



Research Report

Large corporate buyers of residential rental housing during the COVID19 pandemic in three southeastern metropolitan areas

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Introduction

The COVID19 pandemic and associated economic recession has transformed the housing terrain in southeastern cities, creating new urgency around providing safe, stable, affordable housing, while straining existing housing systems. Widespread unemployment during the past two years has resulted in widespread non-payment by renters and declining rent rolls for rental operators. While mortgage forbearance policy has been effective in preventing foreclosures, rising mortgage delinquency suggests there may be at some point an increase in distressed homeowners looking to sell. Anecdotal evidence suggests investors view the COVID19 economic crisis as an opportunity to accelerate investments in purchases of residential housing stock, including single-family houses, apartment buildings, long-stay motels and mobile home parks.

In this research brief, we describe purchases of multifamily and single family rentals in the year before and after the emergence of the COVID19 pandemic. We examine these patterns in study areas in three southeastern cities: Atlanta, Miami, and Tampa. We rely on ZTRAX, Zillow's database linking deeded transactions with tax assessors' data, to understand purchasing patterns rental residential real estate during the pandemic. After identifying large corporate landlords in our dataset, we examine transaction volumes and median prices before and after the pandemic.

Unlike other types of landlords, who focus on rental revenues as a profit strategy, private equity firms and institutional investors have been found to be particularly interested in the capital gains opportunities that residential real estate can provide (Demers & Einfeldt, 2018). The focus on capital gains is exemplified by purchases of distressed properties in low income, historically non-white neighborhoods that have suffered from disinvestment, but where gentrification or real estate cycle dynamics predict medium term price increases (August & Walks, 2018; Colburn et al., 2021).

The Opportunity Zone program, put in place with the 2017 Tax Cut and Jobs act, is an uncapped, loosely targeted, place-based policy which provides capital gains tax shelters for investors that invest in low-income communities. It is a large program: an estimated 31 million Americans live in an opportunity zone. While initially billed as a jobs program, nearly all of these funds have flowed into real estate investment, not businesses (Theodos et al., 2020). Given the capital-gains oriented strategies of large corporate investors, and the structure of the OZ program incentives, we expect that opportunity zones will be particularly attractive to institutional investors and private equity firms. Should the pandemic create opportunities to purchase homes coming out of mortgage forbearance, or other distressed rental properties, we expect these firms would demonstrate a preference for properties located in opportunity zones. For these reasons, we perform a separate analysis of large corporations' purchases in opportunity zones during the pandemic.

Overall, we find that after a brief pause in Q2 of 2020, large corporate investors operating in Miami, Tampa and Atlanta increased their purchases during the pandemic, and by summer of 2021, were purchasing homes nearly twice as quickly than in 2019. We examine both pricing

and volume of sales, and see no evidence that investment in garden style or multifamily increased, or that purchases were focused in opportunity zones in our study areas. Instead, all of the increases came from the single family housing stock. Large corporate investor purchases were divided evenly between firms that operate as trading platforms and firms that operate single family rental or rent-to-own. Single family rental and rent-to-own firms focused almost exclusively in Atlanta, whereas trading platforms bought large volumes of homes in each study area we observed.

We confirm previous research which has found that large corporate single family rental and rent-to-own investors purchase in highly segregated, predominantly Black and non-White Hispanic areas, while avoiding high poverty neighborhoods and areas with low levels of owner-occupied housing stock. After the pandemic began, these large corporate investors increased purchases in places with high housing instability risk, and those hit hard by COVID19. Large corporate trading platforms demonstrated a different pattern of buying. These firms purchased homes in areas with fewer people of color overall, and after the pandemic began, reduced purchases in neighborhoods that were impacted by the COVID19 pandemic, or had high housing instability.

Based on the data analyzed for this brief, the pandemic housing crisis has resulted in incremental growth in purchases by large corporate landlords and trading platforms. Their presence in regional submarkets is now substantial. During our timeframe, large corporate buyers comprised 17% of all purchases of single family rentals, with purchases ramping up through 2021, such that these firms comprised 25% of all home purchases by Q2 of 2021. Should their market share grow, and concerns continue with regard to eviction, maintenance, and rate hikes, finding ways to regulate these firms will remain an important policy concern.

Background

The rise of large corporate landlords is an important housing policy concern. Institutional Single-Family Rentals (ISFR) is a relatively new housing and financial phenomenon that traces its roots to the subprime and foreclosure crises of the 2000s. During this period, large corporate investors began purchasing foreclosed and bank-owned single-family homes with the intention of managing as single family rentals (Mills, Molloy, and Zarutskie 2019). Prior to the foreclosure crisis, large-scale ISFR's were thought to be infeasible because of the high maintenance costs for geographically scattered properties (Colburn, Walter, and Pfeiffer 2021); and because investment conduits such as single family rental securitizations (SFRS) had not been created, and tested. However, government support for the creation of single family rental securitization structures, and technological advances created an environment where ISFRs could thrive.

All major ISFR's today got their start in the SFR market around the 2011-2015 time period, partially in response to calls from then Fed Chair Ben Bernanke for REO-to-Rental, the bulk sales programs initiated by Fannie Mae and Freddie Mac, and FHFA support for Single Family Rental Securitizations (SFRS) as an emerging asset class during these years (Raymond et al., 2018). Before that period, SFR's were dominated by owners with property portfolios of around

10 units or fewer, but now major ISFRs own properties numbering in the tens of thousands (Colburn, Walter, and Pfeiffer 2021). SFRS now consistently receive AAA ratings from credit rating agencies, and are established as a profitable and growing asset class. In addition to the creation of financial infrastructure, the emergence of ISFRs was enabled by the development of digital property management technology (Fields, 2019). Digital technologies for tenant screening, home assessments, maintenance, and rental collection substantially reduce the cost and complexity of managing scattered properties (Mills, Molloy, and Zarutskie 2019).

