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# CALIFORNIA WALL STREET LANDLORDS IN 2019

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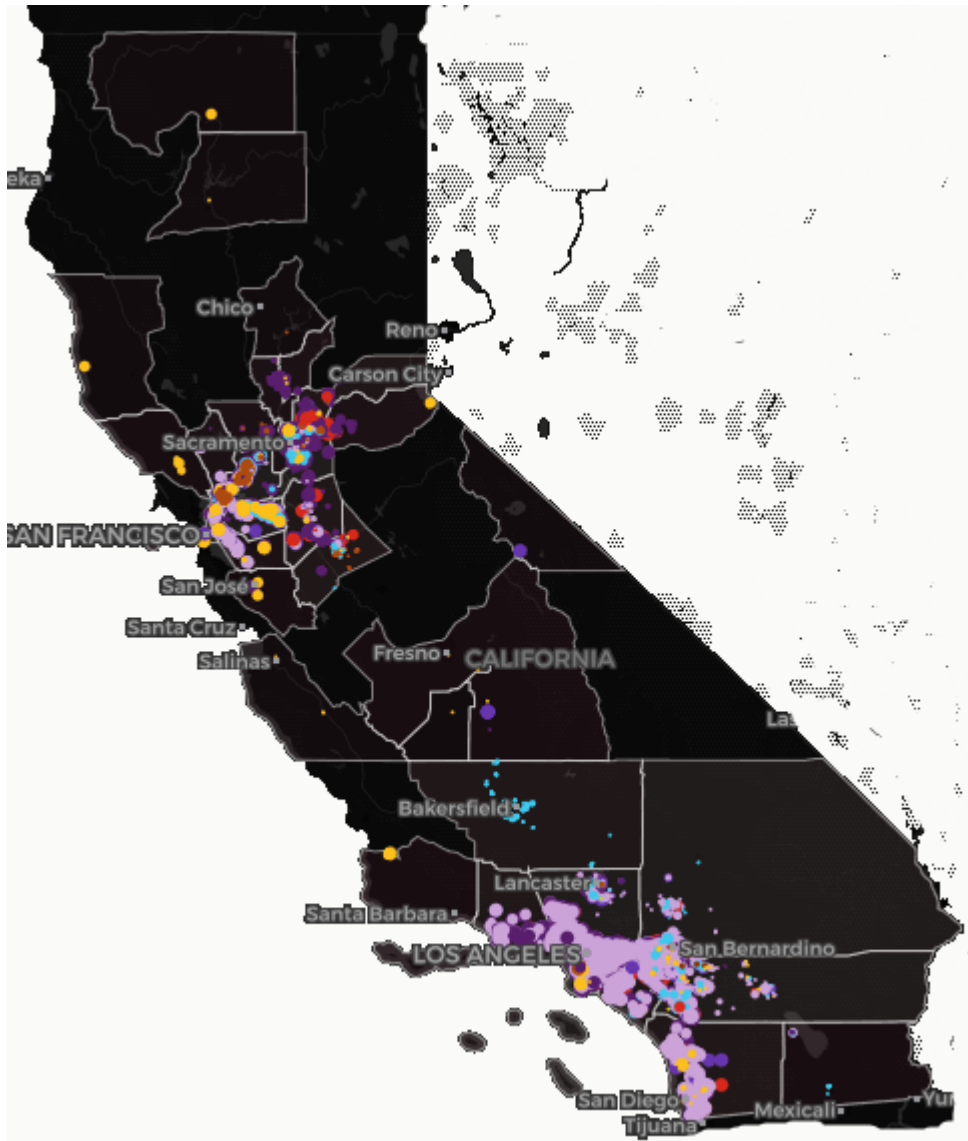
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NOVEMBER 2019

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TENANTS TOGETHER

CALIFORNIA'S STATEWIDE ORGANIZATION FOR RENTERS' RIGHTS



MAPS BY ANTI-EVICTION MAPPING PROJECT

## ***Speculation on Housing is Driving Homelessness and Displacement***

Tenants Together and the Anti-Eviction Mapping Project conducted a study in 2015 to map Wall Street landlord holdings in California and survey tenants on their experience renting from Wall Street. At the time, there was very little momentum toward protecting tenants statewide or in cities that had not previously organized around renters' rights. Since then, the political landscape has changed greatly; new rent control laws have passed at the local level and attempts were made to repeal or reform the Costa-Hawkins Rental Housing Act (which bans cities from covering single-family homes with rent control, the housing type bought up by Wall Street during the foreclosure crisis to be turned into rentals).

