# WHERE HAVE ALL THE HOUSES GONE? PRIVATE EQUITY, SINGLE FAMILY RENTALS, AND AMERICA'S NEIGHBORHOODS

VIRTUAL HEARING

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

OF THE

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# WHERE HAVE ALL THE HOUSES GONE? PRIVATE EQUITY, SINGLE FAMILY RENTALS, AND AMERICA'S NEIGHBORHOODS

**Tuesday, June 28, 2022**

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT
AND INVESTIGATIONS,
COMMITTEE ON FINANCIAL SERVICES,
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 12:01 p.m., via Cisco WebEx, Hon. Al Green [chairman of the subcommittee] presiding.

Members present: Representatives Green, Cleaver, Adams, Tlaib, Garcia of Texas, Williams of Georgia; Emmer, Timmons, and Norman.

Ex officio present: Representative Waters.

Chairman GREEN. Thank you very much, Franklin, and greetings to all. The Subcommittee on Oversight and Investigations will come to order.

Without objection, the Chair is authorized to declare a recess of the subcommittee at any time. Also, without objection, members of the full Financial Services Committee who are not members of this subcommittee are authorized to participate in today's hearing.

Today's hearing is entitled, "Where Have All the Houses Gone? Private Equity, Single Family Rentals, and America's Neighborhoods."

I now recognize myself for 3 minutes to give an opening statement.

Today's hearing will examine troubling issues regarding the mass predatory purchasing of single-family homes by private equity firms, including the adverse impact predatory purchasing has had on first-time homebuyers, the working class, and people of color.

After an extensive investigation into this practice, we have found that private equity companies have bought up hundreds of thousands of single-family homes and placed them on the rental market, which removes from the housing market homes that might otherwise have been purchased by individual homeowners. These corporate buyers have tended to target lower-priced starter homes requiring limited renovation.

These homes would likely have been bought by first-time buyers, low- to middle-income homebuyers, or both. These homes tend to be located in communities with significantly more families of color than the national average. They also tend to be located in neighborhoods with more working people and single mothers than average.

These private equity firms have the advantage of being able to purchase these homes with cash. Therefore, they easily outcompete individual buyers who may require loans.

This all has the troubling effect of displacing residents of color and leading to gentrification of these communities.

Further, private equity firms have demonstrated themselves to be very poor landlords. Evidence shows that these companies implement significant increases in rent and fees on these homes. Evidence also indicates that they evict tenants at a higher rate and account for a higher percentage of evictions in areas where this practice is concentrated.

Statistics show that evictions by corporate landlords proceeded throughout the COVID-19 pandemic. This was despite Federal, State, and local protections against such evictions, and these evictions were disproportionately of renters of color. This is simply shameful.

Corporate landlords are also more difficult to contact. Therefore, their tenants find themselves unable to amicably resolve issues involving rent or maintenance.

Our investigation also shows that once these homes have been purchased by a private entity firm, they tend to be sold in bulk to other such entities. This can permanently remove these homes from the market for individual homebuyers.

This predatory purchasing contributes to our nation's shortage of affordable housing and exacerbates the racial wealth gap. Because predatory lending contributed to a housing bubble, we must concern ourselves with predatory purchasing.

I look forward to hearing from our witnesses on this deeply concerning matter.

I now recognize my friend, the ranking member of the subcommittee, Mr. Emmer, for 5 minutes for an opening statement.

Mr. Emmer, you may be on mute.

Mr. EMMER. I am on mute. Now, I am off mute.

Thank you, Mr. Chairman.

Can you hear me now?

Chairman GREEN. I hear you well, and you sound much better when you are off mute.

[laughter]

Mr. EMMER. Thank you, sir, and thanks to our witnesses for appearing before the subcommittee today. I look forward to your testimony.

Today, Americans are being punched in the face with 8.6 percent inflation. When our constituents go to the grocery store or the gas pump or when they look for housing, the stark failure of Congress' spend-your-way-to-prosperity policies starts to sink in.

While many Americans can't afford a full tank of gas or to buy meat at the grocery store, our subcommittee is focusing on institutional homeownership in the home rental market.

In today's hearing, my Democrat colleagues may claim that private equity firms have strong-armed a majority of the single-family home rental market. But make no mistake. These entities capture only 2 percent of the nation's single-family home rental market. It is clear that today's hearing is nothing more than the Majority's attempt to use institutional investors as a scapegoat for the poor housing policy that they are responsible for, and as an excuse to avoid the real problem at hand: inflation.

Generally speaking, there are three types of individuals who choose to rent: those saving for a future down payment on a home; those wishing to retain the flexibility to move; and those who cannot own a home for any number of reasons, including affordability issues.

Single-family rental homes offer Americans an attractive alternative to other housing options they might consider. As prices increase across-the-board, especially for housing, and wages decrease, homeownership is a dream further out of reach than ever before for many Americans.

Americans are facing the largest cost differential in 20 years to own versus to rent a home. Sixty-seven percent of renters say they will rent their next home because they cannot afford to own. The costs of all home construction materials have increased more than 10 percent, while the average homeowner sinks $6,300 into home maintenance a year. Institutional homeowners invest an average of $30,000 in every home purchased before it is ever even rented, giving tenants quality shelter.

As we examine the role of institutional investors in the single-family home rental market, we must not forget that single-family rental homes fill a gap for a large population of our country who either prefer or need to rent. It offers parents an affordable way to give their kids a yard to play in, access to a good school district, or simply just a safe community in which to live.

We cannot demonize institutions for facilitating this supply of quality housing that otherwise would be out of the realm of possibility for many Americans due to the economic consequences of inflation. While it may seem like institutional home rentals are pervasive and problematic because we are dedicating an entire hearing to this topic, of the 5 million homes purchased in 2021, 71 percent went to an individual owner, 28 percent went to an individual investor, and just 1 percent went to an institutional owner.

Let us contrast that with the very pervasive and problematic economic realities Americans are dealing with today: 8.6 percent inflation; the energy index rose 34.6 percent; the food index increased 10.1 percent; and shelter increased 5.5 percent, the highest since 1991.

For far too long, the White House and the Federal Reserve have maintained that inflation was transitory, when all Americans know that is nonsense. By the time they acknowledged that this inflation isn't going anywhere and, in fact, it is only going to get worse, they had to rush to raise interest rates, which deeply impacts mortgage rates, making homeownership even less accessible.

This hearing is misdirected. Our committee must wake up and focus on solutions to the problems Americans have today, because no American should have to cut back on essential expenses like groceries or gas to make ends meet.

I yield back.

Chairman GREEN. The gentleman yields back.

I now recognize the Chair of the full Financial Services Committee, my friend, the gentlewoman from California, Chairwoman Waters.

Chairwoman WATERS. Thank you so very much for holding this most important hearing today, Mr. Green, and while the Republicans rail about inflation, they don't have any answers, so they simply try and say that we cause inflation. Everybody knows that does not make good sense. Nobody wants inflation. This President is working hard to do everything that he possibly can to ensure that we tackle some of the problems that cause inflation.

We know that there is a supply chain problem that has been going on ever since this pandemic started, and so, thank you for focusing on housing. Thank you for focusing on the fact that we have institutional investors who simply go into these communities and they buy up large numbers of homes, some of which could be owned by individual homeowners if the financial institutions gave homeowners the loans that were needed to purchase them.

And so, thank you for what you are doing today, Mr. Green. You are on the right track.

And I yield back the balance of my time.

Chairman GREEN. The gentlelady yields back.

The Chair now recognizes the Vice Chair of the subcommittee, the gentlewoman from Georgia, my friend, Ms. Williams, for one minute.

Ms. WILLIAMS OF GEORGIA. Thank you, Mr. Chairman.

In today's hearing, we will hear about rising corporate ownership in the rental housing market, and as in any market changes, new challenges arise in protecting those most marginalized.

To illustrate this in the rental housing market, let us start today by taking an imaginary journey to Forest Cove, a housing complex in Atlanta that is home to hundreds of people. Imagine you are walking the grounds. Straight ahead, you see a building that is burned-out and boarded-up. There is trash everywhere. You walk inside into one of the units. But be careful where you step. Part of the floor is collapsing.

Over to the right, you can still tell that bugs and rodents live there. You wonder how hundreds of problems that you see right before your very eyes went unsolved for years until they turned into millions of dollars in damages.

The residents of Forest Cove, under large landlords, were neglected until things got so bad that residents had to be moved out of their homes.

Across the country, we must hold large landlords accountable to the tenants that they serve.

Thank you, Mr. Chairman, and I yield back the balance of my time.

Chairman GREEN. The gentlelady yields back.

Members and friends, we will now welcome the testimony of our distinguished witnesses: Jim Baker, the executive director at the Private Equity Stakeholder Project; Shad Bogany, a real estate agent with Better Homes and Gardens Real Estate; Sofia Lopez, a researcher and deputy campaign director for housing with the Action Center on Race & the Economy; Dr. Elora Lee Raymond, an assistant professor at the Georgia Institute of Technology; and Jenny Schuetz, a senior fellow at the Brookings Institution.

Witnesses are reminded that their oral testimony will be limited to 5 minutes. You should be able to see a timer that will indicate how much time you have left, and when you have encroached upon more than your 5 minutes, I will probably tap lightly so that you will know to wrap up your statement. I would ask that you would be mindful of the timer so that we can be respectful of both the witnesses' and the committee members' time.

And without objection, your written statements will be made a part of the record.

Mr. Baker, you are now recognized for 5 minutes to give an oral presentation of your testimony.

**STATEMENT OF JIM BAKER, EXECUTIVE DIRECTOR, PRIVATE EQUITY STAKEHOLDER PROJECT**

Mr. BAKER. Good afternoon, Chairman Green, Ranking Member Emmer, and members of the subcommittee.

My name is Jim Baker, and I'm with the Private Equity Stakeholder Project, a nonprofit focused on impacts of private equity firms and similar Wall Street firms on ordinary people, including residents of apartments, rental homes, and mobile homes.

Since the global financial crisis of 2008, private equity firms have acquired growing portions of U.S. housing, helping to drive up rents and home prices to unprecedented levels. The impact has been sharpest in the single-family rental industry which was created by private equity firms. Rents for rental homes have grown more than 13 percent over the past year, and even more sharply in some areas, for example, 39 percent in Miami, and 19 percent in Phoenix.

Just over a decade ago, no single landlord owned more than a thousand homes. Now, the top five—Invitation Homes, Pretium Partners, American Homes 4 Rent, Amherst Holdings, and Cerberus Capital or FirstKey Homes—together own or operate almost 300,000.

In 2016, Pretium Partners pitched investors that, "Households that have been unable to obtain mortgages have become renters, thus driving high occupancy rates and robust rent growth."

As these same firms have in recent years aggressively competed with homebuyers for houses, in some areas this prediction has increasingly become a self-fulfilling prophecy. Private equity-backed rental home companies' acquisitions have accelerated during the pandemic. For example, Pretium Partners-owned Progress Residential went from 40,000 homes in January 2021 to 80,000 homes in March 2022.

Private equity firms have drawn capital from global investors. For example, last April, The Wall Street Journal reported that Singapore's sovereign wealth fund GIC, Canada's PSP Investment Board, and German insurer Allianz SE were investing hundreds of millions or billions of dollars in U.S. single-family homes.

A December 2021 investigation by The Washington Post and the International Consortium of Investigative Journalists, drawing on the Pandora Papers leak of offshore financial records, showed Pretium pouring money into rental homes, part of an unprecedented flow of global finance into U.S. suburbs that has left stressed tenants in its wake. The investigation also pinpointed how Pretium Partners was able to grab the lion's share of home inventory away from ordinary families by quickly making all-cash offers.

In the first quarter of 2022, investors made up a record 28 percent of single-family home purchases, up from 19 percent in 2021, and 16 percent, on average, between 2017 and 2019.

According to a recent report by the Harvard Joint Center for Housing Studies, investors with large portfolios of at least a hundred properties drove much of that growth.

In April, The Wall Street Journal reported that large investors had only deployed about one-quarter of the $89 billion in capital they have amassed to acquire rental homes. Some have projected that the share of rental homes owned by large investors will hit several million homes, or 40 to 50 percent of market share, by 2030.

We tracked eviction filings during the pandemic across dozens of counties in Georgia, Florida, Tennessee, Texas, Arizona, and Nevada. Large single-family rental landlords like Pretium Partners, Invitation Homes, and Amherst Holdings were among the most frequent eviction filers we saw out of all landlords, including when the CDC eviction moratorium was in effect. For example, Pretium Partners rental home companies filed to evict more than 3,000 residents, Invitation Homes, more than 2,100 residents, and Amherst Holdings, more than 1,200 residents.

We also found that Pretium Partners' rental home companies filed to evict residents in majority Black counties in Georgia at significantly higher rates than they did residents in majority White counties in Florida.

Katrina Chisholm, a Pretium Partners tenant from Georgia, provided testimony to a July 2021 House hearing, saying, "I felt expendable and they showed me I was. I was not given any consideration as a long-term tenant with no evictions on my record ever. I felt as if I had broken the law somehow while we were in the middle of the pandemic. There was no concern for my life or my son's life, as they focused on their profit margin. I was not profitable so I was booted out with almost no notice."

If the COVID-19 pandemic was a test of how landlords would deal with renters in challenging times, then some of the largest single-family rental landlords failed that test miserably.

We believe lawmakers should take steps to protect tenants and homebuyers from predatory behavior in the housing market and limit the private equity buy-up of our homes by requiring corporate landlords to disclose beneficial ownership of homes and to provide regular disclosures of eviction filings, and evictions, as well as rent increases, creating a corporate landlord-consumer complaint database to track landlords' practices, and provide residents a forum to get responses to complaints, as well as enacting broad tenant protections such as just cause eviction legislation, and right to counsel laws so that tenants facing eviction have legal representation, and limits on annual rent increases by corporate landlords, including mandatory fees.

Thank you.

[The prepared statement of Mr. Baker can be found on page 34 of the appendix.]

Chairman GREEN. Thank you, Mr. Baker.

The Chair now recognizes Mr. Bogany for 5 minutes to give an oral presentation of your testimony.

**STATEMENT OF SHAD BOGANY, AGENT, BETTER HOMES AND GARDENS**

Mr. BOGANY. Thank you, Chairman Green, for affording me this opportunity to speak before the Financial Services Committee on the impact that investors are having on the affordable housing market.

My name is Shad Bogany. I have over 40 years of experience helping families purchase their first home. I have been an advocate for crusading for families through community involvement.

I have served as chairman of the Texas REALTORS, chairman of the Houston Association of REALTORS, chairman of the Houston Urban League Community Development Corporation, and a board member of the Texas Department of Housing and Community Affairs.

Currently, I am the president of the Fort Bend Housing Finance Corporation. My radio show that I started 32 years ago focuses on educating and encouraging would-be homebuyers on the availability of financial mortgage products, housing opportunities, and the benefits of being a first-time homeowner. My message is, you can be a homeowner. Recently, the conversation has changed. The discussion there is about institutional investors buying up houses, competing with first-time homebuyers for limited housing inventory.

More alarming, the investors are targeting minority communities since, historically, they are undervalued and lower-priced, and driving up the prices for residents, making the Houston dream of homeownership for the population unachievable.

Homebuyers are having to compete with investors that are paying cash over the list price, resulting in an increase in investor purchases. In Houston alone, 40 percent of the buyers are investors. In Dallas, 52 percent of the investors are buyers, creating a generation of renters who will miss out on the benefits of homeownership, the ability to create wealth, and stabilize communities.

The risks today, should investors liquidate their massive real estate holdings, would be a decrease in property value, causing subdivisions to decline, an increase in crime, and a loss of a tax base for municipalities, and lastly, developing new ghettos by creating for-rent-only subdivisions.

This trend started when Congress incentivized investors in the rental market and made homeownership equal to renting by lowering the tax benefits of homeownership. Homeownership among Black Americans has been declining in recent years, the lowest of the ethnic groups. By increasing the percentage of renters in the Black community, the institutional investors are creating a modern-day sharecropping colony governed by 21st Century Jim Crow laws.

In 1968, the Supreme Court established that housing discrimination is a badge of slavery. It reminds me of my ancestors' history over 100 years ago. You live on the land, you have a place to stay, but all of your hard work and money goes to benefit someone else.

Connecting with our past, and learning from policies that are suppressive, paves the way for a future free from housing discrimination. That future is not here yet.

Now, investors are requiring higher credit scores in rentals than what lenders require for home mortgages. Minorities typically have more nontraditional credit, which the FICO score system doesn't consider—the latest Jim Crow.

Recently, in Denton, Texas, a homeowners association passed bylaws that landlords are banned from renting to families on housing vouchers, a modern-day redlining. Not only do Black communities and other minorities miss out on the opportunity to benefit from the intergenerational wealth that homeownership offers, they are being pushed out of the rental market, and driven to less desirable areas with high poverty and crime, or worse, becoming homeless.

Congress, we need you to act. Let me tell you what you could do. You could mandate that all foreclosures—Fannie Mae, Freddie Mac, Ginnie Mae—be stipulated that they offer to first-time homebuyers before they sell them to investors.

The other thing you could do is you could create tax incentives for sellers when the property is sold to a first-time homebuyer. Waive the FHA 90-day flipping rule. This would allow first-time homebuyers access to more inventory and better financial terms.

HUD managed the largest rental assistance program, Housing Choice vouchers. We are now using Housing Choice vouchers not only for leasing but also for moving buyers into home purchasing.

I, personally, have had tremendous success in helping families move to homeownership who are on Section 8 in high-opportunity neighborhoods. This needs to be expanded on a national scale.

The bottom line is, we can't tell sellers who they can sell their property to, but we can encourage them and incentivize them to sell to first-time homebuyers.

I appreciate this opportunity to shine a light where the tire meets the road in your districts.

[The prepared statement of Mr. Bogany can be found on page 85 of the appendix.]

Chairman GREEN. Thank you, Mr. Bogany, for your testimony.

The Chair now recognizes Ms. Lopez for 5 minutes to give an oral presentation of your testimony.

**STATEMENT OF SOFIA LOPEZ, DEPUTY CAMPAIGN DIRECTOR FOR HOUSING, ACTION CENTER ON RACE & THE ECONOMY (ACRE)**

Ms. LOPEZ. Thank you. Good afternoon, Chairman Green, and Ranking Member Emmer. Thank you for the opportunity to testify today on private equity ownership of single-family rentals.

My name is Sofia Lopez. I am the deputy campaign director for housing at the Action Center on Race & the Economy (ACRE). We are a national organization working at the intersection of racial justice and Wall Street accountability.

I had the opportunity to testify last fall in a Senate Banking Committee hearing on private equity landlords and I shared stories tenants had told me about conditions in their homes. I talked about one tenant facing eviction because he was facing thousands of dollars in fees for charges he didn't understand and fines for landlord requirements with which he had already complied.

I talked about a mother of small children who lived with mold, broken stairs, and whose basement flooded, covering an electrical outlet. When she called her landlord to shut off her electricity, she was told to turn it off herself, which would have required her to wade through electrified water.

More recently, I have heard about tenants in North Carolina and Las Vegas who faced rent increases of $100 or $200 per month, and were pressured to sign renewals quickly or face month-to-month leases with doubled monthly rent.

The National Rental Home Council, the institutional single-family rental trade group, insists institutional landlords are professionalizing the single-family rental industry. Yet, this so-called professionalization often squeezes tenants while reaping record-breaking profits.

In studying private equity in housing, I am struck by how consistent tenants' experiences are across geographies and landlords. Tenants' stories make it crystal clear that profit maximization has no place in our homes.

Research shows that the institutional single-family landlord business model follows five core practices. First, large rent increases. For example, on a 2021 earnings call, Invitation Homes noted it had raised rents by 30 percent in Phoenix, 29 percent in Las Vegas, and 20 percent in Atlanta. Their profits increased 33 percent in 2021 from the year prior.

Second, fees are so central to the private equity landlord model that one CEO called the failure to capture fee revenue, "revenue leakage." As an example, Tricon Residential, whose profits tripled between 2020 and 2021, reported taking in $640 per home, per month, in fee and other revenue and anticipates increasing this figure to between $850 to $950.

Third, inadequate maintenance. In 2021, Minneapolis tenants living in properties owned by HavenBrook Homes, now managed by Progress Residential, reported waiting up to a year for necessary and urgent repairs, including holes in roofs and ceilings, broken stairways, lead paint, flooding, faulty electrical systems, broken and inoperable appliances, pest infestations, and black mold. The following year, the City of Columbia Heights, a Minneapolis suburb, revoked HavenBrook's license based on conditions they deemed to, "put residents' lives at risk."

Fourth, eviction filings. Many of these landlords obtain low-cost debt through rent-backed securities. In 2017, Invitation Homes' rent-backed securities were underwritten based on 94 percent paying occupancy. To maintain cash flow to repay debt, and a favorable rating to get more cheap financing, landlords must address nonpaying tenants quickly.

Last, convoluted ownership and use of LLCs leaves tenants unsure who really owns their home and who to appeal to when problems arise. Despite institutional landlords' insistence that they make up a mere 2 percent of the nation's single-family rental market, their portfolios are heavily concentrated in specific markets across the Sun Belt and the Midwest, where tenants rights are generally more favorable to the landlord.

Of course, this concentration isn't race-neutral and, as this committee's survey data show, overlaps with Black communities in particular. For example, Memphis has a 64 percent Black population and has the lowest rate of Black homeownership in the 50 largest cities, yet the highest share of investor ownership of homes.

Research found similar relationships in Los Angeles County, Fulton County, Georgia, and the City of Atlanta, where a higher concentration of institutional SFR ownership was correlated with higher concentrations of Black residents.

Because of these companies' purchasing criteria, tenants have expressed feeling as if they had few options but to rent from institutional landlords to live in certain communities close to jobs, family, and quality schools.

Let us be clear. Private equity and Wall Street-backed landlords are in every sector of the housing market, and residents in these sectors often face the same practices that yield immense profits for investors.

The most straightforward fix for the worst conditions that private equity tenants face are national tenant protections, including protection from excessive rent increases and excessive fines and fees, just-cause protections requiring landlords to provide a reasonable justification for ending a tenancy, and a right to counsel and a right to organize to give tenants a fair chance to defend against evictions and unsafe living conditions.

We also need a comprehensive landlord registry so we know who owns what and tenants know exactly who their landlord is.

Lastly, we need massive Federal investment in truly affordable housing free from the harmful practices of private equity landlords and dedicated to fulfilling a fundamental right to housing.

Our housing market is rapidly changing as the largest landlords, builders, and financiers increasingly partner with one another. Our communities and neighbors will feel the consequences until we follow the lead of tenants and housing justice organizers to create a more just housing system.

Thank you. I look forward to your questions.

[The prepared statement of Ms. Lopez can be found on page 90 of the appendix.]

Chairman GREEN. Thank you, Ms. Lopez.

Dr. Raymond, you are now recognized for 5 minutes to give an oral presentation of your testimony.

**STATEMENT OF ELORA LEE RAYMOND, ASSISTANT PROFESSOR, SCHOOL OF CITY AND REGIONAL PLANNING, GEORGIA INSTITUTE OF TECHNOLOGY**

Ms. RAYMOND. Thank you, Chairman Green, Ranking Member Emmer, and members of the subcommittee for the opportunity to testify today. My name is Elora Raymond. I am an assistant professor in the School of City and Regional Planning at Georgia Tech.

Since 2015, I have researched institutional landlords' eviction practices, links to gentrification, and growing market share. In the 15 years since the foreclosure crisis, we have learned a lot about the impact of institutional investors on households and neighborhoods.

Far from being good landlords, these firms have exceptionally high eviction rates, and they profit from gentrification. More recently, during the pandemic, institutional investors dominated housing markets in metropolitan areas across the country and outbid homeowners trying to buy single-family homes.

The eviction practices of institutional investors are concerning. In a study in 2015, my co-authors and I found that institutional investors had an eviction filing rate of 20 percent in Atlanta; that is 2 eviction filings for every 10 homes that they owned.

We confirmed that this exceedingly high eviction rate was due to the landlord, not to other factors, by using statistical modeling. Even with controls for tenant and property characteristics, renting from an institutional investor was the biggest predictor of an eviction.

Institutional landlords use eviction to boost profits. Firms leverage the threat of an eviction to enhance rent collection, rental increases, or to evict tenants in order to replace them with higher-income households paying higher rents. But these profits come at a heavy cost. High eviction rates are devastating for tenants, neighborhoods, and schools.

In addition to displacement through eviction, institutional investors profit from gentrification. In a study of institutional investors' multifamily purchases, we found that neighborhoods in Atlanta with an institutional investor purchase of rental housing lost 166 more Black residents than adjacent neighborhoods. These purchases led to long-term gentrification of Black communities out of Atlanta.

Many researchers have found that institutional investors crowd out homeownership at the neighborhood level. We see this in Atlanta, where homeownership has fallen by 6 percent since the mid-2000s.

My colleague at Georgia Tech, Dr. Brian An, estimates that we can attribute 1.4 percent of the decline in homeownership specifically to large institutional investors. Particularly during the pandemic, institutional investors have outbid homeowners and mom-and-pop landlords trying to buy single-family homes.

In a recent study of Tampa, Miami, and Atlanta, my co-authors and I found that institutional investors bought one in six of all single-family rentals last summer. In Atlanta alone, institutional investors bought over half of the single-family rentals and 17 percent of all single-family homes.

The prices these firms paid rose by 28 percent every quarter. That is an increase from an average price of $130,000 in 2019, to $275,000 in 2021. By contrast, household purchase prices rose by just 9 percent every quarter.

Institutional investors' ability to outbid would-be homebuyers and charge exceedingly high rents is particularly concerning for racial and ethnic inequality, although this affects all communities. That is because institutional investors continue to target moderate-income Black and Hispanic neighborhoods.

In our study, we looked at the average neighborhood demographics of a home that an institutional investor purchased. The average neighborhood was 84 percent non-White and 62 percent owner-occupied.

These high market shares in urban submarkets are a far more meaningful measure of market power than national percentages. Economists and antitrust lawyers don't define markets nationally. We look at meaningful regional and local market definitions.

The increased market power of institutional investors to affect home prices and set rents is a growing concern. Not only are there grave effects for households being priced out, but it is problematic if institutional investors have the market power to set sale prices of homes in neighborhoods where they have existing assets that they are using as collateral for their financial instruments.

Because of the use of corporate vehicles like LLCs and trusts, it is impossible to identify all of the homes that these firms purchase. Researchers like myself can only provide conservative estimates.

We need rental property registries to accurately understand these firms' growing market share. With accurate data and meaningful market definitions, policymakers should probe for anti-competitive practices and undue market power in the home purchase market and the rental market.

Policy measures should examine ways to strengthen tenant legal protections so that the threat of eviction is not used to support the aggressive use of fees and increasing rents.

Thank you, Mr. Chairman.

[The prepared statement of Dr. Raymond can be found on page 101 of the appendix.]

Chairman GREEN. Thank you, Dr. Raymond.

The Chair now recognizes Ms. Schuetz for 5 minutes to give an oral presentation of your testimony.

## STATEMENT OF JENNY SCHUETZ, SENIOR FELLOW, BROOKINGS INSTITUTION

Ms. SCHUETZ. Good afternoon, Chairman Green, Ranking Member Emmer, and members of the subcommittee.

Thank you for the opportunity to testify today on this important issue of institutional investors and access to homeownership. It is an honor to be here before you this afternoon.

My name is Jenny Schuetz, and I am a senior fellow at Brookings Metro. My comments today will provide some broader context on housing affordability and availability in the United States.

The growth of institutional investors is a symptom rather than the cause of extremely tight housing markets. Rental housing is an attractive financial option for investors of all types because of market fundamentals.

Demand for both rental and owner-occupied housing has grown during the past decade due to job growth and rising incomes. Since the Great Recession, the U.S. has not built enough housing, leading to historically low vacancy rates and rapidly rising costs.

Private equity firms and other institutional investors benefit from tight housing supply but they did not create the problem. Local governments across the U.S. have adopted policies that make it difficult to build more homes where people want to live. Zoning rules that limit the construction of small, moderately-priced homes are politically popular with existing homeowners and local elected officials.

The burden of high housing costs is not shared equally across all households. Rising housing costs create the greatest hardship for low- and moderate-income households. The poorest 20 percent of households everywhere in the U.S. spend more than half of their income on rent, leaving them too little cash to pay for food and other necessities. Housing cost burdens have been rising among low- and moderate-income households for several decades, well before the growth of institutional investors.

Black and Latino households continue to face higher barriers to homeownership, reflecting historic and ongoing disparities in access to credit. Fewer than half of Black and Latino households own their homes, compared with nearly three-fourths of White households.

First-time White homebuyers often receive family assistance with down payments. Black and Latino households have been systematically shut out of this means of intergenerational wealth building, which puts them at a greater disadvantage when competing with institutional investors.

Housing quality and tenant legal protections are important to renter households' well-being regardless of who owns the property. Policymakers should be equally concerned about poor quality housing and fair treatment of tenants regardless of whether a rental property is owned by a private equity firm, a mom-and-pop landlord, a public agency, or a nonprofit organization.

Media reports have raised concerns about housing quality and customer service in properties owned by private equity firms. But the existing data make it difficult to determine whether there are systemic quality differences between private equity firms and other types of landlords. Better data and more transparency are essential to inform better policy responses.

Single-family rentals are an important part of the housing ecosystem. Homeownership is not the preferred choice for all Americans or at all points in any person's life. Having a diverse set of tenure choices and structure types in diverse neighborhoods is important for economic opportunity. Families may want to live in communities where they can afford monthly rent but cannot afford to purchase a home.

Congress can improve renters' and homebuyers' well-being through four channels. First, work with State and local governments to expand the supply of housing, particularly moderately-priced rental and for-sale homes. Several existing proposals along these lines have bipartisan support in Congress and are included in the Biden Administration's Housing Supply Action Plan.

Second, relieve financial stress on low- and moderate-income households. Increased funding for housing vouchers or renewing the expanded child tax credit are highly effective tools and also have bipartisan congressional support.

Third, provide more resources to State and local governments to assist their efforts in ensuring housing quality and tenant protections.

Fourth, better data collection from Federal agencies could increase transparency of rental property ownership.

There are no silver bullets to make housing cheaper and more abundant overnight. Helping renters and homebuyers will require sustained and coordinated policy efforts from Federal, State, and local governments.

Thank you again for the opportunity to testify, and I look forward to your questions.

[The prepared statement of Ms. Schuetz can be found on page 110 of the appendix.]

Chairman GREEN. Thank you for your testimony.

I will now recognize Members for questions, and Members are reminded that they will have 5 minutes for questions, and that at the end of their 5 minutes, there will be a light to indicate that they are exceeding their time.

Also, we do ask Members to try to ask their questions such that they may be answered within the time that they have been allotted.

I am honored now to recognize the Chair of the Full Committee, my friend, Chairwoman Waters, for 5 minutes.

Chairwoman WATERS. Thank you very much, Congressman Green. I appreciate this hearing.

I would like to direct my question to Ms. Lopez.

Renters who live in single-family rental units owned by private equity investors pay higher rents compared to other renters and are more likely to see steeper rent hikes each year.

Nationwide, rents have increased at the fastest rate in decades with year over, U.S. single-family rents raising by 14 percent in April 2022, more than double compared to a year earlier.

Ms. Lopez, in addition to the aggressive rent hikes, the committee's survey of the 5 largest single-family rental companies concluded that fees per rental lease increased by approximately 40 percent from March 2018 to September 2021, and that the total number of renters who were falling behind on late fees and rent have doubled in that time.

Have you observed single-family rental companies taking advantage of renters through increased rent and fees? Can you explain how the securitization of rental income creates unique pressures to increase rent and fees each year?

Ms. LOPEZ. Yes. Thank you so much for the question, Chairwoman Waters.

I mentioned a couple of examples in my testimony of the ways in which some of these companies are taking advantage of tenants who are otherwise shut out of the homeownership market by increasing rents.

For example, I named Invitation Homes as one company that has increased rents by 30 percent in the Phoenix market, 29 percent in the Las Vegas market, and 20 percent in the Atlanta market, and that is just a short overview. American Homes 4 Rent has also done the same thing.

I also mentioned fines and fees as an important source of revenue for these companies. I gave the example of Tricon Residential who said that their profits increased by—or that they were able to bring in $640 per home, per month, in fee revenue and anticipate growing this number to $850 to $950 per home, per month.

