THE HAMILTON PROJECT

Single-family rentals: Trends and policy recommendations

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Single-family rentals: trends and policy recommendations

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Abstract

Single-family rentals (one-unit properties) are not a new phenomenon; they have always been an important part of the rental market, offering renters the ability to rent larger homes or live in communities that have few multifamily properties. Large institutional investors remain a small overall share of all single-family rentals, but they are highly concentrated in particular geographic areas. The evidence on the behavior of these entities and their impact on markets is limited. It is clear they are more responsive to the market in setting rents, and they submit more eviction filings. It is unclear if they ultimately evict more tenants, or if they are better or worse than smaller investors at maintaining their properties. Our policy recommendations are threefold. First, to create more transparency in ownership structures, we call for the widespread adoption and enforcement of rental registries. Second, we recommend that regulators impose more requirements on large investors, who, due to their size and capacity, can be asked to do more to serve and protect tenant interests. This includes reporting rent payments to credit bureaus, accepting housing choice vouchers, offering security deposit insurance in lieu of security deposits, offering one-page summaries of lease terms, and giving tenants a warning and some time to correct the payment deficiency before filing an eviction notice. Third, we call for improving renovation financing for owner occupants to help level the playing field for individual homeowners seeking to buy homes that need repairs.

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I. Introduction

Single-family rentals have attracted considerable attention in the past few years. Countless websites and podcasts offer advice to novice investors seeking to earn profits by investing in single-family rentals. Meanwhile, media outlets, advocates, and policymakers have raised concerns about the growing presence of institutional investors in the single-family market. Critics charge that investors—especially large investors—inflate housing prices, crowd out first-time home buyers, increase rents more aggressively, and are quicker to evict nonpaying tenants. Our view is that the evidence base is simply too thin to support such clear conclusions; our reading of the current data is that the real story is more nuanced.

We start our discussion in The Challenge by emphasizing that single-family rentals, which we define as one-unit properties, are not a new phenomenon; these rentals represent an important part of the rental market, and offer renters the ability to rent larger homes in communities that are often closed to multifamily renters. Second, we show that, despite growth over the past decade, and growing purchases of non-distressed homes, institutional investors still own a small share of all single-family rentals; small and medium investors are very active in the market, and account for most investor purchases. We then pivot to a discussion of large institutional investors, given their growth and the strong media focus on this group of investors. We show that large institutional investors are highly concentrated in particular geographic areas, and that many of the properties they buy need substantial repairs.

As for behavioral differences, there is some evidence that institutional investors raise rents more rapidly on average than "mom-and-pop" owners,[1] given their greater knowledge of what the market will support. There is also evidence that institutional investors-owners submit more eviction filings, though it is unclear whether they are more likely to execute evictions. Of course, eviction filings in themselves can harm tenants. Institutional owners also adopt different maintenance practices than other owners. Due to their economies of scale, institutional owners rely more on in-house property managers who are on call 24/7. That said, their size may mean there is a less personalized relationship between owner and tenant. Finally, in terms of tenant screening, qualitative work suggests that owners with large portfolios rely more than smaller landlords on formal screening algorithms to select tenants, which are at least less explicitly discriminatory (Garboden, Rosen, and Cossyleon 2021).

A few caveats at the outset: First, there is limited information available about ownership. The existing data on ownership typically come from proprietary sources of the property records data that are not broadly available and must be aggregated because most institutional investors operate under multiple corporate names. Second, and more fundamentally, there is no consistent definition of an institutional investor. Some economists define an institutional investor as a corporation or an LLC. Others list entities they consider institutional, based on public company disclosures (Mills, Molloy, and Zarutskie 2019). Still, others focus on size, defining owners as institutional investors if they own more than a specific number of properties. For example, CoreLogic (Malone 2023a) defines a small investor as one owning 3–10 properties, a medium investor as owning 11–100 properties, a large investor as owning 101–1,000 properties, and a mega investor as owning 1,001 or more properties. Goodman et al. (2023) define institutional investors as owning more than 100 properties and mega investors as owning more than 1,000 properties, consistent with the CoreLogic definition of large and mega investors (Malone 2023a). Freddie Mac Multifamily (2018) defines an institutional investor as an entity owning more than 2,000 properties. Adding to the confusion, property records data for large owners of single-family rental properties include not only investors, but also flippers, builders, and servicers (through real estate owned [REO] acquisition), as well as government agencies and nonprofits. It is often unclear how these entities are treated in the definitions and in property counts. In this paper, when we use the term "institutional investors," we mean private companies or investors that own a sizeable number of properties, and that intend to hold their properties for the long term and to operate them as rentals.

Our policy proposal has three parts. First, our review underscores the need for more transparency in ownership structures. We call for states and localities to **adopt and enforce rental registries** to make ownership clear and to build the evidence base about the owners of rental housing. Indeed, we argue that the federal government should incentivize—or even

require—that states collect such information about property ownership. Identifying owners is a critical first step to ensuring that rental housing is of decent quality and that tenants' legal protections are enforced. Furthermore, better data on ownership would help to produce the research needed about the behaviors of institutional owners of single-family and multifamily properties.

Second, while we do not support recent calls for restrictions on purchases by large institutional investors (given that doing so would prevent homeowners from selling to the highest bidder and potentially disincentivize conversions to rental housing when the market demands them), we propose that regulators **impose additional requirements by scale** and hold large-scale owners to higher standards. Due to their scale and capacity, institutional investor owners can be asked to do more to serve and protect tenants' interests. Policymakers should, for example, require large owners to offer to report rent payments to credit bureaus; accept voucher holders even in places where it is legal for them to refuse them; offer security deposit insurance in lieu of security deposits; offer clear, transparent leases with simple, standardized, one-page summaries; and give tenants a warning and some amount of time to correct a payment deficiency before filing an eviction notice. While our focus is on policy recommendations for the single-family market, and specifically for large institutional investors in that market, these policies would also be constructive for institutional investors in the multifamily market, and arguably for medium investors in both markets.

Third, many of the properties purchased by institutional investors need repairs that individual homeowners would find difficult to finance; renovation financing for homeowners is very cumbersome and many applicants are denied such financing, especially homeowners of color. So, a final recommendation is to **improve renovation financing for owner-occupants** by reforming and enhancing programs offered by the Federal Housing Administration (FHA), as well as the government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac. Such improved renovation programs would help to level the playing field between individual and institutional home buyers.

But, ultimately, focusing on who owns single-family rentals arguably distracts from the more important question of how to effectively address the housing shortage in the United States and boost the overall supply of homes through land-use reforms and targeted infrastructure investments. Furthermore, it is important that policymakers explore ways to encourage higher-density development of single-family homes, as well as multifamily homes, given the critical role of such density in reducing emissions, allowing older adults to age in place in their existing communities, stimulating retail and commercial development, and facilitating economic integration.

II. The challenge

About a third of renters in the U.S. live in single-family homes. These properties represent an important part of the rental market, allowing renters to live in larger homes and in communities that lack multifamily buildings. This section summarizes what we know about single-family rentals and their owners. In brief, institutional investors own only a small share of all single-family rentals, despite the considerable media attention those investors have attracted. Most owners are instead small and medium investors. That said, large institutional investors own a more substantial share of single-family homes in some geographic areas.

A. Trends in single-family rentals

Contrary to much of the media coverage, single-family rentals are not new to the U.S. housing market. As shown in figure 1, one-third of occupied rental units in 1993 were single-family homes; this share rose in the wake of the Great Recession to a high of 39.8 percent in 2015, as investors bought up foreclosed homes and homeowners rented their homes instead of selling them at a loss. By 2021, the single-family share of occupied rental units had fallen back to 34.6 percent. Single-family homes often cycle between owner-occupied and rental as homeownership conditions change (Eggers and Moumen 2020). In the wake of the housing crash, the net flow was away from ownership and toward rental as demand for rentals rose alongside the supply of vacant, single-family homes. Since 2015, the single-family share of rentals has fallen as the national homeownership rate slowly climbed back up to reach 65.8 percent in 2022 from a low of 63.4 percent in 2016. Note that, in this paper, when we use the term "single-family homes," or "single-family rentals (SFRs)," we are referring to one-unit properties, both attached and detached, unless otherwise specified.

There is considerable variation across markets, however. Table 1 shows the single-family share of all rental units in the 20 largest metropolitan statistical areas (MSAs). For this set of markets, the single-family share of all rental properties ranges from 10.2 percent in the New York City MSA to 46.0 percent in the Riverside–San Bernardino MSA.[2]

Single-family rentals tend to be larger in size than multifamily rental units, and to offer more open space around the structure. As of 2021, the average size of single-family rentals was 1,530 square feet as compared to only 930 square feet for multifamily rentals. Single-family rentals also have more bedrooms on average: 63 percent of single-family rentals had at least three bedrooms in 2021, compared to 12 percent of multifamily rental units. Single-family rentals are generally smaller, however, than owner-occupied, single-family homes, which were an average of 2,130 square feet in 2021 (figure 2).

There are also locational differences. Single-family rental homes tend to be found in lower-density areas that have many single-family homes. As a result, these homes are disproportionately located in the suburbs and in nonmetropolitan areas. In many low-density areas, single-family homes are the only option for households seeking rental housing. Regionally, single-family homes are more likely to be sited in the South and the West. As of 2021, a full 41 percent of single-family rentals were located in the South, compared to just 32 percent of multifamily rentals.

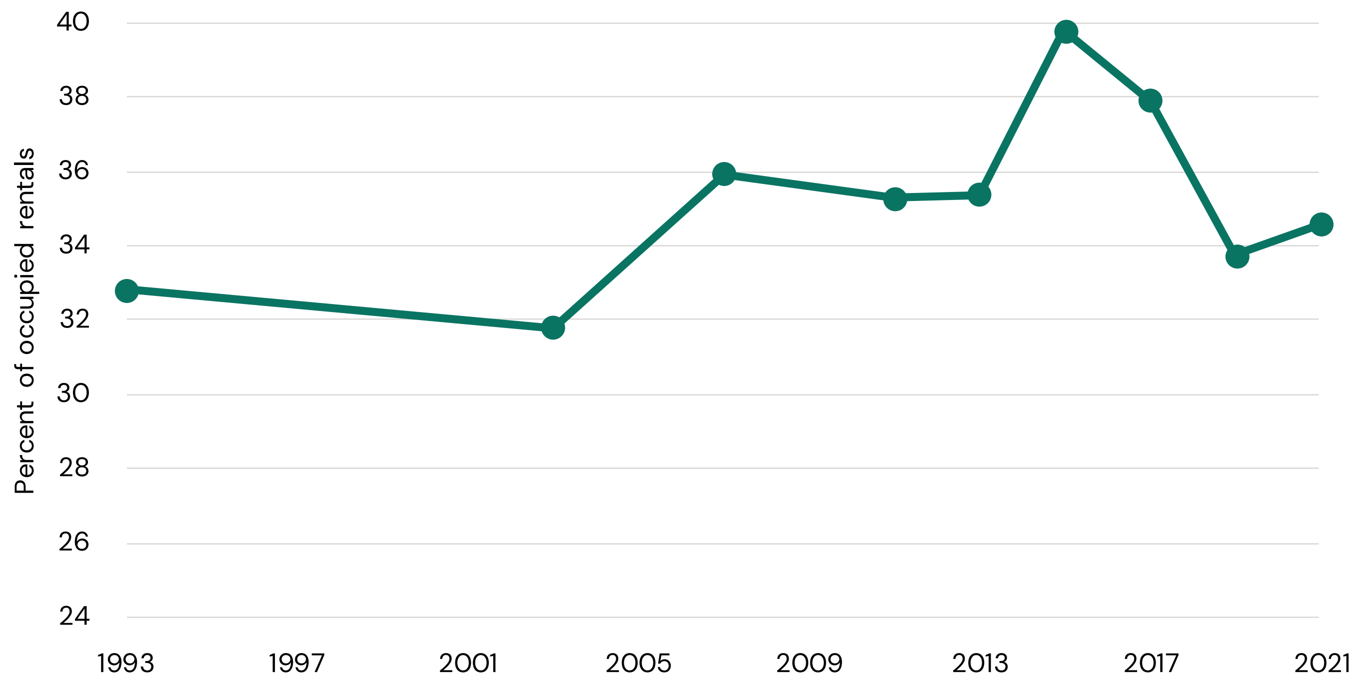
In terms of demographics, residents of single-family rentals are far more likely than residents of multifamily rentals to be families with children. As of 2021, 39 percent of households living in single-family rentals had children in the home, as compared to just 24 percent of multifamily rentals (figure 3). This difference is expected, given the larger size of single-family homes. Renters in single-family rentals are also less likely to include an older adult (over age 65) in the household. As of 2021, 18 percent of single-family rentals included an older adult, as compared to 20 percent of multifamily rentals.

