



Investor activity in housing had no discernible impact on homeownership during the pandemic

The stock of single-family rental housing has been falling in recent years

One of the more persistent housing narratives to emerge during the pandemic is that a dramatic increase in investor activity has limited the ability of aspiring homeowners to purchase single-family homes. As widespread as this narrative is, it doesn't stand up to basic scrutiny. The US homeownership rate rose through the pandemic at the same trajectory it was rising pre-pandemic (Exhibit 1). As of 2Q22, the homeownership rate reached 65.8%, up 170 bps from 2Q19 and above the long-term average of 65.2%. If investor activity has been crowding out individual home purchases the homeownership rate would have at best been flat or potentially declining.

Also, recently released data from the Census indicates that the total stock of single-family rental units fell by more than 100,000 to 14.3 mm in 2021 from 2019; by contrast, the stock of single-family owned homes increased by 4.5 mm during the same period (Exhibit 2). In the single-family market investor activity during the pandemic appears to have created no impediment for owner-occupiers. In 2022, investor activity in the housing market has slowed along with the purchase market and in the coming years we would expect it to continue to have little to no impact on owner-occupier trends.

EXHIBIT 1
Homeownership Rate (1965-Current)

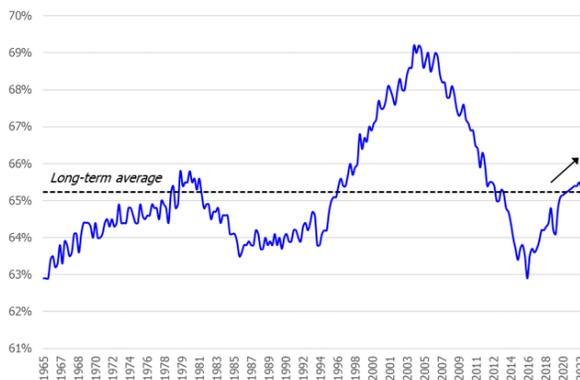
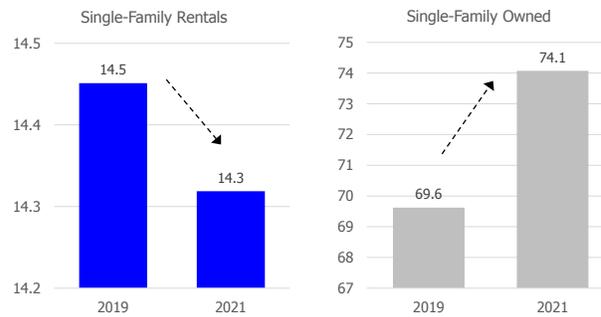


EXHIBIT 2
Occupied Stock of Single-Family Homes (mm)



Source: US Census, Residential Vacancies and Homeownership, as of 2Q22; US Census, American Community Survey 1-Year Estimates, 2019 and 2021. 1Q20-1Q21 homeownership datapoints affected by pandemic related data collection issues have been inferred using simple averaging.

50%

more homes sold in 2021 than bought by smaller investors

97%

of single-family rental homes held by small investors

65.8%

homeownership rate

The narrative about investor activity and homeownership largely rests on new data released during the pandemic that portrays record levels of investor buying in 2021¹; however, this data is far from conclusive. It is directly contradicted by other analyses that show investor buying was at historically normal levels during the pandemic and in fact has been falling in recent years². Even if investor buying trends could be accurately captured, it would only tell half the story. It is equally as important to consider investor sales — a recent study found that smaller investors sold 50% more homes in 2021 than they bought³. Since smaller investors hold roughly 97% of single-family rental homes⁴, this helps to explain why single-family rentals fell as a share of the overall housing stock during the pandemic.



If anything, the data argues that more investment in single-family rental housing is needed. The Harvard Joint Center for Housing Studies recently found that rental housing options are most lacking in suburban, single-family neighborhoods⁵. Not only will increased investment in single-family rentals broaden access to the opportunities that high quality single-family housing brings for its residents; but also, increased investment is necessary to resolve US housing's overall supply shortage.

1. Redfin and CoreLogic Investor Buying Analyses, both as of August 2022.
2. National Association of Realtors, "Impact of Institutional Buying on Home Sales and Single-Family Rentals", May 2022; Freddie Mac, "What Drove Home Price Growth and Can It Continue?", June 9, 2022.
3. CoreLogic, "Small Investors Chose to Sell Properties Rather than Rent Them During the Pandemic", September 5, 2022.
4. Pretium calculations based on John Burns Real Estate Consulting Single-Family Rental Properties by Large Operator data, retrieved October 2022 and US Census, American Community Survey 1-Year Estimates, 2021.
5. Harvard JCHS, "Rental Deserts Perpetuate Socioeconomic and Racial Segregation", August 4, 2022.

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