The results of our survey in 2015 showed that most California tenants renting from Wall Street landlords pay more in housing costs than other residents in their communities as Wall Street landlords charge higher than median rents. Many tenants renting from Wall Street are also performing their own maintenance and repairs; 40% of tenants report that they made repairs to the home themselves, and 80% report that they pay for yard maintenance. Also bearing the burden of higher utility costs, 96% of tenants report they pay for water, and 50% report that they pay for garbage costs. These tenants are taking on the responsibilities of ownership with none of the benefits. Meanwhile, Wall Street landlords such as Blackstone/Invitation Homes outsource maintenance and property management to property technology companies such as Yardi, which allows these landlords to cut costs while alienating tenants from readily available services.

In 2015, we expected that tenants in these homes would see their housing costs continue to rise. Sadly, this has turned out to be true and has clearly been part of the plan. In a Bloomberg article from April 21, 2015, David Singelyn, CEO of American Homes 4 Rent, the largest publicly traded single-family landlord with about 35,000 homes is quoted as saying, "In the 2015 rental season, we're really seeing the ability to move rents."<sup>1</sup> Blackstone/Invitation Homes is also quoted in this article about plans to raise rents in some of their markets.

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<sup>1</sup> Gittlesohn, J., & Perlberg, H. (2015, April 21). "U.S. Single-Family Landlords Are Raising Rents, CEOs Say." *Bloomberg Business*. Retrieved from <http://www.bloomberg.com/news/articles/2015-04-21/u-s-single-family-landlords-are-raising-rents-ceos-say>

The actions of corporate landlords influence other landlords across the state to set higher and higher rents. Through their financial power, they set the pace of the market. Many American renters are already extremely burdened when it comes to housing costs, with about 25% nationally paying more than half their monthly income toward housing. As rents continue to rise, families continue to suffer.

### ***Comparing California's Wall Street Landlords in 2015 and 2019***

As the foreclosure crisis slowed, so too did acquisitions from major corporations like Blackstone, American Homes 4 Rent, Colony, and Waypoint. The map of Wall Street landlords from 2015 shows a very similar distribution to the one in 2019. Rather than location, the major changes over the last four years include a series of mergers and consolidation of properties. Blackstone emerged from this activity as an even bigger player, merging with and acquiring properties from its previous competitors Colony Financial and Starwood-Waypoint Homes.

However, acquisition hasn't completely stopped, with smaller players emerging like Tricon, Progress, Home Partners of America, and Silver Bay. Corporations like American Homes 4 Rent that bought up properties in great numbers in other states, but few in California, have started to purchase here as well. Interestingly, it seems that Blackstone may have chosen to sell its Bakersfield properties to American Homes 4 Rent instead of including them in their consolidation of Waypoint.

Of Wall Street single family rentals (SFRs) in California, Deutsche Bank and its subsidiary German American Capital Corporation remain the largest lender, financing over 7,000 units. JP Morgan Chase has financed nearly 5,000, and Wells Fargo almost 1,000. In this way, large banks finance large investment companies, consolidating capital accumulation.

Overall, corporate ownership continues to increase, though not at previous rates. Comparing the 2015 and 2019 maps for geographical distribution, there is a pattern of increased density in two notable cities that in 2015 had only light Wall Street interest: Modesto and Bakersfield. Both of these cities show an obvious increase in Wall Street ownership, and they are notably cities where renters in Northern California and Southern California have sought relatively cheaper housing options after being priced out of coastal

cities. Properties there have also been bought by newer players like Tricon in Modesto and American Homes 4 Rent in Bakersfield.

If we consider that Modesto and Bakersfield may have been cities where corporations were testing the waters in 2015, we might also look at the 2019 map to see if we can expect any further ownership trends in the next few years. South Lake Tahoe, Santa Rosa, San Jose, and Santa Maria are being tested by Silver Bay. There is no other Wall Street landlord activity in these cities besides Silver Bay.