As shown in figure 4, renters living in single-family homes in 2021 were somewhat more likely to be white (non-Hispanic) and less likely to be Black, Hispanic, Asian, or any other race or ethnicity than the rental community as a whole. While the overall population of renters has become less white since 2011, these racial differences between those living in single-family homes and those living in multifamily properties have remained fairly steady over the past 10 years.

As for incomes, renters living in single-family homes tend to have somewhat higher incomes than those living in multifamily rentals. In 2021, the

FIGURE 1

Percent of all occupied rentals that are SFRs, 1993–2021



Source: Data are from the Harvard Joint Center for Housing Studies analysis for 1993–2007 (Airgood-Obrycki and Weeden 2022), and authors' calculations for 2011–21.

median income of all single-family renters nationally was $50,000, compared to $41,000 for renters living in multifamily buildings. Part of this difference could be due to affordability: On average, renters in detached single-family rentals paid $1,545 in total monthly housing costs in 2021, compared to $1,417 paid by renters in the average rental (figure 5). To be clear, these are not quality-controlled differences in rents. Single-family homes are located in different markets across the country and, as noted above in this subsection, they are typically larger than other rentals.

B. The role of single-family rentals

Much of the discourse and debate around single-family rentals centers on the crowding out of individual home buyers. We will come to the question of crowd-out later, but it is critical to also consider benefits and costs for renters, since they comprise more than one-third of all U.S. households. Many households rent their homes because they cannot afford to buy homes in the places they want to live or cannot qualify for a mortgage because their credit scores are too low. We saw in the previous subsection that renters in single-family homes have higher incomes than renters in multifamily properties ($50,000 vs. $41,000). However, renter households in single-family homes still have much lower incomes than homeowners. The median income of owner-occupants of single-family homes was $82,000 in 2021.

Research also shows that renters have significantly lower credit scores on average than homeowners, which makes it more difficult for them to qualify for mortgages. According to the Consumer Financial Protection Bureau, the average renter had a credit score that was 86 points lower than the average homeowner with a mortgage in 2019, and 106 points lower than the average homeowner without a mortgage. Indeed, only one-quarter of renters had credit scores that would put them in the top half of homeowners with mortgages (Dobre, Rush, and Wilson 2021).

Some households choose to rent for reasons other than access or affordability, affirmatively preferring the flexibility of renting—and their number seems to be growing. The *Wall Street Journal* recently reported that the share of households earning more than $100,000 who rented their homes rose to 19 percent in 2019, up from 12 percent in 2006. These relatively high-income households might choose to rent as they experience life transitions, such as new job opportunities or changes in family composition, or they might opt to rent for the longer term in order to avoid the responsibilities of day-to-day home maintenance.

TABLE 1

Total and single-family rental units available in the 20 largest MSAs

	All Rental Units	All Single-Family Rental Units	Single-Family Share of All Rental Properties
Atlanta-Sandy Springs-Alpharetta, GA	823,270	287,857	34.97%
Birmingham-Hoover, AL	164,446	60,987	37.09%
Charlotte-Concord-Gastonia, NC-SC	375,549	132,657	35.32%
Cincinnati, OH-KY-IN	385,931	109,725	28.43%
Columbus, OH	954,182	299,886	31.43%
Dallas-Fort Worth-Arlington, TX	1,329,920	377,818	28.41%
Houston-The Woodlands-Sugar Land, TX	1,213,320	329,707	27.17%
Indianapolis-Carmel-Anderson, IN	307,085	113,238	36.88%
Jacksonville, FL	237,706	83,492	35.12%
Kansas City, MO-KS	344,939	127,899	37.08%
Las Vegas-Henderson-Paradise, NV	407,738	150,219	36.84%
Memphis, TN-MS-AR	218,424	100,111	45.83%
Miami-Fort Lauderdale-Pompano Beach, FL	942,500	235,625	25.00%
Nashville-Davidson-Murfreesboro-Franklin, TN	285,750	92,449	32.35%
Orlando-Kissimmee-Sanford, FL	393,681	128,493	32.64%
Phoenix-Mesa-Chandler, AZ	683,179	245,244	35.90%
Raleigh-Cary, NC	198,130	62,855	31.72%
Seattle-Tacoma-Bellevue, WA	674,923	173,743	25.74%
St. Louis, MO-IL	473,600	171,594	36.23%
Tampa-St. Petersburg-Clearwater, FL	451,364	147,768	32.74%
All	10,456,738	3,302,128	31.58%

Source: Census 2021a.

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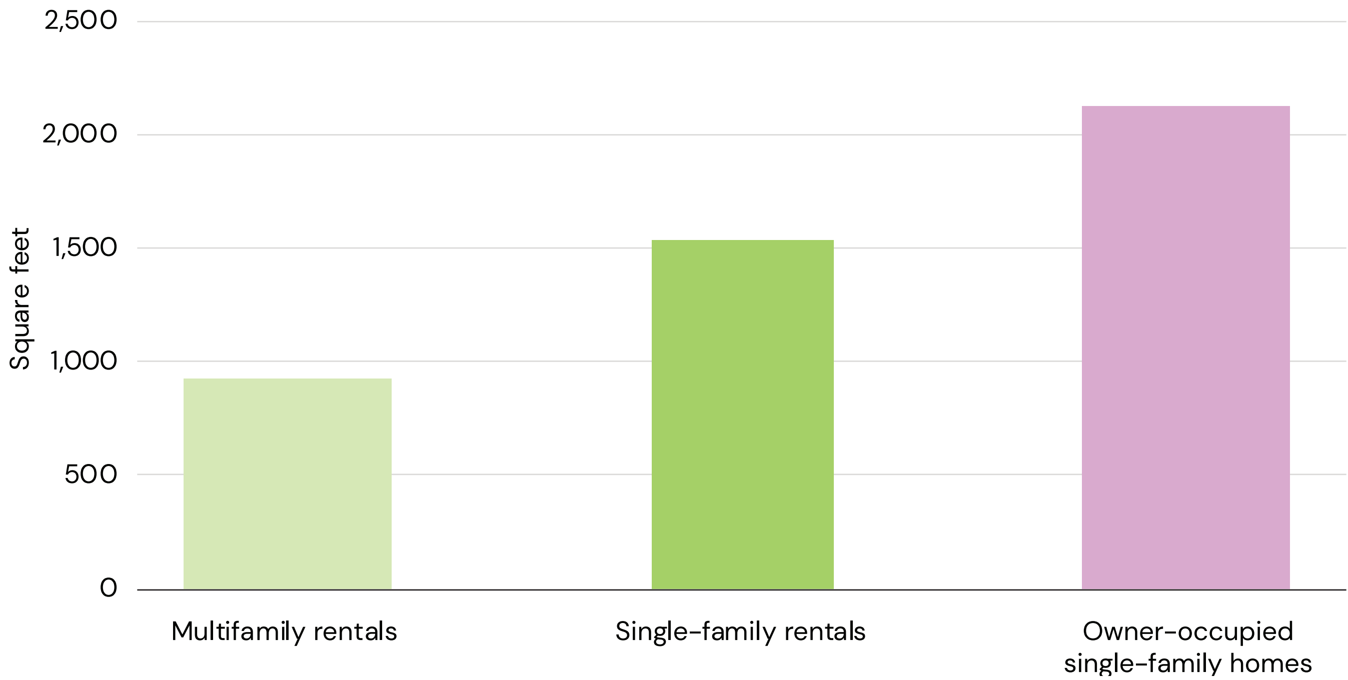
Single-family rentals offer more choice to renters, opening up relatively high-income, suburban communities that tend to be dominated by single-family homes and are otherwise rental deserts (Airgood-Obrycki and Wedeen 2022). One national study of single-family renters found that residence size and presence of a backyard were major factors in influencing their choice to rent a single-family home (Reid, Sanchez-Moyano, and Galante 2018). In addition, residents of single-family homes reported that a key factor in their decision to rent a single-family rather than a multifamily home was the amenities that come along with larger homes, such as private washer/dryers, private garages, and the ability to have pets. Many also reported that their single-family rentals were located in neighborhoods that were safer, quieter, and zoned for higher-performing schools than the areas where they could have afforded to buy. They believed that renting a single-family home gave them access to neighborhoods that would have otherwise been inaccessible to them, given high housing prices (Reid, Sanchez-Moyano, and Galante 2018).

Single-family rentals have the potential to advance economic integration, given the lower average incomes of renters compared to homeowners. To be sure, the resulting integration is likely be less than what would be generated by building multifamily rentals in suburban environments, since single-family rentals typically serve somewhat higher-income households than multifamily rentals. And, according to the American Housing Survey (Census 2021b), only 2.4 percent of renters living in single-family homes used vouchers to pay for their rent, as compared to 3.5 percent of residents of multifamily rentals. Similarly, single-family

FIGURE 2

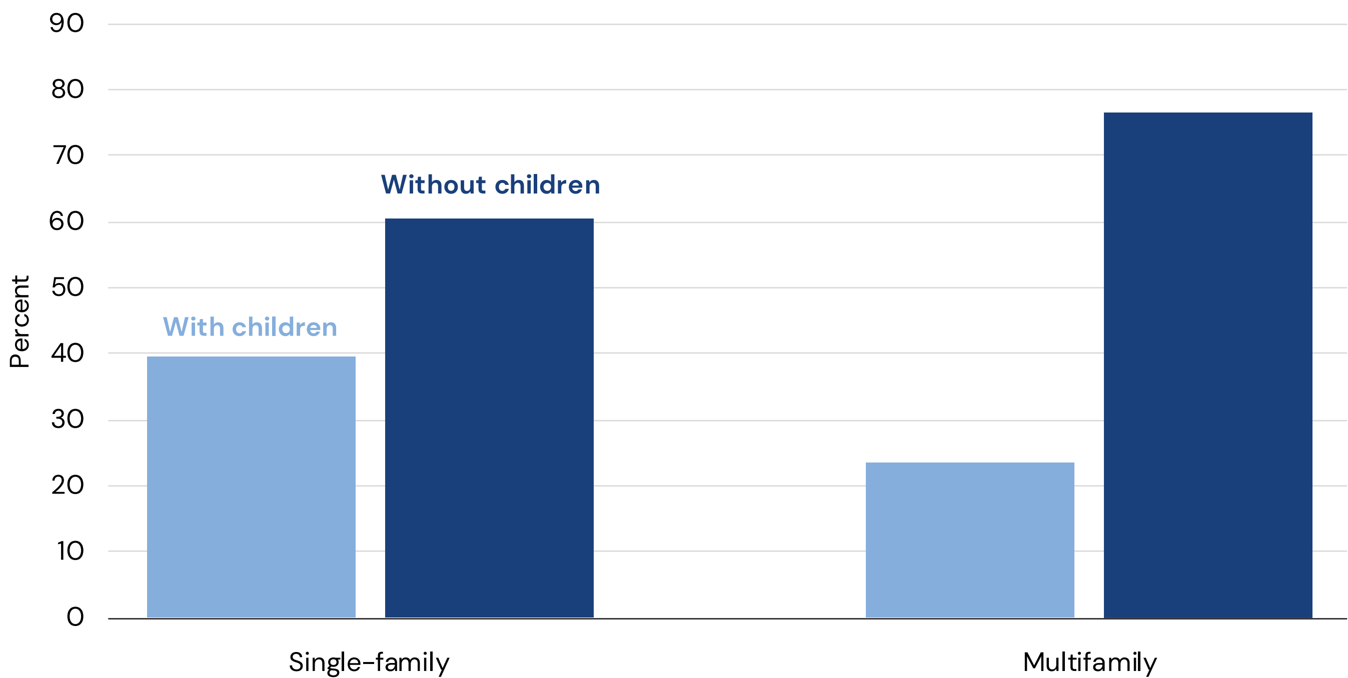
Average square footage, by type of home, 2021



Source: (Census 2021b).

