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To Whom Does Philadelphia Belong? Exploring and Defining "Institutional Investment" in Single Family Rentals in Philadelphia

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Abstract

Since the global financial crisis of 2007-2009, single-family rentals have dramatically risen to prominence as a uniquely profitable asset class for institutional investors, especially in the United States. Made possible by a combination of three primary factors – the post-crisis inexpensive Real Estate Owned (REO) homes surplus, the decline in working-class wealth and ability to purchase homes, and the emergence of new property management technology – institutional investors are, for the first time, rapidly acquiring hundreds of thousands of single-family homes. The resulting single-family rental portfolios have also inspired novel investment profiteering strategies, which researchers increasingly argue profit at the direct expense of tenants and prospective owner-occupants. However, at the heart of these arguments, there exist critical unanswered questions around how "institutional investment" is defined and understood. As a result, public interpretations of important research frequently misunderstand its gravity. Journalists and policymakers tend to mitigate researchers' claims, either arguing that "all home buyers are investors" or reducing all institutional investment to a handful of prominent players. This thesis seeks to empower existing and forthcoming research by clarifying how and why institutional investment should be understood, distinctly, in the modern day. The thesis first traces the historical development of institutional investors, then explores new methods for analyzing under-studied, smaller-scale institutional investment strategies. Most existing research has focused heavily on specific, large-scale investors and the cities where they generally operate. Instead, this research pilots methods to examine under-studied investor behavior in Philadelphia, the largest US city that has thus far received almost no research attention. The thesis then forwards the argument that, without a developed understanding of institutional investment, Philadelphia forfeits power over to whom its homes belong and who profits from those homes.

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TO WHOM DOES PHILADELPHIA BELONG?
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Abstract

Since the global financial crisis of 2007-2009, single-family rentals have dramatically risen to prominence as a uniquely profitable asset class for institutional investors, especially in the United States. Made possible by a combination of three primary factors – the post-crisis inexpensive Real Estate Owned (REO) homes surplus, the decline in working-class wealth and ability to purchase homes, and the emergence of new property management technology – institutional investors are, for the first time, rapidly acquiring hundreds of thousands of single-family homes. The resulting single-family rental portfolios have also inspired novel investment profiteering strategies, which researchers increasingly argue profit at the direct expense of tenants and prospective owner-occupants. However, at the heart of these arguments, there exist critical unanswered questions around how "institutional investment" is defined and understood. As a result, public interpretations of important research frequently misunderstand its gravity. Journalists and policymakers tend to mitigate researchers' claims, either arguing that "all home buyers are investors" or reducing all institutional investment to a handful of prominent players. This thesis seeks to empower existing and forthcoming research by clarifying how and why institutional investment should be understood, distinctly, in the modern day. The thesis first traces the historical development of institutional investors, then explores new methods for analyzing under-studied, smaller-scale institutional investment strategies. Most existing research has focused heavily on specific, large-scale investors and the cities where they generally operate. Instead, this research pilots methods to examine under-studied investor behavior in Philadelphia, the largest US city that has thus far received almost no research attention. The thesis then forwards the argument that, without a developed understanding of institutional investment, Philadelphia forfeits power over to whom its homes belong and who profits from those homes.

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INTRODUCTION

In 1996, Donald A. Krueckeberg received an award from the American Planning Association for his JAPA article titled: "The difficult character of property: to whom do things belong?"[1] Krueckeberg argued that the central concept of planning, generally considered to be: "land use," or as he framed it "where do things belong," should be replaced by the concept: "property," or "to whom do things belong."[2] Focusing primarily on land use presumes neutrality behind the uses of land. In other words, planners' focus on valuable or 'highest and best' land use assumes that value is objective. Yet, it ignores and obscures critical questions about how that land was acquired, who uses it, how it affects surrounding land, who profits from it, and who should be allowed to control it? Krueckeberg believed that the fundamental problem with our land-use-focused planning tradition is that it assumes clarity in "what is public, what is private, and *who owns what*." This assumption, he argued, is a very poor foundation for planning. It leaves unanswered questions about the very meaning of ownership, or as he writes: "who has a right to what."[3] Who has the right to use, to profit from, or to control land?

Krueckeberg's argument has only grown in relevance. Planners and planning scholars continue to focus on how land is used at the expense of understanding who owns, uses, controls, and profits from it.[4] This planning paradigm and its roots in English common law have, in many ways, set the stage for the focus of this thesis: the mass

[1] Krueckeberg, "The Difficult Character of Property."
[2] Ibid.
[3] Ibid.
[4] For a detailed argument on this point, see: Blomley, "Land Use, Planning, and the 'Difficult Character of Property.'"

transition of single-family home ownership from owner-occupiers to institutional investor portfolios. As planners continue to focus on density and 'highest and best use,' while ignoring who owns what (and how), they largely ignore how their own planning reinforces the inequities they seek to challenge.[5] Ignoring questions of ownership leads us to strikingly false conclusions about the benefits of our planning and the profits that result from it.

For esteemed geographer Nicholas Blomley, the analysis is similar. In his recent article revisiting Krueckeberg's questions, Blomley argues that planning essentially ignores issues of property acquisition and distribution. Planning, instead, simply takes for granted the prevailing distribution and ownership of property.[6] Ignoring the mechanics by which property is acquired and distributed, land use planning implicates itself "not only in reproducing a prevailing hierarchy of exclusion and domination" but also in that it "may… produce new forms of dispossession and displacement."[7] Asking 'where do things belong?' obscures the more important question: 'to whom do things belong?'; we cannot justly answer the question of where things belong until we know whose things we are talking about.

Krueckeberg's and Blomley's arguments set a critical foundation for this thesis, connecting every aspect of the planning field to the rise of institutional investment in single-family rentals (SFRs). Since the Global Financial Crisis (GFC), institutional real estate investors - trailblazed by large-scale private equity - have begun rapidly acquiring

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[5] Ibid.
[6] Ibid.
[7] Ibid.

hundreds of thousands of single-family homes.[8] Moreover, they are rapidly devising new, innovative strategies to profit from these investments. In 2021, institutional investors purchased their largest annual share of single-family homes in history, a total 18% of all homes sold in the United States.[9] Many of the largest-scale investors have also reported record profits, including private equity mogul Blackstone Group who saw their "net income nearly double" in the fourth quarter of 2021.[10] Meanwhile, owner-occupier-buyers have struggled desperately to afford rising home prices, while wealth inequality continues to expand between them and the wealthiest classes of Americans.[11] Tenants, also, face skyrocketing rents and increasing evictions.[12] The number of homeless Americans also continues to rise every year.[13]

While the media frequently reports on varying aspects of the US housing crisis, late 2021 and early 2022 marked a striking revival of media attention specifically directed at the rise of institutional investor home ownership.[14] A national report from Redfin catalyzed a wave of local news stories that explored various regional implications

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[8] Lily Katz and Sheharyar Bokhari, "Investors Bought a Record 18% of Homes That Sold in the Third Quarter."

[9] Ibid.

[10] Gottfried, "Blackstone Earnings Nearly Double as Firm Enjoys Record Cash Haul."

[11] Joint Center for Housing Studies at Harvard University, "The State of the Nation's Housing 2021."

[12] Ibid.

[13] Ibid.

[14] For a short selection of these articles, see Adelman, "A big builder in Philly advertises huge investor returns on radio and Fox News. Now the FBI and SEC are tuning in;" Adelman "California man touts business empire built of Philly row houses bought at sheriff's sales. Some are skeptical;" Gottfried, "Blackstone Earnings Nearly Double as Firm Enjoys Record Cash Haul;" Kamin, "The Market for Single-Family Rentals Grows as Homeownership Wanes;" Katz, Lily, and Sheharyar Bokhari, "Investors Bought a Record 18% of Homes That Sold in the Third Quarter;" Mari "A $60 Billion Housing Grab by Wall Street;" Oprea, "Cleveland Housing Watchdog Group Releases Report on Outside Investors, Blueprint for Crackdown on Bad Actors;" Schaul, "Investors bought up a record share of homes last year;" Woodman, Spencer, and Margot Gibbs, "Global investors profited from US rental homes' foreclosure crisis."

of the investment boom.[15] As a result, some regional researchers, academics, policy makers, and city planners are beginning to take the critical question of ownership much more seriously than before. A body of existing, and growing, research provides rigorous analyses of the numerous post-GFC conditions that investors exploited to build SFR asset portfolios. This research also explores the mechanics, strategies, and implications of some well-known institutional investors, primarily the national-scale actors who file federal SEC reports. However, housing markets are uniquely localized. Little research has grappled with how investment trends have developed among more local or regional institutional actors. Moreover, research has not critically examined how differing definitions of institutional investment generate vastly different conclusions about problems therein. Many researchers have identified devastating consequences resulting from increased institutional SFR ownership, but we still lack clarity around the 'who' and 'how' of acquisition and profiteering. These investments trends are inarguably unprecedented. Critical questions remain around how institutional ownership and finance are shaping our housing.

This thesis uses Philadelphia as a case study to open these lines of inquiry. The following sections trace the historical development of institutional investment in SFRs to understand the unique position of institutional investment today. The thesis then explores and pilots new methods for analyzing local and under-studied institutional investment strategies in Philadelphia. Philadelphia is the largest US city that has thus far received almost no research attention, largely because it has received so little investment from the

[15] Katz et al., "Investors Bought a Record 18% of Homes That Sold in the Third Quarter."

largest national investors. Nevertheless, staggering investment trends are clearly occurring there as well. Philadelphia is uniquely positioned as a case-study to provide new methods and conclusions for all US cities that remain under-researched.

Due to the unrestricted and creative nature of the financial industry, institutional investment in housing is a uniquely fast-unfolding issue. This thesis will focus on single-family rentals, for the sake of scale alone, but much research is still needed in every vein of institutional housing investment. Researchers must continue developing questions and methods to meet the financial industry's speed and zeal. Meanwhile, planners should consider Krueckeberg's call to focus on "to whom do things belong." Without a developed understanding of ownership and institutional investment, public servants forfeit power over not just who housing belongs to, but also who can use it, who profits from it, and who is exploited for that profit.

Early Predictions of a Rentership Society

Four years before the institutional SFR market emerged, Blackstone Group CEO Stephen Schwarzman wrote a letter to firm shareholders predicting the rise of the SFR asset class and the potential profit therein.[16] He noted that Blackstone had seen the potential for this market emergence since the mid-1980s' housing crash.[17] Two years later, in 2011, multinational investment bank Morgan Stanley released a now-famous report, titled *Housing Market Insights: A Rentership Society.* The report highlighted tremendous investment opportunities in the wave of crisis foreclosures, writing "each

[16] Schwarzman, "What It Takes: Lessons in the Pursuit of Excellence."
[17] Ibid.

distressed single-family liquidation creates a potential renter household, as well as a potential single-family rental unit."[18] The report concludes with the prediction:

> We believe that the US will become a Rentership Society, in which the homeownership rate will keep falling, the homerentership rate will conversely rise, and the rental market will dominate the investment landscape in housing for years to come.[19]

These predictions, along with the trends and causes that generated them, did not go unnoticed by countless investors, large and small, around the globe. Blackstone's SFR securitization experiment evidenced that, for the first time, the SFR market was profitable as a new asset class for all institutional investors.[20] Today, we are seeing the early manifestations of these predictions; complex waves of differently scaled and strategized investors, lenders, and financiers are rapidly jumping on the bandwagon. Critically, we are also seeing the rise of more sophisticated secondary markets through which SFRs trickle up form small to larger-scale investors.

