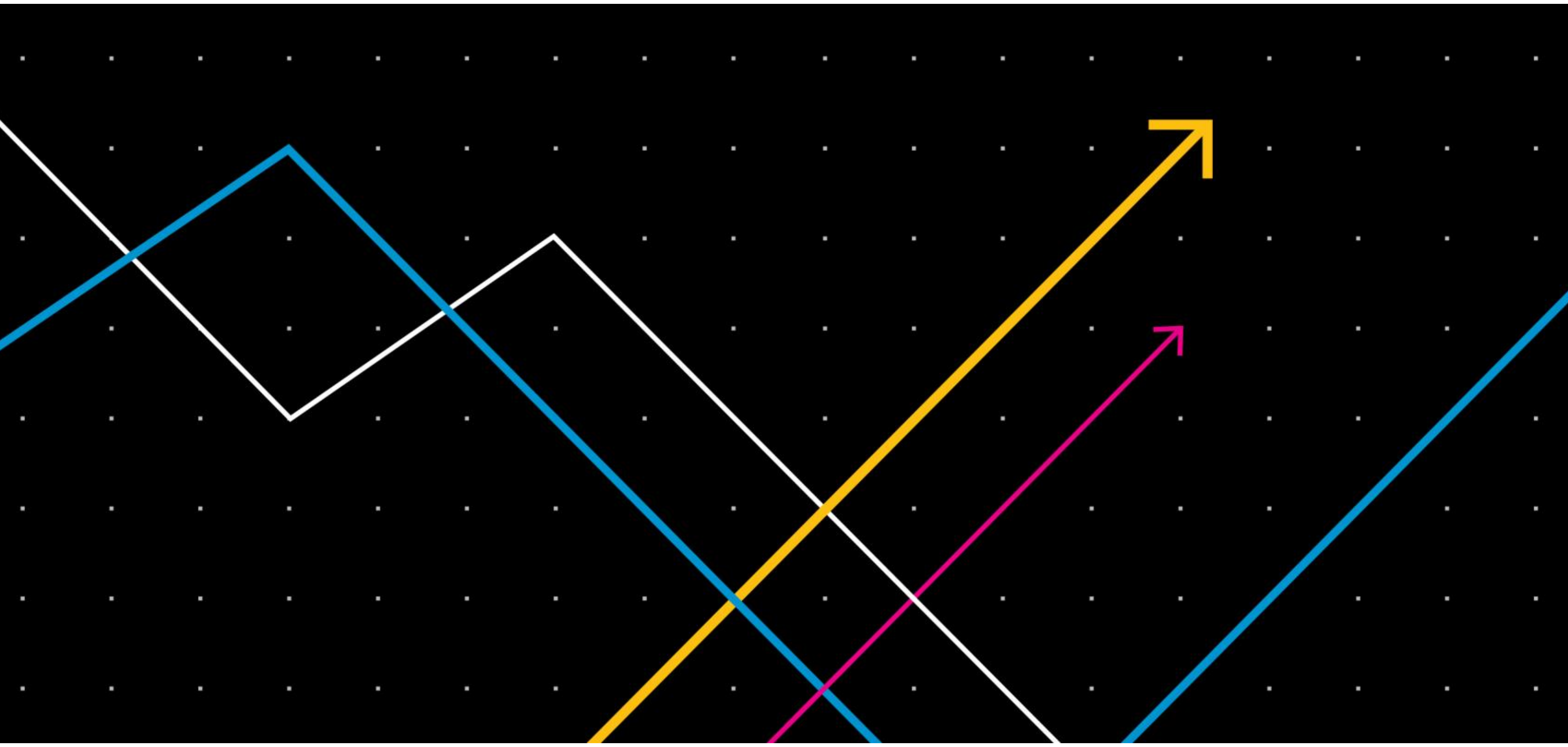

RESEARCH REPORT

A Profile of Institutional Investor–Owned Single-Family Rental Properties

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April 2023 (corrected April 25, 2023)

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Errata

This report was corrected April 25, 2023. In a previous version, we described our cutoff for an institutional investor as any investor that owned 25 or more properties. In reality, we captured virtually no investors that own up to 100 properties, and we have not fully captured those that own 101 to 1,000 properties. Thus, we have changed the description of the cutoff from 25 properties to 100. To reflect this change, we changed descriptions in the first two paragraphs in the Classification Scheme section that begins on page 1, in the bulleted list at the bottom of page 2, in the opening paragraph on page 3, and in the final paragraph on page 4. These changes do not alter the data or results.

Institutional Investor–Owned Single-Family Rental Properties

Much has been written in the popular press about institutional investor ownership of rental housing, but there has been little in the way of defining who institutional single-family rental (SFR) owners and operators are and providing an analysis of their characteristics. In this report, we attempt to fill that gap. We first clarify the types of owners in the institutional SFR space, categorizing them into two main groups—long-term and short-term holders—and defining investor types within each category. We then look at the geographic footprint of institutional SFR operators and the characteristics of the homes they buy. Last, we look at the neighborhood characteristics of census tracts with SFR properties, as compared with neighborhood characteristics of the entire metropolitan statistical area (MSA).

We believe that a more nuanced understanding of the various types of institutional SFR operators and their business models will allow for a more robust discussion of the role policymakers can and should play in this market.

Classification Scheme for Institutionally Owned Single-Family Holdings

Our analysis is based on data from a national property records database. Because institutional owners often use multiple legal entities as the named owner of the property, we have aggregated all legal entities of the parent company. As of June 2022, we estimate that large institutional investors own roughly 574,000 single-family homes. We have defined an institutional investor as an entity that owns at least 100 single-family homes. To put this in perspective, there are 15.1 million one-unit rental properties nationwide.[1] This would suggest that the total institutional ownership share is 3.8 percent; the vast majority of owners in the SFR market are small and medium investors who own less than 100 properties. There are 46.6 million total rental properties, so one-unit properties make up 32.4 percent of the total rental stock.

There is no universally accepted definition of institutional ownership. Some identify all limited liability companies as institutional holders. CoreLogic defines an investor as owning 3 or more properties at the same time and then categorizes owners as small (owning 3 to 10 properties), medium (owning 11 to 100 properties), large (owning 101 to 1,000 properties), and mega (owning more than

1,000 properties).[2] Freemark, Noble, and Su (2021) classify a corporate investor as a limited liability company or corporation owning at least 3 SFRs and a large corporate investor as one who owns at least 10 SFRs in a single metropolitan region. Other research focused on the Atlanta region classifies an institutional investor as one who owns at least 15 properties (Raymond et al. 2016). For this report, we have used a 100-property cutoff, as we want to focus on the behavior of the larger institutional investors. The 100-property cutoff corresponds to the CoreLogic definition of large and mega investors. For most of our analysis, we divide these large institutional investors further by size and type.

For expositional purposes, we have separated the institutional holders into two groups: long-term holders and short-term holders. Long-term holders are those whose business strategy is to own the property and rent it out; they buy a property and intend to own it for years. Short-term holders are those whose business strategy is to sell the property as quickly as is economically feasible; they usually have a short holding period (less than a year).

Long-Term Investors

Long-term investors include three categories of SFR operators, plus trusts, which provide a way for individuals to hold properties in their 401(k) plans. Long-term holders constitute about 87 percent of total institutional ownership.

