

INVESTOR-OWNED HOMES IN THE TWIN CITIES REGION

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FEDERAL RESERVE BANK
OF MINNEAPOLIS



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OVERVIEW

- What is an investor-owned single-family rental?
- How many investor-owned single-family rentals are in the Twin Cities region and how have those numbers changed over time?
- Where are investor-owned single-family rentals and how has that geography changed over time?
- Who owns investor-owned single-family rentals and how have ownership patterns changed over time?



WHAT IS AN INVESTOR-OWNED SINGLE-FAMILY RENTAL?



Photo credit: Paula Woessner, Minneapolis Fed

Not an apartment, duplex, or triplex:

- A residential property: including single-family homes, townhomes, and condominiums

Not homesteaded:

- To qualify for a homestead, an owner must own a property, occupy the property as sole or primary residence and be a Minnesota resident
- Homesteads benefit from the homestead market value exclusion, which provides for up to \$38,000 of a homestead's market value to be deducted before determining the taxes payable.
- Owners must submit the paperwork to be a homestead.

Not developer-owned:

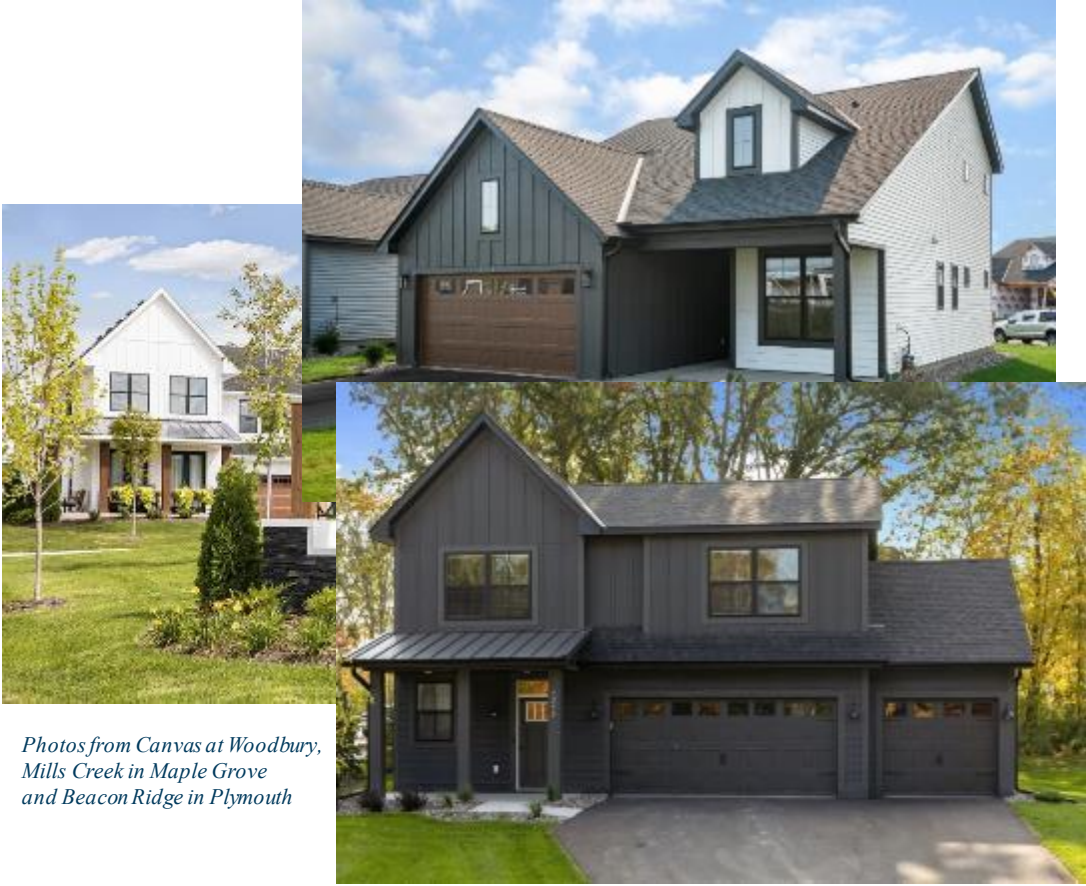
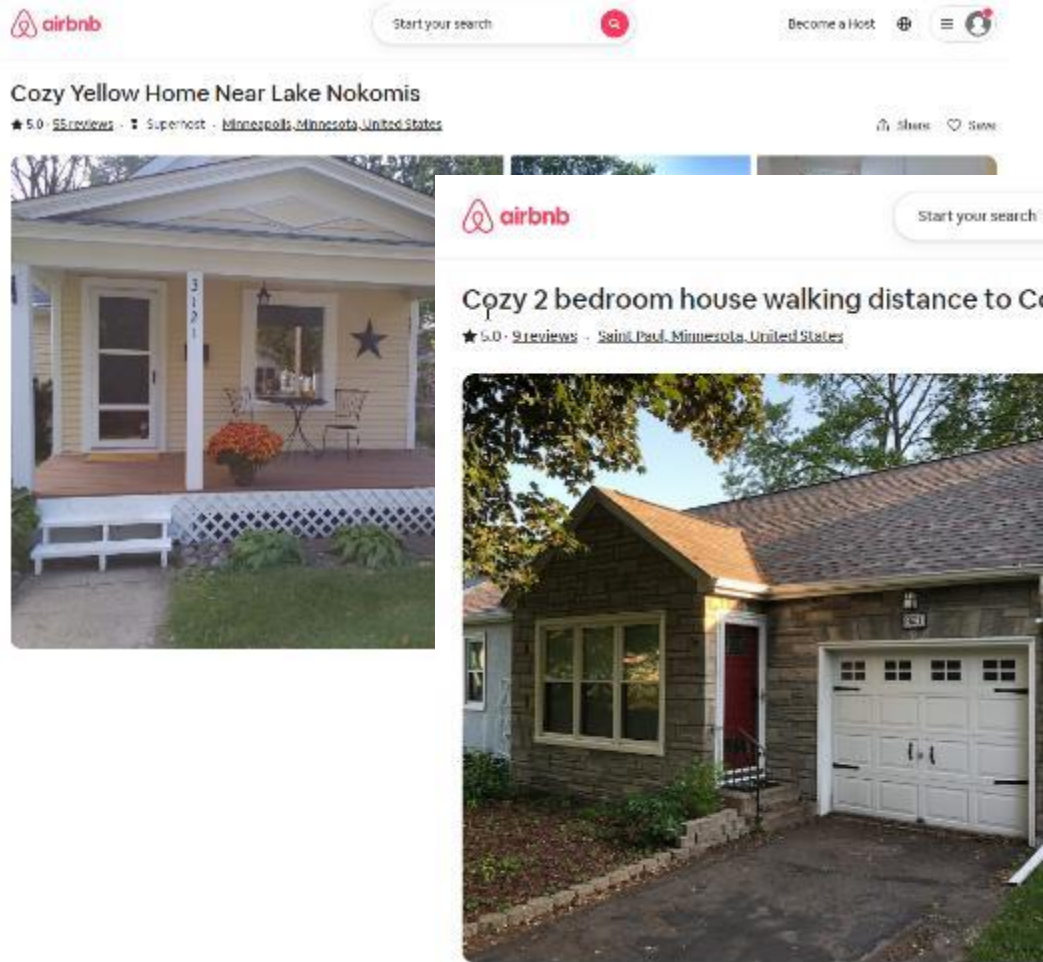
- Excludes newly constructed or remodeled homes and condominium units built for sale, but still owned by their construction company or developer.