With this level of complexity, defining "institutional SFR investment" is not an easy task. Most simply, the definition is self-explanatory: institutions that invest in SFRs. This simple definition begs questions, though. What counts as an institution? What kinds of investments should we pay attention to? Although research demonstrates devastating consequences, can we distinguish good and bad investors? The next section begins answering these questions by reviewing the relevant literature, beginning with the general financialization of US housing since the GFC.

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[18] Morgan Stanley Research, "Housing Market Insights: A Rentership Society."
[19] Ibid.
[20] Christophers, "How and Why U.S. Single-Family Housing Became an Investor Asset Class."

REVIEW OF RELATED LITERATURE

Scholarly use of the term "financialization" seemingly emerged in the early 1990s to describe the rising dominance of finance in the global economy.[21] Since then, the literature has developed rapidly, and often inconsistently, in its use of "financialization" to understand the rise of finance in the global economy. Manuel Aalbers, Professor of Geography at KU Leuven and leading scholar on housing financialization, offers one of the most cited definitions. He writes that financialization generally encompasses "the increasing dominance of financial actors, markets, practices, measurements, and narratives, at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states, and households."[22] While this has become the most relied on definition for scholars studying housing, Aalbers also emphasizes the muddiness of the term "financialization." He explains that it "can be a very loosely defined concept that covers many processes, structures, practices, and outcomes at different scales and in different time frames."[23] This concept is critical, and we will return to it in detail in a later section.

It was not until just before the 2008 Global Financial Crisis, however, that housing *and* financialization began to appear together in mainstream academic literature.[24] In 2008, Manuel Aalbers published likely the first article that examined

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[21] Sawyer, "What Is Financialization?"

[22]Aalbers, "Financialization."

[23] Ibid.

[24] For these early appearances, see Aalbers, "'The quantified customer', or how financial institutions value risk;" Aalbers, ""Geographies of the Financial Crisis.";" Aalbers, "Geographies of housing finance: the mortgage market in Milan, Italy;" Smart, A. and Lee, J., "Financialization and the role of real estate in Hong Kong's regime of accumulation, Economic Geography."

financialization in relation to housing.[25] Meanwhile, other geographers, including Nicholas Blomley and Brett Christophers, traced a somewhat parallel path, trying to understand the developing economics of property under contemporary capitalism.[26] Christophers, in 2010, applied contemporary finance empirics to two of David Harvey's famous theses: 1) that under capitalism, we see an "increasing and ineluctable tendency for property to be treated as a *pure financial asset*," and 2) that property is not a genuine source of productive value creation but a mere redistribution of value through rent, dubbed *rentier capitalism*.[27] Christophers argued that rentier capitalism was a form of "voodoo economics" and that financiers "simply sitting on property assets" were not creating value.

At the same time scholars began applying modern finance empirics to economic theory, the 2008 Global Financial Crisis was wreaking havoc. In its wake, investor capital began taking interest in single-family rental housing. The field of financialization scholarship only began explicitly connecting single-family rental housing to financialization after this development. Since then, it has broadened and deepened to include analyses of how SFRs rose as an asset class, how the state was involved with that rise, how investment strategies and technology developed to push the rise, and what implications the rise has had for tenants and housing markets. The field has also developed deep dives into the implications of SFR financialization and institutional

[25] Aalbers, "The Financialization of Home and the Mortgage Market Crisis."

[26] Christophers, "On Voodoo Economics: Theorizing Relations of Property, Value and Contemporary Capitalism;" Blomley N and Sturgeon J. "Property as abstraction."

[27] Christophers, "On Voodoo Economics: Theorizing Relations of Property, Value and Contemporary Capitalism."

investment for a few specific domestic geographies, primarily: Atlanta, Detroit, Los Angeles, Las Vegas, Milwaukee, and New York City; international geographies, primarily: Northern Europe, the UK, and Latin America; and the beginnings of what *de-financialization* might look like.

The Rise of the Single-Family Asset Class

One of the most robust facets of this research has tackled the important question: how and why did SFRs rise as a new asset class? The full story is incomplete, but much has been written on some of the most prominent investors. Since the GFC, and especially since Blackstone's first issued rent-backed security in 2013, the share of the SFR market owned by institutional investors has exploded. A huge variety of investment strategies undergird this growth, but the fundamental groundwork is the same: institutional investors have access to large amounts of capital, they can buy properties in bulk, and they are quickly developing more effective ways to profit from SFRs.

Thus far, the quantitative research examining the rise of the SFR asset class and specific institutional investment strategies has focused primarily on the most significant and accessible data, which usually is sourced from private national property databases and the U.S. Securities and Exchange Commission (SEC) filings. Data on securitized portfolios of SFRs is accessible through public filings with the SEC, and little quantitative research has gone beyond these filings. These quantitative focuses have also likely had an impact on which geographies have received deeper and localized attention. Accordingly, the general bulk of scholarship focuses on the largest-scale investors and the cities where these specific investors have had the largest impacts.

Five of these large-scale investors rose to institutional investment infamy in the wake of the GFC.[28] The post-GFC surplus of inexpensive Real Estate Owned homes, the rising demand for rental homes (due to loss of wealth), and – maybe most importantly – the emergence of technology enabling the management of geographically distributed property portfolios set the perfect stage for their ascent.[29] These developments enabled the first five institutional investors (Blackstone Group, Colony Capital, Starwood Capital, and Waypoint Real Estate Group, and American Homes 4 Rent) to lead the pack when the first SFR securitization was filed in 2013.[30] Four hundred more were filed over the next 2 years, and by January 2020 1,100 SFR loans represented over 230,000 homes.[31] As a result, the SFR securitization story, led by these five investors, has dominated the literature thus far - and for good reason. However, SFR security filings indicate only the *most noticeable fraction* of the total number of investor-owned single-family rentals.[32] And, although this total is itself still only a small portion of the overall market, it is growing at breakneck speed and its impacts are outsized.

Investor-Owners: Strategies and Implications

Existing literature analyzes the rise of institutional SFR investment and its implications from several different angles. Nonetheless, most of the US based scholarship

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[28] Christophers, "How and Why U.S. Single-Family Housing Became an Investor Asset Class."

[29] Charles, "The Financialization of Single-Family Rental Housing; Chilton et al., "The Impact of Single-Family Rental REITs on Regional Housing Markets."

[30] Christophers, "How and Why U.S. Single-Family Housing Became an Investor Asset Class"; Coddington, "How Do State and Local Policy Contexts Impact Institutional Investment in the Single-Family Rental Market?"

[31] Yadav, "Single-Family Rentals: What's Driving This Developing Market?"

[32] Coddington, "How Do State and Local Policy Contexts Impact Institutional Investment in the Single-Family Rental Market?"

can be broken down into a few broad categories: 1) analyses and theories regarding broad trends, the processes of investment and financialization, and how scholarship can better engage with these emerging trends;[33] 2) analyses centering how the SFR asset class emerged, including the role of state actors and new national investment strategies in SFR securitization;[34] and 3) analyses centering specific geographies to understand unique local conditions and implications.[35] The first two categories generally rely on existing literature, document analyses, theory, and national data sets – most commonly, SEC filings. The third category includes the most creative and localized methods, but so far, these methods have primarily been used to better understand the already identified large-scale investors and strategies. However, recent studies have begun to break out of this mold by using different methods and data in specific local geographies. While many of the geographies are like those that have been extensively studied already, this pattern is beginning to change.

Scholars have recently taken varying novel approaches to understanding how SFR investment strategies work in specific local geographies throughout the US. Many of these approaches build on Alan Mallach's typology of investor strategies. Mallach first

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[33] See: Aalbers, "The Financialization of Home and the Mortgage Market Crisis;" Aalbers, "The Variegated Financialization of Housing;" Abood, "Securitizing Suburbia."; Fields, "Constructing a New Asset Class."

[34] See: Coddington, "How Do State and Local Policy Contexts Impact Institutional Investment in the Single-Family Rental Market?" Christophers, "The Role of the State in the Transfer of Value from Main Street to Wall Street;" Coddington, "How Do State and Local Policy Contexts Impact Institutional Investment in the Single-Family Rental Market?" Colburn, Walter, and Pfeiffer, "Capitalizing on Collapse;" Mills, Molloy, and Zarutskie, "Large-Scale Buy-to-Rent Investors in the Single-Family Housing Market."

[35] See: Mallach, "Lessons From Las Vegas;" Immergluck, "Renting the Dream;" Immergluck and Law, "Investing in Crisis;" Pfeiffer, Schafran, and Wegmann, "Vulnerability and Opportunity;" Raymond et al., "Gentrifying Atlanta;" Travis, "The Organization of Neglect."

developed this typology by studying investor behavior in New York City in 2010; he later revised his typology after studying Phoenix and New Haven. Mallach's typology includes 1) Predatory Flippers (who buy poor-condition properties and flip as-is, often using unethical practices), 2) Market Edge Flippers (who buy fair-condition properties and flip for profit based on market information), 3) Rehabbers (who buy properties in poor condition, rehab them, and sell them in good condition), 4) Milkers (who buy poor-condition properties and rent out as-is), 5) Short Term Holders (who buy properties to rent out for 3-5 years for cash flow and resale), and 6) Medium-Long Term Holders (who buy properties to rent out for 5-10 years for cash flow and resale).[36] Mallach used local property sale data first in New York and then in New Haven and Phoenix to develop these categories. He then used these categories to draw conclusions about how investor behavior may be changing housing in each of the cities studied.[37]

Mallach's typology was the first attempt to comprehensively study and categorize SFR investor strategies. It was also one of the first uses of local property data to dig deeper into investor strategy. Since then, several scholars have used Mallach's typology as a foundation to take his analysis even further. One set of scholars, led by Gregg Colburn in 2020, employed Mallach's typology to analyze investor SEC filings throughout the entire United States. The researchers started from the baseline observation that despite Mallach's fundamental analysis, "relatively little is known about the

[36] Ibid, 777.
[37] Ibid.

strategies and behaviors of institutional SFR investors."[38] They then continued by arguing that, with the benefit of 10 additional years of data, it is important to reassess Mallach's typology to further understand investors, especially in regard to 'holders.'[39] Diverging from Mallach's criteria of simply short and mid-long term holders, they argued "we now know that many of these investors, as publicly traded companies, are holding these portfolios in perpetuity… this business model is driven by cash flows and long-term ownership of SFRs."[40] This argument takes a stark turn from Mallach's, asserting that investor behavior is rapidly changing. Instead of being split between a mix of short- and long-term strategies, investors are now gravitating toward long-term holding strategies for their SFR portfolios. This argument is particularly important because many common conceptions of institutional investors assume a steady churn of properties in and out of investor control. Colburn's research suggests this may no longer be true.

