Special Report

IPA | INSTITUTIONAL PROPERTY ADVISORS

21ST CENTURY ROAD TO HOUSING ACT
JULY 2026

Housing Bill Takes Aim at Affordability Over the Long-Term

Policy reform offers incremental relief. Congress' passage of the 21st Century ROAD to Housing Act marks one of the most significant federal housing reform efforts in decades, reflecting a bipartisan shift toward addressing the nation's affordability problem. Construction and homeownership constraints will likely persist, but the bill is a step in the right direction. No single provision appears transformative, yet the combined policy changes could modestly support for-sale and multifamily production by targeting four key constraints:

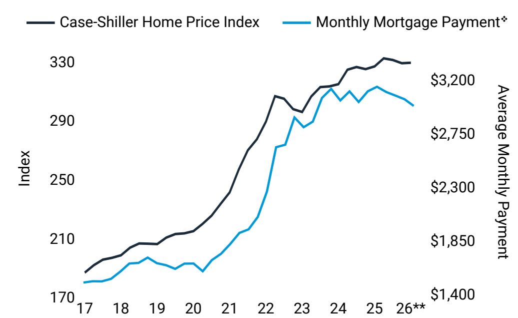
- **Regulatory reform:** Streamlining federal reviews, funding local planning administration, and tying grants to housing production gains.
- **Financing access:** Improving financing access for affordable housing, multifamily projects, and community development.
- **Program modernization:** Updating federal housing programs to improve execution, preserve affordable units, and support new supply.
- **Factory-built housing:** Supporting manufactured, modular, and off-site housing as lower-cost alternatives to traditional construction.

Homeownership remains difficult. Construction and affordability barriers remain major hurdles that the bill is unlikely to overcome in the near term. Development costs and home prices have surged since the pandemic, and labor constraints and tariffs add further pressure. Higher interest rates have compounded these challenges by increasing construction financing costs and monthly mortgage payments. Tighter mortgage credit is another constraint, as post-2008 regulation and lender caution have shifted more originations toward higher-credit borrowers. As a result, some modest-income households still struggle to obtain financing even when monthly payments appear manageable.

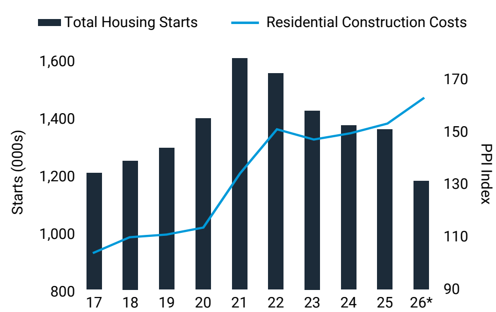
KEY TAKEAWAYS

- The ROAD to Housing Act combines many narrow reforms to support new housing supply, but high construction costs, elevated rates, and strict lending standards remain persistent constraints.
- The institutional buyer provision preserves build-to-rent carveouts, while limits on existing-home purchases appear narrower than the headline ban suggests.
- The act rewards jurisdictions that demonstrate measurable housing supply gains, potentially widening the gap between faster- and slower-building markets.
- Environmental review streamlining, planning grants, and pre-approved designs could shorten approval timelines, though most regulatory costs are local.
- Manufactured housing reforms could lower production barriers, expand lower-cost options, and draw more investor interest to factory-built homes.

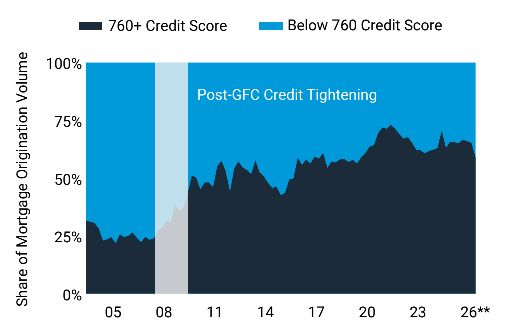
HOMEBUYER AFFORDABILITY REMAINS STRAINED



