ENTERPRISE RISK GOVERNANCE

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From Fragmented to Federated

Why Institutional-Grade Risk Governance Is Becoming Essential in a Consolidating Rental Housing Market

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Why Institutional-Grade Enterprise Risk Governance Is Becoming Essential in a Consolidating U.S. Rental Housing Market

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Abstract

Institutional ownership of U.S. rental housing has expanded steadily since the 2007–2009 financial crisis and now represents a growing, geographically concentrated share of the single-family rental market, alongside a dominant position in institutional multifamily and commercial portfolios. At the same time, the property management industry that operates this housing remains highly fragmented, with more than 330,000 businesses nationwide, most managing fewer than 100 units. This paper draws on U.S. Government Accountability Office data and the COSO Enterprise Risk Management framework to argue that closing the gap between institutional-scale capital and fragmented, function-by-function operations requires formal, housing-specific enterprise risk governance.

1. Introduction

The past fifteen years have seen a structural change in who owns U.S. rental housing. Large institutional investors — entities with access to the capital markets, low-cost financing, and, increasingly, in-house or outsourced professional property management — emerged from the 2007–2009 financial crisis as bulk purchasers of foreclosed single-family homes, and have since grown into sophisticated, technology-enabled operating platforms spanning single-family rentals, multifamily communities, and commercial property. This paper examines how far that institutionalization has progressed, why the operating infrastructure beneath it has not consolidated at the same pace, and why formal enterprise risk management (ERM) governance — long standard practice in banking, insurance, and large corporate finance — remains underdeveloped as a discipline within residential and mixed-use property operations.

1.1 Literature and Data Context

The empirical literature on institutional ownership of U.S. housing has matured considerably since the U.S. Government Accountability Office's first major report on the subject, drawing on a review of seventy-four separate studies covering scholarly research, industry reports, and government data. GAO's own analysis, and the broader literature it synthesizes, converges on a nuanced conclusion: institutional investors own a relatively modest share of the single-family rental stock nationally — GAO's Congressional Research Service summary places the figure between roughly three and five percent depending on definition and data source — but that modest national share masks substantially higher and rapidly growing concentration in specific metropolitan markets, particularly across the Sunbelt. GAO's most recent 2026 report, examining six selected metropolitan areas in detail, documents institutional ownership shares as high as twenty-two percent of the single-family rental market in Jacksonville, Florida, a marked increase from seven percent in 2018.

The literature reviewed by GAO also identifies a mixed and still-debated set of findings regarding the effects of institutional ownership on housing market outcomes. Some studies find that institutional investment may contribute to higher rents and home prices in areas of concentrated ownership, and that large-scale investors may be more likely to file evictions than smaller landlords; other research, including analysis from the Federal Reserve Bank of Philadelphia, finds only a modest relationship between large investor participation and local house price growth, with market fundamentals such as population growth and housing supply playing a larger explanatory role. This paper does not attempt to resolve that empirical debate, which lies outside its scope; rather, it treats the well-documented growth and geographic concentration of institutional ownership as the relevant starting point for its central argument regarding the governance gap between institutional capital and fragmented operations.

On the governance side, the COSO Enterprise Risk Management framework remains the most widely referenced and applied ERM standard across industries globally, having been substantially updated in 2017 to more explicitly integrate risk management with organizational strategy and performance rather than treating it as a standalone compliance function. Professional services literature, including guidance published by PwC as the framework's principal drafting partner, emphasizes that effective ERM implementation depends on genuine integration into strategic decision-making rather than a parallel, checkbox-style compliance exercise — a distinction this paper treats as central to how a housing-specific ERM implementation should be designed.

2. The Scale and Geography of Institutionalization

According to the U.S. Government Accountability Office, no single institutional investor owned more than 1,000 single-family rental homes as of 2011; by 2015, institutional investors collectively owned an estimated 170,000 to 300,000 such homes, and by 2022, more than thirty separate investors each owned over 1,000 homes, with the five largest collectively holding roughly 300,000 homes. Nationally, institutional investors — defined by GAO as firms owning 5,000 or more single-family homes across at least five metropolitan areas — own a relatively modest two to five percent of the single-family rental stock overall. That national figure, however, masks substantial geographic concentration: GAO's most recent analysis found institutional investors owned as much as twenty-two percent of the single-family rental market in Jacksonville, Florida in 2024, up from seven percent in 2018, with comparably elevated concentrations in Atlanta, Charlotte, and other Sunbelt metropolitan areas.

