

MINNEAPOLIS

# Homes in low-income neighborhoods rake in rent for out-of-state investors

Investment company has snapped up properties.

By Eric Roper (<http://www.startribune.com/eric-roper/62906482/>) Star Tribune |

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A Georgia company has snapped up about 400 homes mostly in low-income neighborhoods across the Twin Cities during the last three years, renting them out to benefit of one of the nation's largest investment firms.

HavenBrook Homes now owns more rental properties in north Minneapolis than any other private entity, based on a Star Tribune analysis of rental records, nearly three years after making its first Twin Cities purchase. Some North Side blocks are peppered with three or four HavenBrook houses. The highest concentrations are in Minneapolis' Camden and Near North communities and the Payne-Phalen neighborhood of St. Paul.

Real estate agent Jean Bain said it appeared the company zeroed in on the Twin Cities as an undervalued area, then set metrics for which homes to buy.

"They didn't know Camden from Edina," said Bain, consultant of the Northside Home Fund, a public-private partnership that tracks north Minneapolis housing. "But that's where they ended up and they did end up with a lot."

HavenBrook's CEO, Pat Whelan, wrote in an e-mail that "as a policy [we] have no comment for a pending story." Their local director of operations, Scott Beck, did not return several calls seeking comment.

Several neighborhood advocates said they wish those homes could have gone to first-time homeowners. HavenBrook's average Minneapolis purchase price was just \$102,000, and only half the properties had active rental licenses. Local leaders are now watching HavenBrook closely, since Bain said it is unprecedented for an out-of-state entity to own so many homes in the city.

"It concerns me that at some point they'll reach a point where they'll say, 'Let's get out of this' and we'll have 200 homes for sale," said Council President Barb Johnson, who represents north Minneapolis.

Investors from Wall Street and other places have poured money into single-family rental property across the country in the wake of the housing crisis, said Daren Blomquist, senior vice president at California-based Attom Data Solutions, which tracks the industry. They typically buy up the distressed properties, he said, and then "rent them out to this growing group of people who are now renters who used to be homeowners."

"Part of the formula is because they're distressed, foreclosed homes ... you can buy them at a discount and get really good return on the rents," he said.



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ERIC ROPER, STAR TRIBUNE

HavenBrook (approx. 300) HavenBrook oldt  
Homes in Minneapolis  
properties are mostly in low-income...  
52%

Of HavenBrook's Minnesota homes are in  
north Minneapolis.

\$102,000

HavenBrook's average Minneapolis  
purchasing price.



### Clustered purchases

Blomquist said HavenBrook, whose Minnesota properties are owned under the name RHA 3 LLC, is a mid-tier investor nationally compared to giants like Blackstone, another investment firm. Blackstone owns more than 700 properties across the Twin Cities under the moniker Invitation Homes, according to county property records.

In the Twin Cities, Blackstone's homes are scattered across the metro area, with little discernible pattern. But HavenBrook, which advertises properties in four states, has invested almost exclusively in a handful of poorer urban core neighborhoods in the Twin Cities. Thirty-seven percent of its Minnesota homes are located in just one North Side ZIP code: 55412.

"It feels like a monopoly," said Connie Beckers, who lives next to four of the houses. "The thing is that they're scooping them out of the hands of potential homeowners and families."

HavenBrook's buying has trailed off, but the purchases were swift and paid in cash during the prime period in 2014.

"Everything that I listed [in north Minneapolis], within 48 hours they popped an offer in on it without having looked at it," said real estate agent Stephanie Gruver. She advised clients to initially require that buyers physically examine the property, since HavenBrook would often back out or renegotiate during the inspection period.

HavenBrook launched in 2012 as a subsidiary of Sylvan Road Capital, its parent company founded the same year by a former Morgan Stanley analyst. Sylvan Road sold its HavenBrook interest last year to massive investment firm Pimco, according to a report in Bloomberg. Pimco spokesman Michael Reid declined to comment on the transaction.

### Mixed reviews

As with many landlords, HavenBrook's record depends on who you ask.

The company performed much better than other property owners in an accelerated inspection program, which involved inspections of more than 20 properties and correcting violations within 30 days, said Mike Rumppe, the city's deputy director of housing inspections.

“They have been easy to deal with and are able to complete most repairs within the due dates issued by the Inspector,” Rumppe wrote in an e-mail.

Bain noted that HavenBrook initiated repairs on many homes after purchasing them, targeting things like furnaces, roofs and windows, since as an investment they want them to be in good repair.

But tenant advocate Eric Hauge of Homeline said they have received complaints about delayed maintenance and mix-ups with rent or Section 8 payments. Demographic data collected by Homeline show the typical HavenBrook tenant who calls the organization is a low-income woman of color with children, Hauge said.

One of the tenants who contacted Homeline was Sherita Jenkins, who moved to a HavenBrook property on Sheridan Avenue N. after a short stint living in her car. Jenkins initially justified the \$1,300 per month rent partly because of stainless steel appliances, but then moved in to find some had been swapped out and many repairs were needed.

“It was constantly calling: ‘I need this fixed. This is not working. This is not correct,’” Jenkins said.

Charles Stewart moved into a HavenBrook home this month. HavenBrook showed his family several properties when he inquired, and when they moved in, the house and yard were clean

“They’ve taken care of us, I know that,” Stewart said on his way into the home on Humboldt Avenue.

Across the street, Ladan Nur said she has noticed a churn of tenants at the HavenBrook properties on her block, some of whom have brought fights, shootouts and noise. She has tried to reach HavenBrook about buying one of the homes so she could live across from her mother.

“No reply, no nothing. I don’t know. It’s kind of like a ghost,” Nur said.

Staff writer MaryJo Webster contributed to this report.

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