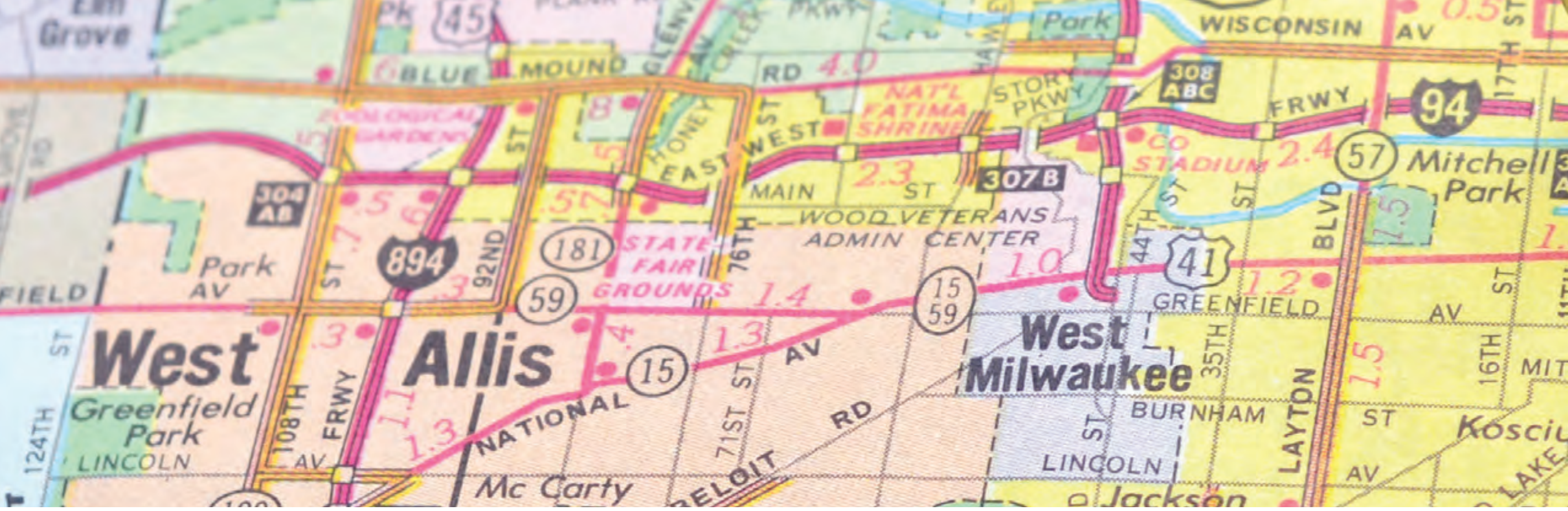


THE RISE AND IMPACT OF CORPORATE LANDLORDS

Big Investors Nationwide Are Increasingly Seeking Profits from Low-Cost Houses in Milwaukee, with Consequences for Residents

by John D. Johnson

The Great Recession had many lasting effects, including the phenomenon in which corporate landlords operate enormous numbers of single-family (or duplex) rental properties. Rentable houses aren't new, but, before the subprime-mortgage crisis, nearly all of them in Milwaukee, and to a large degree nationwide, were owned by small local landlords. Large corporate landlords were common in the apartment sector, but the prevailing view held that acquiring and managing a scattered portfolio of single-tenant rentals just wasn't feasible for institutional investors at scale.

