



HOUSING INFLATION IN BURLINGTON, VT

INVESTORS, DOWN PAYMENTS & SUPPLY
FEBRUARY 2026

The University of Vermont

EXECUTIVE SUMMARY

Residential home prices in Burlington, VT increased 363% between 2003 and 2023, compared to 313% nationwide. While most policy discussion is aimed at supply, this study finds that home price inflation is much more a function of demand, specifically investors and large down payments. Addressing a demand-led price increase through supply policies will either fail to address or exacerbate the issue.

- Down payments have increased 132.6% since 2003
- Sales to investors have increased 4x since 2003
- **Investor and down payment variables are 6-30x times stronger in relationship to price than supply**
- Investors and down payments contributed 23.5% to price increases; lack of supply contributed 6.5%
- Investors influence down payments for non-investors
- Increased home prices are paid with down payments, not mortgages, representing wealth inequality

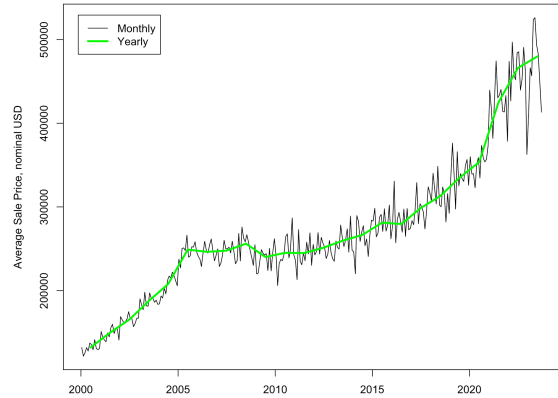


Figure 1: Average Home Prices by Month & Year

Our study suggests that policies aimed at limiting investors in the market will have a much stronger impact on housing prices than adding new homes to the market.

OVERVIEW

While headlines and policy focus on supply as a driver of housing prices, this study suggests other variables are responsible for the increase. This is for multiple reasons:

- Land is limited in Burlington for residential homes, and increasing supply is limited as a policy option.
- Housing does not act like a normal commodity; increasing supply may not have the desired effect.
- If lack of supply drives increased housing prices, it implies prior low prices are due to higher supply. The data do not confirm this supply change.
- Housing is an investment with an expected increase.
- Housing is largest individual investment. We want supply to meet demand but not to decrease price. If supply meets demand, prices stay high. Structure of housing and investment must be addressed.
- Demand for housing increases price. Addressing demand with supply will not change prices with current market structure, including increased investors and inequitable down payment.

Our study analyzed this hypothesis. We found that home price inflation in Burlington is less a function of supply and more a function of demand, specifically investors.

STATISTICAL RESULTS

This study analyzed the relationship between all middle-priced sales since 2000 (see METHODS) and:

- interest rates
- new homes on market
- down payment percent
- for sale inventory
- investor percent
- homes sold

The study suggests that an increase of 1 investor is associated with a \$5,064 increase in price while a 1% increase in down payment is associated with a \$232 price decrease, all else equal. See Figure 2.

	Monthly Market (17)
Intercept	(67,093.58)
Days Since	(232.75)
Purchase Price	21.84
Interest	19,045.17
Investors + 1	5,063.98
Downpayment + 1	(232.75)
DP + Inv. + 1	2,168.77
Added + 1	1,154.38
Sold + 1	793.67
For Sale + 1	(825.33)

Figure 2: Regression Model Variables and Price Effect Values

Investors make large down payments (see INVESTORS), so the study considered the affect of down payments and investors together. When considered together with down payments, when investors increase by 1, house prices increase by \$7,300.

A 1% decrease in inventory is associated with a \$825 increase in price in the study. Inventory includes new homes added to and sold from the market each month. New homes are associated with a \$1,154 increase in price; sold homes are associated with a \$794 increase. The study suggests that adding homes to the market increases prices by either \$1947 if sold the same month, or \$329 if not sold and added to inventory.

Together, down payment and investor variables represent 6-30 times the impact of inventory on price, depending on size of respective increase.

SUPPLY

This study understands housing supply two ways: new homes added to the market and inventory of homes on the market. Housing inventory is net of new homes added and homes sold each month. Figure 3 summarizes Burlington housing supply dynamics since 2003.