HOUSING STARTS FALL AS BUILDING COSTS RISE



LENDERS SHIFT TOWARD HIGHER-CREDIT BORROWERS



* T-12 through May 2026 ** Through Q1 2026

✧ Mortgage payment based on quarterly median home price for a 30-year fixed-rate mortgage, 90% LTV, taxes, insurance, and PMI

Sources: Case-Shiller; Federal Reserve; Moody's Analytics; New York Fed/Equifax

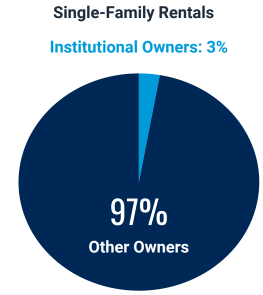
Institutional BTR Remains Protected, While SFR Faces New Compliance Requirements

The restriction on institutional buyers was among the bill's most contested provisions, but the final language was much narrower than a broad investor ban. The legislation preserved key carveouts for built-to-rent communities, renovate-to-rent strategies, and manufactured housing, protecting several channels that can expand or improve rental supply. Although the bill retains a nominal restriction on single-family rental purchases, acquisitions can continue through a "program to boost homeownership" pathway if investors provide opt-in rent payment reporting and a tenant first-look or right-of-first-refusal process. For larger SFR operators that already offer or can easily adopt similar renter-support features, the provision may function more as enhanced compliance rules than a hard stop.

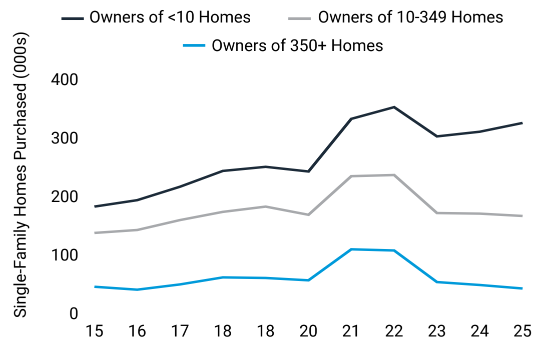
The argument for banning institutional investors is often overstated because large owners remain a small share of the overall housing market. Smaller landlords still represent most investor activity, limiting the effect that a large-buyer ban would have on national home prices. Institutional owners also provide rental housing for households that cannot or do not want to buy, and renovation-focused investors can improve older homes that require significant capital, supporting neighborhood housing quality and rental availability.

While the provision may function more as compliance than a ban, it could still deter some SFR investors at the margin. Broader political scrutiny and the risk of future regulation may also make traditional acquisitions less attractive. As a result, some institutional capital may shift toward built-to-rent communities or conventional multifamily, where investors face fewer immediate constraints.

