

To: David Howard (NRHC)
From: Ali Merali (Tricon Residential)
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Subject: Summary of study by USC and the Philly Fed on the impact of SFR companies

This study looks at the growth of Single-Family REITs (SFRs) – including Invitation Homes, AMH, and Tricon – and their impact on local housing markets. Contrary to concerns that SFRs crowd out homeowners or increase prices, the study finds that there is no evidence that an increase in SFR properties is associated with the availability of housing stock, homeownership percentages, or house price increases.

Why this study is sound and demonstrates true causal impacts with external validity¹:

By improving the breadth and depth over prior SFR studies, authors are able to identify and compare neighborhoods that are more similar to one another (i.e. “like neighborhoods”) to draw accurate, causal impacts with strong external validity.

- **Breadth (Data):**

This study utilizes data from 16 states with the highest SFR housing presence vs. using data from a single market. The authors’ created a novel dataset by combining CoreLogic property records with SFR ownership data from 10-K filings, allowing for a detailed analysis of SFR activities. This data is far more expansive and detailed than previous studies.

- **Depth (Methodology):**

The study looks at SFR concentration differences within Metropolitan Statistical Areas (MSAs) to get an accurate sense of the housing market dynamics. Doing this (i) over an 11-year period (2010-2021) and (ii) with highly localized data (i.e. zip code level) vs. census tract level (i.e. multiple zip codes) minimizes confounding factors and allows for strong causal conclusions.

Summary of conclusions:

1. **Effect on Housing Availability:** The study finds that an increase in the SFR share within a zip code does **not** lead to a decrease in the number of single-family housing units in the same MSAs. On the contrary, there tends to be an increase in housing units when SFR shares rise, even excluding those owned by SFRs themselves.

This finding contradicts the concern that SFR acquisitions might reduce the availability of homes for individual purchase, suggesting instead that SFR activity could be associated with an increase in the overall housing supply in affected areas.

2. **Market Liquidity and Pricing Effects:** The study reveals no association between SFR share and future house price growth or other housing market indicators, such as inventory, number of listings, and percent of homes sold.

This suggests that the growth of SFRs in local markets does not lead to increased competition that could drive up prices or significantly alter market dynamics in a way that disadvantages individual homebuyers.

3. **Impact on Mortgage Markets and Financing:** The study finds no evidence that the SFR concentration affects the mortgage market, including changes in homebuyer credit characteristics, loan approval rates, or financing methods. This indicates that SFRs do not create barriers for individual buyers in terms of financing home purchases.

The study strongly supports the finding that SFRs do not crowd out individual homebuyers or lead to increased housing prices. Instead, SFRs may have a neutral or even a slightly positive impact on housing markets, challenging popular narratives about their role in housing affordability and availability issues.

¹ External validity: the validity of applying the conclusions of a scientific study outside the context of that specific study. This allows the results of a study to be generalized to other situations, people, etc. (in this case, other markets within the United States with similar SFR presence)