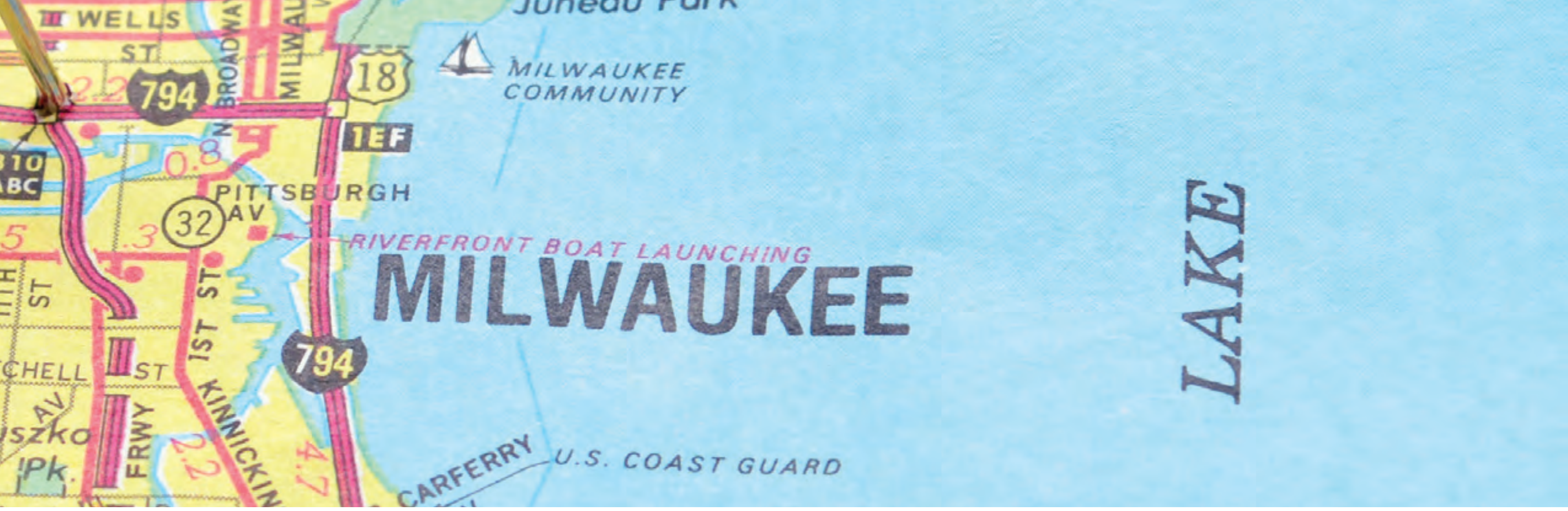
That all changed around 2010, thanks to the foreclosure crisis. Massive inventory, artificially low prices, and federal government policies combined with technological advances to change the conventional wisdom about the home rental market. A set of large companies began assembling massive portfolios of single-family rentals (SFRs) at an unprecedented pace, using capital raised in private equity markets. Cumulative institutional SFR holdings grew from a negligible amount at the beginning of 2012 to more than 100,000 nationwide by the end of 2013. By 2022, an industry estimate placed institutional ownership at 700,000 single-family rentals, with extraordinary projected growth: to 7.6 million by the end of the decade.

The pioneering wave of institutional investment involved only a handful of companies, operating in a specific slice of American cities. The first investors focused on the Sunbelt. They picked metros with growing populations (to improve demand) and newer housing stock (likely to avoid lead paint exposure). They sought tenants from the growing ranks of middle-class renters who sought housing in good school districts with low crime rates. To achieve economies of scale, each company aimed to purchase hundreds or thousands of houses in any market it entered. By 2015, the SFR market shares of private-equity-backed landlords were largest in Phoenix, Atlanta, Tampa, Houston, and Las Vegas, according to an analysis of records collected by the real estate data firm CoreLogic.

These companies mostly ignored the Rust Belt, and they entirely avoided Milwaukee. But none of that stopped another set of outside investors—individual buyers, mostly—from pouring into the city and buying thousands of properties previously owned by homeowners. These buyers understood something that the larger, more notorious Sunbelt investors may have missed. Milwaukee's houses are cheap, and rents are, comparatively speaking, quite high. Evidence is mounting that profits from rent are often highest in the poorest neighborhoods of the poorest cities. In any event, outside investors came to Milwaukee.

The first wave of landlord acquisitions in the early 2010s involved houses previously owned by distressed owner-occupiers who had gotten caught up in the foreclosure crisis. While institutional investors played a large role in Sunbelt metros, most such purchases in Milwaukee were made by small to midsized investors.

The latest wave of private equity acquisitions is different. At the end of the 2010s, a new set of private-equity-backed companies apparently realized the profitable potential of Rust Belt rental markets. They rapidly began expanding to Milwaukee and other postindustrial cities with similarly



cheap housing and unrobust population growth. The largest of these, VineBrook Homes, was incorporated in 2018 and now owns more than 27,000 homes across markets such as Milwaukee, Cincinnati, St. Louis, Indianapolis, and Kansas City. Rather than buying properties out of foreclosure (or from a flipper), these companies are most frequently consolidating the portfolios of the smaller landlords who came before them.