WHAT IS AN INVESTOR-OWNED SINGLE-FAMILY RENTAL?

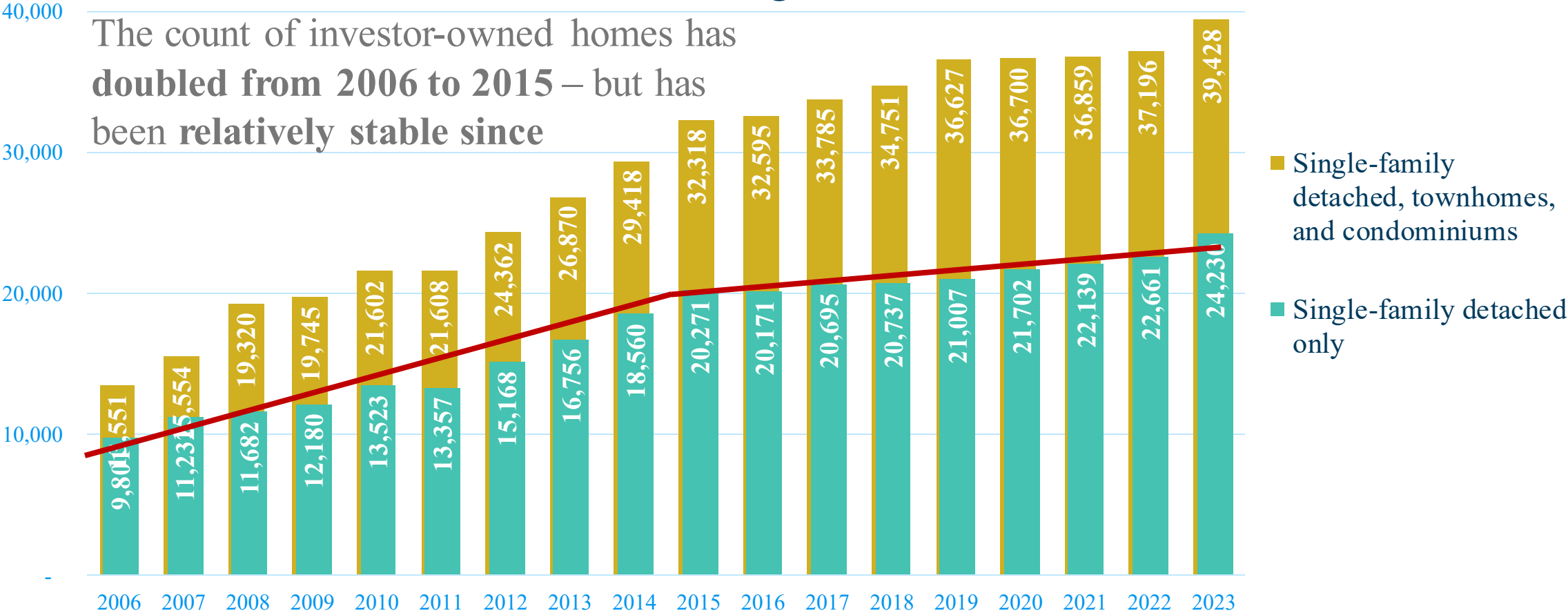
Includes short-term rentals

Includes build-to-rent



HOW MANY INVESTOR-OWNED SINGLE-FAMILY RENTALS?

Count of investor-owned single-family rentals in the seven-county Twin Cities region

