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GUARDING THE AMERICAN DREAM: RESTRICTING INSTITUTIONAL ACQUISITIONS TO PRESERVE FAMILY HOMEOWNERSHIP

❖ Note ❖

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I. INTRODUCTION

Since the real estate market collapse of 2008-2009, the American housing market has seen a plethora of changes.[1] Cost of living has skyrocketed, making the American Dream unattainable for many.[2] Cost of living has risen for a multitude of reasons, including high interest rates, housing price influxes, and new market competitors.[3] Homeownership is essential for building wealth and a retirement: families can build equity through the gradual price increase, tax deduction incentives, and capital gains exclusions on sales, setting up generational wealth.[4] Further, home equity is often the largest component of net worth, a great incentive to fostering financial growth.[5] The American home ownership rate has decreased since its peak in 2004 and has hovered around sixty-five percent since.[6] Congress has made attempts to spark a resurgence, but it has struggled finding the right balance in handling it.

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1 *See* Michele Lerner, *10 years later: How the housing market has changed since the crash,* THE WASH. POST, (Oct. 4, 2018).

2 *See* Daniel De Visé, *'Why is it so hard to make it in America?' Here's the true cost of the American Dream,* USA TODAY, (May 5, 2024), https://www.usatoday.com/story/money/2024/05/05/cost-to-live-american-dream/73543082007/.

3 *See id.*

4 Jim Probasco, *Homeownership as an Investment,* INVESTOPEDIA, https://www.investopedia.com/articles/mortgages-real-estate/08/home-ownership.asp (last updated Mar. 26, 2022).

5 *See* Laurie Goodman and Christopher Mayer, *Homeownership and the American Dream*, 32 J. of Econ. Perspectives 31 (2018).

6 U.S. CENSUS BUREAU, *Homeownership Rate in the United States*, FED. RSRV. BANK OF ST. LOUIS, https://fred.stlouisfed.org/series/RHORUSQ156N (last visited Apr. 30, 2024).

In the American housing market, a recent surge has seen an influx of institutional purchases of single-family residences.[7] This can squeeze out first-time buyers and individual families, who are often outmatched when competing with cash purchases.[8] Part II of this note will discuss the development of institutional investors in the market, what the bill specifically targets, build-to-rent homes, and homeowner concerns.[9] Part III will analyze the impact of institutionally funded investments in the housing market and the legislative attempts made at reconciling this presence.[10] Part IV will recommend alterations to proposed legislation in order to resolve inevitable tax avoidance by institutional investors.[11]

II. BACKGROUND

A. Development of institutional investment in the housing market

The absence of regulation in the housing market in part led to the collapse of the sector in 2008.[12] While housing prices grew year-over-year consistently for nearly twenty years, lenders were securitizing mortgages—pooling "prime" borrowers with "subprime" borrowers.[13] This developed into "Mortgage-Backed Securities," allowing for the addition of subprime mortgages into the lending market.[14] Funding was channeled into these MBSs, holdings of subprime borrowers, which thrived without regulatory oversight.[15] As large institutions drastically increased their borrowing, in part from lax monetary policy, they became over leveraged and drowned in subprime loans, leading to the financial crisis.[16]

Institutional funds entered the housing market after the financial collapse.[17] As of 2018, it is estimated large investors own approximately thirteen percent of the

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[7] *See* Hudson Cashdan, *Modeling an Asset Class: Why Wall Street May Be in the Single-family Rental Market for Keeps*, FINANCE, (2022), https://www.toptal.com/finance/real-estate/wall-street-buying-single-family-homes.

[8] *See* Ronda Kaysen and Ella Koeze, *What Happens When Wall Street Buys Most of the Homes on Your Block?* N.Y. TIMES, (Sep. 16, 2023) https://www.nytimes.com/interactive/2023/09/16/realestate/home-sales-north-carolina-wall-street.html.

[9] *See infra* Section II.

[10] *See infra* Section III.

[11] *See infra* Section IV.

[12] Martin Neil Baily et al. *The Origins of the Financial Crisis*, INITIATIVE ON BUSINESS AND PUB. POL'Y AT BROOKINGS 1, 7 (2008).

