

# *Graduate Seminar: 'Forever Renters' – Owning Housing Shares, Not Homes*

Speakers:

**Kaela Sanborn-Hum**, 2022-23 IMFG Graduate Fellow in Municipal Finance and Governance

Moderator:

**Kass Forman**, Manager, Programs and Research, Institute on Municipal Finance and Governance

*May 30, 2023*

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# Land Acknowledgement

*We wish to acknowledge this land on which the University of Toronto operates. For thousands of years it has been the traditional lands of the Huron-Wendat, the Seneca, and most recently, the Mississaugas of the Credit. Today, this meeting place is still the home to many Indigenous people from across Turtle Island and we are grateful to have the opportunity to work on this land.*

# Questions?

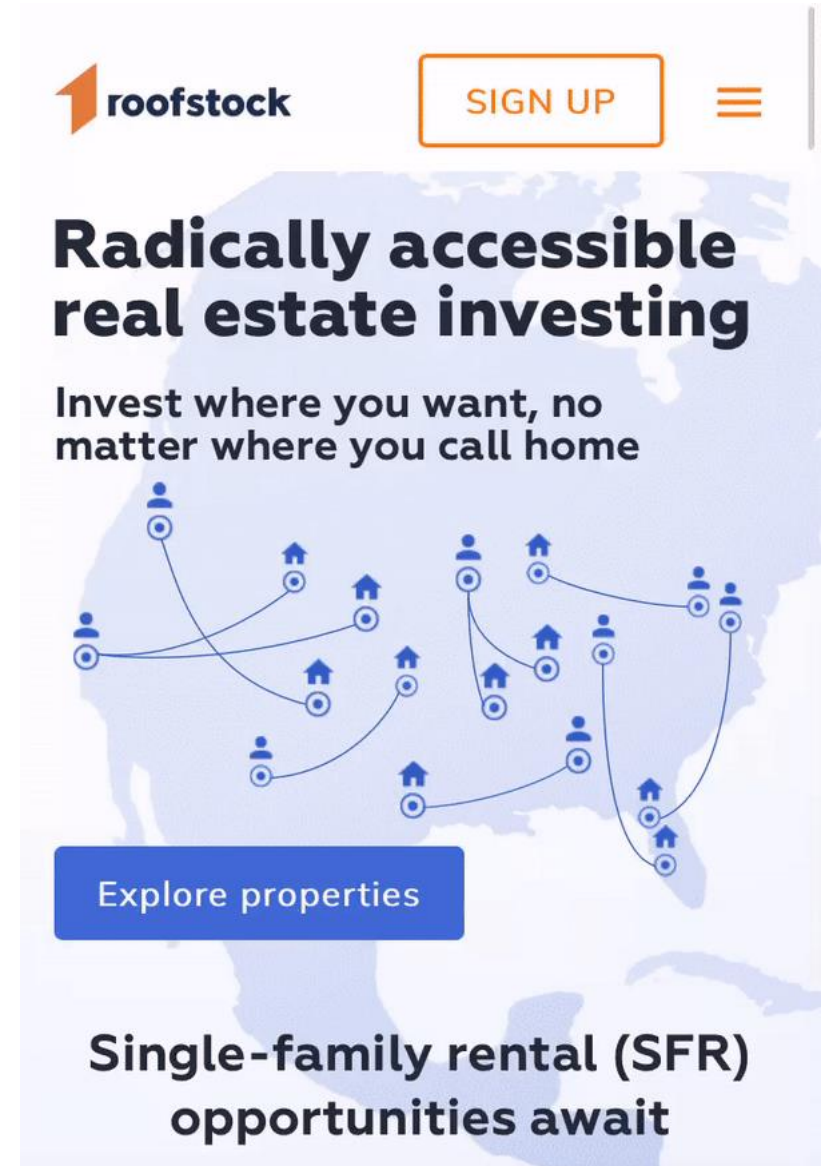
*Ask in person*



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# Roofstock and the rise of the digital investor landlord: A case study of post-crisis, platform-mediated retail investment in single-family rental housing