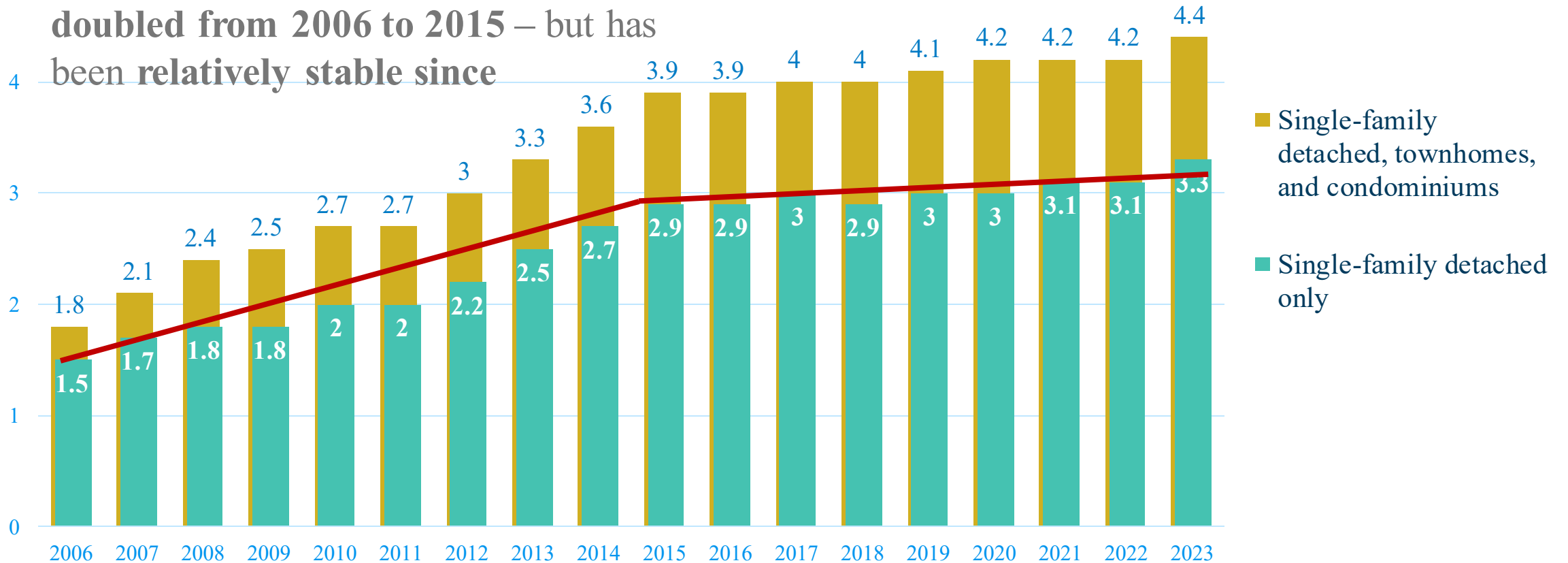


Source: Federal Reserve Bank of Minneapolis Investor-Owned Properties tool. Threshold for investors set to include investors who own at least two homes and exclude bank-owned (e.g., properties in real estate ownership) and public-owned (e.g., properties owned by a community land trust or public housing authority).

HOW MANY INVESTOR-OWNED SINGLE-FAMILY RENTALS?

Investor-owned single-family rentals as a share of residential units in the seven-county Twin Cities region

5 The share of investor-owned homes has
4 doubled from 2006 to 2015 – but has
been relatively stable since

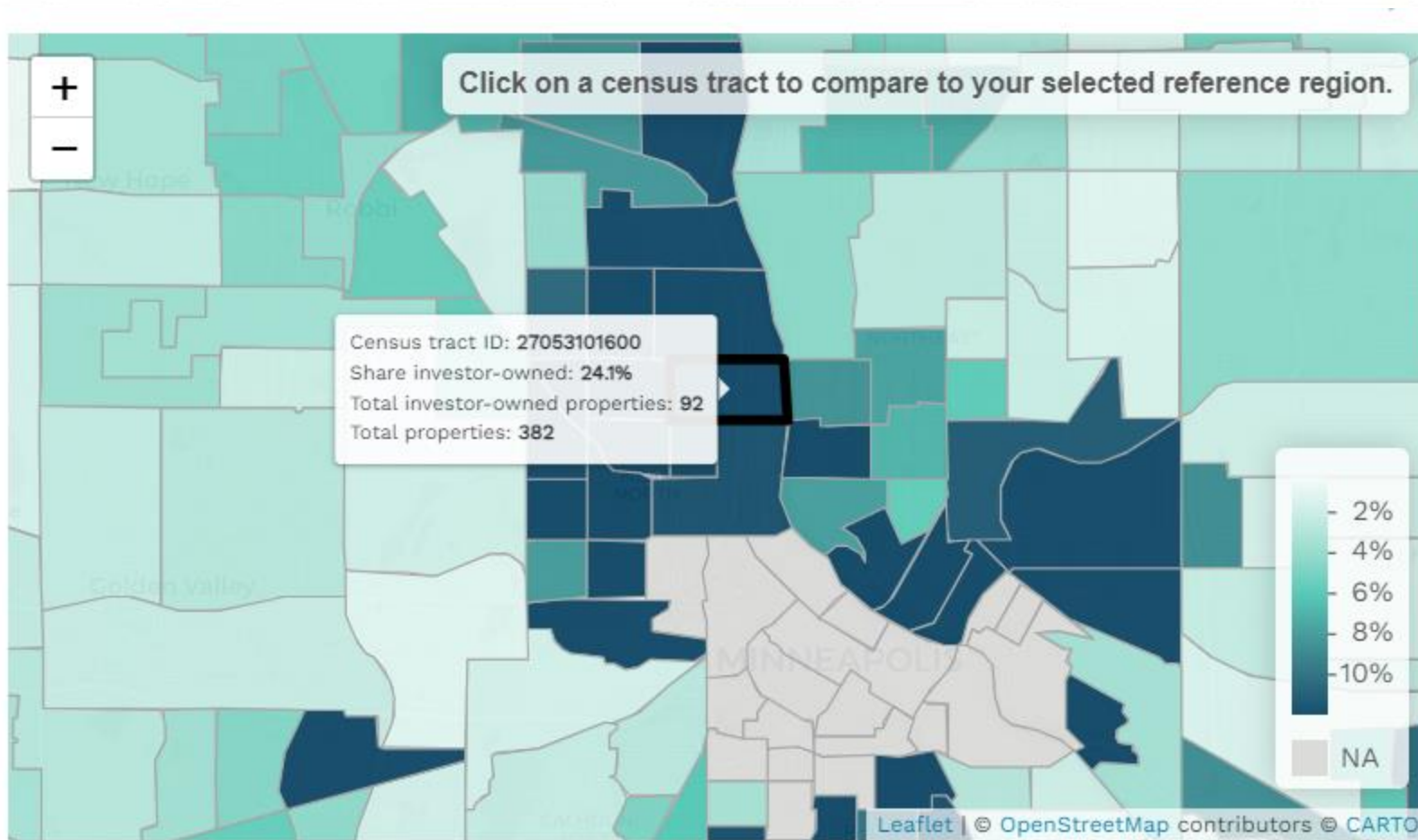


Source: Federal Reserve Bank of Minneapolis Investor-Owned Properties tool. Threshold for investors set to include investors who own at least two homes and exclude bank-owned (e.g., properties in real estate ownership) and public-owned (e.g., properties owned by a community land trust or public housing authority).