Housing policy is the subject of intense national interest, but little of that has focused on the specific situations of Rust Belt cities with old housing stock and scarcely any population growth. As the Chicago-area planner and writer Pete Saunders put it, "Urbanism debates [have] for some time been led by people whose experience has come in the knowledge economy-driven coastal cities, or lifestyle and affordability-driven cities of the South and interior West. Their issues have become national issues."

This article lays out the facts in Milwaukee—how the housing crisis played out in a deeply segregated postindustrial city with no population growth—and the consequences for homebuyers and tenants alike.

Collapsing Homeownership, 2005–2018

High rates of homeownership have long been a defining trait of Milwaukee. In 2005, nine in ten of Milwaukee's single-family homes were owner-occupied, compared to 79 percent in the country overall. But the housing crisis of the Great Recession hit Milwaukee twice as hard and lasted several years longer. Nationally, owner-occupancy of single-family homes fell about 5 percentage points, bottoming out at 74 percent in 2014. The slide lasted into 2018 in Milwaukee, when owner-occupancy hit a low of 78 percent of single-family homes—a drop of 12 points.

Condos, duplexes, and triplexes all saw similar declines. In total, the city lost 15,000 owner-occupiers (in net), about 12 percent of all houses. By 2018, just 68 percent of the city's houses (including condos, duplexes, and triplexes and thus a broader category than SFRs) were owner-occupied, down from 80 percent before the crisis. Owner-occupancy fell across the city, but the decline was concentrated along racial lines. In majority-Black areas, 10,000 houses exited owner-occupancy, 16 percent of the total in these neighborhoods. By contrast, majority non-Hispanic white neighborhoods saw a 5-point loss. Across the northern fifth of the city, more than one in five houses left owner-occupancy—quadruple the national trend.

Faced with a wave of foreclosures, one option for Rust Belt cities was widespread abandonment of houses, but this, fortunately, did not happen to Milwaukee. The comparison with Detroit is instructive. Over the 2010s, about 12 percent of housing units in Wayne County, Michigan, were empty and not available to buy or rent, compared with 5 percent before the crisis. Things were never so dire in Milwaukee County, where 5 percent of houses were empty and off the market during the 2010s, only slightly up from 3 percent before the crisis.

Instead, investors poured into the Milwaukee housing market, recognizing an opportunity to buy low as prices collapsed. Parcel records indicate that city-based landlords added close to 4,600 more properties from 2005 to 2018, a 27 percent increase. Suburban landlords added 5,500 city properties (72 percent up), and landlords from elsewhere

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in Wisconsin grew their Milwaukee holdings by 1,300, or 132 percent.

But the largest proportional increase—Milwaukee's biggest change from past trends—came in the surge of out-of-state investment. Landlords using addresses based entirely outside of Wisconsin quadrupled their collective portfolios, adding 4,000 more rental houses by 2018. At that point, this market remained mostly diffuse, with only a handful of companies owning more than a few dozen properties. The most common sources of out-of-state investors were Illinois (particularly the Chicago metro), California, Florida, and Texas.

Due to their small size and distance from the Milwaukee market, these buyers relied on local property management companies to carry out physical operations. Many such companies operate in the Milwaukee market, and their websites often explicitly cater to this variety of smaller, hands-off investor. The archives of real estate investment web forums and podcasts include many conversations about the Milwaukee market. In a typical example—an interview with a California-based investor—the host observes, "You're investing at a distance, in Wisconsin. It might as well be overseas, right?"

The appeal is easy to understand. From 2005 to 2012, the typical sale price in the city fell by 28 percent. Meanwhile, rents rose by 15 percent. Even while home values fell, median rents grew at least slightly every year. A local realtor, Alex Segal, described the market succinctly: "What we're seeing here are people from the coasts and even Chicago coming in. The cost of housing is a lot less here, and the rents are good. The rents make it work."

The Appeal of Investing in Poor Neighborhoods

Accumulating evidence suggests that profits from rent are actually highest in poor neighborhoods. The basic facts are that rents for cheap houses are only slightly lower than rents for much more expensive properties. We studied this in Milwaukee in 2020, when the average rented house was assessed around $80,000 citywide and less than $40,000 in some neighborhoods. If a house was worth less than $100,000, the correlation between rent and home value was remarkably small. Typical rent for a $40,000 single-family home was only about 10 percent cheaper than rent for an $80,000 house.

Of course, expenses must be proportionally higher for cheaper properties as well. A new roof costs the same, regardless of the home's value, and poor tenants are more likely to miss rent. Several recent studies have attempted to measure landlord profits, taking expenses into account.