[13] *Id.*

[14] *Id.* at 8.

[15] *Id.*

[16] *Id.*

[17] *See* Chris MacDonald, *How Institutional Buyers are Changing the Face of the U.S. Housing Market*, YAHOO!FINANCE, (Nov. 3, 2023), https://finance.yahoo.com/news/institutional-buyers-changing-face-u-103000877.html?guccounter=1.

single-family properties in America.[18] These institutions vary in their approaches; while some look for a quick resale for profit, others strategize for long-term rental cash flow.[19] Institutional investors often see exorbitant profits, often buying homes at fifty percent of fair market value and nearly twenty percent in annualized cash flow distributions.[20] These institutional investors have become more attractive to further investment pooling, as rental prices have maintained consistent cash flow, while the properties are secured by their tangible values.[21]

B. Legislation addressing individual homeownership

The Financial Crisis led to millions losing their homes, which lead to a decline of homeownership for nearly a decade in the aftermath.[22] Legislation across the country, from local to federal laws, was passed in an effort to mitigate the losses.[23] The largest of these was the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Act created the Consumer Financial Protection Bureau (CFPB) and the Volcker Rule to limit speculative investments, and it amended legislation from the New Deal era.[24] The Dodd-Frank Act was designed to regulate the financial sector and protect consumers.[25] Aligning with this purpose was the Federal Reserve's implementation of annual "stress tests" to ensure lenders are properly secure under a severe recession.[26] These efforts revamped mortgage standards, which helped alleviate the crisis and promoted stable access to housing credit.[27] However, many institutional investors have taken advantage of the consistent market, and rising prices after COVID-19, by easily entering the sector and dominating many local markets.[28]

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[18] *See* Amalie Zinn, *What Policymakers Should Know about Institutional Investors' Role in the Housing Market*, URBAN INST. (Oct. 4, 2023), https://housingmatters.urban.org/articles/what-policymakers-should-know-about-institutional-investors-role-housing-market.

[19] *See* MacDonald, *supra* note 17.

[20] *See Analyzing the Markets,* HIGHGROVE HOLDINGS, LLC (2024), https://www.highgroveholdings.com/investments.

[21] *See* Cashdan, *supra* note 7.

[22] *See Homeownership During A Recession*, U.S. GOV'T ACCOUNTABILITY OFF., (Jul. 6, 2020) https://www.gao.gov/blog/homeownership-during-recession.

[23] *See* Sean Ross, *Major Regulations Following the 2008 Financial Crisis,* INVESTOPEDIA https://www.investopedia.com/ask/answers/063015/what-are-major-laws-acts-regulating-financial-institutions-were-created-response-2008-financial.asp (last updated Apr. 30, 2024).

[24] *See id.*

[25] *See id.*

[26] *See id.*

[27] *See Subprime Mortgage Crisis,* FED. RESERVE HIST. (Nov. 22, 2013), https://www.federalreservehistory.org/essays/subprime-mortgage-crisis.

[28] Cashdan, *supra* note 7.

Many attempts have been made to curtail the present influx of investors in the market.[29] These attempts have taken different approaches, including requiring full selloffs of properties[30] and providing tax deductions or tax credits for particular classes of property owners.[31]

Specifically, these tax alteration approaches seek to impose limits on homeownership incentives for large-scale homeowners.[32] Companies subject to such proposed provisions would include for-profit entities that "directly or indirectly" own fifty or more houses, with exceptions for nonprofits, land banks, public housing agencies, and community land trusts.[33] The investors targeted by such proposed concepts include limited liability corporations, real estate investment trusts (REITs), index funds, and private equity funds.[34] These varied investors have one thing in common: substantial financial resources that allow them to drastically outcompete individual buyers.[35]

C. Build-to-Rent Homes

Build-to-rent (BTR) homes are a relatively new phenomenon, sought out by investors looking to expand their portfolios.[36] BTR homes provide owners with less turnover than apartments and higher renewal rates.[37] These homes are often found in clusters, typically covering whole neighborhoods, and are professionally managed and maintained by one company.[38] This means that renters do not worry about maintenance, repairs, or development on the property.[39]

The process of developing build-to-rent homes has become relatively streamlined. Development usually follows a standardized approach, beginning with acquiring land. Developers turn to investors, ranging from REITs to private equity funds, to construct similar homes side-by-side.[40] These properties are treated as one unit, designed for efficiency and aesthetic similarity.[41] Technological developments

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29 *See Wall Street has spent billions buying homes. A crackdown is looming,* FOX BUSINESS (Apr. 29, 2024) https://www.foxbusiness.com/markets/wall-street-spent-billions-buying-homes-a-crackdown-is-looming.

