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Institutional Investment in Single-Family Housing:

Separating Fact from Fiction

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PROGRESSIVE POLICY INSTITUTE

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INTRODUCTION

Housing in the United States is too expensive. For most Americans, it is their single biggest expense, and today, it is less affordable than at any time in the last 40 years:[1] The median household needs to devote a whopping 40% of its income to afford the median-priced home.[2]

Policymakers at the local, state, and federal levels have become acutely aware of this crisis. But in their search for solutions, lawmakers across the political spectrum have converged on a politically unsympathetic scapegoat: institutional investors — often described interchangeably as "hedge funds" or "Wall Street." President Trump recently announced he is "immediately taking steps to ban large institutional investors from buying more single-family homes," promising to call on Congress to codify the measure.[3] Similar legislation has been introduced in at least 28 states over the past two years.[4]

It is worthwhile to take seriously how frustrated Americans are about housing affordability, but it is also necessary to point out how badly targeted *this* solution would be. Institutional investors — defined as entities owning 1,000 or more properties — own less than 1% of all single-family homes nationwide.[5] Even when examining metro areas with the highest concentrations of institutional ownership, there is no evidence that prices have increased more rapidly in these markets compared to areas with minimal institutional presence. This isn't to say that market concentration can never be an issue in the housing market. But at the present moment, the proposed bans represent a misapplication of political capital, and a fundamental misdiagnosis of the housing crisis.

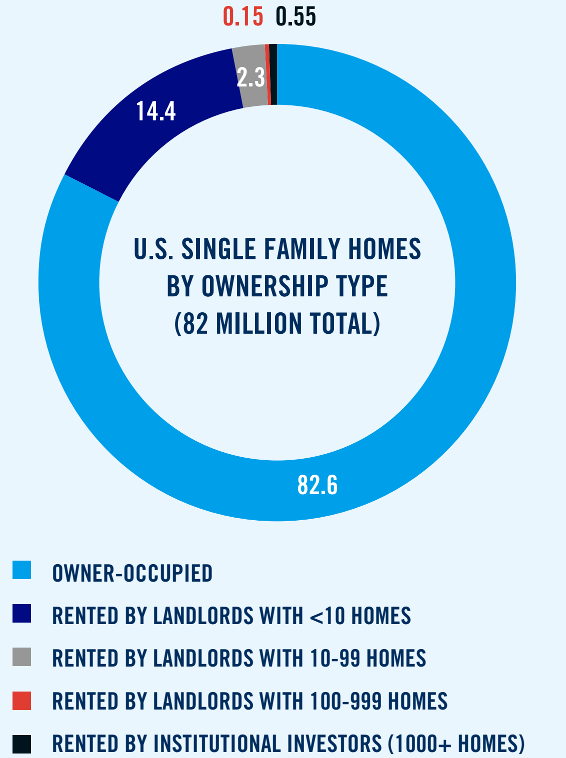
If policymakers are genuinely concerned about housing costs, they should pursue a diverse set of policies, including loosening exclusionary zoning restrictions and streamlining permitting requirements. Working-class Americans recognize this. A Progressive Policy Institute/YouGov poll of non-college-educated voters in 2024 found that 64% agreed that "we should cut unnecessary zoning regulations so we can build more multifamily housing and drive down the costs of housing for working families."[6] Targeting institutional investors may be politically expedient, but it will do little to address the underlying regulation-induced supply constraints that are the true drivers of housing unaffordability.

THE SCALE AND IMPACT OF INSTITUTIONAL OWNERSHIP

The explosion of bills introduced in state legislatures might lead one to assume institutional ownership is a pervasive national crisis, but that is not the case. The single-family rental market in the United States is characterized by extreme fragmentation. Despite the high-profile entry of companies such as Invitation Homes and American Homes 4 Rent following the 2008 financial crisis, institutional investors control an economically insignificant share of the housing stock.

