



RUTGERS CLiME

Center on Law, Inequality and Metropolitan Equity

WHO OWNS NEWARK?

**Transferring Wealth from
Newark Homeowners
to Corporate Buyers**

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Executive Summary

This report shows that the national trend in investor buying of 1-4 unit homes in predominantly Black neighborhoods is most acute in Newark, New Jersey where almost half of all real estate sales were made by institutional buyers. The trend grew out of the foreclosure crisis that wiped out significant middle-class wealth in particular Newark neighborhoods. Those neighborhoods became the targets of investors seeking passive returns from rents. Those largely anonymous outside companies now set neighborhood housing markets on terms that primarily benefit their investors.

While CLiME detected no illegal activity, the threats to Newarkers and government policy goals are significant. They include rapidly rising rents, decreased homeownership, higher barriers to affordable housing production goals, renter displacement and less stable communities. Sadly, this reality continues a long pattern of economic threats to predominantly Black and increasingly Latino neighborhoods in a state whose communities are among the most segregated in the country. From racial exclusion to predatory lending, from foreclosure to the extraction of rents, Newark's experience demonstrates what can happen when local economies ignore equity.

CLiME's analysis documents a dramatic increase in institutional investor activity in Newark's residential market starting around 2013. As of 2020, almost half of all Newark's residential sales were to institutional buyers.

Between 2017 and 2020Q1, 47 percent of all arms-length residential sales in Newark were to institutional investor buyers. This is a threefold increase in investor purchases since 2010, when less than 20 percent of all residential sales were to institutional buyers.

These trends are part of a national pattern. Limited liability companies, often backed by largescale equity investment, became active in residential real estate during the Great Recession and foreclosure crisis.

Investors are active in Newark's foreclosure sales, but investors are also more generally buying up Newark's residential housing stock. Frequently, they appear to be doing this to capture the rent streams, financed through private equity investment.



Institutional investors are rapidly buying up 1-4 unit buildings in the South and West Wards. Nearly three-quarters of all institutional purchases in Newark are in these two wards.

- Between 2017 and 2020Q1, there were nearly 2,000 residential property transactions to institutional investors in the South Ward, and more than 1,900 in the West Ward.
- There are five neighborhoods have been the most heavily targeted: Weequahic, Upper Clinton Hill, West Side Park, Fairmount, and Vailsburg. In each of these neighborhoods, investors purchased more than 420 unique properties between 2017 and 2020Q1.
- Rental affordability is a particularly acute problem in the West and South Wards. The share of residents who are extremely cost burdened is higher here than anywhere else in the city, leaving these areas more vulnerable to housing instability and rent increases.
- There is a reduction in owner occupancy in the West and South Wards, which may be related to all this new investor activity. In those wards, homeownership declined between 6-7 percent between 2010 and 2020.

Buyers: Three of the largest investor buyers are real estate companies which appear to be operating as new large-scale corporate landlords. These are Adar Capital, Lexington Property Group and Harness Homes Group.

Several completely anonymous investors are buying up significant real estate in Newark, especially larger multi-family and apartment building. This activity is focused in the North Ward, and in Weequahic.

In the five most heavily targeted neighborhoods by number of properties, in the West and South Wards, by number of properties, investors bought more than 2,500 Newark homes from 2017 through 2020Q1. The three corporate landlords identified above, Adar Capital, Harness Homes Group, Lexington Property Group, and a fourth anonymous investor, known as First Data Filing (FDF) Holdings account for roughly a quarter of this activity.

Sellers: CLiME calculates that almost a third (30 percent) of arms-length transactions to institutional buyers are directly from individuals. The other primary sellers are other institutional buyers (35 percent), and various entities related to foreclosure processes.



This report should not be construed as making allegations of wrongdoing on the part of any of these investment companies. Nothing CLiME uncovered suggests illegal conduct of any kind. Real estate investing is constitutionally protected activity.

Yet these trends demonstrate the strong probability of rapidly rising rents, lower homeownership rates, a diminished Black middle class, market challenges to building affordable homes, even more housing instability for low- and moderate-income Newarkers and displacement. What has happened in other cities and neighborhoods has been happening in Newark—but on a scale unmatched anywhere in the country.

Recommendations

CLiME recommends that local government legislate to reduce the risks of large-scale investor buying and to protect government’s stated housing goals for Newark neighborhoods. We identify four objectives along with the steps needed to meet them.

- To maintain affordability of rents and homeownership
- To discourage speculation
- To promote a balance of community stability factors
- To demand transparency of ownership

Therefore, we recommend that the city and/or state government do the following:

- 1) Impose fees on renting and for landlord registration with the revenues dedicated to administration and the City’s Affordable Housing Trust Fund (AHTF).
- 2) Tax rent increases over 5 percent with revenues to the AHTF.
- 3) Pass a right of first refusal for non-profit affordable housing developers when selling city-owned property.
- 4) New Jersey should prohibit sales of bundled foreclosed homes to a single buyer.
- 5) Newark should increase code enforcement of all rental properties and maintain parcel-by-parcel monitoring of properties where violations have occurred.
- 6) Newark should enact taxes in connection with vacancies, flipping and holding units empty.
- 7) Newark and New Jersey should legislate to incentivize community ownership of housing.
- 8) Newark and New Jersey should pass laws mandating public disclosure of investor principals of institutional buyers of 1-4 unit homes.
- 9) Newark should work with other cities to educate ordinary investors about the harms of investing in large-scale institutional buying of homes.



I. A City for Sale to Corporate Landlords

In thousands of real estate transactions largely obscured from public view, ownership of Newark’s neighborhoods has been changing hands since the Great Recession. In many American communities, private networks of large institutional buyers have replaced homeowners and smaller landlords at an unprecedented scale. They are not just buying apartment buildings but also many small 1-4 unit dwellings that form the core of neighborhood life. In other cities, investor buying of 15-20 percent of such homes is alarming. CLiME’s study shows that as of 2020, almost half of all residential purchases of 1-4 unit parcels were bought by limited liability entity landlords. *Half.*

Whether widespread corporate ownership brings the same higher rents and predatory landlord behavior that many other predominantly Black residential areas have seen is not yet clear. We already demonstrate lower rates of homeownership in the affected neighborhoods. National studies show that high levels of corporate ownership of people’s homes can herald higher rents, more deferred maintenance, more frequent evictions, a hobbled (Black) middle class, less neighborhood cohesion, higher crime and weaker ties to community.¹ Corporate ownership for profit also competes with community development corporations who build affordable housing for no profit. The complexity of transactions where properties are frequently traded, ownership names change for no apparent reason and investor identities are veiled suggests that many institutional buyers do not want the full nature of their activity publicly known to their neighbors or the public. But this quiet capture of the real estate market by groups of anonymous investors frustrates the city’s goals of greater homeownership, more affordable rental housing as well as the American Dream of communities stabilized by the collective power of stakeholdership. Neighborhoods once known for middle-class wealth creation may soon become islands of renter and threaten to turn Newark into a company town.

¹ See, e.g., Raymond, Duckworth, Lucas, Miller, Pokharel, “From Foreclosure to Eviction: Housing Insecurity in Corporate-Owned Single-Family Rentals,” *Cityscape: A Journal of Policy Development and Research*, Department of Housing and Urban Development, vol. 20, no. 3, 2018, (Depending on the firm, institutional investors were between 11 percent and 205 percent more likely to file for eviction than mom-and-pop firms, even after controlling for property, tenant, and neighborhood characteristics.) available at <https://www.huduser.gov/portal/periodicals/cityscape/vol20num3/ch9.pdf>; Kevin Schaul and Jonathan O’Connell, *Investors Bought a Record Share of Homes in 2021. See Where.* The Washington Post, Feb. 16 2022 (citing studies), available at <https://www.washingtonpost.com/business/interactive/2022/housing-market-investors/>



The Facts

As we show in greater detail throughout the report, investors have tripled their share of residential purchases since 2010 both by buying foreclosed properties and by acquiring properties from individual homeowners. CLiME analyzed residential property sales transactions to identify trends in institutional buyers in Newark from 1989 through 2020Q1, using the deeds data available through the New Jersey County Tax Boards Association (NJACTB). CLiME focused most closely on residential sales during the recent time period, from 2017 through 2020Q1, when these institutional investors were most active in Newark. (For more about methodology see our note at the end of the report.)² Among our findings:

- Newark investors are focusing purchases on predominantly Black neighborhoods, including once middle-class areas hard hit by the foreclosure crisis. Institutional investors are rapidly buying up 1-4 unit buildings in the South and West Wards. Nearly three-quarters of all institutional purchases in Newark are in these two wards. These are also areas where CLiME's report on Newark's affordability crisis, *Homes Out of Reach*,³ shows that these are the most rent-burdened residents in the city.
- Between 2017 and 2020 Q1, there were nearly 2,000 residential property transactions to institutional investors in the South Ward, and more than 1,900 in the West Ward.
- Five neighborhoods have been the most heavily targeted in number of properties and in number of transactions: Weequahic, Upper Clinton Hill, West Side Park, Fairmount, and Vailsburg. In each of these neighborhoods, investors purchased more than 420 unique properties between 2017 and 2020 Q1. We show the precise distribution later in the report.
- At the same time as these trends are occurring, we found a reduction in homeownership in the South and West Wards, even though homeownership is increasing in Newark as a

² In addition, CLiME noticed that multifamily sales (anything with 5 or more units) were not being systematically reported in the NJACTB deed database. Therefore, CLiME supplemented the analysis of the deeds data with an investigation of multifamily purchases using the owner and assessment database.

³ Katharine Nelson and David Troutt, *Homes Beyond Reach: An Assessment and Gap Analysis of Newark's Affordable Housing Stock*, Feb. 2021, available at <https://www.clime.rutgers.edu/publications-filtered/homes-beyond-reach-an-assessment-and-gap-analysis-of-newarks-affordable-rental-stock>.



whole. In the most affected wards, homeownership declined between 6-7 percent between 2010 and 2020.

- Investors are the primary buyers of residential real estate in Newark. Institutional and other kinds of investors account for almost two-thirds (64 percent) of residential sales transactions from 2017 through 2019. Only 36 percent of sales transactions were to individual buyers with a Newark mailing address.
- In the five most heavily targeted neighborhoods by number of properties, investors bought more than 2,500 Newark homes from 2017 through 2020 Q1. We map the location of their purchases later in the report.
- These neighborhoods are overwhelmingly Black and have seen the greatest reduction in homeownership despite higher incomes than others in Newark.
- Corporate purchasing in the South and West Wards is concentrated among four companies. Adar Capital, Harness Homes Group, Lexington Property Group and the First Data Filing (FDF) Holdings account for roughly a quarter of this activity. We detail their acquisitions later in the report.
- The form of real estate transactions is complex and lacks transparency, which protects investor identities from being known to the public.
- Several completely anonymous investors are buying up significant real estate in Newark, especially larger multi-family and apartment building. This activity is focused in the North Ward, and in Weequahic.



The Significance

We acknowledge that, to some degree, all cities are “for sale”. Buying property as an individual investor, corporate buyer or private equity endeavor is also constitutionally protected activity. Proponents of corporate buying can point to benefits of investing in areas with high vacancy rates, the prospect of increasing housing inventory and the rejuvenation of moribund tax bases in poorer cities. Real estate investments have long been a prudent part of investors’ diversified portfolios; the movement into residential neighborhoods merely reflects the role real estate plays in advanced capitalism, as housing scarcity produces new opportunities for gain. There are also status quo justifications. In many neighborhoods, corporate landlords merely replace smaller landlords or buy homes out of foreclosure, yet they bring greater resources with which to maintain aging housing stock. Over time, their investments signal to other investors that Newark is a viable market for diverse types of investment capital, encouraging urban revitalization. There is no reason to pre-judge the ethics or motivations of real estate investors seeking gains from an established renter market.

In many cases, these arguments are undoubtedly true. However, in some cases corporate investment and property management in what used to be family-owned housing amounts to predatory behavior, even if that is not its purpose. Such is the risk in Newark because of the divergent interests of property investors and low- to moderate-income tenants.

Let’s start with investors. The primary reason to buy into smaller neighborhood properties is to profit financially—to see greater gains on the initial investment. These profits can be derived from renting properties for a steady and reliable passive income stream, or by “flipping” them shortly after buying them for more money than one paid. Some speculators will also buy properties and leave them vacant, holding them for an indefinite period of time until their value increases with rising markets. The same investor might do all three, especially in a place like Newark where the rate of renting is high—almost 80 percent—homeownership rates are very low, rents themselves are increasing well beyond what is affordable to most residents and household incomes are low. Under these circumstances there is very little incentive for a corporate landlord to do anything but maximize rents as high as they can go.



Now let's turn to tenants. Renters traditionally have very little bargaining power with their landlords. With a median household income of about \$37,000 a year, Newark renters have exceptionally little. There are laws against failures to maintain a healthy and habitable unit and common areas, but their enforcement against a recalcitrant landlord can be difficult, time consuming and costly. The veiled identities of many of these investors may make it more difficult for tenants to take action. Landlords don't often like being told to make needed repairs and may try to evict "troublesome" tenants. Most Newark tenants can't afford lawyers to defend their rights—a fact that led Newark to create the Office of Tenant Legal Services that provides legal assistance to indigent tenants facing eviction actions. Newark renters move more frequently than more middle-class tenants. They face housing costs that make it difficult to save for homeownership.

It is likely that many of Newark's tenants of corporate-owned housing will pay higher rents, for less well-maintained properties with a greater risk of being evicted for any failure to pay rent on time. Corporate landlords are more likely to pursue eviction, and for smaller rent interruptions.⁴

But there's more. With increasing corporate ownership of homes that used to be owned by families, owner-occupied landlords or local property owners, corporate buyers succeed in re-making the very market in which they've invested. Their growing market share raises both the costs of entry to buy homes—challenging homeownership efforts and local wealth building—while increasing rents—leading to more housing instability and displacement of renters with fewer alternative places to go in the city.

This domino effect impacts neighborhood stability and public safety. One reason New Jersey's middle-class suburbs are so segregated is because local governments have long sought to use land use policies to exclude multifamily homes *with renters*. Renters are seen by many as dangerous, transient and costly, because their presence lowers property values (not necessarily true), they contribute to crime (partially true) and they don't directly pay the property taxes that contributes to a sense of neighborhood stakeholdership, if not citizenship, in the American Dream (true). Homeownership, therefore, is believed to be the individual path to collective

⁴ See Garriga, Gete and Tsouderou (2021); Raymond, Miller, McKinney and Braun (2021), Seymour and Akers (2021).



security. Corporate buying up of the residential market forecloses all of that. Home becomes only a place to pay someone else rent, not to build wealth, community ties and a sense of belonging.

The Broader Context

During the Great Recession when many homebuyers lost their homes to foreclosure, large-scale institutional buyers began buying single family homes in cities across the U.S. in order to provide steady rental returns to investors.⁵ As studies by Redfin and the Washington Post have shown, the trend has accelerated in the years since. The Washington Post study



found that investors bought 15 percent of all residential property sales in 40 of the nation's largest 80 metropolitan areas.⁶ Black neighborhoods are being specifically targeted—on average 30 percent of sales in areas with predominantly Black residents compared to 12 percent elsewhere.⁷ According to Redfin, rising prices that negatively impact homeownership opportunities have the opposite effect on investors.

“While record-high home prices are problematic for individual homebuyers, they’re one reason why investor demand is stronger than ever,” said Redfin economist Sheharyar Bokhari. “Investors are chasing rising prices because rental payments are also

⁵ See Sophie Kasakove, “Why the Road Is Getting Even Rockier for First-Time Home Buyers,” *The New York Times*, April 23, 2022, available at <https://www.nytimes.com/2022/04/23/us/corporate-real-estate-investors-housing-market.html>; Aaron Glanz, Reveal, “Profiting off pain: Trump confidant cashed in housing crisis,” *The Texas Tribune*, June 12, 2017, available at <https://www.texastribune.org/2017/06/12/profitting-pain-trump-confidant-cashed-housing-crisis/>.

⁶ Kevin Schaul and Jonathan O’Connell, *Investors Bought a Record Share of Homes in 2021. See Where*. *The Washington Post*, Feb. 16 2022 at <https://www.washingtonpost.com/business/interactive/2022/housing-market-investors/>

⁷ Id.



skyrocketing, incentivizing investors who plan to rent out the homes they buy.

The supply shortage is also an advantage for landlords, as many people who can't find a home to buy are forced to rent instead. Plus, investors who 'flip' homes see potential to turn a big profit as home prices soar.”⁸

One of the most troubling aspects of this new investment activity in single family homes are price increases. CLiME first learned of this phenomenon when Community Development Corporations (CDCs) in the West Ward were thwarted in their efforts to buy properties to build affordable housing because they were being outbid by investor buyers who could pay cash. As Vivian Cox Fraser, President and CEO of the Urban League of Essex County, explained,

“Home ownership is already low in Newark. Non-residential investors are crowding out first-time home buyers by driving up prices, acquiring what little affordable housing exists and converting them to rental properties. Additionally, the heated-up market makes it more expensive for community development organizations like the Urban League to acquire homes with the intent of rehabbing them for purchase by first time home buyers. While all cash offers with no contingencies are attractive, home sellers should give priority to owners that will live in the house.”

