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*A view of the street with roller coasters at Busch Gardens visible in the background in a Tampa neighborhood where many rental homes are owned by a real estate investment fund whose top foreign investors are heirs of the French fashion company Hermès.
DIRK SHADD Tampa Bay Times*

How heirs to a fashion empire ended up sinking cash into scores of modest Florida homes

By Ben Wieder and Emily Mahoney

The 1961 concrete-block house isn't fancy, but renter Fred Akers, a 63-year-old mailman who lives there, said it's got the "bare necessities" and he likes his neighborhood.

It has something in common with two other homes, a few blocks away, which are so close to Busch Gardens that its roller coasters loom large at the end of the street and the delighted screams of riders ring clearly through the air.

These dwellings are among hundreds of homes in Tampa Bay — particularly concentrated in Hillsborough County — owned by a real estate investment company that counts several heirs to the French luxury goods company Hermès among its investors. While the Hermès family is among the wealthiest in the world, with an estimated net worth approaching \$64 billion, the homes owned by the investment company are much more modest, typically worth under \$150,000. That's less than what versions of Hermès' signature Birkin handbag, prized by celebrities such as Victoria Beckham, have fetched at auction.

The heirs' stake in the company, which owns more than a thousand homes across Florida and hundreds more in other Southern states, is now public thanks to a new law in the Grand Duchy of Luxembourg, a tiny European country nearly 5,000 miles from Akers' home. The country has historically been a haven for the ultra-wealthy, one offering favorable tax conditions and confidentiality.



The Miami used handbag store Rebag displays a wall of Hermès' signature Birkin bags.

While there is nothing inherently improper about setting up shop in Luxembourg or other offshore havens, investigations such as the 2016 Panama Papers show that these jurisdictions have at times been

used to avoid taxes or to launder illicit cash. The country changed its laws to require companies to list their beneficial owners, or those who have a financial stake in the company, as part of an anti-money-laundering push in the European Union and has done away with many of its tax perks.

Journalists at French newspaper Le Monde extracted data from the registry of owners, which is searchable only by company name, and shared it with media partners across the globe, including the Miami Herald, el Nuevo Herald, their parent, McClatchy, and the Tampa Bay Times, as part of an international investigation called OpenLux. The records show how celebrities such as Magic Johnson, Tiger Woods, Angelina Jolie and Brad Pitt have stowed money in companies registered in the European country, as have at least 266 of the world's billionaires.

And it illustrates how the global super-rich move their money around the world, ever in search of new investment opportunities that can help diversify their portfolios.

Miami's real estate market has long been one of these investment opportunities, and the influx of global capital has pushed real estate prices, especially high-end properties, ever higher in the city, putting the dream of home ownership out of reach for many.

But the new data show that the voracious investment appetites of the global elite extend beyond the cities traditionally associated with foreign investment and that even these unassuming homes in Tampa — where kids ride scooters, a sign celebrates a Middleton High graduate, and some have their rent subsidized through Section 8 vouchers — represent an attractive option.

Akers, the Tampa letter carrier, was surprised to learn that French multimillionaires owned a stake in his house. The revelation made him question his landlords' commitment to his community.

"That's capitalism at its finest," he said.



Fred Akers, 63, in front of his Tampa home on Tuesday, Feb. 2, 2021. This is one of many rental homes in the Tampa area that was owned by a real estate investment fund whose top foreign investors are heirs of the French fashion company Hermès. Dirk Shadd Tampa Bay Times

RECESSION ROOTS

A web of shell companies separates Akers' home from the Hermès heirs and other investors who own it. Three heirs to the Hermès fortune, Julie Guerrand, Blaise Guerrand and Édouard Guerrand, are beneficial owners of a Luxembourg holding company called Lafayette Housing Recovery III, which is under the umbrella of the New York real estate investment firm Lafayette Real Estate.

The three Guerrand siblings are great-grandchildren of Émile-Maurice Hermès, who in the early 20th century transformed his family's leather goods business into the fashion brand it is today. None of the siblings work for the company, though all three sit on advisory boards that oversee its management and help set its strategy. In 2014, Forbes estimated that their father, Jérôme Guerrand, who died in 2013, was worth \$1.9 billion.



