Institutional Buyers and Housing Affordability

September 12, 2024

Prepared for: Texas House of Representatives
Committee on Business and Industry

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TRERC House Committee on Business & Industry Comments

The Texas Real Estate Research Center (Center) was invited to present findings on three issues regarding housing affordability and investor buyer activity:

1. What is the impact of investor activity on home prices and rents?
2. How have Texas home prices changed compared to other states?
3. How does an increase in home prices lower the pool of qualified buyers?

Investor Purchase Activity

Investors activity is a small share of all single-family sales and large buyers generally account for less than one percent of annual sales.

Synthesis of Investor Impacts on Housing Markets

1. Literature and Center primary data analysis offer tentative and partial insights:
   a. Lack of agreed upon definitions – who is an investor?, how big is big?, etc.
   b. Different methods based on messy datasets; many advocates; few peer-reviewed studies.
2. There are some consistent findings on investor presence and behavior:
   a. Measuring investor presence (scale) is easier than impact (prices, rents, etc.)
   b. Investors are a small share of transactions and large investors are a tiny share.
   c. Acquisition strategy is evolving from bulk purchases to include mergers (M&A) and even single-unit purchases through MLS.
   d. Transaction volume over time reflects relative costs and returns to buyers – construction and operating costs, interest rates, and local market dynamics influence buyers of all sizes.
   e. Institutional buyers can lever greater access to capital and economies of scale in operations.

Synthesis of Investor Impacts on Housing Markets (cont.)

1. Institutional buyers bring market benefits:
   a. Stabilized declining housing markets after recessions and submarkets that previously lacked investor interest.
   b. Upgraded housing stock.
   c. Improved renter access to employment and education opportunities.
   d. Raised asset prices for homeowners.
2. They also may have negative impacts on some groups and in some areas:
   a. Increase demand for housing in supply-constrained conditions; increased price to income ratios; largest impact in lower home price cohorts.
   b. May have removed a pool of housing that is now largely traded among institutional buyers who buy and sell to optimize their portfolios.
   c. May have impacted ownership rates in and increased eviction rates in some cases.

There are many types of investors, most are small market participants

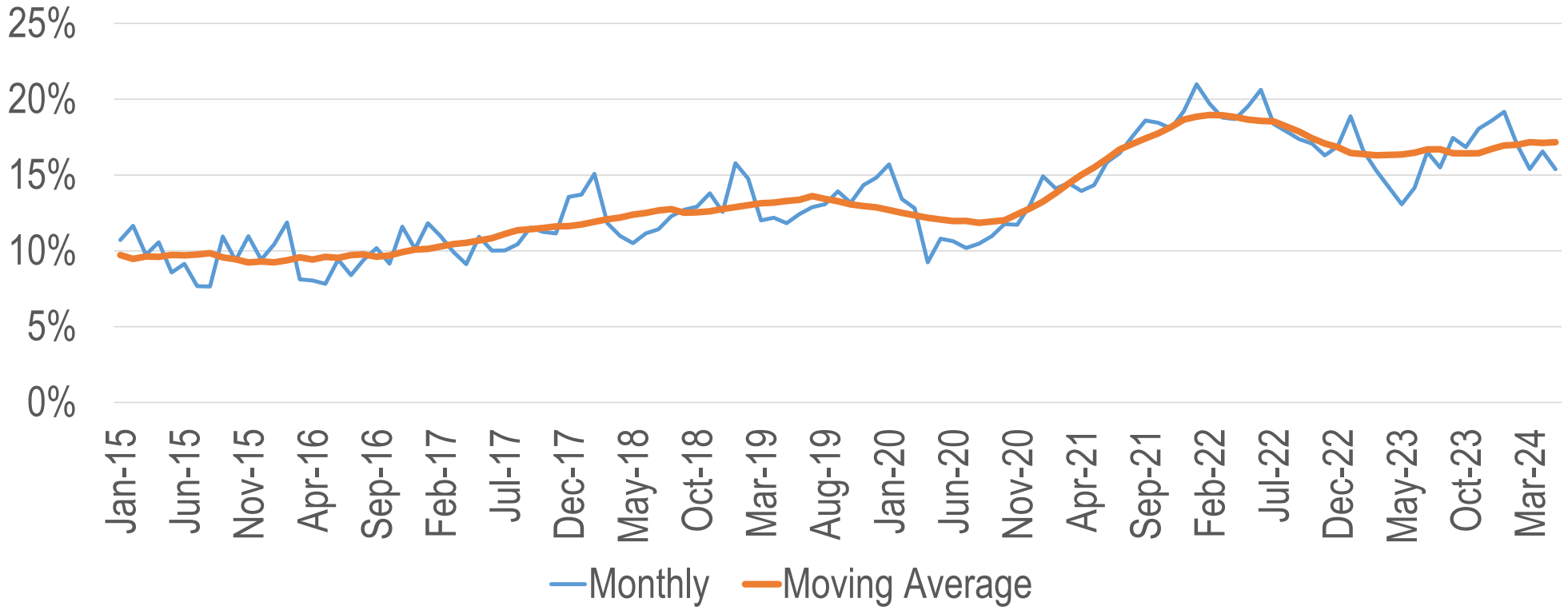
- **Investor Types:**
  - "Mom & Pop" – typically up to a few dozen units in portfolio
  - Publicly-traded – early large investors in the market that have since optimized portfolios, AMH, Invitation, Tricon Residential
  - Private corporations – include some early and late, ongoing buyers, Blackstone, Cerberus,
  - iBuyers – generally short-term hold buyers, "Ugly houses", Myers the Home Buyers

Mid-2003 Percent of National Purchases	
Units Purchased	Share of Total
1 to 9	19.6%
10 to 99	2.7%
100 to 999	0.7%
1,000+	0.3%

Source: TRERC analysis of CoreLogic deed data, John Burns.