30 End Hedge Fund Control of America Homes Act, S.3402, 118th Cong. (2023).

31 Stop Predatory Investing Act, S.2224, 118th Cong. (2023).

32 *Id.*

33 *Id.*

34 MacDonald, *supra* note 17.

35 *Id.*

36 Kristi Waterworth, *The Rise of Built-for-Rent,* U.S. NEWS REAL ESTATE (Feb. 10, 2023, 4:38 PM), https://realestate.usnews.com/real-estate/articles/the-rise-of-built-for-rent.

37 *Id.*

38 *A Complete Guide on Build-to-Rent Homes,* WAN BRIDGE, https://wanbridge.com/educate/build-to-rent-homes-guide/ (last updated Jul. 29, 2024).

39 *Id.*

40 *Id.*

41 Waterworth, *supra* note 36.

have played a key role in the advancement of BTR homes.[42] Due diligence is scaled, which is particularly useful for full neighborhoods developed as built-to-rent.[43] Further, institutional investors can take advantage of virtual portfolios, building digital relationships with tenants; this encompasses everything from collecting rent to maintenance requests.[44]

III. Analysis

A. Homeowner concerns

Current and potential homeowners have cause for concern associated with the increased presence of large-scale involvement in the housing market. As investor purchases have increased, average home sale prices have skyrocketed, leading to individual homeownership being more costly.[45]

The first impact of large-scale presence in the market is the increase in cash sales.[46] Large funds have a distinct advantage as they can pool funds to pay cash, which squeezes small buyers out of the market.[47] Cash sales allow for a more appealing sale for the seller, as there is no financing risk.[48] Further, if cash is not used, these investors have streamlined the purchasing process by having access to a line of credit readily available to efficiently purchase houses.[49] This financing advantage helps give large-scale buyers the opportunity to squeeze out potential home owners and rapidly control the market.[50]

Investor presence further increases home and rent prices.[51] With increases in investor purchases, prices rise, forcing potential homebuyers to turn to renting.[52] As both housing and rent prices take high leaps, consumers face a difficult challenge of making necessary payments.[53]

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42 Cashdan, *supra* note 7.

43 *Id.*

44 *Id.*

45 *Institutional Investors: A Local Perspective,* DEPT. OF HOUS. AND URBAN DEV. (Winter 2023), https://www.huduser.gov/portal/periodicals/em/winter23/highlight2.html

46 *Id.*

47 *Id.*

48 TJ Porter, *How Real Estate Investors Affect the Housing Shortage,* BANKRATE (Feb. 15, 2023), https://www.bankrate.com/real-estate/how-investors-affect-housing-shortage/.

49 DEPT. OF HOUSING AND URBAN DEV., *supra* note 45.

50 *Id.*

51 *See Generally* Umit G. Gurun et al., *Do Wall Street Landlords Undermine Renters' Welfare?* THE REV. OF FIN. STUDIES, (Mar. 18, 2022), https://proxy2.library.illinois.edu/login?url=https://search.ebscohost.com/login.aspx?direct=true&db=bsu&AN=161419666&site=ehost-live&scope=site.

