THE WALL STREET JOURNAL.
U.S. EDITION

Agency Outbids Investment Firms In Snapping Up Cincinnati Homes
By Konrad Putzier and Will Parker
19 January 2022
B6

A Cincinnati government entity outbid more than a dozen investment firms to buy 194 homes in and around the city, a move meant to keep tenants in their homes and private investors out of their neighborhoods.

The Port of Greater Cincinnati Development Authority agreed last month to pay $14.5 million for the properties scattered throughout Hamilton County, which includes Cincinnati. While continuing to operate them as rentals, the agency said it intends to upgrade and eventually sell the homes to their primarily low-to-middle-income tenants.

"We plan to sell them at as low a price as we can," said Laura Brunner, the Port Authority's chief executive officer.

The program is the most aggressive response yet by local officials looking to keep homes out of the hands of professional investors. Publicly traded companies, private-equity firms and thousands of smaller investors have been buying up single-family homes and renting them out, usually to people who can't afford the steep down payments.

Investors now account for about 18% of all U.S. home sales, up from about 8% in 2009, according to real-estate company Redfin Corp. Big companies supply much-needed rental housing and in some cases manage properties better and more cheaply than small owners. But critics say they also help push up property prices and limit the number of homes for sale, making it harder for people to become homeowners and worsening wealth inequality.

Community nonprofits, like land trusts and housing cooperatives, have long sought to protect low-income Americans by acquiring homes and apartment buildings. With private investors proliferating in the housing market, local governments have become more involved.

In California, the Oakland Community Land Trust has purchased houses in recent years from national companies like Invitation Homes Inc. and put the tenants on a path to affordable homeownership through a lease-to-own model. The land trust plans to expand its holdings through a $500 million fund the state created last year to help nonprofits buy distressed homes, which investors often target. Houston also created a land trust in 2018 to assist low-income home buyers.

Investors started buying single-family homes in Cincinnati after the 2008 financial crisis, when many households lost their homes to foreclosure and prices were low, said Rachel Hastings, executive director of the nonprofit community-development corporation Price Hill Will.

Cincinnati is particularly appealing because home prices are lower than in many other cities. Five landlords have bought more than 4,000 single-family homes in Hamilton County since 2008, according to an analysis of property records by the Port Authority.

"It's like a feeding frenzy now," Ms. Brunner said. She worries that the rental industry's growth will make it harder for families to become homeowners and that out-of-town landlords could neglect the properties they invest in.

Last October, the 194 homes owned by California-based investment firm Raineth Housing came up for sale. The homes are close to 100 years old on average. Most have two stories and between two and five bedrooms.

The Port Authority decided to bid for them and had to compete against 13 other offers, according to Shenan Murphy, who heads real-estate services firm Colliers International Group Inc.'s Cincinnati office and handled the sale. The Port Authority's final offer was "within striking distance" of two major single-family-rental landlords, but it got the nod in part because it was willing to close on the deal quickly, Mr. Murphy said.

Ms. Brunner said the agency can afford to match investors' bids because it plans to fund the purchase in part with tax-exempt bonds, which are usually cheaper than mortgages or traditional bonds.

And unlike most landlords, it isn't trying to make a profit, only break even.

The Port Authority plans to join with nonprofits to help with down payments, financial training and the search for mortgage lenders.

One of the Port Authority's new tenants is Chasie Robinson. The 54-year-old nurse said she lost her Cincinnati home to foreclosure during the global financial crisis and had to file for personal bankruptcy. With her husband, five children and mother, she bounced around homes with leaky roofs and broken heaters, moving eight or nine times over a seven-year period.

Ms. Robinson has lived in her current home for five years, and from her window she can see the house she lost. On the day she heard the Port Authority's plans to turn the tenants into owners, Ms. Robinson called a mortgage-loan officer. She is now saving toward a down payment.

Her neighborhood, Price Hill, is gentrifying. Owning her home, she hopes, will let her benefit from safer, cleaner streets without getting priced out.

"If we can't buy this house, we probably will not be able to afford to stay here for too much longer," she said.

Ms. Brunner noted that many cities respond to the rapid growth of Airbnb Inc. by restricting and regulating the short-term-rental listing site over concerns that it makes housing less affordable.

Local governments, she said, should show similar resolve with single-family home investors: "I think they're going to start to say, 'Hey, wait a minute here, what can we do to prevent this or to hold them to higher standards?' "