Large corporate landlords are associated with high rates of housing instability due to frequent rental price increases and aggressive eviction practices (Mari, 2020). These firms have higher eviction rates than small landlords (Gomory, 2021; Raymond et al., 2018). Investor purchases of multifamily have been found to cause spikes in evictions-led displacement, and to accelerate displacement of Black residents at the neighborhood level (Raymond et al., 2021).

Traditionally, residential housing has been an extremely deconcentrated industry; however, since the foreclosure crisis, the market crisis and shifts in institutional support for private equity firms have generated an increased stance for private equity in the single family rental market. Individuals went from owning 92% of SFR to 74% from 1991 to 2015; (Pfeiffer et al., 2020). From 2000 – 2014, in the 20 largest metropolitan areas, institutional investors went from 5% to 14% of all purchases and from 1% to 24% of all distressed purchases (Lambie-Hanson et al., 2019). Not only are large corporate investors growing in market share in the single family rental space, they have been found to compete with, and crowd out homeownership at the local level (Lambie-Hanson et al., 2019).

As this asset class was built in the footprint of subprime lending and the foreclosure crisis, ISFR's tend to locate in the Sunbelt region of the U.S., including cities such as Atlanta, Miami, Tampa, Charlotte, Phoenix, and Los Angeles (Mills, Molloy, and Zarutskie 2019). These are cities with newer housing stock which experienced high rates of foreclosures during the foreclosure crisis, a prolonged price collapse, but had projected population and income growth over the long term. While the overall market share of institutional investors is low nationwide, they have high market share in particular submarkets of some metropolitan areas (Colburn et al., 2021; Lambie-Hanson et al., 2018). Within cities, SFR purchases are concentrated in areas with higher racial and ethnic diversity, low housing choice voucher rates, and rising economic disadvantage (Pfeiffer et al., 2020).

Not all large corporate buyers of single family rentals are the same. Instead, there are a wide array of investor types, and the profit strategies for these firms vary widely. Some, like OpenDoor and Zillow, can be thought of as trading platforms, which seek to realize a profit by flipping or quickly reselling properties, as well as transforming the way in which homeowners purchase homes from the typical realtor model. Trading platforms created an online system that allows for remote investments, embedding local real estate markets in wider geographic markets (Fields, 2019; Fields & Rogers, 2021). These firms generate profits through a significantly shorter buying process, eliminating realtor fees, appraisal, and the mortgage qualification process. These platforms use automated valuation to make cash offers, then sell, market, and

close the deal on the home and generate a small profit by doing this. Some estimates are that the platform earns a 5% profit on each transaction (Buchak et al., n.d.).

Other firms invest in single family homes in order to operate them as rentals. Profits can emerge from price appreciation, rental revenue, or both. (Demers & Eisfeldt, 2018) analyze the single family rental sector in 2015. They value the industry at 2.3 trillion nationwide, and analyze returns nationwide from 1986 to 2014. They find overall returns are 8.5% per annum, returns are split between price appreciation and rental yields 50/50. High price tier cities contributed more to capital gains; low price tier cities contributed to net rental yields, and lower price tier neighborhoods had higher total returns. Unlike other distressed property investors which have historically held properties for five-to-ten years before selling, ISFR's hold properties beyond ten years when possible, focusing on generating revenue by obtaining prime properties, low vacancies, and steady rent payments (Colburn, Walter, and Pfeiffer 2021).

The geography of large corporate investment in residential housing is shaped not only by metropolitan level factors, but potentially by place-based tax incentives like the Opportunity Zone (OZ) program. This program was established by the 2017 Tax Cut and Jobs Act. Like other place-based tax benefit policies, this program directs investment into areas with concentrated poverty by offering capital gains exclusions to investors (Alm et al., 2021; Sage, 2019). Unlike the New Markets Tax Credit and Low Income Housing Tax Credit programs, the size of the program is not capped. There is no public accounting of the investments put in place, but some estimate the program will attract \$100 Billion in investment, and estimate costs at \$1.6 Billion in tax expenditures between 2018 and 2028 (Jacoby, 2019).

The OZ program has been criticized for weak targeting, providing the strong incentives to the most profitable programs, while disadvantaging mission-drive developments that would be the most beneficial to low-income communities where investment is targeted (Theodos et al., 2020). Although the program was billed as a jobs creator, a Novogradec study of 621 QOZs finds that just 4% of these funds support business, and the vast majority are funding real estate investments (Jacoby, 2019). Some research has found that OZ designation resulted in a 20 to 22% increase in home prices, and questions have arisen about whether this program exacerbate gentrification and displacement (Looney, 2018; Sage, 2019; Weiss, 2020).

In this research, we propose to describe a pattern of purchases of residential housing during the COVID19 pandemic in select counties drawn from three Sunbelt cities in GA and FL: Atlanta, Tampa and Miami. We describe purchases by large, corporate investors before and during the pandemic and examine whether the presence of opportunity zone tax benefits had any effect on investment patterns. While we focus on the single family housing stock, we also examine any effects on patterns of purchases in other types of housing, including small and large multifamily homes.