52 Porter, *supra* note 48.

53 *Id.*

B. The Current Housing Market

Currently, the tax code focuses a great deal on incentivizing homeownership. Homeowners can deduct mortgage interest paid, property tax paid, and exclude capital gains income on sales.[54] Despite these incentives, the current market still favors renting for prospective household purchases. Owning a home is estimated at fifty percent more expensive than renting a similar home.[55] This has reached historical highs.[56] Further, in addition to higher house prices, with interest rates ranging from six to eight percent, the average monthly mortgage payment has increased seventy percent in the last five years.[57] Many Americans are simply unable to purchase a home.[58] This has led to a shift to more renting; this trend is depicted across the country.[59]

Further, the growth of institutional investment in housing takes local capital out of the metropolitan area. In Milwaukee, Wisconsin, single-family residency owner rates dropped eleven percent from 2010 to 2019.[60] The same timeframe saw a rise in city renters of nearly nine percent.[61] LLC-owned single-family homes quadrupled between 2005 to 2019.[62] In Milwaukee, institutional investors were able to digitally streamline home purchases by using advanced algorithms to purchase homes once they are placed on market before potential individual buyers have an opportunity to inspect the place.[63] Many of these corporate landlords are based outside of the state, sending valuable capital out-of-state and inhibiting reinvestment in the metropolitan area.[64]

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[54] *Key Elements of the U.S. Tax System,* TAX POL'Y CTR. (May 2020), https://www.taxpolicycenter.org/briefing-book/what-are-tax-benefits-homeownership.

[55] Rachel Witkowski, *Rent or Buy? Amid Housing Market Shift, Signs Point to 'Rent,'* FORBES ADVISOR (Dec. 11, 2023), https://www.forbes.com/advisor/mortgages/rent-or-buy-home-mortgage/.

[56] *Id.*

[57] *New Mortgage Payments Now Well Above Multifamily Rents,* CBRE (Apr. 5, 2023), https://www.cbre.com/insights/briefs/new-mortgage-payments-now-well-above-multifamily-rents.

[58] *Id.*

[59] *See Most Americans Can't Afford to Make Transition from Renting a Home to Buying a Home*, AM. BANKR. INST. (Sept. 2, 2016) https://spivacklaw.com/americans-cant-afford-make-transition-renting-home-buying-home/.

[60] Caary Spivak, *Out-of-State corporate landlords are gobbling up Milwaukee homes to rent out, and it's changing the fabric of some neighborhoods.* MIL. J. SENTINEL (Apr. 15, 2021), https://www.jsonline.com/in-depth/news/2021/04/15/milwaukee-rentals-overtaken-corporate-landlords-raking-profits/6989234002/.

[61] *See* Mike Gousha and John Johnson, *It's an Unsettling Day in the Neighborhoods*, MARQ. LAW. 43 (Summer 2020), https://law.marquette.edu/assets/marquette-lawyers/pdf/marquette-lawyer/2020-summer/2020-summer-p42.pdf.

[62] *Id.*

[63] John Johnson, *The Rise and Impact of Corporate Landlords*, MARQ. LAW. 48, 52 (Summer 2023), https://law.marquette.edu/assets/marquette-lawyers/pdf/marquette-lawyer/2023-summer/2023-summer-p48.pdf.

[64] *See id.*

C. Impact of Institutional Investors on Local Markets without Regulation

The influx of the cost of increased homeownership has turned Americans to renting, particularly in cities located in the South, where there has been little pushback against institutional presence in local markets.[65] Texas and South Carolina have been prone to institutional investment, in part from an influx of people moving into the states and a high density of renters.[66]

In recent years, Texas has seen a drastic growth in institutional buyers in the housing market, at over twenty-five percent of homes sold.[67] Specifically, Dallas County has seen a rise in institutional purchases.[68] This stems in part from massive population growth, as between 2010 and 2020, the population in the Dallas area grew approximately twenty percent.[69] In the Dallas metropolitan area, the impacts of institutional investor homebuying are apparent. Between 2016 and 2020, Dallas saw a dip in homeownership rates and an increase in rental rates.[70] Yet, income growth did not match the rise in rents, as income growth in the area was approximately 2.5 percent annually, while the same timeframe saw the average rent rise 4.4 percent.[71] These counterintuitive changes caused rapid growth in home prices, driving out potential individual, and new, homebuyers.[72] These sharp changes cut potential buyers out of the market, with expensive down payments and higher mortgages, forcing them to turn instead towards renting.[73]

North Carolina has seen a similar sharp rise in institutional investment in single-family homebuying; large institutions own twenty percent of the single-family rentals.[74] Of the total market share of single-family homes in North Carolina, it is estimated that institutional buyers represented sixteen percent of all purchases in 2021.[75] An identical impact on the homeownership market as in Dallas occurred in

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[65] *See* DEP'T. OF HOUSING AND URBAN DEV., *supra* note 45.