Another researcher, sociologist Adam Travis, has similarly expanded on Mallach's foundations. Instead, though, Travis sought to enrich our understanding the investors Mallach dubbed 'milkers' by studying investors in Milwaukee. First, he clarified Mallach's definition, stating that "a milking approach to rental property acquisition and ownership is rooted in strategic disinvestment: rents are extracted from properties while expenditures on rehabilitation and maintenance are avoided."[41] Travis then connected the 'milker' approach to the legal entity that is most advantageous for it:

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[38] Colburn, Gregg, Rebecca J. Walter, and Deirdre Pfeiffer, "Capitalizing on Collapse: An Analysis of Institutional Single-Family Rental Investors."

[39] Ibid.

[40] Ibid.

[41] Travis, Adam, "The Organization of Neglect: Limited Liability Companies and Housing Disinvestment."

the Limited Liability Company (LLC).[42] Travis used local property ownership and code violation data to develop his conclusions. His research ultimately demonstrates that the proliferation of the LLC is strongly correlated with indicators of property neglect in Milwaukee.[43] In other words, state protected limited liability is linked to the growth of 'milker' strategies that extract rents while strategically disinvesting in neighborhoods.

Finally, several other scholars have developed their own methods for understanding investor strategies in specific local geographies. For instance, James Mills et al. used national databases of local property transactions (created by CoreLogic) to explore how buy-to-rent investors differ from other housing investors, while Eric Seymour and Joshua Akers used the same data to explore bulk contract-for-deed sales sold through Fannie Mae.[44] A significant amount of scholarship has also explored how investor-ownership directly impacts tenants and municipalities. The literature here has generally used a mix of CoreLogic's national dataset, SEC filings, and local eviction data to focus on gentrification, evictions, and displacement. This research has focused mainly on Atlanta and Los Angeles.[45] Scholars have also studied tenant housing conditions under investor-ownership in New York City and neighborhood conditions in investor-owned housing in Phoenix and New Haven.[46] Finally, Professor of Public Administration

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[42] Ibid.

[43] Ibid.

[44] Mills, Molloy, and Zarutskie, "Large-Scale Buy-to-Rent Investors in the Single-Family Housing Market."; Seymour and Akers, "Portfolio Solutions, Bulk Sales of Bank-Owned Properties, and the Reemergence of Racially Exploitative Land Contracts."

[45] See: Abood, "Securitizing Suburbia;" Immergluck and Law, "Investing in Crisis."

[46] See: Fields, "Constructing a New Asset Class;" Mallach, "Lessons From Las Vegas."

Ken Chilton has investigated how SFR REITs have affected regional housing markets in Nashville.[47]

The Research Imperative

Despite the substantial range and depth surveyed above, there are still significant gaps in our understanding of institutional investor behavior - especially investors not filing securities with the SEC. Meanwhile recent housing market data demonstrates that the rise of the SFR asset class is remarkably widespread and certainly not isolated to the actors and cities already studied. This demonstrates that "institutional investment" in SFRs is not exclusive to the well-known, large-scale investors like Blackstone Group, Tricon Residential, Colony Capital, Starwood Capital, and American Homes 4 Rent. Adam Travis's work exemplifies this point. The very nature of an LLC creates an anonymity and liability distinction between "mom-and-pop" landlords and "mom-and-pop-with-an-LLC" landlords.

Second, although earlier research does little to clarify our understanding of 'institutional investment,' some recent research has begun this step. Mills et al., for instance, clearly defines institutional investors as "any purchaser that does not intend a personal use for the housing unit."[48] Despite these steps, significant definitional definitions remain, which obscure a clear analysis and muddy the ultimate transition from research to public policy. Much research and the bulk of media still assume institutional

[47] Chilton et al., "The Impact of Single-Family Rental REITs on Regional Housing Markets."

[48] Mills, Molloy, and Zarutskie, "Large-Scale Buy-to-Rent Investors in the Single-Family Housing Market."; for similar specific definitions, see also: Seymour and Akers, "Portfolio Solutions, Bulk Sales of Bank-Owned Properties, and the Reemergence of Racially Exploitative Land Contracts."

investment is distinguished primarily by it scale. This thesis argues that, instead, we should distinguish institutional investment based on 1) acquisition strategies and access to finance capital; 2) legal liability, anonymity, and other protections; and finally 3) scale and impact on the broader economy. Furthermore, because housing is so local, national scale data sources and methods of analysis are likely insufficient to fully examine specific local geographies. This thesis also attempts to pilot and recommend research methods that can be used to study specific municipalities.

To make these arguments, I study Philadelphia, a city that has repeatedly been described to me as "not part of this problem."[49] I use Philadelphia because it has been avoided by large-scale institutional investors but simultaneously experiences many of the exact same trends in SFR investment and consolidation, albeit a bit more slowly. By studying how institutional investors in Philadelphia acquire single-family homes and profit from them, as well as the short and long-term implications that these strategies hold, I begin to build a clearer understanding of how we should understand the term "institutional investor." I also develop a set of methods to be used in future analyses of institutional SFR investors.

[49] In interviews with academics and professionals, I was told several separate times that "this institutional investment problem isn't really happening in Philadelphia."

DATA SOURCES AND METHODS

Data Sources

The following sections begin by tracing the development of institutional SFR investment over recent history. This is completed by piecing together primary and secondary sources including academic literature, popular literature, news reports, advocacy reports, and legal sources. Following this, I use several different types of local data to analyze institutional SFR investment in Philadelphia.

As mentioned, most analyses of institutional investors in SFRs have focused their attention on publicly traded companies that are required to file reports with the U.S. Securities and Exchange Commission (SEC). This information is intended to be a public disclosure of details on the strategy, management, finances, and potential risks of issuers of publicly traded securities. These filings help form the basis on which most investment decisions are made, but they can also be extremely useful for researchers. Moreover, all readers generally have relative confidence that these filing include accurate information because companies face potential legal and civil liability for omissions or misstatements in their SEC filings.

Unfortunately, many of the institutional investors at work in Philadelphia are not publicly traded or otherwise do not face SEC filing requirements. As a result, it is necessary to source much of my data more creatively. One of the primary purposes of this study is to explore alternative data sources beyond SEC filings and other national databases. Therefore, I rely on a mixture of data sources including local expert interviews, municipal and federal court dockets, and public real estate data available on OpenDataPhilly.

Expert Interviews

The expert interviewees included a mix of Philadelphia housing academics, researchers, and professionals, as well as a housing research and advocacy group from Cleveland, Ohio. In total, I interviewed: two housing attorneys, a tenant organizer, professional housing researchers, a local journalist, the executive director from a non-profit social impact real estate developer, the chiefs of staff for both a Philadelphia city councilor and a Pennsylvania state senator, the director of an affordable housing organization, and several expert academics from the University of Pennsylvania's Department of City and Regional Planning, Fels Institute of Government, Wharton School as well as the Lindy Institute for Urban Innovation at Drexel University. Lastly, I attended a live webinar presenting Adam Travis's research to the Harvard Joint Center for Housing Studies entitled "Assessing the Landscape of Corporate Ownership for Small Rental Properties," and – upon the recommendation of an interviewee – I also interviewed representatives from the Vacant and Abandoned Property Action Council (VAPAC) in Cleveland, Ohio.

Court Dockets and Property Databases

I sourced the court docket analysis primarily from the Philadelphia Municipal Court Electronic Filing System of the Philadelphia Municipal Court. In some cases, I also sourced cases from the Eastern District of Pennsylvania Federal District Court Docket and the Delaware County Court of Common Pleas Civil Case Dockets. Finally, I sourced quantitative data from both the *Real Estate Transfers* and *OPA Property Assessments* databases available publicly at Open Data Philly.[50]

Methods

Expert Interviews

Due to the sheer magnitude of investors, properties, and potential investment strategies - many of which are not public and require digging to uncover - a strong analysis requires mixed and creative methods. I began my analysis with and rely primarily on expert interviews to understand the actors, strategies, and implications actively at play in Philadelphia. By interviewing experts in a wide range of fields - legal aid, journalism, academia, impact investment, affordable housing, municipal and state government, impact litigation, non-academic research, and tenant organizing - I hoped to draw a wide range of experiences that would paint a picture of institutional SFR investment in Philadelphia.

To that end, I began each interview with open-ended questions about whether they had noticed any changes in SFR investment in their work. I then followed up on relevant observations by asking if they could describe any of the actors or mechanics involved. For interviewees who expressed little in these open-ended questions, I continued by describing some common strategies I was aware of and asking if they had

[50] OpenDataPhilly, The City of Philadelphia, and Department of Records. n.d. Real Estate Transfers; OpenDataPhilly, The City of Philadelphia, and Office of Property Assessment. n.d. Philadelphia Properties and Assessment History

seen these strategies in Philadelphia. Overall, the interviews were semi-structured and conversational. My primary purpose was to gather information to answer: 1) what are Philadelphia housing experts' general analyses of institutional investment in SFRs? and 2) are there any investors or investment strategies that emerge as common trends between experts in different industries?

These interviews face some important limitations. Although the span of interviewees was relatively broad, I did not interview any active institutional SFR investors besides, in some ways, the nonprofit housing developer mentioned above. Future research should seek to learn from investors themselves.

Real Estate Transfers and Office of Property Assessment Data Analysis

This research merits a thorough quantitative analysis of real estate transfers in Philadelphia, especially since 2011. However, due to time constraints, I completed only a cursory analysis of the real estate transfer database. I sought to answer the following questions regarding all recorded Philadelphia real estate transfers since 2011: 1) which entities have acquired the most properties, in general? 2) which entities have acquired the most properties from Philadelphia sheriff sales? and 3) which entities have acquired the most properties sold by other public or quasi-public entities including PHA, FHA, HUD, Fannie Mae, and Freddie Mac? I answered these questions by analyzing frequency distributions in a joined database of the *Real Estate Transfers* and *OPA Property Assessments* databases available on OpenDataPhilly.

This analysis is intended to scaffold my other methods by identifying the entities who deserve the most attention. Identifying these entities allowed me to focus my other methods on actors with the largest impacts. It also tees up further research, which is discussed more in the Conclusions section. This further research takes the lead from researchers in Cleveland, Ohio, who recently published a report analyzing sixteen years of data on investors in 1-3 family homes. In their report, they argue that many of the institutional investors buying the most discounted properties are 1) making fewer repairs and other capital investments than expected, 2) allowing the most distressed properties acquired to largely remain in poor conditions, and 3) overwhelmingly do not comply with rental registration regulations.[51] The analysis that led to these conclusions is particularly worthwhile for future research in Philadelphia.

Docket Analysis of Municipal and Federal Courts

I scanned local municipal court dockets to find cases related to the investors already identified. Here, I searched the civil dockets of Philadelphia Courts for the names of the top investors identified in my real estate transfer analysis and in my expert interviews. I also broadly scanned for the names of these investors in municipal, state, and federal court dockets nationwide.