To think about that in context for myself, I could not imagine my housing costs increasing by 30 percent from one year to the next. I could not imagine being made to pay fines and fees for things like a smart home system or a pet fee or having utilities registered in my name, which is one of the examples that I mentioned of stories I had heard from tenants, and having those fees add up to $850 to $950 per month.

And I think the survey data also shows that tenants are struggling to keep up with these fees, too. I was struck by just how many people are behind on rental and fee costs.

Chairwoman WATERS. Thank you.

Do you believe that this incredible increase in rent is going to spur efforts by neighborhoods for rent control?

Ms. LOPEZ. Do I think that rent control could help cut some of these incredible rent increases? I think, absolutely, we have to consider every single tool potentially available to us.

And I agree with Ms. Schuetz that a lot of these dynamics are true across many different kinds of rental inventory.

But I think just the level of egregious rent increases that we are seeing in institutional single-family rental properties means that we absolutely need to find ways to cap both rent increases and financing increases.

Chairwoman WATERS. I want to thank you very much.

And I yield back, Mr. Green. Thank you.

Chairman GREEN. The gentlelady yields back.

The Chair now recognizes the ranking member of the subcommittee, the gentleman from Minnesota, my friend, Mr. Emmer.

Mr. Emmer, you are recognized for 5 minutes.

Mr. EMMER. Thank you, Mr. Chairman.

Again, as I mentioned in my opening statement, inflation is at 8.6 percent and Americans actually need solutions right now. Again, we are here to discuss the institutional homeowners' role in the single-family rental home market, a market where they make up only 2 percent.

My colleagues across the aisle have insinuated that institutional investors take opportunities for homeownership away from Americans everywhere. What they fail to acknowledge is that not everyone is able to purchase a home at a mortgage rate of 6 percent for a 30-year fixed loan, and institutional homeowners actually give Americans quality, affordable rental housing.

Thanks to the hidden tax we call inflation, which definitely isn't hidden anymore, many prospective homebuyers simply cannot afford to pay for a monthly mortgage and the hidden costs piled on top like maintenance and repairs.

These institutional homeowners remove the additional barriers and costs that coincide with homeownership. They provide maintenance services and many even offer their tenants financial readiness classes.

Here is the reality. Prices are through the roof. Gas is up. Groceries are up. Housing is up. Inflation is punching Americans in the face and, actually, Americans are being sucker punched when you add on climbing mortgage rates that make homes more expensive.

Yet, here we are. My Democrat colleagues don't seem to recognize that Congress' careless spending without regard for real solutions has made it harder for Americans to save up for a home.

Ms. Schuetz, can you explain how inflation impacts the everyday lives of renters?

Ms. SCHUETZ. I can speak more specifically to the role of housing costs and the way that housing costs play into inflation. We know, in fact, that the cost of housing has been rising faster than household incomes for, roughly, the past 10 years.

So, this is not just a short-term problem that we have seen with the pandemic, although it has certainly gotten worse with supply chain shortages that have affected the construction of new housing.

But I think it is important to remember that this is a long-term problem caused, fundamentally, by the fact that we are not building enough homes and that the housing supply has not kept up with demand. Within the last—

Mr. EMMER. Have single-family rental homes addressed the increase in demand for suburban and community living, at least during the pandemic?

Ms. SCHUETZ. We do see an increase in the demand for, basically, all types of rental homes. In the past several years, we have particularly seen an increase in the number of higher-income renters, people who probably would have been homeowners in other generations when housing prices were cheaper.

The growth of high-income renters, and also the growth of older-renter households, are two of the factors that drive the demand for single-family rentals.

That said, we also see very high demand for multifamily rentals and for owner occupancy. Basically, there is demand for more housing across-the-board.

Mr. EMMER. Right.

Listen, over the past few months my Democrat colleagues continue to find a scapegoat for inflation. They have determined that institutions buying entry-level housing are leaving Americans without opportunities to buy.

Yet, according to the National Association of REALTORS, the United States is behind, like you pointed out, Ms. Schuetz, in actual available housing. In fact, we are behind, according to the REALTORS, by 6.8 million housing units.

Is it true that regulatory barriers at a local level are impeding or are partly to blame for the problem with the housing supply across the country?

Ms. SCHUETZ. Absolutely. The fundamental reason we are not building enough homes, particularly in high-demand locations, is that our housing production system makes it very difficult.

A combination of rules, zoning rules like bans on apartments, large minimum lot sizes, and a discretionary process where existing homeowners get to weigh in on new developments and, essentially, have said that they don't want additional housing to be built. This pushes a lot of the demand into neighborhoods that either are unbuilt—areas on the urban fringe—or in places where the existing residents are more friendly or less able to push back against new development.

Mr. EMMER. Thank you.

And I would also add that the idea that rent controls are somehow going to solve the problem, that is just another local regulation that, quite frankly, is going to frustrate the incentive for people to build more housing when we are already behind.

I want to thank, again, the chairman and all of you for being here today, and I urge my colleagues across the aisle to consider the trillions of dollars we have spent over the last 2 years alone and then decide who has stolen the American Dream of affording a home.

I yield back.

Chairman GREEN. The gentleman yields back.

The Chair now recognizes the gentleman from Missouri, who is also the Chair of our Subcommittee on Housing, Community Development, and Insurance, my friend, Mr. Cleaver. You are now recognized for 5 minutes.

Mr. CLEAVER. Thank you, Mr. Chairman, and before I even get into my questioning, I really would like to express my appreciation for your willingness to bring this issue up to the subcommittee.

I think it is a critically important issue, and I don't think that it has been discussed enough around the country, or if it has, it hasn't been listened to enough.

Let me start. Ms. Lopez, thank you for being here today. Have you ever heard of, "coup capitalism?" You probably haven't, because I made it up. When I talk about coup capitalism it is a coup d'etat because there is an overthrow of the homeownership in the urban core and there is a regime change that comes in.

I have here, Mr. Chairman, an article from the Kansas City Star, our local newspaper here in Kansas City, and it was a pretty extensive story that they wrote last December and it talks about the land grab on the east side of Kansas City and, frankly, on the west side, the west side because probably then, historically, maybe over 100 years, it has been an Hispanic area, and the near east side has been fully African American.

And they go through and they point out all of the issues that have arisen, and I began to call it coup capitalism because the people have been overthrown. They are leaving the west side. It is probably already lost.

Ms. Lopez, one of my questions is, do you think that the Federal Government—I don't think the municipal government can do it—should pass some kind of legislation that would require these vulture capitalists, before they could come in and do work, there has to be opportunities for local homeownership and then local participation in the purchasing of houses and land in historically poor areas?

Ms. LOPEZ. Thanks so much for the question, Congressman. I think that is critical, and you are touching on several very key things.

One, you mentioned policy at the national level. I think we all know that right now we have a complete patchwork of policies that protect homeowners, that protect tenants, that all come down to the luck of the draw of where you happen to live, where you happen to have been born, what place you call your community.

I agree that the most broad-reaching thing would be a Federal policy, and I think you are absolutely right, make no mistake about it, these companies engage in equity stripping.

As of 2019, for every $1 of wealth belonging to White Americans, Black Americans had 17 cents, and these companies make that wealth gap worse because they buy homes in communities like yours and, instead, transfer it to shareholders. It is the exact same thing that happened during the foreclosure crisis.

So, I think you are absolutely right. We need to do everything we can to make sure that wealth stays locally and continues to support a community that is experiencing the same dynamics you describe, dynamics I have seen in every city I have ever lived in.

Mr. CLEAVER. Thank you very much. I might add right here that institutional purchases of homes in the State of Missouri is at 16 percent, which means that those areas are pushed out.

We have 500-unit townhouses that, in terms of the way they look, but it was one of the first co-ops in the country, and it is about to go under after all these years.

My greatest fear and the fear of the few residents who are still in that area is that they are going to wake up one day, and HUD may sell the property after it eventually goes into default and so forth if we can't find a developer, and then would wake up one morning and the international bad people's corporation—I am just getting started.

Okay. Thank you very much, Ms. Lopez.

And thank you, Mr. Chairman.

Chairman GREEN. The gentleman yields back.

The Chair now recognizes the gentleman from South Carolina, my friend, Mr. Timmons, for 5 minutes.

Mr. TIMMONS. Thank you, Mr. Chairman, and thank you to our witnesses for being here today.

Another day, another new excuse from my friends across the aisle trying to explain their role in causing record-breaking inflation.

First, as you recall, it was that inflation was transitory. Then, it was a high-class problem, according to the President's chief of staff. Then, it was just used cars and energy. Then, it was Putin's fault. Next, it was evil corporations price gouging, and now they are trying out a new boogeyman, Wall Street and institutional investors.

None of these attempts to explain inflation have worked, and with the midterms quickly approaching, and the President's approval ratings in the gutter, my friends are throwing mud at the wall in the hope that something sticks.

But the American people are too smart for this. It will not work. They know exactly who is responsible for the 40-year high levels of inflation we are seeing. The blame primarily lies with the Biden Administration and congressional Democrats who poured trillions of dollars of fiscal stimulus on an economy that was exploding out of the pandemic shutdowns that my friends on the left have forced upon the country.

There was so much pent-up demand and Americans had record levels of savings even before the so-called American Rescue Plan was passed.

On this committee, Republican Members all raised the alarm on inflation last spring while this body was deliberating on the American Rescue Plan Act (ARPA), and so did notable Democrats like Larry Summers.

But they did not listen. They wanted to expand their social welfare state to unprecedented levels and to increase every American's dependence on the Federal Government.

Instead, we got record levels of inflation, which, as my friend, Mr. Steil, said at our markup last week, is punching Americans in the face. I would say a more apt description would be a sucker punch, but I guess reasonable minds can differ on that.

Anyway, today's hearing is supposedly about how private equity is buying up all of the single-family homes across the country and preventing families from purchasing homes, and, instead, forcing up rental costs. This is just the latest scapegoat for the broad-based inflation that has spread throughout our entire economy, including in the housing market.

I actually looked up the data on single-family homes in my State of South Carolina, and the numbers tell a different story than the one that the Majority is trying to tell. There are just over 5,100 single-family homes owned by private equity in South Carolina. There are over 300,000 single-family rental units in my State and over 2.35 million housing units in South Carolina. The percentage of housing units owned by institutional investors in South Carolina is less than one quarter of 1 percent. Yet, we are supposed to believe that this is why housing costs are on the rise.

I am not buying it and I don't think the American people are either. There is no doubt that inflation across-the-board and, definitely, in the housing market needs serious policy solutions that will bring down prices for our constituents.

With that in mind, Ms. Lopez, your organization, the American Center on Race & the Economy, states on its website, "We envision a U.S. where land and housing are publicly owned and used for the overall public good."

I guess my question is, yes or no, do you agree with that statement?

Ms. LOPEZ. Yes.

Mr. TIMMONS. Can I get a show of hands from the rest of the panel? Does anyone else believe that all private property and homes should be owned and operated by the government?

[No response.]

Mr. TIMMONS. I find it pretty outlandish. I guess I have one more follow-up.

Ms. Lopez, during the pandemic, your organization attempted to organize a nationwide rent and mortgage strike, including a pledge that participants would withhold rent payments from property owners or lenders whether or not they could actually pay rent, or whether or not they had even lost their jobs.

Ms. Lopez, yes or no, were you involved in organizing this, "rent strike?"

Ms. LOPEZ. Yes.

Mr. TIMMONS. And you think that it is appropriate if somebody didn't lose their job, that they should stop paying their rent or their mortgage?

Ms. LOPEZ. My recollection is our focus was on people who had lost their jobs and had lost the ability to pay. But I think, in solidarity with people who had lost their jobs, we were absolutely open to people who were interested in engaging also.

Mr. TIMMONS. Okay. I don't know if the American people would agree with that sentiment. If you don't lose your job, you shouldn't stop paying rent.

Mr. Bogany, what would be the impact on your business if the government took control of all private property and homes?

Mr. BOGANY. It would have a huge impact, and I don't think our membership and REALTORS would be in favor of that at all.

Mr. TIMMONS. Okay. I appreciate that answer.

Mr. Chairman, thank you for having this hearing.

Witnesses, thank you for being here.

I yield back.

Chairman GREEN. The gentleman yields back.

The Chair now recognizes my friend, the gentlelady from North Carolina, Ms. Adams.

Ms. ADAMS. Thank you, Mr. Chairman, and I want to thank Chairwoman Waters, and thank you and the ranking member for hosting the hearing today. As well, thanks for your testimony and, in particular, Mr. Chairman, I want to thank the staff of the subcommittee for working to put together—

Chairman GREEN. Ms. Adams, your voice was elevated for a moment, and then it went down. Is there something that you can do to raise the level of your voice?

Ms. ADAMS. Okay. What about now?

Chairman GREEN. A little better, but it is not what it was at one point.

Ms. ADAMS. Okay. I am at 100 now. Is that better?

Chairman GREEN. That is better. Thank you.

Ms. ADAMS. Okay. Thank you.

I did want to thank the subcommittee for putting the information together for the study.

But I represent Charlotte and Mecklenburg County in North Carolina, and we say a lot that we have a lot in Charlotte, and a lot of great opportunities are here, and a lot of great people. But we have a lot of things that we need to do, and affordable housing is chief among them.

We have a shortage of more than 30,000 housing units in the city right now. But according to the research done by the UNC Charlotte Urban Institute, single-family rental conglomerates have built portfolios of homes heavily concentrated in the starter home market.

Now, according to their research, 93.5 percent of the 11,500 homes that these private equity firms have purchased were under $300,000, and most of those houses have been in what we call the crescent, where more Black and Brown families call home.

Mr. Chairman, without objection, I would like to submit that article for the record.

Chairman GREEN. Without objection, it is submitted and received.

Ms. ADAMS. Thank you.

Ms. Lopez, can you speak to how this trend exacerbates the affordable housing crisis and hurts people of color and low-income individuals?

Ms. LOPEZ. Certainly, Congresswoman. Thank you for the question.

I am not at all surprised to hear the findings of the study that you mentioned. They are consistent with what researchers all across the country have found, that institutional single-family rental landlords focus on communities where Black and Brown families live, and because of the market segment where many of these institutional landlords focus their purchases, they have billions of dollars at their fingertips and sophisticated algorithms that tell them exactly what they should pay for a property.

People of color and low-income folks simply can't compete to buy those homes. If families want to live in a single-family home, of course, there is a high likelihood that they have to rent from one of these institutional landlords, particularly in Mecklenburg County, where SFR institutional landlords own as much as one in four single-family rentals.

I have heard from some tenants the feeling that if you are stuck with one landlord who is raising your rent $100, or $200 every single month and you want to try to find a different place to live, you turn around and many of the options available to you are also single-family rental institutional landlords who have the exact same business practices that are very clearly documented in their own SEC filings or things that they say to their investors. It leaves tenants, in many cases, feeling like they are stuck without options for where else to go.

Ms. ADAMS. Okay. Thank you.

Ms. Schuetz, in your testimony you discuss how private equity is benefiting from a tight housing market and how private equity concentrations in a local market can lead to higher local rental costs, and we might disagree that targeting this subset of landlords could improve renters' well-being but we agree on the need to increase the housing supply.

Can you discuss how increasing the housing supply, be it through public housing or more like the funded housing could immediately blunt the negative impacts to renters that we have observed?

Ms. SCHUETZ. Sure. Thank you for the question.

It is important that we increase the supply of housing both on the market rate side to absorb higher-income households, and designated low-income housing.

We know that the poorest 20 percent of households just don't earn enough to pay for market rate housing without a subsidy. The question is, how can we most effectively help those households?

Building new housing takes time, even in relatively fast building markets like Charlotte. One option is to use things like the affordable housing trust funds to acquire existing older apartment buildings and put them under long-term affordability restrictions.

There are two advantages to doing acquisition over new construction. One is that it brings the housing online much faster, and the other is that it is generally cheaper.

We have been talking today about the single-family rental market but we also know that institutional investors are buying multifamily rental buildings that are older, often doing a rehab, and then raising the rents on them and, essentially, moving them up from a class B or class C to a class A apartment building.

If public entities or nonprofits were to acquire those apartment buildings and put them under long-term affordability, that would increase the affordable stock and do it very quickly.

Ms. ADAMS. Right. Thank you very much.

Mr. Chairman, I yield back.

Chairman GREEN. The gentlelady yields back.

The Chair now recognizes the gentleman from South Carolina, my friend, Mr. Norman.

Mr. NORMAN. Thank you, Chairman Green.

I, like Mr. Timmons, sat here and listened to some of this dialogue and it really astounds me that we are blaming everybody from institutional investors to greedy landlords to—I guess Putin has something to do—

Ms. GARCIA OF TEXAS. Mr. Chairman? I don't see the Representative on the screen.

Chairman GREEN. Mr. Norman, you are no longer on the screen. Can you please turn on your camera?

Mr. NORMAN. Oh, I'm sorry. How about now?

Chairman GREEN. Not quite. No, I don't see you just yet.

Mr. NORMAN. Okay. How about now?

Chairman GREEN. I still don't see you, sir.

Mr. NORMAN. Okay. I'm sorry.

[Pause.]

Mr. NORMAN. Okay. I don't know what—

Chairman GREEN. Would you mind if we give you an opportunity to see if you can make an adjustment? I will go to one additional person and then come back to you.

Mr. NORMAN. Sure. That would be great. Thank you.

Chairman GREEN. Well, you know what? Now, I have a picture of what appears to be something that you might have in your home.

There you are. You are up now.

Mr. NORMAN. Okay. Thank you. I'm sorry. We had technical difficulties.

Chairman GREEN. Go for it.

Mr. NORMAN. As I sit here and listen, it astounds me that everybody is blaming different ones. I haven't heard Putin's name and I haven't heard Santa Claus yet. But I guess, given enough time—

Housing is what I made a living doing. Do you all realize how many trades are affected by one thing and one thing alone: gas prices? It is over 137 different trades. Now, multiply the increase in doubling the gas. No wonder people can't afford it.

Ms. Schuetz, you mentioned that there is no silver bullet. There is one silver bullet that could happen overnight, which is this Administration opening up the gas from the Keystone Pipeline from Canada, from Alaska, and not buying it from rogue countries that do not like us.

That would affect the housing industry more than anything. As housing goes, so goes the economy, and it astounds me that, I think

Dr. Raymond, did I hear you right that these institutional investors are using evictions to boost profits? Did I hear that right?

Ms. RAYMOND. That is correct.

Mr. NORMAN. Where did you get that information?

Ms. RAYMOND. There has been a fair amount of research looking at how landlords can use the threat of eviction to pressure tenants to accept even higher rents.

You think about housing as a basic need. It is like water, air, and food. You can't go without it. If somebody says, hey, I am going to take your TV away or your luxury good away, you will say, that is fine, I can live without it.

But if somebody says, I am going to take your house away unless you pay me $400 more next month—

Mr. NORMAN. Excuse me. My time. Dr. Raymond, do you realize what it takes to evict somebody?

Ms. RAYMOND. In Georgia, it is pretty easy. In Georgia, it is very easy.

Mr. NORMAN. No, ma'am. The moratorium of this—

Ms. RAYMOND. Some States like North Carolina and New York—

Mr. NORMAN. No, ma'am. I am reclaiming my time. Have you ever owned property and had to evict anybody? That is the last thing you want to do.

You have this thing called leases where you sign people up for 12 months, typically, or 6 months, or different times, and to evict is a cost to the investor. I have never heard this before. You are telling me something—of course, now, you are talking about your work—

Ms. RAYMOND. Investors don't like vacancies. Actually, during the pandemic we saw that—

Mr. NORMAN. Reclaiming my time. Ms. Lopez, did you say that you are objecting to the different fees—pet fees, smart home fees? Did I hear you right on that?

Ms. LOPEZ. I said those—

Mr. NORMAN. Ms. Lopez?

Ms. LOPEZ. Yes. Can you hear me?

Mr. NORMAN. Okay. Yes, ma'am.

Ms. LOPEZ. I said those fees can be concerning when they are required of tenants. Absolutely, I would object if they were required.

Mr. NORMAN. Okay. Well, you know that up front before you sign a tenant up. The reason you have pet fees is that sometimes animals cause problems in an apartment or in a home. Sometimes, it takes a tremendous amount of money to go back and remediate the things that come with owning animals. So, you can either have a pet or not.

Now, Ms. Lopez, I think I understood you to say that rent controls probably would be a good thing?

Ms. LOPEZ. In an environment where people are facing 30 percent, even 10 percent, rent increases from one year to the next, I think we need to find ways to mitigate people facing the impacts of those dramatic rental cost increases.

Mr. NORMAN. Okay. Let me just say this, Ms. Lopez. If you want to stop construction and stop people from investing, you try rent controls.

Would you be in favor of the government having a tax control as well? Because we have seen in most cases to buy property, to develop, to put the infrastructure in, to build structures, the regulations have gone up, some as high as 35 percent of your total project.

Are you in favor of limiting the government from that, from raising their regulatory cost?

Ms. LOPEZ. I am not sure I understand exactly what the mechanism you are describing is. But I can—

Mr. NORMAN. If you are in favor of putting rent controls on those who build apartments and build housing and rent it, would you be in favor of putting controls on the government from raising taxes that increase the regulation?

Ms. LOPEZ. I am still not sure I understand the mechanism you are describing.

Mr. NORMAN. Okay. What is good for the goose is not good for the gander. You are in favor of limiting any investor—put limits on the—and I think I heard you say that the investors make rents go up $100 a month. Did I hear you say that?

Ms. LOPEZ. I have talked to tenants who have struggled to cover $100 to $200 per month rent increases.

Mr. NORMAN. Rental increases. Okay. I have never heard that.

Typically, you have a lease. I have never heard of an investor that could—you sign a 6-month fixed income. I have never heard of that. Maybe I am just in the wrong part of the country.

We are having a severe problem with construction because of this Administration stopping the decline of gas and oil.

Chairman GREEN. The gentleman's time has expired.

I will ask you to submit your question in writing.

The Chair now recognizes the gentlewoman from Michigan, my friend, Ms. Tlaib.

Ms. TLAIB. Thank you so much.

Thank you so much, Ms. Lopez, for pointing that out, because it is happening in my community and we are one country, one nation, and I know that when some of our families are struggling to pay rent and especially increases, we have seen it over and over again because the threat of evicting people if they do not comply and changes are done constantly to many of our families who are renting.

It is the reality. These are not things that—many of the folks, the housing groups that I work with are representing them in court with some of these challenges with folks not following through on their leases or agreements.

The housing increases are second after gas prices. So, you can't really address inflation without taking on the housing crisis. And by the way, the housing crisis existed prior to what we are dealing with right now with inflation.

Dr. Raymond, isn't that true? Isn't it true that the housing crisis has really impacted the cost of living for families prior to everything that my—the rhetoric coming out of many of my colleagues today?

Ms. RAYMOND. Absolutely. During the Trump Administration, we had an affordability crisis that extends to this day and is exacerbated by the pandemic, which is responsible for a lot of the inflation that we are talking about, although I really think that what we are talking about here is institutional investors, not inflation. This is not a hearing about inflation.

Ms. TLAIB. Yes.

And, Mr. Bogany, I saw you nodding your head. You are an agent. You see this. This has been a crisis in our country no matter, really, the Administration, and we haven't been able to address it because we allow corporations and corporate greed to come before the needs of our American people.

Mr. BOGANY. We have a lack of inventory and that is just the bottom line. This is straight Economics 101, and what is happening, the reason these people are renting, is because the investors are buying the properties and don't give them an opportunity to buy it.

And nothing comes out of investors buying property. It doesn't increase the economy. You are enriching the rich, where if you are selling a piece of property you are going to expand the economy because everybody now has an opportunity to grow and get more money.

For every house that is sold, $53,000 to $55,000 on average goes back into the economy. For every new home that is sold, $113,000 goes back into the economy. When somebody rents something or an investor buys a house, no money comes into the economy.

Ms. TLAIB. Yes. Very few benefit from that. I completely agree.

We are not trying to stop that. We are just trying to stop—because what happened is people benefited from the suffering of our families during this recession—the Great Recession.

In the aftermath, in my community alone, 100,000 properties were foreclosed on for just delinquent property taxes because of the crisis. Many were overtaxed by $600 million.

We are dealing with that crisis, as well as over half of the inventory in my community right now is valued at less than $100,000 and my residents are struggling to obtain mortgages, just are really struggling to get these traditional banks—because it is not profitable for them, let alone financing the need to repair our aging single-family housing stock and living conditions.

I have partnered with Representative Kaptur and, of course, Chairwoman Waters, to propose the Community Restoration and Revitalization Fund, which was included in President Biden's agenda and Build Back Better.

It would have provided Federal funds to land banks, community land trusts, and non-profit housing partners. I know these are not the corporate-friendly folks that my colleagues on the other side of the aisle support.

But these are community-based organizations that help families redevelop vacant properties into affordable rental housing, starter homes, and shared equity homes. There is nothing wrong in being able to invest again into 501(c)(3)s that are doing the work and providing housing for so many of our families.

Mr. Baker, would investing in our neighborhoods with nonprofit community partners be an effective alternative to allowing this whole private equity scheme to continue to buy up our housing stock?

Mr. BAKER. Thank you, Representative.

What we have seen from the private equity investment in housing, sort of this is—we have kind of seen the outcome in terms of sharply rising rents, in terms of dramatic, in some cases, maintenance issues that lead to life safety issues, frankly, for residents.

We have seen these firms, really, being the quickest to evict residents or to file to evict residents during the pandemic and so, certainly, an alternative that avoids this incentive to generate high returns or—

Ms. TLAIB. I know. It is all about making money no matter what, even when it is such an exorbitant, disgusting amount of profit versus what they could have been. They just don't care because it is an opening.

I have a number of questions, Mr. Chairman. I will send those to the witnesses. I cannot thank you enough for having this very important hearing.

Chairman GREEN. Thank you very much, and the gentlelady yields back.

The Chair now recognizes my friend, Ms. Garcia, the gentlelady from the State of Texas.

Ms. GARCIA OF TEXAS. Thank you, Mr. Chairman, and I, too, want to thank you for putting together such a fine group of witnesses to discuss this very, very important topic.

And this is not an excuse. This is not make believe. This is real and it is happening across America, and I know in my district, which is 77 percent Latino, it is a very critical topic, this housing shortage, and particularly what is happening in this arena.

I can tell you that throughout Harris County and Houston—my district—the housing market and particularly the rental market has been volatile. Specifically for renters, the cost burden has gotten worse and does not show any signs of improving.

The share of renters who are cost-burdened has now become the majority of both Houston and Harris County as rent has increased faster than wages, and it appears it is becoming more and more difficult for Houstonians, particularly Latino and Black Houstonians, to get out of the rental market and purchase a home.

And I just want to, first, start with Ms. Lopez and just tell me, Ms. Lopez, almost every incident and example that you use I have heard of it.

Unlike my colleague who has never heard of it, I can tell you I have heard of it, not just as a Member of Congress now listening to constituents, listening to town hall meetings, but, more importantly, during my days in the housing landlord/tenant section with legal services.

And some of this is not new. Some of this was happening when I was practicing law back then, and that is the sad part that these things are still happening. It is just that the dollars and what is at stake is even greater because as urban areas have gained population, we have not really also gained in the housing market.

My question to you is, you said in your testimony that what we needed was true, affordable housing. You used the word, "true." Can you just tell me in a minute or so what you mean by true, affordable housing?

Ms. LOPEZ. Sure. I would be happy to. Thank you so much for the question, Congresswoman.

As someone who also has worked in housing in my local community—I live in San Antonio, Texas—there are so many people who live in what is termed affordable housing yet who tell me that they pay well over 30 percent of their income on rent. Maybe they pay half of their income on rent. Maybe they pay more.

I think that there is a national standard of 30 percent. I think even that, if you are somebody who makes $20,000 a year like many of the public housing residents that I have spent time talking to, that is still a massive share of your income to spend on rent every single month.

So, 30 percent or lower when possible.

Ms. GARCIA OF TEXAS. Okay. Thank you.

And, Mr. Bogany, I cannot help but ask you a question as a fellow Houstonian, given your direct experience here in the Houston market, a major urban metropolitan area, from your perspective, how do you see the impact of these home equity firms and these institutional investors buying homes—how has that impacted our Houston market, and have you seen a growth in that?

I know I have heard of investors buying homes specifically for the purpose of putting them on Airbnb and these networks particularly around places that are tourist attractions or destination points like around the Medical Center here in Houston or around the Tech Center.

Are you seeing that here in Houston?

Mr. BOGANY. Yes. I am seeing it all over Houston and you are right, the Airbnb deal, any time it is anywhere where there may be a tourist attraction you are seeing it.

The bottom line, to me, is that these homeowners can't buy these houses because they are being outbid. When you have an affordable house come up and you have 20 bids on that house—20 consumers trying to buy that house—and the investor comes in and just writes a check for it and he outbids the other 19 people, it is a huge problem in the Houston area.

And we don't have a lack of people wanting to buy. They can't buy. They are being forced to rent because they can't buy these homes because of the past situations in our economy, past situations with rent.

It is cheaper to own a home in Houston than rent, and that is the thing, and I think that is across the country, to a certain extent. It is cheaper to own. But they are not getting that opportunity.

Ms. GARCIA OF TEXAS. Okay. Thank you, Mr. Bogany.

And, Mr. Chairman, I see I only have 7 seconds left. I have two more questions. I had one for Mr. Baker, and one for Dr. Raymond, so I will submit those in writing for the record and hope to hear their responses.

But I really wanted to focus on the eviction rate because I think that is just horrific that it is—I think Mr. Baker said that it was more in the non-White neighborhoods where evictions were higher than other neighborhoods and we really need to explore that.

Thank you. With that, I yield back.

Chairman GREEN. The gentlelady yields back.

And the Chair now recognizes my friend from Georgia, the gentlelady, Ms. Williams.

Ms. WILLIAMS OF GEORGIA. Thank you, Mr. Chairman, and I want to thank all of the witnesses for joining us today, especially my constituent, Dr. Raymond from Atlanta.

As I mentioned in my opening statement, one of the biggest problems with the increasing control of large landlords over single-family and multifamily housing is how difficult it is for tenants to hold their landlords accountable.

Sometimes, that results in fully deteriorated housing like Forest Cove here in Atlanta, and as Dr. Raymond highlights, it can also mean poor regular maintenance, high eviction rates, high hidden fees, and aggressive rent increases in investor-owned rentals.

Dr. Raymond, what would be the value of the Federal Government providing more avenues and resources to help hold large landlords accountable for predatory behavior toward their tenants?

Ms. RAYMOND. I think that it is part of the reason that these firms are able to expand so massively in cities like Atlanta and in the Sun Belt is because of the amount of leverage that they have over tenants to increase rents, to apply hidden fees.

So, balancing that playing field between landlords and tenants a little bit so that tenants have a balanced set of rights and obligations would be really helpful, and I think also that we need to think about homeownership and how homeownership is being eroded.

Homeownership is a very important way to build household wealth. It is a very important way for people to be able to access their equity to support college funds, and retirement funds, and we are seeing the homeownership rate in places like metro Atlanta decline by 6 percent.

And I agree that we need more construction, but I also don't think of Atlanta as being particularly supply-constrained. This is not Boston or San Francisco. This is Atlanta, Georgia. We are pretty relaxed about building new housing.

I am all for new construction but I also think that we need to do things to shore up homeownership in our City, which we are seeing decline because of institutional investors, and I also think that we need to do something to reduce these eviction rates because they are just way too high for schools to operate, for people to live their lives.

Ms. WILLIAMS OF GEORGIA. Dr. Raymond, just to go down the eviction rate a little more, your research has explored how evictions are more likely to be pursued by institutional investors and larger corporations who own single-family rentals.

What effects has this had on the broader housing insecurity trends in places like Atlanta and, we are seeing it every day here. The mayor has been very vocal about it, and what effects are you seeing?

Ms. RAYMOND. I would say that overall, we have an extremely high eviction rate in a State like Georgia. I think South Carolina has among the highest eviction rates in the country but Georgia is up there as well.

In Fulton County, we see around 20 percent every year in terms of the eviction filing rate and then around 6 percent of completed evictions. There is a difference between starting the eviction process and then actually evicting someone from their home and that has been pretty consistent over time, and it is just too high.

When we look at elementary schools like the elementary school served by Forest Cove, a lot of the school teachers were saying, we can't teach when a third of our students are disappearing every couple of months and then another third are coming in. It is completely disruptive and that impacts the next generation.

