IS BUYING A TINY HOUSE A GOOD INVESTMENT IN 2021?

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After watching TV shows like *Tiny House, Big Living*, *Tiny House Nation*, and *Tiny House Builders*, many Americans have been inspired to either buy or rent a tiny house. The Tiny House Movement has further popularized the idea of living in a small space. Many people are now turning to [tiny house](https://www.mashvisor.com/blog/tiny-house-good-investment) living to avoid the emotional and financial burden of living in a large house.

[Recent research](https://www.mashvisor.com/blog/demand-tiny-houses-covid-19/) revealed that there was a spike in demand for tiny homes in 2020. Many people that lost their jobs due to COVID-19 were forced to find more affordable housing. In addition, some homeowners are [buying a tiny house](https://www.mashvisor.com/) to use as an office since working from home has become the norm.

So, What Exactly Is a Tiny House?

A tiny house is a residential building that has a floor area of 400 square feet or less. While some are built on permanent foundations, most tiny homes are built on trailers that enable movement from one location to another.

While many individuals join the tiny house craze to be part of the small-living, minimalist lifestyle, others are asking ‘*Is buying a tiny house a good investment for 2021?*’ To answer this question, let us consider some of the benefits and downsides of [buying a tiny house](https://www.mashvisor.com/).

The Advantages of Buying a Tiny House

* Affordability – [A 2018 report](https://www.tinysociety.co/articles/tiny-house-statistics/) revealed that the cost to [buy a tiny house](https://www.mashvisor.com/) could be as low as $46,300. This is much less than the [national median home price](https://www.zillow.com/home-values/) of $263,351. According to the report, 68% of tiny homeowners didn’t have a mortgage. With such low tiny house prices, buying a tiny home could be a good place to start for beginner real estate investors.
* Low cost of maintenance – Because of their smaller size, the cost of maintenance is also much lower compared to a traditional rental property.
* High demand from Airbnb guests – With the release of the vaccine and the easing of coronavirus pandemic travel bans, people are starting to travel again. In the past, unusual short-term rentals such as tiny homes have been popular with guests because of the unique living experience they provide compared to a regular apartment or single-family home. Renting out a tiny house on Airbnb could, therefore, be a profitable venture in 2021.
* High return on investment (ROI) – Since the upfront investment for [buying a tiny house](https://www.mashvisor.com/) is low, you can achieve a high ROI. You could even choose to invest in multiple tiny houses in order to boost your income.
* Lower operating expenses and utilities – Owning a traditional or [Airbnb tiny house](https://www.mashvisor.com/blog/airbnb-tiny-house-rent-out) means great savings on gas, electricity, and other utilities.
* Location flexibility – If you own a tiny house on wheels, you don’t have to be stuck in one location. If the neighborhood is not profitable, you can simply move your rental property elsewhere.
* Environmental benefits – With low gas and electricity consumption, your investment property will have a smaller impact on the environment. [Statistics](https://ipropertymanagement.com/research/tiny-home-statistics) show that living in a tiny house can reduce a household’s ecological footprint by 45%.

The Disadvantages of Buying a Tiny House

Just like any other real estate investment, [tiny homes](https://www.mashvisor.com/) have their own shortcomings. Here are some of the major disadvantages of [buying a tiny house](https://www.mashvisor.com/):

* Finding parking space – If you don’t own land, finding a place to put your tiny investment property in 2021 can be a major challenge. Different states, cities, and counties have different zoning laws that determine what you can or cannot do. For example, parking a mobile tiny house permanently in some areas is not allowed. In other areas, you might be required to have power, water, and other utilities connected before parking your tiny house.
* Financing and insurance – Getting financing and insurance is another challenge tiny homeowners deal with. Financing and insurance companies want to have accurate values for the properties they finance and insure. Such values are not always clear or reliable with tiny homes, especially those which were built as a DIY project.
* Fleeting trend? – Though the tiny house movement is gaining momentum in the US housing market, there is no guarantee it will last. Minimalism and tiny home living have only become popular over the past few years, especially due to reality TV shows. However, will it still be trendy several years down the road? If the fad dies off, you might find yourself stuck with a worthless rental property.
* Depreciation in value – Unlike traditional homes which appreciate in value over time, tiny homes tend to depreciate in value. As a result, they usually have a very low resale value.

So, Is Buying a Tiny House a Good Investment for 2021?

Well, it depends. If you’re looking for an affordable investment property that won’t require a mortgage, tiny homes may be the answer. And COVID-19 may be driving demand for these properties in both the traditional and short-term rental market this year. So you may find it easy to rent out your tiny home soon after purchasing. Just keep the disadvantages in mind and plan for them in order to end up with a successful investment.

The Best Places to Buy Tiny Houses

According to a 2020 report by [Home Advisor](https://www.homeadvisor.com/r/off-the-grid-capitals/), the most popular states for tiny home living were:

* [Utah real estate market](https://www.mashvisor.com/blog/utah-housing-market/)
* [New York real estate market](https://www.mashvisor.com/blog/new-york-real-estate-market-forecast-2021/)
* [North Carolina real estate market](https://www.mashvisor.com/blog/north-carolina-real-estate-market-2019/)
* [Arizona real estate market](https://www.mashvisor.com/blog/arizona-housing-market-predictions-2021/)
* [Washington real estate market](https://www.mashvisor.com/blog/coronavirus-washington-state-real-estate/)
* [Oregon real estate market](https://www.mashvisor.com/blog/oregon-real-estate-market-2020/)
* [Texas real estate market](https://www.mashvisor.com/blog/texas-housing-market-forecast-2021/)
* [Colorado real estate market](https://www.mashvisor.com/blog/colorado-housing-market-2020/)
* [Florida real estate market](https://www.mashvisor.com/blog/florida-real-estate-market-forecast-2021/)
* [California real estate market](https://www.mashvisor.com/blog/california-housing-market-predictions-2021/)

These findings were based on Instagram posts tagged with the #tinyliving hashtag.

You can [find tiny houses for sale](https://www.mashvisor.com/) in 2021 on sites like:

* [tinyhouselistings.com](http://tinyhouselistings.com/)
* [tinyhomebuilders.com](http://tinyhomebuilders.com/)
* tinyhousefinder.net
* [tinyhouseblock.com](http://tinyhouseblock.com/)
* tinyhousefor.us

Once you’ve identified some potential [tiny house investments](https://www.mashvisor.com/), be sure to analyze them using Mashvisor’s [rental property calculator](https://www.mashvisor.com/blog/mashvisors-rental-property-calculator/). This calculator is the ultimate tool for [buying traditional or Airbnb rental properties](https://www.mashvisor.com/) and will show you what to expect in terms of cash flow, cap rate, and cash on cash return.

Conclusion

Once the eviction moratorium expires in 2021, many Americans will have to downsize. As a result, the demand for tiny homes is likely to remain high through 2021. However, be sure to do your homework before [buying a tiny house](https://www.mashvisor.com/). Research the zoning laws of your state or county, find a location where you have high chances of making a profit, and use Mashvisor to analyze your potential rental return