years. Public commenters have allowed these firms to frame their purchases as a small percentage of national markets. However, the housing market is more traditionally defined by urban scholars by housing type and geography, as no homebuyer or tenant engages in a nationwide search for housing. When examined within a meaningful submarket, these firms may have market power of over 50% in certain areas (Fields & Vergerio, 2022).

This research investigates the market share of large corporate investors in meaningfully defined urban housing markets. We discuss different definitions of large corporate investors and break down their influence on housing markets into an eight-part typology. The report then analyzes the concentration of four different single-family rental investors in neighborhoods across one emblematic southeastern city, Atlanta, Georgia. Atlanta is the poster child for single-family rental investment, being a sprawling, southern city with substantial new-build single-family homes, combining relative affordability with positive long-term prospects for economic growth and a relaxed regulatory regime for housing.

When we compare different types of firms in the Atlanta metro area, we find a variety of spatial strategies employed by different types of firms. Compared to trading platforms and rent-to-own firms, SFR firms are far more likely to have high market share at the neighborhood and regional levels. This concentration is related to the initial investment these firms made in foreclosed homes, as they tend to increase purchases in neighborhoods where they have existing investments, unlike other types of single-family rental firms. Finally, from a tenant perspective of market power, SFR firms are accruing high market shares in particular school districts in the Atlanta region, which can make relocating without disrupting children’s education challenging.

Policy recommendations as a result of this research include tracking market share of large SFR firms, strengthening tenant rights, and resisting pressures to standardize the measurement of large corporate landlords.

BACKGROUND

Large corporate landlords in single-family rentals emerged out of the foreclosure crisis. Because racial minorities were targeted by mortgage originators for high-risk subprime mortgages, foreclosures clustered in predominantly Black and Hispanic neighborhoods (Massey, Rugh, Steil, & Albright, 2016; Immergluck, 2011). During the foreclosure crisis, government mortgage giants Fannie Mae and Freddie Mac, along with private financial firms, sold bank-owned homes (REO) en masse to private equity firms and institutional investors. Thus, large corporate investors in SFR established themselves in predominantly Black and Hispanic neighborhoods across the country, in the footprint of predatory subprime lending and the foreclosure crisis of the 1990s and 2000s.

Large corporate single-family rental firms began fifteen years ago as distressed property investors in foreclosed homes, and they now outcompete homeowners in healthy housing markets at each stage of the home-buying process. Their ability to make all-cash offers with quick and low-risk closings makes them favored by sellers (Smith & Liu, 2020). Large SFR firms benefit from dedicated work crews and the ability to distribute risk across their portfolio, enabling them to purchase properties in as-is condition or waive inspections. These investors have access to affordable debt at interest rates lower than those faced by households, particularly those in lower credit tiers who encounter higher rates (Stokes & Hing, 2020). Large SFR firms operate under different cost structures, investment timeframes, and valuation models compared to homeowners, potentially resulting in higher bids. Additionally, some investors engage in predatory practices, aggressively and sometimes deceitfully approaching homeowners to sell their properties before they are officially listed on the open market (Stokes & Hing, 2020). Large corporate landlord purchases displace homeownership locally, with large firms outcompeting and replacing homeowners (Lambie Hanson, Li & Slolonsky, 2018; Garriga, Gete, and Tsouderou, 2021; An, 2022).

One concern related to the rising presence of large corporate landlords in SFR relates to the rising racial wealth gap (Freemark, Noble & Su, 2021). Large SFR investors purchased foreclosed homes en masse during the foreclosure crisis, often in predominantly Black and Hispanic neighborhoods. Now, fifteen years later, these firms have continued to invest heavily in communities of color.

In a recent report examining Large SFR firms in Atlanta, Miami, and Tampa, it was found that these investors acquired 25% of all single-family homes, predominantly in neighborhoods where 84% of residents are non-White (Raymond, Zha, Knight-Scott, Cabrera, 2022).

Similarly, a comprehensive study conducted by Redfin and the Washington Post across 40 metropolitan areas revealed that SFR investors accounted for 30% of all home purchases in the majority of Black zip codes in 2021 (Schuall & O'Connell, 2022). According to the National Association of Realtors (NAR, 2022), areas where Large SFR firms purchased more than 30% of homes in 2021 had twice as many Black households than average. These findings highlight the disproportionate impact of institutional investors on communities of color and underscore the need to address the consequences of their market expansion.

BACKGROUND

Where institutional investors crowd out homeownership, this declining homeownership translates into rising wealth inequality. Homeownership is the cornerstone of U.S. household wealth. As the largest and typically the only leveraged investment for most households, homeownership comprises a significant component of overall household wealth. The net housing wealth of the median homeowning household represents almost half (47%) of their median household net wealth (SCF, 2019). This equity is a crucial source of financial stability, allowing access to funds during health crises and providing college tuition, retirement, and intergenerational inheritance (Doling & Ronald, 2010).