[66] *See id.*

[67] *Impact of Institutional Buyers on Home Sales and Single-Family Rentals,* NAT. ASSOC. OF REALTORS (May 2022), https://www.nar.realtor/research-and-statistics/research-reports/impact-of-institutional-buyers-on-home-sales-and-single-family-rentals.

[68] DEP'T. OF HOUSING AND URBAN DEV., *supra* note 45.

[69] *Id.*

[70] *Id.*

[71] *Id.*

[72] *Id.*

[73] *See* Lily Katz, *Investors Bought 26% of the Country's Most Affordable Homes in the Fourth Quarter—the Highest Share on Record*, REDFIN NEWS (Feb. 14, 2024), https://www.redfin.com/news/investor-home-purchases-q4-2023/.

[74] Laurie Goodman et al., *A profile of Institutional Investor-Owned Single-Family Rental Properties,* HOUS. FIN. POL'Y CTR., (Apr. 2023), https://www.urban.org/sites/default/files/2023-08/A%20Profile%20of%20Institutional%20Investor%E2%80%93Owned%20Single-Family%20Rental%20Properties.pdf.

[75] NAT. ASSOC. OF REALTORS, *supra* note 67.

Charlotte—the rise in institutional investors led to a decrease in overall homeownership, resulting in a decline of six percent from 2010 to 2021.[76] Yet, home prices have continued to rise, with Charlotte seeing average home prices nearly double from 2018 to 2023.[77] Institutional investors are squeezing out homebuyers, funneling potential homebuyers to rentals.[78]

D. Markets with limited institutional activity

Barriers to entry have curtailed institutional investors.[79] This has been seen in cities with less than one percent of total institutional investors.[80] For example, Albuquerque and New Orleans have minimal institutional investors.[81] Large investment funds cite higher regulation and price appreciation as reasons for preventing entry into such cities.[82] However, federal and state governments have attempted, but have not yet successfully passed, permanent laws regulating institutional purchases directly.[83]

E. Proposed legislative changes

To prevent the drastic changes depicted in local markets, Senate members have proposed the Stop Predatory Investing Act, attempting to combat the consequential effects of institutional investors.[84] The proposed legislation offers multiple attempts at preventing corporate funds from exploiting tax benefits by owning significant amounts of real estate.[85]

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[76] Nick de la Canal, *Homeownership is a 'cornerstone' for generational wealth, but it's harder than ever to buy in Charlotte*, WFAE (Nov. 10, 2023), https://www.wfae.org/race-equity/2023-11-10/homeownership-is-a-cornerstone-for-generational-wealth-but-its-harder-than-ever-to-buy-in-charlotte.

[77] Andrew DePietro, *Will the Charlotte Housing Market Crash in 2024?* FORBES (Nov. 1, 2023), https://www.forbes.com/sites/andrewdepietro/2023/11/01/will-the-charlotte-housing-market-crash-in-2024/?sh=289152704678.

[78] DEP'T. OF HOUSING AND URBAN DEV., *supra* note 45.

[79] *See id.*

[80] *See id.*

[81] *See id.*

[82] *See* Mark Heschmeyer, *Blackstone's Single-Family Rental Firm Pauses Some Purchases in Rare Pullback for Surging Property Type*, COSTAR NEWS (Aug. 31, 2022), https://www.costar.com/article/898195054/blackstones-single-family-rental-firm-pauses-some-purchases-in-rare-pullback-for-surging-property-type.

[83] *See* DEP'T. OF HOUS. AND URBAN DEV., *supra* note 45.

[84] *See* Stop Predatory Investing Act, S.2224, 118th Cong. (2023).

[85] Aaron Chapman, *Understanding the 'Stop Predatory Investing Act' and its Impact on Real Estate Investors*, BEST EVER REAL EST. (Jul. 25, 2023), https://www.bestevercre.com/blog/understanding-the-stop-predatory-investing-act.