FIGURE 3

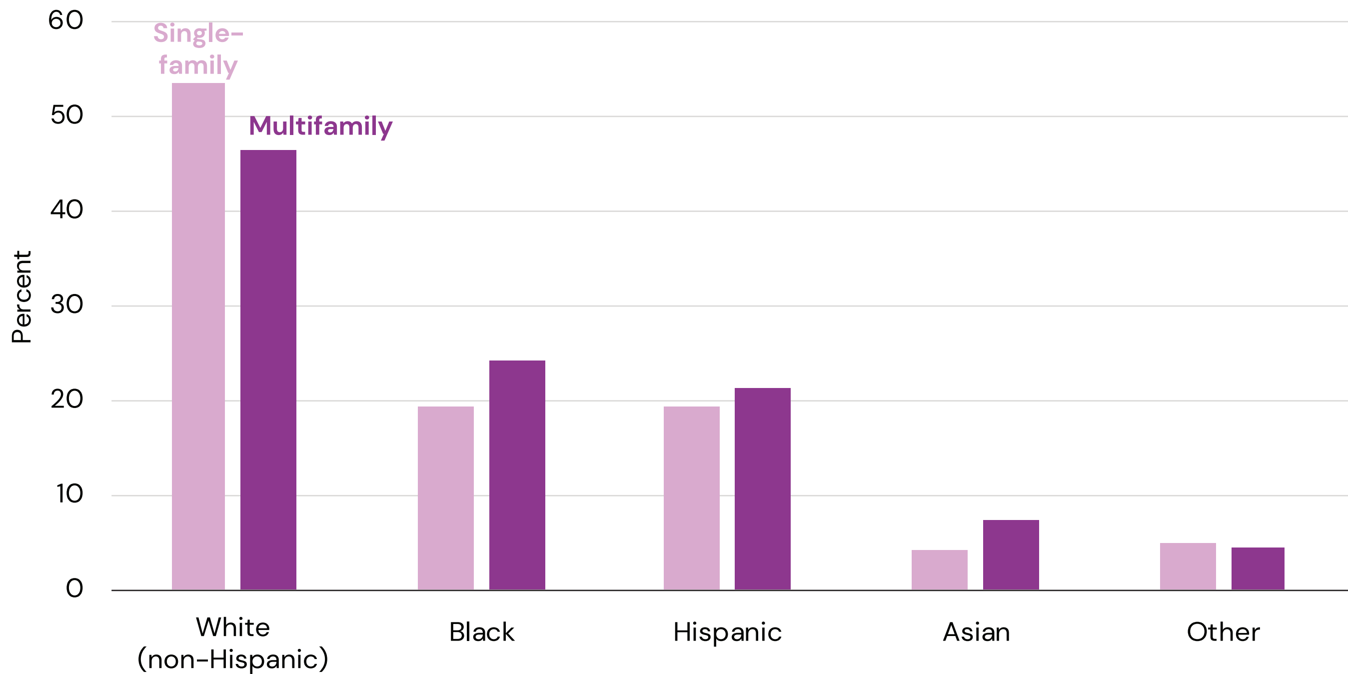
Households with and without children, in single-family and multifamily rentals, 2021



Source: AHS 2021; authors' calculations.

FIGURE 4

Racial composition of occupied rental units, 2021



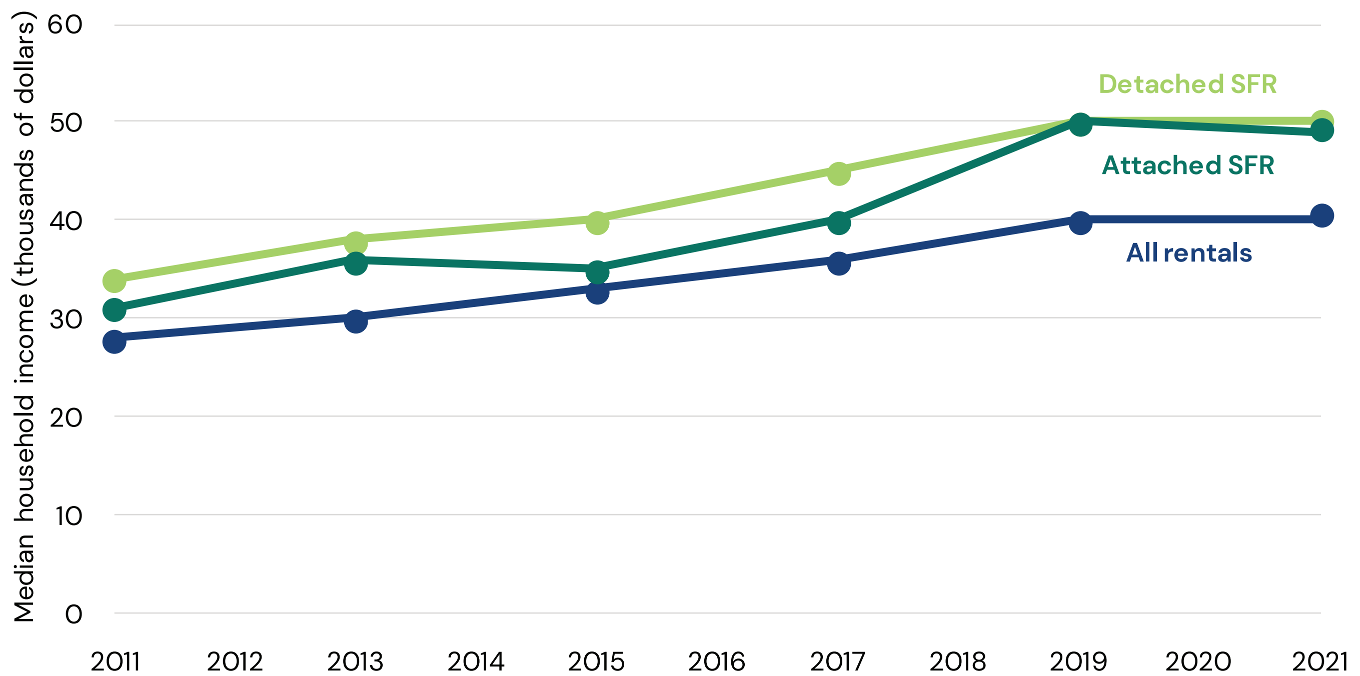
Source: Census 2021b; authors' calculations.

rentals could also help to further racial integration: Analyzing data on neighborhoods (census block groups) in Florida from 2008 through 2013, Ihlanfeldt and Yang (2021) offer evidence that single-family rentals help to reduce Black–white segregation by opening up more affordable opportunities in predominantly white neighborhoods. But it is not clear whether results would generalize to a later time period and beyond MSAs in Florida, where homeownership rates—and prices—were falling rapidly during these years.

As noted, the gross rents charged for single-family homes are higher on average than rents charged for multifamily apartments. But AHS data show that much of the difference between the gross rent charged for single-family and multifamily rentals can be explained by utility costs. Indeed, one downside of single-family rentals is that their occupants tend to consume more energy than other renters. According to data from the U.S. Energy Information Administration, occupants of single-family rentals in 2015 used 25 million British thermal units (BTUs) per person to heat and cool their homes as compared to 18 million BTUs per person for residents of multifamily homes (Martín 2022). Similarly, AHS data suggest that, among renters who paid for utilities separate from rent, the average renter in a single-family home paid $240 per month in utilities in 2021, as compared to just $109 for those in multifamily homes (Census 2021b). And these differences may understate full differences in carbon footprints, given that single-family homes tend to be located in lower-density areas that are less accessible to public transit and are more automobile-dependent as compared to multifamily buildings. If more single-family rental homes are created, thus boosting the total single-family share of the housing stock, it will likely mean more energy use and more driving.

We could potentially see such a shift, since the emergence of remote work could have increased the demand for single-family rentals as households seek larger homes where they can comfortably work from home and participate in video conferencing without disrupting their families and roommates (Mondragon and Wieland 2022). The ability to work remotely also appears to have increased demand relatively more in suburban and more outlying areas, since some workers no longer need to commute as often to city centers (Gupta et al. 2022). This geographic shift is likely to have further boosted demand for single-family rentals, which are disproportionately located in outlying, lower-density areas.

FIGURE 5
Median household income for different rental types, 2011–2021



Source: Census n.d.; authors' calculators.

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C. Institutional owners of single-family rentals: A look at the numbers

There are limited data about the owners of single-family rentals. Institutional investors first entered the single-family rental market in the wake of the 2008 financial crisis. Investors, both small and large, helped to fill a void in the single-family housing market after the housing crash, as foreclosures and vacancies grew and the supply of mortgage credit contracted (Gete and Reher 2018; Lambie-Hanson, Li, and Slonkosky 2022). Due to deeper pockets and economies of scale that allow them to repair and operate single-family rentals more efficiently, larger investor owners were able to get foreclosed homes back onto the market more swiftly, which helped to stabilize house prices in areas where they had been declining (D'Lima and Schultz, 2020; Mills, Molloy, and Zarutskie 2019). Their market presence has grown over time, and has shifted beyond distressed sales, but the share of single-family rentals owned by large investors remains small. While the data and definitions are somewhat fuzzy, we estimate below in this subsection that large institutional investors own just over 3 percent of the single-family rental stock. That said, the investor share of single-family rentals is quite high in some markets, most notably in Atlanta, Birmingham, Charlotte, Indianapolis, Jacksonville, Phoenix, and Tampa. In The Proposal we provide much more detail on large institutional investor owners.

It is worth emphasizing that institutional investors have a much larger presence in the multifamily rental market. While we do not have exactly comparable numbers on ownership by scale or number of units owned, data from the Rental Housing Finance Survey for 2021 (Census n.d.c) indicate that 62 percent of units in multifamily buildings are owned by LLCs or other corporate structures, such as real estate investment trusts (REITs), compared to just 16.5 percent of single-family rentals. Meanwhile, 76 percent of single-family rentals are owned by individual investors (with the remaining 24 percent owned by nonprofits and other owners), as compared to just 22 percent of multifamily rental units.

Information about ownership of single-family rental properties—or any rental properties—is hard to come by. There is no consistent, national source of information about rental housing ownership. A number of cities have adopted rental registries, which provide information about rental properties and their owners. Fallon, Noble, and Reynolds (2023) note that these registries exist in Baltimore, Denver, Louisville, Minneapolis, Philadelphia, Seattle, and Syracuse; eight cities

in California; Alexandria and Fredericksburg in Virginia; many cities in Ohio; and at least 20 cities in Texas. In addition, the state of New Jersey mandates that cities have rental registries. These registries typically require landlords to register each unit they own and to provide the contact information of the buildings' owners and managers. But most cities either lack registries or fail to enforce the registration requirements that are in place. This gap was highlighted during the COVID-19 pandemic, as many states and localities struggled to distribute emergency rental assistance to tenants because they could not identify the owners of the buildings in which tenants who needed assistance lived.

