Wall Street Single-Family Homes in Los Angeles County: An Analysis of Invitation Homes

Deirdre Pfeiffer*
Silvia R. González
Paul M. Ong
Chhandara Pech

Center for Neighborhood Knowledge
UCLA Luskin School of Public Affairs

August 14, 2019

Abstract

Real estate investors purchased and leased a large number of foreclosed single-family homes in the wake of the Great Recession but little is known about the impact of these investments. Using administrative data from the Los Angeles County Assessor, this paper examines the potential role the nation's largest single-family landlord—Invitation Homes—played on neighborhood stability across Los Angeles County during this period. The findings show that Invitation Homes targeted properties in predominately Black and Latino neighborhoods. Communities experiencing economic stress, including higher foreclosure rates during the recession and its aftermath and declining rental housing affordability, also were more heavily targeted by Invitation Homes, though these generally were not places that had gentrified 2000 to 2015.

*Corresponding author. Associate Professor, School of Geographical Sciences and Urban Planning at Arizona State University, deirdre.pfeiffer@asu.edu

We are grateful to Norman de la Fuente for his research assistance, Rebecca J. Walter for her guidance on research methods, and the Howard and Irene Levine Program in Housing and Social Responsibility at the UCLA Ziman Center for Real Estate for their support. The authors alone are responsible for the content.

Introduction

The Great Recession and current housing affordability crisis in Southern California have challenged public policymakers to promote neighborhood stability alongside economic growth. The Great Recession displaced close to seven million households by 2014, with many of these households living in Southern California (CoreLogic, 2014; Ong et al., 2013). Consumption inequality grew in the Southern California housing market following the Great Recession, widening gaps in welfare along racial and economic lines (Ray et al., 2014, Ong et al., 2015). These dynamics have threatened the stability of neighborhoods across the region, particularly disadvantaged low-income communities of color.

One pressing question is whether growing investor-ownership of single-family homes is related to neighborhood instability in Southern California. Investors purchased and leased large numbers of foreclosed single-family homes in the wake of the Great Recession. Growth in single-family rentals was driven by the transition of millions of families who had undergone foreclosure to the rental market, combined with dramatic housing price declines, tightened lending restrictions, and slow job market growth, which offered a tremendous opportunity to acquire and rent single-family homes to struggling would-be homeowners (Reid et al., 2018; Eisfeldt & Demers, 2018; Immergluck, 2018). These trends contributed to a 67% increase in the number of renter-occupied single-family homes from 2010 to 2015 nationwide (Molloy & Zarutskie, 2013; Goodman & Kaul, 2017). By the mid-2010s, about one in six single-family homes were rentals, a 34% increase from 2006 (Reid et al., 2018).

The purchasing of single-family homes by investors, particularly large institutions backed by Wall Street capital, might be exacerbating inequities in the Los Angeles County housing market, such as the high rates of eviction and costs of homeownership (Ray et al., 2015). Most single-family rentals were historically owned by small mom-and-pop landlords, but the tremendous dislocation in the housing market following the recession offered an unprecedented opportunity for large, impersonal Wall Street firms to get into the rental business (Eisfeldt & Demers, 2018; Amherst Capital Management, 2016; Mills et al., 2017). Scholars in Atlanta and Los Angeles have shown associations between institutional investment in single-family homes and property mismanagement, rent hikes, and eviction (Fields, 2014; Raymond et al., 2018). Notably, institutional owners in Atlanta were between 11% and 205% more likely to evict their tenants than other landlords, even after comparing landlords with similar tenant, property, and neighborhood characteristics (Raymond et al., 2018).

This report focuses on the potential role that the region's largest institutional landlord—Invitation Homes—is playing in neighborhood instability in Los Angeles County. Our findings show that single family homes owned by Invitation Homes are found in a large portion of Los Angeles County neighborhoods, with more socioeconomically disadvantaged, African American neighborhoods being more heavily targeted. Communities experiencing economic stress, including higher foreclosure rates during the recession and its aftermath and declining rental housing affordability, also were more heavily targeted by Invitation Homes, though we found no association between the location of Invitation Homes properties and gentrified communities, as measured by our Gentrification Index.[1] Overall, these results offer insight into where Invitation Homes has rooted into the Los Angeles County housing market, an issue that warrants ongoing monitoring and additional research to inform policy.

The report proceeds as follows. We first tell the story of Invitation Homes, and how the company became the nation's largest single-family landlord. Next, we review the data and methods used in the research. The rest of the report describes where and to what extent Invitation Homes penetrated the Los Angeles County housing market during the 2010s. We conclude by revisiting our key findings and offering guidance for policy and further research into this important phenomenon.