Data

We use Zillow's ZTRAX parcel-level data on all residential property sales from Q1 2019 through Q2 2021, which comprises a balanced panel before and after the pandemic began in Q2

of 2020. This dataset joins parcel-level property information from tax assessors' databases, property owner information, and sales and mortgage information from deeds datasets. We exclude duplicate records, records with a transaction price of less than \$35,000, a square footage of less than 350, and records where building square footage or sales data are missing. The result is 384,197 residential real estate transactions between January 2019 and July 2021.

We rely on Zillow's proprietary classification of residential housing into four types: garden style (2-4 units), multifamily (5+ units), single-family occupied and single family rental. Because we see single family homes moving between rental and owner-occupied at the time of the transaction, we also analyze buyer names to make the determination of whether single family homes are rental properties or owner-occupied. All individual buyers of single family homes with no corporate buyer listed are classified as single family owner occupied. Purchases of single family homes which have both an individual and a corporate buyer, and in which the corporate name can be categorized as a family trust are also classified as owner-occupied. This classification potentially underestimates the number of single family rentals, as some family trusts may be operated as rental properties. All other single family properties with corporate buyers are classified as single family rentals.

Identifying the large corporate owners is challenging due to the complex structure of shell companies that are the designated owners of residential property. While some methods have been refined for using existing tax assessor records to determine which corporate umbrella firm is the ultimate owner of the entity that owns a given parcel, in the absence of rental property registries outlining the chain of ownership, it is impossible to comprehensively complete this task. For that reason, estimates of corporate purchases and ownership in this brief define the lower bound.

To identify large corporate buyers and institutional investors, we examine all records in which the buyer purchases were worth at least \$5 million, or if the buyer was found in 15 or more transactions. Once the full list of buyers was identified, two research assistants researched corporate hierarchy in order to group purchases by corporate owner. These purchases were grouped using the SEC's Edgar database, the Georgia Secretary of State's Registry of Corporations, corporate profile databases such as Bloomberg and CNBC, and privately operated databases including OpenCorporates.com, BisProfiles.com, FloridaReg.com, and GeorgiaCompanyRegistry.com. After coding and grouping was complete, we researched large corporate and institutional investors with more than 100 transactions during the study period.

To analyze the socioeconomic context of corporate landlord investments, we draw on ACS 2015-2019 data, as well as the Urban Institute's Housing Instability Risk, COVID19 Impact, and Equity Indices (Batko et al., 2021). These indices are drawn from ACS 2015-2019 data. They represent composite indices of risk of housing instability, COVID19 economic and health impact, and an Equity index capturing socioeconomic status. For our opportunity zone analysis, we draw on 2017 ACS data to generate a list of Qualified Tracts for the opportunity zone program and select matched tracts.

Methods

To analyze the patterns of sales, we provide descriptive statistics about the median price, and number of transactions by county and quarter. We also compare changes in median price per square foot before and after the pandemic, and in and outside of opportunity zones. To provide a comparison set for opportunity zone tracts, we examined tracts from the set of census tracts which qualified but were not designated within the opportunity zone program.

Using this comparison, we describe the difference in average median sales price per sq. ft. by housing type between matched tracts before and after the pandemic. Finally, we perform a spatial analysis of buyers within these counties.

Results

Large Corporate Buyers increased purchases in 2021 after a brief pause in 2020

Table 1 displays the number of residential sales between January of 2019 and July of 2021. Total purchases of garden style apartments (2-4 units) rose by 2.1%, despite a collapse in sales during the first three months of the pandemic. Multifamily apartments (5+ units) fell slightly. Large corporate buyers are those with more than 100 transactions during this timeframe. Large corporate buyers purchased very few of these multifamily or garden style apartment, particularly after the start of the pandemic.

Over the entire timeframe, around 15 percent of the single family transactions were rentals; the remainder were owner-occupied. Large corporate buyers had a much stronger presence in the single family rental space than in multifamily, and accounted for about 9,461, or 17% of SFR purchases. Single family rental transactions fell by -2,027, or around -.7%. This decline was more than accounted for by the decline in single family rental transactions by large corporate buyers, which fell by -401 or -8.1%.

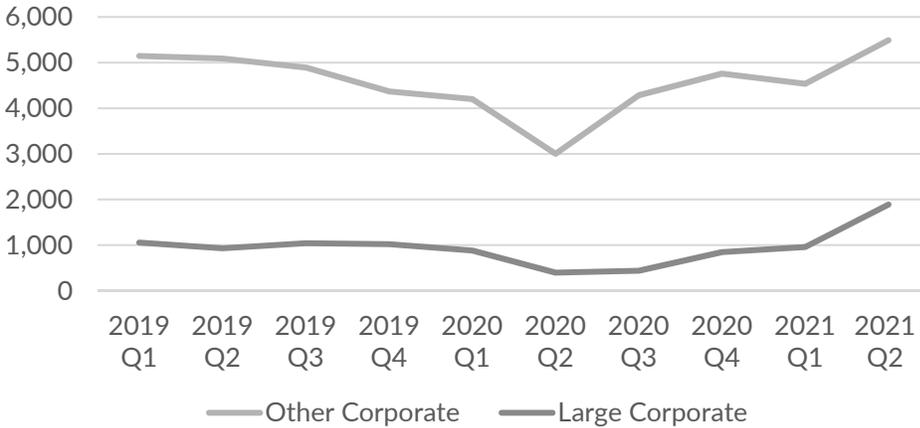
Table 1 All Purchases by Housing Type

	All Purchases			Large Corporate Buyers		
	Q1 2019- Q1 2020	Q2 2020- Q2 2021	Percent Change	Q1 2019- Q1 2020	Q2 2020- Q2 2021	Percent Change
Garden Style Apartments	1,606	1,648	2.6%	13	5	-61.5%
Multifamily Apartments	1,891	1,856	-1.9%	13	5	-61.5%
Single Family Owner Occupied	158,974	162,953	2.5%	n/a	n/a	n/a
Single Family Rentals	23,699	22,073	-6.9%	4,931	4,530	-8.1%