The three categories of SFR operators are as follows:

- Mega SFR investors own more than 1,000 properties in diverse locations. We have identified 32 mega operators in our dataset; the median mega investor operates in 33 MSAs. Every investor on the list has a significant presence in at least 3 MSAs.
- Other smaller SFR investors own more than 100 but less than 1,000 properties in diverse locations. The median smaller investor operates in 10 MSAs. We have likely underestimated the holding of these investors, particularly those at the lower end of our range.
- Local investors own at least 100 single-family properties with a property footprint that is concentrated; that is, more than 75 percent of their properties are in one MSA, and more than 95 percent are in two MSAs. The median local investor operates in only one MSA. A few of these operators own more than 1,000 properties. We have likely underestimated the holdings of these investors, particularly those at the lower end of our range.

SFR investors (mega and otherwise) make up 85 percent of the single-family properties held by institutional operators (488,000 out of 574,000 properties) in our sample. The 32 mega investors own almost 446,000 properties (78 percent of the total), and smaller investors and local investors own about

19,000 and 22,000 apiece (3.4 and 3.9 percent apiece). These latter groups are likely underestimated, and our results should be regarded as a sample rather than the universe of holders. The mega operators represent 3.0 percent of the 15.1 million total single-family properties available for rent nationwide.

Institutional SFR investors, both mega and otherwise, employ various business models.

- Most of the largest investors own and manage their own properties using in-house property management systems.
- Some institutional investors both own properties and manage properties for other investors.
- Several institutional investors (e.g., Home Partners of America and Divvy) employ rent-to-own models, in which a renter has an option to buy the property after a preset period, usually at a preset price.

There is one more category of long-term holder called the trust category (13,000 properties, or 2 percent of the total). This category includes single-family homes that are in trust, where the trustee is an institutional entity. These are generally but not always in a 401(k) plan. The property may be wholly owned by the trust on behalf of an individual or represent an investment in a fund tailored to a 401(k) plan. These properties are generally managed by an outside property manager.

Short-Term Investors

Short-term holders include flippers, builders, government agencies, servicers, nonprofits, and others. These short-term holders do not buy properties to rent them out. These investors constitute about 13 percent of institutional properties.

Flippers (who own 19,000 properties and make up 3.4 percent of all institutional holders) include three types of institutional investors:

- Instant buyers, or iBuyers (e.g., Offerpad, Opendoor, Redfin, and Zillow),[3] who are relatively new market entrants, use algorithms to value and buy homes at scale, offer the seller of the property a cash bid, and then look to flip quickly. These buyers often do repairs or some renovation work before they flip.
- Tax note buyers purchase delinquent tax liens at a discount; either they are able to collect the amount owed from the borrower, or they foreclose on the property and flip it.
- Other funders offer customized real estate loans; if the borrower cannot make the payments, the funder will foreclose on the property and flip it.

Builders (who own 16,000 properties and make up 2.8 percent of all institutional owners) are generally short-term holders who build homes to sell. But some builders (e.g., Lennar) have small build-to-rent operations, and in this capacity may operate more like an SFR operator. We cannot differentiate these properties from other properties owned by builders in our dataset.

Servicers (who own 19,500 properties and make up 3.4 percent of all institutional owners) take possession of a property when they foreclose on a home and add the home to their real-estate-owned portfolio. When the loan is insured or guaranteed by the government or a government-sponsored enterprise (via the Federal Housing Administration, the US Department of Veterans Affairs, the US Department of Agriculture, Fannie Mae, and Freddie Mac), the banks foreclose in their own name. In some counties, the property is in the name of the tax service, as that intermediary pays the property tax.

Government agencies (who own 14,000 properties and make up 2.4 percent of all institutional owners) can obtain properties, often attributable to nonpayment of real estate taxes. Most of these properties are flipped quickly to other buyers, But some government agencies, such as the nonprofit category below, do renovate and sell to lower-income owner-occupants at an affordable price.

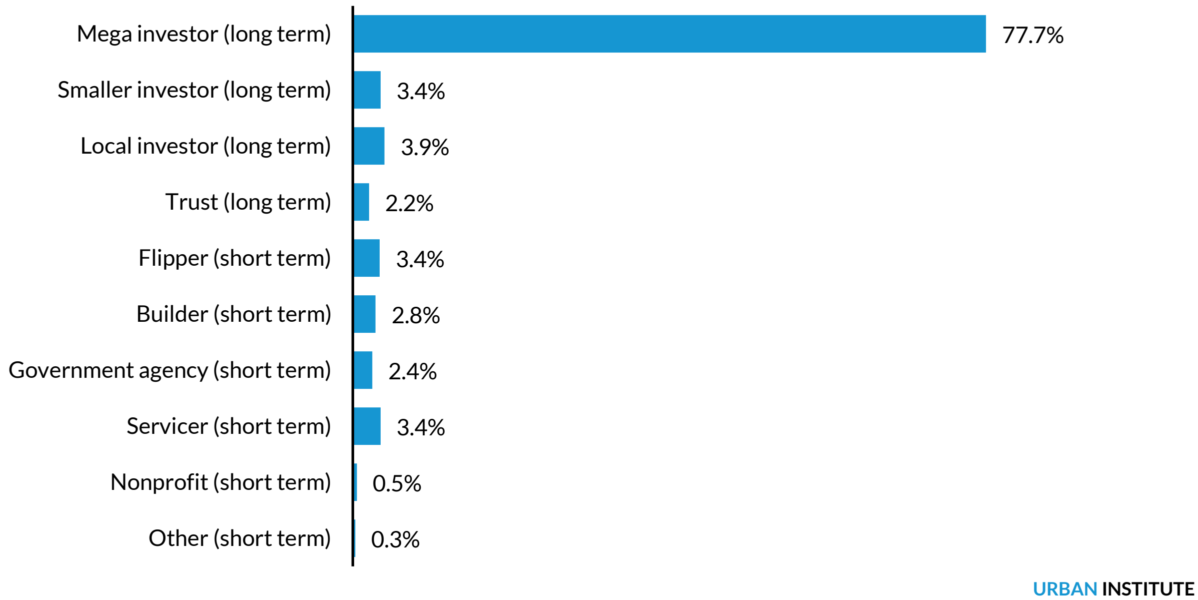
Nonprofits (who own 3,000 properties and make up 0.5 percent of all institutional owners) are generally short-term holders; they acquire homes with the intent of renovating them and selling them to owner-occupants at an affordable price. Some have small portfolios of homes they manage.

The "other" category of investors (who own 2,000 properties and make up about 0.3 percent of all institutional owners) is diverse and consists of firms that do not fit elsewhere, including firms that provide bridge financing. For example, Ribbon (Orchard) buys a home for a customer who is selling their home, and when the customer sells their home, they receive a mortgage on the new home and "buy" it from Ribbon (Orchard). The category also includes relocation managers and land trusts.

Figure 1 summarizes our classification scheme, showing the share of properties owned by each category of large institutional investor. This classification scheme is more detailed but is structurally similar to the one Walker and Mallach applied to all rental properties.[4] Again, we have likely underestimated the number of investors near the lower end of our range.

FIGURE 1

Types and Shares of Single-Family Institutional Owners



Source: 2022 property records data.

By the Numbers

Table 1 shows the number of properties in each group, as well as the median year built, median square footage, median AVM (automated valuation model) values, and median number of bedrooms and bathrooms. The total looks a lot like the mega SFR operators, because this single category is so large. Also, the AVM values are as of June 2022 and include both the investor's purchase price and the value of any repairs the institutional investor makes.