A Primer on Invitation Homes

Invitation Homes is the nation's largest single-family landlord, with a stock of about 80,800 homes in 2019 (Eisfeldt & Demers, 2018; Colburn et al., 2019). The firm was created in 2012 by The Blackstone Group, which is an international asset manager that was an early leader in converting foreclosures to rentals in the late 2000s (Colburn et al., 2019; Invitation Homes Inc., 2017). The firms' homes were packaged into a Real Estate Investment Trust, a publicly traded security backed by rents. By 2017, Invitation Homes had acquired another large single-family investor, Starwood Waypoint, becoming the nation's largest landlord of publicly traded single-family homes.

Invitation Homes owned about 8,300 homes in Southern California in early 2019, which far exceeded the number of homes owned by the next largest institutional investors, American Homes 4 Rent and Tricon American Homes, which owned about 330 and 280 homes respectively (Colburn et al., 2019). About 10% of the single-family homes that the company owns are located in Southern California; other regions with similar or slightly larger shares include Atlanta (15%), South Florida (11%), Tampa (10%), and Phoenix (9%) (Colburn et al., 2019). Southern California's housing market exhibits many of Invitation Homes' desired characteristics, including low housing growth and strong job growth, household formation, and net operating income (NOI) growth (Invitation Homes Inc., 2018). Recently, Invitation Homes has begun to sell some of its single-family homes in an effort to profit from rising home values. The total value of sales made by the nation's largest single-family landlords from 2015 to 2018 was about $3 billion (Colburn et al., 2019).

Nationwide, Invitation Homes has invested an average of about $226k per home and charged an average rent of about $1,735, the highest rates among its competitors, a function in part of its focus on higher cost housing markets in California (Colburn et al., 2019). Rents charged by Invitation Homes also typically are higher and have risen faster than the median gross rents in their respective markets (Colburn et al., 2019). Invitation Homes strives for "local density" in their target markets, which allows them to realize

[1] There are many indices on gentrification. For instance, see the 2017 comparison by Chris Bouquet at: https://datasmart.ash.harvard.edu/news/article/where-is-gentrification-happening-in-your-city-1055

"operating benefits" from "economies of scale" (Invitation Homes Inc., 2017: 7). This strategy allows them to use a standardized approach to property management, which includes automated tenant screening and rent payments and daily monitoring of payment delinquencies (Invitation Homes Inc., 2018).

Research Approach

We identified single-family rentals owned by Invitation homes using the 2013 and 2017 Los Angeles County Assessors data (County of Los Angeles, 2013, 2017). First, we used information on Invitation Homes' rental listings in late February 2019 to identify their subsidiaries that own properties in Los Angeles County.[2] This was accomplished by matching the rental listing addresses with parcel record addresses and noting the property owner of the parcel, which allowed us to develop a list of Invitation Homes' subsidiaries. Next, we identified all properties owned by these subsidiaries in the parcel data. We limited the sample to single-family detached homes using information on the parcel "use code."[3] Finally, we matched a property's 2017 and 2013 listings in the parcel data to identify changes in the characteristics of the property during this time.

We identified the neighborhoods where Invitation Homes single-family rentals were located by using geocoding to attach parcels to their census tracts, which is our proxy for neighborhoods. Then, we connected information on neighborhood demographic and socioeconomic change using the UCLA Center for Neighborhood Knowledge's 2000 to 2015 Gentrification Index (Chapple et al. 2017). The index accounts for whether or not a previously disadvantaged neighborhood became rapidly more advantaged from 2000 to 2015.[4] Additional information on neighborhood demographic, economic and housing market conditions, such as race and ethnicity, income and poverty, educational attainment, job density, tenure, rent, and receipt of housing subsidies, were obtained from the Gentrification Index data set. Information on neighborhoods' single-family detached

---

[2] We are grateful to Rebecca J. Walter for suggesting this technique. See https://www.invitationhomes.com/ . We initially planned to capture properties owned by two other Wall Street landlords—Tricon and American Homes 4 Rent. However, these companies seemed to have a very small presence in Los Angeles County. Tricon only had one rental listing in Los Angeles County in mid-March 2019; American Homes 4 Rent had no rental listings in Los Angeles County at that time, though the company had 347 rentals available elsewhere in Southern California (e.g., the Inland Empire). See https://www.triconamericanhomes.com/ and https://www.americanhomes4rent.com/.

[3] Based on "use_cde" and "use_code" designations in the 2013 and 2017 data sets respectively. We used the LA County Office of the Assessor's "Real Property Handbook Property Use Classification and Building Design Type Classification" document to code single-family detached properties (County of Los Angeles, 2009). Single-family designated units in condominiums, townhomes, or high rise buildings are not included. About 4% (145) of properties owned by Invitation Homes in 2017 were of these types. Modular homes, cooperatives, Mills Act properties, and own-your-own properties are included. Note: the 2017 parcel data had a high number of missing values (558,921) for the "use_code" category. The problem originates with the original access file. 2013 codes were used to identify 2017 properties. Properties that changed use will be improperly identified, while new construction may have missing use code. Only an estimated 0.3% of properties changed used; further, only 1.3% of parcels didn't appear in 2013 data (new construction or subdivisions), which indicates that the extent of error is likely negligible.