Kaela Sanborn-Hum (she/her)  
IMFG Graduate Fellow  
Geography MA



The advertisement features the Roofstock logo in the top left, a 'SIGN UP' button in the top right, and a hamburger menu icon. The main headline reads 'Radically accessible real estate investing'. Below this, a sub-headline states 'Invest where you want, no matter where you call home'. The central graphic is a map of the United States with blue icons of a person and a house connected by lines, representing investment opportunities across the country. A blue button labeled 'Explore properties' is positioned over the map. At the bottom, the text 'Single-family rental (SFR) opportunities await' is displayed.

# Outline

- I. **Building SFR Supply:** Institutional investment in single-family rental (SFR) housing; PropTech has adopted institutional strategies
- II. **Building Retail Demand:** PropTech platforms, like Roofstock, are targeting millennial, retail investors
- III. **Policy response** at the municipal, state and federal level to institutional acquisition of single-family rental housing; how does this apply to PropTech?

# Preface

**SFR Investor:** A corporate entity (LLC, REIT, etc.) owning residential real estate ("single-family home") as an investment vehicle. Small: 1-9 Medium: 10-99 Large: 100-999 Institutional: 1000+ \*

**Retail investor:** A non-professional investor

**Property Technology (PropTech):** PropTech is 1) a massive implementation of digital technologies within the real estate sector; 2) real estate firms using a platform business model

\*SFR investors as defined by the number of SFR properties owned (HUD, the US Department of Housing and Urban Development)

# Part I: Building SFR Supply

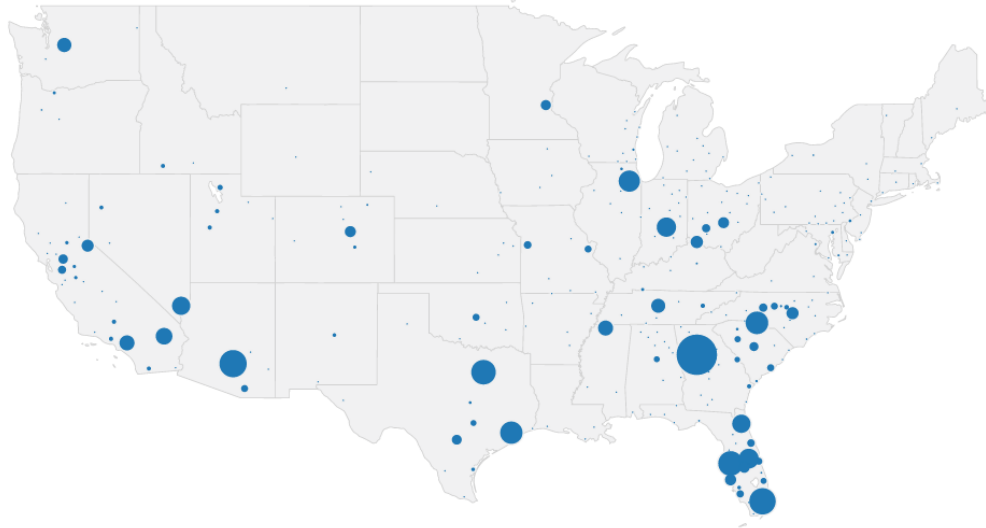
“We set off to build that marketplace where we could package up either individual homes with tenants in them, or portfolios of homes with tenants in them and offer them to investors anywhere in the country. Really anywhere in the world” – Gary Beasley, CEO of Roofstock, May 2022