The U.S. already has a stark racial wealth gap, as evidenced by the wide variation in homeownership between racial and ethnic groups. 74% of white households own homes, while just 48% of Hispanic households and 45% of Black households are homeowners. These disparities in home equity among homeowners exacerbate the wealth gap, with median white households having $184,000 in housing wealth, far surpassing the average Hispanic household ($38,000) and the average Black household ($23,000) (SCF, 2019). Scholars of wealth inequality find that homeownership status is a more significant factor contributing to wealth inequality than income or education (Shapiro, Meschede, & Osoro, 2013). It is crucial to address these disparities and protect communities of color, as divergent returns to homeownership have been identified as the primary driver of the increasing wealth gap between white and Black families in recent years (Oliver & Shapiro, 2006; Taylor, Kochhar, Fry, Velasco, & Motel, 2011). While incremental growth in homeownership rates may not single-handedly bridge the racial wealth gap, declining homeownership since the foreclosure crisis among households of color poses a threat to existing progress (Derenoncourt, Kim, Kuhn, & Shularick, 2022).

In addition to crowding out homeownership, institutional investors have also acquired a reputation for predatory and extractive practices as landlords. These practices harm tenants and the communities in which they invest. If institutional single-family rental (SFR) properties offer attractive returns for investors, these profits are achieved through high eviction rates, subpar maintenance, excessive hidden fees, and aggressive rent increases (Bankson, 2022; Mari, 2021). Other research on eviction and gentrification in Atlanta highlights the negative consequences of institutional investor landlords for tenants and neighborhoods (Raymond, Duckworth, Miller, Lucas & Pokharel, 2018; Raymond, Miller, McKinney & Braun, 2021).

Institutional investors in single-family rentals have been found to crowd out homeownership, particularly in communities of color. If they emerged as distressed property investors following the foreclosure crisis, they now outcompete homeowners for homes in strong housing markets. This investment pattern has exacerbated wealth inequality in cities like Atlanta across the country. These firms have also been found to have extractive practices as landlords, with high eviction rates, reliance on hidden fees and surprise charges for revenue, and embracing neighborhood gentrification as a profit strategy. In the following section, we describe eight ways institutional investors have been defined and measured, finally turning to an empirical analysis that illustrates how spatial strategies and consequences for tenants vary by firm type.

MEASURING LARGE CORPORATE LANDLORDS: AN EIGHT-POINT FRAMEWORK

Researchers and journalists have defined and measured large corporate landlords in various ways. Some define firms by the size of their holdings nationally; others define large corporate landlords by the size of their presence in a given urban region, regardless of their national footprint. Still, others define large corporate landlords as firms that are not local but function at a distance, with headquarters and operations primarily outside the metropolitan regions where they invest. Some define large corporate landlords by their financial sophistication, including reliance on private equity investors, single-family rental securitizations, or other conduits to financial markets. Some researchers have differentiated between firm types, examining REITs, private equity, and other types of firms separately. Others examine the rise of digital technologies associated with, but not limited to, the emergence of large firms. These digital technologies, often referred to as property technology or proptech, routinize property management tasks. Proptech can generate incentives that propel property managers to prioritize churn and provide a platform enabling collusion between nominal competitors. It will prompt researchers to measure large corporate landlords by their property management vendor rather than at the firm level. Finally, some researchers focus on the widening power differential between landlords and tenants, examining sophisticated ways these firms use legal power over tenants to underpin aggressive rent extraction practices.

Recent efforts by researchers to find a standard measure for large corporate landlords can obscure the variety of problems with SFR being studied under the umbrella of 'large corporate landlords', institutional investors, or private equity investors. In the following section, I argue that the decision of whether to focus on largeness at the national scale or within a given urban submarket should be related to what concerns are being studied. Some analyses will focus on financial conduits and may cause authors to select large and small firms; others will focus on market power that may result from collusion through property management firms or technologies, in which case the definition may include a collection of firms. The subsequent section of this report indicates some of the major characteristics to consider and provides examples of how researchers have measured large corporate landlords when focused on these attributes.

I. FIRM SIZE

Concerns

Large firms with national or global real estate investment platforms are associated with all of the seven other characteristics listed below. Large firms are associated with routinization, are not embedded in local political economy, can have diverse subsidiaries promoting an array of real estate investment products, and engage in sophisticated financial arrangements. They are early adopters and innovators of proptech. Their overall magnitude can translate into high market shares in a given housing submarket, and overall sophistication and wealth of the firm can lead to undue power over tenants.

Measures

Number of employees; market capitalization if publicly traded; number of units and market shares calculated at the national or global level.

II. ABSENTEE LANDLORD

Concerns

Research has associated absentee landlords with poor maintenance and a lack of responsiveness to tenant, neighborhood, and local government concerns. Other concerns about absentee landlords are related to issues that also arise around financialization. Economic flows between different places can disembed housing markets from local economic factors and re-embed them in higher-value national or global property markets, dislocating local renters and homebuyers and extracting regional profits.

ABSENTEE LANDLORDS EXTRACT PROFIT FROM THE REGION.