This competition is a distinct threat to affordable housing production in a city where, according to our earlier report, the gap between affordable rental supply and demand is over 16,000 units.⁹ Other cities have encountered the phenomenon of corporate buyers of residential properties at rates never seen before. The trend is most prevalent in the South, but also in legacy cities such as Cleveland, Detroit and Baltimore.¹⁰ However, no known study reports the dominance of corporate buyers that CLiME has documented in Newark. And what's happening in Newark does not stay there, as other low-income New Jersey municipalities such as Irvington, East Orange, Paterson and Elizabeth, are also experiencing high rates of corporate home buying.

⁸ Dana Anderson and Sheharyar Bhakari, *Real Estate Investors Are Buying a Record Share of Homes*, Redfin, Feb. 16, 2022 at <https://www.redfin.com/news/investor-home-purchases-q4-2021/>.

⁹ CLiME, *Homes Beyond Reach*.

¹⁰ Schaul and O'Connell, *Investors Bought a Record Share of Homes*.



It's important to recognize precisely which neighborhoods are consistently targeted. In Newark, they're overwhelmingly Black. For example, Newark's Black population was 50 percent in 2020. However, in the South and West Wards, it was 79 percent and 72 percent, respectively. As we discuss later in greater detail, the homeowners in these neighborhoods were once more middle class. Even now, the median income of homeowners in both wards--\$79,464 in the South Ward and \$73,837 in the West—is higher than the median income of homeowners citywide, at \$71,149. Yet because of higher rates of both foreclosures and investor buying, the rate of homeownership in these middle-class Black enclaves has gone down dramatically—by 6.1 percent in the South Ward and 7.1 percent in the West Ward. These wards also represent the neighborhoods where renters are struggling the most against unaffordable rents. The rates of renter cost burdens are among the highest in Newark.

The result is a striking transfer of wealth from Black homeowners to a rental market dominated by corporate buyers. Behind these transactions lies a pattern of racial exclusion and wealth extraction—from segregated neighborhoods to predatory lending to the financialization of mortgages to a foreclosure crisis that disproportionately wiped out generations of hard-won wealth for Black and Latino households. The straight line between that recent history and the financialization of Black rents through corporate buying shows the continued precarity of minority housing wealth amid structural inequality.

This report is organized to tell the facts of the investor buyer story in five parts. In the next Part, we examine the recent growth of institutional buyers in Newark, with a focus on its impact on renters. In Part III, we explore what is known about the sellers of 1-4 unit homes and go into specifics about known entities among institutional buyers (a more detailed analysis of these investor buyers is available in the Appendix). In Part IV, we show the patterns of investor buying by neighborhoods, with emphasis on the areas and blocks of greatest activity. In Part V, we offer legal and policy conclusions about the power and necessity of governmental action to curb an economic trend that is well underway. We end with recommendations around four main objectives: to maintain affordable rental housing and homeownership; to discourage

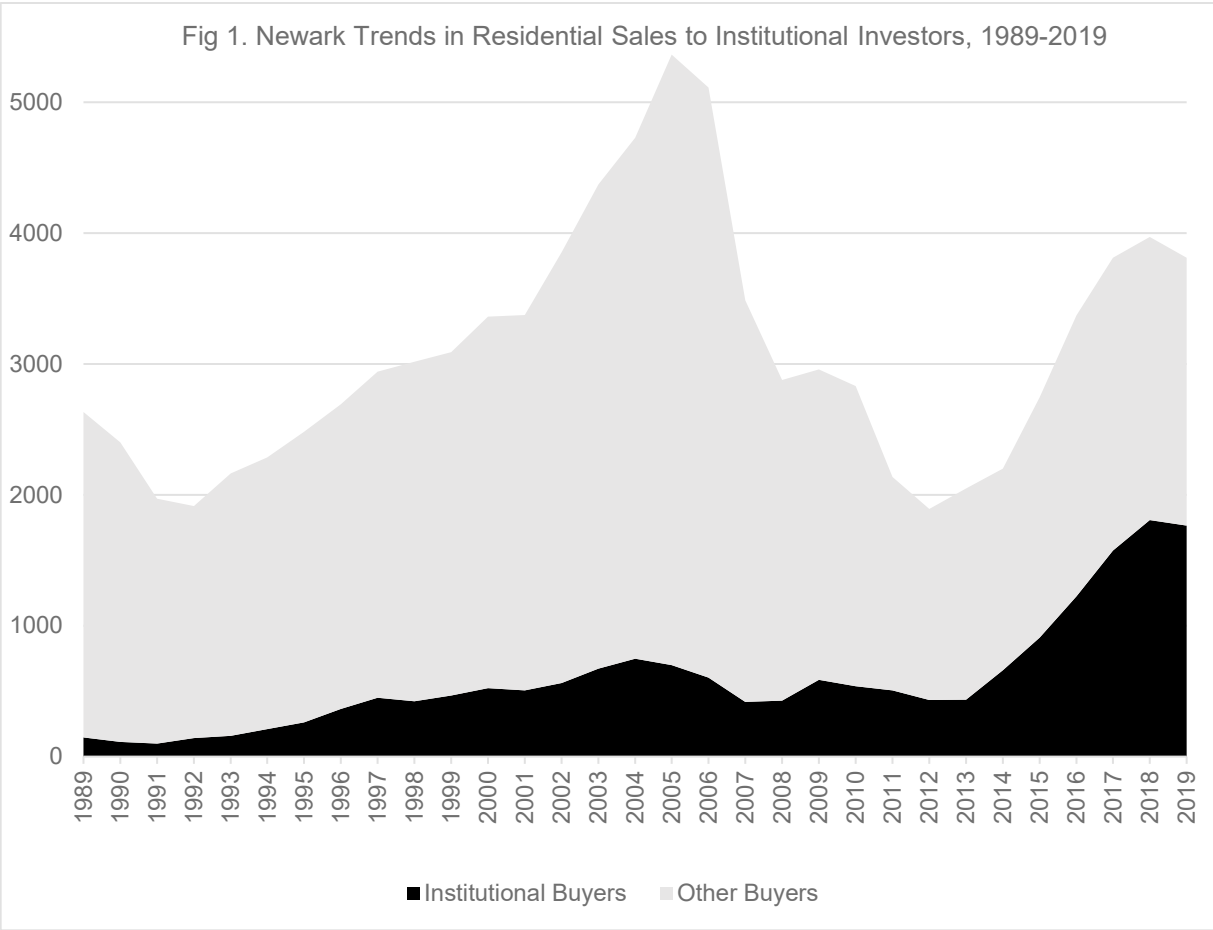


speculation; to promote a balance of community stability factors; and, to require transparency of ownership.



II. The Recent Growth of Institutional Buyers in Newark

CLiME calculates that roughly 47 percent of arms-length residential sales (44 percent of all residential sales) of 1-4 unit properties in the City were to institutional investor buyers between 2017 and 2020Q1. Arms-length transactions exclude sales for less than \$100, which are often sales from one family member to another, or from one institutional entity to a related institutional entity. This figure excludes larger multi-family and apartment transactions (with 5 or more units) so it understates the true role of investors in Newark’s real estate market. Institutions purchase more than three-quarters of these larger properties.



The dominant role of limited liability investors in Newark’s residential markets is new. CLiME’s long-term analysis of Newark’s residential market shows that institutional buyers accounted for less than 20 percent of all real estate transactions every year prior to 2013. However, since 2013,



limited liability and other corporate entities have dramatically scaled up their activities in the city’s residential market. **Between 2013 and 2019, there was a threefold increase in institutional investor activity.**

Institutional investors are now the most common type of real estate investor, by far. Beyond limited liability arrangements, there are other ways to invest in real estate, beyond limited liability arrangements, that in the past have been commonplace. Analyses of investor buyers used to look for individuals who amass significant properties, or for individuals living outside of the city or state who buy city property. CLiME analyzed these other types of investment as well, and found they make up a much smaller but still significant portion of the market. Specifically, we identified individual investors who purchased three or more properties, without using a company name or limited liability arrangement. We also identified smaller individual investors living outside of New Jersey, or in another part of the state, who purchased 1-2 properties in Newark.

Table 1: Residential Transactions in Newark, by Type of Buyer, 2017-2020Q1

Total Transactions (2017-2020Q1)	11,594	
Institutional investors <i>These are limited liability arrangements, including LLCs, Corps, and Incs.</i>	5,189	45%
Individual Investors <i>Individuals (and trusts) who bought 3 or more properties, who live in any location</i>	383	3%
Small Investor (outside NJ) <i>Individuals who purchased one or two residential properties in Newark, who live in another state</i>	456	4%



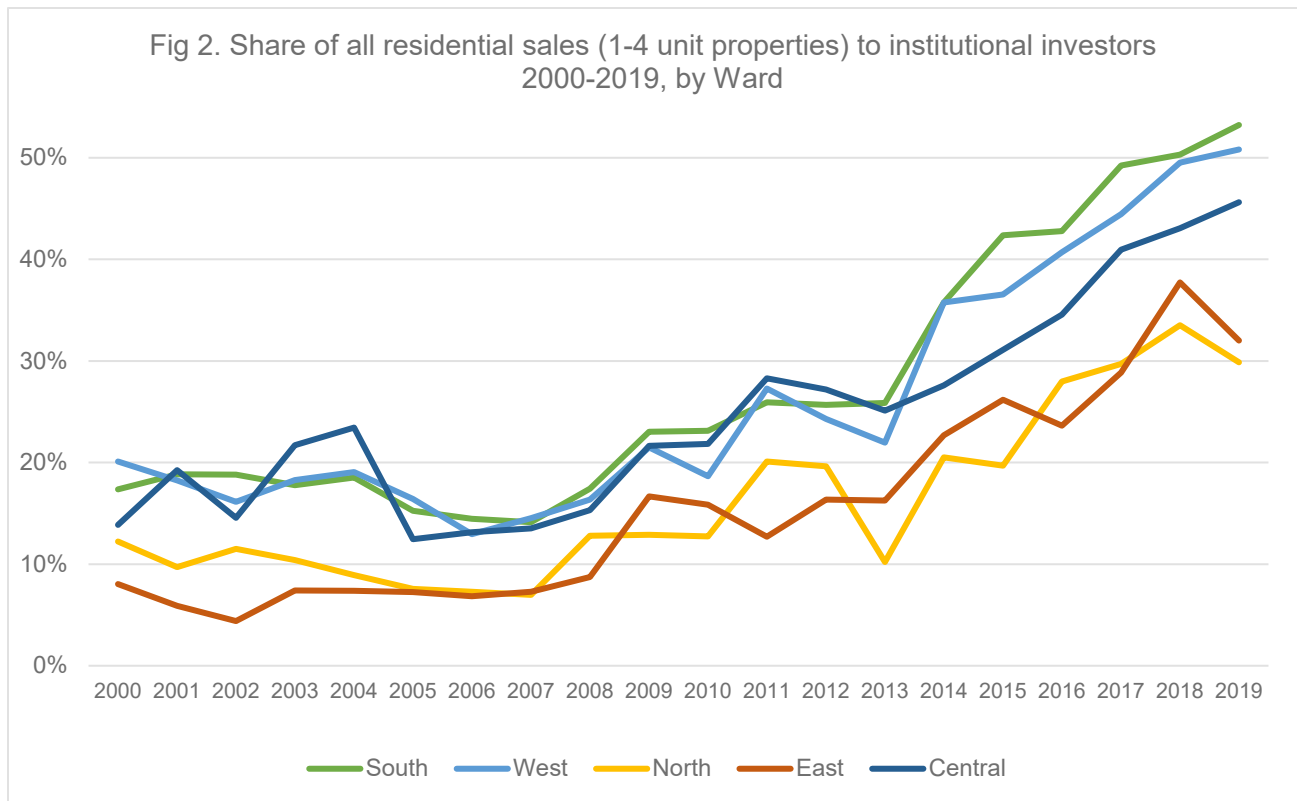
Small Investor (outside Newark, in NJ) <i>Individuals who purchased one or two residential properties in Newark, who live in NJ but outside of Newark.</i>	616	5%
Sold to Newarkers <i>These properties were purchased by people whose address is listed in Newark</i>	4,218	36%
Other Institutions <i>This includes federal state and local government, banks, Fannie Mae, Freddie Mac and CDCs</i>	732	6%

Taken together, these various kinds of investors account for almost two-thirds (64 percent) of residential sales transactions in Newark from 2017 through 2020Q1. Only 36 percent of sales transactions were to individual buyers with a Newark mailing address. Among investors, institutional buyers dominated with 45 percent of residential properties over the 2017-2020Q1 period. Individual investors, who historically have been more prevalent, only account for 3 percent of all sales. Smaller individual investors living outside of Newark account for another 13 percent of sales. Of these, 9 percent are living outside of Newark but inside New Jersey, and 4 percent live in another state (most commonly New York).



1. Where Are Institutional Buyers Most Active in Newark?

The increase in institutional buying is a citywide phenomenon impacting every Ward. From 2000 through 2010, investors were purchasing roughly 20 percent of all residential sales with some variation across the wards (See Figure 2). During the 2010s, investor buyer activity increased dramatically, and the variation among the wards is much more extreme, with higher rates of investor buying in the South, West, and Central Wards.



The concentration of investor buying activity is the most pronounced in the South and the West Wards, where more than half of all sales were to limited liability investors buyers. The Central Ward also has a high share of sales to institutional buyers, but it has many fewer sales compared to the South and West Ward.



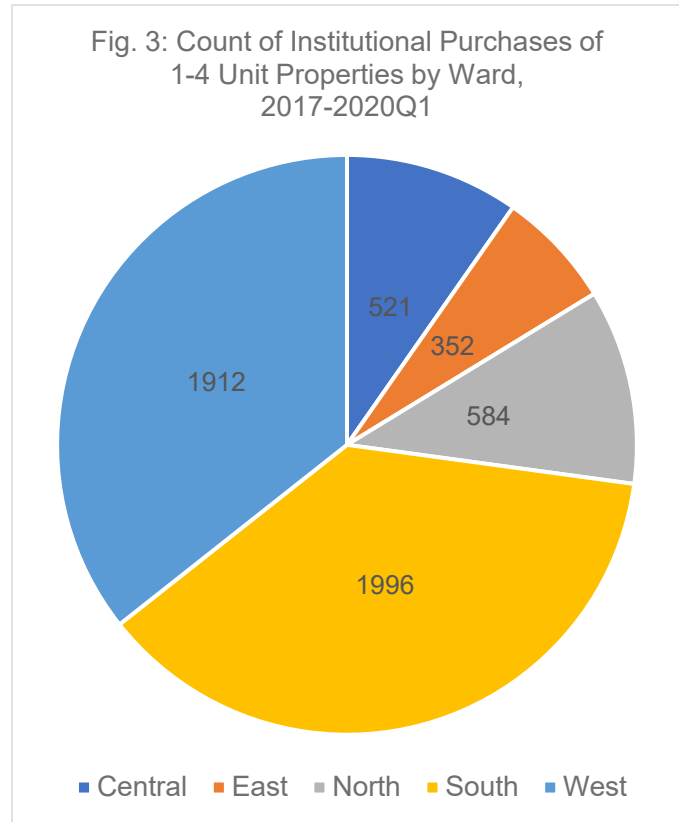
Nearly three-quarters of all institutional purchases of 1-4 unit properties are in the West and South Wards (see Figure 3).

Between 2017 and 2020Q1, institutions purchased nearly 2,000 properties in the South Ward, and more than 1,900 in the West Ward. Each of these wards has more sales to institutions than the other three wards combined.

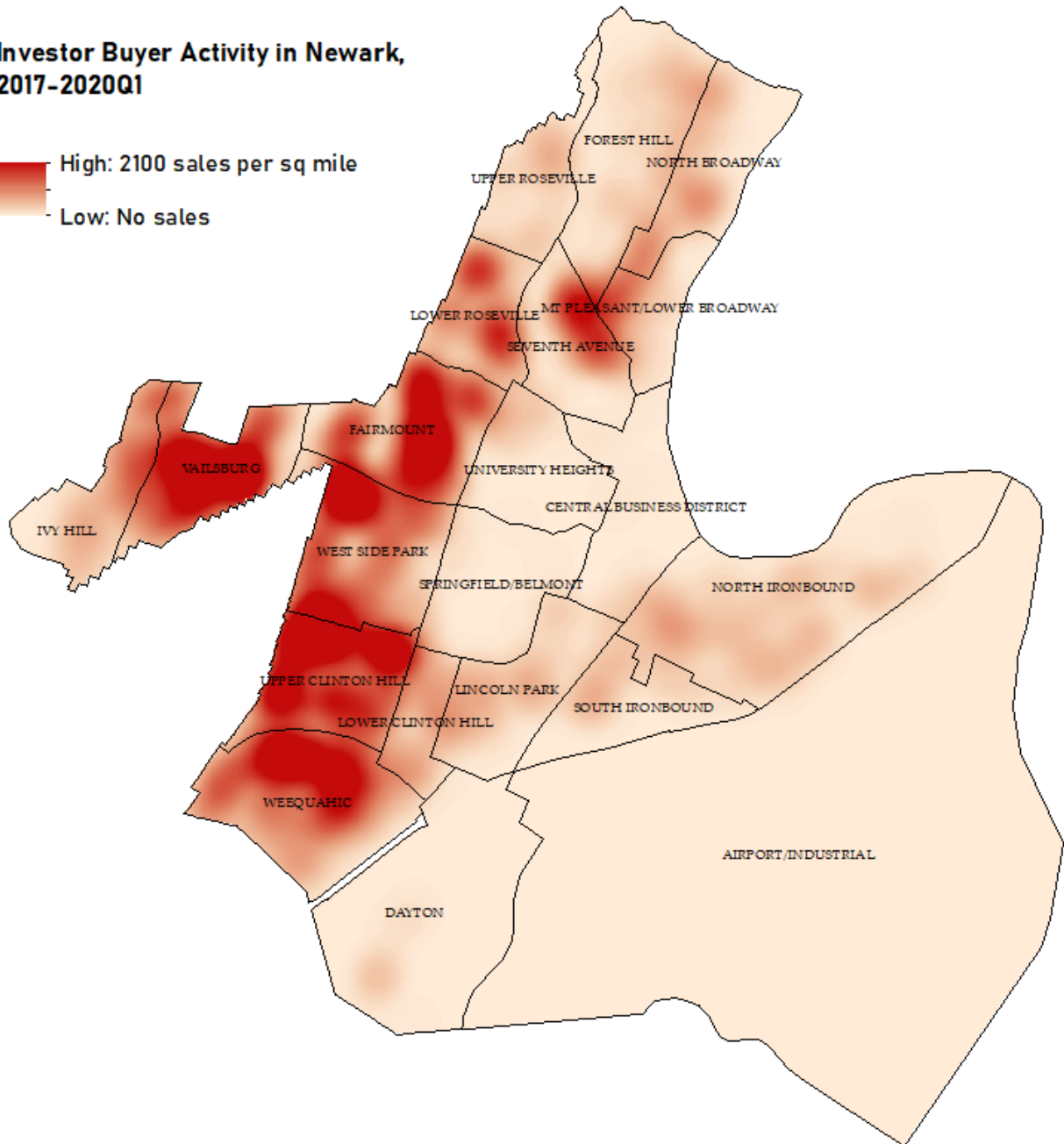
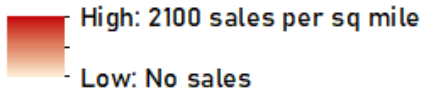
Map 1, shown below, is a density map of institutional investor purchases of 1-4 unit residential buildings. A darker shade on the map indicates a greater concentration of institutional buyers (measured in sales per square mile). CLiME overlay the investor concentration patterns with neighborhood boundaries, and the hot spots for these investors in the west and South Wards are clear. Institutional buyers are most active in Vailsburg, Fairmount, West Side, Upper Clinton Hill, and Weequahic neighborhoods.