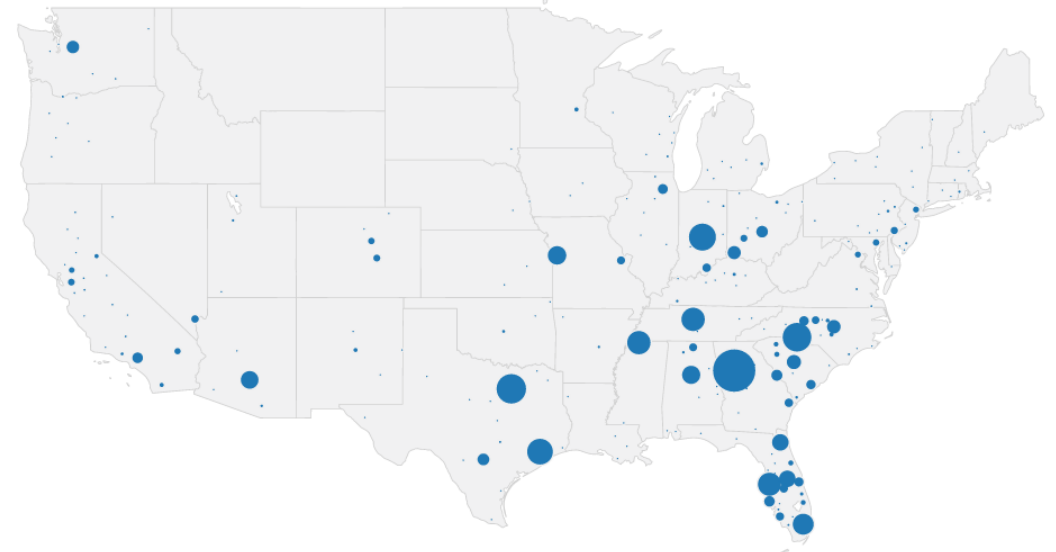
3 bd, 1 ba | 1,368 sqft | Built in 1920

# Geographically concentrated institutional buying

2010–2015 HOMES BOUGHT BY INSTITUTIONS



2016 HOMES BOUGHT BY INSTITUTIONS





# Corporate landlords demonstrate high rates of eviction, hidden fees and rent hikes

- In Boston, Massachusetts, Hwang (2019) finds that foreclosed single-family homes purchased by corporate investors are **3x more likely to be resold to another investor**
- In Fulton County, Georgia, Raymond et. al. (2018) find that corporate landlords of single-family rentals are almost **70% more likely to file for eviction** than small landlords
- **Ancillary income from late fees and eviction filing fees** constitute a meaningful revenue for corporate landlords
- Exercise **“pricing power”** – maximize rent yield – in regional housing markets with large corporate investor presence

## YOU THINK YOUR LANDLORD IS BAD? TRY RENTING FROM WALL STREET

A new report claims that Wall Street's new rental empire is characterized by aggressive rent hikes, fee gouging, and high rates of eviction.

[Rebecca Burns](#)

January 20 2018, 7:00 a.m.

# Former institutional investors create PropTech firm, Roofstock



Doug Brien, Gary Beasley and Colin Wiel, left to right, are Waypoint Homes' founders. Beasley was na while Brien and Wiel continue in their roles as managing directors.



2 of 5

From left, Paul Staley, vice president of Staley and MacArthur Inc Real Estate Services, Gregor Watson, managing partner of Oakland's McKinley Partners, and Ron McArthur, vice-president of Staley and MacArthur looks at the backyard of a bank-owned house they're considering investing in Pittsburg, Calif. on Monday, July 27, 2009. McKinley has formed a \$6 million fund to purchase foreclosed homes in eastern Contra Costa towns forecasting their potentials to double its value in five years.

Stephen Lam/The Chronicle

# The rise of the “automated landlord”: SFR investment developed alongside key advancements in digital technology

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

## FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-38004

### Invitation Homes Inc.

(Exact name of registrant as specified in governing instruments)

Maryland  
(State or other jurisdiction of incorporation or organization)

1717 Main Street, Suite 2000  
Dallas, Texas

(Address of principal executive offices)

(972) 421-3600  
(Registrant’s telephone number, including area code)

90-0939055  
(I.R.S. Employer Identification No.)

75201  
(Zip Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange on Which Registered

Common stock, \$0.01 par value

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

The “automated landlord” (Fields, 2019) is the corporate landlord utilizing platform technology to collect and analyze property, tenant, and rental data to ensure a “smooth flow of rental income from tenants to capital markets.”