Measures

Location of headquarters relative to study area. Absentee can be defined in various ways: some analyses have focused on overseas operators or investment by global conglomerates. Others have examined extractive property relationships between wealthy enclaves and marginalized communities in the same urban region.

Complications arise in determining landlord location due to using special purpose vehicles (SPV), in which a financial asset nominally owns a single-family home. In these cases, the owner's address will often be in Wilmington, DE, for tax and liability purposes. This location is not a good indicator of the spatial relationship between the landlord and tenant but could usefully proxy for other attributes of the firm.

III. FIRM TYPE

Concerns

Large corporate landlords come in a variety of corporate forms and have different product lines. These include: long-term single family rentals; trading platforms which purchase, rehabilitate and resell homes to owner-occupiers; rent-to-own short-term rental platforms; investment platforms that crowdsource investment; franchise operations that have different models in different regions.

Measures

Single family rental operator; rent to own; trading partner; REIT; private equity investor; etc.

IV. FINANCIALIZATION

Concerns

Financialization theory suggests that institutional characteristics of financial firms, financial assets, and financial conduits are important factors in housing issues. Some are concerned that the volume and pace of investment can cause asset bubbles, overinvestment and collapse. Other concerns are related to finance as a conduit, similar to absentee landlords, that can dis-embed housing markets from local economic factors and re-embed them in higher value national or global property markets, dislocating local renters and homebuyers.

Measures

Use of special purpose vehicles (SPVs) to own properties; examination of properties securitized into a single asset; use of private equity funding models vs. REITs vs. SFRS.

V. PROFIT STRATEGY

Concerns

The literature on distressed property investors organizes profit strategies into landlords who milk, flip, rehab, or hold. Landlords whose profit strategy entail letting properties deteriorate are problematic for tenants, neighbors, and the municipalities that are left to demolish or renovate abandoned, blighted homes. Profit strategies associated with price appreciation rather than net operating income have been associated with gentrification as well as asset price bubbles. Some research has found that the same firms may pursue different strategies in different markets, or may have a variety of product lines with varying profit strategies.

Measures

Past research has relied on qualitative interviews with investors to classify firms. Recent research has used transactions data and financial records to determine whether firms focus on maximizing NOI, or price appreciation to achieve returns. Others have relied on earnings reports and calls to classify firms by profit strategy.

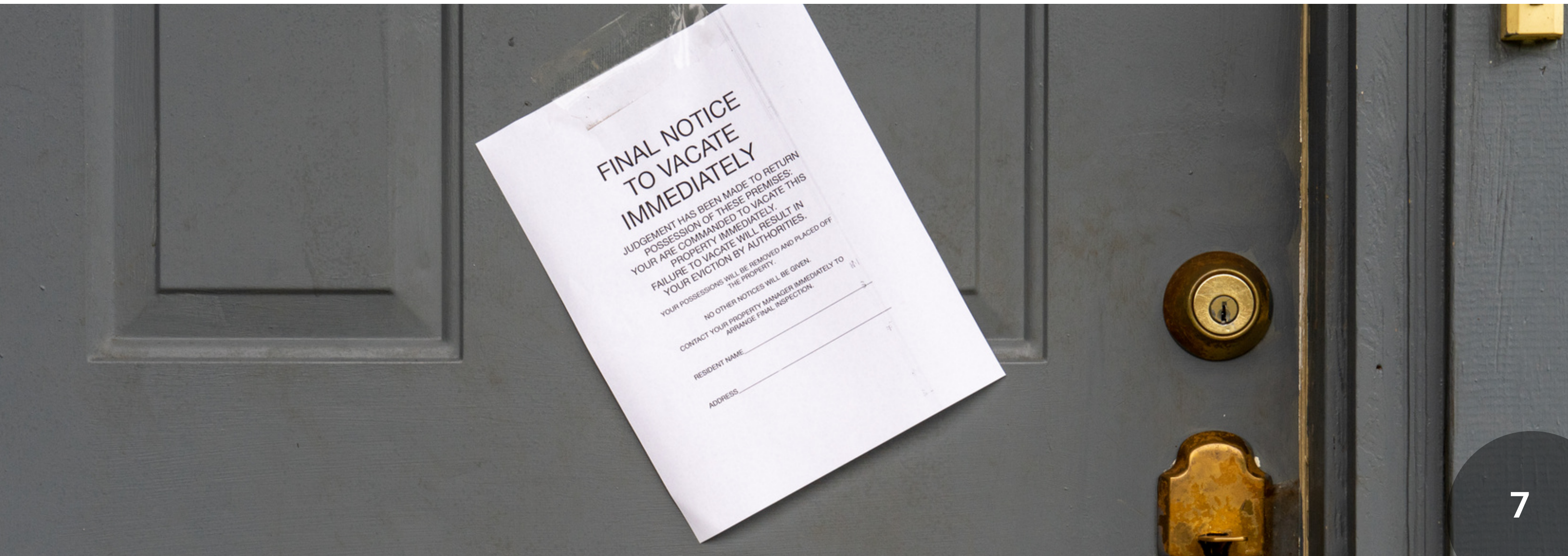
VI. PROPERTY TECHNOLOGY ("PROPTECH")

Concerns

Researchers have raised concerns regarding algorithmic bias, in which black box technologies replicate existing inequalities through tenant screening and credit scoring practices. Other concerns relate to the pace and scale of technological platforms, enabling landlords to automate late fees, eviction filings, and other aspects of property management which can be harmful to tenants. Finally, some raise the issue of collusion through shared technological platforms. Journalists have documented instances of collusion around rent-setting and vacancy rates through shared data platforms, allowing firms to extract higher rents through non-competitive processes.

