
The New Mafia

*ARE INSTITUTIONAL CORPORATE INVESTORS BECOMING PUBLIC ENEMY NUMBER ONE
IN COMMUNITY ASSOCIATIONS?*

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2022 RESIDENTIAL HOMES SALES (NASHVILLE)

<u>% of Homes Purchased by Investors:</u>	<u>Change from 2021:</u>	<u>Total Value of Homes Purchased:</u>	<u>Median Sales Price of Homes Purchased:</u>
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22.7%

+9.1%

\$1,063,988,616

\$387,300



2022 RESIDENTIAL HOMES SALES (NATIONWIDE)

<u>% of Homes Purchased by Investors:</u>	<u>Change from 2021:</u>	<u>Total Value of Homes Purchased:</u>	<u>Median Sales Price of Homes Purchased:</u>
Jacksonville, FL 31.9%	+40.7%	\$994,487,262	\$290,000
Las Vegas, NV 31.5%	+13.9%	\$2,012,555,680	\$440,000
Phoenix, AZ 31.2%	+2.3%	\$4,643,014,134	\$450,000
Atlanta, GA 31.8%	+28.2%	\$3,376,760,806	\$306,000

2022 RESIDENTIAL HOMES SALES (NATIONWIDE)

<u>% of Homes Purchased by Investors:</u>	<u>Change from 2021:</u>	<u>Total Value of Homes Purchased:</u>	<u>Median Sales Price of Homes Purchased:</u>
Miami, FL 29%	+9.3%	\$3,470,392,634	\$450,000
San Diego, CA 22.2%	-4.8%	\$2,872,859,091	\$951,000
Philadelphia, PA 16.8%	+29.5%	\$235,373,539	\$132,500
Virginia Beach, VA 10.8%	+21.6%	\$197,920,825	\$169,900

HOW MANY RESIDENTIAL HOMES DO CORPORATE INVESTORS OWN?

Residential Homes Sales (*Nationwide*)

<u>Quarter/ Year</u>	<u>% of Total Residential Home Purchases</u>
4 th Quarter 2022	18%

In dollar terms, that equals \$31 billion worth of homes in the fourth quarter of 2022 alone

*Source:
Redfin News February 2023*

AS OF 1ST QUARTER, 2023, THERE ARE APPROXIMATELY
142,153,010 RESIDENTIAL HOMES IN THE U.S.

That translates into roughly 26,156,152 of all residential homes in the U.S. now being owned by institutional corporate investors and forever removed from residential real estate inventory.

Statista.com

GOOD NEWS, BUT LIKELY ONLY TEMPORARY

As of February 16, 2023:

- Home purchases by investors fell 46% in the 4th quarter of 2022 vs. the 4th quarter 2021
- 4th quarter of 2021. Investors bought 89,396 homes in metropolitan areas.
- 4th quarter of 2022. Investors only bought 48,445 homes in those areas.
- Though investors have pulled back on buying homes, it doesn't mean their market share has dropped, since individual home buyers have also slowed their activity.
- Fewer homes are being purchased by individuals because mortgage rates are still high and home prices have not yet dropped significantly, meaning that many people are finding it extremely difficult to afford to buy a home.
- In 2022 investors bought 19.4% of all homes in the 40 most populous U.S. metro areas.

<https://www.marketwatch.com/story/investors-back-off-from-the-housing-market-buying-half-as-many-homes-than-a-year-ago-redfin-says-l e40b663>

BETTER NEWS, BUT NON-CORPORATE HOME PURCHASES ARE ALSO LOWER, SO INVESTORS STILL HAVE MARKET SHARE

Metro Cities with Largest Declines in Investor Purchases
(As of 4th Quarter 2022)

<u>City</u>	<u>Decline</u>	<u>City</u>	<u>Decline</u>
Las Vegas, NV	-67%	Jacksonville, FL	-57.1%
Phoenix, AZ	-66.7%	Nashville, TN	-54.8%
Nassau County, NY	-63.0%	Sacramento, CA	-53.5%
Atlanta, GA	-62.8%	Riverside, CA	-53.0%
Charlotte, NC	-61.9%	Orlando, FL	-51.8%

NEWS FLASH!!