This institutionalization extends well beyond single-family rentals. Institutional investors — including REITs, pension funds, and private equity real estate platforms — represented the largest single end-use segment of the U.S. property management services market by revenue share in 2025, and publicly traded REITs collectively represent more than $1 trillion in market capitalization tied to real estate holdings. The trajectory is consistent across data sources: institutional capital's role in U.S. housing is expanding, even where its aggregate national ownership share remains a minority of the overall housing stock.

The scale of institutional capital involved provides useful context for the governance argument developed later in this paper. Publicly traded REITs alone represent more than one trillion dollars in market capitalization tied to real estate holdings, and the entry of pension funds and private equity platforms into build-for-rent and single-family rental strategies has introduced a class of owner accustomed to the reporting standards, audit requirements, and risk governance expectations of broader institutional finance. When this class of owner acquires or contracts with operators accustomed to a much less formal, relationship-driven management style, the resulting gap in expectations is frequently the source of friction identified in due diligence processes, portfolio integration efforts following acquisition, and ongoing asset management relationships.

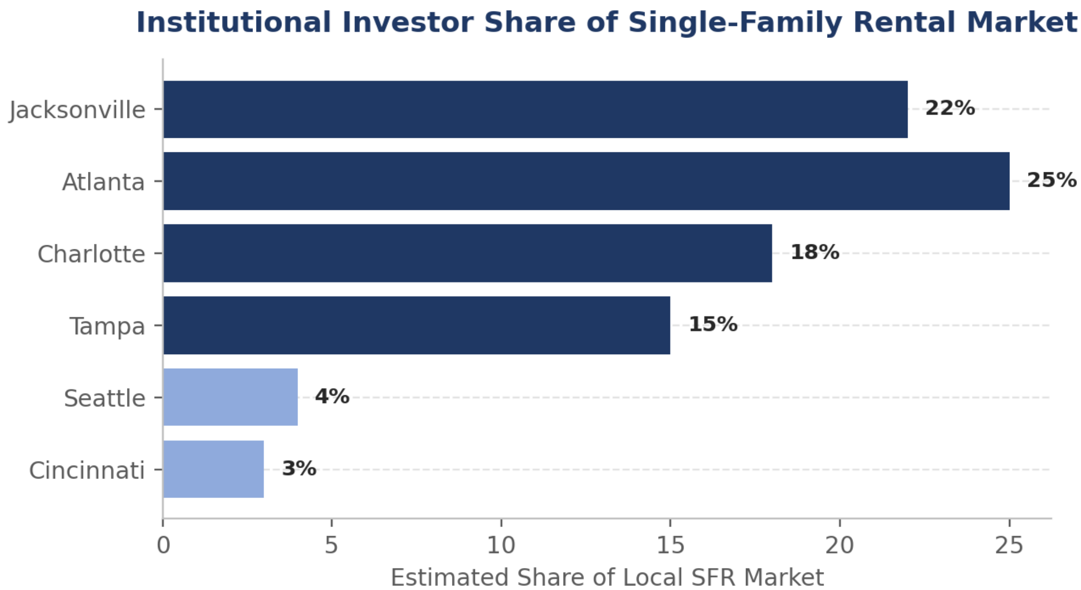

Figure 1. Estimated institutional investor share of local single-family rental markets, selected metros (GAO/Urban Institute data).

