Blackstone Group LP

Blackstone doubles down on US housing with $5bn deal

Private equity giant snaps up affordable apartments in second big bet on sector within a month

The housing purchase is part of a $7.3bn deal with AIG, under which Blackstone will also take a 9.9 per cent stake in the insurance group's life and retirement business © Bloomberg

Mark Vandevelde in New York 10 HOURS AGO

Blackstone has agreed to buy a $5.1bn portfolio of rent-controlled apartments geared towards low-income families in its second big bet on the US housing market in less than a month.

The deal covers 678 "affordable housing communities" in cities including Boston, San Francisco and Seattle, according to a person familiar with the terms.

All of the developments have received tax credits from the US government in exchange for agreeing to stringent restrictions on rent and occupancy that are intended to make it easier for people on low incomes to find homes.

The housing purchase is part of a $7.3bn deal with AIG, under which Blackstone will also take a 9.9 per cent stake in the US insurance group's life and retirement business, and assume responsibility for tens of billions of dollars of assets on behalf of the insurer.

The AIG transaction comes after Blackstone last month spent $6bn acquiring Home Partners of America, which buys and rents single-family rental properties in US suburbs that are in the grip of a post-pandemic housing boom.

Together, the deals underscore how Blackstone is again making large-scale investments in American housing, a lucrative but politically contentious strategy that the private equity firm pioneered in the years after the financial crisis when it set up a new venture called Invitation Homes.

Beginning in 2012, Invitation dispatched executives to foreclosure auctions where they bought tens of thousands of single-family homes. The company completed an initial public offering in 2017, and Blackstone sold down its position two years later.

The apartments that Blackstone is buying from AIG are covered by the Low-Income Housing Tax Credit. The federally funded scheme provides subsidies to developers who agree to limit rents to below 20 per cent of local median incomes while also restricting the number of high earners they accept as tenants.

“These communities provide critical affordable housing and we look forward to being long-term owners,” said Kathleen McCarthy, Blackstone’s global co-head of real estate. She added that the firm would make “significant investments” while complying with all rent regulations.

Those regulations usually last for several decades after the initial investment — but their eventual expiry can provide an opportunity for financial investors to juice returns.

In 2018 a New York-based non-profit group sued a subsidiary of AIG over one of the apartment blocks in the portfolio that Blackstone is buying, claiming the insurer was trying to hold on to the property in a gentrifying part of Brooklyn so that it could eventually rent the units out at market rates.

AIG maintained that it was within its contractual rights, and Riseboro Community Partnership is currently appealing a lower-court ruling that could scupper its lawsuit, with support from New York state attorney-general Letitia James.

“For private investors to try and skew the terms of this affordable housing programme for their own financial gain is as harmful as it is unethical,” James said in April.