

March 25, 2019

Beatriz Balbin
Chief
Special Procedures Branch
Palais des Nations
1211 Geneva 10, Switzerland

Dear Ms. Balbin:

We received your letter dated March 22, 2019. Unfortunately, the letter contains numerous false claims, significant factual errors and inaccurate conclusions. We are surprised and disappointed that you would send a communication without verifying your assertions and providing appropriate context. You asserted that Blackstone's investments in residential housing have had a "deleterious effect" on tenants in the United States and Europe and that Blackstone is undermining laws and policies that would improve access to housing. Nothing could be further from the truth. In fact, we share your concern about the chronic undersupply of housing in major metropolitan centers around the world, and are proud that Blackstone has contributed to the availability of well managed rental housing by bringing significant capital and expertise to the sector. We welcome the opportunity to respond to your letter.

There is no question that insufficient capital is flowing into the housing sector which has in turn caused a significant undersupply of housing. For example, over the last 12 years, construction of new housing is down 50% in the United States and 90% in Spain. Firms like Blackstone have provided relief to devastated communities, confidence to homeowners regarding the value of their homes, spurred local economic growth and created local jobs by bringing capital and expertise to the residential rental market. Additionally, Blackstone's investments have also attracted the interest of other private investors – further stimulating economic growth in these areas.

Blackstone has been part of the solution in helping to address the undersupply of housing by bringing capital, expertise and professional management to the residential housing sector – we are in fact increasing rental housing supply and providing the highest standard of service to our residents. For example, whether in the U.S. or Europe, our investments have:

- **Significantly improved housing through renovations.** Many of the homes we have purchased were vacant or in disrepair prior to our ownership. For example, Invitation Homes has invested \$2 billion for renovations and improvements, representing \$22,000 per home.

- **Provided opportunities for people that can't afford to buy homes with safe, high-quality rental housing, and improved the overall living environment of our residents compared to the traditional residential rental industry.** As an example, Invitation Homes has a 96% occupancy rate, high levels of customer satisfaction (4.4 out of 5 average resident rating), and residents renew their leases and stay on average 50% longer compared to the multifamily industry.
- **Provided responsible, proactive and professional ownership.** We pride ourselves on being best in class owners and operators. Blackstone adheres to all local housing laws and regulations with respect to rents, tenant communications, property management and other local matters. Our decades of experience owning and managing properties around the world, and access to capital, allows us to consistently deliver professional, reliable, and responsive service. As an example, we are owners of one of the most significant residential rental properties in the world, Stuyvesant Town in New York City. This large scale property of over 11,000 units had previously been suffering under distress, poor management, and considerable underinvestment. As part of our investment, and with the support of residents and the community, Blackstone made a voluntary commitment to preserve 5,000 units of affordable housing. We have also invested almost \$200 million to improve the property. We brought institutional management, and proactively engaged with tenants to improve their experience and create a thriving community. Resident satisfaction has more than doubled among the 28,000 residents since our ownership.
- **Benefitted the broader markets in which we operate.** As noted above, our capital helped to stabilize local housing markets following the financial crisis, provided relief to devastated communities and confidence to homeowners regarding the value of their homes, spurred local economic growth and created local jobs.

Your letter contains a number of inaccurate statements. It is important that you understand at least the following significant factual errors:

Rental Housing Asset Class

- The notion that the growth in institutionally owned single family home rental costs is outpacing the market is not supported by economic theory. In fact, single family rentals of institutional investors represent less than 2% of the total number of single family rental homes available today. The rest are owned by individuals.
- Rental housing has been an asset class that pension plans and charitable endowments, as well as individuals and other types of investors, have invested in for generations. Blackstone has brought capital and expertise to the rental housing sector, however, any expert will confirm that we did not make it an asset class for the first time. As noted above, investments in rental housing are absolutely critical to address the chronic undersupply of residential rental accommodations in major cities throughout the world – the answer to affordability is to increase the supply of housing.