TABLE 1

Single-Family Institutional Owners, by the Numbers

	Number of properties	Median year built	Median size (sq. feet)	Median AVM value (thousands)	Median bedrooms	Median bathrooms
Long-term holders						
Mega investor	445,869	1999	1,687	$353.5	3	2
Smaller investor	19,483	1991	1,480	$260.2	3	2
Local investor	22,397	1964	1,260	$195.0	3	2
Trust	12,562	1965	1,296	$240.2	3	2
All long-term	500,311	1998	1,652	$345.5	3	2
Short-term holders						
Flipper	19,417	1995	1,792	$397.0	3	2
Servicer	19,500	1974	1,576	$298.8	3	2
Builder	16,017	2020	2,145	$473.4	4	3
Government agency	13,774	1963	1,260	$208.3	3	2
Nonprofit	3,026	2000	1,245	$186.1	3	2
Other	1,929	1987	1,633	$313.8	3	2
All short-term	73,663	1989	1,662	$349.9	3	2
All institutional owners	573,974	1998	1,653	$345.9	3	2

Source: 2022 property records data.

The data show that characteristics of each long-term holder are very different. Mega SFR operators tend to buy homes that are newer and larger than most of the other institutionally owned rental categories in our sample. They tend to buy properties that need repair and that they can repair economically. After repair, these homes tend to have a relatively high value (table 1).

Smaller SFR investors have a geographic footprint similar to that of mega investors, but their homes are slightly older and slightly smaller. These investors often do repairs, but after repairs, these homes are considerably less valuable than those that mega investors own. Local investors tend to buy homes that are older, smaller, and less expensive than their more geographically diverse counterparts. The property characteristics of this group closely resemble those of government agencies or nonprofits in the short-term holder category.

Among short-term holders, builders tend to own the largest, most valuable homes of any of the institutional investor groups, as the homes are new. Flippers tend to buy where they can have the largest value-add, and the properties tend to be newer and larger, though not as new or as large as those owned by builders. Servicers own a wide variety of properties; the medians mask a wide distribution. Nonprofits and government agencies tend to own smaller, less valuable properties.

Understanding Long-Term SFR Owners

We focus the remainder of our analysis on long-term holders: mega SFR investors, smaller SFR investors, and local SFR investors. These three groups make up 85 percent of the institutional investors we have identified. (Mega operators constitute 78 percent of these investors, and the other two groups make up about 3.5 percent apiece.) These are the operators that are acquiring properties with an intent to rent them out for a long time and have been the subject of recent examination in research and press reports.

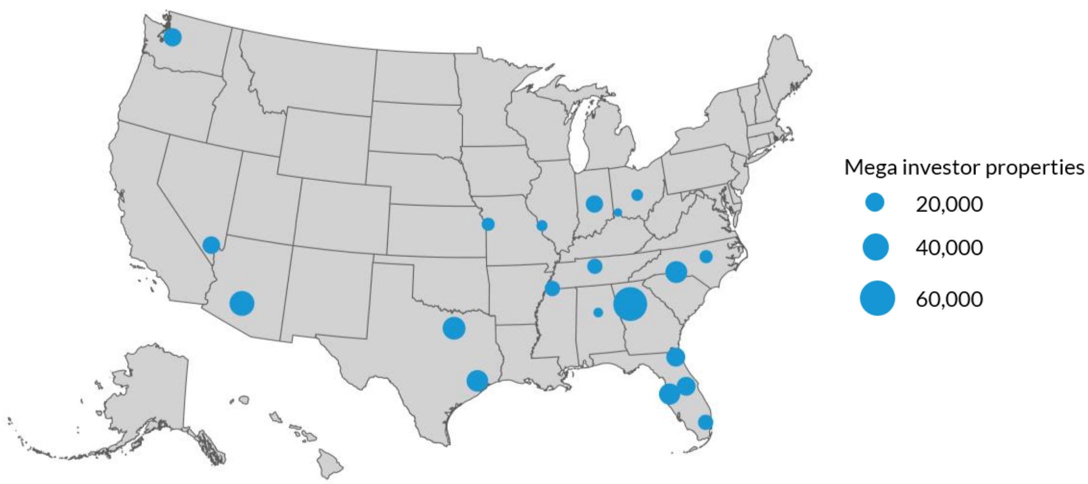
Geographic Footprint

The holdings of institutional SFR investors are concentrated, with the 20 largest MSAs by institutional holdings being home to almost 77 percent of all institutional investor–owned properties in our sample. Mega investors' holdings are even more concentrated, with the top 20 MSAs accounting for almost 80 percent of the mega investor–owned properties we have identified. Figure 2 shows the top 20 MSAs for mega operators. Even within these MSAs, there is a considerable amount of concentration: Atlanta has 72,000 mega operator–owned properties, Phoenix has 33,000, Dallas has 27,000, Charlotte and Houston have 24,000 each, and Tampa has 23,000. These six cities together contain 45 percent of mega operators' total holdings. The detailed numbers for the top 20 MSAs by holdings are shown in the appendix.

SFR investors, particularly mega investors, are highly concentrated in fast-growing MSAs. As long-term rental operators, these investors try to pick areas that are likely to have robust rent increases, and population increases in an environment with limited housing supply is a good predictor of this. For example, the population growth rate in the top 20 MSAs for mega investors was 16.75 percent from 2010 to 2021, compared with 7.29 percent nationally. The growth rate for households in the top 20 MSAs for mega investors was 21.57 percent over the same period, compared with 11.33 percent nationally. Recent CoreLogic research shows that institutional investors tend to select markets where rents are rising quickly.[5] That is, investor purchases tend to lag, not lead rent increases.

FIGURE 2

Top 20 Metropolitan Statistical Areas for Mega Investors

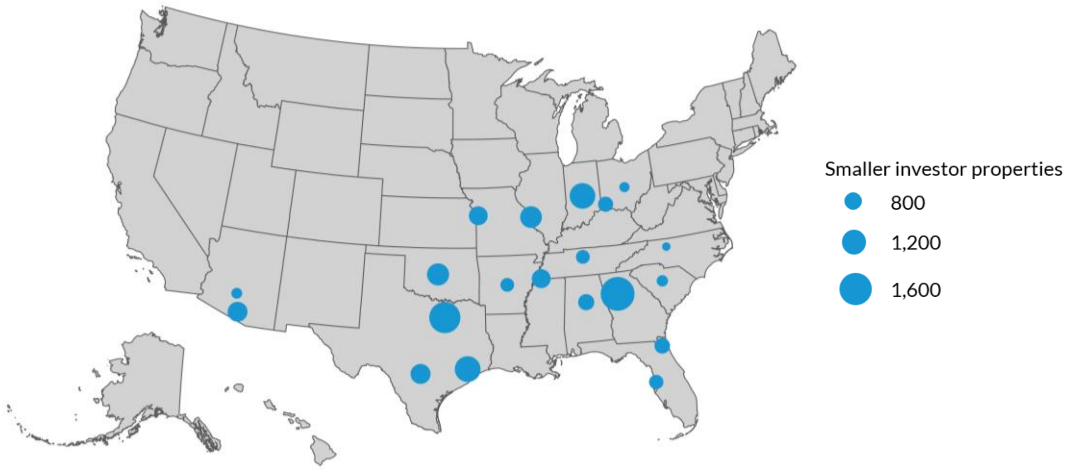


Source: 2022 property records data.