#### Marketing and Leasing

Our in-house personnel are responsible for establishing rental rates, marketing and leasing properties, and collecting and processing rent. We establish rental rates based on a dynamic, rules-based pricing tool that is informed by local market conditions, including a competitive analysis of market rents for institutional single-family rental properties, growth in single-family and multifamily market rents since a specific home’s last lease commenced, the size, fit and finish, and location of the home, the number of applications received and/or showings a property has experienced since becoming available, and the number of days a home has been available on the market, as well as qualitative factors, such as neighborhood characteristics, community amenities, and proximity to employment centers, desirable schools, transportation corridors, and local services.

# Roofstock uses precision technologies to target housing markets

 **BUY** ▾ **SELL** ▾ **MANAGE** ▾ **INSTITUTIONS** ▾

**LEARN** ▾ **ABOUT US** ▾ **TOOLS & CALCULATORS** ▾ **LOG IN** **SIGN UP**

## 1 Deep Expertise

Our team has acquired, operated, and sold over \$5 billion in single-family rental homes and helped the leading institutional investors, REITs, and global asset managers achieve their investment objectives.

## 2 Data Science

We have mapped all 90 million U.S. single-family homes by its investment characteristics and can match that to your buy box to pinpoint specific neighborhoods and properties.

## 3 Vertically Integrated Platform

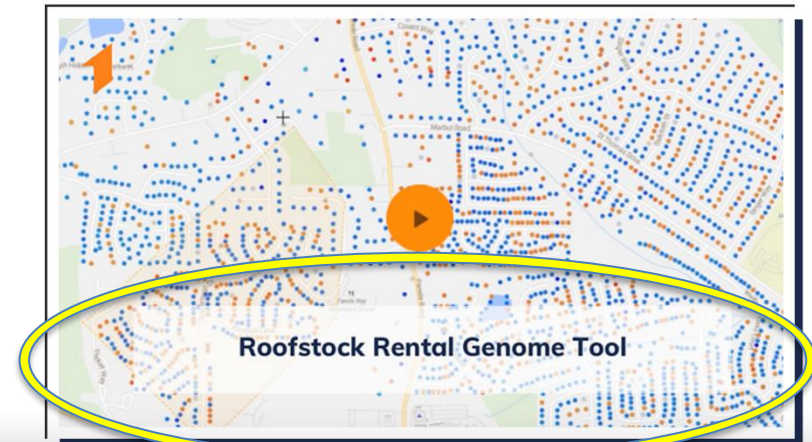
Take advantage of our fully integrated platform including in-house property management to efficiently manage client portfolios across the country.

## 4 Institutional Insights and Tools

We provide best-in-class portfolio management including institutional caliber tools, insights and reports to help you attain your investment goals.

## 5 Multi-Channel Disposition

You can efficiently access multiple exit options to divest your portfolio including a global network of investors on the Roofstock marketplace.



# Roofstock uses surveillance technologies for iBuying

- **iBuying:** the practice of PropTech firms making instant, all-cash offers to individual sellers
- “Once you know a little bit about someone, you can target them on Facebook. It has borne fruit. We have gotten a lot of retail inventory with these targeted Facebook ads.” – Gary Beasley (Blomquist, 2018)

Roofstock is the leading marketplace for buying and selling rental investment properties.

Page · Website

Roofstock Inc. is responsible for this Page

roofstock.com

Roofstock

May 22 at 11:14 AM · 🌐

We are excited to be sponsoring Information Management Network (IMN)'s 11th Annual Single Family Rental Forum in Miami from May 22 – 24, 2023! Will you be there? If so, send a note to [btr@roofstock.com](mailto:btr@roofstock.com) to set up some time with our team.

Roofstock

IMN (EAST) MIAMI, FL

IMN (EAST)

**The 11th Annual Single Family Rental Forum**

Miami, FL · May 22 – 24

The SFR Market Overview: Where Are Cap Rates & Investors Currently? In The Near Future?

