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President Blindsides Housing Investors

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Blackstone Chief Executive Officer Stephen Schwarzman helped launch Wall Street into the business of buying and renting out single-family homes in the aftermath of the 2008 housing crash.

This past week, his firm and others across the industry were blindsided when President Trump—a property mogul himself who many in the sector consider an ally—said he plans to boot investors from the market.

Though they regained some ground later in the week, shares of the two big publicly traded single-family landlords, Invitation Homes and AMH, shed 6% and 4.3%, respectively, on Wednesday.

Shares of Blackstone were hit, too. The firm financed the creation of Invitation Homes but has since sold all its stock. It now owns smaller rival Tricon Residential. The 5.6% decline in Blackstone's shares Wednesday cut the value of Schwarzman's roughly 20% stake by more than $2.1 billion. Shares have recovered some since.

A Blackstone spokesman said the firm's ownership of U.S. single-family homes represents about 2% of its realestate assets under management and 0.5% of the firm's overall assets.

Trump's top advisers have pushed the president to change his messaging on the economy

to address voters' concerns about the cost of living.

Top aides to the president presented polling to Trump last year that showed the measure was popular among different options to take on affordability, White House officials said.

Reining in the megalandlords was popular with voters, particularly young ones, an official said.

"People are scared and don't want to touch these residential stocks given the political narrative," said John Pawlowski, managing director at real-estate research firm Green Street.

Trump, a Republican, said he would unveil more details about his plan when the world's business elites gather later this month in Davos, Switzerland, for the World Economic Forum's annual meeting.

It is unclear what authority Trump would have to exclude certain buyers from the housing market, and if such a measure would have enough support in Congress. Any such effort would likely face court challenges from investors.

"Ensuring the American dream of home ownership is attainable for future generations is a top priority of the President, and his move to ban big institutional investors from buying up more homes clearly demonstrates his commitment," said Karoline Leavitt, White House press secretary.

Rental-home executives and investors said they had no idea the president's edict was coming. Still, they have grown accustomed to being a bogeyman for people frustrated by housing costs. They have had to fend off accusations that they dominate the market to the detriment of ordinary house hunters and attempts by state lawmakers to curb their businesses.

The firms that buy houses contend that investors with at least 1,000 houses collectively own less than 1% of U.S. single-family homes, giving them little sway over prices or rents. Critics' counterpoint is that the megalandlords concentrate their holdings in the most desirable suburban areas around the fastest-growing cities, renting to families that might have bought their homes had financiers not gotten them first.

Treasury Secretary Scott Bessent said Thursday that although the administration is still outlining plans for a ban, rental-home companies and investors won't be forced to sell what they already own.

"It's all prospective," he said at the Economic Club of Minnesota. "Markets are made on the margin and so we're pushing out the marginal buyer."

The administration wants to keep small mom-and-pop landlords in business but hasn't decided how big of a landlord is too big, he said. "Is it a dozen homes? Is it two dozen?" Bessent said. "What makes you an aggregator?"

Invitation rents out about 86,000 houses, more than 110,000 if those held in joint ventures and which it manages on behalf of other investors are counted.

The company emerged from the depths of the housing crash. It was 2011 and high finance could no longer ignore how low home prices had fallen.

The crash, when nearly eight million Americans lost homes to foreclosure, offered entry into the largest asset class in the world at a big discount.

Blackstone, whose chief executive Schwarzman has been a big donor to Trump's presidential campaigns, teamed with Arizona entrepreneurs to create Invitation. Starting with a three-bedroom tract home in a Phoenix suburb, Invitation went on a $10-billion home-buying spree. For a time, Invitation was buying $150 million worth of foreclosures a week.

The late B. Wayne Hughes, a self-storage billionaire and Trump donor, built up American Homes 4 Rent, with money from the Alaska Permanent Fund, which invests the state's oil royalties.

Tom Barrack, who Trump made ambassador to Turkey last year, repeated with houses what he did in an earlier bust when he accumulated commercial property on the cheap. Starwood Capital CEO Barry Sternlicht, a self-described friend of Trump, was a big buyer as well. Barrack and Sternlicht merged their pools of rental homes in 2016 and sold the combined company to Invitation two years later.

When the flood of foreclosures subsided, the buyers took to the open market.

They prowled top school districts favored by parents and looked for neighborhoods near Starbuck's coffee shops. As dispassionate buyers who paid cash and didn't quibble over ugly paint or dingy carpet, they beat out regular buyers without having to outbid them.

More investors joined the frenzy during the pandemic and by 2021 more than 20% of the homes sold around cities like Houston, Phoenix and Miami were being bought by someone who would never move in. When prices exploded higher, they started building houses expressly to rent and buying builders' unsold inventory. In recent years some of the biggest firms have been sellers, cashing in on record home prices.

The Blackstone spokesman said the firm has been a net seller of single-family houses in recent years.