However, there are also some clear areas of concentrated institutional buying in Lower Roseville, Mt. Pleasant, and Seventh Ave in the Lower North Ward. Unlike the South and West Wards, the Newark's North Ward has become very popular for investors in larger multi-unit buildings and apartments. CLiME's analysis of recent institutional purchases of residential units with five or more properties finds many are in the North Ward.

Later in the report, we combine purchases of larger units with these single-family purchases. The results show the North Ward faces a similar challenge of new corporate landlords as the West and South, but the institutions dominating purchases are distinct.



Investor Buyer Activity in Newark, 2017-2020Q1



2. Causes and Consequences of Pervasive Institutional Property Ownership

The growth in institutional investment in residential real estate, especially in smaller residential properties, follows a nationwide trend since the Great Recession and resulting foreclosure crisis, when large equity investors purchased significant property at low prices throughout the country,



particularly in regions hardest hit by the crisis – the south, southwest, and west coast markets.¹¹ Predominantly Black neighborhoods in these cities as well as in Detroit, Cleveland and Baltimore have been the biggest targets. One real estate professional described these programmatic-level investment strategies as a “workforce model.” Under this model, investors seek areas where the costs of entry are relatively low—meaning home costs are lower than the surrounding metro—and tenants are stable renters with moderate incomes. Institutional investor buyers have been heavily active in foreclosure sales, and frequently purchased large numbers of low-and moderate-income affordable properties in neighborhood markets.¹² Many of these investors converted the properties to rental properties, creating a new generation of larger-scale corporate landlords. More recently, they’ve concentrated on “SFRs”—Single Family Rentals, amassing large quantities of single-family housing in cities and suburbs and sometimes securitizing them as debt securities.¹³

Wall Street investment companies like Invitation Homes, Blackstone and Starwood Waypoint have the advantage of lower borrowing costs, the ability to pay cash and a systematic information about the types of homes to buy and why. According to an analysis in *Slate*:

[I]nvestors *are* depleting the inventory of the precise houses that might otherwise be obtainable for younger, working- and middle-class households, in the cities where those workers can easily find good-paying jobs, like Atlanta (22 percent of home purchases according to Redfin data), Charlotte (22 percent), and Phoenix (20 percent). More importantly, they’re able to scour those markets scientifically and systematically to make cash offers on the most attractively priced properties. While normal people buy houses when they actually need to move somewhere, (savvy) investors buy houses several years *before* a bunch of people need to move to an area. Whether they’re tracking where

¹¹ Kevin Schaul and Jonathan O’Connell, *Investors Bought a Record Share of Homes in 2021. See Where.*

¹² Id.

¹³ See Mary Beth Fisher, “A Primer: The market in single-family rental debt,” Amherst Pierpont, April 2021, available at <https://apsec.com/site-content/uploads/2021/04/APS-SFR-Primer-April-2021-FINAL.pdf>; John Layton, “Single-Family Rent Securitizations,” Penn State Institute of Real Estate Studies, available at <https://www.smeal.psu.edu/ires/documents/single-family-rental-securitizations-spring-2015>.



major employers are building new offices or looking at public school enrollment data, being ahead of the market gives big firms a big leg up.¹⁴

A large part of the success of this business model is that after the Great Recession, America started to become a renter nation.

Newark is already a renter city. CLiME's analysis shows that investors in Newark are following a similar, but accelerated approach in greater volume than most other areas. Institutional investors are acquiring properties out of foreclosure, but they are also acquiring properties more broadly. As shown in Figure 4, even at the peak in 2017 there were a little more than 300 sheriff sales to institutional investors in a year. This is less than 20 percent of annual investor buyer activity for that year. And, many of the largest institutional buyers are not active in sheriff sales at all. The patterns also vary from neighborhood to neighborhood. CLiME's analysis of institutional buying activity in the Vailsburg neighborhood suggested that close to half of all institutional purchases were directly or indirectly out of sheriff sales.

Yet cause and consequence meet in a racially distinct pattern: Black neighborhoods in a city that is only half Black. More than 70 percent of residents in the South and West Wards identify as Black or African American and non-Hispanic. The West and South Wards have much smaller concentrations of White and Hispanic residents compared to the rest of the city. Only 2 percent of South Ward residents, and 3 percent of West Ward residents identify as White non-Hispanic, compared to 13 percent in the city overall. In addition, Hispanics account for roughly a third of the city's population, but just 15 percent of South ward residents, and 22 percent of West Ward residents, identify as Hispanic of any race.

These Black neighborhoods are losing homeowners and have renters who are highly vulnerable to displacement.

The West Ward has a higher rate of homeownership (33 percent) than the South Ward (20 percent). Yet they are both experiencing a decline in homeowners since 2010. This trend is

¹⁴ Elena Botella, "Investment Firms Aren't Buying All the Houses. But They Are Buying All the Most Important Ones." *Slate*, June 19, 2021, available at <https://slate.com/business/2021/06/blackrock-invitation-houses-investment-firms-real-estate.html>.



opposite what is happening at the citywide level, where homeownership numbers grew modestly by 3 percent.

- Compared to the rest of the City, the West Ward has a much higher rate of homeownership than the City, with roughly a third (33 percent) of households owning their own home. However, the South Ward has a slightly smaller homeownership rate with just 20 percent of households owning.
- Across the city, Newark has seen an increase of 3 percent in the number of homeowners from 2010 to 2020. However, the trends are very different in the West and South Wards. Since 2010, the West Ward has a 7 percent decline, at the South Ward had a 6 percent decline, in homeowners. This decline is in contrast to the rest of the city.

Table 2: Housing and Demographics Patterns in the Wards Most Heavily Targeted by Investors.

	South Ward	West Ward	Newark City
Population 2020	60,267	53,226	281,917
Percent Change, 2010-2020	2%	-12%	3%
Race and Ethnicity (2020)			
Hispanic, Any Race	15%	22%	33%
Black NH	79%	72%	50%
White NH	2%	3%	13%
Asian NH	0%	0%	1%
Other Race or Biracial NH	3%	3%	4%
Homeowners			
Rate 2020	20.4	32.7	23.5
Percent Change, 2010-2020	-6.1%	-7.1%	2.7%
Median Income 2020*	\$79,464	\$73,837	\$71,149
Change 2010-20*	23%	18%	12%
Renters			
Median Income 2020	\$28,667	\$32,917	\$31,234
Extreme Rent Burden (>50% Income)	34%	33%	31%
Change in Rent Burdened Households, 2010-20	1427	199	5,328

Source: ACS 2020, 5-Year Estimates. *Large margin of error, should be interpreted with caution.

The West and South Wards also have higher rates of rent burden than the other Wards. As of 2020, 34 percent of renters in the South Ward, and 33 percent of renters in the West



Ward, pay more than half of their incomes in rent. This is just slightly higher than the citywide rate of 31 percent. The number of rent burdened households is rising all over the city, because incomes are not keeping up with rents. The level of housing precarity is growing throughout the city, but these Black neighborhoods are home to the largest group of vulnerable renters. We explore the overall impact on renters in more detail next.

3. The Impact on Renters

What happens to low- and moderate-income renters when small-unit residential properties are bought and traded by institutional buyers duty-bound to produce stable returns on investment? Theoretically, nothing happens to renters in a city of renters except the monthly payment of rents to changing landlords. That is, because the phenomenon of non-Newark ownership of Newark rental properties has been the case for so long, the effect of the trend in corporate buying is net neutral. However, the data and qualitative evidence from landlord-tenant lawyers suggests two levels of impact that are harmful to short-term and long-term renter interests. Note that both sets of impacts result from an overall change in housing market conditions that increases the unequal bargaining power between renters and landlords significantly in favor of investors. This fact is relevant to the kinds of policy remedies Newarkers seek because structural problems require structural solutions.

a. SHORT-TERM IMPACTS: Bullying Landlords, Perverse Incentives and Removal

Tight or scarce housing markets confront renters with few choices and empower landlords unless there are countervailing measures to stop them. New Jersey law gives few. Tenants vulnerable because of fixed or unreliable incomes, disabilities, language or immigration status barriers, lack of education or fear of lawyers have even fewer. The fundamental problem is that investors have heightened reasons to jettison poorer tenants in favor of those who can pay more, and to evade price constrained housing in favor of unconstrained lease terms. Relatedly, landlords often claim rights and powers they do not legally possess, knowing that their unequal bargaining power often allows them to intimidate renters who don't know or can't afford to enforce their rights.



Although it's beyond the scope of this study to conduct a full-scale analysis of where exactly rents are rising, in which parcels owned by which owner types and whether corporate landlords have taken advantage of the lifting of pandemic moratoria on evictions and rent increases, there is lots of emerging evidence that trends harmful to vulnerable tenants are currently underway.¹⁵ Empirical evidence of aggressive evictions, fee gouging and shifting the cost of maintenance onto tenants has emerged among Wall Street-backed investor buyers.¹⁶ In Newark, conversations with landlord-tenant lawyers for indigent renters reported the following illustrative developments over the period of our research:

- 1) **Ejectment-type actions are on the rise.** Unlike a legal eviction, an ejectment action is when a landlord may demand possession of its property of tenants who are not legally entitled to be there, such as “squatters”, illegal subletters or family members not named on the original lease. Lawyers for renters saw a dramatic increase in ejectment actions—especially meritless ones—during the pandemic’s eviction moratorium. They point to a trend among new owners seeking to remove current tenants paying lower rents.
- 2) **Habitability issues provide a backdoor route to vacancy.** For many landlords but especially investors, a goal of ownership is to remove low-rent paying renters and replace them with high-rent payers. The challenge is how to get the former out. One route involves allowing the premises to degrade to the point when they’re uninhabitable. We heard of many cases in which even senior, disabled renters experienced leaks, mold and arbitrary utilities turn offs, only to have their complaints ignored by the LLC landlord. When the tenant obtained legal help and complaints were made to Newark’s Office of

¹⁵ Alana Semuels, “When Wall Street Is Your Landlord,” *The Atlantic*, Feb. 13, 2019, available at <https://www.theatlantic.com/technology/archive/2019/02/single-family-landlords-wall-street/582394/>. Michelle Conlin, “Spiders, Sewage and a Flurry of Fleas – The Other Side of Renting a House from Wall Street,” *Reuters*, July 17, 2018, available at <https://www.reuters.com/investigates/special-report/usa-housing-invitation/>.

¹⁶ See, e.g., Raymond, Duckworth, Lucas, Miller, Pokharel, “From Foreclosure to Eviction: Housing Insecurity in Corporate-Owned Single-Family Rentals,” *Cityscape: A Journal of Policy Development and Research*, Department of Housing and Urban Development, vol. 20, no. 3, 2018, (Depending on the firm, institutional investors were between 11 percent and 205 percent more likely to file for eviction than mom-and-pop firms, even after controlling for property, tenant, and neighborhood characteristics.) available at <https://www.huduser.gov/portal/periodicals/cityscpe/vol20num3/ch9.pdf>. See also Public Advocates et al, “Wall Street Landlords Turn American Dream into a Nightmare,” pp. 21-25 at <https://drive.google.com/file/d/0B50M0aXe70I6UUJIR19iRkFTYzg/view?resourcekey=0-YZNGr89EW7kdlTZkV7qN7A>.



Code Enforcement, the non-compliant landlord would eventually be issued a municipal violation and a declaration that the property is no longer habitable. All tenants must vacate. (Unsophisticated tenants are then burden with the obligation to navigate the county relocation assistance process on their own, but that's a separate harm.) The landlord could then take its time to cure the property defects or even engage in unit renovations that would permit it to charge new tenants much higher rents. This perverse incentive to landlords therefore comes with city enablement and virtually no consequences. To make matters worse, renovations over a certain amount (or in some cases, tearing the building down and building a new one) will remove the dwellings from rent control,¹⁷ further fueling rents and decreasing affordable supply.

3) Exploit the personal use exception for small buildings even when you can't.

Tenant advocates report seeing many more (especially new) landlords of 1-4 unit buildings send tenants notices to quit based on the landlord's desire to occupy the premises for personal use. This exception is meant to protect owners of small residential properties who need to occupy their property as a domicile. An LLC cannot occupy a unit for personal use, but that hasn't stopped landlords from trying to get tenants out by using the provision.

These short-term efforts to get low-paying tenants out and raise rents have weathering effects on tenants. Even frivolous landlord claims must be defended, which requires the time and expense of taking time off work and going to court. Many employers do not allow this. Moreover, the stress of housing insecurity has demonstrated public health consequences for every member of a household, from school children to parents to the elderly. Most tenants face these challenges without the benefit of legal representation. As the pressures mount, many tenants give up and seek housing elsewhere in a rapidly decreasing market for alternatives. One lawyer described his clients asking, "Now that crime is down, why can't I afford to live here?" It's just a trail of tears."

¹⁷ See Newark's rent control ordinance at <https://drive.google.com/file/d/0B50M0aXe70I6UUJIR19iRkFTYzg/view?resourcekey=0-YZNGr89EW7kdITZkV7qN7A>.





b. LONG-TERM IMPACTS: Higher Rents, New Renters and Displacement

Short-term, direct impacts create long-term, indirect impacts on renters. In Newark and across the country, they lead to less affordability and fewer options. In fact, the affordability crisis that CLiME documented in *Homes Beyond Reach* is exacerbated by increased institutional ownership. That study showed a gap of over 16,000 units needed to meet the needs of residents whose median incomes can afford a rent of no more than \$765 per month without being rent burdened. Currently, almost 60 percent of Newark renters pay more than a third of their incomes on rent and more than a third pay more than half. Over all, the amount of rent typically paid over the threshold of affordability is about \$400 a month in the city. Corporate ownership of increasing amounts of residential property compounds these market effects. Rather than producing more affordability, it will almost certainly produce less by pushing rents higher. Rising rents and fees have been a documented feature of corporate home buying across



the country.¹⁸ In turn, this upward market pressure will indirectly change the market conditions in which *any affordable housing strategy operates*. From land acquisition to the layers of subsidization needed, it recasts the costs of what is possible in terms of both production and preservation. It makes any effort to create affordability join a race against time as rents rise, lower-income tenants are priced or forced out and the market is re-set for renters who can afford to pay more.

This scenario represents the prospect of housing displacement through gentrification, a subject CLiME analyzed in a 2017 report called *Making Newark Work for Newarkers*. Yet note the character of economic change here: the primary driver of rent increases is the leverage of landlords, not transformations in the local economy. In other words, this gentrification scenario is driven mainly by rent-seeking, not an expansion of the local economy through job opportunities attractive to people earning higher incomes. The gentrification of neighborhoods in Brooklyn and Washington, D.C., for instance, was driven by employment growth in high-paying fields that attracted young workers—the so-called “creative class”—into expanding housing markets where developers filled demand. No such fundamental economic change has occurred in Newark’s neighborhoods. They are no closer to tech jobs today than they were before the Great Recession. Instead, the real estate market led by corporate buyers stands to drive urban transformation, putting residents at risk of displacement for investor profits without the broader economic benefits to the Newark itself. Experts we spoke to could only conjecture that corporate investors see one of three scenarios developing: rents stabilize and investors enjoy steady gains, rents go up and investors enjoy even greater gains or home prices increase so dramatically that investors sell.

The question from the standpoint of equitable growth is, who wins?

