

United States House of Representatives  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, D.C. 20515

June 23, 2022

## Memorandum

**To:** Members, Committee on Financial Services  
**From:** FSC Majority Staff  
**Subject:** June 28, 2022, Subcommittee on Oversight & Investigations hearing entitled, “Where Have All the Houses Gone? Private Equity, Single Family Rentals, and America’s Neighborhoods.”

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The Subcommittee on Oversight & Investigations will hold a hearing entitled, “Where Have All the Houses Gone? Private Equity, Single Family Rentals, and America’s Neighborhoods” on June 28, 2022, at 12:00 p.m. ET virtually on the Cisco Webex platform. There will be a single panel with the following witnesses:

- **Jim Baker**, Executive Director, Private Equity Shareholder Project
- **Shad Bogany**, Agent, Better Homes and Gardens
- **Sofia Lopez**, Deputy Campaign Director of Housing, Action Center on Race and the Economy
- **Elora Lee Raymond**, Assistant Professor, Georgia Institute of Technology
- **Jenny Schuetz**, Senior Fellow, Brookings Institute

### Background

Following the 2008 financial crisis and subsequent home foreclosure crisis, corporate ownership of SFR homes rose significantly, growing 3% annually since 2010, with the third quarter of 2021 posting the fastest year over year increase in 16 years.<sup>1</sup> Several conditions led to this increase in institutional investment in the housing market, including ample supply of for-sale homes available for bulk-purchase particularly due to foreclosures, tight credit for individual homebuyers, and the introduction of federal policies meant to shore up the housing market.<sup>2</sup> After the financial crisis, institutional investors, including large private equity funds, acquired large portfolios of foreclosed homes.<sup>3</sup> The federal government enabled this growth through bulk sales of distressed federally-backed mortgages and foreclosed properties to institutional investors, as well as providing Fannie Mae-backed financing.<sup>4</sup>

### Single-Family Rental Home Trends

Before the financial crisis began in 2008, investors owned about 10 million SFR homes and the market was dominated by smaller investors who owned 10 or fewer homes.<sup>5</sup> As late as 2011, no single investor in the U.S. owned more than 1,000 homes.<sup>6</sup> From 2013–2017, the largest institutional investors

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<sup>1</sup> Brandon Barker, *Why single-family rentals still have strong demand in 2022*, Roofstock (May 5, 2022).

<sup>2</sup> Lauren Lambie-Hanson et al., *Leaving Households Behind: Institutional Investors in the U.S. Housing Recovery*; See also Federal Reserve Bank of Philadelphia (Jan. 2019); See also James Mills et al., *Large-Scale Buy-to-Rent Investors in the Single-Family Housing Market: The Emergence of a New Asset Class*, Real Estate Economics, at 399-430 (vol. 47, no. 2, 2019).

<sup>3</sup> Brett Christophers, *How and Why U.S. Single-Family Housing Became an Investor Asset Class*, Journal of Urban History at 1-20 (Jul. 2021).

<sup>4</sup> Politico, *Fannie Mae’s \$1 billion Blackstone deal draws fire* (Feb. 1, 2017); See also Popular Democracy, *Vulture Capital Hits Home How HUD is Helping Wall Street and Hurting Our Communities* (Sep. 2014).

<sup>5</sup> Brett Christophers, *How and Why U.S. Single-Family Housing Became an Investor Asset Class*, Journal of Urban History at 1-20 (Jul. 2021).

<sup>6</sup> *Id.*

consolidated their holdings into two companies—Invitation Homes and American Homes 4 Rent—resulting in larger portfolios for large corporate investors.<sup>7</sup> Large scale investors have continued to increase their footprint in various local markets since then.<sup>8</sup> For example, in the third quarter of 2021 alone, institutional investors bought 42.8% of homes for sale in the Atlanta metro area and 38.8% of homes in the Phoenix-Glendale-Scottsdale area.<sup>9</sup> In recent years, technological advances have also facilitated consolidation. For example, some firms, such as OpenDoor, Knock, and Offerpad (and until 2022, Zillow) make use of a business model known as iBuying, in which online buyers use algorithms to rapidly price and acquire homes for cash using their digital housing platforms. To fund their acquisitions, companies raise billions of dollars in capital from hedge funds, pension funds, ultra-high net worth individuals, and other institutional investors, who such companies consider to be their customers.<sup>10</sup> The ability of SFR companies to purchase homes with cash provides a competitive advantage over buyers using a mortgage, especially in an environment with rising mortgage rates. In recent months, home builders have sought out SFR companies to finance construction when buyers have been forced to abandon their homes mid-deal.<sup>11</sup>

