

**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)**

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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

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.cnn.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 maintenance⁷ 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 Equity⁹ 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

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/1lgntfTGWT4rbylrmtYDiEWJODbrHAofNMrKaqcHXG9E>.

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

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.

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-bfr-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-116hrg42474.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

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://d18rn0p25nwr6d.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://d18rn0p25nwr6d.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 Lilliana 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

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

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.”

finances 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

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

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 Lilliana 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.

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.