The pandemic decline in single family rental sales is due to depressed purchases in the first 6 months of the pandemic, as shown in Figure 1. By late 2020 and through 2021, purchases of single family rentals had recovered and surpassed 2019 levels. For large corporate buyers, the

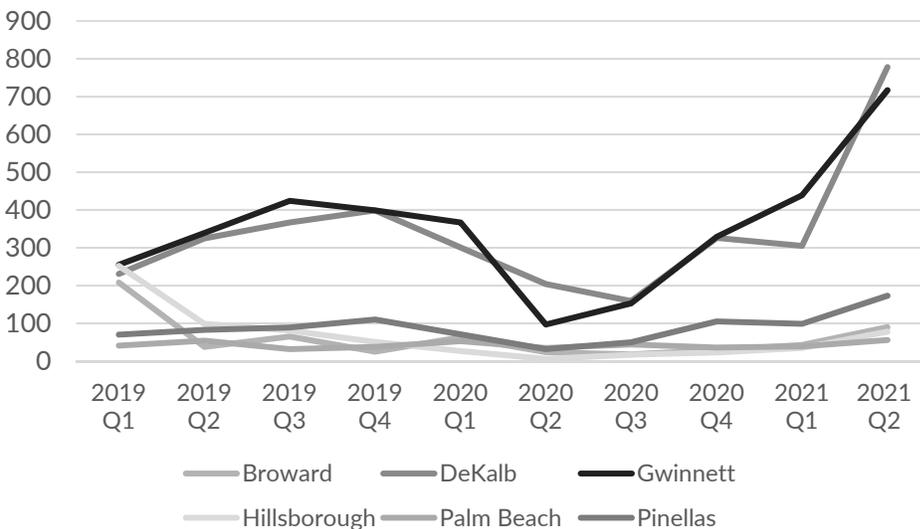
pace of sales not only recovered, but by Q2 2021, had doubled quarterly transaction volumes of 2019.

Figure 1 Single Family Rental Sales by Corporation Type and Quarter



The strong increase in sales of single family rentals in 2021 were driven by increased sales in DeKalb and Gwinnett counties in the Atlanta region. Figure 2 displays large corporate purchases, broken down by county. While purchases in Miami and Tampa counties recovered gradually, in 2021, the number of single family rental purchases in the Atlanta counties of Gwinnett and DeKalb doubled 2019 levels.

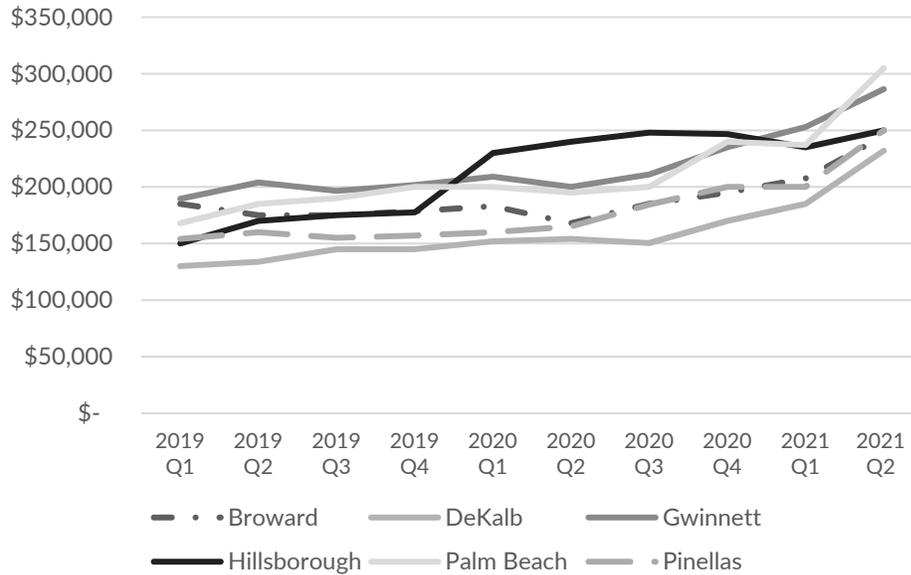
Figure 2 Large Corporate Purchases of Single Family Rentals, by County



The swift increases in sales in 2021 were matched by strong price growth. Figure 3 depicts median sales growth by county from the beginning of 2019 through summer of 2021. Sales prices for single family rentals increased throughout 2020 in all counties in our sample. Price

increases between January, 2019 and June, 2021 ranged from 32% in Broward county, FL to 78% in DeKalb county, GA.

Figure 3 Single Family Rentals, Median Sales Price by County



Types of Large Corporate Investors in Single Family Homes

What sorts of firms comprise these single family rental investors? We identify three types in our sample: trading platforms like OpenDoor and Zillow; Rent-to-Own firms like DIVVY Homes; and Corporate Landlords like Pretium Partners’ Progress Residential, American Homes 4 Rent, and Blackstone’s Invitation Homes. Table 2 describes the purchases of each firm with more than 100 purchases between 2019 and 2021. The categorizations of these firms is not clear-cut; some firms house a variety of operations in the single family rental market, and can operate as trading platforms, single family rental operators, home flippers in different contexts. We briefly profile each firm next.