[4] Gentrifying neighborhoods had the following criteria in 2000: 1) Population of at least 500 residents and 2) exhibited at least three of the following four conditions: a) greater % of households earning below 80% of county median than the county; b) lower % of adults college educated than the county; c) higher % of renters than the county; and d) higher % of people nonwhite than the county. These neighborhoods were considered "gentrified" if they met the following criteria from 2000 to 2015: 1) greater change in % college educated people than county; 2) greater change in % non-Hispanic white than county; 3) greater change in median household income than county; and 4) greater change in median gross rent than county (Chapple et al. 2017).

homes was obtained from the U.S. Census Bureau's 2013 - 2017 5 year American Community Survey estimates (U.S. Census Bureau 2018). Neighborhood foreclosure rates from 2007 to 2012 per 1,000 households in 2010 were obtained from DataQuick (now part of CoreLogic), a provider of real estate information in the United States, and the U.S. Census Bureau's 2010 5-year American Community Survey Estimates (DataQuick, 2012; U.S. Census Bureau 2010).

Method

We mainly used spatial analysis and descriptive statistics to understand the kinds of communities where Invitation Homes single-family rentals were located in 2017. We identified parcel conditions unique to Invitation Homes-owned single-family rentals by using t-tests to calculate differences in means and proportions between single-family homes that were owned and not owned by Invitation Homes. Next, we examined differences among neighborhoods with and without single-family homes owned by Invitation Homes. We also used logistic regression analysis to further isolate the role of demographic and housing market conditions on the likelihood of a neighborhood experiencing investment from Invitation Homes, holding other related factors constant.

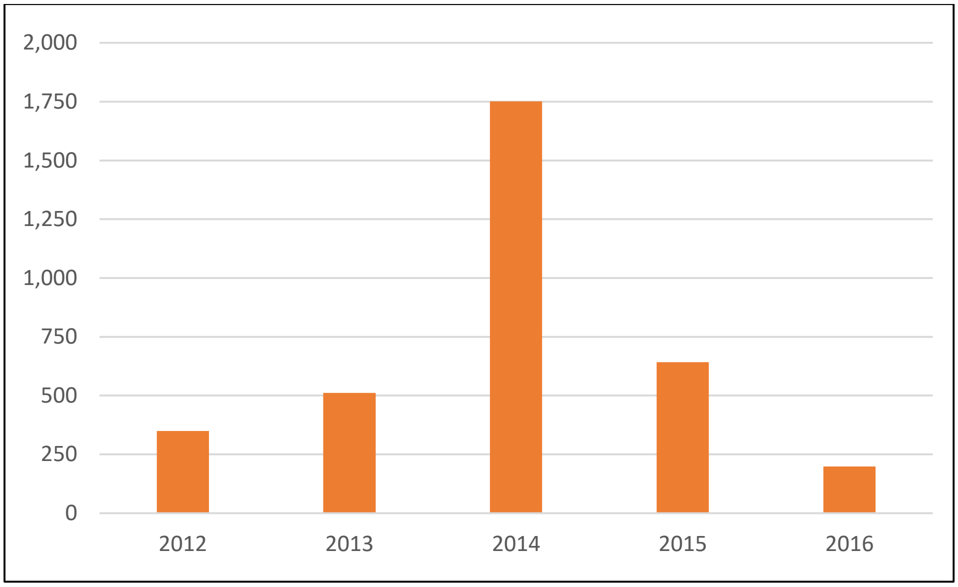
<u>Acquisition Trends</u>

Invitation Homes owned an estimated 3,455 properties in Los Angeles County in 2017. Invitation Homes (and related companies) acquired most of their properties between 2012 and 2016, with 2014 being the most frequent year of purchase (see Figure 1). Almost all of these properties were purchased from an individual owner (91%); we estimate that about 57% of these individuals were likely owner occupants, as signified by having the same mailing and property address.[5] These likely owner occupants had owned their homes for about ten years on average in 2013.

Single-family homes owned by Invitation Homes differed from other kinds of single-family homes in several notable ways (see Table 1). Invitation Homes properties were newer (year built of 1960 vs. 1955) and smaller (1,632 sqft vs. 1,778 sqft) on average than other properties. In turn, although single-family homes owned by Invitation Homes had lower assessed improvement and land value than single-family homes owned by others, they experienced greater change in their assessed land and improvement values from 2013 to 2017 (169% vs. 124% and 101% vs. 64% respectively).

[5] Individual owners were defined as property owners with surnames; they include family trust and estate ownership structures. About 50% of Invitation owned parcels were missing information on the 2013 mailing address for the property tax bill (1,713 of 3,455). Thus, the estimate of likely owner occupied properties may be severely biased.