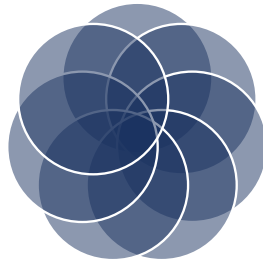
LENNAR OFFERS 5,000 HOMES TO INVESTORS WITH BUYER DEMAND SLIDING

“Homebuilders are seeking to move inventory by selling
discounted subdivisions to rental landlords”

(Bloomberg by Patrick Clark, December 9, 2022)

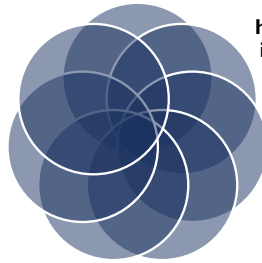
HOW DOES THIS DATA INFLUENCE THE RESIDENTIAL REAL ESTATE MARKET?

Corporate purchasers of residential homes **NEVER** sell the homes.



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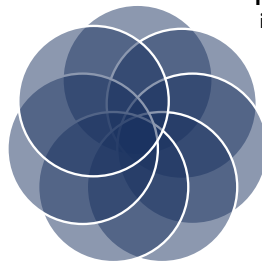
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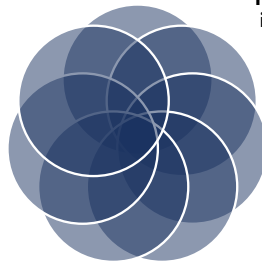
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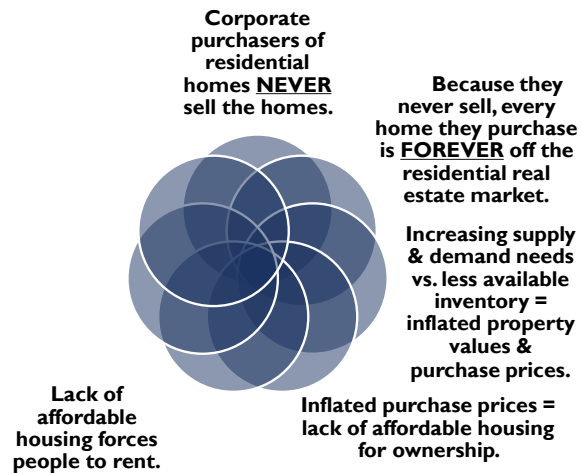
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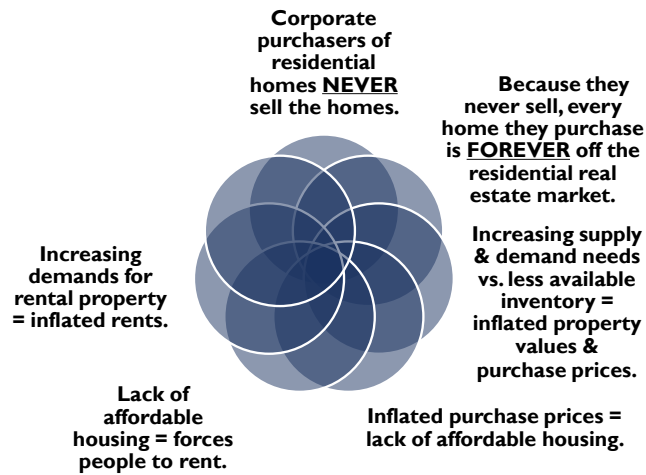
Increasing supply & demand needs vs. less available inventory = inflated property values & purchase prices.

Inflated purchase prices = lack of affordable housing.

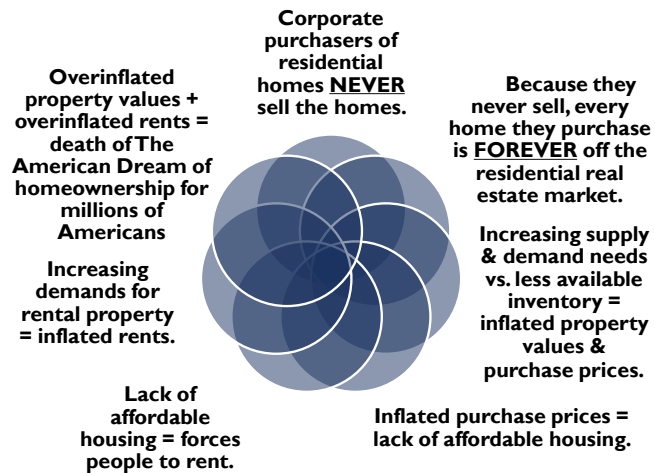
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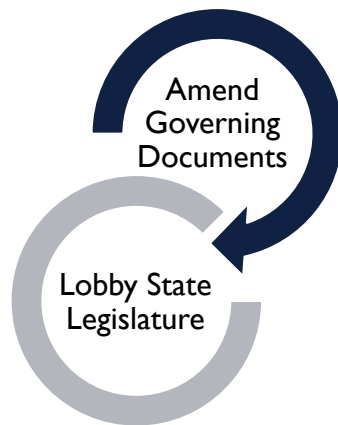
HOW DOES THIS AFFECT COMMUNITY ASSOCIATIONS AND RENTAL PROPERTIES?