The focus in the press is on the largest investors (the mega investors), which both CoreLogic and Goodman et al. (2023) define as owning at least 1,000 properties, and Freddie Mac (2018) defines as owning at least 2,000 properties. Goodman et al. (2023) add the additional requirement that the mega investor must have a significant presence in at least three MSAs. Property records data indicate that there are 32 mega investors owning 446,000 properties that meet Goodman et al.'s definition. The largest five investors in this group include Progress Residential, Invitation Homes, American Homes 4 Rent, First Key and Main Street Renewal. The data we were able to access suggest that the share of single-family rental properties owned by these large institutional investors has grown. Indeed, the institutional single-family rental market did not exist prior to 2012. In that year Invitation Homes, originally funded by Blackstone, was the first institutional investor to buy portfolios of distressed single-family homes with the aim to hold and operate them as rentals. That investor was quickly joined by other single-family rental investors. Bordia (2019) estimated that, by January 2019, 240,000 single-family homes were owned by institutional SFR investors. Thus, the growth to 446,000 by 2022 was quite rapid. Quantification of market size over time is very difficult, however, given limited data, inconsistent sources, and no standard definition of institutional investors.[3]

While these mega investors are a very small part of the national single-family rental market—446,000 of 15.1 million, or 3 percent of the total single-family rental market—Goodman et al. (2023) find that mega investors are highly concentrated. They find approximately 354,000 of the 446,000 total mega investor holdings are in 20 markets, mostly in the Southeast and Southwest. Table 2 shows the concentration in these markets. For example, Atlanta is the largest single market, with almost 72,000 single-family rental units in the MSA held by institutional investors. For this market, institutional single-family investors hold 27.2 percent of all single-family rental properties and 9.3 percent of all rental properties (single-family plus multifamily). Furthermore, Charles (2020) reports high levels of spatial concentration among REIT-owned single-family properties *within* the Atlanta MSA. In the top 20 markets for institutional single-family rentals, the largest investors own 12.4 percent of all single-family rental properties, and 3.9 percent of all rental properties. (These numbers might contain a small upward bias because they are based only on occupied units.) However, even at the bottom of the top 20 list, the mega investor market shares are quite low. For example, in Miami the mega investor market share of SFR rental properties is under 5 percent, and the mega investor market share of all rentals is just above 1 percent. Furthermore, mega investors are not at all active in many of the 20 largest MSAs shown in table 1. For example, the mega investor share of single-family rentals is near zero in both the Los Angeles and New York City MSAs, and less than 2 percent in the Riverside–San Bernardino MSA.

In recent years, mega investors have changed their acquisition strategy considerably. In the early days of the single-family rental market, institutional investors mostly purchased homes through distressed sales by banks and servicers. These homes were sold as is, and many of them required extensive repairs. Mills, Molloy, and Zarutskie (2019) show that, in 2012, 68 percent of the homes acquired by the eight largest institutional single-family investors were foreclosure sales, short sales, or REO sales. As the foreclosure inventory dried up, institutional investors shifted their focus to non-distressed properties. The non-distressed share of mega investor purchases rose to 46 percent in 2013 and 51 percent in 2014 (Mills, Molloy, and Zarutskie 2019). For the non-distressed sales, the single-family investors turned to the multiple listing service (MLS). More recently, the institutional SFR investors have been relying more heavily on build-to-rent, meaning partnerships with home builders to produce homes specifically targeted to renters (Goodman and Zinn 2023).

Not all institutional investors, or even all large institutional investors, have the same business model. While most of the largest investors own and manage their own properties using in-house property management systems, some both own properties and manage properties for other investors. Several institutional investors use rent-to-own models, in which the renter has an option to buy the property after a few years of renting, often at a preset price. Institutional investors differ on the price point of the homes they purchase, as well as the repair budgets that are generally allocated to these homes. Some tend to select properties that generate a higher current income, while others select properties with more potential for home price appreciation. While strategies and business models are not identical, it is difficult to segment along any other dimension than scale.

The entities differ in their financing. Three of the largest institutional investors (Invitation Homes, American Homes 4 Rent and Tricon) are public entities, structured as REITs; all the other mega investors

TABLE 2

Mega share in the 20 MSAs with the highest institutional investor SFR market shares

	Mega investor owned properties	Mega investor share of all rental properties (= total mega/total rental)	Mega investor share of SFR properties (= total mega/total SFR)
Atlanta-Sandy Springs-Alpharetta, GA	71,832	9.53%	27.17%
Birmingham-Hoover, AL	5,954	4.60%	12.50%
Charlotte-Concord-Gastonia, NC-SC	24,322	6.96%	19.74%
Cincinnati, OH-KY-IN	5,790	2.06%	7.20%
Columbus, OH	6,908	2.10%	6.57%
Dallas-Fort Worth-Arlington, TX	26,961	2.37%	8.31%
Houston-The Woodlands-Sugar Land, TX	23,563	2.35%	8.51%
Indianapolis-Carmel-Anderson, IN	13,906	5.14%	13.86%
Jacksonville, FL	17,147	7.91%	22.44%
Kansas City, MO-KS	8,041	2.68%	7.12%
Las Vegas-Henderson-Paradise, NV	14,412	3.89%	10.61%
Memphis, TN-MS-AR	10,752	5.35%	11.71%
Miami-Fort Lauderdale-Pompano Beach, FL	10,645	1.17%	4.70%
Nashville-Davidson-Murfreesboro-Franklin, TN	10,560	4.01%	12.49%
Orlando-Kissimmee-Sanford, FL	17,000	4.67%	14.25%
Phoenix-Mesa-Chandler, AZ	33,406	5.45%	15.22%
Raleigh-Cary, NC	8,074	4.57%	14.34%
Seattle-Tacoma-Bellevue, WA	15,727	2.55%	9.79%
St. Louis, MO-IL	6,532	1.98%	5.59%
Tampa-St. Petersburg-Clearwater, FL	22,588	5.35%	16.49%
Total Top 20	354,120	3.92%	12.38%

Source: Urban Institute calculations from Goodman, Zinn, Reynolds and Noble 2023; Census 2021a.

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are privately owned. Some of the private entities are backed by private equity firms; the equity comes from the investors in these firms. Most of these institutional investors are leveraged to varying degrees. The largest institutional investors use a combination of loans from banks, insurance companies, and other specialty lenders, as well as the proceeds from single-family rental securitizations. Smaller entities rely more heavily on loans for their financing, although the single-family rental securitization market is open to them through participation in multi-borrower deals.

Many writers in the popular press hold the misconception that the mega investor share of total single-family homes continues to increase rapidly, but that is no longer the case. As mentioned earlier, CoreLogic defines an investor as any entity, individual, or corporation that holds three or more properties simultaneously (Malone 2023a). During the pandemic the investor share of purchases increased dramatically (see Malone 2023a) from around 17 percent of total purchases in 2019 to 28 percent of total purchases in early 2022; as of late 2023 it is around 26 percent (see figures 6a and 6b).[4] Most of this shift reflects an increasing share of purchases by small investors (those that own 3–10 properties) and medium investors (those that own 11–100 properties). As shown in figure 6b, small investors on average comprise around 45 percent of total investor purchases, with medium investors at around 35 percent. The proportion of investor purchases made by mega investors (1,001 properties or more) peaked at 16 percent in 2021, and now stands at about 8 percent. So, using the latest

FIGURE 6

Monthly share of home purchases made by investors and share of investor purchases, by size, 2019–2022

A. Share of home purchases made by investors

Investor share of home purchases

B. Share of investor purchases, by size

Small investor

Medium investor

Mega investor

Large investor

Investor share of home purchases

Source: Malone 2023a.

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numbers, the share of single-family properties purchased by mega investors nationally is the 26 percent investor share multiplied by the 8 percent mega share, or 2.1 percent.

These are nationwide numbers. Again, there are certain markets in which mega investors are more dominant. Malone (2023a) looked on a market-by-market basis and showed that, in Q4 2022, Atlanta was the only market in which mega investors made up more than 10 percent of total purchases (they comprised 12 percent). In Memphis, mega investors comprised 8 percent of the purchases. The investor share of purchases was 5 percent or less in every other market.

One important caveat is in order. The preceding data and discussion look only at investor purchases since we do not have data on investor sales. But using data from the American Community Survey (ACS; Census 2021a), we can see that the percentage of single-family homes that are rented has fallen slightly since large institutional investors have entered the

market. The percentage of single-family homes that are rented was 16 percent in 2021, down from 17 percent in 2010. This suggests that, to the extent that institutional investors have been increasing their share, it is at the expense of smaller landlords.

D. The characteristics of homes owned by institutional single-family investors

In this subsection, we examine the characteristics of homes owned by institutional single-family investors. Given the diversity of business strategies used by these investors, these statements will not apply equally to all. However, they will prove critical when we look at the upside/downside to institutional investors versus their mom-and-pop counterparts.

Institutional investors tend to own newer properties in the markets in which they are concentrated. Goodman et al. (2023) looked at the 20 MSAs with the largest concentration of institutional single-family rental properties and showed that institutional single-family rental investors tend to own newer homes. The median rental unit in these 20 MSAs was built in 1986, and the median single-family rental was built in 1979. Homes owned by institutional single-family rental investors had a median year built of 1998, and homes owned by mega investors had a median year built of 1999. This result is very consistent with earlier studies. Brian An (2023) in his study of neighborhoods in Atlanta found that those where institutional single-family investors were concentrated had homes that were an average of 10 years younger than homes in other neighborhoods. Similarly, Mills, Molloy, and Zarutskie (2019) show that 48 percent of the home purchases of the eight largest investors in 2012–14 were built in 2000 or later; this is a much higher percentage than any other investor category. The purchase of newer properties allows for greater standardization across the portfolio of the single-family rental investor, making it easier to use standardized windows, kitchen appliances, air conditioning units, and so on.

Institutional SFR properties tend to be larger than other single-family rentals. The 2021 AHS (Census 2021b) shows that 37 percent of SFR properties nationwide have two or fewer bedrooms. Goodman et al. (2023) found this was only 6 percent for institutional SFR properties. Mills, Molloy, and Zarutskie (2019) found that this number was just 4 percent for properties purchased by the eight largest investors in 2012–14.

Institutional investors tend to target rental neighborhoods with above average income for renters. Of the top 20 MSAs where institutional investors are the most active, Goodman et al. (2023) show the median renter income was $45,102 in 2015–19.[5] By contrast, the 2015–19 median income was $52,000 in the census tracts where the large institutional rental investors were the most active and $53,361 in the census tracts where mega investors were most active.

Large institutional SFR investors generally operate in neighborhoods with a racial composition that mirrors that of the MSAs in which they are located, but they tend be marginally overrepresented in Black neighborhoods and underrepresented in Latino neighborhoods. Some research has explored whether mega borrowers disproportionately target areas with non-white renters and dampen opportunities for homeownership among households of color. Immergluck (2018) found that increases in institutional investments in SFR homes in Atlanta were concentrated in older, inner-county neighborhoods, and were correlated with greater concentrations of Asian, Black, and Latino residents. Partly in response to concerns about crowd-out of minority home buyers, the U.S. House Financial Services Subcommittee on Oversight and Investigations (the Subcommittee) sent out a questionnaire to the five largest institutional investors in the SFR market; those investors submitted responses on September 30, 2021, which 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 codes where those companies had the largest concentration and the Subcommittee compared these with national ACS data. In the hearing summary, the Subcommittee noted that that five companies "tended to purchase 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%)" (U.S. House of Representatives 2022).[6] The Subcommittee found that there was an underrepresentation in Hispanic neighborhoods.