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WHERE ARE INVESTOR-OWNED SINGLE-FAMILY RENTALS?

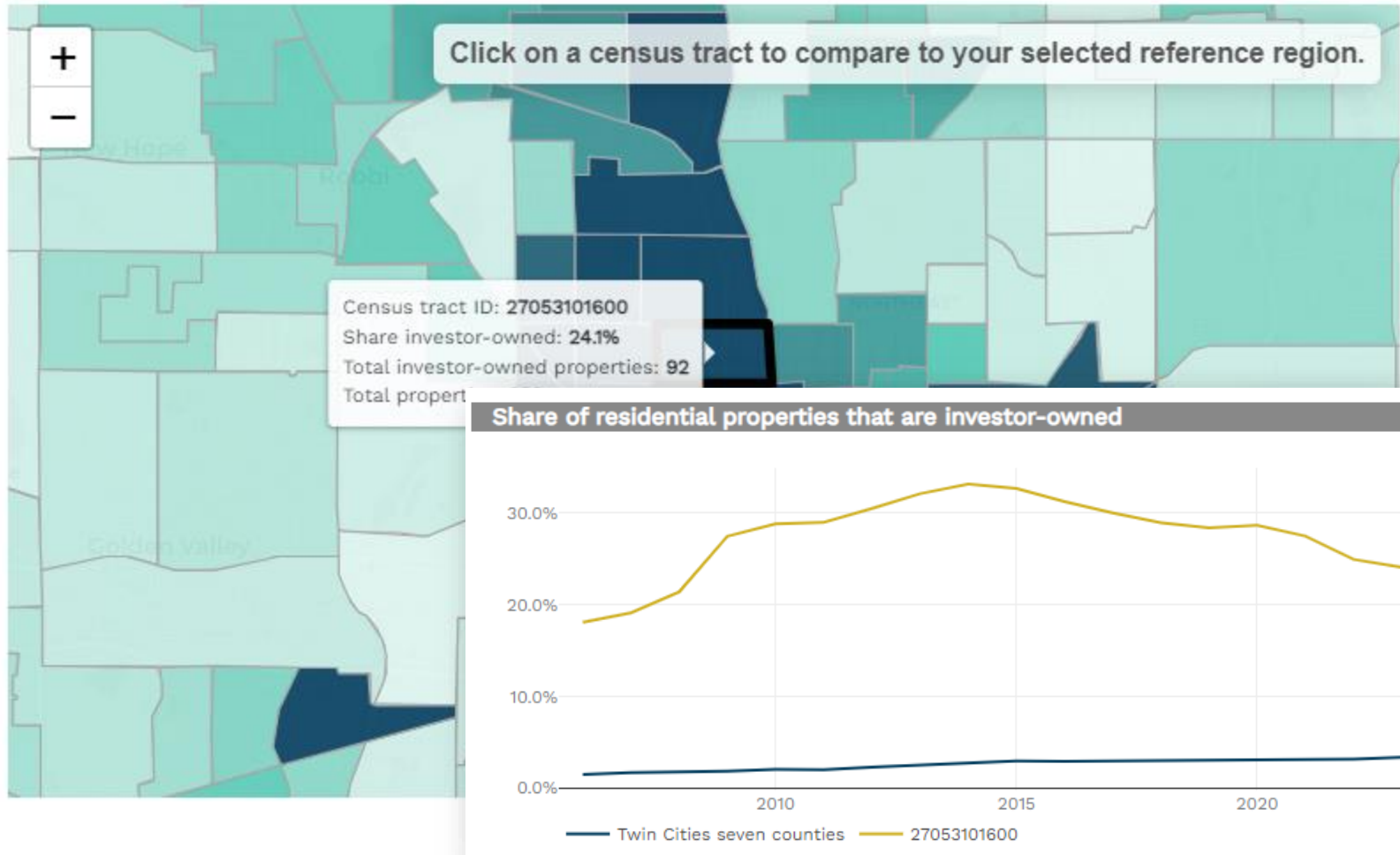


While all parts of the region have some investor ownership, there is significant geographic concentration in some parts of the region – predominantly, lower-income neighborhoods

Source: Federal Reserve Bank of Minneapolis Investor-Owned Properties tool. Threshold for investors set to include only single-family detached homes, include investors who own at least two homes, and exclude bank-owned (e.g., properties in real estate ownership) and public-owned (e.g., properties owned by a community land trust or public housing authority). Data through 2023.



WHERE ARE INVESTOR-OWNED SINGLE-FAMILY RENTALS?



Setting aside the area around the University of Minnesota, the tract with the highest share is in North Minneapolis where just over one in four properties are owned by investors who own at least two homes (24.1%)

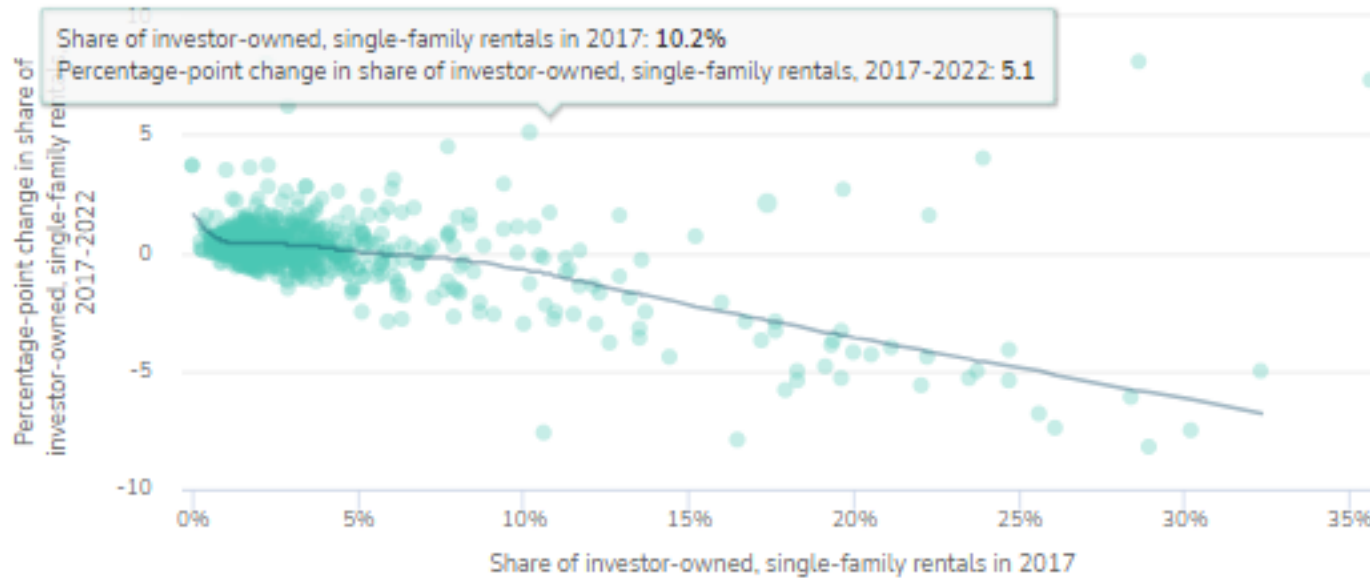
Investor ownership is dropping in this area

