

# Keeping Up with the Blackstones: Institutional Investors and Gentrification

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# This Paper

Studies impact of institutional investors on housing markets & in particular minority outcomes.

Uses mergers to isolate exogenous variation in local institutional investor concentration.

Impacts:

- Prices & rents increase.
- Improved housing quality.
- Increased diversity (in mortgage applications & approvals).

Punchline: policymakers worried about institutional investors gentrifying & pushing minorities out of neighbourhoods 'mostly worried about the wrong thing'.

# This Paper

Super important issue: interest from economists, policymakers & everyone else.

Rich novel dataset & clever identification approach.

Many big & thought-provoking results.

My comments:

- Message in the paper: Role of Initial Compositions
- Empirical Strategy
- Theory & data.

## Role of Initial compositions

Suppose population of Region A is initially comprised:

- 50% white people who owned 2 homes.
- 50% minority who rented white people's second home & couldn't afford the higher rent.

Paper shows institutional investor consolidation improves homes & increases rents.

Suppose the large population of white people were willing to move to Region A if homes were improved.

In this example, it **must** reduce diversity.

# Role of Initial compositions: Implications [i]

## External Validity:

- ① Effect has to depend on initial population composition.  
→ Not a standard question mark over external validity, but a setting where results **cannot** be universally true.
- ② Atlanta is a very useful case study, but is it 'representative'?

Substitution Effect (FS): what if the increase in minority homeowners is coming from minority renters or old minority homeowners? Is this increasing diversity?

## **Suggestion:**

- Give greater discussion of the role of the initial distribution of ownership, income & ethnicity in shaping results.
- How does the result depend on the initial population composition in your data?
- Look at heterogeneity with respect to HMDA income of buyers

## Role of Initial compositions: Implications [ii]

Who is affected by gentrification?: poor renters getting priced out.

Should the following (minority) family welcome gentrification in their area?

- ① Currently renting.
- ② Can only just afford rents in the area.
- ③ Kids in local school.
- ④ Parents work at that school.

### Suggestion:

- More discussion of impact on (minority) renters – though data limited here.
- (Maybe) soften the ‘mostly wrong to worry about gentrification and minorities’ pitch, or make it more specific.

# Empirical specification

Identification takes merging institutional investors & compares outcomes in areas where they both previously owned homes, to areas where only the acquirer did.

Consolidation might change:

- Market power.
- Incentive to internalize neighborhood externalities.

Argues national mergers are unlikely to be endogenous to area outcomes.

## Empirical specification: Two tensions

In **narrative vs empirics**: quoted policymakers are worried about institutional investors in general, not consolidation.

→ Can evidence on consolidation in this paper prove them wrong?

In **specification vs results**:

the specification requires that the overlap between the acquirer & the target's portfolio is plausibly independent of local economic conditions.

*institutional investors predominantly buying in high foreclosure neighborhoods.*

→ The concern is that higher overlap is linked to past economic conditions. If there is some path dependence, this will generate endogeneity.



# Empirical strategy & robustness

(FS) Results based on 4 mergers & census tracts as a unit of observation.

- Is this the right unit of observation?
- Idiosyncratic features of these mergers?

## Suggestion:

- Robustness excluding specific mergers in turn.
- Thing about different definitions of neighborhood areas. 73k census tracts in the US, 40k zipcodes, 14k school districts.  
(FS)
- Think about the consolidation treatment effect; what is the mechanism? what is the null? describe the mergers in more detail (FS)

# Theory and data

Model links institutional investor merger with:

- ① House prices and rents.
- ② Quality of rental housing.
- ③ Home improvements.

Paper stresses neighbourhood diversity.

→ Race in the model?

Gentrification all about winners & losers.

→ Inequality in the model?

# Summary

## Paper:

- Studies important topic.
- Provides evidence on under-studied aspect of it – investments in home quality – with clever identification strategy.
- Shows can benefit – and in Atlanta has benefited – minorities.

## Suggestions:

- Tailor policy implications more closely to empirical results.
- Clarify some identification questions.
- Integrate model with paper's main conclusions.

Thanks & good luck!