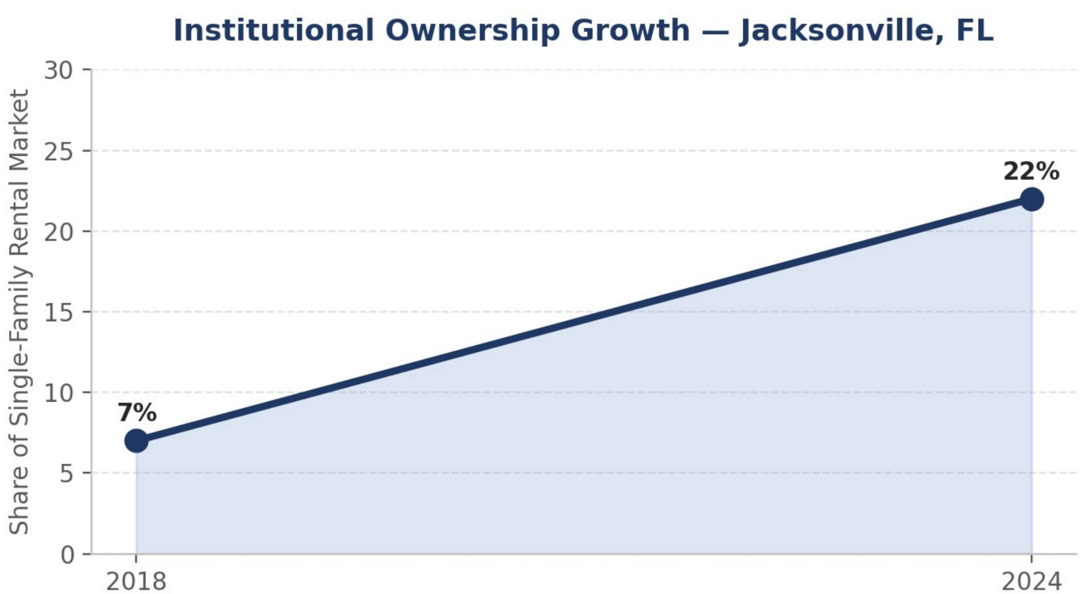

Figure 2. Institutional ownership growth in Jacksonville, FL, 2018–2024 (GAO data).

3. A Market Institutionalizing Faster Than It Is Consolidating

Despite this growth in institutional ownership, the operating landscape beneath that capital remains highly fragmented. The U.S. property management services market comprises more than 330,000 businesses, the substantial majority of which manage fewer than 100 units and operate without the standardized risk governance infrastructure typical of institutional finance. This creates a structural mismatch: capital markets increasingly expect institutional-grade reporting, risk transparency, and governance, while much of the operating infrastructure managing that capital's underlying assets continues to rely on property-by-property, relationship-driven management practices.

This mismatch carries concrete costs for institutional owners and the operators who serve them:

- Inconsistent, non-standardized financial and risk reporting across operating partners and portfolio segments, complicating consolidated portfolio-level analysis.
- Limited visibility into cross-portfolio risk correlation — for example, concentrated delinquency, insurance, or regulatory exposure across geographically diverse holdings that appear diversified on paper but share common underlying risk drivers.
- Vendor and third-party service-provider oversight that varies by individual relationship rather than following a consistent, auditable governance protocol across the portfolio.
- Slower, less consistent response to regulatory change, as compliance obligations are tracked property-by-property rather than through a centralized risk register.

4. The Case for Purpose-Built ERM in Housing

Enterprise risk management is a mature discipline in banking, insurance, and large corporate finance, most widely codified through the COSO Enterprise Risk Management framework, originally issued in 2004 and updated in 2017 as "Enterprise Risk Management — Integrating with Strategy and Performance." The COSO framework is deliberately industry-agnostic and organizes risk governance around interrelated components spanning governance and culture, strategy and objective-setting, performance (risk identification, assessment, and response), review and revision, and information, communication, and reporting. Despite its broad adoption elsewhere in financial services, this level of formal risk governance remains underdeveloped as a distinct discipline within residential and mixed-use property operations, where risk management responsibility is more commonly distributed informally across property managers, accountants, and asset managers without a unifying framework.