In a 2018 article in the *American Journal of Sociology*, Matthew Desmond and Nathan Wilmers measured rents as a proportion of home values. In Milwaukee, they found that it would take 10 years for rent to total the value of a property in low-poverty neighborhoods, but only four years for total rent to equal the value of a property in high-poverty neighborhoods. Segregation plays a role. Even controlling for poverty rates, in both the Milwaukee and national data, rents grew as a fraction of home values as the Black share of the population increased.

Using landlord survey responses and administrative records, Desmond and Wilmers accounted for routine expenses, standard maintenance, and less frequent large repairs. They concluded, "Across the United States, landlords operating in poor neighborhoods enjoy median profits double those of landlords operating in affluent neighborhoods." In Milwaukee, the gap was even greater: "[T]he median rental unit located in a poor neighborhood produces a monthly profit of $151, after all expenses, while those in nonpoor neighborhoods, owing to large mortgage payments, make $21."

While the Desmond and Wilmers study relied mostly on survey data, the economists Andrew Demers and Andrea Eisfeldt recently estimated rental income and expenses using a proprietary nationwide dataset of 11 million single-family rentals. With their different methodology and data source, they, too, concluded that profits increased substantially as neighborhoods grew cheaper.

If rental properties can generate so much profit in the poor neighborhoods of cities like Milwaukee, why haven't more companies gotten in on the action? Desmond and Wilmers hypothesize that a combination of factors are at play, including an inaccurate perception of high business risks and a fear of reputational costs for being seen as profiting off the poor.

Out-of-state investors have solved both of these problems for themselves. Reliable, granular data about rents, expenses, and property values have never been easier to come by, so investors are able to make their decisions with unprecedented clarity even when living far away from the city in question. That distance also mitigates the consequences of any negative reputation they might develop. In some cases, small out-of-state investors never laid eyes on the Milwaukee houses they purchased, but they were at least aware that they owned them and that real humans either did or did not pay the rent.

Recently, several large private-equity-backed landlords have finally discovered the profitable potential of the Milwaukee rental market. These companies raise capital by selling securities to shareholders. In this way, the ultimate owners of an increasing share of Milwaukee rental properties need never even be aware of what they own, or of the business decisions made on their behalf, in any specific way.

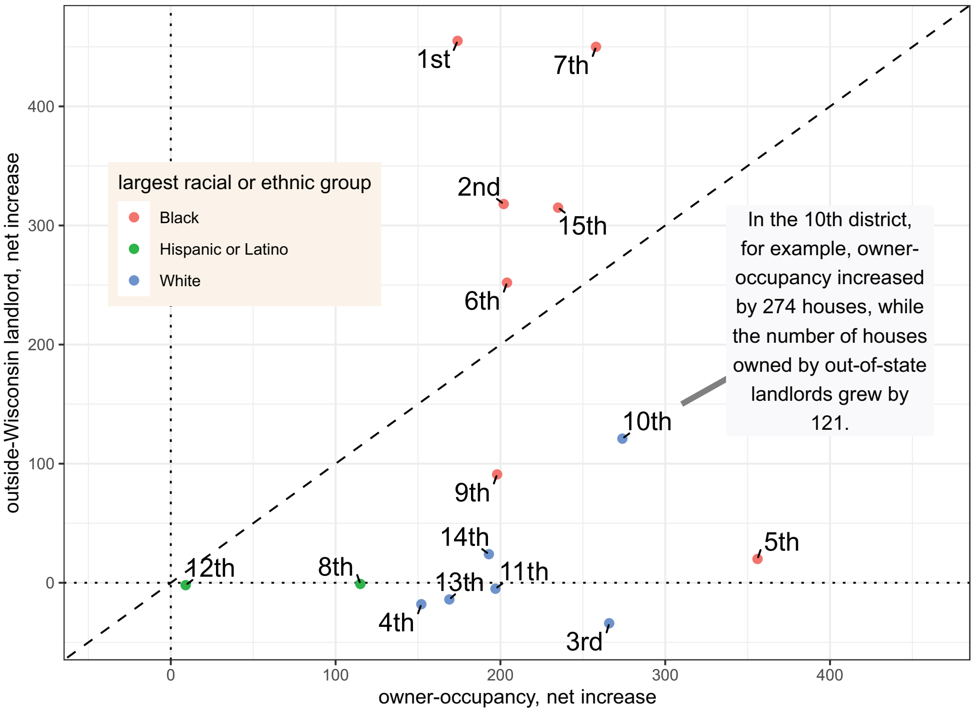
Competition for Affordable Homes, 2019–2022