### ***Geographic Concentration and Neighborhood Characteristics***

Securitized SFR homes are heavily clustered in the Sunbelt, which comprises the Southeastern, Southwestern, and Western U.S. region,<sup>12</sup> and in communities that previously experienced high foreclosure rates following the 2008 financial crisis. Mass foreclosures that disproportionately affected lower income homeowners and homeowners of color who were targeted with subprime mortgages, pushed many families into rentership and contributed to the current U.S. housing crisis.<sup>13</sup> Institutional investors have been able to buy foreclosed homes in bulk at monthly public auctions, including for example in Georgia, resulting in large concentrations of SFR homes in that state, especially in the City of Atlanta.<sup>14</sup> The geographic concentration of institutional investment in SFRs is also influenced by local place-based policies, such as landlord-tenant, fair housing, and zoning laws, as well as tax incentives, including the Opportunity Zones program that offer investors capital gains exclusions to direct funds into economically distressed areas.<sup>15</sup>

After controlling for neighborhood characteristics, a 2018 study found that increases in institutional investments in SFR homes in Atlanta from 2010–2015 were concentrated in older, inner-county neighborhoods and were correlated with greater concentration of Asian, Latinx, and Black residents.<sup>16</sup> A 2017 case study of Los Angeles County found that middle-income neighborhoods with higher percentages of Black residents and lower home values were disproportionately affected by increased investor participation in the SFR housing market.<sup>17</sup>

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<sup>7</sup> *Id.*

<sup>8</sup> Thomas Malone, *Single-Family Investor Activity Stalls in the Fourth Quarter of 2021*, CoreLogic (Apr. 4, 2021).

<sup>9</sup> *Id.*

<sup>10</sup> Amherst Residential briefing with the Committee (Apr. 22, 2022).

<sup>11</sup> Invitation Homes briefing with the Committee (Jun. 22, 2022).

<sup>12</sup> Desiree Fields et al., *The Emerging Economic Geography of Single-Family Rental Securitization*, Federal Reserve Bank of San Francisco (2016).

<sup>13</sup> Homes for All Campaign of The Right To The City Alliance, *Renting From Wall Street: Blackstone's Invitation Homes in Los Angeles and Riverside* (Jul. 2014).

<sup>14</sup> Brett Christophers, *How and Why U.S. Single-Family Housing Became an Investor Asset Class*, *Journal of Urban History*, at 1-20 (Jul. 2021).

<sup>15</sup> Elora Raymund et al., *Large Corporate Buyers of Residential Rental Housing During the COVID19 Pandemic in Three Southeastern Metropolitan Areas*, Georgia Institute of Technology School of City and Regional Planning Research Report (Jan. 13, 2022).

<sup>16</sup> Daniel Immergluck, *Renting the Dream: The Rise of Single-Family Rentership in the Sunbelt Metropolitan*, *Housing Policy Debate*, at 814-829 (Vol. 28, no. 5, 2018).

<sup>17</sup> Meredith Abood, *Securitizing Suburbia: The Financialization of Single-Family Rental Housing and the Need to Redefine 'Risk'*, Massachusetts Institute of Technology (2017).

## ***Rents and Maintenance***

To meet investor's return expectations, SFR home landlords often prioritize maximizing profits.<sup>18</sup> As a result, evidence suggests that renters in institutionally-owned SFR homes often experience higher rent increases, inflated fees, and diminishing quality of housing over time.<sup>19</sup> For example, a 2017 case study of Los Angeles County found that tenants renting from the largest SFR companies faced higher rent increases and greater maintenance responsibilities compared to other renters.<sup>20</sup> An earlier study in 2010 found typical rent increases of 37-57 percent among Atlanta renters after the first year of tenancy with many tenants expressing strong concerns about the quality of their home renovations.<sup>21</sup> While single family renters typically pay higher rents, homes have been found to be in greater disrepair, which can have depressing effects on the value of the surrounding community.<sup>22</sup> A 2019 analysis of administrative records and survey data from Milwaukee found greater housing disinvestment and disrepair when ownership moved from individuals to limited liability companies (investors).<sup>23</sup>

## ***Evictions***

A 2018 study of post-foreclosure SFR homes in Atlanta found that large landlords (those with more than 15 SFR homes) were 68 percent more likely than small landlords to file for evictions even after controlling for property, tenant, and neighborhood characteristics.<sup>24</sup> Large landlords were between 11 percent and 205 percent more likely to file for an eviction than small landlords, even after controlling for property, tenant, and neighborhood characteristics.<sup>25</sup> Similarly, a 2020 study found that while large landlords in Boston (those with 100 or more homes) represented less than 0.5 percent of landlords and only 32 percent of rental homes, they were responsible for 45 percent of all evictions in 2015 and 2016.<sup>26</sup> In contrast, the study found only 10 percent of evictions happened in buildings that were owner-occupied, suggesting that small landlord investors who have a personal relationship with their tenants may be more willing to work with them to avoid eviction.<sup>27</sup> The automation of property management by institutional investors may put tenants at risk of mismanagement and eviction by making it difficult for tenants to contact and hold them accountable for problems when they occur.<sup>28</sup> During the pandemic, as renters lost jobs and wages and could not pay rent, Congress enacted the federal eviction moratorium that was later extended by the Centers for Disease Control and Prevention.<sup>29</sup> Despite federal and local protections, some corporate landlords continued to file evictions against renters, who were disproportionately Black and

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<sup>18</sup> ACCE Institute, *Wall Street Landlords turn American Dream into a Nightmare* (Accessed Jun. 2022).