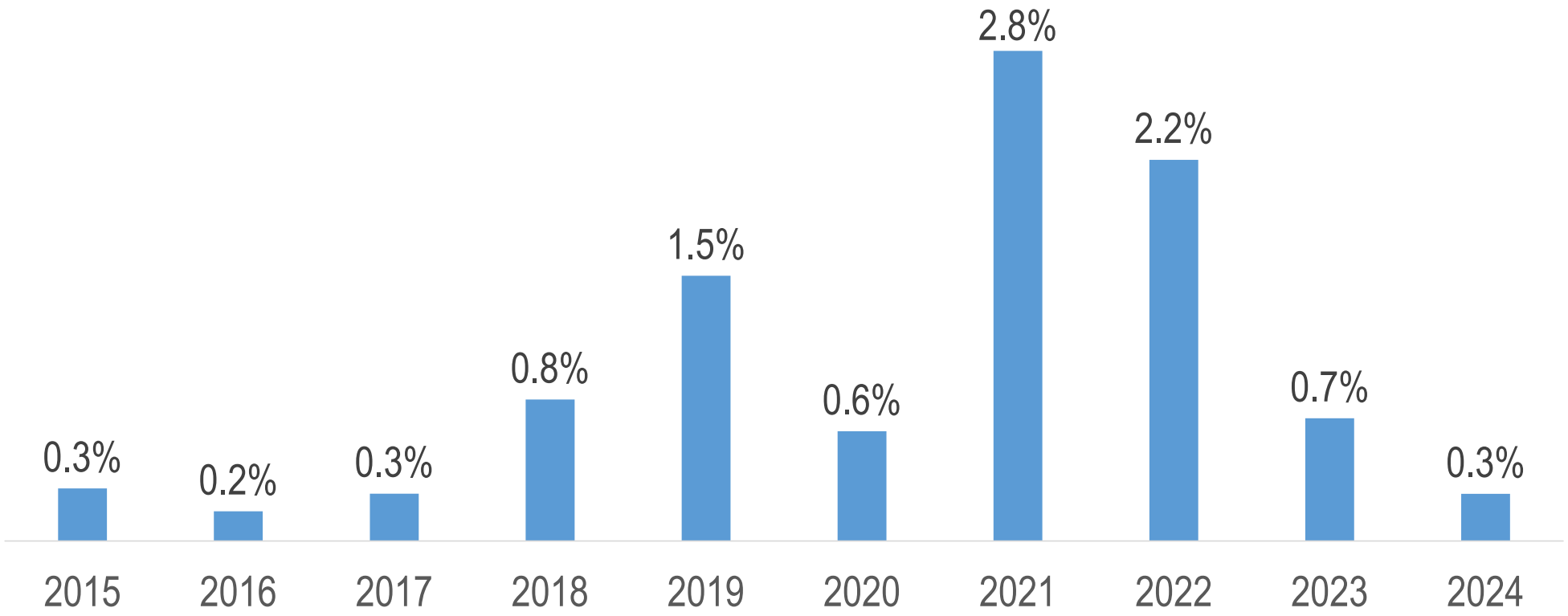
Investors have been active in Texas housing markets for many years

(Percent of Texas Purchases by Investors)



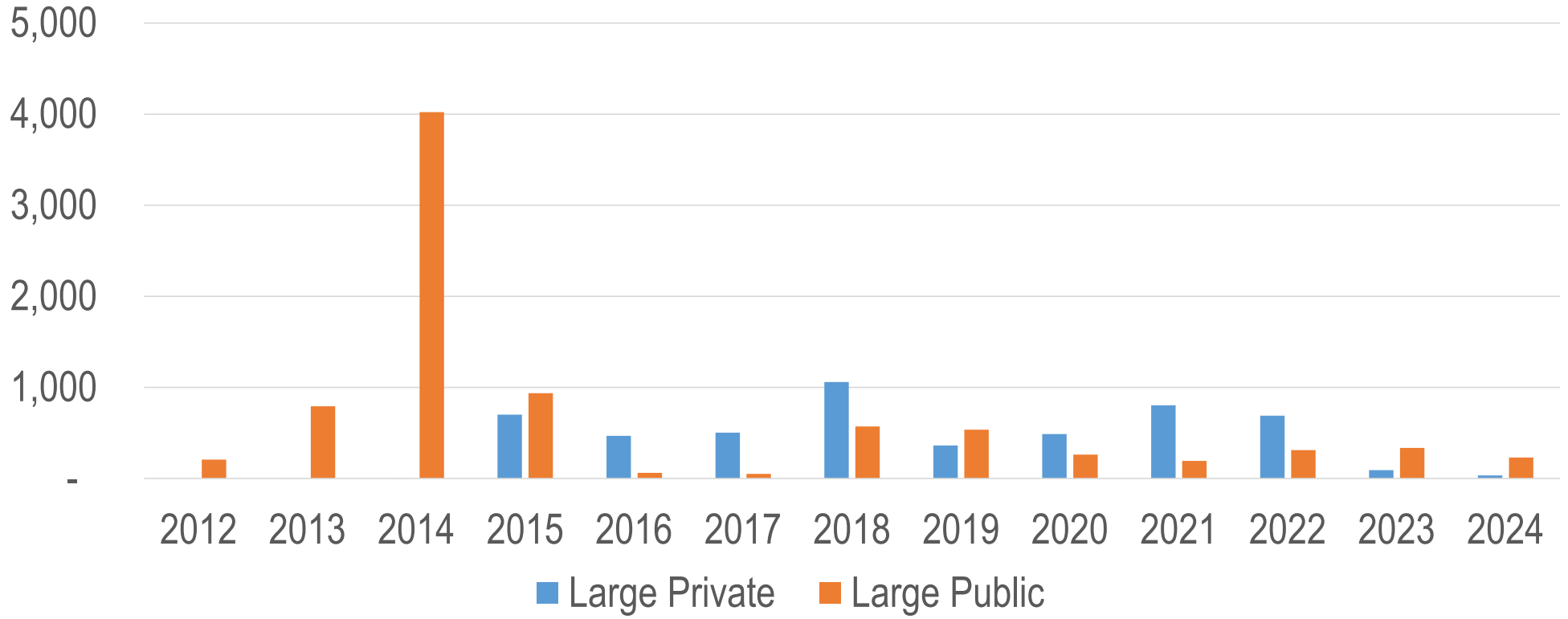
Source: TRERC analysis of CoreLogic deed data data.

Large institutions are small segments of the market
(Share of Purchases by Large Investors)



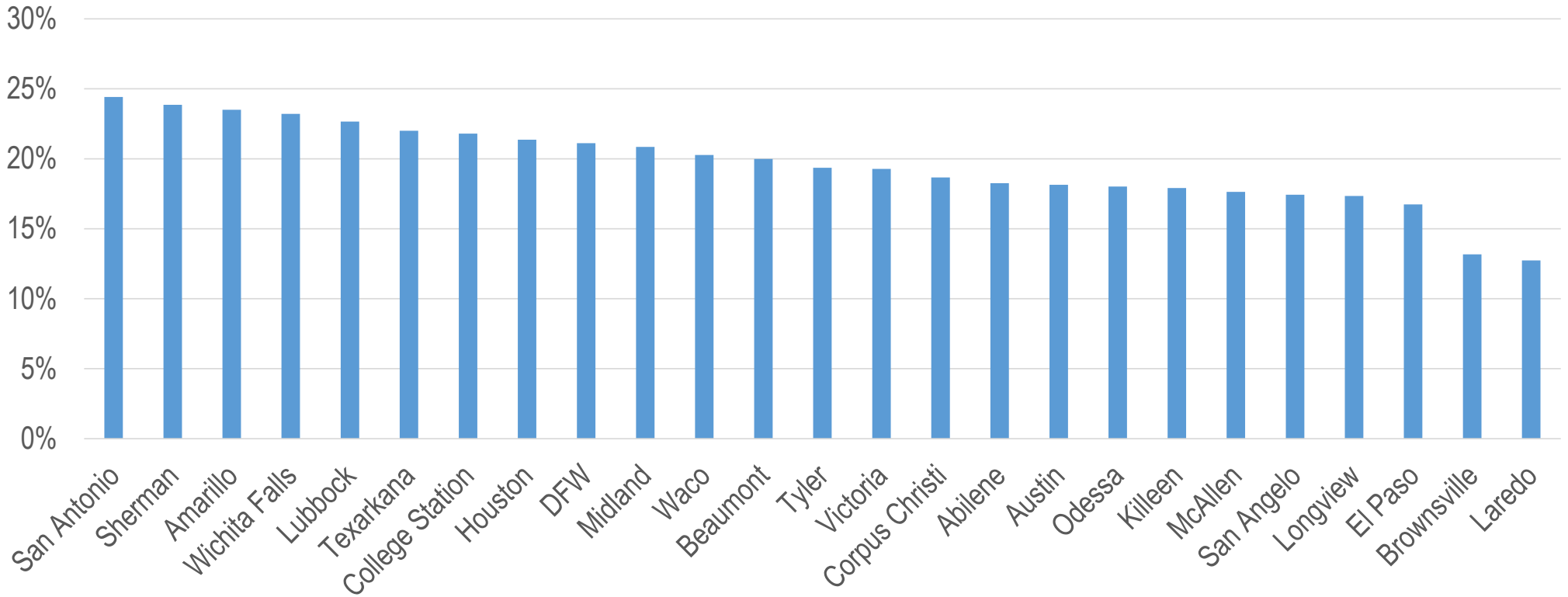
Includes I-Buyers, Large Public and Large Private buyers. Source: TRERC analysis of CoreLogic deed data.