Table 2
Large Corporate Buyers of Single Family Homes

Firm Type	Corporate Owner	Pre	Post	Total	Geographic Focus
Trading Platform	Opendoor	1,037	727	1,764	Atlanta, Tampa
	Zillow	439	639	1,078	All
	Offerpad/Supernova Partners Acquisition	459	311	770	Atlanta, Tampa
	HomeVestors: Hi-Land Properties	106	98	204	Atlanta, Tampa
Rent to Own	Divvy Homes	68	143	211	Atlanta
Institutional SFR	Pretium Partners	278	301	579	Atlanta
	Sylvan Road	152	121	273	Atlanta
	American Homes 4 Rent	32	74	106	Atlanta
	BNY Mellon / Amherst Capital	777	658	1,435	Atlanta, Tampa
	Blackstone	452	318	770	Atlanta, Tampa
	Cerberus Capital Management	194	561	755	Atlanta, All
	Starwood Capital Group	329	196	525	Atlanta

There are four major trading platform buyers operating in our study area: Opendoor, Zillow Offers, Offerpad, and HomeVestors. Of the four, Zillow is the largest. Zillow started as a real estate listing website in 2006. In 2018 they transitioned to a home buying company, Zillow Offers (Fields & Rogers, 2021). Zillow Offers recently announced that they expect to pause purchases due to high price volatility and difficulties in upgrading homes (McArdle, 2021).

Other trading platforms have continued to operate, including Opendoor and Offerpad, two platforms to sell, buy, or trade owner-occupied homes and investment properties (Chandler, n.d.). HomeVestors of America has a franchise model, with over 1,000 franchise offices across 46 states, and Washington D.C. Their franchises engage in a variety of activities, including automating the buying and selling process, including flipping homes, and connecting investors with rental properties (HomeVestor of America, 2019).

We identify seven major ISFR’s that purchased at least 100 parcels of single-family homes in the last year in our sample areas in Atlanta, Miami, and Tampa. These firms are: Pretium Partners, Sylvan Road, American Homes 4 Rent, BNY Mellon / Amherst Capital, Blackstone, Cerberus Capital Management, and Starwood Capital Group.

Pretium Partners is an “alternative investment management firm” that focuses on real estate, residential credit, and corporate credit. The private company was founded in 2012, and in January 2021 Pretium completed a takeover of Front Yard Residential, becoming the second largest owner and operator of SFR properties in the U.S (Pretium, 2021). The same year, Pretium agreed to buy 2,000 of Zillow’s properties during the online platform’s sell-off (TheRealDeal, 2021b). Pretium has garnered a reputation for its uninhibited use of the eviction process: Pretium created controversy in 2021 for evicting tenants during the COVID-19 pandemic despite the federal eviction moratorium (TheRealDeal, 2021). Additionally, the company is being accused of racial discrimination

in disproportionately filing for eviction in majority-Black Georgia counties compared to majority-white Florida counties (Warnica, 2021).

Atlanta-based Sylvan Road is a self-described “asset management firm focused on single family residential investments” (Sylvan, n.d.). Little information is available on the company, which generates fewer news stories as other ISFR firms. Sylvan Road appears to have a buy-and-hold single family rental model, but has been documented selling its portfolios as well (Mann, 2021; Suggs, 2021).

American Homes 4 Rent is a publicly traded REIT concentrating in the single-family housing market. The company started in 2012, merging with American Residential Properties in 2016. Similar to Pretium, AMH4R is in the process of obtaining portions of Zillow’s housing stock, and like other ISFR’s, AMH4R gains profit by generating steady revenue from renters (Parker, 2021a). AMH4R is notable for its “build-to-rent” model, where the company is increasingly involved in constructing homes to feed housing demand (Parker, 2021b). AMH4R built over 1,000 of these homes in 2020, and is forecasting to construct at least 2,000 by the end of 2021.

Amherst Capital Management (ACM) is the arm of Amherst Holdings that manages the company’s involvement in the single-family rental market. Founded in 2014, ACM started out as being majority-owned by BNY Mellon, but BNY Mellon later took a smaller position in the ownership of the company (BNY Mellon, 2018; CNBC, 2018). It’s unclear how much control BNY Mellon retains. A subsidiary of ACM supposedly filed for over 100 evictions last year, akin to strategies used by other ISFR’s (Sirota et al., 2021).

Blackstone was founded in 1985 by two former employees of Lehman Brothers; the company is one of the earliest and best known ISFR’s. Recently, Blackstone’s position in the ISFR business has fluctuated. In 2019, Blackstone sold its shares in Invitation Homes, before going on to purchase a stake in Tricon Residential in 2020 (Grant, 2021). In 2021, Blackstone reached a deal to acquire Home Partners of America. Top officials in Blackstone have spoken candidly about how the company’s high rentals costs power revenues – similar to most ISFR’s (Corbishley, 2021). Recently, Blackstone acquired a portion of Zillow’s housing stock through Tricon Residential during the online platform company’s selloff (Dezember, 2019). Blackstone has also explored attempts to move into the world of online platforms/iBuying through a company known as RealSure (Clark, 2021).