# Part II: Building Retail Demand

**make it**

SUCCESS MONEY WORK LIFE VIDEO

## This 32-year-old grosses \$431,000 a year from his real estate investments —while traveling and living in a converted van

Published Tue, May 24 2022 10:00 AM EDT • Updated Tue, May 24 2022 2:31 PM EDT

 Michael Albaum, Contributor  
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# The Roofstock marketplace is enriched with features to maximize investor returns

roofstock BUY SELL MANAGE INSTITUTIONS LEARN ABOUT US TOOLS & CALCULATORS LOG IN SIGN UP

664 Morningside Rd  
Venice, FL 34293



2 bd, 2 ba | 2,125 sqft | Built in 1980

List Price **\$380,000**

Initial Investment ⓘ : \$302,936

Buy with an agent


Purchase Price ⓘ	\$380,000	Total Return ⓘ	\$279,467
Down Payment ⓘ	78%	5 Yrs 10 Yrs 20 Yrs 30 Yrs	
Rent ⓘ	\$2,550	Annualized Return ⓘ	15.0%
Current Est. Market		Cap Rate ⓘ	5.9%
		Gross Yield ⓘ	8.1%
		Cash Flow ⓘ	\$15,186
		Appreciation ⓘ	9.5%
		Hist 10 Yr. Hist 5 Yr. Hist 1 Yr.	

Reset to Default Edit Assumpti

roofstock SIGN UP

All Save filter

Showing 1 - 25 of 4150 properties | Clear Filters



3261 E 140th St, Cleveland, OH 44120

**\$89,900**

3 bd, 2 ba | 1,524 sqft | Built in 1910

15.8% 9.1% ★★★★★  
Gross Yield Cap Rate Neighborhood Rating

AA roofstock.com

# Roofstock trains retail investors to mimic corporate landlords

The screenshot shows the Roofstock website interface. At the top, there is a navigation bar with the Roofstock logo and menu items: BUY, SELL, MANAGE, INSTITUTIONS, LEARN, ABOUT US, TOOLS & CALCULATORS, LOG IN, and SIGN UP. The main content area features a large image of a residential neighborhood with the heading "Find Neighborhood Ratings" and the subtext "Know the risks and rewards of investing in different neighborhoods with the Roofstock Neighborhood Rating." Below this is a search form with a text input field containing the placeholder "Please enter your address" and an orange button labeled "Get Your Neighborhood Rating". At the bottom of the page, there are two columns of text under the heading "Discover neighborhood insights". The left column is titled "For Buyers" and includes an icon of a hand holding a key, with the text "Get the Neighborhood score of the property you're evaluating, plus similar properties for side-by-side comparison." The right column is titled "For Sellers" and includes an icon of a hand holding a money bag, with the text "Look up your property's address to get your Neighborhood Rating and learn more about selling on Roofstock."

For Roofstock, the platform tools are not useful for their predictive accuracy but rather, **attracting a large base of users with data-driven analysis** and directing consumer investment





# Roofstock is building its own supply of risk-tolerant, millennial retail investors

- 75% of the nearly 370,000 Roofstock users are first-time property investors, and more than half are under 35 years old
- “I do think that, you know, the younger the person, the more open they are to renting longer, and maybe forever. Some people that don’t need to own their home, I do think that there’s something to **separating where you live from where you own.**” – Gary Beasley, September 2021


**make it** SUCCESS MONEY WORK LIFE VIDEO

## This 32-year-old grosses \$431,000 a year from his real estate investments —while traveling and living in a converted van

Published Tue, May 24 2022 10:00 AM EDT • Updated Tue, May 24 2022 2:31 PM EDT

Michael Albaum, Contributor  
@MICHAELALBAUM

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Trending Now

# The Digital Investor Landlord

- Self-directed, risk-taking
- Reproduces the rationalities, logics and priorities of the corporate landlord
- Participates on digital platforms to buy and sell single-family rental housing

THE WALL STREET JOURNAL.