Source: Federal Reserve Bank of Minneapolis Investor-Owned Properties tool. Threshold for investors set to include only single-family detached homes, include investors who own at least two homes, and exclude bank-owned (e.g., properties in real estate ownership) and public-owned (e.g., properties owned by a community land trust or public housing authority). Data through 2023.



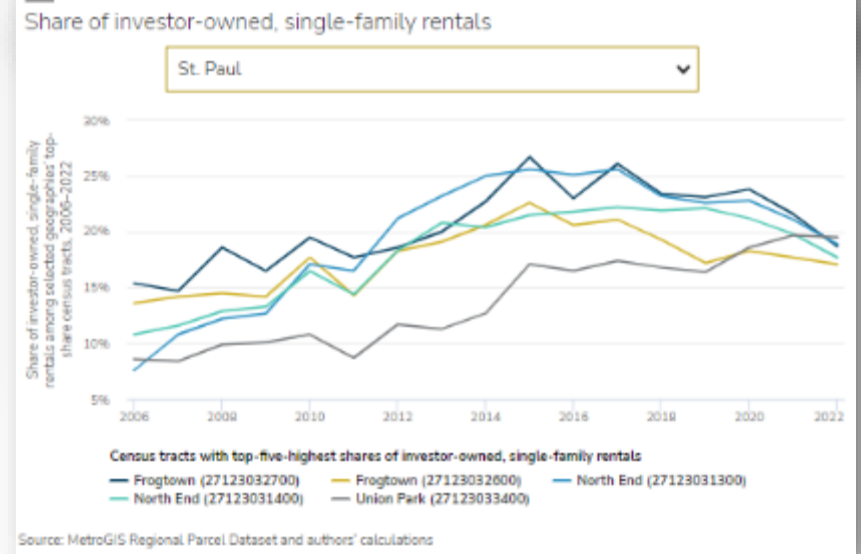
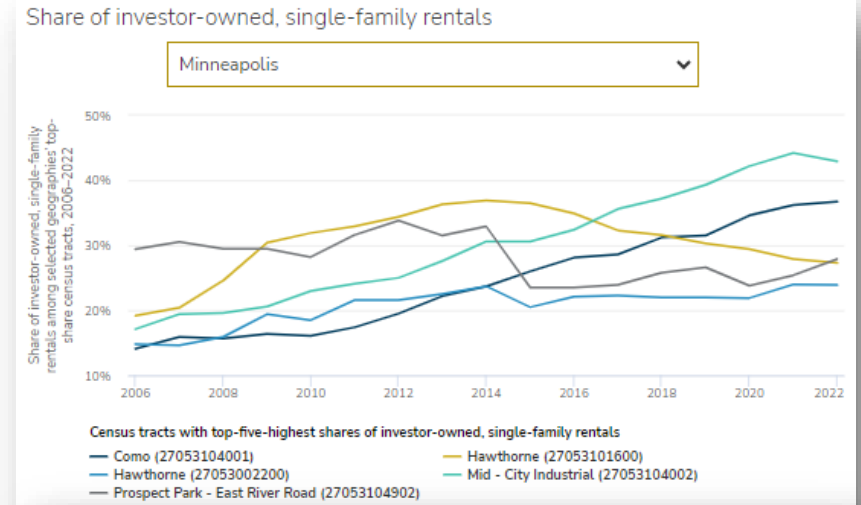
CHANGING GEOGRAPHY OF INVESTOR-OWNED SFRS

Share of investor-owned, single-family rentals is falling in neighborhoods that had a higher share of investor-owned, single-family rentals in 2017



Note: Census tracts with fewer than 50 investor-owned, single-family homes identified are excluded.
 Source: MetroGIS Regional Parcel Dataset (2022), U.S. Census Bureau 2020 Decennial Census, and authors' calculations

Ownership is declining in the areas that had more investor-ownership five years ago

