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Wall Street Firm Buying Up Thousands of Chicago Homes

By Casey Cora (Fwww.dninfo.com/chicago/about-us/our-team/editorial-team/casey-cora) on November 17, 2014 7:59am
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Blackstone Group has bought more than 1,300 homes in Cook County, including this brick home in Belmont Cragin that rents for \$1,995 per month.

GARFIELD RIDGE – Neighbors on the Northwest and Southwest sides have unwittingly found themselves living among investor-owned rental homes, thanks to a new nationwide gambit by Wall Street.

"It just feels like they are capitalizing on this neighborhood's misfortune," said Janja Taylor, a 33-year-old mom-to-be and Garfield Ridge homeowner.

The Blackstone Group (<http://www.blackstone.com/>), a worldwide private equity firm, has spent an estimated \$8 billion since 2012 buying up roughly 44,000 homes at rock-bottom prices nationwide, according to DePaul's Institute for Housing Studies (<http://www.housingstudies.org/>), which collects and researches housing data. The homes are marketed under the name Invitation Homes.

The company has bought more than 1,300 homes in Cook County.

Casey Cora says neighbors fear the uncertainty of one company owning thousands of homes:



Unlike the quick-flips of foreclosed homes in otherwise blighted areas, Blackstone has targeted Chicago's reliably middle-class suburbs and city neighborhoods – places like Garfield Ridge, Jefferson Park, Galewood and Beverly – to buy financially distressed properties and rent them out.

With its buying spree slowed down, Blackstone is now launching its newest side business as landlords.

No one seems to be sure how that's going to work out.

Think of it as the difference between one landlord owning a building with a handful of tenants and one global corporation trying to manage tens of thousands of properties in multiple states.

"There hasn't been a single-family scattered-site rental strategy that's been perfectly successful," said Geoff Smith, director of DePaul's housing studies institute.

National news outlets are awash in stories about rocky relations between Invitation and its tenants, including claims of neglect on the part of property managers and swift evictions (<http://www.charlotteobserver.com/2013/11/10/4452995/charlottes-wall-street-landlords.html#.VGZfuVF9jk>) for those who can't make the rent.

A recent *Huffington Post* (http://www.huffingtonpost.com/2013/10/25/wall-street-landlords_n_4151345.html) investigation revealed a host of tenant complaints about shoddy cosmetic repairs and poor customer service.

Factor in "securitization" (<https://www.imf.org/external/pubs/ft/fandd/2008/09/pdf/basics.pdf>) – Blackstone's investment is layered with mortgage-backed securities that are somewhat similar to the types that nearly collapsed the world economy – and experts say there is cause for alarm.

"With the participation of Wall Street, there's a lot of red flags," Smith said.

But fears about the untested business model and its impact on the national economy aren't what have homeowners like Taylor worried.

She's more concerned about the potential for a high tenant turnover and the possibility of Invitation Homes not taking good care of its properties, which are scattered throughout her well-kept neighborhood.

She's also angry about those big blue signs the company has staked into the front yards of its rental homes.

"Whenever you have a whole bunch of homes for sale on a block, you don't necessarily want to advertise that. They've apparently agreed to pull the large yard signs out and use smaller signs in the window," she said.

An Invitation Homes spokeswoman responded to a series of questions from DNInfo Chicago with a brief statement, saying the company is "committed to providing our residents with a quality product at a competitive price that is typically as much as 30 percent less than multifamily rentals per square foot.

"In addition, Invitation Homes has seen much less frequent tenant turnover than multifamily [buildings], indicating our tenants like our homes and want to stay longer."

Experts say there are some obvious upsides to having formerly empty homes suddenly occupied.

For starters, a large supply of rental homes means some families can move into good neighborhoods.

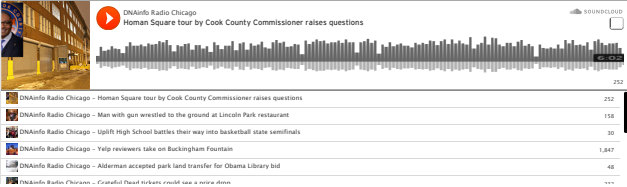
Blackstone's flood of buying has stabilized prices in some regional housing markets and boosted them in others, and municipalities are expected to benefit from additional tax revenue.

