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# Housing act: insights for institutional real estate investors

The U.S. Congress is on the verge of enacting a federal housing bill that could impact development pipelines and market dynamics. The bipartisan "21st Century ROAD to Housing Act" is a reform package aimed at expanding housing supply and improving affordability. It addresses the nation's estimated multimillion-unit housing shortage by reducing regulatory barriers, boosting financing for development, and encouraging homeownership. The legislation is often framed around four core pillars: cutting red tape, unlocking housing supply, lowering costs, and leveraging existing programs rather than creating large new federal spending initiatives. In practice, this means streamlining burdensome regulations, modernizing outdated housing rules, incentivizing local pro-housing policies, and preventing practices deemed to crowd out homebuyers.

From an institutional private real estate investor's perspective, the legislation introduces a mix of strategic considerations, creating potential opportunities in development while simultaneously constraining single-family rental strategies and raising the possibility of increased apartment supply.

Below, we review the Act, highlighting its key elements and their implications for institutional real estate investors.

## Legislative timeline

The House passed its version of the bill (the 'Housing for the 21st Century Act') with overwhelming bipartisan support in February 2026. In early March 2026, the Senate introduced its own expanded version, blending the House's proposals with additional measures, most notably a high-profile provision limiting large institutional purchases of single-family homes. The Senate swiftly approved the bill on 12 March 2026. Following Senate passage, the House introduced a revised version on 14 May 2026 and subsequently passed that amended bill on 20 May 2026. The House version introduced targeted modifications to the Senate framework, including scaling back certain institutional investor restrictions. Most notably, it removed the requirement that institutional investors sell certain single-family homes within seven years. The legislation now returns to the Senate for consideration of the House amendments, where the chambers must reconcile remaining differences before final passage. Given continued cross-chamber negotiations, the bill's path to enactment remains positive but depends on a final alignment between the House and Senate.

## Key components of the bill

Key provisions of the 21st Century ROAD to Housing Act include:

### **Institutional single-family rental (SFR) purchase restrictions:**

The Act prohibits large institutional investors (LIIs) from acquiring new single-family homes, including through mergers, foreclosures, or certain development-related transfers. A 'large institutional investor' is defined as any for-profit entity (fund, REIT, corporation, etc.) engaged in the business of owning or renting single-family homes and controlling 350 or more single-family homes in aggregate. The restriction starts 180 days after enactment and expires after 15 years, establishing a lasting limit on the growth of institutional single-family rental properties. Violations of these restrictions carry steep penalties, of up to \$1 million or three times the home's purchase price, creating strong compliance incentives.

The Senate version defines single-family homes broadly as properties with up to two units (including duplexes), while the House revision narrows the scope of covered properties by excluding certain categories of housing, including manufactured homes and homes renovated for sale.

### **Streamlined National Environmental Policy Act (NEPA) reviews:**

The bill exempts and streamlines federal environmental review requirements for certain housing-related activities, helping to reduce permitting delays and accelerate development timelines.

### **Higher Federal Housing Administration (FHA) multifamily loan limits:**

The bill proposes increasing the maximum loan size for FHA-insured multifamily projects, enabling larger-scale developments in high-cost markets.

### **Expanded Home Investment Partnerships Program (HOME program) access:**

The bill increases income eligibility thresholds, particularly for homeownership assistance, extending support to more moderate-income households and expanding the pool of viable affordable housing projects.

**\$200 million annual zoning reform grants:** The Act offers competitive grants to local governments that implement zoning and permitting reforms to boost housing production.

**Community Development Block Grant (CDBG) flexibility:** Local governments are permitted to allocate a portion of CDBG funds toward new affordable housing construction, expanding a use that was previously limited and opening an additional resource for financing development projects.

**Support for manufactured and modular housing:** Federal standards will be modernized, including the removal of the permanent chassis requirement, expanding access to FHA financing and improving the viability of lower-cost housing options.

## Implications for institutional SFR investors

One of the most prominent elements of the 21st Century ROAD to Housing Act is Section 901, which imposes new restrictions on large investors in the SFR market. For institutional investors holding portfolios of single-family homes, this represents a potential turning point for strategy and operations.

*Is it possible for institutional investors without existing SFR holdings to make new investments in SFR?* Yes, institutional investors without existing SFR holdings may acquire single-family rentals up to the 350-home threshold; once that level is reached, further SFR purchases would be prohibited after the law's effective date.

*For investors managing institutional-scale SFR portfolios (containing 350 or more properties), what actions are required regarding their asset holdings?*

For institutional investors with SFR portfolios of 350 or more homes, no divestment of existing assets is required, as all current holdings are grandfathered. The restriction applies only to homes purchased after enactment. Investors would be prohibited from acquiring additional single-family homes after the law's effective date, except for narrow exemptions.

