



TERRA LAWSON-REMER

VICE-CHAIR

SUPERVISOR, THIRD DISTRICT
SAN DIEGO COUNTY BOARD OF SUPERVISORS

AGENDA ITEM

DATE: July 16, 2024

TO: Board of Supervisors

SUBJECT

FIGHTING BACK AGAINST CORPORATE HOMEBUYERS AND WALL STREET LANDLORDS (DISTRICTS: ALL)

OVERVIEW

In recent years, an alarming trend has emerged where large corporations and Wall Street investors are increasingly buying up residential homes, driving up prices and exacerbating the housing affordability crisis. This practice not only puts homeownership out of reach for many aspiring buyers but also undermines the stability and diversity of communities. As corporations outbid individuals and small mom-and-pop landlords, the dream of owning a home becomes increasingly elusive, leading to higher rents and displacement of long-time residents.

The housing in our neighborhoods should be homes for people, not profit centers for Wall Street hedge funds. Yet, San Diego is ground zero for a growing trend of giant financial corporations buying up housing and driving up rent and home process.

This trend has sharply accelerated since the pandemic when low-interest rates fueled a [Wall Street frenzy](#), with private equity giants buying up homes and apartment buildings to squeeze for profit, leaving tenants and local communities left to pay the price. According to the Federal Trade Commission, rental prices are up nearly 20% since 2020, with the largest increases among low-to-middle tier apartments rented by lower-income residents. Rising shelter costs are responsible for two-thirds of the [inflation](#) pressure that is driving up the cost of living. This is due, in part, to the increasing use of algorithms by corporate landlords to unfairly set rental prices.

Corporations Limiting Homeownership Opportunities

Investor home sales hit an all-time high in the fourth quarter of 2023, with [35.2%](#) of California homes being sold directly to institutional investors, more than any other State in the Country.

SUBJECT: FIGHTING BACK AGAINST CORPORATE HOMEBUYERS AND WALL STREET LANDLORDS (DISTRICT: ALL)

This alarming trend is projected to increase with institutional investors forecasting a [10-fold increase](#) in corporate home buying by the end of the decade (from 700,000 single-family homes in 2022 to 7.6 million homes by 2030). These institutional investors use their huge capital reserves to make all cash offers and scoop up available properties. This reduces the already-slim inventory in the marketplace and creates a more acute affordability crunch for first-time homebuyers.

Corporation Fueling Rental Housing Price Increases

The impacts of this corporate home buying spree are also being felt in the rental market. As institutional investors gobble up more and more homes, they are serving as landlords to an increasing share of our residents. Blackstone is the largest residential landlord in the U.S., with an estimated 300,000 rental units in their portfolio. A [recent report](#) by the **Private Equity Stakeholder Project**, explains that institutional investors like Blackstone aim to maximize shareholder profits, which translates to maximum allowable rent increases, evictions, the rise of hidden fees, reduced investment in maintenance, and even efforts to influence state and local housing policy with the objective of increasing opportunities for profit at the expense of residents and communities. One Blackstone executive even noted that increasing evictions could serve as a “[cash flow growth possibility](#)”. These impacts are hitting communities across San Diego County, especially in [lower-income neighborhoods and communities of color](#).

In 2021, Blackstone acquired a portfolio of 66 buildings in San Diego, totaling approximately 5,600 units. These units were mostly naturally occurring affordable housing (NOAH), making them highly vulnerable to market pressures and potential displacement of residents. This acquisition put San Diego at the center of scrutiny regarding Blackstone's real estate activities, as concerns grew about increased rents and tenant displacement. In response, tenants organized the Blackstone Tenants Union to advocate for fair treatment and the preservation of affordable housing. This situation highlighted the challenges of protecting vulnerable communities in an era of increasing corporate real estate takeover.

Allegations of Price Fixing, Collusion, Tenant Harassment, and Illegal Price Increases

The Federal Trade Commission and the Department of Justice (DOJ) have filed a [joint legal brief](#) explaining that price fixing through algorithms is still price fixing, and that landlords and property managers cannot collude to set rental prices, including through the use of algorithms. The DOJ has opened up a criminal probe into one such company, RealPage, and the FBI recently [raided the headquarters](#) of a large corporate landlord in connection to the investigation. Numerous [lawsuits](#) across 10 states allege that owners, operators and managers of large residential multifamily complexes have abandoned their independent pricing based on supply and demand, and instead used algorithm based software, such as RealPage, to keep rental prices above market rates and share non-public, commercially sensitive information as part of the conspiracy. The landlords agreed to follow RealPage's pricing recommendations, on the

SUBJECT: FIGHTING BACK AGAINST CORPORATE HOMEBUYERS AND WALL STREET LANDLORDS (DISTRICT: ALL)

expectation that competing landlords would do the same. Price-fixing artificially inflates rental prices that burden tenants and distorts local housing markets.