A housing-specific application of ERM principles adapts this established governance architecture to the risk categories that matter most in housing operations: tenant delinquency and collections, insurance and climate exposure, vendor and service-provider performance, and regulatory compliance across dozens of overlapping state and local jurisdictions. Rather than managing each of these categories in isolation, a federated ERM structure connects property-level risk identification to portfolio-level assessment and ownership-level reporting through a common taxonomy and escalation protocol.

It is worth noting that the underdevelopment of formal ERM practice in housing operations is not primarily a matter of unavailable methodology; the COSO framework and comparable governance approaches have been publicly available and well documented for over two decades. Rather, the gap reflects the historically fragmented, owner-operator structure of the industry, in which formal risk governance infrastructure was rarely required by the scale or capital structure of a typical, single-owner or small-portfolio operator. As institutional capital assumes a larger role in the industry's ownership structure, the case for adapting existing, well-established governance methodology to housing operations strengthens correspondingly, even though the methodology itself is not new.

5. Core Components of a Housing ERM Framework

ERM Component	Housing-Specific Application
Governance and Culture	Defined risk ownership at property, portfolio, and executive levels; documented risk appetite for delinquency, vacancy, and insurance exposure
Risk Identification and Assessment	Standardized risk register covering delinquency, insurance/climate, vendor performance, and regulatory compliance
Risk Response	Defined, auditable escalation protocols tied to risk thresholds rather than ad hoc manager discretion

ERM Component	Housing-Specific Application
Information and Reporting	Recurring, standardized portfolio-level risk dashboards for ownership, lenders, and institutional investors
Monitoring and Review	Periodic reassessment of risk models and thresholds against actual portfolio outcomes

5.1 Extended Case Illustration: A Multi-Operator Institutional Platform

Consider a composite, illustrative institutional owner holding a national single-family rental portfolio of approximately 8,000 homes, managed through a combination of an in-house asset management team and five regional third-party property management partners, each historically operating with its own systems, reporting formats, and internal risk practices, reflecting a common structure among institutional platforms that have grown substantially through acquisition of regionally managed portfolios. Under this fragmented structure, the owner's central asset management team receives delinquency, maintenance, and compliance data in five different formats and on five different reporting cadences, making true portfolio-wide risk aggregation — for example, identifying that three of the five regions are simultaneously experiencing elevated insurance non-renewal rates — effectively impossible without extensive manual reconciliation.

Under a federated ERM structure of the kind proposed in this paper, the same owner instead establishes a common risk taxonomy and standardized data-reporting requirement applied consistently across all five regional operating partners, while preserving each partner's local operating autonomy over day-to-day property management decisions. Each partner reports against the same defined risk categories — delinquency, insurance and climate exposure, vendor performance, and regulatory compliance — on the same monthly cadence, feeding a single, consolidated portfolio-level risk dashboard reviewed by the central asset management team. This structure allows the owner to identify cross-regional risk correlations, such as a common vendor underperforming across multiple regions or a shared insurance market disruption affecting geographically separated but peril-correlated assets, that would remain invisible under the prior fragmented reporting structure, while still allowing each regional partner to apply local market knowledge within the common governance framework.

6. Implementation Path

For institutional owners and larger regional operators, implementation of a housing-specific ERM framework typically follows a phased path:

- Establishing a unified risk taxonomy across the portfolio, ensuring that delinquency, insurance, vendor, and compliance risks are defined and categorized consistently across all properties and operating partners.
- Standardizing property-level data capture so that it can be aggregated into portfolio-level dashboards, addressing the data fragmentation that is frequently the largest practical barrier to implementation.
- Defining formal escalation thresholds and named ownership for each risk category, converting informal manager judgment into a documented, auditable process.
- Building a recurring reporting cadence connecting property operations to asset management and investor relations functions, closing the loop between property-level activity and institutional-level oversight.

7. Limitations and Considerations

Implementing ERM governance across a fragmented, multi-operator housing portfolio is a substantial undertaking, particularly where portfolios are assembled through acquisition of previously independently managed assets with inconsistent recordkeeping. Smaller operators may reasonably adopt a scaled-down version of these principles rather than a full institutional-grade implementation. Additionally, GAO's own research cautions that institutional investor impact on housing outcomes is difficult to assess in isolation from broader market fundamentals such as population growth and housing supply, underscoring that risk governance should complement, rather than substitute for, sound underlying investment and operating decisions.