So, it is a great way to squeeze as much rent out of your tenants as possible. I understand it from a profit-seeking perspective. Institutional investors are there to make a profit and it is a great tool for that. But the harm that it is doing to our communities is unsustainable and we have an unsustainably high eviction rate in Georgia. It needs to be lower, much lower.

Ms. WILLIAMS OF GEORGIA. Thank you, Dr. Raymond.

In Congress, one of my main focuses is closing the racial wealth gap, which we know Atlanta leads the nation in, unfortunately, and that means promoting homeownership.

In your testimony, you mentioned that institutional investors purchasing single-family homes can crowd out individual homeownership.

What policy should Congress pursue to help put individual homeowners on a more equal footing with institutional investors in purchasing single-family homes, and what impact would successful policymaking in this area have on closing the racial wealth gap?

Mr. BOGANY. I think if we waive the 90-day flip rule, we incentivize sellers to sell to first-time homebuyers with tax benefits, maybe a tax credit of some sort, and I think if we increase the housing voucher money where people are able to buy homes with their housing voucher, and some of these landlords that we have been talking about won't even take housing vouchers. So, those people are still having a hard time looking for a house.

I think those are the three things that I would say working in to try to increase homeownership and increase landlords to take housing vouchers. They will not take housing vouchers. I am sharing with you what is happening out here in the field.

Ms. WILLIAMS OF GEORGIA. Thank you so much.

And, Mr. Chairman, I am out of time, but I will ask for the other witnesses to answer that final question in writing for me so that we can actually get solutions and help the people that we are in Congress to serve.

Thank you, Mr. Chairman.

Chairman GREEN. Thank you.

The Chair would ask that the witnesses please submit their answers in writing.

And the Chair will now recognize any other Members who desire to be heard before the Chair poses questions. Are there any other Members available and desiring to be heard with questions before the Chair poses questions?

[No response.]

Chairman GREEN. Okay. Hearing none, the Chair now recognizes himself for 5 minutes for questions.

I remember what it was like during the Great Recession, and we had testimony before this committee indicating that people of color, and more specifically African Americans, lost a generation of wealth—a generation. This is why it was called, to a certain extent, a predatory lending process that was taking place. We now have what I call predatory purchasing taking place.

Mr. Bogany, would you tell us why you would agree that this is predatory purchasing, the behavior that is being exhibited?

Mr. BOGANY. A lot has to do with the purchasing of these homes. If you look at where all of the negative—the predatory lending is all in African-American and Brown neighborhoods. It is nowhere else. It is all there, and what is happening is that when our people are so far behind based on past issues we have never really dealt with the housing discrimination issue.

We talk about it, but we haven't really dealt with it. We have rules on the books right now, Congressman, that are not being enforced, and we are trying to enforce it.

If you just look at what is happening right now up in Denton, Texas, with those 81 families who are being evicted because they own housing vouchers—not that they didn't keep their yard up, not that they destroyed the neighborhood; it is because of where their income comes from to do their vouchers.

So, we have to do a better job with making monies available with mortgage credit certificate programs, down payment assistance programs.

And we all seem to think that we need affordable housing for single families. It could be a condo. It could be a townhouse. There are things that we don't always have to say everything has to be single family. We have to start trying to grow income, and currently, in my community, there is no income being grown.

Chairman GREEN. Thank you, Mr. Bogany.

The Chair would ask Ms. Lopez to respond to the question. Is this predatory purchasing, Ms. Lopez, the way these equity funds are behaving, moving into certain areas, excluding other areas?

Ms. LOPEZ. Yes. Thank you for the question, Mr. Chairman.

It is, unquestionably, predatory purchasing. I think, as Mr. Baker's testimony noted, there are multiple instances where many of the heads of these companies have said whether in their initial public offerings or elsewhere that there is an incredible opportunity from a business standpoint presented by people being locked out of homeownership.

These companies seized on that opportunity, bought these homes, and are counting on people not being able to buy homes but still wanting single-family rentals, often in Black and Brown communities.

So yes, 100 percent, and you look at the rent increases that they are charging, the rents that they charge. They are banking on really high revenues and fee revenue being generated through both rents and fees because they own these assets.

Chairman GREEN. Let us talk for a minute about the wealth gap. It is important that we do all that we can to try to close it. Ms. Schuetz, is what we are doing or seeing occur with these predatory purchases going to close the wealth gap?

Ms. SCHUETZ. Thank you for the question.

We know that homeownership is actually the single biggest contributor to the racial wealth gap, that Black and Latino families have been excluded from being homeowners and prior generations were not able to build up money to pass along to their kids and grandkids, which makes it that much harder to get into homeownership now.

But one thing that is important to remember is that you build wealth and homeownership over time, and so it is not that you buy a home and suddenly are wealthy. You pay down the mortgage and develop wealth over time, which means that even if you got rid of all of the discrimination—

Chairman GREEN. If I may, let me just ask this question. If you cannot buy a home because the homes that first-time homebuyers might acquire are being acquired by large corporations in concentrated areas, does that help a first-time homebuyer who might be a person of color?

Ms. SCHUETZ. The difficulty of getting into into first-time homeownership is not just a factor of private equity.

As Mr. Bogany pointed out, you have bidding wars where 20 people are bidding on the same house. Even if you took out the private equity firm that won, you would still have 19 individual homebuyers who don't win that house.

Ultimately, we are not going to be able to get enough people into homeownership unless there are enough homes for them to buy.

Chairman GREEN. The time of the Chair has expired.

I regret to tell you that my time has expired. I assure you that I would love to hear more from you, but my time has expired.

And I will now—

Mr. EMMER. Mr. Chairman?

Chairman GREEN. Yes?

Mr. EMMER. Mr. Chairman, Tom Emmer seeking recognition.

Chairman GREEN. For what purpose, please?

Mr. EMMER. There are a couple of letters that I would like to introduce for the record if the Chair will allow, and I also wanted to point out for the Chair and the rest of the folks on the hearing, Ralph Norman, our colleague from South Carolina—

Chairman GREEN. Excuse me, sir. Your time for giving your statements has lapsed. If you would like to introduce something into the record, the Chair will entertain this, but not an additional statement.

Mr. EMMER. I was only welcoming Ralph Norman to the committee and to your subcommittee, sir.

Chairman GREEN. Okay. Well, you may consider him welcomed, and thank you.

Mr. EMMER. Thank you. I would like to mention two letters that we received in advance of the hearing. The first is from the National Rental Home Council regarding the question posed by the title of today's hearing, which is, "Where Have All the Houses Gone?" The letter says the answer is simple. They were never built in the first place, and it describes the gap between supply and demand and how it drives up home prices.

Chairman GREEN. Excuse me. If you desire to enter any additional—

Mr. EMMER. And the second one is from The Amherst Group.

Chairman GREEN. Excuse me. The Chair is speaking, sir.

Mr. EMMER. Sorry, Mr. Chairman.

Chairman GREEN. You may enter your exhibits, without objection.

Mr. EMMER. Thank you.

Chairman GREEN. But we will do it without the additional commentary.

Mr. EMMER. Thank you, sir.

Chairman GREEN. Okay. The Chair accepts the exhibits without objection.

And now, the Chair would like to thank our witnesses for their testimony today.

The Chair notes that some Members may have additional questions for these witnesses, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

This hearing is now adjourned.

[Whereupon, at 1:37 p.m., the hearing was adjourned.]

# A P P E N D I X

June 28, 2022

PRIVATE EQUITY STAKEHOLDER PROJECT

**Private Equity Stakeholder Project (PESP) – Statement for the Record**

**June 28, 2022 Hearing of the U.S. House Committee on Financial Services, Subcommittee on Oversight and Investigations**

# Where Have All the Houses Gone? Private Equity, Single Family Rentals, and America's Neighborhoods

Chairman Green, Ranking Member Emmer, and Members of the Subcommittee, thank you for the opportunity to provide a statement today.

My name is Jim Baker with the Private Equity Stakeholder Project. The Private Equity Stakeholder Project is a non-profit organization focused on tracking the impacts of investments by private equity firms and similar Wall Street firms on ordinary people, including residents of apartments, rental homes, and mobile homes.

We appreciate the opportunity to comment on private equity landlords, the single-family rental industry and the impacts of both on renters and homebuyers.

Since the Global Financial Crisis of 2008, private equity firms and large corporate landlords have acquired growing portions of US housing, helping to drive up rents and home prices to unprecedented levels. The impact of private equity investment in housing has been sharpest in the single-family rental industry, which did not exist prior to 2010 and was created by private equity firms to capitalize on home ownership being further out of reach for many. Rents for single-family rentals have grown more than 13% over the past year and have grown even more sharply in some areas – for example by 39% in Miami and 19% in Phoenix.[1]

Some of the very same communities that saw the most foreclosures during the 2008 Global Financial Crisis are the geographies where private equity-backed single-family rental landlords now have the greatest presence and where residents have faced dramatic rent increases.[2]

Just over a decade ago no single landlord owned more than 1,000 single-family rental units.[3] Since then, private equity firms and other corporate landlords have acquired more than 430,000 homes across the US.[4] These are not small companies – Invitation Homes, Pretium Partners, American Homes 4 Rent, Amherst Holdings, and Cerberus Capital/ FirstKey Homes cumulatively own or operate almost 300,000 homes and have drawn growing attention for their impacts on housing, homebuyers, and renters.[5]

The investment thesis of private equity-backed single family rental landlords was that the Global Financial Crisis, foreclosures, and the more limited availability of mortgages would put homeownership out of reach for many, forcing them to be renters. “We believe tight credit availability is preventing new households from being able to obtain mortgages to purchase their first home,” Pretium Partners wrote to investors in 2016, adding “Households that have been unable to obtain mortgages have become renters, thus driving high occupancy rates and robust rent growth.”[6] As these same firms have in recent years aggressively competed with homebuyers for limited housing stock in some areas, this prediction has increasingly become a self-fulfilling prophecy.

**Single family rental firms’ dramatic growth and ongoing acquisitions**

Private equity-backed rental home companies’ acquisitions have only accelerated during the COVID-19 pandemic.

For example, Pretium Partners’ rental home company Progress Residential went from 40,000 homes in January 2021 to 80,000 homes as of March 2022.[7]

In the first quarter of 2022, investors made up a record 28% of single-family home sales, according to a report published last week by the Harvard Joint Center for Housing Studies. That's up from 19% in the first quarter of 2021 and 16% between 2017 and 2019. "Investors with large portfolios (at least 100 properties) drove much of this growth,” wrote the Harvard researchers.[8]

Even with rising interest rates, private equity firms’ and other investors’ acquisitions of single-family homes are likely to continue. In April, the *Wall Street Journal* reported that large investors had only deployed about one-quarter of the $89 billion in capital they have amassed to spend on rental homes.[9]

Some large investors have projected that the share of rental homes owned by private equity firms and other large landlords will grow by one-third annually, hitting several million homes, or a 40 per cent market share, by 2030. Others have even projected that large single family rental landlords will get to 50 per cent market share in the next five years.[10]

**Global investors pushing out American homebuyers**

What is striking about the growth of the single-family rental industry is the degree to which private equity firms draw capital from global investors into the US single family home market, outcompeting first-time homebuyers. For example:

- In April 2021, the *Wall Street Journal* reported that Singapore’s sovereign-wealth fund GIC was backing plans to buy single-family rental homes across the southeastern U.S.[11]

- Canada's Public Sector Pension Investment Board in January 2021 formed a $700 million rental-home venture in partnership with Pretium Partners that has bought thousands of homes.[12]
- German insurer Allianz SE said in 2021 it was investing in a venture to buy more than $4 billion of U.S. rental homes.[13]

A December 2021 investigation by the *Washington Post* and the International Consortium of Investigative Journalists, drawing on the Pandora Papers leak of offshore financial records and focusing on Rutherford County, Tennessee, showed Pretium Partners' "pouring money into rental homes, part of an unprecedented flow of global finance into US suburbs that has left stressed tenants in its wake."[14]

The investigation also pinpointed how Pretium Partners was able to grab the lion's share of the home inventory away from ordinary families by quickly making all-cash offers, noting that investors like Pretium "have cash and the power to negotiate" and "Progress Residential and similar firms are devouring the housing supply and outbidding families."[15]

To compound investors' wealth, the fund used a series of complex legal arrangements to aggressively shield profits from U.S. taxes.[16]

**Eviction filings during the COVID-19 pandemic**

The Private Equity Stakeholder Project tracked eviction filings during the COVID-19 pandemic across dozens of counties in Georgia, Florida, Tennessee, Texas, Arizona and Nevada.

Large single family rental landlords like Pretium Partners, Invitation Homes, and Amherst Holdings were among the most frequent eviction filers we saw, including during the period that the CDC Eviction Moratorium was in effect.[17] For example:

- Pretium Partners' rental home companies filed to evict more than 3,000 residents.
- Invitation Homes filed to evict more than 2,100 residents.
- Amherst Holdings filed to evict more than 1,200 residents.

We also found that Pretium Partners' rental home companies filed to evict residents in majority-Black counties in Georgia at significantly higher rates than they did residents in majority-white counties in Florida.[18]

Katrina Chism, a Pretium Partners tenant from Georgia, provided testimony to a July 2021 hearing of the House Select Subcommittee on the Coronavirus Crisis, saying:

"I felt expendable, and they showed me I was. I was not given any consideration as a long-term tenant with no evictions on my record ever. I felt as if I had broken the law somehow while we were in the middle of a pandemic. There was no concern for my life or my son's life as they focused on their profit margin. I was not profitable so I was booted out with almost no notice, instead of being able to renew my lease or at least have a few months to make another plan."

If the COVID-19 pandemic was a test of how landlords would deal with renters in challenging times – then some of the largest single-family rental landlords including Pretium Partners, Invitation Homes, and Amherst Holdings failed that test miserably, filing to evict thousands of residents despite federal and state eviction moratoria and even as tens of billions of dollars of rental assistance remained available to help residents to stay in their homes.

**Recommendations**

We believe policymakers should take steps to protect tenants and homebuyers from predatory behavior in the housing market, and limit corporate control over our homes:

**Transparency into corporate landlords and practices:**
- The widespread use of shell companies has made it difficult for tenants to know who owns their home. City, state, and national government should require corporate landlords to disclose beneficial ownership through landlord registries.
- Create a corporate landlord consumer complaint database similar to the CFPB consumer complaint database so residents have a forum to get responses to complaints and there is a means to track landlords' practices.
- Require large corporate landlords to provide regular disclosures of numbers of eviction filings and evictions as well as average rent increases.

**Enact broad tenant protections:**
- Enact Just Cause Eviction legislation requiring corporate landlords to have good cause for filing to evict residents.
- Implement and fund Right to Counsel laws, so tenants facing eviction are guaranteed legal representation and a fair chance to stay in their homes.
- Limit annual rent increases by corporate landlords, including mandatory fees, to 3%.
- Eliminate state preemptions that obstruct localities from strengthening renter protections.

Thank you.

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[1] Olick, Diana. "Single-family rent prices are surging at a record rate, led by homes in Sun Belt cities like Miami and Phoenix." CNBC. 15 Mar 2022. https://www.cnbc.com/2022/03/15/single-family-rent-prices-are-soaring-led-by-homes-in-the-sun-belt-.html#:~:text=Single%2Dfamily%20rents%20gained%20a,just%202%25%20the%20previous%20January.

[2] House Financial Services Committee Majority Staff memorandum, 28 June 2022. https://financialservices.house.gov/uploadedfiles/hhrg-117-ba09-20220628-sd002.pdf

[3] Christophers, Brett. "How and Why U.S. Single-Family Housing Became an Investor Asset Class." *Journal of Urban History*. 8 July 2021, p. 6. doi:10.1177/00961442211029601.

[4] Campbell, Kyle, "When will single-family rentals reach institutional scale," PERE News, 22 February 2022. https://www.perenews.com/when-will-single-family-rentals-reach-institutional-scale/

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THE NATIONAL
RENTAL HOME COUNCIL

HOW AMERICA'S LARGEST
SINGLE-FAMILY LANDLORDS
PUT PROFIT OVER PEOPLE

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# Introduction

**Over the past decade, housing in the U.S. has become increasingly consolidated into the hands of corporations, while rents and home prices have skyrocketed to unprecedented levels.** Tenants in single-family rental (SFR) homes are facing a particularly tight squeeze; nationally, rents in this type of housing have increased more than 13% over the past year, and in metro areas like Miami and Phoenix single-family rents have increased a staggering 39% and 19%, respectively.[1]

Unsurprisingly, the metro areas facing the highest single-family rent increases are the same communities where the largest single-family rental companies have the greatest presence, and where the 2008 foreclosure crisis wreaked havoc on homeowners, especially homeowners of color. Increasingly, these SFR corporations have sought to shape public policy and perceptions of the housing market to secure unchecked growth and profit.

To advance their interests, the largest SFR landlords rely on the National Rental Home Council (NRHC), a public relations tool that deflects scrutiny and portrays the SFR industry as the benevolent saviors of the housing market. Throughout its history the NRHC leadership has been dominated by the largest SFR companies in the country. As landlords, large corporate rental companies are associated with high eviction rates,[2] underinvestment in maintenance, steep fines for tenants, large rent increases, and aggressive buying tactics that lock would-be homeowners out of the market.[3]

Rather than accept their talking points, we should investigate what these companies say to their investors and what their tenants say about living in these homes. Based on these companies' track records, we should all be concerned about their ambitious plans for continued expansion, and the billions of dollars investors have flooded the rental market with over the past year.[4]

# The Rise of the Single-Family Rental Home Industry and the Creation of the National Rental Home Council

**The consolidation of single-family rentals into the hands of investor landlords began in the aftermath of the 2008 foreclosure crisis.** As recently as 2011, before home prices hit rock bottom, no single entity owned over 1,000 SFR units,[5] but by 2021, corporate landlords had acquired an estimated 350,000 homes across the country.[6] The five largest SFR operators, who comprise the leadership of the National Rental Home Council, cumulatively own or operate almost 300,000 homes and have come under increasing scrutiny for their negative impacts on the housing market.[7]

The foreclosure crisis and the federal response created the perfect conditions for rapid consolidation, transferring thousands of homes, especially from households of color trapped by predatory debt, to Wall Street-backed landlords, often through government-subsidized acquisitions after mass foreclosures. Without question, the SFR industry would not exist in its current form if not for vital support from Fannie Mae, Freddie Mac and the Federal Housing Administration to large corporate landlords. In addition to incredibly generous loan terms, Fannie, Freddie and the Federal Housing Administration auctioned non-performing mortgages to investors in such high volumes that by 2016, 95 percent of Fannie and Freddie's distressed loans went to Wall Street investors.[8]

Mergers and acquisitions of smaller companies have also been a critical source of growth for the largest SFR companies. For example, in 2017, Invitation Homes merged with Starwood Capital, which had previously merged with Colony American Homes, to become the largest SFR operator in the country.[9]

The largest SFR companies made a bet that the foreclosure crisis would lock broad swathes of the country out of homeownership, creating a captive pool of renters. In a 2016 pitch to investors, Pretium Partners, the parent company of Progress Residential, explicitly said, "We believe tight credit availability is preventing new households from being able to obtain mortgages to purchase their first home . . . Households that have been unable to obtain mortgages have become renters, thus driving high occupancy rates and robust rent growth."[10]

> **The five largest SFR operators, cumulatively own or operate almost 300,000 homes and have come under increasing scrutiny for their negative impacts on the housing market.**

In this context, Invitation Homes, American Homes 4 Rent, Progress Residential, Starwood and Colony American Homes joined together to form the NRHC in 2014.[11] This came amid growing scrutiny and weeks after California Congressman Mark Takano called for federal regulators to investigate the SFR industry and the practice of selling rent-backed securities.[12] The new group partnered with the lobbying and public relations firm Glover Park Group (now Finsbury Glover Hering), which was founded by Clinton-Gore administration veterans and has close ties with the private equity, banking, and real estate industries.[13] Continuing this trend, following increasing scrutiny, in 2022 Pretium Partners hired a former Glover Park director and ex-NFL communications head, Jocelyn Moore, as their newest Senior Managing Director leading corporate affairs.[14]

## Growth and Corporate Consolidation in Single-Family Rentals

The Wall Street-backed segment of the SFR industry has grown dramatically over the past decade, while families across the country have struggled with displacement, loss of their homes, and financial devastation since the foreclosure crisis. Amidst job losses and mass death during the COVID-19 pandemic, the buying frenzy has only accelerated.

Many across the industry have remarked that SFRs have proven to be a resilient or profitable asset class, expressing recent speculation that Wall Street-backed landlords could own as much as 50% of all SFRs within the next five years,[15] or, more conservatively, that investor-ownership of SFRs could reach 40% of market share by 2030.[16] The Chief Executive of Tricon Residential, estimates institutional ownership of SFRs will increase by about one million homes in the next decade.[17]

Recent research indicates that large investors have only spent about one-quarter of the $89 billion they have raised to invest in SFR and build-for-rent homes,[18] which, based on the largest companies' harmful track record, should concern us all.

**The Chief Executive of Tricon Residential, estimates institutional ownership of SFRs will increase by about one million homes in the next decade. ”**

# The National Rental Home Council

Founded in 2014, the NRHC is the primary lobbying and advocacy group for the SFR industry. Like more established real estate trade groups such as the National Multifamily Housing Council and the National Association of Realtors, the NRHC exerts influence both directly, by lobbying for legislation and donating to elected officials, and indirectly, by repeating talking points to the press that reinforce their desired narrative about their industry.

The NRHC has nearly 80 member companies and claims to speak for the whole SFR industry, including "mom and pop" landlords, but there are only four companies that have almost exclusively occupied the organization's leadership positions since its founding: Invitation Homes, Progress Residential, American Homes 4 Rent, and Tricon Residential. Executives from these four corporations have consistently held the President, Vice-President, Secretary, and Treasurer positions. By 2020, the FirstKey Homes CEO had joined the board, and is currently the NRHC chair.[19]

This tight grip suggests that the NRHC prioritized unrestricted growth and continued dominance for these five companies, who already account for almost 300,000 of the estimated 350,000 corporate-owned SFR homes across the country.[20]

| | 2020[21] | 2019[22] | 2018[23] | 2017[24] |
|---|---|---|---|---|
| **Invitation Homes** | Treasurer | Treasurer and Director | Treasurer and Director | President and Treasurer |
| **American Homes 4 Rent** | Vice-President | Vice-President | Vice-President | Director |
| **Progress Residential** | Secretary | Secretary and Director | Secretary and Director | Secretary |
| **Tricon Residential** | President | President | President | Director |
| **FirstKey Homes** | Director | N/A | N/A | N/A |

# The National Rental Home Council's Anti-Tenant Policy Advocacy

While the public face of the NRHC is one of a friendly, pro-affordability industry group, the group's origins and advocacy indicate that they push for policies that put their financial interests above the well-being of their tenants.

The actual policies the NRHC advocates for are worded vaguely on their website, using general language about increasing access to quality and affordable housing. The top section of their advocacy page is titled "Renter's Rights," which they describe as policies that improve "access and choice" in housing and that "encourage our residents to be good citizens."[25]

Contradicting this seemingly pro-tenant language, the NRHC lobbies against tenant protections and policies that would keep rents affordable. Their website states they intervene at the state level to combat what they call "harmful rent control policies,"[26] and they were vocally opposed to the CDC's eviction moratorium in 2020.[27] Individually, the companies who make up the board of the NRHC have contributed heavily to block rent control and other forms of tenant protections. Invitation Homes spent over $1 million in 2018 to block Proposition 10 in California, which would have loosened rent control preemption; Blackstone spent another $6 million.[28]

Several of the companies in the NRHC's leadership have explicitly indicated SFRs are a good financial investment specifically due to the increasing inaccessibility of homeownership.[29] Yet, the NRHC wants to present a different public image, stating on their website that SFRs are "not a bet against homeownership."[30]

Their lobbying activity also indicates they are more allied with powerful real estate interests than their public statements suggest. The NRHC spent $200,000 on lobbying in 2021 in partnership with three lobbying firms whose other clients include Invesco (the behemoth investment management company), the National Association of Realtors, and the Association of Real Estate Investment Trusts. Eight of the 10 individual lobbyists they worked with in 2021 are part of the revolving door between government office and lobbying firms, having previously held roles in federal government.[31]

# The Corporations Leading the NRHC

We should be deeply concerned about the NRHC's plans to influence policy at the state and local level, because their leadership and largest members have a documented history of maximizing profits at the expense of tenant safety and well-being.[32] Below are short profiles of the largest NRHC members, showing the massive rent increases, eviction filings, dangerous lack of maintenance, steep fines and fees, and more, that these companies have imposed on tenants and communities.

## Invitation Homes

**Invitation Homes** is the nation's largest owner of single-family rental homes with 82,000 properties.[33] Invitation Homes was founded in 2012 by the Blackstone Group, the largest private equity firm in the world, specifically to acquire foreclosed single-family homes to rent them out.[34] The company expanded rapidly through 2016 and grew significantly by merging with Starwood Capital in 2017.

Invitation Homes has fallen under scrutiny for callous treatment of tenants and deferred maintenance in the homes it owns. A 2018 Reuters story found that in speaking with tenants across the U.S., "The picture that emerges isn't as much one of exceptional service as it is one of leaky pipes, vermin, toxic mold, nonfunctioning appliances and months-long waits for repairs."[35] News articles have detailed horror stories from Invitation Homes tenants, like one family that became sick and developed breathing problems after Invitation Homes failed to repair a water leak in the home's attic, leading to "high levels of pathogenic mold."[36]

Another example is Marvia Robinson who asked if Invitation Homes would accept rental assistance to cover her back-rent during the pandemic; instead, Invitation Homes suggested she sell her plasma, hair, or eggs, or obtain a payday loan.[37]

Despite the broad devastation of the COVID-19 pandemic, Invitation Homes recorded their most profitable year ever in 2020.[38] Invitation Homes' profits in 2021 increased 33% or $65.3 million from 2020.[39] In a Q3 2021 investor call, the company noted that it had raised rental prices 30% in Phoenix, 29% in Las Vegas, 21% in Tampa, 20% in Atlanta, and 19% in Jacksonville.[40] Notably, while the company's revenue from its rental properties was 9.3% higher in 2021 than in 2020, the amount the company spent on property operation and maintenance increased by just 3.8%.[41]

# Progress Residential/Pretium Partners

**Progress Residential** and its parent private equity firm Pretium Partners have grown exponentially since 2012, and currently own a portfolio of approximately 80,000 homes across nearly 40 markets.[42] According to a December 2021 *Washington Post* investigation, Progress has been growing its portfolio by up to 2,000 homes a month,[43] including their 2021 acquisition of single-family rental company Front Yard Residential in partnership with Ares Management,[44] and their recent purchase of over 2,000 properties from Zillow's failed iBuying venture.[45]

Pretium's founder and CEO Don Mullen is a former Goldman Sachs executive who famously led a team of mortgage brokers to bet against the mortgage market during the 2008 financial crisis. *New York Magazine* described Mullen in 2012 as "a guy whose most famous trade was a successful bet on the full-scale implosion of the housing market [who] is now swooping in to pick up the pieces on the other end."[46]

Like Invitation Homes, Progress Residential has been the subject of reports of problems from tenants. Many of the issues relate to the company's customer service practices,[47] patchwork repairs,[48] and a strategy of passing costs onto tenants that normally would be covered by a landlord.[49] In January 2022, the city of Columbia Heights, MN, a suburb of Minneapolis, revoked the rental license of Pretium Partners' HavenBrook Homes on the basis of conditions so horrendous, they "put residents' lives at risk," and notified tenants they needed to vacate their homes within 45 days because the company had failed to resolve maintenance issues at multiple properties.[50]

In February 2022, Minnesota Attorney General Keith Ellison announced that he had filed a lawsuit against Pretium and HavenBrook Homes for "shameful," "deceptive," and "fraudulent" practices in failing to repair and maintain their rental homes. Ellison alleged that the company was in violation of Minnesota law, claiming to provide high-quality service while extracting profit from tenants and leaving them in "uninhabitable homes."[51]

Additionally, Pretium Partners' eviction practices during the COVID-19 pandemic despite federal and state eviction moratoriums, and led the U.S. House of Representatives Select Subcommittee on the Coronavirus Crisis to launch an investigation and oversight hearing into Pretium and three other companies for filing for thousands of evictions during the pandemic.[52]

## American Homes 4 Rent

**American Homes 4 Rent** owns over 57,000 properties, making it the third largest owner of single-family rental homes in the U.S.[53] Founded in 2011, American Homes 4 Rent laid out their playbook in their 2013 IPO: buying large volumes of distressed homes at bargain prices, generating "attractive" cash flow from rents, and benefiting from future price appreciation.[54]

Like its peers, there is no shortage of horror stories from tenants living in American Homes 4 Rent properties. A 2019 story in *The Atlantic* highlighted the problems of several American Homes 4 Rent tenants, including a Georgia tenant who filed multiple maintenance requests for leaking pipes. When the company refused to make repairs and a pipe finally burst, thousands of dollars worth of the tenant's belongings were ruined. In another case, a Florida tenant whose home was wired incorrectly said the company called her a "drama queen" when she complained that the temperature inside the house was as high as 100 degrees, a danger to her four-month-old son. According to the tenant, American Homes 4 Rent did not send anyone to make repairs for a week and a half.[55] The Better Business Bureau has received 830 complaints about American Homes 4 Rent over the last three years.[56]

From 2019 to 2021, American Homes 4 Rent's rental revenue increased 16.4%,[57] returns boosted by the fact that they increased rents on vacant homes by 11% in 2021.[58] On its Q3 2021 earnings call, American Homes 4 Rent COO Bryan Smith stated, "We're really excited and optimistic about the ability to push rents next year."[59] In addition to revenue increases from rent, the company's fee revenue soared 63.8% from 2019 to 2021.[60] American Homes 4 Rent's 2021 profits were $55.7 million higher than in 2020, a 36% increase.[61]

## FirstKey Homes

Private equity firm Cerberus established a platform in 2008 to buy distressed mortgage-backed securities following the financial crisis.[62] In 2015 Cerberus formed **FirstKey Homes** to manage properties it had acquired through its platform and signaled its intention to buy more.[63] Today, FirstKey Homes manages Cerberus' portfolio of 42,000 homes.[64]

Cerberus, like many of its peer companies, appears to be betting that many households will be locked out of homeownership. A former FirstKey executive stated that the housing bubble "created a permanent rental class out there that will continue to drive demand for these properties in the future."[65]

FirstKey has developed a reputation for "unusually aggressive tactics to recover late rent" in the Memphis, TN area.[66] *The Washington Post* examined FirstKey's business practices in Shelby County, where Memphis, TN is located, and found that the company filed for eviction at twice the rate of other property managers and threatened renters with eviction at a higher rate than any other large property managers in the area, going to court more than 400 times in 2018 just in Shelby County.[67]

In addition to aggressive eviction filings in Memphis, *The Washington Post* reported that FirstKey had failed to keep its residences up to code. In 2018, its rate of code violations was higher than other Memphis-area SFR owners, earning Cerberus the title of number one residential code violator.[68]

## Tricon Residential

Canada-based **Tricon Residential** entered the single-family rental business in 2008, with a strategy of buying real estate at steeply discounted prices.[69] Tricon currently owns and operates about 30,000 single family rentals in the U.S. with plans to increase to 50,000 homes by 2024.[70]

Tricon has purchased hundreds of homes in lower income neighborhoods and communities of color in Charlotte, North Carolina, many of which were occupied by renters who received Section 8 assistance. Tricon described a strategy to its investors of purposefully decreasing the proportion of its tenants who are on government assistance in order to "improve tenant quality," and "[focus] on raising rents." [71] Tricon has stated that it planned to refuse to renew the leases even of Section 8 tenants who are in "good standing" in Charlotte. The Charlotte Housing Authority and local non-profits called out Tricon for this behavior and its role in making the city's affordable housing crisis worse, by "raising rents sharply, refusing to renew leases for some tenants who receive government rental assistance and buying from Charlotte's rapidly shrinking supply of cheaper homes."[72]

Tricon's 2021 profits more than tripled from 2020, skyrocketing from $113 million to $517 million.[73] Tricon told investors this increase was fueled in part by fees and costs passed to tenants, like renter's insurance and air filter replacements, allowing Tricon to take in $640 per home, per month in this kind of revenue.[74] Tricon anticipates it can grow this figure to between $850 and $950 monthly per home.[75]

The CEO of Toronto-based Tricon has also said many of its tenants want to own homes, but "they may have tons of student debt or medical debt, which we know has swelled in the U.S. over the last decade and has made it difficult for many people to qualify for a mortgage."[76] Tricon attributes part of its success to homeownership falling "increasingly out of reach," making single family rentals appealing and drawing immense investor interest and capital.[77]

In 2020, a group of investors led by the Blackstone Group began a $300 million investment in Tricon.[78] In announcing the investment, Tricon said, "Blackstone inherently understands our business...We are excited to have the support of one of the world's largest real estate investors."[79]

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# Demands & Recommendations

Although industry groups like the National Rental Home Council claim that increasing corporate ownership of single-family rentals is a positive thing, tenant stories make it clear what happens when we allow the SFR industry to pursue maximum profits at the expense of safe, decent, affordable housing for their tenants. The following measures are necessary steps to fix our current housing nightmare, ensure quality, safe, affordable housing, and guarantee renters a degree of power in negotiating with the billion-dollar companies that own their homes.

