Graduate Seminar: 'Forever Renters' – Owning Housing Shares, Not Homes

Speakers:
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Moderator:
Kass Forman, Manager, Programs and Research, Institute on Municipal Finance and Governance

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Land Acknowledgement

We wish to acknowledge this land on which the University of Toronto operates. For thousands of years it has been the traditional lands of the Huron-Wendat, the Seneca, and most recently, the Mississaugas of the Credit. Today, this meeting place is still the home to many Indigenous people from across Turtle Island and we are grateful to have the opportunity to work on this land.
Questions?

Ask in person

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Roofstock and the rise of the digital investor landlord: A case study of post-crisis, platform-mediated retail investment in single-family rental housing

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Geography MA
Outline

I. Building SFR Supply: Institutional investment in single-family rental (SFR) housing; PropTech has adopted institutional strategies

II. Building Retail Demand: PropTech platforms, like Roofstock, are targeting millennial, retail investors

III. Policy response at the municipal, state and federal level to institutional acquisition of single-family rental housing; how does this apply to PropTech?
Preface

SFR Investor: A corporate entity (LLC, REIT, etc.) owning residential real estate ("single-family home") as an investment vehicle. Small: 1-9 Medium: 10-99 Large: 100-999 Institutional: 1000+ *

Retail investor: A non-professional investor

Property Technology (PropTech): PropTech is 1) a massive implementation of digital technologies within the real estate sector; 2) real estate firms using a platform business model

*SFR investors as defined by the number of SFR properties owned (HUD, the US Department of Housing and Urban Development)
Part I: Building SFR Supply

“We set off to build that marketplace where we could package up either individual homes with tenants in them, or portfolios of homes with tenants in them and offer them to investors anywhere in the country. Really anywhere in the world” – Gary Beasley, CEO of Roofstock, May 2022
Geographically concentrated institutional buying

2010–2015 HOMES BOUGHT BY INSTITUTIONS

2016 HOMES BOUGHT BY INSTITUTIONS
Corporate landlords demonstrate high rates of eviction, hidden fees and rent hikes

• In Boston, Massachusetts, Hwang (2019) finds that foreclosed single-family homes purchased by corporate investors are 3x more likely to be resold to another investor

• In Fulton County, Georgia, Raymond et. al. (2018) find that corporate landlords of single-family rentals are almost 70% more likely to file for eviction than small landlords

• Ancillary income from late fees and eviction filing fees constitute a meaningful revenue for corporate landlords

• Exercise “pricing power” – maximize rent yield – in regional housing markets with large corporate investor presence

YOU THINK YOUR LANDLORD IS BAD? TRY RENTING FROM WALL STREET
A new report claims that Wall Street's new rental empire is characterized by aggressive rent hikes, fee gouging, and high rates of eviction.

Rebecca Burns
January 20, 2018, 7:00 a.m.
Former institutional investors create PropTech firm, Roofstock

Doug Brien, Gary Beasley and Colin Wiel, left to right, are Waypoint Homes’ founders. Beasley was named CEO while Brien and Wiel continue in their roles as managing directors.

From left, Paul Staley, vice president of Staley and MacArthur Inc Real Estate Services, Gregory Watson, managing partner of Oakland’s McKinley Partners, and Ron McArthur, vice-president of Staley and MacArthur looks at the backyard of a bank-owned house they’re considering investing in Pittsburg, Calif. on Monday, July 27, 2009. McKinley has formed a $6 million fund to purchase foreclosed homes in eastern Contra Costa towns forecasting their potential to double its value in five years.

Stephen Lam/The Chronicle
The rise of the “automated landlord”: SFR investment developed alongside key advancements in digital technology

The “automated landlord” (Fields, 2019) is the corporate landlord utilizing platform technology to collect and analyze property, tenant, and rental data to ensure a “smooth flow of rental income from tenants to capital markets.”

Marketing and Leasing

Our in-house personnel are responsible for establishing rental rates, marketing and leasing properties, and collecting and processing rent. We establish rental rates based on a dynamic, rules-based pricing tool that is informed by local market conditions, including a competitive analysis of market rents for institutional single-family rental properties, growth in single-family and multifamily market rents since a specific home’s last lease commenced, the size, fit and finish, and location of the home, the number of applications received and/or showings a property has experienced since becoming available, and the number of days a home has been available on the market, as well as qualitative factors, such as neighborhood characteristics, community amenities, and proximity to employment centers, desirable schools, transportation corridors, and local services.
Roofstock uses precision technologies to target housing markets

1 Deep Expertise
Our team has acquired, operated, and sold over $5 billion in single-family rental homes and helped the leading institutional investors, REITs, and global asset managers achieve their investment objectives.

2 Data Science
We have mapped all 90 million U.S. single-family homes by its investment characteristics and can match that to your buy box to pinpoint specific neighborhoods and properties.

3 Vertically Integrated Platform
Take advantage of our fully integrated platform including in-house property management to efficiently manage client portfolios across the country.

4 Institutional Insights and Tools
We provide best-in-class portfolio management including institutional caliber tools, insights and reports to help you attain your investment goals.

5 Multi-Channel Disposition
You can efficiently access multiple exit options to divest your portfolio including a global network of investors on the Roofstock marketplace.
Roofstock uses surveillance technologies for iBuying

- **iBuying**: the practice of PropTech firms making instant, all-cash offers to individual sellers

- “Once you know a little bit about someone, you can target them on Facebook. It has borne fruit. We have gotten a lot of retail inventory with these targeted Facebook ads.” – Gary Beasley (Blomquist, 2018)
Part II: Building Retail Demand

This 32-year-old grosses $431,000 a year from his real estate investments—while traveling and living in a converted van
The Roofstock marketplace is enriched with features to maximize investor returns.
Roofstock trains retail investors to mimic corporate landlords

For Roofstock, the platform tools are not useful for their predictive accuracy but rather, attracting a large base of users with data-driven analysis and directing consumer investment.
Roofstock is building its own supply of risk-tolerant, millennial retail investors

• 75% of the nearly 370,000 Roofstock users are first-time property investors, and more than half are under 35 years old

• “I do think that, you know, the younger the person, the more open they are to renting longer, and maybe forever. Some people that don’t need to own their home, I do think that there’s something to separating where you live from where you own.” – Gary Beasley, September 2021
The Digital Investor Landlord

- Self-directed, risk-taking
- Reproduces the rationalities, logics and priorities of the corporate landlord
- Participates on digital platforms to buy and sell single-family rental housing
## Part III: Policy Responses to Corporate Landlords

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<td>Senate Bill 1079 Homes for Homeowners, Not Corporations, passed 2020</td>
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<td>H.R. 9246 House Bill “Stop Wall Street Landlords Act,” introduced October 2022</td>
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<td>National</td>
<td>S.5151 Senate bill “End Hedge Fund Control of American Homes Act,” introduced November 2022</td>
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Future research agenda: PropTech and SFR retail investment

- PropTech firms may empower retail investors to exercise homeowner rights for the purposes of eviction, tax-evasion and anti-rent control policies.

- PropTech firms have a base of customers – retail investors – who may be mobilized for financial and political aims in regional housing markets.
Thank you!