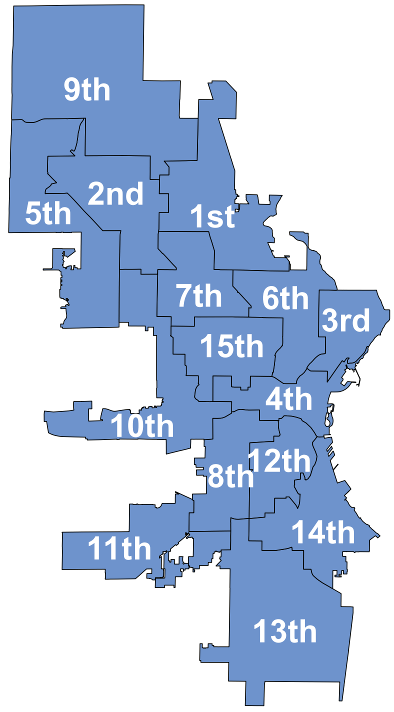
The late 2010s marked an inflection point in Milwaukee's housing market. Beginning in 2019, owner-occupancy started to recover. Around the same time, the holdings of local landlords began to dwindle. Out-of-state purchasing continued to grow as quickly as ever, but the nature of the buyers and sellers in those transactions changed in important ways.

By the end of a four-year period, in

Change in owner-occupied houses vs. out-of-state-owned houses

In Milwaukee aldermanic districts, 2018 to 2022





2022, the city enjoyed a net increase of 3,000 new homeowners, equivalent to 2 percent of the housing stock. Although this recovery pales in comparison to the 13 straight years of losses preceding it, it still represents a real, positive change sustained across multiple consecutive years in almost every part of the city.

Around the same time, the number of properties owned by local landlords began to decline. Since 2018, city and suburban landlords, combined, sold about 4,300 properties in Milwaukee. Landlords headquartered outside Wisconsin added about 2,000.

Landlords built their portfolios during the foreclosure crisis by acquiring previously owner-occupied properties, sometimes with a bundler or flipper in between. How, then, did out-of-state landlords continue to expand at a rapid pace even while owner-occupancy began to recover? Whom did each type of buyer purchase from?

We answered these questions by matching transaction records with parcel data—that is, real estate transaction returns filed in the state revenue department with parcel ownership records maintained by the city assessor—and coding the ownership status of each property before and after every sale. Considering just arm's-length transactions in 2019–2022, we found that owner-occupancy increased because homeowners bought both the lion's share of houses sold by other homeowners (83 percent) and a large fraction of the homes sold by landlords. Owner-occupiers bought 51 percent of houses sold by landlords from the suburbs, 43 percent of those sold by city-based landlords, and 39 percent of those sold by out-of-state owners.

When owner-occupiers sold to a landlord, it was usually one from the Milwaukee metro area. Yet such sales to a landlord were relatively unusual: city-based landlords bought 6 percent of owner-occupier sales, suburban landlords another 7 percent, and out-of-state landlords just 4 percent.

Out-of-state landlords bought most of their properties from other landlords—particularly local ones. Fifty-five percent of their arm's-length acquisitions came from a city or suburban landlord, a quarter from another out-of-state landlord, and just 14 percent from an owner-occupier. The pipeline of homeowner to out-of-state investor still exists, but in recent years it has been only a small fraction of out-of-state landlords' total purchases.

Simultaneously, a Surge of Owner-Occupied Homes

At a citywide level, the recent burst in owner-occupier activity outpaced out-of-state investor acquisitions by about a thousand houses, but this obscures large variations between neighborhoods. Net increases in owner-occupancy have occurred across most of the city and at most price points, while recent out-of-state investment has been highly concentrated in low-to-mid-priced homes in majority-Black neighborhoods across Milwaukee's north side. Consequently, competition between would-be homebuyers and investors has been strong in particular neighborhoods—and altogether absent in others.