## We call on the National Rental Home Council to require its members adopt these policies across their full portfolios:

- **Adopt Just Cause Eviction Protections for all tenants;**
- **Limit rent increases to no more than 3% annually;**
- **Keep all properties up to habitability standards, and immediately address any and all issues of health and safety; and**
- **Negotiate a grievance procedure with all tenants that includes:**
  - Timely responses from management;
  - Timely action by management to address issues;and
  - Recognition of tenants unions

## We call on policymakers to enact the following legislation to protect tenants from predatory behavior in the housing market, and limit corporate control over our homes:

**Enact broad tenant protections:**

- Enact Just Cause Eviction legislation limiting the reasons a landlord can evict tenants. Establish rent control laws that limit annual rent increases to 3% annually, including mandatory fines and fees.
- Legally recognize tenants' right to organize and bargain collectively, and mandate that landlords recognize and negotiate with tenant unions.
- Eliminate state preemptions that obstruct localities from strengthening the aforementioned renter protections.Implement and fund Right to Counsel laws, so tenants facing eviction are guaranteed legal representation and a fair chance to stay in their homes.

**Restrict corporate control of housing:**

- The widespread use of LLCs has made it difficult for tenants to know who owns their home. City, state, and national governments must require disclosure of full ownership through landlord registries.
- Enact anti-speculation taxes and regulations.
- End federal support for Wall Street landlords including repealing Opportunity Zones and 1031 Exchanges; eliminating no-strings, low-cost financing via Fannie and Freddie; and increasing penalties for landlords who engage in abusive practices.
- Expand public banking as an alternative to Wall Street financing by for-profit investors.

**Invest in social and public housing:** We desperately need alternatives to profit-driven, Wall Street control of housing. This requires massive federal investment in social and public housing, and policies that support tenant ownership, permanent affordability, and tenant power.

Pension funds that invest in real estate and private equity funds that are undermining the rental housing market need to adopt better due diligence measures. They should require current and potential investors to disclose potential harms to tenants, and negotiate tenant protections into limited partnership agreements (LPAs). Fund trustees and staff should also consider divesting from harmful investments that lead to tenant evictions in their home states and cities.

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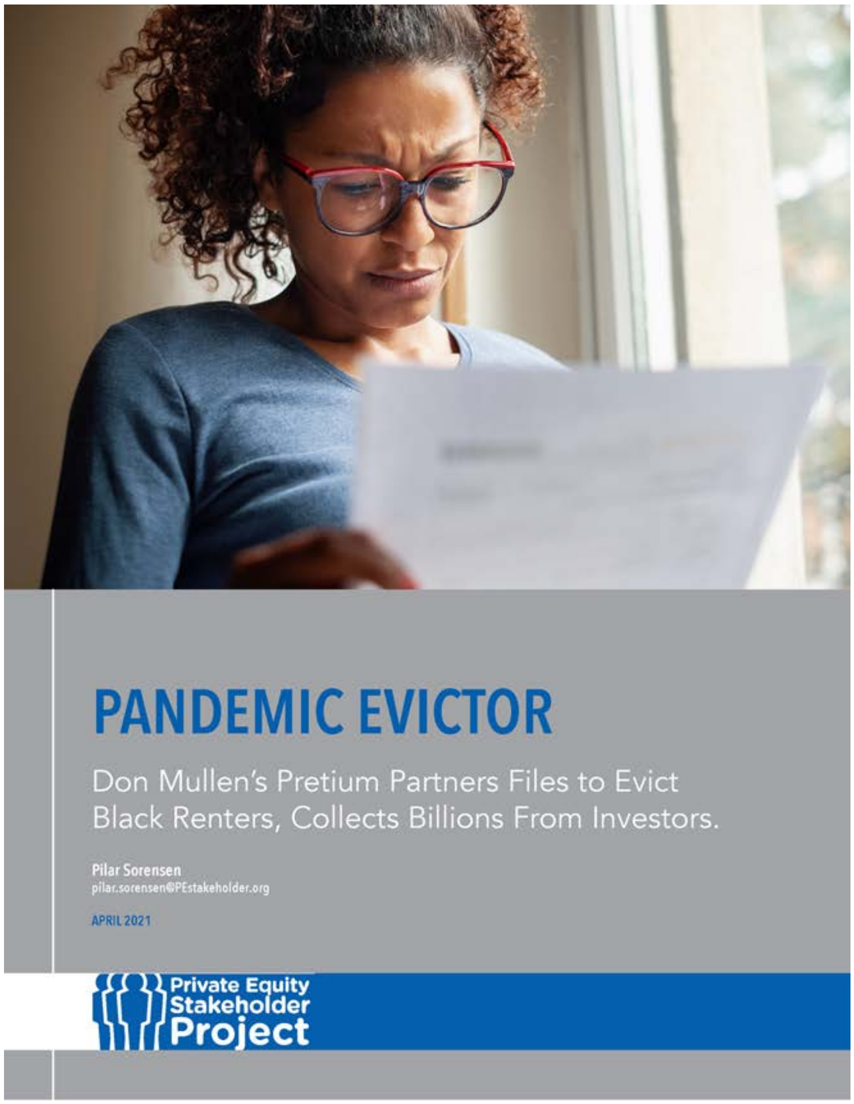

# PANDEMIC EVICTOR

Don Mullen's Pretium Partners Files to Evict Black Renters, Collects Billions From Investors.

Pilar Sorensen
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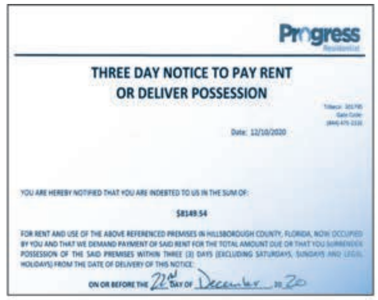
APRIL 2021

Private Equity Stakeholder Project

# Key Points


Progress

THREE DAY NOTICE TO PAY RENT
OR DELIVER POSSESSION

Date: 12/10/2020

YOU ARE HEREBY NOTIFIED THAT YOU ARE INDEBTED TO US IN THE SUM OF:

$8149.54

FOR RENT AND USE OF THE ABOVE REFERENCED PREMISES IN HILLSBOROUGH COUNTY, FLORIDA, NOW OCCUPIED BY YOU AND THAT WE DEMAND PAYMENT OF SAID RENT FOR THE TOTAL AMOUNT DUE OR THAT YOU SURRENDER POSSESSION OF THE SAID PREMISES WITHIN THREE (3) DAYS (EXCLUDING SATURDAYS, SUNDAYS AND LEGAL HOLIDAYS) FROM THE DATE OF DELIVERY OF THIS NOTICE:

ON OR BEFORE THE 22nd DAY OF December 20 20

- Pretium Partners is a private equity and debt firm focused on US single-family rental homes, headed by former Goldman Sachs partner Donald Mullen. Mullen made millions betting against the mortgage market during the 2008 Global Financial Crisis.
- In January 2021, Pretium Partners through its single-family rental company Progress Residential, became the second-largest owner and operator of single-family rental homes in the United States when it acquired Front Yard Residential and took the company private. Pretium now owns 55,000 rental homes.
- Combined, Progress Residential and Front Yard Residential have filed to evict more than 1,300 residents during the COVID-19 pandemic, with most evictions filed after the Centers for Disease Control and Prevention (CDC) eviction moratorium went into effect in September 2020.
- The companies have filed nearly 500 eviction actions since the beginning of 2021. Nearly half of these filings were in two counties in Georgia – DeKalb and Clayton – with majority Black populations.
- Since the beginning of 2021, Progress Residential and Front Yard Residential have filed to evict residents in majority-Black DeKalb and Clayton Counties in Georgia at much higher rates than they have in majority-white Seminole and Polk Counties in Florida.
- Progress Residential and Front Yard Residential have advanced eviction cases against residents affected by the COVID-19 pandemic, a number of whom submitted hardship declarations pursuant to the CDC's eviction moratorium.
- Progress Residential has also challenged at least one resident's CDC hardship declaration in court, calling the CDC Eviction Moratorium an "unconstitutional overreach" in a recent filing.
- Pretium Partners' and Ares Management's Front Yard Residential has also drawn complaints from predominantly Black residents in Minneapolis who say the company is failing to maintain their homes.
- Pretium Partners has drawn on investments from private equity firms, pension funds, insurance companies, and other institutional investors, including:
  - Ares Management
  - Landmark Partners
  - Canada's Public Sector Pension (PSP)
  - American Equity Investment Life Insurance
  - Tennessee Consolidated Retirement System

# Introduction

Pretium Partners is a private equity and debt firm focused on US housing. The firm's founder and CEO is former Goldman Sachs partner Donald Mullen, who is famous for "the big short," in which he led Goldman to bet against the mortgage market during the Global Financial Crisis of 2007. Mullen made a fortune as homeowners, particularly homeowners of color, lost their homes in record numbers.[1]

In an email sent in the fall of 2007, for example, Mullen predicted a windfall when mortgage-related investments were downgraded. "Sounds like we will make some serious money," he wrote.[2]

Mullen left Goldman Sachs in 2012 to form Pretium Partners.[3] Pretium Partners now owns more than 55,000 rental homes and single-family rental operator Progress Residential.[4]

New York Magazine said of Mullen in 2012, "A guy whose most famous trade was a successful bet on the full-scale implosion of the housing market is now swooping in to pick up the pieces on the other end."[5] Mullen and Pretium Partners helped form the institutional single-family rental (SFR) industry – directly benefiting from the loss of the American Dream for thousands of homeowners who were then forced to rent homes.[6]

In January of 2021, Pretium, together with private equity firm Ares Management, acquired Front Yard Residential, another single-family rental owner, in a move that took Progress from fourth to second-largest owner of rental homes in the United States. Pretium's largest-ever deal also makes Pretium a larger player in about three quarters of its existing geographies, "allowing it to expand its scale and improve operating efficiencies in those areas."[7]

According to Pretium, the single-family industry generates above average net operating income—propelled by "revenue-generating income and cost-saving technologies that should result in continued margin expansion."[8] But in markets where Progress Residential is now far more concentrated as a single-family rental owner, such as Phoenix, Atlanta, and several cities in Florida, the market dominance widens the scope of mismanagement and residential woes. Corporate single-family rental owners have for years faced complaints of aggressive eviction practices and deferred maintenance. Renters have fewer choices, as do individual homebuyers.

Residents of Front Yard Residential homes, now owned by Pretium Partners and managed by Progress Residential, report maintenance and repair requests going unanswered.[9] Residents in Minneapolis-St. Paul have received reminders regularly to pay their rent even as they have dealt with leaks in their ceilings or holes in their floors.

Combined, Progress Residential and Front Yard Residential have filed to evict more than 1,300 residents during the COVID-19 pandemic. Most of the eviction actions identified were filed after the Centers for Disease Control and Prevention eviction moratorium went into effect on September 4, 2020.[10] Progress Residential and Front Yard Residential have filed a disproportionate number of evictions in majority-Black DeKalb and Clayton Counties in Georgia.

"Sounds like we will make some serious money."

– 2007 email from Don Mullen, who led Goldman Sachs' bet against the mortgage market.

# Pretium Partners' eviction filings disproportionately impact Black renters

Progress Residential and Front Yard Residential have been among the most prolific filers of eviction actions during the COVID-19.

The Private Equity Stakeholder Project has tracked eviction filings by corporate landlords during the past several months across select counties in Arizona, Georgia, Florida, Texas, Nevada, Oklahoma and Tennessee.[11]

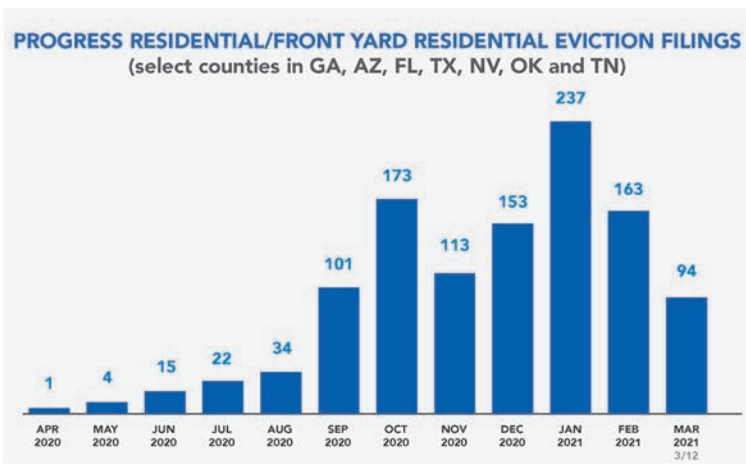
Despite the CDC Eviction Moratorium, which took effect on September 4, 2020, and remains in place as of the publication of this report, Progress Residential and Front Yard Residential have filed to evict growing numbers of residents.

The companies have filed nearly 500 eviction actions since the beginning of 2021 (through March 12).

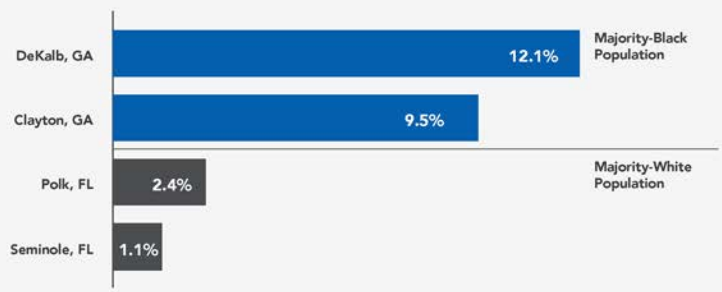
Almost half (246) of these filings were in two Georgia counties – DeKalb and Clayton – which have majority Black populations.

Since January 1, 2021, Progress Residential and Front Yard Residential have filed to evict more than 12 percent of the company's residents in DeKalb County, Georgia, where 55 percent of residents are Black. In Clayton County, Georgia, with a population that is almost 73 percent Black, the landlords have filed to evict 9.5 percent of residents since the beginning of the year.[12]

By comparison, Progress Residential and Front Yard Residential have filed to evict a much smaller share of residents in two majority-white counties in Florida, Seminole and Polk. Since January 1, 2021, Progress Residential and Front Yard Residential and filed to evict 2.4 percent of their residents in Polk County and 1.1 percent of residents in Seminole County.[13]



**PROGRESS RESIDENTIAL/FRONT YARD RESIDENTIAL EVICTION FILING RATE SINCE JANUARY 1, 2021**
(through March 12)




| COUNTY | STATE | FILINGS SINCE 1/1/21 | WHITE (NOT HISPANIC/ LATINO) | BLACK | LATINO | HOMES (PROGRESS + FRONT YARD) | EVICTING FILING RATE (FILINGS/ HOMES) |
|---|---|---|---|---|---|---|---|
| DeKalb | GA | 155 | 29.3% | 54.8% | 8.5% | 1,284 | 12.1% |
| Clayton | GA | 91 | 9.1% | 72.8% | 13.4% | 958 | 9.5% |
| Polk | FL | 9 | 56.9% | 16.2% | 24.6% | 370 | 2.4% |
| Seminole | FL | 2 | 58.9% | 13.1% | 22.5% | 454 | 1.1% |

# Progress Residential and Front Yard Residential continue to advance evictions against residents impacted by COVID-19

In October 2020, NBC News highlighted the story of Christina Velez, a Progress Residential resident who lost her job running the staffing team on a Covid-19 treatment trial. Faced with a $2,440 rent bill on the Boca Raton, Florida, home she shares with her daughter, Velez began calling Progress Residential to ask whether it would give her time to come up with the money.[14]

"I told them I was affected by Covid, but it didn't matter to them," Velez said. "They are not very patient."[15]

Not once, Velez said, did Progress representatives tell her about a nationwide eviction moratorium ordered by the federal government to let tenants hurt by Covid-19 stay in their homes if they could not pay their rent.[16]

"I said, 'There's got to be something for people affected by Covid and being furloughed,'" Velez, 46, reported telling Progress. "There's nothing we can do," the company representative replied, she said.[17]

Velez said she sold her car to pay Progress. By jumping through hoops, Velez has managed to pay enough to hang on to her rental home. She has a new job, but she has still had to battle demands from Progress to pay $450 in legal fees associated with her eviction filing.[18]

Velez' case is hardly the only example of Progress Residential and Front Yard Residential moving to evict renters impacted by the COVID-19 pandemic.

Answers provided by residents of Front Yard and Progress Residential to eviction cases filed by the firms show that both corporate landlords have advanced eviction cases against residents affected by the COVID-19 pandemic, a number of whom submitted hardship declarations pursuant to the CDC's eviction moratorium.

*(Note: Names of residents have been removed below. Case citations are provided.)*

**Progress Residential resident, Hillsborough County, Florida, February 11, 2021**

*"[Resident] was working as an entertainment rigger before the shutdown due to COVID-19 and being part of the live entertainment industry, was among the first to be out of work. We are in the midst of applying for rental assistance, but they have not come through yet. [Resident] is scheduled for work through the end of April, which would give us the funds to follow through with a move in May... We also have two other children in the home who we are caring for. We have no other means of housing at the moment, even though we have been actively seeking every avenue, we haven't found an*

## "I told them I was affected by Covid, but it didn't matter to them. They are not very patient"

– Progress Residential resident Christina Velez, October 2020.

> **"We have no other means of housing at the moment, even though we have been actively seeking every avenue"**
>
> – Feb 2021 plea from Progress Residential renter facing eviction. Progress Residential evicted the family just days later.

*alternative housing option. We are confident if eviction is delayed until the end of May, we will be capable of moving into proper housing, essentially keeping us from becoming homeless with our 3 children."*[19]

Despite the resident's plea for additional time, Progress Residential evicted the family just days later, on February 15, 2021.[20]

### Front Yard Residential resident, Palm Beach County, Florida, January 14, 2021

*"This letter is to inform the proper people of the importance of shelter the residence provides for my family at this time. Since the Pandemic issue arose, my income has had a significant impact negativewise. I have provided my property manager with every effort in assistance with crisis alleviation programs. Also, I am providing receipts for all payments I am making in attempts to keep balance low. I have emailed Ms. Santos [of Front Yard Residential/Havenbrook Homes] with comm action program that is assisting with overdue rent balance for Havenbrook. I am the sole provider for a wife and four school age children that are currently homeschooling. I will pay back any rent and fees that accumulate during this period. But please consider arrangements with my family other than EVICTION."*[21]

The resident also provided a copy of a CDC eviction moratorium hardship declaration that he had signed in October 2020.[22]

A month later, on February 18, Front Yard Residential filed a Motion for Immediate Default Judgment of possession with the court. The eviction case is was open as of March 21, 2021.[23]

### Progress Residential resident, Hillsborough County, Florida, January 22, 2021

*"The complaints that the plaintiff has made should not be enforced. The eviction Moratorium states that it ends on January 31, 2021. They sent [the eviction notice] to me before the end date. This action coming in the midst of the pandemic with all the other problems has made my daughter despondent because of the added fees. My son has special needs and would negatively his ability to live in a men's shelter. I would also like the court to determine the amount of rent to be paid until I can get answers from the awaiting agencies.*

> **"I will pay back any rent and fees that accumulate during this period. But please consider arrangements with my family other than EVICTION."**
>
> – Jan 2021 letter from Front Yard Residential resident. Front Yard Residential later filed a Motion for Default Judgment to advance the eviction proceeding.

## "Progress Residential are making a hard time worse."

– Jan 2021 response from Progress Residential tenant. Progress Residential obtained an eviction judgment against the resident.

*I have been told that the moratorium has been extended, I have contacted the Department of Social Services. I have applied for the Housing Choice Voucher, I have contacted several local churches, I am waiting for their replies for all. I have emailed the landlord an application that has to be completed by them for rental assistance from the Department of Social Services. My family and I will become homeless if evicted. I am trying my best.*

*I am asking that all fees to be waived. Progress Residential are making a hard time worse. The agencies say that they are only going to pay back rent. My income has been reduced seventy five percent. I have applied for several jobs. I have been told that I am not old enough for social security. I have received a stimulus check during the pandemic to help with some bills.*

*My son and grandson are also named in the complaint, however they were not responsible for the rent. I am afraid that an eviction on their credit will inhibit their chances of getting a job, an apartment or a home. I do not agree to the amount being charged.*

*I understand that there has been an extension, this will give us enough time for us to get answers from the different agencies and we will be able to move forward from there. This has only been a difficult time because of this pandemic, I don't know what else to do."*[24]

Despite the renter's request for more time, Progress Residential filed a Motion for Immediate Default on February 8. On February 15 the court entered a judgment for possession with a note that the writ of possession was to be issued "after the expiration of CDC Order 85 FR 55292 on April 1, 2021, unless extended."[25]

### Progress Residential resident, Hillsborough County, Florida, January 22, 2021

*"I am a single mother residing in the residence with my 3 minor children, 2 of which are disabled. My children's father does not reside in the home with us; however, he was providing me with financial support until he suffered a reduction in his monthly income as a result of the Covid-19 pandemic. I am unable to*

## "My son and grandson are also named in the complaint, however they were not responsible for the rent. I am afraid that an eviction on their credit will inhibit their chances of getting a job, an apartment or a home."

– Jan 2021 response from Progress Residential tenant. Progress Residential obtained an eviction judgment against the resident.

*work due to being my son's primary caregiver. I am currently in the process of seeking rental assistance from charitable and governmental agencies. Once I have been approved for that assistance, I will submit those funds to the plaintiff or deposit them in the court registry. I would however make the court aware that I meet the criteria as an adversely affected tenant under the current CDC eviction moratorium which prohibits me from being evicted from the residence until after January 31, 2021, which has now been extended to March 31, 2020 by presidential executive order as of January 20, 2021. I have submitted a signed and dated CDC declaration form to the court and plaintiff as required. See attached CDC declaration form. I would respectfully request that the court schedule my case for hearing or grant me an order for temporary relief as a protected tenant under the current CDC eviction moratorium."*[27]

On February 19 Progress Residential filed a Motion for Immediate Default against the resident and sought a writ of possession to have the resident removed from the property.[28]

On February 22 the court issued a Judgment for Possession, ordering the clerk to issue a Writ of Possession directing the sheriff to evict the defendant and place Progress Residential in possession of the home after the expiration of the CDC eviction moratorium on April 1, 2021.[29]

## Progress Residential uses court to challenge resident's CDC hardship declaration

Progress Residential has also taken the step of trying to challenge at least one resident's CDC hardship declaration through the court, calling the CDC Eviction Moratorium an "unconstitutional overreach."

In a March 3 filing, Progress Residential noted:

> "Comes now Plaintiff, Progress Residential Borrower 13, LLC, a Delaware limited liability company authorized to do business in Florida, as landlord, by and through its undersigned attorney, who hereby alleges the Declaration filed by the Defendants claiming coverage under 86 FR 8020, Temporary Halt in Residential Evictions to Prevent the Further Spread of Covid-19, and moves for an entry of an order to lift stay on the writ of possession, and as grounds therefor states as follows:
>
> 1. CDC Order 86 FR 8020, Temporary Halt in Residential Evictions to Prevent the Further Spread of Covid-19, is an unconstitutional overreach into the general police power retained by the states…"[30]

The case was ongoing as of March 21, 2021. The court had not yet ruled on Progress Residential's motion challenging the resident's CDC hardship declaration.[31]

**"CDC Order 86 FR 8020, Temporary Halt in Residential Evictions to Prevent the Further Spread of Covid-19, is an unconstitutional overreach…"**

– March 2021 court filing by Progress Residential challenging a resident's


HILLSBOROUGH COUNTY
SHERIFF'S OFFICE
CIVIL PROCESS SECTION

CIVIL # [illegible]
CASE # [illegible]
Court : COUNTY CIVIL

DATE/TIME RECEIVED : [illegible] DATE RETURNED : [illegible]
TYPE OF PROCESS : WRIT OF POSSESSION

CHARLES V. BARRETT, III, EDQ
307 FIELDING AV S
TAMPA, FLORIDA 33606

HILLSBOROUGH COUNTY, FLORIDA
102865 - BAEZ, MIGUEL

PLAINTIFF(S)
PROGRESS RESIDENTIAL BORROWER
DEFENDANT(S)

ROS RECIPIENT(S)
CHARLES V. BARRETT, III, EDQ

### Front Yard Residential renters in Minnesota complain of company's failure to maintain homes

In addition to filing to evict hundreds of residents despite the CDC eviction moratorium, Pretium Partner and Ares Management-owned Front Yard Residential has also drawn complaints from predominantly Black residents in Minneapolis who say the company is failing to maintain their homes.

In North Minneapolis, resident Colleen has had to deal with a home in disrepair for over a year, with no response from Front Yard's property management arm, HavenBrook Homes. "I have a leak in my roof that leaks water into my bedroom, a big hole in my porch, mold in my bathroom and more. I have tried calling HavenBrook Homes many times but I just get sent to a call center and then nobody comes out to make any repairs."

Shanika Henderson, another Front Yard Residential resident, likewise lives with water and mold issues: "While HavenBrook Homes has never come out to make any repairs, and hasn't answered any of my phone calls, they still make sure to send out a reminder at the start of every month to pay rent. In fact, when the COVID-19 pandemic began in March, they sent me a few notices that they would not be carrying out any repairs unless they were very urgent, but they still wanted to remind us to pay our rent on time."[32]

"HavenBrook is only reachable when the rent is due, but not when repairs are needed," added Henderson, who has been a tenant in a Front Yard/HavenBrook single-family home for 7 years. "I can't get ahold of anyone. I've got vents that kick up dust when they run and stifling heat in the summer."[33]

The Twin Cities tenant organizing group United Renters for Justice/Inquilinxs Unidxs (IX) has found 273 complaints, including water damage and plumbing issues, infestations, black mold or mildew, entry or access blockage, and rent increases or withholding of security deposit. IX found that 35 percent of Front Yard residents complained of leaks, water damage, flooding, or plumbing issues, and nearly a quarter of residents faced some sort of infestation issue.[34]

"When it comes to repairs, HavenBrook is often missing in action," said Chloe Jackson, a tenant organizer with United Renters for Justice. "One tenant had no water for

**"While HavenBrook Homes has never come out to make any repairs, and hasn't answered any of my phone calls, they still make sure to send out a reminder at the start of every month to pay rent. In fact, when the COVID-19 pandemic began in March, they sent me a few notices that they would not be carrying out any repairs unless they were very urgent, but they still wanted to remind us to pay our rent on time."**

– Front Yard Residential resident Shanika Henderson, Minnesota

> **"When the COVID-19 pandemic began in March, they sent me a few notices that they would not be carrying out any repairs unless they were very urgent, but they still wanted to remind us to pay our rent on time."**
>
> – Front Yard Residential resident Shanika Henderson, Minnesota

a week and another went weeks without heat. Another had a giant hole open up in their ceiling. Another's stove caught fire. These are emergency situations, yet HavenBrook wouldn't make repairs."[35]

Front Yard owns 479 homes in the Minneapolis/St. Paul area. IX compiled a list of 209 violations in these properties as reported to the City of Minneapolis from 2018 to 2020, including 18 counts of failure to restore required utility, 14 counts of failure to repair or replace glass, and 14 counts of general plumbing or gas repair issues.[36]

### 2018 investigation found a pattern of complaints from Progress Residential renters

Progress Residential was the subject of a Hearst Television National Investigative Unit investigation which uncovered **"a pattern of complaints from renters and former employees about the company's customer service, standards, billing practices, response times and internal culture. The concerns span markets, states and years."**[37]

In addition, the unit's investigation found attorneys general in eight of the nine states where Progress operated at the time — Arizona, Florida, Georgia, Indiana, Mississippi, North Carolina, Tennessee and Texas — had received complaints about the company.[38]

"I was just so fed up," said Dave Mehan, a Progress Residential resident in Arizona. "I'll never do business with them again... because they're awful."[39]

In Georgia, Progress Residential residents Laura and Gus Andersen complained to the company after a water heater pipe burst inside the rental home they had moved into just days before. Despite frequent and persistent requests to Progress Residential, the company did not immediately fix the damage and test for mold, the Andersens reported.[40]

In the interview, Andersen said she would "never again" rent from Progress Residential, which, she said, had "failed us." "They literally and figuratively left us out to dry," Andersen said.[41]

**COMPLAINTS**
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> **"They literally and figuratively left us out to dry,"**
>
> – Laura Andersen, Progress Residential resident, Georgia

### Pretium Partners' Growing Single Family Rental Empire

The 2008 recession and foreclosure crisis enabled private equity firms like Pretium Partners, the Blackstone Group, and Starwood Capital to create the institutional single-family rental industry. While companies like Pretium swept in at the ready, collecting thousands of cheap homes at once even as late as 2014, acquisitions later slowed due to rising prices. Homes were not up for auction in bulk anymore, and Wall Street investors became pickier when making acquisitions. With the distress caused to homeowners and renters from the COVID-19 pandemic, the dynamic is poised to shift, with an avalanche of evictions and foreclosures waiting to happen with no direct assistance to homeowners, renters, and small landlords.[42]

Pretium's residential real estate business has $9.3 billion in assets under management (companywide assets under management is $18 billion, split between residential real estate, mortgage finance, and corporate debt).[43] Donald Mullen is once again ready to buy thousands of homes across the country.

Following the company's January 2021 acquisition of Front Yard Residential, Pretium became the second-largest operator of single-family rental properties in the United States with a portfolio of more than 55,000 rental homes.[44]

Single-family rental companies have seen their occupancy increase during the COVID-19 pandemic – many renters in cities across the United States who maintained

employment made their exit, opting for suburban detached homes with more space. Overall, the industry had an average of 95.3 percent occupancy rate by the third quarter of 2020, an increase from the first quarter of 2020. But the demand by both owner-occupied and single-family rental homes "has meant a shortage of units for sale to companies that want to rent them out."[47]

## Private equity firms and institutional investors back Pretium's acquisitions and evictions

Pretium Partners has drawn on investments from private equity firms, pension funds, insurance companies, and other institutional investors to support its growing portfolio of single-family rental properties, its aggressive evictions of residents during the COVID-19 pandemic, and its other practices that have drawn complaints.

In 2018, Pretium raised its most recent real estate fund, Pretium Residential Real Estate Fund II, drawing more than $1 billion from a group of investors from around the world, including insurance companies, pension funds, and wealthy individuals.[48]

A few institutions stand out as key backers on Pretium's acquisitions – private equity firms Ares Management and Landmark Partners, public pension funds Canadian Public Sector Pension and Tennessee Consolidated Retirement System, and fixed annuity company American Equity Investment Life Insurance.

Many have made or increased investments with Pretium even as the firm's affiliates have filed to evict hundreds of residents despite the COVID-19 pandemic and the CDC Eviction Moratorium.

## Ares Management partners with Pretium to acquire Front Yard Residential

Private equity firm Ares Management invested in Pretium Partners' January 2021 acquisition of Front Yard Residential, which owned almost 15,000 single-family rental properties throughout the United States, providing capital to support the buyout. Ares Management's business includes credit, private equity, and real estate, which together total $197 billion in assets under management (AUM).[49]

Front Yard Residential owns "affordable" rental homes in working class communities with concentrations of homes in Georgia, Florida, Texas, Tennessee.[50]

On January 11, 2021, Pretium Partners and Ares Management finalized their $2.5 billion acquisition of Front Yard Residential. The bid to buy Front Yard Residential and its portfolio of nearly 15,000 homes was higher than an earlier offer for the company – the value of Front Yard Residential's portfolio of homes increased significantly during the COVID-19 pandemic.[51]

Prior to the takeover, Front Yard Residential was a publicly traded company that had been seeking a buyer—only months before, the company had a definitive agreement to be taken private by Amherst Holdings, another private equity owner of single-family rental properties.

