

# Is Ownership Concentration Driving Markups in Multifamily Housing?

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### Introduction

- An increasing portion of multifamily units are owned/operated by large institutional owners, e.g., Greystar now owns/operates over 1 in every 25 units in the US.
- Rents have increase substantial over the last decade.
- Paying > 30% income in rent 20% in 2000  $\Rightarrow 50\%$  in 2022.
- Anecdotes, press coverage, lawsuits claiming property owners/ managers are colluding, price-fixing, misleading tenants, etc.

### **This Paper**

- Examine ownership concentration across regions of US.
- Examine whether ownership concentration is associated with higher rents and markups.
- Socioeconomic effects of increased ownership concentration (in-progress).

### **Preview of Results**

- Top five owners own 31% of all units in the average submarket as of 2024.
- Top five own 52% of units within submarket-by-class.
- Use within-market-by-year variation in ownership market share for the **same property over time**:
- A one standard deviation increase in ownership market share is associated with a 2.7% increase in rents and a 5.3% increase in net operating income (NOI).
- No effect on occupancy rates, operating expenses, CapEx.
- Effects are robust to including increasingly tight fixed effects, increasing over time, not driven by national-level owner size.
- Similar results found using **changes in ownership** of the focal property or acquisitions of additional property in same region while holding fixed the owner of the focal property.

### Data

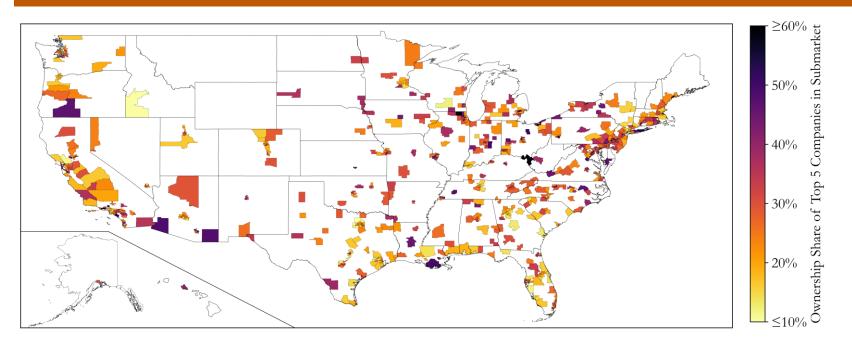
**CMBS Operating Statements:** 

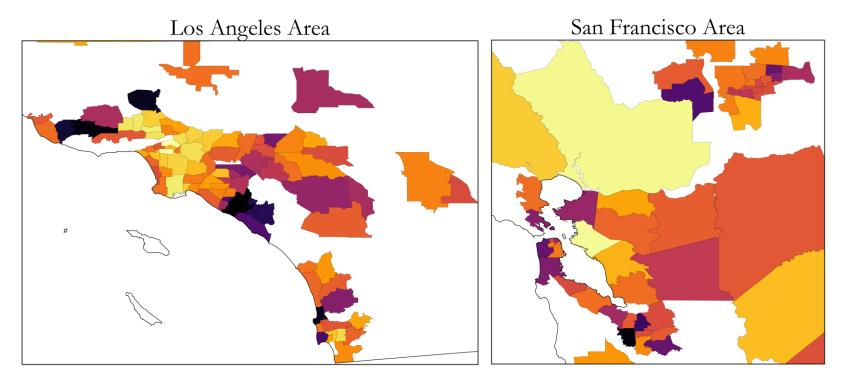
- Observe full operating statements at the property-year-level.
- Also, rich data on property-, loan-, and CMBS deal-levels.
- Collected for both agency and non-agency deals from multiple different sources and harmonized.
- Over 350k property-year observations for 55k MF properties.

