

Real Estate Investment Companies: A Friend or Foe to a Community Association?

BY AMANDA A. BARRETO



Real estate investment companies have been the hot trend for years. These days, it seems that anyone can be a real estate investor. Since the housing crisis of 2008, real estate investment companies have purchased a huge inventory of homes, typically through foreclosure, that were left abandoned by homeowners unable to pay their mortgages. Community associations, subdivisions and condominiums alike, were not immune to this wave. While on one hand, it is beneficial to a community to have an owner who can pay assessments and revive the property values; on the other, an investor-owned property means tenants will be moving in.

Whether real estate investors bring value to community associations can be debated, but generally community associations clam up when they think of their community being overrun with investors. This is because real estate investment companies clearly have different priorities for their community than the individual homeowner. A real estate investment company is solely interested in generating revenue through long-term rentals. Homeowners, on the other hand, are interested in the character of their community and maintaining property values.

Many community associations implement rental restrictions in order to preserve property values and maintain an owner-occupied, communal environment and, quite frankly, to keep out the investors and renters. In Ohio, such restrictions are permitted, so long as they are reasonable, fairly applied, and uniformly implemented. But because rental restrictions limit investors' opportunity to generate income in some subdivisions or condominium buildings, these companies are hiring lobbyists to help pass legislation that would prohibit community associations from adopting and enforcing rental restrictions.

Efforts like this took place in North Carolina and Tennessee recently, and both were defeated. But that does not mean the fight is over. No legislation is pending in Ohio, but if the lobbyists make their way to Columbus, we will keep both our investor and community association clients updated.

Amanda A. Barreto is an associate in the Litigation and Real Estate practice groups at Schneider Smeltz Spieth Bell, LLP. Contact her at abarreto@sssb-law.com