Measures

Measures have examined maintenance practices through code violations data; use of credit records in tenant screening practices, eviction records, and rent-setting algorithms. If these functions are outsourced to vendors who apply the same practices for all of their clients, the property management vendor or technology would be the relevant entity to examine.



VII. MARKET POWER

Concerns

In the absence of strong legal protections for tenants, many look to competitive markets to supply safe, high quality, affordable housing. Monopolistic behavior is profitable, and there is a long literature on monopoly rents in urban housing markets. When one housing provider has an undue market share, or a group of large firms jointly controls a housing market, tenants can suffer from high prices, low quality, and other practices that are detrimental to household well-being and neighborhood stability.

Measures

Firm presence in a given submarket, which can be demarcated by housing type, housing size, access to amenities like public transportation or school districts; as well as price. Markets may need to be defined temporally, as not all properties transact or are leased in a given year. So for instance, this might entail calculating market share of properties for rent, rather the market share of all rental properties. Other approaches include measuring overall concentration using standard measures like the Herfindahl-Hirschman Index.

VIII. LANDLORD-TENANT RELATIONSHIP

Concerns

Power between landlords and tenants is reliant on market power, but also the local legal context which includes state and local landlord-tenant law.

Measures

Often these approaches rely on interviews with landlords and qualitative analysis. Quantitative analyses of large corporate landlords' power over tenants has examined eviction filings and judgements; unusual clauses in leases; as well as high market presence and a lack of competitive market for rental housing.

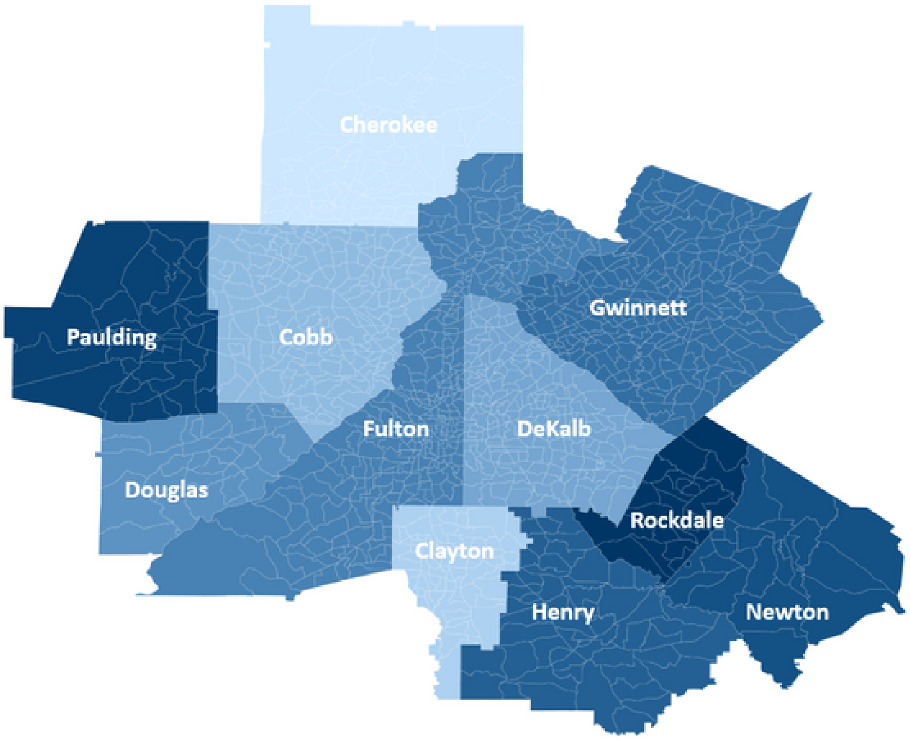
ANALYSIS: OVERVIEW

To better understand the complex spatial distribution and influence of a variety of corporate landlords, we examine a dataset of large corporate landlords in the Atlanta area using a variety of measures drawn from the approaches described above. Specially, we identify four firm types which we associate with different profit strategies and then examine market power from the tenant's perspective.

Our dataset derives from Zillow's ZTRAX tax assessors dataset and catalogues the most recent sale of single-family homes between 2008 and 2021. Code to access data was written in R and used OpenRefine for data cleaning. The classification of owners as corporate was performed by two research assistants who researched corporate hierarchy in order to group purchases by corporate owners. These purchases were grouped using the SEC's Edgar database, the Georgia Secretary of State's Registry of Corporations, corporate profile databases such as Bloomberg and CNBC, and privately operated databases including OpenCorporates.com, BisProfiles.com, and GeorgiaCompanyRegistry.com. After coding and grouping was complete, we researched large corporate and institutional investors with more than 100 transactions during the study period.