The problem with this analysis is that it compares the location of the rental properties to the U.S. as a whole. The 20 largest MSAs where institutional SFR investors are making investments are, disproportionately, found in the rapidly growing cities in the South and Southwest, areas that tend to be more heavily Black and Hispanic. A more meaningful comparison would be between locations within the same MSAs. Moreover, even comparing to other neighborhoods in the same MSA is problematic, since census tracts with large numbers of renters tend to have a disproportionate share of households who are Black or Hispanic relative to their MSA. Thus, to evaluate whether there is a bias in selection by institutional landlords, the most meaningful comparison is to the location of rental units in the MSA.

Goodman et al. (2023) do just this, comparing the census tracts where institutional investors are active

to the racial composition of the census tracts where the units are located for the top 20 MSAs where single-family rental investors are the most active. They find that the non-white renter share for these MSAs is 54.4 percent versus 52.9 percent for the census tracts where institutional investors operate and 53.2 percent for the census tracts where mega investors own rental homes. Breaking it down separately into Black neighborhoods and Latino neighborhoods, Goodman et al. find a small overrepresentation of investor-owned single-family rentals in Black neighborhoods and a small underrepresentation in Latino neighborhoods. They find that rental units across the top 20 MSAs are located in tracts that are, on average, 30.4 percent Black; for institutional SFR properties, the tracts are, on average, 32.6 percent Black (32.1 percent for the mega investors). By contrast, the rental units for the top 20 MSA are, on average, located in tracts that are 17.3 percent Latino; institutional SFR properties are, on average, located in tracts that are 15.5 percent Latino (16.2 percent for the mega investors). One possible reason for the slight over-representation in Black neighborhoods is that those neighborhoods were hit disproportionately hard by the foreclosure crisis (Reid 2021; Reid et al. 2017); as a result, the single-family rental investors initially began their purchases with foreclosed properties.

Of course, the facts that, first, Black and Hispanic neighborhoods have higher rental rates and, second, that households of color are more likely to rent their homes, means that those populations are bearing the burden of any shifts in ownership of rental properties, even if institutional investors are not disproportionately targeting communities of color.

Large institutional investors tend to target homes that need repair. Goodman and Golding (2021) show that institutional investors tend to buy homes that need repairs, since they have a huge comparative advantage in making the necessary repairs. For example, Invitation Homes, in its February 2022 Form 10-K, notes that it spent an average of $35,000 repairing each home purchased in 2021 (U.S. Securities and Exchange Commission [SEC] 2022b, 17). Similarly, American Homes 4 Rent reports that it spent between $20,000 and $40,000 per home on renovations (SEC 2022a, 29). The renovation advantage stems from three sources. First, the institutional investor has the expertise to more accurately estimate the cost of the repairs. Second, the institutional investor can do the repairs more economically because they can negotiate discounts with many vendors based on their volume. In addition, many have negotiated discounts on many of the products used in the renovation process such as HVAC systems, carpeting, and appliances. Third, institutional investors have an enormous financing advantage: they pay cash. Renovation financing in the U.S. is very cumbersome, with a high denial rate, and very few renovation loans are originated.

E. Upsides and downsides to institutional ownership

What are the upsides and downsides to institutional ownership? On the downside, some charge that institutional investors take homes away from potential first-time home buyers, are more aggressive at raising rents, are quicker to evict tenants, and, because they are only interested in the bottom line, are more apt to defer maintenance. On the upside, in direct contradiction to the last point, the single-family investors claim they provide professional management and so address tenant needs more quickly. Let's look at the evidence.

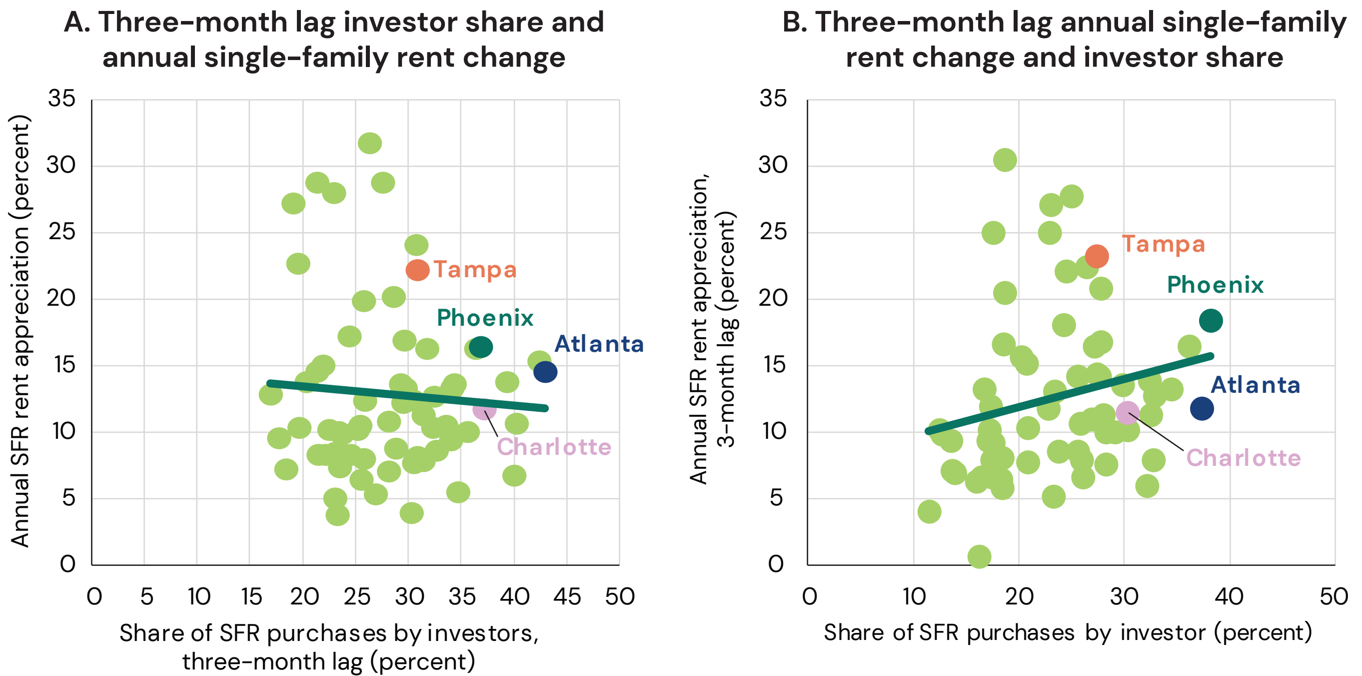
1. Do institutional investors raise rents more than mom-and-pop investors? Do they raise rents for the neighborhood?

Critics charge that institutional SFR investors are particularly aggressive in chasing profits, especially those investors that aim to go public and need to please investors (Mari 2020). While there is good reason to believe that institutional investors are more attuned to the market, the evidence about differences in behaviors remains mostly anecdotal. Research shows that institutional SFR investors tend to target markets that have the potential for strong job growth, strong demand for rentals, and low overall housing supply versus demand (Colburn, Walter, and Pfeiffer 2021). In a similar vein, Malone (2023b) has shown that these conditions make for rapid rent increases, which is what draws institutional investors to these markets. That is, rent appreciation appears to lead to changes in the investor share, but not vice versa (see figure 7).

DBRS Morningstar (2023) tracks the rent increases on properties in their single-family rental securitizations, a market in which all the largest investors participate, and compares this to the RentRange estimates for annual increases in all single-family rental three- and four-bedroom units. DBRS has been tracking the data monthly since 2015; over the period 2015 to 2022 the annual average rent increase for institutional single-family investors was 5 percent, versus 4.3 percent for RentRange's three-bedroom rental units and 4.0 percent for RentRange's four-bedroom units in the same MSAs. But differences emerged, primarily during the pandemic, when institutional investors were much quicker to raise rents. And a look at figure 8 shows that, in late 2022 as rent increases cooled, institutional investors were quicker to curb their rent increases. This is consistent with the fact that the institutional SFR investors, due to the large number of units that they own and manage, have more knowledge of the market, and are not afraid to increase rents when the market will support it.

FIGURE 7

Investor purchases of single-family homes and rent appreciation, selected MSAs



Source: Malone 2023b.

Gurun et al. (2023) ask whether a greater concentration of institutional investors in the neighborhood leads to higher rents for that neighborhood as a whole. They look at the impact of the three largest mergers of SFR investors in the period 2015–17 to see if greater concentration led to higher neighborhood rents, and they show that it did. In the year after the merger, in areas in which the concentration increased, rents rose an average of 0.5 percent more than they rose in other neighborhoods. The authors hypothesize that this effect could take place via two channels. First, the institutional investors could use their market power to push up rents. Second, institutional investors could achieve economies of scale that enhance neighborhood quality, boosting demand for the neighborhoods where they operate. They show that the rent increases are caused by both increased market concentration and improved neighborhood quality, which they proxy by a decrease in the crime rate. They argue that crime decreases because of improvements that the single-family rental investors make to the homes they buy, many initially out of foreclosure. In addition to the basics, such as making sure the windows and doors are secure and in good working order, they often add security systems. They sometimes also put pressure on local officials to install better street lighting. These results run counter to those of Mills, Molloy, and Zarutskie (2019), who show that investors do not raise rents above market levels, suggesting that investors do not have the pricing power to do so. It is unclear whether the newer results reflect increased concentration or different methodologies.

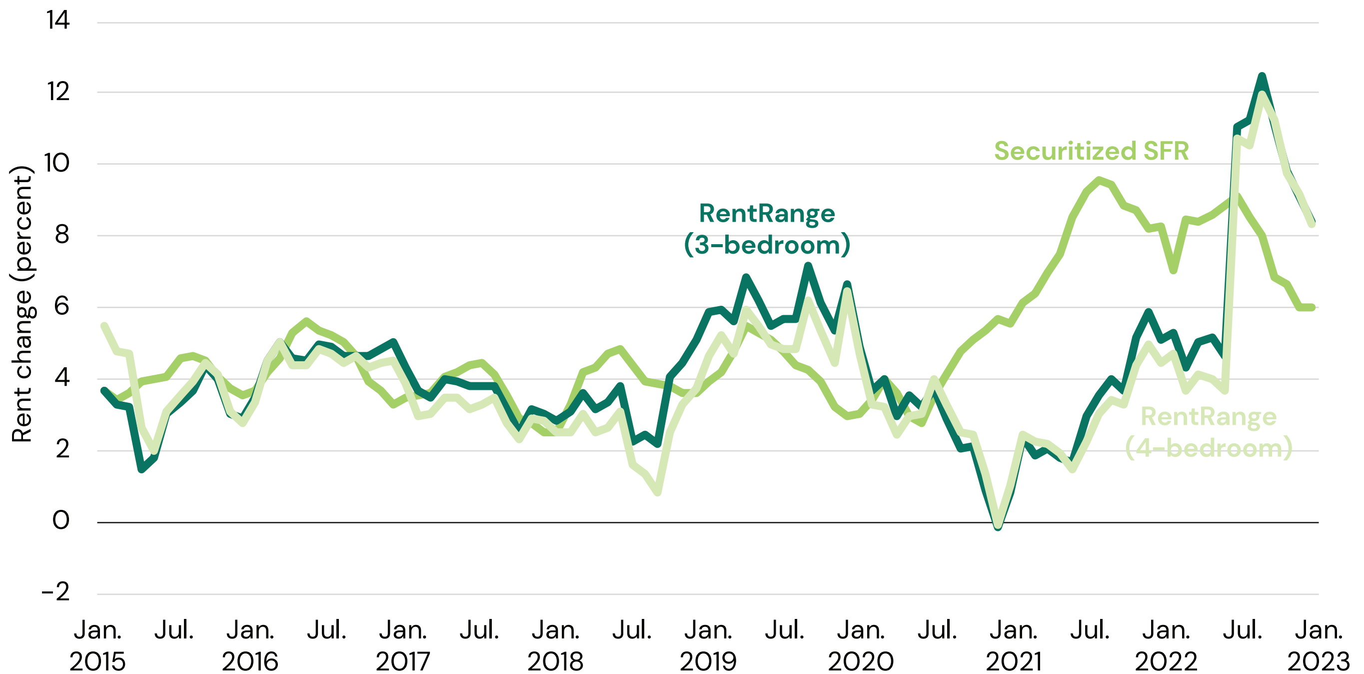
Coven (2021) estimates a structural model of housing supply and demand. He shows that institutional investors increase the supply of homes available for rental by 69 percent of the houses they convert, and lower rents by 2.3 percent for every one percent increase in the share of the housing stock they purchase. Despite these model estimates, he notes that in practice, observed rent increases in areas where institutional investors are more prevalent are higher, probably because institutional investors target areas in which rents would have risen disproportionately.