California Attorney General Rob Bonta has also led on this issue, settling [a lawsuit](#) against corporate giant Invitation Homes, a spinoff corporation of Blackstone that owns over 80,000 homes, for price-gouging and unlawful rent increases.

Local governments have been slow to address these anti-competitive practices to protect residents and maintain fair housing markets. We need to act to hold corporate bad actors accountable, protect our communities from illegal business practices, and safeguard housing options for first-time homebuyers and working families.

Today's item recommends the County take action to fight back against the corporate takeover of our homes and neighborhoods and make housing more affordable and attainable for all San Diegans. It includes the following actions:

1. Analysis of Commercial Ownership of Single-Family Residential Properties in San Diego County. [A recent analysis](#) completed by the City of Fort Worth, Texas, found that 26% of all single-family detached homes were owned by commercial entities, including large corporations and institutional investors. The County should utilize data from property tax rolls to estimate the share of single-family detached homes owned by owner-occupants versus commercial entities like LLCs, banks, partnerships and look at single family detached property sales over the past 5 years to see trends in ownership.
2. Exploring affirmative litigation options against corporate bad actors and institutional investment firms to address allegations of price gouging, tenant harassment, and price-fixing across the San Diego County real estate market.
3. Explore opportunities for local ordinances and legislation that would address the increasing threats to renters, single-family homeowners, and mom and pop landlords posed by unfair and anti-competitive practices.

RECOMMENDATION(S)

VICE-CHAIR TERRA LAWSON-REMER

1. Direct the CAO to conduct an analysis of estimated commercial ownership of single-family detached residential properties across San Diego County, utilizing data from property tax rolls to estimate the share of single-family detached homes owned by owner-occupants versus commercial entities. The CAO should report back with this analysis within 90 days and include:
 - a. An analysis of single-family detached residential properties sold in San Diego County over each of the past 5 years, estimating the percentage purchased by owner-occupants versus commercial interest. Especially looking at single-family residences sold under \$1,000,000 to focus on the first-time homebuyer market segment.

SUBJECT: FIGHTING BACK AGAINST CORPORATE HOMEBUYERS AND WALL STREET LANDLORDS (DISTRICT: ALL)

- b. A geographic analysis (utilizing zip codes or other similar method) to show neighborhoods with concentrations of owner-occupants vs commercial interests.
2. Direct County Counsel, in consultation with the CAO, to explore options for initiating, pursuing, and/or joining litigation against corporate landlords and property firms to address allegations of anti-competitive, unfair, anti-tenant and anti-small home buyer allegations and activities, including but not limited to: tenant harassment, evictions, price gouging, price-fixing, collusion, etc. across the San Diego County real estate market, and regularly report back to the Board in an appropriate manner with recommendations regarding litigation options to address these types of allegations until litigation is filed and then as required. As part of this exploration, collaborate with community-based organizations and tenant advocacy organizations, including but not limited to, Alliance of Californians for Community Empowerment (ACCE), and Legal Aid Society of San Diego.
3. Direct the CAO to explore and report back within 180 days with options for County policies and ordinances that would bar anti-competitive behavior, price fixing and unlawful rent increases, and safeguard housing options for first-time homebuyers and working families. Including, but not limited to, exploring options barring the County from entering contracts with entities that use anti-competitive algorithmic devices to set rents or ensure occupancy levels in rental properties, either directly or through an agent, such as a property management firm.

EQUITY IMPACT STATEMENT

Rents and home prices continue to increase throughout San Diego County with incomes not keeping pace. A February 29, 2024, Zillow article noted that the annual household income needed to afford a mortgage for a typical home in the City of San Diego reached nearly \$275,000. Taking actions against corporate homebuyers and fighting back against allegations of price-fixing, collusion, and tenant harassment will increase housing security for low- and moderate-income tenants.

SUSTAINABILITY IMPACT STATEMENT

Today's proposed action supports the County of San Diego Sustainability Goal #2 to provide just and equitable access to services in support of sustainable communities. This will be accomplished by ensuring equitable access to affordable housing for low- and moderate-income households and by cultivating strong relationships with community partners.