This examination covers the prevalence and distribution of single-family home sales to investors in 11 core counties in the Atlanta region.[1] The rise of large corporate investment in single-family rentals began immediately after the subprime and foreclosure crises but rose steeply after the Federal Housing Finance Agency (FHFA) embraced REO-to-Rental[2] as a key federal response to the crisis in 2011.

Figure 1: Study Area: 11 core counties of the Metro Atlanta region



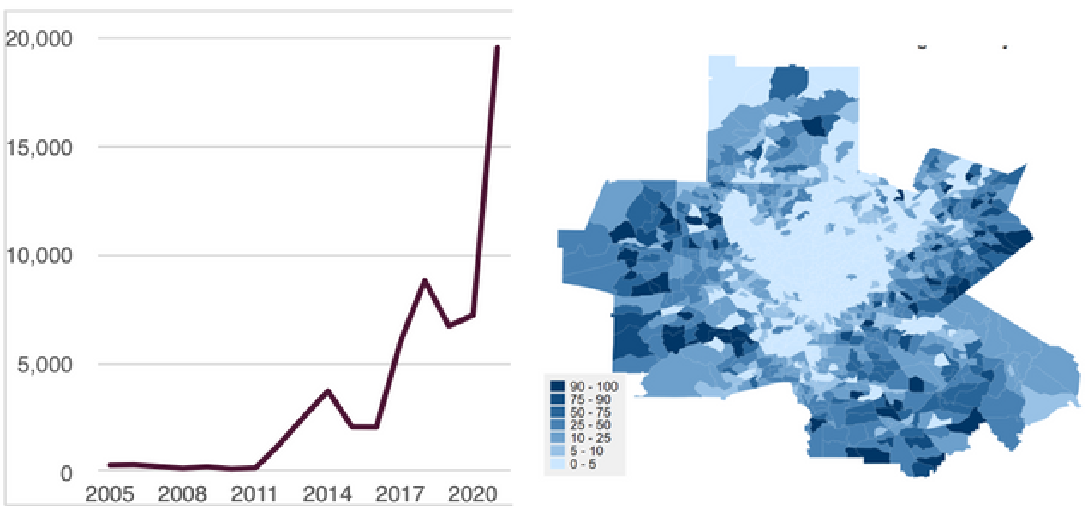
1. Another research organization's categorization of large corporate landlords was referenced as a pointer, with the agreement that they not be named; however, this data was independently verified for this publication.
2. REO is an industry term for Real Estate Owned or homes owned by a lender following foreclosure. REO-to-Rental was a term used widely during the foreclosure crisis to refer to the idea of converting foreclosed, previously owner-occupied homes into rental properties.

As conservator of mortgage giants Fannie Mae and Freddie Mac, FHFA was in control of tens of thousands of bank-owned homes (REO) nationwide and could use the power of the government to convene to encourage industry partners to begin large scale investment in the unproven business of scattered-site single family rentals.

Atlanta immediately became an emblematic city of the rise of SFR. Atlanta had tens of thousands of bank owned homes, many of them newer construction that large corporate landlords prefer. The chart to the left in Figure 2 depicts the rise in corporate investment in single family homes in Atlanta. Initially, despite the vast accumulation of foreclosures in the Atlanta region, investment was slow. With the federal government piloting bulk sales of Fannie Mae and Freddie Mac's backlog of foreclosed homes to real estate investment firms and participating in the creation of singe family rental securitization formation and markets, investment shifted sharply towards distressed single family rentals from 2011 onwards as national firms arrived in Atlanta to purchase foreclosed properties. Rising home prices in 2015 reduced the number of distressed sales and slowed new acquisitions as firms retooled.

Figure 2: Aggregate single family investor purchases by year and as a percent of neighborhood rental units