INSTITUTIONAL OWNERSHIP REMAINS LIMITED

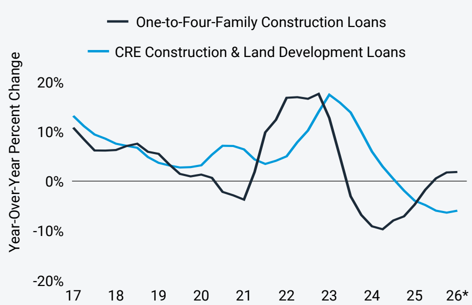


LARGE BUYERS HOLD SMALL PURCHASE SHARE

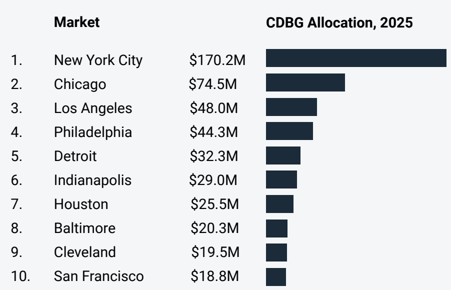


Sources: Realtor.com; Urban Institute

CONSTRUCTION LOAN GROWTH STAYS MUTED



TOP CDBG FUNDING MARKETS



* Through Q1 2026

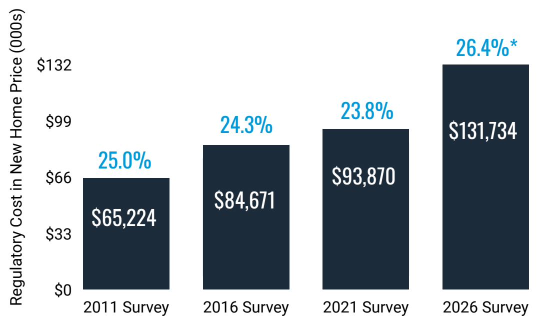
Sources: Federal Reserve; HUD

Funding Incentives May Concentrate Housing Growth in Less-Restrictive Markets

A key aim of the bill is to channel federal housing support toward areas that are adding supply, redirecting funding to markets already positioned to expand production. One provision would reduce Community Development Block Grant (CDBG) funding by 10 percent for lagging recipients and use those dollars to reward jurisdictions with stronger housing production. Other measures reinforce that approach, including the Innovation Fund's competitive grants for communities with measurable supply gains. This structure may widen regional divides if supply-constrained areas remain slow to build, while less-restrictive markets could convert added funding into more housing, supporting household formation and in-migration.

The bill also expands financing tools that can help projects move forward where conventional capital remains difficult to secure. FHA multifamily loan limit increases could support broader rental housing production, while the Rental Assistance Demonstration (RAD) expansion, a higher public welfare investment cap, and added CDBG/HOME flexibility could support preservation, affordable housing, and community development. These measures are unlikely to fully offset elevated borrowing costs, but they may provide useful gap financing for projects already near feasibility. Markets with active development pipelines and fewer approval constraints may be best positioned to turn that support into new housing production.

REGULATORY BURDEN RAISES NEW HOME PRICES



PERMIT APPROVAL TIMES VARY BY CITY

City	Median Days
San Francisco	280
Seattle	185
San Diego	134
Austin	91

Median Days to Permit Issuance**

* Regulatory cost share of new home price

** Permit figures for the 2024-2025 period

Sources: NAHB/Wells Fargo HMI Survey; SF Budget and Legislative Analyst

Federal Policy Could Lower Regulatory Costs, But Local Implementation Will Shape Impact

Regulatory costs remain a major constraint on housing production. NAHB estimates show that regulation embedded in the price of a new single-family home has nearly doubled since 2011. Prior NAHB research also found that regulation accounts for roughly 40 percent of apartment development costs. While most regulatory costs originate locally, the ROAD to Housing Act could help lower costs indirectly. The act directs HUD to publish zoning and land-use best practices, encourages reforms such as density bonuses and zoning changes, and establishes guidelines for point-access block buildings that could allow more single-stair multifamily designs where local codes permit them.

Approval delays further increase project costs by extending carrying costs and exposing developers to changes in interest rates and construction costs. The ROAD to Housing Act targets these burdens through streamlining National Environmental Policy Act (NEPA) review, expanding NEPA exclusions for HUD-related housing, and funding for local administrative operations. The act also encourages faster permitting and approval processes while offering grants for pre-reviewed housing designs for smaller multifamily projects.

Local adoption remains critical for the act to produce material changes. More flexible markets could widen their supply advantage, while restrictive markets may see limited gains without zoning, staffing, and code reforms. Yet, the upside could be meaningful. A study found that a 25 percent reduction in approval times would have lifted Los Angeles housing production by 12.7 percent from 2010 to 2022, even before factoring in added development incentives.

