

Senators – Here is who you will benefit by SB 458.

“Most profitable year ever” for rental investment fund

You should have your committee staff research **Blackstone** to learn about their predatory practices scarfing up inventory of homes owned by individual households.

Guess what? **Invitation Homes** is not going to build any lower cost “starter homes” for sale. But as the State continues to deregulate local zoning, **Invitation Homes** sure as heck is going to buy lower-cost, single-family rental homes at a bargain, demolish them, build a plex and then divide the lot into separate rentals. (Dividing the lot would substantially increase their “book value” of investments.)

Paul Conte

DESPITE EVICTION BAN COMPLAINTS, BIG LANDLORDS REPORT RECORD PROFITS

By Stephen Gandel

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Large landlords have been critical of the federal eviction moratorium that has been in place since September and was extended on Monday to June 30. Property owners and groups that represent them say that being unable to remove tenants who are behind on rent is unfair to property owners, and will put their finances in jeopardy.

“All property owners, regardless of their size, have been impacted by the economic circumstance of the past 12 months,” said David Howard, who is the head of the National Rental Home Council, a Washington, D.C.-based group that represents single-family home landlords. “It’s not sustainable.”

However, a CBS MoneyWatch review of the financial statements and loan records of the nation’s largest landlords suggests that the eviction moratorium, which has saved millions of Americans behind on their rent from becoming homeless during the pandemic, has done little to dent bottom lines. In fact, large property owners have predominantly been profitable during the pandemic.

Unexpected benefit from COVID-19

Invitation Homes, the nation’s largest single-family home landlord, for example, reported that 2020 was its most profitable year ever.

The company was started in 2012 by private equity firm **Blackstone** to snap up tens of thousands of homes left empty by the Great Recession’s foreclosure crisis and turn them into rental units. Last year it collected \$50 million more in rent during the pandemic than it had from those same houses the year before. That’s factoring in any tenants who weren’t able to pay.

Like other landlords, Invitation Homes got an unexpected benefit from the pandemic itself. One of the biggest costs that landlords have is turnover. Invitation Homes said fewer of its tenants moved during the pandemic than normal, even putting aside federal and state eviction restrictions. As a result, turnover costs dropped by nearly \$5 million last year. The company also said property administration costs fell by nearly \$3 million.

What’s more, the moratorium doesn’t appear to have fully halted the company’s eviction efforts. A study earlier this month from the Institute for Policy Studies on how larger landlords have profited in the pandemic found that **Invitation Homes** had filed at least 550 evictions in Arizona, Florida, Georgia,

Illinois and Texas since the beginning of the pandemic. Most of those, according to the study, were filed after the September 2020 federal eviction moratorium was ordered.

Coronavirus Crisis

"When there's a great concentration of corporate landlords, rents tend to be higher, eviction rates tend to be higher and affordability becomes a real issue," said Omar Ocampo, a researcher at IPS and one of the authors of the study.

In all, Invitations Homes' profits rose 30% during the pandemic, to nearly \$200 million in 2020, up from nearly \$150 million the year before. Shares of the company were up 64% in the past year. At \$32 apiece, they're currently less than a dollar from their all-time high, which was set a few weeks before lockdowns began in the U.S.

An Invitation Homes spokesperson said the company has worked with tenants affected by the pandemic and has provided payment options that have helped avoid evictions. The spokesperson said the vast majority of its eviction filings are resolved without tenants losing their homes.

"While we had a successful year from a business results perspective, we also feel very good about the year we had in supporting our residents, particularly those suffering financially," the spokesperson said in a statement to CBS MoneyWatch. "While eviction is always our last resort, we will preserve our legal rights, as allowed by the CDC and state orders, once we have exhausted all other options."

Invitation Homes CEO Daniel Tanner hasn't spoken out directly against the eviction moratorium, and the company has not joined any of the lawsuits that other landlords have brought against the CDC to overturn the moratorium.

But Tanner has told Wall Street analysts that the ban makes it impossible for the company to predict its future profits, and he expects the company's outlook and bottom line to improve once it's able to freely evict people again. Invitation Homes is also one of the largest and most prominent members of the National Rental Home Council, which has called for the end of the eviction moratorium.

"Difficult time for landlords"

The trade group last week released a survey that said a majority of its members had been negatively affected by the eviction moratorium, and that 20% would no longer be able to afford their rental units if the ban were extended beyond March 31. Nearly a third of the organization's members said they felt forced to "tighten standards" when it comes to picking tenants in the future because of the eviction moratorium.

"Whether you believe the eviction moratorium is good policy or not, it has created significant uncertainty in the rental market," NRHC's David Howard said. "It has been a difficult time for landlords."

However, other landlords seem to have weathered the pandemic, and then some. Rents at Mid-America Apartment Communities rose 2.5% in 2020 on properties it owned pre-pandemic. Mid-America owns roughly 100,000 apartments, making it one of the largest landlords in the U.S.

The company had nearly \$1.7 billion in revenue last year. Despite its having offered rent deferments to 8,000 of its tenants since the beginning of the pandemic, Mid-America's operating profits jumped to nearly \$430 million in 2020. That was up 60% from the previous year, and by far the highest increase the company has ever reported.

"We carry good momentum into 2021 and continue to believe we are early in a multiyear recovery cycle," Mid-America's Eric Bolton said in a statement at time of the earnings announcement.

Boost from stimulus

For apartment developer AvalonBay Communities, rents from properties it owned before the pandemic fell 3.2% last year to just over \$2 billion. AvalonBay had nearly 80,000 apartments as of the end of January, about 200 more units than it had the year before.

In February, the company's executives told Wall Street analysts that just 3% of its apartments were occupied by renters who weren't paying. The executives said they expected the eviction moratorium to be extended through the summer. They also said they expected AvalonBay would get a nice boost from the most recent stimulus bill, which includes \$50 billion in rental assistance.

A February report from real estate data firm Trepp found that owners of apartment buildings, unlike other property owners, were having little trouble making their mortgage payments. As of January, the delinquency rate for loans tied to apartment buildings was just 2.3%. Owners of hotels and malls were having a much harder time keeping up with their loans, with delinquency rates rising to 19% and 13%, respectively.

Diane Yentel, president of the National Low-Income Housing Coalition, said that the argument that landlords need the eviction moratorium to end because of financial hardship "is very hard to make" for any landlord.

"Some of the larger landlords had access to other resources or protections, including Paycheck Protection Program loans and forbearance programs," Yentel said. "With the latest stimulus bill, Congress has now put in billions in rental assistance, with most of that money going straight to landlords. So help is on the way. It is essential that the federal eviction moratorium is extended, at least until these emergency funds are expended."

CBS Moneywatch's Irina Ivanova contributed reporting.

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