**Testimony before the
Senate Committee on Banking, Housing, and Urban Affairs**

Hearing on:
How Private Equity Landlords are Changing the Housing Market

October 21, 2021

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Introduction

Thank you Chairman Brown, Ranking Member Toomey, and members of the Committee, for the opportunity to testify today.

My name is Desiree Fields. I am Assistant Professor of Geography and Global Metropolitan Studies at the University of California, Berkeley. My research considers the intersection of financial processes, housing, and digital technology. A particular focus of my scholarship is the role of institutional investors as landlords, and how advances in digital technology have facilitated the consolidation of property ownership in single-family rental housing.

I have conducted research in this area since 2013. My findings are published in reports for the Federal Reserve Bank of San Francisco and peer-reviewed journals in urban and economic geography. In past work I investigated the experiences of mortgage foreclosure among low-income homeowners and the consequences of private equity investment in New York City's rent-regulated housing sector. My current research program grows directly from these past studies.

I examine how single-family rental homes have become the site of new financial asset classes; the organizational forms and growth strategies common to large-scale single-family rental landlords; and the critical role of cloud and mobile computing, algorithms, and new sources of data and analytics in the institutionalization of single-family rental (SFR). At its core, my work is about how these processes of economic and technological change reinforce existing inequalities in the United States.

My comments will focus on charting changes the role played by institutional investors in the single-family rental market since the 2008 financial crisis. After presenting an overarching timeline of these changes and how they developed, I will address the rapid growth of investment in the SFR market over the course of the COVID-19 pandemic. Finally, I will discuss the current state of scholarly knowledge about the role of institutional investors in the SFR market, attending to implications for renters, would-be owner occupiers, communities, and urban development more broadly.

The issues addressed in my research have been the subject of significant media attention and wider public debate in recent months, and I am happy to be able to offer substantive context around these developments with the Committee today.

A note on terminology and scope: In this testimony, I refer to landlords in the SFR sector with terms such as institutional players, institutional investors, corporate operators, corporate landlords, and large-scale operators. These terms indicate portfolios of rental properties owned and/or financed by private equity and other alternative investors, often in combination with backing from pension funds, affiliates of larger companies, and home builders. Some of today's largest corporate landlords are now publicly listed on the stock market but have similar origins and continue to raise private capital; these companies are therefore included in my testimony.

I. Overview

Single-family homes have long constituted a meaningful share of the US rental housing sector, in 2018 accounting for about a third of all rental housing or about 15 million units.[1] Before the 2008 financial crisis, SFR homes were never owned or managed at scale by corporate actors. Small inventories (overwhelmingly a single property) owned by non-professional landlords (Savage, 1998) were the norm. This highly fragmented ownership pattern posed a challenge to market information and thus to consolidation of SFR.

Since 2008, SFR has been the site of a wave of consolidation led by private capital, including some of the world's largest alternative investment and private equity firms, most notably Blackstone. Today the five largest public and private operators together control close to 200,000 homes, with portfolios ranging from 15,000-80,000 properties (see Table 1).[2] Beyond these dominant players, numerous other operators own upwards of 1000 SFR homes.

Large-scale ownership by financial actors has changed the structure of the SFR sector, and in so doing helped initiate financial modes of capital accumulation in a sector where investors typically rely on income from rents and long-term capital gains. For example, rental flows from SFR homes started being securitized in 2013 and more than 50 transactions have been completed since,[3] offering low-cost debt to corporate landlords and investment opportunities to the bond

[1] Joint Center for Housing Studies (2020). America's Rental Housing 2020. Joint Center for Housing Studies of Harvard University.
[2] As I will discuss in greater depth elsewhere in this testimony, my research on SFR real estate investment trusts shows that institutional SFR is geographically concentrated.
[3] Fields, D. (2019). Automated Landlord: Digital technologies and post-crisis financial accumulation. *Environment and Planning A.* DOI: 10.1177/0308518X19846514

market. Since 2012 four corporate landlords have gone public as real estate investment trusts (REITs) in the US; today Invitation Homes and American Homes 4 Rent remain publicly listed.[4]

Following a wave of growth by consolidation from 2015-2019, the pandemic has seen a flood of capital into the SFR sector. At least $30 billion worth of investor and capital transactions were announced since March 2020.[5] The current round of investor-led growth will foster the expansion of numerous existing operators and allow new institutional operators to enter the market. This phase of growth is also marked by new models including "build for rent", as well as a growing number of investment platforms catering to small-scale, individual investors in SFR.

Figure 1

II. How did we get here?

Precursors to today's consolidation of SFR include federal government interventions to the foreclosure crisis, the suburban geography of the crisis and the accompanying devaluation of relatively new homes, and the growth in renting and constrained mortgage credit seen in the years after 2008.

Leading up to the crisis, government inaction largely left borrowers to their own efforts to prevent foreclosure. Loan servicers' perverse incentives to pursue foreclosure, the failure to mandate lender participation in relief programs, and bankruptcy judges' inability to reduce mortgage principal all mitigated against the effectiveness of federal mortgage relief programs deployed after 2008.[6] These weaknesses undoubtedly contributed to the volume of foreclosed homes that would accumulate around the

[4] Tricon American Homes is the third-largest corporate landlord in the US but is owned by Tricon Residential, a publicly listed Canadian company that in 2017 acquired Silver Bay, one of the first SFR REITs in the US.
[5] Nguyen, D. (2021). Over $30 Billion in Capital is Chasing 35-year High in Single-family Rent Growth. John Burns Real Estate Consulting. https://www.realestateconsulting.com/the-light-35-year-high-in-single-family-rent-growth/
[6] Bratt, R, and Immergluck, D. (2015). The Mortgage Crisis: Historical Context and Recent Responses. *Journal of Urban Affairs* 37 (1): 32–37.

country. Between 2004 (when the US homeownership rate peaked at 69%) and 2014, seven million foreclosures were completed.[7]

