Investor Sentiment Hits a Record Low; but Investors Are Adapting

RCN Capital's Summer 2026 Investor Sentiment Survey reveals a challenging market shaped by high financing costs and rising home prices—but also important shifts in investor strategy, financing and housing demand.

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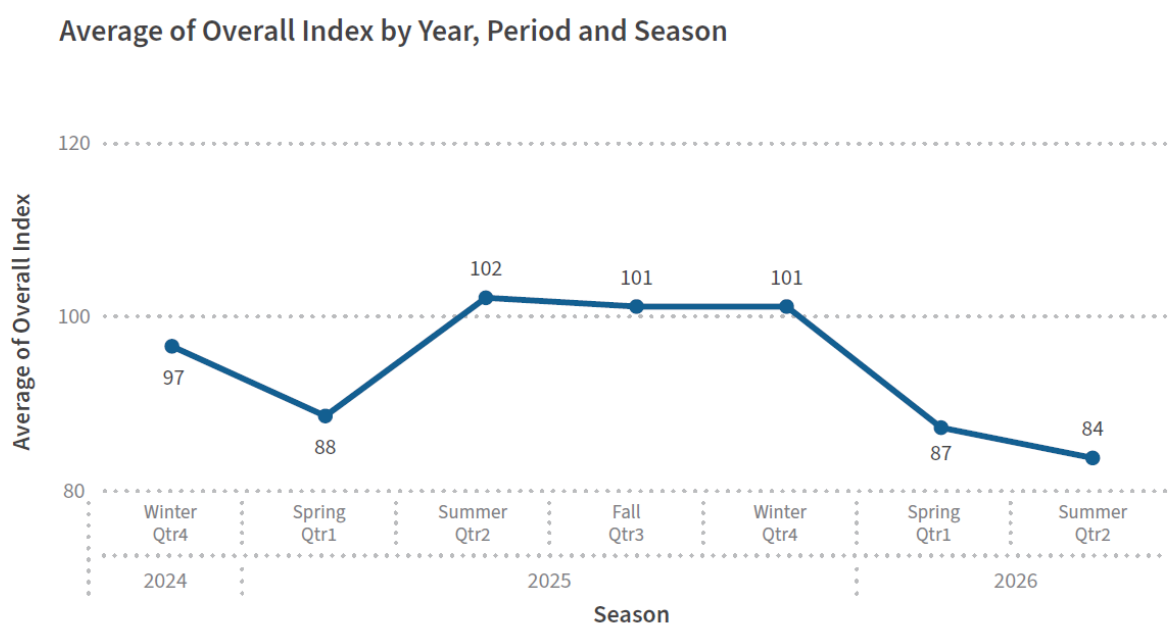
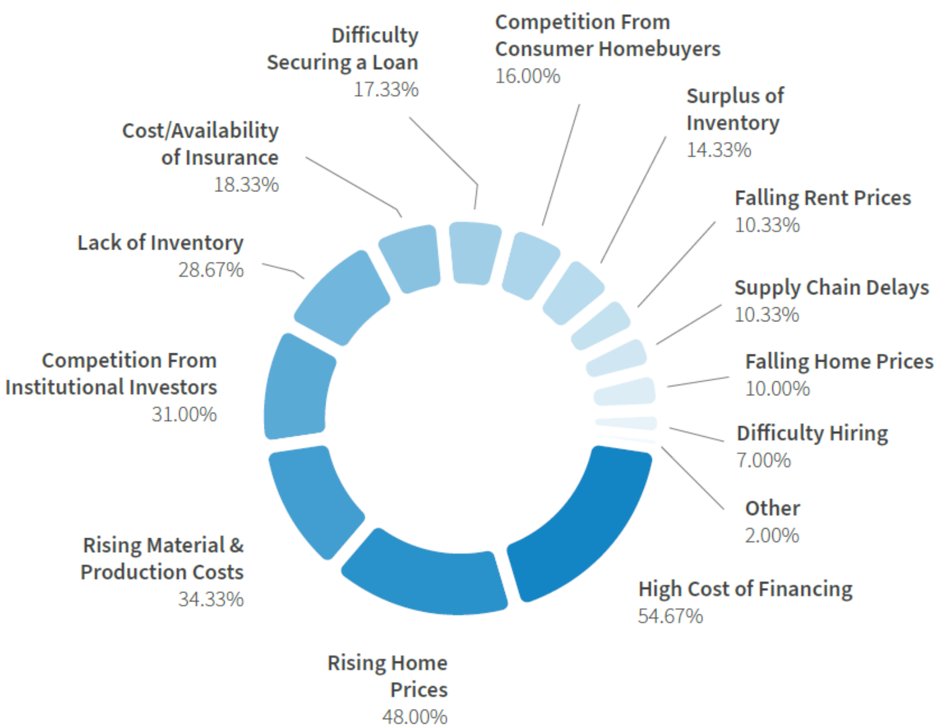
Real estate investors have rarely been as pessimistic about current market conditions as they are today. The RCN Capital/CJ Patrick Company Investor Sentiment Index (ISI) fell to **84 in the Summer 2026 survey**, its lowest level since the index was launched three years ago. That marks the second consecutive quarterly decline, following a reading of 87 in the Spring, and an 18-point drop from 102 a year ago.