Large buyer activity has varied over time
(Median Purchases by Buyer)



Source: TRERC analysis of CoreLogic deed data.

Investor activity varies across Texas
(All Investor Share of Transactions)

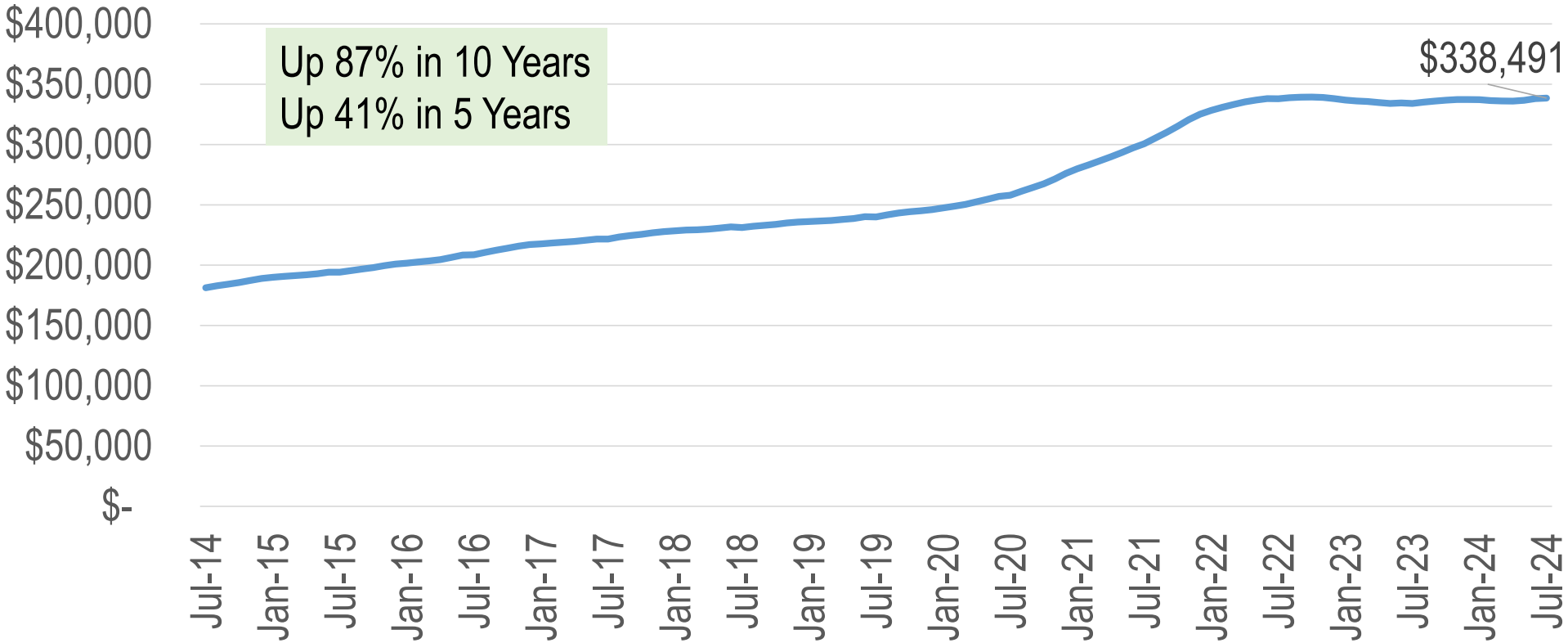


Source: TRERC analysis of CoreLogic deed data.

Texas Housing Market Dynamics

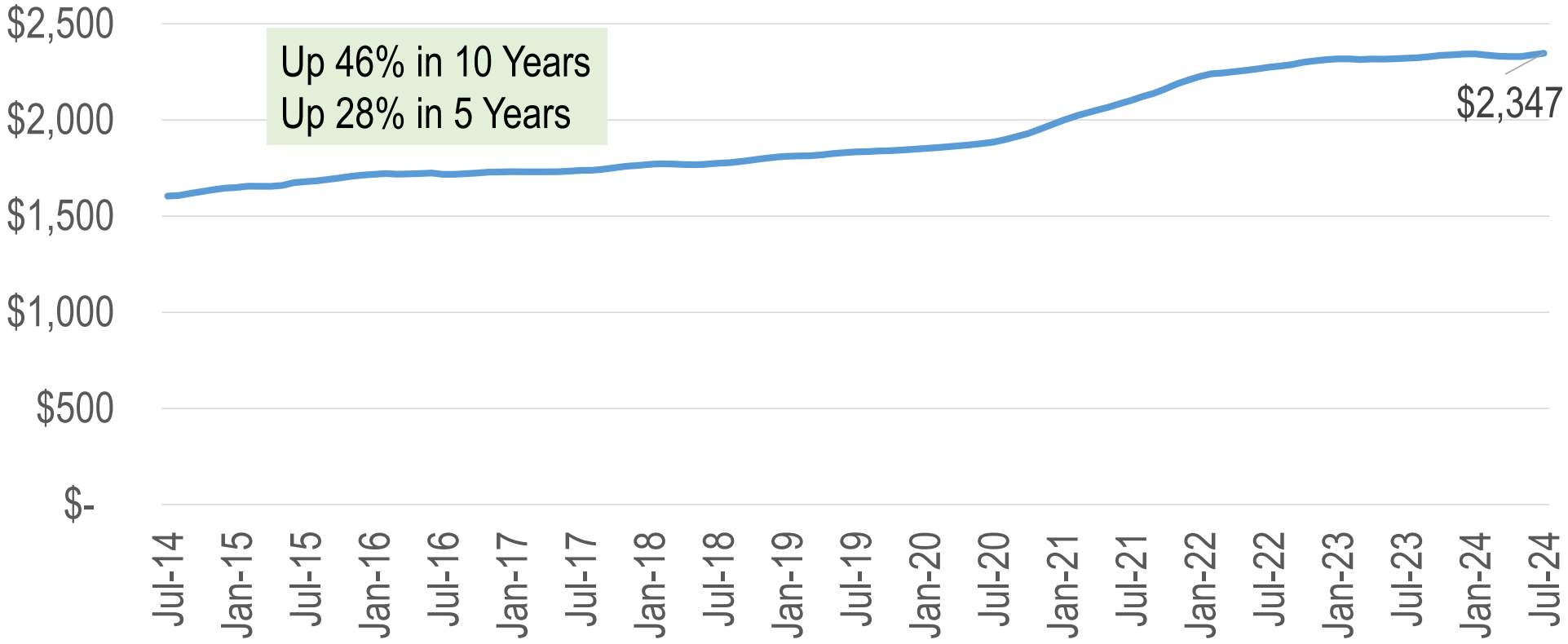
Strong demand and constrained supply have characterized local markets in recent years. The impacts on prices and construction have been large.