<sup>19</sup> *Id.*

<sup>20</sup> Meredith Abood, *Securitizing Suburbia: The Financialization of Single-Family Rental Housing and the Need to Redefine 'Risk'*, Massachusetts Institute of Technology (2017).

<sup>21</sup> Desiree Fields, *The Rise of the Corporate Landlord: The Institutionalization of the Single-Family Rental Market and Potential Impacts on Renters*, Homes For All Campaign of Right To The City Alliance (Jul. 2014).

<sup>22</sup> Adam Travis, *The Organization of Neglect: Limited Liability Companies and Housing Disinvestment*, *American Sociological Review*, at 142-170 (vol. 84, no. 1, 2019).

<sup>23</sup> *Id.*

<sup>24</sup> Elora Lee Raymond et al., *From Foreclosure to Eviction: Housing Insecurity in Corporate-Owned Single-Family Rentals*, *Cityscape: A Journal of Policy Development and Research*, at 159-188 (vol. 20, no. 3 2018).

<sup>25</sup> *Id.*; See also Daniel Immergluck et al., *Evictions, Large Owners, and Serial Filings: Findings from Atlanta*, *Housing Studies*, at 903-924 (vol. 35, no. 5, 2020).

<sup>26</sup> Forrest Hangen et al., *Evictions and COVID-19: The Responsibility of the Large Landlord*, Boston Area Research Initiative and Metropolitan Area Planning Council (Dec. 21, 2020).

<sup>27</sup> *Id.*

<sup>28</sup> Gregg Colburn et al., *Capitalizing on Collapse: An Analysis of Institutional Single-Family Rental Investors*, *Urban Affairs Review*, at 1590-1625 (vol. 25, no. 6, 2021).

<sup>29</sup> CARES Act, *Pub. L. No. 116-136* (2020); CDC, *Temporary Halt in Residential Evictions To Prevent the Further Spread of COVID-19* (Sept. 4, 2020).

Latinx.<sup>30</sup> From March 2020 until January 2022, corporate landlords had filed 168,000 evictions and at least 70,000 of those occurred between September and May of 2021 when the federal moratorium was still in effect.<sup>31</sup> As SFR companies have begun initiating evictions again, several companies have pursued alternatives to eviction that save money in legal fees and carry less reputational risk, such as cash payments for residents who voluntarily leave their homes before the eviction process concludes.<sup>32</sup>

### House Financial Services Committee Longitudinal Survey

On October 26, 2021, the Subcommittee on Oversight & Investigations sent a survey to the five largest owners and operators of SFR homes in the United States: Invitation Homes, American Homes 4 Rent, FirstKey Homes (owned by Cerberus Capital Management), Progress Residential (owned by Pretium Partners), and Amherst Residential.<sup>33</sup> The survey requested national-level quarterly data (from March 31, 2018 through September 30, 2021) from each company on issues such as their total number of properties, methods of acquisition and sales, and value of bonds offered to investors. In addition, the survey requested data over various timeframes from each company regarding late fees, leaseholder income, tenant demographics, and eviction rates in the top 20 ZIP codes where the company owned the greatest number of properties as of September 30, 2021. The Committee analyzed both national-level and ZIP code-level data to understand company and industry trends over time. In addition to analyzing data provided by the five companies, the Committee analyzed 5-year period estimate data from the U.S. Census Bureau's American Community Survey (ACS) to identify trends in the ZIP Code Tract Areas (ZCTAs), as designated by the U.S. Census Bureau, in which each of the five companies owned the most homes as of September 30, 2021.

Based on the Committee's survey and the American Community Survey data, Committee Staff found that the five companies:

- **Grew significantly over the timespan of the survey, with an aggregate 27% net growth of their housing stock between March 31, 2018 and September 30, 2021.** This represented a total net property gain of 76,235 single family rental homes.
- **Acquired homes through multiple channels, including the Multiple Listing Service, home foreclosure auctions, and by building homes to rent.** However, they tended to sell homes primarily through bulk sales<sup>34</sup> to other institutional investors, and very rarely sold homes to their own tenants or to individual homebuyers. The five companies purchased 21.9% of their homes through bulk sale, sold 61.5% of their homes through bulk sale, sold 0.5% of their homes to their tenants.
- **Make cash offers on homes by offering bonds and other financial instruments to investors to raise capital without needing to take out home mortgage loans to finance their purchases.** The five companies offered an aggregate of \$24.7 billion in bonds and other financial instruments to investors during the survey period.
- **Tended to purchase homes in neighborhoods with significantly larger Black populations than the national average.** The average population represented across the companies' top 20 zip codes was 40.2% Black, which is over three times the Black population in the U.S. (13.4%).