But the headline number only tells part of the story. Only **26% believe conditions are better than they were a year ago**, while **45% say conditions have worsened**. At the same time, investors are somewhat more optimistic about what comes next: **36% expect market conditions to improve over the next six months**, up from 34% in the Spring, while 27% expect conditions to deteriorate, down from 32%. That combination—deep dissatisfaction with today's market but somewhat greater optimism about tomorrow—is one of the most important themes in this quarter's results.



Today's Market Is Difficult But Investors Haven't Given Up

There are plenty of reasons for investors to be cautious. The **high cost of financing remains the most frequently cited challenge**, mentioned by nearly 55% of respondents. Rising home prices were next at 48%, followed by rising material and production costs, competition from institutional investors and limited inventory. Investors don't expect those pressures to disappear quickly. Looking six months ahead, financing costs and rising home prices remain the two most frequently cited concerns.



Investor activity reflects some of that caution. Investors purchased **23% fewer homes in the first quarter of 2026** than in either the previous quarter or the first quarter of 2025. Yet they still accounted for more than 30% of all single-family home purchases for the third consecutive quarter. Broader uncertainty is adding pressure as well. Forty percent of respondents believe the war in Iran has negatively affected the market, while 24% say related inflation has increased costs and/or reduced margins.

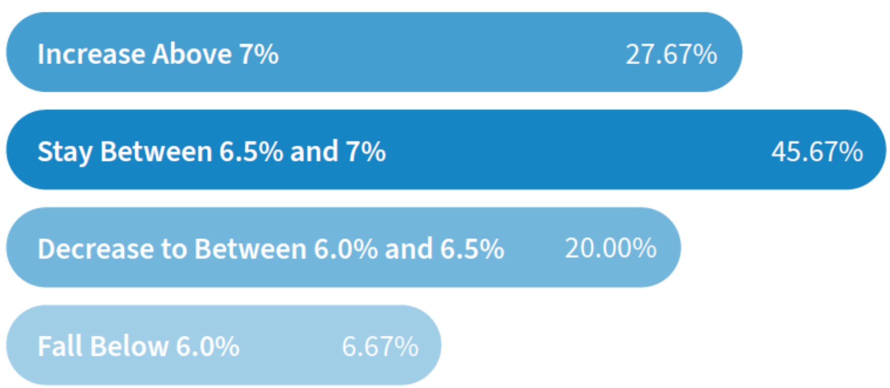
Still, investors remain a major force in the housing market—and the survey suggests they're responding to today's challenges in ways that go well beyond simply buying fewer properties.

Higher Mortgage Rates Are Changing More Than Financing Costs

One of the most revealing findings in this quarter's survey is that high mortgage rates aren't simply making investment financing more expensive. They're also **changing housing demand**. More than **72% of respondents said higher mortgage rates have resulted in decreased demand for owner-occupied housing, increased demand for rental properties, or both**.