The accompanying chart and map (above) compare the increase in homeownership with the increase in out-of-state investment within each of Milwaukee's 15 aldermanic districts. The two mostly Latino districts, the 8th and 12th, stand out for having the lowest owner-occupancy growth and practically no increase in out-of-state investment. Mainly white districts have all seen larger increases in owner-occupancy, and—with the exception of the 10th district—little or no interest from investors outside

Wisconsin. In fact, the total number of houses owned by out-of-state landlords declined slightly in majority-white neighborhoods from 2018 to 2022.

The situation is entirely different in the aldermanic districts where most residents are Black. By the end of 2022, nearly one-in-four rental homes in majority-Black neighborhoods were owned by an out-of-state investor. That's up from just 15 percent in 2018. Although owner-occupancy grew in all Black-majority districts, out-of-state investment grew faster in most such areas. For instance, the 1st district saw a net increase of 174 owner-occupiers but 455 out-of-state-owned rentals.

The 6th, 7th, and 15th districts together make up the inner core of Milwaukee's north side—covering some of the most segregated Black neighborhoods in the entire country. They collectively saw an increase of about 700 owner-occupiers, which is just over 2 percent of the housing stock. Out-of-state investment grew by more than 1,000 houses over the same period.

A review of transactions records reveals that while some small individual investors remain active, the biggest change since 2018 is the entrance and expansion of three large corporate investors. They are VineBrook Homes, SFR3, and Highgrove Holdings. Highgrove and SFR3 are both based in California. VineBrook is headquartered in Ohio. At the beginning of 2019, these companies owned fewer than 90 houses in Milwaukee. By the end of 2022, they owned nearly 1,500 in aggregate.

Unlike the smaller investors who preceded them, these companies are vertically integrated, meaning that they provide acquisition, maintenance, and management services directly. They raise capital by selling securities to private investors, in addition to any debt they take on. Accredited investors are generally required by the Securities and Exchange Commission to have some combination of high income or net worth. In other words: accredited investors have a similar profile to the kinds of wealthy individuals who characterized out-of-state investment in the early and mid-2010s. The new institutional investors provide access to profits from Milwaukee's rental market without requiring the individual investor to take on personal legal exposure or the administrative headaches of hiring a local property manager. The larger companies are also better positioned to increase profits by achieving economies of scale.

This business model is not new—it was pioneered in the early 2010s by firms such as Invitation Homes in the Sunbelt. What is relatively novel is the application of this model to a Rust Belt market such as Milwaukee. On a website for investors, Highgrove Holdings describes Milwaukee's advantages, including "properties that offer considerable asset appreciation, excellent cash flow above most other areas, and . . . many 'friendly-to-landlord' city policies." Highgrove specifically buys properties in areas covered by the Opportunity Zones Program established by Congress in 2017; this allows significant tax advantages for investors seeking to shelter capital gains. A typical Highgrove rental property is a duplex or triplex worth around $50,000–$60,000.

VineBrook Homes is the largest owner of single-family homes in Milwaukee, with about a thousand properties at the end of 2022. A real estate investment trust (REIT), VineBrook was incorporated in 2018. By December 2022, it owned more than 27,000 homes in total, up from fewer than 17,000 at the beginning of the year. Its cumulative real estate was valued at about $3.6 billion.

Milwaukee is merely a midsized market for VineBrook. It owns even more properties in Cincinnati, Dayton, and Columbus, Ohio; St. Louis and Kansas City, Missouri; Indianapolis; Birmingham, Alabama; Columbia, South Carolina; Jackson, Mississippi; and Memphis.

In filings, VineBrook describes its focus on "large to medium size cities and suburbs located in the midwestern, heartland, and southeastern United States." Similarly, SFR3 describes itself as a "tech-enabled real estate fund based in California" operating "throughout the South & Midwest." In Milwaukee, both SFR3 and VineBrook most commonly buy single-family homes worth around $100,000.

Consequences of Institutional Investment for Aspiring Homeowners

Though still relatively new, institutional investors have operated in the home-rental market long enough for researchers to draw some conclusions about their effect on targeted communities. Their operations have clearly negative consequences for aspiring homeowners in Milwaukee, while the impact on tenants appears more mixed.

Corporate landlords make it harder for local residents to buy homes, even without outbidding them on price. They do this in several ways. Often, they acquire their properties in so-called "off-market" sales. In other words, they like to buy directly from sellers, circumventing the standard process of listing homes individually on a multiple listing service (MLS). Even when buying publicly listed properties, they tend to pay cash and close quickly with minimal contingencies. Increasingly, they buy entire portfolios in bulk purchases from smaller landlords exiting the business. Would-be local homebuyers cannot match the convenience offered by this combination of cash, speed, and scale.