The foreclosure crisis spared few parts of the US, but the metropolitan geography of home repossessions was spatially uneven and changed over time. Starting around 2006, foreclosed homes first accumulated in weak markets in formerly industrial centers of the Midwestern Rust Belt, particularly in low-income, predominantly African-American and Hispanic central city neighborhoods subjected to high levels of subprime and predatory lending.[8] Once the larger financial crisis hit in 2007-2008 repossessed properties accumulated more in suburban, middle-class neighborhoods in the Sun Belt (southern California, the Southwest, and the Southeast) .[9]

The housing bubble was most pronounced in the Sun Belt because prices increased rapidly in the 2000s and many homeowners took out mortgages just ahead of 2008, when prices peaked and "exotic" loan products (e.g. adjustable interest rate) were marketed to middle-class borrowers.[10] When the bubble burst, Sun Belt markets experienced the steepest, most rapid price declines.[11] It is difficult to overestimate the importance of this property devaluation for the construction of the institutional SFR market. Not just any properties were steeply devalued, but large, often relatively new or recently renovated suburban properties.

Rental demand surged due to the foreclosure crisis. A decade after homeownership peaked in 2004, the percentage of homes occupied by renters climbed from 31% to 36% in 2015, a rate last seen in the mid-1990s, when the federal government renewed efforts to boost homeownership. The conversion of single-family housing stock from owner-occupied or for-sale to renter-occupied helped meet this increased rental demand.[12]

The growth of renting goes hand in hand with tightened access to mortgage credit in the years following the 2008 crisis.[13] Even compared to historical credit availability rather than the exceptionally loose credit of 2004 to 2007, constrained mortgage lending lowered the probability

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[7] Core Logic National Foreclosure Report: August 2014. http://www.corelogic.com/research/foreclosure-report/national-foreclosure-report-august-2014.pdf.
[8] Immergluck, D. (2010). The Accumulation of Lender-Owned Homes During the U.S. Mortgage Crisis: Examining Metropolitan REO Inventories. *Housing Policy Debate* 20 (4): 619–45.
[9] *Ibid*
[10] Aalbers, M. (2009). "Geographies of the Financial Crisis." *Area* 41 (1): 34–42; Immergluck, D. (2015). "A Look Back: What We Now Know about the Causes of the US Mortgage Crisis." *International Journal of Urban Sciences*, May, 1–17.
[11] *Ibid*
[12] Joint Center for Housing Studies (2015). "he State of the Nation's Housing. Joint Center for Housing Studies of Harvard University.
[13] Krainer, J. and McCarthy, E. (2014). Housing Market Headwinds. 2014–32. Economic Letter. Federal Reserve Bank of San Francisco. http://www.frbsf.org/economic-research/publications/economic-letter/2014/november/housing-mortgage-economy-economic-recovery/.

of ownership in the crucial years after 2008[14] when institutional players were amassing their initial portfolios.

In the wake of 2008, large pockets of discounted but newer houses were available in metropolitan areas recently subject to economic and population growth, but mortgage credit was constrained—and rental demand was rising. These market conditions were necessary, but not sufficient to enable the consolidation of SFR. A combination of advances in technology, policy, and investors' efforts to seek out returns in a low-interest rate environment have all been critical to SFR industry consolidation since 2008.

One of the signature responses to the 2008 crisis by central banks around the world, including the US, was to keep interest rates close to zero to boost market liquidity. This policy decreased the rate of return on financial assets, leading investors seeking yield toward riskier assets (such as property) and investment strategies (such as private equity).[15] Managers of alternative investment funds, such as Blackstone, benefited from this market turn. And with non-agency residential mortgage securitization at a standstill since 2008, the financial industry needed new products and revenue streams.[16] In this macroeconomic and investment context, the post-2008 inventory of discounted homes and growing rental demand rapidly emerged as a market opportunity.

To some extent, the REO[17] Pilot Program, launched in 2012 by the Federal Housing Finance Agency (FHFA), indicated state support for institutional landlords. The program sought to sell 2500 government-owned foreclosed properties for conversion to rental housing in bulk sales, focusing on hard-hit metropolitan areas including Atlanta, Chicago, Las Vegas, Phoenix, and parts of Florida. The CEO of Amherst Holdings, a company advising institutional investors, testified to the House Committee on Financial Services the program was influential in their decision to work toward "building the appropriate platform to shepherd the necessary capital to the market".[18] While real estate investors had long considered bulk purchases of distressed real estate, the REO Pilot Program signaled to large players that the state welcomed their role as landlords.

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[14] Acolin, A, et al. (2016). Borrowing Constraints and Homeownership. SSRN Scholarly Paper ID 2720313. Rochester, NY: Social Science Research Network. http://papers.ssrn.com/abstract=2720313.

[15] Marriage, M. (2014). Pension funds seek 'sweet spot' in alternatives. *Financial Times.* http://www.ft.com/cms/s/0/5cb74072-0814-11e4-acd8-00144feab7de.html#axzz4AzSXKsFK

[16] Alloway, T, et al. (2014). "Zeal for Blackstone Home Rental Bond Fades." *Financial Times*, February 4. https://www.ft.com/content/74447996-8cf2-11e3-ad57-00144feab7de; Neumann, J. (2012). Plotting a Securitization Sequel. *Wall Street Journal*, http://www.wsj.com/articles/SB10000872396390444097904577535453115674034.

[17] REO refers to "real estate owned", the term used to describe foreclosed homes that have reverted to bank ownership.

[18] Committee on Financial Services (2012). *An Examination of the Federal Housing Finance Agency's Real Estate Owned (REO) Pilot Program*. Washington, DC.