Still, the future remains unclear for the emerging market.

"It really is contingent on how these institutional investors act," Smith said "If you're an optimist, you say these [rental homes] are assets and part of the business model is resale of the property, and you'd think they'd have the incentive to maintain their assets to maximize the resale value.

"On the cynical side, you could say that this is a business and it's tied to securitization and they're trying to maximize profits and that means not maintaining it properly, and maybe they are problem properties, and then they divest and then the problem properties get sold to other investors who might not take such good care of them."

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Visited from Geoff Smith (www.dninfo.com/chicago/people/geoff-smith) DePaul University (www.dninfo.com/chicago/pages/depaul-university) Institute for Housing Studies (www.dninfo.com/chicago/pages/institute-for-housing-studies) Invitation Homes (www.dninfo.com/chicago/tags/invitation-homes) Center for American Progress (www.dninfo.com/chicago/tags/center-for-american-progress)

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Keopffoal 4 months ago
What I don't like about this is that real people try to buy the distressed properties all the time and get undermined by the investment firms. I have family and friends who tried to buy houses only to find out investment firms came in with all cash offers instead of financing and the cash offers are almost always preferred. So, the same corporate financial nonsense that created the housing mess is now benefiting because they can buy up all the distressed properties, falsely holding up the housing prices and artificially inflating rent prices for the average tenant instead of people being able to buy the houses they have real interest in. Single family homes should only be able to be bought by real people, and corporations or investment firms can build their gross, cheaply made apartment buildings and manage them if they want.

evergreener 4 months ago
While many cash purchases may be large companies, while we were looking to purchase our home, many of the cash buyers we chatted with were very small scale... slowly flipping a house or two at a time and having just enough cash to buy one or two properties at a time and then doing much of the work themselves. Kudos to them for being able to make a living rehabbing properties that need love.

Oh please 4 months ago
"Single family homes should only be able to be bought by real people..." And what happens when real people don't have the money to buy? I'll tell you what happens: The structure just sits and sits until it finally goes to pot and either falls down or is ordered to be torn down. While it is sitting there empty, it is reducing the value of all the properties around it, thus making it difficult for anyone in the given community to move if the situation ever called for it. I'm sorry that your friends have had trouble finding a home, I really am. But cash offers have ALWAYS been preferred in real estate. This isn't anything new. If you were trying to sell your home, would you rather sell it to someone who had to wait on financing or someone who had cash in hand and could sign the paperwork that day?

Just Saying 4 months ago
I think the success of this business model remains to be seen but before we demonize this or any other company might I suggest that plenty of people were happy to see the homes made operable with people living in them. You may be right in assuming our property values could falter, but I would be surprised if that drop compared to the drop in values by having homes sit empty for years while the banks figured out what they had for foreclosure inventory and where it was sitting. I can say I have seen hundreds of homes that have sat empty for 2 or 3 years that are covered in mold, need to be destroyed, or require this type of company to make them operable. Also while the story might point out the Wall Street as its easy villain and rightfully so at times, their hold and flip REITs right here in Chicago with the same business model.

Black Stalin 4 months ago
Finance!

Joe Slick 4 months ago
Yes of course, they are big company and that must mean that they are negligent and only care about making money.... Because small landlords would be different...

Frank Atodaso 4 months ago
It seems odd and sad that real criminals like these get to keep committing mass fraud and crime but the honest businessman, much needed in these times, the dope dealer gets sent to jail.

shain stank 4 months ago
"onest" ... "dope dealer"

LOL!

Pete 4 months ago
Just wait until they get Section 8 tenants in all of these formerly middle class homes.

Stamman 4 months ago
Oh please, have you personally experienced problems with Section 8 tenants? They're much easier to remove than normal eviction, or foreclosure, for that matter.

Black Stalin 4 months ago
I can't wait!

Oh please 4 months ago
I very much doubt IH will be accepting section 8 vouchers at any time in the future. Doesn't suit their business model at all. They're still middle class homes, they come in at middle class rental prices. It varies by neighborhood.

