What Does the Rise in Single-Family Rentals Mean for the Twin Cities?

Implications for equitable housing and ownership opportunities

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WHY ARE SINGLE-FAMILY RENTALS ON THE RISE?

Large-scale investment in single-family homes has been **common throughout US metropolitan areas since the Great Recession.**

The **foreclosure crisis forced many of the most vulnerable homeowners, especially Black and Latinx borrowers who were targets of subprime lending practices, to give up their homes** because they couldn't pay interest on their mortgages.

Large-scale investors targeted these vulnerable properties for investment. New technologies also allowed investors to manage sprawling real-estate portfolios at a lower cost.

Large-scale investors operate with limited oversight from federal or state governments and are often incorporated overseas to minimize their tax burdens.

Over the past 15 years, the Twin Cities real-estate market has been transformed by the rise of single-family rental (SFR) units—stand-alone homes that, rather than being owned by their residents, are rented out (often by large corporate investors). Growth in SFRs isn't unique to the Twin Cities, but the area's rise in SFRs has coincided with declining homeownership among residents, a widening Black-white homeownership gap, and a growing number of corporate landlords.

SFRs could fill a gap in the rental market, but a rise in investor ownership could lead to higher home prices because of competition amid low inventory. Previous research shows that these investors are more likely to evict tenants than other property owners. The rise in SFRs has important implications for the Twin Cities, including whether residents can afford to own a home in the neighborhood of their choice and whether current homeowners can maintain their ownership in the face of rising property taxes caused by investment in their neighborhoods.

We examined SFR ownership trends in Hennepin and Ramsey Counties between 2005 and 2020 to see how the growing prominence of corporate landlords is affecting Twin Cities residents, especially low-income people and people of color, and how local policymakers can mitigate inequitable housing opportunities.

KEY TRENDS IN SINGLE-FAMILY RENTAL OWNERSHIP IN THE TWIN CITIES

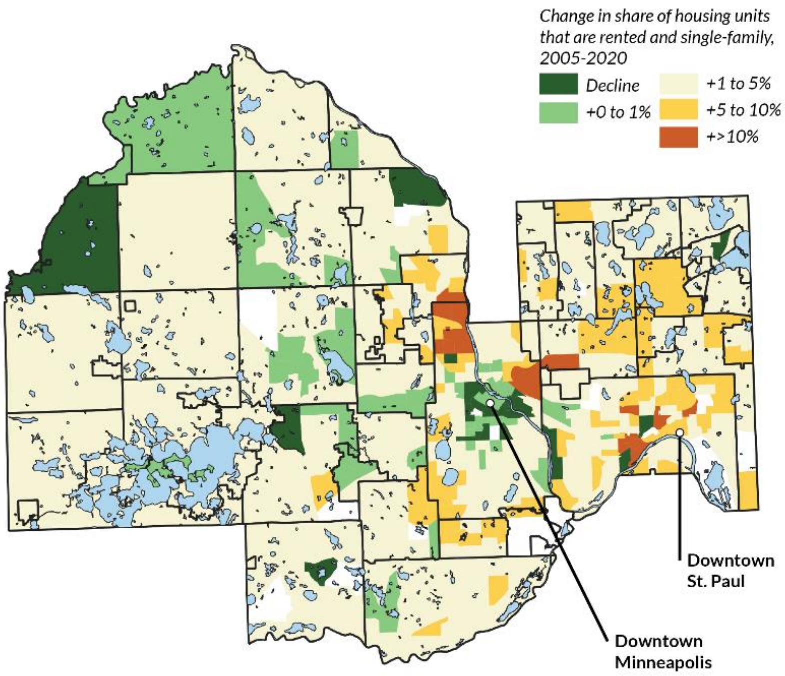
We found the following SFR trends in Hennepin and Ramsey Counties:

- SFR units have become increasingly concentrated in neighborhoods with higher shares of low-income residents and residents of color.
- The number of SFR units more than doubled from 2005 to 2020; the number of single-family homes grew only 8 percent over that period.
- The share of SFR units owned by investors rose from about 4 percent in 2005 to 14 percent in 2020.
- The share of SFR owners located in the same neighborhood as their property fell from 57 percent in 2005 to 51 percent in 2020.
- Invitation Homes and Front Yard Residential Corporation are the two largest SFR owners in Hennepin and Ramsey Counties, with 521 and 383 homes in their respective portfolios.

WHICH NEIGHBORHOODS ARE BEING TARGETED BY SFR INVESTORS?

The rise of SFR units has been concentrated in just a few neighborhoods in Hennepin and Ramsey Counties: Brooklyn Center, Como, North Minneapolis, Roseville, and central St. Paul. These are some of the Twin Cities' most socioeconomically diverse areas, with larger shares of low-income residents and residents of color than the region's average. The share of all housing units in these neighborhoods that are SFRs increased more than 10 percentage points from 2005 to 2020.

Single-Family Rentals Have Become More Prevalent in Brooklyn Center, Como, North Minneapolis, Roseville, and Central St. Paul



Sources: Urban Institute analysis of Hennepin, Ramsey County data; US Census data.

SFR investors seem to target undervalued housing stock. This redistributes housing wealth from residents—many of whom are low-income people and people of color—to corporate landlords. For the Twin Cities to become more equitable and inclusive, policymakers and local governments need to ensure that residents of all backgrounds have access to affordable housing, have the ability to stay in their homes, and can build wealth through homeownership.

This fact sheet draws from the Urban Institute report Who Owns the Twin Cities? *See the report at* ***https://urbn.is/3gnUW5Q*** *for more information about property ownership. For additional policy recommendations, see the Equity in Place Policy Agenda at* ***https://urbn.is/3xboydl***.

POLICY STRATEGIES TO PROMOTE EQUITABLE HOUSING

Provide enhanced assistance for renters in corporate-owned properties.
Renters in corporate-owned SFR units have few remedies when facing eviction. Providing proactive eviction-prevention outreach to tenants in SFRs, limiting security deposits, and requiring documented just cause for eviction can ensure stability over time.

Consider policies to limit speculative investment in SFRs or fund alternatives.
Caps on property holdings by investment trusts and restrictions on bundled sales of foreclosed homes can prevent rental market monopolization by corporations. Transaction fees on rental bonds, out-of-region transaction fees, and citywide gross receipts or windfall taxes on rental revenue can generate funding for housing stability.

Expand opportunities for residents of color and low-income residents to own property in their communities.
Tenant Opportunity to Purchase policies and community land trusts increase local control and promote wealth-building for residents denied homeownership. These policies can be tailored for tenants in SFRs.

Mandate public, accessible data on rental property ownership.
The increase in shell entities, such as limited liability companies, hides ownership and stymies accurate landlord identification. Mandated data collection and public access to it could improve oversight.

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