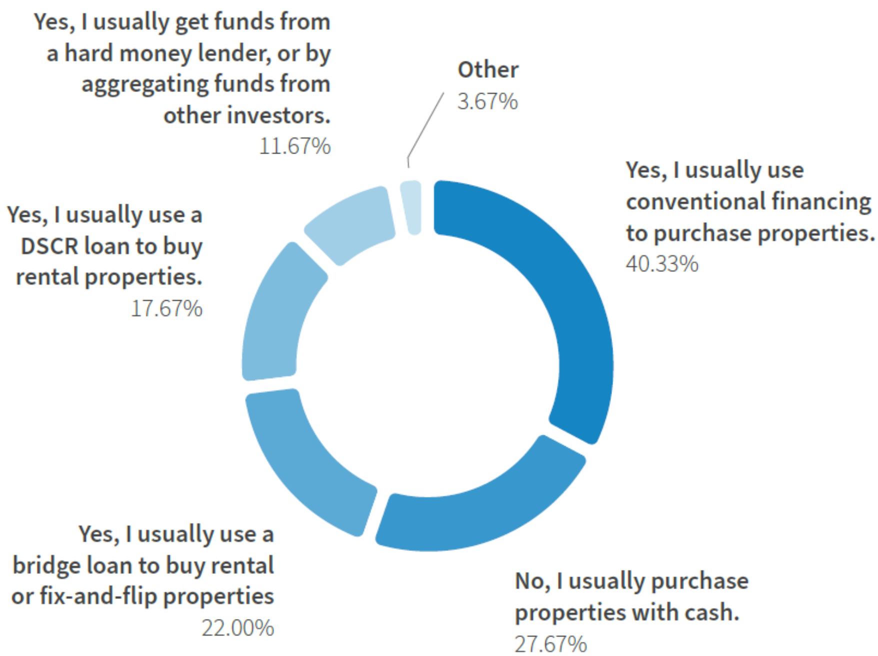
Higher rates make homeownership less affordable for many consumers, potentially keeping would-be homebuyers in rental properties longer.
In other words, the same mortgage rates creating a headwind on one side of an investor's business may be creating opportunity on another.

And investors don't expect much relief before the end of the year. Almost 46% expect mortgage rates to remain between 6.5% and 7%, while nearly 28% expect them to rise above 7%.



How Investors Are Actually Financing Their Deals

The survey also provides an interesting look at how investors are funding acquisitions. About **28% typically purchase properties with cash**, while 40% use conventional financing, 22% use bridge loans, 18% use DSCR loans and 12% use hard money or funds aggregated from other investors.



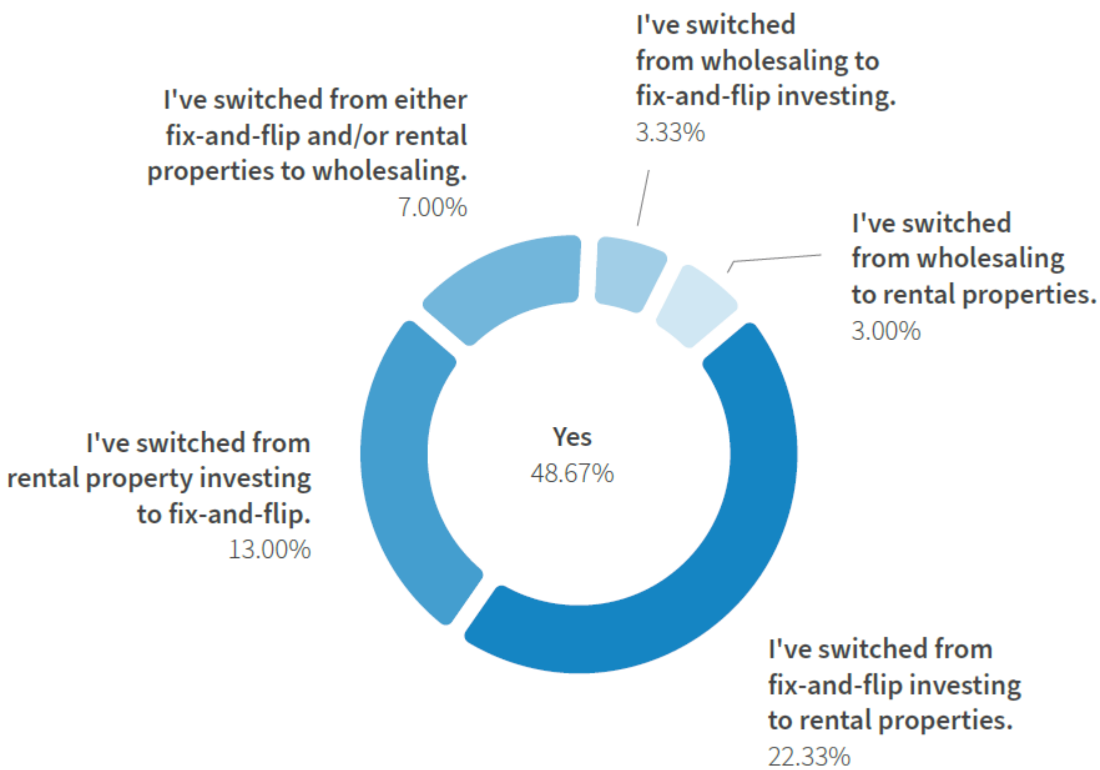
Looking beneath the topline numbers reveals significant differences between investor types.
Fix-and-flip investors use bridge financing at more than twice the rate of rental investors—**30% compared with 14%**—while rental investors are much more likely to use conventional financing, **50% compared with 24% of flippers**.