Figure 1: Invitation Homes Acquisition Activity



Source: 2017 Parcel Data
Note: Two properties were acquired prior to 2012.

Table 1: Property Characteristics of Single-Family Detached Homes Owned and Not Owned by Invitation Homes, 2017

Characteristics	Mean	Standard Deviation	T-Tests of Differences in Means and Proportions: Invitation Homes-Owned	T-Tests of Differences in Means and Proportions: Not Invitation Homes Owned
Year Built	1955	22	1960***	1955***
Square Footage	1,777	971	1,632***	1,778***
Assessed Land Value	$282,329	$539,041	$188,510***	$282,550***
Assessed Improvement Value	$176,596	$277,911	$131,482***	$176,702***
Change in Assessed Land Value from 2013 (%)	125	32,034	169	124
Change in Assessed Improvement Value from 2013 (%)	64	9,286	101	64
N	1,410,916	1,410,916	3,305	1,407,611

Source: 2017, 2013 Parcel Data

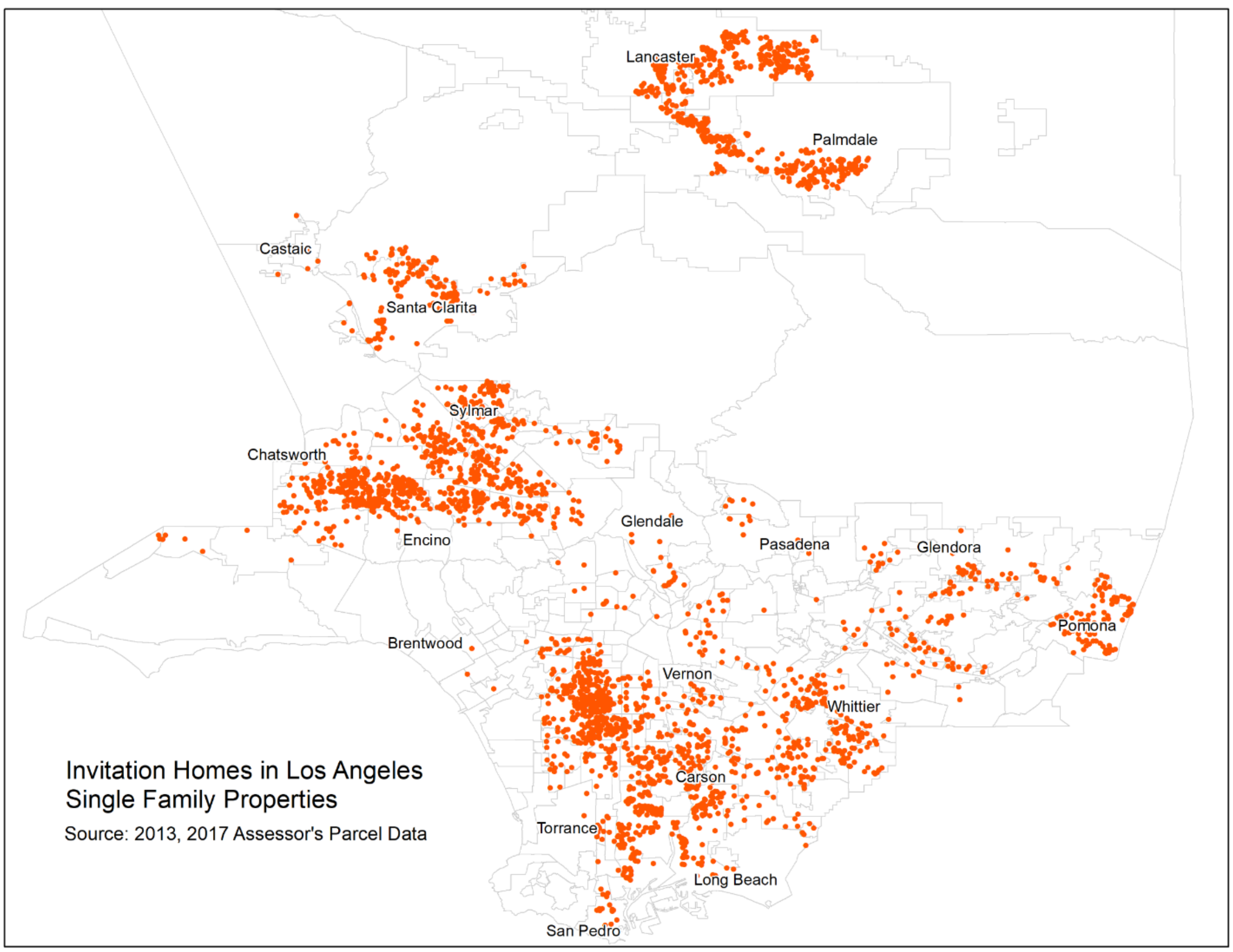
*** p<0.001 ** p<0.01 * p<0.05

Note: About 0.6% of properties, including five Invitation Homes properties, were missing information on property characteristics