According to 2024 data from the Government Accountability Office and Urban Institute, institutional investors — owning 1,000 or more homes — collectively own approximately 450,000 single-family homes out of a national stock of 82 million. This represents just 0.55% of all single-family homes in the United States.[7] Data from John Burns Research and Consulting finds that institutional investors account for less than 2% of all home purchases in 2025.[8]

FIGURE 1: U.S. SINGLE-FAMILY HOMES BY OWNERSHIP TYPE (%)



Source: GAO (2024), Urban Institute (2023), SitmusAMC (2025), JBREC (2024), Census Bureau

As Figure 1 illustrates, most single-family homes are owner-occupied (82.6%). Among rental properties, "mom-and-pop" landlords — those owning fewer than 10 properties — dominate the rental market, accounting for 11.8 million homes or 14.4% of the total stock. Small and medium landlords (10-99 homes) own another 1.88 million homes (2.3%). By contrast, institutional investors with 1,000 or more homes own just 450,000 properties (0.55%). In no other industry would a sub-1% market share be considered a "control" position warranting antitrust intervention.[9]

Institutional activity has been more prominent in places that meet a set of criteria — what investors call the “buy box” — is met, targeting newer homes (typically post-1980 construction), 3 to 4 bedrooms, in markets with high job growth, good school districts, and existing supply constraints. This strategy leads to concentration in Sun Belt markets: Atlanta, Phoenix, Tampa, Charlotte, and Jacksonville rank among the top metros for institutional presence.[10] As the competitive housing market is not necessarily of a national scope, but rather defined by smaller markets such as metro areas, concentration in individual cities could theoretically be a cause for concern.

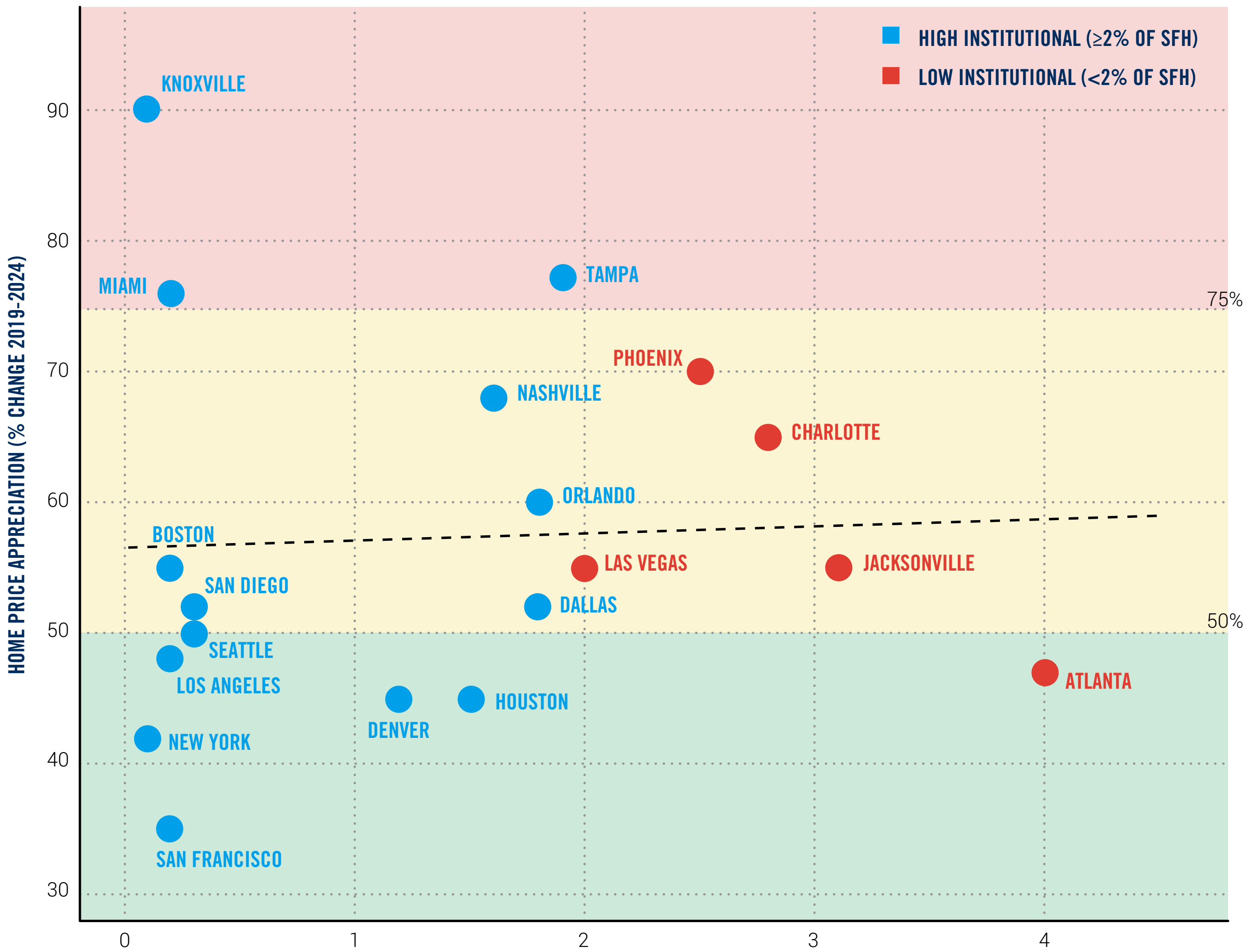
But even in these high-concentration markets, institutional ownership remains a small fraction of the total housing stock. An American Enterprise Institute analysis found that only 22 counties nationwide have institutional ownership rates between 5% and 10% of single-family rentals — and none exceed 10%.[11] When measured against total single-family homes (not just rentals), even the most concentrated market, Atlanta, sees institutional ownership of approximately 4%. Institutional investor activity simply cannot significantly explain the nationwide housing affordability crisis.