Cerberus Capital Management is a private equity company that is heavily involved in the single-family homes market through its subsidiary company FirstKey Homes, which manages at least 24,000 single-family homes (Burke, 2021). Cerberus finances itself with money from private sponsors, such as when it was rewarded a \$616 million loan from Morgan Stanley in November 2021 (Burke, 2021). Cerberus has been able to use this private equity to acquire a large housing stock, including purchasing some of Zillow’s portfolio (Clark et al., 2021). Like other ISFR’s, Cerberus has a heavy-hand with using the eviction process: the company was shown to file for eviction at rates much higher than average in multiple zip codes around Memphis, TN (Frankel & Keating, 2018).

Starwood Capital Group is a private investment firm operating in the housing market primarily through subsidiary companies such as Starwood Distressed Opportunity Fund SOF XII

(Starwood Capital Group, 2021). Starwood had largely exited the single-family housing market years prior, but is now reentering the market and has reportedly already made significant purchases (Clark, 2019). During the pandemic, Starwood was one among many ISFR’s that filed for evictions during a federal moratorium (Merle, 2020).

Large Corporate Buyers Increased Purchases in Neighborhoods Impacted by COVID19, with High Housing Instability

In the single family rental sector, large corporate buyers are associated with distressed sales, and have historically have invested in areas with higher poverty rates, and in communities of people of color (Colburn et al., 2021; Raymond et al., 2018). This historic pattern is reflected in the sample for this study. Table 3 describes the average demographic characteristics of the neighborhoods where home purchases occurred.

Table 3 Demographic Characteristics of Single Family Rental Neighborhoods, by Buyer Type

	Large Corporate Buyer	Other Corporate Buyers
Percent Renters	33%	37%
Percent Non-white	69%	53%
Percent Immigrant	18%	22%
Poverty Rate	0.13	0.14

Large corporate buyers purchase in areas that are, on average, 69% people of color, while avoiding areas with high percentages of rental housing, or high poverty rates. Table 4 depicts the demographic characteristics associated with each type of large corporate buyer. Among large corporate buyers, single family rentals and rent-to-own firms are particularly focused on racially segregated areas. They purchase homes in areas that are, on average, 84% non-white, which nonetheless have low (12-15%_ poverty rates, and low percentage of first-generation immigrants (13-12%).

Table 4 Demographic Characteristics of Large Corporate Buyer Purchases, by Firm type

	Rent-To-Own	Single Family Rental	Trading Platform
Percent Renters	33%	38%	29%
Percent Nonwhite	84%	84%	60%
Percent Immigrant	13%	12%	21%
Poverty Rate	0.12	0.15	0.11

On average, most corporate buyers reduced purchases in areas that experienced increased housing distress during the pandemic. However, large corporate buyers did the reverse, increasingly focusing purchases in areas hit hard by the pandemic, as depicted in Table 5. In

Table 5, to understand which housing markets were most affected by the pandemic, we rely on Urban Institute indices capturing a variety of COVID19 impacts. Table 5 displays average measures of COVID19 Impact, Equity, and Housing Instability for the neighborhoods where single family homes were purchased before and during the pandemic by large and other corporate buyers¹. The COVID19 Impact index identifies areas with high numbers of uninsured, and high rates of job loss during the pandemic. The Equity Index is a composite measure of poverty rates, immigrant and non-white households. The Housing Insecurity Risk Index identifies areas with high housing cost burden, overcrowding, rental households, poverty rates and unemployment.

During the pandemic, large corporate buyers increased investments in areas with higher COVID19 impacts, and higher housing instability risk. At the same time, other corporations’ purchases in areas impacted by COVID19, or with high housing instability fell. Investment by large corporate buyers in areas that have higher socioeconomic status fell.

Table 5 Large Corporate Buyers Increased Purchases in Places Hit Hard by COVID19

	Pre-Pandemic	Pandemic	Change
COVID19 Impact Index			
Other Corporations	0.59	0.56	-0.05
Large Corporate buyers	0.54	0.56	0.03
Equity Index			
Other Corporations	0.61	0.57	-0.07
Large Corporate buyers	0.69	0.70	0.01
Housing Instability Index			
Other Corporations	0.56	0.55	-0.03
Large Corporate buyers	0.52	0.52	0.00

The pandemic response of large corporate firms varied by type of firm. Table 6 shows a breakdown of firms which could be clearly identified as practicing one of three business models: Rent-To-Own, Single-Family-Rental, or Trading-Platform. After the pandemic, single family rental operators and rent-to-own firms expanded their footprint into areas that had a higher housing instability risk, and areas with higher poverty rates, people of color, and immigrants. Table 6 depicts the average index quantile for each property purchased by Rent-To-Own, Single Family Rental, and Trading Platforms. Single Family Rental firms make purchases in areas that have an equity index at the 80th pctile, suggesting that they are purchasing primarily in areas where more residents are people of color, immigrant, or high poverty. Rent-to-Own and Single Family Rental firms increased their purchases in places that were hardest hit by COVID19, and in places that have high housing instability risk.

¹ These indices are composite measures created by the Urban Institute using ACS2015-2019 census tract level data meant to predict where housing distress would occur – see <https://www.urban.org/features/where-prioritize-emergency-rental-assistance-keep-renters-their-homes>.

Table 6 Large Corporate Investors and Disadvantaged Communities

	Pre-Pandemic	Pandemic	Change
COVID19 Impact Index			
Rent-to-Own	0.54	0.63	0.09
Single Family Rental	0.61	0.68	0.07
Trading Platform	0.53	0.49	-0.04
Equity Index			
Rent-to-Own	0.77	0.80	0.03
Single Family Rental	0.80	0.80	0.00
Trading Platform	0.65	0.64	-0.01
Housing Instability Index			
Rent-to-Own	0.52	0.55	0.02
Single Family Rental	0.56	0.62	0.07
Trading Platform	0.49	0.45	-0.04

Conversely, trading platforms purchased more homes in places with relatively higher socioeconomic status, lower poverty rates, and lower housing instability risk. After the pandemic, they shifted purchasing patterns to places with lower housing instability and less COVID19 impact.

