

October 23, 2024

Mr. Joseph Bae
Co-Chief Executive Officer
Kohlberg Kravis Roberts & Co.
30 Hudson Yards
New York, NY 10001

Mr. Scott Nuttal
Co-Chief Executive Officer
Kohlberg Kravis Roberts & Co.
30 Hudson Yards
New York, NY 10001

Dear Mr. Bae and Mr. Nuttal:

We write with concern regarding private equity firm Kohlberg Kravis Roberts & Co.'s ("KKR") recent \$2.1 billion acquisition of over 5,200 apartment units across the country, "its largest-ever purchase of apartment buildings," and the transaction's potential to exacerbate rising rent costs in regions across the United States.¹

On June 25, 2024, KKR announced that it had acquired a portfolio of 18 multifamily assets concentrated in the Coastal and Sunbelt markets.² Rent prices are already spiking in many Midwestern and Northeastern cities and towns,³ with median rent for a multifamily unit in America increasing by 26 percent since January 2020.⁴ In Atlanta, Georgia, 47 percent of renters are cost-burdened, paying more than 30 percent of their income on rent.⁵ KKR's acquisition follows billion-dollar real estate purchases by Blackstone and Brookfield, potentially signaling a "growing confidence among large investors that rents and values for apartments will soon begin rising again" according to the Wall Street Journal.⁶

¹ Wall Street Journal, "KKR Makes Its Biggest Foray Into Apartments, Betting on Rising Rents," Will Parker, June 25, 2024, <https://www.wsj.com/real-estate/kkr-makes-its-biggest-foray-into-apartments-betting-on-rising-rents-94213297/>.

² KKR, "KKR Acquires \$2.1 Billion Multifamily Portfolio from Quatterra," press release, June 25, 2024, https://media.kkr.com/news-details/?news_id=c543d924-382b-4ddf-8e20-17858ff0d21c.

³ Wall Street Journal, "Rent Hikes Loom, Posing Threat to Inflation Fight," Will Parker, June 18, 2024, <https://www.wsj.com/real-estate/rent-hikes-loom-posing-threat-to-inflation-fight-e6797e39>; Wall Street Journal, "Stubbornly High Rents Prevent Fed From Finishing Inflation Fight," Nick Timiraos, May 11, 2024, https://www.wsj.com/economy/housing/fed-inflation-rate-housing-rentals-2f28c5ba?mod=article_inline.

⁴ U.S. News "Multifamily and Single-Family Rental Housing Market Trends," Patrick S. Duffy, September 19, 2024, <https://realestate.usnews.com/real-estate/articles/multifamily-and-single-family-rental-housing-market-trends>.

⁵ Federal Reserve Bank of Atlanta, "Southeastern Rental Affordability Tracker," March 12, 2024, <https://www.atlantafed.org/community-development/data-and-tools/southeastern-rental-affordability-tracker>.

⁶ Wall Street Journal, "KKR Makes Its Biggest Foray Into Apartments, Betting on Rising Rents," Will Parker, June 25, 2024, <https://www.wsj.com/real-estate/kkr-makes-its-biggest-foray-into-apartments-betting-on-rising-rents-94213297/>.

This would not be the first time that a private equity firm like KKR has used a housing crisis to rake in profits by driving up rent costs and squeezing American families. “Private equity firms... act like a corporate version of a house flipper: They seek deals on apartment buildings, slash costs or hike rents to boost income, then unload the buildings at a higher price.”⁷ We saw especially aggressive tactics to evict tenants during the Covid-19 pandemic.⁸ Private equity firms have disproportionately pushed people of color out of affordable single-family homes and their communities through gentrification and negligent landlord practices.⁹ During a 12-month stretch beginning in July 2021, institutional investors bought one out of every three homes for sale in metro Atlanta, with researchers estimating that Atlantans lost \$1.25 billion in financial equity in housing between 2011 and 2021 due to corporate transactions.¹⁰ And in Massachusetts, for example, a community of older Americans—many of whom are on fixed incomes—reported rent increases of 75% after a private equity company bought their mobile home park community.¹¹ Whether the property is a mobile home park, single-family rental, or multi-family building, the private equity purchase playbook remains the same. Your top real estate analyst has described the current market situation as a “once-in-a-decade opportunity” to run the same set of plays.¹²

KKR is no stranger to this script. Indeed, in an April 2024 Market Report, KKR appeared to explicitly describe its strategy to buy up distressed properties and increase rents. In this review, your Global Head of Real Estate wrote:¹³

The influx of new supply is likely to taper off after 2025, at which point we are optimistic about rent growth given the structural shortage of housing and

⁷ ProPublica, “When Private Equity Becomes Your Landlord,” Heather Vogell, February 7, 2022, <https://www.propublica.org/article/when-private-equity-becomes-your-landlord>; Elizabeth Warren, “Warren Calls Out Private Equity-Backed Firms for Increasing Rents, Driving Up Housing Costs, and Raking in Profits Amid Housing Shortage,” press release, January 13, 2022, <https://www.warren.senate.gov/newsroom/press-releases/warren-calls-out-private-equity-backed-firms-for-increasing-rents-driving-up-housing-costs-and-raking-in-profits-amid-housing-shortage>.

⁸ NPR, “Corporate landlords used aggressive tactics to push out more tenants than was known,” Jennifer Ludden, July 28, 2022, <https://www.npr.org/2022/07/28/1114128514/corporate-landlords-used-aggressive-tactics-to-push-out-more-tenants-than-was-kn>.

⁹ Private Equity Stakeholder Project, “PESP Testifies with ACRE and Other Advocates at House Financial Services Hearing,” K Agbebiyi, July 26, 2022, <https://pestakeholder.org/news/peps-testifies-with-acre-and-other-advocates-at-house-financial-services-hearing/>.