Source: ZTRAX



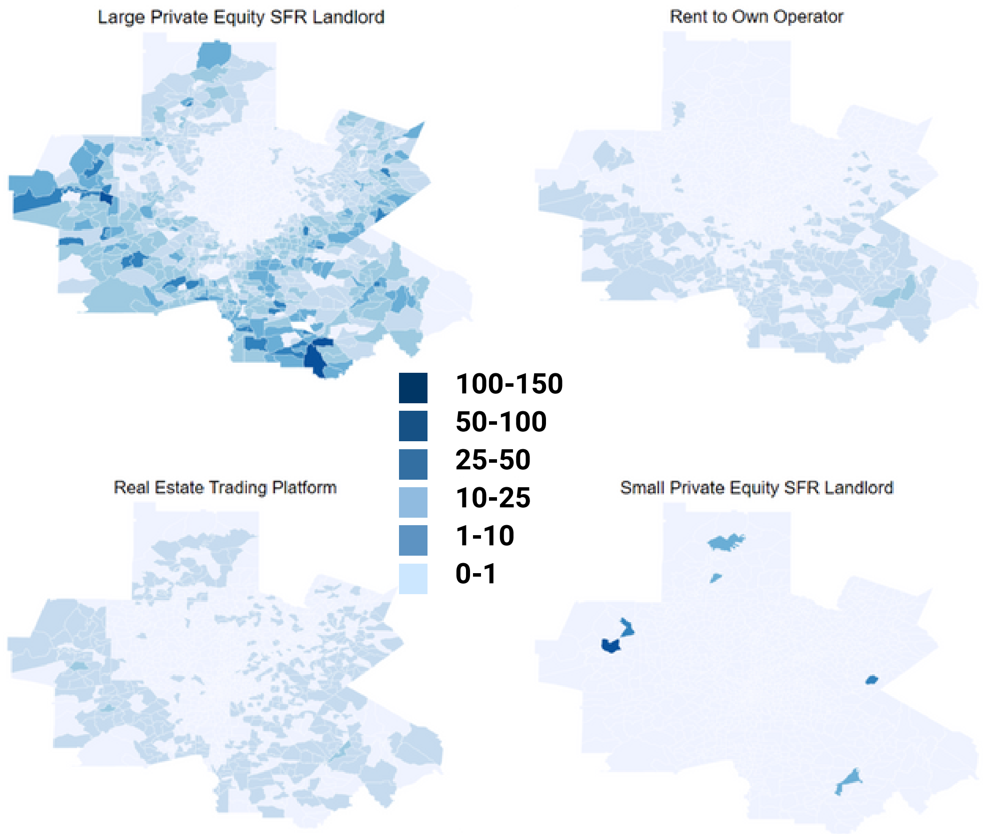
Following a string of mergers and a new round of private finance in subsequent years, these corporations reemerged no longer reliant on distressed sales and prepared to outcompete homeowners for single-family homes in an environment of rising home prices. In 2020, housing markets stalled briefly, but the incredible investor appetite for investment during the pandemic led to a buying spree. The following year, investors bought nearly 20,000 single-family homes, crowding out homeowners and smaller investors amid skyrocketing home prices. The map on the right displays single-family investor purchases as a percent of all rental units in a given neighborhood. Over the 15 years since the foreclosure crisis, particularly in the last five years, large corporate SFR investors have amassed a commanding market share in many neighborhoods across the region.

NEIGHBORHOOD-LEVEL MARKET PRESENCE: FOUR TYPES OF FIRMS

Currently, large corporate investment in single family rentals is concentrated in the exurban areas of the Atlanta metropolitan area, with Paulding and Henry county's investor-owned single-family rentals comprising nearly 10% of all rental units at the county level. This aggregate level of investment by all firms conceals diverse spatial strategies of specific corporations. Figure 3 below shows how different types of firms amass portfolios of single-family homes in the Atlanta region. These four charts in Figure 3 show different spatial strategies of these four firms.

Figure 3: Neighborhood level-investment by firm type

Source: ZTRAX



The top left displays homes owned by Pretium Partners' Progress Residential. Progress Residential is a large private equity funded SFR firm that has amassed a large portfolio within the Atlanta region and nationally, controlling over 10,000 homes in the region and over 75,000 nationwide. Progress Residential raises billions of dollars in investment funds through single family rental securitization offerings, most recently with Progress Residential 2023-SFR1, a $340 million dollar loan collateralized by 1,031 single family homes, predominantly (22.7%) located in Atlanta.

NEIGHBORHOOD-LEVEL MARKET PRESENCE: FOUR TYPES OF FIRMS

Large SFR firms have a variety of pressures leading them to concentrate spatially at the neighborhood level. Single family rental securitizations are a blend of RMBS and CMBS, and their credit rating is reliant on the collateral of the homes. Owning more properties within a region enables them to control the quality and to some extent, the collateral value of the homes through comparatives. Additionally, Progress Residential is a property management firm, maintaining and servicing the rental property it owns. While they have managed to profit off of scattered site portfolio across the sprawling metro region, concentration reduces some maintenance costs.

Progress Residential has high concentrations at the neighborhood level; you can also see high concentrations within particular areas of the Atlanta region. In Paulding, Henry, Newton and Douglas counties, Progress Residential owns 5% of all rental homes. In 10% of the neighborhoods where they own, they own between 30 and 150 homes, and between 11% and 100% of the rental units in that neighborhood. These levels of concentration are higher than most other investors.

In the top right quadrant of Figure 3, the Rent-to-own operator DIVVY homes show lower levels of concentration, with very few census tracts containing more than 10 units. DIVVY's investments are positively correlated with the Atlanta region's African-American population. DIVVY has engaged in Series A, B, C corporate borrowing to fund the business model. Rent-to-own firms lack the pressures towards spatial concentration – neither maintenance pressures, nor interest in maintaining collateral value lead them to concentrate. Similarly, the real estate trading platform Opendoor has a diffuse presence in the Atlanta region. Opendoor, shown in the bottom left quadrant, is a trading platform which buys, renovates, and sells homes. It has a substantial presence overall in the Atlanta region, but very few neighborhoods where they buy or own more than 10 homes.

