

Single-Family Rental investors Are a Growing Enforcement Target

By Benjamin Klubes2025-11-06T04:30:00000-05:00

The Bottom Line

- Institutional investors involved in state attorney general enforcement actions risk financial penalties, operational restrictions, and reputational damage.
- California and Minnesota are examples of states that already have targeted institutional single-family rental investors.
- Investors should use their resources to minimize risks and unwanted publicity.

Activist state attorneys general who claim the Trump administration is falling short in solving the housing crisis may see the growing institutional single-family rental industry as an appealing target for their enforcement work.

They can advance a simple—yet misleading—narrative that “skyrocketing” institutional single-family rental investors are a major driver of the nation’s housing affordability and availability crisis. By going after out-of-state corporate landlords, these elected officials can claim to be solving a complicated housing problem and protecting residents.

[California](#) and [Minnesota](#) have already acted against institutional single-family rental players, offering both models and warnings for the industry. Companies and investors in the sector should carefully monitor this trend and take proactive compliance steps now to mitigate risk.

Narrative or Reality?

The institutional single-family rental sector emerged from the 2007-09 Great Recession as a sophisticated investment strategy. [According](#) to the Government Accountability Office, no single investor owned more than 1,000 single-family homes before 2011. Four years later, investors collectively owned between 170,000 and 300,000 homes. By 2022, 32 investors owned a total of 450,

000 single-family homes, with the five largest owning nearly 300,000 homes.

Institutional investor ownership grew dramatically at the same time Americans faced growing housing affordability and availability challenges. But confusing correlation with causation, a simple narrative has emerged, articulated by state and federal elected officials: With fewer homes being built, and institutional investors purchasing homes to turn them into rentals, those investors were driving the rise in housing prices and the drop in availability nationwide.

But it's not clear whether the facts bear out this narrative. Institutional investors (those who own 1,000 or more homes) own approximately 3% of all single-family homes—a much lower percentage than some misleading headlines imply.

Studies by the GAO and Urban Institute further undermine this simple narrative. The GAO attributed the initial growth of large institutional single-family rental investors to bulk purchases facilitated by local auctions of foreclosed properties after the 2007-2009 recession and pioneered the “buy-to-rent” model, leveraging technology and economies of scale to manage geographically dispersed portfolios efficiently. The GAO also found that institutional investors helped stabilize neighborhoods following the financial crisis.

The GAO is guarded in its assessment, noting that institutional investors “may have contributed” to rising home prices. The Urban Institute [noted](#) that it was “hard to argue” that institutional rental operators drove up home prices, adding it was possible “that through economics of scale, institutional investors make renting cheaper, changing customers rent-versus-own calculations.”

Is this conjecture based on your experience in the field?

Legislative Responses

Democratic-sponsored federal legislation and the Federal Trade Commission's data collection initiative proposed during the Biden administration likely won't proceed under the Trump administration and while Republicans control Congress. State legislative activity to limit institutional investment hasn't yet resulted in enacted legislation.

These efforts tend to ignore the potential benefits of institutional investment in the single-family rental market, including professional management and services at scale to drive costs as well as quality, affordable rental housing in a tight housing market. Nevertheless, it's important to appreciate the

narratives and support behind states' proposals.

Taking a more data-focused approach, the FTC under President Joe Biden [requested](#) comment on a [proposal](#) to mandate extensive data submissions from institutional investors. The goal was to understand how large-scale single-family rental owner operators, known as mega investors, have affected home prices and rents. But industry opposition makes it unlikely that this data submission requirement will come to pass.

State legislatures in California and New York, states that compose nearly 20% of the US population, have considered several proposals to restrict or outright prohibit institutional investors from purchasing single family homes for rental. None of these bills have become law.

At both the federal and state level, getting a legislative majority and an executive signature restrict institutional investing is difficult. But it's less difficult for an elected attorney general with unilateral authority to commence a full investigation of institutional single-family rental investors.

Enforcement Actions

State attorneys general aim to address their constituents' concerns, particularly if they involve opportunities to stand up for the citizens against big corporations. Institutional single-family rental investors provide an inviting target. Attorneys general in Minnesota and California have brought major actions against institutional investors in single-family rentals on different theories.

Given the growth of institutional investment, further enforcement activity by aggressive and motivated state attorneys general seems likely. And given the lack of statutory or regulatory prohibitions on ownership, state attorneys general have focused on habitability, rent control, and consumer protection claims to take on single-family rental investors.

