RCN CAPITAL

INVESTOR SENTIMENT SURVEY

WINTER 2025

PRESENTED BY:

C J PATRICK COMPANY

Investor sentiment is holding steady and looks moderately optimistic in the fourth quarter of 2025. The Investor Sentiment Index (ISI) matched the prior quarter's score, holding at 101, in the Winter 2025 survey. This marked the highest fourth-quarter reading in the index's three-year history. While only a modest four-point improvement from a year earlier, it reflects a continued recovery from the first quarter of 2025, when sentiment bottomed out at series-low of 88. The stabilization above the 100-point benchmark suggests that investors are entering 2026 with a cautiously optimistic outlook, even as views on current and future market conditions slipped slightly from the Fall 2025 survey.

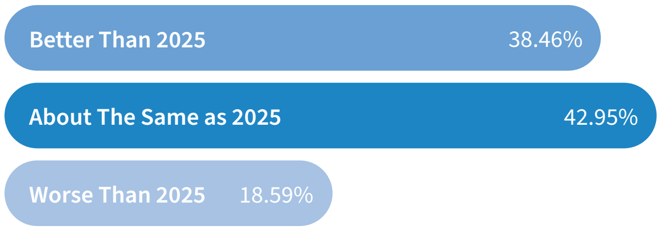
Much of this stability stems from a decline in the number of investors planning to scale back acquisitions compared to the prior 12 months, offsetting slight pullbacks in views on current and future market conditions. Investor outlook for 2026 remains broadly positive: 38% expect improving conditions in the year ahead—double the share expecting deterioration—and 44% anticipate market improvement over the next six months.

This recovery aligns closely with strengthening market fundamentals. Home sales have improved, supported by five consecutive months of gains through December, while slowing price appreciation, moderating mortgage rates, and rising inventory levels have contributed to better affordability. These shifts have helped create a more favorable environment for both fix-and-flip and rental property investors, who appear well-positioned to capitalize on improving market dynamics as 2026 begins.

With this latest reading, the ISI has now surpassed the 100 mark in seven of the past eleven quarters, underscoring the resilience of real estate investor confidence since the survey began. Although sentiment showed limited movement this quarter, the data suggests that investors are continuing to adapt to changing market conditions and remain focused on identifying opportunities as 2026 begins.

Q1

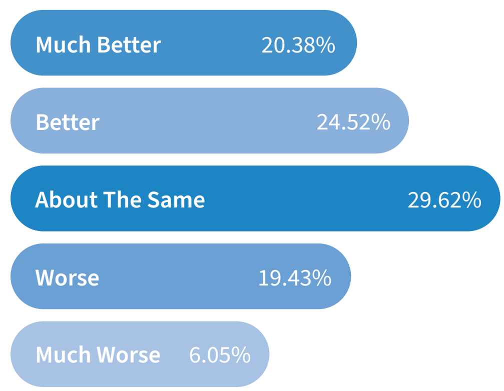
What is your outlook for real estate investing in 2026?



As has been the case consistently throughout the history of the survey, flippers were considerably more optimistic than rental property investors. Almost 52% of flippers expected conditions to improve in 2026; over 35% felt they'd stay the same; and under 13% felt things would be worse. In contrast, only 26% of rental property investors expected improvements; 51% expected the status quo; and over 23% believed that conditions would worsen.

Q2

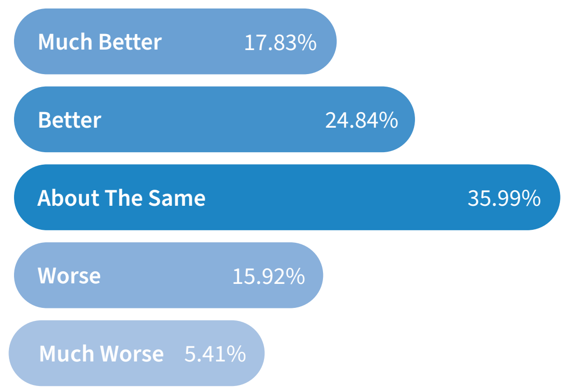
How does the environment for residential real estate investing compare to one year ago?



Fix-and-flip investors, despite recent reports of declining sales volume and compressed margins, were more sanguine about current market conditions than their rental peers. Almost 27% of flippers and about 9% of rental property investors thought market conditions today were much better than a year ago; 29% of flippers and 22% of rental investors thought conditions were better. Over 36% of rental investors felt conditions were the same compared to 24% of flippers. And twice as many rental investors – 33% compared to 16% of flippers – felt conditions were worse than the prior year.

Q3

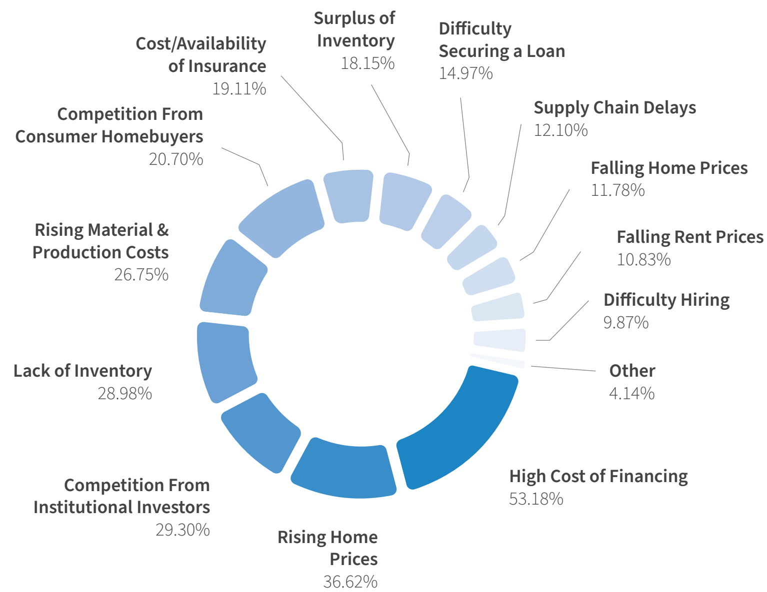
What's your outlook for residential real estate investing over the next 6 months compared to today?



Unsurprisingly, flippers were also more positive in their outlook towards the investing environment in the near future, with almost 57% expecting conditions to improve, 25% believing they'll stay the same, and 18% expecting conditions to be worse. In contrast, about half as many rental property investors (28%) hoped for improved conditions, 44% expected no change, and 27% feared worsening conditions.

Q4

What are the three biggest challenges facing your real estate investing business today?



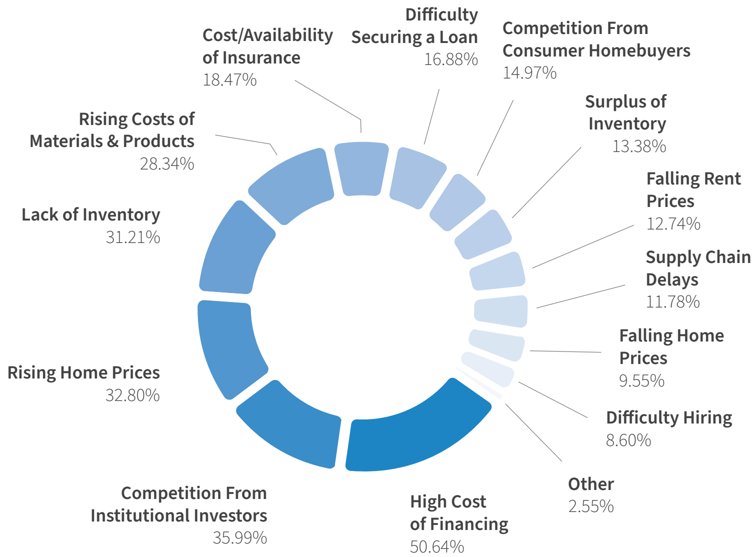
The biggest challenges cited by investors in the Winter survey were similar to those noted in prior reports. The high cost of financing was cited most often, by over 53% of the investors, followed by rising home prices (37%), competition from larger investors (29%), lack of inventory (29%), and rising material and product costs (27%).

These challenges were largely recognized across the board by both flippers and rental property investors, although there were some nuances in the report. For example, rising home prices were cited much more frequently as a problem by rental investors (43%) than by flippers (27%). Flippers apparently have a harder time getting a loan, citing the problem 22% of the time compared to only 9% by rental investors. Conversely, rental investors appear to have more insurance issues, noting problems there 24% of the time, compared to only 14% of flippers. And flippers are much more vulnerable to falling home prices than rental investors, citing the challenge more than twice as often, 18% to 7%.