Jerome, Caroline and Edouard Guérand of Hermès Paris attend the Hermès store opening on June 10, 2003, in San Francisco. (Photo by Thomas John Gibbons/Getty Images) Thomas J. Gibbons Getty Images

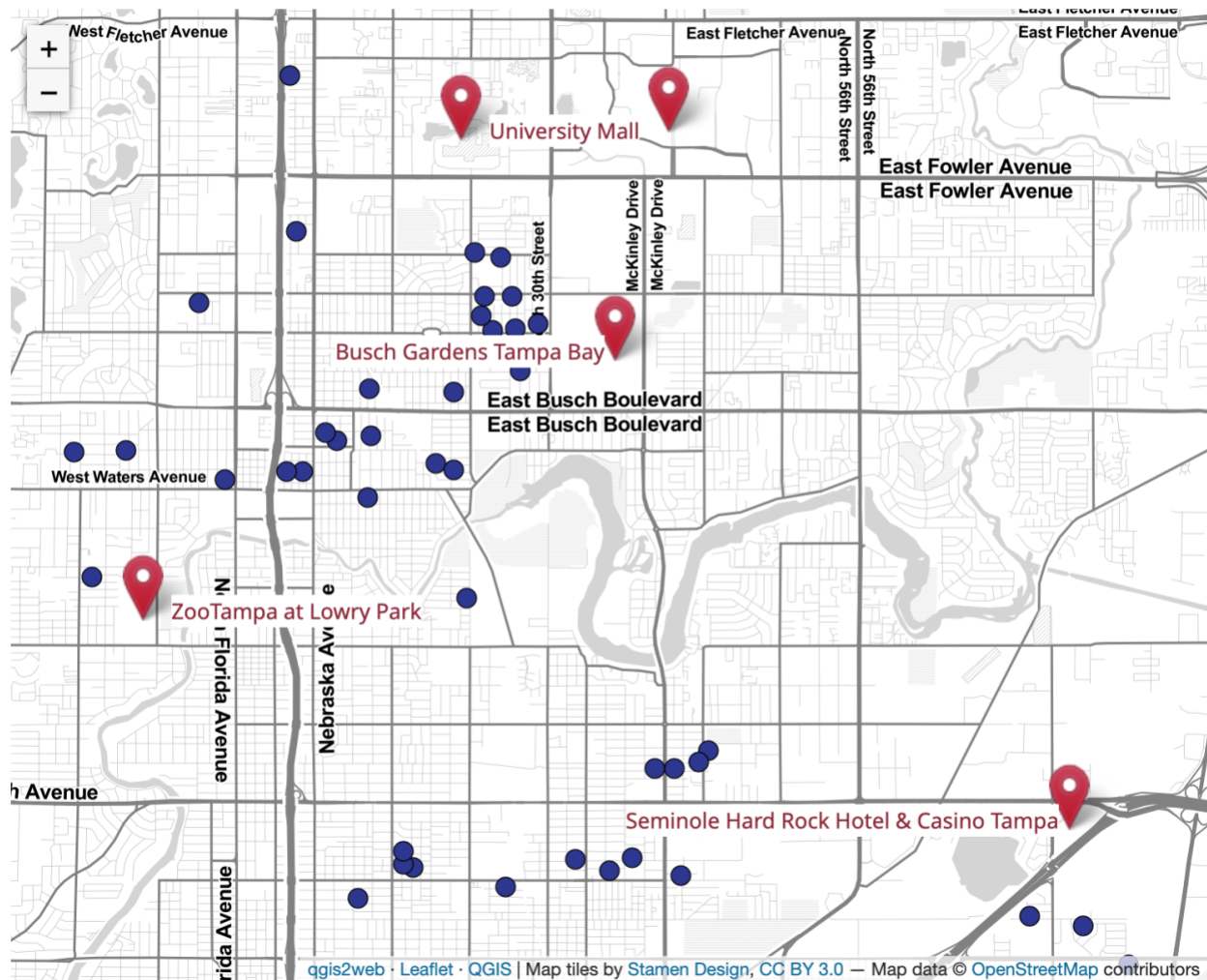
Lafayette Real Estate has used the funds provided by investors, including the Hermès heirs, to buy houses — though it created other, smaller companies to make those purchases, one of which is called Melaf FL LLC.