Smaller SFR operators have a concentration similar to that of mega investors, with their top 20 cities accounting for about 74 percent of their holdings. Many cities in which the smaller SFR operators are the most active are similar to the ones where mega operators are the most active. Atlanta has the most properties in both cases, and Dallas contains the second most properties for smaller operators and third most for mega operators. But there are several cities that are in the top 20 for smaller investors where mega investors are less active, including Oklahoma City, Oklahoma; Tucson, Arizona; San Antonio, Texas; Little Rock, Arkansas; Austin, Texas; Columbia, South Carolina; and Winston-Salem, North Carolina. Figure 3 shows these investors' holdings.

FIGURE 3

Top 20 Metropolitan Statistical Areas for Smaller Investors

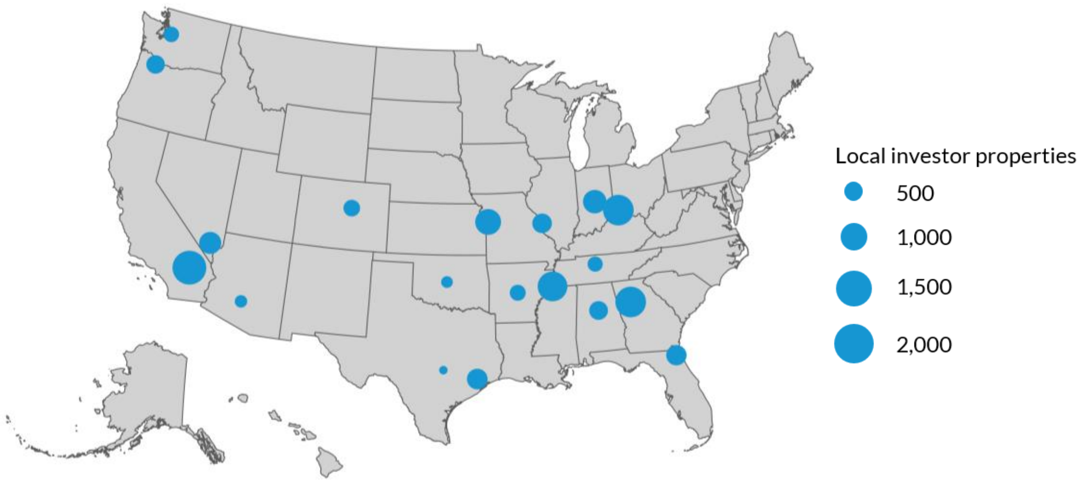


Source: 2022 property records data.

Finally, local investors have the highest concentration of institutional SFR operators—although their top 20 markets are different, the markets account for nearly 88 percent of their holdings. Riverside-San Bernardino, California, is the top market for local investors but does not appear in the top 20 for mega or smaller investors. Local investors also have many properties in Denver, Colorado; Portland, Oregon; and Dayton, Ohio, which did not appear in the top 20 for mega or smaller investors (figure 4).

FIGURE 4

Top 20 MSAs for Local Investors



Source: 2022 property records data.

Given the concentration of the institutional SFR operators, it is natural to ask what share of rental properties these operators own in the largest 20 MSAs. Table 2 shows the results of our analysis. In Atlanta, the largest market, SFR operators own 10 percent of all rental properties and 28.6 percent of all SFR properties. The next largest market share, ranked by market share, is in Jacksonville, Florida, where institutional investors own 8.5 percent of all rental properties and 24.2 percent of all SFR properties. In Charlotte, North Carolina, the institutional SFR share of SFR properties is just above 20 percent. In some large markets (e.g., Miami, Dallas, and Houston), the share is smaller. These numbers are slightly overstated for two reasons. First, we compared holdings in the property records data with American Community Survey (ACS) data on renter-occupied households. Thus, we are failing to include vacant properties in the denominator. To quantify our omission, we note that the Housing Vacancy Survey for the third quarter of 2022 estimates that about 5.9 percent of the rental units inside MSAs are vacant. Second, we are comparing 2022 institutional ownership with the 2021 ACS, further overstating our numbers by ignoring new supply.

TABLE 2

Mega, Smaller, and Local SFR Investor Shares of All Rental and Single-Family Rental Properties

	Institutional SFR share of all rental properties	Institutional SFR share of SFR properties	Single-family share of all rental properties
Atlanta-Sandy Springs-Alpharetta, GA	10.0%	28.6%	35.1%
Birmingham-Hoover, AL	5.6%	15.1%	36.8%
Charlotte-Concord-Gastonia, NC-SC	7.1%	20.1%	35.2%
Cincinnati, OH-KY-IN	2.9%	10.2%	28.6%
Columbus, OH	2.2%	7.0%	32.0%
Dallas-Fort Worth-Arlington, TX	2.5%	8.8%	28.5%
Houston-The Woodlands-Sugar Land, TX	2.5%	9.2%	27.6%
Indianapolis-Carmel-Anderson, IN	5.9%	16.0%	37.1%
Jacksonville, FL	8.5%	24.2%	35.3%
Kansas City, MO-KS	3.3%	8.9%	37.6%
Las Vegas-Henderson-Paradise, NV	4.2%	11.4%	36.7%
Memphis, TN-MS-AR	6.6%	14.4%	45.7%
Miami-Fort Lauderdale-Pompano Beach, FL	1.2%	4.8%	24.9%
Nashville-Davidson-Murfreesboro-Franklin, TN	4.4%	13.6%	32.1%
Orlando-Kissimmee-Sanford, FL	4.7%	14.4%	32.8%
Phoenix-Mesa-Chandler, AZ	5.6%	15.6%	35.8%
Raleigh-Cary, NC	4.6%	14.5%	31.8%
Seattle-Tacoma-Bellevue, WA	2.6%	10.1%	26.0%
St. Louis, MO-IL	2.5%	6.9%	35.5%
Tampa-St. Petersburg-Clearwater, FL	5.5%	16.8%	32.5%
Total, 20 largest MSAs for SFR	4.2%	13.3%	31.6%

Sources: 2021 American Community Survey data and 2022 property records data.
Notes: MSA = metropolitan statistical area; SFR = single-family rental. The definition of all rental properties includes buildings with multiple units (apartments). SFR properties are one-unit properties only. "20 largest MSAs" refers to the 20 MSAs nationwide with the largest amount of institutional single-family ownership.

For the balance of this report, we limit our focus to the 20 markets where institutional SFR operators are the most active; these are the 20 markets shown in figure 2 where the mega investors play a dominant role. Appendix table A.1 shows the number of holdings in each MSA.

