To: Senate Committee on Banking, Housing, and Urban Affairs

From: Neale Mahoney, Ryan Cummings, and TV Ninan (SIEPR)

Subject: Banning Purchase of Single-Family Homes by Institutional Investors (Section 901)

Section 901 of the *21st Century ROAD to Housing Act* proposes limiting the acquisition of single-family homes by large institutional investors. The act does not require institutional investors to divest single-family homes they already own, and exceptions allow investors to continue acquiring homes to some extent. The text of the bill is fluid, and this analysis does not aim to analyze the specific legislative text. Instead, this analysis examines the literature on institutional home ownership in general. The existing literature suggests the likely effect of limiting acquisition of single-family homes by large institutional investors is as follows:

- **The overall economic effects are likely to be modest at the national level.** Institutional investors represent a small share of the national single-family housing stock and are concentrated in a limited number of metropolitan areas.
- **Benefits for prospective homebuyers in these areas are likely to be positive yet limited in magnitude.** Reduced investor activity may modestly lower prices and increase homeownership in some markets.
- **The effects on the rental markets in these areas are uncertain.** Institutional investors may raise rents through increased market concentration, but also lower rents by expanding rental supply. The evidence for which effect dominates is mixed.

Large institutional investors entered the US single-family housing market in significant numbers in the aftermath of the 2008 financial crisis, when widespread foreclosures and tightening mortgage credit created opportunities to acquire distressed homes.[1] Even so, institutional investors still represent a relatively small share of the single-family housing market. Estimates suggest that they accounted for just over 3% of the single-family rental stock in 2022 and, therefore, an even smaller share of owner-occupied and total single-family housing stock.[2] In addition, institutional ownership is highly concentrated geographically: nearly 80% of the institutional investor holdings in 2022 were concentrated in 20 metropolitan areas, primarily in the South and Southeast.[3] Most of these markets are not those where affordability pressures are currently most severe. Taken together, these facts suggest that a ban on institutional purchases is likely to have only a modest effect on national housing affordability, assuming current patterns of institutional ownership persist.

[1] Rental Housing: Information on Institutional Investment in Single-Family Homes, GAO-24-106643
[2] Single-Family Rentals: Trends and Policy Recommendations, The Hamilton Project at Brookings, November 2023
[3] A Profile of Institutional Investor–Owned Single-Family Rental Properties, Urban Institute, April 2023