The Amherst transaction was valued at $2.3 billion.[52] The deal fell through amid concerns about the volatility of the SFR market as the COVID-19 pandemic ravaged the world and world. However, Front Yard Residential maintained high lease rates and rental income through 2020. By the second quarter of 2020, Front Yard's rental revenue of $55.1 million was already 1.5 percent higher than the prior quarter, and 6.9 percent higher than the second quarter of 2019.[53]

Front Yard Residential affiliates have filed at least 400 eviction actions since Ares and Pretium Partners entered into a definitive agreement to acquire Front Yard Residential in October 2020 and 170 eviction actions since the deal closed on January 11, 2021.[54]

## Landmark Partners leads $1.5 billion investment in Pretium Partners' 2013 single-family rental fund

In December 2019, Connecticut-based private equity firm Landmark Partners led the $1.5 billion recapitalization of Pretium Partners' 2013 single-family rental fund, which owned 20,000 rental homes.[55]

Landmark Partners had around $21 billion in assets under management at the time of the acquisition.[56]

Pretium Partners property management company Progress Residential continue to manage the homes.[57]

## $700 million Investment by Canadian Public Sector Pension support's Pretium's expansion

In January 2021, the Canadian Public Sector Pension, announced a $700 million joint venture with Pretium Partners to acquire rental homes across the southwestern and southeastern United States. The Canadian Public Sector Pension manages the pension plans of four public sector groups in Canada: the Canadian Forces, the Public Service, the Reserve Force, and the Royal Canadian Mounted Police.[58]

"We can think of no better partner to expand our presence in this increasingly attractive asset class and look forward to working with Pretium to deliver compelling results for our beneficiaries," Carole Guérin, the Public Sector Pension's managing director of real estate said in the release.[59]

The Public Sector Pension joint venture with Pretium has drawn scrutiny in the Canadian media. In February, the Toronto Star ran a story headlined "Why a Canadian Crown corporation is banking on the downfall of the American Dream" that profiled the stories of Progress Residential residents.[60]

At the time the Public Sector Pension joint venture was announced, Progress Residential and Front Yard Residential had already filed more than 1,000 eviction actions during the COVID-19 pandemic as of March 2020. The companies have filed hundreds more eviction actions since.

## American Equity Investment Life Insurance backs Pretium with up to $2.25 billion

In October 2020, just days after NBC News highlighted Pretium Partners filing to evict residents despite the CDC Eviction Moratorium, fixed annuity company American Equity Investment Life Insurance announced a $1 billion strategic partnership with Pretium Partners that could expand to up to a $2.25 billion investment.[61]

American Equity Investment Life Insurance had a $56 billion investment portfolio at the time of the transaction.[62]

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April 2020

# CERBERUS CAPITAL MANAGEMENT'S THREE-HEADED ATTACK ON HOMEOWNERS, TENANTS

## THE PRIVATE EQUITY GIANT'S FORAYS INTO THE SINGLE-FAMILY HOME RENTAL AND MORTGAGE BUSINESS HAVE HARMED RENTERS, PROSPECTIVE HOMEBUYERS, AND HOMEOWNERS.

### KEY POINTS

- **Private equity and debt firm Cerberus Capital Management has multiple portfolio companies active in the housing sector.**
- **Through its single-family home rental company, FirstKey Homes, Cerberus owns over 20,000 homes across the US.**
- **FirstKey has filed to evict residents at high rates in cities such as Memphis, Atlanta, and Phoenix.**
- **Despite the COVID-19 pandemic, Cerberus has advanced eviction cases against some residents of its single-family rental homes.**
- **In Memphis, TN, FirstKey has been cited dozens of times for code violations at homes it owns.**
- **Cerberus' FirstKey competes with individual homebuyers, making it more difficult for first time homebuyers to purchase homes.**
- **In the United Kingdom, Cerberus owns mortgage management company Landmark Mortgages, which has been criticized for keeping homeowners in "mortgage prisons".**

### CERBERUS CAPITAL MANAGEMENT

Cerberus Capital Management LP is an alternative investment firm founded by Stephen Feinberg and William Richter in 1992. The New York-based firm, with $42 billion in assets under management, focuses on private equity and real estate investments.[1]

Cerberus's executives have close ties to federal politics. Feinberg serves as chair of Donald Trump's Presidential Intelligence Advisory Board[2], and there are two notable Cerberus board members as well: Dan Quayle, who was Vice President of the United States under George H.W. Bush[3], and John Snow, United States Treasury Secretary under George W. Bush.[4]

### CERBERUS'S INVESTMENTS IN MORTGAGES, RENTAL PROPERTIES

Cerberus has long been an active investor in US housing, investing primarily in residential mortgages and single-family

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homes that the firm converts to rental properties. Cerberus established its "Residential Opportunities" platform in 2008 to "capitalize on opportunities to acquire distressed residential mortgage-backed securities following the Global Financial Crisis."[5]

In 2013, FirstKey Mortgage began operations as Cerberus's mortgage securitization company. It services, facilitates, and acquires large-scale mortgage packages.[6]

Cerberus formed FirstKey Homes in 2014 as a vehicle for single-family housing acquisitions. With more than 21,000 homes in the US throughout 26 markets, the landlord is poised to continue to grow. In 2018, FirstKey Homes CEO Martin Esteverena said that the company, then with a portfolio of 14,000 homes, planned to triple its size.[7]

In the United Kingdom, Cerberus-owned Landmark Mortgages Limited manages a portfolio of mortgages that it acquired from UK Asset Resolution (UKAR), an arm of the government, established in response to the global financial crisis.[8]

## FIRSTKEY HOMES SERVING EVICTION NOTICES TARGETING CERTAIN AREAS

In December 2018, an investigation by the *Washington Post* reported that in the Memphis, Tennessee area, FirstKey Homes was responsible for twice as many eviction filings of any other rental home property manager.[9]

According to the *Post*, FirstKey Homes leases allowed residents only five days after the due date to pay rent before being hit with a 10 percent late fee. Previously, residents had 10 days to come up with rent.[10]

In order to provide "a competitive edge to [its] single-family rental strategy in a scalable and efficient manner," FirstKey Homes files eviction notices at higher rates than peers.[11]

FirstKey was the largest single family home landlord In the Memphis area as of 2018, with nearly 1,800 houses. According to the *Post's* analysis, FirstKey also filed for eviction at twice the rate of any other single-family rental property manager there. In the first three quarters of 2018, *FirstKey's filings amounted to 435 eviction notices.*[12]

FirstKey has continued to file large numbers of eviction filings in Memphis. In the first two months of 2020, FirstKey filed 89 eviction filings in Shelby County, where Memphis is located.[13]

According to the company, the eviction notices were not filed with the intent to actually evict residents, but to motivate residents to pay rent quickly. Known as "pay and stay," tenants can pay what is owed up until the time of stated eviction while staying in their home. With each filing, though, the company collects more on penalties and fees.[14]

The *Washington Post* story detailed the story of Cassandra and Terry Brown. The Browns paid $965 a month to rent the same home they had owned before losing it in the 2008 financial crisis. In 2018, Cassandra was back in eviction court battling a balance that started at $1,058 but had grown to $2,243. Included in the penalty was a 10 percent late fee and an attorney's fee. By the time Ms. Brown faced a judge she owed more than double the rent due. The Brown family had faced eviction four times since FirstKey Homes had owned their home.[15]

Similarly, FirstKey resident Marrena Shorter faced eviction *11 times in four years.* The Memphis Housing Authority covered nearly a third of her $1,200 rent while she covered the rest through work as a cook at a hospital, struggling to pay on time while looking after her disabled son.[16]

### FIRSTKEY HOMES MARKETS

| CITY | STATE | HOMES FOR RENT AS OF 2/24/20 |
|---|---|---|
| Atlanta | GA | 159 |
| Indianapolis | IN | 126 |
| Charlotte | NC | 93 |
| Miami | FL | 84 |
| Orlando | FL | 79 |
| Kansas City | MO | 78 |
| Chicago | IL | 72 |
| Dallas | TX | 64 |
| Houston | TX | 61 |
| Winston-Salem | NC | 57 |
| Phoenix | AZ | 47 |
| Memphis | TN | 47 |
| Las Vegas | NV | 43 |
| St. Louis | MO | 35 |
| Tampa | FL | 35 |
| Birmingham | AL | 31 |
| Jacksonville | FL | 25 |
| Raleigh-Durham | NC | 24 |
| Fort Myers | FL | 24 |
| Kansas City | KS | 11 |
| Cincinnati | OH | 10 |
| San Antonio | TX | 9 |
| Charleston | SC | 7 |
| Columbus | OH | 2 |
| Louisville | KY | 0 |



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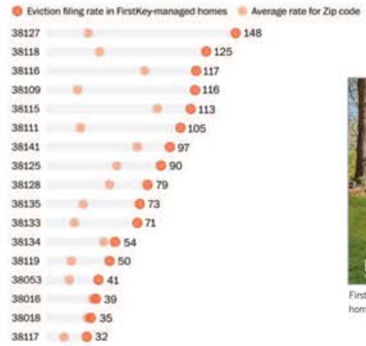
## CERBERUS CAPITAL MANAGEMENT'S THREE-HEADED ATTACK ON HOMEOWNERS, TENANTS

### RENTAL HOMES MANAGED BY FIRSTKEY FOR CERBERUS CONSISTENTLY HAVE A HIGHER RATE OF EVEICTION FILINGS THAN OTHER SINGLE-FAMILY RENTALS IN THE SAME AREA

**Evictions per 100 homes in Zip codes where Cerberus owns more than 20 rentals and made at least nine eviction filings from September 2015 to October 2018**





FirstKey Home in Riverdale, GA in Clayton County, where 38.7 percent of the homes are targeted for eviction. Photo courtesy of FirstKey Homes

Totals in some zip codes are greater than 100 because of multiple eviction filings against one property.
Source: Shelby County, Tenn., General Sessions Court
Armand Emamdjomeh and Dan Keating/The Washington Post

### CLAYTON COUNTY, GEORGIA

FirstKey's aggressive evictions do not appear to be isolated to Memphis.

An analysis of eviction filings in Clayton County, Georgia, for example, shows similar eviction practices by FirstKey Homes.

Clayton Country consists of six municipalities in the suburbs of Atlanta, Georgia—College Park, Forest Park, Jonesboro, Lake City, Lovejoy, Morrow, and Riverdale. According to the county's real property records, as of February 2020, Cerberus SFR Holdings LP and Cerberus SFR Holdings II LP own 328 homes in the county.[17]

In just 22 months, between May 2018 and February 2020, FirstKey Homes or Cerberus entities filed for eviction at least 222 times through the Clayton County Magistrate Court.[18]

The company filed for eviction against seven individuals at least four times in less than two years.

Filing for eviction against 127 households out of 328 households is a 40 percent rate of filing, assuming all homes are occupied.



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## CERBERUS CONTINUES TO ADVANCE SOME EVICTIONS DURING COVID-19 PANDEMIC

While state and federal authorities have advised people to stay at home during the COVID-19 pandemic and federal lawmakers and a number of states and cities have called for a halt to evictions, Cerberus has advanced some eviction cases at its single-family rental homes.

**For example:**

- On March 18, 2020 FirstKey Homes filed an eviction case against a tenant in Clayton County, Georgia.[19]
- On March 27, Cerberus SFR Holdings LP filed a motion for clerk's default against a tenant in an eviction case in Miami-Dade County.[20] On March 19, Cerberus had served notice to the tenant, stating: "You are being sued by CERBERUS SFR HOLDINGS, LP, a Delaware Limited Partnership, to require you to move out of the place you are living for the reasons given in the attached complaint." The notice advised the tenant to "Write down the reason(s) why you think you should not be forced to move."[21]
- On March 23, Cerberus SFR Holdings LP filed a motion for default judgment against tenants in Broward County, Florida, where it asked the court to "Enter a Final Judgment for Residential Eviction against Defendants."[22]
- Cerberus has several active eviction cases in Cook County, Illinois, though the cases have been continued until late May and June by orders of local judges.

Cerberus reports that it has halted new eviction filings during the pandemic.

## FIRSTKEY CODE VIOLATIONS

In addition to aggressive eviction filings, the *Washington Post* also reported that FirstKey Homes had a history of failing to keep its residences up to code for tenants. In 2018, its rate of code violations was higher than other Memphis-area single family rental owners. FirstKey even caught the attention of the Memphis Blight Elimination Steering Team, which published a list of the top 10 residential code violators. For occupied homes, Cerberus-owned properties were at the top of the list, with 46 violations at the beginning of 2018.[23]

"They don't care. They are just here to lease their properties without consequence," said Memphis Public Works Director Robert Knecht, who oversees code enforcement.[24]

*"They don't care. They are just here to lease their properties without consequence," said Memphis Public Works Director Robert Knecht, who oversees code enforcement.[24]*

A former FirstKey resident, Kelly Jones reported toilets that did not flush and that she had holes in her floors, nonfunctioning air conditioning, and rats in her kitchen. In 2018, Jones sued FirstKey Homes over the state of her home. The case settled without trial within the year and Jones received a settlement of $5,000-$10,000 from FirstKey, according to the *Post*.[25]

In Indianapolis, Indiana, FirstKey Homes made the news for refusing to allow a resident to move out of her home when she feared for her safety. Dorothy Black's home was shot at seven times while she was in her living room watching TV. When Black tried to get out of her lease, FirstKey initially refused and noted that she would be responsible for the repairs connected to the gunfire damage. It was only after Black contacted the local TV station that FirstKey allowed her to move out, offering to rent her a different home.[26,27]



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A rental home in Phoenix, AZ, where FirstKey Homes has contributed to the shortage of housing stock for first time and individual homebuyers. Photo courtesy of FirstKey Homes.

## CERBERUS BUYS SINGLE-FAMILY RENTALS, LOCKING FIRST TIME BUYERS OUT OF HOMEOWNERSHIP

In the Phoenix, Arizona area, Cerberus and FirstKey have been active buyers in the single-family market.

Like other institutional single family rental landlords, Cerberus typically pays cash and is willing to outbid individual homebuyers, including first time homebuyers looking to make a home in Phoenix.[28]

"Too many potential first-time buyers are now watching houses they want purchased by a Wall Street investor," wrote the *Arizona Republic* in April 2018.[29]

Indeed, the *Phoenix Business Journal* reported that Cerberus purchased almost 600 homes between November 2017 and April 2018. Cerberus purchased homes for under $300,000, which were in short supply, limiting the homes available to first time homebuyers.[30] The homes are now rented under FirstKey Homes and Phoenix-area partner Bullseye Property Management.[31]

*" Too many potential first-time buyers are now watching houses they want purchased by a Wall Street investor," wrote the* Arizona Republic *in April 2018.*[29]

## CERBERUS-OWNED UK-BASED LANDMARK MORTGAGES SUBJECTS HOMEOWNERS TO "MORTGAGE PRISON"

In the United Kingdom, the Financial Conduct Authority (FCA) defines "mortgage prisoners" as borrowers who are "unable to switch to a better deal even though they [are] up to date with their payments." As of January 2020, the FCA estimates 250,000 people are living in a mortgage prison, which arose out of the financial crisis in 2008.[32]

In 2016, Cerberus Capital Management acquired mortgages once held by UK-based defunct bank Northern Rock and created a portfolio company, Landmark Mortgages, to manage them. Cerberus bought the portfolio of 65,000 mortgages for £13 billion from UK Asset Resolution (UKAR), a holding company of UK government-owned businesses, claiming to the government *that it would offer homeowners better mortgage deals*. At the time of the sale, UKAR noted: "by returning ownership to the private sector the option to be offered new deals, extra lending, and fixed rates should become available to them."[33]



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The government's sale of mortgages from Northern Rock as well as (also defunct) Bradford & Bingley in 2018 have come under scrutiny by public officials including Members of Parliament Seema Malhotra and Lord McFall of Alcluith. MP Malhotra, leading the inquiry of the ordeal that created mortgage prisoners, in May 2019 stated, "we will be looking to make recommendations about how to deal with the most vulnerable cases and about whether the restrictions people face are right and fair."[34]

Lord McFall added, "in some of the case studies I've seen, people with a mortgage would be paying an extra £40-50,000 in the mortgage before it's completed. That is totally unacceptable."[35] McFall had been told by UKAR that mortgage customers would be able to renegotiate mortgage terms with Landmark, the same information they had received from Cerberus.

For example, Mr. Neale and Rachel Neale reported to the BBC that they had kept up to date with their mortgage payments, but that that did not keep Landmark from issuing default notices. Unfortunately, with Rachel dealing with Crohn's Disease, Adrian had to resort to phoning Landmark to settle the issue each time. He said that it had an adverse effect on his business as well, making it difficult to gain credit to get building gigs: "It's held me back massively really in my business."[36]

As of November 2018, Lisa and Mark Elkins paid close to 5 percent interest on their mortgage, significantly more than market rate. Having borrowed £20,000 from loved ones and working multiple jobs, their only option was to sell their home. According to the BBC, the Elkins had paid an extra £30,000 since 2007, having been trapped in the above market mortgage rates.[37]



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Thank you for affording me the opportunity to speak before the Financial Services Committee on the impact investors are having on the affordable housing market.

My name is Shad Bogany. I have over 40 years of experience helping families purchase their first home. During those 40 years, I have been an advocate crusading for families thru community involvement. I have served as Chairman of Texas Realtors and Chairman of Houston Association, Chair of Houston Urban league, Board member Texas Department of Housing and community affairs, and Currently President of Fort bend housing corporation.

The radio show that I started 32 years ago, focused on educating and encouraging would-be home buyers on the availability of financial mortgage products, housing opportunities, and benefits of being a first-time homeowner. My message "You can be a homeowner!" Recently, that conversation has changed. The discussions now are about Institutional investors buying up housing and competing with first-time home buyers for the limited housing inventory. More alarming investors are targeting minority neighborhoods since historically they are undervalued or lower-priced, driving up prices for residents, making the American dream of homeownership for this population unachievable.

Home buyers are having to compete with investors that are paying cash and offering over the list price resulting in an increase in investor purchases. In Houston, 40% of the buyers are investors, and 52% are in the Dallas area. This is creating a generation of renters that will miss out on the benefits of homeownership, the ability to create wealth, and stabilized communities. The risks today, should Investors liquidate their massive real estate holdings, will be a decrease in property values causing subdivisions to decline, and an increase in crime. Loss of tax base for municipalities and lastly development of new ghettos created from "rent-only subdivision"

This trend started when congress incentivized investors in the rental market and made homeownership equal to renting by lower the tax benefits of homeownership. Homeownership amongst Black Americans has been declining in recent years; the lowest of any ethnic group. By increasing the percentage of renters in the black communities the institutional investors are creating a modern-day "sharecropping" colony governed by 21$^{st}$-century Jim crow laws. 1968 supreme court case established that housing discrimination is a badge of slavery.

It reminds me of my ancestor's history over 100 years ago, you live on the land and have a place to stay but all your hard work and money goes to benefit someone else. Connecting with our past and learning from policies that are suppressive paves the way for a future free from housing discrimination.

That future is not here yet.

Now investors are requiring higher credit scores in rental than what lenders require for a home mortgage. Minorities typically have more "nontraditional "credit which the FICO credit scoring system doesn't consider. The latest Jim Crow.

Recently, in Denton Texas, a Homeowners association passed bylaws that ban landlords from renting to families that are on housing vouchers. Modern-day redlining.

Not only does the black community miss the opportunity to benefit from intergenerational wealth homeownership offers; they are being pushed out of the rental market, driven to less desirable areas of high poverty and crime or worse becoming homeless.

Congress, we need you to act and be our champion.

> Mandate that all foreclosures, fannie mae, freedie mac, ginnie mae stipulate they are offered to first time home buyers like Homepath.
>
> Create tax incentives for sellers when their property is sold to the first home buyer.
>
> Waive the FHA 90-day flipping rule. This would allow first-time homebuyers access to more inventory and better financing terms.

HUD manages the largest rental assistance program, the housing choice voucher program(HCV) . Over 80% of the families on the HCV program are African Americans. We are all familiar how HCV assists in leasing a home, but most are completely unaware that families could purchase a home instead, using that same voucher. I personally have had tremendous success transitioning these families to homeownership and in high opportunity neighbors. This needs to be expanded on a national scale. The bottom line we can't tell sellers who to sell their homes too, but we can encourage them and incentivize them to sell to first-time home buyers. I appreciate this opportunity to shine a light on where the tire meets the road in your districts.

Resources

The article below is about change in the 2017 tax law reform passed by congress

https://www.forbes.com/sites/forbesbusinesscouncil/2021/05/24/exploring-the-tax-benefits-of-real-estate-investing/?sh=146231b553ff

from the 1968 court case

At the end of its term in June of that year the Court ruled 7-2 that U.S. Code Section 1982 did indeed protect the Joneses' right to purchase the property. Justice Potter Stewart wrote for the majority, "We hold that § 1982 bars all racial discrimination, private as well as public, in the sale or rental of property, and that the statute, thus construed, is a valid exercise of the power of Congress to enforce the Thirteenth Amendment." Reviewing the legislative history of Section 1982, Stewart explained that

The Thirteenth Amendment authorized Congress to do more than merely dissolve the legal bond by which the Negro slave was held to his master; it gave Congress the power rationally to determine what are the badges and the incidents of slavery and the authority to translate that determination into effective legislation...Whatever else they may have encompassed, the badges and incidents of slavery that the Thirteenth Amendment empowered Congress to eliminate included restraints upon those fundamental rights which are the essence of civil freedom, namely, the same right . . . to inherit, purchase, lease, sell and convey property, as is enjoyed by white citizens.

EPLY

## What is HomePath?

HomePath is the name we use to market and sell Fannie Mae's real estate owned (REO) properties. HomePath homes are listed for sale on HomePath.com, complete with photos, detailed descriptions, and resources like financing options to help homebuyers navigate the purchase process. Our goal is to support neighborhood stabilization, which includes prioritizing sales to owner occupants and selling properties in a timely manner to promote stability and minimize the impact to the local community.

**Written Testimony before the**
**U.S. House Committee on Financial Services, Subcommittee on Oversight and Investigations**
**U.S. House of Representatives**

**Hearing on**
**"Where Have All the Houses Gone? Private Equity, Single Family Rentals, and America's Neighborhoods"**

**Sofia Lopez**
**Action Center on Race & the Economy (ACRE)**

**June 28, 2022**

The Foreclosure Crisis fundamentally changed the housing market, creating the perfect conditions for Wall Street-backed single-family landlords to flourish at the expense of homeowners going through foreclosure because of predatory and racist lending practices. In an echo of what happened in the 2010s, institutional landlords have seized the COVID-19 pandemic as an opportunity to expand their reach even further into our homes. As stunning volumes of capital have rushed to invest in single-family rentals (SFRs), we've seen the ratio of investors buying homes set new records, while households across the country have seen unthinkable rent increases, especially in Sunbelt cities with large communities of color, high population growth, and weak tenant protections.[1]

The National Rental Home Council, the SFR trade group led by the largest Wall Street-backed landlords, insists institutional landlords are bringing professionalization to the single-family rental industry, which is otherwise operated by small-scale landlords.[2] Yet this so-called professionalized business model often squeezes tenants while reaping record-breaking profits.[3] Tenants' experiences across geographies and across institutional landlords are remarkably consistent, and shed much-needed light on how profit-maximizing business logic has no place

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[1] Malone, Thomas. "Single-Family Investor Activity Surges in the Second Quarter." *CoreLogic, Inc.* 8 October 2021. https://www.corelogic.com/intelligence/single-family-investor-activity-surges-in-the-second-quarter.; Olick, Diana. "Single-family rent prices are surging at a record rate, led by homes in Sun Belt cities like Miami and Phoenix." *CNBC.* 15 Mar 2022. https://www.cnbc.com/2022/03/15/single-family-rent-prices-are-soaring-led-by-homes-in-the-sun-belt-.html

[2] "Resources." National Rental Home Council website. Accessed June 25, 2022. https://www.rentalhomecouncil.org/resources-research/

[3] Frankel, Todd C, and Keating, Dan. "Eviction filings and code complaints: What happened when a private equity firm became one city's biggest homeowner." *Washington Post.* 25 Dec 2018. https://www.washingtonpost.com/business/economy/eviction-filings-and-code-complaints-what-happened-when-a-private-equity-firm-became-one-citys-biggest-homeowner/2018/12/25/995678d4-02f3-11e9-b6a9-0aa5c2fcc9e4_story.htm; Colarossi, Natalie. "U.S. Largest Provider of Single-Family Rent Homes Made Largest Profit Ever Amid Pandemic." *Newsweek.* 30 Mar 2021. https://www.newsweek.com/us-largest-provider-single-family-rent-homes-made-largest-profit-ever-amid-pandemic-1579817.

in our homes. Large rent increases,[4] overwhelming fines and fees,[5] eviction filings,[6] and inadequate maintenance[7] are all part of a set of business practices that have caused tenants in some geographies to leave their Wall Street-owned homes, only to find themselves renting from a different Wall Street-owned landlord with the same set of practices.[8] Because the foreclosure crisis hurt communities of color most and Wall Street-backed landlords are prevalent in communities of color, institutional ownership of single-family rentals continues to harm the same communities, over and over. Fortunately, there are opportunities to break the cycle and address this problem now, beginning with broad tenant protections, transparency in property ownership, curbs on speculation in our homes, and deep investments in truly affordable housing.

**The Origins of Private Equity[9] in Single-Family Rentals**

The institutionalized single-family rental industry is a product of the Foreclosure Crisis, during which Wall Street investors saw an unprecedented opportunity to assemble portfolios of low-cost homes from families who had lost their homes to foreclosure or had fallen behind on their mortgages. These families, often families of color, were trapped by predatory and racist mortgage lending practices.[10] As home prices fell, Wall Street investors sent buyers to auctions across the country to bid on foreclosed homes with the intent of buying cheap and renting them out.[11]

Private equity's hold on the single-family rental industry consolidated so rapidly that before 2007, the market was almost exclusively owned and operated by small-scale landlords, and as recently as 2011 no landlord owned more than 1,000 SFR units.[12] A mere seven years later, in

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[4] Fields, Desiree and Vergerio, Manon. "Corporate landlords and market power: What does the single-family rental boom mean for our housing future?" *UC Berkeley*. 13 April 2022, p. 32–35. https://escholarship.org/content/qt07d6445s/qt07d6445s.pdf.

[5] Ibid, p. 36–37.

[6] Private Equity Stakeholder Project. "Private Equity & Corporate Landlord Evictions Tracker." Accessed October 18, 2021. https://docs.google.com/spreadsheets/d/1IgntfTGWT4rbylrmtYDiEWJODbrHAofNMrKaqcHXG9E.

[7] Lopez, Sofia." Written testimony for the Committee on Banking, Housing, and Urban Affairs, U.S. Senate on 'How Private Equity Landlords are Changing the Housing Market.'" 21 Oct 2021. p. 4. https://www.banking.senate.gov/imo/media/doc/Lopez%20Testimony%2010-21-21.pdf.

[8] Liliana Baiman and Katie Goldstein (housing organizers) in conversation with the author on conditions in Las Vegas, NV, and North Carolina, June 2022.

[9] Private equity firms are companies that pool money from investors—such as pension funds, insurance companies, endowments from universities or foundations, and high net worth individuals—to buy other companies. These sources of investment capital are pooled into private funds that are not subject to public disclosures and as a result much less accountability or oversight. See Applebaum, Eileen and Batt, Rosemary. "A Primer on Private Equity: Management, Employment, and Sustainability." *Center for Economic and Policy Research*. February 2012. p. 3. https://cepr.net/documents/publications/private-equity-2012-02.pdf

[10] Powell, Michael. "Bank Accused of Pushing Mortgage Deals on Blacks" *New York Times*. 6 June 2009. https://www.nytimes.com/2009/06/07/us/07baltimore.html

[11] Mari, Francesca. "A $60 Billion Housing Grab by Wall Street." *New York Times*. 22 Oct 2021. https://www.nytimes.com/2020/03/04/magazine/wall-street-landlords.html

[12] Christophers, Brett. "How and Why U.S. Single-Family Housing Became an Investor Asset Class." *Journal of Urban History*. 8 July 2021. p. 6. https://doi.org/10.1177/00961442211029601.

2018, the industry had consolidated to the point where institutional investors owned as many as 300,000 single-family rental homes in total.[13] Now, in 2022, just under 300,000 single-family rental homes are owned by the five largest SFR companies.[14]

The speed and scale of institutional landlord growth was possible not just because private equity companies had huge sums of money at their disposal, but because Fannie Mae, Freddie Mac, and the Department of Housing and Urban Development all sold non-performing mortgage loans in bulk to Wall Street-backed landlords.[15] These sales were designed to test whether government policy could "stimulate housing markets" by "attracting large, well-capitalized investors."[16] These sales helped establish Blackstone, Colony Capital, Starwood Capital, Waypoint Real Estate Group, and American Homes 4 Rent as the dominant institutional landlords.[17]

In 2016, Invitation Homes, a Blackstone-created single-family landlord, had acquired a portfolio of nearly 50,000 homes, concentrated across California and Florida, and in Atlanta, Phoenix, Seattle, and Chicago; these markets accounted for approximately 85% of Invitation Homes' revenue that year.[18] The following year Fannie Mae guaranteed a staggering $1 billion, 10-year loan to Invitation Homes, and through a series of mergers and acquisitions, Invitation Homes claimed its spot as the largest SFR landlord in the country.[19] In 2019, Blackstone cashed out of the portfolio company they had created, earning about $7 billion since Invitation Homes went public in 2017.[20]

At the onset of the COVID-19 crisis, institutional landlords emphasized that their rental portfolios had proven recession-resilient during the Foreclosure crisis, suggesting that their recent SFR investments were similarly resilient investments during the COVID-19 crisis.[21] Thus, 2020 saw

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[13] Ibid, p. 5.
[14] Lopez, Sofia, et al. *The National Rental Home Council: How America's Largest Single-Family Landlords Put Profit Over People.* Action Center on Race & the Economy. 24 May 2022. p. 3. https://acrecampaigns.org/wp-content/uploads/2022/05/ACRE_May-20_04.pdf.
[15] Abood, Maya, et al. *Wall Street Landlords turn American Dream into a Nightmare: Wall Street's big bet on the home rental market, and the bad surprises in store for tenants, communities, and the dream of homeownership.* ACCE Institute. 17 January 2018. p. 5, 35–37. https://d3n8a8pro7vhmx.cloudfront.net/acceinstitute/pages/100/attachments/original/1516388955/WallstreetLandlordsFinalReport.pdf?1516388955.
[16] Ibid, p. 35.
[17] Christophers, "How and Why U.S. Single-Family Housing Became an Investor Asset Class," p. 5.
[18] Ibid, p. 5.
[19] Mari, "A $60 Billion Housing Grab by Wall Street."
[20] Dezember, Ryan. "Blackstone Moves Out of Rental-Home Wager With a Big Gain." *The Wall Street Journal.* 2 November 2019. https://www.wsj.com/articles/blackstone-moves-out-of-rental-home-wager-with-a-big-gain-11574345608.
[21] Nicoll, Alex and Geiger, Daniel. "How 2020 transformed the single-family rental market and why your next landlord might be a multibillion-dollar corporation." *Business Insider.* 23 Dec 2020. https://www.businessinsider.com/single-family-rental-companies-institutional-backers-homes-wall-street-2020-12

tens of billions in fundraising committed to SFRs from various institutional investors.[22] Given constraints in newer inventory, Wall Street landlords are increasingly turning to build-to-rent communities, often through partnerships with large-scale homebuilders.[23] In March 2021, the second largest homebuilder, Lennar, and investors Centerbridge and Allianz formed a venture to acquire $4 billion worth of newly-built homes.[24] Later that year, Invitation Homes, the largest SFR landlord, and the third largest home builder, PulteGroup formed a similar partnership whereby PulteGroup would build homes to sell to Invitation Homes for rent.[25]

With so much capital flooding the SFR industry today, some analysts anticipate Wall Street-backed landlords could account for as much as 50% of all SFRs within five years, while other slightly more conservative estimates suggest institutional ownership of SFRs could reach 40% of the market by 2030.[26] The CEO of Tricon Residential recently estimated institutional ownership of SFRs could increase by about one million homes in the next decade.[27] Despite recent evidence of a cooling housing market and rising interest rates, institutional landlords are in a favorable position with cash on hand and the ability to negotiate with builders who are eager to unload assets they may otherwise struggle to sell.[28]

**Private Equity's Business Model and Its Impact on Tenants**

Across industries private equity's business model hinges on boosting revenue, cutting costs, and maximizing efficiencies.[29] As in other industries, this is a recipe for disaster: in housing, it translates into exorbitant rent increases, eye-popping fines and fees, inadequate maintenance, aggressive eviction filings, and opaque and confusing ownership structures that can create challenges for tenants who simply want to know who owns their home.