I relied on information from expert interviews, news articles, and reviewed literature to gather a list of names to search in court dockets. These gathered names were ABC Capital, Home Partners of America, Pathlight Property Management, Vision Properties, Bizness As Usual Inc. (owned by Antoine J. Gardiner), RAD Diversified, Premier Access Property Management, West Philadelphia Real Estate (a.k.a.

[51] The Vacant and Abandoned Property Action Council (VAPAC), "The Impact of Real Estate Investor Activity on the Cuyahoga County, Ohio Housing Market 2004 – 2020."

Neighborhood Restorations), Drew Demarco, GNR Equities, and Odin Properties. I followed a simple method of searching names, mailing addresses, and known subsidiaries to identify any relevant cases.

HISTORIC DEVELOPMENT OF INSTITUTIONAL INVESTMENT

To understand modern institutional SFR investment, we must first understand the financial processes and historic events that contextualized the rise of the SFR asset class. The United States market for single family homes is currently undergoing a paradigm shift. Prior to the GFC, the U.S. SFR market was dominated by the famed 'mom-and-pop' investors; roughly three-fourths of SFRs were owned by entities holding fewer than ten units.[52] Prior to 2011 when Blackstone began investing, not one landlord in the United States owned more than one thousand SFRs.[53] Large-scale institutional investors all agreed that scattered SFRs were much too risky and unwieldy for significant investment. So, when large institutional investors suddenly owned thousands of SFRs in the early 2010s, it was truly for the first time in history.[54] Financial reporters called it the "final real estate frontier for institutional investors."[55]

This unprecedented shift in institutional real estate investment was not random. It was, as written by Blackstone CEO Schwarzman, a potential market long-ready for

[52] Mills, Molloy, and Zarutskie, "Large-Scale Buy-to-Rent Investors in the Single-Family Housing Market."
[53] Glantz, Homewreckers: *How a Gang of Wall Street Kingpins, Hedge Fund Magnates, Crooked Banks, and Vulture Capitalists Suckered Millions Out of Their Homes and Demolished the American Dream.*
[54] Amherst Capital, "U.S. Single-Family Rental: An Emerging Institutional Asset Class."
[55] Dezember, "Blackstone Moves Out of Rental-Home Wager with a Big Gain."

experimentation.[56] Brett Christophers, Geography Professor at Uppsala University, argues that the aftermath of the 2008 global financial crisis intersected with historic shifts in the realms of technology, finance, housing supply, and ideas to provide the perfect opportunity for investors.[57] The confluence of these new conditions provided the tools and resources for experimenting with cheaply and efficiently acquiring "large amounts of single-family housing that was both cheap and favorably located."[58] Accordingly, institutional investment in this "final frontier" arrived amidst much larger changes in the US economy. While earlier stages of our economy required investment primarily in the tools of industry, increased financialization is providing new opportunities for investment and profit. Understanding financialization is the key to grasping how these opportunities work.

As noted earlier, Manuel Albers describes financialization as generally encompassing "the increasing dominance of financial actors, markets, practices, measurements, and narratives, at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states, and households."[59] However, he also emphasizes that the term is muddy and that the processes of financialization are deeply complex, spanning tangled webs of creative profit-seeking.[60] Moreover, in the modern technologized era, processes of financialization are unbelievably fast-moving. Regulation and academic scholarship will inevitably struggle in the wake of finance.

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56 Schwarzman, "What It Takes," 275.
57 Christophers, "How and Why U.S. Single-Family Housing Became an Investor Asset Class," 8.
58 Ibid.
59Aalbers, "Financialization."
60 Ibid.

Accordingly, it is essential to begin this thesis with a clear but flexible definition of housing financialization. Housing financialization is the increasing dominance of financial actors, markets, practices, measurements, and narratives over housing, which result in a structural transformation of who has the access and resources to buy housing, who owns housing, who profits from and can build wealth from housing. This framing of housing financialization will help us ultimately to build a definition of modern institutional investment.

Although housing financialization is relevant to both single and multi-family properties, this paper will exclusively focus on single-family housing. This is partly for the sake of scope, but more importantly, this is because the most dramatic recent shifts in institutional investment have occurred in SFR markets. Furthermore, the muddy nature of financialized investment makes it difficult to accurately characterize investor and owner actors. Scholars have, accordingly, used a range of terms including institutional investor, investor-owner, large-scale investor, corporate investor, corporate landlord, and others. The vocabulary I use is *institutional investment, institutional investor,* and *investor-owner.* These terms include any purchaser who does not intend a personal use for the housing unit.[61] Accordingly, my sourced local data is narrowed to owners whose names include "LLC, LP, and TRUST."[62]

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[61] This is my starting definition, which leaves several questions unanswered. This definition is borrowed from the work of Mills, Molloy, and Zarutskie, "Large-Scale Buy-to-Rent Investors in the Single-Family Housing Market."

[62] This is a very narrowing strategy like that used by Katz et al., "Investors Bought a Record 18% of Homes That Sold in the Third Quarter." Katz et al. narrowed by owners "whose names include: LLC, Inc, Trust, Corp, Homes" or "whose ownership codes include: association, corporate trustee, company, joint venture, corporate trust."

This thesis does not intend to oppose the fact that an investor's scale is important. However, by studying the mechanics and implications of all forms of investor ownership in Philadelphia, I argue that other investor characteristics may be much more important than size. To build this argument, it is important to take a brief dive into some historic events that shaped the development of institutional SFR investment. The following section is not historically exhaustive, and each event is complex enough to merit its own thesis. But, for the scope of this work, the following section provides a cursory overview of important historical context.

Pre-1980, The Births of LLCs and REITs

In the 1960s, concerned that real estate assets could never compete with the rapidly growing stock market, Congress authorized the formation of Real Estate Investment Trusts (REITs).[63] REITs sold investors shares in either mortgages or land and, essentially, were holding companies for investors.[64] REITs were attractive to investors because 1) they gave shareholders a stream of highly liquid revenue from an asset class that had previously been notoriously difficult to cash-out from; and 2) they effectively provided a tax benefit because REITs paid out all their profits and, thus, did not have to pay corporate income taxes.[65] These benefits came with strict regulations that, at first, deterred most real estate investors.[66] As a result, REITs initially caught on slowly; their popularity did not fully blossom until the 1980s.[67]

[63] Schill, "The Impact of the Capital Markets on Real Estate Law and Practice."
[64] Ibid.
[65] Blackmar, "Of Reits and Rights,"
[66] Ibid.
[67] Ibid.

A few years before REIT popularity exploded, another legal development in business entity formation began to emerge, but this time at the state level. Created in 1977,[68] The Wyoming Limited Liability Company (LLC) was the first domestic unincorporated business entity that combined statutory limited liability protection with the ability to be taxed as a partnership for federal income taxes.[69] LLC authorizing legislation rapidly spread from state-to-state, especially after 1988 when the IRS formally recognized the LLC's ability to be taxed as a partnership.[70] In fewer than twenty years, the LLC grew from complete obscurity to one of the most popular business forms in the United States.[71] LLC popularity grew so rapidly because 1) unlike incorporated business entities that bear two levels of tax, LLCs were only taxed once (at the owner level) and had the ability to more flexibly allocate profits and losses; and 2) besides corporations, LLCs were the only domestic business entities offering complete statutory limited liability.[72] But, like REITs, LLCs did not begin to hit their full stride until the 1980s.

The 1980's Housing Crash and the Resolution Trust Corporation

While LLCs and REITs were growing in popularity, two historic acts of tax legislation - the Economic Recovery Tax Act of 1981 (ERTA) and the Tax Reform Act

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[68] Wyoming Limited Liability Company Act

[69] For a more detailed description, see: Burke & Sessions, "The Wyoming Limited Liability Company: An Alternative to Sub S and Limited Partnerships?"; Hamill, "The Limited Liability Company: A Possible Choice For Doing Business?"

[70] Hamill, "The Origins behind the Limited Liability Company."

[71] Ibid.

[72] Ibid.

of 1986 – were passed, creating unprecedented effects on real estate markets.[73] Certain provisions of ERTA effectively increased the after-tax return on commercial real estate investments relative to other asset classes.[74] The result was a huge acceleration in commercial real estate production during the first half of the 1980s.[75] An acceleration of small mom-and-pop SFR investors followed right behind. Suddenly, five years later, the Tax Reform Act of 1986 removed some of the most attractive tax benefits included in the ERTA, effectively eliminating profitability for the vast majority of small investors.[76] The impacts of these two tax reforms combined to, first, generate massive overbuilding in commercial real estate markets. Then, as investors jumped ship, markets were left struggling with declining rental rates, failing property values, and decreasing returns to investors.[77]

At that time, Savings and Loans (S&L) associations issued most loans for real estate purchases.[78] The bulk of 1980s SFR investors were middle-class mom-and-pops who only made a profit *after taxes.* When ERTA tax benefits were repealed, SFR investors bailed, leaving hundreds of thousands of defaults in the hands of S&Ls. S&Ls then failed en masse and were taken over by federal regulators.[79] The government

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[73] For brevity, detailed explanations of both these tax laws and their implications are omitted; for details, see: Federal Deposit Insurance Corporation (FDIC), "History of the Eighties: Lessons for the Future." Vol. (Hereafter: FDIC, "History of the Eighties.").

[74] FDIC, "History of the Eighties," 141.

[75] Ibid.

[76] Ibid.

[77] Ibid.

[78] Christophers, "How and Why U.S. Single-Family Housing Became an Investor Asset Class," 2.

[79] Ibid.

quickly stepped in and established the Resolution Trust Corporation (RTC) to dispose of these underwater assets.[80]

The legislation authorizing the RTC mandated an Affordable Housing Disposition Plan (AHDP). It required that moderately priced property be reserved for sale to low- and moderate-income households (or organizations that would rent to qualified households).[81] However, between the passing of the 1986 Tax Reform Act and 1991, the plan proved to be a catastrophic failure. A 1991 *New York Times* article wrote, "[m]embers of Congress and advocates of affordable housing say the Government has failed almost completely to exploit an important and rare opportunity."[82] Only a small portion of homes actually went to the poor, meanwhile thousands of homes that could have gone to them "have, in fact, been siphoned off and bought by investors." By 1992, the RTC had disposed of an estimated $330 billion of their total $455 billion in assets.[83] Of the $90 billion in one-to-four family residential mortgages, at most roughly $500 million (20,000 homes) went to low-income owners through the AHDP.[84] However, due to limited and "sketchy" reporting, the number was very likely much closer to 4,122 homes.[85]

Instead of succeeding to provide low-cost, government subsidized homes for working-class Americans, this became a moment "tailored made for cash-rich, buy-low-

[80] Ibid.

[81] MacDonald, "The Resolution Trust Corporation's Affordable-Housing Mandate: Diluting FIRREA's Redistributive Goals."

[82] Wayne, "Few of the Working Poor Get Houses in S.& L. Rescue Plan."

[83] Lawson, Aidan, and Lily S Engbith. "US Resolution Trust Corporation."

