



Corporate Ownership and California's Accessory Dwelling Units

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Introduction

One of California's most successful strategies to address its housing crisis is spurring the construction of accessory dwelling units (ADUs) by single-family homeowners. But large institutional investors play a growing role in the housing market, raising the question of whether they are building ADUs on their single-family properties as well. This is important to understand for reasons of both stability and affordability; though institutional investors have access to more capital and technical expertise, they are associated with rising home prices and evictions in the single-family home market (Fields 2014; Mills et al. 2019; Raymond et al. 2018).

Little research has addressed this previously, with the exception of our own report, which found that companies and organizations owned 17 percent of residential property in California but property they own accounts for just eight percent of ADU construction (Chapple et al., 2020). However, this analysis looked at all residential property (e.g., including apartment buildings), which inflated the amount of corporate ownership.



Why is corporate ownership of ADUs hard to measure?

A couple issues make it challenging to identify corporate owners of ADUs. In general, identifying shared ownership across properties is difficult, especially given the anonymity and privacy afforded entity types like Real Estate Investment Trusts (REIT) and Limited Liability Companies (LLC). Matching ownership by name or address can be limited as shared ownership can be obscured through the use of subentities with unique names and addresses, sometimes parent companies establish a unique LLC for each property owned (Ferrer, 2021).

This analysis found many ADUs were built in newly constructed subdivisions owned by corporations that are in the process of selling the homes to individuals. Further research is needed to understand corporate production of ADUs versus corporate rentals of ADUs.

Figure 1: Permitted ADUs and Built ADUs 2020-2021: Corporate and Non-Corporate Ownership

	Non-Corporate Owner	Corporate Owner	Total	% Corporate Owner
ADUs Permitted	30,396	3,049	33,445	9.1%
ADUs Built	14,598	1,488	16,086	9.3%

In this research, we focus only on single-family residential parcels due to the need to figure out how to densify existing single-family residential neighborhoods.

For this analysis, we joined 2019 single-family residential parcel data from LandVision to California Department of Housing and Community Development’s Annual Progress Report data on ADU permits and builds in 2020 and 2021. We identified corporate ownership via three techniques: (1) LandVision identified the owner as a company; (2) text associated with corporate ownership appeared in the owner field (e.g., Inc.); or (3) the owner has five or more single-family residential properties in California (as determined by the mailing address)¹.

In 2020 and 2021, 9 percent of both ADUs permitted and ADUs built were on properties owned by corporate entities. This compares with 8.5% corporate ownership of single-family residential properties overall. This suggests that corporate owners may be slightly more likely to add an ADU to their parcel than a non-corporate owner. There are multiple reasons for why that may be the case, including different levels of capital and capacity, to different housing market and parcel size contexts, to local policies that facilitate ADU production.

Corporate ownership remains consistent at 9% across ADUs permitted and ADUs built in 2020 and 2021 (Figure 1). To better understand the amount of housing produced as ADUs, this analysis narrows in on ADUs built during this time.

The number of ADUs built per single family home varies by county (Figure 2). Santa Barbara and Los Angeles counties have the highest amount of ADUs built per single family home, while Sacramento and Riverside counties have the lowest built per single family home of the counties analyzed. This variation could be due to a number of factors including lot size, local ADU ordinances, and local housing markets.

Furthermore, the concentration of corporate ownership of single-family homes with ADUs is uneven across the state (Figure 2). The counties that account for a high share of corporate ownership include Butte, Sacramento, Monterey, and San Francisco, while those with a disproportionately low share are Marin, Riverside, San Mateo, and Santa Clara counties.

Further research is needed to understand how corporate ownership of ADUs is impacted by local variation in housing policies, housing markets, and parcel characteristics. Additionally, future research should verify corporate ownership manually and determine whether these investments produce more high quality, affordable supply -- or create opportunities for speculative investment that could contribute to gentrification and displacement.