Invitation Homes (“IH”)

- You cite the “dominance” of Invitation Homes in the U.S. housing landscape and its ability to increase rents. Invitation Homes represents only 0.09% of the nearly 93 million homes in the United States, and just 0.5% of the nearly 16 million single-family homes for rent in the United States. IH has no ability to impact rents – it must follow market price or no one would rent from Invitation Homes. Indeed, IH charges rents in line with the broader market – otherwise it wouldn't have such high levels of occupancy (96%).

- Contrary to your assertion otherwise, in the vast majority of markets where Invitation Homes operates, it is actually cheaper to rent rather than own a home. In Southern California and Seattle for example, it is \$818 and \$759 less expensive respectively per month to do so. If these homes were not available for rent, there would be a negative impact on affordability of rental accommodations.
- You make multiple “apples to oranges” comparisons that are deeply misleading. For example, you compare average rents in Los Angeles to those of Invitation Homes in its *entire* Western market – without accounting for the large square footage (1,850 square foot average) and high quality of Invitation Homes’s homes, as well as geographic diversity of those homes in various high-cost markets.
- Furthermore, you compare purported rates of late payment notices from Invitation Homes to completed evictions for other operators. However, the vast majority of individuals who receive such notices stay in their home after working with the company to get back on track. You further state that tenants who make late payments “face immediate eviction.” This is absolutely false. Indeed, there is no jurisdiction in the United States where such a thing is true for any rental property owner, let alone Invitation Homes. There are fulsome consumer protections and often lengthy legal processes that Invitation Homes follows to the letter in the rare instances when an eviction becomes unfortunately necessary. Invitation Homes is in the business of housing families; eviction is never a course they want to pursue.

Residential Housing in Sweden

- Blackstone owns 61% of the shares in a publicly-listed company called Hembra (which owns homes in Sweden) alongside other shareholders including pension plans, insurance companies, and individual investors. Rents in Sweden are highly regulated and Hembra complies with all such regulations. The claim that Blackstone’s actions led “tenants to move out because they could not afford to live there” is completely inaccurate. Leases in Sweden are indefinite for tenants, i.e., in no circumstance could the landlord increase rents by 50% forcing existing tenants to move out, as is stated in regards to homes in Uppsala. Furthermore, since our original investment in Hembra, 100% of all income from the company has been reinvested into its properties to provide a better living environment for its tenants.

Residential Housing in the Czech Republic

- The fact is, Residomo is not converting any building in Ostrava to seniors use, or evicting people as a result. All tenancies are operated in compliance with local laws and regulations. Independent analysts have concluded our rents are actually below the regional market average. In addition, our rent prices have been reviewed by local statutory bodies to ensure they are in line with fair practice.

California Proposition 10 (“Prop 10”)

- You raised Prop 10 in California, which California voters rejected by a wide margin of 59% to 41%. As a general matter, we absolutely agree that steps should be taken to address housing affordability in both California, and more broadly. However, virtually all independent economists agreed that Prop 10 measure would have exacerbated California's existing shortage by discouraging new construction and reducing new investment in affordable housing. Again, the spurious claim that opposing such measures is “inconsistent with right to housing” is at odds with nearly every economist and multiple academic studies, who assert the contrary.

We take our responsibilities as residential landlords around the world incredibly seriously, and hold ourselves to the highest standards of fairness, transparency and empathy for our residents. The injection of private capital, like Blackstone's, is part of the solution to addressing the chronic undersupply of housing in major metropolitan centers around the world. We are deeply proud that our investments have helped to improve the lives of tenants in the communities in which we invest around the world.

We hope that we can move toward a thoughtful, productive and more accurate dialogue about this important topic.

Sincerely,

Handwritten signatures of Ken Caplan and Kathleen McCarthy. The signature on the left is 'KAC' and the signature on the right is 'KMcCarthy'.

Ken Caplan and Kathleen McCarthy
Global Co-Heads of Blackstone Real Estate

cc: Michelle Bachelet Jeria
United Nations High Commissioner for Human Rights