In California and Florida – two states which have been among the hardest-hit in recent years by extreme weather events – there were some interesting views on insurance as a major challenge. Rental investors in California cited insurance issues 44% of the time, compared to only 18% by their counterparts in Florida. Flippers in both states were less concerned, with only 13% of California and 15% of Florida flippers selecting insurance as a problem today.

Q5

What do you anticipate will be the three biggest challenges facing your residential real estate investing business 6 months from now?



Responses to this quarter's survey do suggest that financing costs may be improving, and that investors expect the improvement to continue. While the high cost of financing was cited most often as a major challenge investors expect to have six months from now, the percent of times it was mentioned dipped to 51% - down seven points from current market conditions and almost 10 points from the prior quarter.

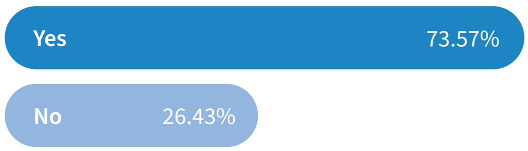
The perceived competition from larger investors is interesting, since numerous industry reports have noted that the largest institutional investors have been paring their holdings, and have sold more homes than they've purchased for the past seven quarters, while diverting capital into ground-up construction of rental communities.

Anticipated future challenges were very similar between flippers and rental investors, although there were some notable differences. Over 20% of flippers were concerned about a future surplus of inventory – something almost unimaginable a year ago – compared to only 8% of rental investors. Rental investors were again more concerned about rising home prices, citing the issue 40% of the time compared to 22% for flippers.

On a regional basis, the different views on insurance as a major challenge in the future were extreme: in California, a very high percentage of rental investors (48%) cited insurance issues as a future challenge, as did 40% of flippers in the Golden State, a huge uptick from those viewing insurance as a major challenge today. In contrast, Florida investors seem to believe that the worst is behind them, as both flippers (12.5%) and rental investors (9%) cited insurance challenges less often as a future concern than it is today.

Q6

Are rising insurance costs or the inability to insure properties becoming a factor in your decision to invest in real estate?



While mentioned less than 20% of the time as a current or future challenge by respondents, insurance costs and limited availability continue to weigh heavily on real estate investors. Nearly 74% of the respondents said that insurance issues were a factor in their investment decision-making, and almost 53% said insurance-related factors had caused them to miss out on a deal. These numbers are consistent with previous surveys, but trending slightly lower than the previous quarter.

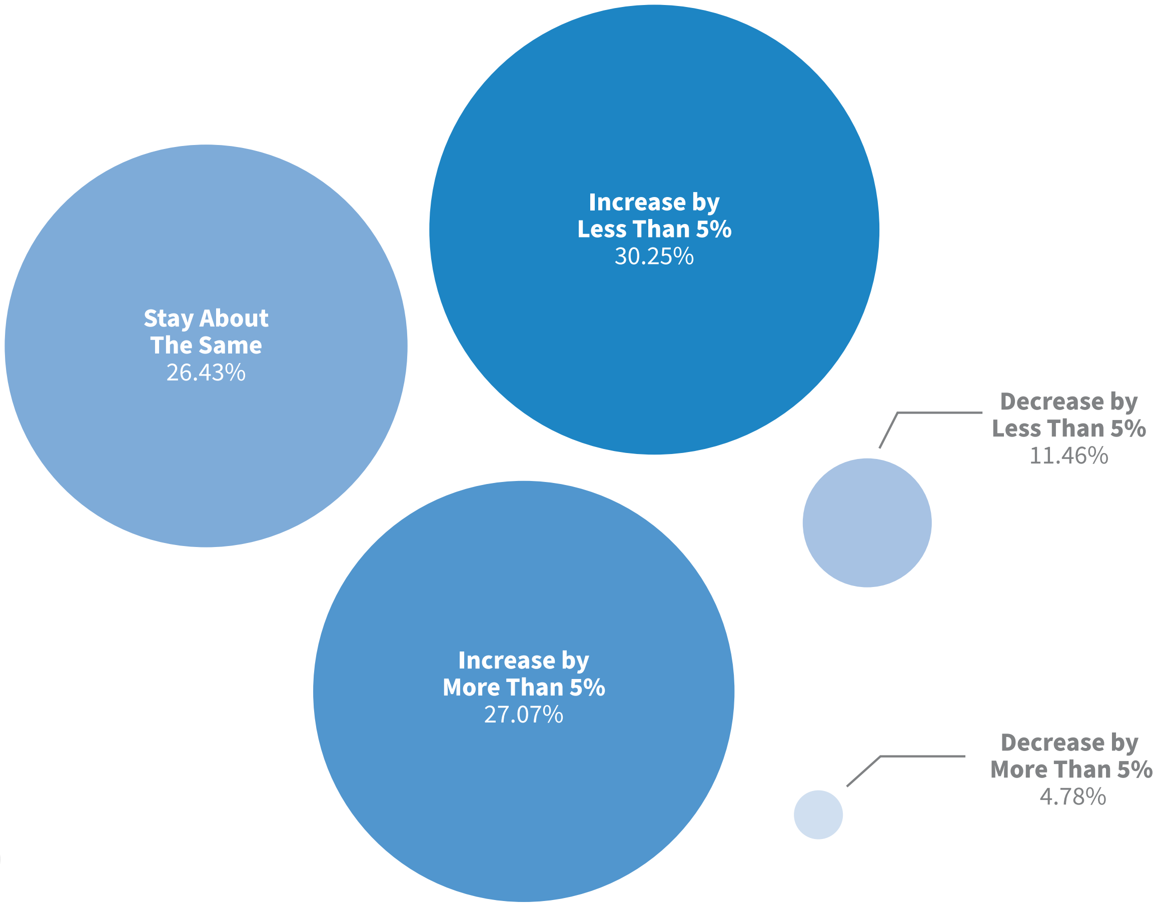
Despite the fact that a higher percentage of rental investors noted insurance issues as a major challenge, the topic appears to be more top of mind for flippers, with almost 82% of them acknowledging it as a factor in their investment decision-making, compared to 63% of rental investors. This could be because insurance issues appear to have caused far more missed opportunities among flippers than rental investors, with the 67% of the former saying they've missed out on a deal, compared to just 32% of the latter.

Q7

Have rising insurance costs or the inability to insure properties caused you to miss out on an opportunity to buy or sell properties?

These trends were consistent with Florida and California investors, although the responses were a bit more pronounced. In California, 100% of flippers and 67% of rental investors factor insurance into their investment decisions. In Florida, 92.5% of flippers and 82% of rental investors do likewise.

Some 80% of California flippers and 77.5% of Florida flippers have missed out on an investment opportunity due to insurance costs or unavailability, while the same is true to a lesser degree among rental property investors, with 33% of California respondents and 55% of Florida investors noting this.



Q8

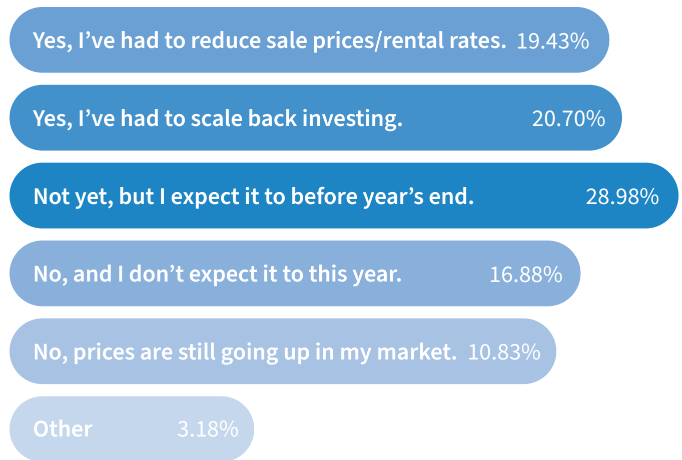
What do you expect home prices to do over the next 6 months?

Investors remain bullish on home prices, with over 57% expecting prices to rise over the next six months, while only 16% expect to see price declines. Some of these views may be colored by regional trends, which show prices continuing to rise in the Northeast and Midwest, while flattening out in many states, and declining in parts of the South and Southwest. Investor opinions haven't changed much since last quarter, when 62% expected to see prices continue to rise and only 13% were anticipating falling prices.