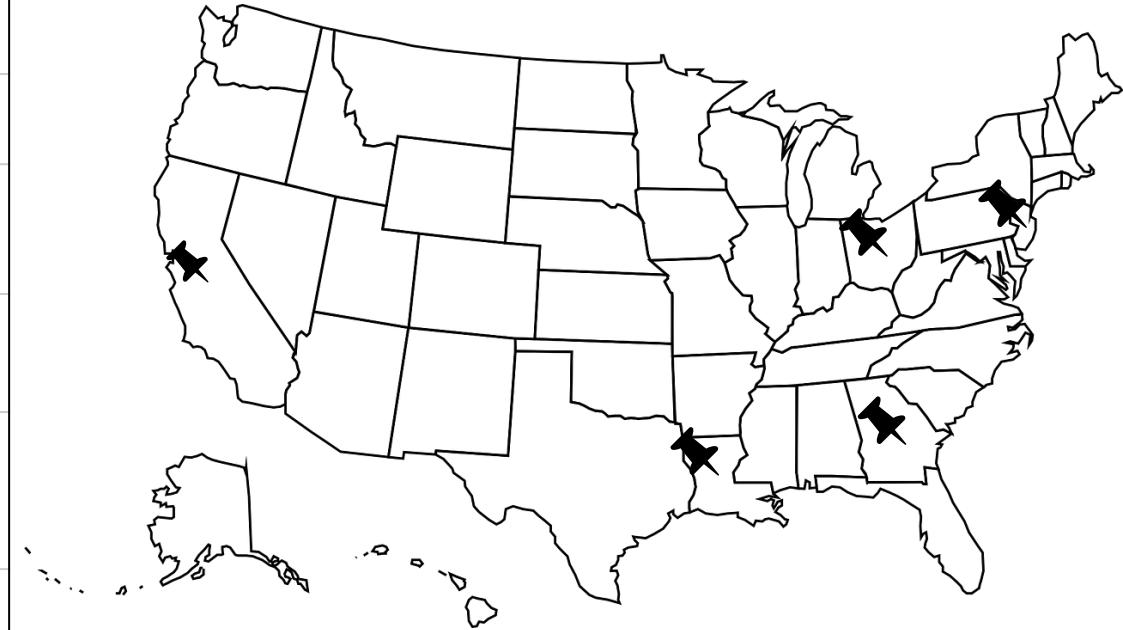
Ryan Porter, owner of NextHome Realty Experience, shows a home to a potential investor in Brandon, Miss.

By [Will Parker](#) [Follow](#) and [Nicole Friedman](#) [Follow](#) / Photographs by Brad Vest for The Wall Street Journal

Updated Aug. 28, 2022 9:40 pm ET

# Part III: Policy Responses to Corporate Landlords

<b>Municipal</b>	Atlanta, Georgia	Fines; municipal version of the Community Reinvestment Act	
	Newark, New Jersey	Fees; corporate entity transparency; end solicitation of homeowners	
	New Orleans, Louisiana	Fees; owner transparency; law struck down 2022	
<b>State</b>	California	Senate Bill 1079 Homes for Homeowners, Not Corporations, passed 2020	
	Ohio	Senate Bill 334, modeled off the California SB 1079, introduced May 2022	
<b>Federal</b>	National	H.R. 9246 House Bill "Stop Wall Street Landlords Act," introduced October 2022	
	National	S.5151 Senate bill "End Hedge Fund Control of American Homes Act," introduced November 2022	