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<sup>30</sup> NPR, *Corporate Landlord Evicts Black Renters At Far Higher Rates Than Whites, Report Finds* (Jun. 3, 2021).

<sup>31</sup> Private Equity Stakeholder Project, *Record Acquisitions and High Evictions by Corporate Landlords in 2021 Draw Scrutiny from Congress* (Jan. 31, 2022); See also Private Equity Stakeholder Project, *Evictions Continue Despite Ongoing Federal Moratorium; Veterans Hard Hit: May 2021 Evictions Data* (Jun. 1, 2021).

<sup>32</sup> FirstKey Homes briefing with Committee (Jun. 23, 2022).

<sup>33</sup> List of five largest single family rental home institutional holdings as measured by Amherst Residential as of December 31, 2020; See also Amherst, *U.S. Single-Family Rental: 2020 Institutional Activity* (Mar. 2021).

<sup>34</sup> Here, "bulk sales" refers to the sale of more than one home per transaction, or more than five in one transaction for Invitation Homes.

- **Tended to purchase homes in neighborhoods with approximately 30% more single mothers than the national average, with 12.9% of households headed by single women with children under 18**, versus the 9.8% of such households in the total U.S. population.
- **Tended to purchase homes in neighborhoods with lower home prices and higher rents.** As illustration, the average median home value of the five companies' top 20 ZIP Code Tract Areas was (\$198,766), approximately 14% below the national median home value (\$229,800). The average median gross rent in the five companies' 20 top ZIP Code Tract Areas (\$1,259) was approximately 13% above the national median (\$1,096).<sup>35</sup>
- **Increased fees per lease per year by approximately 40% over the course of the survey period (\$147.20 in 2018 versus \$205.29 in 2021).**
- **Saw the total number of tenants behind on rent and fees increased by almost two-fold, with tenants with rental arrears increasing from 11.3% in 2018 to 19.1% in 2021, and the number of tenants with fee arrears increasing from 10% in 2018 to 20.7% in 2021.**

For additional data from the Committee's survey, please see Appendices I – III of this memo.

### *Analysis of Survey Findings*

The business practices that allow the single-family rental home industry to operate effectively and at-scale have been shown to accelerate gentrification in low-income neighborhoods and communities of color, displacing longtime residents.<sup>36</sup> Furthermore, the financial dominance of these large investment firms allows them to outcompete first-time homebuyers for affordable starter homes, drives up home prices, and contributes to the racial wealth and homeownership gaps.<sup>37</sup> As the U.S. faces a worsening housing crisis, the Committee's survey data shows that these five companies are not affordably serving the households most acutely affected by the housing crisis.

The Committee's survey also confirmed research that shows single-family rental home investors adopt policies and practices that do not benefit renters. The Committee's survey showed that tenant rent arrears nearly doubled and fee arrears more than doubled between 2018 and 2021; the survey also showed that these five companies proceeded to increase their fees on tenants during that same time, including late fees, despite their tenants accruing rental and fee arrears. Federal and local governments instituted eviction moratoria to protect families struggling to pay rent during the pandemic. While the Committee's survey found that these five companies' total filed and completed evictions decreased by more than 50% during the survey period, the companies continued to file and complete evictions—confirming media reports that investor landlords filed and evicted tenants during the pandemic eviction moratorium.<sup>38</sup> Additionally, the Committee's survey data shows that the average income of these five companies' tenants increased by 9% between 2018 and 2021. On the surface, this may seem like existing tenants grew their income during that timeframe. However, this shift may instead signal turnover of lower income tenants and a restriction of the companies' renter eligibility criteria. A tightening of the tenant credit box would make these five companies' single family rental homes less accessible to tenants with lower incomes and further limit affordable housing options for the U.S.'s lowest income families.

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<sup>35</sup> Both home value and gross rent are 5-year estimates from the ACS that represent data collected over a period of time.

<sup>36</sup> Elora Raymond et al., *Institutional Investors, and Displacement: Eviction Rates in Single-Family Rentals*, Federal Reserve Bank of Atlanta (Dec. 2016).

<sup>37</sup> Debra Kamin, *The Market for Single-Family Rentals Grows as Homeownership Wanes*, The New York Times (Oct. 22, 2021).

<sup>38</sup> Financial Services Committee, *Waters Calls on Corporate Landlords to Halt Harmful Eviction Practices and Help Stabilize Renters* (Jul. 2, 2021).