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Will Regulating Large Institutional Investors Actually Make Housing More Affordable?

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In an [executive order issued on Tuesday, January 20](#), President Trump announced he would take immediate steps to ban large institutional investors from purchasing single-family homes.

The administration's emphasis on lowering housing costs is welcome amid [rising concerns about affordability](#). But data suggest this approach may not actually add to the housing supply for first-time homebuyers or increase paths to homeownership.

Indeed, institutional investors may have more of a role in increasing housing affordability, not less of one. Evidence suggests that institutional investors are in a strong position to increase housing supply [through their build-to-rent activities](#), thereby easing strains on both homeowner and renter budgets. Below, I outline additional steps they can take to help improve the renter experience.



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American Community Survey data show that only 16 percent of one-family homes nationwide are rentals. Large institutional investors (i.e., companies owning more than 1,000 homes in at least three markets) [own just 3 percent of single-family rentals](#), less than 0.5 percent of the total single-family housing stock.

Most single-family rentals are owned by small investors, but large institutional investors have become a greater presence in the single-family rental market over the past 15 years. In some cities, large institutional investors own large shares of the single-family rental market. These cities include [Atlanta \(institutional investors own 25 percent\)](#), [Jacksonville \(21 percent\)](#), and [Charlotte \(18 percent\)](#).

[Institutional investors helped stabilize prices after the financial crisis](#) in 2007, but existing research is conflicted on whether institutional landlords have contributed to rising prices and rents in recent years. [Some studies conclude](#) that institutional investors do contribute a small amount to cost increases; [others have concluded they do not contribute](#). The challenge in this field of research is to separate cause from effect.

It is true that areas where institutional investors have made large purchases have seen [higher appreciation than the rest of the nation](#), but it is also true that large institutional investors are [more likely to buy in areas with population and employment inflows](#). Correlation is not causation. Indeed, [a research report from Freddie Mac](#) concluded that investor purchases are, at most, a very modest contributor to the run-up in home prices.

Homes that large institutional investors buy are often those in need of repair and are not move-in ready. [Institutional investors have several advantages over owner-occupants in this sector](#). When looking at a home, institutional investors can quickly assess repair costs, and they can benefit from bulk pricing on appliances, HVAC (heating, ventilation, and air conditioning) systems, paint, and carpeting.

For every home they buy, institutional investors generally [put in between \\$20,000 and \\$40,000](#). Even if an owner-occupant could adequately and economically assess repair costs, it is very difficult for them to get renovation financing, as denial rates are high: 44 percent in 2024 according to Home Mortgage Disclosure Act data.

In cases where an institutional investor does not buy a home in need of repair, it is still more likely that a small or midsize investor would purchase it over an owner-occupant who would need a renovation loan. [As I have written previously](#), improved purchase-renovation financing products would help level the playing field.

How does the executive order address institutional investment?

The executive order directs federal agencies—the US Department of Housing and Urban Development (HUD), the US Department of Veterans Affairs (VA), and the Federal Housing Finance Agency—to issue guidance within 60 days that restricts federal programs from approving, insuring, guaranteeing, securitizing, or facilitating sales of homes to large institutional investors. The order also directs federal programs to promote sales to owner-occupants through “first-look” policies, which give owner-occupants and nonprofits a 30-day window to bid on foreclosed properties. Further,

- the US Department of the Treasury has 30 days to define “large institutional investor” and “single-family home,”
- HUD must now require disclosure of ownership details in federal housing assistance programs to identify institutional involvement,
- the US Department of Justice and the Federal Trade Commission must review acquisitions for anticompetitive effects and prioritize enforcement of antitrust laws against coordinated pricing strategies, and
- the order calls on Congress to codify these policies.

Large institutional investors make up only a small share of the single-family rental market, and the homes they do buy are, in general, unlikely to be purchased by owner-occupants otherwise. The directions laid out in the executive order do not change that reality, but they do raise additional questions.

First, large institutional investors are not eligible for and do not rely on federal financing. The Federal Housing Administration does not finance investor properties at all, and VA entitlements limit a borrower to a few properties. Fannie Mae and Freddie Mac allow investors to hold up to 10 mortgages. Institutional investors generally borrow funds through banks or insurance companies and issue securities backed by the rental properties. Inside Mortgage Finance indicates securities issuance was \$8.7 billion in 2025, with [\\$25 to \\$30 billion in outstanding securitizations](#).



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The executive order does offer a pathway to level the playing field for owner-occupants, however. Existing federal first-look programs could be strengthened through the order and, in the case of HUD, expanded. As such, the executive order may well be a positive force, with HUD secretary Scott Turner indicating as much in his recent testimony.

A better solution for housing affordability

Rather than restricting institutional purchases through congressional action, a more immediate and effective approach would be to require that greater size comes with greater responsibilities. Size and scale enable investors to take actions to improve affordability for tenants. [As outlined in a paper I coauthored with Ingrid Gould Ellen, these actions could include](#) the following:

- **Accepting housing choice vouchers.** To qualify for a housing choice voucher, a unit must undergo a HUD inspection, which can take time and necessitates the unit stay vacant. A large landlord is in a better position to bear this cost than a small landlord.
- **Allowing for greater flexibility in security deposit payments.** Larger investors could accept rental insurance in lieu of a security deposit or allow a renter to come up with the deposit over time rather than needing it up front, which can pose a challenge for many potential renters. [A few cities already require landlords with more than a prespecified number of units to provide flexibility](#) in security deposit payments.
- **Reporting rental payments to credit bureaus.** With rent reporting, renters can build credit and improve their credit scores. Setting up systems to do rent reporting is more feasible for large landlords than for small ones.
- **Providing clear and transparent leases.** At a minimum, large landlords have the means to develop a one-page summary that covers the rental payment, as well as fees for late payments, pets, and other fees.
- **Providing eviction grace periods.** Before filing an eviction notice, large landlords can employ staff members to reach out to the renter and give them a short period to come up with the rent or provide another mutually satisfactory outcome.

Although [more supply alone will not solve the country's housing affordability crisis](#), new units will lower prices, and large institutional investors are in a strong position to increase supply through their build-to-rent activities. What's more, these investors can take actions to improve the renter experience by reducing added costs and administrative friction. Size should bring responsibilities, and policymakers should help ease Americans' housing anxieties by requiring large investors to take these steps.

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