



PICTET ALTERNATIVE ADVISORS

Housing affordability, political optics and the limits of capital restrictions

JANUARY 2026, GIORGIA BAISTROCCHI

The renewed political push to restrict institutional investors from purchasing single-family homes has re-emerged as one of the most potent housing narratives in the United States.

The appeal is immediate: the idea that large pools of capital are crowding out households and inflating prices resonates in a country where homeownership remains both an economic aspiration and a cultural anchor. Yet housing markets, like all capital-intensive sectors, are governed less by intent than by capacity. When examined through the lenses of scale, supply elasticity and historical experience, the case for constraining institutional single-family rental capital as a remedy for affordability appears significantly weaker than the rhetoric suggests. For investors, policymakers and households alike, the more consequential question is not whether the proposal is politically coherent, but whether it engages with the underlying constraints that have limited housing production – and what happens when capital is restricted without expanding aggregate supply.

“Housing markets are governed less by intent than by capacity”

A VISIBLE TARGET, A MODEST NATIONAL FOOTPRINT

Institutional ownership of US single-family housing is often described as pervasive. In reality, it has always been limited at the national level and has declined materially in recent years. At its peak, large institutional investors owned roughly 450,000 single-family rental homes – about 3% of the single-family rental stock and closer to 1% of all single-family homes, according to the US Government Accountability Office. As higher interest rates and tighter financing conditions curtailed acquisition activity, the institutional share of new purchases has since fallen sharply, with recent estimates suggesting it now accounts for closer to 0.5%.

That scale might be considered economically meaningful, but it is not system-defining in a market of roughly 82 million single-family homes, of which around 14-15 million are rented.

Where perception diverges from aggregate data is geography. In certain metropolitan areas – particularly fast-growing Sun Belt cities such as Atlanta, Phoenix and parts of Texas – large investors have at times represented a double-digit share of transactions or rental stock. These markets have also experienced above-average rent growth. However, the available evidence suggests this reflects strong population inflows, limited new supply and shifting tenure dynamics, rather than institutional ownership itself, which remains a secondary factor in price formation.

Housing stress is experienced locally, not nationally, and political narratives tend to form where ownership concentration is most visible rather than where the underlying constraints are most binding.

This distinction matters. A national policy response designed to address a possibly localised and highly contextual phenomenon risks

0.5%

Institutional share of new US single-family home purchases

targeting visibility rather than causality – and, in doing so, missing the structural drivers of housing affordability.

THE PROBLEM THAT DOES NOT GO AWAY: SUPPLY

4 million

Estimated US housing shortfall

If institutional investors were a primary driver of housing inflation, one would expect affordability to improve as their activity declined. The opposite has occurred. Over the past few years, rising interest rates, tighter financing conditions and reduced transaction liquidity have sharply curtailed institutional acquisition activity. Yet house prices and rents have remained elevated across much of the country.

The reason is straightforward. The US housing market is structurally undersupplied.

Freddie Mac estimates that the US faces a housing shortfall of over 4 million units, a figure broadly corroborated by other public and private research. That gap is the cumulative result of decades of underbuilding, particularly following the Global Financial Crisis, combined with restrictive zoning, lengthy permitting processes, rising construction costs and, more recently, tighter construction finance.

When supply is inelastic, demand shocks – whether demographic, migratory or financial – translate into higher prices rather than higher output. In such an environment, reallocating the marginal buyer does not resolve the underlying imbalance. It simply reshuffles who secures a scarce asset.

WHAT THE PROPOSAL LIKELY DOES AND DOES NOT DO

Importantly, current policy discussions appear focused on restricting future acquisitions by large institutional investors rather than mandating divestment of existing portfolios. That distinction is critical. Forced sales of privately owned housing assets would raise substantial legal, constitutional and financial-stability concerns, particularly given the integration of rental housing into mortgage markets, municipal tax bases and securitisation structures.

A forward-looking restriction, by contrast, might primarily affect growth strategies rather than legacy cash flows. For existing owners, the direct balance-sheet impact would likely be limited. For capital markets, however, the signal still matters. Policy uncertainty may alter return expectations, increase risk premia and reshape capital allocation decisions long before any statute is enacted.

The more consequential question is whether such restrictions may inadvertently impair the channels through which new housing supply is financed.