Perhaps the most surprising finding involves DSCR loans. **Twenty-one percent of fix-and-flip investors reported using DSCR financing compared with only 10% of rental investors.** At first glance, that seems counterintuitive. But it may reflect another important trend uncovered in the survey: some investors who traditionally focused on flipping homes are now holding properties as rentals when market conditions make selling less attractive.

Investors Aren't Just Waiting; They're Changing Strategy

That adaptability may be one of the most important findings in the entire survey.
Market conditions over the past few years have caused nearly half of the investors surveyed to either **change their primary investment strategy or add another strategy**.

More than **22% reported switching from fix-and-flip investing to rental properties**. Another 13% moved from rentals to fix-and-flip, while 15% maintained their primary strategy but added other forms of real estate investing.



Rather than simply stepping away when conditions become difficult, many investors are adjusting acquisition criteria, financing strategies and exit plans.
The data suggests that adaptability is becoming increasingly important in today's market.

Flippers and Rental Investors Aren't Seeing the Future the Same Way

That adaptability also helps explain an important divergence between fix-and-flip and rental investors. Both groups are dissatisfied with current conditions: approximately 48% of each say conditions are worse than they were a year ago. But their expectations for the future look very different.

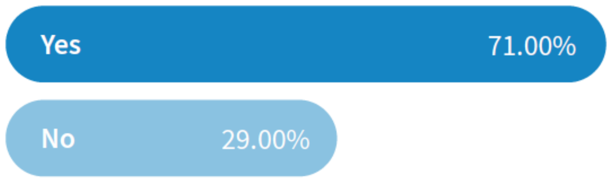
Among flippers, **44% expect market conditions to improve during the next six months**. Among rental investors, only 26% expect improvement, while 46% expect conditions to remain about the same.

Their acquisition plans tell a similar story: **40% of rental investors plan to make no additional purchases during the next 12 months, compared with only 26% of fix-and-flip investors**.

That may partly reflect an oversupply of rental properties and downward pressure on rents in certain markets, while flippers may see more opportunities emerging as the housing market adjusts.

Insurance Is Becoming Part of the Investment Decision

Insurance has also moved beyond being a routine operating expense. **Seventy-one percent of respondents say the cost or availability of insurance now factors into their decision about whether to invest in a property.**



Even more striking, **half say insurance issues have already caused them to miss an opportunity to buy or sell a property**.