FISCAL IMPACT

Funds for the actions requested in Recommendation 1 are included in the Fiscal Year 2024-25 Operational Plan based on existing staff time in the Assessor/Recorder/County Clerk funded by General Purpose Revenue. There will be no change in net General Fund cost and no additional staff years.

SUBJECT: FIGHTING BACK AGAINST CORPORATE HOMEBUYERS AND WALL STREET LANDLORDS (DISTRICT: ALL)

Funds for the actions requested in Recommendation 2 are included in the Fiscal Year 2024-25 Operational Plan based on existing staff time in County Counsel funded by General Purpose Revenue. There will be no change in net General Fund cost and no additional staff years. There may be fiscal impacts associated with future related recommendations which staff would return to the Board for consideration and approval.

There is no fiscal impact associated with Recommendations 3. There will be no change in net General Fund cost and no additional staff years.

BUSINESS IMPACT STATEMENT

Today's action will promote sustainable economic development and regional economic competition by promoting affordable and attainable housing which supports local economic activity.

ADVISORY BOARD STATEMENT

N/A

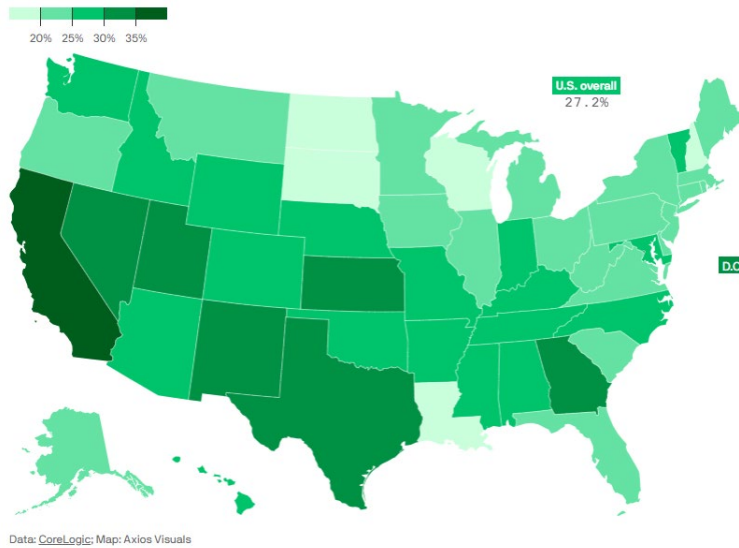
BACKGROUND

In recent years, the housing market has seen a troubling trend as corporate and institutional investors, such as private equity firms and large real estate conglomerates, have increasingly purchased homes in our communities. These entities, driven by the goal of maximizing shareholder profits, have acquired large portfolios of single-family homes and apartment buildings, outbidding individual first-time home buyers and small landlords. This aggressive acquisition strategy has significantly contributed to the inflation of housing prices, making homeownership unattainable for many aspiring buyers. Furthermore, as these corporations dominate the market, they reduce the availability of affordable housing, exacerbating the housing affordability crisis and displacing long-time residents. The result is a destabilized housing market where community diversity and stability are undermined, and the dream of owning a home becomes increasingly elusive for ordinary families.

Investor home sales hit an all-time high in the fourth quarter of 2023, with [35.2%](#) of California homes being sold directly to institutional investors, more than any other state in the Country. This is up from just 16% three years earlier, according to the [Harvard Joint Center for Housing Studies](#). San Diego saw the second largest increase in investor home sales of all metropolitan areas. This alarming trend is projected to increase; institutional investors are forecasting a [10-fold increase](#) in corporate home buying by the end of the decade (from 700,000 single-family homes in 2022 to 7.6 million homes by 2030).

SUBJECT: FIGHTING BACK AGAINST CORPORATE HOMEBUYERS AND WALL STREET LANDLORDS (DISTRICT: ALL)

Share of home purchases made by investors, 2023



The impact of corporate ownership is impacting rental markets as well. Institutional investors, leveraging anti-competitive algorithmic pricing software, such as RealPage and RENTMaximizer, set rental prices at inflated rates, leading to significant rent increases, and contributing to overall inflationary pressures. Reports indicate that since 2020, rental prices have surged by nearly 20%, with the steepest increases in low-to-middle tier apartments. Moreover, corporate landlords frequently employ aggressive practices such as frequent evictions, hidden fees, and reduced maintenance investments to cut costs and increase profits. These actions disproportionately impact lower-income residents and communities of color, further entrenching economic inequality and destabilizing neighborhoods.