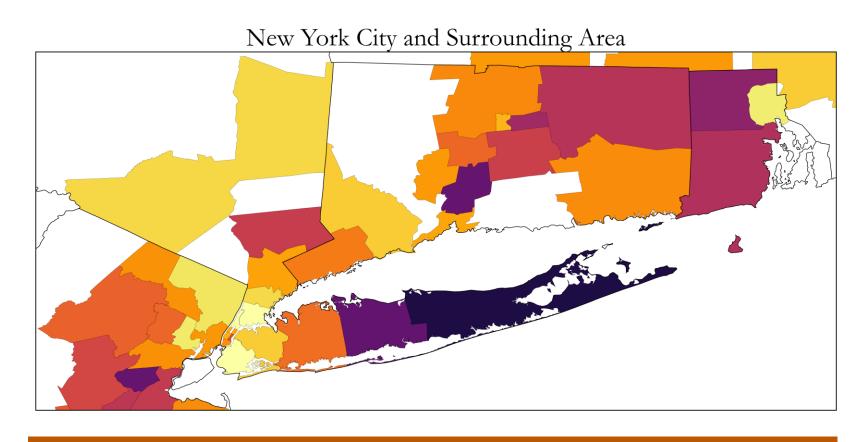
### **Real Capital Analytics:**

- Data on current owner and transaction history for nearly all MF properties across US
- 180k MF properties, collectively with 21M units
- Construct a panel tracking ownership of property over time.
- RCA maps owner to ultimate parent. Key since most properties bought using web of LLCs.
- Datasets merged using geocoding and address matching. Mapped to Moody's CRE (sub)market areas.

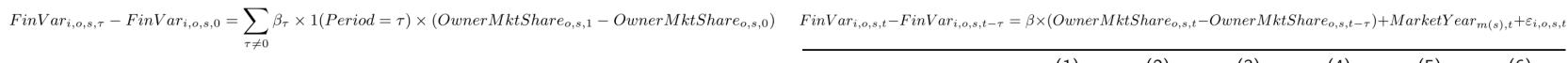
## Ownership Concentration Across the Nation