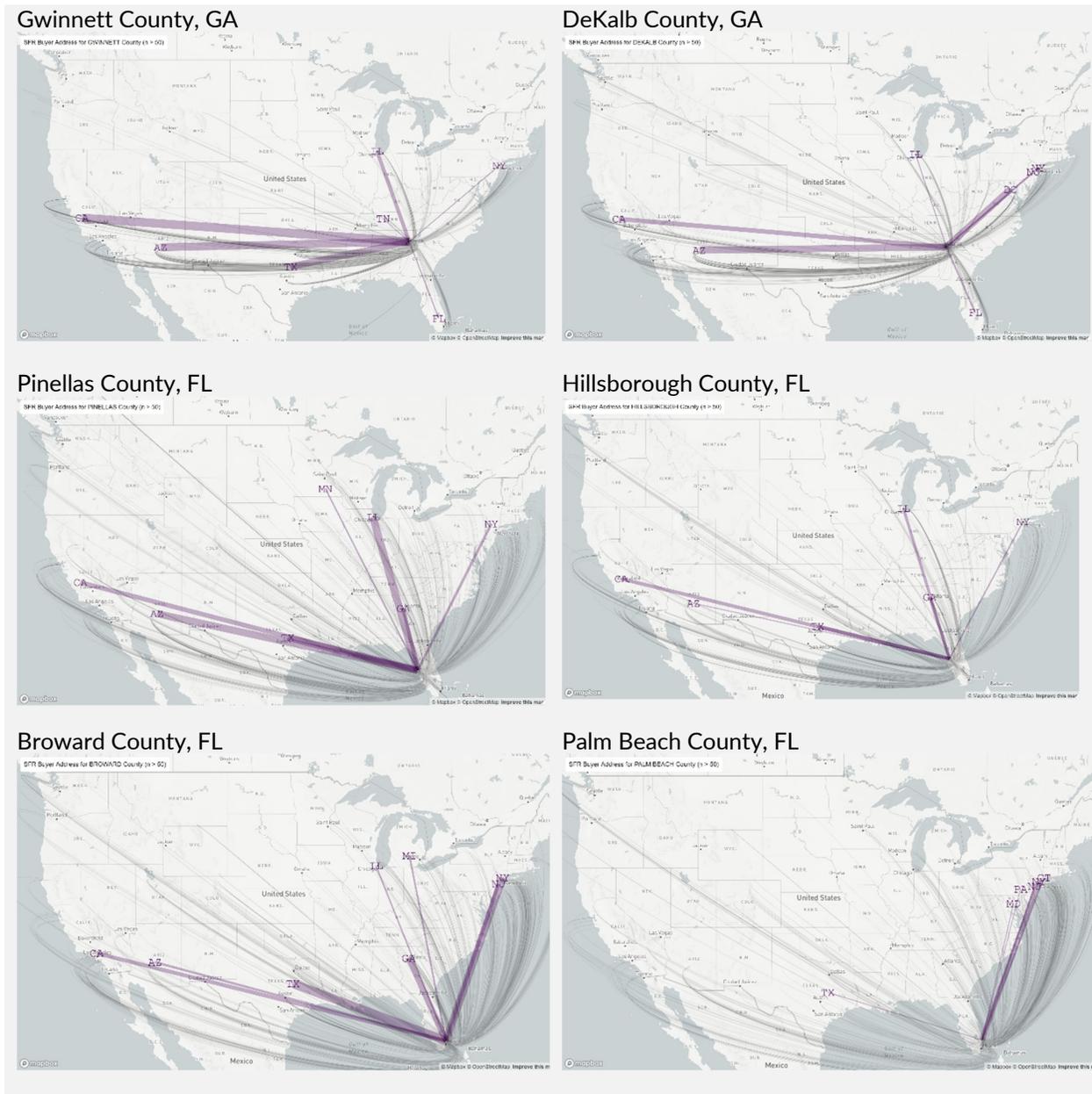
Trading Platforms and SFR Purchases Concentrated in Atlanta

The shift in demographics described in the previous section is in part driven by shifts in urban region. Trading platforms and single family rental operators were extremely concentrated in Atlanta, with over half of all SFR purchases concentrated in DeKalb County, GA, and over half of all trading platform purchases concentrated in Gwinnett County, GA. After the pandemic, SFR purchases fell in DeKalb but increased in Gwinnett. Trading Platform purchases fell in Gwinnett but increased elsewhere in Atlanta, as well as in Tampa and Miami.

In our sample, 17% of purchases of single family rentals were by large corporate landlords; the remaining purchasers of single family rentals were by other firms. To understand these patterns of investments, we created spatial path maps of purchaser locations for each county in our study, displayed in Figure 4.

Figure 4 displays the location of corporations purchasing single family rentals in Atlanta, Tampa and Miami. Atlanta buyers are concentrated in Chicago, Los Angeles, Phoenix, Washington DC and Austin, TX. Tampa buyers are similarly located, but with a stronger contingent from Atlanta and New York City. Miami buyers are bifurcated, with Broward county investors drawing from a similar geography as Tampa and Atlanta; Palm Beach buyers are concentrated heavily in northeastern cities from Maryland to Connecticut.