8. Stakeholder Impact Analysis

Stakeholder	Primary Interest	Implication of Federated ERM
Institutional Owners (REITs, PE, Pension Funds)	Standardized, aggregable portfolio risk data	Consolidated reporting across operating partners and geographies
Regional/Local Operators	Operational autonomy; manageable compliance burden	Adoption of shared risk taxonomy without loss of local flexibility
Tenants	Consistent, fair treatment across properties	Standardized escalation and service protocols regardless of local manager
Lenders	Portfolio-level risk transparency	Improved visibility into correlated risk across seemingly diversified holdings
Local/State Regulators	Consistent compliance across jurisdictions	Centralized tracking of jurisdiction-specific obligations

A recurring tension in implementing federated ERM across institutionally owned but locally operated housing portfolios is balancing standardization with the genuine value of local market knowledge. Regional operators often possess granular insight into local tenant behaviour, vendor quality, and regulatory nuance that a purely centralized model risks flattening. The most effective implementations preserve local operating latitude within a common risk taxonomy and reporting structure, rather than imposing a fully centralized operating model that eliminates local judgment.

9. Regional and Segment Variation

Segment	Institutional Ownership Trend	Governance Implication
Sunbelt Single-Family Rental (Atlanta, Jacksonville, Charlotte, Tampa)	Highest and fastest-growing institutional concentration	Greatest near-term need for standardized cross-portfolio risk reporting
Gateway Multifamily Markets	Long-established institutional and REIT ownership	More mature governance baseline; focus shifts to modernization of legacy systems
Secondary/Tertiary Metro Multifamily	Growing institutional interest, less mature operating infrastructure	Largest gap between capital sophistication and operating governance
Commercial / Mixed-Use	Increasing institutional ownership amid flight-to-quality leasing trends	Governance must integrate longer lease cycles and tenant credit risk

10. Five-Year Outlook

Institutional ownership of U.S. housing is likely to continue expanding over the next five years, driven by continued build-for-rent development, ongoing REIT and private equity capital allocation to residential and mixed-use real estate, and the scale advantages that larger operators increasingly hold in technology adoption and vendor pricing. As this occurs, pressure on fragmented operators to adopt institutional-grade risk governance — whether to serve institutional owners directly, to remain attractive as acquisition targets, or to compete for institutional capital and debt financing — is likely to intensify. Operators who begin building federated ERM capability now are likely to be significantly better positioned for this consolidation than those who wait until institutional counterparties require it as a condition of doing business.

11. Opportunity Analysis: The Best-Case Outcome of Adoption

For operators and asset managers, the governance gap documented in this paper is best understood as an opportunity rather than only a compliance burden. Institutional owners consistently favor operating partners who can demonstrate standardized, auditable risk reporting, and a regional operator who builds this capability ahead of its peers is positioned to win a disproportionate share of new institutional management mandates as ownership continues to consolidate in the markets identified in Section 9. Illustratively, an operator managing 5,000 units who successfully positions itself as the preferred, governance-ready partner for even one additional institutional client relationship comparable in scale to its existing book of business could realistically double its assets under management without a proportional increase in overhead, since the federated governance infrastructure described in Section 5 is designed to scale across additional portfolios once built.

This dynamic also creates an opportunity for entirely new advisory and technology practices purpose-built to help operators close this governance gap, rather than requiring each individual operator to build federated ERM capability entirely in-house. A practitioner combining direct, hands-on property and portfolio management experience with formal financial and risk management training is well positioned to serve as exactly this kind of bridge: translating the institutional-grade governance expectations described in this paper into practical, implementable systems for the hundreds of thousands of regional operators who will need to adapt to a more institutionalized housing market over the next five years. In the author's assessment, this bridging role represents one of the more significant, underserved opportunities in the current U.S. housing services market.