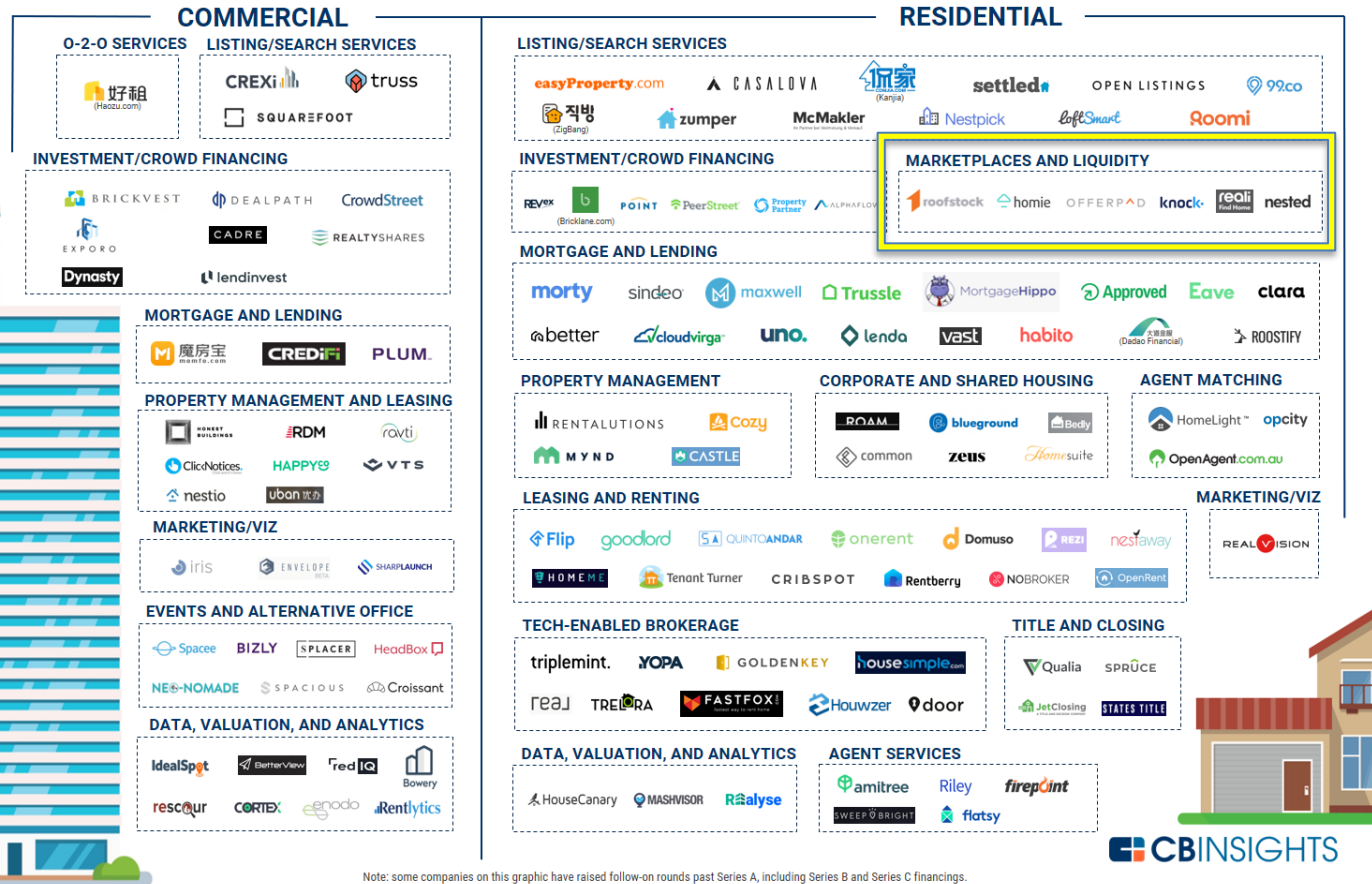


# Future research agenda: PropTech and SFR retail investment



## EARLY-STAGE REAL ESTATE TECH MARKET MAP

Companies receiving early-stage financing (seed or Series A) since 2015



Note: some companies on this graphic have raised follow-on rounds past Series A, including Series B and Series C financings.

- PropTech firms may empower retail investors to exercise homeowner rights for the purposes of eviction, tax-evasion and anti-rent control policies
- PropTech firms have a base of customers – retail investors – who may be mobilized for financial and political aims in regional housing markets

Thank you!