Figure 4 Spatial Analysis of Single Family Rental Buyers



Opportunity Zones

One goal of this analysis was to understand whether buyer opportunity zones provided attractive investment opportunities for large corporate landlords. To understand these patterns, we examined apartment purchases in designated opportunity zones, in census tracts that were qualified (but not designated) as opportunity zones, both before and after the pandemic. No consistent or significant pattern emerged regarding the purchase of apartment buildings in opportunity zones. We then examined single family rental transactions. From 2019 Q2 to 2021

Q2, we found that purchases in designated opportunity zones fell by -17%, but rose 18% in qualified census tracts.

As transactions were falling, prices were rising in designated opportunity zones. In every county except for DeKalb County, GA, prices rose 5% more quickly in designated opportunity zones than elsewhere. The pattern is reversed in DeKalb County, where prices rose by 42% in designated opportunity zones, but far faster - by 87% - in qualified tracts. Because of the high volume of sales in this county, once DeKalb is included in the overall average, prices rose slightly more quickly in qualified census tracts (56%) than in designated opportunity zones (52%).

To better describe this variation, we estimate a quantile regression predicting median prices with dummy variables for opportunity zones, pre/post pandemic, large corporate buyers, and interaction terms between all three. We find that prices rose during the pandemic by an average of \$39,100. On average, opportunity zones are associated with -\$15,100 lower SFR sales prices, and overall, large corporate buyers purchase homes for \$44,365 more than other buyers. During the pandemic, prices rose less in designated opportunity zones than elsewhere by -\$15,000. Large corporations on average pay \$12,835 more for homes in opportunity zones; however, this price premium was not affected by the pandemic. There was no significant difference between median prices paid for SFRs by large corporations after the pandemic in opportunity zones compared to other types of purchases.

Discussion

Because the pandemic affected the employment and earnings of low and moderate income employees in the transportation and hospitality sectors, we expect unpaid rent to be far higher among rental properties. Declining rent rolls could convince some small operators of rental properties to sell, and there has been some concern about increased presence of large corporate landlords among apartment complexes. However, we found very little to no evidence of increases in large corporate investments in apartment buildings before or after the pandemic. Large corporate buyers were instead focused in the single family rental space.

At the outset of the pandemic, there were expectations that the economic crisis might create another housing crisis. Corporate buyers prepared for another opportunity to invest cheaply in single family homes. However, due to the distribution of economic distress which fell disproportionately on renters and the relatively robust federal foreclosure prevention policies, there was no collapse in prices.

This research did not find any combined effect of the pandemic housing crisis and opportunity zone tax benefits on large corporations' residential investment patterns. While we had expected that, if opportunity zones presented valuable tax benefits to investors, we might find sales volumes increase in these areas; or if tax benefits are capitalized into price, that prices are higher or rise more quickly, particularly when purchases are made by sophisticated buyers like large corporations. Contrary to our expectations, this analysis of opportunity zones shows that on average, prices rose more slowly in designated opportunity zones between 2019-2021 when

compared to qualified census tracts within the same county and state. Moreover, despite price declines, purchases declined in opportunity zones relative to similar areas in the post-pandemic period. One reason for this may be that large corporate SFR seems focused on moderate income Black and Hispanic neighborhoods, not high-poverty areas. Opportunity zones have an average poverty rate of 26.4%, and are 57% non-white. Large corporate firms focused purchases in communities with a far lower poverty rate of 13-14%, which were 84% non-white. A second possible reason for this outcome is that during the pandemic, large corporations increasingly focused purchases in areas experiencing housing instability, which were highly impacted by COVID19, which may not have overlapped with opportunity zone geography. A third reason is that this analysis combined all types of large corporate purchases. Given that trading platforms, single family rental and rent-to-own firms have different profit motives and geographical distributions, further research should examine whether an effect is found for particular types of firms.

We analyzed the spatial location of all investors in single family rentals for each county in our study. While there is a national market for real estate in Atlanta, Miami and Florida, there is evidence of a regional pattern of demand, with buyers predominantly located in other sunbelt cities like Los Angeles, Phoenix, Austin, and Atlanta. Significant exceptions include clusters of buyers in major metropolitan areas like Chicago and New York City.

During the pandemic period, large corporate buyers continued to slowly accumulate properties. These firms' purchases comprised about 17% of purchases of SFR. Trading platforms reduced their purchases during the pandemic, relative to earlier years, and avoided home purchases in places with high COVID19 impact, and high housing instability. Despite rising prices in 2020 and 2021, single family rental operators accelerated their purchases. While in 2019, institutional single family rental firms purchased around 1,000 homes a quarter in our study area, in Q2 2021 they purchased 1,890, or nearly double the normal amount. Already highly concentrated in nonwhite, segregated areas, they increasingly focused purchases in areas impacted by COVID19, with high housing instability.

Prior research has identified concerns with large corporate single family rentals. These firms have an established record of high hidden fees, aggressive rent increases, high eviction rates, and poor maintenance (August & Walks, 2018; Frankel & Keating, 2018; Raymond et al., 2018). In this study, we find that corporate buyers of single family rentals comprise 17% of purchases in Atlanta, Tampa and Miami, and focus their purchases in predominantly Black and non-white Hispanic areas, which has been found in other studies to crowd out homeownership. These firms have achieved high market shares in submarkets in southeastern cities, and continue to add properties over time, which could lead to a decline in the competitiveness of these rental markets. As these investors increase their holdings in southeastern cities, policy and regulation around rents, eviction, and maintenance will be an important area for policymakers.

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