Characteristics of Institutional SFR Properties versus All Rental Properties

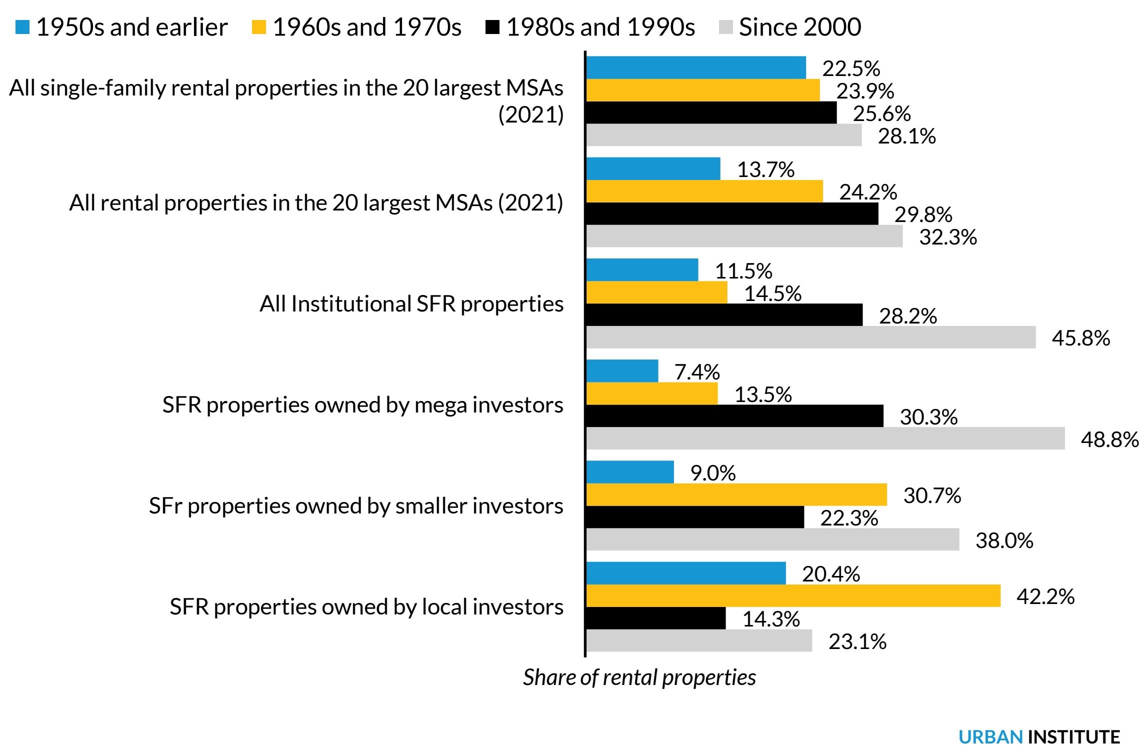
In this section, we compare the characteristics of institutional single-family rentals with rental properties in the 20 MSAs where institutional SFR operators are the most active.

Institutional SFR Operators Own Comparatively Newer Properties

Figure 5 compares year built for all rentals in the top 20 MSAs, all single-family rentals in the top 20 MSAs, with all institutional single-family rentals (both long-term holders and short-term holders) and then breaks down the three categories of long-term holders: mega operators, smaller operators, and local investors. The SFR stock in the 20 MSAs is actually older than all rentals in the MSAs; the average rental was built in 1986, and the average single-family rental was built in 1979.[6] Institutional SFR holders disproportionately own newer single-family homes. When we compare the year built of the homes owned by the mega investors versus all single-family rentals in the MSA, we find that for all single-family homes in the MSA, roughly a quarter were built in each time period: the 1950s and earlier, the 1960s and 1970s, the 1980s and 1990s, and since 2000. In contrast, for the mega SFR operators, close to half the properties have been built since 2000. Smaller institutional SFR operators own properties that are close in age to all SFR properties in the MSA, and local institutional operators own the oldest properties, on average.

FIGURE 5

Share of Rental Properties, by Year Built



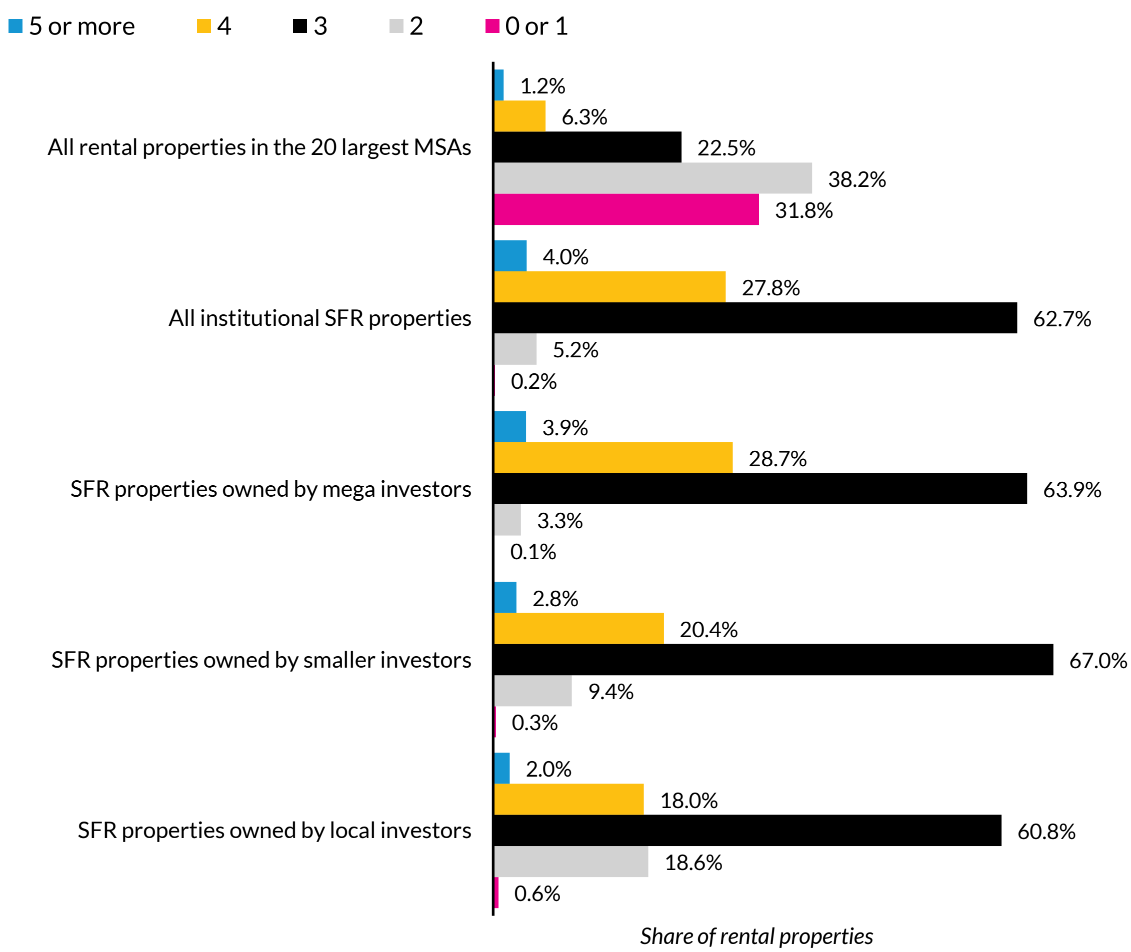
Sources: 2015–19 American Community Survey five-year estimates and 2022 property records data.
Notes: MSA = metropolitan statistical area; SFR = single-family rental. “20 largest MSAs” refers to the 20 MSAs nationwide with the largest amount of institutional single-family ownership.

Institutional SFR Operators Own Comparatively Larger Properties

Figure 6 compares rentals in the top 20 MSAs, by number of bedrooms. For this analysis, we could not get data on number of bedrooms in the SFR rental stock in these MSAs. Institutional rentals are considerably larger than all rentals in the MSAs. Less than 30 percent of all rentals in an MSA have three or more bedrooms, versus 94 percent of all institutional SFR investors and 96 percent for mega investors. An informal comparison against a 2021 American Housing Survey data extract indicates that almost 30 percent of detached SFR properties nationwide had zero to two bedrooms, compared with 6 percent of institutional SFR properties.

