

KDKA INVESTIGATIONS

# KDKA Investigates: Real estate corporations buying single-family homes to turn into rentals

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By Andy Sheehan  
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PITTSBURGH (KDKA) - In the past 15 years, Joe Calloway has bought and renovated about 600 mostly vacant and abandoned houses, primarily in the Allentown section of the city.

Calloway has his critics, but by most accounts, by fixing up these houses, renting most and selling others, he's helped rejuvenate a neighborhood.

"My ultimate goal for Allentown and Mt. Oliver where I grew up is to get owner occupants back in here so they love community as much as I love the community," Calloway said

But more recently, Wall Street has gotten into the act. Hedge funds and private equity-backed real estate corporations have been on a buying spree, snatching up single-family houses across the country -- thousands here in the Pittsburgh region alone -- leading to concerns about rising rents and evictions.

"The idea of taking vacant homes and turning them into occupied homes is a phenomenally good idea but when you take the care out of it with hedge funds and the big Wall Street funds, they don't care about Pittsburgh," he said.

In the first nine months of last year, private investors bought 3,196 single-family homes in our greater metropolitan region -- one out of every seven houses sold. In Allegheny County, real estate corporations with names like VP Homes (358 houses), Segavepo (173 houses) and Diversified Residential (97 houses) have brought up hundreds of houses in the past two years -- all managed from afar.

A lot of that activity has been in economically-struggling neighborhoods like Hazelwood where the property values are depressed and houses look to be a bargain. Some like Howard Hanna's Ryan Shedlock say the investment here is a much-needed economic shot in the arm.

"These investors are coming in purchasing those homes, fixing them up and basically helping the neighborhood," Shedlock said.

But while the rapid purchase of dozens of houses by out-of-state entities has raised hopes, it's also raised concerns. Sonya Tilghman of The Hazelwood Initiative says the rapid corporate buying of houses is resulting in the first signs of longtime residents leaving -- an exodus fueled by poor maintenance, rising rents and evictions.

"It's the raising of the rents that's the problem. Investing in the communities in and of itself is not a problem but the rapid rise in rents is what's kicking people out," she said.

Calloway says he's not seeing much renovation on the part of these investors -- mostly buying occupied houses and raising rents while sitting on vacant ones as a speculative investments. He fears a bubble similar to the 2008 foreclosure crisis, which landed the country in the Great Recession.

"When the market actually starts to tank, they're going to leave these properties behind. They're not going to care about the tenants. They're not going to care about the properties. Eventually they become vacant when there's no more money to be made," he said.

**Andy Sheehan**



KDKA-TV Investigator Andy Sheehan began his broadcast journalism career in September 1992, when he joined KDKA after reporting for the Pittsburgh Post-Gazette for nine years. Andy's forte is the in-depth investigative story, exposing corruption and government waste.