### ***Changes in the Political Landscape in 2015 vs. 2019***

In the conclusion of our report in 2015, we called for an increase in tenant protections and reform of the Costa-Hawkins Rental Housing Act to allow single-family homes to be covered under rent control. Long gone are the days where mainly “mom and pop” landlords own single-family homes as a second home to generate a little more income. These homes were lost to foreclosure, and now tenants are renting from Wall Street.

Every year since then the crisis has deepened, but so have tenants' and their allies' resolve to protect their communities from displacement and homelessness. For the first time in 30 years, new local rent control laws were passed in 2016, enabling Richmond and Mountain View tenants new protections. In 2017, the California state legislature put up the first ever bill to repeal Costa Hawkins. Then in 2018, the AIDS Healthcare Foundation qualified Prop 10, a ballot measure to do the same. Also during this time, over a dozen local campaigns for rent control launched and attempted to go to the local ballot. While efforts in 2018 fell short, organizing continued. In 2019, new local rent control and just cause protections were implemented in the cities of Alameda and Inglewood, and more cities are joining the fight every day.

Organizing at the local and state levels continue to build on each other. Due to the momentum built at the local level, the state legislature has felt pressure to pass meaningful tenant protections. The passage of AB 1482, the Tenant Protection Act, out of the state legislature provides both an opportunity and a challenge for the expansion of rent control in California. While referred to as a “rent cap” or “anti-gouging” measure because it was introduced with the intention of deterring the most egregious rent increases, the structure of the law is similar to other rent stabilization laws. Broadly it includes regulation on how much landlords can increase rent annually (5% + the Consumer Price Index), just cause protections with an outline on what causes are allowed to evict a tenant,

allowances for no-fault evictions and guidelines for relocation assistance. Unlike any local rent stabilization ordinance in California, there are no enforcement provisions (for instance, a rent board), which means AB 1482 would be enforced in eviction court or small claims. To those who have been working on rent control policy, AB 1482 looks and feels like weak rent stabilization with no enforcement mechanism. Still, it is a historic victory and the passage of AB 1482 in the state legislature will protect millions of households. It is an unprecedented advance for tenants' rights in a legislature that just last year refused to pass statewide just cause protections alone.

[Click here to view our guide on AB 1482](#)

### ***Implications for Tenants Renting from Wall Street***

Importantly for tenants renting single-family-homes in the state, they are covered by AB 1482 if at least one member of a landlord's LLC is a corporate owner<sup>2</sup>. If the property is owned by an individual, the landlord also must notify the tenant in writing that the property is exempt from AB 1482 because it is not owned by a corporation. Unfortunately, it is a known unscrupulous practice that some corporate landlords attempt to represent themselves as individuals and hide the true nature of ownership from their tenants. This could be a loophole that still allows rent gouging by corporate owners as tenants are left with the undue burden of proving they are covered under AB 1482.

The process for tenants to research and prove their landlord is a corporation by uncovering all parties in an LLC can be a time-intensive and fruitless process. CorporationWiki is one resource, but it has limited data sourced by volunteers. Data from the state should be available, but while LLCs must register with the Secretary of State (SOS), membership information recorded there is not public. To receive LLC membership information, a request must be physically mailed in along with funds for the Secretary of State to copy and mail back a Statement of Information. At the time of this writing, we have been waiting to receive a Statement of Information for an LLC on a property for more than two months<sup>3</sup>. As of publication, it is also unclear whether a tenant would need to bring evidence of LLC membership themselves in order to defend against rent gouging if their landlord claims they are an individual. If this is the case, the