¹⁸ This is especially the case for corporate ownership of single family homes. See Public Advocates et al, “Wall Street Landlords Turn American Dream into a Nightmare,” pp. 17-21 at <https://drive.google.com/file/d/0B50M0aXe70I6UUJIR19iRkFTYzg/view?resourcekey=0-YZNGr89EW7kdITZkV7qN7A>.



III. Who Are the Sellers? Who Are the Buyers?

The Sellers

In many parts of the country, institutional investors started to actively acquire single-family rental properties during the Great Recession. CLiME's analysis in Newark suggests that properties out of foreclosure are a central target of investor buyers. However, a significant portion of properties acquired by institutional investors come directly or indirectly from individual owners. Almost a third (30 percent) of arms-length transactions to institutional buyers are directly from individuals. Another 35 percent are purchased from other institutional entities. Many of these are repeat transactions on the same property; one investor buys the property from an individual or out of foreclosure and then sells it to another.

Outside of these two categories, many of the remaining sales appear to be related to the foreclosure pipeline, either purchased at sheriff sales, purchased from banks who took ownership at a sheriff sale, or purchased from federal and other entities related to foreclosure processes.¹⁹ From 2017 through 2020Q1:

- There were 1,183 transactions where individual buyers sold to institutional investors.
- There were 1,366 transactions where institutional investors sold to other institutional investors. Many of these transactions are second transactions on the same property, where one investor originally acquires the property from an individual and then sells it to another.
- There were 787 transactions where institutional investors purchased properties at sheriff sales. This number may slightly overstate the true number, because in some cases LLC servicers may be counted in the data as investor buyers.

¹⁹ Institutional investor buyers were identified using the seller's name, and flagging sellers with "LLC", "Inc.", "Corp", or a street address. CLiME also used the seller's name field to identify any sellers that were: 1) banks ("Bank" or "N.A." in the name), 2) associated with federal agencies (HUD, Fannie Mae, Freddie Mac, Veterans Affairs), 3) any properties sold at a sheriff sales, and 4) properties sold by individuals or groups of individuals. Finally, CLiME created an "Other" category for entities which did not fit in the other categories. This set includes community developers, churches, some trusts, and state/county/city government.



- There were 386 transactions where the seller was a bank, and 127 transactions where the seller was a federal agency such as the Department of Housing and Urban Development (HUD) or Fannie Mae. These sales are very frequently indirectly associated with sheriff sales. When there is no other buyer, the property frequently goes to a bank or to these government entities.

Fig. 4: Sales to Institutional Investors in Newark, 2017-2020Q1 Residential Sales Transactions (by %)

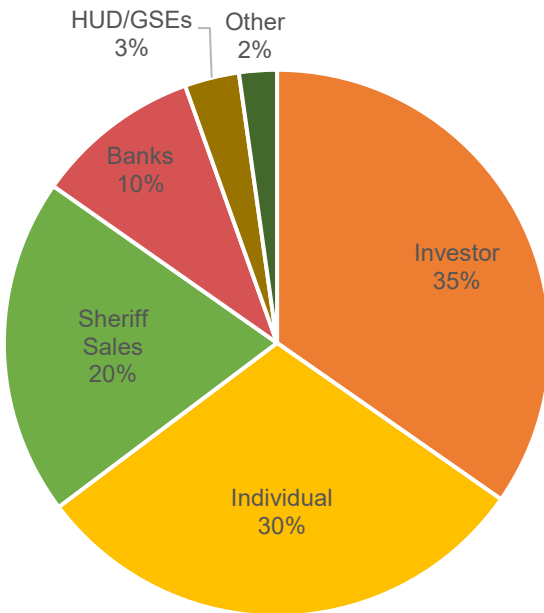


Table 3: Most Common Sellers to Institutional Investor Buyers (2017-2020Q1) (by #)

Investor	→ Investor	1366 transactions
Individual	→ Investor	1183 transactions
Sheriff sale	→ Investor	787 transactions
Bank	→ Investor	386 transactions
HUD/GSEs	→ Investor	127 transactions
Other	→ Investor	88 transactions

The Institutional Buyers

Whatever the prospective benefits of investor ownership of Newark’s small residential properties to Newark may one day be, today the main beneficiaries of this economic trend are the corporate buyers. Who are they? In short, it is very difficult to know. Investor transactions show a great deal of maneuvering to keep their identities concealed from public scrutiny. Identifying who investor buyers are using public data is not a straightforward task. When people use company names to purchase a property, they are hard to track. People will frequently create separate LLCs for each transaction, use property addresses as the LLC name when they buy a property, and/or pass properties from one LLC to another. Taken together, this means that identifying investor buyers



often requires looking at multiple transactions on the same property, and identifying who the ‘real’ buyer when there are many different LLC names associated with purchases. More specifically, CLiME’s analysis found that:

- Buyers who purchase with limited liability arrangements often have many different entities purchasing properties with different names. This is likely done in order to limit and manage risk, so that any fees or losses on properties held under one LLC are separate from those on properties held elsewhere. It can also serve to make their identities harder to track in public records.
- Institutional investors frequently have separate LLCs, or relationships with separate LLCs, which operate as holding companies for their acquired properties. Properties purchased by one investor buyer are commonly sold within a year, or even within a day or a week, to another LLC for \$1 or \$10. In some cases, the same property is changing hands three or four times.
- One-third of all investor-purchased properties are bought by an LLC that relies on a street address for the name of the buyer, (e.g., 100 Columbia Ave LLC purchases a property at 100 Columbia Ave). This practice of using addresses as stand-ins for the buyer identity greatly obscures our ability to determine who the buyer really is. Between 2017 and 2020Q1, there were more than 1700 sales in Newark to street addresses!

To address these interrelated challenges, CLiME followed a process where we identified the most popular mailing addresses associated with real estate purchases. Then, we identified all the entities making purchases using these particular addresses. We looked one-by-one at the most popular addresses in order to determine who the real buyer is (if possible), what related entities and other addresses are part of the buyer’s network, and what the end use of the properties appears to be.

The results are explored in three sections. First, an exploration of three large real estate companies that have become active corporate landlord in Newark. Second, an exploration of three large anonymous investors who are active in the city’s residential housing stock, particularly in larger multifamily units. Last is a section focusing on sheriff sale activity.



1. Three real estate companies that have become landlords

CLiME’s analysis of residential property deeds in Newark identified three large real estate acquisitions firms who are systematically acquiring single family and multifamily properties for rehab and rental in Newark. These three new corporate landlords: Adar Capital, Lexington Property Group and Harness Homes Group.

Each company acquired at least 150 properties, and more than 200 units, most in the last few years. These real estate firms are not publicly traded, but they all appear to have private investors financing their efforts in exchange for financial returns. All three are concentrating on smaller properties in the South and West Wards. However, Adar Capital and Lexington Property Group both also have larger multifamily projects in the North Ward.

CLiME was able to identify the rental management companies for Adar Capital and Lexington Property Group. We made the assumption that Harness Homes is also renting out its properties based on how it describes itself on its LinkedIn page: “Harness Homes Group, LLC acquires single and multi-family properties, renovates and then rents these homes to local residents.”

Table 4: Deal Activity of the Three Largest Buyers

Investor Buyer Name	Total Buyer Transactions	Total Properties ²⁰	Amount (\$)
a) Adar Capital, LLC, Parkway Management	347	279 <i>(includes 17 larger 5+ unit buildings)</i>	\$42.5 million
b) Harness Homes Group, LLC	372	243 <i>(all 1-4 unit buildings)</i>	\$17.2 million
c) Lexington Property Group, EZ Rent & Management	182	148 <i>(includes 3 larger 5+ unit buildings)</i>	\$28.7 ²¹ million

Table 4 provides summary information on the total known transactions, properties, and dollar amounts these three investors have spent in Newark residential real estate. CLiME was conservative in its estimates, requiring that addresses match perfectly (including suite numbers)

²⁰ These totals include all single and multifamily properties associated with each buyer. They do not include vacant parcels.

²¹ Lexington Property Group made one multifamily purchase for \$11 million in Lower Roseville, which explains a significant portion of their spending.



or that the buyer name matched a known LLC by the particular investor. Therefore, these numbers may understate true property counts.

a) Adar Capital

Adar Capital has purchased at least 279 1-4 unit properties, and 17 larger multifamily properties, in Newark since 2012. Most of the smaller properties are in the West and South Wards. Adar is also active in the development of several new apartment buildings in the North Ward. At least half of their inventory is being actively rented.



Adar Capital is a real estate acquisitions and urban redevelopment company funded in 2010 and focused in Northern New Jersey. They focus on acquiring, rehabbing and renting distressed properties. According to their website, they have acquired more than 1000 properties, and manage 5,200 units. The language they use on their website suggests a commitment to the neighborhoods where they buy property, while maximizing the return for their investors:

As a real estate company operating in property acquisitions, rehabilitations, and ground-up development, we specialize in identifying ‘off the beaten path’ properties and converting them into habitable locations. We invest your assets and work aggressively to ensure profitability...The positive impact we’ve had on locations we operate in includes increasing marketability, decreasing crime rate, and revitalizing abandoned areas. We don’t simply develop properties, we develop homes.²²

²² See <https://adar-capital.com/>.



b) Harness Homes Group, LLC

Harness Homes Group has purchased at least 243 1-4 unit properties in Newark since 2015. Most of these are in the Vailsburg, West Side Park, Upper Clinton Hill, and Fairmount neighborhoods. Harness has transferred ownership of most of its properties to various New York-based LLCs. They describe themselves as “fully integrated real estate firm” and they focus on property acquisition, construction and management in Northern New Jersey:

Harness Homes Group, LLC is a fully integrated real estate firm in northern New Jersey, focused on providing renters affordable and sustainable real estate solutions in their home neighborhoods. Harness Homes Group, engages in property acquisitions, construction and management in its home state of NJ with a specific focus on providing the best quality housing for renters and their families.²³

Newark Property Owner 2, LLC appears to be a pseudonym that Harness Homes Group, LLC often uses when it buys properties. The deeds show that only six properties purchased by Harness Homes Group, LLC have been resold to other buyers. Most of the rest are sold to related LLCs, which appear to operate as holding companies. Harness Homes Group, LLC have a pattern of packaging groups of properties (roughly 20 at a time) into other New York based LLCs, most of which are located at 145 Spring Street, 3rd Floor. *145 Spring Street, 3rd Floor* in New York City is the address of StreetEasy, a web-based tool for finding and renting housing, owned by Zillow. The resales to other LLCs are generally for \$1 or \$0. The grid below summarizes various LLCs identified in the city’s recent deed data, and how the various transactions have been structured.

²³ See <https://www.harnesshomesgroup.com/bc/>



Table 5: An Illustration of Complex Transactions by Harness Homes Group, LLC

Harness Homes Group, LLC 145 Spring St, NY OR 902 Broadway, 6th Floor, NY https://www.harnesshomesgroup.com/bc/	Purchased 131 properties in Newark between 2016 and 2020Q1. Properties were purchased in all five wards but are concentrated in the South and West Ward. A few of these purchases were made by LLCs with slightly different names: <i>Harness Homes Borrower, LLC, Harness Homes Borrower II, LLC, and Harness Homes Borrower IV, LLC.</i>
Newark Property Owner 2, LLC Various. Most commonly: 145 Spring St, NY OR 201 Varick Street, FR1, PO BOX 526, NY	Purchased 117 properties in Newark between 2018 and 2020Q1. <i>Note: a few properties that were sold back and forth between Harness and Newark Property Owner 2.</i>
Apple Buys Houses, LLC 145 Spring St, NY	<i>Harness Homes Groups</i> sold 3 properties, and <i>Newark Property Owner 2, LLC</i> sold 17 properties to it on April 5, 2019 for \$0
Bird Buys Houses, LLC 145 Spring St, NY	<i>Harness Homes Groups, LLC</i> sold 20 properties to it on July 21, 2018 for \$0
Cloud Properties 1, LLC 145 Spring St, NY	<i>Harness Homes Groups</i> sold 4 properties, and <i>Newark Property Owner 2, LLC</i> sold 18 properties to it on July 30, 2019 for \$1
Major Properties, LLC 902 Broadway, 6th Floor, NY	Several <i>Harness Homes</i> LLCs (<i>Harness Homes Borrower II, LLC, Harness Homes Group, LLC, and Harness Homes Group Loans 1, LLC</i>) sell 20 properties to it on August 26, 2019
NJ Bowling, LLC 145 Spring St, NY	<i>Harness Homes Groups</i> sold 4 properties, and <i>Newark Property Owner 2, LLC</i> sold 14 properties to it on Nov. 1, 2019 for \$1
Rod Properties, LLC 145 Spring St, NY	<i>Harness Homes Group, LLC</i> (1 property) and <i>Newark Property Owner 2, LLC</i> (19 properties) On January 31, 2020, for \$0.
Sunrise Property Group, LLC 145 Spring St, NY	On November 21, 2019, <i>TNE Newark Properties, LLC</i> places those 22 properties into <i>Sunrise Property Group, LLC</i> for \$1.
TNE Newark Properties, LLC 145 Spring St, NY	On February 5, 2019, <i>Harness Homes Group</i> sold 10 properties to <i>TNE Newark Properties, LLC</i> for \$1. Later, <i>TNE</i> resells those 10 properties (plus 12 others that were purchased by <i>Harness Homes Groups</i> and not <i>TNE</i>) into <i>Sunrise Property Group</i> .

c) Lexington Property Group

Lexington Property Group acquires multi-unit properties, renovates them, and rents them out, managed through EZ Rent & Management. In their description of their activities, Lexington emphasizes that they revitalize their properties “both physically and financially”:

Through intensive renovations, hands-on management, and a firm commitment to tenant satisfaction, we ensure that every property purchased turns a profit, regardless of its original condition. Our flourishing portfolio encompasses a wide



range of properties across New York and New Jersey and continues to grow. As trusted property managers, we pride ourselves on our strong relationships with our tenants and investors, who know they can count on us for excellent living conditions and high returns, respectively.

Similar to Adar, Lexington's name does not appear on the purchase transactions, and the property manager's name, EZ Rent & Management, is only connected to a few properties. Nevertheless, 148 properties have been purchased by the exact street address where these companies are headquartered at 198 Central Ave, #2A in East Orange. Many additional properties have been purchased by 198 Central Ave, #2B, which CLiME suspects is the same company. However, we could not confirm this and therefore left it out of the total.²⁴

Lexington's general pattern is to purchase the properties with an LLC that is named for the property's location and shares the property's street address. Then, the LLC is sold to another LLC at the 198 Central Ave #2A address. This is a very common practice among real estate investors and is meant to provide an additional layer of liability limitation where an owner has multiple holdings any of which could produce a liability event.

2. Fully anonymous investors are active in Newark, especially in larger apartment and multifamily buildings

Anonymous investors are also very active in Newark's real estate, particularly in multifamily and apartment buildings. Some are spending tens of millions of dollars on real estate, but remain completely anonymous using various LLCs, often named after each property they acquire. CLiME identified three of the largest anonymous equity buyers in Newark's residential real estate market. Unlike the real estate firms buying up Newark's real estate, many of these anonymous buyers are focused on larger-scale apartment properties, particularly in the North Ward.

The largest of the anonymous investors (based in Montvale, NJ) has spent at least \$80 million amassing at least 49 multifamily properties with more than 800 units, all of them in the North

²⁴ The deed data contains one single-family property that Lexington bought for \$600 million (at 117 N 11TH ST in Lower Roseville). CLiME assumes this is an error and omitted it from the total.



Ward. Another multifamily investor (based in Clifton NJ) has spent at least \$39 million on 18 properties with more than 365 units, also all in the North Ward.

The third anonymous investor is different from the other two. While still anonymous, this investor buys many of its properties with variations of ‘FDF’ or ‘First Data Filing’. FDF is acquiring many smaller 1-4 unit residential properties, as well as some larger multifamily residential properties, primarily in the South and West Wards. FDF also purchases non-residential and mixed-use real estate in the Central Ward, so its footprint in Newark is larger than what it captured in Table 6.

Table 6: Anonymous Buyer Transactions

Investor Buyer Companies' Address	Total Buyer Transactions	Total Properties	Amount (\$)
1. Anonymous in Montvale NJ: <i>110 Chestnut Ridge, #301 in Montvale NJ</i>	69	49 (800+ units)	\$80.5 million
2. First Data Filing (FDF) Companies at: <i>900C Lake St, #11 in Ramsey NJ</i>	196	96	\$19.4 million
3. Anonymous in Clifton NJ: <i>54 Lennox Ave, Clifton NJ</i>	18	18 (365+ units)	\$38.8 million

d) Anonymous in Montvale NJ

The largest institutional investor that CLiME identified in the data, by dollar volume, is a fully anonymous investor based in Montvale, New Jersey. Various LLCs out of an address at 110 Chestnut Ridge, #301 in Montvale NJ have spent more than \$80 million acquiring multifamily and apartment buildings in the North Ward. Combined these buildings contain more than 800 units.

In 2018, this investor purchased Forest Hills Terrace for \$50 million from the Kamson Corporation, using an entity called Forest Hills, LLC. Forest Hills is a 480-unit garden apartment complex in the North Ward. There is no traceable public information about the identity of this mysterious LLC entity who spent such large sums of money to acquire so many properties.