2. Are there differences in how delinquent tenants are managed?

A number of studies show that large institutional investor owners of single-family rentals submit more eviction filings than smaller investors (Immergluck et al. 2019; Raymond et al. 2016, 2018), but none of these studies has the data to allow us to learn whether institutional investors are more likely to request that those

FIGURE 8

Institutional SFR rent change vs. year-on-year rent change for all single-family rentals in the same markets, 2015–2022



Source: DRBS Morningstar 2023.

evictions are executed, or whether those investors use the filings as a rent collections technique. Raymond et al. (2018) analyzed 2015 eviction filing and ownership data in Atlanta. The data showed that multifamily owners have an eviction filing rate of 28 percent, while single-family owners filed at a rate of 7 percent per annum. Large single-family owners with 15 or more properties were 68 percent more likely than small landlords to file eviction notices, even after controlling for the past foreclosure status of the property, and for the tenant and neighborhood characteristics. They then used dummy variables for the large institutional investors and found, depending on the investor, they were 11 percent to 205 percent more likely than smaller landlords to file an eviction notice.

In a national survey of landlords (both landlords of multifamily properties and landlords of single-family properties), Decker (2023) finds that larger owners are more likely to file evictions when a tenant falls behind on rent. Similarly, Gomory (2021) examined all rental properties in Boston and found that large landlords file evictions about 22 percent to 41 percent more often than small landlords. But the large landlords' filings are more likely to be serial filings, and are filed for smaller amounts. Furthermore, filings from large landlords were less likely to be converted into an eviction. Note that Boston is not a market with a significant number of institutionally owned single-family rental properties, so most of the large landlords were owners of multifamily properties.

To be sure, even if an eviction filing does not result in an eviction, it can still be detrimental to the renter. In screening potential tenants, many landlords look for eviction filings; having it on their record can make it more difficult for a tenant to rent their next home. In addition, eviction filings result in increased costs to the renter. The Select Subcommittee on the Coronavirus Crisis 2022 found each filing typically results in $180 in fines and fees. Note that the Subcommittee's results were based on four corporate landlords—two single-family, two multifamily—suggesting that, while qualitatively correct, their number might not be generalizable.

While we do not have data for mom-and-pop investors, institutional investors probably adopt a more systemized approach to charging late payment and other fees. The House Financial Services Committee, in its examination of a large subsample of the properties operated by the five largest institutional SFR investors, found that, in 2021, the average lease generated about $79.57 in late fees and $205.29 in total fees, including application fees. It is not clear what the comparable numbers are for mom-and-pop investors.

3. Do institutional investors discriminate against lower-income tenants?

Most landlords do some amount of tenant screening, and larger landlords appear to do more formal screening than smaller landlords. Garboden et al. (2021), based on interviews with 157 landlords in four cities, find that landlords with large portfolios rely on screening algorithms, whereas mom-and-pop landlords make decisions based on informal mechanisms such as their gut feelings, home visits, and whether there are children in the home. The screening done by large investors often includes checks on previous evictions and criminal history, as well as income and credit score verification. Larger investors rarely meet the tenant in person, and the SFR properties often use self-showing technology. Drawing on a national survey of landlords, Decker (2023) also finds that larger owners use more-objective standards to select tenants.

4. What are management practices and the overall tenant experience?

There have been many anecdotal reports of institutional single-family owners failing to provide adequate maintenance and upkeep in their rental properties (see, e.g., The Capital Forum 2018; Mari 2020; Pierini 2022; Semuels 2019). But there has been no rigorous research on the topic, and some smaller landlords also under-invest in maintenance. Still, it is clear that property management practices vary quite a bit with the scale of ownership.

For one thing, most institutional single-family rental investors start with newer homes and tend to do more upfront repair and use more-durable materials in order to reduce ongoing maintenance costs, since it is more cost effective to do so (Goodman and Golding 2021). For another, institutional investors rely heavily on in-house property management operations, supplemented with local subcontractors. Some institutional managers use centralized management, while others allow the property management operation to be decentralized (Colburn, Walter, and Pfeiffer 2021). Institutional investors stress that their scale allows for quicker response time because they have staff on call at all times in the locations in which they operate. Moreover, they have incorporated technology into the maintenance process, such as by making sure that each maintenance truck has the necessary parts to complete a high portion of the repairs on the spot, without requiring a return visit. The repair personnel report on the parts they have used as they service the homes, so the trucks can remain stocked.

The counter argument is that the fact that the landlord is a remote corporate landlord creates more distance between the tenant and the landlord than in a typical mom-and-pop arrangement. This distance and lack of personal connection may make it more difficult for the landlord to understand the tenants' needs, and more difficult for a tenant to hold the landlord accountable than with a small mom-and-pop landlord relationship (Edelman 2013).

III. The policy proposals

Our review of the evidence shows that single-family rentals have long represented an important segment of the rental market. Large institutional investors own a small share of these rentals in most markets, though that share has grown. Their impact on these housing markets remains uncertain. It is unclear whether institutional investors crowd out individual home buyers, and evidence about whether they behave differently than other landlords is thin. But, drawing on the evidence that exists, we offer three key policy proposals that call for heightened scrutiny as well as improved renovation financing opportunities for individual home buyers: adopt and enforce rental registries, impose additional requirements by scale, and improve renovation financing for owner-occupants.

Note that we make recommendations for large institutional investors in the single-family market, since that is the focus of this paper. But there is little justification for this limitation. There is even less research on institutional investor-owners of multifamily properties, but we suspect that behavioral differences between large institutional owners and smaller owners would be similar in the multifamily sector to what they are in the single-family sector. One recent study in New York City suggests that a 10 percent increase in census tract landlord concentration is associated with a 1 percent to 1.6 percent increase in rents, though other factors might drive the association (Watson and Ziv 2021). In addition, large multifamily investors have the same scale advantages as large single-family investors and so can more easily meet stricter regulatory standards that protect and stabilize tenants.

A. Adopt and enforce rental registries

Our review of the evidence underscores the need for far more transparency about property ownership and institutional ownership structures. Despite growing attention to single-family rentals, many questions remain unanswered about ownership patterns. It is hard to justify protecting information about owners, and there are many good reasons to make that information available to both policymakers and the public. Many cities try to collect ownership information through rental registries (Fallon, Noble, and Reynolds 2023), and more cities should do so.[7] Note that these registries apply to all rentals, both single-family and multifamily. These registries provide valuable information about the ownership and composition of the rental housing stock; those data are critical for research and analysis, as well as for policy. As noted above in The Challenge, many localities struggled to deliver emergency rental assistance to renters during the pandemic because they could not identify those renters' landlords. Rental registries would have sped up the allocation of rental assistance. Another example of the practical use of registries is Los Angeles County's use of its rental registry to monitor high rates of eviction filings, excessive fees, or property management deficiencies (Fallon, Noble, and Reynolds 2023).

Of course, registration requirements will be useful only if they are effectively enforced, and many cities see low compliance rates. In Albany and Rochester, New York, owners who are not in compliance with the rental registry must pay fees to the city if they don't comply within a certain amount of time (de la Campa 2021). In New York City, landlords cannot initiate an eviction filing against a tenant who owes back rent unless they have registered their property (New York City Department of Housing Preservation and Development, n.d.).

But even when compliance is high, identifying actual ownership can be tricky, and the growth of institutional owners makes it that much more challenging. As currently structured, registries typically make it very difficult to clearly identify the ultimate owners of individual buildings since owners often use and report separate LLCs for different properties. They sometimes also enter in the managing agent of the building rather than the actual owner, or list different corporate officers in the ownership field. Some organizations and researchers have worked to create ownership networks (or likely landlords) by matching across buildings using reported addresses, but such matching is laborious and imperfect. Thus, in implementing rental registries, cities should be sure to require clear reporting of names of the ultimate owners in ways that allow policymakers and analysts to more easily identify owners' full portfolios within a jurisdiction. The City of Minneapolis, for example, requires owners to have an active rental license and to submit their name, address, and telephone number, as well as the name and contact information for the agent or manager of each

property they own. In the case of properties owned by a corporation or LLC, owners must disclose the name of a so-called associated natural person and must submit a copy of the articles of the organization, listing the names of all shareholders. This information is made public through an open data portal, and owners are required to keep information current. New York State recently passed a law mandating that LLC owners of one- to four-unit properties disclose all owners, managers, and agents associated with the property (Fallon, Noble, and Reynolds 2023).

Identifying ownership is also critical for renters and prospective renters. Renters should know the name of their ultimate landlord, as well as whom to contact about concerns or needed repairs. To that end, in addition to adopting rental registries, every lease should also be required to contain the name of the ultimate owner of the property, and not just the name of the LLC that owns it, as well as the appropriate contact for maintenance and repairs. For prospective renters, registries should be publicly searchable and should potentially include linked information about code violations and eviction history. While owners will surely resist such mandatory registries, there might be more political support behind them now, given growing concern about institutional owners.

There is an important role for the federal government here, too. First, the federal government should develop a model registry that would help jurisdictions more quickly implement registries and ensure that the information collected across jurisdictions is adequate and consistent. This would ease the burden on owners who operate in multiple markets, and it would also allow analysts to link owners across jurisdictions, allowing them to understand the true scale of ownership. Second, the federal government could also incentivize the adoption of registries that collect consistent ownership information, through conditioning competitive grants on such systems. The federal government has invested in building a critical source of consistent data on mortgage lending through the Home Mortgage Disclosure Act of 1975; it should similarly invest in a data infrastructure for renters.

B. Impose additional requirements by scale

Advocates have recently called on policymakers to curb the purchases of large institutional investors—and policymakers are paying attention. Representatives Ro Khanna, Katie Porter, and Mark Takano introduced the Stop Wall Street Landlords Act of 2022 in October 2022. The bill would deny tax benefits to investors with assets of more than $100 million. It would also prohibit Fannie Mae, Freddie Mac, and Ginnie Mae from purchasing and securitizing the mortgages held by such large-scale investor-owners. Finally, and most significantly, it proposes an excise tax on the sale of single-family homes to large investors in an amount equal to the sales price of the home.