Flippers are slightly more optimistic than rental investors about home prices, with 65% expecting prices to continue to rise and just 11% expecting price declines. Of the rental property investors, 56% anticipate price increases and over 20% expecting prices to fall.

Q9

Home prices and asking rents have slowed down and even turned negative in some markets. Is this affecting your investing?

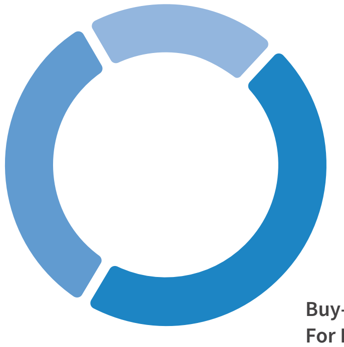


Market dynamics – softening home prices and lower asking rents – continue to cause investors to re-think their marketing strategies. Over 19% said they'd had to reduce their sale price or asking rents. Another 21% said they'd cut back on their investing. About 29% said they hadn't seen any impact on their business yet, but were anticipating it soon. On the other hand,17% said they didn't expect to see any meaningful impact, and almost 11% said that market conditions hadn't changed in their regions, and that prices were still going up. These responses were all similar to the previous quarter with one exception: the percentage of investors who had to reduce their sales or rental pricing dropped by almost nine points from the Fall survey to the Winter report.

Flippers appear to have been affected more dramatically than rental property investors by weakening home prices. Almost 30% have had to reduce their sales prices, and 28% have scaled back their investing activity. Only 10% of rental investors have had to reduce asking rents, and just under 14% have scaled back their investing. Conversely, 38% of rental investors haven't seen – and don't expect to see – any impact on their business, compared to just 17% of flippers.

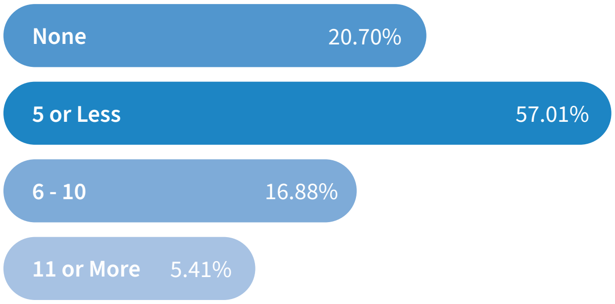
Q10

What is your primary type of residential real estate investment?



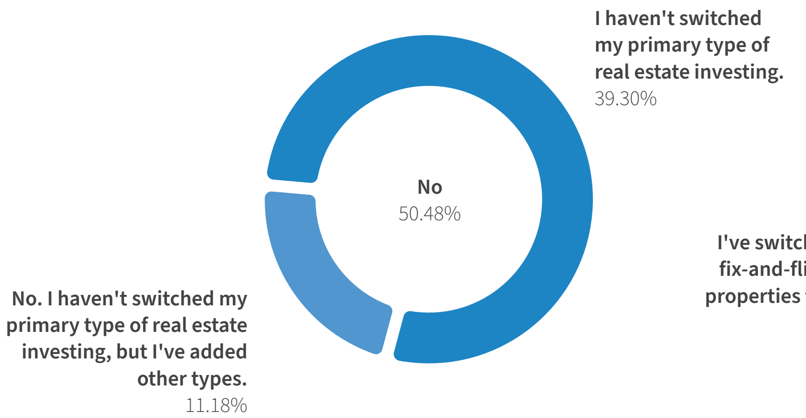
Q11

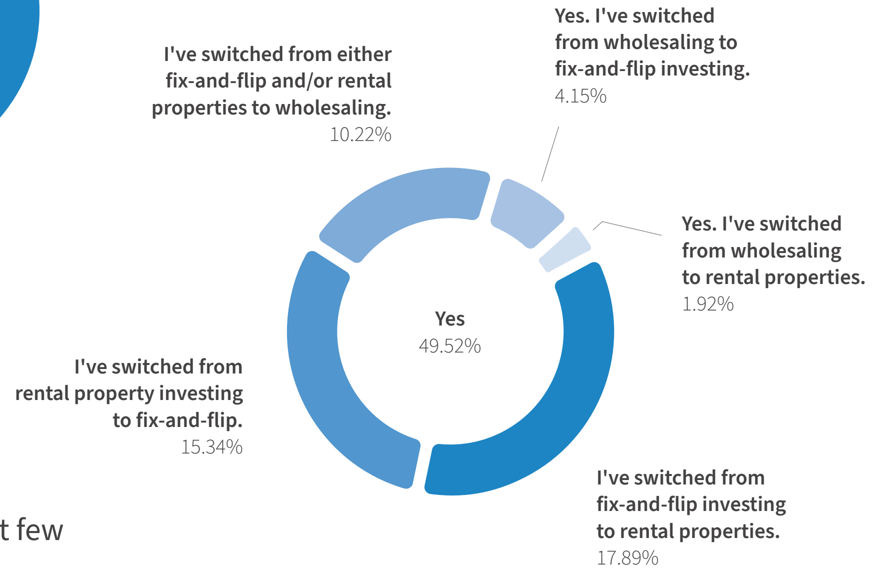
How many investment properties do you currently own?



Most respondents claimed that their primary type of real estate investing was buying and holding for rentals (47%), followed by fix-and-flip (33%), and wholesaling (20%). These breaks reflect a consistent pattern over the last year of surveys, and are not significantly different from the previous quarter.

Small investors continue to dominate, with 74% of respondents owning between 1-10 properties, a slightly lower number than the previous survey, when almost 80% of the investors fell into that category. The number of larger investors – owning 11 or more properties – rose slightly from under 5% to almost 5.5%. But the number of investors who currently hold no assets jumped by six points, from 15% to 21%, perhaps indicating some reticence from investors concerned about current market conditions.





Q12

Have market conditions over the past few years caused you to change your primary type of residential real estate investing?

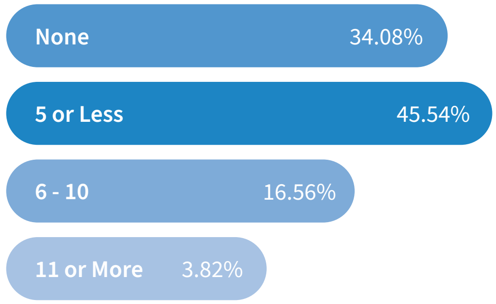
This quarter's responses to the question of whether investors have had to change their primary type of investment may indicate some underlying changes in investment opportunities. Last quarter, almost 29% of respondents noted that they'd switched their primary type of investment from fix-and-flip to rentals; this quarter the number dropped to 18%. The number of respondents who didn't feel a need to switch increased from 34% to over 39%, and the number of investors who switched to wholesaling almost doubled, from just under 6% to over 10%.

Other responses were very similar quarter-to-quarter: about 15% of investors switched from rental properties to flipping; 6% switched from wholesaling to renting or flipping; and 11% continued to do what they'd been doing but added another form of investing.

These trends were reinforced when parsing the responses from flippers and rental investors. The largest percent of respondents in each category – 28% of flippers and a whopping 56% of rental investors – have not switched their primary type of investing. Interestingly, 24% of flippers reported moving into rental property investing, while the same number reported becoming flippers after previously being rental investors. Very few rental investors (4%) reported switching into flipping, but 12% of the respondents are now renting properties after formerly focusing on flipping them.

Q13

How many properties do you plan to invest in over the next 12 months?

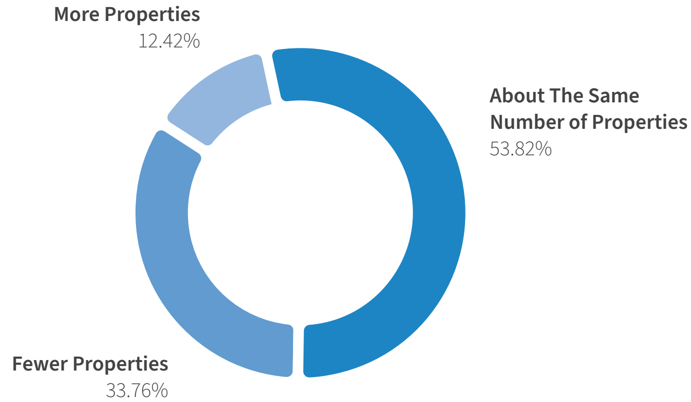


Despite a generally optimistic view of the future, it's becoming apparent that respondents are being very circumspect in their investment plans for 2026. Over 34% of respondents said they planned to buy no properties in the next 12 months, up from 32% in the previous survey. Meanwhile, almost 46% plan to buy between 1-5 properties, 17% between 6-10, and almost 4% will buy 11 or more properties.