Figure 2: Corporate Ownership of ADUs Built in California 2020-2021

	Total # ADUs Built	ADUs Built per 10,000 Single Family Homes	# ADUs Built with Corporate Owner	% ADUs Built with Corporate Owner
ALAMEDA	667	24	58	9%
BUTTE	66	12	12	18%
CONTRA COSTA	322	14	29	9%
LOS ANGELES	8,287	58	719	9%
MARIN	183	24	12	7%
MONTEREY	111	15	19	17%
ORANGE	1,120	20	113	10%
RIVERSIDE	248	5	19	8%
SACRAMENTO	144	4	24	17%
SAN BERNARDINO	266	6	33	12%
SAN DIEGO	1,073	19	125	12%
SAN FRANCISCO	91	9	16	18%
SAN LUIS OBISPO	162	23	20	12%
SAN MATEO	564	36	42	7%
SANTA BARBARA	563	72	66	12%
SANTA CLARA	1,041	31	81	8%
SONOMA	152	16	13	9%
VENTURA	272	16	28	10%

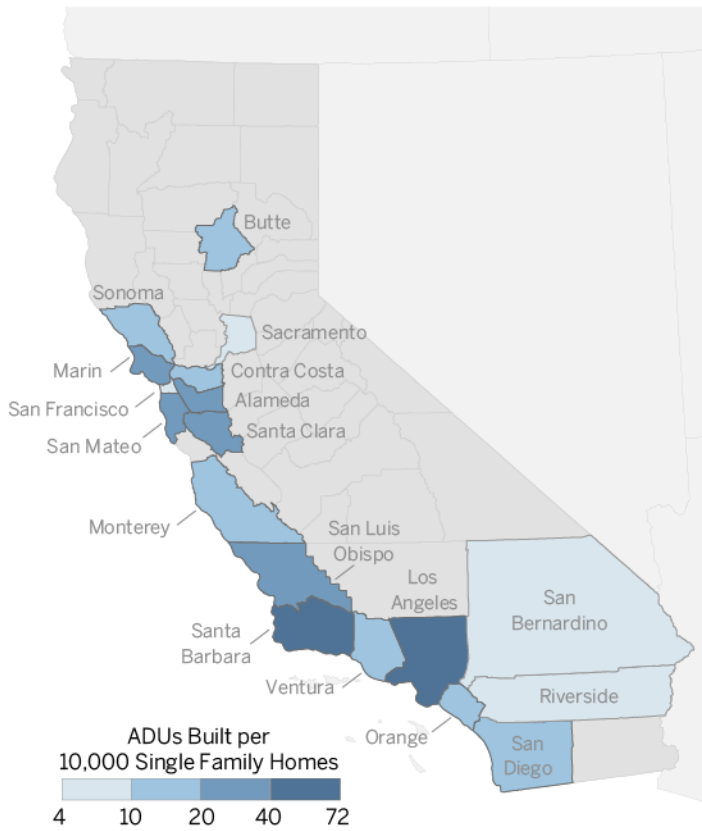


Figure 2: The left table and map show ADUs built per 10,000 single family homes by county using land use data from LandVision; the right table and map show percent of ADUs built with a corporate owner using ownership data from LandVision. Note: counties with fewer than 10 ADUs built with a corporate owner were excluded from analysis.

Notes

1. Specifically, to identify text associated with corporate ownership, we used the following: ‘owner_name_X’ or ‘assessor_name_X’ fields match to a regex pattern on any bounded string for terms listed in the appendix.

References

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About The Authors

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Appendix

Corporate Ownership Name Queries

\w+ APTS?
\w+ PROPERTYS?
APARTMENTS?
ASSOC(IATIONS?)?
ASSOCIATES
BUSINESS(ES)?
CAFES?
CAPITAL HOUSING
CO\
COMMERCIAL
COMPAN(Y|IES)
CONSOLIDATED
CORP
CORP[EO]RATIONS?
CORPORATE
CORPORATIONS?
D(\)?B(\)?A
FURNISHINGS?
INC
L\.(L\.)?P\.
L\.?L\.?C\.
LABORATOR(IES|Y)
LEASING
LIMITED
LTD
LUXURY ESTATES?
MANAGE?MENT
MGMT
PHARMAC(Y|IES)
PROPERT(Y|IES)
REAL ESTATE
REALTORS?
REALTY
RENTALS?
RESTAURA.*
REVESTMENTS?
SAVINGS?
SECURITY