FIGURE 6

Share of Rental Properties, by Number of Bedrooms



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Sources: 2015–19 American Community Survey five-year estimates and 2022 property records data.
Notes: MSA = metropolitan statistical area; SFR = single-family rental. “20 largest MSAs” refers to the 20 MSAs nationwide with the largest amount of institutional single-family ownership.

To further compare the sizes of institutionally owned and operated single-family rentals versus all single-family rentals, we can look to the 2021 American Housing Survey for data on home size in square feet. The survey data indicate the median square footage of single-family detached rental units is 1,400 square feet. In contrast, table 1 showed that the median square footage is 1,687 square feet for properties owned by mega investors, 1,480 for those owned by smaller investors, and 1,260 for those owned by local investors.

NEIGHBORHOOD CHARACTERISTICS

Pew suggests that institutional SFR operators disproportionately concentrate in Black and Latino neighborhoods.[7] After controlling for neighborhood characteristics, Immergluck (2018) found that increases in institutional investments in SFR homes in Atlanta from 2010 to 2015 were concentrated in older, inner-county neighborhoods and were correlated with greater concentrations of Asian, Latino, and Black residents. The US House Financial Services Committee's Subcommittee on Oversight and Investigations sent out a questionnaire to the five largest institutional investors in the SFR market; responses are as of September 30, 2021, and were included as appendixes in the hearing material for the June 28, 2022, hearing. Each of the five companies provided data for the 20 zip code tract areas where they had the largest concentration, and the subcommittee compared these with national ACS data. These results were noted in the hearing summary.[8] They noted the five companies "tended to acquire homes in neighborhoods with Black populations significantly greater than the national average. The average population represented across the companies' top 20 zip codes was 40.2% Black, which is over three times the Black population in the U.S. (13.4%)."

Our analysis looks more closely at where institutional single-family homes are located; makes a comparison at the MSA level, rather than the national level; and accounts for renter demographics. We ask whether within their selected MSAs and within the rental footprint, do institutional SFR operators gravitate toward areas with a disproportionate number of nonwhite renters? That is, as we showed in figure 1, the 20 largest cities where institutional SFR investors are making investments tend to be fast-growing cities in the south and southwest. Many of these cities, including Atlanta, which has the largest number of institutional SFR homes, tend to be more heavily nonwhite. Therefore, rather than comparing the nonwhite share of these MSAs with national numbers, we compare the nonwhite share at the MSA level. Moreover, as renters are more likely to be people of color, we know that census tracts with large numbers of renters are more likely to have an outsize share of Black or Latino households relative to the composition of the entire MSA. Thus, to evaluate whether there is a bias in property selection, the correct comparison is not all housing units in the MSA but the concentration of rental units in the MSA.

We review the results in depth in the next few sections, but for convenience, we summarize the results here. We find that for the top 20 MSAs, institutional single-family operators are not disproportionately concentrated in nonwhite areas. The concentration is close if not slightly lower than the MSA averages. We do find that the institutional operators, particularly the mega operators, operate in higher-income tracts than the average rental income across all census tracts in the MSA. We also find that although there is no undue concentration in nonwhite areas overall, SFR operators are slightly more concentrated in census tracts with higher shares of Black residents and are slightly less concentrated in census tracts with higher shares of Latino residents compared with all rental households in the MSA.

MEGA INSTITUTIONAL INVESTORS OPERATE IN HIGHER-INCOME TRACTS, WHILE THE OPPOSITE IS TRUE FOR LOCAL INVESTORS

Table 3 shows the median household income for all rental households in the MSA versus the household income of all institutional investors (long and short term), with mega investors, smaller investors, and local investors broken out separately for the top 5 MSAs as well as the weighted average of the top 20 MSAs. For this part of the analysis, we used 2015–19 five-year ACS data to obtain income by census tract.[9]

Mega institutional investors are concentrated in higher-income tracts. Smaller institutional investors reflect concentrations similar to rental properties in the MSA as a whole, and local institutional investors are generally concentrated in lower-income tracts. This finding complements our earlier data indicating that mega investors tend to own larger, newer properties with higher AVM values than smaller investors, and local investors tend to buy smaller, older, less valuable properties. In Atlanta, for example, the median tract income for all rental households is $46,659. By investor type, the medians are $51,757 for mega operators, $45,245 for smaller operators, and $43,868 for local operators. For the top 20 MSAs as a whole, the median rental income is $45,102. By investor type, the medians are $53,361 for mega investors, $46,307 for smaller investors, and $39,028 for local investors.

TABLE 3

Median Household Income, by Investor Type

	Institutional Investor–Owned SFR Properties				All rental households
	All	Mega	Smaller	Local	
Atlanta-Sandy Springs-Marietta, GA	$51,536	$51,757	$45,245	$43,868	$46,659
Charlotte-Gastonia-Rock Hill, NC-SC	$52,988	$53,973	$38,353	N/A[a]	$46,450
Dallas-Fort Worth-Arlington, TX	$59,873	$60,133	$56,406	N/A[a]	$49,757
Houston-Sugar Land-Baytown, TX	$57,410	$58,489	$53,185	$41,767	$46,356
Phoenix-Mesa-Glendale, AZ	$56,711	$56,392	$49,956	$61,095	$46,820
Weighted average (top 20 MSAs)	$52,000	$53,361	$46,307	$38,920	$45,102

Sources: 2015–19 American Community Survey five-year estimates and 2022 property records data.

Notes: MSA = metropolitan statistical area; N/A = not applicable; SFR = single-family rental. The weighting for all rental households in each MSA reflects the distribution of rental properties in that MSA. The weighted average of the top 20 (last row) reflects the results from each of the MSAs, weighted by the share of investor-owned properties in that MSA. "Top 20 MSAs" refers to the 20 MSAs nationwide with the largest amount of institutional single-family ownership. A full list of the top 20 markets is available on request from the authors.

[a] There were less than 100 local investor-owned properties in areas with income information, so we did not calculate this average income.

MEGA AND SMALLER INVESTOR–OWNED PROPERTIES ARE NOT DISPROPORTIONATELY CONCENTRATED IN MINORITY TRACTS, UNLIKE LOCAL INVESTOR–OWNED PROPERTIES

We analyzed the race and ethnicity of the tracts where SFR institutional investors are the most active and find that the nonwhite share is similar to or slightly lower than that of all rental properties across the MSA for mega and smaller investors and is higher for the local investors.[10] That is, using five-year ACS data, we look at 100 percent minus the non-Latino white share (or the "nonwhite" share) of households in each tract where a property is located, and we compute the weighted average nonwhite concentration in that MSA. We do the same for all rental households (table 4). Note that in Atlanta, for instance, rental units are located in tracts that are, on average, 65.8 percent nonwhite. The nonwhite share is 64.7 percent for mega operators, 72.7 percent for smaller operators, and 69.4 percent for local operators. For the top 20 MSAs, rental units are located in tracts that are, on average, 54.4 percent nonwhite; the tracts are 53.2 percent nonwhite for the mega investor–owned properties, 53.5 percent for smaller investor–owned properties, and 61.8 percent for local institutional operators.

