Since the Foreclosure Crisis, private equity investments in single family rental housing have dramatically accelerated. A common refrain by the largest private equity landlords is that they are professionalizing the single family rental industry, which is otherwise owned by mom and pop landlords.¹ The people who most deeply understand the problems with private equity in housing are the tenants who live with the effects of this so-called “professionalization.”

Dean is a member of housing justice organization Inquilinx Unidxs por Justicia (Renters United for Justice) in Minneapolis, Minnesota. After moving into a HavenBrook Homes rental, Dean started to see the fees pile up - a bizarre $10 “property administration fee,” a payment portal that would crash and trigger 8 percent late fees, and $25 service fees based on a requirement - that Dean had complied with - that his utilities are registered in his own name. HavenBrook alleges Dean owes thousands in fees and has filed to evict him. Despite the threat of losing his home he is fighting back because he knows these fees are incorrect and part of a predatory practice.

Inquilinx Unidxs member Rachel told me she and her two children became HavenBrook Homes tenants when she left an abusive relationship. Rachel listed dozens of maintenance issues, the most severe of which was dangerous flooding, with standing water over an outlet with a plugged-in dehumidifier that HavenBrook had installed in a way that violated their own lease requirements. Faced with a dangerous emergency, Rachel called for help and was told to turn the electricity off herself, which would require her to wade through electrified standing water. Since then, Rachel has had to put up with broken stairs, cracks in the walls, and black mold in her ceiling. Rachel said “[HavenBrook] doesn’t respond to emails. They don’t respond to voicemails, they don’t pick up the phone. It’s all about the money for them. They don’t care. I don’t expect a landlord to hold my hand, but I expect decency.”

Tenants in North Carolina living in Progress Residential and Tricon homes shared their frustrations with both companies, who give no reason when they choose not to renew leases, and large rent increases for tenants who are able to renew. One Tricon resident shared they would like to find a less expensive rental or buy a home. The sad reality is that this tenant would likely be in competition with the same billions in private equity as a prospective homebuyer.

These examples are not simply anecdotal, they represent corporate decision-making taking place in every community where private equity has moved into our homes, and that enables record-breaking profits, even during a pandemic. The private equity business model in housing depends on exploiting tenants for profit, and they have used the pandemic to expand their reach, acquiring more homes and forcing more aspiring homeowners to compete with multi-billion dollar investment companies.

Private Equity’s Move into Single Family Rentals

Before 2007, the single family rental (SFR) sector amounted to no more than 10 million homes, owned and operated by “mom and pop” landlords, and in 2011 no entity owned over 1,000 SFR units. By 2018, one study estimated institutional investors owned as many as 300,000 SFRs, and according to data from private equity-backed landlord Pretium Partners, as of 2021, institutional investors owned approximately 350,000 homes.

The Foreclosure Crisis birthed this asset class, triggering a massive transfer of homes from households, especially households of color trapped by predatory debt, to Wall Street through millions of foreclosures. As home prices bottomed out, buyers representing these institutional investors were dispatched to county courthouses across the country to bid on foreclosed single family homes, often with the owners still living in them, with the goal of renting them out.

During this time, these companies were the beneficiaries of bulk non-performing loan sales held by Fannie Mae, Freddie Mac, and the Department of Housing and Urban Development, which were intended to determine if bulk sales could “stimulate housing markets” by “attracting large,

---


3 Ibid.

well-capitalized investors.”5 Blackstone, Colony Capital, Starwood Capital, Waypoint Real Estate Group, and American Homes 4 Rent emerged as the dominant institutional landlords.6

By 2016, Blackstone-backed Invitation Homes owned nearly 50,000 SFRs split between California, Florida, Atlanta, Phoenix, Seattle, and Chicago, accounting for 85 percent of the company’s revenue.7 In 2017, Invitation Homes got a boost from a Fannie Mae loan guarantee for $1 billion dollars over 10 years.8 In the following years, through mergers and acquisitions, Invitation Homes became the largest SFR landlord in the country. In 2019, Blackstone cashed out, netting about $7 billion since Invitation Homes went public in 2017.9

