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California Trails National Average with 19% of Homes Owned by Investors

July 22, 2025

– Categories: Real Estate



California's housing market shows less enthusiasm from investors compared to much of the country, with only 19 percent of its single-family homes owned by investors, according to data from BatchData, a property records analytics firm. This figure places California below the national average of 20 percent and ranks the state 36th nationwide in investor-owned housing share.

BatchData's analysis digs deep into property ownership records, counting homes owned by investors for short-term and long-term rentals, second homes, and vacation properties.

Their study excluded condominiums and build-to-rent single-family home developments to focus strictly on traditional housing units.

Despite California's vast size and iconic real estate market, the 19 percent investor ownership share is modest compared to certain states that attract investors due to their smaller populations and appeal to tourists. For example, Hawaii leads the nation with 40 percent of its homes owned by investors, followed by Alaska at 35 percent, Vermont at 31 percent, West Virginia at 30 percent, and Wyoming at 30 percent. In contrast, northeastern states tend to have far lower shares, with Connecticut at 10 percent and Rhode Island and Massachusetts at 12 percent.

Investor Trends

California's competitors in economic growth also have higher investor activity. Texas, ranked 24th, sees 22 percent of its houses owned by investors, and Florida is not far behind at 21 percent, placing it 27th nationally.

While California's investor share is low by percentage, it still ranks second in the total number of investor-owned homes, with 1.45 million houses. Texas leads with 1.66 million, followed by Florida with 1.21 million. North Carolina and Michigan round out the top five with over 700,000 investor-owned homes each.

Investor interest in California has not been stagnant. Since 2020, investors have increased their holdings by 11 percent, adding 143,747 houses to their portfolios. They purchased 358,092 homes during this period but sold 214,345, reflecting ongoing activity but at a cautious pace.

So why does California lag in investor ownership despite its size and economic importance? Several factors contribute to this trend.

Firstly, California has a large rental population. The U.S. Census Bureau reports that 45 percent of households rent rather than own, ranking the state third highest in the nation for renters. However, the cost of buying homes is a significant barrier for investors. According to Redfin, California's median price for a single-family home is \$866,100, the third highest in the country. This high price point limits the ability of many investors to expand their holdings.

Secondly, the financial returns on California properties have been relatively modest. Federal data tracking home price appreciation over six years ranks California 41st, with an increase of just 50 percent, well below the growth rates seen in many other states.

Underlying economic factors also play a role. California's population growth has been nearly flat over the past five years, ranking 47th among states, while its job growth during the same period stands at a middling 3.8 percent, placing it 25th nationally.

This combination of high entry costs, limited appreciation, and tepid economic expansion dampens investor enthusiasm for the California housing market. While the state continues to see investment activity, it faces headwinds that keep investor ownership below the national average.

As California grapples with housing affordability and supply challenges, this trend suggests that private investment alone is unlikely to solve its housing crisis. Policymakers and market watchers will be keeping a close eye on whether investor appetite changes in the years ahead.