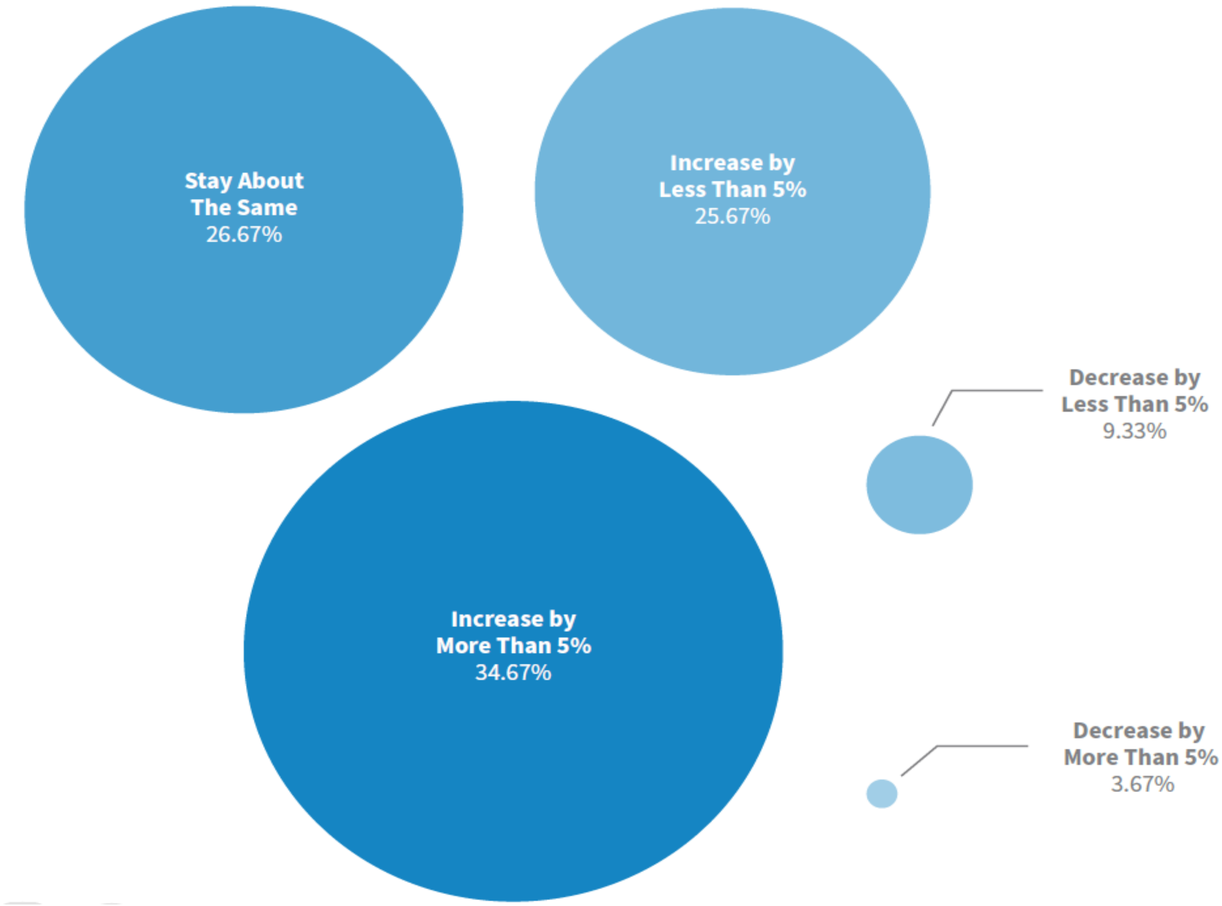
There is almost no difference between flippers and rental investors on this issue, suggesting that insurance has become a market-wide concern. For lenders and investors alike, insurance increasingly needs to be considered much earlier in the underwriting and acquisition process.

Investors Still Expect Home Prices to Rise

There's another apparent contradiction in the results.
Investors are increasingly pessimistic about market conditions—but most still expect property values to rise. More than **60% expect home prices to increase over the next six months**, and roughly **35% believe prices will rise by more than 5%**. Only about 13% expect prices to decline.

Higher prices may benefit properties investors already own, but they also raise acquisition costs—particularly when financing, insurance and renovation expenses remain elevated.

That helps explain why rising home prices have become the second most frequently cited challenge in the survey.



The survey also provides important context about who these investors are: **83% of respondents own 10 properties or fewer**, including more than 68% who own five or fewer. The results therefore largely reflect the perspective of small and mid-sized residential real estate investors.

Pessimism Doesn't Mean Inactivity

The Summer 2026 Investor Sentiment Index clearly reflects a difficult environment.
Financing remains expensive. Home prices are rising. Insurance has become a meaningful obstacle, and economic and geopolitical uncertainty continue to pressure investor confidence.

But there is another story in the data. Investors haven't simply stopped investing.
They're changing strategies. They're reconsidering how they finance transactions. Some flippers are holding properties as rentals. Higher mortgage rates are shifting housing demand. And flippers and rental investors are beginning to see very different opportunities ahead.

Despite all the current challenges, investors are also slightly more optimistic about the next six months and overwhelmingly expect home prices to continue rising. The Index may be at a record low. But the survey also shows that investors are doing what successful real estate investors have always done when market conditions change: **They're adapting.**