# THE PROCESS OF PRIVATE EQUITY

1. Private equity firms work to find investors, or limited partners.

2. Private equity firms create specific investment funds using money from limited partners.

3. Private equity firms often take controlling stakes in portfolio companies, and also buy properties.

4. Private equity firms change processes within portfolio companies or make changes to real estate properties seeking to increase profit.

5. After making changes to properties or companies, private equity firms seek to sell the portfolio companies for a profit. If a profit is made, a portion of it is returned to limited partners.

# PRIVATE EQUITY CASE STUDIES

## BLACKSTONE

1. Blackstone, the largest private equity company in the world,[1] raises money from pension funds and other investors.
2. In 2012, Blackstone founded Invitation Homes and created a fund to buy foreclosed single family homes and rent them out.
3. Blackstone's Invitation Homes bought 80,000 single family homes to rent between 2012–2019.[2]
4. Blackstone increased income by charging high rents and fees and reduced expenses by skimping on maintenance and repairs.[3]
5. In 2017, Blackstone took Invitation Homes public and sold off 25% of the company.[4] Blackstone sold off the rest of its stake in Invitation Homes in 2019.[5] Blackstone made about $7 billion from its sale of Invitation Homes.[6]

## CIM GROUP

1. CIM is a Los Angeles–based private equity firm.
2. CIM raises money from pension funds and other investors to purchase real estate.
3. In 2020, CIM purchased Southern Towers, a five-building apartment complex of over 2,000 units in Northern Virginia.
4. CIM ignored mold, pest and other maintenance issues and filed hundreds of eviction notices during a nationwide ban on evictions. Tenants felt that CIM wanted them out so that the company could charge higher rents to employees of Amazon, which had announced it would build its second headquarters just a few miles away.[7]

# ENDNOTES


1. Eric Rosenberg, “The 8 Best Private Equity Firms of 2022,” The Balance, January 2, 2022, https://www.thebalancemoney.com/best-private-equity-firms-45839552.
2. Ben Lane, “Blackstone cashes out on Invitation Homes,” Housing Wire, November 22, 2018 https://www.housingwire.com/articles/blackstone-cashes-out-on-invitation-homes/
3. 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/
4. Joshua Beroukhim, “The Story and Lessons Behind Invitation Homes: Blackstone’s Acquisition of 50,000 Single Family Homes for $10 Billion Between 2012 and 2016,” Behind the Deals, March 15, 2017, https://behindthedeals.com/2017/03/15/the-story-and-lessons-behind-invitation-homes-blackstones-acquisition-of-50000-single-family-homes-for-10-billion-between-2012-and-2016/
5. Ben Lane, “Blackstone cashes out on Invitation Homes,” Housing Wire, November 22, 2018, https://www.housingwire.com/articles/blackstone-cashes-out-on-invitation-homes/
6. Ryan Dezember, “Blackstone Moves Out of Rental-Home Wager With a Big Gain,” Wall Street Journal, November 21, 2019, https://www.wsj.com/articles/blackstone-moves-out-of-rental-home-wager-with-a-big-gain-11574345608
7. https://www.businessinsider.com/southern-towers-apartment-tenants-battle-investor-landlord-2022-11