[84] United States General Accounting Office, "RESOLUTION TRUST CORPORATION: Loan Portfolio Pricing and Sales Process Could Be Improved;" United States General Accounting Office, "Resolution Trust Corporation: Affordable Housing Disposition Program Achieving Mixed Results."

[85] United States General Accounting Office, "Resolution Trust Corporation: Affordable Housing Disposition Program Achieving Mixed Results."

sell-high, institutional real estate investors."[86] The RTC sold thousands of assets to institutional investors at auctions, through securities, and through independent contractors.[87] Blackstone, dipping its toe into residential property for the very first time, was one of those institutional buyers. Although they would not invest in real estate again until 2011, Blackstone's CEO Schwarzman wrote that this was the moment that their real estate investment operation was conceived.[88]

The RTC, 1980s tax legislation, and their aftermath catalyzed two other pivotal, historic developments. First, The Tax Reform Act removed certain tax provisions that benefited income earned through corporations. Seeking lower taxes, many companies eyed LLC seriously for the first time. Paired with the formal IRS recognition of LLCs in 1988, LLC popularity grew exponentially as a result.[89] Second, The Tax Reform Act and the RTC paved the way for the boom of commercial mortgage-backed securities (CMBS).[90] Historian Elizabeth Blackmar wrote regarding the 1980s market deregulation: "[i]ronically, perhaps, the creation of a secondary securities market for commercial mortgages got its biggest boost from the federal government's mopping up after the speculative frenzy triggered by deregulation."[91] The RTC proved to investors that CMBSs worked. They pooled the total mortgages in their portfolio and issued securities

[86] Christophers, "How and Why U.S. Single-Family Housing Became an Investor Asset Class," 2.
[87] Lawson, Aidan, and Lily S Engbith. "US Resolution Trust Corporation."
[88] Christophers, "How and Why U.S. Single-Family Housing Became an Investor Asset Class," 2.
[89] Hamill, "The Origins behind the Limited Liability Company."
[90] Blackmar, "Of Reits and Rights," 91.
[91] Ibid.

worth $9.1 billion in 1992, alone.[92] By 1994, CMBSs had been privatized, which provided a new profitable instrument for institutional investors.[93]

The 2008 Housing Crash and the Distressed Asset Stabilization Program

The story of the 2008 housing crash and resulting Global Financial Crisis have been written about much more extensively than the 1980s housing crash. However, one component of serious importance has received strikingly little attention: the Distressed Asset Stabilization Program (DASP). Like the Resolution Trust Corporation, the Distressed Asset Stabilization Program also gave a massive government subsidized boost to institutional investment in Single Family Rentals.

In 2012, the U.S. Department of Housing and Urban Development (HUD) launched the DASP with intentions similar to the RTC. After the GFC left over 100,000 federally insured and severely delinquent single-family home loans on the FHA's balance sheet, HUD used the DASP to recoup their losses by selling loans to private investors. As of 2016, the DASP was the largest auctioning off of government insured home mortgage loans in the nation's history, amounting to over $17 billion dollars.[94] Despite somewhat different contexts, the parallels between the RTC and the DASP are striking. Assessing the impacts of the DASP in 2016, Geoff Walsh of the National Consumer Law Center wrote:

> While HUD has justified the sales as being win-win for homeowners and its own insurance fund, the reality is that, in many cases, loans sold through the sales would have fared better and cost the insurance fund less if basic FHA rules were

[92] Burkhart, "Lenders and Land."
[93] Blackmar, "Of Reits and Rights," 91.
[94] Walsh, Geoff. "Opportunity Denied."

> applied to address the defaults and loan sales were avoided. What's more, the DASP sales have provided financial benefits to the same servicers (many of them large banks) who sidestepped FHA's rules, absolving them of any responsibility for the servicing problems they created. Instead, HUD allowed the loans to be used as a source of profit.[95]

Walsh continues to argue that not only did the DASP's discounted bulk loan sales (to institutional investors) have a "major negative impact" on vulnerable homeowners, but also HUD "systematically excluded affected homeowners from the DASP loan sale process," and "DASP did not help homeowners in any significant way."[96]

At this point, it is important to note that the RTC and the DASP are not the only government programs that have facilitated (or that, today, actively facilitate) discounted sales of distressed single-family home loans into the hands of private investors. Many government programs in the wake of 2008 facilitated these sales less directly.[97] Today, Fannie Mae, Freddie Mac, and FHA/HUD operate auctions for delinquent mortgages and Real Estate Owned (REO) properties that are primarily utilized by investors buying in bulk. Many properties purchased by investors, like Blackstone, after 2008 were through these auctions as well. Today, in some areas of the country, federal auctions still play a large role in subsidizing institutional SFR investment.[98] Local foreclosures auctions likely play an even larger role and are not as limited.[99]

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[95] Ibid.

[96] Ibid.

[97] Christophers, "The Role of the State in the Transfer of Value from Main Street to Wall Street: US Single-Family Housing after the Financial Crisis."

[98] Ibid.

[99] Ibid.

Lessons for Today

Tracing a short history of institutional SFR investment provides necessary context for understanding institutional investment today. Several themes emerge, offering critical lessons. First, and most generally, the legal and cultural landscapes of institutional SFR investment are starkly different than before the 1990s.[100] The proliferation of LLCs and REITs (among other less common entities) created entirely new classes of investors. Regardless of size, investors increasingly were able to invest in SFRs with less capital investment, more liability protection, and less personal relationship with their tenant. This transformed the same mom-and-pop into a critically different financial and legal entity. Meanwhile, these changes benefited large-scale investors even more radically. Beyond new investment strategies and liability protection, government subsidies further incentivized institutional investment. Government actions also created secondary markets – proofed by government actions – that set the stage for the GFC, which recycled many of these same patterns.

When placed in its historic context, the idea that most modern investors are akin to the pre-1990s mom-and-pops begins to unravel. Size, while important, is far from the defining feature for what counts as institutional investment. Simultaneously, the large-scale institutional investors are riding an unprecedented wave of deregulation, favorable tax benefits, and government subsidies. This history is essential to form accurate research and policy capable of addressing these changes.

[100] "Before the 1990s" is a rough estimate. It is difficult to estimate exactly when these changes reached critical tipping points.

The next section lays out my findings from the research methods piloted. Following that, the remaining sections analyze the findings and offer conclusions, including policy suggestions and recommendations for further research.

RESEARCH FINDINGS

Expert Interview Findings

By interviewing Philadelphia housing scholars and professionals, I sought to answer two primary questions: 1) what are Philadelphia housing experts' general analyses of institutional investment in housing – especially SFRs? and 2) are there any common investors or investment strategies that emerge in interviews across experts of different industries? Overall, these interviews provided extensive and valuable insight into the former question but surprisingly little into the latter. Philadelphia housing experts - from legal aid, academia, professional research, city and state government, non-profit 'impact' real estate development, journalism, and affordable housing activism - generally identified institutional investment in SFRs as a serious concern. However, most interviewees had only recently begun considering this as serious, and many were eager to see the results of my research.

Throughout the interviews, several overarching themes emerged. First, the interviewees who did more direct service work with Philadelphians demonstrated more concern about institutional SFR investment than others. The legal aid attorneys, elected officials' staffs, tenant organizer, and director of the affordable housing organization all demonstrated the most urgent interest and concern, while the academics and the non-profit real estate developer demonstrated the least. All interviewees in the former group asked for access to the results of my research, while most in the latter group demonstrated skepticism that institutional SFR investment was a significant problem in Philadelphia. Of all the interviewees, only the affordable housing organization expressed that they have been tracking this issue for longer than the last two or three years.

The second prominent theme, which emerged in around half the interviews, was strong concern for how any broad opposition to institutional SFR investment might deter outside investment in Philadelphia's housing stock. In particular, the academics and the social impact developer all expressed that any political movement decrying institutional housing investors would limit investment capital that they consider critical for Philadelphia's housing stock. They expressed that, while institutional SFR investment may have negative consequences, these consequences are generally outweighed by the benefits of outside capital directed at Philadelphia housing. However, many of the other interviewees expressed the opposite belief - that outside investment was no longer seeming worth the negative consequences they see in their work.

The final theme that emerged was that the interviewees knew very little about the actors and mechanics involved. Except for the State Senator's Chief of Staff, the interviewees all reluctantly said that they knew little about the investors and strategies themselves. Most of the interviewees had been closely following recent news headlines and the academics were generally aware of related academic literature. However, few were able to answer more specific questions. In fact, several of the interviewees responded by asking me what I knew and if they could be kept updated with the results of my research.

I found this final theme particularly striking when contrasted with my interview of VAPAC in Cleveland, Ohio. One of the legal aid attorney interviewees recommended that I reach out to VAPAC because they had given testimony about online Sheriff Sales to the Philadelphia City Council in 2019. VAPAC had voiced opposition to Philadelphia Sheriff Sales transitioning to the online platform, Bid4Assets, because similar legislation had disastrous impacts on Cleveland. All in all, VAPAC shared much more extensive knowledge about institutional SFR investment than anyone else I interviewed. Unlike interviewees from Philadelphia, the VAPAC representatives shared information about specific investors and investment strategies actively at play in the Cleveland area.

Of all the interviews, VAPAC's proved to be the most useful for understanding small to medium sized institutional investment strategies. Specific Philadelphia actors were not identified, but many of the identified strategies are also likely at play in Philadelphia. VAPAC groups Cuyahoga County investors into three broad archetypes: *Bulk Property Managers*, *The Agent Web*, and small- to mid-sized *Local Investors.*[101] Within each archetype, VAPAC also made important distinctions between what they called 'good actors' and 'bad actors.' While these good actors existed, they had identified a larger and increasing pool of bad actors that actively harm tenants.

[101] For more information on VAPAC's methods, they shared their March 2022 report on institutional investment in 1–3-unit homes in Cuyahoga County: Vacant and Abandoned Property Action Council (VAPAC). "The Impact of Real Estate Investor Activity on the Cuyahoga County, Ohio Housing Market 2004 – 2020." The following explanations source from a combination of the interview and the shared report.

The first two, Bulk Property Managers and The Agent Web, often start off similarly, as local small-scale investors that begin looking for larger pools of investment. Bulk Property Managers are the more formalized of the two, developing into a one-stop-shop broker and property manager facilitating outside investment and ownership of rentals. Bulk Property Managers often market themselves as beneficial to local governments because they provide a single point of contact for public authorities and ostensibly operate on efficient economies of scale. However, VAPAC witnessed a different story. Bulk property managers often structure their fees to where they make the most money from evicting and placing new tenants. This hurts tenants, investors, and destabilizes neighborhoods. Bulk Property Managers also generally dominate 'submarkets', where they effectively monopolize rental prices in micro geographies.

By contrast, The Agent Web archetype develops in a less formalized way. Usually, they recruit investors through informal channels like message board, YouTube, and other social media platforms, and they serve as the statutory agent for these interested investors. VAPAC writes that new investment entering the market is not inherently bad, but problems occur when new investors in the web do not understand the time and money necessary to properly rehab and maintain the rental. Moreover, the original investor markets these opportunities as 'turnkey' opportunities, requiring little or no additional investment past the initial purchase. The resulting web of investors, managers, and LLCs "ends up looking like a combination of a pyramid scheme and a bad game of telephone." As the original investors jump ship, the next group is even less well prepared, and the City of Cleveland is left to pick up the mess. Here, single asset LLCs often pose the largest problems. Housing code violations are criminal prosecutions, but business owners acting in bad faith simply do not appear in court. Businesses cannot be jailed, and the fines are often insufficient to deter this kind of behavior.