THE EFFECT OF INSTITUTIONAL OWNERSHIP ON LOCAL PRICES

The most important question for policymakers is whether institutional ownership drives up housing prices. If excessive concentration and market power in places where institutional investors are active were a factor in driving up costs, we would expect to see a strong positive correlation between institutional ownership concentration and price appreciation. The evidence strongly suggests no such relationship exists.

Figure 2 presents a scatter plot of 19 major U.S. metropolitan areas, comparing institutional investor ownership (as a percentage of total single-family homes) against home price appreciation from 2019 to 2024. The results are striking: there is essentially no correlation between institutional ownership and price growth. Markets with high institutional presence show similar — and in some cases lower — appreciation rates compared to markets with minimal institutional activity.

FIGURE 2: INSTITUTIONAL OWNERSHIP AND HOME PRICE APPRECIATION BY METRO AREA



Source: GAO (2024), Urban Institute (2023), FHFA HPI | Institutional = 1,000+ homes

Consider the extremes. Atlanta has the highest institutional ownership of any major metro — approximately 4% of all single-family homes — yet experienced only 47% price appreciation from 2019 to 2024, the lowest among major Sun Belt metros. Meanwhile, Knoxville, with virtually no institutional presence (less than 0.1%), saw the highest appreciation at 90%. Miami, with institutional ownership of just 0.2%, experienced 76% appreciation. The most expensive coastal markets — San Francisco, New York, Boston, and Los Angeles — have negligible institutional ownership yet remain among the most unaffordable housing markets in the nation.

This finding should not be surprising. When institutional investors own less than 1% of the national housing stock, they simply lack the market power to meaningfully influence prices. Market power in economics requires a substantial share of supply; a 1% market participant cannot substantially dictate terms to the other 99%.[12]

Recent academic work supports this conclusion. A 2025 analysis using structural modelling by Joshua Coven examined the impact of institutional entry on housing markets and found that institutional investment actually *decreased* rents on net, due to the expansion of rental supply and operational efficiencies that allow large landlords to operate at lower margins than mom-and-pop owners. The paper did uncover evidence that institutional investors competed with normal homebuyers: For every property they purchased, the number of houses belonging to homeowners fell by 0.22. But this "crowding out" effect was far from 1-to-1, and total rental supply expanded by 0.5 homes for every institutional purchase.[13] Institutional investment nets more housing options, not less.