Media reports describe the buyer simply as a long-term client of Gebroe-Hammer, a brokerage firm focused on multi-family investment sales. They indicate this is a “private family office entity” with “numerous holdings citywide”.²⁵ The Kamson Corporation was also an institutional owner. However, Kamson was fully transparent in their ownership. The property owner listed is the Kamson Corporation, they made public statements when they purchased and sold the properties, according to their website.²⁶

e) FDF, or First Data Filing, in Ramsey, NJ

FDF Holdings, LLC and related entities that primarily operate out of a Ramsey, NJ address, purchased at least 91 1-4 unit parcels (191 real estate transactions) between 2016 and 2019. FDF and its related LLCs are completely anonymous. There is no web-presence for FDF, or “Fair Data Filing, LLC”, which CLiME assumes is the full name of FDF based on an analysis of the deed data. Based on CLiME’s analysis of the deeds, the entities related to FDF include: FDF 2, LLC, FDF 3, LLC, FDF 4, LLC, First Data Filing, LLC, NJ First Data Filing LLC, CYT Holdings LLC, Newark PP1 LLC, Newark PP2 LLC, Newark PP3 LLC, and Newark 7th LLC. We can find a few individual names attached to some of these entities, but nothing more.

Yet, while they remain essentially anonymous, the extent of their real estate activity in Newark is striking. In addition to quietly spending millions of dollars acquiring more than ninety parcels in every ward of the city in just three years, this group of corporations has also acquired several of the most expensive parcels in the city, and has proposed dozens of new large-scale development projects throughout the city.

In 2018, FDF acquired the historic Griffith Piano Building on Broad Street, next to Hahne & Co Property, for \$6.4 million.²⁷ Other larger-scale projects in the Central Ward include conversion of the Coe Mansion into apartments²⁸, a 51-story tower²⁹, and two smaller adaptive

²⁵ See <https://www.globest.com/2018/03/26/another-major-multifamily-sale-in-newark-as-forest-hill-terrace-trades-for-50m/?slreturn=20220215094735>

<https://www.tapinto.net/towns/newark/sections/real-estate/articles/452-unit-forest-hill-terrace-apartments-in-newark>

²⁶ See <https://www.kamson.net/>.

²⁷ <https://jerseydigs.com/another-proposed-restoration-historic-griffith-building-605-607-broad-street-newark/>

²⁸ <https://jerseydigs.com/coe-mansion-residential-conversion-proposed-mlk-boulevard-newark/>

²⁹ <https://jerseydigs.com/developer-proposes-51-story-tower-892-894-900-broad-street-newark/>



reuse projects converting 19th century buildings into apartments near Lincoln Park³⁰. FDF also purchased the Hospital for Women and Children at 536-540 Central Ave for \$1.3 million in 2018. They subsequently sold it for \$3.6 million to an organization called 540 Central, LLC which is based in the Village of Airmont, New York.³¹ CLiME suspects this is a related institution, because 1) an entity called First Data Filing, LLC has a mailing address in Airmont, 2) this appears to be the full name for the acronym FDF, and 3) First Data Filing, LLC frequently buys and sells Newark property from and to the Ramsey, NJ address. There is also an entity called NJ First Data Filing, LLC listed on several properties with the Ramsey, NJ address.

FDF appears to include five corporations, FDF 2 LLC, FDF 3 LLC, FDF 4 LLC, and FIRST DATA FILING LLC and NJ FIRST DATA FILING LLC. FIRST DATA FILING LLC operates out of multiple addresses across different sates, but NJ FIRST DATA FILING LLC shares an address with the FDF LLCs, at 900C Lake Street in Ramsey NJ.

These corporations then sell the properties to various other LLCs for \$10 each. These pass-throughs include CYT Holdings, Newark PP1, NEWARK PP2 or NEWARK PP3. Newark PP1/2/3 LLCs use a Newark address, at 24 Commerce Street, Suite 1501. This particular address and suite are associated with 28 different companies.³²

³⁰ <https://jerseydigs.com/adaptive-reuse-planned-historic-buildings-lincoln-park-newark/>

³¹ <https://jerseydigs.com/newarks-vacant-hospital-for-women-and-children-sells-for-3-6m/>

³² See <https://www.bizapedia.com/addresses/24-commerce-st-suite-1501-newark-nj-07102.html>.





Why are the transactions so complex?

One reason that investor identities are so difficult to know is that the transactions by which properties are secured are surprisingly complex. The FDF string of companies illustrates how some transactions occur.

The FDF LLCs acquire some properties from individuals, but often purchase them from other LLCs. For example, YSH NJ LLC sold twenty properties to FDF 2 LLC or FDF 3 LLC within three days of acquiring them in 2017. And, the FIRST DATA FILING, LLC out of Airmont, NY also purchases Newark properties from various sellers, including out of HUD, and passes them on to NJ FIRST DATA FILING, LLC.

Here are a few examples of how this works:



- 127 Park Street in the Seventh Avenue neighborhood. In July, 2017, the property was purchased from an individual by YSH NJ LLC for \$199,000. The next day, YSH NJ LLC sells it to FDF 2 LLC for \$265,000. Six months later, FDF 2 LLC sold the property to CYT Holdings LLC for \$10. Four months later, CYT Holdings LLC sold the property back to FDF 2 LLC for \$1.
- 363 S 20th Street is located in the Fairmount neighborhood. In August 2017, YSH NJ LLC acquired it from RG Companies LLC for \$150,000. Three days later they sold it to FDF 3, LLC for \$235,000. In February, 2018, FDF 3, LLC sold it to CYT Holdings for \$10. One year later, CYT Holdings sells the property for \$10 to NEWARK PP2, LLC.
- 722-724 in West Side Park was acquired by FIRST DATA FILING LLC in New York from PennyMac Loan Services in 2018 for \$95,100. It was sold by the NJ FIRST DATA FILING LLC to FDF 4 LLC later the same year.

CLiME spoke to real estate transactions experts to better understand why these deals are so complex. We first assumed that the forms of the transactions were driven by tax consequences, but that does not appear to be the case here. Experts explained that the use of batches of properties in LLCs may be to offer investors separate investment options. That is, batching allows for pooling investments by asset groups. Investors may then buy into multiple interests. Alternatively, batching may be for debt or mortgage purposes or to gain leverage. However, this seemed less likely, given that most of these deals are for cash—financing would be too slow and costly—with the investors already lined up.

No one we consulted could explain the deal logic of so many back-and-forth trades of the same properties to what appear to be the same companies under new names. One expert described it as “atypical.”

Who are the investors?

Finally, who are the actual investors who buy into these SFR and other housing LLC opportunities? Their identities are also hidden from public scrutiny by federal and state securities laws that exempt these investment vehicles from disclosure requirements. Neither the terms of the investment nor the investors must be disclosed. We were told by more than one



expert that these are word-of-mouth investors—“friends and family” deals. Private investor networks arise through introductions and other non-public, less formal means. Whatever the mechanism, both investors and investor opportunities are not the kind covered by Securities Exchange Commission public disclosure rules. Many investment offerings qualify as private placements. Investors are individuals with incomes over statutory thresholds—usually a few hundred thousand dollars a year. Anecdotally, people with knowledge of these investor networks described many investors as dental groups, doctors and other professionals already with institutional investment relationships that yield invitations to buy stakes in home buying LLCs. However, identifying them in detail beyond the scope of this study. The public is unlikely to be able to invest in these vehicles. Our attempts to gain access to investor opportunity were still unanswered when this report went to press.



IV: Patterns by Neighborhood and Blocks

1. Neighborhood and Block Investor Transactions

Investors in smaller 1-4 unit buildings are heavily concentrated in the West and South Wards. Within this part of the city, there are five neighborhoods have been the most heavily targeted: Weequahic, Upper Clinton Hill, West Side Park, Fairmount, and Vailsburg. In each of these neighborhoods, investors made at least 650 purchases between 2017 and 2020Q1 (See Table 7). Many of these are multiple transactions on the same property.

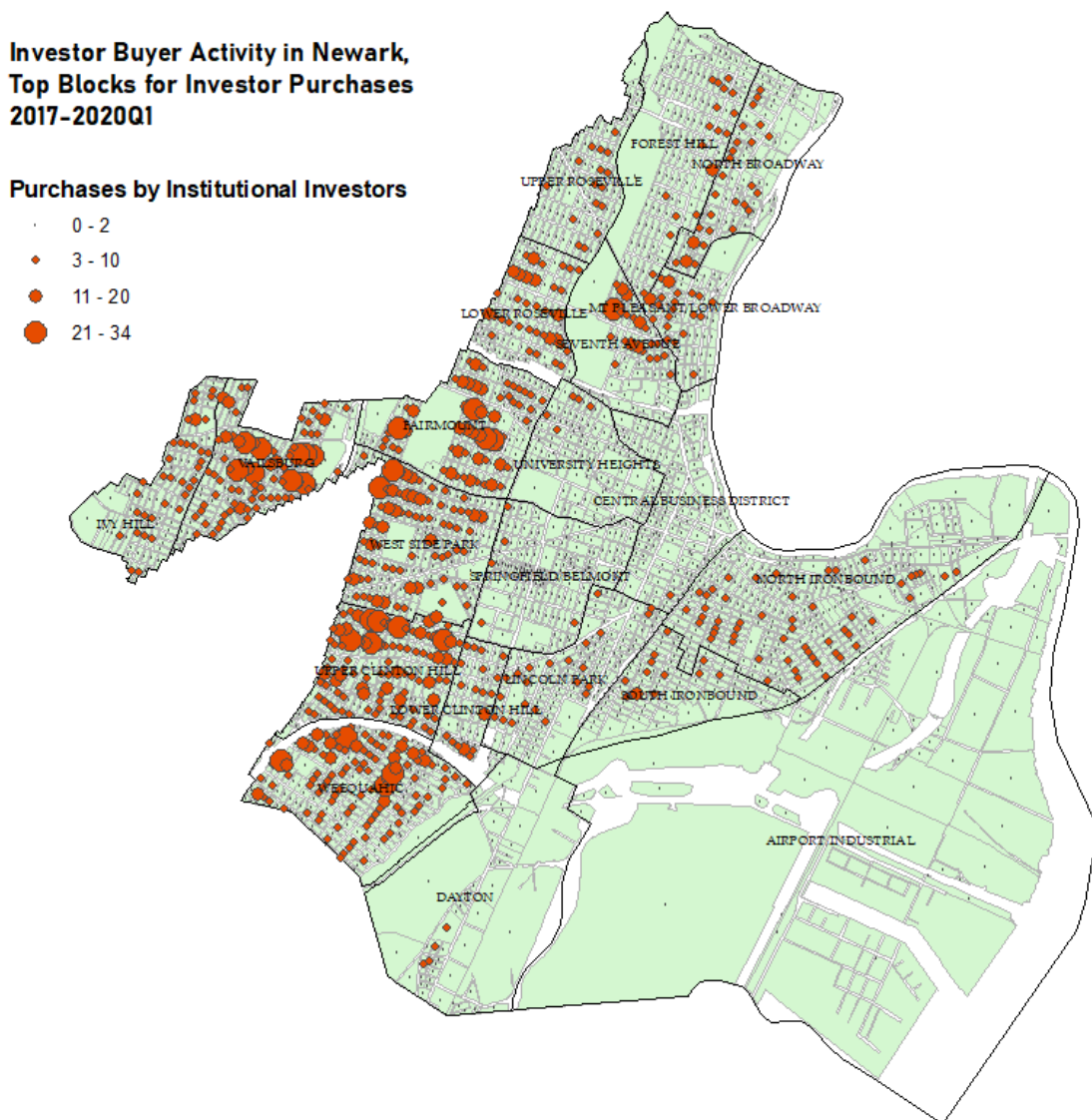
Table 7: Investor Sales by Neighborhood (2017 and 2020Q1)

Neighborhood	Investors (%)	Residential Sales
Central Business District	43%	49
Dayton	33%	83
Fairmount	56%	1112
Forest Hill	22%	540
Ivy Hill	33%	626
Lincoln Park	39%	342
Lower Clinton Hill	48%	202
Lower Roseville	44%	590
Mt Pleasant/Lower Broadway	43%	231
North Broadway	34%	457
North Ironbound	31%	806
Seventh Avenue	46%	409
South Ironbound	35%	197
Springfield/Belmont	37%	60
University Heights	36%	95
Upper Clinton Hill	55%	1524
Upper Roseville	22%	373
Vailsburg	47%	1513
Weequahic	47%	1591
West Side Park	55%	1180



Investor activity is often highly concentrated spatially, with twenty or even thirty investor purchases on a single block. Map 2 shows the number of investor purchases by municipal block. The largest dots indicate blocks where CLiME identified more than 20 single and multifamily residential purchases by investor buyers between 2017 and 2020Q1. Each of the five neighborhoods in the West and South Wards have some of these most concentrated blocks. These are Vailsburg, Fairmount, West Side Park, Upper Clinton Hill, and Weequahic.

The slightly smaller dots capture blocks where there were 11-20 residential purchases by investor buyers from 2017 through 2020Q1. Each of the five neighborhoods have some of these blocks with elevated investor sales. In addition, several blocks fall into this elevated category in Lower Roseville and Seventh Avenue along the boundary between the North/West/Central Wards.



2. Analysis of heavily targeted neighborhoods

CLiME’s neighborhood analysis focused on the top five most targeted neighborhoods: Fairmount, Upper Clinton Hill, Vailsburg, Weequahic, and West Side. For these neighborhoods, CLiME focused on the number of unique properties that have been acquired by investors, rather than on the total number of transactions within a particular neighborhood.

In each neighborhood, more than half of all properties purchased between 2017 and 2020Q1 were bought by institutional investors. In Fairmount, West Side, and Upper Clinton Hill more than 60 percent of all properties that were purchased were bought by investors.

Across these five neighborhoods, investors bought more than 2,500 unique properties during this time period. CLiME’s analysis of single and multifamily deeds identified that investors bought 608 properties in Upper Clinton Hill, 572 properties in Weequahic, 511 properties in Vailsburg, 461 properties in West Side Park, and 429 properties in Fairmount.

Almost a quarter of these properties was purchased by four investors explored in the last section of this report: Adar Capital, Harness Homes Group, Lexington property Group and the FDF LLCs. All four of these investors has focused intensely on acquiring properties in these particular areas. At least 70 percent of the properties they bought are in these five neighborhoods.

Table 8: Investor purchased properties by largest investors, top 5 neighborhoods, 2017-2020Q1

	Investor Purchases (Buildings)	Adar Capital	Harness Homes Group	Lexington Property Group	FDF LLCs	Share of Sales by 4 Investors
Fairmount	429	42	38	26	18	29%
Upper Clinton Hill	608	46	37	23	15	20%
Vailsburg	511	31	63	20	14	25%
Weequahic	572	35	8	18	7	12%
West Side Park	461	53	46	17	29	31%
Share of Properties in 5 Neighborhoods		74%	79%	70%	86%	23%



In Fairmount, Adar Capital has bought 42 properties, Harness Homes Gup bought 38 properties, Lexington property Group bought 26 properties, and the FDF LLCs bought 18 properties. These four companies bought roughly 29 percent of all the investor-purchases in Fairmount. Fairmount has very few properties with more than five units. All of the investor activity is in smaller buildings with no more than a few units.

In West Side Park, Adar purchased 53 properties, Harness Homes bought 46 properties, FDF purchased 29 properties, and Lexington Property Group purchased 17 properties. The general pattern in West Side Park is similar to Fairmount, with these four investors accounting for 30 percent of all investor purchases. However, there is some multifamily housing stock. In West Side Park, Adar purchased two six-unit apartments, and FDF LLCs have purchased three larger properties with more than 13 units. FDF has also proposed developing several new multifamily properties in this neighborhood. Three of those proposals were for five-story buildings, and some were for much larger apartment towers.

In Vailsburg, Harness Homes Group is particularly active with 63 property acquisitions, more than twice as many as any other investor. Adar Capital, LLC bought 31 properties in Vailsburg. Yet, Adar's footprint includes four multifamily properties, which combined have more than 24 units. Lexington Property Group has 23 properties in Vailsburg, and the FDF LLCs have 14 properties. Together, these four investors account for one-quarter of all the investor activity in Vailsburg.

In Upper Clinton Hill, Adar Capital purchased 46 properties, Harness Homes purchased 37 properties, Lexington Property Group bought 23 properties and the FDF LLCs bought 15 properties. Adar Capital also has two apartment buildings, with a combined 37 units. Together, these four investors account for a slightly smaller share of purchases in Upper Clinton Hill, closer to 20 percent.

