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Testimony in Opposition to SB 36

Ohio State Legislature

March 22, 2023

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Thank you for the opportunity to submit testimony pertaining to SB 36. My name is David Howard, I am the Chief Executive Officer of the National Rental Home Council (NRHC), the Washington, DC-based nonprofit trade association representing the single-family rental home industry. NRHC's members include owners, operators, developers, builders, manufacturers, vendors, and business partners from across the spectrum of the single-family rental home market, to include many in the state of Ohio.

I am submitting testimony in opposition to SB 36 for the simple reason the legislation is harmful to the housing market of the state of Ohio. At a time when housing throughout America is challenged by an unprecedented shortage of homes brought on by decades of underbuilding, any legislation or regulation, like SB 36, discouraging and restraining new housing development and investment only serves to make housing more scarce and unattainable. The enactment of SB 36 will create a housing market that is less efficient, less competitive, and ultimately less able to meet the diverse needs of homeowners and renters, both current and future, in the state of Ohio.

NRHC is opposed to SB 36 for the following reasons:

**SB 36 is a direct infringement on the rights of current and future property owners in the state of Ohio to determine the most optimal conditions under which real estate transactions may be conducted.** Housing markets are most efficient, and by consequence, most vibrant, when homebuyers and sellers – to include sellers of foreclosed property – are able to engage in an open and transparent process designed to benefit the circumstances of both. SB 36 introduces an arbitrary and bureaucratic limitation on homebuyers and sellers coming together for the purpose of effecting a transaction that may be in the best interest of both parties. This limitation puts sellers at a disadvantage in attempting to market their property to the widest range of potential



buyers, while at the same time preventing a segment of buyers from fully participating in the fair and legitimate pursuit of housing.

**SB 36 creates an unnecessary obstacle for the movement of capital and liquidity throughout the Ohio residential real estate market, potentially curtailing the pace of much-needed new housing development and investment.** Like most states across the country, Ohio needs more housing. In the years between 2010 and 2020, the population of Ohio increased by nearly 160,000 residents, and the number of households grew by 216,000. However, the amount of housing in the state increased by just 120,000 units. Further, the number of single-family building permits for the decade totalled just 133,000, substantially fewer than in any decade since before 1960, and less than half as many as in the two preceding decades. This has had a dramatic effect on new home building in the state of Ohio, where more than 66% of the housing was built before 1980<sup>1</sup>. SB 36 does nothing to address the housing supply crisis in the state of Ohio, and worse, likely serves as a disincentive for new housing development and investment. By placing artificial constraints on the timing of acquisitions by rental housing providers, SB 36 will constrain the flow of capital and investment into local housing markets, likely exacerbating existing state-wide housing supply challenges, causing additional hardship for homeowners and renters.

**SB 36 is built on a faulty and out-of-context narrative pertaining to the role and impact of single-family rental home providers in the state of Ohio.** SB 36 intentionally targets owners, providers, and builders of single-family rental homes merely because they are deemed to be “institutional” in nature, and therefore somehow a threat to the well-being of the state’s housing market. This narrative is both incomplete and largely incorrect. In fact, there are more than 5.2 million housing units<sup>2</sup> in Ohio, 934,000<sup>3</sup> of which are single-family rental homes. Large member companies of NRHC, which include the nation’s leading providers of single-family rental homes, own fewer than 15,000 homes in the state. This equates to about 0.3% of the residential housing and roughly 1.6% of single-family rental homes. Further, according to the NRHC report, *Housing Undersupply and the Impact on Single-Family Rentals*,<sup>4</sup> the share of the single-

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<sup>1</sup> All data in paragraph from <https://bipartisanpolicy.org/report/housing-supply-trends-50-states/>

