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Monthly condensed analyses of crucial real estate and economic issues offered by UCLA Anderson Forecast and UCLA Ziman Center for Real Estate. In this July 2022 Letter, researchers from UCLA Center for Neighborhood Knowledge analyze corporate ownership of single-family homes in California's San Joaquin Valley.

This Economic Letter is extracted from a larger report: Patterns of Corporate Ownership of Single-Family Home Rentals: San Joaquin County.

Patterns of Corporate Home Buying:

Home ownership is increasingly out of reach for disadvantaged renters in the San Joaquin Valley

By Paul M. Ong, Anne Yoon, Silvia Gonzalez, and Chhandara Pech

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During the COVID-19 public health crisis, communities of color and other disadvantaged neighborhoods have shouldered increased housing vulnerability and insecurity. The housing crisis, however, is not new, and one contributing factor over the previous decades is increased corporate ownership of homes, including single-family units.

In this brief, we analyze the trends, ownership patterns, and geographic distribution of single-family home (SFH) rentals in San Joaquin County and Stockton. Our main findings are:

- Single-family home rentals were on a decline in the 1980s and 1990s, but this trend has reversed. Several factors brought the share of single-family home rentals to 1970 levels and it remained constant in subsequent years.

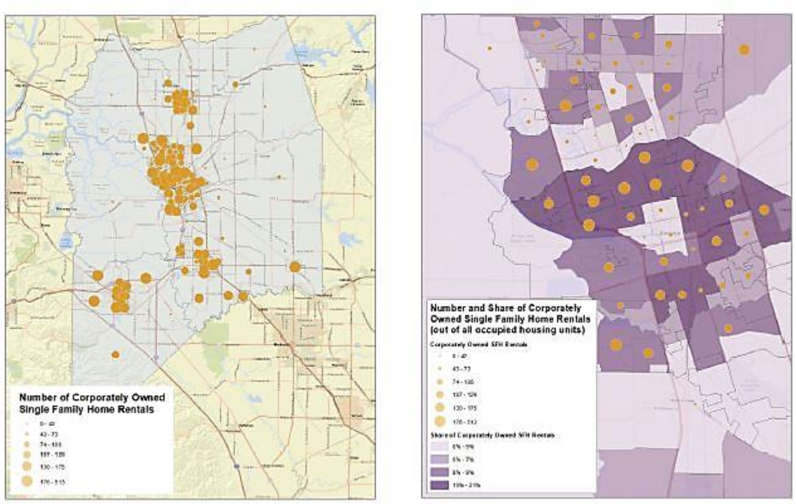
- The reversal was due to the foreclosure crisis, in tandem with increasing unemployment rates, low levels of affordability, changing demographics and preferences, and new corporate entities in the single-family rental market.
- At least 5% of single-family home rentals are owned by landlords with more than 25 single-family homes each, but this may underestimate the share held by large corporate investors who operate through a network of affiliated legal entities.
- A large majority of SFH rentals are owned by small and modest size investors, posing a different set of challenges in landlord-tenant relationships.
- Households renting single-family homes are more likely to be Hispanic, low income, and with limited English proficiency. For many, their median gross rents are more than monthly costs for homeowners.
- There is a clear north-south divide along Highway 4 in Stockton: Neighborhoods in the southern part have the greatest share of SFH rentals, are more likely to have higher poverty rates, and be Hispanic majority communities.

Corporate buying of single-family homes is not a new phenomenon, and this pattern increased dramatically in the aftermath of the 2008 housing crisis. By 2014, almost seven million households were displaced by foreclosures. Large corporations, real estate firms, and financial institutions capitalized on the crisis, seeing investment opportunities in these properties. Acquiring thousands of single-family homes, corporations created single-family rentals as a new asset class and investment vehicle, fundamentally shifting the structure of residential property ownership. In some markets, new SFH rental corporate vehicles have dramatically reduced the supply of and increased the pricing of available single-family homes for sale, placing these units further out of reach of affordability-constrained households.

> *"The extractive practices of corporate landlords are putting tenancy in harmful and precarious conditions, and transforming the housing market that is making homeownership and asset accumulation more difficult."*

The growing investor-ownership and consolidation of single-family homes is a particular concern for communities of color. Research on the foreclosure crisis in Los Angeles found the loss of homes disproportionately impacted low-income and minority neighborhoods. Moreover, corporate investors snapped up a significant number of the distressed properties in working-class communities of color, a pattern that is repeated in many regions of the country. Speculative real estate investments put homeownership out of reach for many residents of color, which in turn is widening the racial wealth gap. Corporate-owned single-family properties are also associated with property mismanagement, rent hikes, and evictions. For example, research evaluating landlord practices in Atlanta found that corporate landlords were more likely to evict their tenants than other landlords with similar tenants, property, and neighborhood characteristics.