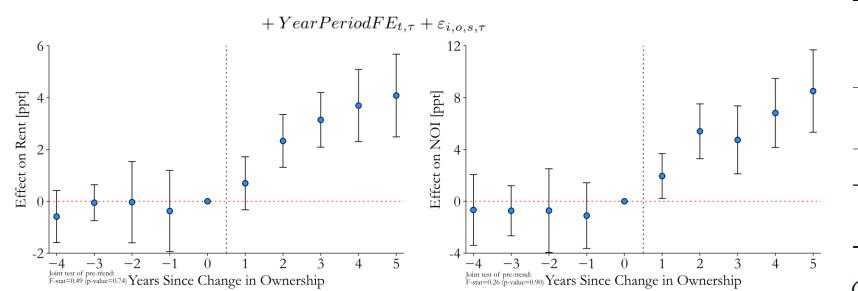


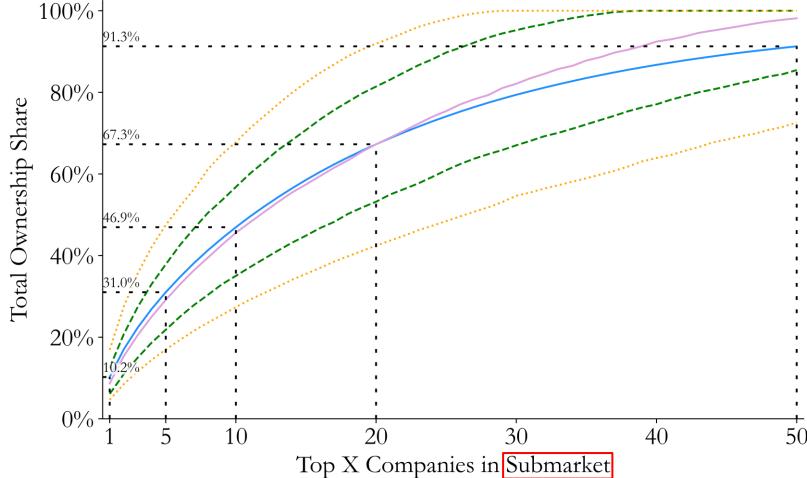


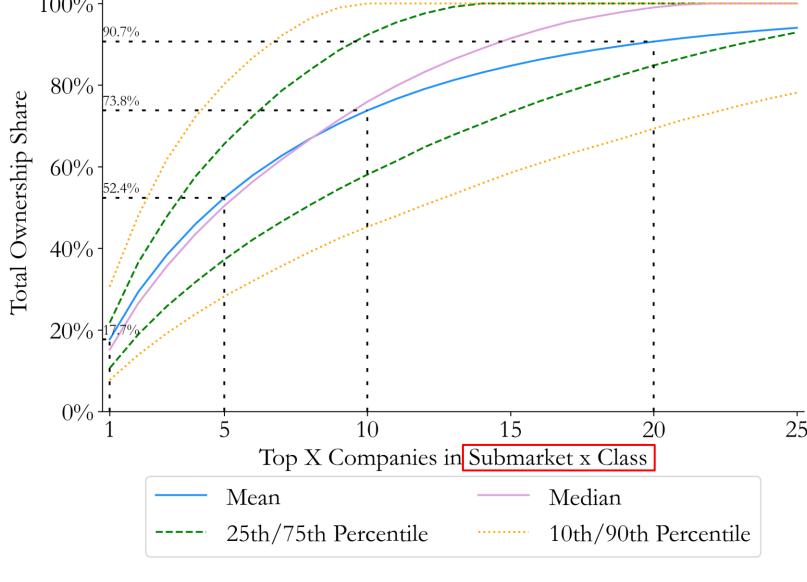


## **Effect Around Ownership Change**









## **Effect Around Acquisition of Additional Property**

	(1)	(2)	(3)	(4)	(5)	(6)	
Dep. Variable:		$\Delta Log(Rent)$		$\Delta Log(NOI)$ $$			
	$\tau = 3$	$\tau = 4$	$\tau = 5$	$\tau = 3$	$\tau = 4$	$\tau = 5$	
$\Delta$ Owner Mkt Share, Std	0.0207***	0.0246***	0.0311***	0.0349***	0.0394***	0.0507***	
	(4.24)	(4.76)	(5.16)	(4.56)	(4.88)	(5.71)	
$Market  \times  Year   FE$	✓	$\checkmark$	$\checkmark$	$\checkmark$	$\checkmark$	✓	
Observations Adjusted $\mathbb{R}^2$	159,742 0.155	116,168 0.172	83,210 0.177	159,742 0.0909	116,168 0.110	83,210 0.126	

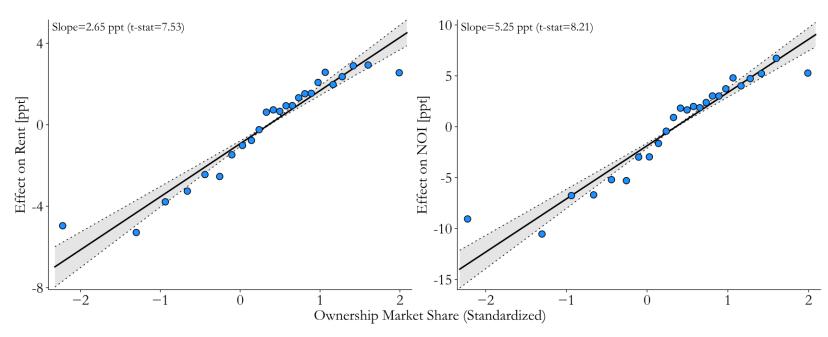
*t*-statistics in parentheses. \*p < 0.10, \*\*p < 0.05, \*\*\*p < 0.01Only property-year observations where owner is the same between  $t-\tau$  and t are included.

## Effect on Rents, Occ., OpEx, NOI, Margins

 $FinVar_{i,o,s,t} = \beta \times OwnerMktShare_{o,s,t} + MarketYearFE_{m(s),t} + PropertyFE_i + \varepsilon_{i,o,s,t}$ 

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dep. Variable:	Log(Rent)	Occupancy	Log(OpEx)	Log(CapEx)	Log(NOI)	Operating Margin	After Debt Margin
Owner Mkt Share, Std	0.0265*** (7.53)	0.00305*** (3.33)	0.00333 (0.84)	0.000873 (0.19)	0.0525*** (8.21)	0.0115*** (6.69)	0.0103*** (4.22)
$Market  \times  Year \; FE$	✓	$\checkmark$	✓	✓	$\checkmark$	✓	✓
Property FE	✓	✓	✓	✓	✓	✓	✓
Observations Adjusted ${\cal R}^2$	366,604 0.938	339,482 0.405	366,604 0.900	351,387 0.783	366,604 0.874	366,604 0.767	343,572 0.608

t-statistics in parentheses. \*p < 0.10, \*\*p < 0.05, \*\*\*p < 0.01



 $FinVar_{i,o,s,t} = \sum \beta_p \times 1(Period = p) \times OwnerMktShare_{o,s,t} + MarketYearFE_{m(s),t} + PropertyFE_i + \varepsilon_{i,o,s,t}$ 