County property records show that Melaf purchased 108 homes across Florida from 2017 through 2019 and that the average market value for the homes is just over \$106,000, though these figures tend to underestimate the actual resale value of a home.

Many of the homes were bought in bulk and frequently from the same sellers. In Tampa, for example, Melaf purchased 50 of the 63 homes it owns on one day: Aug. 17, 2018. Many of the homes reviewed by the Herald and the Times had been in foreclosure in their recent past.

French fashion heirs help fund Tampa property purchases

These Tampa homes are owned by a real estate fund whose top foreign investors are heirs of the Hermès luxury goods fortune.



Note: Market value refers to just value in Hillsborough County property records.

Map: Rosmery Izaguirre / Miami Herald

Lafayette Real Estate, which is run by a French-American man named Thibault Adrien, first started investing in single-family homes in the aftermath of the Great Recession, when the market was plagued with more foreclosed homes than buyers financially stable enough to buy them. To solve that problem, then-Federal Reserve Chairman Ben Bernanke endorsed a plan for federal lenders Fannie Mae and Freddie Mac to sell their foreclosed properties to investors — which were then converted into rentals.

It was the beginning of what would become a booming trend. Investors had long viewed big apartment buildings as the best rental purchases, because one complex was considered easier to maintain than scores of spread-out homes. But then a wave of new companies, such as Lafayette Real Estate, set out to prove that single-family rentals could generate the same profit margins.

Lafayette Real Estate's initial success allowed the company to drum up more investment. The Hermès heirs are the top foreign investors in its most recent of three funds focused on purchasing single-family homes.

Lafayette Real Estate indicated, with the approval of the family, that the investment by the three Hermès heirs came through another Luxembourg holding company, Jakyval. The family holds less than a 5% stake in Lafayette Real Estate's most recent fund, Lafayette Housing Recovery III, and less than a 3% share of Lafayette Real Estate's total assets.

Overall, Jakyval had 743 million euros in assets, roughly equal to \$832 million, at the end of 2019.

A source close to the Guerrand family said that the investment was part of an effort to diversify their holdings. The family declined to comment.

THE AMERICAN DREAM

Institutional investors own more than 200,000 single-family homes across the country, according to 2018 data from the National Rental Home Council, a trade group for companies like Lafayette Real Estate. More than one in five of those homes are in Florida.

That represents less than 1% of all single-family homes in the country. And advocates for these institutional buyers say that their purchases helped prevent the glut of foreclosed homes from falling into disrepair in the wake of the Great Recession, preserving property values for other homeowners in the communities where they invested.

Lafayette Real Estate's holdings are slim in South Florida, but it said in a statement that it believes the company is meeting a crucial need for the Tampa area and the other cities in Florida and throughout the South in which it owns properties.

"We continually invest in our homes through renovations and upgrades, and we are an active supporter of the communities where we have properties," the company said.



Fred Akers' home in Tampa is one of many rental properties in the area owned by a company whose top foreign investors are heirs to the French fashion company Hermès. Miami is typically considered Florida's hub for international real estate buys, but in the past few years the company has bought up scores of small, single-family homes in Tampa. Dirk Shadd Tampa Bay Times

Having more single-family homes in the rental market potentially allowed some families to move into areas where they wouldn't have been able to afford a down payment, said Elora Lee Raymond, a professor of city and regional planning at Georgia Tech University.

"Single-family home ownership has historically been used as a way to gate access to communities," she said.

But critics say in the long term, the sale of foreclosed homes in bulk to investors conversely put the American Dream of owning a home even further out of reach for some Americans.

"They didn't necessarily see this as a tool for promoting affordable home ownership," Raymond said of the program.

