

# MARKET POWER AND THE WELFARE EFFECTS OF INSTITUTIONAL LANDLORDS

Discussion by Nathan Miller

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Disclosure: I am affiliated with Econic Partners, an economic consulting firm. My disclosure statement is available online. Within the previous five years, a real estate brokerage company has been among my clients.

# OVERVIEW

Near Atlanta after the Great Recession, private equity firms bought single-family homes and converted them to rental homes. Popular concern:

- Potential for market power in rental market—rents too high?
- Potential to drive up prices for single-family homes—houses not affordable?

Approach of the paper:

- Collect incredibly detailed data from Zillow
- Plug into sophisticated structural model
- Get an answer: effect is to lower rents (market power not dominant), raise house prices

## RAISES CONCEPTUAL QUESTIONS

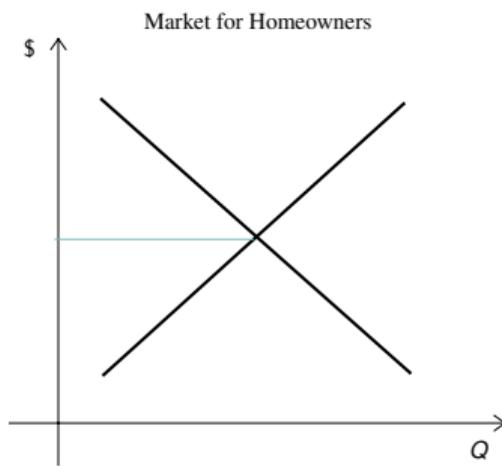
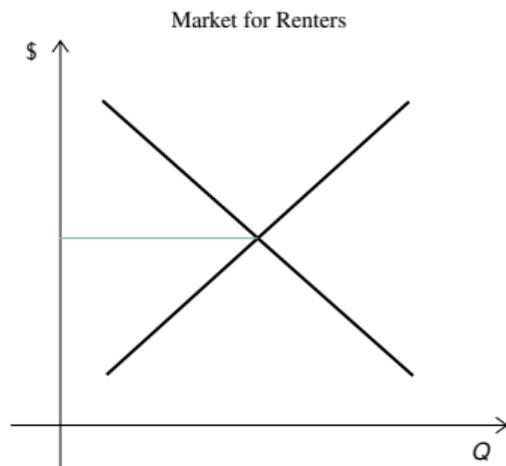
Big picture question: who should own single-family homes?

- Local economies of scale in maintenance costs?
- Give residents ownership rights—solve moral hazard problems (the American Dream?)

Are market power and economies of scale intrinsically linked?

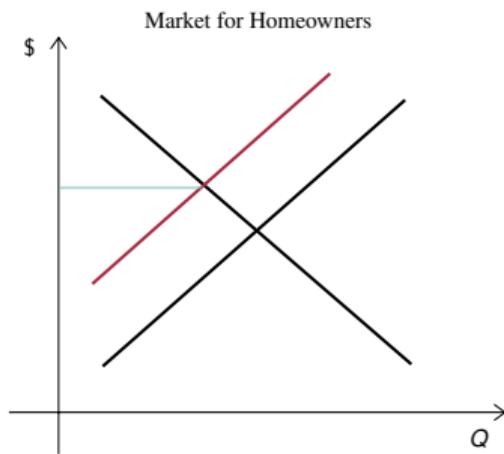
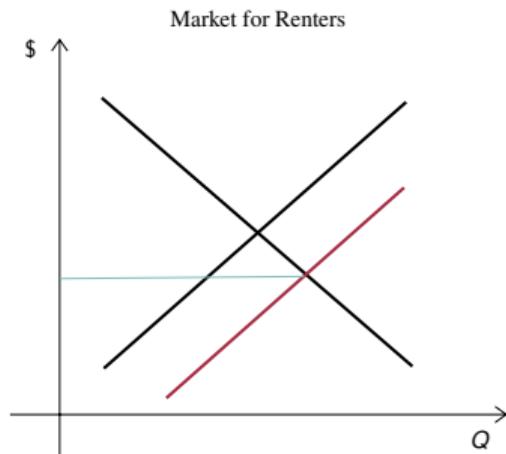
- Maybe sometimes, but not always—e.g., if scale is achieved at the neighborhood level, but renters choose between neighborhoods, no trade off. Can realize one without the other