With massive support from the federal government, in the face of mass foreclosures and evictions, these companies, and in particular Invitation Homes, proved the financial viability of the SFR model. In fact, just last year, in spite of the pandemic, Invitation Homes recorded their most profitable year ever.10 In addition to federal support, investments in tech played a critical role in supporting the success and growth of the SFR industry, with ‘proptech’ evolving to facilitate all aspects of the business, from research and acquisition to the management of geographically dispersed properties. The frenzy has only accelerated with the pandemic, with investors banking on a growing segment of the population that is locked out of homeownership.

**The Private Equity Business Model and Its Impact on Tenants**

Private equity’s business model is fairly standardized across industries, and entails cutting costs, maximizing “efficiencies, and leveraging debt.”11 As in other industries, this is a recipe for disaster in rental housing. For tenants, this translates into exorbitant rent increases, endless fines

---


7 Ibid.


and fees, inadequate maintenance, aggressive pursuit of evictions, and opaque and convoluted ownership structures that make even asking questions an enormous challenge.

Furthermore, the kind of financing these companies frequently use means that, as landlords, they are cutthroat in rent and fee collections. For example, in 2017, when Invitation Homes went public, the majority of its debt was in the form of rent-backed securities at deeply discounted rates, underwritten assuming 94 percent occupancy.\textsuperscript{12} \textsuperscript{13} To maintain the cash flow necessary to repay these debts, and the bond rating necessary to procure more cheap financing to acquire more homes, non-paying tenants need to be evicted quickly.

Rent Increases - There are countless stories of outrageous rent increases. One particularly egregious example is an Invitation Homes tenant in California who faced a nearly $800 per month rent increase to over $3,000 per month in rent.\textsuperscript{14} This year, tenants at private equity-backed HavenBrook Homes rentals in the Twin Cities have reported rent increases of $100-$200 per month, and when tenants struggle to sign digital lease renewals, month-to-month arrangements are triggered with automatic 20 percent monthly rent increases. This year, American Homes 4 Rent and Invitation Homes increased rents on vacant homes by 11 and 10 percent, respectively, with Invitation Homes increasing rents for renewing tenants to 8 percent.\textsuperscript{15}

Fines and Fees - In addition to rent increases as a tool to boost profits, one CEO described the failure to capture fee revenue as “revenue leakage.”\textsuperscript{16} For example, the practice of requiring utilities to be in the company’s name, and charging tenants the cost of utilities with an added fee, is an example of a common revenue generating practice.\textsuperscript{17} In 2016, fees and “clawbacks,” including withholding tenants’ security deposits, generated $26 million in revenue for Colony Capital.\textsuperscript{18}


\textsuperscript{18} Ibid.
Maintenance - In the name of “efficiencies” institutional landlords habitually offload maintenance costs onto tenants. For example, one tenant’s 39-page lease renewal from Invitation Homes held him responsible for addressing hypothetical bedbug infestations; excused Invitation Homes from liability for property damage, including the hazards of living with mold; and included an agreement whereby the tenant would consent to leave the home if he was taken to court again, on top of a rent increase. In Minneapolis, HavenBrook tenants have reported waiting up to a year for essential repairs, including holes in roofs and ceilings, broken stairways, lead paint, flooding, faulty electrical systems, broken and inoperable appliances, pest infestations, and black mold. These companies leave tenants to either fix these problems themselves, or live in unsafe and even life-threatening conditions.

Evictions - Evictions have taken on a new meaning in light of the COVID-19 pandemic. Pre-pandemic, private equity-backed corporate landlords in Atlanta were evicted tenants at higher rates than smaller landlords. Since the onset of the pandemic, the largest landlords have claimed that evictions are bad for tenants and landlords. However, according to an eviction tracker compiled by the Private Equity Stakeholder Project, corporate and private equity-backed landlords have evicted over 100,000 tenants in communities in 21 states. Among the largest private equity-backed landlords, Invitation Homes has filed over 1,100 evictions and Pretium Partners, which includes HavenBrook Homes, Progress Residential, and Front Yard Residential, has filed over 2,000 evictions since mid-March of 2020.