Advances in technology coming to prominence since 2008 have been the linchpin in the consolidation of SFR.[19] Digital innovations like cloud and mobile computing helped automate core functions like rent collection and property maintenance, enabling more efficient management of large, geographically dispersed property portfolios and increasing market confidence in corporate landlords' management capabilities). With new sources of data and analytics, institutional landlords have developed in-house data platforms powered by algorithms to rapidly evaluate and submit offers on homes that meet their investment criteria. Using vertically integrated corporate structures ensures institutional landlords' access to a continuous flow of data they can analyze to seek out efficiencies and market opportunities. New information technologies enabled investors to aggregate ownership of resources, efficiently extract income flows, and securely convey these flows to capital markets.

Today, what began as an opportunistic trade has evolved into a full-blown industry, with a sophisticated ecosystem of players acquiring, building, and renting out properties on a long-term basis. Organized into a lobby group through the National Rental Home Council (NHRC), the SFR industry positions itself as a solution to the affordable housing crisis through delivering an exceptional housing product designed to meet the needs of millennials in the early years of family formation.

III. The pandemic boom in SFR

After a period of rapid growth from 2012-2014, when today's major brands established their portfolios by acquiring foreclosed homes in hard-hit Sun Belt metropolitan areas, industry growth slowed somewhat. From 2015-2019, large players like Invitation Homes, American Homes 4 Rent, Front Yard Residential, and Tricon American Homes got bigger mainly by acquiring or merging with smaller players.

Despite initial concerns the pandemic would precipitate a housing downturn, it instead sparked a surge of demand from investors and owner-occupiers alike. With the global search for investment yield ongoing, a wide range of new real estate investment platforms rolling out, and investors seeking safe haven in housing, SFR has boomed.[20] An industry-wide narrative has taken hold around the following idea: with new work-from-home and social distancing trends in the wake of COVID-19, the "subscription generation" wants more space - larger homes, away from dense urban areas - without the trouble and responsibilities of being a homeowner. In this narrative, by professionalizing the single-family rental market SFR operators are "rescuing" thousands of renters from the vast "shadow market" run by mom-and-pop landlords.

[19] *Supra* note 3.
[20] Burns, J. and Palacios, R. (2021). Investor Mania 2.0: How data, technology, and yield chasing are revolutionizing housing while raising risk levels. John Burns Real Estate Consulting.

Thus, the pandemic set off a new wave of investor-led growth in SFR, with more than 40 deals representing over $30 billion of investor and capital transactions since March 2020.[21] This round of growth is associated with:

- **Financing for newer strategies such as build-for-rent** (BFR, also known as build-to-rent): As the inventory of distressed real estate has dwindled and asset prices have risen, SFR companies are delving deeper into the housing supply chain with BFR as a strategy for growth that may widen profit margins through reduced maintenance requests, lower tenant turnover, and more efficient management practices;
- **Involvement of newer players**: favorable market fundamentals have drawn a host of new players interested in tapping into the SFR boom, including homebuilders like Lennar (which recently launched Upward America, a $1.25 billion joint BFR venture with Centerbridge Partners) and commercial real estate investors such as JLL;
- **Deals involving digital platforms** like Roofstock, Entera, and Fundrise that purport to simplify and democratize SFR investment by giving individual investors access to the same tools used by institutional investors;
- **A growing role for iBuyers**[22]: Invesco has backed property management platform Mynd to deploy up to $5 billion to acquire 20,000 homes in three years, and Mynd's CEO expects 15-20% of these acquisitions will originate from iBuyers (TK Business Insider article);
- **Substantial involvement of public pension funds**: Notable deals include a $1 billion joint venture between CalSTRS (California's $286.9 billion teachers' retirement system) and global investment manager PCCP LLC to build homes for rent; a plan for Tricon American Homes, the Teachers Retirement System of Texas and other investors to acquire $5 billion worth of existing homes; a $125 million investment by the Tennessee Consolidated Retirement System in a SFR fund operated by private equity firm Pretium Partners; and a $150 million investment by the State of Wisconsin Investment Board in a SFR fund managed by Hudson Advisors. Additionally, in 2019 the Arizona Teachers pension fund committed $400 million to a joint venture with Tricon American Homes to build homes for rent.

Despite the influx of new players and an expanded role for investment platforms geared for the masses, existing large players hold an early mover advantage and are poised to benefit from investors' interest in SFR. On recent earnings calls, Invitation Homes, American Homes 4 Rent, and Tricon American Homes all characterized 2021 as a banner year for fundraising, with more and more capital seeking exposure to the SFR asset class.

[21] *Supra* note 5
[22] iBuyers are real estate companies like Zillow, OpenDoor, and Redfin that use technology to price homes and provide "instant" offers to buy directly from sellers.

Private equity and alternative investment firms remain central to the SFR market. Blackstone, the investment giant that started Invitation Homes and exited SFR in 2019, has re-entered the market in a big way. In 2020 it took a $240 million minority stake in rental company Tricon American Homes and in 2021 the firm acquired rent-to-own company Home Partners of America for $6 billion. Pretium Partners, the private equity parent company of SFR operator Progress Residential (with more than 60,000 homes), has steadily expanded its market footprint. Just in the past two years, Pretium has: added 14,000 units when it and asset manager Ares acquired REIT Front Yard Residential for $2.5 billion, taking the company private; acquired 1000 properties from GTIS Partners for $300 million; accepted a $125 million investment from Tennessee Consolidated Retirement System; entered a $700 million joint venture with Canadian pension fund PSP and another joint venture with developer Crescent Communities to invest $1 billion in BFR communities.

Considering the vast amounts of capital pouring into SFR and the growing exposure of public pension funds to this asset class, it is an important moment to step back and consider what we know about the role of institutional landlords in the SFR market. Through lobbying and public relations efforts, SFR operators have tried to position themselves as positive actors helping alleviate the national housing crisis. Does this narrative hold up? What does it leave out of the frame?

IV. What do we know about corporate landlords in SFR?

While it is true that institutional players and private capital took on some level of market risk when they first entered the market in the immediate aftermath of the 2008 crisis, at this time it is appropriate to question the narrative that corporate landlords are stabilizing communities and alleviating the housing crisis. Available evidence raises concerns about the direct and indirect effects of institutional operators on tenants, would-be owner-occupiers, and communities more broadly, particularly in the markets where their footprint is the largest.