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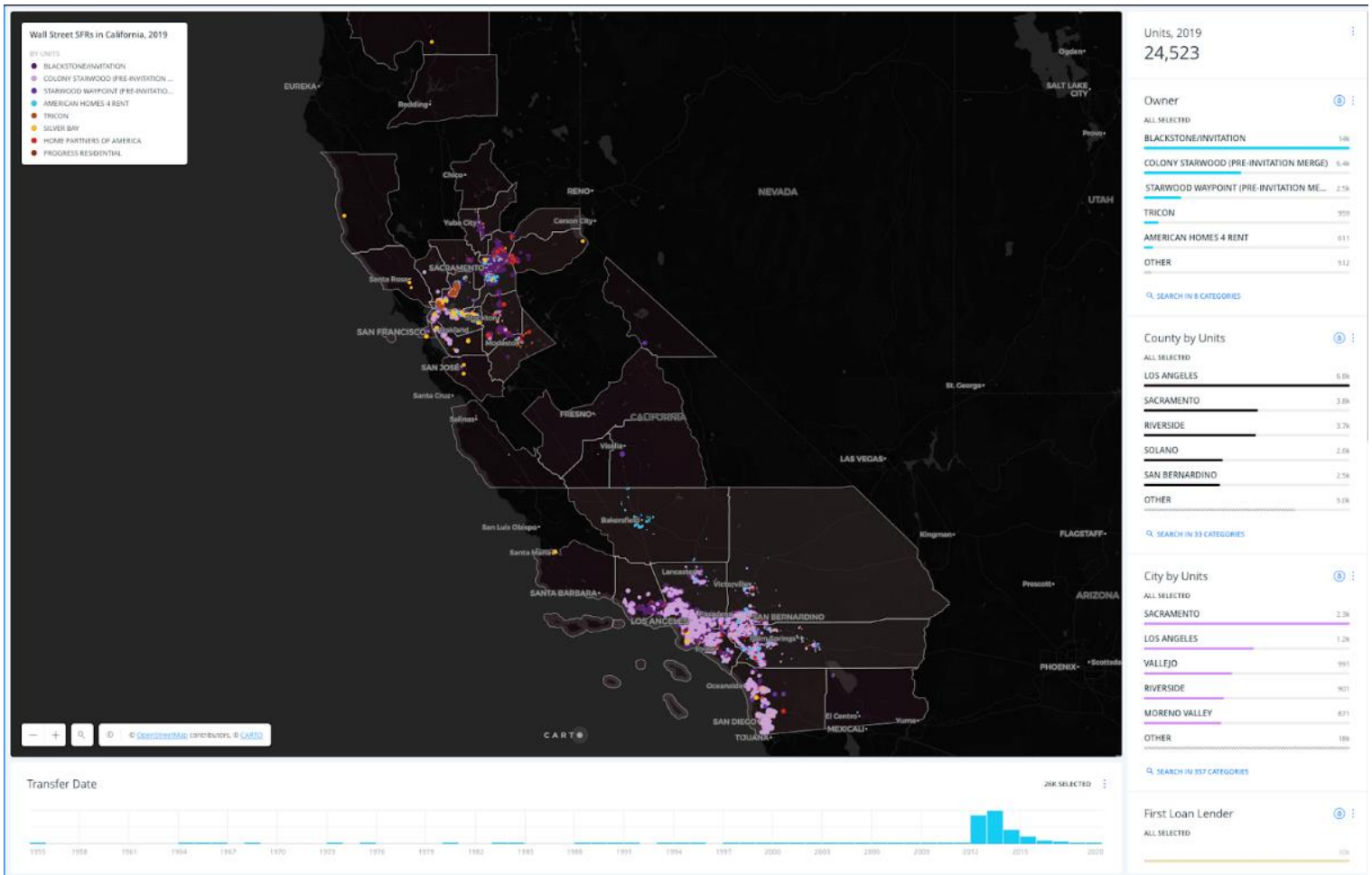
<sup>2</sup> LLCs can be formed by members who are either individuals or businesses

<sup>3</sup> We requested information on a property we know is owned by Blackstone to test if they are in some way obviously listed as a member of the LLC that is recorded as the owner on the property.

SOS wait time is truly unacceptable. LLC membership information should be readily available online for transparency, public good, and more effective application of AB 1482. We recommend a package of LLC reforms be brought to the state legislature including a way for tenants and groups working for the public interest to access this information online.

## UPDATED 2019 MAP OF WALL ST. LANDLORDS

[Click here to view interactive map](#)



# PREVIOUS 2015 MAPS OF WALL ST. LANDLORDS

[Click here to view interactive map](#)