Institutional investors use algorithms and massive datasets to speed up the process of identifying the best deals and making offers on them. SFR3 maintains an "off-market portal" where owners can submit properties for potential sale. The webpage includes examples of recently purchased properties, touting the company's ability to close swiftly. One example, a modest 1,200-square-foot home in Missouri reads, "OFFER IN 1 HOUR; CLOSED IN 4 DAYS."

Large investors generally aren't outcompeting local residents on price.

Corporate landlords make it harder for local residents to buy homes, even without outbidding them on price.

They are savvy buyers looking for bargains. In 2022, a suburban Milwaukee landlord sold 23 houses in a single transaction to VineBrook for $3 million. He explained, as reported by *Milwaukee Journal Sentinel* reporter Talis Shelbourne, that he "likely missed out on another $1 million by not selling the homes individually." The landlord judged the convenience of selling to VineBrook to make up the difference.

Still, the presence of institutional investors does appear to indirectly drive up prices, particularly among the specific market segment in which they operate. Research published last year by Walter D'Lima and Paul Schultz in the *Journal of Real Estate Finance and Economics* found that prices increase in neighborhoods with a lot of investor activity. In a traditional housing market, individually owned houses routinely come on the market. When many homes in a neighborhood are owned by long-term buy-to-rent investors, the resulting reduction in supply drives up prices among the remaining properties. The effect is not enormous but is significant. D'Lima and Schultz estimate that, within their study, "over the next year, properties within a quarter mile of a buy-to-rent purchase appreciated by . . . 3.4 percent more than properties located five to ten miles away."

A variety of studies have also considered the effect of institutional investors on their tenants. Do these companies provide a better, worse, or indistinguishable experience for renters relative to other landlords operating similar properties in the same neighborhoods? Arguments in favor of corporate landlords include that they sometimes invest more in improving their properties than the landlords they replace and that they increase options for renters. On the other hand, these companies appear to raise rents faster, file evictions much more aggressively, and minimize human interaction with tenants relative to traditional, local landlords.

It is difficult to overstate how detrimental the worst landlords can be to their neighborhoods. Many researchers, including in Milwaukee, have observed a business strategy called "milking," in which landlords maximize rents while spending the least amount possible, even refusing to pay taxes and allowing buildings to degrade.

The private-equity-backed investors now operating in Milwaukee's market clearly maintain their properties much better than these landlords. Across its national portfolio, VineBrook reported spending an average of $25,000 on each property it renovated in 2022. Comparable data are not available for Highgrove or SFR3, but a review of their property listings in Milwaukee shows a similar style of rehab. As buy-to-rent investors with a large and visible market presence, these companies have incentives to maintain their properties and avoid running afoul of local government.

Researchers nationwide have reached a consensus regarding evictions. Large, corporate landlords—particularly those with private-equity backing—file evictions at significantly higher rates than smaller, more-local landlords operating in the same markets.

Elora Raymond, a professor of urban planning at Georgia Tech, led perhaps the first study of eviction rates in single-family rentals to consider variations by landlord type. Using 2015 data from Fulton County, Georgia, the authors concluded, "We find that large corporate owners of single-family rentals . . . are 68 percent more likely than small landlords to file eviction notices even after controlling for past foreclosure status, property characteristics, tenant characteristics, and neighborhood." They found that the rate of eviction filings varied widely between large landlords, in a way not explained by standard control variables. "[I]nstitutional investors were between 11 percent and 205 percent more likely to file for eviction than mom-and-pop firms."

In a 2022 article published in *Social Forces*, Henry Gomory analyzed 15 years of property and eviction records in Boston, Massachusetts. Gomory found that the likelihood of filing an eviction increases with a landlord's size, even when controlling for a host of property and resident attributes. Compared to small landlords, medium-sized ones sought eviction 55 percent more frequently and large ones did so 186 percent more. "Furthermore, when large-scale landlords buy properties from small-scale owners, the filing rates immediately and permanently increase," he concluded. "For small landlords, filing an eviction is a last resort, taken when they want to remove tenants from the property and accompanied by interpersonal conflict. For large landlords, filing is a routine practice, taken when tenants are late on rent and accompanied by little fanfare."