NUMBER AND SHARE OF CORPORATELY OWNED SINGLE FAMILY HOME RENTALS, SAN JOAQUIN COUNTY AND STOCKTON



Source: Author Tabulations of Parcel Data

The literature is less clear on how corporate investors have affected places beyond the major metropolises. We provide some insights by examining corporate ownership of single-family rentals in San Joaquin County, one of California's smaller regions. Specifically, we analyze disparate concentrations across neighborhoods. Using property data provided by the San Joaquin County Assessor's Office, we conduct two analyses on concentration. First, we provide an overview of landlord types of single-family rentals and identify neighborhoods facing disproportionate concentrations. Second, we use bivariate analysis to examine economic, housing, and ethnoracial characteristics in areas with the highest concentrations. Our findings show that single-family homes are held by a diversity of investors by portfolio size.

Among SFH rentals, half are owned by landlords with only one property. Mom-and-pop operations (owning 2 - 4 units) make up the second largest share of absentee owners. Five percent are owned by landlords with more than 25 SFH rental units. When reviewing owners with five or more properties, we find that moderate size operators (owning 5 - 25 units) account for approximately 16% of absentee owners. While large national corporations do operate in the county, we do not find much evidence of a significant holding by these entities. They comprise about 5% of absentee owners.

One of the limitations of the analysis of corporate ownership is that some investors operate under multiple corporate names; consequently, the parcel data underestimates the degree of corporate ownership. While it is beyond the scope of this project to conduct the time-consuming tasks of tracing investment networks, we provide an example of one national network operating in San Joaquin and one local network to exemplify possible corporate concentration. For the national network, we identified four incorporated entities affiliated with the national corporation, for a total of 73 SFH rentals. For the local network, we identified four affiliated entities, which together owns 169 SFH rentals. It should be noted that these estimates may be on the low side because there may be other unidentified affiliates of the national network and local network.

SINGLE-FAMILY HOME RENTERS

Compared to households that are owner-occupied, households that rent single-family homes are more than twice as likely to be Hispanic, living in poverty, and with limited English proficiency. Hispanic households make up the largest share of renters by race (46%), followed by non-Hispanic whites (31%). For owner-occupied households, the trend is reversed such that non- Hispanic whites represent the greatest share (48%), followed by Hispanic households (27%). Households renting single-family homes on average make 40% ($30,000) less than owner occupied households. However, rental households pay more in median gross rent ($1,583) than owner occupied households pay in monthly owner costs ($1,550).

NEIGHBORHOOD CHARACTERISTICS BY SINGLE FAMILY HOME RENTALS AS PERCENT OF ALL OCCUPIED HOUSING UNITS, SAN JOAQUIN COUNTY

San Joaquin County	Below 15% (Lowest Quartile)	15%-20%	20%- 28%	Above 28% (Highest Quartile)
Rentals				
Share of Single Family Rentals, Detached	11%	18%	24%	36%
Share of Rentals	46%	36%	39%	53%
Share of Other Rentals (Non-Single Family Rentals)	35%	19%	15%	17%
Race/Ethnicity				
Non Hispanic White	38%	36%	33%	21%
Black Or African American	9%	6%	6%	7%
Asian	14%	20%	17%	11%
Hispanic Or Latino	35%	32%	39%	58%
Other	4%	5%	4%	3%
Economic				
Poverty rate	15%	10%	12%	21%
Avg. Household income (in thousand dollars)	82.0	103.9	93.9	64.6
Unemployment Rate	8%	6%	7%	9%

Source: 2019 5-year ACS

The table summarizes the relationship between the concentration of SFH rentals and neighborhood characteristics by categorizing tracts into quartiles, ranging from the group with the lowest concentration of SFH rentals to the group with the highest. Level of concentration is defined as SFH rentals as a percent of all occupied housing units. Over a third of all occupied housing units are SFH rentals in the neighborhoods with the highest concentration (those in the top quartile). These neighborhoods are more economically disadvantaged and communities of color. They have the lowest average income, the highest poverty rates, and the highest unemployment rates. Moreover, these neighborhoods have a Hispanic majority and the lowest percent non-Hispanic Whites.

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