*What exemptions exist for institutional investors under the 21st Century ROAD to Housing Act when acquiring single-family rental properties?*

Large institutional investors may continue acquiring single-family homes only through specified exemptions intended to support housing supply or advance homeownership. Under the Senate version, permitted development-related strategies, such as build-to-sell, build-to-rent, and renovate-to-rent require a resale to individual homeowners within a seven-year period. The House revisions remove the Senate's seven-year disposition requirement, allowing for greater flexibility in long-term rental ownership. Instead, they propose a HUD complaint and monitoring process for tenants living in homes owned by large institutional investors.

Investors may also acquire homes through certain homeownership-oriented programs designed to facilitate the transfer of properties to individual buyers. In the Senate version, these activities are treated differently from development-focused rental strategies and are not subject to the same seven-year disposition requirement, as ownership transfer is built into the structure of the program. Additional exemptions cover non-strategic or transitional transactions, including foreclosures, loss mitigation actions, and acquisitions in satisfaction of debt, as well as transfers between institutional owners, where any existing obligations carry over.

**How might limiting institutional SFR investment affect housing affordability and rental markets?** Limiting U.S. institutional SFR investment through the proposed housing bill would likely have only a modest direct effect on overall home prices and national affordability, though effects could be more pronounced in specific local markets.

Large institutional investors own less than 1 percent of U.S. homes, with estimates ranging from 0.35 percent (BofA) to 0.7 percent (John Burns Research and Consulting). However, institutional investor activity is geographically concentrated, with the strongest presence in Sunbelt markets that offer relatively greater housing stock and lower entry prices. Institutional ownership is particularly prominent in Charlotte, Las Vegas, Phoenix, Dallas, and Jacksonville. Even in these hot spots, institutional ownership typically represents only about 3 percent to 5 percent of the local housing stock.

Figure 1. U.S. single-family rental market share	
	Share of U.S. single-family housing stock
Large institutional investors (350+ homes)	up to 0.7 percent
Investors > 100 homes	0.9 percent
Investors < 100 homes	12.4 percent
All investors (combined)	13.3 percent
Owner-occupants	86.6 percent

Source: AEI Housing Center, BofA, John Burns. Data as of April 2026. Note: The share of single-family rentals within the NCREIF Property Index (NPI) is 1.0 percent as of Q1 2026.

In such markets, a pullback by institutional buyers could modestly ease price pressures and increase the availability of homes for owner-occupants. Ironically, the bill's restrictions on SFR development may tighten rental supply in the medium term, especially in markets where build-to-rent projects were a key source of new inventory. This could lead to upward pressure on rents, benefiting existing landlords but exacerbating affordability challenges for tenants.

Looking ahead, the main risk of limiting institutional SFR investment lies in its potential impact on future housing supply rather than current prices. If restrictions discourage institutional capital from financing new rental construction, particularly build-to-rent developments, rental supply growth could slow in high-demand markets. Over time, this could place upward pressure on rents, even if institutional ownership remains relatively small. Consequently, while the policy may deliver localized relief and address political concerns about competition from large investors, its effectiveness in improving affordability will depend heavily on whether it is paired with measures that expand overall housing supply and support new construction.

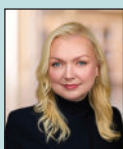
### Implications for the apartment sector

The 21st Century ROAD to Housing Act presents both opportunities and challenges for the apartment sector. On one hand, it creates a more favorable environment for institutions pursuing development opportunities. On the other hand, these same pro-supply measures raise the risk of renewed oversupply. As recent experience shows, elevated deliveries can pressure rents and occupancies even when demand is healthy, leading to more modest income growth and longer lease-up periods.

How these supply dynamics translate into performance will vary significantly by market. Development-heavy Sunbelt markets – such as Austin, Phoenix, Charlotte, Nashville, Dallas, and parts of Florida – are most exposed, as they already carry large pipelines and have demonstrated rent sensitivity to new supply. These markets are likely to see the greatest marginal impact from the bill's incentives. In contrast, high-barrier coastal markets (e.g. New York, Los Angeles, San Francisco, Boston) and select Midwest cities with limited land availability and weaker developer economics should remain relatively insulated, even with federal encouragement. As a result, apartment returns are likely to diverge more sharply by geography, with supply-constrained markets supporting steadier rent growth and valuations.

To insulate portfolios, institutional investors can tilt exposure toward supply-constrained metros, infill locations, markets with outsized and durable demand, and assets that compete below the top of the rent curve. Supply risk is not a new phenomenon. Elevated deliveries in 2024 and parts of 2025 demonstrated where fundamentals proved most resilient and highlighted strategies that helped mitigate downside pressure. At the same time, renewed uncertainty around future supply underscores the growing importance of active management and operational excellence in generating alpha beyond market allocation and asset selection. As we evaluate the potential for new supply risk, we continue to implement disciplined market selection, granular submarket analysis, and hands-on execution to navigate a more differentiated operating environment.

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### COMPANY OVERVIEW

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\* Assets under management stated on gross asset values basis, reflecting values as of 31 December 2025, where available.

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