- New homes added to market has remained stable
- Homes sold has increased over the study period
- Houses on the market has decreased since 2010
- Houses on the market has remained stable from 2003. Inventory increases in 2006-2010 inventory increases is the result of more new homes than sold homes in the wake of the 2008 financial crisis.
- The decrease in market inventory represents a decade-long stabilization

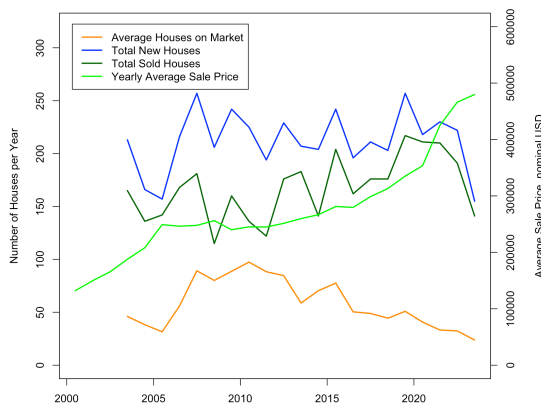


Figure 3: Supply Metrics and Price

As the model shows, fewer houses on the market is related to a \$825 increase in prices. Yet the shrinking difference between new and sold homes (increased demand) suggests new homes are sold before becoming ‘inventory’ that decreases prices. **When homes do not become ‘inventory’ prices increase by \$1947.**

For supply to reliably push housing prices down, new houses (supply) must be greater than sold houses (demand) to increase inventory and create a glut of supply. Even then that glut would decrease prices less than new and sold combined.

INVESTORS

Investors played a small role in the housing market from 2003-2010, purchasing between 1.3% and 3.8% of homes. From 2010 to 2020 an average of 5% of homes were sold to investors. **Since 2020, investors have purchased 9.2% of all homes.** Figure 4 shows the correlation between investor activity and home prices.

In the period that investor activity increased, new houses entering the market remained stable. This created an increased demand dynamic in which homes were sold before becoming price-stabilizing ‘inventory’. **As investors compete, demand is pushed beyond supply, driving price increases.**

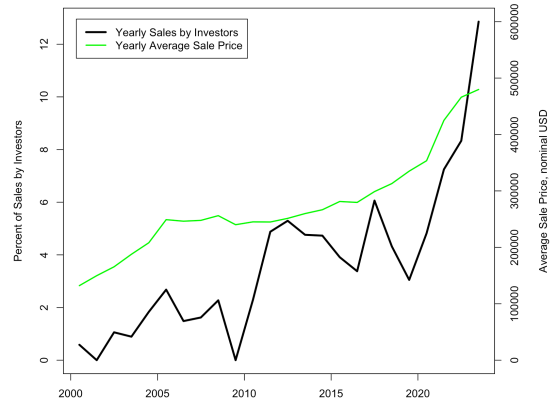


Figure 4: Investor Percent and Price

DOWN PAYMENT

Average Mortgage and Sale Price are shown in blue and green, respectively, in Figure 5. The difference, Down Payment, is shown in red. **Average down payment increased from 17.7% to 51.1% since 2003, averaging 43.5% since 2020.** Down payment increased 6.9x between 2003 and 2023 while mortgages increased 2.8x.

While housing prices have increased, mortgages have remained tightly correlated with median income, represented in orange; this is expected as mortgages are

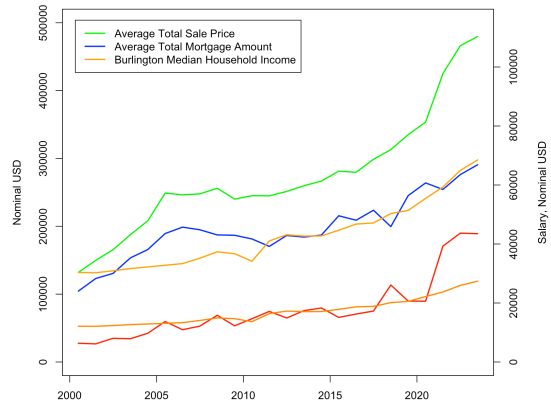


Figure 5: Price, Mortgage, Down Payment, & Income

determined by income. Down payments were tightly correlated with median income until 2020 when down payment outpaced income.. **Increasing house prices are paid with down payments rather than mortgages.**

Between 2000 and 2023 down payments increased from one year of income to almost three. Home prices have increased from 4.5 years to 7 years income

The 2008 financial crisis was a mortgage-induced bubble and can be seen in the decoupling of mortgages and income between 2005 and 2008. **This suggests Burlington is in a down-payment induced bubble as down payments have decoupled from income since 2020.**

INVESTORS & DOWN PAYMENT TOGETHER

Figure 6 shows the relationship between down payment, sale price, and the investors in the market. Investor down payments have averaged 45% since 2003. **37% of all investor purchases in our study were cash purchases.** All-cash purchases among non-investors have increased from 5% in 2003 to more than 20% in 2023. Since 2020, 23.7% of homes have been purchased with cash.