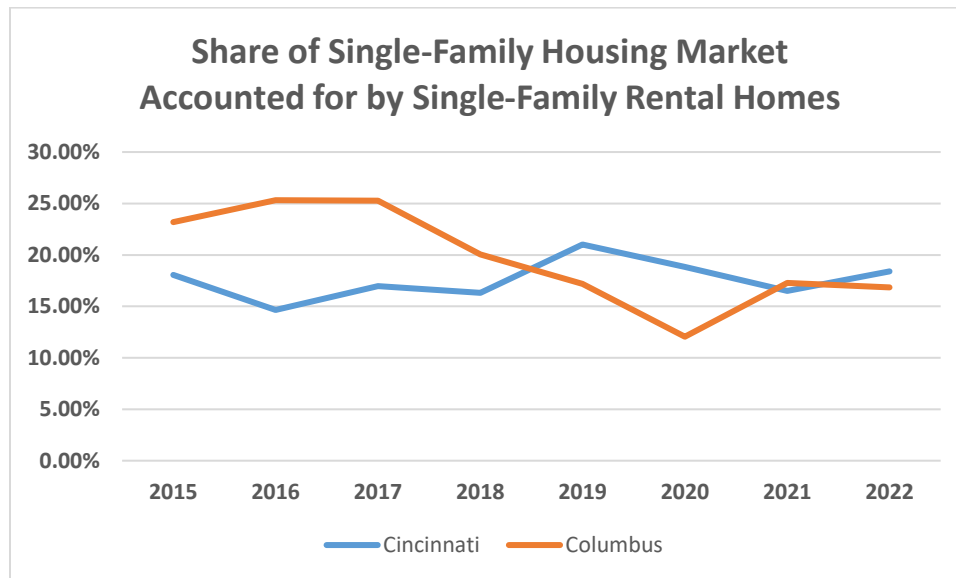
<sup>2</sup> <https://www.census.gov/quickfacts/fact/table/OH/PST045222>

<sup>3</sup> <https://staging-rentalhomecouncilorg.kinsta.cloud/wp-content/uploads/2019/01/single-family-rental-markets.pdf>

<sup>4</sup> <https://www.rentalhomecouncil.org/wp-content/uploads/2023/02/Housing-Undersupply-and-SFRs-Report-2.22.23.pdf>



family housing market in the state of Ohio accounted for by single-family rental homes *declined* by 1.2% in the decade between 2011 and 2021. In both the Cincinnati and Columbus markets, the share of single-family rental homes has not moved meaningfully since 2015, as shown below:



SB 36 is also predicated on the dubious claim that the purchase activities of single-family rental home providers are in competition with individual homebuyers. Freddie Mac, in an important recent study,<sup>5</sup> found homeownership has, in fact, been growing nationwide, with notable increases by first-time homebuyers. And though more needs to be done to reduce the racial homeownership gap, the Urban Institute has reported<sup>6</sup> both black and latino rates of homeownership growth exceeded that of white homeownership growth between 2019 and 2021.

Today in Ohio providers of single-family rental homes are committing significant resources to local housing markets for one reason: demand. Ohio needs more housing, both owner-occupied and rental. Rising interest rates over the past year have made it more difficult for families to

<sup>5</sup> <https://www.freddiemac.com/research/insight/20220609-what-drove-home-price-growth-and-can-it-continue>

<sup>6</sup> <https://www.urban.org/urban-wire/new-data-show-black-and-latino-homeownership-rates-increased-during-pandemic>



purchase homes. Yet, many still seek the amenities and comforts of a single-family home lifestyle. Housing markets must be able to accommodate the needs and demands of all consumers, those pursuing homeownership and rentership. At a time when the monthly cost to rent a single-family home is nearly \$850 less than the cost to own,<sup>7</sup> single-family rental homes often are the most suitable, convenient, and affordable option for families in search of quality housing.

Industry companies are investing in local staff, hiring local contractors and business partners, and bringing property management expertise to local markets all to ensure a positive experience for residents and families who choose a single-family rental home lifestyle. As evidence, NRHC member companies invested nearly \$2 billion in home renovations, upgrades, and other property-level operations in 2021, and many of NRHC's largest member companies maintain an A+ rating from the Better Business Bureau.

Additionally, industry firms are actively working to address real-time supply constraints in the production of new housing. Companies are building homes for rent, either in partnership with established local and national homebuilders, or on their own account, all with an aim of spurring new development and investment and providing more options for homeowners and renters. In Ohio, as of the end of January 2023, there were over 11,600 new single-family rental homes under construction and in various stages of planning, the fourth most of any state in the country.

The Ohio housing market should be one that reflects the diverse needs and circumstances of those who make a home, and wish to make a home, in this vibrant and dynamic state. Single-family rental home providers are an important part of the housing ecosystem in Ohio and across the country. As testament to the role of single-family rental homes in neighborhoods and communities, a report by Harvard's Joint Center for Housing Studies and AARP in 2021 found, "the most livable neighborhoods offer the most diverse set of housing options, including multifamily and rental opportunities as well as single-family and owner-occupied homes."<sup>8</sup> SB 36 will serve only to limit the housing options available to Ohio residents, potentially making neighborhoods and communities less livable.

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<sup>7</sup> <https://www.wsj.com/articles/mortgage-rates-renters-homes-11668797516>

<sup>8</sup> <https://www.jchs.harvard.edu/blog/housing-and-livable-neighborhoods>