The bill first limits the tax deduction for interest and depreciation for anyone directly or indirectly owning fifty or more rental homes.[86] However, to promote individual homeownership, the deductions are exempt from the limitations if the house is sold to an individual homebuyer.[87] Further, in an effort to prevent sharp increases in rent, the bill restricts the limitations to homes purchased after the passing, not those previously owned by the taxpayer.[88] Another significant aspect of the bill is the incentive to continue building developments by exempting otherwise qualified taxpayers from paying the proposed taxes on homes newly constructed or purchased after construction and prior to the first tenant's move in.[89] The aim of this is to incentivize affordable housing and keep rents lower.[90]

F. Build-To-Rent

Build-to-rent homes have become a recent development in local housing markets, primarily due to institutional investments.[91] In large part because of the housing shortages in many cities, BTR homes have become an appealing investment for large fund investors.[92] Further, the number of BTR homes has doubled across the country between 2020 and 2022.[93]

Due to high mortgage rates and high housing prices, BTR homes have become popular.[94] The proposed bill, S.2224, would allow an exception for these BTR homes, in part because they are expected to add over half a million homes by the end of 2025.[95] However, these homes take away the once-sought "entry-level home" opportunity for many.[96] As rental rates continue to rise, renters in BTR homes spend consistently more on rent, preventing them saving for a down payment on a first home.[97] As rental payments do not contribute to building equity, the shift

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[86] Stop Predatory Investing Act, S.2224, 118th Cong. (2023).

[87] *Id.*

[88] Sherrod Brown, et al., *Stop Predatory Investing Act One Paper*, COMM. ON BANKING, HOUS., AND URBAN AFFAIRS (Jul. 2023). https://www.banking.senate.gov/imo/media/doc/stop_predatory_investing_act_one_pager.pdf.

[89] Stop Predatory Investing Act, S.2224, 118th Cong. (2023).

[90] Brown, *supra* note 88.

[91] *Record-Breaking Number of New Build-to-Rent Homes are Hitting the Market,* COLDWELL BANKER COM. (Jul. 18, 2023), https://www.cbcworldwide.com/blog/record-breaking-number-of-new-build-to-rent-homes-are-hitting-the-market.

[92] *Id.*

[93] *Id.*

[94] Brian Hodges & Sam Spiegelman, *Real Estate Issues: Build-to-Rent Homes, A Promising Solution to Chronic Housing Shortages,* PAC. LEGAL FOUND. (Jul. 5, 2023), https://pacificlegal.org/build-to-rent-homes-a-promising-solution-to-chronic-housing-shortages/.

[95] *See* Abha Bhattarai, *It's the perfect starter home. But it's only for rent*, THE WASH. POST, (Oct. 2, 2022), https://www.washingtonpost.com/business/2022/10/02/housing-build-to-rent-austin/.

[96] *See id.*

[97] *See id.*

towards renting single-family homes inhibits home ownership, an important tool for building wealth.[98]

IV. Recommendation

The Senate's proposal of the Stop Predatory Investing Act is more than a logical development. The proposed legislation better adapts to the current trends of the national housing economy. As demonstrated in the financial crisis in the late 2000s, the lack of oversight was in part a factor in the housing collapse. The bill will provide a movement to better regulate the housing market in favor of individual homeownership.

While the proposed bill is a good start, there is room for improvement, particularly in respect to the BTR homes. The first way to address this is to apply the cap on tax exemptions to homes that have been constructed or purchased before the residents move in. BTR homes do offer affordable options for many renters who cannot afford current mortgage rates.[99] They further help alleviate a housing shortage in many cities.[100] However, the increase in BTR homes directly reflects higher rental rates above equivalent market rates.[101] The focal point should be geared toward developing homeownership, not rental rates, particularly in single-family residences.

Second, the bill should include an increase of tax deductions for individual home buyers. To better compete with institutional investors, further increasing tax breaks for individual homeowners can help. Additionally, tax subsidies for individual homebuyers when purchasing can help alleviate the high cost of down payments. Currently, the only costs a homeowner can deduct are state and local taxes, home mortgage interest, and mortgage insurance premiums.[102] An expansion of these deductible taxes related to homeownership by specifically focusing on individual homeowners can increase homeownership rates.