For the majority of investors (54%), this is about the same number of properties they purchased in the last 12 months. Over 12% plan to buy more properties than last year, while just under 34% plan to buy fewer – both improvements from last quarter, when 43% planned to buy fewer homes and about 8% planned to buy more.

Q14

How does this number of properties compare to the number of properties you've invested in over the past 12 months?

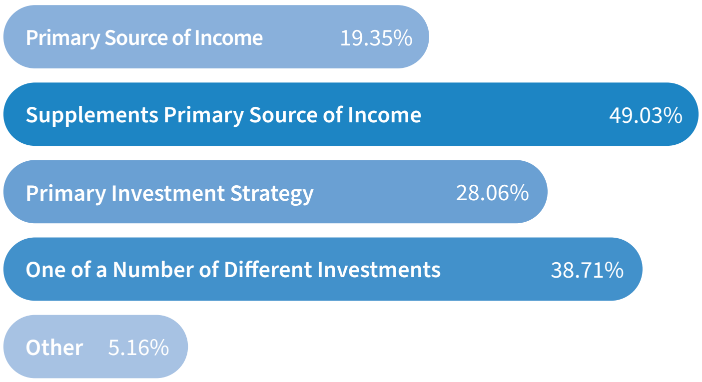


Here again, rental property investors appear more cautious about the future than flippers. Almost 45% of rental investors plan to not buy any properties in the next 12 months, compared to 26% of flippers. About 50% of rental investors and 45% of flippers plan to buy between 1-5 properties, while 27% of flippers and less than 5% of rental investors plan to buy between 6-10. This could be due to a perceived (and probably temporary) over-supply of rental units in the country, as a record number of apartments have come to market in the past 18 months.

For the largest number of respondents from each investment group, 2026 plans are similar to 2025 investing: 45% of flippers and 54% of rental investors say they'll be buying about the same number of properties this year. But 41% of both groups say they'll be buying fewer than a year ago.

Q15

Why do you invest in real estate?

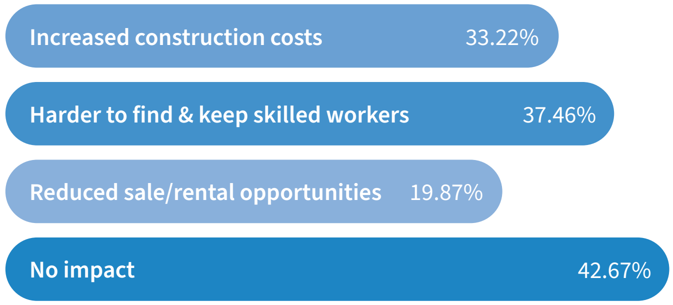


Many investors appear to use their investments to supplement a primary source of income or as an addition to their primary investment strategy. Just over 19% of the respondents said that their real estate investments were their primary source of income, and 28% claimed that it was their primary investment strategy. On the other hand, 49% said that real estate investing supplemented their primary source of income, and 38% that it was one of a number of different investment strategies.

More flippers (34%) than rental investors (7%) cite real estate investing as their primary source of income, while 50% of both groups say it's a supplemental source. Similarly, 34% of flippers say real estate is their primary investment strategy, while only 16% of rental investors make that claim.

Q16

Has the deportation of undocumented migrants had any impact on your investing?

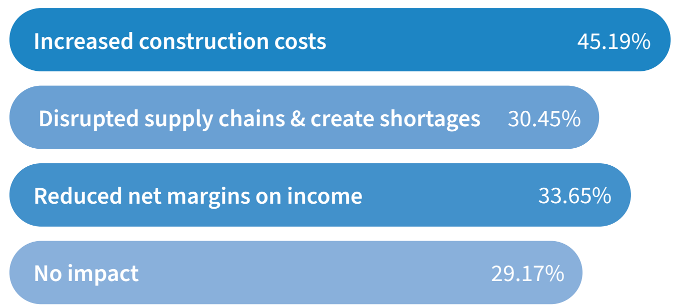


The impact of Trump Administration policies on immigration and tariffs, while still significant, appears to be waning. Over 37% of the respondents said that immigration policies had made it harder for them to find and keep skilled workers, down from 46% in the prior quarter. About 33% said these policies had increased their labor costs, compared to 34%; and the number of investors who said their sales or rental opportunities had declined dropped from 21% to 20%. Meanwhile the number of investors who said these policies have had no impact on their business climbed from 38% to 43%.

Responses from rental investors and flippers on this question were starkly different: over 51% of flippers said the policies had made it harder for them to find and keep skilled labor, and almost 42% said it had raised their construction costs. The numbers were much lower among rental investors, where 26% noted labor challenges and 24% construction price increases. But almost 61% of rental investors said the immigration policies hadn't had much of an impact on their business, while only 27% of flippers felt the same way.

Q17

Have new tariffs on goods imported from Canada, Mexico, and China had any impact on your investing?

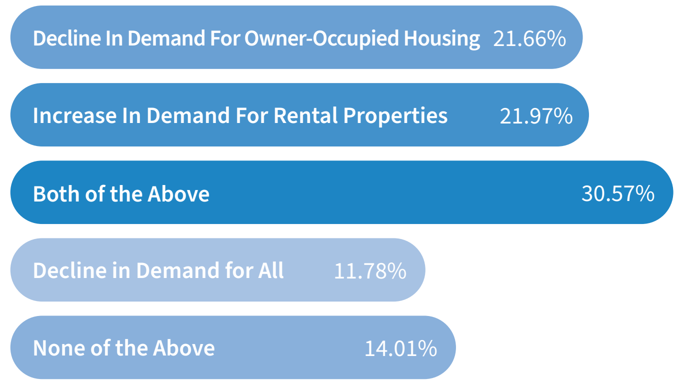


Responses regarding tariffs followed a somewhat similar pattern. About 45% of respondents said tariffs had resulted in higher prices on products and materials, down from over 56% last quarter; 34% said they'd seen a reduction in their net margins, the same number as in the last survey; just over 30% said they'd noticed a disruption in supply chains, down almost seven points from the Fall survey; and the number of investors who said they'd seen no impact on their business rose from 27% to 29%.

Both flippers (51%) and rental investors (43%) said that tariffs had increased their construction costs. More flippers (43%) than rental investors (27%) said the impact of tariffs had reduced their profit margins, but more rental investors (32%) than flippers (25%) noted supply chain disruptions. And rental property investors were more likely to say that tariffs hadn't had an impact on their businesses than flippers, 36% vs. 22%.

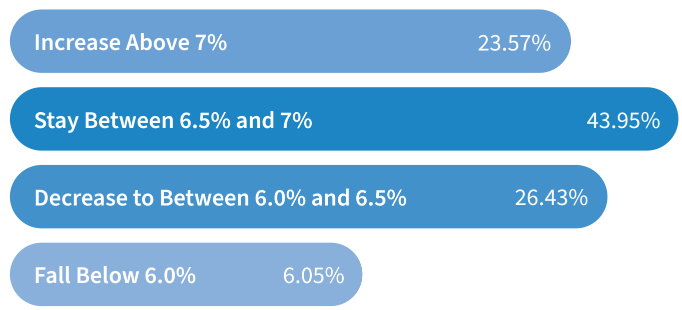
Q18

What has been the impact of today's higher mortgage rates in your market(s)?



Q19

What do you expect mortgage rates to do by the end of 2025?

