Black families are being squeezed out of homeownership by corporate investors

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In the years since the Great Recession, when housing prices dramatically fell, Wall Street investors have been buying large numbers of single-family homes to use as rentals. As of 2022, big investment firms owned nearly 600,000 such properties nationwide.

Critics say this practice drives up home prices and worsens the housing shortage, making it harder for families to afford to buy. Industry advocates dismiss such charges, arguing that large investment firms own a tiny fraction of single-family rental housing across the U.S.—less than 4% of the total.

As a professor of public policy at Georgia Tech, I wanted to understand how this trend was affecting my neighbors. So I analyzed more than 1 million property sales in the Atlanta metropolitan area from 2007 to 2016. Since the study period included the mortgage crisis, I excluded bulk sales, such as the packages of foreclosed homes, that aren't available to typical homebuyers. I examined only arm's-length transactions of single-family detached homes, where buyers and sellers act independently.

I found that global investment firms buying up local properties are indeed hurting Atlanta families—specifically, Black ones.

Neighborhood transformations

In the period I studied, homeownership declined across the Atlanta metro area by more than 5 percentage points, similar to a nationwide trend. For an average neighborhood, home purchasing by large corporate investors explained one-quarter of that decline.

But when I broke the analysis down by race, I found that Black families were hit much harder: Large investment firms buying up local properties explained fully three-quarters of the decline in African American homeownership. In contrast, non-Hispanic whites were largely unaffected.

It turns out that while Wall Street firms control just a sliver of the single-family rental market nationally, they can have much more influence at the local level. In the Atlanta metro area, these firms own nearly one-third of all single-family rental properties. They're even more concentrated in predominantly Black neighborhoods, where more than 10 houses in a row can be owned by the same corporation.

In my study, I found that large investors tend to snap up housing in majority-nonwhite, lower-income suburban neighborhoods. This makes homebuying even more challenging for middle-class families of color, as they get pushed out of the bidding market by global investors.

Home is where the financial security is

Homeownership has long been one of the main pathways for the American middle class to accumulate wealth. Despite this, the national homeownership rate declined by 5.5 percentage points between 2007 and 2016, reaching a five-decade low of 62.9%. Although homeownership has rebounded somewhat since 2016, it remains below pre-2008 levels.

And who owns these homes is starkly divided by race. Between 2015 and 2019, more than 70% of white families owned a home, compared with just 41% of Black families, according to an analysis by Harvard University's Joint Center for Housing Studies.

To be sure, policies like racial covenants, discriminatory mortgage lending practices and redlining fueled low homeownership rates for Black Americans long before the Great Recession. But global investors' growing control of single-family homes only widens existing racial gaps in homeownership and wealth.

Directions for new research

While my study focused on Atlanta, it's not the only place where residents are competing with global investors for housing. Investment firms' single-family rental portfolios are largely concentrated in Sun Belt metro areas, including Phoenix, Charlotte and Jacksonville. It wouldn't be surprising to see similar conflicts playing out in those cities.

Since my analysis stopped in 2016, I can't be sure that Black Atlanta residents are still affected by Wall Street firms buying up housing. Many investment firms have recently been switching from a buy-to-rent business model to a build-to-rent model, which could complicate matters.

In the meantime, while residents and policymakers have claimed that large corporations don't invest in local communities, researchers lack robust evidence this is the case. Academics should study whether properties owned by institutional landlords are more likely to be poorly maintained or have code violations, as anecdotal evidence suggests.

It's also worth investigating whether big investment firms undermine local revenue collection by serially filing property tax appeals.

An open-source tool for housing policy research

It's been hard for researchers to identify corporate-owned, single-family homes, since it requires proprietary real-estate data and labor-intensive number crunching. In a separate project, my colleagues and I have developed a simple, user-friendly methodology that gets around such challenges with the use of open-source software and public tax parcel data.

Local governments and nonprofits can use our methodology to unveil all the corporate-owned residential properties in any neighborhood and link them to outcomes such as code violations. Using data-driven approaches like this is an important step toward developing policy solutions.

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