Residential Real Estate

Sweeping housing bill has implications for investors, developers

The newly passed housing bill would have several implications for developers.

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Story Highlights

- Bill would restrict investor home purchases
- Developers in Opportunity Zones could benefit
- Several measures aim to reduce red tape

Editor's note: This article has been updated following President Donald Trump's cancellation of the Wednesday news conference where he was expected to sign the bill into law.

A sweeping housing reform package is on hold – for now.

President Donald Trump abruptly canceled signing into law the 21st Century Road to Housing Act on Wednesday, stating on social media platform Truth Social that he wants Congress to act instead on the passage of legislation addressing voter ID laws and other election-related issues. The declaration is a blow to a rare bipartisan package of housing reforms that includes limiting the ability of large investors to purchase single-family homes and changes to existing programs intended to encourage more supply.

The legislation would also give developers a leg up in accessing billions of dollars in grants – as long as they are building housing in Opportunity Zones.

It is unclear what will happen next, or if Trump will officially veto the legislation.

While much of the legislation targets homebuyers and consumers, significant portions streamline or revamp business programs, ease lender rules or carve out new exceptions for developers.

Among other measures, the bill:

• Restricts large institutional investors from acquiring single-family homes.

• Creates a $200 million annual competitive grant program for local governments and tribes targeting programs and initiatives that increase housing supply.

• Requires the Consumer Financial Protection Bureau to issue a report on mortgage loan originator practices – specifically those that impact small-dollar mortgages, which are defined as loans of $100,000 or less.

• Instructs the Department of Housing and Urban Development to review Federal Housing Authority construction financing programs with a goal of reducing barriers on modular housing development.

• Makes several changes to the USDA's Rural Housing Service programs.

• Includes several housing-related matters tied to Community Development Block Grant Funding, including some bonuses for accelerating homebuilding and allowing funding to be used for the construction of new affordable housing.

Investor limitations

Experts have said the impact of investor restrictions in the housing market would depend heavily on the details, and the bill provides some clarity after months of discussion and proposals.

Specifically, the bill would restrict investors who directly or indirectly own at least 350 homes from acquiring single-family homes, with some exceptions.

As we've noted before, most of the investors buying properties are relatively smaller operations, with 87% of single-family homes owned by investors with one to five properties. The largest investors, those owning 1,000 or more properties, account for about 2% of all investor-owned homes.

John Walkup, co-founder of real estate data analytics company UrbanDigs, also cited the 2% number when it came to large investor-owned homes.

Walkup and others have warned that restrictions on investors could have unintended consequences, such as reducing the number of new homes that are built.

“Banning them could pull needed liquidity from a market that’s felt frozen since 2022, and worse, discourage the capital investment needed to build more homes," he told *The Business Journals* earlier this year.

In neighborhoods where investors make up a larger share of bids, fewer investor offers could change the level of competition for entry-level homes and create more openings for owner occupants. But investors are just one factor impacting the affordability equation.

“One point I would emphasize is that even if investor competition cools, affordability does not automatically improve," Tyler Bliha, founder and CEO at Abode Money, told us earlier this year. "We regularly see buyers get surprised when property taxes reset after a sale, and that alone can swing a monthly payment by hundreds. Add insurance, HOA fees, and maintenance, and a small price change can get eaten up quickly."

That could make other provisions of the bill very important in terms of long-term effects.

The Opportunity Zones effect

One of those provisions allows the secretary of HUD to give applications in Opportunity Zones added weight compared to those not in eligible zones.

It’s unclear how much of an advantage such builders would get, as the legislation does not spell out a specific structure. But HUD gives out nearly $5 billion in grants a year through a variety of programs, so the stakes could be high.

The potential access for developers comes as the old Opportunity Zone program is set to sunset at the end of 2026 and be replaced by a new version that will officially open for investment on January 1, 2027.

Experts have said business owners, landowners, investors and local governments should be preparing to engage with the new version of the program now, since the runup to designating new zones is likely to be a time of intense lobbying.