Lastly, VAPAC identified an ‘other local investors’ archetype, which is a catch-all for local investors who don’t fit into either category above. The complex, institutional natures of Bulk Property Managers and The Agent Web most often indicate more ‘bad’ investors. However, many local investors – especially those with different investment strategies – are ‘good’ investors and, according to VAPAC, generally have positive impacts on tenants and their communities. This is primarily because these local investors work more closely with tenants and can be held more accountable by municipal officials.

Overall, the contrast in detail between VAPAC and Philadelphia housing experts left me with a troubling impression that Philadelphia is still far behind in its analysis of institutional SFR investment. That said, there were a few specifics that Philadelphia experts shared crucial information about, namely: details on five specific institutional investors, investment strategies involving Sheriff Sales, and investments strategies involving rent-to-own (or lease-to-own) agreements.

Expert Identified Investors and their Strategies

The specific Philadelphia investors that interviewees identified were West Philadelphia Real Estate (a.k.a. Neighborhood Restorations, hereafter WPRE), Bizness As Usual Inc. (hereafter, Biz Inc., owned by Antoine J. Gardiner), RAD Diversified, and ABC Capital. A short list of others was mentioned, but no information was known about them. The professional researchers, using similar categorization to VAPAC, identified

WPRE as a unique example of a 'good' SFR investment actor. Starting in 1989, WPRE began leveraging primarily LIHTC funding to slowly redevelop a scattered site portfolio of rental housing in West Philadelphia.[102] By 2016, they had officially closed on over 1,100 projects at 900 different locations, with a total investment of $160 million. The interviewee described WPRE as the ideal archetype: the "benevolent SFR investor."[103] In their words, WPRE has figured out how to effectively acquire properties, fix them up (often to a high standard), and manage a scattered site portfolio for a mostly low income and Black tenant base. Although WPRE is *for-profit*, it maintains LIHTC-mandated affordable rentals in good condition and interviewed tenants have reported an overwhelmingly positive experience.[104] This portrayal was unique. It stood in sharp contrast to the other investors identified by interviewees.

An academic interviewee identified Biz Inc. as virtually the opposite archetype, the 'bad,' predatory SFR investor. Biz Inc. is one example of a class of local small-scale institutional SFR investors that began growing during the early 2000s. While The Blackstone Group was experimenting with SFR securitization, local small-scale investors like Antoine Gardiner of Biz Inc., were acquiring tax-foreclosed properties at sheriff sales and sitting on them. They waited for property values to increase, while the structures grew more delinquent.[105] In 2013, WHYY reported that, on its 58 properties (many of

[102] Heavens, Alan J., and Gina Mizell, "Revitalizing West Philly in a different way."

[103] Ibid.

[104] The professional researchers added the caveat that these interviews were completed about a dozen years ago, and they are interested in getting more recent data soon. However, they had not heard of any major complaints from tenants in the years since.

[105] Kerkstra, "Ravaged by Neglect, Part Two: A broken property tax system where everyone loses, except investors."

which were SFRs) Biz Inc. owed $471,000 in back taxes and had numerous code violations.[106] WHYY cited Gardiner as one example in a broader investigation of investor owners, reporting that in 2013: 1) roughly 60% of tax delinquent properties were owned by investors, 2) at least 11,000 of the tax-delinquent properties were owned by people and entities with billing addresses outside Philadelphia, and 3) of the 8,641 properties that are 20 or more years delinquent, more than 80 percent are investor-owned.[107] Today, Biz Inc. still owns an estimated 60 properties, including many SFRs, and has over 120 open code violations.[108]

While neither my interviewee nor the WHYY study provided more detailed information about Biz Inc.'s investment strategy specifics, another interviewee provided specifics about a larger investor, RAD Diversified, with a strategy that is likely similar. RAD Diversified, based in Florida and led by chief executive Brandon "Dutch" Mendenhall, runs a five-state empire of real estate bought through sheriff's sales and "We Buy Houses" signs.[109] Philadelphia is RAD's biggest market.[110] Since 2016, Mendenhall has been harnessing Facebook, YouTube, and other social media to find investors for their Philadelphia portfolio of almost 100 properties[111] RAD is a publicly-traded REIT that issues securities in the form of stocks. It then specializes in securing investors, acquiring distressed real estate, renting properties out, and returning dividends to

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[106] Ibid.
[107] Ibid.
[108] From data collected at http://www.whoownsphilly.org/.
[109] Adelman, "California man touts business empire built of Philly row houses bought at sheriff's sales. Some are skeptical."
[110] Ibid.
[111] Ibid. Although this article is focused on effects on tenants, the *Inquirer* article explores, at length, the extent to which RAD has been accused of defrauding its investors.

investors. After securing investment into its various holding funds,[112] RAD acquires properties through its small list of 'Funds' and 'Holding Groups,' primarily by outbidding the competition at local sheriff sales. Many of these properties are existing rentals or are quickly converted to rentals. In some cases, RAD outbids the owner-occupiers of tax-delinquent properties - turning homeowners into renters of their previous homes. Whichever case, RAD seeks to quickly fill its properties with renters paying market or above market prices for often poorly maintained units. RAD's property management company, Premier Access Property Management often does minimal or no work to maintain the deteriorating rental homes, many of which have lapsed rental licenses.[113]

Given the timeline of RAD's activities, it is possible that mid-scale, out-of-state investors like RAD have been replacing smaller scale, local investors like Biz Inc. and beating them at their own game. As a REIT, RAD has far more capital and a more diversified portfolio than a smaller investor like Biz Inc. Based on the available information, Biz Inc. likely employed a similar strategy to RAD, but at a smaller scale with fewer interested investors earning dividends.

A fourth investor, ABC Capital, received extensive portrayals by both the impact litigator and tenant organizer. Formed in 2011, ABC Capital self-identifies as a "one-stop shop" that locates, renovates, and manages properties for hands off international and

[112] The holding funds active in Philadelphia are DHI Holdings LP, DHI Fund LP, and DDH Fund LP. These funds do issue securities through the SEC; however, the Inquirer has reported a slew of fraud and misrepresentation accusations regarding these reports.

[113] Adelman, "California man touts business empire built of Philly row houses bought at sheriff's sales. Some are skeptical."

national clients.[114] ABC Capital markets a strategy often known as *Turnkey Investing,* the selling point being ‘all you have to do is turn the key’. This fits neatly into a larger investment strategy that VAPAC calls *The Agent Web*. In essence, their pitch to investors is: ‘skip all the hassle of managing property or filing securities; we’ll take care of everything’. Unlike RAD, which attracts investment publicly into pooled funds that directly own and manage properties, ABC Capital privately pitches individual or packages of rental properties to targeted investors. They then add several degrees of separation between capital investment and the tenants themselves by serving as a constant middleman, hiring out all the property management functions. The interviewees reported they had heard of countless complaints from tenants and from investors, many of which escalated to lawsuits. Currently, ABC Capital is in federal court proceedings for racketeering charges.[115] This thesis will return to ABC Capital later in the docket analysis.

The interviewees briefly mentioned a short list of other investors’ names while providing virtually no details or experiences with them. This list included Odin Properties (a corporate landlord being targeted by tenant organizing in Philadelphia), Drew Demarco (a local landlord mentioned as owning many rentals and receiving favorable treatment from local regulators), and Home Partners of America (an institutional investors specializing in rent-to-own agreements and recently acquired by the Blackstone Group). Finally, finished my interviews each time by asking the interviewees about

[114] ABC Capital Investments, “About ABC Capital | ABC Capital RE.”

[115] MICHAN-LEVY et al v. ABC CAPITAL INVESTMENTS LLC et al, US District Court for the Eastern District of Pennsylvania (Pending).

Airbnb and 'iBuy' investment strategies.[116] None of the interviewees had any experience or knowledge of either of these investment strategies playing a significant role in Philadelphia.

Sheriff Sales and Rent-to-Own Agreements

While the interviews generally lacked detailed explanations of how specific investor strategies worked, several of the interviewees did express significant concern about general investor behavior – especially regarding sheriff sales and rent-to-own agreements. Philadelphia sheriff sales generally include both mortgage and tax foreclosed properties. When properties default on mortgage or tax obligations, they begin a foreclosure process that can end with an auction performed by the Philadelphia Sheriff's Office. The process is intended to help resolve debts as well as to move properties into the hands of 'more responsible' local owners. However, many interviewees expressed concern that, over the past few decades, sheriff sales have become much easier for institutional investors and much more difficult for potential owner occupiers.

They identified a few factors that have contributed to this shift. As home and land prices have risen, wages have fallen. Average Philadelphians no longer have the capital to afford a sheriff sale 'fixer upper.' Meanwhile, the amount of capital in institutional SFR investment is at an all-time high. Furthermore, many interviewees expressed concerns that - especially during the COVID-19 lockdown - sheriff sale auctions have

[116] Zillow recently received a large amount of media attention for piloting and failing at a new investment strategy that many call 'iBuy.' Although it seemed unlikely that this would have had a large impact on Philadelphia, I included the question just in case.

become much less transparent. Both the legal aid attorneys and local policymakers' staff members spoke of a particular development - an online, third-party sheriff sale platform called Bid4Assets - at the heart of this transition.

In March of 2021, the Philadelphia Sheriff's Office suddenly announced that they would permanently shift from in-person sheriff sales to a contracted third-party online platform, Bid4Assets, to manage the sales.[117] This came following the COVID-19 sheriff sale pause and the pre-COVID City Council hearings expressing concern and even outrage over the proposal. Despite this resistance from City Council, the Sheriff's Office has remained steadfast in their interest to execute this shift. The Sheriff pitches the platform as a convenient and cost-saving measure because it takes a buyer's premium instead of charging the Sheriff's Office.[118] Meanwhile, and to a similar tune as VAPAC's testimony described earlier in this thesis, Philadelphia legal aid organization Community Legal Services argued that this shift was bound to draw more out-of-town real-estate speculators.[119] The shift to online Sheriff Sales is too recent to produce measurable data. However, my interviewees and other public servants have serious concerns over how thee change may perpetuate larger problems inherent in institutional housing investment.

Lastly, the professional researchers and legal aid attorney interviewees also expressed concern over rising instances of rent-to-own agreements in Philadelphia. Rent-to-own (or lease-to-own) agreements are contracts in which a tenant rents a home for a certain amount of time, with the option to buy it before the lease expires. These

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[117] Briggs, "Philadelphia sheriff sales resume, move online."
[118] Briggs, "Philly Sheriff under fire for move to Bid4assets platform."
[119] Ibid.

agreements generally promise that if certain conditions are met, a large percentage of rent paid will become equity the tenant can use in their purchase of the home. However, according to interviewees, rent-to-own agreements are almost always predatory in practice. People targeted by rent-to-own agreements are often among the most vulnerable, and the agreements themselves generally include small conditions that, if not fulfilled, nullify the entire contract. In that case, the renter suddenly loses all equity they thought they had invested in the home.

