CLIENT ALERTS & INSIGHTS

Stopping Wall Street at the Front Door: The Growing Push Against Institutional Homebuyers

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Featured Practices: State Attorneys General Investigations & Enforcement

Key Takeaways

- The President and several states are moving to restrict large institutional investors from buying single-family homes, aiming to make homeownership more accessible for individuals and first-time buyers. New executive orders, state laws and enforcement actions are targeting institutional ownership and rental practices.
- These efforts signal a major policy shift and increased legal risk for private equity firms and large investors in the single-family housing market. Companies could face new acquisition bans, tax penalties, waiting periods and heightened scrutiny from state and federal regulators.
- Institutional investors and real estate stakeholders should closely monitor evolving federal and state regulations, review their acquisition and compliance strategies, and prepare for potential restrictions or enforcement actions that could impact their portfolios and business models.

On January 7, 2026, the President announced on social media that he was "immediately taking steps to ban large institutional investors from buying more single-family homes" and that he "will be calling on Congress to codify it." The stated goal of the proposal is to make homeownership more accessible to Americans and to allow more first-time homebuyers to enter the market. Affordability has become a top priority for the National Association of Attorneys General as well.

On January 20, 2026, the President signed an executive order titled "Stopping Wall Street from Competing with Main Street Homebuyers." The order states: "To preserve the supply of single-family homes for American families and increase the paths to homeownership, it is the policy of my Administration that large institutional investors should not buy single-family homes that could otherwise be purchased by families." The order directs the Secretary of the Treasury to define "large institutional investor" and "single-family home" within thirty days. It also instructs Cabinet members to issue guidance within sixty days to prevent the federal government from "providing for, approving, insuring, guaranteeing, securitizing or otherwise facilitating the acquisition by a large institutional investor of a single-family home that could otherwise be purchased by an individual owner-occupant."

States have similarly sought to limit competition between institutional investors and middle-class families for starter homes. For example, California Governor Gavin Newsom has criticized institutional investors for “snatching up homes” and driving up rental prices. On January 8, 2026, Governor Newsom announced in his final State of the State address that he would work with the state legislature to curb institutional ownership of single-family homes, a move that would increase oversight and enforcement. The California State Assembly has already passed a bill prohibiting investors who own more than 1,000 single-family homes from acquiring additional properties.

Other states have taken similar action. Michigan lawmakers have introduced the Shielding Tenants and Owners from Predatory Private Equity Act (STOP), which aims to restrict institutional investors from purchasing Michigan homes. New York enacted legislation effective September 6, 2025, discouraging investment entities from purchasing one- and two-family homes by imposing a ninety-day waiting period before making an offer. New York lawmakers have also introduced the End Hedge Fund Control of New York Homes Act in both the Senate and Assembly, which would discourage large institutional ownership by imposing tax penalties rather than an outright ban.

Since the 2008 financial crisis, private equity firms have increasingly purchased single-family homes and rented them to individuals who could not otherwise afford homeownership. During and after the crisis, large numbers of single-family homes entered foreclosure and were sold at auction, creating opportunities for private equity firms to acquire homes in bulk, often concentrated in specific geographic areas. With the emergence of rent-backed securities, these firms were able to convert single-family homes into rental properties. At the time, government policymakers largely welcomed this trend, as it stabilized housing stock and expanded rental availability when millions of Americans could not afford to buy homes.

Despite increasing scrutiny of institutional investors in recent years, the actual impact of these investors on housing affordability remains contested. For example, an August 2025 report by the AEI Housing Center found no correlation between housing shortages and the rate of single-family rentals owned by institutional investors when comparing data across states. The report also noted that many areas with little or no institutional investor activity experienced sharp home price increases, and that institutional investors have expanded rental options and improved affordability for lower-income households.

Similarly, a 2024 report by the Government Accountability Office concluded that institutional investors “may have contributed to increasing home prices and rents following the financial crisis,” but emphasized that it remains unclear how these investors affected homeownership opportunities or tenant outcomes, given the influence of numerous other factors such as market conditions, demographics and lending practices.

Another point of debate is the relative impact of large institutional investors compared to smaller “mom-and-pop” landlords. According to a study by BatchData, more than 90% of investor-owned homes are held by small investors who own fewer than eleven properties, while only 2.1% are owned by so-called mega-investors with portfolios of 1,000 or more homes. Ownership patterns vary significantly by geography; as of 2022, institutional investors owned between approximately 2% and 25% of single-family rental homes in major U.S. markets.

Regardless of the precise impact, what is clear is that both federal and state governments are increasingly targeting institutional investors-not only through legislation, but also through enforcement actions. State attorneys general have already brought high-profile cases against private equity landlords.

For example, in February 2022, the Minnesota Attorney General sued HavenBrook Homes, which owned approximately 600 single-family rental properties in the Minneapolis-St. Paul area, alleging that the company misrepresented its repair practices and failed to maintain properties in habitable condition. HavenBrook is owned by a privately held hedge fund that reportedly owned approximately 70,000 rental homes nationwide at the time. The case settled in March 2024, with HavenBrook agreeing to provide $2.2 million in restitution and $2 million in debt forgiveness to tenants.

Similarly, in January 2024, the California Attorney General sued Invitation Homes for unlawfully increasing rents on approximately 1,900 homes in violation of the California Tenant Protection Act and the state's price-gouging law. *People of the State of California v. Invitation Homes, Inc.* (Cal. Super. Ct. filed Jan. 8, 2024). Invitation Homes settled the case, agreeing to pay $2.04 million in civil penalties, refund or credit tenants more than $1.68 million (plus 5% interest) collected in excess of statutory rent caps, and implement compliance measures to ensure adherence to California law.

As federal and state governments continue to emphasize housing affordability, further legislative developments and increased enforcement activity by the Department of Justice and state attorneys general are likely. Stakeholders should expect continued bipartisan scrutiny of institutional ownership practices and rental conditions.