Serial filings are especially common in jurisdictions where eviction court is cheap and easy to access. For instance, a 2021 study found that serial eviction filings were over 40 percentage points more common in Charleston, S.C., than in the otherwise similar city of Mobile, Ala., where evictions were more than six times as expensive.

The evidence from Milwaukee squares with various national findings. In 2018, for example, about 40 percent of eviction filings in Milwaukee were part of a serial chain. Using court records from 2016 through the beginning of the pandemic, we found that eviction filings were mainly limited to poor neighborhoods. But within poor neighborhoods, they weren't strongly correlated with the degree of renter poverty or property attributes. Rather, landlord characteristics were far more statistically predictive of eviction filing rates.

We estimated that apartments in average duplexes located in typical neighborhoods would be the subject of eviction filings at an annual rate of 18 per 1,000 if owned by a Wisconsin-based landlord with fewer than 15 properties. If owned by a similarly sized out-of-state landlord, our model predicted 29 filings per 1,000. If owned by a large landlord with 100 or more properties, predicted filings shot up to 159. We also measured the behavior of "neighborhood landlords," which we defined as individuals (not LLCs) who owned fewer than 5 properties within half a mile of their home. Given the same conditions, our model predicted these landlords would file at an annual rate of just 6 per 1,000.

Rent-payment-related eviction filings may also be more common among corporate landlords simply because they likely charge more. A growing body of evidence suggests that these investors raise rents more quickly than other kinds of landlords. Certainly, maximizing "cash flow" and attendant revenues for shareholders is an explicit goal of private-equity-backed companies. VineBrook reported a 7.4 percent increase in average monthly rents from 2021 to 2022.

All landlords are motivated to make money, but the financialized nature of large corporate landlords, coupled with their embrace of automated management practices, appears to supercharge this process. A recent *ProPublica* investigation described how one algorithmic software, named YieldStar, is used by property managers to set rents at particularly high levels. As one customer, a "director of revenue management" for a corporate landlord, put it, "The beauty of YieldStar is that it pushes you to go places that you wouldn't have gone if you weren't using it." According to another executive, "As a property manager, very few of us would be willing to actually raise rents double digits within a single month by doing it manually."

Algorithms and other technological innovations don't just help large landlords acquire properties and set rents. They also help companies automate aspects of property management that were previously done by humans. The geographer Desiree Fields describes a whole suite of "automated landlord" technologies, including online portals for tenant-landlord communication, efforts to shift maintenance responsibilities to renters, employee tracking via mobile applications, and the use of smart-home technology to "monitor their investments and surveil tenants."

Consequences of "Financialization" on Homeowning

Scholars often describe events since the Great Recession as the "financialization of housing." *Financialization*, in the words of the economist Gerald Epstein, "means the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies."

Before the rise of financialization, there were still plenty of single-family homes and duplexes for rent, and the landlords who owned them behaved in a wide variety of ways—good and ill. But most of those landlords were local. They owned properties in their own community. Besides simply seeking to maximize profit, they were also exposed to a whole range of other incentives, including their reputation, spillover effects on their own neighborhood, and any interpersonal relationships they might develop with their tenants. Most rental profits remained in the local economy.

The flood of foreclosures following the Great Recession enabled the widespread entrance of out-of-state investors into Milwaukee's residential neighborhoods. The recent wave of acquisitions by private-equity-backed corporations marks a truly new era in Milwaukee's rental market. Financialized ownership of rental homes is something different from simple "absentee" ownership. In a real way, the ultimate owners of these properties are now shareholders, who themselves have no awareness of the specific properties of which they own an abstract fraction.

From one perspective, there is no problem with this. After all, these kinds of financial innovations in ownership provide capital for improvements in neighborhoods with little local investment. This has happened to some extent in Milwaukee. Proponents also argue that larger firms can create economies of scale, lowering operating costs without reducing quality. It is less clear whether any advantages achieved this way redound to the renters themselves. Research to date suggests that large corporate landlords evict more frequently and raise rents more aggressively than their local counterparts.

One of Milwaukee's great strengths is the relative affordability of homeownership. In contrast to many American cities, buying a house is a realistic choice for working and lower-middle-class families. Even after including maintenance expenses, local experts agree that owning a $100,000 house is generally far cheaper than renting it. Private-equity-backed landlords make this harder by reducing the supply of affordably priced homes available on the open market. Instead of buying homes themselves, more families find themselves paying their rent to companies with only a business interest in the neighborhoods where they operate. ■