When large numbers of single-family homes are purchased by companies or investors, it can make housing less affordable for renters and home buyers, said Cheryl Howell, director of affordable housing for Hillsborough County.

That's because when houses are purchased and converted into rentals, it means they will not respond in the same ways to fluctuations in the housing market — because while home prices may go up or down, rents always go up, she said.

“During the lowest slump in the housing market crash, where you may have been able to buy homes at half the value ... the rent remained the same,” Howell said. “It prices out a lot of working-class people and thereby sometimes really eliminates working-class neighborhoods altogether.”

For buyers, “it’s a supply and demand issue,” she said. “So when we get a lot of investors coming in, it decreases supply, increases competition and really truly increases the cost of housing.”

The number of houses owned by Lafayette Real Estate doesn’t really make a dent in Hillsborough County’s half a million households, but Howell said the impact of those purchases can be compounded when investors cluster their buys in certain neighborhoods, thereby owning a higher percentage of a small area.



*A view of the street with roller coasters at Busch Gardens visible in the background in a Tampa neighborhood where many rental homes are owned by a real estate investment fund whose top foreign investors are heirs of the French fashion company Hermès
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‘AGGRESSIVE’ EFFICIENCY

The rise of investors purchasing large swaths of rental homes has also sparked criticism that their property management is designed to prioritize profit at the expense of quality service to their tenants.

“Especially when we’re going through critical times like we’re going through now ... where a smaller landlord may be more sympathetic, the larger corporations have machine processes ... and that’s how each household is treated,” Howell said.

The business model relies on reducing and streamlining overhead — which can mean a balancing act between being a good enough landlord to prevent costly tenant turnover, but also reducing the company's responsibility for some repairs.

Some of the largest single-family rental companies in the country require tenants to be responsible for much of the homes' upkeep as well as mandate that tenants carry renters' insurance that covers the property itself, beyond just the renters' belongings, according to a 2019 investigation by The Atlantic magazine.

Lafayette Real Estate's leases, which are under its property management arm, Brandywine Homes USA, contain similar policies. The leases were entered into public court records during the course of several eviction cases.

Renters are responsible for all maintenance costing \$100 or less "regardless of whether or not the minor maintenance is the result of tenant's actions," Lafayette Real Estate's lease reads. Renters are also responsible for extermination of certain pests and must "maintain all appliances, and all gutters." They're also in charge of replacing air conditioning filters and maintaining their lawns.

Tenants are also required to carry liability insurance to cover damage to the property up to \$100,000.

Howell called practices like these "very aggressive," but added that over the past few years, such requirements have become more common.

In a statement, Brandywine defended its lease policies, saying that "there are no terms in our agreements that are not typical for standard leases throughout the rental housing industry." The company also said that the terms are reviewed with tenants before they sign.

A reporter and photojournalist visited 20 Tampa properties owned by Melaf FL LLC and spoke to tenants, who described mixed experiences with the company: Some said their homes had needed repairs, which were adequately addressed. Others said they struggled to have requests acknowledged, or when they were, shoddy maintenance jobs left the same problems recurring again and again — especially plumbing issues in the older homes. Many declined to give their names because they didn't want to publicly criticize their landlord.



*A street view of the 2500 block of East Curtis Street in Tampa on Tuesday, Feb. 9, 2021. This neighborhood contains many rental homes owned by an investment fund whose top foreign investors are heirs of the French fashion company Hermès. Dirk Shadd
Tampa Bay Times*

Tampa code enforcement documents show mostly small, routine violations such as overgrown plants. But in a few instances, residents submitted complaints to the city about broken pipes and other plumbing problems. In two cases, Melaf failed inspections by code enforcement for plumbing or other structural issues, which the company then rectified.

Brandywine said that the company strives to be both “timely and thorough” in its maintenance work and emphasized that 75% to 80% of its tenants renew their leases.

“Keep in mind, these are homes that we ultimately own, so not only do we want our residents to be completely satisfied, we need to make sure the homes remain in top-quality form,” the company said. “It is never in our interest to provide less than optimal service regarding maintenance.”