Texas prices are flat after substantial increases
(Median Sale Price Dollars, Moving Average)



Source: TRERC analysis of Data Relevance Project, Texas REALTORS data.

Texas SF rents have increased less than sale prices
(Average Unit Rent)



NOTE: Multifamily unit rent has increased 17 percent in five years.

Source: TRERC analysis of Data Relevance Project, Texas REALTORS data.

1,300 new Texans are added every day
(Population Change July 1 2022 to July 1 2023)

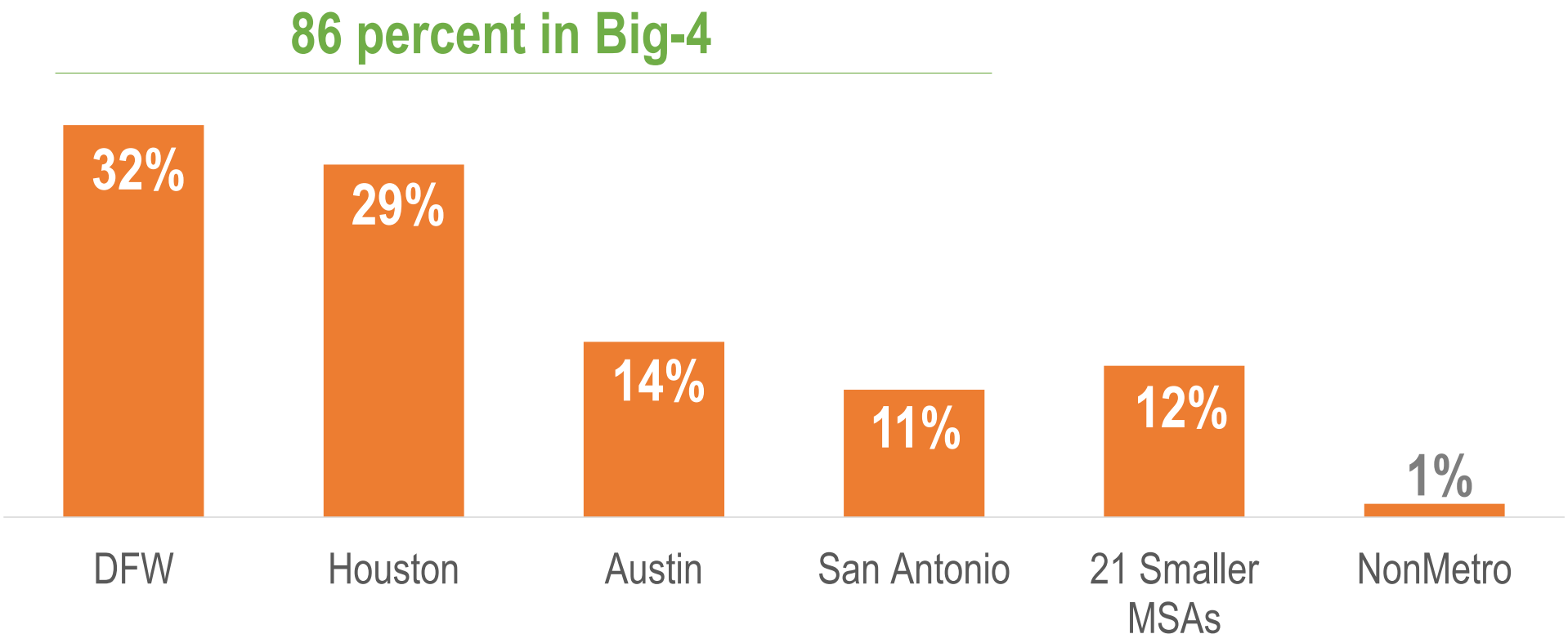
Net Daily:

- 352 from another country
- 511 from another state
- 1,069 born
- 636 die

= 474,000 annually

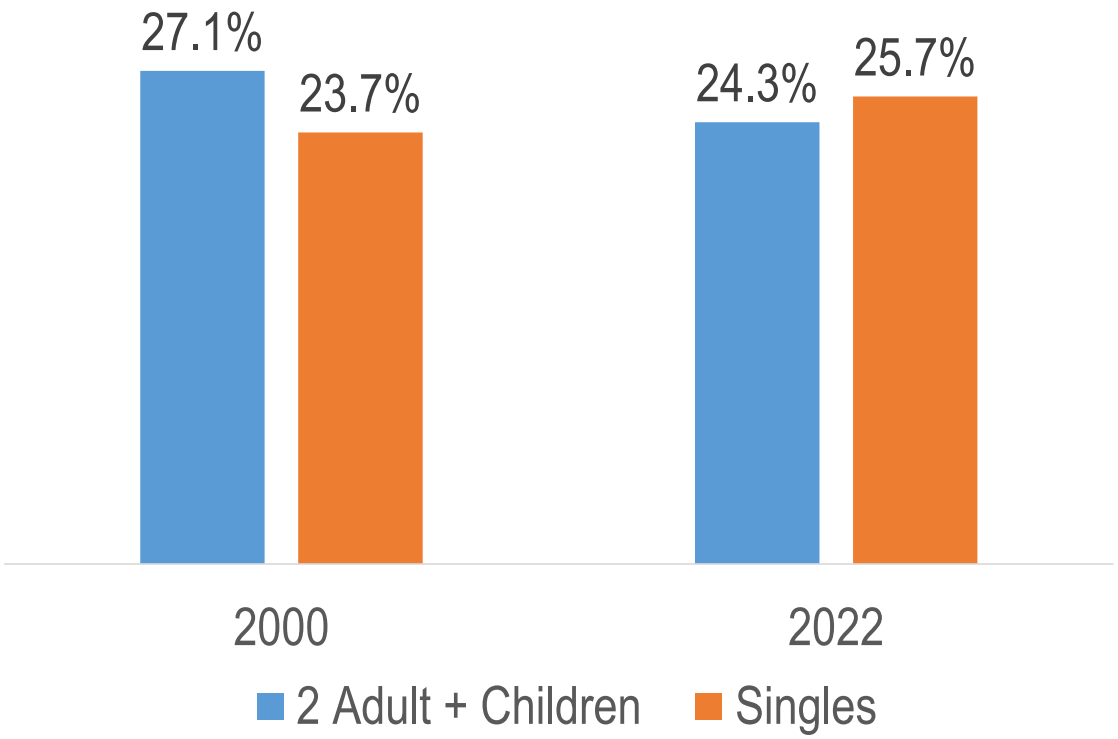
Source: TRERC analysis of U.S. Census Bureau.