“Policy uncertainty may alter return expectations, increase risk premia and reshape capital allocation decisions”

THE RISK OF CONSTRAINING THE WRONG MARGIN

Institutional capital in residential real estate is no longer confined to purchasing existing homes. In recent years, it has increasingly been deployed into build-to-rent development, forward purchase agreements with homebuilders and long-term partnerships designed explicitly to add new supply.

These structures provide scale, higher certainty of execution, and risk absorption at a time when smaller developers face rising costs and constrained access to credit. If policy measures fail to distinguish clearly between speculative acquisition of existing stock and financing of new construction, the outcome could be counterproductive.

The paradox is familiar in housing economics: measures intended to improve affordability can reduce supply, tightening markets further. In high-growth regions where renting is often a necessity rather than a preference, fewer delivered units translate directly into higher long-term costs for households.

IF PRIVATE CAPITAL RETREATS, WHAT REPLACES IT?

Restricting one source of capital does not, by itself, produce housing. If institutional participation in single-family residential markets is curtailed, affordability outcomes will depend on whether governments are willing and able to substitute that capital with credible supply-side interventions.

The policy toolkit is well understood. Zoning and density reform offer the highest long-term leverage but face entrenched local resistance. Accelerated permitting and by-right development can materially shorten delivery timelines. Public land activation and infrastructure-ready sites reduce cost and complexity. Construction finance guarantees and credit enhancement can lower hurdle rates where private lenders retreat. Expanded tax-credit frameworks, such as the Low-Income Housing Tax Credit – which currently provides roughly \$10bn of annual credit authority – can support targeted segments, though their scale remains modest relative to a multi-million-unit deficit.

Absent a coordinated expansion of these mechanisms, constraining private capital risks reducing system capacity rather than increasing access.

**“Constraining private capital risks reducing
system capacity rather than increasing access”**

A UNIQUELY AMERICAN DEBATE

It is also worth recognising how geographically specific this debate is. Institutional single-family rental is not a generic feature of global housing markets, but largely a post-Global Financial Crisis American development, built on the industrialisation of what was historically a fragmented, small-landlord sector. Outside the US, there are few close parallels.

The UK is a partial exception, where single-family housing for rent is only now emerging at scale, with roughly 14,000 completed homes

and a similar number under construction – figures that underscore how early-stage the asset class remains by US standards.

Across most of Europe and much of the Asia-Pacific region, housing systems are structured differently. Rental stock is predominantly multifamily, social or municipally influenced, and where institutional capital participates it tends to do so through purpose-built rental platforms rather than dispersed single-family ownership. As a result, political pressure has historically focused less on who owns housing and more on how rents are regulated – shaping a policy response centred on tenant protections rather than ownership constraints.

Germany's rent brake, the Mietpreisbremse – which remains in force at the federal level – and the Netherlands' recent extension of rent controls into the mid-market illustrate both the political appeal and the practical limits of rent regulation as an affordability tool. Such measures can deliver short-term relief and social stability, but their durability depends critically on whether housing supply continues to expand alongside them. Berlin's attempt to go further, through a city-level rent cap that froze and in some cases rolled back rents, provides a cautionary contrast: the policy was struck down by Germany's constitutional court in 2021 on jurisdictional grounds, underscoring that even far-reaching regulation cannot compensate for institutional constraints or substitute for sustained housing production.

The broader lesson is not that regulation is misplaced, but that regulation without supply rarely improves affordability in a durable way. Housing systems can absorb controls only to the extent that new homes are built alongside them. When production falters, constraints – however well intentioned – tend to redistribute scarcity rather than resolve it.

Housing affordability is among the defining economic challenges of this decade. Addressing it requires sustained policy attention and long-term capital formation, not just political signalling. Yet debates that focus primarily on buyer identity risk mistaking visibility for causality. In a market shaped by chronic undersupply, such an approach leaves the underlying mechanics of housing production largely untouched.

Institutional participation in single-family rental markets is highly visible, politically salient and locally concentrated. It is not, however, the reason the US is millions of homes short. Restrictions on future acquisitions may offer narrative clarity, but without parallel progress on zoning reform, permitting efficiency, construction finance and delivery capacity, they risk constraining precisely those channels through which housing supply can expand.