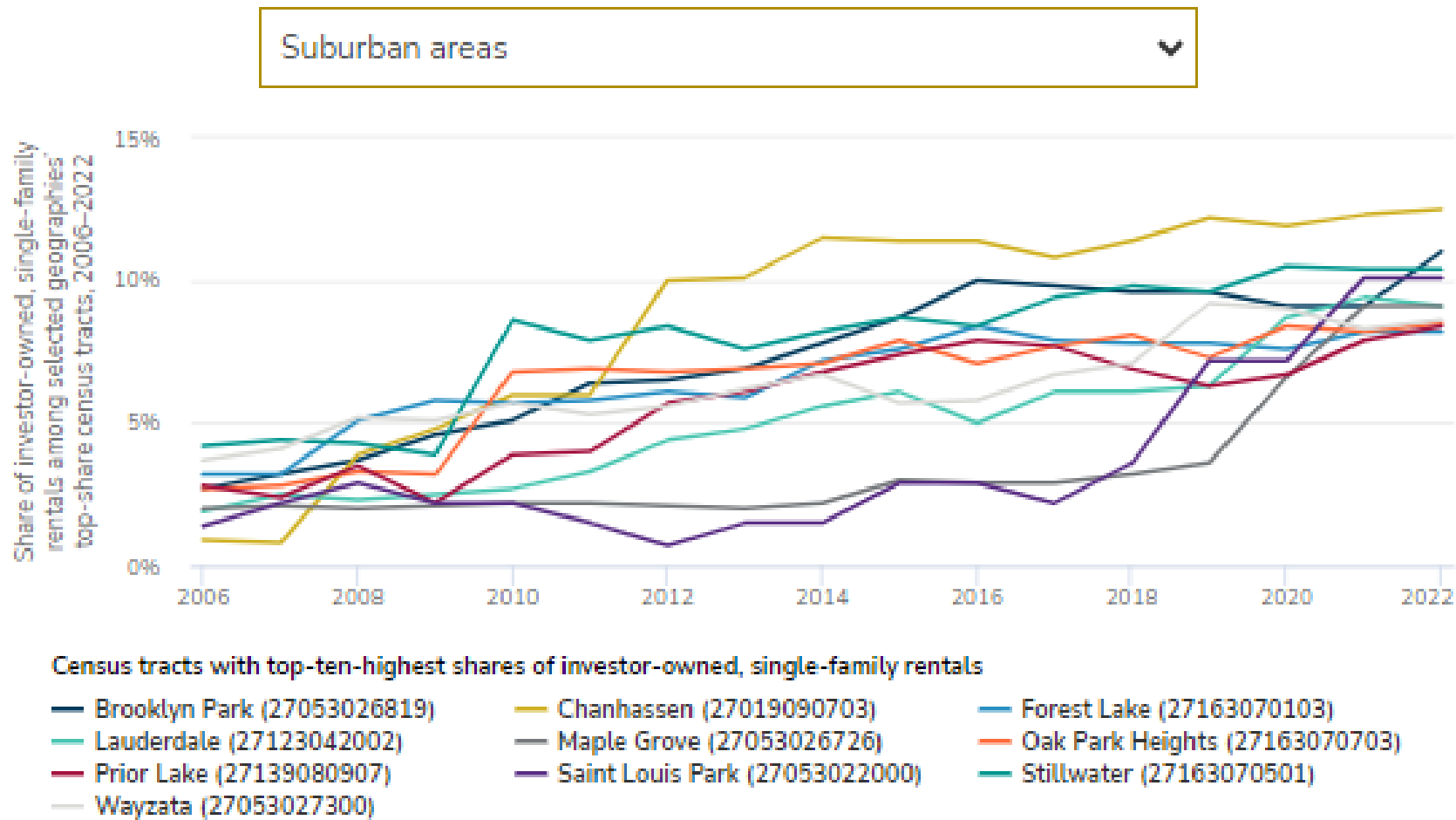


Source: Federal Reserve Bank of Minneapolis, "Investor-owned homes ebb and flow in the Minneapolis-St. Paul region," published January 17, 2023. Threshold for investors set to include only single-family detached homes, include investors who own at least two homes, and exclude bank-owned (e.g., properties in real estate ownership) and public-owned (e.g., properties owned by a community land trust or public housing authority). Data through 2022.



CHANGING GEOGRAPHY OF INVESTOR-OWNED SFRS

Share of investor-owned, single-family rentals



Ownership is increasing in many suburban locations

Source: Federal Reserve Bank of Minneapolis, "Investor-owned homes ebb and flow in the Minneapolis-St. Paul region," published January 17, 2023. Threshold for investors set to include only single-family detached homes, include investors who own at least two homes, and exclude bank-owned (e.g., properties in real estate ownership) and public-owned (e.g., properties owned by a community land trust or public housing authority). Data through 2022.

Source: MetroGIS Regional Parcel Dataset and authors' calculations



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WHAT IS AN INVESTOR-OWNED HOME? AND WHO OWNS IT?

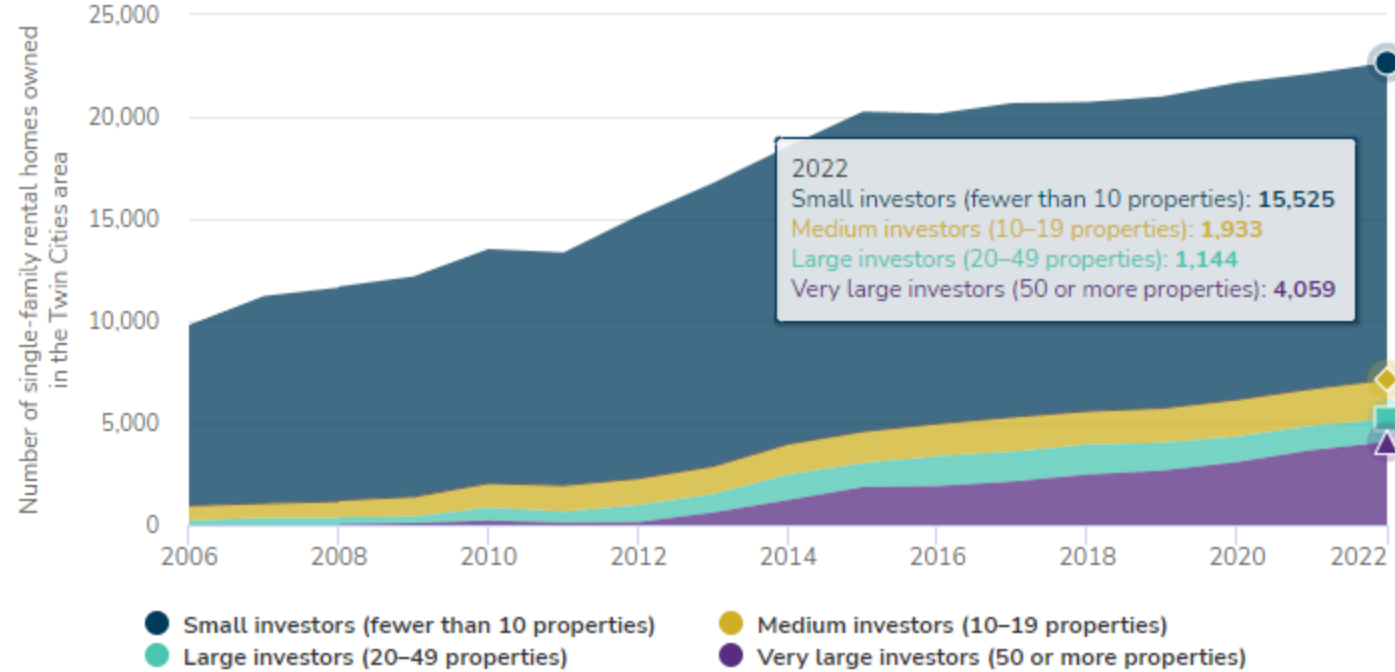


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WHO OWNS INVESTOR-OWNED SINGLE-FAMILY RENTALS?