Growth is concentrated in larger MSAs
(Share of total Texas population change since 2010)



Source: TRERC analysis of Census Bureau data.

Household mix is changing
(Percent of Texas households by type)

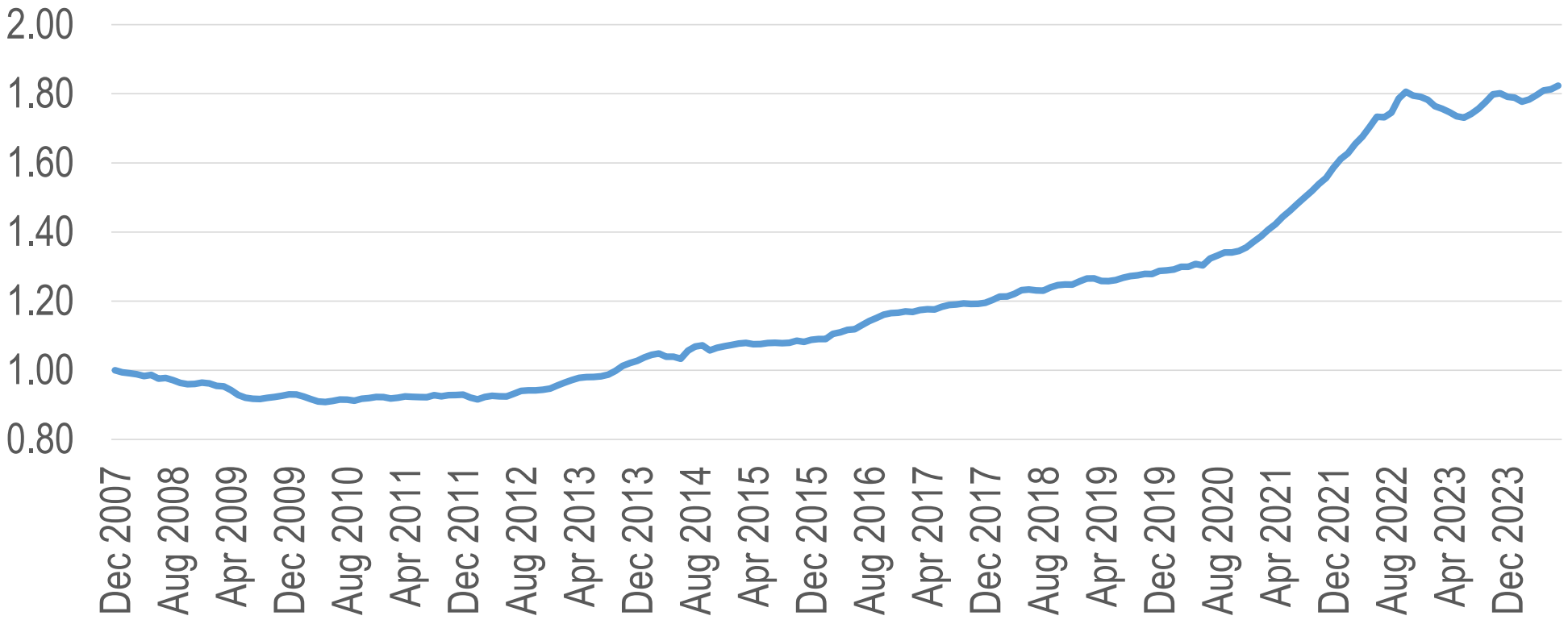


If the 2000 pattern held in 2022:

- **300,000 more "traditional" households**
- **200,000 fewer single-person households**

Source: TRERC analysis of Census Bureau data.

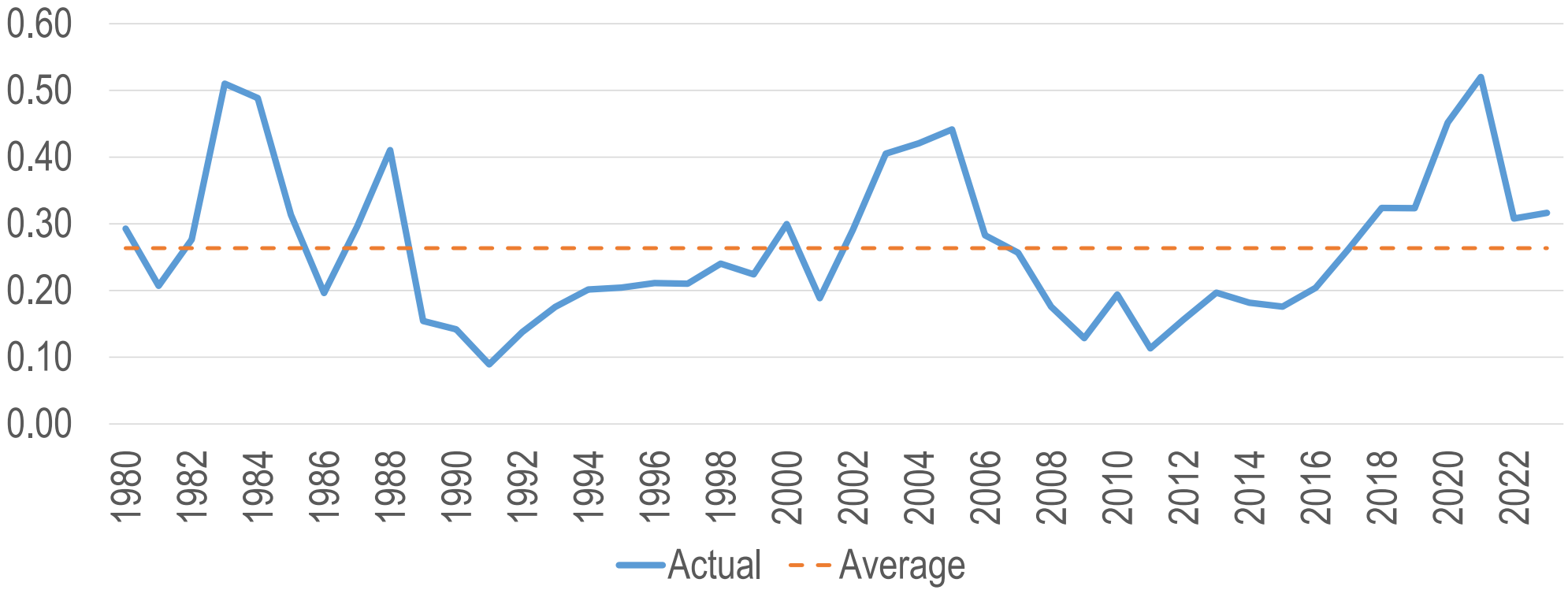
Single family construction costs up 43% in five years
(Index Jan December 2007 = 1.0)



Source: TRERC analysis of U.S. Census Bureau data.