Hostile Takeover

Controlling Ownership Interest =

- Unilateral C,C&R Changes
- Unilateral Annual Assessment Increases
- Unilateral Special Assessments
- Unilateral Control Board of Directors

WHAT CAN COMMUNITY ASSOCIATIONS DO TO SLOW DOWN INFILTRATION BY CORPORATE INVESTORS?



AMENDING THE HOA GOVERNING DOCUMENTS

Voting vs. Signatures

Vote

- ✓ Usually must take place at a meeting of the members
- ✓ Must have a quorum
- ✓ Annual Meeting, Special Meeting or Mail-in Ballot
- ✓ Pros & Cons



Signatures

- ✓ Must have a required % or # of signatures
- ✓ Pros & Cons

LEGISLATIVE INTERVENTION

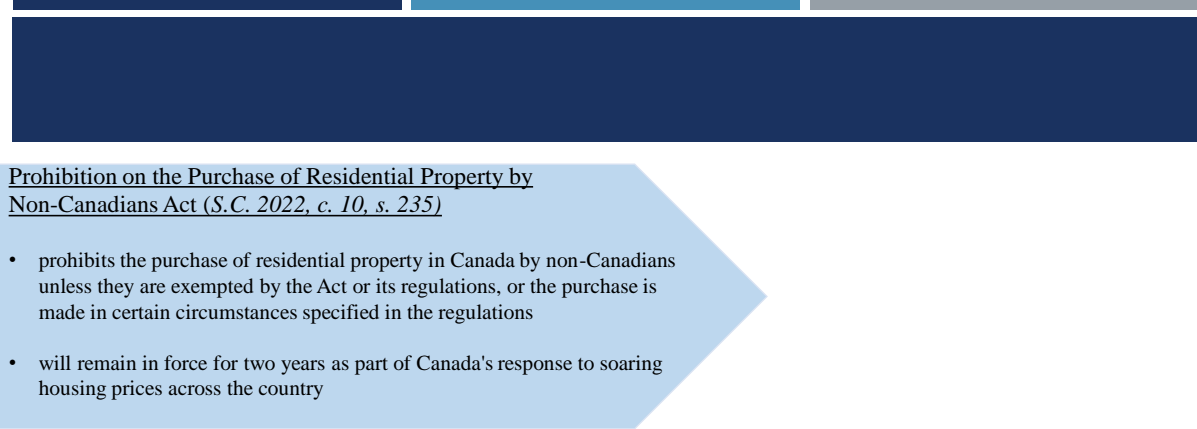
During the pandemic, it was common for home buyers to be outbid by investors who were able to scoop up homes with all-cash offers with no contingencies and closing within 15-30 days.

The concern over the impact this was having upon first-time home buyers prompted lawmakers to look into the predatory behavior by institutional investors and come up with solutions.



California Housing Speculation Act (AB 1771).

- Adds a tax on profits from sales that occur within three years of the purchase discouraging the flipping of properties by short-term investors
- Levels the playing field by allowing non-investor homebuyers the opportunity to compete against house flippers and real estate speculators



Prohibition on the Purchase of Residential Property by
Non-Canadians Act (S.C. 2022, c. 10, s. 235)

- prohibits the purchase of residential property in Canada by non-Canadians unless they are exempted by the Act or its regulations, or the purchase is made in certain circumstances specified in the regulations
- will remain in force for two years as part of Canada's response to soaring housing prices across the country

SOURCES:

- Graphs and Statistics - Redfin.com

<https://www.redfin.com/news/investor-home-purchases-q2-2022/>

<https://www.redfin.com/news/investor-home-purchases-q1-2022/>

<https://www.redfin.com/news/investor-home-purchases-q4-2021/>

<https://www.redfin.com/news/investor-home-purchases-q3-2021/>

- Photo: Sky And Glass - Freepik.com

https://www.freepik.com/free-vector/nashville-tennessee-city-silhouette-white-background-vector-illustration-business-travel-tourism-concept-with-modern-buildings-image-banner-website_23782222.htm

QUESTIONS?