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[22] Nguyen, Danielle. "The Light: Now Tracking $50+ Billion of Capital Flooding SFR and BFR Sector." *RealEstateConsulting.com.* 28 Jan 2022. https://www.realestateconsulting.com/now-tracking-50-billion-of-capital-flooding-sfr-and-bft-sector.

[23] Clark, Patrick. "Mega Landlords Are Snapping Up Zillow Homes Before the Public Can See Them." *Bloomberg*. 21 May 2021. https://www.bloomberg.com/news/articles/2021-05-21/mega-landlords-are-snapping-up-zillow-homes-before-the-public-can-see-them.

[24] "The Top 100" *Builder Online*. 2022. https://www.builderonline.com/builder-100/builder-100-list/2022; Gopal, Prashant and Clark, Patrick. "Wall Street's $85 Billion Housing Bet Intensifies U.S. Land Boom" *Bloomberg.* 28 January 2022. https://www.bloomberg.com/news/articles/2022-01-28/rental-home-demand-from-wall-street-has-land-prices-soaring.

[25] PulteGroup. PulteGroup and Invitation Homes Form Strategic Relationship to Build Single-Family Rental Projects in Select PulteGroup Communities [Press Release]. 26 July 2021. https://www.pultegroupinc.com/investor-relations/press-releases/press-release-details/2021/PulteGroup-and-Invitation-Homes-Form-Strategic-Relationship-to-Build-Single-Family-Rental-Projects-in-Select-PulteGroup-Communities.

[26] Campbell, Kyle. "When will single-family rental reach institutional scale?" *PERE News*. 25 Feb 2022. https://www.perenews.com/when-will-single-family-rentals-reach-institutional-scale

[27] Ibid.

[28] Clark, Patrick. "Landlords Ready War Chests to Buy in Cooling US Housing Market." *Bloomberg.* 13 June 2022. https://www.bloomberg.com/news/articles/2022-06-13/landlords-ready-war-chests-to-buy-in-cooling-us-housing-market

[29] Americans for Financial Reform. "America for Sale? An Examination of the Practices of Private Funds: Written testimony for the Committee on Financial Services." U.S. House of Representatives, 116th Cong. 2019. p. 151–152. https://financialservices.house.gov/uploadedfiles/chrg-116hhrg42474.pdf.

Rent Increases - Several of the largest SFR companies have reported staggering profits in 2021 thanks to dramatic rent increases and large growth in fee revenue. For example, on their 2021 3rd quarter earnings call, Invitation Homes noted it had raised rents by 30% in Phoenix, 29% in Las Vegas, 21% in Tampa, 20% in Atlanta, and 19% in Jacksonville.[30] At the end of 2021 Invitation Homes reported a 33%, or $65 million, increase in profits from 2020.[31]

Similarly, in the 3rd quarter of 2021 American Homes 4 Rent's CEO stated, "We're really excited and optimistic about the ability to push rents next year."[32] American Homes 4 Rent had an increase in rental revenue of 16.4% between 2019 and 2021, and reported increasing rents on vacant homes by 11% in April 2021.[33] Like Invitation Homes, American Homes 4 Rent's 2021 profits were 36%, or $55.7 million, higher than in 2020.[34]

In 2021, Minneapolis tenants living in HavenBrook Homes rentals, owned by Pretium Partners and now managed by Progress Residential, reported rent increases of $100-$200 per month, and when tenants struggled to sign digital lease renewals, month-to-month arrangements triggered automatic 20% monthly rent increases.[35] According to housing organizers working with tenants in Las Vegas, Progress Residential tenants living there report similar dynamics: they have been hit with annual rent increases of $100 or 15% for lease renewals multiple years in a row. If tenants switch to month-to-month leases, their rent doubles. Some of these tenants grew frustrated, expressing they have been treated like customers signing a new lease year after year. At least one tenant left their Progress Residential home only to find themselves in a Blackstone-owned multifamily apartment.[36]

Fines and Fees - In addition to rent increases, tenants must deal with additional housing costs from fees for "ancillary services" and "tenant charge-back fees" which landlords use to recoup expenses they claim tenants are responsible for.[37] Fees are so central to the private equity

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[30] Fields and Vergerio, "Corporate landlords and market power," p. 35.
[31] Invitation Homes, Inc. SEC Form 10-K for the fiscal year ending December 2021. p. 62. https://d18m0p25nwr6d.cloudfront.net/CIK-0001687229/d2202ae4-d277-41e8-8e4c-054f343df603.pdf.
[32] "American Homes 4 Rent (AMH) CEO David Singelyn on Q3 2021 Results - Earnings Call Transcript." *Seeking Alpha*. 5 November 2021. https://seekingalpha.com/article/4466234-american-homes-4-rent-amh-ceo-david-singelyn-on-q3-2021-results-earnings-call-transcript;
[33] Guion, Payton; Dukes, Tyler; and Rago, Gordon. "Wall Street landlords are optimized for profit, sometimes squeezing tenants" *Charlotte Observer*. 2 May 2022. https://www.charlotteobserver.com/news/state/north-carolina/article260940817.html; Clark, Patrick. "Rent Surges on Single-Family Homes With Landlords Testing Market." *Bloomberg*. 7 May 2021. https://www.bloomberg.com/news/articles/2021-05-07/rent-surges-on-single-family-homes-with-landlords-testing-market
[34] American Homes 4 Rent, L.P. SEC Form 10-K for the fiscal year ending December 2021. p. 41 https://d18m0p25nwr6d.cloudfront.net/CIK-0001562401/e5e7b1c3-a30e-45c8-b416-091006d1fc8a.pdf.
[35] Lopez, "Written testimony for the Committee on Banking, Housing, and Urban Affairs," p. 4.
[36] Liliana Baiman and Katie Goldstein (housing organizers) in conversation with the author on conditions in Las Vegas, NV, June 2022.
[37] Fields and Vergerio, "Corporate landlords and market power," p. 3.

landlord model that one CEO called the failure to capture fee revenue "revenue leakage."[38] In 2016, fees and "clawbacks," like retaining tenants' security deposits, generated $26 million in revenue for Colony Starwood (formerly Colony American), which was later acquired by Invitation Homes.[39]

In 2021, American Homes 4 Rent attributed 15.8% of their revenue to tenant charge-back fees.[40] American Homes 4 Rent's fee revenue grew 63.8% between 2019 to 2021.[41] Invitation Homes generates fee revenue by charging tenants "utility reimbursements, late fees, move out fees, pet fees, pest control services, landscaping services, smart home appliances, and other 'miscellaneous' fees."[42] Tricon Residential owns and operates about 30,000 single-family rentals, and tripled their profits from $113 million in 2020 to $517 million in 2021, an increase that was fueled in part by fees and costs passed to tenants, like renter's insurance and air filter replacements.[43] Tricon reported the company was able to take in $640 per home, per month in fee and other revenue and anticipates increasing this monthly revenue per home to between $850 and $950.[44]

Maintenance - The private equity business model requires institutional landlords to reduce costs, which can have disastrous consequences for maintenance of tenants' homes. This can include offloading maintenance responsibilities onto tenants. For example, one tenant's 39-page lease renewal made him financially responsible for hypothetical bedbug infestations; excused Invitation Homes from liability for property damage, including potential injury or death from mold exposure; and included an agreement whereby the tenant would leave the home if he was taken to court again, in addition to a rent increase.[45]

In 2021, Minneapolis tenants living in properties owned by HavenBrook Homes, now managed by Progress Residential, reported waiting up to a year for necessary and urgent repairs, including holes in roofs and ceilings, broken stairways, lead paint, flooding, faulty electrical systems, broken and inoperable appliances, pest infestations, and black mold.[46] The following year, in January 2022, the city of Columbia Heights, MN, a Minneapolis suburb, revoked HavenBrook's license based on conditions so bad they were deemed to "put residents' lives at

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[38] Mari, "A $60 Billion Housing Grab by Wall Street."
[39] Ibid; "Invitation Homes, Starwood Waypoint Homes merge to create largest single-family landlord." *Housing Wire*. 16 November 2017. https://www.housingwire.com/articles/41839-invitation-homes-starwood-waypoint-homes-merge-to-create-largest-single-family-landlord/
[40] Fields and Vergerio, "Corporate landlords and market power," p. 3.
[41] Guion, Dukes, and Rago, "Wall Street landlords are finely tuned to make profits."
[42] Fields and Vergerio, "Corporate landlords and market power," p. 36–37.
[43] Tricon Residential 2021 Annual Report. p. 43 https://s29.q4cdn.com/296929481/files/doc_financials/2021/ar/Tricon-2021-Annual-Report.pdf; Tricon Residential SEC Form F-10. October 5, 2021. p. S-21. https://docoh.com/filing/1584425/0001193125-21-291505/TCN-F10.
[44] Tricon Residential SEC Form F-10, p. S-21–S-22.
[45] Mari, "A $60 Billion Housing Grab by Wall Street."
[46] Lopez, "Written testimony for the Committee on Banking, Housing, and Urban Affairs," p. 4.

risk."[47] Tenants were told they needed to vacate their homes within 45 days because of the company's failure to address maintenance issues at multiple properties.[48] In February 2022, Minnesota Attorney General Keith Ellison announced he had filed a lawsuit against HavenBrook Homes and its owner Pretium Partners, alleging that the company was in violation of Minnesota law for claiming to provide high-quality service while extracting profit from tenants and leaving them in "uninhabitable homes."[49]

Evictions - Many of these landlords obtain low-cost debt through rent-backed securities, collateralized by future rent payments, and underwritten with assumptions about occupancy rates. For example, in 2017 the majority of Invitation Homes' debt was in the form of rent-backed securities underwritten based on an assumption of 94% paying-occupancy.[50] To maintain cash flow to repay their debt-holders, and a favorable bond rating to procure more cheap financing, these landlords must address non-paying tenants quickly.

During the COVID-19 pandemic addressing evictions took on new and tragic urgency. Yet an eviction tracker created by the Private Equity Stakeholder Project shows that in 2021 Invitation Homes had filed over 1,300 evictions, and Pretium Partners, which includes HavenBrook Homes, Progress Residential, and Front Yard Residential, filed over 2,200 evictions over the same period.[51]

Despite federal Emergency Rental Assistance intended to prevent evictions and keep residents safe in their homes, Invitation Homes told tenant Marvia Robinson the company would not accept rental assistance she had received, and instead suggested she sell her plasma, hair, or eggs, or obtain a payday loan to cover her back rent.[52]

Lack of Transparency - Often, when tenants and researchers try to look up who owns an institutionally-owned property through publicly available data they find a string of letters followed by LLC. In addition to properties changing hands and convoluted financial relationships, tenants are often unsure who really owns their home, and to whom to appeal when problems arise.[53]

There is no shortage of stories like the ones previously mentioned. Overall, institutional landlords follow a very consistent playbook, with the largest publicly-traded players reporting dramatic earnings growth to their shareholders, while tenants face painful increases in rent and

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[47] City of Columbia Heights. "City Statement Regarding HavenBrook Rental License Revocation." January 20, 2022. https://www.columbiaheightsmn.gov/news_detail_T17_R581.php
[48] Ibid.
[49] The Office of Attorney General Keith Ellison. "Attorney General Ellison Sues HavenBrook Homes, One of the Largest Landlords in Minnesota, for Failing to Repair Rental Homes, violating law," 10 Feb 2022. https://www.ag.state.mn.us/Office/Communications/2022/02/10_HavenBrookHomes.asp.
[50] Mari, "A $60 Billion Housing Grab by Wall Street."
[51] Private Equity Stakeholder Project, "Private Equity & Corporate Landlord Evictions Tracker."
[52] "Giant landlords pursue evictions despite CDC ban." *Reuters*. 23 April 2021. https://news.yahoo.com/giant-landlords-pursue-evictions-despite-172224571.html
[53] Mari, "A $60 billion housing grab by Wall Street."

fines and fees; inadequate maintenance; eviction filings if they fall behind on rent; and challenges knowing who their landlord is.

**Market Concentration, Market Influence**

Despite institutional landlords' insistence that they make up a mere 2% of the nation's SFR market, their portfolios are geographically concentrated.[54] For example 71.2% of Invitation Homes' total revenue comes from the western U.S. and Florida, though they are expanding into the Southeastern U.S., Texas, Charlotte, and Atlanta, and intend to buy as much as possible in Phoenix, Denver, and Dallas.[55] Similarly, American Homes 4 Rent's current strategy focuses on the Sunbelt and the Midwest, with current holdings concentrated in Arizona, Florida, Georgia, North Carolina, Tennessee and Texas; with several thousand properties in Indiana, Illinois, and Ohio; and approximately 5,000 homes in Atlanta as of December 2021.[56]

Institutional landlords were initially concentrated in foreclosure hot spots Phoenix, Atlanta, Las Vegas, Sacramento, Miami, Charlotte, Los Angeles, and Denver; by 2020, institutional investors owned 11.3 percent of single-family rentals in Charlotte, 9.6 percent in Tampa, and 8.4 percent in Atlanta.[57] In 2021, the top 10 metro areas with the highest shares of investor ownership were concentrated, from largest to smallest, in: Memphis, TN; Atlanta, GA; Lubbock, TX; McAllen, TX; Brownsville, TX; Phoenix, AZ; Beaumont, TX; Salt Lake City, UT; Boise, ID; and El Paso, TX.[58] In Mecklenburg County, where Charlotte, NC is located, large corporate landlords own an estimated one out of every four rental homes as of May 2022.[59] Unsurprisingly, investors seem most attracted to locations with weak tenant protections alongside high population growth and housing price appreciation.[60]

Of course this concentration is not race-neutral. The communities hit hardest by the foreclosure crisis were communities of color, and the cities where investors own the greatest share of homes all have significant communities of color.[61] For example, Memphis is 64% Black, and has the lowest rate of Black homeownership of the 50 largest cities, and the highest share of investor ownership of homes.[62] Over the last two years, in Shelby County, where Memphis is located, Cerberus Capital Management, Pretium Partners, American Homes 4 Rent, and others

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[54] "Resources," National Rental Home Council website.
[55] Fields and Vergerio, "Corporate landlords and market power," p. 24.
[56] Ibid, p. 24–25.
[57] Mari, "A $60 Billion Housing Grab by Wall Street."
[58] Malone, "Single-family Investor Activity Surges in the Second Quarter."
[59] Guion, Dukes, and Rago, "Wall Street landlords are finely tuned to make profits."
[60] Malone, "Single-family Investor Activity Surges in the Second Quarter."
[61] Henry, Ben, et al. *Wasted Wealth: How the Wall Street Crash Continues to Stall Economic Recovery and Deepen Inequality in America*. Alliance for a Just Society. May 2013. p. 1 http://allianceforajustsociety.org/wp-content/uploads/2013/05/Wasted.Wealth_NATIONAL.pdf
[62] Powell, Aisha. "Home buying competition from investors could impact the Black-white wealth gap in Shelby County." *The Grio*. 16 October 2021. https://thegrio.com/2021/10/16/home-buying-competition-from-investors-black-wealth-gap.

have purchased a combined 7,000 homes with a median value of $145,000.[63] Researchers found similar relationships in Los Angeles County, Fulton County, GA, and the city of Atlanta, where higher concentrations of institutional SFR ownership was correlated with higher concentrations of Black residents compared with neighborhoods with little or no SFR investment.[64]

Private equity-backed landlords are very specific in the size, age, and price of the homes they acquire, with early institutional buyers focusing on three- or four-bedroom homes in the $300–$600 thousand price range, concentrated in high-performing school districts.[65] In 2020, Invitation Homes was concentrating its purchases on homes in the 1,700 to 2,400-square-foot range, and selling some of its larger homes due to challenges renting them out.[66] One Reuters report captures how the market segment where these companies focus can leave tenants feeling they have no choice but to rent from, in this case, Invitation Homes because of proximity to their children's schools, jobs, and family.[67] Tenants in Las Vegas and North Carolina have expressed similar feelings: locked out of homeownership, and finding conditions in their current Wall-Street owned rentals frustrating, they leave their rentals, only to find themselves in homes owned by different Wall Street landlords with the same fundamental practices.[68]

SFR landlords are primarily focused on lower-cost homes, they have cash at their disposal, and they are willing to waive inspections in favor of their data-based valuation models; for these reasons, first-time and lower-income prospective home buyers cannot compete for these homes.[69] Given the documented relationship between race and income, it's likely that prospective home buyers of color are most harmed, and if they want to rent a single-family home in a particular community, they may find themselves with few options other than to rent from an institutional landlord.[70]

**Tech Infrastructure Fuels the Single-Family Rentals**

The rise and expansion of the SFR industry was and continues to be fueled by growth in technological capabilities, including price modeling based on anticipated appreciation and rent

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[63] Ibid.
[64] Abood, et al, "Wall Street Landlords turn American Dream into a Nightmare," p. 30–31.
[65] Mari, "A $60 Billion Housing Grab by Wall Street."
[66] Ibid.
[67] Conlin, Michelle. "Spiders, sewage and a flurry of fees – the other side of renting a house from Wall Street." *Reuters*. 27 July 2018. https://www.reuters.com/investigates/special-report/usa-housing-invitation.
[68] Liliana Baiman and Katie Goldstein (housing organizers) in conversation with the author on conditions in Las Vegas, NV, and North Carolina, June 2022.
[69] Malone, "Single-Family Investor Activity Stalls in the Fourth Quarter of 2021"; Gutierrez, Gabe. "Investment companies pricing out homebuyers." *NBC News*. 6 Oct 2021. https://www.nbcnews.com/nightly-news/video/investment-companies-pricing-out-homebuyers-122940997741
[70] Wilson, Valerie. "Racial disparities in income and poverty remain largely unchanged amid strong income growth in 2019." *Economic Policy Institute, Working Economics Blog*. 16 Sept 2020. https://www.epi.org/blog/racial-disparities-in-income-and-poverty-remain-largely-unchanged-amid-strong-income-growth-in-2019.

growth, and smart home infrastructure like locks, temperature controls, and more. Smart home technology makes it easier for institutional landlords to manage dispersed properties while also providing another avenue to charge tenants fees, and drive revenue for landlords.[71]

Like build-for-rent, iBuyers—tech companies that buy, make repairs, and then sell homes—have been an important source of inventory for private equity-backed landlords.[72] In the interest of boosting revenue iBuyers can opt to sell their inventory to private equity-backed landlords in higher volumes or to owner-occupants. Cerberus Capital Management, Invitation Homes, Tricon Residential, and Pretium Partners have all turned to iBuyers to increase their SFR inventory, with Pretium buying thousands of homes from Zillow's failed iBuying operation.[73]

**Conclusion**

It's important to acknowledge that private equity and Wall Street-backed landlords are in every sector of the housing market, including affordable and market-rate multifamily units, privatized public housing, mobile homes, student housing, and assisted living facilities; and residents in these sectors of the market often face the same nightmarish practices that yield immense profits for investors. Fortunately, there are ways to protect tenants from these abuses while supporting aspiring homeowners and filling holes in the current patchwork of tenant protections that vary drastically from one community to the next.

The most straightforward fix for the worst conditions institutional SFR tenants face is comprehensive, nationwide tenant protections, including: protection from excessive rent increases and excessive fines and fees, just cause eviction protection, a tenant right to counsel, and a right to organize. These policies would end exorbitant rent increases and unfair fees, while curbing speculation in our homes. Just cause protections would allow tenants to renew their leases and require a reasonable justification for removing a tenant from their home, and lastly a right to counsel and a right to organize would give tenants a fair chance to defend themselves against evictions and unsafe living conditions.

In order to shed light on the expansion of private equity into our homes, we need a comprehensive landlord registry that establishes a transparent housing market, where we know who owns what and tenants know exactly who their landlord is.

Lastly, we need massive federal investment in truly affordable housing that is not profit-motivated, but instead is dedicated to fulfilling a fundamental right to housing, free from the harmful practices private-equity landlords are carrying out across their portfolios.

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[71] Tricon Residential SEC Form F-10, p. S-21.

[72] Clark, "Mega Landlords Are Snapping Up Zillow Homes Before the Public Can See Them."

[73] Ibid; Clark, Patrick. "Zillow Selling More Homes to Pretium as Flipping Effort Ends." *Bloomberg*. 11 February 2022. https://www.bloomberg.com/news/articles/2022-02-11/zillow-selling-more-homes-to-pretium-as-flipping-effort-ends.

Our housing market is rapidly changing, with single-family homes consolidating into fewer hands. As the largest landlords, builders, and financiers increasingly partner with one another, our communities and neighbors will continue to feel the consequences. We must follow the lead of tenants and housing justice organizers to create a more just housing system.

Elora Raymond, PhD
Testimony for June 28, 2022

**Testimony before the
House Committee on Financial Services
Oversight and Investigations Subcommittee**

Hearing on:
*Where have all the houses gone? Private equity, single family rentals, and America's Neighborhoods*

June 28th, 2022

## Introduction

Thank you Chair Green, Ranking Member Emmer, and members of the committee for the opportunity to testify today.

My name is Elora Raymond. I am an Assistant Professor in the School of City and Regional Planning at the Georgia Institute of Technology. I research real estate finance, racial inequality, and affordable housing. A focus of my research has been on the role of institutional investors as landlords, and the effects on evictions, gentrification, and minority homeownership.

I have researched this topic since 2015, and have published Federal Reserve Bank discussion papers and journal articles on the consequences of Institutional Single-Family Rentals (ISFR) for households and neighborhoods, with a particular focus on disparate impacts to racial and ethnic minorities. My comments will focus on ISFR and evictions, gentrification, growing market power, and disparate impact.

## I. Overview

Institutional SFR began as an industry highly concentrated in Black and Hispanic neighborhoods across the sunbelt. Because racial minorities were targeted by lenders for high-risk subprime mortgages, foreclosures clustered in predominantly Black and Hispanic neighborhoods (Massey, Rugh, Steil, & Albright, 2016). Metro areas in the sunbelt had high rates of foreclosed homes, and an elastic housing supply, leading to a prolonged housing recession (Immergluck, 2011). Following the foreclosure crisis, as post-foreclosure, bank-owned homes were sold en masse to institutional investors, the ISFR business established itself in predominantly Black and Hispanic neighborhoods across the country.

In the decade since the emergence of ISFR, we have learned that institutional investors crowd out homeownership and reduce housing affordability. Federal Reserve Bank of Philadelphia researchers found that private equity investment crowds out homeownership at the local level (Lambie Hanson, Li & Slolonsky, 2018). Other papers find that the presence of ISFR locally reduces the affordability of homeownership for those who can buy, particularly for first-time homebuyers and moderate-income families purchasing in the bottom price tier (Garriga, Gete, & Tsouderou, 2021).

These detrimental effects on homeownership and affordability are particularly troubling because of the way that institutional investors continue to expand market share in moderate income, homeowning communities of color (Freemark, Noble & Su, 2021). In my recent research with the Urban Institute on ISFR in Atlanta, Miami and Tampa, institutional investors bought 25% of all single-family homes. On average, they purchased in neighborhoods where 84% of residents are non-White (Raymond, Zha, Knight-Scott & Cabrera, 2022). In a 40-metro study, Redfin and the Washington Post found that SFR investors comprised 30% of all home purchases in majority Black zip codes in 2021 (Schuall & O'Connell, 2022).

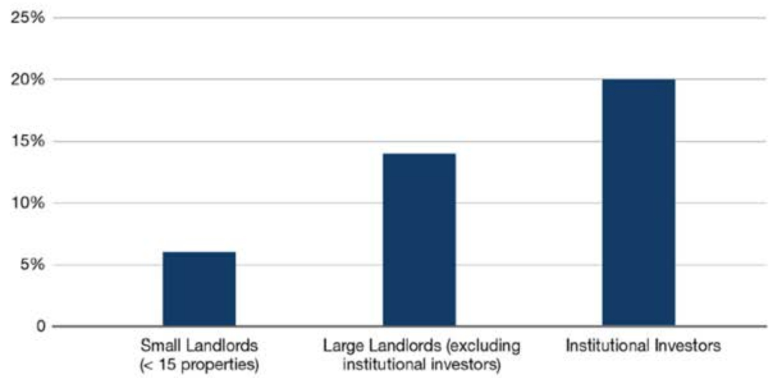
While the provision of affordable, stable rental housing is fundamental to household and neighborhood wellbeing, homeownership is crucial for households to build housing wealth. Homeownership is particularly important for closing the racial wealth gap. Some estimate that whether or not a household owns a home is a more important component of wealth inequality than income or education (Shapiro, Meschede, & Osoro, 2013). Protecting communities of color is important too: research suggests that divergent returns to homeownership is the number one contributor to the growing wealth gap between White and Black families (Oliver & Shapiro, 2006; Taylor, Kochhar, Fry, Velasco, & Motel, 2011).

Other research has made it increasingly clear that institutional investors are not providing a good rental alternative to homeownership. Far from being good landlords, these firms have serious detrimental effects on tenants, homeowners, and the neighborhoods where they invest. Research has found that while institutional SFR provides great returns for investors, they have high eviction rates, poor maintenance, high hidden fees, and aggressive rent increases (Bankson, 2022; Mari, 2021). My research on eviction and gentrifications highlights the consequences of institutional investor landlords for tenants and neighborhoods in Atlanta.

## II. Eviction and Gentrification

In 2015, I published a discussion paper for the Federal Reserve Bank of Atlanta on the eviction practices of institutional single-family investors. My co-authors and I found that, overall, Atlanta has an extremely high eviction filing rate: 7% for single family homes. Institutional investors' eviction filing rate was astronomically high, at 20%, or two eviction filings for every ten homes they owned.

Figure 1: Eviction Filing Rates by Firm Type
Single Family Rentals in Atlanta, 2015




Source: Raymond, E. L., Duckworth, R., Miller, B., Lucas, M., & Pokharel, S. (2018). From foreclosure to eviction: Housing insecurity in corporate-owned single-family rentals. *Cityscape, 20*(3), 159-188.

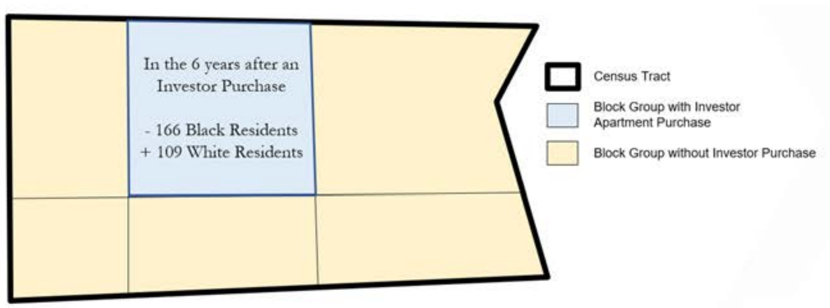
We confirmed this exceedingly high eviction rate was due to ISFR landlord by using statistical modelling to control for tenant demographics like race, education, and income; property factors like age of housing, price, and land value; and neighborhood characteristics. Renting from an institutional investor was the biggest predictor of an eviction. Institutional investors were 68% more likely to file for eviction than other landlords. Some firms were particularly aggressive. Amherst Residential was 55% more likely to file for eviction than other firms; American Homes 4 Rent was 180% more likely to file an eviction, even after controlling for tenant, property, and neighborhood characteristics (Raymond, Duckworth, Miller, Lucas & Pokharel, 2018).

Institutional landlords use eviction to boost profits, leveraging the threat of eviction to enhance rent collection, or completing evictions to displace existing tenants and replace them with higher income households at higher rents (Gormory, 2021; Garboden & Rosen, 2019). But these profits come at a heavy cost: evictions are devastating for tenants and neighborhoods, and exceedingly high eviction rates observed in Atlanta are unsustainable. Evictions can result in loss of property and lead to traumatizing homelessness spells. Eviction is associated with higher rates of depression, illness, and job loss. High rates of eviction lead to underperforming schools and poor student outcomes (Desmond, Gershenson, and Kiviat, 2015; Desmond and Kimbro, 2015; Desmond and Shollenberger, 2015). Even an eviction filing that is resolved can mar a tenant's credit record and bar them from renting elsewhere or accessing public assistance. And, at the neighborhood level, high eviction rates are associated with poor housing conditions, high rates of school turnover, and neighborhood and community instability (Desmond, 2012; Desmond and Shollenberger, 2015). The proliferate use of eviction by some of the wealthiest and most profitable firms in the nation in moderate income communities of color destroys lives, neighborhoods, and exacerbates racial inequality.

In addition to displacement through eviction, my research has linked institutional investors to gentrification and neighborhood change. In 2020 I conducted a study on whether institutional investors multi-family purchases lead to displacement and gentrification in Atlanta. Using data on evictions and deeded transactions from CoreLogic from 2000-2016, my coauthors and I asked whether an investor purchase predicted a spike in eviction judgements in the subsequent year. We found that a neighborhood with an investor purchase had a 33% higher likelihood of an eviction spike in the year after a purchase. This pattern was not observed with other types of investor purchases, and suggests that institutional investors displaced a large percentage of residents after acquiring a new property.

Another key question was whether institutional investor purchases were linked to long-term displacement of existing residents. To answer this question, we looked at neighborhoods with an investor purchase in 2004-2010 and compared them to adjacent neighborhoods that did not have an investor purchase. We compared the demographic trends in these neighboring areas over the following six years, from 2010 to 2016.

Figure 2: Demographic Change in Neighborhoods with an Institutional Investor Purchase
Atlanta, 2010-2016




Source: Raymond, E. L., Miller, B., McKinney, M., & Braun, J. (2021). Gentrifying Atlanta: Investor Purchases of Rental Housing, Evictions, and the Displacement of Black Residents. *Housing Policy Debate, 31*(3-5), 818-834.

We found that neighborhoods with an investor purchase of rental housing lost 166 Black residents compared to adjacent neighborhoods with no investor purchase. This study showed that institutional investor purchases were associated with eviction spikes, and long-term gentrification and displacement of Black communities in Atlanta.

## III. Dominant Market Share and Anti-Competitive Effects

Institutional investors were once distressed property investors, but their purchasing power has grown and now outpaces homeowners. In the 2010s, small investors were willing to pay around

30% less than owner-occupiers; this gap fell to 5% in 2017 (Chandan Economics, 2022)[1]. And in 2021, we saw investors outbid homeowners at market rates, purchasing 1 in 7 of all single-family homes in 2021[2] and increasing their market share of purchases in predominantly Black neighborhoods by 20% (Schuall & O'Connell, 2022). In our study in Atlanta, we found that Institutional investors purchased 53% of all SFR, and 17% of all homes in the summer of 2021.

Such high market shares raise concerns about the pricing power of institutional SFR in urban submarkets. Policymakers may need to determine whether firms have the market power to set sale price of homes in neighborhoods where they have existing assets/collateral for debt. Additionally, policymakers need to examine the market share of homes for rent to see if firms can set rents in areas where they have a higher market share.

There are two methodological issues with this sort of analysis that are policy-relevant and bear mentioning. First, because of the use of LLCs, Trusts, and SPVs in investor ownership of single-family rentals, without rental property registries, it is only possible to obtain a conservative estimate of institutional investors market share. Furthermore, the analysis to determine these conservative estimates is expensive and time-consuming. Second, it is important for policy makers to use meaningful market definitions when examining institutional investors' market share. We often hear commentators and firms defining institutional investors' market share nationally, but real estate is local. Urban economists, anti-trust lawyers, and most importantly, tenants and homebuyers, define the market for housing by submarket. That is, housing markets are sections of an urban area, segmented by housing tenure and by housing type (Goodman & Thibodeau 1998; Rothenberg, Galster, Butler, & Pitkin, 1991). Policymakers need to define housing markets meaningfully in analyses of market share.