Very large investors emerged after the Great Recession and have since steadily increased their market share



Small investors (owning 2-9 properties) own 2/3 of single-family rentals

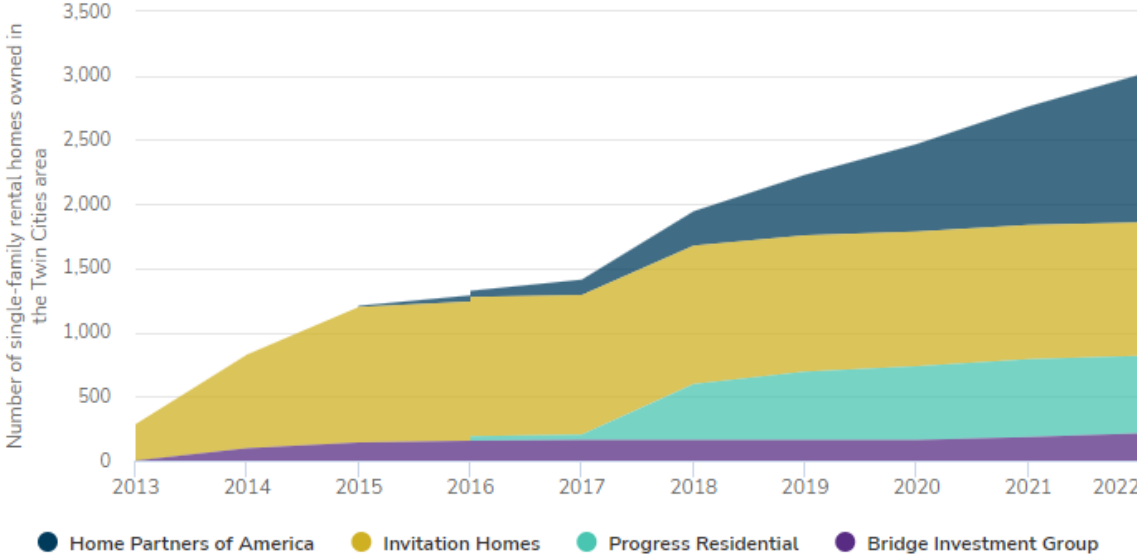
Very large investors own nearly one in five

Source: MetroGIS Regional Parcel Dataset and authors' calculations

Source: Federal Reserve Bank of Minneapolis, "Very large investors increase their share of the Twin Cities rental-home market," published December 6, 2023. Threshold for investors set to include only single-family detached homes, include investors who own at least two homes, and exclude bank-owned (e.g., properties in real estate ownership) and public-owned (e.g., properties owned by a community land trust or public housing authority). Data through 2022. Note that our methodology, which identifies unique investors through a combination of name and mailing address, may undercount larger investors when one owner or ownership entity uses multiple legal structures to own homes.

WHO OWNS INVESTOR-OWNED SINGLE-FAMILY RENTALS

The four largest investors entered the Twin Cities market in 2013 or later



Source: MetroGIS Regional Parcel Dataset and authors' calculations

Four very large investors owned more than 100 properties apiece in 2022

Company name	Headquarters location	Total properties owned in the Twin Cities area	Total properties owned in the United States
Home Partners of America	Chicago, Illinois	1,152	28,000
Invitation Homes	Dallas, Texas	1,040	80,000
Progress Residential (Portfolio formerly owned by Front Yard Residential, which Progress Residential's parent company acquired in 2021)	Scottsdale, Arizona	602	85,000
Bridge Investment Group	Salt Lake City, Utah	214	3,370

Note: Property counts for the Twin Cities area are based on our estimates and may undercount the actual numbers of properties. National property counts are from the companies' websites.

Source: MetroGIS Regional Parcel Dataset and authors' calculations

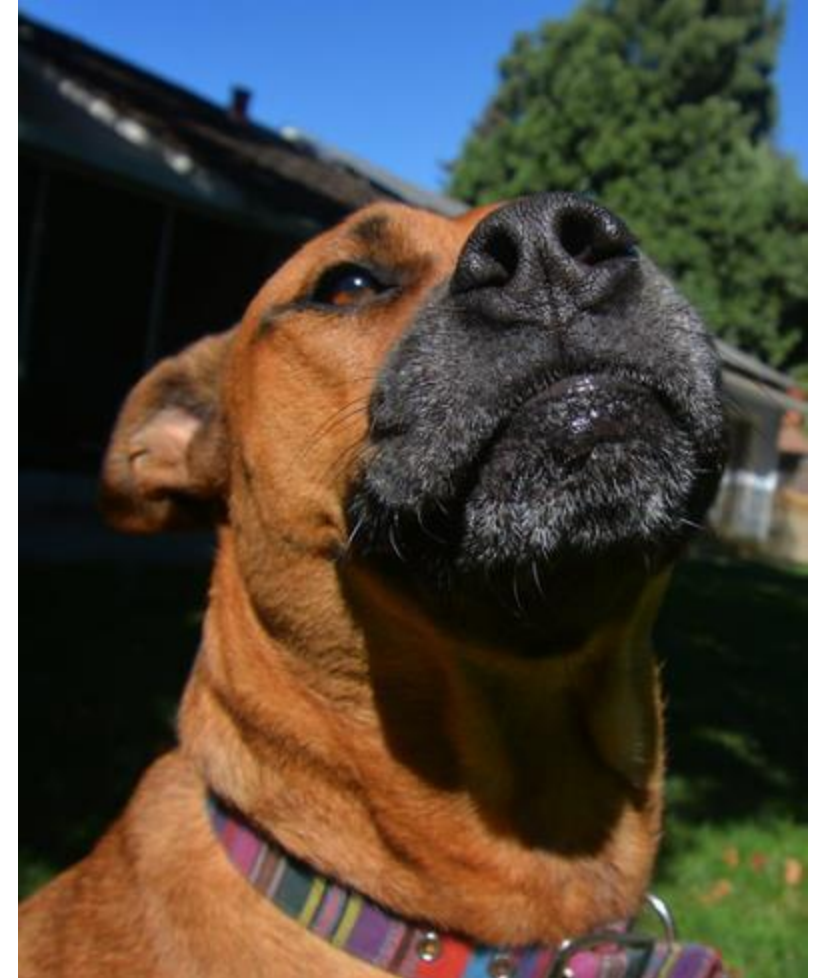
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SINGLE-FAMILY RENTALS ARE STRONG...