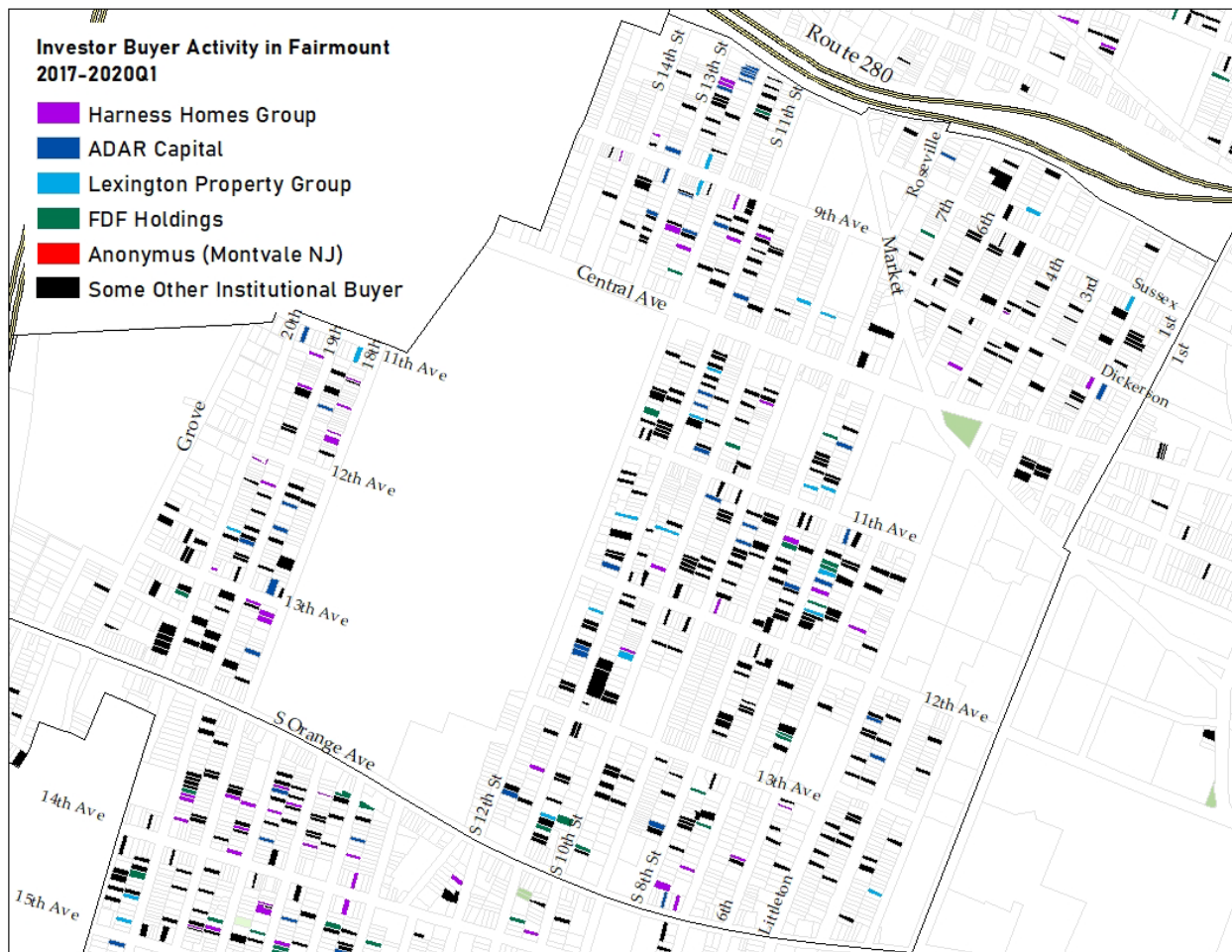
In Weequahic, Adar purchased 35 properties, Lexington Property Group purchased 18 properties, Harness Homes bought 8 properties, and FDF purchased 7 properties. The four investors only account for 12 percent of the investor activity in Weequahic. Harness Homes and the FDF LLCs are much less active here than in the other four neighborhoods.



Fairmount

CLiME identified 429 unique properties (618 transactions) that were purchased by institutional investors between 2017 and 2020Q1 in Fairmount. CLiME was able to identify that 29 percent of these properties were acquired by Adar Capital, Harness Homes Group, Lexington Property Group, or the FDF LLCs. Adar Capital purchased 42 properties, Harness Homes Group purchased 38 properties, Lexington Property Group purchased 26 properties, and FDF purchased 18 properties.

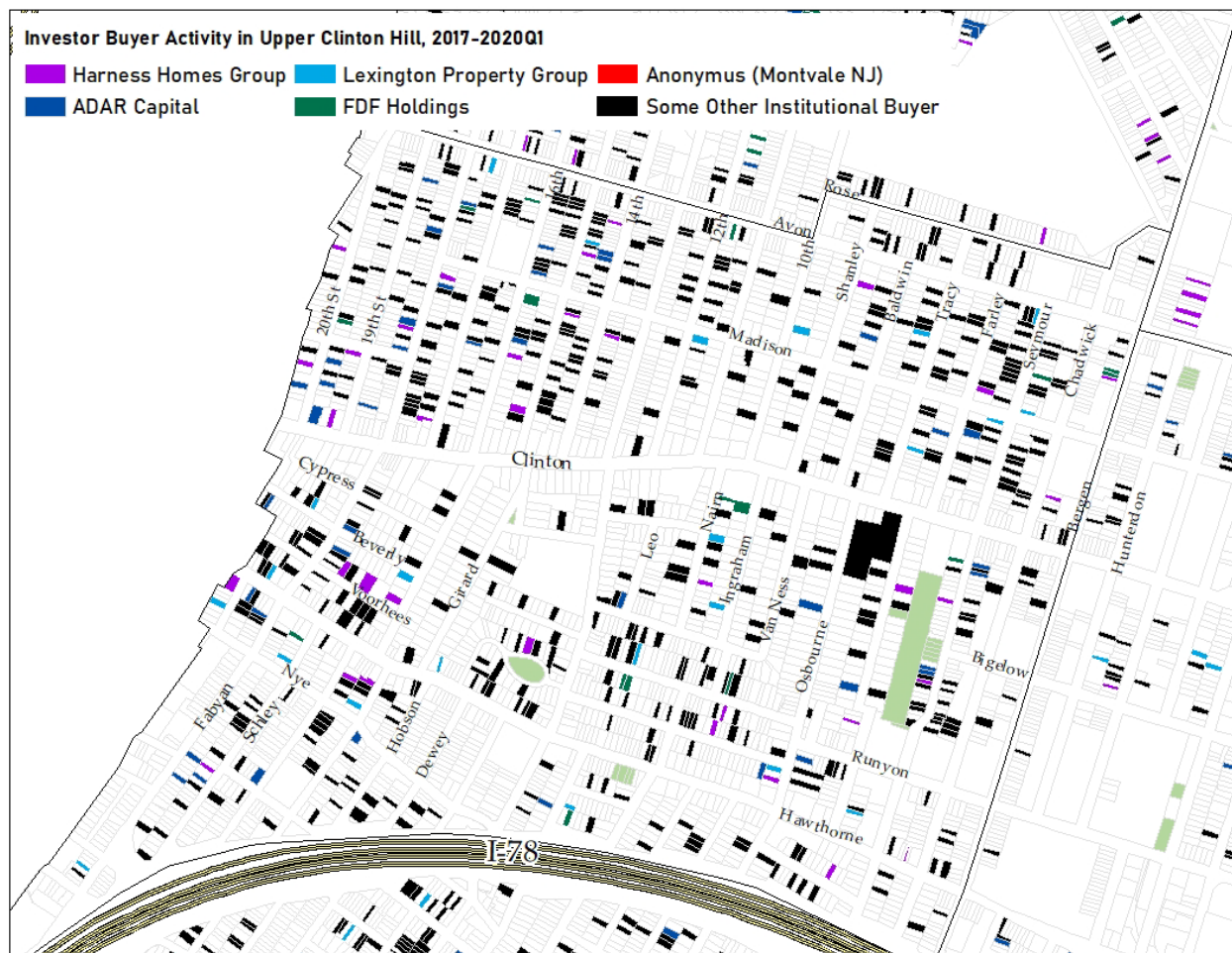
The map below shows all the properties in this neighborhood that were purchased by institutions. The properties purchased by Harness are in purple, by Adar in dark blue, by Lexington in light blue, and by FDF in green. The other properties with unknown institutional buyers are colored in black. Investor purchases are particularly concentrated between Central Ave and 13th Avenue, from 6th to 12th Streets.



Upper Clinton Hill

CLiME identified 608 unique properties (835 transactions) that were purchased by institutional investors between 2017 and 2020Q1 in Upper Clinton Hill. CLiME was only able to identify that 20 percent of these properties were acquired by Adar Capital, Harness Homes Group, Lexington Property Group, or the FDF LLCs. In Upper Clinton Hill, Adar Capital purchased 46 properties, Harness Homes Group purchased 37 properties, Lexington Property Group purchased 26 properties, and FDF purchased 18.

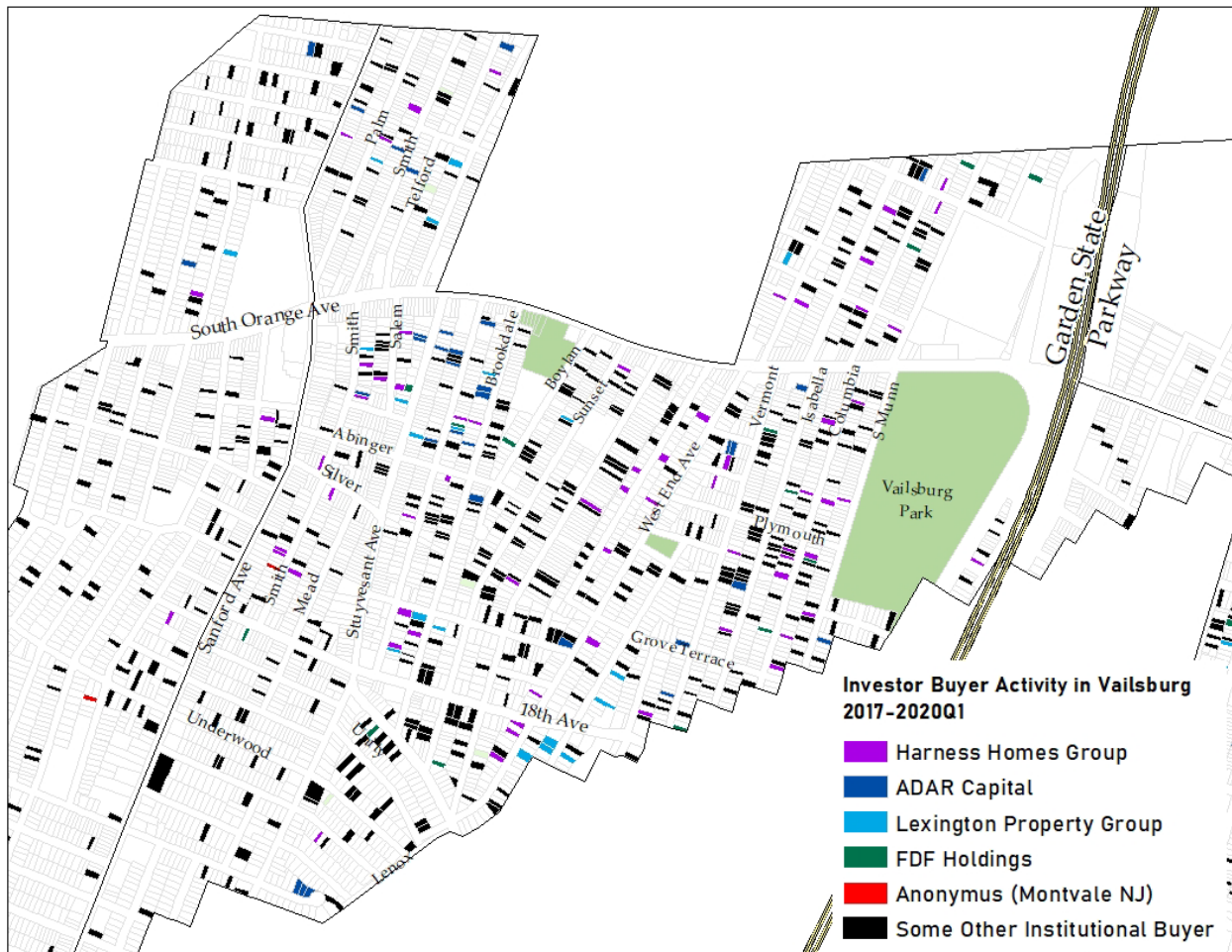
The map below shows all the properties in this neighborhood that were purchased by institutions. The properties purchased by Harness are in purple, by Adar in dark blue, by Lexington in light blue, and by FDF in green. The other properties with unknown institutional buyers are colored in black.



Vailsburg

CLiME identified 511 unique properties (711 transactions) that were purchased by institutional investors between 2017 and 2020Q1 in Vailsburg. CLiME was able to identify that 25 percent of these properties were acquired by Harness Homes Group, Adar Capital, Lexington Property Group, or the FDF LLCs. Harness Homes Group purchased 63 properties, Adar Capital purchased 31 properties, Lexington Property Group purchased 20 properties, and FDF purchased 14 properties.

The map below shows all the properties in this neighborhood that were purchased by institutions. The properties purchased by Harness are in purple, by Adar in dark blue, by Lexington in light blue, and by FDF in green. The other properties with unknown institutional buyers are colored in black.



Weequahic

CLiME identified 572 unique properties (747 transactions) that were purchased by institutional investors between 2017 and 2020Q1 in Weequahic. CLiME only identified the purchaser for 12 percent of these properties as Adar Capital, Harness Homes Group, Lexington Property Group, or the FDF LLCs. In Weequahic, Adar Capital purchased 35 properties, Lexington Property Group purchased 18 properties. Harness Homes Group purchased just 8 properties and FDF purchased just 7.

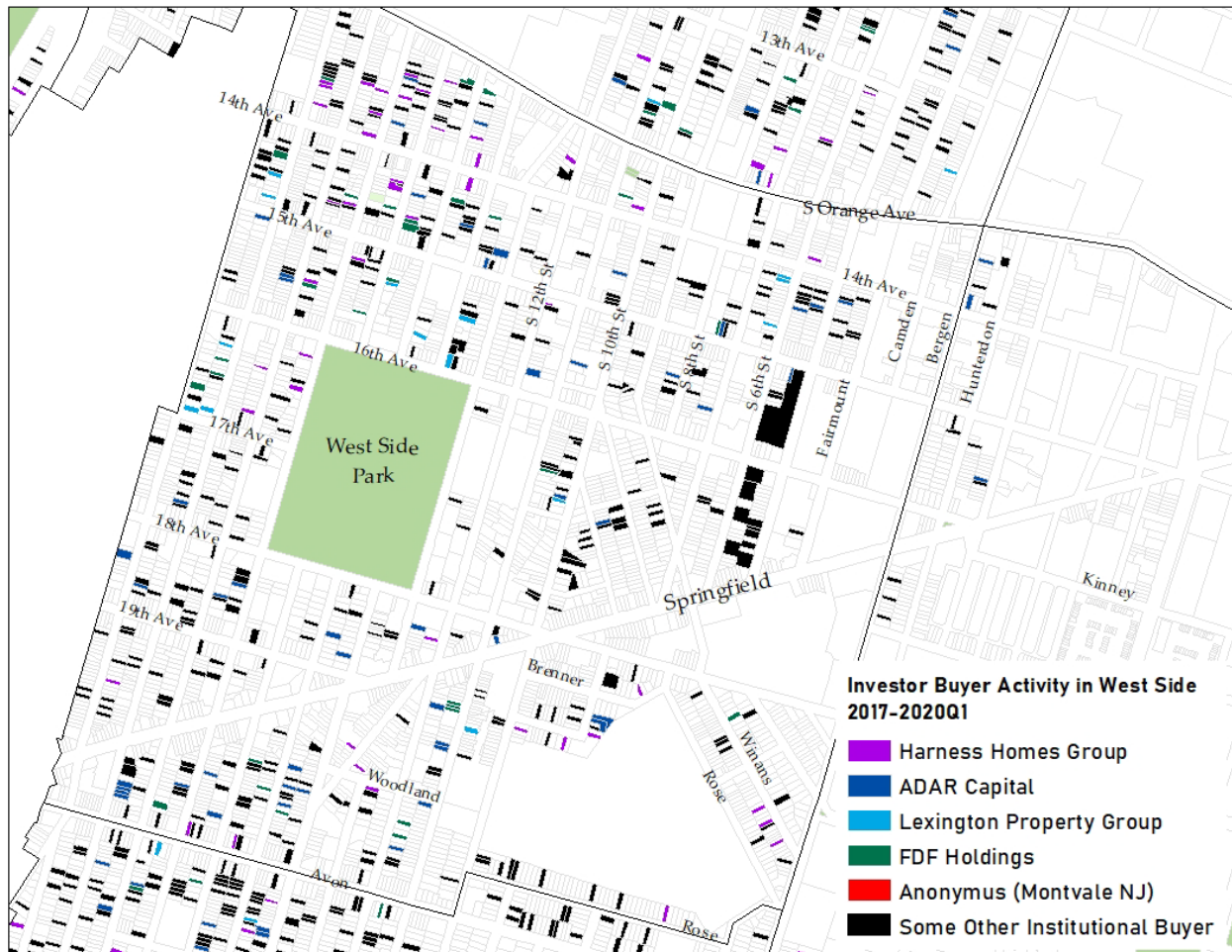
The map below shows all the properties in this neighborhood that were purchased by institutions. The properties purchased by Adar in dark blue, by Lexington in light blue, by Harness are in purple, and by FDF in green. The other properties with unknown institutional buyers are colored in black.



West Side Park

CLiME identified 461 unique properties (647 transactions) that were purchased by institutional investors between 2017 and 2020Q1 in West Side Park. CLiME was able to identify that 31 percent of these properties were acquired by Adar Capital, Harness Homes Group, Lexington Property Group, or the FDF LLCs. In West Side Park, Adar Capital purchased 53 properties, Harness Homes Group purchased 46 properties, FDF purchased 29, and Lexington Property Group purchased 17 properties.

The map below shows all the properties in this neighborhood that were purchased by institutions. The properties purchased by Harness are in purple, by Adar in dark blue, by Lexington in light blue, and by FDF in green. The other properties with unknown institutional buyers are colored in black.



Lower Roseville

The patterns of investor buying are different in the North Ward. Compared to the other neighborhoods highlighted in this report, Lower Roseville is experiencing significant concentrated activity by investors in multifamily and apartment buildings. The anonymous investors from Montvale, NJ and Clifton, NJ are particularly active here. The Montvale investor purchased significant property between 8th and 11th Streets, just south of Park Ave (shown in red below). The Clifton investor's properties are further north near Kasberger Field.