Table 1: Median Purchase Price by Type of Buyer
Atlanta, GA

| Buyer Type | | 2019 Q2 | 2020 Q2 | 2021 Q2 | % change 2019 Q2 – 2021 Q2 | CAGR |
|---|---|---|---|---|---|---|
| *Large Corporate Firms* | Single-family Rental | $132,500 | $119,891 | $275,000 | 108% | 28% |
| | Rent-to-Own | $154,700 | $265,000 | $254,000 | 64% | 18% |
| | Trading Partner | $215,750 | $190,419 | $280,700 | 30% | 9% |
| *Other Corporate Buyers* | | $147,500 | $160,000 | $231,500 | 57% | 16% |
| *Households / Owner-Occupied* | | $260,000 | $274,000 | $335,200 | 29% | 9% |

Raymond, E; Zha, Yilun; Knight-Scott, E; Cabrera, L. (2022). Large corporate buyers of residential rental housing during the COVID19 Pandemic in three southeastern metropolitan areas. *Planning + Property Lab at Georgia Tech*, 2022-1.

[1] This study examined purchases by homeowners and small investors.
[2] This study examined purchases by all investors in SFR 40 metropolitan areas around the country.

Nationally, institutional investors have a high market share of home purchases. In given submarkets, institutional investors have extremely high market shares in single-family homes. In our study on ISFR in Tampa, Miami and Atlanta, institutional investors bought one in six of all single-family rentals in summer of 2021. In Atlanta alone, Institutional investors bought over half (53%) of single-family rentals, and 17% of all single-family homes. Not only did institutional investors buy 17% of all homes in Atlanta, but the prices institutional investors paid rose far higher than households. ISFR firms made offers that increased by 28% every quarter, from an average price of $130,000 in 2019 to $275,000 in 2021. By contrast, households and iBuyers (ie: Zillow, Offerpad) raised their purchase prices by just 9% every quarter.

High market share confers market power and can lead to the ability to influence prices. A forthcoming paper in the *Review of Financial Studies* examines rental pricing by ISFRs after mergers. The authors find that institutional investors raise rents more swiftly in neighborhoods where their market shares grew than in areas where their market share stayed the same(Gurun, Wu, Xiao & Xiao, 2019). This finding supports institutional investors' earnings reports, which document punishing increases in rental prices in metro areas where they have high market shares (Fields, Vergerio, 2022).

ISFRs ability to outbid would-be homebuyers and charge exceedingly high rents is particularly concerning for racial inequality because institutional investors focus their purchases in moderate income, Black and Hispanic neighborhoods. In our study of institutional investor purchases in Atlanta, Tampa and Miami, the market share of institutional investor purchases and the percentage Black were highly correlated (.6 correlation coefficient). The average neighborhood demographics of an investor purchase was 84% Black or nonwhite Hispanic, in areas that were 62% owner-occupied.

## Conclusion

Institutional investors in single-family rentals have graduated from being distressed property investors. With economies of scale, reduced transaction costs and access to private equity and cheap debt, they outcompete homeowners and smaller firms for single family homes, particularly in sunbelt states like Florida, Texas and Georgia, with lax zoning regimes and few barriers to new construction. While economies of scale are a component of firms' ability to offer higher prices, investor appetite in secondary financial markets are also key. Policymakers need to think carefully about how to more closely tie appraisals of SFR as collateral to prices in the owner-occupied housing market. Policymakers should also think about how rising spreads between the interest rates facing owner-occupiers and the interest rates facing ISFR firms might lead to declining homeownership.

The increased power of ISFR to affect housing and rental prices in urban submarkets is a growing concern. Because institutional investors own property through corporate vehicles, it is not currently possible to accurately determine the market share of institutional SFR. A useful policy response would be the establishment of rental housing registries, either at the national level, or by drafting a standard rental housing registry ordinance and funding the creation, maintenance, and enforcement of municipal-level rental property databases. Policymakers should also probe for anti-competitive practices and undue market power in the home purchase market, and single-family rental market, perhaps by forming a joint task force between the FTC and DOJ.

Communities of color have been targeted by institutional investors for over a decade. There are serious disparate impact issues. Institutional investors purchase primarily in moderate income, homeowning communities of color. These purchases crowd out homeownership, increase evictions, drive gentrification and displacement, and reduce affordability. While the absence of tenant protections in many states make eviction an appealing tool for landlords to maximizing profits, the damage to households and communities is unsustainable. Additionally, the loss of homeownership opportunities, and rising cost of owner-occupied housing creates lasting harm to the new generation of homeowners, and to racial and ethnic minorities historically barred from homeownership. Declining homeownership rates and the loss of home equity in the fifteen years following the foreclosure crisis has reversed the gains accrued by Black and Hispanic homeowners since the Fair Housing Act was passed in 1968. Policymakers should examine ways to strengthen tenant legal protections, use the FHEO to examine disparate impacts on communities of color, and work with the GSEs to increase opportunities for low-income homeownership.

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**U.S. House of Representatives, Committee on Financial Services**
**Subcommittee on Oversight and Investigations**

**Written testimony for hearing: Where Have All the Houses Gone: Private Equity, Single-Family Rentals, and America's Neighborhoods**

June 28, 2022

Chair Waters, Ranking Member McHenry, and Members of the Subcommittee, thank you for the opportunity to testify on the important issue of corporate investors and access to homeownership. It is an honor to be here before you this afternoon. I'm grateful for your continued leadership and attention on this issue.

My name is Jenny Schuetz. I am a Senior Fellow at Brookings Metro. The views expressed in my testimony are my personal views and do not reflect the views of Brookings, other scholars, officers, or trustees.

You asked me to address several aspects of the single-family rental industry, namely:

- How the expansion of the single-family rental industry impacts renters, prospective homebuyers, and communities; and
- Any relevant racial, ethnic, income, or demographic disparities.

Below I provide some larger context for current challenges to housing affordability and availability, and offer recommendations for how Congress can help address the needs of America's renters and homebuyers.

**The growth of institutional investors is a symptom, rather than the cause, of extremely tight housing markets.**

Congress and the Biden Administration are grappling with how to reduce the stresses placed on households by the rapidly rising cost of housing and other basic necessities. While it is tempting to point fingers at profit-seeking actions by specific companies or industries, the underlying causes of housing cost inflation are more complex. Addressing these causes will require sustained policy efforts from multiple angles. Focusing on the activities of a few companies will not solve the problems of housing affordability and barriers to homeownership.[1]

Rental housing in an attractive financial option for investors of all sizes and types because of market fundamentals: strong demand and limited supply. The past decade has seen increased demand for both rental and owner-occupied housing, due to job growth and rising incomes. Since the Great Recession, the U.S. has not built enough housing to keep pace with demand, leading to historically low vacancy rates and rapidly rising costs.[2] While pandemic-related

[1] For the purpose of this testimony, institutional investors are defined as any real estate purchasers other than individuals and public agencies. Institutional investors can take multiple legal forms, including corporations, limited liability corporations (LLCs), limited partnerships (LPs), real estate investment trusts (REITs), or non-profit organizations. Private equity firms are a subset of institutional investors.

[2] https://www.whitehouse.gov/cea/written-materials/2021/09/01/alleviating-supply-constraints-in-the-housing-market /

supply chain issues are a part of the problem, the underproduction of housing reflects a longer-term structural problem, especially in high-opportunity communities.[3]

The supply shortage, combined with strong demand, has put upwards pressure on housing costs. The median rent grew 16 percent from 2001 to 2019, while the median renter's income only grew five percent.[4] This makes first-time homeownership more difficult for two reasons: when renters spend a larger share of their monthly income on rent, it is harder to accumulate savings. Additionally, rising housing prices increases the amount of money needed for a downpayment. A growing number of high-income renters has increased demand for higher-end rental homes, underpinning some of the demand for single-family rentals.[5]

Under these market conditions, large institutional investors have several advantages in competing for homes over individual homebuyers, especially first-time buyers: deep pockets and ready access to capital markets allow them to outbid individuals. This can lead to crowding out in geographic submarkets where institutional investors are seeking to expand their portfolios.[6]

Private equity firms and other institutional investors benefit from tight housing supply, but they did not create the problem. Local governments across the U.S. have adopted policies that make it difficult to build more homes where people want to live. Zoning rules such as apartment bans and large minimum lot sizes decrease the amount of new construction, particularly of small, moderately priced homes. These policies—which directly reduce the supply of available homes and increase landlords' profits—are politically popular with many existing homeowners and local elected officials.[7]

Policy recommendations

The federal government has some policy levers that could help expand the supply of housing, particularly moderately-priced rental and for-sale homes. Congress should create financial incentives for local governments to revise their zoning in favor of small, moderately priced homes, and better integrate federal investments in housing, land use, and transportation. This should be supported with federal funding for technical assistance to local governments. These

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[3] Chang-Tai Hsieh and Enrico Moretti. 2019. "Housing Constraints and Spatial Misallocation." *American Economic Journal: Macroeconomics* 11(2): 1-39; Joseph Gyourko and Raven Molloy. 2014. Regulation and Housing Supply. *National Bureau of Economic Research* working paper; Edward Glaeser and Joseph Gyourko. 2018. The Economic Implications of Housing Supply. *Journal of Economic Perspectives* 32(1): 3-30. Jenny Schuetz. 2022. *Fixer Upper: How to repair America's broken housing systems*. Brookings Institution Press. U.S. Department of Housing and Urban Development, 2021, Eliminating Regulatory Barriers to Affordable Housing: Federal, State, Local, and Tribal Opportunities.

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[7] Connor Dougherty. 2020. Golden Gates: Fighting for Housing in America. New York: Penguin Press. Katherine L. Einstein, David M. Glick and Maxwell Palmer. 2019. Neighborhood Defenders: Participatory Politics and America's Housing Crisis. Cambridge: Cambridge University Press.

types of actions already have bipartisan support in Congress and are included in the Biden Administration's Housing Supply Action Plan.[8]

**High housing costs create more distress, and greater barriers to homeownership, for low-income, Black, Latino, and Native households**

Rising housing costs create the greatest hardship for low- and moderate-income households. The poorest 20 percent of households everywhere in the U.S. spend more than half their income on rent, leaving them too little cash to pay for food, health care, transportation, and other necessities.[9] Housing cost burdens among poor households have been rising for several decades—pre-dating both the COVID-19 pandemic and the recent growth in institutional investors. Moderate-income renter households are also increasingly cost-burdened. Fundamentally, this is a problem of low-incomes and insufficient subsidies—only one in four eligible renters receives any federal housing subsidy.[10] Job losses during the pandemic exacerbated existing hardship, particularly for workers without a college education, Black and Latino households.[11]

Tighter access to credit since the Great Recession has raised the bar for first-time homebuyers, especially among lower-income households.[12] In the wake of the Great Recession, federal agencies enacted new consumer protections for homebuyers, such as requiring more transparent disclosure of key mortgage terms, and restricting certain risky loan characteristics.[13]

Black and Latino households continue to face higher barriers to homeownership. Only 45 percent of Black households and 49 percent of Latino households own their homes, compared with nearly three-fourths of white households.[14] Decades of discrimination in mortgage lending have prevented Black households in particular from enjoying the benefits of homeownership. White homeowners have been able to pass along wealth to their children—for instance, by assisting with down payments—while Black households have been systematically shut out of this intergenerational wealth-building.[15] More than 50 years after the 1968 Fair Housing Act, evidence of housing discrimination can still be found in mortgage lending.[16]

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[8] U.S. Congress, Senate, "Yes In My Backyard Act," S.B. 1919, 116th Cong., 1st sess., introduced in Senate on June 20, 2019. U.S. Congress, Senate, "Housing Supply and Affordability Act," S.B. 5061, 116th Cong., 2nd sess., introduced in Senate on December 17, 2020. https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/16/president-biden-announces-new-actions-to-ease-the-burden-of-housing-costs/

[9] Jeff Larrimore and Jenny Schuetz. 2017. Assessing the severity of rent burden on low income families. Board of Governors of the Federal Reserve System FEDS Note. Edin & Schaffer

[10] Center on Budget and Policy Priorities. 2021. Policy Basics: Federal Rental Assistance. https://www.cbpp.org/research/housing/federal-rental-assistance

[11] Martha Ross and Nicole Bateman. 2021. https://www.brookings.edu/research/the-pandemic-hurt-low-wage-workers-the-most-and-so-far-the-recovery-has-helped-them-the-least/

[12] Lambie-Hanson et al. 2019. James Mills, Raven Molloy, Rebecca Zarutskie. 2016. Large-scale Buy-to-Rent Investors in the Single-Family Housing Market: The emergence of a new asset class. Real Estate Economics 47(2).

[13] https://www.consumerfinance.gov/ask-cfpb/what-is-a-qualified-mortgage-en-1789/
https://www.consumerfinance.gov/ask-cfpb/what-is-a-hud-1-settlement-statement-en-178/

[14] Joint Center for Housing Studies. 2022. State of the Nation's Housing.

[15] Neil Bhutta et al., "Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances," *Board of Governors of the Federal Reserve: FEDS Notes* (September 28, 2020).

[16] Andrew Hanson, Zackary Hawley, Hal Martin, and Bo Liu. 2018. Discrimination in mortgage lending: Evidence from a correspondence experiment. Journal of Urban Economics 92: 48-65. Marsha Courchane and Stephen Ross.

The persistent wealth gap leaves Black and Latino first-time homebuyers at a disadvantage when competing with institutional investors and white homebuyers. Research has found that neighborhoods where institutional investors purchase more single-family rental homes subsequently see higher rates of eviction and greater loss of Black residents.[17]

Policy recommendations

Congress has several channels to relieve financial stress on renter households and lower barriers to first-time homeownership. The most direct, straightforward way to help low-income households afford decent-quality housing and accumulate savings is to give them money. Increasing funding for housing vouchers, renewing the expanded Child Tax Credit, or making the Earned Income Tax Credit payable monthly instead of annually would all be effective tools to support financial stability for low- and moderate-income households.[18] Congress could also create federal tax incentives to better target first-time homebuyers. Encouraging households to set aside short-term savings would increase financial stability for both renters and homeowners.[19]

**Rental housing quality and tenant legal protections are important to renter households' well-being regardless of who owns the property**

Policymakers should be equally concerned about poor quality housing and fair treatment of tenants, regardless of whether a rental property is owned by a private equity firm, mom-and-pop landlord, public agency, or non-profit organization.[20] Media reports on poor quality housing and maintenance among high-profile private equity firms are not sufficient evidence to conclude that institutional investors are consistently worse for tenants than other types of landlords.

Some key data gaps make it hard to compare the behavior of private equity firms and large institutional investors to other types of landlords. Administrative records from local tax assessors allow researchers to identify legal entities that own individual properties, but because owners often create separate LLCs for each property, it is often difficult to trace these back to parent companies.[21] HUD's Rental Housing Finance Survey provides insights into landlord size and

2019. Evidence and Actions on Mortgage Market Disparities: Research, Fair Lending Enforcement, and Consumer Protection. Housing Policy Debate 29(5): 769-794.

[17] Elora Lee Raymond, Ben Miller, Michaela McKinney, and Jonathan Braun. 2021. Gentrifying Atlanta: Investor Purchases of Rental Housing, Evictions, and the Displacement of Black Residents. Housing Policy Debate. Elora Raymond et al. 2016. Corporate Landlords, Institutional Investors, and Displacement: Eviction rates in single-family rentals. Working paper.

[18] Schuetz. 2022. Fixer Upper, Chapter 4.

[19] Jenny Schuetz. 2021. https://www.brookings.edu/research/rethinking-homeownership-incentives-to-improve-household-financial-security-and-shrink-the-racial-wealth-gap/

[20] https://www.propublica.org/article/when-private-equity-becomes-your-landlord; https://www.inquirer.com/news/philadelphia-housing-authority-overcrowding-fairmount-fire-victims-20220114.html; https://dc.curbed.com/2019/2/26/18241322/dc-public-housing-authority-dcha-finance-conditions; https://www.nytimes.com/2017/05/23/magazine/jared-kushners-other-real-estate-empire.html?hpw&rref=magazine&action=click&pgtype=Homepage&module=well-region&region=bottom-well&WT.nav=bottom-well&_r=0

[21] Adam Travis. 2022. Assessing the Landscape of Corporate Ownership. Joint Center for Housing Studies at Harvard University webinar.

structure for various rental property types, but has little information on property conditions. The American Housing Survey, jointly administered by HUD and the Census Bureau, is the best data source on housing quality, but does not provide detailed information on property owners. Better coordination of these two surveys could provide federal, state, and local policymakers with information needed to address housing quality concerns.

Beyond housing quality and maintenance issues, one possible concern is that a small number of landlords can accumulate a substantial market share of rental properties within small geographic areas or other submarkets. This type of concentration allows landlords greater ability to set higher rents, because renter households have fewer alternatives to choose from. Although large institutional investors own a small share of the national rental stock, they are more concentrated in some metro areas and neighborhoods.[22] The concern over concentrated property ownership is not unique to private equity and other nationally prominent firms; locally-owned real estate companies—or even individual investors—can acquire enough properties within a neighborhood and/or price niche to have some market power.[23]

Policy recommendations

Currently, the federal government has a very limited role in supporting housing quality and landlord-tenant relationships, but it could provide more resources to state and local governments to assist their efforts. State governments set most of the legal parameters for rental housing, leading to wide variation across states in renter protections.[24] Housing code enforcement is carried out at the local level, so the resources available to local governments—such as the number of building inspectors—can affect how consistently landlords are required to address maintenance issues.

Better data collection from federal agencies could increase transparency of rental property ownership and monitor concentrated ownership within local markets. Local and state governments would benefit from federal financial support and technical assistance in setting up rental registries. Federal agencies, such as the Consumer Financial Protection Bureau, could be enlisted to monitor actions of large firms with rental portfolios that extend across multiple states.

**Single-family rentals are—and have always been--an important part of housing ecosystem**

Homeownership is not the preferred choice for all Americans, or at all points in any person's life. Most Americans will rent and own at different stages of life. Having a diverse set of tenure choices and structure types, in diverse neighborhoods, is important for economic opportunity: families with children may want more space and access to high-opportunity communities where they can afford monthly rent but cannot afford to purchase. Some older households may switch to renting to limit maintenance obligations; the number of renter households over age 65 increased by 14 percent from 2009 to 2019, and is projected to continue growing as the population ages.[25] Zoning constraints on apartments and townhouses already make it hard to

[22] Lambie-Hanson et al. 2019.

[23] Brian McCabe and Eva Rosen. 2020. Eviction in Washington DC: Racial and Geographic Disparities in Housing Instability. Georgetown University working paper.

[24] https://www.law.cornell.edu/wex/landlord-tenant_law

[25] Joint Center for Housing Studies. 2022. America's Rental Housing.

build rental housing in high-opportunity places, as do indirect rules like occupancy limits. The emerging build-to-rent single-family market—primarily financed by large institutional investors—could help add badly needed homes and expand neighborhood choice for renter households.[26]

Policymakers should make it easier for households at all income levels to access high-opportunity neighborhoods through diverse housing types, both rental and for-sale, at a wide range of prices and rents.

**Conclusion**

Congress is understandably concerned with easing the financial pressure of high housing costs. However, targeting a small subset of landlords without addressing underlying market conditions and policy gaps will not meaningfully improve the well-being of renters and prospective homebuyers. Private equity firms, like other real estate investors, are profit-maximizing companies that respond in predictable ways to financial incentives created by market forces and by public policies. It would be difficult to write regulations that directly exclude specific firms from purchasing real estate—and doing so would likely create some negative consequences.[27] Rather, Congress and state and local policymakers should focus on identifying and discouraging bad practices and behaviors—poor quality housing and tenant services—performed by any type of landlord. Broader efforts to encourage more construction of moderately priced homes and increased financial support for low-income households are also essential policy actions.

Thank you again for the opportunity to testify virtually here today on this important issue. I look forward to answering your questions.

[26] https://www.nytimes.com/2021/10/22/realestate/single-family-rentals.html
[27] Agarwal et al (2021) find that Hong Kong's imposition of a tax on short-term speculators did decrease the investor purchases of homes but did not improve housing affordability, and removed an important source of liquidity for property owners wanting to sell. Sumit Agarwal, Kwong Wing Chau, Maggie Rong Hu, and Wayne Xinwei Wan. (2021). Tobin Tax Policy, Housing Speculation, and Property Market Dynamics. ABFER working paper.

# LOCAL LEADERS ARE WORRIED ABOUT CORPORATE LANDLORDS, BUT FIND THEIR 'HANDS TIED'

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Local leaders are worried about corporate landlords, but find their 'hands tied'

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WEDNESDAY, APRIL 13, 2022

*Housing*

*Contributor(s):* Ely Portillo

Wall Street-backed companies are buying thousands of single-family homes and turning them into rentals across the Charlotte region. Local officials are worried about the effects on affordability, home ownership and equity — but there isn't much they can do to directly stop the trend.

That's what Mecklenburg County commissioners heard this week from county staff and a panel of local experts about the shift towards more corporate ownership in a single-family rental market that's traditionally been dominated by local, mom-and-pop landlords. (*Note: The author was a member of the panel, presenting the UNC Charlotte Urban Institute's study of corporate single-family rental companies*).

"Frankly, this is disgusting," said commission member Mark Jerrell, referring to a map showing higher concentrations of single-family rental housing in minority and lower-income neighborhoods. "This is a racial justice issue, this is a social justice issue, this is a civil rights issue that we have to address."

An Urban Institute study last year found that companies like American Homes 4 Rent and Progress Residential have purchased roughly 11,500 houses in Mecklenburg County since the Great Recession — nearly 5% of the total. A subsequent Mecklenburg County study found roughly 13,600 corporately owned single-family rental houses.

The vast majority of those — 93.5% — were purchased for less than $300,000. That's spurring concerns that corporate single-family rental companies are buying up starter homes with all-cash offers and barring young families and first-time home buyers from getting into the property market.

The concerns are intensifying. Commission member Leigh Altman said people will "forever be locked out" of owning. Commission member Elaine Powell said she's fielding calls from constituents worried about the companies causing gentrification. Commission member Vilma Leake said she was "burning up" and that she's tired of people getting nonstop offers from rental companies seeking to buy their houses.

"The community is concerned about quality of life. and what can we do to protect and preserve quality of life," said Powell.

**[Read: The Urban Institute's Wall Street landlords study]**

Despite their concerns, policymakers have a fairly limited set of levers they can pull.

"We're very limited," said Monica Allen, director of strategic planning and evaluation for Mecklenburg County. Here's a rundown of what county staff said local governments can and can't do, after researching local laws and options other communities are using:

## Local government can't

- Impose higher tax rates on corporate-owned single-family rental houses.
- Regulate the ownership or tenancy of private property.
- Bar corporate single-family rental companies from buying houses.

## Local government can

- Expand programs that subsidize rent and home ownership
- Buy land and sell it to affordable housing developers at less than fair market prices
- Work with local homeowners associations to create caps on the amount of rental properties by changing the HOA's bylaws. Some Charlotte communities have already started doing this, and it's an idea some Charlotte City Council members have voiced support for.
- Support grassroots education campaigns for homeowners and renters about their rights, and increase the amount of resources to help tenants with legal representation and code enforcement.
- Seek more authority from the state legislature to disincentivize corporate-owned single-family rentals.

Other communities are trying innovative solutions. In St. John's County, Fla., neighborhoods that are built as all-rental properties must convert to home ownership within five years. Shelby County, Tenn., is encouraging HOAs to cap rentals. And Cuyahoga County, Oh., established dedicated housing courts and added code enforcement resources to better protect tenants.

County staff also warned about the possibility of unintended consequences from new regulations on the housing market. For example, encouraging HOAs to limit rentals could disproportionately benefit wealthier neighborhoods that have HOAs, while also effectively perpetuating economic segregation and locking people out of the neighborhood if they aren't homeowners. More code enforcement could cause landlords to raise rents to cover the cost of repairs.

County commission Chairman George Dunlap said he understands his colleagues' concerns, but wants to focus on the more limited ideas that are possible within the county's limited power.

"I hate leaving people with unrealistic expectations," said Dunlap. "What I don't want to do is have people believe we will do things that we can't."



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# WALL STREET-BACKED LANDLORDS NOW OWN MORE THAN 11,000 SINGLE-FAMILY HOMES IN CHARLOTTE

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WEDNESDAY, JUNE 9, 2021

*Housing*

*Contributor(s):* Ely Portillo
*Contributor(s):* Justin Lane

For decades, the single-family home rental market was a small-scale industry, made up almost entirely of local landlords who rented out a few houses they bought as investment properties, or perhaps inherited, or held on to after relocating.

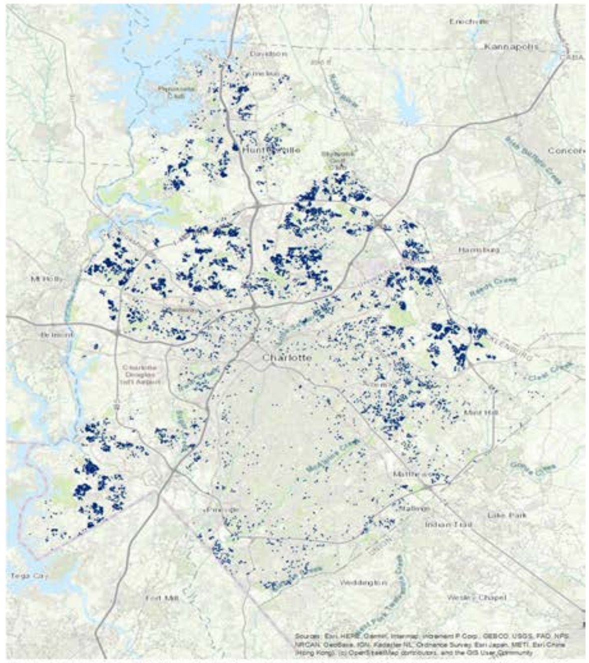
But the years since the Great Recession have witnessed a dramatic shift, as Wall Street-backed rental companies moved in to snap up homes lost to foreclosure and replace mom-and-pop firms as America's landlords. New companies like Invitation Homes, American Homes 4 Rent and Tricon American Homes purchased hundreds of thousands of houses, acquiring dispersed portfolios of properties and turning the suburbs into a lucrative revenue stream.

Now, with the foreclosure crisis in the rearview mirror and a historic scarcity of homes for sale, single-family rental companies are still adding to their portfolios, pushing into the regular market with all-cash offers and even, in a few cases, building brand-new subdivisions entirely made up of single-family rental houses. With a focus on buying moderately priced houses, single-family rental companies are impacting the supply of starter homes, possibly pushing lower-income and first-time buyers out of the market.

Their bets have paid off so far: The biggest firms own portfolios with hundreds of thousands of houses, generating big profits for investors. Some are publicly traded: Invitation Homes reported $196 million in profits for 2020, while American Homes 4 Rent racked up $155 million, for example.

It's a big shift from the way the real estate market used to work, with a hard-and-fast division in most neighborhoods between rental housing (mostly in apartments) and owned housing (mostly single-family detached dwellings).

To see how deep Wall Street landlords have gotten into the Charlotte housing market, the UNC Charlotte Urban Institute analyzed Mecklenburg County's property ownership database as of May 2021. We found that while they only own a small percentage of total houses, the new single-family rental conglomerates have built portfolios of houses heavily concentrated in the starter home segment of the market — where the supply crunch is tightest right now. And they're still adding to their holdings, concentrating on suburban properties in mid-priced neighborhoods like Steele Creek and Highland Creek.



*A map showing all the single-family institutional investor-owned homes in Charlotte. Credit: Justin Lane*

Here are some key facts about Charlotte's the new single-family landlords:

- Within Mecklenburg County, their holdings total just under 11,500 houses. Those holdings are heavily concentrated among six companies: Progress Residential (2,268 houses); American Homes 4 Rent (2,242);Invitation Homes (2,241); Tricon (1,627); Amherst Residential (1,622); and FirstKey (1,044). To obtain these totals, the Urban Institute analyzed all property records to find owners with more than 100 houses in Mecklenburg.
- The average appraised value of single-family rental houses owned by the companies we analyzed was about $206,000. That's well below the average appraised value of all single-family homes in Mecklenburg County, which is about $325,000, indicating that single-family rental companies are likely putting the most pressure on the lower end of the market.
- The single-family rental companies have tended to focus on middle-

income neighborhoods, with fewer purchases in the higher income "wedge" of southeast Charlotte or the northern part of Mecklenburg that includes Davidson and Cornelius. This is consistent with their stated strategy of buying houses that appeal to middle-class professionals who, for whatever reason, aren't interested in or able to buy. For example, as Invitation Homes states, "our acquisition strategy has been, and will continue to be, focused on buying, renovating, and operating high quality single-family homes for lease that we believe will appeal to and attract a high quality resident base, that will experience robust long-term demand, and that will benefit from capital appreciation." Despite this focus, their houses are present in every part of the county.

- While our analysis focused on Charlotte and Mecklenburg County, most of these companies also own hundreds or even thousands of more houses in the surrounding counties, especially in high-growth areas like Union and Iredell counties. For example, American Homes 4 Rent says they own 3,811 houses in the greater Charlotte region, meaning that they own approximately 1,600 houses nearby in addition to the 2,242 we identified in Mecklenburg. These holdings are extremely valuable — the company says its Charlotte-area houses are worth $757 million.
- Despite the big numbers, the companies still hold a relatively small portion of the single-family home market: 4.3% in Mecklenburg. That's because there are a lot of single-family homes — more than 268,000 in the county.

So is this ultimately good or bad for the housing market, residents and the Charlotte region? The companies say that they poured money into houses that might have otherwise deteriorated in foreclosure. American Homes 4 Rent says it typically spends $15,000 to $30,000 on renovations per house. They also standardize and formalize the rental market, with online portals for resident maintenance requests and other conveniences that a small operator might not be able to provide. And by opening up rental opportunities in neighborhoods that generally haven't had them before, such companies might allow people without the means of buying a house to move their families to higher-performing school districts.

But in national reports, some residents have complained that the companies are slow to respond to maintenance requests and quick to file eviction papers. There's also the matter of their effect on the housing market. Charlotte's supply of homes is at historic lows, with less than three weeks worth of properties available (a healthy, balanced market is generally considered 4-6 months worth of supply). Meanwhile, prices are shooting up, increasing 16.4% in April to $377,643. That means Wall Street is competing with regular buyers in an increasingly crowded market, with people trying to buy houses squeezed on price and supply.

Buying houses in fast-growing cities with a low supply of housing is part of the strategy.

"We target submarkets and neighborhoods in undersupplied high-growth markets," Invitation tells investors.

"Our strategy is to concentrate our properties in select geographic markets that we believe favor future growth in rents and valuations," said American Homes 4 Rent. More than 60% of its housing portfolio is located in a handful of Sun Belt cities including Atlanta, Charlotte and Raleigh. The company also flags the end of the housing crunch as a risk factor: "the continuing development of single-family properties, apartment buildings and condominium units in many of our markets increases the supply of housing."

In a decade, single-family home rental conglomerates have already started to reshape the housing market, and they appear to be dug in for the long haul, building homes designed as permanent rentals when they can't acquire enough on the open market.

As American Homes 4 Rent — which acquired more newly built houses than existing houses in 2020 — put it in their latest annual report: "Our strategy of developing a significant pipeline of single-family homes for rent is relatively new and unprecedented...We are increasingly focused on developing 'built-for-rental homes."

As Charlotte and Mecklenburg County grapple with housing affordability — and single-family institutional firms keep buying up homes and building all-rental subdivisions — the continued presence of this new class of landlord is an important factor for the community to keep an eye on, and for further research.

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June 27, 2022

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Ranking Member
United States House of Representatives
Committee on Financial Services
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The Honorable Al Green
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Subcommittee on Oversight and Investigations
Committee on Financial Services
2347 Rayburn House Office Building
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The Honorable Tom Emmer
Ranking Member
United States House of Representatives
Subcommittee on Oversight and Investigations
Committee on Financial Services
3515 Cannon House Office Building
Washington, D.C. 20515

Dear Chairwoman Waters, Ranking Member McHenry, Chairman Green, and Ranking Member Emmer:

On behalf of The Amherst Group, I appreciate the Committee's interest in the housing market and further studying the factors that drive prices and supply. We have been happy to collaborate with the Committee on what we thought to be a genuine attempt to get an understanding of a subset of the broader rental industry – transformed single-family homes for lease – and its genesis. While we are disappointed that the Committee's analysis of industry data is significantly flawed, we would still like to take this opportunity to share more about Amherst and our efforts to develop quality, attainable housing for individuals, families, and communities.