Segmented geographies of institutional SFR: A common refrain by SFR operators is that they control just a small share of the market. Indeed, the market snapshot provided by the National Rental Home Council, the trade and lobbying group for institutional SFR operators, states its members "comprise just 2 percent of the 16-million-home market" and emphasizes "most single-family investors hold fewer than 10 units".[23] This way of framing market share belies the fact that the institutional SFR industry is not evenly distributed throughout the country but is instead highly geographically segmented. A snapshot of the holdings of SFR REITs Invitation Homes, American Homes 4 Rent, Tricon American Homes, and Front Yard Residential (the latter recently taken private) shows a distinctive Sun Belt geography (see Table 1; see Figure 2).

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[23] NRHC (2021). Resources and Research. https://www.rentalhomecouncil.org/resources-research/

This geography largely tracks with the markets where the pre-2008 housing bubble was most inflated and price declines the steepest afterwards, as well as analyses of the top markets for purchases by large-scale investors in the industry's period of rapid growth from 2012-2014 (see Table 2), and the economic geography of SFR securitization from 2013-2016.[24]

Top 5 metropolitan areas for major SFR operators	**Number of homes**
Atlanta	23,000
Phoenix	13000
Tampa	13000
South Florida	9000
Dallas-Fort Worth	8900
Top 5 states for major SFR operators	**Number of homes**
Florida	37000
Georgia	27000
Texas	20000
North Carolina	15000
Arizona	13000
data based on most recent quarterly SEC filings	

Table 1

Top metropolitan areas for purchases by large-scale investors, 2012-2014.		
Region	**State**	**Metro area**
Southeast	Florida	Jacksonville
		Miami
		Lakeland-Winter Haven
		Orlando
		Tampa
	North Carolina	Charlotte
		Raleigh
		Winston-Salem
	Georgia	Atlanta
	Tennessee	Memphis
Southwest	Arizona	Phoenix
		Tuscon
	Nevada	Las Vegas
West	California	Sacramento
		Vallejo

My tabulation of data from Mills, James, Raven Molloy, and Rebecca Zarutskie. 2017. "Large-Scale Buy-to-Rent Investors in the Single-Family Housing Market: The Emergence of a New Asset Class." Real Estate Economics, January, 1–32.

Table 2

In addition to being concentrated in a relatively small number of markets, institutional SFR is also concentrated in specific market segments within metropolitan areas. That is, the "buy box", or the property attributes investors specify for acquisition, does not include all of the single-family homes in a given metropolitan area. Institutional operators use what they term an "acquisition engine" (American Homes 4 Rent) or "acquisition platform" (Invitation Homes) to undertake "disciplined market and asset selection".[25] These tools use data fed into a proprietary underwriting algorithm. These data might encompass "neighborhood desirability, proximity to employment centers, transportation corridors, community amenities, construction type, and required ongoing capital needs".[26] The algorithm uses these data in combination with target yield and other investor specifications to identify desirable properties and generate prices. Such software allowed SFR companies to scale up portfolios rapidly and deploy capital to the right submarkets and neighborhoods.[27]

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[24] Fields, D., Kohli, R., Schafran, A. (2016). The Emerging Economic Geography of Single-Family Rental Securitization. Community Development Investment Center, Working Paper 2016-02. Federal Reserve Bank of San Francisco. https://www.frbsf.org/community-development/publications/working-papers/2016/january/emerging-economic-geography-single-family-rental-securitization/
[25] Invitation Homes (2021). Form 10-Q, March 31, 2021.
[26] Invitation Homes (2017). Form 10-K.
[27] Mills, James, Raven Molloy, and Rebecca Zarutskie. 2017. "Large-Scale Buy-to-Rent Investors in the Single-Family Housing Market: The Emergence of a New Asset Class." *Real Estate Economics*, January, 1–32. https://doi.org/10.1111/1540-6229.12189.

