Keeping Up with the Blackstones
Discussion

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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?

Diverity 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)