TABLE 4

Nonwhite Renter Share, by Investor Type

	Institutional Investor–Owned SFR Properties				All rental households
	All	Mega	Smaller	Local	
Atlanta-Sandy Springs-Marietta, GA	64.4%	64.7%	72.7%	69.4%	65.8%
Charlotte-Gastonia-Rock Hill, NC-SC	57.3%	56.8%	75.4%	N/A[a]	56.1%
Dallas-Fort Worth-Arlington, TX	52.2%	52.8%	54.2%	N/A[a]	59.5%
Houston-Sugar Land-Baytown, TX	64.7%	64.9%	62.6%	88.0%	69.2%
Phoenix-Mesa-Glendale, AZ	45.9%	46.3%	54.1%	50.6%	47.6%
Weighted average (top 20 MSAs)	52.9%	53.2%	53.5%	61.8%	54.4%

Sources: 2015–19 American Community Survey five-year estimates and 2022 property records data.

Notes: MSA = metropolitan statistical area; N/A = not applicable; SFR = single-family rental. The weighting for all rental households in each MSA reflects the distribution of rental properties in that MSA. The weighted average of the top 20 (last row) reflects the results from each of the MSAs, weighted by the share of investor-owned properties in that MSA. "Top 20 MSAs" refers to the 20 MSAs nationwide with the largest amount of institutional single-family ownership. A full list of the top 20 markets is available on request from the authors.

[a] There were less than 100 local investor-owned properties in areas with racial information, so we did not calculate this racial makeup.

We conducted the same analysis separately tracking the share of Black households and share of Latino households in the MSA (tables 5 and 6). Again, for each tract within an MSA in which a property was located, we looked at the share of Black or Latino families in that tract.[11] We aggregated across the MSA to obtain the share of Black (Latino) households for each type of institutional owner and for all rental properties. We then aggregated across MSAs to construct the weighted average of the top 20 MSAs where the shares were weighted by the share of institutional SFR properties.[12] Table 5 shows that institutional SFR operators are slightly more likely to own homes in census tracts that have higher shares of Black residents and are slightly less likely to own homes in census tracts that have high shares of Latino residents. But the differences between the MSA representation and that of the mega investors and the small investors are modest. In contrast, local investors tend to be heavily in census tracts with high shares of Black residents.

TABLE 5

Black Renter Share, by Investor Type

	Institutional Investor–Owned SFR Properties				All rental households
	All	Mega	Smaller	Local	
Atlanta-Sandy Springs-Marietta, GA	52.0%	52.5%	62.4%	58.8%	48.2%
Charlotte-Gastonia-Rock Hill, NC-SC	41.9%	41.3%	58.7%	N/A[a]	38.4%
Dallas-Fort Worth-Arlington, TX	28.9%	30.0%	29.7%	N/A[a]	26.3%
Houston-Sugar Land-Baytown, TX	31.3%	32.1%	29.9%	55.2%	27.2%
Phoenix-Mesa-Glendale, AZ	11.1%	11.4%	9.6%	8.2%	9.5%
Weighted average (top 20 MSAs)	32.6%	32.1%	36.5%	46.7%	30.4%

Sources: 2015–19 American Community Survey five-year estimates and 2022 property records data.

Notes: MSA = metropolitan statistical area; N/A = not applicable; SFR = single-family rental. The weighting for all rental households in each MSA reflects the distribution of rental properties in that MSA. The weighted average of the top 20 (last row) reflects the results from each of the MSAs, weighted by the share of investor-owned properties in that MSA. "Top 20 MSAs" refers to the 20 MSAs nationwide with the largest amount of institutional single-family ownership. A full list of the top 20 markets is available on request from the authors.

[a] There were less than 100 local investor-owned properties in areas with racial information, so we did not calculate this racial makeup.

TABLE 6

Latino Renter Share, by Investor Type

	Institutional Investor–Owned SFR Properties				All rental households
	All	Mega	Smaller	Local	
Atlanta-Sandy Springs-Marietta, GA	8.9%	8.8%	7.3%	6.9%	11.0%
Charlotte-Gastonia-Rock Hill, NC-SC	10.9%	11.0%	12.7%	N/A[a]	11.7%
Dallas-Fort Worth-Arlington, TX	18.6%	18.1%	20.2%	N/A[a]	25.1%
Houston-Sugar Land-Baytown, TX	28.4%	27.8%	28.5%	30.2%	34.9%
Phoenix-Mesa-Glendale, AZ	28.9%	29.0%	39.1%	39.4%	29.6%
Weighted average (top 20 MSAs)	15.5%	16.2%	13.2%	10.7%	17.3%

Sources: 2015–19 American Community Survey five-year estimates and 2022 property records data.

Notes: MSA = metropolitan statistical area; N/A = not applicable; SFR = single-family rental. The weighting for all rental households in each MSA reflects the distribution of rental properties in that MSA. The weighted average of the top 20 (last row) reflects the results from each of the MSAs, weighted by the share of investor-owned properties in that MSA. "Top 20 MSAs" refers to the 20 MSAs nationwide with the largest amount of institutional single-family ownership. A full list of the top 20 markets is available on request from the authors.

[a] There were less than 100 local investor-owned properties in areas with racial information, so we did not calculate this racial makeup.

Conclusion

In this report, we have explored the various types of institutional SFR operators and categorized these entities by whether they are long-term holders (institutional SFR operators) or short-term holders (e.g., builders, flippers, and servicers), with definitions of each type. Each of these groups has different business models and a unique niche in the rental housing market. In particular, we are interested in the three major categories of long-term holders: mega institutional investors, smaller institutional investors, and local investors.

Most mega investors buy properties that need repairs and then invest a significant amount in up-front capital to repair the properties.[13] Institutional investors can put a more competitive bid on properties that need repairs, as they can repair these homes in a more cost-efficient manner than most homeowners can. As a result of this business strategy, mega investors tend to buy newer homes. Newer properties allow for more uniformity and hence better economies of scale in making purchases during the renovation process, including appliances, HVAC (heating, ventilation, and air conditioning) systems and components, and windows. Goodman and Golding have argued that buying up homes that need repairs is a comparative advantage for mega operators; they benefit from economies of scale, and owner-occupants find it difficult to finance homes that require considerable renovation.[14]

The properties mega investors own tend to be located in fast-growing areas, as investors target areas with the highest returns and factor in anticipated rent increases. Moreover, the properties are more likely to be larger and located in tracts with higher median incomes than other rental properties in the MSAs. Overall, the nonwhite share of the census tracts where mega SFR properties are located is similar to or slightly lower than that of the MSA tracts as a whole. Census tracts with higher Black shares are slightly overrepresented, and census tracts with higher Latino shares are slightly underrepresented, but the differences are small.

Smaller institutional investors tend to own smaller, less expensive, and slightly older properties than the properties mega operators own, though the properties are comparable with the overall SFR stock in the MSA. Smaller investors' properties tend to be in census tracts that mirror the MSA as a whole in terms of income and nonwhite concentrations. The homes of the smaller operators are slightly overrepresented in census tracts with higher Black shares and are underrepresented in census tracts with higher Latino shares.

Finally, local investors tend to specialize in a given geographic area, buying up older, less expensive, smaller homes in that area. They target tracts with incomes that are lower than the MSA median for renters. The rental units these investors own tend to be concentrated in census tracts with high shares of Black households. Interestingly, they are underweighted in census tracts with high Latino shares.