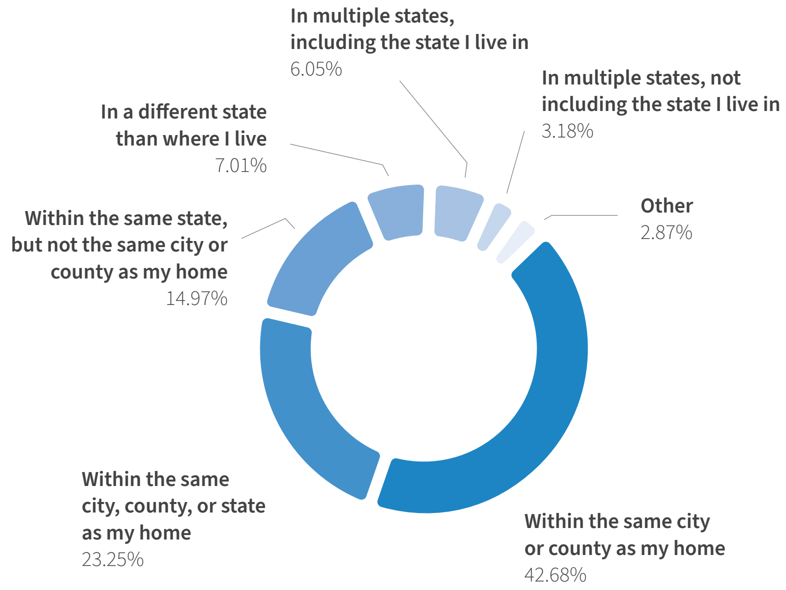


Just under 24% of investors expect mortgage rates to continue to rise in 2026, down slightly from last quarter's 27%. About 44% expect rates to stay roughly where they are, in line with last quarter's 46%. But there's slightly more optimism about finance costs this quarter, as the number of respondents expecting rates to dip below 6% rising by two points, from 4% to 6%.

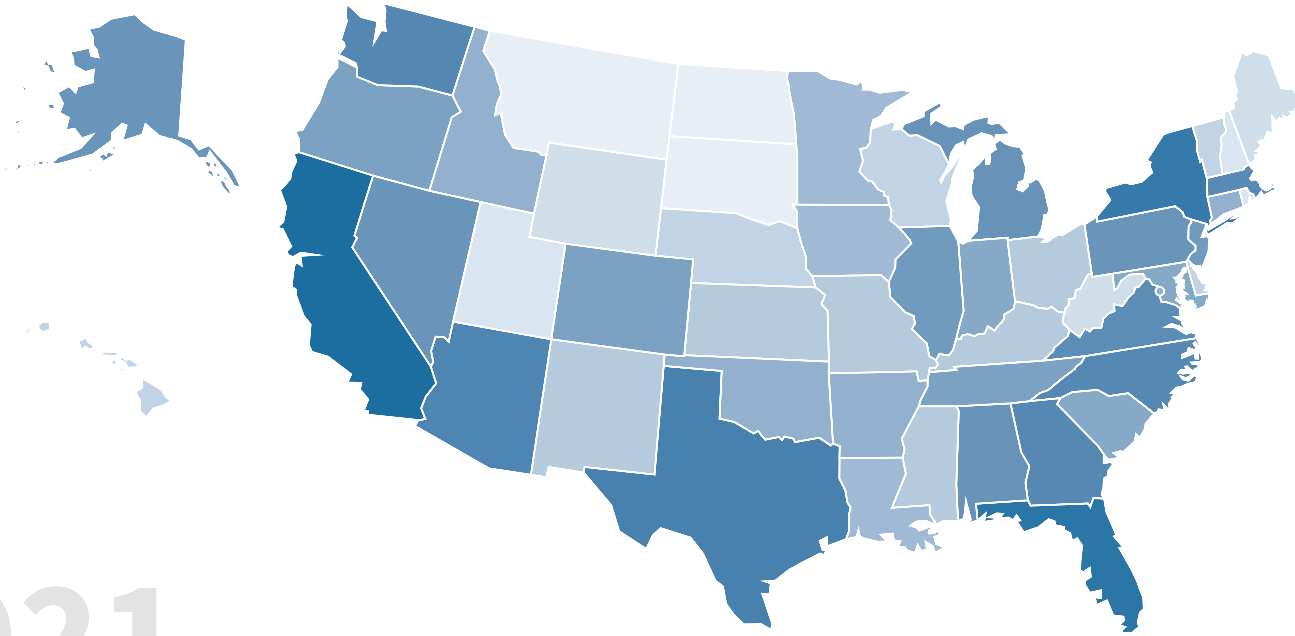
These rates play an important role in investors' markets: about 22% of respondents to the Winter survey said rising rates had resulted in a decline for owner-occupied homes; another 22% reported an increased demand for rental properties – probably from prospective homebuyers who couldn't afford to finance the purchase of a home. Some 31% said they'd seen both trends in their markets, while almost 12% said they'd seen demand for both owner-occupied homes and rental decline since rates went up.

Q20

How near or far away from your home do you do most of your investing?



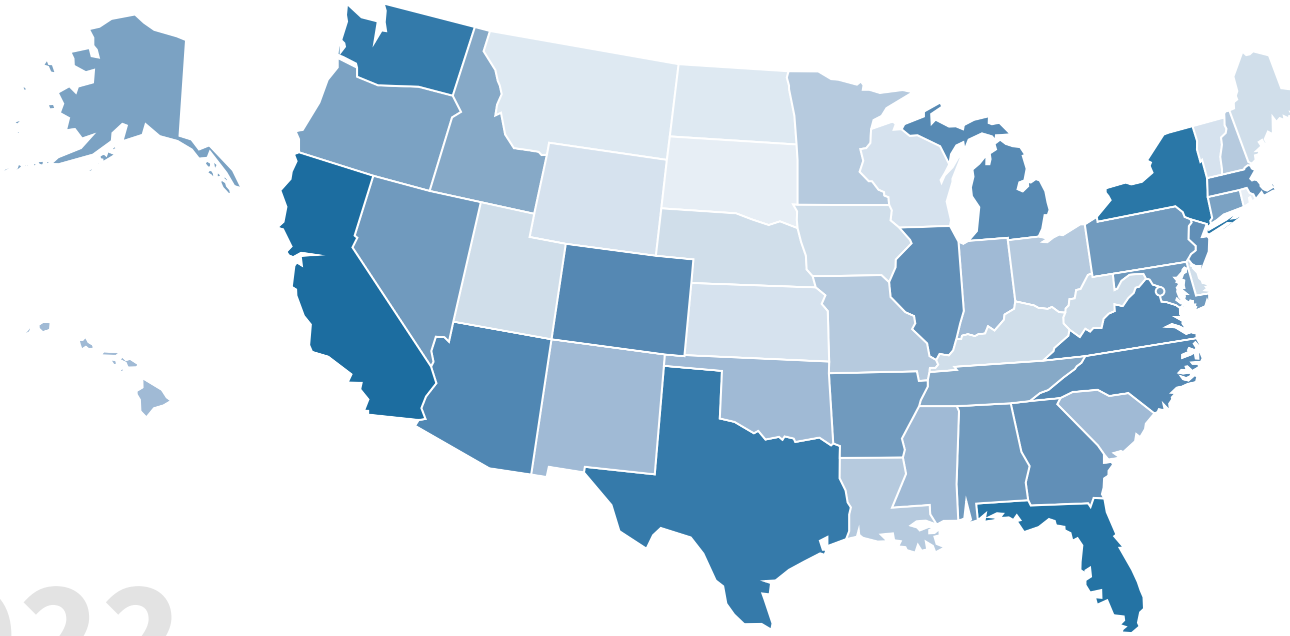
The overwhelming majority of investors continue to do business close to home: 81% invest only in their home state. In fact, almost 66% invest primarily in the city or county in which they live. This is even more pronounced for flippers than rental property investors: almost 86% of flippers focus entirely on their home state, and 72% in the city or county where they live. For rental investors, 78% invest in their home state, with 64% of them focusing exclusively on the city or county in which they live.



Q21

In which state(s) do you do most of your residential real estate investing?

