Whereas media attention has focused on the negative impacts of institutional investors in housing markets, some aspects of institutional investment could enhance rental housing supply, especially when investors build new single-family homes to rent. Build-to-rent is a growing segment of new single-family housing supply, with approximately 81,000 of these homes started during 2022, up 26 percent from 2021.[11] Although this uptick in supply does not come close to meeting the demand, growth in single-family rentals from new construction could potentially increase access to neighborhoods well suited to meeting the needs of families with children, including families living in poverty.[12]

A baseline level of investor activity has long been present in the single-family housing market, but increased activity from institutional investors is associated with negative effects on renters' housing stability and on households' ability to move into homeownership. It is important that state and local governments take action to mitigate the impacts of increasing activity of institutional investors in many markets.

Although this article focuses on the single-family housing market, institutional investors also play a growing role in the market for other types of housing, including manufactured homes and multifamily properties. For example, stakeholders have raised concerns about investor purchases of manufactured housing communities (MHCs), which have long been a source of unsubsidized affordable housing. Among other reasons, many existing MHCs are attractive investments because they are charging below-market rents that can be raised and because manufactured homes cannot be moved cheaply or easily, despite their common mischaracterization as 'mobile homes.'

Innovative Policies and Practices

This section highlights some innovative steps that state and local governments have taken to address the negative impacts of institutional investors, including preserving local ownership of single-family homes, improving transparency, and increasing protections for renters.

Purchase single-family homes and other rental properties before investors can. The best way to break the cycle of investor purchases is to equip public agencies and nonprofits to buy single-family homes before investors can. In Cincinnati, Ohio, the Port of Greater Cincinnati Development Authority recently purchased 194 homes in a foreclosure auction.[13] The Port of Greater Cincinnati Development Authority outbid 12 other investors to purchase the homes. Community land trusts, such as the Champlain Land Trust in Burlington, Vermont, can purchase land and maintain the long-term affordability of housing on that land.[14] Not only do policies and actions like these preserve local ownership of properties, but they can also keep rents more affordable for current tenants and put them on the pathway to homeownership.

Increase transparency and accountability. State and local governments can also use transparency and accountability to inform policymaking and encourage large landlords, including institutional investors, to maintain the quality of the housing stock.

For example, the Minneapolis Federal Reserve Bank has a property data tool that shows the concentration of investor-owned properties by census tract or at the city/township level.[15] Expanding this database to include more geographies across the country could enable local jurisdictions to provide more transparency on investor ownership and help local policymakers make informed decisions concerning the ramifications of investor-owned properties. Public access to these data could also help tenants, advocates, and others to hold institutional investors accountable when issues arise within their portfolios.

In 2019, the state of New York passed State Tax Law 1409, which requires the disclosure of names and business addresses of all owners of an LLC before the property can be transferred from one party to another in the recording of the deed. New York City instituted a similar policy in 2019 with the enactment of New York Administrative Code 11-2105.