Press reports often differentiate mom-and-pop investors from institutional investors, but they rarely differentiate among the types of institutional investors. Yet our research indicates that SFR investors are not a monolith. Their business strategies and property profiles, even among long-term holders, vary greatly, especially between mega and local investors. On the whole, local investors' purchases are more heavily weighted toward communities with high shares of nonwhite households than the average rental property within the same market. There is no such bias among mega and other SFR investors. Our research does not address how households may benefit from or be harmed by SFR investor purchases. Future research could explore the potential impacts of this part of the rental market on renter households. For example, do SFR-owned rental properties open up neighborhoods and benefits, such as access to schools, that were once difficult for renter households to reach? Do they limit purchasing options for renter households?

Because of their size, scale, and organizational infrastructure, mega and smaller national single-family rentals can improve the rental experience. Institutional investors' practices have an impact on hundreds of thousands of renter households and have the potential to set new standards for practice in the rental market. And it is often more feasible for institutional investors than for their mom-and-pop counterparts to implement certain important practices, such as rent reporting. Recent Urban Institute research found that including on-time rental payment history can boost credit scores—a practice that disproportionately benefits Black and Latino households who are more likely than white households to be renters and have low or no credit scores (Cochran, Stegman, and Foos 2021). As another example, many landlords, both large and small, do not accept housing choice vouchers, even though most of the rent is government guaranteed; this program is bureaucratic and cumbersome, and the landlord must leave the unit vacant while it is being qualified of the program. Because of their size, institutional SFR owners are better able to absorb the costs of longer vacancy and turnover times. If institutional SFR owners accepted housing choice voucher recipients as a matter of course, this could have an outsize benefit on rental housing affordability because of the size of their holdings.[15] Finally, these owners could institute transparent policies and processes through all stages of tenancy, including tenant screening, implementing rental fees and charges for delinquent payments, tenant communications and service provision, and eviction notices and filings. In short, institutional investors have economies of scale that allow them to implement policies that can improve the rental experience at a far lower cost than mom-and-pop investors can. This should be the focus of future public policy.

BOX 1

The Urban Institute's Collaboration with JPMorgan Chase

The Urban Institute is collaborating with JPMorgan Chase to inform and catalyze a data-driven and inclusive economic recovery. The goals of the collaboration include generating cross-sector, place-based insights to guide local decisionmakers, using data and evidence to help advise JPMorgan Chase on the firm's philanthropic strategy, and conducting new research to advance the broader fields of policy, philanthropy, and practice. This report provides an analysis of the various types of institutional single-family rental operators and their business models, including their geographic footprint and the neighborhood characteristics of the properties they operate, to provide policymakers with a better understanding of the state of institutional ownership and to identify opportunities for policy impact.

Appendix

TABLE A.1

Number of Institutional Investors, by Metropolitan Statistical Area

	Institutional Investor–Owned Single-Family Properties			
	All	Mega	Small	Local
Atlanta-Sandy Springs-Alpharetta, GA	82,327	71,832	1,846	1,912
Birmingham-Hoover, AL	9,209	5,954	537	701
Charlotte-Concord-Gastonia, NC-SC	26,664	24,322	326	75
Cincinnati, OH-KY-IN	11,192	5,790	506	1,910
Columbus, OH	20,992	6,908	411	32
Dallas-Fort Worth-Arlington, TX	33,248	26,961	1,561	3
Houston-The Woodlands-Sugar Land, TX	30,333	23,563	1,076	835
Indianapolis-Carmel-Anderson, IN	18,118	13,906	1,066	1,078
Jacksonville, FL	20,205	17,147	518	813
Kansas City, MO-KS	11,383	8,041	647	1,315
Las Vegas-Henderson-Paradise, NV	17,125	14,412	108	951
Memphis, TN-MS-AR	14,416	10,752	648	1,786
Miami-Fort Lauderdale-Pompano Beach, FL	11,310	10,645	173	4
Nashville-Davidson-Murfreesboro-Franklin, TN	12,573	10,560	468	510
Orlando-Kissimmee-Sanford, FL	18,503	17,000	175	19
Phoenix-Mesa-Chandler, AZ	38,258	33,406	417	419
Raleigh-Cary, NC	9,114	8,074	114	2
Seattle-Tacoma-Bellevue, WA	17,548	15,727	31	523
St. Louis, MO-IL	11,840	6,532	801	757
Tampa-St. Petersburg-Clearwater, FL	24,825	22,588	484	1
All	439,183	354,120	11,913	13,646

Source: 2022 property records data.

Notes

1 2021 American Community Survey, table B25032 (occupied rental housing units). This is grossed by the 5.2 percent rental vacancy rate in table CP04.

2 Thomas Malone, "The New Normal? Single-Family Investor Activity Remains Steady in Q3," *CoreLogic Intelligence* (blog), CoreLogic, December 8, 2022, https://www.corelogic.com/intelligence/the-new-normal-single-family-investor-activity-remains-steady-in-q3/.

3 Zillow subsequently exited the market.

4 Walker and Mallach defined four types of investors: rehabbers, flippers, milkers, and holders. Although not an exact correspondence, our government and nonprofit categories correspond to their rehabbers, and our flipper and their flipper categories are similar in holding period. But our flippers focus on higher-value homes. Our local investor category is similar to their milker category, and our mega and smaller investors are similar to their holder category. Their concern was with the flippers and the milkers. See Chris Walker and Allan Mallach, "Putting Data to Work: Data Driven Approaches to Strengthening Neighborhoods," Board of Governors of the Federal Reserve System, last updated April 4, 2012, https://www.federalreserve.gov/publications/putting-data-to-work-using-data.htm.

5 Research analysis performed by the CoreLogic Office of the Chief Economist.

6 We derived these figures by taking the median year built in the MSA and then weighting each MSA by its share of the total.

7 Tim Henderson, "Investors Bought a Quarter of Homes Sold Last Year, Driving Up Rents," *Stateline* (blog), Pew, July 22, 2022, https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2022/07/22/investors-bought-a-quarter-of-homes-sold-last-year-driving-up-rents.

8 House Committee on Financial Services Majority Staff, "June 28, 2022, Subcommittee on Oversight and Investigations Hearings," memorandum to members of the House Committee on Financial Services, June 23, 2022, https://www.congress.gov/117/meeting/house/114969/documents/HHRG-117-BA09-20220628-SD002.pdf. Survey results can be found at House (n.d.).

9 This two-year data discrepancy is a limitation, but the 2019 ACS proved to be more reliable across all key variables, including income, race, and tenure, than the 2020 Census data. The 2021 data had not been released when we began this project.

10 We cannot include SFR households in the comparison because of data limitations. Structure type is not broken down by race at the census tract level.

11 A family that is both Black and Latino would be counted as both Black and Latino in the ACS breakouts. Thus, we would see double counting if we added the categories together.

12 For the weighted average for all MSAs, we weighted by institutional SFR ownership to eliminate any bias in our results attributable to institutional geographic selection.

13 For example, Invitation Homes, in its February 2022 10-K reports that it spent an average of $35,000 per home purchased in 2021. Similarly, American Homes 4 Rent reports that it spent between $20,000 and $40,000 per home on renovations.

14 Laurie Goodman and Edward Golding, "Institutional Investors Have a Comparative Advantage in Purchasing Homes That Need Repair," *Urban Wire* (blog), Urban Institute, October 20, 2021, https://www.urban.org/urban-wire/institutional-investors-have-comparative-advantage-purchasing-homes-need-repair.

15 See Goodman, Kaul, and Stegman (2022) for a full discussion of this issue.

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