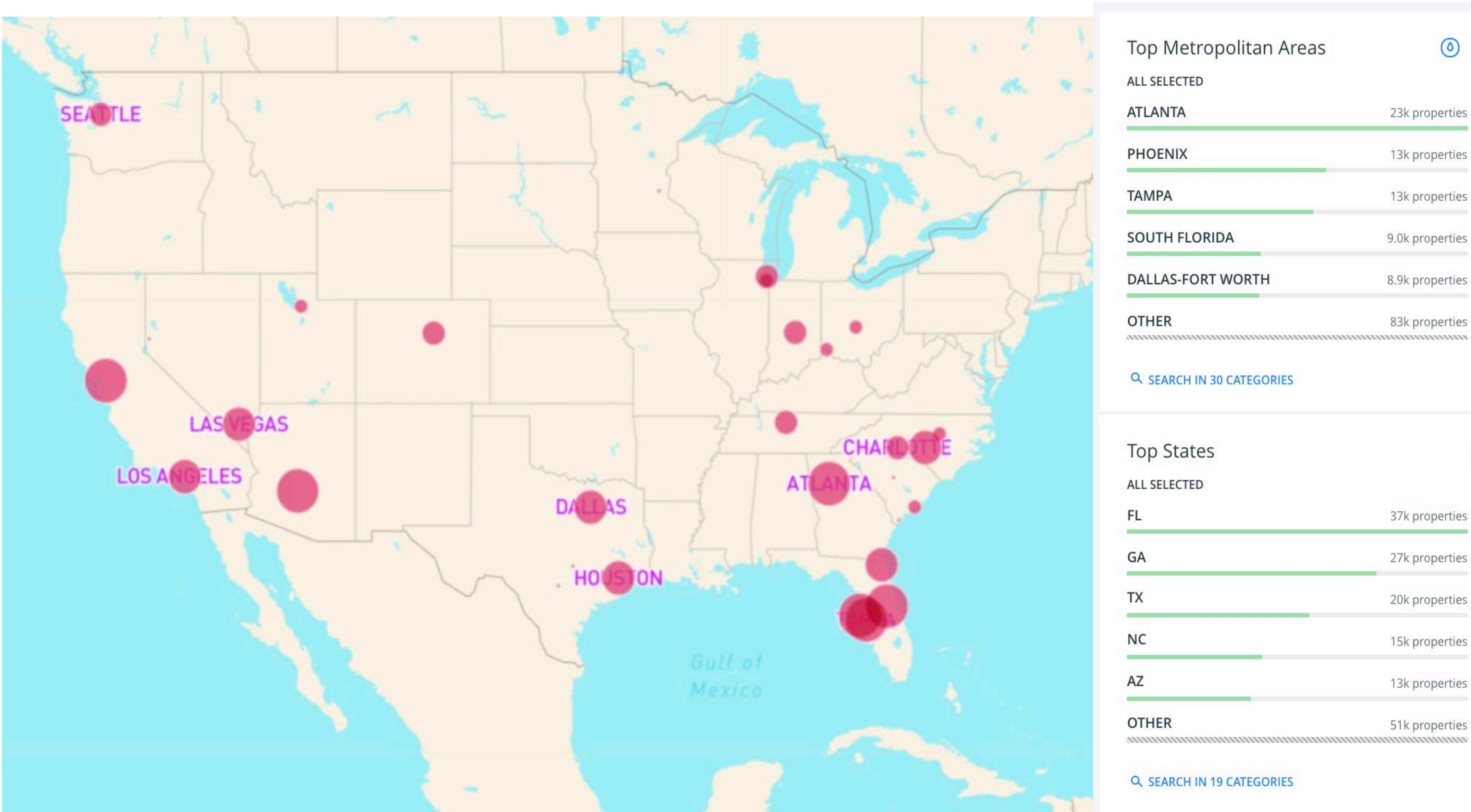

Figure 2: Geography of SFR homes owned by American Homes 4 Rent, Front Yard Residential, Invitation Homes, and Tricon American Homes. Data drawn from most recent SEC filings. Also viewable as an interactive map.

According to the NRHC, "three-bedroom, two-bathroom single-family homes priced at the mid-range of the local market" (2021) typically fall within the buy box for their members. For example, in the first quarter of 2020, Invitation Homes acquired 504 homes for an average price of $272,760[28]; just below the median home sales price of $279,900 in the South[29], the US region with lowest prices and one where Invitation Homes is highly active. Within their target markets, the company seeks out homes averaging "approximately 1,870 square feet with three bedrooms and two bathrooms "in "attractive neighborhoods in in-fill locations with multiple demand drivers, such as proximity to major employment centers, desirable schools, and transportation corridors".[30]

Policy conversations about institutional landlords' market share should be informed by the following considerations of their buy box and the geography of their target markets:

Institutional landlords do not look to acquire properties uniformly across the country. They depend on efficiencies that are possible when they achieve scale (usually a few thousand properties in a metropolitan area), so they concentrate their acquisition efforts on specific markets. For Invitation Homes, these are markets they "expect will exhibit lower new supply, stronger job and household formation growth, and superior net operating income ("NOI") growth relative to the broader United States housing and rental markets".[31]

Institutional landlords are not searching uniformly across all single-family homes within their target markets. They use a specific set of neighborhood and built environment criteria and limit acquisitions to properties they can purchase near or below median prices.

These considerations offer important context for **concerns about monopolization, competition with homebuyers, and high rents** raised in media accounts of institutional landlords published in recent years. For example, reporting in *The Wall Street Journal* highlighted how in one Nashville suburb, four institutional landlords collectively controlled three quarters of local rental houses, outcompeting would-be owner occupiers with all-cash, no-contingency offers and effectively gatekeeping access to particular neighborhoods and public schools, all while asking for rents almost a third higher than monthly ownership costs.[32] Journalists for *The Washington Post* found that after entering the Memphis market in 2015, private equity firm Cerberus Capital Management acquired 1800 rental homes in three years, making it the city's largest owner of

[28] *Supra* note 25
[29] FRED Economic Data (2021). Quarterly Median and Average Sales Prices of Houses Sold by Region, Q1 2020. Federal Reserve Bank of St Louis. https://fred.stlouisfed.org/release/tables?rid=97&eid=206085&od=2020-03-01#
[30] *Supra* note 25
[31] *Ibid*
[32] Kusisto, l. and Dezember, R. (2017). Meet your New Landlord: Wall Street. *The Wall Street Journal.* https://www.wsj.com/articles/meet-your-new-landlord-wall-street-1500647417

single-family homes.[33] This year, an article in *The Wall Street Journal* cited that the investor share of home purchases is growing most in "boomtowns" like Houston, Miami, Phoenix, and Las Vegas in the slice of the market with homes "priced below $300,000 and in good school districts", highlighting how "permanent capital competing with a young couple trying to buy a house" would "make housing permanently more expensive".[34]

An informed understanding of target markets and buy boxes corroborates these media accounts and pokes some holes in the SFR industry narrative of 2% market share. It also sheds some light on how corporate landlords have been able to increase rents so dramatically during the pandemic. Amid the generally heightened demand for space and amenities seen during the COVID-19 pandemic, the flood of capital into SFR is enabling institutional investors to outcompete would-be homebuyers, channeling them back to the rental market and generating spillover demand for SFR homes. Below I address how corporate landlords are exploiting this demand to their advantage with record rent increases (see Table 3 for an overview of key operators in the SFR industry).

Pandemic rent increases: While SFR operators claim to provide quality, affordable housing they have pushed outsized rent increases on tenants, particularly during the pandemic.