# A SUPPLY AND DEMAND APPROACH



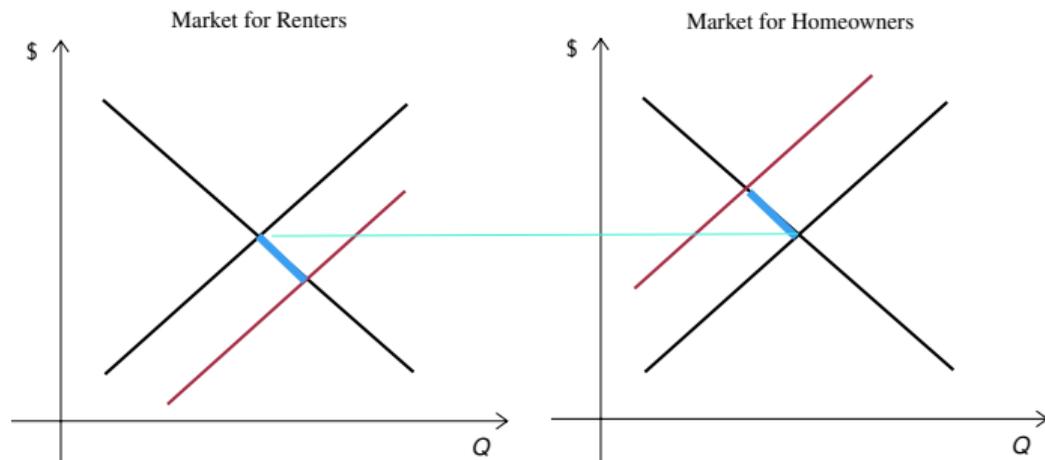
- Start with balanced markets
  - Shifts units to rental market
  - Rents down (even with market power), house prices up
  - Private equity must have “efficiencies” to rationalize “buying high” and “renting low”; market power alone not sufficient
- Perceived efficiencies must be a central part of the story
- And looks much different if individuals shift between markets (still need efficiencies)

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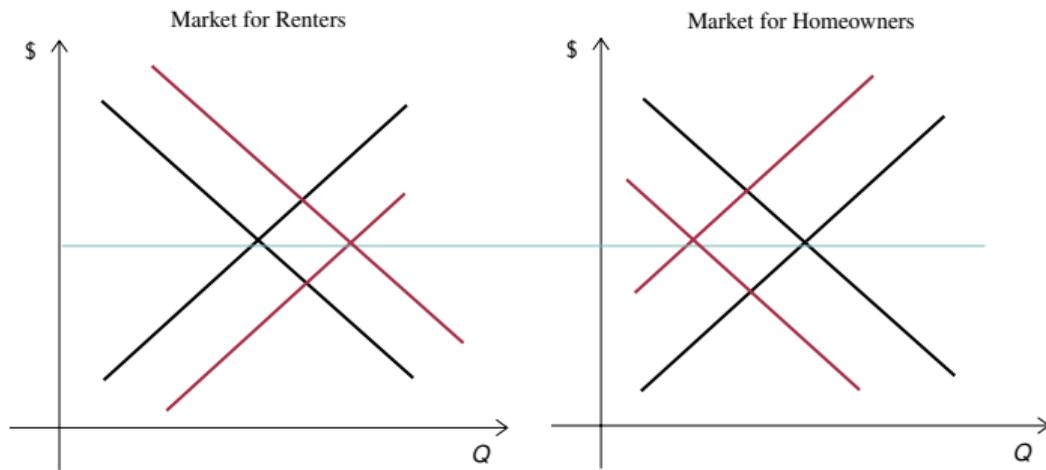
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## POTENTIAL EXTENSIONS

1. We can understand the basic conclusions of the paper without the structural model—what the structural model is adding currently is *measurement*
  - Measurement is important
  - But can the model be more fully exploited—better understand policy?
2. The substitutions of individuals between renting and owning seems first order for measuring the effects
  - This channel is shut down in the model—can it be relaxed? Or perhaps demand-side substitution is about long run adjustment, and the model is about the short run?
3. Another key modeling detail has to do with the treatment of geography
  - In model, individuals locked into neighborhoods—because landlords tend to concentrate units in neighborhoods, the location of scale economies and market power align
  - Use data to inform cross-neighborhood substitution on part of individuals?

## SUMMARY

Ambitious paper. In awe of the data collection effort. Difficult to incorporate all the relevant points of differentiation in the model; authors grappling with that. Speaks to an economic subject of great popular importance—housing affordability—and it's nice to have IO contributions in that space

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Must we rent our homes in the future?

A bit of post-mortem →

private equity interest in converting single-family housing units to rentals in Atlanta waning?

Synthesized nuanced market data revealing institutional pullback amid regulatory tightening >

The picture is more nuanced than a simple "waning." The evidence suggests a compositional shift in investor activity rather than a wholesale retreat from the Atlanta SFR market.

**Institutional PE has moderated, but broader investor activity has not.** Institutional buying of single-family homes has pulled back sharply from pandemic-era highs, [Kiplinger](#) and some of the largest players were net sellers in 2024, meaning major institutional landlords sold more homes than they acquired. [Kiplinger](#) However, at the close of 2025, investor activity remained stable, accounting for 30% of all single-family home purchases—a slight increase from 29% the year before. [Cotality](#) The critical distinction is that most of the current increase in SFR purchases comes from small-scale "mom and pop" investors, with institutional investors' share of single-family purchases at only one-fifth that of