Neighborhood Targeting

Homes owned by Invitation Homes were at once widely spread among Los Angeles County neighborhoods and more concentrated in particular kinds of communities. Invitation Homes had a presence in about 40% of Los Angeles County neighborhoods in 2017. In most neighborhoods, Invitation Homes owned only a few single-family detached homes (between 1 and 25), which accounted for a very small proportion of their single-family detached housing stock. However, in 75 neighborhoods (3% of the county's neighborhoods), Invitation Homes properties accounted for at least 1% of the single-family detached housing stock (between 1 and 65 homes). A neighborhood in Lancaster had the largest number of single-family homes owned by Invitation Homes (63; about 2% of the single-family detached housing stock). A neighborhood in Los Angeles, which is located just to the southwest of Los Angeles City College, bounded by Melrose, Normandie, Rosewood, and Vermont, had the greatest concentration of single-family detached homes owned by Invitation Homes (4%; 2 of 49 homes). Figure 2 illustrates how Invitation Homes' single-family properties are spatially distributed across Los Angeles County.

Figure 2: Spatial Distribution of Invitation Homes Single-Family Properties



There were notable differences in the conditions of neighborhoods targeted and not targeted by Invitation Homes (see Table 2). Neighborhoods targeted by Invitation Homes were more likely to be African American or Latino communities. About 62% and 5% of Invitation Homes-targeted neighborhoods were majority Latino and African American respectively, compared to only 38% and 1% of non-targeted neighborhoods respectively. Neighborhoods targeted by Invitation Homes also were somewhat more socioeconomically disadvantaged. These communities had on average lower proportions of adults with college degrees (20% vs. 35%) and higher proportions of adults lacking high school degrees (28% vs. 22%). Median household incomes were lower in neighborhoods with homes owned by Invitation Homes ($57k vs. $63k).

Neighborhoods targeted by Invitation Homes also had much higher foreclosure rates during the Great Recession and its aftermath. An estimated 78 of every 1,000 households in Invitation Homes-targeted neighborhoods experienced foreclosure, compared to only 29 of every 1,000 households in non-targeted neighborhoods. We estimate that about 61% of Invitation Homes-owned properties underwent foreclosure between 2007 and 2012.

Finally, neighborhoods with homes owned by Invitation Homes also conveyed more suburban characteristics than neighborhoods without homes owned by Invitation Homes. These communities had on average lower population density (11,600 vs. 15,100 people per square mile) and job density (2,300 vs. 5,900 jobs per square mile). Households in these communities were less likely to be renters (average of 46% vs. 59%). Notably, renters in Invitation Homes-targeted communities paid less in rent ($1,337 vs. $1,411 on average) and were more likely to receive federal housing subsidies (3% vs. 2%) but also were more likely to shoulder housing burdens (59% vs. 55% of renters paid at least 30% of income on rent).

There is no statistical association between the location of Invitation Homes properties and gentrified neighborhoods in Los Angeles County. Neighborhoods with at least one home purchased by Invitation Homes as of 2017 were less likely to have experienced gentrification from 2000 to 2015 (3% vs. 5%). However, there is evidence that Invitation Homes targeted communities experiencing economic stress. The percent of renters shouldering housing burdens rose faster in these communities on average (14 vs. 12 percentage point change from 2000 to 2015), an outcome potentially influenced by the steeper declines in median household incomes experienced by these communities (-$5,400 vs. -$3,200). These communities also experienced slower increases in their college-educated populations (4 vs. 7 percentage point change) and greater decreases in their non-Hispanic White populations (-6 vs. -3 percentage point change).

The trends described above mostly hold when comparing neighborhoods with and without more concentrated Invitation Homes ownership (at least 1% of single-family detached homes Invitation Homes-owned) (see Table 2). What's notable is that African American communities, along with more socioeconomically disadvantaged communities, have been more heavily targeted by Invitation Homes. More than 1 in 7 neighborhoods with more concentrated Invitation Homes ownership were majority African American in 2015, compared to only 1 in 50 neighborhoods with less concentrated Invitation Homes ownership. Further, none of the more heavily targeted Invitation Homes neighborhoods were majority Asian.

Socioeconomic differences also are starker comparing the more and less targeted neighborhoods. Neighborhoods with more concentrated Invitation Homes properties were much harder hit by the foreclosure crisis. An estimated 131 of every 1,000 households experienced foreclosure in these neighborhoods compared to 46 of every 1,000 in other neighborhoods. The more targeted communities also had on average slightly higher poverty rates (22% vs. 19%) and lower median household incomes ($50k vs. $61k). These communities also were home to a higher proportion of renters with federal housing subsidies (5% vs 3%) and received greater growth in these renters from 2000 to 2015 (2 vs. 1 percentage point increase). Finally, none of the more targeted neighborhoods gentrified from 2000 to 2015, compared to 4% of the less targeted neighborhoods.