In July 2023 eight senators—Ron Wyden (D-OR), Tina Smith (D-MN), Jeff Merkley (D-OR), Jack Reed (D-RI), John Fetterman (D-PA), Elizabeth Warren (D-MA), and Tammy Baldwin (D-WI) introduced the Stop Predatory Investing Act. This bill would deny investors who acquire 50 or more new single-family rental homes after the date of enactment from deducting interest or depreciation on those properties. Statehouses are getting into the game too: In January 2023 Esther Agjabe (Democrat) introduced a bill in the Minnesota House of Representatives to ban corporate entities from converting single-family homes into rental units. In February 2023 Ohio state senators Louis Blessing (Republican) and Nickie Antonio (Democrat) introduced a bipartisan bill to levy a $1,500 per home monthly tax on any landlord that owns 50 or more single-, two-, or three-family homes in a single county. Given that the average detached single-family home rented for just over $1,500 per month in 2021, a tax this high would effectively prevent such large landlords from purchasing single-family properties.

But such rigid restrictions on investor owners are problematic. For one thing, it is not socially desirable to tell homeowners that they cannot sell to the highest bidder. For another, these proposals will disincentivize the conversion of homes into rentals. While homeownership may be the most common way to build wealth in the United States, not all households are able to become homeowners. As noted above in The Challenge, renters have lower credit scores than homeowners, on average. The Amherst Group estimates that 85 percent of the renters in the almost 40,000 properties managed by their single-family rental investor, Main Street Renewal, would be unable to become homeowners due to credit score and income limitations (Burinskiy 2021). Furthermore, the renters in their properties are younger, have larger families with more children living at home, are more likely to have only one income, are less likely to be married, and are more likely to be single parents. But while outright bans on investor owners are not desirable, large owners can and should be held to stricter regulatory standards.

There are some actions that institutional investors, because of their size, scale, and organizational infrastructure, can easily take to improve the tenant experience. We believe that policymakers should therefore adopt stricter rules and regulations for larger-scale investors rather than outright prohibitions on ownership or taxes so high that they effectively preclude purchases.

1. Housing choice vouchers

First, policymakers should ensure that single-family homes owned by institutional investors are accessible to a broad diversity of renters. To that end, policymakers should require institutional SFR investors to accept housing choice vouchers. Many landlords report not accepting vouchers because of the hassles and high administrative costs of working with local housing agencies (Garboden et al. 2018). For example, qualifying a unit for a housing choice voucher requires a U.S. Department of Housing and Urban Development (HUD) inspection, which can take time to arrange, and units must be kept vacant in the meantime. While the inspections may uncover important maintenance issues that must be addressed, landlords complain that the guidelines for what requires a repair are applied inconsistently. Another friction comes from the fact that, even if a unit's rent is below the voucher payment standard, it can fail the rent reasonableness test. Large landlords are in a better position than small investors to weather the delays due to the voucher process. To be sure, some single-family rentals might charge rents that are above housing choice voucher payment standards given that institutional SFR properties tend to be newer and larger than average rental properties. Still, a significant minority charge rents that are lower than HUD's fair market rents; Goodman, Kaul and Stegman (2022) estimate that 23.4 percent of homes owned by institutional investors are lower than HUD's fair market rent. (To the extent that HUD continues to increase the number of housing authorities mandated to set fair market rents at the level of the ZIP code rather than the MSA, a much greater share of single-family rental homes will be affordable to voucher holders.)

2. Security deposits

To open up access to more households, institutional investors should also be required to either accept rental security insurance in lieu of security deposits or permit the renter to make the security deposit payment over several months. Coming up with a security deposit is an obstacle for many potential renters. Accepting insurance in lieu of security deposits would allow renters who do not have the cash (or who do not have a friend or relative to provide the cash) to compete for the unit.[8] This is again an activity with economies of scale. Once a landlord invests the systems to take this insurance, the marginal cost of additional tenants signing up is low. Cincinnati and Atlanta both have adopted versions of this policy (Fallon, Noble, and Reynolds 2023): Cincinnati requires landlords with more than 25 units who require a security deposit of more than 50 percent of the first month's rent to either accept rental security insurance or allow the renter to make the payments over six months. Atlanta requires landlords who own more than 10 units to either accept rental security insurance or to allow tenants to spread the security deposit payment over three months. We need more research on the impact of such offers, but it seems likely that they would open up access to more households.

3. Rental payment reporting to credit bureaus

Policymakers should also require institutional investors to do more to stabilize existing tenants and to enable tenants to build wealth. One possibility is reporting rent payments to credit bureaus to allow renters to build credit and improve their credit scores. It is much more feasible for institutional investors than for mom-and-pop investors to implement rent reporting, so policymakers could require that large investors do such reporting. Recent Urban Institute research (Cochran, Stegman, and Foos (2021) found that including on-time rental payments can boost credit scores—a practice that disproportionately benefits those with low or no scores; these borrowers are disproportionately apt to be Black or Latino. This reflects the reality that, without rent reporting, the renter does not get credit for their on-time rental payments, but if they miss payments and the debt is turned over to collections, the renter's credit score will decline. Note that, when landlords choose to report on-time rental payments, they generally report only payments that have been made. When the renter does not pay, the rent reporting is usually suspended for a period of time, so that rent reporting does not become a liability to the renter.

4. Rental payment flexibility and transparency

Institutional investors could be required to allow renters to split their monthly rent into multiple payments free of charge. While we think this is a good idea for all landlords, larger owners have the systems and economies of scale to enable them to do this more easily. At the very least, institutional investor-owners should be required to disclose fees in a transparent, understandable manner before the borrower signs the lease. We also believe institutional owners should be required to give 30-day notice for any rent increases, and should be required to give more notice if those increases exceed the rate of inflation. We suggest that the federal government develop a model one-page cover page to be provided with every lease, clearly summarizing the key terms of the contract. Tenants should be made clearly aware of fees for late payments, charges for

housing pets, and any other fees before they move in. They should also understand what notice they will receive before any eviction notice is filed. Again, ideally all landlords should be held to this standard, but formally documenting these policies and practices may place more of a burden on smaller landlords. Starting with institutional investors thus makes sense.

5. Evictions

The evidence that institutional investors file more eviction notices is particularly strong; while such filings could be a rent collection technique and may rarely result in executed warrants, the filings themselves are damaging to tenants since landlords screen on past eviction history when selecting tenants. So, discouraging the use of eviction filings is important. Institutional investors could be required to have a good cause for evicting a tenant during a lease (similar to standards used for the Low-Income Housing Tax Credit [LIHTC]) and to reach out to a tenant prior to filing an eviction notice, giving them a short period of time, say a few weeks, to come up with the rent or another mutually satisfactory outcome.

6. "First Look" program sales

We would ideally like to see the First Look policies offered by the GSEs, Fannie Mae and Freddie Mac, and by the FHA expanded. The Fannie Mae and Freddie Mac initiatives mandate that owner-occupants and nonprofits get a first look at sales of GSE-owned, foreclosed homes during their first 30 days of listing without competition from investors. These First Look policies have been in effect since 2009, although the period of exclusivity was increased from 20 days to 30 days in May of 2022 as part of the Biden Housing Supply Plan. In 2022 HUD also established a 30-day first look period for their sales of foreclosed, formerly FHA-insured properties. While these First Look policies do not keep tenants in their homes, they give potential new owner-occupants a better chance of acquiring these properties. The problem with requiring institutional investors who choose to sell their properties to have some type of First Look policies in place is that most institutional sales are portfolio sales that individual homeowners could not purchase. Even when homes are being sold in small quantities, they might have tenants in place, making the homes less appealing to an owner-occupant. Thus, while conceptually appealing, the impact of extending First Look policies to large institutional landlords with these carve-outs would likely be small, and are not justified by the cost to the institutional investors.

C. Improve renovation financing for owner-occupants

A third set of policy recommendations centers on improving financing for owner-occupants to buy properties that need repairs. The current programs available for potential homeowners who want to purchase a home that needs renovation are cumbersome, involve misaligned incentives, and have a high denial rate. We believe that changes in renovation financing by the FHA and the GSEs, Fannie Mae and Freddie Mac, could make it easier for homeowners to compete against institutional investors for properties that need repair. Note that these properties are often lower cost than properties in better condition, and hence would be more likely to be affordable to those with lower incomes, a population that is disproportionately people of color.

In particular, FHA's renovation program, the 203K program, is administratively burdensome and requires a HUD consultant for structural renovations. HUD put out a request for information in February 2023 to solicit ideas about how to improve this program. Freddie Mac and Fannie Mae's renovation programs, CHOICE-Renovation and HomeStyle Renovation, do not require consultants, and both shift the risk of non-performance during the construction period to the lender. That is, Fannie Mae and Freddie Mac have recourse to the lender during the construction period, and can force the lender to repurchase the loan or otherwise compensate them, truncating the value of the GSE guarantee. Freddie Mac has a new program for more minor repairs, CHOICEReno eXpress, which does not require lender recourse, but renovation funding is limited to 10 percent of the purchase price (15 percent in high needs areas). One could conceive of reworking these programs, using a preferred vendor model, to put more of the risk of project completion on the contractor, less on the borrower and lender who often have little expertise in such renovations.

IV. Questions and concerns

1. What is the impact of institutional investors on homeownership? Do these investors take homes away from first-time home buyers?

This is an important question, especially since that Black and Hispanic households are likely to be disproportionately at risk of getting shut out of homeownership, given their low rates of ownership. There is no conclusive evidence that investor ownership does or does not crowd out first-time home buyers. Brian An (2023) looks at data for 800 neighborhoods in Atlanta over the 2007–16 period, a period when the homeownership rate was plummeting nationwide. He shows that neighborhoods where the share of institutional investors is higher saw a larger drop in homeownership than neighborhoods where institutional investors are less active. When he decomposes by race, however, he finds that there is virtually no difference in the change in the white homeownership rate between areas where institutional investors were more active versus less active, but there is a significant difference in the change in the Black homeownership rate.

This study might capture correlation rather than causation. An notes that, "while my measure of institutional home purchasing dropped foreclosed homes during the data handling process in order to focus on regular market transactions, the targeted neighborhoods still show a greater risk of home foreclosure than the rest" (An 2023, 23). The issue is that neighborhoods that had higher foreclosures experienced a larger drop in the homeownership rate; these were disproportionately Black neighborhoods. If institutional investors had not purchased these homes, would first-time home buyers have done so? And how much more would home prices have depreciated, perhaps causing even more foreclosures?

In a more recent analysis, Coven (2023) estimates a structural model and finds that every ten homes that institutional investors purchase to operate as rentals decreases the number of homes available for owner-occupancy by three homes. He also finds that institutional investors caused a meaningful increase in home prices in the areas where they are concentrated, but that they are not responsible for most of the rise in prices since 2012.

Goodman and Golding (2021) argue that institutional investors, by and large, do not compete with first-time home buyers since institutional investors tend to buy homes that need repairs, exploiting their comparative advantage in doing the repairs. As mentioned in the paper, renovation financing in the U.S. is very difficult to secure, and very few renovation loans are being originated. This is not to say that institutional investors never compete with first-time home buyers, but that, on average, they tend to buy homes that need more repairs. Research by Freddie Mac (2022) shows that investors target low-market-value homes that need more repairs than the homes most first-time home buyers are willing to invest in. Half of institutional investor purchases in 2020 were priced below the lower-quartile price paid by first-time home buyers.

Importantly, some of the additions to the stock of single-family rentals owned by investors, particularly over the past few years, have been build-to-rent—that is, additions to the single-family rental stock. Deitz (2023) estimates that the average annual number of single-family rental starts from 1990 to 2020 (a 31-year period) averaged 29,000, compared with 69,000 in 2022. To put this in a broader perspective, the Census (Quarterly Starts and Completions by Design and Purpose, n.d.b) estimates show approximately 1 million single-family starts in 2022, making build-to-rent homes about 7 percent of the total (vs. a 3 percent average in 1990–2022). Dietz (2023) acknowledges this number is understated, since it includes only homes held by the builder for rental purposes and excludes homes that are sold to another party for rental purposes, a relatively new phenomenon, which the National Association of Home Builders (NAHB) estimates, based on industry surveys, constitutes another 5 percent of single-family starts. This would bring the total share to 12 percent of new construction, suggesting close to 120,000 build-to-rent starts in 2022. While it is possible that some of these homes would have been constructed anyway, many would not have been built otherwise, thus increasing the inventory. Some of the institutional owners have their own builder subsidiaries.