Convoluted Ownership and Lack of Transparency - Often, the publicly listed ownership of private equity-owned homes includes a string of consonants and numbers. This, in addition to convoluted financial relationships with holding companies and the use of tenant-facing brands, leaves tenants unsure who really owns their homes.

For example, in 2021, landlord conglomerate Pretium Partners, in partnership with private equity company Ares Management, acquired Front Yard Residential, a previously publicly traded single family residential company headquartered in the US Virgin Islands, for $2.4 billion. Front Yard Residential had previously purchased HavenBrook Homes, an entity that many tenants still pay

---

19 Ibid.
their rent to across the country. Pretium already owned Progress Residential, which was already among the largest SFR companies. After the Front Yard acquisition, Pretium became the second largest SFR landlord, and today operates 70,000 SFR properties under various tenant-facing brands. These convoluted relationships create a situation where tenants don’t know where to turn when they face a critical issue, all by design.

**Market Influence**

Despite claims to make up only 2 percent of the nation’s SFR market, institutional investors’ ownership is concentrated to varying degrees in a handful of markets. In the depths of the Foreclosure Crisis, purchases of single family rentals were concentrated in foreclosure hot spots like Phoenix, Atlanta, Las Vegas, Sacramento, Miami, Charlotte, Los Angeles, Denver, and more. 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. In 2021, the 10 metropolitan statistical areas with the highest investor shares, in order, are Memphis, Atlanta, Lubbock, McAllen, Brownsville, Phoenix, Beaumont, Salt Lake City, Boise, and El Paso. From the same CoreLogic report: “Investors are likely more attracted to locations where tenant rights are more favorable for landlords, have high population growth and high house price growth.”

The concentration of investor ownership is not race-neutral. Memphis, which is 64 percent Black, has the lowest rate of Black homeownership of the 50 largest cities, and the highest share of investor ownership. Cerberus Capital Management, Pretium Partners, American Homes 4 Rent, and others bought a combined 7,000 homes in Shelby County (where Memphis is located), with a median value of $145,000, in the last two years. Researchers found similar relationships in Los Angeles, Fulton County, GA, and Atlanta, where higher concentrations of housing stock

---


27 Ibid.


30 Ibid.
owned by institutional SFR investors correlated with higher concentrations of Black residents compared with neighborhoods with little or no SFR investment.  

In general, private equity-backed investors are incredibly specific in the kinds of homes they acquire. Early in the feeding frenzy buyers for institutional investors focused their purchases on “3-4 bedroom homes in the $300-$600 thousand price range, concentrated in high performing school districts.” In 2020, Invitation Homes was pursuing 1,700-2,400 square foot homes, and selling off larger homes in response to challenges renting them out. What’s more, a Reuters report captures how tenants can feel they have no choice but to rent from institutional landlords because of proximity to their children’s schools, their jobs, and their relatives. 

Because of the market segment where SFR landlords are focused, and the fact that they have cash and are willing to buy sight-unseen, first-time, particularly lower-income, prospective home buyers are not able to compete. Given the relationship between race and income, it is reasonable to believe the people hurt the most are prospective home buyers of color.

**Dry Powder**

Soon after the onset of the pandemic, institutional investors began amassing stockpiles of cash to buy more homes. Starwood Capital CEO Barry Sternlicht, among others, said: “when it’s really ugly, it’s a good time to invest.” As of March 2021, the 20 largest corporate landlords had at least $245 billion ready to deploy to buy more homes. According to Bloomberg, since the pandemic began, Nuveen Real Estate (JPMorgan Chase’s asset-management arm), Brookfield Asset Management, and many more have committed billions in fundraising to single family

---


Because of limited single family supply and economies of scale, investors are increasingly pursuing build-to-rent communities, including, for example, partnerships between the largest SFR landlord, Invitation Homes, and the third largest home builder, Pulte Group. Between build-to-rent and pre-existing inventory, it’s not a stretch to imagine that in some communities, if you want to live in a particular part of town with a high-performing school district, you would need to rent from one of these landlords.

