Tenants across America are being exploited by corporate landlords, report finds

The corporate landlords that have snatched up hundreds of thousands of homes in the wake of foreclosure crisis have turned the American Dream into a “nightmare,” according to a report released by three activist groups.

The report claims companies that own and operate rental homes–such as Invitation Homes, American Homes 4 Rent and Tricon often mistreat and overcharge tenants–due to a profit-driven investment strategy that dilutes the traditional relationship between landlord and tenant.

The allegations are not new, but the report stands out for its level of detail and activist agenda, putting human faces on alleged misdeeds and recommending policies such instituting rent control and “speculator’s fees.” The report was jointly produced by the Alliance of Californians for Community Empowerment (ACCE), Americans for Financial Reform and Public Advocates Inc.

Wall Street-backed real estate investment firms began gobbling up single-family homes at depressed prices during the foreclosure crisis and converting them into single-family rentals.

Figure 4: Largest Single-Family Rental Companies[13]

Company	Total Homes	Debt	Publicly Traded	Initial Institutional Backer	Total Corporate Investment
Invitation Homes	48,038	Yes	Yes	Blackstone	$8.9 Billion
American Homes 4 Rent	48,000	Yes	Yes	Alaska Permanent Fund	$9.6 Billion
Colony Starwood Homes*	30,844	Yes	Yes	Colony Capital, Starwood Capital	$5.9 Billion
Progress Residential	17,333	Yes	No	Goldman Sachs[12]	$3.0 Billion
Tricon (post Silver Bay merger)	17,249	Yes	No	Tricon Capital	$1.4 Billion
Main Street Renewal (Amherst)	9,231	Yes	No	Amherst Holdings/ Stone Point Capital	$1.25 Billion
Cerberus Capital Management	5,700	No	No	Cerberus Capital Mgt Fund	$615 million
Altisource Residential	5,414	Yes	Yes	Altisource Asset Mgt Corp	$739 million
Home Partners of America	4,844	Yes	No	BlackRock and KKR	$1.5 Billion
HavenBrook Homes	4,000	No	No	Pacific Inv. Mgt Co	$600 million
StreetLane Homes	3,400	No	No	GTIS Partners and 643 Capital Mgt	$445 million[13]
Total Homes:	196,598			Total Investment:	$35 billion

*Colony Starwood has now merged with Invitation Homes

Source: “Wall Street Landlords turn American Dream into a Nightmare” report by Alliance of Californians for Community Empowerment, Americans for Financial Reform and Public Advocates Inc.

That helped kick start the recovery while providing many Americans a chance to live in homes with ample space in desirable neighborhoods.

What to expect in the housing market in 2018

Learn more about current trends and how to tap them to expand your business READ MORE

“During the housing crisis there was a glut of distressed inventory that desperately needed capital for renovation and repositioning, and this was not forthcoming from individual investors who were worried about catching a falling knife,” said Gary Beasley, former co-CEO of Starwood Waypoint Residential Trust (which merged with Colony American Homes to create Colony Starwood Homes, the investor mentioned most often in the activist report).

“These institutions stepped into that role and often turned the worst homes in the neighborhood into some of the best,” added Beasley, who is now CEO of hot real estate tech startup Roofstock.

TENANT SPOTLIGHT

Maricella Castillo

Sacramento, California

"Living in a Waypoint property has been an actual nightmare. No family should have to pay to live like this.

My husband and I both grew up in Sacramento, met in high school and then a few years later got married and had our daughter and son. He served in the military for several years - and Waypoint was the first home we moved into after he got out of the service - now as a disabled veteran.

Within less than three years, my rent went from $1250 to $1600. They say you shouldn't spend more than 30% of your income on rent or else you're considered "rent burdened." So $1200 worked for us. I could feed my family on that. But with the additional $400 a month - that cuts into our ability to feed my kids and meet our basic needs. We finally decided to move out - and since we're moving out now, I was just able to by my daughter warm pajamas for winter for the first time. It's cold at night - I can't believe I've had to wait this long to be able to afford my little 6 year old girl warm clothes for the night!

There's been also been a lot of problems with getting someone out to maintain the house. We've had leaky pipes for years and our stove has been broken for an entire year and a half. Instead of fixing it, they come in and make minor adjustments and then within a week its broken again. I'm a cook - how am I supposed to cook for my family without a stove? Our backyard fence is also awful and rotten - so bad its a hazard and I can't even have our kids play in the backyard! There are building code violations. Our shower is rotting out because there is no ventilation in the master bedroom and the window sealed shut. Theres a giant hole in one of our walls that we asked them to fix when we moved in but instead of fixing it they just put a mirror on top of it. And our carpet was installed so badly we can't walk around barefoot in our own house - in all of the seams there are tacks are sticking out so it wasn't safe for us. The maintenance people, their hands are tied.

Living here has been an actual nightmare. If we had had rent control, we would be doing great right now. We would have been able to save and we would have been able to take a vacation with our family for the first time - we've never been able to be able to afford that before. We need to repeal the state law in California that restricts rent control from homes like ours so we can stay in our homes and hold these huge Wall Street landlords accountable.

It is not okay for them to treat people like this!"

Source: "Wall Street Landlords turn American Dream into a Nightmare" report by Alliance of Californians for Community Empowerment, Americans for Financial Reform and Public Advocates Inc.

But the companies soon came under fire for allegedly neglecting many of their units, jacking up rents, charging unfair fees, and ruthlessly enforcing eviction policies.

In one case, an elderly tenant who lived in a home owned by Starwood Waypoint Homes (recently merged with Invitation Homes) was charged a $100 late fee for owing $40 on her rent, even after she explained that she could pay the $40 when she received her social security check on the third of the month, according to the report.

The study also cited data suggesting that corporate landlords are increasing rents and evicting tenants more than mom-and-pop landlords.

It also alleged “fee-gouging of a kind previously associated with credit cards and payday loans,” at one point citing an annual filing from Starwood Waypoint that reported billing tenants $582 in chargebacks, on average — which, when compared to other Starwood data — suggests “tenants may be paying more than a fifth of overall maintenance costs.”

Beasley told Inman that he believes it’s “unfair to generalize that institutional investors as a category treat people worse than individual landlords.”

“In general, institutional landlords have very strong incentives to provide a great resident experience since they have brands and reputations to protect as they compete for customers,” Beasley said. “They also have the resources to make the needed repairs and technology and business processes that can provide efficient delivery of these services.”

The alleged mistreatment of tenants by single-family rental giants stems from their tendency to automate and centralize property management so as to maximize income for investors, who may own stock in the corporate landlords or bonds collateralized by their rental units, according to the report.

To protect tenants from exploitation, the report’s authors recommended measures including:

- Rent control and just cause eviction laws that cover single-family rentals
- Bans on excessive or hidden fees
- Establishing “right of first refusal” policy that entitles tenants to the first chance to buy their home when its available for sale and the second chance to non-profits or public agencies.
- Public disclosure by corporate landlords to local government of their rental holdings and business practices
- Instituting a “speculator’s fee” to cover the cost of tracking and monitoring these disclosures

- Conditioning federal financing support to single-family rental investors on affordability, strong tenant protections and non-discrimination against government voucher holders

Email Inman

Source: click here