Minnesota's groundbreaking prosecution. Minnesota Attorney General Keith Ellison's 2022 [lawsuit](#) against HavenBrook Homes and related entities is the most significant state enforcement action to date against institutional operators. Ellison sued the landlord of more than 600 single-family residential properties in the greater Minneapolis–St. Paul metro area, alleging it systematically misrepresented property-repair practices and kept properties uninhabitable.

A March 2024 [settlement](#) required HavenBrook Homes to create a \$2.2 million restitution fund and forgive rental debt owed by all their former Minnesota tenants up to a cap of \$1,987,015. The settlement also provided for early lease termination, relocation assistance, and security deposit returns for tenants.

The Minnesota case established several concerning precedents for institutional investors. First, state attorneys general can pierce corporate veils to hold parent companies liable. Second, systematic maintenance and repair issues can trigger consumer protection violations. Third, both lead paint safety and Covid-19-era tenant protections can carry serious penalties.

California's enforcement approach. California has pursued a different enforcement strategy, focusing on rent control and tenant protection violations rather than habitability issues. In January 2024, California Attorney General Rob Bonta [announced](#) a \$3.7 million settlement with Invitation Homes to resolve allegations that the company violated the California Tenant Protection Act and California's price-gouging law by unlawfully increasing rents on approximately 1,900 homes.

Invitation Homes paid \$2.04 million in civil penalties and refunded or credited tenants over \$1.68 million for amounts collected more than state rent caps, plus 5% interest. The violations occurred from October 2019 through December 2022, when some Invitation Homes tenants received rental increases of more than 10%, exceeding what California allows.

The California action shows that even inadvertent compliance failures can lead to significant penalties. Invitation Homes had identified some issues through its own reviews and promptly provided remediation to affected tenants. This limited proactive approach, however, was insufficient to prevent enforcement action or financial penalties.

Effective Risk Management

The Minnesota and California settlements could open the door to further enforcement actions by those attorneys general against other institutional investors or by other attorneys general. Prudent institutional investors should use their resources and scale to minimize the risk of unwanted law enforcement attention and publicity by:

Performing comprehensive legal audits. Institutional investors should conduct regular, thorough audits of all applicable state and local laws. Implementing compliance reviews covering the following

areas can help prevent one-off problems or inadvertent violations from attracting law enforcement attention.

- Rent control and tenant protection laws
- Lead-paint safety requirements
- Property maintenance and habitability standards
- Local licensing and registration requirements
- Emergency tenant protection orders

Reviewing technology solutions. Investments in sophisticated property management software that automatically monitors compliance can be well worth the cost. Rent increase calculations should incorporate all applicable caps, including state, local, and emergency provisions.

Institutional investors should be able to use technological solutions to monitor compliance more effectively and efficiently with rent requirements that led to the California Attorney General's action.

Having operational excellence. Implementing robust maintenance response protocols with clear timelines and documentation is a good business practice. As Minnesota's action demonstrated, they can prevent enforcement actions based on systematic maintenance failures. Elements of such a program could include:

- Written emergency repair response procedures (24–48-hour maximums)
- Regular property inspection schedules
- Comprehensive contractor vetting and training programs
- Detailed work order tracking and tenant communication logs
- Particular attention to lead-paint identification, notification, and abatement obligations

A tenant relations program including proactive tenant communication can help identify and address many enforcement triggers before attorneys general launch investigations with subpoenas and site visits.

Sustainable Path Forward

The Minnesota and California cases show that enforcement actions can produce significant financial penalties, operational restrictions, and reputational damage. A narrative about the harm institutional investors are causing for housing prices and availability is driving federal and state legislative activity,

and very well may generate additional attorney general investigations.

If a state attorney general decides to focus on an institutional investor, experienced counsel can guide the investor through the process. Counsel for institutional investors can help clients cooperate with authorities (and pushback as necessary on requests) by producing requested documents and working to limit and focus scope of the inquiry (and the consequent burden on the institutional investor).

Engaging with the authorities early and telling the investor's story is typically an important part of the effective representation in state investigations. Equally important, experienced counsel can assist institutional investors in proactively preparing to respond to such investigations by leading comprehensive legal audits, reviewing technology solutions and helping drive operational excellence.

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