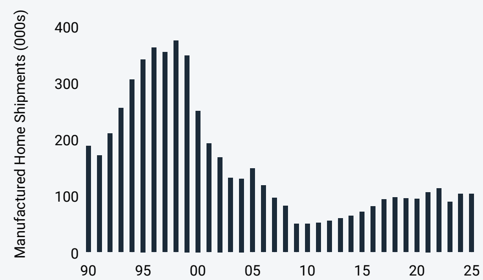
Local Zoning Remains Key Constraint, But Policy Support Should Marginally Aid MHC Develoment

Manufactured housing remains an underused supply channel despite its affordability advantage. Annual shipments are far below 1990s levels, reflecting zoning limits, financing barriers, and consumer stigma. The segment can expand lower-cost ownership in lower-density markets with cheaper land. At the same time, broader factory-built housing reforms could support more infill development through modular homes, ADUs, and small multifamily formats.

The ROAD to Housing Act targets several of these barriers. Most notably, the act removes the permanent chassis requirement, which could lower costs, reduce design constraints, and allow manufactured homes to more closely resemble site-built housing where local codes permit. The act also directs HUD to study financing barriers for modular housing, raises FHA-insured manufactured housing loan limits, and supports preservation grants for manufactured housing communities. These changes address both production and financing, which is important because manufactured home loan applications have historically faced much higher denial rates than site-built mortgages.

Investor interest could expand as manufactured housing reforms widen the pool of lower-cost for-sale and rental homes. Regions where limited new supply has kept vacancy tight may be most attractive, though local zoning remains a key constraint. Federal reforms can help lower the cost of factory-built homes, but local rules will still determine where that housing can be placed.

MANUFACTURED HOME SHIPMENTS STAY LIMITED



MHC RENTAL FUNDAMENTALS BY REGION*

Region	Inventory (Units)	Vacancy	Monthly Rent
West	291,000	2.0%	$1,103
South	276,000	4.8%	$757
Midwest	240,000	9.3%	$591
East	128,000	4.8%	$627
U.S.	935,000	5.1%	$804

* MHC data as of year-end 2025

Sources: Datacomp-JLT; FRED

SECTION(S)	POLICY AREA	DESCRIPTION
102, 107, 208, 213	Regulatory Reform	Directs HUD to issue point-access block guidance, publish best practices for zoning and land use, reward jurisdictions with measurable housing supply gains, and tie certain Community Development Block Grant (CDBG) funds to local housing production.
103, 205, 206	Regulatory Reform	Streamlines environmental review by expanding National Environmental Policy Act (NEPA) exclusions for certain housing activities, allowing HUD review delegation and exempting some USDA-assisted infill housing on already-served sites.
207, 209	Regulatory Reform	Funds local planning and inspection capacity and supports pre-reviewed designs for smaller housing projects.
104	Regulatory Reform	Requires CDBG grantees to publish databases of undeveloped land they own, improving site transparency for housing development.
203, 204, 211	Financing Access	Raises the bank public welfare investment cap, allows CDBG funds to support affordable housing construction, and updates FHA multifamily loan limits.
105, 901-909	Financing Access	Creates a small-dollar FHA mortgage pilot and includes community bank provisions aimed at improving local credit availability.
202, 212, 405	Program Modernization	Supports home repairs, raises the Rental Assistance Demonstration (RAD) cap, and reduces inspection delays for certain voucher-supported units.
210, 501, 502	Program Modernization	Creates adaptive reuse grants, updates HOME program flexibility, and reforms USDA rural housing programs and preservation tools.
301-304	Factory-Built Housing	Removes the permanent chassis requirement, studies modular housing finance and code barriers, raises FHA-insured manufactured housing loan limits, and reauthorizes manufactured housing preservation grants.
1001	Single-Family Investor Limits	Adds new compliance rules for large investors with at least 350 single-family homes when buying existing homes, while preserving exemptions for build-to-rent, renovations, 55-plus communities, and certain transfers.

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Sources: IPA Research Services; Case-Shiller; CoStar Group, Inc.; Datacomp-JLT; Federal Reserve; HUD; Moody's Analytics; NAHB/Wells Fargo HMI Survey; New York Fed/Equifax; Realtor.com; SF Budget and Legislative Analyst; Urban Institute

Price: $750