2. Do they raise home prices for the neighborhood?

The answer to the first question above reviews evidence about the extent to which institutional investors take homes away from first time home buyers. In a related vein, a few recent research papers find that the presence of institutional investors causes home prices to increase more than would have otherwise been the case. Using data from 2006–14, Lambie-Hanson, Li, and Slonkosky (2022) find that a 1 percent increase in the share of institutional buyers (all LLCs or other corporate structures) leads to a 1.34 percent increase in real home prices; the effect is larger if one looks only at the largest institutional investors. The latter effect could be due to the largest investors targeting communities with rapid growth, although Lambie-Hanson, Li, and Slonkosky use instrumental variables to mitigate the effects of this correlation.

Meanwhile, Garriga, Gete, and Tsouserou (2023), using data from 2009–17, find that a one standard deviation increase in purchases by small and medium institutional investors leads to a 1.37 percent increase in price growth for the median house. They find larger increases for houses in the bottom price tier. Over the medium term, they also document a supply response due to higher prices, with a 1-percentage-point increase in the share of purchases made by small and medium institutional investors leading to a 4.5 percent increase in the supply of single-family properties and a 15.7 percent increase in the supply of properties with five or more units. This supply increase helps to moderate, but does not completely offset, the impact of the initial price increases due to the increased share of small and medium institutional investors. More research is needed to learn about these small and medium investors, and whether they are individuals shifting from individual ownership to LLC ownership. As shown earlier in this paper, in The Challenge, there has not been a huge increase in single-family rentals over time.

Research from Freddie Mac (2022) shows that investors were not the leading cause of the increase in home prices during the two-year period from mid-2020 to mid-2022. They show that the overall investor share of home purchases has risen only marginally since before the pandemic, and most investor purchases were for deeply discounted homes priced below the typical home bought by first-time home buyers.

That said, investors could distort local markets in the places where they are most active. Table 2 showed that institutional investors are concentrated in certain MSAs, and that within the MSAs those investors are concentrated in certain sub-markets. The single-family rental properties tend be those near the bottom of the single-family home price spectrum. An important topic for further research is to analyze the impact of these purchases on home prices and homeownership rates, specifically in those sub-markets where the institutional investors are the most concentrated.

3. How can policymakers encourage additional supply?

The keys to change lie in the hands of state legislators, who can dictate what localities can and cannot do. They can allow developers to bypass local zoning codes if local governments have not permitted enough housing (as in the case of Massachusetts Chapter 40B law). They can allow individual owners to split their lots in two (as the California legislature recently did through SB 9). They can allow individual owners to add accessory dwelling units (ADUs) as a matter of right, without being subject to minimum lot size or lot coverage restrictions; they can eliminate or limit setbacks, and can relax parking requirements for homes within a half a mile of public transit. States including California and Oregon, as well as cities such as Austin, Texas; Minneapolis, Minnesota; and Portland, Oregon, have recently taken such actions. Policymakers can also offer carrots, or financial incentives, to encourage localities to allow more construction.

The federal government could also step in and offer financial incentives to states to build more housing. Specifically, the federal government could condition the receipt of competitive funds for housing, transportation, and infrastructure; states must make demonstrable progress towards meeting regional housing needs, and also in ensuring that the new housing is built in a range of communities and not just concentrated in lower-income areas (Greene and Ellen 2020).

4. What is the official definition of single-family rentals? Do they include only one-unit properties, or one- to four-unit properties?

There is no official definition of single-family properties. The GSEs as well as FHA and the U.S. Department of Veterans Affairs (VA) consider all structures with four units or fewer to be part of the single-family sector, so these entities consider single-family rentals to include all rental structures with four units or fewer. By contrast, when we use the term "single-family" in this paper, we refer to structures with just one unit, whether attached or detached from adjacent units. This is the common industry usage, although some refer to single-family homes as single-family detached.[9]

Note that the definition used will make a large difference in defining the percentage of the rental market that is classified as single-family. Figure 1 indicates that 34.5 percent of occupied rental homes

are single-family units. If one adds in the two- to four-family homes, the single-family share rises to just over half of occupied rental homes.

It is important to realize that the characteristics of properties with one unit are very different from characteristics of two- to four-family properties, which more closely resemble multifamily buildings. Of the single-family homes in the United States, 17.7 percent are rented; 84.9 percent of the units in two- to four-family properties are rented, only slightly lower than those properties with five units or more. As pointed out in The Challenge, the average unit size of single-family rentals is 1,530 square feet; by contrast, the average unit size for two- to four-unit properties is only 1,024 square feet, and for structures with more than five units it is only about 900 square feet.

The characteristics of renters in two- to four-family homes are also very different from those of single-family renters, and are much closer to the characteristics of the multifamily renters. The median income of single-family renters is $50,000, compared to $38,000 for renters in two- to four-unit properties, which is very close to the incomes of those in structures with five units or more. Rents in two- to four-family properties are lower as well, with average total housing costs for renters about $265 lower than it is for renters in single-family homes, very close to those in multifamily rentals. The mega investors that we have discussed in this report are active in single-family homes, and not in two- to four-family properties.

5. What size should trigger heightened regulations?

A key question is the size at which these scale advantages kick in, making owners more able to withstand more tenant-friendly regulations. The goal of public policy should be to give more renters the advantages that would stem from these recommendations, without unduly burdening small landlords and risking a contraction of supply. More thought should be given to what the minimum portfolio size should be to trigger these requirements. Certainly, there is a strong case for exempting very small landlords, where the cost of compliance will be high, but we suspect that these requirements could be imposed on medium landlords as well, without triggering a contraction in supply. Note that any regulatory distinctions between properties owned by large and small owners require reliable information about ownership, and thus underscore the need for accurate and transparent rental registries.

V. Conclusion

In sum, our review shows that single-family rentals are not new, and that they are a valuable segment of the rental market. We show that a growing share of single-family rentals are owned by institutional investors, though they still own a small share of single-family rentals in most markets. It remains unclear whether institutional investors crowd out homebuyers, and it also remains unclear if those investors behave differently than other landlords, though we expect that institutional investors raise rents more rapidly on average than mom-and-pop owners and that they act more quickly to file evictions when tenants fall behind. They also rely more than smaller landlords on formal screening criteria to select tenants. Future research should continue to study the behaviors of institutional investor owners of single-family rentals as well as to examine the consequences of mergers of investors that lead to even larger portfolios.

As for policy recommendations, our first and most important recommendation is to call for more transparency about property ownership. We propose that states and localities **adopt and enforce rental registries**. Specifically, we propose the federal government develop a model rental registry and strongly incentivize states and localities both to collect and to make public information about the owners of rental housing. Second, while we do not support recent calls for restrictions on purchases by large, institutional investors, we propose that regulators **impose additional requirements by scale**, and that they hold large-scale owners to higher regulatory standards. Due to their size and scale, institutional investor owners can be asked to do more to serve and protect tenant interests. For example, policymakers should require large owners to offer to report rent payments to credit bureaus, to accept voucher holders even in places where it is legal to refuse them, to accept security deposit insurance in lieu of security deposits; and to offer clear, transparent leases with standardized, one-page summaries. Third, a final recommendation is to **improve renovation financing for owner-occupants** to allow individual homebuyers to compete with institutional investors in purchasing homes in need of repairs.

More important than any policies to incentivize particular forms or scales of ownership, however, are policies to simply encourage the creation of more housing, and more diverse types of housing. There is widespread consensus that the supply of housing in the U.S. has not kept up with growing demand. Over time, zoning and building restrictions have become both more stringent and more prevalent, spreading from the coasts inland to a wider group of MSAs (Glaeser 2023). Whether through formal restrictions or growing community opposition, it has become more difficult to build, and even more difficult to build at scale. While any individual project that is delayed, downsized, or wholly rejected might not make much difference, the aggregate impact is substantial. NIMBY (“not in my backyard”) neighbors are often particularly resistant to the creation of rental housing. The growth of the build-to-rent market is a hopeful sign that we can still add to the rental stock, and it is an opportunity to do so.

It is also essential that policymakers consider climate implications and adopt strategies to encourage the development of higher-density homes. As more homes are built, builders should not just continue an outward march of exurban, detached single-family homes on large lots. Such outward growth will lead to more driving and longer trips—not just to work but also to reach shopping or amenities. Building at higher densities can create walkable areas that can sustain local businesses and amenities. And such development also has the potential to reduce energy use in homes.

Endnotes

1. In real estate, the term "mom-and-pops" refers to owners and managers of one to four rental properties.
2. Where we can compare, these percentages are close to the AHS estimates. In Memphis, for example, the AHS estimates that 49.6 percent of all rental units are single-family homes.
3. The Amherst Group (Bordia 2019) does not explicitly define an institutional investor, but instead relies on a list of investors it has identified as institutional.
4. It should be noted that Redfin Real Estate (Katz and Bokhari, 2023), which defines an investor as an LLC, trust, or other non-natural person, shows a much more muted growth in the investor share—from 15 percent–16 percent pre-pandemic, up to 20 percent in 2021, then down to 17.8 percent in Q4 2022. Katz and Bokhari (2023) does not provide a breakdown by investor type and the numbers they provide are not national but rather derived from property records of the 50 largest MSAs.
5. Each market was weighted by the institutional SFR share of that MSA in the top 20.
6. Survey results can be found at U.S. House of Representatives (n.d.).
7. In the wake of the foreclosure crisis, many local governments adopted vacant property registration ordinances to ensure that mortgage lenders were maintaining their foreclosed properties, and to thereby limit the negative externalities from foreclosed and vacant homes. Biswas et al. (2021) find that the adoption of such ordinances in Florida significantly reduced the negative spillover effects from foreclosures on nearby sales prices.
8. Rhino, the largest provider of security deposit insurance, reports that such insurance is offered in 2.5 million rental units.
9. Rocket Mortgage (Grace 2023, 1) summarizes the industry view of the term "single-family": "Some use this term to refer only to single-family detached homes, where the structure doesn't share any walls with any other residences. However, the U.S. Census Bureau, for example, includes certain attached dwellings, such as townhouses, in its definition of 'single-family house,' as long as these dwellings are separated by a ground-to-roof wall." "With a single-family house, the owner of the home owns both the building and the land it sits on." "Single-family homes must also not share any utility, heating or air conditioning systems with any other dwellings. They have their own private entrances and exits and have direct access to the street."

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Single-family rentals (one-unit properties) are not a new phenomenon, they have always been an important part of the rental market, offering renters the ability to rent larger homes or live in communities that have few multifamily properties. Large institutional investors remain a small overall share of all single-family rentals, but they are highly concentrated in a particular geographic areas. The evidence on the behavior of these entities and their impact on markets is limited. It is clear they are more responsive to the market in setting rents, and they submit more eviction filings. It is unclear if they ultimately evict more tenants, or if they are better or worse than smaller investors at maintaining their properties. Our policy recommendations are threefold. First, to create more transparency in ownership structures, we call for the widespread adoption and enforcement of rental registries. Second, we recommend that regulators impose more requirements on large investors, who, due to their size and capacity, can be asked to do more to serve and protect tenant interests. This includes reporting rent pays to credit bureaus, accepting housing choice vouchers, offering security deposit insurance in lieu of security deposits, offering one-page summaries of lease terms, and giving tenants a warning and some time to correct the payment deficiency before filing an eviction notice. Third, we call for improving renovation financing for owner occupants to help level the playing field for individual homeowners seeing to buy homes needing repairs.

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