

Comment to Los Angeles County Employees Retirement Association

February 14, 2024

Good morning. My name is Valentina Dabos, and I am with the Private Equity Stakeholder Project. We are a non-profit watchdog organization that seeks to address the impacts of private equity on workers, communities, and the planet.

I'm here today because LACERA is one of the largest investors in Blackstone Real Estate Partners X (ten), which is buying Tricon Residential, which operates single-family rental homes – also known as SFRs.

This acquisition will worsen the housing affordability crisis and harm tenants.

Blackstone, which is already the largest landlord in the U.S.,ⁱ announced last month that it planned to get even bigger by acquiring Tricon. This would make Blackstone the third-largest SFR owner in the US with 66,000 homes.

In light of Blackstone's poor track record as a landlord and its role in driving up housing prices, investors should tell Blackstone not to invest their money in this deal unless Blackstone agrees to a set of standards that would ensure basic protections for tenants and protect investors from potential headline and reputational risks arising from rent increases, evictions and other predatory practices.

In 2012, Blackstone founded Invitation Homes to acquire foreclosed homes and rent them out.

Blackstone and Invitation Homes drew a lot of media attention in Los Angeles County due to the tenant organizing by the community group ACCE (*pronounced ACE*).

A TV story reported about an LA City Employee who had to move out of her home after Invitation Homes raised the rent \$800.ⁱⁱ (Single-family homes are not covered by rent control.)

The Los Angeles Times detailed the problems of a young family whose home had water leaks, cockroaches, and mold that made them sick, and the couple said that Invitation Homes failed to make the requested repairs.ⁱⁱⁱ

A Reuters investigation found that “the picture that emerges isn’t as much one of exceptional service as it is one of leaky pipes, vermin, toxic mold, nonfunctioning appliances and months-long waits for repairs.” The story featured a California tenant, who after she moved in, reported noticing water leaking through the ceiling, then found a furry black mold spreading across the walls and raw sewage coming through the crawl space. She found black widow spiders in the kitchen. The tenant reported that Invitation Homes told her the spiders were a “housekeeping issue” and that she should “clean the place up.” According to the tenant, it took Invitation Homes two months before it fixed the pipes and seven months to patch up the walls.^{iv}

Blackstone sold off its stake in Invitation Homes in 2019, but in 2021, Blackstone purchased another SFR company, Home Partners of America (HPA), the largest **rent-to-own** landlord in the US.^v There have been numerous news stories about problems at HPA. The Financial Times reported about complaints from residents of maintenance problems and unclear billing practices and found that just one-fifth of HPA’s tenants end up buying their homes, and that tenants were paying rents that were about ten percent higher than market rents.^{vi}

Blackstone also has a poor track record as a multi-family landlord. In 2021, Blackstone bought an apartment complex with 5,800 units in the San Diego area. Since then, Blackstone has increased the average rent at these properties 34%. This is much higher than the average rent increase for all apartments in the San Diego market, which was just 20% during this period. The increase at some buildings has been even greater – up to 76%.

Prior to Blackstone’s purchase, many of these units were considered “naturally occurring affordable housing” – properties that were affordable, but not subsidized by any government program.^{vii}

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We urge you to tell Blackstone not to invest your money in this deal unless Blackstone agrees to a set of standards that would ensure basic protections and protect investors. Thank you.

ⁱ https://pestakeholder.org/wp-content/uploads/2023/03/PESP_Report_Blackstone_March2023_v4.pdf

ⁱⁱ <https://abc7.com/southern-california-rent-control-los-angeles-increases/2719742/>

ⁱⁱⁱ <https://www.latimes.com/business/la-fi-blackstone-lawsuit-20140506-story.html>

^{iv} Michelle Conlin, “Spiders, sewage and a flurry of fees – the other side of renting a house from Wall Street,” Reuters, July 27, 2018, <https://www.reuters.com/investigates/special-report/usa-housing-invitation/>

^v Mark Vandavelde, “Blackstone’s new real estate play: the rent-to-buy market,” Financial Times, January 18, 2022, <https://www.ft.com/content/2267d715-6ff9-428e-959a-f0e379e581e9>

^{vi} Mark Vandavelde, “Blackstone’s new real estate play: the rent-to-buy market,” Financial Times, January 18, 2022, <https://www.ft.com/content/2267d715-6ff9-428e-959a-f0e379e581e9>

^{vii} <https://voiceofsandiego.org/2021/05/18/advocates-worry-blackstone-sale-will-take-affordable-housing-crisis-from-bad-to-worse/>