By contrast, Walton Street Capital, shown in the bottom right quadrant, is a small privately held single family rental investor. They own far fewer homes than Progress Residential, which controls more than 10,000 single family rentals. However, like Progress Residential, Walton Street also has highly concentrated investments, often owning over 100 single family homes in a neighborhood. In Atlanta, they have partnered with Haven Homes and Resibuilt to purchase and manage entire single family rental communities in select towns around the Atlanta region. This firm does not have a large footprint nationally, yet they command significant market power over the neighborhoods where they invest and may be important to individual municipalities because of their effect on municipal tax revenue.

TRENDS TOWARD CONCENTRATED MARKET SHARE

Subprime lending targeted Black communities in Atlanta, and the foreclosure crisis devastated these neighborhoods. If the single-family rental industry emerged as distressed property investors in the footprint of the foreclosure crisis, they have since acquired a reputation for crowding out homeownership, as well as for extractive and predatory tactics towards tenants. In the next section, we ask if large corporate landlords continue to acquire homes in historically Black areas, and if so, which characteristics of these firms drive them to invest in these areas?

In the next analysis, we examine whether these firms will continue to invest in the neighborhoods where they initially gained a foothold during the foreclosure crisis. To see if there is a correlation between a firm's past and current investments, Table 1 shows the results of a bivariate correlation between home purchases in 2020 and 2010. Positive values indicate that a home purchase in the past leads to increased investment in that neighborhood in subsequent years. This test controls for neighborhood and year fixed effects. The first two columns in Table 1 show how well purchases in 2020 and 2010 predict purchases by the same firm in the same neighborhood in 2021. The last column shows the average of all coefficients calculated between 2008 and 2020.

The large, private equity funded SFR (Progress Residential) exhibits large and significant path dependencies. On average, a purchase of a single-family home during the depth of the housing market crisis in 2010 means that Progress Residential is 69% more likely to buy a home in that neighborhood in 2021 than in a neighborhood where they did not acquire a bank-owned home during the foreclosure crisis. On average, Progress Residential's past purchases predict current investment by 25%.

Table 1: Path dependencies in investments: Do past investments in a given neighborhood predict the 2021 pattern of investment?

Source: ZTRAX | Legend: * p<0.05; ** p<0.01; *** p<0.001

	2020 PURCHASES	2010 PURCHASES	AVERAGE OF ALL YEARS 2008-2020
Rent to Own (DIVVY Homes)	0.162***	0.024***	0.063
Large SFR (Progress Residential)	0.170***	0.689**	0.251
Trading Partner (Opendoor)	0.039	-0.030	0.028
Small PE SFR (Walton Street Capital)	0.149***	n/a	n/a

TRENDS TOWARD CONCENTRATED MARKET SHARE

While the Rent-to-Own firm DIVVY also showed some path dependencies, the coefficients are far smaller. In neighborhoods where they acquired property in 2010, they are 2% more likely to buy a home in 2021 than elsewhere; on average, past purchase predicts current investment by 6%. Opendoor's past purchases have no significant relationship to current investment patterns.

Walton Street Capital, which focuses on acquiring entire subdivisions, quite predictably, tends to continue to purchase in the same neighborhoods as past years, and has a strong and significant coefficient of 14.9%. As a new entrant into this investment type, there was no longer term historical trend to calculate for this firm.

This analysis suggests that single family rental firms, more than trading partners or rent-to-own firms, are likely to concentrate at the regional and neighborhood level. They also exhibit path dependencies, continuing to purchase properties in the neighborhoods where they have purchased homes in the past. This suggests that SFR firms will maintain and increase their market share at the local levels.

If large SFR firms, and to a lesser extent Rent-to-Own firms, tend to amass high market shares and dense portfolios in a given neighborhood and region, what are the consequences for the power differential between landlords and tenants? Calculating market share by neighborhood or by housing submarket delivers key insights, but it is important to understand market share from the perspective of a tenant. If a tenant has a bad experience with a given landlord, can they rent a similar home in a similar area from another landlord? Is there competition between landlords in the specific segment of the market that the tenant is renting in?