...BECAUSE THERE'S DEMAND

Families choose single-family rentals for a variety of reasons:

- Flexibility
- Lower maintenance responsibilities
- Typically more space than available in apartments
- Privacy and a yard
- Amenities associated with single-family neighborhoods
- Inability to get a mortgage
- Unwillingness to get a mortgage



"Backyard Dog, Sunny Afternoon" by sonstroem is licensed under CC BY 2.0.



SINGLE-FAMILY RENTALS ARE STRONG...

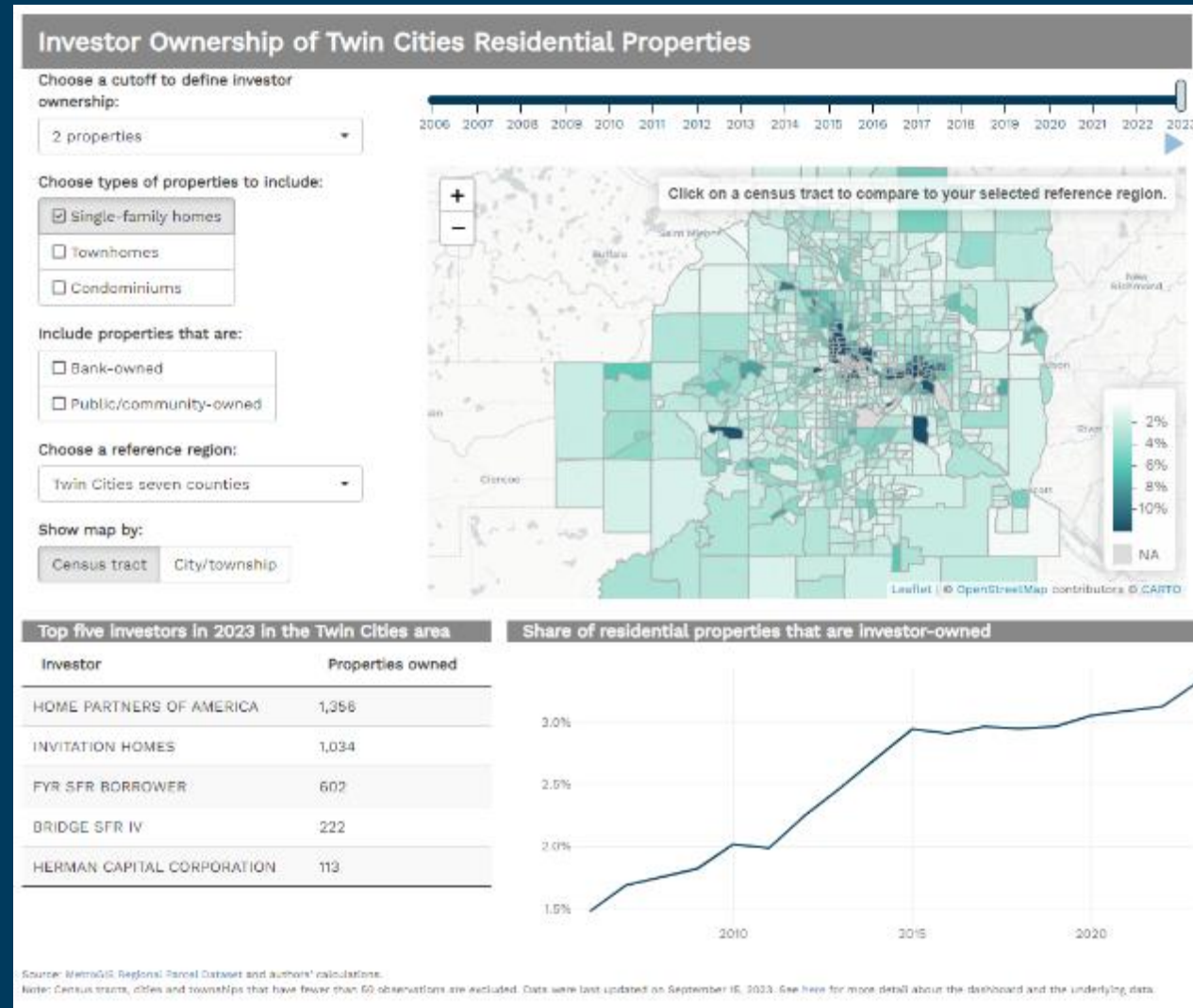
...AND BECAUSE THERE'S CAPITAL

Investors are acquiring single-family homes and building single-family rental developments because there are returns to be earned:

- Rents provide a stable income stream
- One local developer switched from building multifamily apartments to a build-to-rent single-family home community because the financing worked.
- Another local developer switched from building single-family homes to a build-to-rent single-family home community because the financing worked.
- If not single-family homes, where will the capital go?



EXPLORE OUR DATA ON YOUR OWN! (AFTER THE EVENT)



<https://www.minneapolisfed.org/article/2021/new-property-data-tool-reveals-patterns-of-investor-ownership-in-the-twin-cities-area>



THANK YOU!

For more information:

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