Table 3 more precisely conveys the factors associated with the likelihood of a neighborhood having single-family homes owned by Invitation Homes by comparing places with otherwise similar characteristics. Again, we see that the neighborhood's racial composition and experience of economic stress strongly predict an Invitation Homes presence. The odds of having Invitation Homes properties was about 6 times higher in African American neighborhoods than in non-Hispanic white neighborhoods, holding other factors constant. Latino and racially and ethnically diverse communities also experienced an increase odds of Invitation Homes investment (about two times the odds experienced by non-Hispanic white neighborhoods). In contrast, Asian neighborhoods had much lower odds of having Invitation Homes-owned properties. Neighborhoods that were harder hit by the recent foreclosure crisis and experienced hotter rental housing markets in its aftermath (with attendant renter affordability challenges) also were more likely to have an Invitation Homes presence. A one standard deviation increase in the proportion of renters paying 30% or more of their income on rent in 2015 (about 13 percentage points) was associated with a 33% increase in the odds of having Invitation Homes-owned properties. Notably, whether or not a neighborhood gentrified between 2000 to 2015 was unrelated to the odds of experiencing investment from Invitation Homes.

Table 2: Characteristics of Neighborhoods in 2015 With and Without Single-Family Detached Homes Owned by Invitation Homes in 2017

Characteristics	Mean	Standard Deviation	T-Tests of Differences in Means and Proportions			
			With IH-Owned Properties	No IH-Owned Properties	At Least 1% Owned by IH	Less Than 1% Owned by IH
Population						
Population	4,354	1,453	4,705***	4,122***	4,678	4,344
Population density (per square mile)	13,712	11,164	11,568***	15,132***	13,553	13,717
Non-Hispanic White (%)	27	26	20***	32***	20***	27***
Black or African American (%)	8	13	11***	6***	20***	8***
Hispanic or Latino (%)	48	29	57***	42***	52	48
Asian (%)	14	16	9***	17***	7***	14***
Racial or Ethnic Majority						
Non-Hispanic White (%)	24	N/A	13***	31***	5***	25***
Black or African American (%)	3	N/A	5***	1***	15***	2***
Hispanic or Latino (%)	47	N/A	62***	38***	56	47
Asian (%)	5	N/A	1***	8***	0***	5***
None (%)	21	N/A	19	22	23	21
Adults (25+) with <HS Diploma (%)	24	18	28***	22***	27*	24*
Adults (25+) with College Degree (%)	29	21	20***	35***	17***	29***
Individual Poverty Rate (%)	19	12	19	19	22**	19**
Median Household Income (2015 $)	$60,685	$30,373	$56,989***	$63,135***	$49,879***	$61,042***
Disadvantaged Neighborhood, 2000-2015 (%)	41	N/A	41	40	45	40

Characteristics	Mean	Standard Deviation	T-Tests of Differences in Means and Proportions			
			With IH-Owned Properties	No IH-Owned Properties	At Least 1% Owned by IH	Less Than 1% Owned by IH
Employment						
Total Jobs (#)	1,821	4,566	1,359***	2,127***	1,063**	1.846**
Job Density (jobs/sqmi)	4,467	12,852	2,293***	5,908***	2,145***	4,543**
Housing Market						
Renter Households (%)	54	26	46***	59***	51	54
Median Gross Rent ($)	$1,381	$467	$1,337***	$1,411***	$1,247***	$1,386***
Section 8 Households (%)	3	4	3***	2***	5***	3***
Burdened Renter Households (%)	56	13	59***	55***	61***	56***
Foreclosures per 1,000 Households (2007-12)	49	57	78***	29***	131***	46***
Neighborhood Change, 2000-2015 (% pt)						
Change in Non-Hispanic Whites	-4	9	-6***	-3***	-8*	-4*
Change in Population with <HS Diploma	-8	8	-9	-8	-7	-9
Change in College-Educated Adults	6	7	4***	7***	3***	6***
Change in Median Household Income	-$4,080	$12,723	-$5,448***	-3,173***	-$3,989**	-$6,828**
Change in Median Gross Rent	$285	$257	$284	$285	$293	$285
Change in Section 8 households	1	2	1	1	2**	1**
Change in Rent Burdened Households	13	13	14**	12**	15	13
Gentrified, 2000-2015 (%)	4	N/A	3**	5**	0***	4***
N	2,278	2,278	908	1,370	73	2,205

Source: County of Los Angeles (2013, 2017); Chapple et al. (2017); U.S. Census Bureau (2018, 2010); DataQuick (2012)

*** p<0.001 ** p<0.01 * p<0.05

Note 68 (about 3%) of the county's neighborhoods, including 11 (1%) neighborhoods with Invitation Homes single family properties, were missing information on one or more of the neighborhood characteristics. Neighborhoods with missing values were excluded from the analysis.