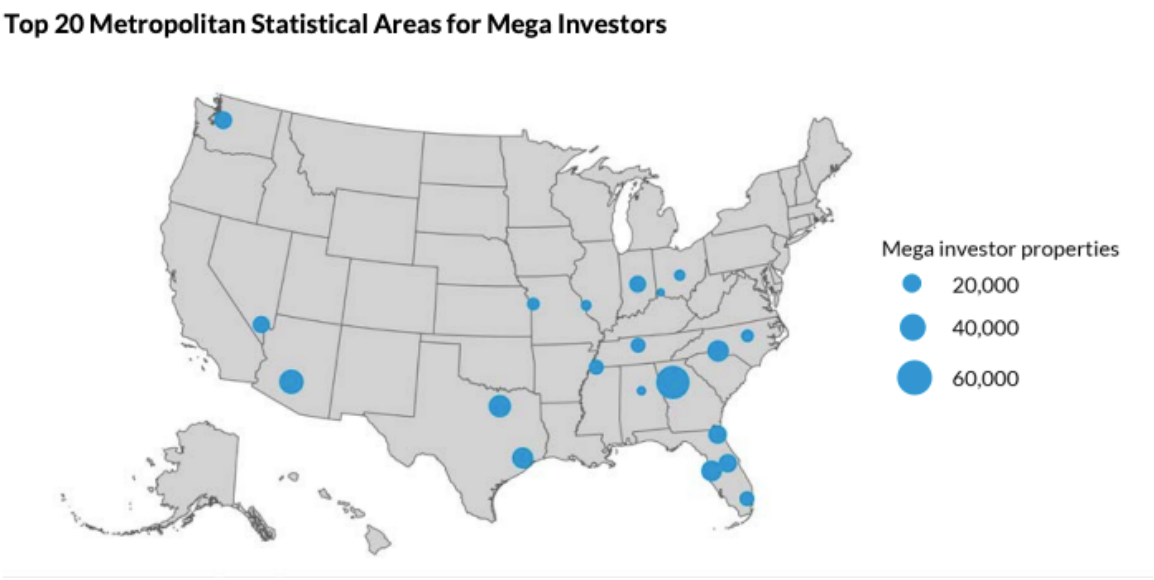

Figure 1: Geographic Concentration of Investors Owning more than 1000 properties.
Source: Goodman, Ellen, and Zhu (2023), Urban Institute

In markets where institutional ownership is concentrated, potential impacts occur in both the owner-occupied and rental segments of the housing market. In the owner-occupied segment, the evidence is clear: Institutional investors purchasing single-family homes increase competition for properties, bids up prices and make homeownership more difficult for individual buyers and smaller "mom and pop" landlords. The estimates on the magnitude of this effect vary across markets and time periods and range from small to moderate.[4] In the wake of the financial crisis, this investor activity played a stabilizing role by helping absorb distressed housing inventory and supporting home prices.[5] However, such upward pressure on prices is more problematic in the post-pandemic housing market, where concerns about housing affordability have become more acute. In addition, the exceptions in section 901 that allow institutional investors to purchase newly constructed units, rehabilitated units, and foreclosed properties, suggest that the policy is unlikely to distort the supply of new housing.

The effect of section 901 on the rental segment is in theory ambiguous: institutional investors purchasing large numbers of properties may gain market power, potentially allowing them to raise rents. On the flip side, institutional investors can also increase the supply of rental housing due to easier access to capital, more efficient management, and lower operating costs.

The evidence on which effect dominates is mixed. Some recent research suggests that the higher rental supply effect may dominate. By expanding the supply of single-family rental units, institutional investors may put downward pressure on the rents that can offset the effects of market concentration.[6] However, other evidence suggests that consolidation among institutional landlords can increase rents in areas where market concentration rises.[7] There are yet other studies that find low or not significant effects on rents, especially

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[4] Impact of investors in distressed housing markets. Journal of Real Estate Finance and Economics, 56(4), 622–652; Real Estate Investors and the U.S. Housing Recovery, Real Estate Economics, 2022 ; The Impact of Institutional Investors on Homeownership and Neighborhood Access, Working Paper, 2025 ; Market Power and the Welfare Effects of Institutional Landlords, Working Paper, 2026.
[5] Tracing the Source of Liquidity for Distressed Housing Markets, Real Estate Economics, 2023
[6] The Impact of Institutional Investors on Homeownership and Neighborhood Access, Working Paper, 2025 ; Market Power and the Welfare Effects of Institutional Landlords, Working Paper, 2026.
[7] Do Wall Street Landlords Undermine Renters' Welfare?, Review of Financial Studies, 2023

in the longer term suggesting these forces cancel each other out.[8] Regardless of the direction, the magnitude of these effects is likely modest at the national level. To the extent that section 901 includes meaningful carve-outs for build-to-rent programs, renovate-to-rent, rent-to-own and other homeownership transition programs which largely are designed to support rental supply, it is possible that the supply-expansion channel would dominate especially if accompanied by oversight from antitrust authorities.

Overall, the economic effects of Section 901 are likely to be limited, given that institutional investors currently account for a very small share of the single-family housing market nationally and play a negligible role in the markets where housing is most expensive. While the policy may modestly reduce investor competition in some housing markets, the evidence on rental market effects remains mixed.

[8] Real Estate Investors and the U.S. Housing Recovery, Real Estate Economics, 2022 ; Large-Scale Buy-to-Rent Investors in the Single-Family Housing Market: The Emergence of a New Asset Class, *Real Estate Economics*, 2016