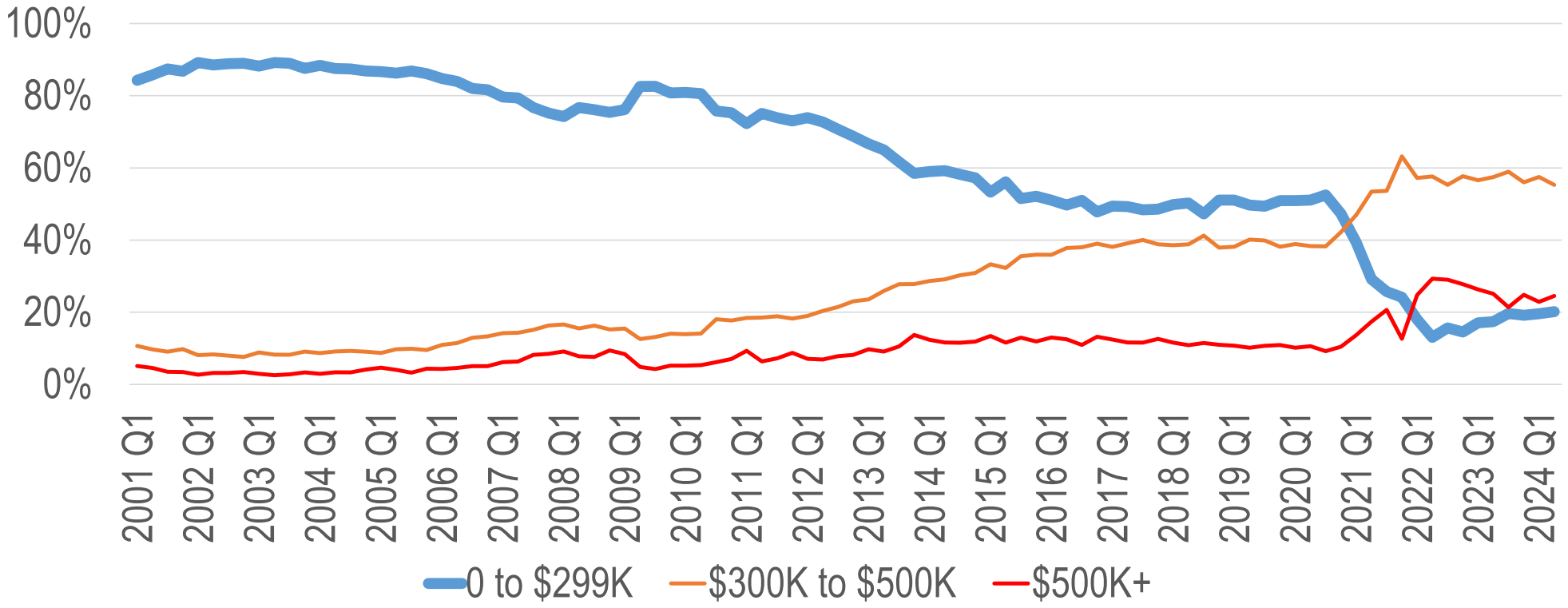
Fewer starts than average since Great Recession until COVID

(Single Family Starts per New Resident)



Source: TRERC analysis of Zonda and Census Bureau data.

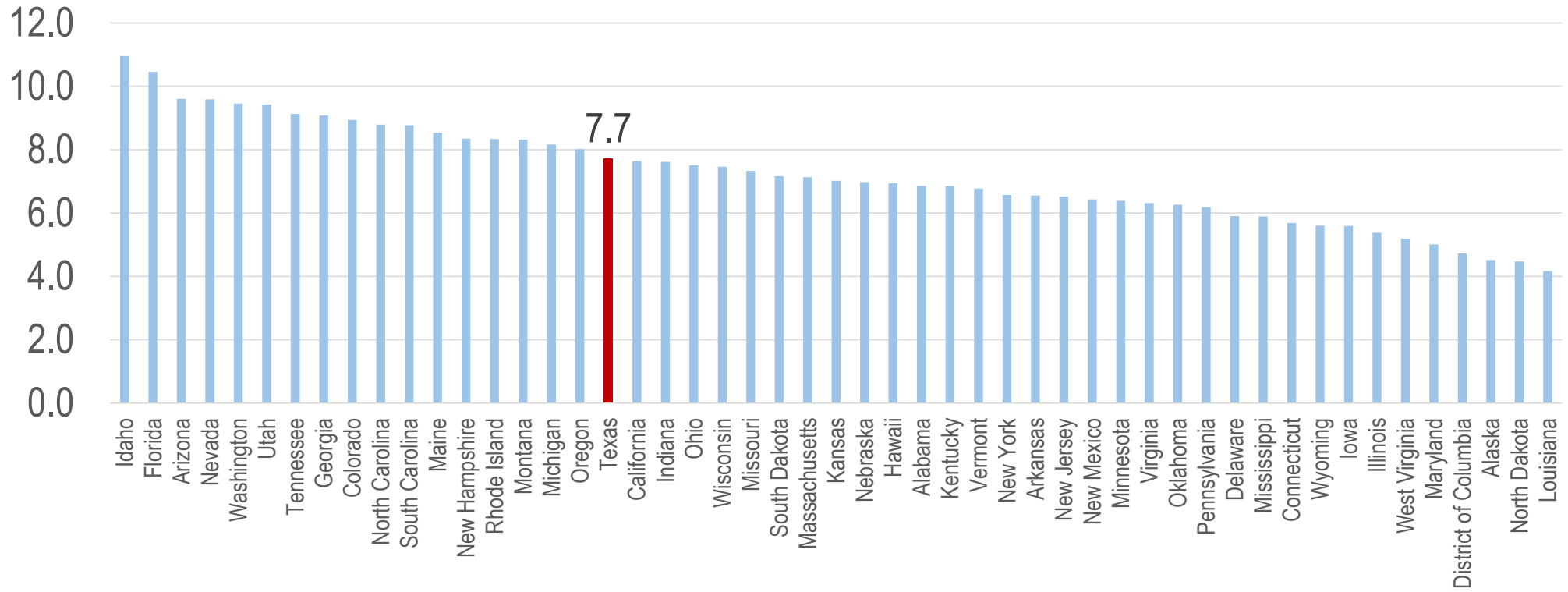
New homes under $300K fade from the market after 2020
(SF Starts by Price Cohort)



Source: TRERC Analysis of Zonda data.