Table 3: Factors Associated with the Odds of a Los Angeles County Neighborhood Having Invitation Homes Single-Family Properties, 2017

Characteristics	Odds of Having Invitation Homes-Owned Properties
Population	
Racial or Ethnic Majority, 2015	
Black or African American	6.354*** (2.760)
Hispanic or Latino	2.374*** (0.462)
Asian	0.202** (0.098)
None	1.540* (0.281)
Non-Hispanic White (Omitted)	
Median Household Income, 2015 (Ln)	1.420 (0.385)
Change in Median Household Income, 2000-15 (2015 $)	0.999 (0.000)
Employment	
Job Density, 2015 (jobs/sqmi)	0.999** (0.000)
Housing Market	
Median Gross Rent, 2015	0.999 (0.000)
Change in Median Gross Rent, 2000-15 (2015 $)	1.001* (0.000)
Burdened Renter Households, 2015	9.038** (7.106)
Change in Rent Burdened Households, 2000 - 2015	0.200* (0.132)
Foreclosures per 1,000 Households (2007 - 2012) (Ln)	3.931*** (0.317)
Gentrified, 2000-2015	0.778 (0.233)
Constant	0.000** (0.000)
LR chi2	947.080
Prob > chi2	0.000
N	2,278

Source: County of Los Angeles (2013, 2017); Chapple et al. (2017); U.S. Census Bureau (2018, 2010); DataQuick (2012); *** p<0.001 ** p<0.01 * p<0.05; standard errors in parentheses. Note 68 (about 3%) of the county's neighborhoods, including 11 (1%) neighborhoods with Invitation Homes single family properties, were missing information on one or more of the neighborhood characteristics. Neighborhoods with missing values were excluded from the analysis.

*Corresponding author. Associate Professor, School of Geographical Sciences and Urban Planning at Arizona State University, deirdre.pfeiffer@asu.edu

We are grateful to Norman de la Fuente for his research assistance, Rebecca J. Walter for her guidance on research methods, and the Howard and Irene Levine Program in Housing and Social Responsibility at the UCLA Ziman Center for Real Estate for their support. The authors alone are responsible for the content.

Conclusion & Implications

This paper has offered insight into the growing role that Invitation Homes, a large institutional landlord of single-family homes, is playing in the Los Angeles County housing market. Our findings indicate that Invitation Homes' reach is both wide and narrow. The company had a presence in a large portion of the county's neighborhoods, yet its investments also were more concentrated in certain kinds of communities. We find that neighborhoods with a higher share of African Americans, as well as those experiencing economic stress, were more likely to have single-family homes acquired by Invitation Homes during the 2010s. Neighborhoods that gentrified from 2000 to 2015 were unexpectedly less likely to experience investment from Invitation Homes. However, there is evidence that Invitation Homes targeted communities experiencing economic stress and there is mixed indication of upscaling in targeted neighborhoods. This pattern makes sense as investing in gentrified neighborhoods limits "the bang for your buck" as home prices may already be too high.

This research has several limitations that should be noted and addressed in future research. First, we only considered one corporate entity—Invitation Homes, a subsidiary of The Blackstone Group. A second limitation is we may not have identified all subsidiaries, and as a result we may be undercounting the number of properties owned by Invitation Homes. Methodologically, we did not account for spatial correlation in our models. Another limitation is related to the change in assessed property values, which do not reflect market values due to Proposition 13. Finally, the gentrification index used is only one measure of neighborhood change and stability; other measures of neighborhood change should be considered in future research.

Further monitoring Invitation Homes, and other corporate institutions, and understanding their impact on households and neighborhoods is an important direction for further research. One question is whether or not institutional landlords of single family homes have "pricing power" over rents or home prices in the communities where they are more concentrated. Another question concerns the implications of increased institutional single-family ownership on would-be homeowners and communities given the high housing costs in the region.

Homeownership is the main source of wealth building for households. However, Los Angeles County has the lowest homeownership rate among the nation's largest metropolitan areas (Ong et al., 2015; Joint Center for Housing Studies, 2019). The County's housing market is already distorted by the buying power of a wealthy few, and not enough housing supply is made available at prices that are affordable to those with stagnant incomes (Ong et al., 2015). The increasing disposition of institutional home ownership raises an important social equity consideration for the future of homeownership and who is included.

References

Amherst Capital Management. 2016. *U.S. Single-Family Rental – An Emerging Institutional Asset Class*. New York, NY: Amherst Capital Management

Chapple, Karen, Waddell, Paul, Chatman, Daniel, Zuk, Miriam, Loukaitous-Sideris, Anastasia, Ong, Paul, Gonzalez, Silvia R., Pech, Chhandara, and Gorska, Karolina. 2017. *Developing a New Methodology for Analyzing Potential Displacement*. Prepared for the California Air Resources Board and the California Environmental Protection Agency. ARB Agreement No. 13-310. April 26. Los Angeles and Berkeley, CA: University of California, Berkeley and University of California, Los Angeles.