The map below shows all the properties in this neighborhood that were purchased by institutions. The properties purchased by Harness are in purple, by Adar in dark blue, by Lexington in light blue, and by FDF in green. The other properties with unknown institutional buyers are colored in black.



The anonymous LLCs from Montvale, NJ has been particularly active in Lower Roseville. LLCs out of the 110 Chestnut Ridge address in Montvale have purchased 13 multifamily buildings in Lower Roseville, which combined are more than 270 units. These are colored in red on the map below. In addition, anonymous LLCs out of the 54 Lenox address in Clifton have purchased four multifamily properties with an unknown number of units. These are clustered in the northeast section of the neighborhood, and are colored in orange. Lexington Property Group purchased 1 multifamily building with 50 units, as well as 5 smaller 1-4 unit buildings.

The other LLCs popular in the other neighborhood featured here are less active in Lower Roseville. Adar Capital acquired 10 properties, Harness Homes Group acquired 9 properties, and FDF LLCs acquired 5 properties. These are concentrated on a number of blocks north of Park Avenue and South of 6th Avenue.



V. Legal and Policy Conclusions

This report has documented the local impacts of a national problem—the rapid purchasing of smaller residential properties by institutional investors. A growing number and types of neighborhoods are affected, from suburban subdivisions to beachfront properties to lower-income areas. They are vulnerable to market capture by investors interested more in rising profits than household wealth or community stability. Each is grappling with the superior power of large-scale outside capital by using whatever regulatory authority and economic leverage they have. Newark’s experience makes clear that what may be a problem for many is a worse problem for some. The class and race of Newark’s affected neighborhoods compounds the threat of displacement, tenant churn, reduced homeownership, flipping and community instability. We explore those differences next before setting out recommendations for local action.

The common problems that communities facing corporate buyer activity start with affordability and wealth creation. Investment buying increases the ratio of renters over owners in a neighborhood of smaller homes and makes higher rents more likely. In turn, this may price out traditional homebuyers, either because investors have driven up home prices, because interest rate hikes deplete buyers in the market over time or because investors with cash offers simply beat out traditional buyers. Curbing corporate buying of certain kinds of residential homes is a public interest.

All of these factors are worse in Newark’s neighborhoods. First, the rate and amount of corporate buying is greater—perhaps because the cost of entry is low compared to the metropolitan market. Second, the affordability gap is already greater than most other places because of the lower incomes of residents. Third, the local homeownership rate was already low, in part because of incomes but also because of wealth lost to foreclosures that has not been restored since the Great Recession. Fourth, these neighborhoods have been the target of predatory corporate practices before. The lack of affordability, housing displacement risk and barriers to homeownership now bear the marks of decades of land use practices—like redlining, predatory lending and reverse redlining—that created widespread housing insecurity in the first



place. Finally, where factors like these converge to reduce homeownership opportunities, neighborhoods struggle to maintain cohesion, public safety and sustainable social networks along with the institutions they nurture.

The operation of these factors in Newark neighborhoods demonstrates not only that there is a vital public interest to be served by regulating corporate buying so that it is not a destructive economic force, but it also shows how that broader public interest in neighborhood housing and economic stability and stakeholderism is often racialized in American land use practices.

This blended conception of the public interest supporting regulation suggests four objectives of an effective regulatory regime:

- To maintain affordability of rents and homeownership
- To discourage speculation
- To promote a balance of community stability factors
- To demand transparency of ownership

These objectives overlap. In tandem they make up the core of preliminary legal arguments to justify concrete reform proposals. The reform project is based on the recognition that free market capitalism in legacy cities with large populations of economically disadvantaged residents requires equity. Investment is good for Newark, especially after so many decades of disinvestment. But residential markets are not all made equal, and the interests of residents are more than the rents they pay. Equitable regulation of Newark's housing markets is therefore due. We briefly discuss some of the legal issues next before offering several recommendations Newark can implement that correspond to these four objectives.

In Defense of Regulating Neighborhood Investor Buying

The question of how to legally regulate investor buying raises the issues of who has the power to make free markets more equitable and what can they do that doesn't trample on the constitutional rights of owners of property. Can private individuals bring legal actions against owners of real estate? Not typically. In other cases, homeowner associations and condo or coop boards can pass rules that bind the activities of all owners by contract, as many are



beginning to do in the face of investor buyer activity for rental purposes.³³ But there are no such contractual bonds in these Newark neighborhoods. Instead, the main power to regulate investor buying lies with city and state government, primarily over a property's usage.

The argument for Newark's enacting regulations to curb the ill effects of so much investor home buying is to protect the public's interest in maintaining adequate supply of affordable housing, expanding homeownership, maintaining housing stability for families with school-age children, ensuring that housing meets legal standards of habitability and preventing vacancy. Each of these goals is a legitimate governmental objective; most represent settled law. The municipality has both the legal power to regulate for these objectives and the facts have already demonstrated the need.

Regarding Newark's power, it begins with the federal constitution and ends with New Jersey's constitution and state laws. Under the Tenth Amendment of the U.S. Constitution, a state or local government may enact any housing regulation provided it is constitutional, does not conflict with state or federal regulation, is not arbitrary or unreasonable, and has a substantial relation to public health, safety, and general welfare.³⁴ This constrains government from enacting regulations that impinge on private property rights by depriving the owner of due process or taking property without just compensation.³⁵ The federal constitutional framework is largely mirrored by New Jersey's constitution,³⁶ though the Home Rule³⁷ and Police Power³⁸ statutes give municipalities in New Jersey the widest discretion to regulate land use in the public interest. This includes the power to regulate through taxation,³⁹ including a broad range of economic activities.⁴⁰ One size need not fit all. Despite the fact that investor buying is affecting an array of New Jersey's municipalities, New Jersey courts have recognized that Newark may

³³ See Will Parker and Nicole Friedman, "Homeowner Groups Seek to Stop Investors from Buying Houses to Rent," *The Wall Street Journal*, April 18 2022, available at <https://www.wsj.com/articles/homeowner-groups-seek-to-stop-investors-from-buying-houses-to-rent-11650274203>.

³⁴ *Euclid v. Ambler Realty Co.*, 272 U.S. 365 (1926).

³⁵ *Nollan v. Cal. Coastal Com.*, 483 U.S. 825 (1987); *Dolan v. City of Tigard*, 512 U.S. 374 (1994); *Penn Cent. Transp. Co. v. New York City*, 438 U.S. 104 (1978).

³⁶ N.J. Const., Art. IV, Sec. VII, Para. 11.

³⁷ N.J. Stat. § 40:42-4.

³⁸ N.J. Stat. § 40:48-2.

³⁹ N.J. Stat. § 40:69A-29.

⁴⁰ N.J. Stat. § 40:52-1.



choose a regulatory approach that fits its circumstances rather than require uniformity across all cities in the state.⁴¹ What's important is that the activity being taxed is closely related to the tax, and that the municipality has a reasoned and significant basis for the policy.⁴²

Regarding the nexus between the city's power to regulate and its need, this report's findings are clear. First, Newark is facing an affordability crisis, measured not only in the gap between supply and demand. The City has already created an Office of Tenant Legal Services specifically to prevent evictions by offering indigent tenants free legal counsel; passed and is attempting to strengthen an inclusionary zoning ordinance; pledged over \$20 million to build more affordable housing; and spent tens of millions of federal Emergency Rental Assistance Program funds on helping Newarkers behind in their rents because of the pandemic.⁴³

Second, the City has set aside funds for first-time homeowner assistance and years ago experimented with a policy of selling abandoned Newark homes for nominal fees in order to promote homeownership. Yet, as we reported earlier, homeownership rates are *lowest* in the wards where investor buyers are most active.

Third, renters are a historically transient population, especially poor and low-income renters. Transiency is a well-documented problem for school attendance, leading to declines in children's educational performance.⁴⁴ Transiency is also a significant problem for keeping families in the child welfare system intact.⁴⁵ Rising rents and aggressive evictions promote transiency and threaten housing stability for the most vulnerable families.

Fourth, habitability standards in investor-owned homes are statistically at greater risk of falling below. This has real public health implications for tenant families as well as increased administrative costs for the City's Office of Code Enforcement. Add to it our earlier discussion

⁴¹ *Inganamort v. Borough of Fort Lee*, 62 N.J. 521 (1973).

⁴² *Id.*

⁴³ Troutt and Nelson, et al., *The New Jersey Housing Crisis in the Covid Era: Mapping Strategic Processes*, Feb. 24, 2022, at <https://www.clime.rutgers.edu/publications-filtered/the-nj-housing-crisis-in-a-covid-era>.

⁴⁴ See, e.g., Farah Z. Ahmad and Tiffany Miller, "The High Cost of Truancy," Center for American Progress, August 2015 ("In 2012, an estimated 7.5 million students were chronically absent nationwide, and, according to several studies, low-income students and students of color were more likely to be absent."), available at <https://cdn.americanprogress.org/wp-content/uploads/2015/07/29113012/Truancy-report4.pdf>.

⁴⁵ Amy Dworsky, *Families at the Nexus of Housing and Child Welfare* Washington, D.C.: First Focus, 2014, available at <https://firstfocus.org/wp-content/uploads/2014/12/Families-at-the-Nexus-of-Housing-and-Child-Welfare.pdf>.



of perverse incentives by which some institutional landlords may benefit from allowing repairs to go unattended, and the need for to regulate for greater health and safety checks on investor rental properties is manifest.

Finally, preventing vacancies is a well-established governmental interest, as demonstrated by the New Jersey legislature’s decision to pass laws to curb it (e.g., APRA) and for the courts to construe blight laws to prevent it.⁴⁶ Vacant homes represent more than speculation, but eyesores, nuisances that attract pestilence and squatters and risks of higher crime. For these reasons, Newark has a formidable legal basis on which to act. The recommendations that follow suggest some specific steps that Newark can take to address the interests of its residents.



⁴⁶ *Gallenthin Realty v. Borough of Paulsboro*, 191 N.J. 344 (2007).



VI. Recommendations

Given our conclusions from the analysis and some consideration of the legal boundaries available to cities and residents, we recommend a combination of approaches. Each addresses one or more of the five objectives. All support the public interest in municipalities acting to impose equitable constraints on real estate markets to promote the general welfare of households and individuals.

I. To maintain affordable rents and homeownership

- 1) Newark should impose fees on renting and landlord registration. Revenues should primarily be dedicated to its Affordable Housing Trust Fund and the rest to administration.
- 2) For all properties not subject to rent control, Newark should enact a tax on rent increases beyond a reasonable amount—e.g., 20 percent tax on every annual increase over 5 percent--whose revenues are dedicated to its Affordable Housing Trust Fund.

Rationale: Even though renting one’s property is a right, cities like Newark already impose regulatory restraints on unreasonable rents through regimes like rent control. Imposing a registration fee on the ability to rent is common.⁴⁷ The business model of corporate residential ownership explicitly seeks higher rents, compounding an already serious problem of affordability for Newark households. A fee on renting contributes to the production and preservation costs of affordable housing, even as corporate renting raises those costs to renters. The tax on rent increases over 5 percent for non-rent controlled units simply sets a numerical standard for what New Jersey common law currently calls “reasonable.” Landlords who wish to charge more would now know what is legally reasonable and have the option to pay more in taxes in order to charge more in rent.

- 3) Newark should pass a RIGHT OF FIRST REFUSAL ordinance in order to give certified non-profit housing developers first offer/first refusal rights to purchase city-owned parcels and vacant land.

⁴⁷ The City of Miami Beach, for instance, requires landlord registration, fees and a total limit of short-term rentals in areas zoned to allow them. <https://www.citynmb.com/DocumentCenter/View/5226/Short-Term-Rental-Registration-Application>. Miami-Dade County has similar registration requirements.



- 4) New Jersey should pass a law prohibiting sellers at foreclosure auctions from bundling homes together and selling them to a single buyer. Instead, foreclosed homes would first have to be offered for sale to individual buyers who promise to live in the home.

Rationale: These reforms empower the City to maximize its citizen-owned land in order to promote the goal of affordable housing, whether for rents, homeownership or a larger community purpose such as community lands and housing cooperatives. Corporate buyers are not entirely excluded, but buyers who more directly advance the public interest are given priority over the purchase of public assets. San Francisco has passed such an ordinance⁴⁸ and the State of California has passed such a law.⁴⁹

- 5) Step up code enforcement to avoid displacement and increase compliance reporting requirements for owners of more than five properties.

Rationale: Code enforcement is an expensive challenge for many cities, though Newark has made significant progress in recent years. However, one of the risks identified with large-scale investor buying is lack of maintenance, unhealthy conditions and even attempts by landlords to use habitability issues to get tenants out.

II. To discourage speculation

- 6) Newark should enact taxes in connection with vacancies, flipping and holding units empty by making owners internalize the costs associated with each form of speculation. Many municipalities impose a tax on vacancies over a certain period of time (and Newark already possesses authority to take ownership of them under the Abandoned Properties Rehabilitation Act).⁵⁰ Using APRA and other legal tools, Newark should specifically

⁴⁸ Community Opportunity to Purchase Act, MAYOR'S OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT, <https://sfmohcd.org/community-opportunity-purchase-act-copa>.

⁴⁹ *Governor Signs SB 1079, Homes For Homeowners, Not Corporations*, NANCY SKINNER: REPRESENTING SENATE DISTRICT 09 (Sept. 28, 2020), <https://sd09.senate.ca.gov/news/20200928-governor-signs-sb-1079-homes-homeowners-not-corporations>.

⁵⁰ NJ Rev Stat § 55:19-78 (2013). For an overview, see Housing and Community Development Network of New Jersey, https://hcdnj.memberclicks.net/assets/documents/npt_abandonedproprehabact.pdf.



intensify its efforts to take control of vacant properties and re-sell them to first-time homeowners.

Rationale: The fact that Newark neighborhoods continue to suffer the blight of vacant properties not tied to abandonment makes little sense when the need for housing is so great. Unfortunately, some investors believe they can maximize gains by not maintaining their vacant properties and/or letting them sit vacant while the area around them appreciates in value. From a neighborhood standpoint, this invites squatters, presents an eyesore and can lead to fire and pestilence. From an economic standpoint, such free rider behavior hurts other investors and homeowners.

Vancouver’s Empty Homes Tax charges owners of vacant properties 3 percent of its assessed value.⁵¹ Vermont imposes a Land Gains Tax to curb speculating, determined as a flat rate based on the percentage of gain to basis. The tax goes from a high of 80 percent for gains over 200 percent on land (not improvements) held less than four months to a low of 5 percent for gains of less than 100 percent on land held between five and six years.⁵² Other jurisdictions have imposed myriad taxes on sales of properties after only a limited period of time (“flipping”).

III. To promote a balance of community stability factors

- 7) Incentivize community ownership and wealth acquisition among community members. Whether through cooperative housing schemes, limited-equity partnerships, community land trusts or some other innovation of pooled wealth, find ways to offer community residents ownership shares in their own homes.

Rationale: If the proliferation of LLC investments and investors in ordinary neighborhood homes demonstrates its that pooled capital can produce valuable economic interests in real property for a range of people who don’t live there. What if they did? And what if their pooled contributions were less but their fractionated shares more valuable—to them?

⁵¹ City of Vancouver, *Purpose of the Empty Homes Tax*, <https://vancouver.ca/home-property-development/why-an-empty-homes-tax.aspx>.

⁵² 32 V.S.A. §10003.



IV. To require transparency of ownership

- 8) New Jersey or Newark should enact a law requiring public disclosure of investors with more than a 10 percent share of limited liability corporations that invest in neighborhood properties that have between 1-4 units.
- 9) Educate ordinary investors about the neighborhood harms and local wealth retardation caused by their investments.

Rationale: Just as the corporate form limits the personal liability of investors, anonymity shields many investors from acknowledging the consequences of their investments. Here, ordinary investors are profiting from business activity in areas in which most American neighborhoods promote homeownership, a sense of community cohesion and household wealth. Making those owner identities open to public view may discourage its proliferation. (New York City has passed such a law⁵³.) Educating investors about the impact of their investing may lead some of them to seek gains elsewhere.

We acknowledge that this report leaves many unanswered questions. For instance, what is the impact of corporate buying on eviction rates? If corporate buying favors more affluent renters, will the trend lead to displacement through gentrification? As fewer property sales occur through foreclosure, will the market for corporate buying dry up on its own? If so, where will that leave home prices? And will regulatory constraints on property ownership survive legal challenge in the courts? These and many other questions await further research. Nevertheless, these findings support the sentiment on one of Newark's non-profit developers of affordable homeownership, Vivian Cox Fraser of the Urban League of Essex County:

The free market is fine, but the current situation comes at the cost of denying first time buyers an opportunity to build wealth, to stabilize communities, and to contribute to neighborhoods where they live. Capitalism will take care of itself; it will require concerted effort from all of us to take care of communities.

⁵³ New York State Tax Law §1409; New York Administrative Code §11-2105.



APPENDIX: Available Details on the Largest Investor Buyers in Newark Neighborhoods

Adar Capital

Adar Capital has purchased at least 279 1-4 unit properties, and 17 larger multifamily properties, in Newark since 2012. Most of the smaller properties are in the West and South Wards. Adar is also active in the development of several new apartment buildings in the North Ward. At least half of their inventory are being actively rented.