The relationship between institutional investment and housing prices runs in the opposite direction from what critics assume. Institutional investors do not enter markets and drive up prices; rather, they enter markets that are *already* experiencing price increases due to underlying supply-demand imbalances. They deploy capital in markets where local governments have failed to approve enough new housing to meet population growth, betting that scarcity will drive rental yields — capitalizing on the failures of municipal zoning, not creating the shortage themselves.[14]

THE BENEFITS OF INSTITUTIONAL OWNERSHIP

While institutional ownership is often maligned in public discourse, it provides several benefits compared to the fragmented mom-and-pop landlord model. Large landlords have the scale to provide amenities and services that small landlords cannot, employing dedicated maintenance and management teams whose full-time job is property upkeep and tenant service. Mom-and-pop landlords, for whom being a landlord is rarely their primary occupation, often lack the time, expertise, and capital reserves to address problems promptly.

Research from the Urban Institute notes that institutional investors spend significantly more on property rehabilitation — Invitation Homes reports average upfront renovation costs of roughly $39,000 per home, compared to approximately $6,300 spent by the average homeowner in the first year of ownership.[15] Increasingly, institutional investors are not merely acquiring existing homes but building new ones through Build-to-Rent (BTR) developments. American Homes 4 Rent delivered over 2,200 new homes in 2024 that would not have existed otherwise.[16] Laws restricting institutional ownership could paradoxically exacerbate the affordability crisis by eliminating the only entities building rental housing at scale.

Single-family rentals also open opportunities for lower-income families to live in neighborhoods with better amenities — improved schools, better public safety, and greater opportunities for economic advancement — that would otherwise be accessible only to those who can afford to purchase a home. Research by Konhee Chang, now an economist at the Federal Reserve Board, found that people who move into single-family rentals are poorer, younger, and more racially diverse than their immediate homeowning neighbors.

BETTER SOLUTION

If institutional investors are not the cause of our housing crisis, then what is, and what should be done to address people's very real concerns about housing affordability?

Economists across the political spectrum recognize that the housing affordability crisis is primarily driven by a lack of supply. Too many buyers and renters are chasing too few housing units. The primary reason for the housing shortage, in turn, is that overly restrictive land use policies and Not in My Back Yard (NIMBY) activists prevent private developers from building the types of housing people want, where they want it.[16]

It wasn't always this way. Until the mid-20th century, it was routine for neighborhoods to have a variety of different types of housing. Duplexes and triplexes sat alongside single-family homes. Boarding houses offered affordable single-room occupancy living.[17] One in three homes was manufactured off-site, giving consumers a 50% discount on the price of homes built on-site.[18] But beginning in the 1970s, local governments clamped down on the types of housing that could be built.[19] Communities doubled down on exclusionary zoning laws, sometimes referred to as "snob zoning," that effectively dictated who could live where, and made it harder for builders to meet the growing demand for housing. Today, these laws are pervasive. In three-quarters of the land in most American cities, it is illegal to build any kind of multifamily housing.[20]

Builders can no longer meet demand. As economists Edward Glaeser and Joseph Gyourko observe, "the 1950s and 1960s were a golden age of building, with abundant housing production in any market with robust demand." That changed over time. "In the 1980s and 1990s, the growth rate of housing was barely half that seen in the 1950s and 1960s. The first decade of the new century saw slightly less growth, followed by even lower housing unit production in the 2010s. While recent years have seen some recovery in housing production, building levels remain far below their post-war heyday."[21] Housing stock grew annually by 4% in the 1950s, but has recently fallen to an annual growth of less than 1%.[22] In November 2024, Freddie Mac economists estimated that we need to build another 3.7 million homes to satisfy demand.[23]