Despite some concern about rising instances of rent-to-own agreements, these agreements are still not widely used in Philadelphia. Nonetheless, one of the largest institutional investors that specializes in these agreements, Home Partners of America, has begun to buy single-family rentals in the Philadelphia metropolitan area since 2019. We will explore Home Partners and other investors more in the following sections, by way of local property data and court docket findings.

Local Property Data Findings

The Real Estate Transfers database, published by the Philadelphia Department of Records, records all real estate transfers in Philadelphia since 1999. The Philadelphia Properties and Assessment History Database, published by the Philadelphia Office of Property Assessment, includes property characteristics and assessment history for all properties in Philadelphia. By joining these two sets, I was able to create a list of all single-family homes in Philadelphia and run queries that would show estimates of which entities had the highest frequencies of owning, buying, or selling SFRs based on specific criteria. For the scope of this research, I also narrowed the analysis to property data from 2008 to 2021.

These frequency estimates are intended to provide preliminary, data-backed insight into generally understanding 1) which Philadelphia investors are the most active in SFRs and/or have the largest portfolios, 2) whether these investors match the ones mentioned by expert interviewees, and 3) if possible, how local property data can help to understand private institutional investors' investment strategies. To generate this insight, my queries asked and answered the following questions:

1. *Exempting public entities and banks, which buyers have acquired the most single-family properties in Philadelphia since 2008? Since 2018? Are the buyers since 2018 the same as since 2008?*[120]

Solely querying for buyers' names produced a slew of LLCs that, upon investigation, were often traceable back to similar parent corporations. Instead, querying for investor mailing address provided more accurate information about the parent investor corporation. All the following queries used this mailing address strategy when possible. This query returned the top three single-family property acquirers (non-sheriff sale deed transfers) in Philadelphia since 2008, which are GNR Equities with 899, ABC Capital with 834, and Bloyd Street Capital with 363. Among the top 100 investors, these three are followed by 97 other investors with a range of 271 to 43 properties each. A good point of comparison here is the most frequent public authority buyer, HUD, which

[120] For this analysis, banks and public entities were largely excluded because it would require a much more complex analysis to determine what investor would ultimately own properties initially acquired by banks and public entities. I chose the 2008 and 2018 timelines partly for scope, but also because these years signify beginnings of major changes in the US economy, the GFC and the COVID-19 epidemic, respectively.

has 2167. This number is roughly equal to the total properties acquired by the top three private investors, alone. Moreover, these private investor number estimates are almost certainly underestimates, since investors often have multiple mailing addresses.[121]

Since 2018, the top three remain the same but their positions shift: GNR Equities with 581, Bloyd Street Capital with 263, and ABC Capital with 141. This shift demonstrates that the majorities of acquisitions from GNR and Bloyd Street came after 2018, while the opposite occurred for ABC Capital. We can speculate that, over the past few years, SFR investment business has been improving for GNR and Bloyd Street, but not for ABC Capital.[122]

2. *Exempting public entities and banks, which buyers have acquired the most single-family properties* ***at sheriff sales*** *in Philadelphia since 2008? Since 2018? Are the buyers since 2018 the same as since 2008?*

The top buyers at sheriff sales since 2008 were GNR Equities with 390, JMH Realty Concepts Inc. with 83, and ABC Capital with 81. Among the top 100 investors, these three are followed by 97 other investors with a range of 70 to 8 each. These number can be compared to the top public entities and banks since 2008: the Federal National Mortgage Association (Fannie Mae) with 2719 and the Deutsche Bank National Trust Company with 1249.

Since 2018, the top investors are GNR Equities with 192, Corestates Group with 27, and an unidentifiable investor at mailing address 3630 Pachtree Rd. NE, Atlanta GA

[121] To explain further, webs of LLCs that trace back to one parent investor can be extremely hard to trace. As a result, it is much more likely that these estimates underestimate – by missing connections to more LLCs – than it is to overestimate.

[122] The mailing addresses used to trace each corporation are 829 N 29TH ST (GNR Equities), 1218 N MARSHALL ST (ABC Capital), and 4387 W SWAMP RD #515 (Bloyd Street Capital).

with 25.[123] These can be compared to the top public entities and banks since 2018: Fannie Mae with 117, U.S. Bank National Association Trust with 78, and Wells Fargo Bank with 57.

3. *Of all single-family properties sold by public entities or by banks since 2008, which buyers buy the most frequently?*

Of all single-family properties offered by public entities, the top investor acquirers since 2008 were LVC T-Class Realty, LLC with 27, JMH Realty Concepts Inc. with 23, and Zenith Real Estate with 21. Among the top 100 investors, these three are followed by 97 other investors with a range of 14 to 2, each. This compares to the top public entity, the Philadelphia Housing Authority, with 149 properties. The numbers since 2018 are too small to be noteworthy.

Of all single-family properties offered by banks or bank-related entities, the top investor acquirers since 2008 were Drew Demarco with 58, ABC Capital with 57, and Corestates Group LLC with 46. Among the top 100 investors, these three are followed by 97 other investors with a range of 33 to 6, each. This compares to the top public entity, HUD, with 1405 since 2008 but only 63 since 2018. The private investor numbers are negligible since 2018.[124]

[123] The mailing addresses (not already listed) used to trace each corporation are 2220 FAIRMOUNT AVE (JMH Realty Concepts Inc.) and 71 MORNING GLORY WAY (Corestates Group, LLC).

[124] The mailing addresses (not already listed) used to trace each corporation are 2640 N MYRTLEWOOD ST (LVC T-Class Realty), PO BOX 164 (Zenith Real Estate), and 12339 ACADEMY RD (Drew Demarco).

4. *Of all single-family properties with an owner that owns two or more single-family properties, what proportion of these registered owners are LLCs or LPs?*[125]

Finally, this last query gives us a proxy estimate for the proportion of total Philadelphia single-family *rentals* that are owned by limited liability entities including LLCs and LPs. This query is narrowed to only the single-family properties that have owners who own more than one single family property. This is not a perfect criterium for estimating the number of SFRs, but it is intended to filter out owner-occupied homes so we can see, roughly. what portion of SFR investors are LLCs or LPs vs. other entities.

Of the roughly 460,000 single-family homes in Philadelphia, there are roughly 122,000 of which the owner also owns at least one other single-family home. Of that 122,000, roughly 26,700 are owned by LLCs or LPs. That amounts to about 22% of likely single-family rentals owned by limited liability entities. Critically, this is almost certainly an underestimate because many of the homes included are not guaranteed to be rentals. The number is likely closer to at least one-third. More complex future research should seek to refine this estimate.

Notable Insights

Many of the investors identified in the expert interviews did not appear in these data queries. This may be because they are relatively smaller investors. It may also be

[125] Narrowing down to single-family properties with an owner who owns two or more single-family properties is a proxy estimate intended to avoid counting owner-occupied properties. A more extensive analysis could likely use other metrics to create an even better estimate.

that their dealings are hidden in a complex web of LLCs and mailing addresses that this research could not illuminate. Nevertheless, a few more insights are worth noting.

First, Drew Demarco, identified in the expert interviews, stood out as a top buyer of properties specifically sold by banks. Second, exempting the Philadelphia Housing Authority, the single-family home investors with the most homes currently are Demarco Drew with 487 and Neighborhood Restorations/West Philadelphia Real Estate (WPRE) with 439. However, WPRE has not purchased any new homes since 2006. Finally, subsidiaries of the rent-to-own specialist investor, Home Partners of America, began investing in the Philadelphia area in 2018. They have acquired 44 single family properties, at minimum, since then.[126]

Court Docket Findings

Existing research on institutional housing investment includes very little, if any, analysis of court dockets. This research method intends to investigate whether court dockets, especially municipal court dockets, could provide information on institutional investors that is unavailable elsewhere. Accordingly, the following findings represent a cursory, non-exhaustive scan of federal dockets in Pennsylvania, the Philadelphia Municipal Courts dockets, and the Delaware County Court of Common Pleas Civil Case Dockets. I scanned each registry for cases involving the investors identified in my other

[126] Extensive digging revealed that Home Partners of America operates in Philadelphia under a slew of LLCs including HP PENNSYLVANIA, HPA US1 LLC, HPA US2, HPA II BORROWER 2020-1 LLC, and many more. They also have a slew of mailing addresses including 120 S RIVERSIDE PLAZA SUITE 2000, 180 N STETSON STE 3650, and 508 E GODFREY AVE.

research methods. While not many appeared, a few select investors were consistently present in these courts' filings.

ABC Capital

Civil court docket scans show ABC Capital and its subsidiaries embroiled in a significant degree of past and pending litigation, since 2008. In the Philadelphia Municipal Court, ABC Capital appears as the defendant in one landlord-tenant action, one code enforcement action, and 33 small claims actions. ABC Capital also appears in the Eastern District of Pennsylvania's federal court dockets, accused of federal securities violations, federal RICO violations, fraud, breach of contract, and unjust enrichment.[127]

Two final unpublished cases in the Eastern District of Pennsylvania provide more substance for our analysis.[128] In the first, plaintiffs Siena Ventures LLC et al alleged "multiple breaches of contract, breach of fiduciary duty, conversion, tortious interference with contract, negligent misrepresentation, fraud, civil conspiracy, and declaratory relief arising from Defendants' unlawful and improper conduct in connection with the management, remodeling, and leasing activities of numerous residential properties in the greater Philadelphia Area." These allegations were brought in 2017 and ultimately were dismissed on jurisdictional grounds in 2019.

[127] Am. Hypnotherapy Soc'y, LLC v. ABC Capital Invs., LLC, No. 19-6116, 2020 U.S. Dist. LEXIS 247968 (E.D. Pa. July 7, 2020)

[128] These two cases are unpublished and were accessed via the Electronic Case Filing system for the United States District Court Eastern District of Pennsylvania at https://pacer.uscourts.gov/. The case names are SIENA VENTURES, L.L.C. et al v. ABC CAPITAL INVESTMENTS, L.L.C. et al and MICHAN-LEVY et al v. ABC CAPITAL INVESTMENTS LLC et al.

In the second case, plaintiffs Dr. Jose Michan-Levy and Lifelight Group LLC alleged that ABC Capital and its subsidiaries "operated as a corrupt organization under the Racketeer Influenced and Corrupt Organizations (RICO) Act in a sophisticated Ponzi scheme." They continued, ABC Capital "marketed itself, particularly to foreign investors who spoke English as a second language, as a "one-stop", "hands-off" solution to invest in… rental properties." ABC Capital would represent to potential investors that they would establish an LLC through which the investor would purchase a set number of properties in Miami, Baltimore, or Philadelphia. The investor was then supposed to receive a fully renovated, rental property that would be exclusively managed by ABC Capital. However, plaintiffs alleged that, in reality, ABC Capital "would (i) transfer only "leasehold interest" in the properties to the buyer-investor; and/or (ii) use the funds that were designated to fully-rehab the properties to pay prior investors the prior investors' guaranteed income." This claim was brought in 2021, and a settlement was reached in April 2022.