We do share your interest in the housing market and finding solutions to the supply and price challenges facing American consumers. All of us – industry, government, academia, and consumers – should be committed to thoroughly studying the economic factors that drive housing prices as well as supply, and to provide solutions that best serve residents and communities. We believe that reliable information concerning the dynamics of the industry and the market based on clear, complete, and consistent analysis will be crucial in providing sound policy judgments. In that spirit, we respectfully make this submission and welcome the chance to engage in this important dialogue.

**Amherst Mission: Developing Housing Solutions**

At our core, Amherst's mission is to incubate housing solutions. We built this platform because we share the view that the problems we face in today's housing market are sizable and complex. That they require innovation, collaboration, capital, commitment, and scale to make progress on providing housing opportunities for Americans that keep homes attainable and affordable at their respective income levels. Renovated managed homes for lease, alongside owner-occupied single-family homes, family-owned rental homes, manufactured housing, and multi-family communities of varying sizes, all deliver their own vital housing service in communities. The unique value of renovated and professionally managed single-family homes for lease is expanding housing opportunities and services for residents that have been underserved by the home purchase market over the past decade. This service also uniquely provides more housing choice for those who do not want to shoulder all the burdens and responsibilities associated with home purchase. This housing service does not endeavor to replace the opportunity to purchase a home, either through competition, price, or available supply. It endeavors to revitalize homes in need of heavy renovation, increase the supply of quality homes, and provide better housing opportunities to Americans left out of segments of the housing market.

The Amherst housing platform was born in a period not unlike the current moment: imbalances in housing supply and demand, opaque systems that did not value the resident's experience or financial health, and a lack of innovation in tackling housing issues at scale. We built our renovated single-family homes platform to provide a

Amherst

growing number of households expanded, high-quality housing options. We know that the challenges the housing market faces are ever evolving, as are residents' needs and preferences for their housing experience. At Amherst, everything we do is seeking to meet residents where they want to be. We have found that to achieve this, we have to address where the market is not by filling the gaps created by supply, demand, and policy. In doing so, we are meeting the needs of underserved Americans, the low- to middle-income household that has had limited housing opportunities over the past fifteen years. Over that period, we have developed solutions to fill these gaps in the market through our various housing initiatives:

- **Main Street Renewal ("MSR")** purchases single-family homes and performs significant renovations, leases, manages, and maintains those homes for the long-term. Each property is remediated and improved in partnership with thousands of local vendors. This investment expands the supply of well-maintained, affordable housing units around the country and injects millions of dollars into local economies. We have invested nearly a billion dollars in home renovations across the country through MSR.
- **Amherst Homes** is our response to the nation's housing supply crisis. This initiative builds new single-family inventory for lease with a full suite of amenities across multiple price points in neighborhoods experiencing a dearth of home construction and rapidly growing demand. This business employs thousands of local vendors, creates millions in additional local tax revenue, and spurs job creation in the community.
- **Amherst Housing Incubator** is our solution development platform where we utilize our capital to innovate and develop new technologies or products that are solving pain points in the housing ecosystem. One of those solutions is *Bungalo Homes*, our consumer home buying and selling platform that offers a completely transparent inspection process, post-close protection, no hidden fees, and automatic home warranties. Another solution is our *Studio Built* homes, which seek to provide more affordable rents without sacrificing quality by leveraging offsite, industrialized construction processes to lower costs.
- **CARES (Client Assessment Resource Empowerment Services) program** was launched in 2017 in partnership with The University of Texas at Austin's School of Social Work. It empowers and educates residents to achieve greater housing stability through resource sharing, advocacy, and social-emotional support through an in-house team of social workers and program specialists. The initiative is based on the belief that connecting residents to social workers, or those in adjacent fields, provides those facing the prospect of housing instability a better chance to avoid eviction.

**A Critical Tool in America's Expansive and Diverse Housing Toolkit**

Leasing of single-family homes is not uncommon in the American housing market. Individuals and professional management companies alike have leased single-family homes to families for decades. Over the past 15 years, the percentage of single-family homes for lease has consistently been 15-20 percent, which demonstrates an ongoing need for this attainable housing service.[1] However, the quality of these experiences has varied greatly. It is our view that housing as a necessity has resulted in delivery of that need in ways that do not properly acknowledge the evolution of consumer preferences or the need to change, expand, and diversify the way residential real estate is delivered.

Professionally managed single-family homes for lease is just one of the tools in the kit of private and public housing opportunities for Americans. Of the nearly 16 million single-family homes for lease in the U.S., only about 350,000 are owned by large professional managers. More than 15 million – or 97 percent - are owned by individual investors.[2] Of all the single-family homes transactions last year, only one percent of homes were purchased by large investors typically owning more than 100 units. For every home that an institutional investor purchased in lieu of a would-be-owner: 28 prospective homeowners lost their bid to an individual investor or second home buyer and 71 were lost to another would-be-owner.[3] Homes in the United States are not being

[1] Amherst tabulation of American Community Survey issued by U.S. Census in 2019

[2] Owner and renter stock data from 1-year ACS through 20219, with 2% growth forecast for years 2020 and 2021. Investor shares are Amherst tabulated CoreLogic tax record and MLS transaction data as of May 2022.

[3] Amherst tabulated Corelogic Transactions data as of June 6, 2022

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overwhelmingly purchased by professional property managers, but rather professional property managers are constructing new units and repairing others.

When looking at more specific localities, the data is similar. Even in the areas with the highest levels of large operator purchases like the Atlanta metropolitan area, the share of ownership by large operators is less than three percent. In other growing markets like Phoenix, Tampa, and Raleigh, it is much closer to one percent.[4] But the demand for those limited homes in those markets is immense. At Amherst, we received over 10,000 lease applications monthly last year – five times the number of homes we had available for lease. This outsized demand for single-family homes for lease was fueled even further by work from home and migration trends during the pandemic. Between second quarter 2020 and second quarter 2021, more than 2.4 million additional people (above those who would seasonally move over a similar time period) chose to relocate from high-cost large metropolitan areas to more spacious single-family homes in lower-cost metros.[5,6,7] Mid- and small-size metros saw the largest influxes, as net migration from high-cost cities increased by 10 percent and nine percent, respectively. Some metros, such as Fort Myers, Florida, saw a net increase equivalent to one percent of their workforce, which led to a nearly 50 percent increase in home prices as of May of this year, and double-digit increase in rents over the same period.[8]

At Amherst, we have voluntary rent caps on our platform. We believe market rents do not always mean it is the right rent and closely monitor the rent-to-income ratio of our residents, which currently sits around 22 percent. We put the industry's presence in context not to diminish the responsibility of platforms like ours in the U.S. housing ecosystem, but to contextualize the role we play in such a varied and vast residential housing market – and the gap that we fill for families underserved in the traditional housing market. We have supplied data to the Subcommittee demonstrating that we revitalize homes and invest in communities with historic disinvestment that are in need of more quality housing opportunities. Census data shows that renters have larger families and are more likely to be single parents than their homeowning counterparts.[9] Our platform seeks to serve those neighborhoods and expand housing choice for those households.

**Access to Credit and the Lack of Sufficient Housing Opportunities**

Homeownership and the wealth building opportunities it offers have been a core feature of the American dream and economy for generations. Macroeconomic conditions, federal policy, tightened credit standards, and a massive shortage of housing inventory have put that traditional rite of passage out of reach for many everyday Americans. From 2016 to 2020, the U.S homeownership rate only rose about two percent.[10] 8.3 million more renters have been added to the U.S. housing ecosystem over the past 15 years. 3.4 million of those residents are in need of single-family homes.[11] During that same period, 650,000 low FICO purchase borrowers lost access to the mortgage market every year, meaning over 9 million residents were essentially shut out of homeownership in the aftermath of the Great Recession and the consequences of the constrained mortgage lending that followed.[12] We see these trends at work in our own resident base: more than 60 percent of our residents with credit scores below

[4] Amherst tabulation of tax data from county records as of 12/31/2021

[5] Stephan Whitaker, "Migrants from High-Cost, Large Metro Areas during the COVID-19 Pandemic, Their Destinations, and How Many Could Follow"; Federal Reserve Bank of Cleveland Data Brief; March 25, 2021

[6] 2.4 million is likely an underestimate of movers because the study only tracks households that have a record in Equifax Consumer Credit Panel data. In 2015, the Consumer Financial Protection Bureau's Office of Research estimated that 30 percent of adults in low-income neighborhoods are credit invisible and a further 15 percent have unscored records. As a result, the Credit Panel study likely underestimates the number of low-income households that left high-cost cities, though this is less likely to impact housing prices.

[7] "Has An Urban Exodus Occurred? Residential Environment Trends Shaping the Future of Where We Live"; Freddie Mac; Research note; July 12, 2021

[8] Amherst Research as of May 2022: https://www.amherst.com/wp-content/uploads/2022/05/Q1-Housing-Trends-Series-with-IREI.pdf

[9] "The Profile of Single-Family Renters and the Barriers to Homeownership that Got Them Here," Amherst, November 2021.

[10] U.S. Census Bureau

[11] U.S. Census Bureau, Housing Inventory Estimate: Renter Occupied Housing Units in the United States.

[12] Amherst Estimates based on HMDA, Mortgage Origination Data from various sources

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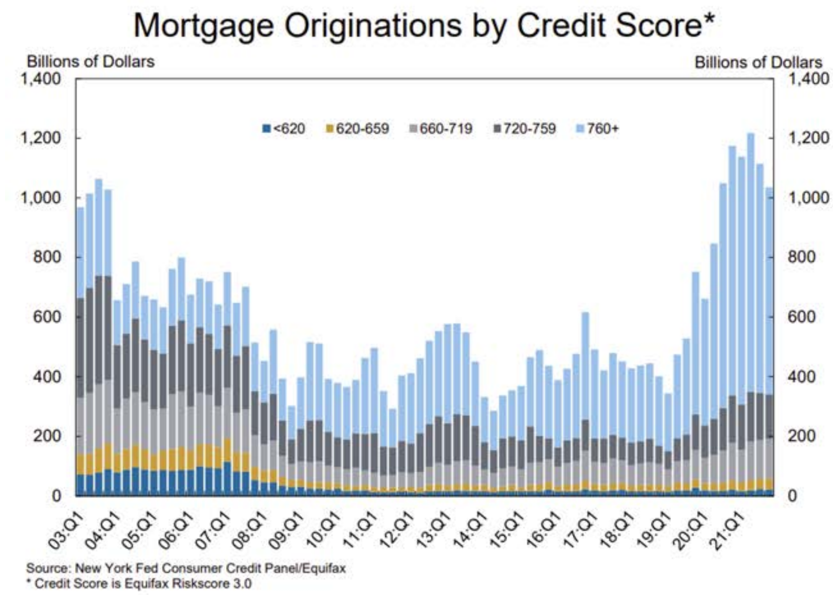
660 would compete for less than 10 percent of mortgage originations.[13] When we factor in their debt burdens and income levels, our data shows that 85 percent of our residents are essentially shut out of the mortgage market under today's standards.[14] We want those growing families to have a sound and quality place to call home in a neighborhood of their choosing when homeownership is not an option.



[15]

Also, some of our residents opt for the flexibility and low maintenance lifestyle of renting. That choice is not unique to residents of our platform: the Terner Center found that over 40 percent of single-family renters chose to lease their home because it was more affordable and provided more convenience, flexibility, and access to a better neighborhood. Nearly one in five respondents of that survey said they had no plans to own a home in the future.[16]

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[13] "The Profile of Single-Family Renters and the Barriers to Homeownership that Got Them Here," Amherst, November 2021.
[14] "The Profile of Single-Family Renters and the Barriers to Homeownership that Got Them Here," Amherst, November 2021.
[15] New York Fed Consumer Credit Panel/Equifax
[16] Terner Center For Housing Innovation, "The Rise of Single-Family Rentals after the Foreclosure Crisis", April 2018, https://ternercenter.berkeley.edu/wp-content/uploads/pdfs/Single-Family_Renters_Brief.pdf

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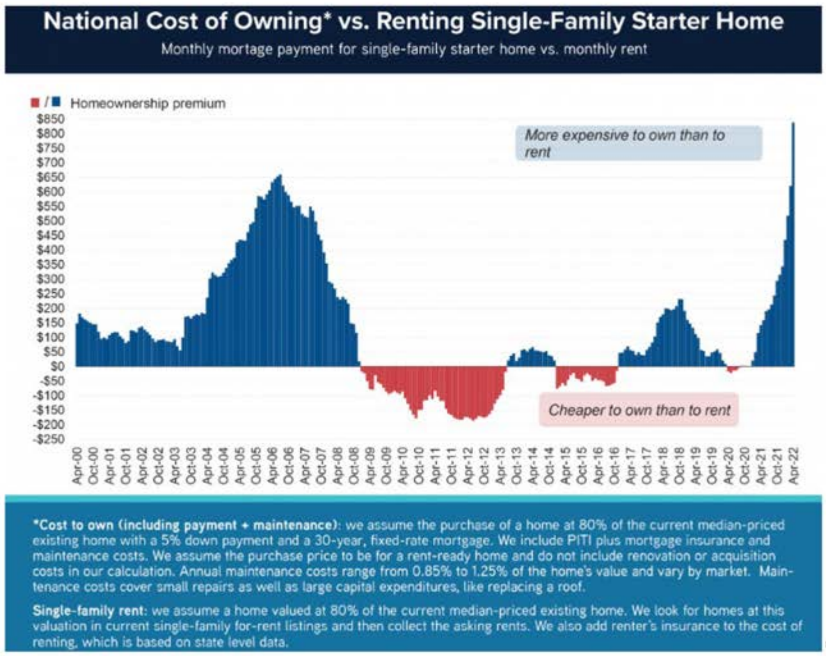

[17]

The recent interest rate hikes from the Federal Reserve will only place homeownership even more out of reach for everyday Americans. An estimated 18 million households will now be priced out of a mortgage for a $400,000 home – a more than 30 percent reduction in potential demand.[18] At current home price levels, the typical down payment that a first-time buyer would need for a median-priced home is now $27,400, which would rule out 92 percent of renters whose median savings are just $1,500.[19] These residents should have the opportunity to raise their families in a sound and quality home. This gap we are filling in the housing ecosystem is only continuing to grow in today's market of raising rates, high migration, and under supply of homes.

[17] John Burns Real Estate Consulting, LLC; data as of June 2022
[18] John Burns Real Estate Consulting, LLC; data as of June 2022
[19] Joint Center for Housing Studies of Harvard University, "The State of the Nation's Housing," June 2022

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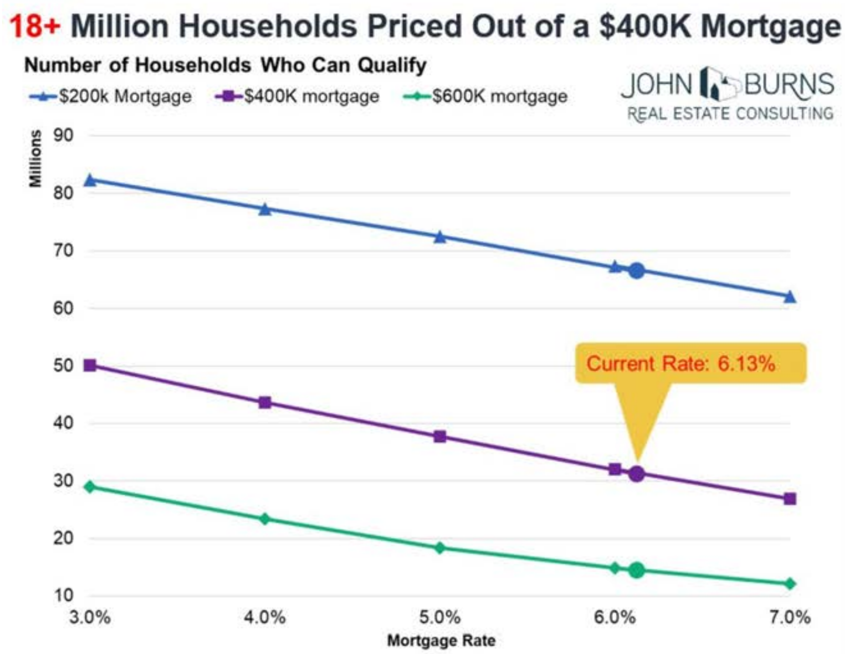


[20]

We share this data to demonstrate that Amherst does not incubate these solutions in a silo. We listen to our residents and communities, solicit their housing needs, and think long-term. Another way our platform seeks to achieve that mission for underserved Americans is through our active participation in the Housing Choice Voucher Program. As you can imagine, the single-family housing opportunities for these residents, especially in communities of opportunity with good schools and infrastructure, is extremely limited absent platforms like ours. Nearly 20 percent of our homes receive at least one application from a resident utilizing a voucher. Over the past two years, we have doubled the share of residents using vouchers.

**A Nationwide Housing Shortage Over a Decade in the Making**

Despite what headlines suggest, the double-digit increase in homes prices and rents throughout the pandemic are not the result of any activities by large operators or a bubble driven by a dislocation of home valuations. In fact, the majority of states with the highest home price appreciation have zero large operators conducting business.[21] Critical to U.S. housing market's ability to expand housing opportunities for both renters and homeowners is expanding housing supply. We are millions of housing units short in this country. This deficit of homes in this

[20] John Burns Real Estate Consulting, LLC; data as of June 2022

[21] National Rental Home Council; data as of January 2022

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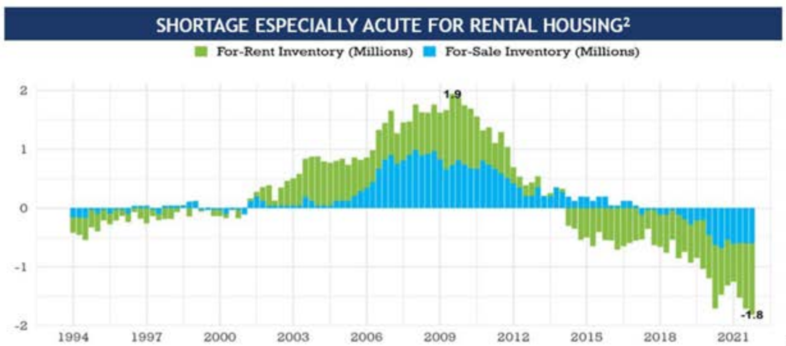
nation has been building for over a decade. Many of fastest growing cities in the U.S. are hundreds of thousands of units short, which is especially acute for affordable units and rental units.

After the Great Recession, residential construction plummeted 70 percent.[22] As construction started to recover, homebuilders focused their production on higher price point homes knowing that individuals with lower credit scores were no longer able to secure mortgages. The number of available starter homes is now at half the level it was five years ago[23] and new home construction is still nowhere near the production level it needs to be to meet demand. At the onset of COVID, homebuilding was at half the levels it was prior to the Great Recession, COVID-driven demand for homes then wiped out 40 percent of available home inventory.[24] Today, with mortgage rates increasing, homebuilding is again at risk of decline.



[25]

[22] Census Survey of Construction as of June 2022 and consists of single-family home construction starts
[23] Realtor.com, "The Death of the Starter Home: Where Have All the Small Houses Gone?", October 2021 https://www.realtor.com/news/trends/death-of-the-starter-home-where-have-all-the-small-houses-gone/
[24] Amherst Tabulation of Metro Study data as of Q4 2021
[25] Len Kiefer's calculation based on US Census bureau data, vacant housing estimated based on average vacancy rate from Q1 2994-Q4 2003

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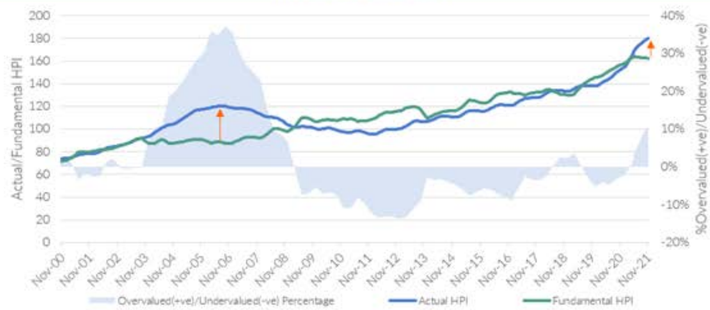
**AMHERST HOME PRICE APPRECIATION (HPA) INDEX AND FUNDAMENTAL VALUE (DEC '94 – NOV '21)**




[26]

This is a problem that this nation needs to build and renovate its way out of. Our aforementioned Amherst Homes initiative is one of the ways our platform seeks to expand those opportunities for America's underserved residents.

**Increasing Housing Opportunities by Revitalizing America's Communities**
Course correcting our nation's housing supply issues also relies heavily on revitalizing existing housing stock. The median age of U.S. housing is 40 years old. At Amherst, the average of the homes on our platform is 34 years old – they are not new, turnkey, starter homes – they are homes in need of significant renovation: 86 percent of the homes we buy need more than $25,000 in immediate repairs, with 42 percent requiring more than $45,000. None of the homes we purchase require less than $10,000 in renovations.[27] In contrast, homeowners tend to spend around $6,300 on renovations.[28] For low-income homeowners, these repairs eat up nearly 20 percent of their incomes on average, and the lowest income homeowners spend almost nothing annually on repairs as they cannot afford it. This means their largest investment in their lifetime slowly falls into disrepair and loses value over time.[29] From homes with no running water, those occupied by vermin or snakes, some operating for the sale of drugs (all scenarios we encounter routinely), our work has elevated that the provision of housing for homes would benefit from a consumer centric approach that puts occupants first. That window to keep the nation's existing homes sound, livable, and environmentally friendly is slowly closing.

Over the past 10 years, we have invested nearly a billion dollars into home construction and renovations in partnership with over 1,700 local vendors in communities across the U.S. Even as inflation and supply chain constraints have made maintaining the quality of our homes more difficult and costly – the cost for platform to remediate a home between residents is up 60 percent from pre-COVID levels – our standard of care remains unchanged. We acknowledge that the ability to not waver from our quality standards in this difficult economic environment is a benefit of our scale. We believe this is another stabilizing force large operators can play in the communities they serve.

[26] The Amherst Home Price Appreciation Index as of January 2022; last data point in November 2021
[27] Amherst estimated repairs at time purchase, data as of 03/02/2022
[28] Urban Institute, "Institutional Investors Have a Comparative Advantage in Purchasing Homes That Need Repair," October 2021, https://www.urban.org/urban-wire/institutional-investors-have-comparative-advantage-purchasing-homes-need-repair
[29] Joint Center for Housing Studies of Harvard University, "Home Repairs and Updates Pose Considerable Burdens for Lower-Income Homeowners", June 2022, https://www.jchs.harvard.edu/blog/home-repairs-and-updates-pose-considerable-burdens-lower-income-homeowners

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Atlanta, Georgia
Estimated Renovation Cost Upon Home Purchase: $81,000


Charlotte, North Carolina
Estimated Renovation Cost Upon Home Purchase: $80,037

These extensive renovations that combat blight in turn increase nearby property values and reduce crime in communities.[30] Converting vacant lots and homes in need of demolition have a similar positive impact on communities. There are hundreds of thousands of unaddressed lots across the U.S. Many of these are in the fastest growing cities desperately in need of additional housing supply. The traditional home construction process cannot fix this issue. It has grown too costly, inefficient, and unpredictable. Local governments hold significant oversight on where, when, and how new homes can be built in communities through zoning, land use, and permitting. Municipalities with high barriers to development can impact the ability for new homes to be constructed as well as the cost of construction. This regulation accounts for nearly 26.9 percent of the final home

[30] Wu, Xiao, and Xiao, Do Wall Street Landlords Undermine Renters' Welfare?, 2020. The study specifically examines the impact on renters when institutional investors merge. The crime decrease estimates pertain to a before and after merger comparison of neighborhoods with roughly comparable institutional presence.

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price[31] – about $93,000 per home on average.[32] These barriers to development are paired with the rising price of construction materials in the U.S., which last year rose by its fastest pace since the Bureau of Labor Statistics started reporting the metric in 1948. Materials prices are up 18% in April from a year earlier.[33]

34

This is one of the key issues of our U.S. housing market that our Studio Built homes initiative seeks to solve. To grow this solution, we have purchased a previously defunct factory in Cuero, Texas, to build our first Studio Built homes manufacturing facility which will create hundreds of new homes in its first year.

Critical to making our Studio Built homes initiative a success to date is partnering with local municipalities to develop a true understanding of the challenges they face in creating and maintaining quality, accessible, and affordable housing in their communities. We have launched a workforce housing pilot with the City of St. Petersburg, Florida in which we build new Studio Built duplex homes to thoughtfully increase density in areas approved by the city, while keeping rents below-market at affordable levels for thirty years. This project is converting previously vacant land into 13 new, property tax producing housing units for the community in a matter

[31] Georgia Public Policy Foundation, "Government Regulation in the Price of New Home: Georgia", January 2022 https://www.georgiapolicy.org/publications/government-regulation-in-the-price-of-a-new-home-georgia/

[32] National Association of Home Builders, "Government Regulation in the Price of a New Home: 2021", May 2021 https://www.nahb.org/-/media/NAHB/news-and-economics/docs/housing-economics-plus/special-studies/2021/special-study-government-regulation-in-the-price-of-a-new-home-may-2021.pdf?_ga=2.17584057.1680917576.1654644317-743697617.1654644317

[33] FRED Economic Data, Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/WPUSI012011

[34] U.S. Census Bureau and U.S. Department of Housing and Urban Development, "Monthly New Residential Construction, May 20222," May 2022, https://www.census.gov/construction/nrc/pdf/newresconst.pdf

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of months. While this is only one pilot, we are already in conversations with the city to see how we can expand this initiative and seek to launch similar programs across our footprint to best meet municipalities' housing needs.

**Leveraging Capital and Scale to Push the Future of Housing Services Forward**

We endeavor to apply the benefits of our scale and resources in a multitude of other ways that can evolve alongside residents' needs. For years, we have been addressing our resident experience, retention, and risk mitigation through a social work philosophy via our CARES program. The CARES team has led our efforts to connect residents to rental assistance, exploring and executing against every possible pathway to help identify, communicate, and ease the distribution of assistance from agencies to residents in our communities. These comprehensive efforts include manual searches, technology-enabled program monitoring, daily resident emails, and even our own proprietary resource database specific to the needs and geographies of our residents. We have proactively and directly engaged with distributing agencies to streamline aspects of the process on all sides, in one instance leading to a pilot initiative with an eviction prevention program. We evolved these efforts through the course of the pandemic to forming an MSR ERAP Support Team that provides individualized consultations, program matching, and conducts outbound calls to residents struggling to make rent payments, helping them apply to programs live on the phone – even if it takes hours. Over 6,800 rental assistance applications have been submitted with our teams' support, resulting in over $30 million of rental assistance for our residents, and counting. Very detailed descriptions of these efforts and the supporting data were shared with the Subcommittee. We believe providing these wraparound services for residents is one of the innovative ways professional operators can utilize their scale to go beyond simply providing more housing opportunities, it can directly support residents' housing stability.

As part of our efforts to evolve alongside our residents' housing journey, we launched an ongoing financial empowerment program for our residents. The series of interactive webinars uses a curriculum designed to teach residents to confidently manage their finances and build their credit scores to help create pathways to homeownership and financial independence, including managing and paying off student loan debt. Run by our in-house housing counselor, the program provides budgeting tools, educates residents on the availability of resources (including rental assistance) and familiarizes residents with financial literacy resources from the Consumer Financial Protection Bureau. Most importantly, the program seeks to destigmatize the dialogue around financial hardship and ensure that our residents know that our team is available to provide advocacy and social-emotional support to promote their housing stability.

**Engaging Platform Stakeholders To Advance Housing Stability and Sustainability for Renters**

Throughout the pandemic, we worked with our investors to develop a renter retention process, similar to a loss mitigation waterfall in the mortgage industry, to offer various concessions such as deferred payments, reduced rent, payment plans, and rent forgiveness. This process has allowed our residents to maintain stability while weathering the crisis, and its structure has evolved as we assess the impact on our residents. Thousands of residents have taken us up on these offers, successfully avoiding lingering rental debt. We have also directed our attorney network to initiate changes with respect to engaging residents facing eviction. We first try and work towards a resolution not involving eviction, including directly connecting the resident to available rental assistance programs in their area.

All of these additive services and resource awareness work in tandem with our evolving retention processes to provide better outcomes for our residents. We supplied extensive data to the Subcommittee demonstrating that our retention processes have adapted and improved as we better understand the best solutions to help our residents facing hardship. Throughout the pandemic we have heavily adjusted and augmented traditional property management operations to better reflect the realities of renters facing financial hardship. Despite our retention process, the best efforts of our CARES Team, and our commitment to our residents, some evictions will happen. While eviction usually happens after months of trying to work on an alternative solution and unsustainable levels of rental debt – typically over six months of unpaid rent and over a dozen unmet attempts to contact the resident during this period – it still pains us to reach that point.[35] The encouraging news is that of our residents that struggle to make payments, an incredibly small portion do ultimately reach that point – we believe that indicates the

[35] Data from January 2018-July 2021

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augmentations to our intervention methods are working, as shown by the detailed information we supplied to the Committee.[36]

We have also collaborated with our investors, clients, and local vendor partners to create a more sustainable housing ecosystem, utilizing green technologies and materials, when possible, to protect our environment while enhancing our residents' experiences. To mitigate environmental and weather-related risks during our site-selection process, our teams analyze climate risk on a market-by-market basis. Utilizing FEMA flood zone maps, we assess the risk to these neighborhoods and our residents to understand the potential impact when bad weather strikes, working with third-party experts to assess environmental risks posed.

Locally, we are seeking to work with our municipal partners to find solutions to one of the most troublesome trends we have seen in the U.S. housing market: local efforts from homeowner associations to restrict renters from their communities. We believe it represents an ugly side of the U.S. housing ecosystem that only values and gives a voice to individuals that are fortunate enough to have the credit score, wages, and lack of debt burdens needed to secure a mortgage in today's environment. These barriers create the haves and the have nots. Those rental restrictions fuel that divide – a burgeoning form of income discrimination within America's neighborhoods. While we appreciate and understand the instinct to protect one's largest investment they make in their lifetime, this industry's housing service was founded on the idea that all residents should have housing choice. We believe that there is room in America's communities for renters *and* homeowners.

We appreciate that the ability to provide wraparound services, take an approach focused on stability and sustainability for residents, and work with local officials on renters' issues is a luxury of an operator of our size. We share some of these initiatives to give tangible examples of how this housing service is uniquely additive to residents and their communities. We believe that bringing the stakeholders of our platform and the housing ecosystems where we operate – investors, attorneys, rental assistance programs, local vendors, HOAs – along on our shared mission to expand renters' housing opportunities and promote their housing stability produces even better outcomes at scale.

**Working Together To Make Housing More Accessible and Affordable**

We appreciate the Committee and Subcommittee's interest to assess and improve the U.S. housing market. Despite suggestions to the contrary, at Amherst, we wholeheartedly believe we have a shared goal of providing stability to America's renters and look forward to incubating solutions that further expand their housing opportunities. We are incredibly proud of the platform we have built and the access to communities of opportunity that our housing services provide. We are especially proud of our efforts in response to the pandemic and in support of our residents during this time. We will continue to ideate on how to make housing more accessible and affordable to all Americans and on the role platforms like ours can play in making that a reality. We understand that we have unique opportunities to make an impact given the scale, capital, and reach of our platform, and we endeavor to apply those capabilities in the right way to put our residents first and push the future of housing forward.

Sincerely,

Sean Dobson
CEO and Chairman, The Amherst Group

[36] https://www.linkedin.com/pulse/once-lifetime-opportunity-change-rental-industry-amherst/?trackingId=GbzqvFdpW1bTa6572E4QZA%3D%3D

***Rep. William Timmons Questions for the Record: June 28, 2022 House Financial Services Subcommittee on Oversight and Investigations Virtual Hearing Entitled: Where Have All the Houses Gone? Private Equity, Single Family Rentals, and America's Neighborhoods***

**Mr. Shad Bogany, Agent, Better Homes and Gardens:**

Mr. Bogany, while I admire your unwavering support for the benefits of homeownership, I was taken aback by your criticism of renting, which is an important option for many families. I have a pair of straight-forward questions for you. A simple "yes" or "no" will suffice.

a. When you are the agent for a single-family home that is bought or sold, do you earn a commission? Yes, but I work with buyers that I never earn commission on after spending weeks with them
b. When a single-family home is rented, do you earn a commission? Yes,
c. I hope you get a chance to listen to my radio show every Tuesday from 6:15pm to 7:15 pm on www.kwwj.org. It's not always about commission.