**Tech Infrastructure Supports Single Family Rentals**

The rise and expansion of the SFR industry is fueled by investment in technological capability, from modeling that prices bids on homes based on future appreciation and rents, to smart home infrastructure like locks, temperature controls, and more.

iBuyers, companies that acquire homes from sellers offering speed and convenience, are both separate and related to institutional investors. They generally focus on mid-market homes, and after fixing them up, will sell these homes to the next buyer. At times, iBuyers partner with private equity-backed landlords, for example, investors bought 21 percent of Opendoor’s 2021 first quarter sales, 16 percent from Offerpad, and 9 percent from Zillow. Cerberus Capital Management, Invitation Homes, Tricon Residential, and Pretium Partners have all used iBuyers to source new homes. Similar to build-to-rent, these homes are often never made available to consumers.

Generally, iBuyers have yet to turn a profit and selling their inventory to private equity in bulk is one way to hit revenue goals quickly. To fuel their aspirations for expansion in the single family sector, Opendoor and Zillow have sought a $2 billion credit facility and $450 million dollar bond respectively. A Zillow spokesperson said: “For this to work we need to buy and sell as many homes as possible to generate the revenue and profit that we want. Then we…use that capital to go buy the next set of homes.” OpenDoor, which went public via a SPAC in 2020, recently


42 *Ibid*.

43 *Ibid*.
announced its willingness to purchase the majority of homes in the 40 markets where it operates.\textsuperscript{44}

\textbf{Conclusion}

According to the Financial Times, private equity has just had its busiest six months in the last 40 years, and the industry shows no signs of stopping its expansion into our homes.\textsuperscript{45} The private equity-backed SFR business model has become immensely lucrative because it is fairly standardized. To be clear, private equity has permeated every sector of the housing market, including subsidized and market-rate multifamily, mobile homes, student housing, and assisted living, and residents in these subsectors all face nightmarish practices.

For example, tenants living in Odin properties in Philadelphia, PA shared horror stories of inadequate maintenance, including leaks, faulty utilities, and one tenant who is too afraid to sleep most nights because there are rodents in the building, literally running across their face at night.

Anh-Thu, in Brooklyn, NY learned this spring that the building she has lived in for 12 years had been bought by a new landlord with the name 70 PPW LLC. The day after learning this news she received a 90-day notice to vacate. Anh-Thu quickly learned that her new landlord was a small private equity company, Greenpoint Partners, and that her apartment, along with many others in over 100 buildings had likely been illegally deregulated. Tenants are being harassed out of their homes, and Greenpoint’s practices are supported by the Carlyle Group, private equity firm NW1, and the Texas Permanent Education Fund.

Tenants across the country are fighting back against what they know is wrong, and there are ways this committee can intervene to support them in ending private equity’s abuses in housing, while also supporting aspiring homeowners.

The clearest fix would be establishing comprehensive, nationwide tenant protections like rent control, prohibition on excessive fines and fees, just cause eviction protections, and a tenant right to counsel. This would end exorbitant rent increases, frivolous and unfair fees, and landlord refusal to renew leases without a reasonable justification, and would give tenants a fair shot at defending themselves against evictions and unsafe living conditions.

At a minimum, the expansion of private equity into our homes is a moment to create a more transparent housing market, where landlords cannot hide behind LLCs and tenants know who the

\begin{flushleft}

\textsuperscript{45} Vandevelde, M. (2021, October 15). How private equity came to resemble the sprawling empires it once broke up. \textit{Financial Times}. Retrieved from \url{https://www.ft.com/content/2c56a7da-6435-469c-90d8-28e966f20379}.
\end{flushleft}
beneficial owners of their homes are. There are many avenues to pursue regulating private equity in housing that examine their financing, partnerships and mergers between the largest companies, concentrations of ownership in particular communities, and in general shedding much needed light on where and how they operate.

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