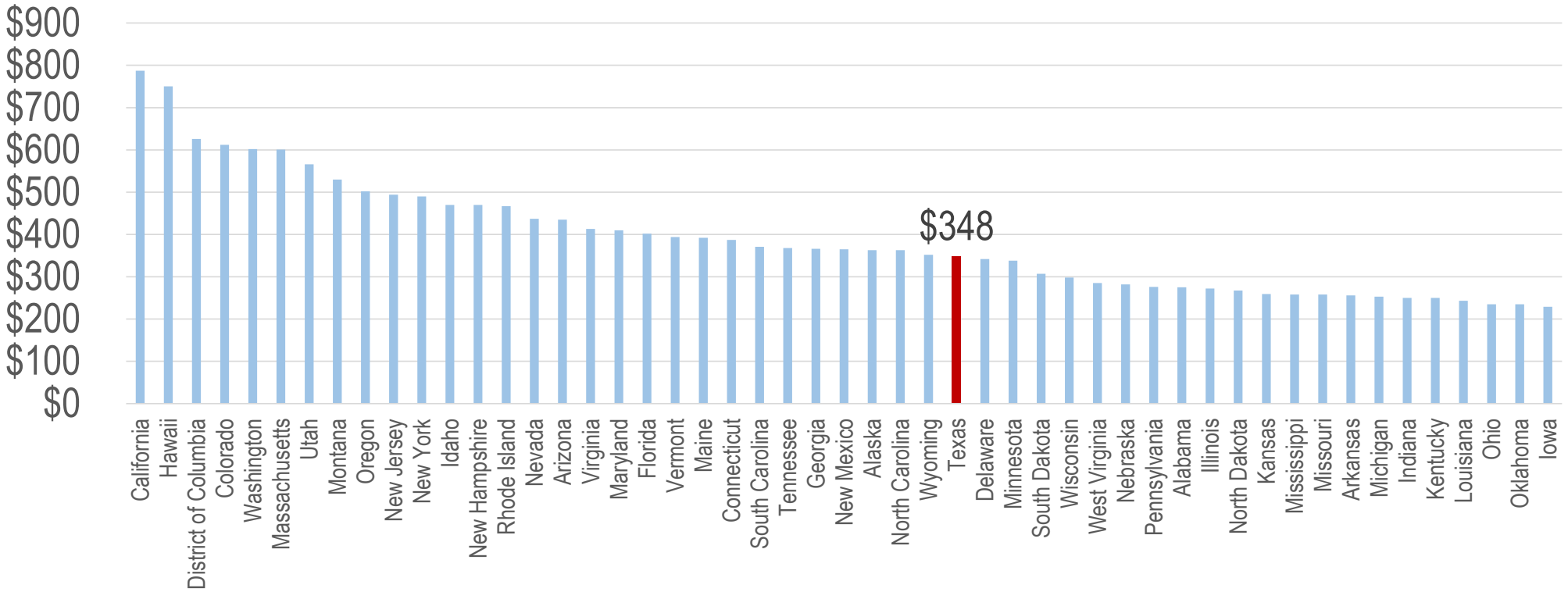
Texas Single Family Prices Compared to Other States

Texas 10-year price increases ranked 18th among states
(Price Index Compound Annual Growth Rate)



Source: TRERC analysis of FHFA, Census and BEA data.

Texas median price ranks 30th nationally
(SF Median Price, $1,000's)

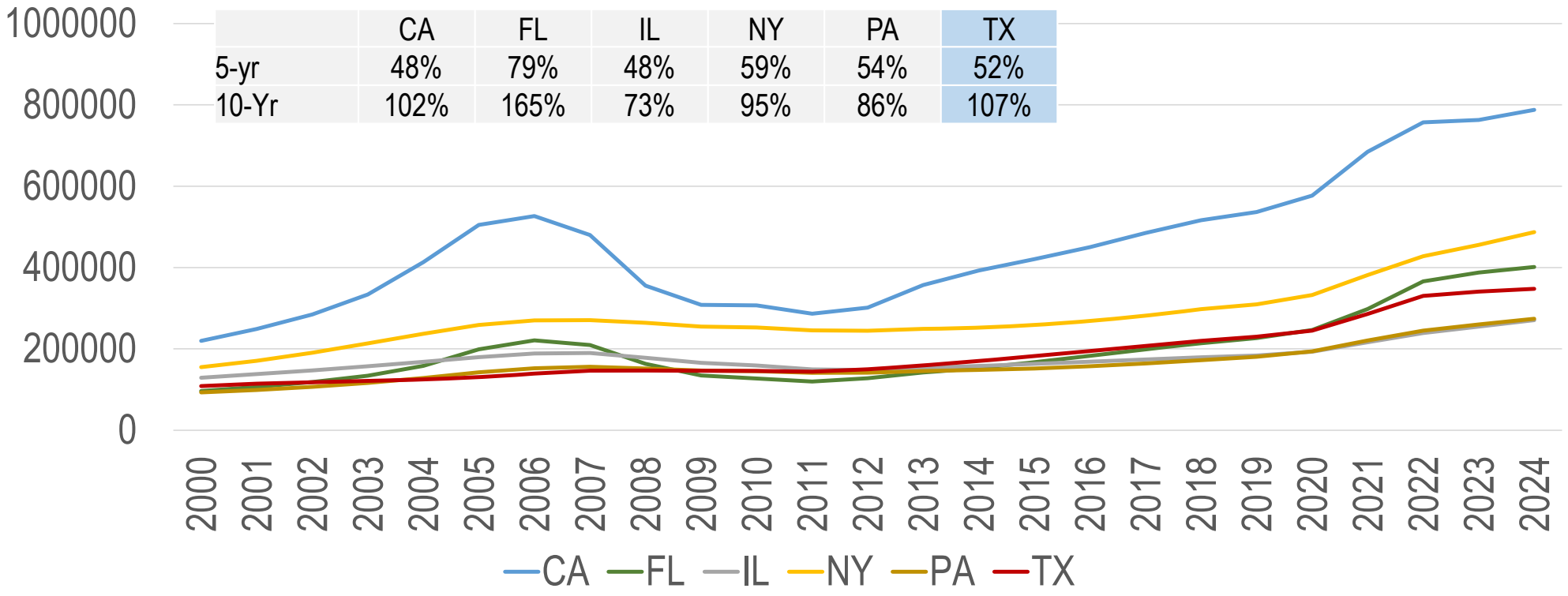


Source: TRERC analysis of FHFA, Census and BEA data.

Texas percentage increase higher than many large states, but levels below CA, NY, FL

(SF Median Price)

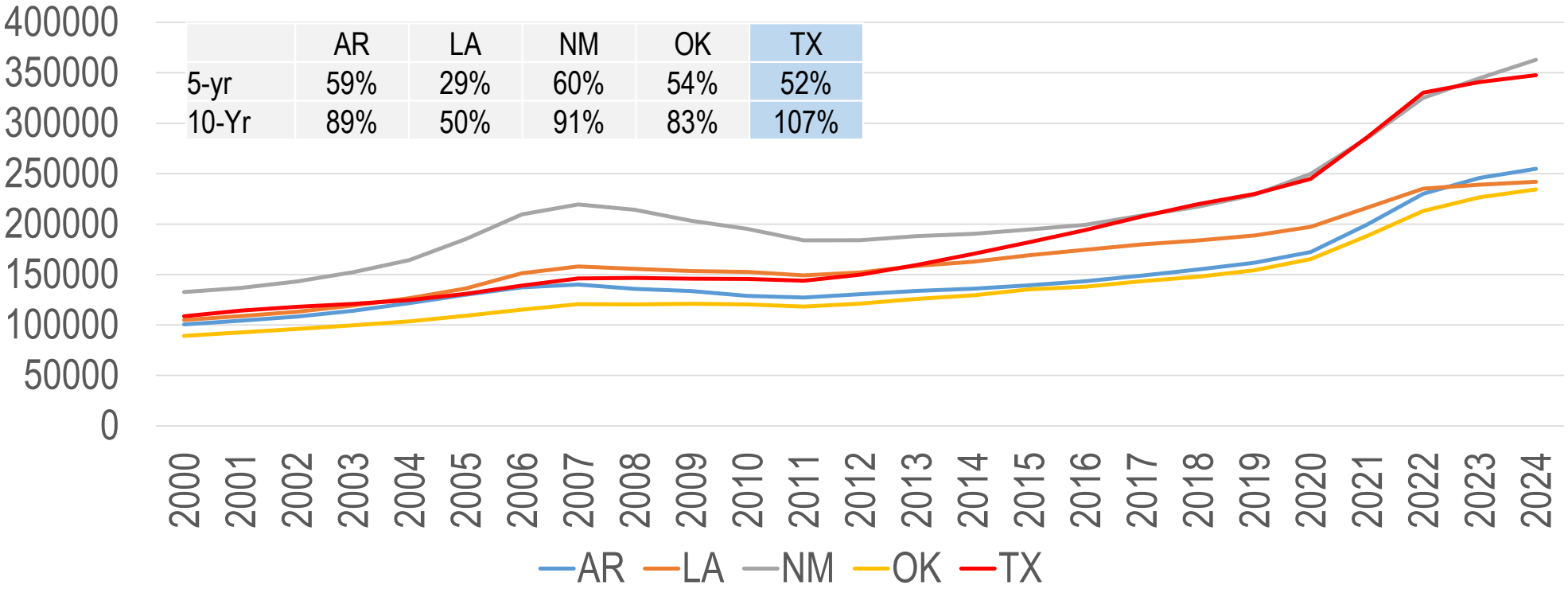
	CA	FL	IL	NY	PA	TX
5-yr	48%	79%	48%	59%	54%	52%
10-Yr	102%	165%	73%	95%	86%	107%



