The New York Times
SundayReview | The Opinion Pages

EDITORIAL

Meet the New Landlord

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Published: June 8, 2013

A lot of people were surprised by the upsurge in home sales and prices last year, especially in some of the nation's most depressed markets. Nationwide sales prices rose 7.3 percent last year, according to one major index, while prices in hard-hit Phoenix surged 23 percent. Other trouble spots, including Las Vegas and Riverside County, Calif., have also had double-digit gains.

As it turns out, the surge was not mainly the result of first-time buyers or growing families or job relocators. Rather, as Nathaniel Popper reported in The Times, Wall Street investors — including the Blackstone Group and other private equity firms — have been big buyers in the troubled areas where prices have been rising the fastest. Those gains, in turn, have propelled rising home prices nationwide, in part by reducing supply and in part by fostering a shift in perceptions about the housing market that has drawn some potential home buyers off the sidelines.

But is the housing rebound durable?

Most of the Wall Street players, who have not traditionally invested in homes, are renting out the properties for now and planning to sell later at a profit. Their presence in the market is not so much confirmation that housing has revived as a bet that the economy will recover enough in the coming years to justify the investment.

They could be wrong. In many regions with the biggest housing rebounds, house prices have outstripped the growth of the local economies, suggesting that price gains are not sustainable. Or they could be right, and make a lot of money. But even if their bets pay off, certain distressing trends in the housing market are likely to persist.

For starters, homeownership, now at an 18-year low of 65 percent, is likely to stay low by historical standards for a long time. Investors are buying rental properties because the bust has turned many people into renters, including those who lost homes to foreclosure and those who would have bought homes but for job loss and high debt. Given the traditional role of homeownership in building wealth, fostering communities and driving the economy forward, a lower rate of homeownership is a troubling development.

The emergence of Wall Street investors also reflects the continued failure of public policy to deal with the housing bust. The decline in homeownership and the loss of home equity could have been stanched if Congress and the Obama administration had aggressively pursued efforts to keep financially troubled borrowers in their homes, including bankruptcy reform and principal reduction loan modifications. But the banks did not want that, because it would have slowed their return to profitability. As a result, a glut of cheap homes and a ready supply of renters are available for Wall Street's taking.

Even now, Wall Street's involvement will complicate efforts by troubled borrowers to obtain loan modifications. After all, if there are Wall Street buyers for distressed homes, it is bound to be more advantageous for the bank that services the loan to steer homeowners into foreclosures or short sales.

The housing bust may be over. But the pain and damage lingers.