

Keeping Up with the Blackstones

Discussion

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Views do not necessarily represent the US Government, FDIC, or the authors.

Big Picture

- Background: Recent Entry of Large Corporate into Single Family Rentals (“corporate landlords’ ”)
- Want to know: Effect of Corporate Landlords on SFR outcomes (supply and demand)
- Method: Corporate market-share variation from corporate mergers with assumption that multi-jurisdiction merger not driven by local conditions
- Results: Increase in rents, investment (by small owners), assessment appeals, and racial diversity

Comments

- A TREMENDOUS amount of work
- Many citations and data sources I want to explore
- Clear use of variation

Literature: RE Market Power / Concentration

- Theoretical literature on Rent Control w/ Market Power (scant empirical results)
- Watson & Ziv (2023, WP): use building idiosyncratic costs to show building level downward sloping demand (i.e., reject perfect competition), consider how landlord monopoly power affects residential reinvestment subsidies
 - Similarities: rental market with landlord market power, similar result on internalizing pecuniary externalities
 - Differences: NYC vs Atlanta, Multi vs Single family, different results on investment, more heterogeneity in WZ, better evidence on economies of scale in Austin
- Quintero (2023, WP): use government procurement contracts to measure impact of concentration on volume and pricing of new housing
 - Similarities: use changes in concentration, measuring a type of investment
 - Differences: Quintero does not look at rents, uses nationwide using geo-aggregates, uses shift-share type of IV

Literature: Corporate Landlords

- Diamond, McQuade, Qian (2019, AER P&P)
 - Differential response to rent control reform by corporate vs small landlords
- Gurun, Wu, Xiao, Xiao (2022, RFS): use similar merger variation nationwide and find rents increase and crime decreases
 - Similarities: Single family, variation, rent results
 - Differences: Nationwide Zillow data vs Atlanta with excellent local data, Austin explores mechanisms more
- Non Econ/Fin literature includes more case-studies
 - Tend to use the term 'financialization'
 - Raymond, Duckworth, Miller, Lucas, Pokharel (2018, Cityscale) also on Atlanta SFR
 - Crosby (2020, Geoforum); Lima (2020, Cities); Hawes & Grisdale (2020, book)

Where this paper fits

This paper shows how complex SF markets are when might otherwise think close to price-taking

- Market Power / Strategic Action in SFR
 - prices go up
 - adjusting quality, assessment appeals
- General Equilibrium and Medium/Long-run dynamics
 - investments, entry/exit, housing price changes

Paper shows more going on than just prices going up

- Owner-Occupiers and 'Small Portfolio' Owners invest in properties
 - Why? Are they prepping to sell or learning that property is worth more?
 - Competition happens in vertical quality rather than supply → compete in thinner market?
- Supply and Demand
 - Less competition → higher prices, less quantity supplied (GWXX, WZ)
 - You see higher prices, but say that supply goes up
 - Footnote 39 says it is from owners-occ renting out house
 - Are large corporates moving units from ownership to rental market?

Diversity Results

- Prediction: large corporates have less bias but have zero tolerance for contract infractions
 - 1 applicants of similar profiles accepted regardless of race
 - 2 more likely to take housing vouchers (Goodman, Kaul, Stegman; Urban Inst 2022)
 - 3 more likely to evict (Raymond et al, 2016; Atl Fed)
- The Mortgage-Race regressions seem to have pre-trends
 - Falling white HMDA applications, rising non-white before merger
- LODES: annual RAC data on jobs by race?

Pre-Trends

- Could this be mean reversion?
 - Tracts where target had no properties but acquirer did have fewer foreclosures
 - Tracts that had more foreclosures lead to mean reversion of minorities able to buy
 - Manifests are negative pre-trend and large positive treatment effects
- I have never used it but there is Pre-Event Trends in the Panel Event-Study Design (Freyaldenhoven, Hansen, Shapiro; 2019, AER)

Other things I wonder about

- Really high R^2 in Tables 4-6... mechanical variation using Zillow?
- Table 11 - from reduction to changes (so negative means down)