Source: TRERC analysis of FHFA, Census and BEA data.

Texas price growth and levels higher than surrounding States
(SF Median Price)

	AR	LA	NM	OK	TX
5-yr	59%	29%	60%	54%	52%
10-Yr	89%	50%	91%	83%	107%

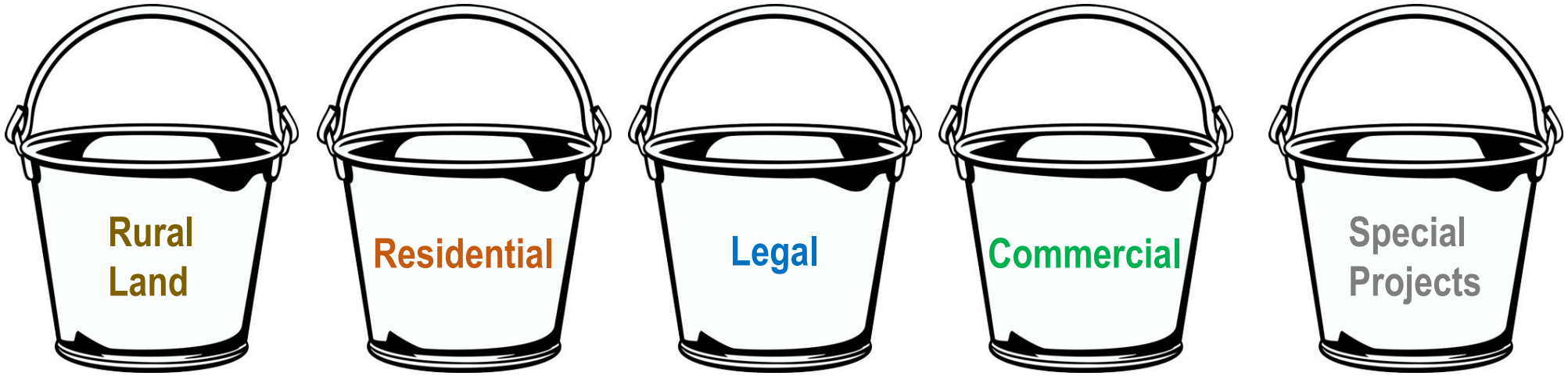


Source: TRERC analysis of FHFA, Census and BEA data.

Questions

Texas Real Estate Research Center (TRERC)

- Created by Texas Legislature in 1971
- Advisory board of real estate professionals approves research agenda
- Texas A&M University in Division of Research



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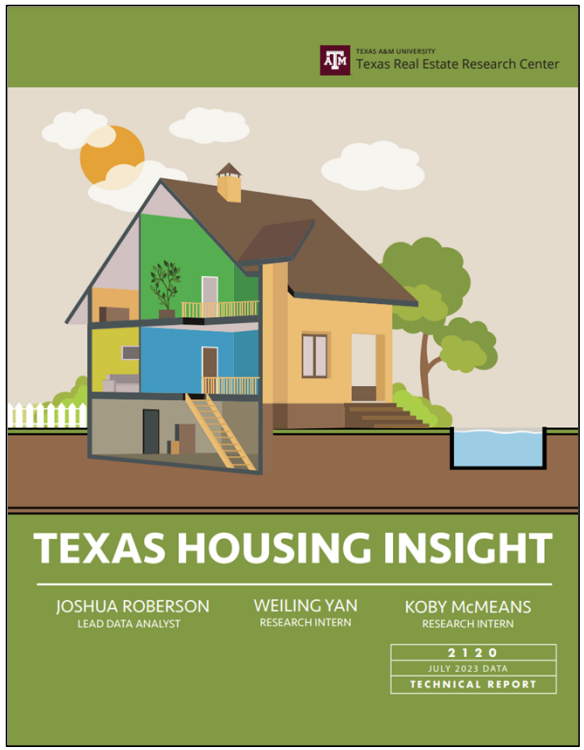

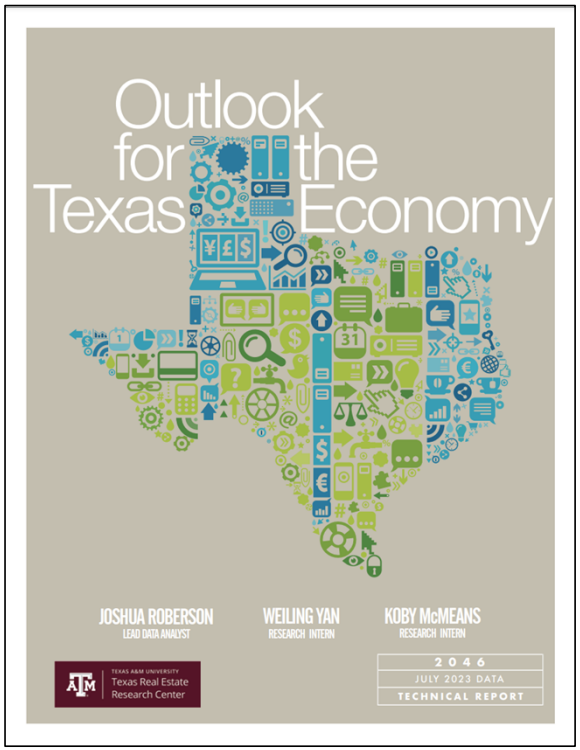

Daniel Oney

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- Research Director
- Commercial market analysis, public finance, labor analytics
- Daniel joined the Texas Real Estate Research Center in 2022. He specializes in building forecasting and decision models to help public and private leaders make better economic and fiscal choices. Before joining the Center, Daniel was managing director in Newmark's Global Corporate Services division where he supported clients with site selection, labor analysis, and development strategy. Daniel was economic research manager for the City of Dallas and senior economist for the Virginia General Assembly. He holds MPA and Ph.D. degrees from the University of Texas at Dallas.
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