Alabama	3.50%
Alaska	3.18%
Arizona	6.37%
Arkansas	1.91%
California*	17.20%
Colorado	2.55%
Connecticut	1.91%
Delaware	0.96%
District of Columbia	1.91%
Florida*	12.74%
Georgia	4.78%
Hawaii	0.96%
Idaho	1.91%
Illinois	2.87%
Indiana	2.23%
Iowa	1.59%
Kansas	1.27%
Kentucky	1.27%
Louisiana	1.59%
Maine	0.64%
Maryland	2.23%
Massachusetts	4.46%
Michigan	3.50%
Minnesota	1.59%
Mississippi	1.27%
Missouri	1.27%
Montana	0.00%
Nebraska	0.96%
Nevada	3.18%
New Hampshire	0.32%
New Jersey	2.87%
New Mexico	1.27%
New York*	10.83%
North Carolina	4.78%
North Dakota	0.00%
Ohio	1.27%
Oklahoma	1.91%
Oregon	2.55%
Pennsylvania	3.18%
Rhode Island	0.32%
South Carolina	2.23%
South Dakota	0.00%
Tennessee	2.55%
Texas*	7.96%
Utah	0.32%
Vermont	0.96%
Virginia	4.14%
Washington	5.10%
West Virginia	0.64%
Wisconsin	0.96%
Wyoming	0.64%



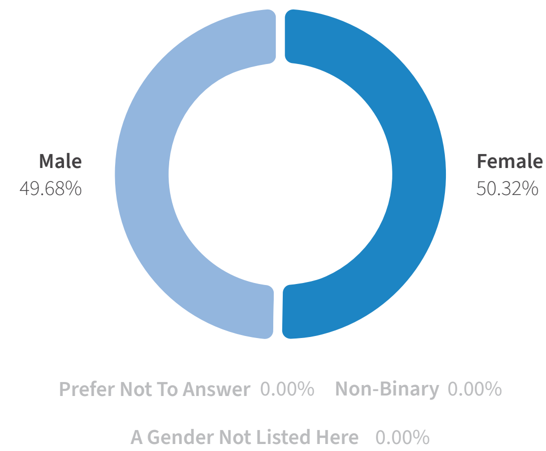
Q22

In which state(s) do you do plan to do most of your residential real estate investing 6-12 months from now?

Alabama	2.87%
Alaska	2.55%
Arizona	4.78%
Arkansas	2.87%
California	15.61%
Colorado	4.14%
Connecticut	2.55%
Delaware	0.96%
District of Columbia	2.23%
Florida	11.78%
Georgia	3.50%
Hawaii	1.59%
Idaho	2.23%
Illinois	3.50%
Indiana	1.59%
Iowa	0.96%
Kansas	0.64%
Kentucky	0.96%
Louisiana	1.27%
Maine	0.96%
Maryland	2.87%
Massachusetts	3.50%
Michigan	3.82%
Minnesota	1.27%
Mississippi	1.59%
Missouri	1.27%
Montana	0.32%
Nebraska	0.96%
Nevada	2.87%
New Hampshire	1.27%
New Jersey	3.50%
New Mexico	1.59%
New York	10.19%
North Carolina	4.14%
North Dakota	0.32%
Ohio	1.27%
Oklahoma	1.59%
Oregon	2.55%
Pennsylvania	2.87%
Rhode Island	0.96%
South Carolina	1.59%
South Dakota	0.00%
Tennessee	2.23%
Texas	7.96%
Utah	0.96%
Vermont	0.64%
Virginia	4.46%
Washington	8.28%
West Virginia	0.96%
Wisconsin	0.64%
Wyoming	0.64%

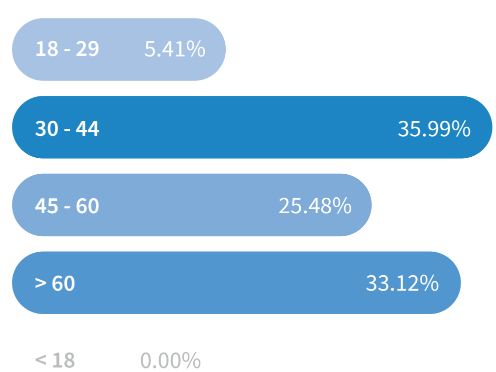
Q23

What is your gender?



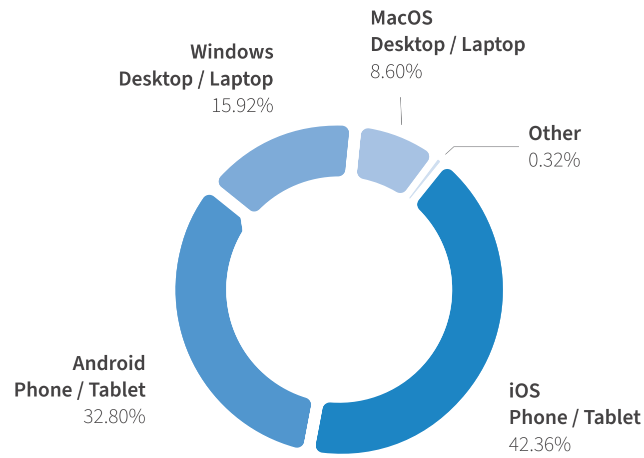
Q24

What is your age?



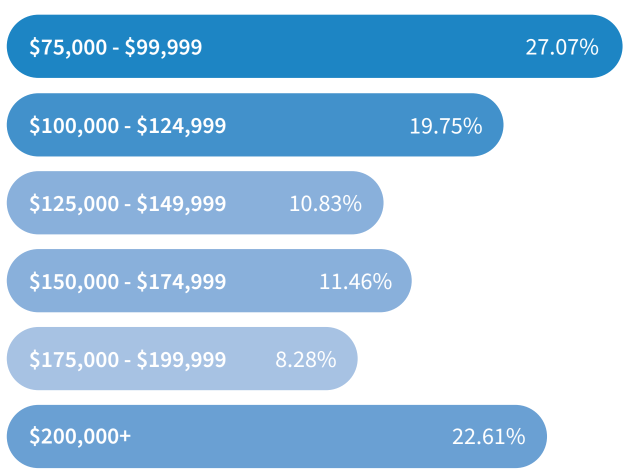
Q25

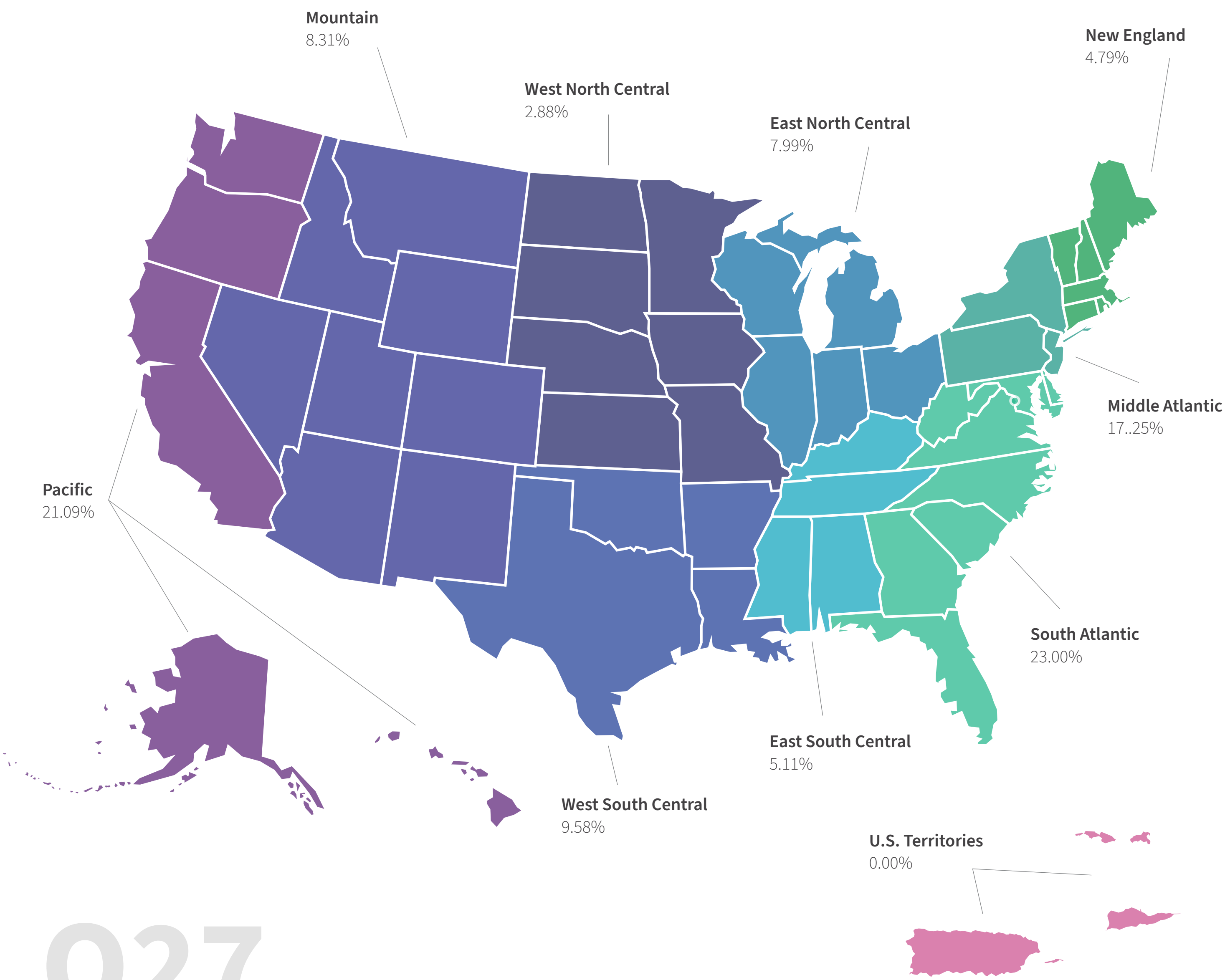
What type of device are you using?