Oh please 4 months ago
Yeah, lets demonize them for evicting tenants who don't pay their rent. That's completely ok. Someone please show me one landlord who won't evict a non-paying tenant. Someone? Anyone? Didn't think so...

Also, IH would have to go through the same code inspections just like anyone else before they put the property on the market for rent. They fail to mention that in the completely subjective article.

I'm not saying that isn't a shame that families basically don't have the opportunity to buy a home at a decent price (as it is snatched up very quickly by IH in most markets). If I was looking to buy, I'm sure I would get frustrated very quickly. I'm just saying, would you rather have the home occupied by good families or just sitting there, declining and attracting possible squatters to the neighborhood?

Zoe Cappa 4 months ago
So, were they able to buy homes for an average price tag around \$18,000? That is clearly a way better deal than the typical 28% discount price on foreclosed homes. Too bad regular people can't get the same rates as Wall Street corporations.

Mika Williamson 4 months ago
I don't listen to anything a Realtor has to say. Gin-swilling, cigarette-smoking divorcees reeking of cheap perfume and wearing synthetic clothing with cheap shoes. Jesus, a job at Wal-Mart generates more respect.

yowah123 4 months ago
Do you always just blurt out moronic nonsense like that?

Stamman 4 months ago
I'm assume you've made a substantial fortune in real estate by following your own advice of not listening to anything a Realtor has to say??

hugh jass 4 months ago
Brave

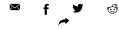
Dan Vickerman 3 months ago
Amen

dadsnayer 4 months ago
Zedgy4me

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Man Calls 911 After Getting Robbed While Buying Illegal Gun: Prosecutors

By Erica Demarest ([www.dnainfo.com/chicago/about-us/our-team/editorial-team/eric-demarest](#)) on March 11, 2015 7:43am
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COOK COUNTY CRIMINAL COURTHOUSE — A Marquette Park man who was robbed while trying to illegally buy a gun called police to report the crime, prosecutors said Tuesday.

The 22-year-old had arranged via FaceTime to pay \$350 for a Glock handgun and extended magazine, Assistant State's Attorney Jennifer Cooper said during a bond hearing.

But when the man met with three sellers in Auburn Gresham, they kept his cash and the gun, prosecutors said.

It all went down about 5:30 p.m. Sunday in the 8600 block of South Wolcott Avenue.

William McCrea, 21, had previously showed the victim the gun on FaceTime, prosecutors said, and the pair agreed on a price.

On Sunday afternoon, McCrea and two others — his brother Anphanine McCrea, 17, and Rakim Smith, 18, — pulled up in a black Lexus. When the victim got in the car and handed over cash, Cooper said, Anphanine McCrea pointed the gun at the man.

The victim jumped out of the car and ran off, according to prosecutors. He then called 911 and reported a robbery.

A half-hour later, police saw the Lexus blow a stop sign near 81st Street and Damen Avenue, police said. When officers tried to pull over the car, the driver kept going.

The Lexus stopped near 76th Street and Damen Avenue, police said, and officers asked all three occupants to step outside. While officers were talking to the trio, a call came over the radio mentioning an armed robbery involving a black Lexus.

Police found in the car a loaded Glock handgun with 32 bullets, court records show.

William McCrea, who was carrying \$500 cash, admitted to the robbery, authorities said.

The victim identified each of the alleged robbers, Cooper said, adding that he never handled the gun. Police said the man trying to buy the gun was not charged.

William and Anphanine McCrea, of the 1400 block of East 69th Street, were each charged with armed robbery. The brothers' attorney said Anphanine, who was charged as an adult, is a junior in high school, while Williams is a senior at an alternative high school.

Smith, of the 7000 block of South Dorchester Avenue, was charged with armed robbery and fleeing police, and ticketed for failing to stop at a stop sign. His attorney said he's a senior at Excel Academy Chicago.

Cook County Judge Peggy Chiampas ordered each held on \$150,000 bail.

"If you bond out," Chiampas warned, "no FaceTime, no Facebook. Nothing."

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