12. Methodology Note

This paper draws primarily on U.S. Government Accountability Office reports and the associated Congressional Research Service summary, supplemented by industry market-sizing research and the publicly available COSO Enterprise Risk Management framework documentation, current as of mid-2026. GAO's institutional investor ownership figures are drawn from a combination of nationwide estimates and a nongeneralizable sample of selected metropolitan statistical areas, as detailed in the underlying GAO reports, and should be interpreted with that scope in mind.

13. Conclusion

Institutional capital continues to expand its footprint across U.S. rental housing, both nationally and, more sharply, within specific high-growth metropolitan markets, even as the underlying operating infrastructure remains fragmented across hundreds of thousands of small and mid-sized businesses. Operators and asset managers who invest in formal, housing-specific enterprise risk governance — adapting established frameworks such as COSO ERM to the particular risk categories of residential and mixed-use property — will be best positioned to meet the reporting expectations of institutional owners, respond to an increasingly complex regulatory environment, and protect portfolio value across market cycles.

Recommendations for Industry Stakeholders

For institutional owners, the priority recommendation is to establish a common risk taxonomy and standardized reporting requirement across all operating partners before further portfolio growth compounds the data fragmentation described in Section 3, since retrofitting standardization onto an already-large, multi-operator portfolio is materially more difficult than establishing it early. For regional and local property management companies, the recommendation is to proactively adopt institutional-grade risk reporting practices even before a specific institutional client requires it, both to strengthen competitiveness for institutional management contracts and to build internal risk visibility that improves operating decisions regardless of ownership structure. For industry associations and standard-setting bodies, the recommendation is to consider developing a housing-specific ERM implementation guide adapting the general COSO framework to the specific risk categories outlined in Section 5, reducing the implementation burden currently faced by individual operators attempting this adaptation independently.

Discussion

A recurring theme across the GAO literature reviewed in this paper is that institutional ownership of U.S. housing is neither as dominant, nationally, as some public discourse suggests, nor as immaterial as its modest national percentage might imply in isolation. The correct unit of analysis is not the national housing stock but the specific metropolitan markets where institutional concentration has become significant, and the specific institutional balance sheets — REITs, pension funds, and private equity platforms — whose scale and reporting expectations increasingly shape professional standards for the broader industry, well beyond the properties those entities directly own. Governance expectations set by institutional owners in concentrated markets tend to diffuse outward to the operating partners, vendors, and eventually the broader professional practices of the property management industry serving those markets.

This diffusion effect is, in the author's assessment, the primary mechanism by which formal ERM governance is likely to spread through the U.S. housing sector over the coming years — not through regulatory mandate, which remains largely absent for property-level risk governance outside of specific financial-sector-adjacent contexts, but through the practical requirements institutional capital places on the operators and markets in which it concentrates. Operators positioned in or adjacent to high-institutional-concentration markets, such as those identified in Section 9, are likely to face this pressure soonest, and stand to benefit most from proactively building the governance capability described in this paper ahead of being required to do so by an institutional counterparty.

A further implication concerns smaller, independent operators who may never directly serve an institutional owner. Even these operators are likely to feel indirect pressure from the trends described in this paper, as institutional-scale competitors increasingly differentiate themselves through more sophisticated risk reporting when courting private capital, joint venture partners, or acquisition offers. An independent operator able to present standardized, auditable risk governance is likely to be a more attractive counterparty in any of these scenarios than one relying solely on informal, undocumented management practices, regardless of whether that operator ever manages assets on behalf of a REIT or pension fund directly.

Appendix A: Glossary of Key Terms

- Institutional investor (housing) — as defined by GAO for purposes of its analysis, an entity owning 5,000 or more single-family homes across at least five metropolitan statistical areas nationally.
- Enterprise Risk Management (ERM) — an organization-wide discipline for identifying, assessing, and responding to risk in a manner integrated with strategy and performance, as codified in the COSO ERM framework.

- Risk register — a structured, maintained inventory of identified risks, their assessed likelihood and impact, and assigned ownership and response strategy.
- Federated governance — a governance model that establishes common standards and reporting requirements across a portfolio while preserving a defined degree of local operating autonomy.

About the Author

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