While these trends are playing out across the county, San Diego is ground zero for this phenomenon. In 2021, Blackstone purchased 66 rental buildings totaling 5,800 relatively low-rent units across San Diego County for nearly \$1.5 billion, making it one of the largest real estate sales in local history. Blackstone is already the largest landlord in the United States with over 300,000 rental units in its portfolio and the largest private equity company in the world with more than \$1 trillion in assets under management. In the three years since the acquisition, [reports](#) show that asking rents have surged by up to 200% in these apartment buildings with allegations of tenant harassment, price fixing, and price gouging.

SUBJECT: FIGHTING BACK AGAINST CORPORATE HOMEBUYERS AND WALL STREET LANDLORDS (DISTRICT: ALL)

Apartment complex	Units	2021 average rent	Current listed rent, 1 bed	Current listed rent, 2 bed	Max change ▼
Bay Pointe	506	\$1,829	\$2,424 - \$4,459	\$3,532 - \$5,508	201%
Hacienda del Norte	117	\$1,800	\$2,086 - \$2,186	\$2,580 - \$5,011	178%
Tierra del Sol	156	\$1,412	\$1,914 - \$2,421	\$2,364 - \$2,906	106%
Doriana	272	\$1,400	\$1,972 - \$2,569	\$2,288 - \$2,720	94%
Fashion Hills Terrace	186	\$1,641	\$2,333 - \$2,594	\$2,750 - \$3,074	87%
Sunrise Village	150	\$1,471	\$1,914 - \$2,421	\$2,440 - \$2,575	75%
Woodglen	160	\$1,644	N/A	\$2,254 - \$2,835	72%
Riviera de Ville	160	\$1,798	\$1,960 - \$2,476	\$2,856 - \$3,098	72%
Palmilla	190	\$1,745	\$2,425	\$2,650	52%
Redwood Gardens	164	\$1,584	\$1,709 - \$1,893	\$2,279 - \$2,373	50%

Current listed rents are as of May 2023. Rental rates for existing tenants are unknown. Unit numbers are as of 2021.

Table: Wendy Fry and Erica Yee, CalMatters • Source: 2021 data from DBRS Morningstar's Presale Report BX Trust 2021-SDMF. Current listed data from websites of Blackstone properties. • [Get the data](#) • Created with [Datawrapper](#)

Communities are starting to take legal action to fight back against these corporate giants and their business practices. Regulatory bodies, including the Federal Trade Commission and the Department of Justice, have initiated investigations into allegations of price fixing and collusion facilitated by algorithmic pricing tools. These algorithms, such as those provided by RealPage, are accused of artificially inflating rental prices by sharing sensitive pricing information among corporate landlords. This has led to multiple lawsuits across various states, alleging that these practices violate antitrust laws and harm tenants by keeping rents above market rates. In response to these investigations and lawsuits, there have been FBI raids and criminal probes, highlighting the severity of the issue. Additionally, state attorneys general, like California's Rob Bonta, have acted, with significant settlements for unlawful rent increases and price gouging. This growing

SUBJECT: FIGHTING BACK AGAINST CORPORATE HOMEBUYERS AND WALL STREET LANDLORDS (DISTRICT: ALL)

wave of legal challenges aims to hold corporate landlords accountable, curb exploitative practices, and protect the rights and affordability for tenants.

Communities are also arming themselves with data to better understand the role of institutional investors in their housing market. The City of Fort Worth recently conducted an analysis of commercial ownership in their single-family residential market, estimating that 26% of single-family homes may be commercially owned. The study utilized the following methodology that could be adapted to our local circumstances:

- The City of Fort Worth classified owner-occupied homes as those with a homestead exemption, homes where the owner's address matched the property address, and the owner's name didn't include terms like LLC, LTD, Inc., or trust.
- Commercially owned properties were defined as those without a homestead exemption, owner names containing the previously mentioned terms, and those where the owner's address didn't match the property address.

Today's action calls on the County to take a stand against corporate bad actors, protect our communities from illegal business practices, and safeguard housing opportunities for first-time homebuyers and working families.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

Today's proposed action to adopt the resolution supports the Sustainability, Equity, Empower, and Community Strategic Initiatives within the County of San Diego's 2024-2029 Strategic Plan by working to secure sustainable and affordable housing for San Diegans.

Respectfully submitted,



TERRA LAWSON-REMER
Supervisor, Third District

ATTACHMENT(S)

- A. Private Equity Stakeholder Project Blackstone Comes to Collect
- B. Propublica: Rent Going Up? One Company's Algorithm Could Be Why
- C. City of Fort Worth Commercial Ownership of Single-Family Residential Properties