FROM COTTAGE INDUSTRY TO MAINSTREAM

Tampa has long been a target market for institutional investors, attracting strong interest from a number of Wall Street-backed firms that gobbled up thousands of homes in Tampa Bay in 2012 and 2013, the Tampa Bay Times reported at the time.

And business has also been booming for Corina Lessa Silva, whose firm, Tampa Bay Key Realty, specializes in international buyers. The majority of her clients are foreign nationals looking to move to the Tampa Bay area, she said, but some are also investors looking to rent out homes.

“A lot more people are turning to Tampa. Compared to Miami, you see that ... especially for single-family and townhomes, the Tampa Bay area is a lot more affordable,” she said. She added that the broader economic conditions are also favorable to investors, because Tampa Bay’s economy is more diversified than a tourism hub like Orlando.

Tampa has been Lafayette Real Estate’s biggest market in Florida, property records show. The company, through various shell corporations, owns and operates more than 600 homes in the area.

Lafayette Real Estate said its holdings represent a tiny fraction — .04% — of homes in the Tampa Bay area. That’s a small number compared to the biggest players in the industry, most notably Invitation Homes, which is heavily backed by private-equity behemoth Blackstone and went public in 2017. Invitation owns nearly 80,000 homes across the country, including more than 8,000 in the Tampa area, as of its most recent quarterly report.

Invitation’s Wall Street success has made the once-novel investment in single-family homes mainstream. And while many initially assumed that institutional investors would buy up foreclosed properties and flip them for a profit when the market recovered, the reality is that many of them have found the rental market to be lucrative enough to stay.

“People have made an awful lot of money, not just on buying low and selling high, but ... on the income,” said Raymond, the Georgia Tech professor.

As word of Invitation Homes’ success spread, the confidence in single-family homes has been contagious. Lafayette Real Estate’s newest single-family home fund — which includes investment from the Hermès heirs — opened after Invitation Homes went public.

Lafayette Real Estate’s success has allowed it to branch into other areas. In addition to the property management company, Brandywine, which it created in 2014, Lafayette Real Estate has also added a division that lends money to home flippers.

And the firm’s footprint may be getting even bigger soon. As the supply of foreclosed and otherwise distressed properties has dried up, Lafayette Real Estate and other investment companies have turned to funding new, built-for-rent properties targeting families that can’t or don’t want to buy their own homes.

Lafayette Real Estate recently entered into a partnership with one of Blackstone’s chief rivals, the Carlyle Group, to build new homes to offer on the rental market.

BEHIND OUR REPORTING

How we did this story

OpenLux is a collaboration between McClatchy, the Miami Herald and el Nuevo Herald and news organizations across the globe into the companies and wealthy individuals that have made the tiny European country of Luxembourg a global destination for offshore capital. Participating media partners included Le Monde in France, the Organized Crime and Corruption Reporting Project, Süddeutsche Zeitung in Germany, Le Soir in Belgium, Woxx in Luxembourg, IrpiMedia in Italy, iStories in Russia, Arij in the Middle East, Krik in Serbia, Bivol in Bulgaria, Investigace.cz in the Czech Republic, Piaui in Brazil, Tempo in Indonesia, Armando Info in Venezuela, La Nacion in Argentina and Inkyfada in Tunisia.

The European Union has directed countries to begin requiring companies to disclose their beneficial owners as part of an effort to crack down on money laundering in response to prior investigations into offshore finance such as the 2016 Panama Papers and 2014 Luxembourg Leaks. Luxembourg required that companies begin disclosing their beneficial owners — those who have a true financial stake — in 2019 and made the information public. However, the registry cannot be searched by owner name, but is instead only searchable by company name, making it impossible to discover whether someone is a beneficial owner of a company in Luxembourg without knowing the name of the company in the first place. Le Monde scraped the data from the registry and shared it with partners last year. It includes corporate documents, financial statements, and beneficial ownership declarations from more than 260,000 companies, covering a period from 1955 to December 2020. The records include the names of 117,424 distinct beneficial owners or administrators of Luxembourg companies.