Adar Capital is a real estate acquisitions and urban redevelopment company funded in 2010 and focused in Northern New Jersey. They focus on acquiring, rehabbing and renting distressed properties. According to their website, they have acquired more than 1000 properties, and manage 5,200 units. The language they use on their website suggests a commitment to the neighborhoods where they buy property, while maximizing the return for their investors:

As a real estate company operating in property acquisitions, rehabilitations, and ground-up development, we specialize in identifying ‘off the beaten path’ properties and converting them into habitable locations. We invest your assets and work aggressively to ensure profitability...The positive impact we’ve had on locations we operate in includes increasing marketability, decreasing crime rate, and revitalizing abandoned areas. We don’t simply develop properties, we develop homes. <https://adar-capital.com/>

Adar Capital LLC is located at 7 Glenwood Ave Suite 418, East Orange, NJ 07017. This is also the address of their property management company, Parkway Management. This East Orange address has purchased 330 residential properties using a dozen different LLC names. CLiME was able to corroborate 138 Newark properties through Parkway Management’s website and confirm they are being actively rented out. Adar also purchases properties using another mailing addresses at *544 Springfield Avenue in Newark*. The owner of the 544 Springfield Ave property is a company called OMH BSD Capital DE 2, LLC, whose mailing address is *7 Glenwood Ave, Suite 418*.



Street Address	LLC Names
544 Springfield	Aldine Capital LLC, HMO Capital LLC, Kent MOH LLC, MOH Capital # LLC, South # Capital LLC
7 Glenwood Ave Suite 418 East Orange NJ	ADAR EQUITIES DELAWARE LLC, ADAR FA 1 LLC, BF 14 CAPITAL LLC, CV LOC 21 LLC, DELAWARE INVESTMENTS MOH 1 LLC, MOC WEST LLC, MHO BSD CAPITAL DE 3,LLC, MOH BSD CAPITAL DE 1,LLC, MOH CAPITAL # LLC,OM H BSD CAPITAL DE 2,LLC

Harness Homes Group, LLC

Harness Homes Group has purchased at least 243 1-4 unit properties in Newark since 2015. Most of these are in the Vailsburg, West Side Park, Upper Clinton Hill, and Fairmount neighborhoods. Harness has transferred ownership of most of its properties to various New York-based LLCs. They describe themselves as “fully integrated real estate firm” and they focus on property acquisition, construction and management in Northern New Jersey:

Harness Homes Group, LLC is a fully integrated real estate firm in northern New Jersey, focused on providing renters affordable and sustainable real estate solutions in their home neighborhoods. Harness Homes Group, engages in property acquisitions, construction and management in its home state of NJ with a specific focus on providing the best quality housing for renters and their families. <https://www.harnesshomesgroup.com/bc/>

Newark Property Owner 2, LLC appears to be a pseudonym that Harness Homes Group, LLC often uses when it buys properties. The deeds show that only six properties purchased by Harness Homes Group, LLC have been resold to other buyers. The rest are passed on or held. Harness Homes Group, LLC have a pattern of packaging groups of properties (roughly 20 at a time) into other New York based LLCs, most of which are located at 145 Spring Street, 3rd Floor. *145 Spring Street, 3rd Floor* in New York is the address of StreetEasy, a web-based tool for finding and renting housing, owned by Zillow. The resales to other LLCs are generally for \$1 or \$0. The table below summarizes the various LLCs identified in the city’s recent deed data, and how the various transactions have been structured.



Harness Homes Group, LLC 145 Spring St, NY OR 902 Broadway, 6th Floor, NY https://www.harnesshomesgroup.com/bc/	Purchased 131 properties in Newark between 2016 and 2020Q1. Properties were purchased in all five wards but are concentrated in the South and West Ward. A few of these purchases were made by LLCs with slightly different names: <i>Harness Homes Borrower, LLC, Harness Homes Borrower II, LLC, and Harness Homes Borrower IV, LLC.</i>
Newark Property Owner 2, LLC Various. Most commonly: 145 Spring St, NY OR 201 Varick Street, FR1, PO BOX 526, NY	Purchased 117 properties in Newark between 2018 and 2020Q1. <i>Note: a few properties that were sold back and forth between Harness and Newark Property Owner 2.</i>
Apple Buys Houses, LLC 145 Spring St, NY	<i>Harness Homes Groups</i> sold 3 properties, and <i>Newark Property Owner 2, LLC</i> sold 17 properties to it on April 5, 2019 for \$0
Bird Buys Houses, LLC 145 Spring St, NY	<i>Harness Homes Groups, LLC</i> sold 20 properties to it on July 21, 2018 for \$0
Cloud Properties 1, LLC 145 Spring St, NY	<i>Harness Homes Groups</i> sold 4 properties, and <i>Newark Property Owner 2, LLC</i> sold 18 properties to it on July 30, 2019 for \$1
Major Properties, LLC 902 Broadway, 6th Floor, NY	Several <i>Harness Homes</i> LLCs (<i>Harness Homes Borrower II, LLC, Harness Homes Group, LLC, and Harness Homes Group Loans 1, LLC</i>) sell 20 properties to it on August 26, 2019
NJ Bowling, LLC 145 Spring St, NY	<i>Harness Homes Groups</i> sold 4 properties, and <i>Newark Property Owner 2, LLC</i> sold 14 properties to it on Nov. 1, 2019 for \$1
Rod Properties, LLC 145 Spring St, NY	<i>Harness Homes Group, LLC</i> (1 property) and <i>Newark Property Owner 2, LLC</i> (19 properties) On January 31, 2020, for \$0.
Sunrise Property Group, LLC 145 Spring St, NY	On November 21, 2019, <i>TNE Newark Properties, LLC</i> places those 22 properties into <i>Sunrise Property Group, LLC</i> for \$1.
TNE Newark Properties, LLC 145 Spring St, NY	On February 5, 2019, <i>Harness Homes Group</i> sold 10 properties to <i>TNE Newark Properties, LLC</i> for \$1. Later, <i>TNE</i> resells those 10 properties (plus 12 others that were purchased by <i>Harness Homes Groups</i> and not <i>TNE</i>) into <i>Sunrise Property Group</i> .

The properties are acquired from a wide variety of sources, appear to be single family 1-4 unit homes. The most expensive purchase is for \$232,000 for 101 Hedden Terrace in Upper Clinton Hill. There is very little direct activity in foreclosed properties at Sheriff sales. However, many properties do appear to be indirect foreclosures that are purchased from Fannie Mae, banks, or servicers who got them at sheriff sales before re-selling to Harness Homes.



Lexington Property Group

Lexington Property Group acquires multi-unit properties, renovates them, and rents them out, managed through EZ Rent & Management. In their description of their activities, Lexington emphasizes that they revitalize their properties “both physically and financially”:

Through intensive renovations, hands-on management, and a firm commitment to tenant satisfaction, we ensure that every property purchased turns a profit, regardless of its original condition. Our flourishing portfolio encompasses a wide range of properties across New York and New Jersey and continues to grow. As trusted property managers, we pride ourselves on our strong relationships with our tenants and investors, who know they can count on us for excellent living conditions and high returns, respectively.

Similar to Adar, Lexington’s name does not appear on the purchase transactions, and the property manager’s name, EZ Rent & Management, is only connected to a few properties. Nevertheless, 148 properties have been purchased by the exact street address where these companies are headquartered at 198 Central Ave, #2A in East Orange. Many additional properties have been purchased by 198 Central Ave, #2B, which CLiME suspects is the same company. However, we could not confirm this and therefore left it out of the total.⁵⁴

Lexington’s general pattern is to purchase the properties with an LLC that is named for the property’s location and shares the property’s street address. Then, the LLC is sold to another LLC at the 198 Central Ave #2A address.

Anonymous in Montvale NJ

The largest institutional investor that CLiME identified in the data, by dollar volume, is a fully anonymous investor based in Montvale, New Jersey. Various LLCs out of an address at 110 Chestnut Ridge, #301 in Montvale NJ have spent more than \$80 million acquiring multifamily

⁵⁴ The deed data contains one single-family property that Lexington bought for \$600 million (at 117 N 11TH ST in Lower Roseville). CLiME assumes this is an error and omitted it from the total.



and apartment buildings in the North Ward. Combined these building contain more than 800 units.

In 2018, this investor purchased Forest Hills Terrace for \$50 million from the Kamson Corporation, using an entity called Forest Hills, LLC. Forest Hills is a 480-unit garden apartment complex in the North Ward. There is no traceable public information about who this mysterious LLC entity is who spent this large sum of money to acquire so many properties. Media reports describe the buyer simply as a long-term client of Gebroe-Hammer, a brokerage firm focused on multi-family investment sales. They indicate this is a “private family office entity” with “numerous holdings citywide”.⁵⁵ The Kamson Corporation was also an institutional owner. However, Kamson was fully transparent in their ownership. The property owner listed is the Kamson Corporation, they made public statements when they purchased and sold the properties, and their website is easily searched and found online: <https://www.kamson.net/>.

FDF, or First Data Filing, in Ramsey, NJ

FDF Holdings, LLC and related entities that primarily operate out of a Ramsey County, NJ address, purchased at least 91 1-4 unit parcels (191 real estate transactions) between 2016 and 2019. FDF and its related LLCs are completely anonymous. There is no web-presence for FDF, or “Fair Data Filing, LLC”, which CLiME assumes is the full name of FDF based on an analysis of the deed data. Based on CLiME’s analysis of the deeds, the entities related to FDF include: FDF 2, LLC, FDF 3, LLC, FDF 4, LLC, First Data Filing, LLC, NJ First Data Filing LLC, CYT Holdings LLC, Newark PP1 LLC, Newark PP2 LLC, Newark PP3 LLC, and Newark 7th LLC. We can find a few individual names attached to some of these entities, but nothing more.

Yet, while they remain essentially anonymous, the extent of their real estate activity in Newark is striking. In addition to quietly spending millions of dollars acquiring more than ninety parcels in every ward of the city in just three years, this group of corporations has also acquired several of

⁵⁵ <https://www.globest.com/2018/03/26/another-major-multifamily-sale-in-newark-as-forest-hill-terrace-trades-for-50m/?slreturn=20220215094735>
<https://www.tapinto.net/towns/newark/sections/real-estate/articles/452-unit-forest-hill-terrace-apartments-in-newark>



the most expensive parcels in the city, and has proposed dozens of new large-scale development projects throughout the city.

In 2018, FDF acquired the historic Griffith Piano Building on Broad Street, next to Hahne & Co Property, for \$6.4 million.⁵⁶ Other larger-scale projects in the Central Ward include conversion of the Coe Mansion into apartments⁵⁷, a 51-story tower⁵⁸, and two smaller adaptive reuse projects converting 19th century buildings into apartments near Lincoln Park⁵⁹.

FDF also purchased the Hospital for Women and Children at 536-540 Central Ave for \$1.3 million in 2018. They subsequently sold it for \$3.6 million to an organization called 540 Central, LLC which is based in the village of Airmont in New York.⁶⁰ CLiME suspects this is a related institution, because 1) an entity called First Data Filing, LLC has a mailing address in Airmont, 2) this appears to be the full name for the acronym FDF, and 3) First Data Filing, LLC frequently buys and sells Newark property from and to the Ramsey, NJ address. There is also an entity called NJ First Data Filing, LLC listed on several properties with the Ramsey, NJ address.

Developers out of this address have also been very active in the outer wards. They have proposed building large towers in the West and South wards. In 2018, New West 1, LLC applied for variances to build four large tower apartment buildings in the West Ward, and another in the South Ward, ranging in height from 12 to 16 stories.⁶¹ The following year, five differently named LLCs associated with the same address, proposed the construction of five similar 5-story apartment buildings with 24 units on top of 9 parking spaces. Four of these were in the West Ward and one in the South Ward.⁶² Finally, that same year, a 64-unit building on Mount Prospect Avenue in the North Ward was proposed on a large vacant parcel.⁶³

⁵⁶ <https://jerseydigs.com/another-proposed-restoration-historic-griffith-building-605-607-broad-street-newark/>

⁵⁷ <https://jerseydigs.com/coe-mansion-residential-conversion-proposed-mlk-boulevard-newark/>

⁵⁸ <https://jerseydigs.com/developer-proposes-51-story-tower-892-894-900-broad-street-newark/>

⁵⁹ <https://jerseydigs.com/adaptive-reuse-planned-historic-buildings-lincoln-park-newark/>

⁶⁰ <https://jerseydigs.com/newarks-vacant-hospital-for-women-and-children-sells-for-3-6m/>

⁶¹ <https://www.tapinto.net/towns/newark/sections/development/articles/developer-proposes-4-residential-towers-in-newark-s-west-ward>; [Mysterious Developer Cuts 10 Stories From Proposed Springfield Ave. Project | Jersey Digs](#)

⁶² At the following addresses: 352-354 South 10 St, 600-602 South 20 St, 106-108 South 7 St, 510-512 S 15 St, and 72-74 Willoughby (Weequahic). <https://jerseydigs.com/mysterious-newark-developer-returns-proposes-five-new-buildings/>

⁶³ <https://jerseydigs.com/development-proposed-770-778-mount-prospect-avenue-newark/>



FDF appears to include five corporations, FDF 2 LLC, FDF 3 LLC, FDF 4 LLC, and FIRST DATA FILING LLC and NJ FIRST DATA FILING LLC. FIRST DATA FILING LLC operates out of multiple addresses across different states, but NJ FIRST DATA FILING LLC shares an address with the FDF LLCs, at 900C Lake Street in Ramsey NJ.

These corporations then sell the properties to various other LLCs for \$10 each. These pass-throughs include CYT Holdings, Newark PP1, NEWARK PP2 or NEWARK PP3. Newark PP1/2/3 LLCs use a Newark address, at 24 Commerce Street, Suite 1501. If you check the address, this particular address and suite are associated with 28 different companies:

<https://www.bizapedia.com/addresses/24-commerce-st-suite-1501-newark-nj-07102.html>.

The FDF LLCs acquire some properties from individuals, but often purchase them from other LLCs. For example, YSH NJ LLC sold twenty properties to FDF 2 LLC or FDF 3 LLC within three days of acquiring them in 2017. And, the FIRST DATA FILING, LLC out of Airmont, NY also purchases Newark properties from various sellers, including out of HUD, and passes them on to NJ FIRST DATA FILING, LLC.



Methodology

CLiME's analysis of institutional investor buyers relied on two primary sources of data. First, we analyzed residential property sales transactions to identify trends in institutional buyers in Newark from 1989 through 2020Q1, using the deeds data available through the New Jersey County Tax Boards Association (NJACTB). Second, we supplemented this analysis with the current owner and most recent transaction information which are available in the ownership and assessment database also available through NJACTB.

CLiME identified institutional buyers using an approach common in the literature and in recent news. Institutional buyers are those that have LLC, Corp, Inc, Limited Liability, or Management in the name of the buyer. In addition, CLiME noticed a common practice of listing the buyer's name as a street address, usually the physical address of the property purchased. These purchases made by addresses are also institutional buyers. CLiME chose to exclude trusts from the institutional designation, because some of these trusts may be family trusts. CLiME also identified banks or government entities (e.g.; Department of Housing and Urban development (HUD), and Fannie Mae) and these were labeled as separate categories.

Although CLiME looked at longer term trends, much of the analysis focused on the most recent period, from 2017 through 2020Q1, when institutional investors were most active in Newark. One limitation of our analysis is that the most recent sales data available through the deeds database is June, 2020. CLiME chose to end the period of analysis after 2020Q1 because of the start of the pandemic. However, the owner database is current as of December, 2021. This was one of the reasons we used the second database to supplement our analysis of the deeds data. Based on a brief exploration of smaller transactions in the owner database, CLiME suspects the institutional purchase trends have continued or even increased through the pandemic.

The other reason for supplementing the deeds data relates to multifamily sales. CLiME noticed that multifamily sales (anything with 5 or more units) were not being systematically reported in the NJACTB deed database. The owner and assessment database lists the current owner of each property, as well as the date and sale price of the most recent sale on the property. CLiME did an analysis of multifamily sales only (using the property type field) and appended these numbers



to the analysis of 1-4 unit properties from the deeds database. CLiME tracked activity across both databases by some of the same institutional buyers.

The analysis of sellers built on the procedures described above. Institutional investor buyers were identified using the seller's name, and flagging sellers with "LLC", "Inc.", "Corp", or a street address. Then, CLiME flagged any sale from one institutional buyer to another. We then did some additional analysis on the remaining sellers in order to better understand who they were. Specifically, we identified: 1) sellers that were banks ("Bank" or "N.A." in the seller name), 2) sellers that are federal or related agencies (HUD, Fannie Mae, Freddie Mac, Veterans Affairs), 3) any properties sold at a sheriff sales, and finally 4) properties sold by individuals or groups of individuals. This left us with a small set of other kinds of sellers. These include community developers, churches, some trusts, and state/county/city government.

The most difficult aspect of the analysis involved the identification of particular investor buyers. Use of the buyer's name was insufficient for a number of reasons including: investors routinely use many different LLC entities to acquire properties, they most often do not use LLCs that are named after themselves, and they often name the LLC after the address of the property they are acquiring. In addition, a single property may change hands (a.k.a be sold several times) between different LLC institutions, many of which are related to one another and/or are a part of the same investor buyer's activity. To try and get around this, CLiME identified common buyer mailing addresses, and then looked for LLC entities operating out of these popular mailing addresses. CLiME also looked at transactions where the seller used these same mailing addresses. This was the process used to identify all of the activity of the six institutional investors highlighted in this report.



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Photos by FishProf