Colburn, Gregg, Rebecca Walter, and Deirdre Pfeiffer. "Capitalizing on Collapse: An Analysis of Institutional Single-Family Rental Investors." Working Paper. Presentation given at Urban Affairs Association Conference, April, Los Angeles, CA.

CoreLogic. (2014). *National Foreclosure Report*. August. Irvine, CA: CoreLogic.

County of Los Angeles. N.D. *Real Property Handbook Property Use Classification and Building Design Type Classification*. 5232-1-4. Los Angeles, CA: Office of the Assessor, County of Los Angeles.

County of Los Angeles. 2009. "Real Property Handbook Property Use Classification and Building Design Type Classification." Office of the County Assessor. Retrieved from: http://egis3.lacounty.gov/dataportal/wp-content/uploads/2009/12/usecodes-chart.pdf

County of Los Angeles. 2013. Secured Local Roll. Office of the County Assessor.

County of Los Angeles. 2017. Secured Local Roll. Office of the County Assessor.

DataQuick. 2012. 2007–2012 Foreclosures Data Extract. San Francisco: Core Logic.

Eisfeldt, Andrea and Andrew Demers. 2018. *Total Returns to Single Family Rentals*. Working Paper 21804. Cambridge, MA: National Bureau of Economic Research.

Fields, D. (2014). The rise of the corporate landlord: The institutionalization of the single- family rental market and potential impacts on renters. Report by the Homes For All Campaign of Right To The City Alliance. Brooklyn, NY: Right To The City Alliance.

Goodman, L., & Kaul, K. (2017). Fannie Mae's financing of single-family rentals: Good pilot, but plenty to think about. Urban Institute Notes February. Washington, D.C.: Urban Institute.

Immergluck, Dan. 2018. "Renting the Dream: The Rise of Single-Family Rentership in the Sunbelt Metropolis." *Housing Policy Debate* DOI: 10.1080/10511482.2018.1460385

Invitation Homes Inc. 2018. Form 10-K Annual Report. New York: U.S. Securities and Exchange Commission.

Invitation Homes Inc. 2017. Form 10-K Annual Report. New York: U.S. Securities and Exchange Commission.

Joint Center for Housing Studies. 2019. The State of the Nation's Housing 2019. Cambridge, MA: Harvard University

Mills, James, Raven Molloy, and Rebecca Zarutskie. 2017. "Large-Scale Buy-to-

Rent Investors in the Single-Family Housing Market: The Emergence of a New Asset Class." *Real Estate Economics*. DOI: 10.1111/1540-6229.12189
Molloy, Raven, & Zarutskie, Rebecca (2013, December 5). Business investor activity in the single-family-housing market. FEDS Notes. Retrieved from http://www.federalreserve.gov/econresdata/notes/feds-notes/2013/business-investor-activity-in-the-single-family-housing-market-20131205.html
Ong, Paul, Chhandara Pech, and Deirdre Pfeiffer. 2013. "The Foreclosure Crisis in Los Angeles." In *2013 California Policy Options*, edited by Dan Mitchell. Los Angeles, CA: Luskin School of Public Affairs, UCLA.
Ong, Paul, Ray, R., and Silvia Jimenez. 2015. "Impacts of the Widening Divide: Why is LA's Homeownership Rate So Low?" UCLA Ziman Center for Real Estate Working Paper Series. Los Angeles, CA: Center for the Study of Inequality, UCLA Luskin School of Public Affairs.
Ray, R., Ong, P., & Jimenez, S. (2014). Impacts of the Widening Divide: Los Angeles at the Forefront of the Rent Burden Crisis. UCLA Luskin School of Public Affairs: Center for the Study of Inequality, 1-20. UCLA Ziman Center for Real Estate Working Paper Series.
Raymond, E. L., R. Duckworth, B. Miller, M. Lucas, and S. Pokharel. 2018. "From Foreclosure to Eviction: Housing Insecurity in Corporate-Owned Single Family Rentals." *Cityscape: A Journal of Policy Development and Research* 20 (3): 159–88.
Reid, Carolina K., Rocio Sanchez-Moyano, and Carol J. Galante. 2018. *The Rise of Single-Family Rentals after the Foreclosure Crisis: Understanding Tenant Perspectives*. Berkeley, CA: Terner Center, University of California Berkeley.
U.S. Census Bureau. 2018. *American Community Survey 5-Year Estimates*. Washington, D.C.: U.S. Census Bureau.
U.S. Census Bureau. 2010. *American Community Survey 5-Year Estimates*. Washington, D.C.: U.S. Census Bureau.