

Buying limits, lower prices?

Trump wants to restrict institutional purchases; private equity lately net sellers due to high costs

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President Trump, in a push to boost housing affordability, issued an executive order last Tuesday that will make it much harder for institutions to purchase homes.

"Homes are built for people, not for corporations, and America will not become a nation of renters," Trump said, while also acknowledging the need to avoid policies that drive down home values so much that existing homeowners are hurt.

But the executive order may not have as much of an impact in Colorado, where big institutional ownership was limited to begin with and where high prices have reduced the return investors can earn.

"My thought is that this is a policy written for 2021 headlines, implemented in 2026 conditions, where the problem already corrected itself. The unintended consequences will land on exactly the people the policy claims to help," said Troy Miller, chief creative officer with Colorado RE-CON, a group that supports Colorado real estate investors.

Miller notes that large institutional investors have been net sellers of residential properties nationally for six quarters. Large institutions bought only 0.3% of all homes sold in 2024, and their purchasing volume is down 90% from 2022, when there was a short-lived surge because of the pandemic.

"It targets a problem that's already solving itself through market forces. Institutional capital retreated when the math stopped working at current valuations," Miller said.

However, consumer advocates and real estate brokers who have had to deal with frustrated buyers blocked out of the market are lauding that the housing affordability problem is getting the attention it needs at the highest levels.

"The National Association of Realtors is encouraged that the administration and members of Congress are focused on addressing the nation's housing affordability and supply crises," Shannon McGahn, the group's chief advocacy officer, said in a statement. "We share the goal of ensuring there are enough places for people to live and of expanding access to homeownership — especially for first-time buyers — and ensuring that housing policy strengthens communities rather than limiting opportunity."

Redfin, the Seattle-based real estate brokerage and research firm, estimates that investors own about 13% of the homes and condos in metro Denver, and that they bought 1,160 properties in the third quarter, down 9% from a year earlier. Redfin scans property records for terms like LLC, Inc., Trust, etc., to determine investor ownership.

Large institutions, the ones targeted in the president's order, likely own closer to 3% of the housing stock, which is below the national average of 3.8%, according to an analysis the State Demography Office completed last

summer, at the request of the Colorado legislature.

"2023 data show 47,152 corporate-owned housing units, of which 6,571 or 13.3% percent are owned by the two mega (1000+ units) owners.

The data in Colorado suggest that corporate ownership statewide is not highly concentrated in a small number of owners but instead is more widely distributed, resulting in a lower probability for price setting. However, there are pockets of ownership where concentrations drift slightly higher," the report found.

Critics charge that investor ownership, especially institutional ownership, has lifted home prices and blocked many would-be first-time buyers, who lack the financial resources to compete, from becoming owners and building wealth. More broadly, all-cash buyers easily beat out buyers relying on mortgage financing, and that created strong resentment when homes on the market were receiving multiple bids in 2021 and 2022.

About four in 10 home sales in the third quarter went to cash buyers in Colorado, according to Attom, a property analytics firm. Attom, which defines institutional buyers and those purchasing 10 or more homes in a given market in a year, put that share at 5.5% in the third quarter, down from 6.1% a year earlier.

Institutional ownership of homes offers a rare intersection where Trump's agenda aligns with Colorado's Democratic legislative majority, which may weigh in with its own bill on the topic. Another area of likely alignment — a proposal to cap credit card interest rates at 10%. Colorado has led the charge nationally to limit how much interest lenders can charge on certain loan products.

Right now, the understanding is that the term "institutional investor" covers those owning 1,000 or more homes, but that could change once the Treasury Department irons out its final rules in the coming weeks. If the definition is lowered to include LLCs and other corporate entities, that could free up a more significant share of the housing stock, but also block out small investors who use rental homes for income.

"We will have to wait to see what single-family means and what institutional investor means," said Tony Julianelle, CEO and partner of Atlas Real Estate in Denver.

Atlas owns about 2,000 rental properties across seven states, which puts it above the predicted threshold, and it manages about 6,000 rental properties. But the company is hardly an Invitation Homes or Progress Residential, which own more than 80,000 homes each, primarily in the Southeast.

Atlas has built its portfolio home by home, often stepping in when others were afraid or unable to purchase. On average, the company has spent \$20,000 to \$30,000 to get each home ready to rent, Julianelle said. *Note*

"The Great Financial Crisis is what led to the institutional presence in this space. Without this institutional capital, there isn't a floor on prices," Julianelle said.

What supporters of a ban fail to realize is that the housing downturn could have been much worse; more people could have lost their homes, and the recovery could have taken much longer without the intervention of private capital, he said. Atlas, he said, has pivoted to buying its rental homes new and to helping its long-term tenants transition into ownership, something he said the industry more broadly should focus on.

The administration can't legally force institutional investors to sell, which would infringe on their property rights and could push down prices rapidly. Nor does the executive order technically ban them from buying single-family homes.

But it is removing the support that government-sponsored agencies offer in financing purchases. And it is blocking bidding on foreclosed properties held by agencies like Housing and Urban Development, the kind of deals they and first-time buyers are drawn to. *Note*

McGahn, of the National Association of Realtors, notes that at the NAR's annual conference in November, the group adopted a policy that aimed to encourage large institutional owners of rental homes to put their properties back into the hands of owner-occupants while also allowing the overall housing stock to continue to grow.

The Trump administration appears to be trying to thread that needle, allowing institutions to buy new homes for "build-to-rent" communities while blocking federal support for future purchases of existing homes.

"Limiting investor purchases could put some downward pressure on home prices, but the overall impact would likely be modest, given that most investors are small-scale buyers rather than large institutional players," said Thom Malone, principal economist at Cotality, a real estate research firm, in an email.

Malone notes that the executive order includes a carve-out that allows institutional investors to remain active in build-to-rent. For example, in Commerce City, NexMetro Communities and Oxenfree have brought private equity dollars to the table to create new housing stock rather than lock it up.

When consumer demands slow, as was the case last year, builders can remain active, leaving them in a stronger position to respond when demand picks back up. It also creates more housing stock, which advocates say is needed to bring down prices.

"This distinction matters, as a slowdown in new housing construction would otherwise offset any price relief created by reduced investor participation," Malone said.

Build-to-rent communities target seniors looking to downsize into a maintenance-free lifestyle, as well as longtime apartment renters who want more space, but don't see or don't want a path to ownership. They are renters who would prefer not to hit an elevator button but rather open the back patio door when it comes time to walk the dog, Julianelle said.

The Colorado Futures Center, which conducted the research used by the State Demography Office, found that outside of two mega-investors, the bulk of investor-owned homes belonged to entities owning fewer than 10 properties. Institutional ownership is most concentrated in the Interstate 70 resort corridor, in the northern Front Range, especially near universities and energy hubs, in Denver, and near the military bases in Colorado Springs, where the population is more transient.

"Overall, the impact on the real estate market from a total ban on institutional investment would be very small and would be very unlikely to benefit buyers or sellers in any significant way. In 2021 and 2022 during the craze it may have had an effect, but not today," said Cooper Thayer, a Castle Rock Realtor with The Thayer Group.

Thayer notes that proponents of a ban often forget who many of the end-investors are who are backing institutional ownership — pension funds and retirement portfolios.