Q26

What is your household income?

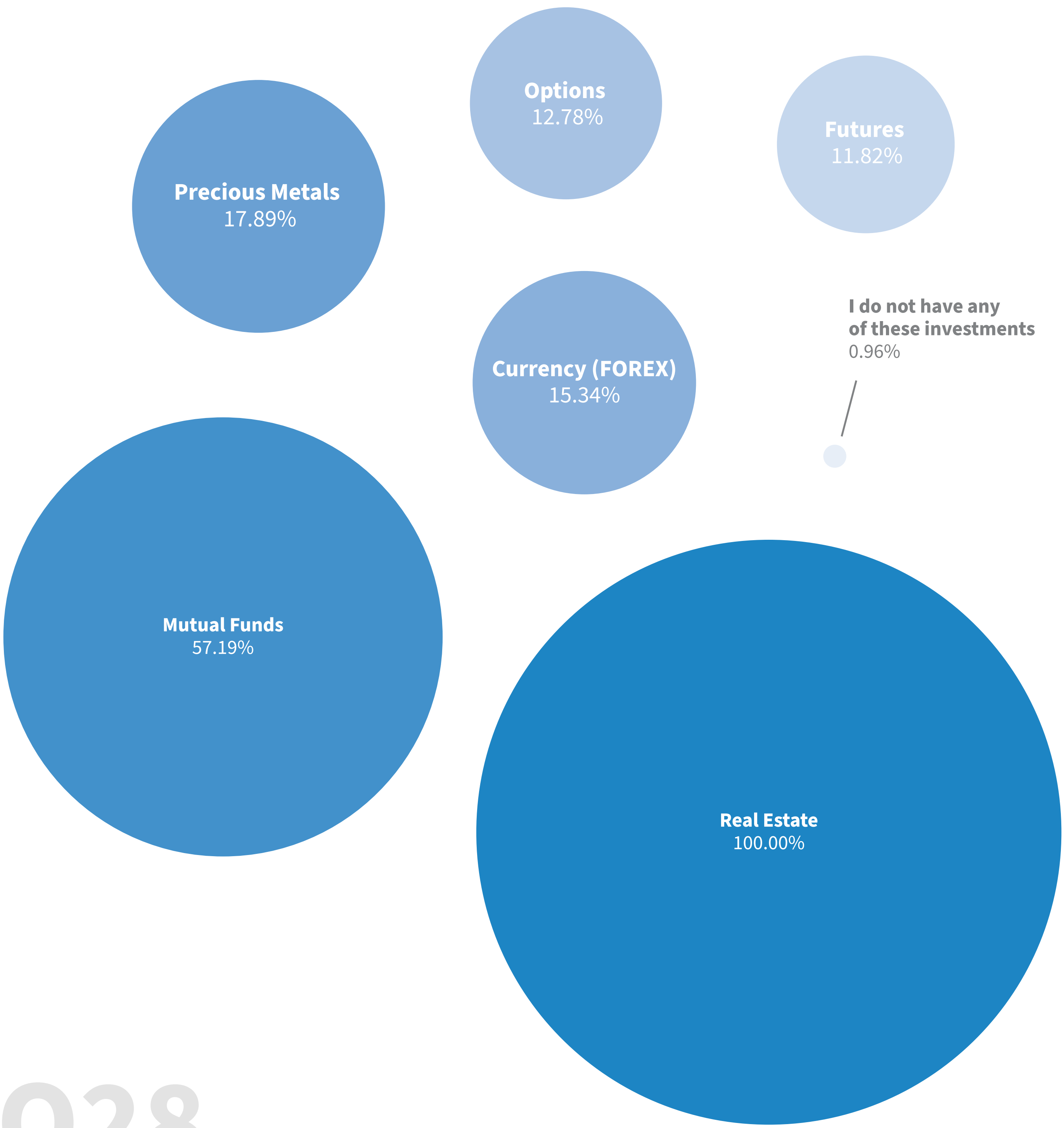




Q27

In which major US region do you reside?

Pacific	21.09%
Mountain	8.31%
West North Central	2.88%
West South Central	9.58%
East North Central	7.99%
East South Central	5.11%
Middle Atlantic	17.25%
South Atlantic	23.00%
New England	4.79%
U.S. Territories	0.00%



Q28

What investments do you hold?

RCN CAPITAL

C J PATRICK COMPANY

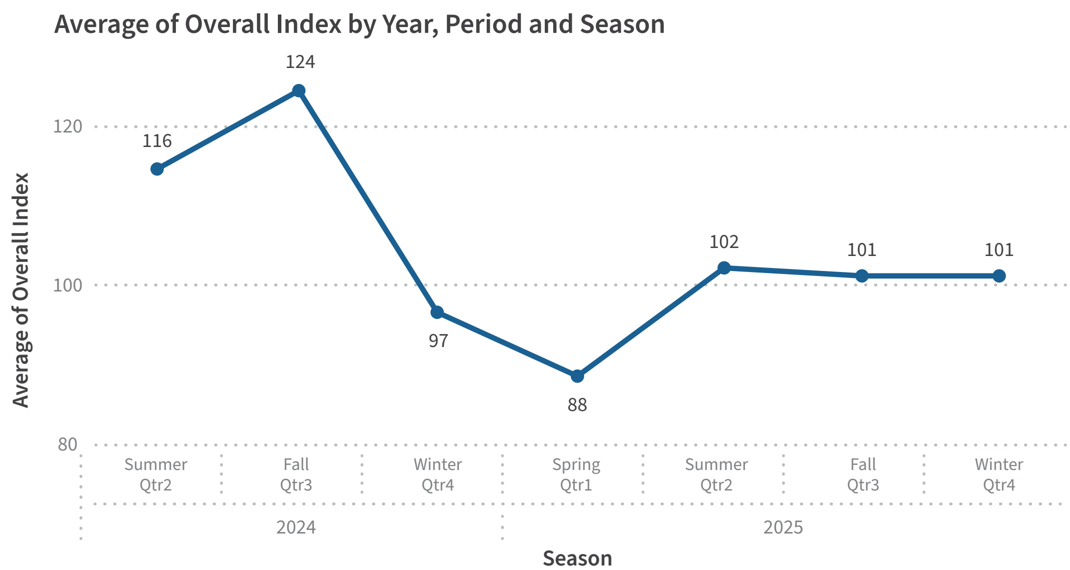
Investor Sentiment Index (ISI)

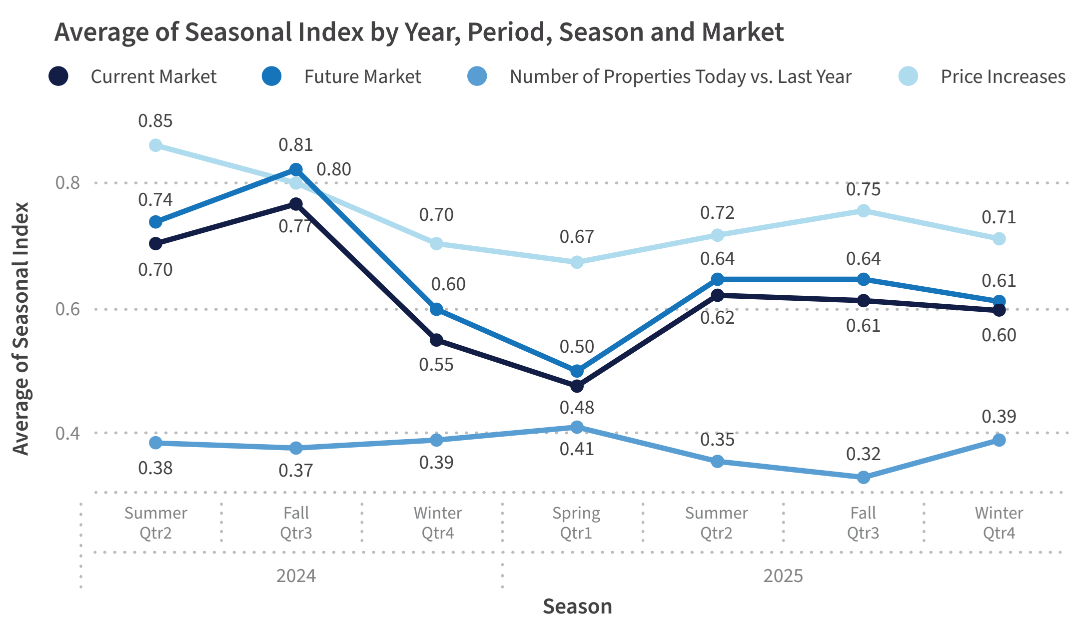
RCN Capital Investor Sentiment Index

The RCN Capital/CJ Patrick Investor Sentiment Index (ISI) was designed to track the pulse of real estate investors across the country and gauge market outlook. The ISI is based on a quarterly survey of residential real estate investors and focuses on their responses to four specific questions:

- **Current Market Outlook -** How does the environment for residential real estate investing compare to one year ago?
- **Future Market Outlook -** What's your outlook for residential real estate investing over the next 6 months compared to today?
- **Expected Home Price Increases -** What do you expect home prices to do over the next 6 months?
- **Number of Properties Compared to Past 12 Months -** How does the number of properties you plan to invest in over the next 12 months compare to the number of properties you've invested in over the past 12 months?

Each quarter, the ISI depicts the overall sentiment of residential real estate investors toward industry conditions starting with a baseline scale of 100. The initial baseline value of 100 was established from the results of the Summer 2023 Investor Sentiment Survey, serving as our reference point when we began the survey. A higher reading (>100) is an indication that the majority of residential real estate investors are confident about the current and near-term outlook for residential real estate investing. Lower readings (<100) signify less optimism among residential real estate investors.





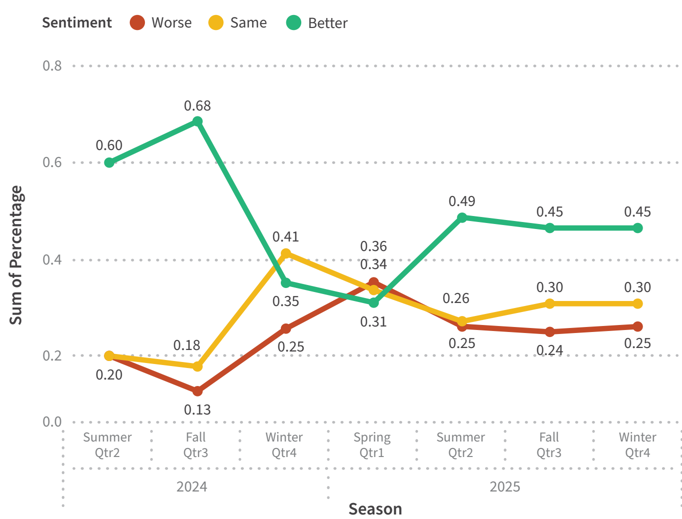
RCN Capital Investor Sentiment Index Methodology

The ISI is a weighted average of four of the components of the quarterly Investor Sentiment Survey: current market outlook, future market outlook over the next 6 months, expected home price increases over the next 6 months, and number of investment property purchases compared to the past 12 months.

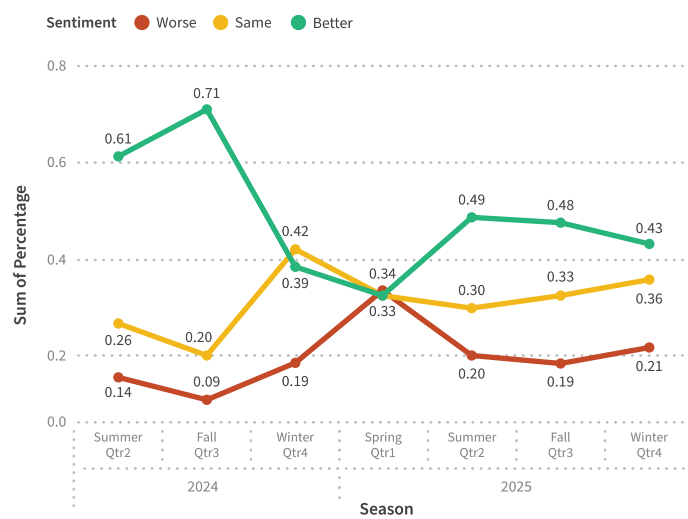
Survey respondents, who are residential real estate investors, rate the first two on a scale of “better”, “same”, or “worse”, the third on a scale of “increase”, “remain flat”, or “decline, and the last on a scale of “more”, “same”, or “less”.

- **The index is calculated for each season by applying these formulas:**
  - Current Market Outlook - “(Better –Worse + 1)/2”
  - Future Market Outlook - “(Better –Worse + 1)/2”
  - Expected Home Price Increases - “(Increase - Decline + 1)/2”.
  - Number of Properties Compared to Past 12 Months - “(More - Less + 1)/2”
- **Subsequently, each resulting index is weighted according to the following percentages to derive the Overall Index for each season:**
  - Current Market Outlook - 40%
  - Future Market Outlook - 25%
  - Expected Home Price Increases - 10%
  - Number of Properties Compared to Past 12 Months - 25%

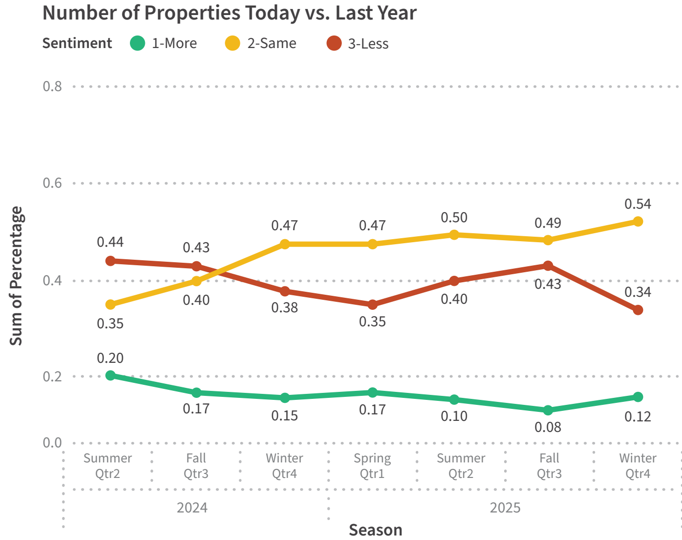
Current Market Sentiment Over Time



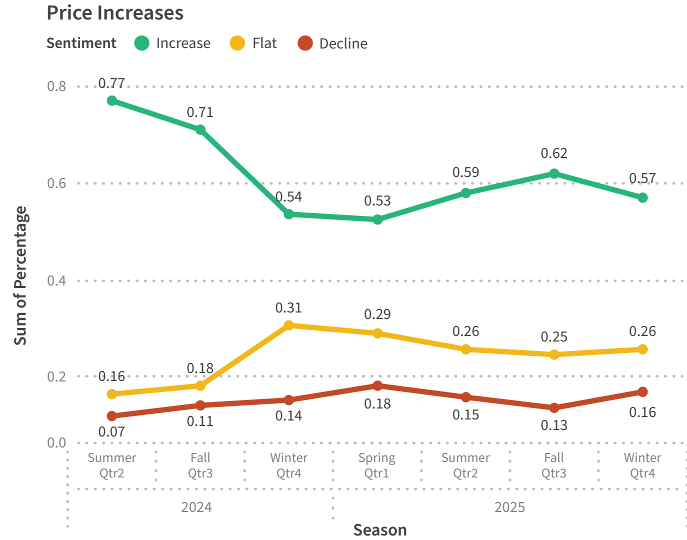
Future Market Sentiment Over Time



Number of Properties Today vs. Last Year



Price Increases



The index was created this way to make it relatively easy to interpret and easily show market sentiment over time. In particular, the Overall index:

- Lies on a scale of +/- 100
- Is <100 only when respondents say sentiment is less optimistic
- Is >100 only when respondents say sentiment is more optimistic

The survey respondents represent residential real estate investors with diversified investing strategies from all over the United States. The survey is conducted quarterly with varying participants to ensure optimal response rates and balanced participation from residential real estate investors from across the country.