Tricon Residential's most recent rent push offers a clear-cut example of the rising cost of housing for tenants of the largest SFR operators. For the quarterly period ending June 30, 2021, rents on new leases in their single-family "same home portfolio" increased by 17.0% on average. For tenants renewing their leases, rents increased by 4.7%. The "blended" rental growth (combined average for new move-ins and renewals) for this period was 8.0%. Even during the beginning of the pandemic (April - June 2020), amidst widespread lockdowns, stay-at-home orders, high unemployment rates, and economic uncertainty, Tricon still pushed 8.0% rent increases on new leases.

[33] Frankel T and Keating D (2018) Eviction filings and code complaints: What happened when a private equity firm became one city's biggest homeowner. *The Washington Post.* *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.html*

[34] Dezember, R. (2021). If You Sell a House These Days, the Buyer Might Be a Pension Fund. *The Wall Street Journal.* https://www.wsj.com/articles/if-you-sell-a-house-these-days-the-buyer-might-be-a-pension-fund-11617544801

SFR Industry Snapshot

Company Name	Type	Scale	Geographic Distribution		Rent and rental increases				Home Profile	
	Public vs. Private	SFR Portfolio Size (in # of homes)	Number of active geographic markets	Geographic focus	Average monthly rent	Average rent increases (new leases)	Average rent increases (renewals)	Average rent increases (blended)	Average square footage	Average property age (in years)
Invitation Homes	Public	80,330	16	Florida + Western USA (70% of revenues) More recent expansion into Southeast and Texas	$1,915	8.0%	4.3%	-	1,870 ft2	-
American Homes 4 Rent	Public	53,348	35	Sunbelt (60% of their properties are in GA, NC, TX, TN, IN, FL, and AZ)	$1,730	-	-	6.9%	1,987 ft2	16.6
Tricon Residential	Public	24,961	21	Sunbelt, with a focus on the Southeast (45%), followed by Western markets (18%), Texas (17%), and Florida (16%)	$1,509	17.0%	4.7%	8.0%	1,630 ft2	26
Amherst Residential	Private	16,000 (1)	30	Midwest and Sunbelt	-	-	-	-	-	-
Front Yard (2)	Public	14,286	29	Southeast, Florida and Texas (68% of properties are in FL, GA, TX, TN)	$1,345	-	-	-	-	36

Source: Data based on latest SEC filing available (a dash indicates no data available)

(1) Because Amherst is private, the data here is a bit unclear. According to fortune.com 2021 article, they "own **or** manage" 16,000 SFR homes across the Sunbelt and Midwest (source)
(2) Front Yard is data based on September 202010Q and 2019 10K (last filings before they were acquired by Pretium and went private)

Table 3

American Homes 4 Rent is also capitalizing on high demand to increase rents. The largest rent hikes in AH4R's portfolio took place in Phoenix, Arizona where the average blended rental rate growth peaked at 12.2% for the first quarter of 2021, followed by Las Vegas, with an increase of 8.0% (American Homes 4 Rent, 2021). On recent earnings calls, investors worried that what they referred to as "eye-poppingly" large rent hikes could be considered insensitive against the backdrop of the pandemic, asking AH4R executives how they expected tenants to keep up with such marked increases. In response, CEO Dave Singelyn argued that given the strong migration flows from unaffordable cities in California to markets like Phoenix, Las Vegas, and Seattle, new tenants were not shocked by massive rent increases. Further, these prices were justified given the highly desirable nature of their professionally managed homes. While AH4R gives the impression that rental prices are being driven organically by record-level demand, in fact, AH4R artificially and intentionally constrains supply to keep prices high. For example, AH4R executives explained that they avoid flooding a single market with new homes at any given time (which would effectively lower prices) by phasing deliveries of BFR homes and spreading them across their fifteen BFR markets.

Similarly, Invitation Homes seems to be using Western housing markets, where rents are soaring, to increase revenues. In a recent investor call, they shared that West Coast markets were particularly strong, with Phoenix delivering 15% rent hikes, Nevada 12%, and Seattle 11%. Across their portfolio of 80,000 properties, Invitation Homes has been able to drive up rents by 8.0% on new leases, and by 4.3% on lease renewals. With the worst of the pandemic seemingly over, they shared that they have been able to drive rents up more aggressively, giving tenants less wiggle room to negotiate on lease renewals. They explained the need to find the "sweet spot" - namely, how much they can increase rents until it becomes more cost effective for tenants to go out and buy their own place.

These rent hikes are unsettling, and reflect that for corporate landlords, profit-driven bottom lines take precedence over community well-being. Across the board, SFR operators employ the language of community care, marketing themselves as supportive home providers committed to helping tenants stay-in-place. On earnings calls with investors about how they handled the impact of the pandemic on tenants, landlords stated they put in place "genuine care measures" (Invitation Homes), renewed their "commitment to residents" (American Homes 4 Rent), and facilitated "open dialogue" with residents about their concerns (Front Yard Residential). This language of care often directly contradicts the profit motives embedded in their business model and masks the real beneficiaries of the SFR industry: investors seeking a return on investment and anxious to see profit margins increase.

Ancillary fees as a new revenue stream: In addition to increasing rents, SFR operators are increasing profits by creating new fees and "ancillary services" charged in addition to monthly rent payments. Invitation Homes and American Homes 4 Rent are particularly vocal about the use of extraneous fees to increase total revenue.

Starting in 2020, increasing ancillary revenue became a major component of Invitation Homes' revenue strategy. A myriad of fees serves to squeeze more revenue from their portfolio, even when they are not substantially increasing their portfolio size. Such fees include tenant utility reimbursements, late fees, move out fees, pet fees, pest control services, landscaping services, smart home appliances, and other "miscellaneous" fees. Some services even rely on tenants providing free labor - for instance, HVAC filters are delivered every 90 days and residents are expected to install them themselves. These fees are at different stages of development and implementation. For instance, some services are still being piloted and rolled out, while others, like smart home devices, are now automatically included in a tenant's rent at an extra cost. Once a new service has been successfully piloted locally, Invitation Homes' model is to automate and standardize fees across the entire portfolio. Based on a recent earnings call, they are on track to secure ancillary income of $15-$30 million annually by the end of 2022.