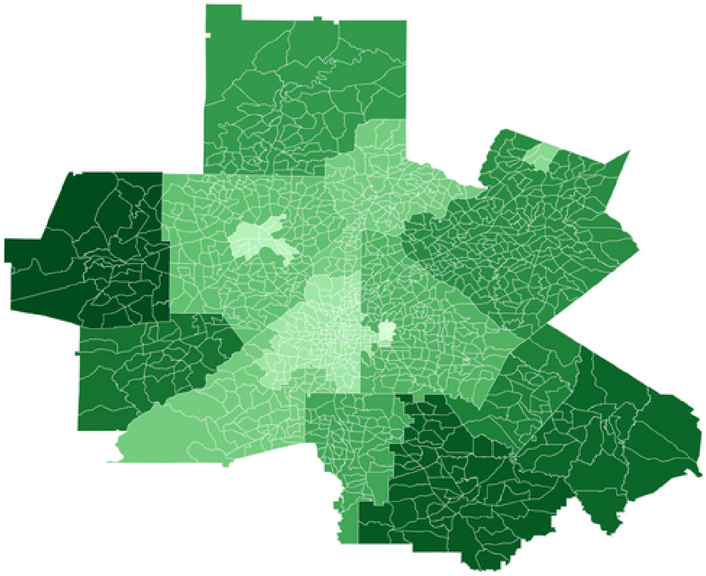
CONSEQUENCES OF CORPORATE LANDLORD CONCENTRATION

If a tenant has a bad experience with a given landlord, can they rent a similar home in a similar area from another landlord?

One key determinant of housing choice from a tenants perspective is school district. Often households with children will seek to move to a given catchment area for a school, or if they need to move, will seek to move in the same area to avoid disrupting children's participation in a given school or school district. Figure 4 shows investors single family rentals as a percentage of all rental units in a given school district. Suburban school districts in Paulding, Henry and Newton county have a very high percentage of rental units with investor ownership.

TRENDS TOWARDS CONCENTRATED MARKET SHARE

	ALL INVESTORS	INVITATION HOMES	PROGRESS RESIDENTIAL
Paulding	48%	7%	8%
Henry	31%	4%	7%
Newton	29%	4%	4%
Douglas	23%	5%	4%
Rockdale	15%	3%	2%
Gwinnett	12%	4%	2%
Cherokee	12%	3%	2%
Clayton	12%	0%	3%
DeKalb	8%	0%	1%
Cobb	7%	2%	1%
Fulton	6%	1%	1%
Buford City	3%	1%	1%
Atlanta City	2%	0%	0%
Marietta City	1%	0%	0%
Decatur City	0%	0%	0%



Source: ZTRAX, 2021 5-year ACS Occupied Rental Units

Individual firms like Blackstone's Invitation Homes and Pretium Partners' Progress Residential own a large share of rental homes in a given school district – seven and eight percent, respectively. Considering the household perspective, where having competition among single-family rental operators within their preferred school district and, ideally, within the catchment area for the elementary school is crucial for housing choice, the significance of market discipline becomes even more pronounced in states with limited tenant legal protections regarding maintenance and vulnerability to forced moves resulting from rent hikes or evictions.

CONCLUSION

In this report, we examine the rise of corporate investment in single family homes in metro Atlanta, important characteristics of corporate ownership, and the spatial distribution and concentration of corporate ownership. We examine tendencies towards market share by firm type, looking at a large private equity funded SFR, a small PE funded SFR, a real estate trading platform, and a rent-to-own firm. We find that the SFR firms tend towards high levels of concentration at the neighborhood level. This tendency is confirmed by an analysis of path dependencies in purchases. The SFR firm is far more likely to buy homes in neighborhoods where they initially invested in the depths of the foreclosure crisis. For non-SFRs, there is no significant relationship between initial investments in a neighborhood and subsequent purchase. We infer that pressures towards efficient maintenance and also the collateralized form of investment preferred by SFR firms lead them to concentrate spatially. Another implication of this analysis is that to the extent that SFR firms continue to crowd out homeownership and create concerns about tenant well-being, their continued investment in neighborhoods hardest hit by the foreclosure crisis will continue to replicate the long-run racial inequalities of subprime lending and the foreclosure crisis.

Finally, this report examines market share of large SFR firms using a market definition that is responsive to tenants' search patterns. Often households with children will choose homes not just according to price, size, access to transportation and jobs, but by school district. Given the lack of tenant legal power in Georgia, competitive housing markets within a school district is particularly important. If households are forced to move by rental increases, poor maintenance, or aggressive eviction tactics, it is important that they are able to find new housing without disrupting their children's school attendance. We found that two large SFR firms have high market shares in several school districts in the region. A more accurate measure of their market power would look at each firms' market share of homes for lease in a given year and focus within the enrollment zone for a particular school, rather than the entire school district.

The implications of this analysis are that large corporate landlords will continue to grow in market power within metro Atlanta. Policymakers will need to understand firms' market share in key submarkets – by housing type, size, price point, and access to amenities like public transportation and schools. In response to increasingly consolidated rental markets operated by extremely powerful firms, policymakers will also need to seriously consider tenant protections like rent control, just cause eviction, and other tenant legal protections.

More broadly, this report breaks out several components of large corporate investment in single-family rentals, describing several factors that drive policy concerns. These include firm size, absenteeism, firm type, financialization, profit strategy, proptech, market power, and landlord-tenant relationships. The literature has grown to examine each aspect of large corporate single-family rental firms, often using disparate measures to capture different aspects and ways of defining large corporate landlords. There have been calls for standardization of measures and techniques by researchers. We instead call for a refined understanding of the problems being studied and stronger connections between the aspect under analysis and the definitions and datasets used to measure large corporate landlords.

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