¹⁰ Atlanta Journal-Constitution, “American Dream For Rent: Investors elbow out individual home buyers,” Brian Eason and John Perry, February 9, 2023, <https://www.ajc.com/news/atlanta-news/investor-purchases-of-atlanta-housing-top-1-billion-in-three-months/LLWFDSJHL5F7LHQJIKRGGZ3RBA/>; WSB-TV Atlanta, “Study finds Atlantans lost \$1.25 billion in equity in real estate dealings with corporations,” May 7, 2024, <https://www.wsbtv.com/news/local/study-finds-atlantans-lost-125-billion-equity-real-estate-dealings-with-corporations/FPKG4JPV3BBVBHKGDITLTYQYLY/>.

¹¹ The Sun Chronicle, “Warren, in visit to Attleboro, vows to pursue protection of mobile home residents,” George W. Rhodes, October 11, 2023, https://www.thesunchronicle.com/news/local_news/warren-in-visit-to-attleboro-vows-to-pursue-protection-of-mobile-home-residents/article_ffc54a38-ace1-5182-85ae-a61f4d25655e.html; WPRI, “In Attleboro, Sen. Warren slams private equity for buying home parks,” Ted Nesi, October 11, 2023, <https://www.wpri.com/news/local-news/se-mass/in-attleboro-sen-warren-slams-private-equity-for-buying-home-parks/>.

¹² Kohlberg Kravis Roberts & Co., Market Review, April 2024, p. 10, <https://www.kkr.com/content/dam/kkr/insights/pdf/market-review-real-estate-april-2024.pdf#page=10>.

¹³ *Id.* p. 2.

unfavorable cost dynamics for new construction in the United States. As owners come under more pressure to sell assets, we see an exciting opportunity coming to buy high-quality properties below replacement cost while achieving attractive long-term yields.

We have long raised alarm bells regarding private equity's encroachment into the housing market.¹⁴ Today, this threat is as relevant as ever: as of 2024, workers making minimum wage in 33 states do not earn enough to afford a one-bedroom apartment.¹⁵ Black, Latino, and Native American workers are disproportionately harmed by this crisis.¹⁶ We are deeply concerned that KKR's multi-billion dollar real estate purchase could result in even higher rents, exacerbating America's housing crisis.

Given our concerns about this transaction, along with the lengthy history of private equity firms' adverse impact on renters' costs and quality of life, we request that you provide the following information by November 6, 2024:

1. Please explain what methods you will use to determine rent and fee levels in the 5,200 apartment units KKR recently acquired.¹⁷
 - a. Will you work with current residents to ensure that rent remains stable, at or below the national inflation rate? If no, please explain why not.
 - b. Will you implement new or increase existing late fees, maintenance fees, administrative fees, or other costs imposed on renters? If yes, please explain.
2. How will you ensure tenants' safety and health are maintained in these units? What investments will KKR make in property upkeep and maintenance?
3. Please describe your plans to ensure how long-term tenants, including older tenants and tenants of color, will have the opportunity to stay in their homes after your purchase of their units.
4. In KKR's April 2024 Investment Insight, KKR discussed its optimism about rent growth in 2026¹⁸ and wrote that it "see[s] an exciting opportunity coming to buy high-quality properties below replacement cost while achieving attractive long-term yields."
 - a. What yield does KKR anticipate receiving on this investment over the next five, ten, and twenty years?

¹⁴ Letter from Senator Elizabeth Warren to American Homes 4 Rent, January 13, 2022, <https://www.warren.senate.gov/imo/media/doc/2022.01.13%20Letter%20to%20American%20Homes%204%20Rent%20on%20housing%20costs.pdf>; Letter from Senator Elizabeth Warren to Progress Residential, January 13, 2022, <https://www.warren.senate.gov/imo/media/doc/2022.01.13%20Letter%20to%20Invitation%20Homes%20Inc%20on%20housing%20costs.pdf>; Letter from Senator Elizabeth Warren to Invitation Homes Inc., January 13, 2022, <https://www.warren.senate.gov/imo/media/doc/2022.01.13%20Letter%20to%20Progress%20Residential%20on%20housing%20costs.pdf>.

¹⁵ National Low Income Housing Coalition, "Out of Reach The High Cost of Housing," 2024, p. 6, https://nlihc.org/sites/default/files/or/2024_OOR-MiniBook.pdf.

¹⁶ *Id.* p. 8.

¹⁷ Wall Street Journal, "KKR Makes Its Biggest Foray Into Apartments, Betting on Rising Rents," Will Parker, June 25, 2024, <https://www.wsj.com/real-estate/kkr-makes-its-biggest-foray-into-apartments-betting-on-rising-rents-94213297/>.

¹⁸ KKR, "When Fear Is a Friend – US Multifamily in Focus," Ralph Rosenberg, April 2024, <https://www.kkr.com/insights/real-estate-multifamily#:~:text=Unlike%20in%20the%20office%20sector,achieving%20attractive%20long%20term%20yields.>

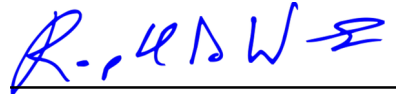
- b. What proportion of that yield will be driven by rent growth and fee hikes over the next five, ten and twenty years?

Thank you for your attention to this important matter.

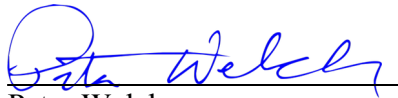
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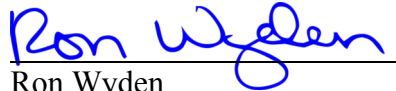
Elizabeth Warren
United States Senator



Raphael Warnock
United States Senator



Peter Welch
United States Senator



Ron Wyden
United States Senator