In the end, housing affordability is not resolved by reallocating scarcity, but by increasing capacity. When homes are in short supply, the decisive variable is not who holds the keys, but how quickly new doors can be built.

10%

In Germany, rent at the beginning of a tenancy may not exceed the local comparative rent by more than 10% where the Mietpreisbremse applies

A MISDIAGNOSED CONSTRAINT

DISCLAIMER

This Document (the “Document”) has been issued by Pictet Alternative Advisors S.A., a Swiss based public limited liability company (société anonyme), having its registered office at 60, route des Acacias, CH-1211 Geneva, Switzerland, authorised and regulated by the FINMA as an asset manager of collective assets within the meaning of the Swiss Federal Act on Collective Investment Schemes (referred to as “Pictet”).

This Document is not intended for and shall neither be provided to nor used by persons who are citizens of, domiciled or resident in, or entities registered in a country or a jurisdiction in which its distribution, publication, provision or use would violate current laws and regulations. The contents of this Document are intended for investors who are sophisticated investment professionals and who are either authorised or regulated to operate in the financial markets or persons who have been vetted by Pictet and/or any of its affiliates as having the expertise, experience and knowledge of the investment matters set out in this Document. If you are not such an investor, you are kindly asked to return this document or to destroy it.

The information and material presented in this Document are provided for information purposes only and are not to be used or considered as an offer or invitation to subscribe, purchase, sell or hold any securities or financial instruments. The information contained herein is the result neither of financial analysis within the meaning of the Swiss Bankers Association’s Directives on the Independence of Financial Research, nor of investment research for the purposes of the relevant EU MiFID provisions. Neither this Document nor any part of it shall form the basis of, or be relied on in connection with, any contract to purchase or subscription for any fund’s shares. Any such acquisition may only be made on the basis of the official documents of a fund each in their final form. This Document does not contain personalised recommendations or advice and is not intended to substitute any professional advice on investment in financial products. Before entering into any transaction, an investor should consider carefully the suitability of such transaction to his/her particular circumstance and, where necessary, obtain independent professional advice in respect of risks, as well as any legal, regulatory, credit, tax, and accounting consequences.

All information and opinions expressed in this material were obtained in good faith from sources believed to be reliable. Pictet uses its best effort to ensure the timeliness, accuracy, and comprehensiveness of the information contained in this material as of the date hereof. Nevertheless, all information and opinions as well as the prices, market, valuations and calculations indicated herein may change without notice. Pictet is under no obligation to update the information contained in this material and no representation or warranty, express or implied, is made to its accuracy or completeness after the date of issuance of this Document. Accordingly, Pictet accepts no liability for loss arising from the use of this Document presented for information purposes only.

Many factors may affect the value of a financial instrument. The market value of financial products may vary on the basis of economic, financial or political changes, the remaining term, market conditions, the volatility and solvency of the issuer or the benchmark issuer. Some investments may not be readily realisable as the relevant market may be illiquid. Moreover, exchange rates may have a positive or negative effect on the value, the price or the return of the respective product. Forecasts and past performance are not reliable indicators or guarantees of future results, and no representation or warranty, expressed or implied, is made by Pictet regarding future performance. Furthermore, any performance shown does not take into account commissions and costs (which negatively impact the performance).

Information and material contained in this Document are strictly confidential and aimed at addressees only. Recipients of this Document acknowledge and agree to the above and undertake to keep this Document strictly confidential including all information and material contained therein. This Document and confidential information contained cannot be disclosed nor distributed to any third party without the prior consent of Pictet. Should any recipient disclose this Document or any information contained therein to any unauthorised third party, recipient understands that it will be held liable to Pictet and recipient shall hold harmless Pictet, its partners, employees, agents and affiliates (together the “Pictet Entities”) from and against any and all claims, damages, losses, costs, liabilities and expenses incurred by the Pictet Entities as a result or in connection with any undue disclosure.

Pictet has not acquired any rights or licence to reproduce the trademarks, logos or images set out in this document except its own. The trademarks, logos and images in this document are used only for the purpose of this document. Any reference to a specific company or security does not constitute a recommendation or an invitation to buy, sell, hold or directly invest in that company or security. For discussion and illustrative purposes only.

All rights reserved. © Pictet Alternative Advisors S.A. 2026.