Others

Using this relatively limited method for scanning court dockets, no other investor stood out to the same degree as ABC Capital. However, several investors' defendant appearances are still notable. First, Home Partners of America and their subsidiary property management company, Pathlight Property Management, appeared as defendants in several cases in the Delaware County Court of Common Pleas. In Philadelphia Courts, Drew Demarco appears as a defendant in the highest number of small claims and code enforcement cases of investors searched. Odin Properties, Bizness as Usual Inc., and

Neighborhood Restorations/WPRE also appear in a high number of both small claims and code enforcement cases.

DISCUSSION AND CONCLUSIONS

The Global Financial Crisis of 2007-2009 catalyzed the rise of a new and unique single-family rental asset class for institutional investment. The post-crash market set the stage for institutional investment with surplus inexpensive REO homes, declining working-class wealth and access to credit, and new property management technology. Large investors, like The Blackstone Group, took advantage of these conditions and government real estate auctions to prove the viability of a new asset class: single-family rentals. Before long, waves of investors with different scales, geographies, and strategies followed the new highly profitable opportunity. Finally, today, as institutional investors acquire previously inconceivable amounts of SFRs, we are finally beginning to reckon with the impact of this monumental change in the housing market.

However, as this thesis has argued, the true origins begin much before 2008. The development of tax and corporate law, especially regarding LLCs, began transforming investment in SFRs as early as the 1970s and 1980s. Since then, government actions have facilitated bulk investor acquisition of cheap REO properties. Government action also laid the groundwork for secondary securities markets and rescued real estate financiers when those markets crashed. Overall, this history demonstrates that landscape of institutional SFR investment today is distinct from the past. Comparing modern institutional investment to previous mom-and-pop investors is entirely insufficient, and it creates dangerous narratives that compromise our ability to craft capable public policy.

As such, Institutional investors must not be defined primarily based on scale. Instead, institutional investors are distinguished by the many state-sanctioned powers of being an institution. This power is sometimes scale; but institutions more often derive unique powers and protections from 1) business entity limited legal liability, 2) exclusive access to cheap financing, 3) exclusive or semi-exclusive access to bulk discounted property through government or banks, 4) investment strategy, and 5) the anonymity provided by all these and more. Accordingly, a more appropriate assessment of institutional investment would be the degree to which the investor is anonymous, accessible, accountable, and benefiting from advantages exclusive to institutions – as compared to individuals. This broader definition of institutional investment allows for a comprehensive understanding of the impacts that institutional investors have on our communities.

Philadelphia, Cuyahoga County, and countless other geographies are not disconnected from institutional investment simply because they lack investment from the largest-scale actors. Institutional investment may be developing more slowly here, and it is certainly happening in different ways, but it is still happening. Investors are also developing new, more profitable strategies much more quickly than researchers, planners, and policymakers can compete with. Accordingly, outdated understandings of 'institutional investment' are failing us. Research methods developed in the early 2010s are also inadequate for understanding the full picture – especially in cities experiencing different investment strategies than those employed right after 2008. Instead, this invaluable area of scholarship should follow the examples of researchers like Adam Travis, Gregg Colburn, and Cuyahoga County's Vacant and Abandoned Property Action Council (VAPAC), developing a whole set of methods effective for different local housing markets. Planners and policymakers should adopt similarly flexible approaches, understanding the history and framework of institutional investment and seeking strategies effective in their communities.

Maybe most importantly, the planning community must begin grappling seriously with the concept of ownership. This thesis began with Krueckeberg's call to action, highlighting the dire importance of understanding "to whom property belongs," along with who can and cannot use it, control it, and profit from it. The past decade has showcased institutional investors' unprecedented interest in the ownership of housing, especially SFRs. Meanwhile, many of these investors have profited unprecedentedly from this ownership while their tenants have suffered. Of course, as VAPAC writes, not all these investors are bad actors, and many play important roles in their communities. However, since 2008, a new class of SFR investor is harming tenants, frustrating municipalities, crowding out potential homeowners, and profiting massively from it all. As the power of finance (or financialization) and resultant property values continues to grow, Krueckeberg's call to action will only grow in its importance.

Philadelphia

In many ways, Philadelphia has a unique housing market. While being the sixth largest city in the United States, Philadelphia is also one of the oldest cities. The current population, at almost 1.6 million, is dramatically lower than the peak population of 2.1 million in the 1950s. Accordingly, Philadelphia holds space and housing stock beyond its population, but much of this housing is in poor condition or disrepair. Philadelphia also has higher construction costs, lower property values, and is less nationally popular than most of its competing cities. So far, these factors (and countless others) have likely deterred much of the institutional investment that cities like Phoenix, Miami, Charlotte, Los Angeles, and Atlanta experienced over the past two decades.

However, as we have seen, Philadelphia is not exempt. Interviews with housing experts in a variety of industries demonstrate the instability Philadelphians, and especially Philadelphia tenants, are beginning to feel regarding their housing. 'Good' institutional investors, like Neighborhood Restorations/West Philadelphia Real Estate, seem to exist. Meanwhile, a large share of Philadelphia rentals is still owned by true mom-and-pops, among which many boast well-maintained units, personal relationships with their tenants, and accountability to tenants as well as the government. It is also clear from these interviews that serious concerns remain around retaining critical investment dollars from institutions inside and outside the city.

Unfortunately, the interviews also demonstrate trends that point away from 'good' investors. Local property data and court dockets largely corroborate these trends, and they show the degree to which these experts are lagging behind investors. Fewer than half the interviewees had heard of ABC Capital, and not a single one mentioned GNR Equities, Bloyd Street Capital, or JMH Realty Concepts. Meanwhile, these few top investors are often collectively acquiring more property than large public entities like

HUD, Fannie Mae, and the Philadelphia Housing Authority. The investors, also, often remain hidden in a complex web of LLCs, LPs, private investment, and the resulting lack of government oversite.

So far, these institutional investors' impacts on Philadelphia remain only partially understood. This thesis provides primarily qualitative data, and some other recent research provides more. However, it is important that future research quickly dives into quantitative and spatial data to deepen this study. This thesis is intended to provide a foundation and the imperative for that future research.

Continued Research Recommendations

First, this thesis only focused on single-family rentals. Further research should not only study single-family rentals, but also 1-3 family rentals as well as larger multi-family rentals.[129] Second, the research methods tested should be extensively expanded and enriched. All three research methods – the expert interviews, the court docket analysis, and the local property data analysis – provided invaluable information about institutional investment in Philadelphia. However, each method used was a cursory, preliminary effort. While interviews are used extensively in the larger body of research, continued research on Philadelphia institutional housing investment should seek to expand the range of interviewees. Further researchers should seek to interview experts on the

[129] VAPAC specifically studied 1-3 family rentals as distinct from larger multi-family properties. These three categories would provide more illustrative conclusions than solely distinguishing between single and multi-family homes.

investor/owner side, including differently scaled investors, property managers, true mom-and-pop owners, real estate agents, wholesalers, among others.

The court docket analysis provided extensive information on key investors that was not available from any other data source. Accordingly, there is rich opportunity for a comprehensive analysis of docket records related to institutional investors. Researchers should further develop this method and expand to more investors and different courts in different jurisdictions. This expansion could focus on tracing existing investors who are entering Philadelphia (or other new areas) from other markets. Institutional investors often operate in several different states, so litigation in an investors' home state could provide critical information for their likely future actions in a new state.

Finally, local property data from the Philadelphia Office of Property Assessment and Department of Licenses and Inspections provides a huge opportunity for continued quantitative analysis. This research could begin by following Adam Travis's and Elora Raymond's methods to measure the local impacts of institutional investment in Philadelphia.[130] VAPAC's report also includes a wealth of potential quantitative methods, including measuring correlations between institutional owners and 1) property maintenance/repairs, 2) rent prices, 3) and local code compliance. Furthermore, future studies should examine the spatial distribution of these phenomena to determine patterns, clusters, and specific neighborhoods being most impacted.

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[130] Raymond, Elora Lee, Ben Miller, Michaela McKinney, and Jonathan Braun, "Gentrifying Atlanta: Investor Purchases of Rental Housing, Evictions, and the Displacement of Black Residents."

Policy Recommendations

Despite the dire need for more research, there are also critical policy and policy enforcement changes that should be considered today.[131] First, every Philadelphian renter should be guaranteed the abilities to easily find out 1) who the beneficial owner(s) of their rental is and 2) how to directly contact them. The City of Philadelphia recently shut down their 'search your landlord' tool in 2020 citing "privacy concerns." However, simply reopening that tool would not permeate the web of LLCs. Renters should, instead, be able to find out who the ultimate owner of their rental is. In late 2018, Philadelphia City Council passed Bill No. 180939-A, requiring that rental license applications from non-individual owners include names of natural persons with equity ownership. The Department of Licenses and Inspections is tasked with collecting and publishing this data; however, as of June 2022, this data is not publicly available.

Second, as institutional ownership surges alongside record rent prices, Philadelphia policymakers should be seriously considering rent control/stabilization laws to protect vulnerable tenants. Third, policymakers should consider improving accessibility and funding for the existing programs that protect owner-occupants, namely Owner-Occupied Payment Agreements (OOPAs) and the numerous owner-occupant home repair programs.

[131] VAPAC's report includes a much longer list of policy suggestions that would be helpful for policymakers in Philadelphia. The report can be currently found here: https://www.wrlandconservancy.org/wp-content/uploads/2022/03/20220306_The-Impact-of-Investor-Activity-in-Cuyahoga-County.pdf.

Finally, at the State and Federal level, policymakers should consider taking significant steps to mitigate the negative impacts of institutional investment. This should likely start with government funded research into the impacts of institutional investment, especially regarding the role government has played in facilitating these impacts. Policymakers should also seriously consider stronger steps like limiting or prohibiting LLC usage for rental property owners or capping the number of units allowed per owner. Some of these steps may seem drastic, but other nations including Canada, Germany, and Spain are already proposing similar policies. As unfettered institutional investment develops, drastic steps may be necessary to control the impacts on vulnerable, working-class people.

* * *

"I don't know why we call them investors. They don't invest anything. They just extract every dime out of those houses and walk away when they require demolition!"

- A local housing advocate in Cuyahoga County, 2022.[132]

"The Department of Building and Housing is responsible for regulating fixed objects...owned by invisible people; the most difficult thing we do is find professional magicians...people and companies that intentionally don't want to be found."

- Cleveland building and housing official, 2022.[133]

"To ask 'Where do things belong?' simply sanitizes the essential query 'To whom do things belong?' Where things belong cannot be answered justly until we know whose things we are talking about."

- Donald A. Krueckeberg, 1995.[134]

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[132] Vacant and Abandoned Property Action Council (VAPAC), "The Impact of Real Estate Investor Activity on the Cuyahoga County, Ohio Housing Market 2004 – 2020."

[133] Ibid.

[134] Krueckeberg, "The Difficult Character of Property."

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