Invitation Homes is not the only SFR operator relying on ancillary revenue to increase margins. Tenant charge-back fees feature prominently in AH4R's metrics. The ratio of tenant chargebacks in relation to their overall core revenue has increased significantly over the years, from 12.5% in 2017 to 17% in 2021. As of 2021, $45 million of their core revenue comes from tenant chargebacks. Furthermore, in a recent investor call, CEO Bryan Smith shared that they are exploring ancillary revenue in the form of smart home features and connectivity for their larger communities. Finally, they are exploring new revenue streams such as building homes for sale or offering their property management services to home builders, in addition to building and operating rental properties.

Front Yard and Tricon do not offer much detail into their ancillary strategy but do hint that it is part of their business model as well. For instance, in Front Yard's 2020 annual report to the SEC, when describing their increased revenue for the year, they state, "This increase is primarily attributable to improved occupancy, *increased fee and other income*, better collections and rent increases" (emphasis added). Similarly, Tricon has a "dedicated ancillary revenue team" that continuously offers new services to residents.

In addition to the implications of institutional SFR for housing costs and homeownership opportunities, it is helpful to think about broader potential consequences of this approach to the rental market. Below, I discuss how institutional SFR operators are **doubling down on unsustainable development models, undermining long-term community security and stability, and breeding imitation and potential for predatory models.**

Doubling down on unsustainable development models: SFR operators (and homebuilders) are rapidly acquiring land and control over development of new rental opportunities. These landlords are responding to competition and rising asset prices by buying more "upchain," leveraging industry relationships to gain access to raw land and capital. From land entitlement to building standardized homes to optimize pricing, they use their market power to control the housing supply chain every step of the way. Investments and innovation in technology related to homebuilding and leasing is allowing institutional landlords to rapidly accumulate land, develop homes, and operate properties.

American Homes 4 Rent has been particularly aggressive with its BFR strategy: as of 2020, they had 10,000 lots in their development pipeline and were aiming to have 11,000-13,000 lots by the end of 2021. According to a recent earnings call, their goal is to speed up land acquisition and development to deliver 3,000-4,000 homes annually by 2023. As of Q1 2021, they have half a billion dollars ($0.5 billion) invested in single-family homes under development and development land assets.

Institutional landlords' ability to channel billions of dollars to fuel large-scale suburban homebuilding operations could destabilize local markets and permanently alter the material landscape across the Sun Belt. We could be witnessing an era marked by "Levittowns 2.0", where standardized, mass produced homes are increasingly automated, connected, and remotely controlled.

Ultimately, this consolidation of land, technology, and power in the hands of private corporations could have massive implications for environmental and development regulations, particularly in areas where SFR operators and homebuilders control vast tracts of land. It is particularly alarming to note that some of the "hottest" markets attracting SFR investors - such as Phoenix and Las Vegas - are also plagued by climate change and environmental vulnerabilities, including scorching temperatures and droughts. Phoenix is the hottest American city in the summer, while Las Vegas relies on a manmade water reservoir that was recently at its lowest point since the 1930s. These trends point to the importance of approaching housing and climate policy together, so as to chart an alternative path forward.

Undermining long-term community security and stability: Evidence suggests that large corporate actors operate in ways that put their investment priorities ahead of community stability. My concerns in this area are threefold:

- **Eviction behavior**: Recent work focusing on Atlanta, the top market for institutional SFR operators, show large corporate landlords, especially those backed by institutional investors, are far more likely to pursue eviction than smaller landlords.[35] One such

[35] Raymond EL, Duckworth R, Miller B, et al. (2018) From Foreclosure to Eviction: Housing Insecurity in Corporate-Owned Single-Family Rentals. *Cityscape* 20(3): 159–188.

corporate landlord filed for eviction against a third of its tenants; two others filed against a quarter of their tenants.[36] Further work in Atlanta found that larger SFR owners more often engaged in serial eviction filings, or repeated filings against the same tenant, used not necessarily to remove the tenant but as a rent collection strategy.[37] In Memphis, First Key Homes, owned by Cerberus Capital Management, also engaged in serial filings, making their filings the highest in the area.[38] Such aggressive eviction filings are intimidating for tenants, potentially discouraging them from reporting problems to their landlords and fostering housing insecurity by adding late fees, attorney fees, and other costs to rent arrears.[39]

- **Community disinvestment**: Corporate landlords advance rhetoric of reinvesting in and stabilizing distressed communities, and purport to include well-performing public schools as a core acquisition criterion. However, given rising home values and projected growth of BFR, property taxes are a growing cost for corporate landlords. Large SFR companies employ specialists in negotiating tax appeals to petition for property tax valuation reductions, helping to maximize revenues by minimizing contributions to the local tax base. My own research uncovered that American Homes 4 Rent files 25,000 property tax appeals annually. Efforts to achieve cost savings at the expense of funding public services that benefit communities undercut corporate landlords' claims to be working to strengthen neighborhoods and offer an aspirational middle-class lifestyle.
- **Working against tenant interests:** Corporate landlords use their financial clout to organize against efforts to expand tenant protections. When Blackstone was still behind Invitation Homes, the firm contributed nearly $7 million (accounting for 1 of every 7 dollars of support) to back a 2018 campaign opposing a California ballot proposition to extend rent control to single-family homes [40]; ultimately the proposition was unsuccessful. This behavior demonstrates how corporate entities carrying out the institutionalization of SFR wield political power that has implications for the public beyond the tenants actually living in their properties.

[36] *Ibid*
[37] Immergluck, D. et al., (2020). Evictions, large owners, and serial filings: Findings from Atlanta. *Housing Studies,* 35(5), 903-924.
[38] *Supra* note 33
[39] *Ibid*
[40] Dayen, D. (2018). "Wall Street Is Spending Big to Protect Its Ability to Jack Up Rents in California." *The Intercept* (blog). October 12, 2018. https://theintercept.com/2018/10/12/prop-10-california-rent-control-wall-street/.

