'Modern-day redlining': Research investigates Wall Street-backed rental market

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Carol Camp Yeakey, the Marshall S. Snow Professor of Arts & Sciences and founding director of Washington University in St. Louis's Center on Urban Research & Public Policy, is leading a two-year national study to examine the surge of corporate investors in the single-family rental (SFR) market and the implications for renters, especially marginalized communities of color.

The research builds off Camp Yeakey's recent paper, "Corporate investors and the housing affordability crisis: Having Wall Street as your landlord," which was published in January in the *American Journal of Economics and Sociology*. The paper examined how the Great Recession enabled corporate investors to buy foreclosed and low-income houses and private condominiums located in economically distressed neighborhoods at nominal costs and convert them into single-family rental properties.

Camp Yeakey's preliminary research showed that the two areas of the country where corporate investor owned SFRs predominate are the Midwest and Sunbelt regions.

"Our research details how corporate investors 'buy low and rent high' to populations who can least afford it," Camp Yeakey said. "As wages have stagnated and the cost of housing has risen, an increasing number of Americans are now being priced out of the housing market entirely."

"The implications for low-income persons of color to build wealth through homeownership, as well as reduced opportunities for intergenerational wealth transfer, are further complicated by private-equity firms and other corporate investors who see SFRs as investments with a stable rate of return."

For the new study, Camp Yeakey, with co-principal investigators Vetta Sanders Thompson, the E. Desmond Lee Professor of Racial and Ethnic Diversity at the Brown School, and Will Ross, MD, the Alumni Endowed Professor of Medicine at the School of Medicine, will focus on neighborhoods in St. Louis, Cincinnati and Atlanta, where more than half of the housing is owned by corporate investors and there is a predominant number of low-income renters of color.

They aim to provide an in-depth view of the SFR market. Goals include:

- Identify corporate investors, including which investors predominate in a particular neighborhood and city.
- Identify the factors that make certain neighborhoods attractive for investment.
- Examine characteristics and lived experiences of renters and their families.
- Detail what has occurred in those neighborhoods, socially, politically and economically, over time.
- Finally, given that one's ZIP code can be as determinative as one's genetic code, study the public health dimensions and consequences for these neighborhoods.

How did we get here?

According to Camp Yeakey, as recently as 2011, before home prices hit rock bottom, no single corporate entity owned more than 1,000 SFR units nationwide. By 2021, though, the five largest SFR operators collectively owned approximately 300,000 homes, out of 350,000 overall acquired by corporate landlords across the country.

"The foreclosure crisis and the federal response created the perfect conditions for rapid consolidation. Thousands of homes, especially those owned by people of color trapped by predatory debt, were transferred to Wall Street-backed landlords, often through government-subsidized acquisitions after mass foreclosures," Camp Yeakey said.

Corporate investors bought a record share of homes in 2021, especially in neighborhoods where a majority of residents are low-income and

Black.

"Some have called this targeting of low-income, Latino and Black homeowners, a form of modern-day redlining," Camp Yeakey wrote in the paper.

Camp Yeakey's preliminary research found that corporate investors maximize profits at the expense of tenant safety and well-being, including massive rent increases, eviction filings, dangerous lack of maintenance, steep fines and more.

However, she said that the growth of institutional investors is a symptom, rather than the cause, of a tight housing market.

"Since the Great Recession, the U.S. has not built enough housing to keep pace with demand, leading to historically low vacancy rates and rapidly rising costs," Camp Yeakey said. "Corporate investors benefit from the tight housing supply, but they did not create it."

By researching and exposing the implications of the SFR market, Camp Yeakey and her team hope to spur important conversations about how the federal government can address the housing affordability crisis. Proposed solutions include increasing housing subsidies; creating financial incentives for local governments to revise zoning and allow moderately priced homes; and providing increased federal investments in housing, as well as federal tax incentives, to better target first-time homebuyers in distressed communities.

More information: Carol Camp Yeakey, Corporate investors and the housing affordability crisis: Having wall street as your landlord, *The American Journal of Economics and Sociology* (2024). DOI:

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