For decades, NIMBY forces almost always prevented efforts to reform overly restrictive land use policies, but starting in 2018, that began to change as states and localities began to adopt pro-housing laws over NIMBY objections. In the last several years, governors and state legislators in Arizona, Arkansas, California, Colorado, Florida, Iowa, Kentucky. Maine, Maryland, Massachusetts, Montana, New Hampshire, Nevada, Oregon, Rhode Island, Texas, Utah, Vermont, and Washington have worked to curb the ability of local governments to artificially restrict the supply of housing.[24]

These reforms are beginning to bear fruit. Consider the case of Minneapolis, which in 2018 became the first major American city to legalize duplexes and triplexes citywide and adopted several other pro-housing reforms. According to the Pew Research Center, between 2017 and 2021, Minneapolis saw an 8% increase in homes, compared with a 3% growth nationally. The relatively larger increase in housing supply in Minneapolis was also associated with a much slower growth in rents, which rose just 1% in the city between 2017 and 2021, compared with a 31% increase nationally.[25]

Minneapolis' modest rent hikes helped keep a lid on the city's overall cost of living, since shelter costs account for more than one-third of the consumer price index. In August 2023, *Bloomberg CityLab* reported that making housing more affordable was the key reason why Minneapolis had become "the first American city to tame inflation." Bloomberg found that the Minneapolis region had authorized 14,600 multifamily units in 2022, which put it eleventh out of fifty-five peer metropolitan areas in permits per capita. Mark Zandi, chief economist at Moody's Analytics, noted, "There is no more effective way to rein in inflation than to expand the supply of affordable housing and increase housing affordability."[26]

At the federal level, the U.S. Senate has passed the bipartisan ROAD to Housing Act, sponsored by Sen. Tim Scott (R-N.C.) and Elizabeth Warren (D-Mass.), which takes several steps to reduce restrictive land use policies. The bill creates a housing innovation fund to incentivize zoning changes, conditions federal Community Development Block Grants on localities taking steps to expand housing supply, and modernizes manufactured housing and modular housing rules, among other things.[27]

Also at the federal level, Rep. Emmanuel Cleaver (D-Mo.) has endorsed the creation of an Economic Fair Housing Act, which would give working-class people the same right to sue municipalities that discriminate against them through land use policies, similar to the mechanisms in the 1968 Fair Housing Act.[28]

Under the Economic Fair Housing Act, the free market in housing prices would continue to operate precisely as it does today, but the legislation would target government laws that discriminate based on income. If a local policy, such as a minimum lot size of half an acre, or a ban on duplexes and triplexes, were found to be discriminatory based on income, the burden would shift to the municipality to prove it's "necessary" to achieve a set of valid goals.[29]

YIMBYism and pro-housing supply reforms show that we already have the solution to our housing crisis at our disposal. This solution — applied at every level of government — has a proven track record of delivering cheaper housing to Americans of all income levels. We don't need to reinvent the wheel or create new boogeymen. By simply building more homes, of every type, in every neighborhood, we can ensure that Americans can get onto the housing ladder and afford the homes they need to achieve the American dream.

CONCLUSION

Pointing the finger at institutional housing investors as the source of the housing affordability crisis might be politically convenient, but the data shows that they are not the root cause. The housing unaffordability crisis in America long predates institutional investors' emergence into the housing market after the 2008 subprime mortgage crisis. Even now, they are still just a fraction of buyers. Additionally, single-family rentals provide tangible benefits to lower-income, racially diverse Americans. They access better neighborhoods, schools, and jobs that they would otherwise not be able to buy into. We cannot ignore those very real benefits in favor of political posturing.

Creating the institutional investor boogeyman allows our elected officials to not address the very real tradeoffs we face when addressing housing affordability. It is a hard problem. But it is a challenge that we must confront with real solutions, not political sloganeering. Local, state, and federal lawmakers need to keep their eyes on the ball and address what matters most: curbing artificial constraints on the ability of the market to expand the supply of housing to meet demand. That approach makes far more sense than blaming institutional landlords who make up less than 1% of the market.

ABOUT THE AUTHORS

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