Finally, the SFR boom is **breeding imitation and potential for predatory investment models**: Once the largest SFR operators established the early mover advantage, a range of investment platforms emerged that appeal to retail real estate investors. Platforms like Roofstock, Entera, Fundrise, Yield Street, and Arrived Homes offer a range of "click and invest" SFR opportunities that purport to harness data science, artificial intelligence, and proprietary data to easily yield passive income from SFR homes, often for very low minimum investments (as little as $100 in some cases). Such schemes capitalize on the buzz institutional actors have created around SFR—and wider social anxieties about their market power—but may be of questionable benefit to retail investors. For example, a recent deal closed by Arrived Homes involved 187 investors investing $138,000 in a $300,000 rental home to receive a share of the $2195 monthly rent (see Figure 3).

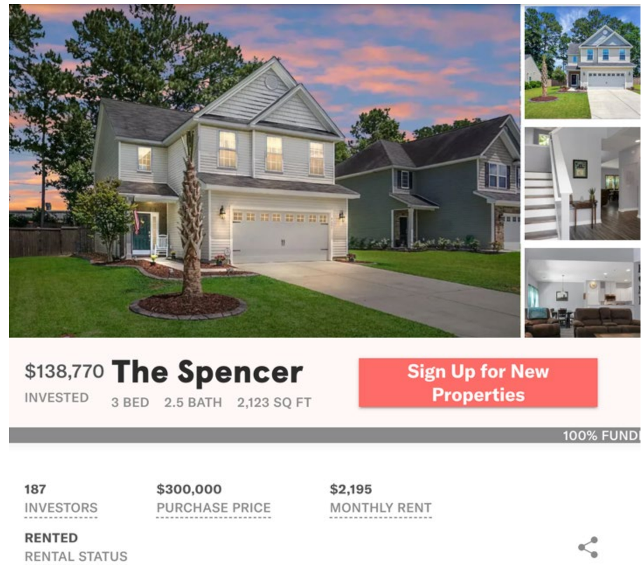

Figure 3: Recent Arrived Homes deal
https://arrivedhomes.com/properties/the-spencer

More troubling is the resurgence of rent-to-own schemes by institutional investors. The years after the 2008 crisis saw the resurgence of contract for deed sales[41] by nationally coordinated private equity firms who used backing from wealthy investors and pension funds to acquire distressed real estate from public institutions. Most active in in Black metropolitan areas and Black neighborhoods, firms like firms Harbor, Stonecrest, and Vision have recently engaged in the same kinds of practices local actors used in the mid-20th century: selling derelict homes at high interest rates, contracts offering little protection to buyers, and substantial markups from acquisition costs without making improvements to the property.[42] Under this business model buyers often forfeit the contract and leave the property after being unable to make repairs or

[41] Such sales enable buyers without access to mainstream mortgage financing to buy a home by putting money down and paying in installments, receiving title and starting to build equity once they pay off the principle in full. Widespread as a means for Black people to buy homes in the segregated real estate markets of the pre-Fair Housing Act 1950s and 1960s, contract for deed is associated with abusive terms and practices that often lead to repossession, including high interest rates, wide latitude to evict buyers, and sale of properties unfit for habitation. See Beryl Satter, *Family Properties: Race, Real Estate, and the Exploitation of Black Urban America.*

[42] Stevenson A and Goldstein M (2017) Wall Street Veterans Bet on Low-Income Home Buyers. *The New York Times*, 21 December. Available at: https://www.nytimes.com/2016/04/18/business/dealbook/wall-street-veterans-bet-on-low-income-homebuyers.html; Seymour E and Akers J (2019) Portfolio solutions, bulk sales of bank-owned properties, and the reemergence of racially exploitative land contracts. Cities 89: 46–56; mmergluck D (2018a) Old Wine in Private Equity Bottles? The Resurgence of Contract-for-Deed Home Sales in US Urban Neighborhoods. *International Journal of Urban and Regional Research* 42(4): 651–665.

comply with local ordinances, but not before plowing into savings or taking on additional debt.[43] The resulting churn of tenants in and out of the same property tips it into further disrepair. Contract for deed schemes take advantage of buyers with poor credit or incomes insufficient to qualify for traditional mortgages, and more limited access to mainstream financial institutions. As more would-be homeowners are shut out of the hot housing market, we may see a new wave of such predatory rent-to-own business models.

Conclusion

In closing, I would like to emphasize that institutional investors backed by private equity have *already* changed the housing market. They are amassing significant market power in the markets and communities where they have the biggest footprint, to the detriment of the tenants who face dramatic rent increases rents and aggressive eviction filings, and the potential homebuyers they outbid, siphoning wealth from average Americans. As corporate landlords double down on unsustainable development models, undermine long-term community security and stability, and breed imitation and potential for predatory models their behavior has potentially far reaching social and economic consequences. Yet institutional landlords typically own properties through corporate vehicles, effectively shielding them from public scrutiny and responsibility, and from independent research. As I hope my testimony makes clear, institutional landlords enjoy outsized power and influence in our housing markets, and it is vital to intervene with research-informed policies that support tenants, homebuyers, and communities.

[43] Carpenter A, George T and Nelson L (2019) *The American Dream or Just an Illusion? Understanding Land Contract Trends in the Midwest Pre- and Post-Crisis*. Text. Joint Center for Housing Studies of Harvard University. Available at: https://www.jchs.harvard.edu/research-areas/working-papers/american-dream-or-just-illusion-understanding-land-contract-trends; Goldstein M and Stevenson A (2017) Market for Fixer-Uppers Traps Low-Income Buyers. *The New York Times*, 21 December. Available at: https://www.nytimes.com/2016/02/21/business/dealbook/market-for-fixer-uppers-traps-low-income-buyers.html