Non-investor down payments increased beginning in 2020, averaging 23.2% until 2020 and 38.8% since. Increasing down payment percentages coincides with increasing investors and sale prices and supports the model that suggests that **down payments increase for everyone increase when investors are present.**

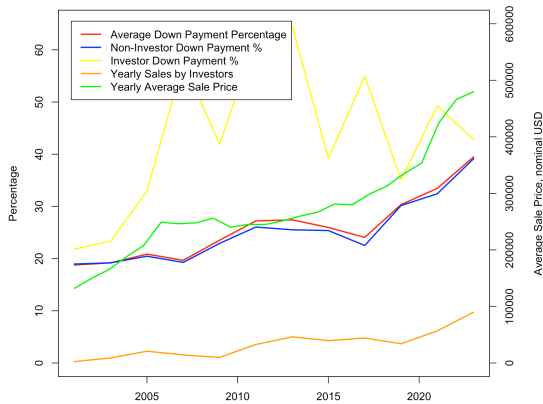


Figure 6: Investors, Down Payment, & Price

MAKEUP OF 2003-2023 PRICE INCREASE

Residential homes in Burlington have increased 164% in 20 years, up \$308,083 from their \$187,697 average in 2003. Figure 7 shows the makeup of that increase. (Down payment, new, and sold homes contribute -2.5%, -1.9% and -.5%, respectively, and are not on this chart.)

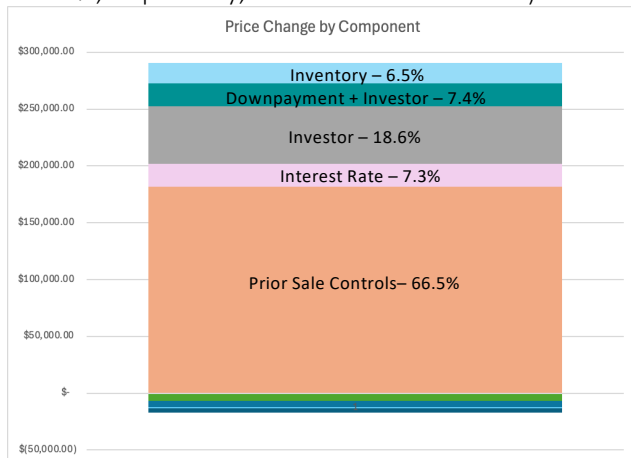


Figure 7: Makeup of Housing Price Increase 2003-2023

Decreasing 'inventory' is related to 6.5% of the increase in home price since 2003, while **increasing percent of homes sold to investors is related to 18.6% of the increase.** The dynamic between investors and down payments is related to a further 7.4% of price increase.

CONCLUSIONS

Federal interest rate policy has had the opposite effect on prices, likely owing to strong, inelastic demand

- Decreases in active inventory is a function of new homes being sold faster, not fewer new homes
 - This is a demand pressure, not a supply driver
- The period since 2020 has been marked by an increase in investors, down payments, and sale price**
- Investors tend to influence increases in down payments, together driving housing inflation
- The pressure of investors and down payments on home price inflation is much stronger than the shortage of active homes for sale**
- Increasing down payments amidst steady mortgages suggest inequitable access to home ownership

POLICY SOLUTIONS

Several policy solutions follow from the findings in this study. Efficacy and feasibility differ widely.

- Supply Policy: Build more homes**
 - Limited in efficacy but politically feasible
 - Burlington is limited in land
 - New homes are needed but must be affordable and address investment and demand
- Down payment Policy: Tax or limit down payment**
 - Increase taxes on down payments
 - Ease of avoidance
 - Can punish non-wealthy
- Investor Policy: Limit investors in marketplace**
 - Regulate all investor home purchases:
 - require address to match mailing address
 - Regulate fewer investor home purchases:
 - allow limited ownership other than primary residence
 - Tax investment properties at a higher rate than non-investor properties

METHOD

This study analyzed every home sale in Burlington, VT between 2000 and 2023. The data include residential homes only. The highest and lowest 20% of sales in each year were removed leaving 4,164 home sales in the study. When controlling for prior sale, the data only include 1,557 homes that were sold more than once during the period.

Every closing document was analyzed for purchaser and mortgage data. Investors are defined as homes that were purchased by LLC or Corp. Down payment is calculated as Sale Price minus Mortgage amount.

Many models were tested to ensure the results were not an accident of variable or time frame choices. R² is .68. All variables are significant at 99.9%; down payment is significant at 99%.