As cities, states, and the federal government focus on the problem of affordable housing, one possible villain being identified is the corporate investor/owner. Ever since the 2007 housing crisis, many reports have pointed to the increase in the share of single-family homes being purchased by corporate entities and mused about their impact on the overall housing market. A Pew report () in 2021 focusing on Massachusetts found that seventeen percent of all homes sold in the state were purchased by investors. While this is below the national average of twenty-four percent, that national average grew nine points from 2015. Redfin also produced a report showing that of all the homes purchased in the fourth quarter of 2021, more than eighteen percent were by investors. The over arching concerns with investor purchases include the fact that investors seem to gravitate to lower-income neighborhoods and thus may block first-time home buyers in those neighborhoods, the rules governing LLC’s within the US may provide an escape for investors and an incentive to forego maintenance of properties, and that corporations are in a much better position, in tight housing markets, to make cash purchases which are clearly preferred by sellers.

The response to this has been numerous bills being proposed in state houses across the US to limit the ability of corporations to purchase homes in large quantities by either banning such behavior, withholding tax and other benefits from such owners, or restricting the use of short-term rentals (Waters, 2023, HUD Report). Are these responses warranted on economic grounds? From an economics ground there must be some source of market failure, be it collusion (), limited competition, or externalities, or a significant equality gain to warrant further government intervention in housing markets. Surprising, despite the fact of corporate ownership increasing since 2000 and especially after the 2007 housing crisis, there is little economic research on the topic and most of that literature is the census tract level were finding evidence of such market failures or equity concerns is harder to observe.

To address this gap in the literature, this paper investigates the impact of changes in ownership tenure of both the home that is sold on its value and how changes in the surrounding neighborhood of home ownership and tenure impact the value of a given home. Using data spanning from 2000 through 2020, I use individuals’ sales of homes located in Saint Louis County, Missouri, to estimate a repeat sales model to estimate the impact of how the price change of a given home is impacted by how a change in tenure and ownership status (private vs. corporate) impact the change in value and, using buffer zones of ¼, ½, and one mile radius measure how changes of tenure and ownership status of the surrounding homes, as measured by data from the County Assessor, impact the change in value.

While there is scarce economic literature on the impact of corporate ownership of single family housing, the studies that have addressed this question, in part, show…

One area of study in economics, but mostly sociology, stems from what Dietz and Haurin (2003) call a “general consensus” that owner-occupiers take better care of their homes than nonowner-occupiers. Travis (2019) divides nonresident ownership into five groups ranging from LLC, Corporations, limited partnerships, real estate owned, and sole proprietors in the Milwaukee area and estimate the likelihood of a code violation being reported to the Department of NS. Estimating a limited probability model with OLS, the author finds that LLC ownership predicts a two percentage point higher likelihood of observing a code violation and that properties in black and poor neighbors also see higher likelihood of code violations. [Need more from this study]

Ross and Harris (2001) in an earlier study looking at code violations in New York find that about twenty-five percent of absentee landlords had code violations and that rate was slightly higher for multi-unit homes. In contrast, two-unit, owner-occupied buildings (where the owner lives in one unit and rents out the other) only saw about 13.5% code violations, however, for structures with three or more units, that lower violation rate disappears and even gets larger as there are more units in the structure. The effects, however, shrink when the overall value of the home is controlled for in the model. Overall the paper finds that corporate ownership is no better or worse than any other absentee landlord type ownership.

Basically three bands of literature to date

Using data on code violations, studies look at differences in the frequency of reported code violations for different tenure types.

Theorteical modeling of how institutional investors may impact the welfare of cities and renters.

Esitmates of how opportunity zone designation impact the value of homes within that census tract.