Another recommendation stems from a separately proposed legislation, the "Neighborhood Homes Investment Act," which aims to provide federal tax credit for newly constructed houses that are owner occupied.[103] Coupling the Stop Predatory Investing Act with an incentive to develop new housing addresses the

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[98] *See* Alena Botros, *Did Wall Street kill the American Dream of homeownership? It depends on where you live*, YAHOO! FINANCE (Feb. 18, 2024), https://finance.yahoo.com/news/did-wall-street-kill-american-120500643.html?guccounter=1.

[99] Hodges, *supra* note 94.

[100] *Id.*

[101] Victoria Araj, *Build-To-Rent Homes: A Renter's and Investor's Guide to a Hot Real Estate Trend,* ROCKET MORT. (Mar. 1, 2024), https://www.rocketmortgage.com/learn/build-to-rent-homes.

[102] *Know What's Deductible After Buying that First Home, Sweet Home,* INTERNAL REVENUE SERV., (Sept. 8, 2022), https://www.irs.gov/newsroom/know-whats-deductible-after-buying-that-first-home-sweet-home.

[103] *See* Neighborhood Homes Investment Act, S.657, 118th Cong. (2023).

concerns of prohibiting economic development.[104] Additionally, this can help further increase the housing supply readily available for purchase by individual homeowners, while still promoting private investment in real estate development.[105] By offering tax credits, new construction can be stimulated while promoting higher homeownership rates.[106]

Drastic measures, such as the "End Hedge Fund Control of American Homes Act," should be avoided.[107] The bill would require a full sell-off of single-family homes owned by hedge funds over a ten-year period if passed.[108] It proposes an excise tax on hedge fund ownership if they do not follow a specified tapering-off formula for selling single-family residences.[109] This approach would provide a significant short-term increase in available houses,[110] but at the cost of saturating the market. Further, the bill does not allow the sale of homes to other companies, so small, local rental agencies could not purchase any homes.[111] Lastly, this would drastically alter local home prices by directly forcing market action. Instead, legislation must provide regulatory incentives via taxes and tax credits.[112]

V. CONCLUSION

Housing is a unique asset because it is both an investment and a consumption good. It builds wealth and drastically impacts the national economy.[113] Homeownership allows individuals to build home equity and create a stable retirement option.[114] Further, high national homeownership reflects a strong economy: a greater number of families can afford not only living costs but a down payment and mortgage payments.[115] The implementation of appropriate legislation

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[104] *See id.*

[105] *See id.*

[106] *See id.*

[107] *See id.*

[108] End Hedge Fund Control of America Homes Act, S.3402, 118th Cong. (2023).

[109] *Id.*

[110] Daniel Herriges, *Going After Corporate Homebuyers is Good Politics but Ineffective Policy*, STRONG TOWNS (Feb. 21, 2024), https://www.strongtowns.org/journal/2024/2/21-going-after-corporate-homebuyers-good-politics-ineffective-policy.

[111] End Hedge Fund Control of America Homes Act, S.3402, 118th Cong. (2023).

[112] *See generally* Don Layton, *The Homeownership Rate and Housing Finance Policy – Part 1: Learning from the Rate's History*, JOINT CTR. FOR HOUS. STUDIES OF HARV. U., (Aug. 19, 2021), https://www.jchs.harvard.edu/research-areas/working-papers/homeownership-rate-and-housing-finance-policy-part-1-learning-rates.

[113] *See* Johannes Stroebel, *What can Housing Markets Teach Us about Economics?* NAT'L BUREAU OF ECON. Rsch, (Dec. 31, 2016), https://www.nber.org/reporter/2016number4/what-can-housing-markets-teach-us-about-economics.

[114] *See* Maya Dollarhide, *Should You Save for a Home or Retirement?* INVESTOPEDIA (Feb. 26, 2024), https://www.investopedia.com/save-for-a-home-or-retirement-

[115] *See* Layton, *supra* note 113.

can be integral in helping Americans continue to have the capacity to become homeowners.[116] The proposed recommendations, in line with current legislative proposals, can help alleviate the burdens on potential homebuyers and open up the market for increasing homeownership.

[116] *See id.*