

BANKER & TRADESMAN

THE
WARREN
GROUP
Since 1872
Real Estate & Financial Information

THE FINANCIAL SERVICES AND REAL ESTATE WEEKLY FOR MASSACHUSETTS

HOUSING MATTERS

It's Time to Take Notice of Growing Single-Family Rental Sector

Trend Reduces Home Ownership Options

BY SUSAN GITTELMAN
SPECIAL TO BANKER & TRADESMAN



The need to expand Massachusetts' stock of single-family homes is palpable. The shortage of homes has resulted in bidding wars for properties and a ratcheting up of prices. It is also the reason that young families are leaving our region to purchase a home somewhere else.

That trend is going to accelerate unless new single-family housing stock is built. Changing demographics is one reason – new households, particularly Millennial-led households, are forming and creating new demand. But another factor has emerged, which is the presence of new well-capitalized buyers in the mix.

These are corporate or institutional owners of single-family homes for rent. Investors have long owned multifamily real estate, such as apartments. But they have recently become active in the single-family market, especially after 2008, when the Great Recession kicked things into high gear.

Amid widespread foreclosures after 2008, the U.S. government encouraged investors to purchase homes to prevent home prices from crashing further as a housing bubble burst.

With low interest rates and the increasing efficiency of managing dispersed-property portfolios conferred by a digitized world, institutional purchases of single-family homes on a national scale shot up from 5.8 percent in 2000 to a high of almost 16 percent in 2014.

The National Association of Realtors, a group of 1.5 million real estate industry members, just completed a nationwide survey. As Banker & Tradesman has reported, the NAR study found that institutional buyers slipped back to 13.2 percent of the nation-wide residential sales market in 2021. While less of a factor in our local market (acquisitions by institutions from 2020 to 2021 increased only half a percent in Massachusetts, to 7 percent of residential sales), it is growing and it will have profound impacts.

The NAR study noted that the houses institutions purchase have a median purchase price 26 percent below the median house price in the respective state overall.

The Atlantic magazine reported that between 2011 and 2017 “some of the world’s largest private-equity groups and hedge funds, as well as other large investors, spent a combined \$36 billion on more than 200,000 homes in ailing markets across the country.”

The impact on the housing market is just being understood. Thus far the data suggest that the presence of these new actors in the market is not impacting home prices. The NAR study,

for example, found that these buyers’ offers are about the same as those of individual buyers for the same type of home.

There are certainly bad actors, as was highlighted in a recent WGBH article about the challenges in places like Springfield, where it concluded that “shell companies tend to be worse landlords than individual owners.”

More homes bought up for rental purposes means fewer homes will be on the market for families looking realize the American dream.

But more homes bought up for rental purposes means fewer homes will be on the market for families looking realize the American dream of owning and the experience of building wealth through building equity in these homes. Massachusetts’ unhealthily tight housing market means each institutional buyer’s purchase has an outsized impact. The obstacles to home ownership for young families have become too great, even before having to compete with a large company to buy their first home.

Continued on Page 2

University of Toronto housing market guru Richard Florida has noted that between 2007 and 2014, “[m]ore than \$220 billion in housing wealth has been transferred from Americans who once owned, or would have owned, homes to large corporations.” He cited a study the University of California at Los Angeles did for the National Bureau of Economic Research.

Investors Buy in Minority Neighborhoods

These are the locations where, as a society, we are trying to expand ownership opportuni-

ties to minority and first-generation households, who have historically been denied equal access to build intergenerational wealth through home ownership.

This challenge is getting noticed in the commonwealth. As Rep. John Roger, vice chair of the state legislature’s Joint Committee on Housing, notes, “The committee is earnestly aware of the growing trend of corporate ownership of single family homes in Massachusetts. The membership is keeping an open mind on the matter and is keenly attentive to those who wish to share their experiences with this type of ownership,

whether they be bad, good or indifferent.”

It is an accelerating trend with broad implications for our economy, our communities, and for all of us. Currently over a third of all rental housing in the U.S. is single family rental. The growth of institutionalized ownership will have broad implications for future renters and homebuyers. It is time for all of us to take notice. ◀

Susan Gittelman is the executive director of B’nai B’rith Housing, a nonprofit affordable housing developer currently working in Boston, MetroWest and the North Shore.