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Is Blackstone buying homes in your neighborhood?

By Dennis Rodkin



A Blackstone affiliate bought this house on Orogrande Drive in Oak Forest in January for \$175,000, according to the Cook County Recorder. It had last sold in 2007, for \$310,000. The prior owners were hit with a foreclosure action in 2009 and gave up the property in May 2012, according to the recorder.

Several months ago, Stanley Strand was happy to at last see people moving into the three-bedroom home across the street from his in Oak Forest. The house on Orogrande Drive, a recent foreclosure, had stood unoccupied for about 18 months.

"Having somebody in there again is definitely better than watching it sit empty," said Mr. Strand, a retired teacher who has owned his house with his wife, Janice, since 2000.

The newcomers are renters, leasing from [Invitation Homes LP](#), the Dallas-based company that rents and manages a national portfolio of rental homes purchased by New York-based investment firm Blackstone Group L.P. over the past few years.

Blackstone was an especially aggressive homebuyer in Oak Forest last year, accounting for 18 percent of all single-family home transactions in the southwest suburb, according to [a study being released today](#) by DePaul University's Institute for Housing Studies.

The study shows Blackstone acquired more than 1,300 homes in Cook County last year, focusing its purchases in the southwest, west and north parts of the county. The private-equity firm accounted for a particularly high percentage of purchases in Oak Forest, Oak Lawn and Chicago's Austin neighborhood.

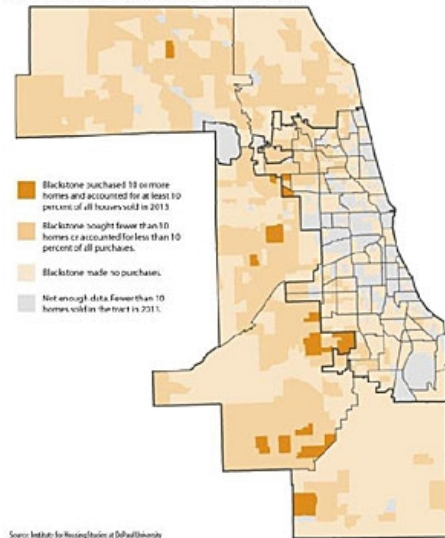
At left, a graphic of Blackstone Group's single-family home purchases by census tract. [Click to enlarge](#)

BILLIONS OF DOLLARS

The DePaul study is an attempt to get a handle on whether Blackstone and other big investors will be good for the residential market. Over the past few years, firms like Blackstone, Oakland, Calif.-based Starwood Waypoint Residential Trust and Agoura Hills, Calif.-based American Homes 4 Rent have entered the single-family rental market, historically a mom-and-pop business, dropping billions of dollars on tens of thousands of homes across the country. [Blackstone](#) alone bought 43,000 homes last year and is the largest owner of U.S. single-family homes.

By buying up distressed properties, fixing them up and renting them out, big out-of-town investors were initially viewed as a positive force in places hard hit by the housing crisis. The question over the longer term is whether they will have too much power over a given market.

BLACKSTONE 2013 SINGLE-FAMILY HOME PURCHASES BY CENSUS TRACT



Blackstone's concentration of purchases in places like Oak Forest "has us questioning what the effect on the housing market will be of one big landlord owning so many houses in one area," said Geoff Smith, executive director of DePaul's housing institute.

The firm could exert control over rents, and if at some point it decides to exit the home-rental business, selling off its portfolio would influence the for-sale market in the areas where its holdings are clustered.

Blackstone accounted for 18 percent of all single-family home sales in Oak Forest during 2013, IHS found. In one Oak Forest census tract, around Central Avenue and Victoria Drive, it was the buyer in 28 percent of all single-family home sales that year. Since 2012, Blackstone's entities have bought 86 homes in Oak Forest, including 57 in 2013 and 20 this year, said an Invitation Homes spokeswoman.

IHS also found that Blackstone acquired 111 homes in Oak Lawn last year, accounting for 15.5 percent of all sales in the suburb and more than 20 percent in some census tracts there. In the Galewood section of the city's Austin neighborhood, Blackstone's 19 purchases were 22.4 percent of all home sales during the year.

'A MATTER OF SUPPLY AND VALUE'

The locations where Blackstone bought "were basically a matter of supply and value," the Invitation Homes spokeswoman said. "These are established areas where people want to live."

But last year is likely to be the peak for Blackstone's acquisitions here, as the firm has cut way back on purchases in 2014, Mr. Smith said.

Big investors' multiple purchases "acted as a fill-in situation at a time when there were almost no transactions going on in our city," said Adam Dotson, the community development director in Oak Forest.

With 86 houses in Oak Forest, Blackstone owns about 1 percent of the suburb's estimated 8,600 housing units, Mr. Dotson said.

"That's not a big enough share to worry about them" having too much control over the market, he said.

The Invitation Homes spokeswoman declined to discuss the firm's impact on the market.

Blackstone's rental portfolio doesn't change the town's mix of renters and homeowners much, either. In the 2010 U.S. Census, the town's housing stock was slightly less than 80 percent owner-occupied, the rest rental.

TARGETED AREAS WITH 'DEMAND FOR RENTALS'

A Blackstone affiliate bought the house on Orogrande Drive in January for \$175,000, according to the Cook County Recorder of Deeds. It had last sold in 2007, for \$310,000. The prior owners were hit with a foreclosure action in 2009 and gave up the property in May 2012, according to the recorder.

Blackstone's acquisition side was "taking advantage of affordable price points," Mr. Smith said. "They went to places where there is decent, cheap housing stock available and a demand for rentals."

Adding to Blackstone's purchases of foreclosures were at least 12 by Mack Cos. of Tinley Park, he said, and there may have been others bought individually by smaller investors.

Mr. Strand has his own way of measuring the impact of renters in his neighborhood where most homes are owner-occupied. In conversations with the tradesmen who made repairs to the house across the street, he ascertained that the rent for the place was going to be about \$1,450 a month. The Invitation Homes spokeswoman declined to discuss individual properties.

That monthly rent isn't far off from his own mortgage payment of roughly \$1,600 a month, Mr. Strand said. If Invitation were offering the home at a cut-rate rental like \$500 a month, he said, that would concern him. It would indicate, he said, that Blackstone was putting in tenants who couldn't keep up with the neighborhood's standards.

"But they qualified," he said. "They can afford to pay that rent, so I've got nothing to worry about."

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