

Single-family rentals

A fundamentally supported industry with growing policy risk



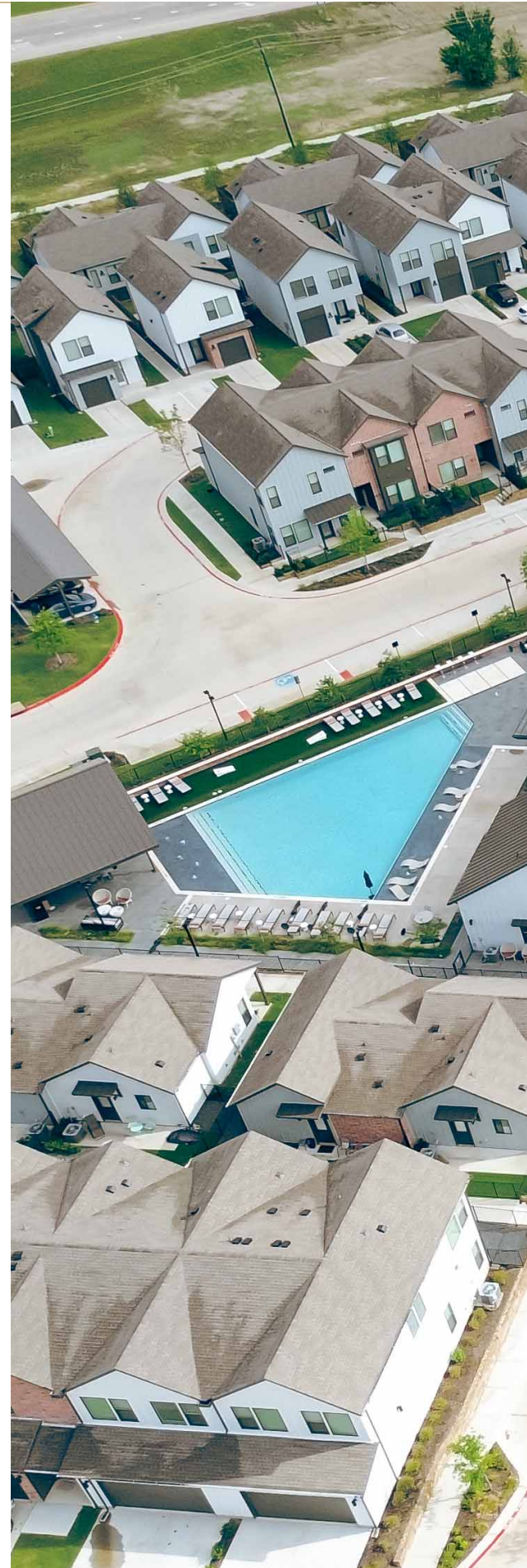
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From its beginnings in the aftermath of the global financial crisis to the COVID-19 pandemic, the institutional single-family rental industry has delivered outsized returns. But excess increased supply and affordability issues are slowing rent growth, while new proposed legislation may fundamentally alter the sector's economics.

▶ Single-family rental houses community near McKinney Medical Center District and Texas State Highway 121





istock.com/TrongNguyen

KEY TAKEAWAYS

MORE CHALLENGING ENVIRONMENT

After benefitting from outsized returns for more than a decade, single-family rental operators are facing increased difficulty of execution and return compression.

NEW LEGISLATION DISRUPTION

The proposed 21st Century ROAD to Housing Act, while aimed at helping first-time homebuyers, could have unintended consequences of reducing housing supply and increasing rents. The Senate is to vote on the House's passing of a bill in May 2026 that removes the seven-year disposition and excludes BTR.

CAPITAL IS ADAPTING

Large operators are shifting away from scattered-site SFR acquisitions and toward other opportunities, such as purpose-built rental communities and market-specific locations, such as the Midwest.

After delivering outsized returns for more than a decade, the US single-family rental (SFR) sector no longer benefits from distressed acquisitions, rapid rent growth, and easy yield expansion.

Investors are now navigating an environment of moderating demand, rising supply, and a shifting policy landscape that could materially alter the SFR sector.

For institutional investors, the question is whether to invest and how to invest in SFR under a new set of constraints and risks. This article analyzes the evolution of the institutional SFR sector from a high return, opportunistic strategy into a more mature, operations-driven asset class. It also assesses how shifting market conditions and proposed legislation could alter future investment, development, and returns.

The rise of the institutional SFR model

To understand where the sector is headed, it is important to revisit how it began. The institutional SFR business emerged in the aftermath of the global financial crisis (GFC), when the US housing market faced unprecedented foreclosure distress. The government contended with the twin challenges of losing billions by foreclosing on homes backed by Fannie Mae and Freddie Mac mortgages, while simultaneously spending billions more to support displaced households in rental housing. As they were not equipped to operate large-scale rental portfolios to keep families in their homes, private capital was the only viable liquidity solution. However, the infrastructure to deploy that capital at scale did not yet exist.

In early 2009, entrepreneurs began acquiring foreclosed homes at scale, renovating, and then operating them as rental properties. In addition to acquiring foreclosed homes, private equity firms accumulated distressed loan portfolios. They converted those assets into rental housing, with an eye on aggregating in geographies to

achieve operational efficiency. What started as an opportunistic strategy quickly evolved into a new institutional asset class, while also helping stabilize a housing market in free fall due to the GFC.

By 2012, the infrastructure to deploy capital at scale began to take shape. Most traditional real estate operators dismissed the idea of renting single-family homes at scale, but a small group of investors moved aggressively.

Several platforms emerged, followed by other large owner-operators, which would come to define the SFR sector in the US:

- In 2009, Colin Wiel and Doug Brien began buying their first homes to renovate and rent. They would eventually form Waypoint Homes, and then become part of Invitation Homes.
- Wayne Hughes founded American Homes for Rent (now AMH), applying an aggregation strategy similar to his earlier success in aggregating self-storage (Public Storage).
- Don Mullen left Goldman Sachs to launch Pretium and Progress Residential, bringing institutional capital and structured finance expertise to the SFR sector.
- Sean Dobson of Amherst began acquiring homes and building what would become Amherst Residential and Main Street Renewal.
- Dallas Tanner and his mobile home park owner partners at Treehouse Group began buying homes in Phoenix, raised money from the Blackstone Group, and scaled what became Invitation Homes through a series of acquisitions, including Waypoint Homes, Tom Barrack's Colony American Homes, and Barry Sternlicht's Starwood Homes portfolio.
- Cerberus later formed FirstKey Homes.

While the existing apartment industry largely observed from the sidelines, often with skepticism, the early entrants above acquired homes at deep discounts

under the belief that they could rent them with positive cash flow and then sell the homes or continue renting them when the market recovered. They scaled operations quickly and eventually benefited from rapidly rising home prices and rents, partially due to having first mover advantage and having both size and scale to operate through an evolving environment.

That environment no longer exists. Today's investors face higher acquisition costs, competition from newly built rental homes, and homeowners who choose to rent their home. Employing the playbook that defined the first decade of institutional SFR is no longer sufficient.

Performance is moderating

The sector is moderating after an unsustainable pandemic-era surge. Single-family new lease asking

rent growth rose 2% year-on-year (YoY) in 2025, slowing from the 3.5% YoY historical average increase going back to 1985.

Recent history on SFR:

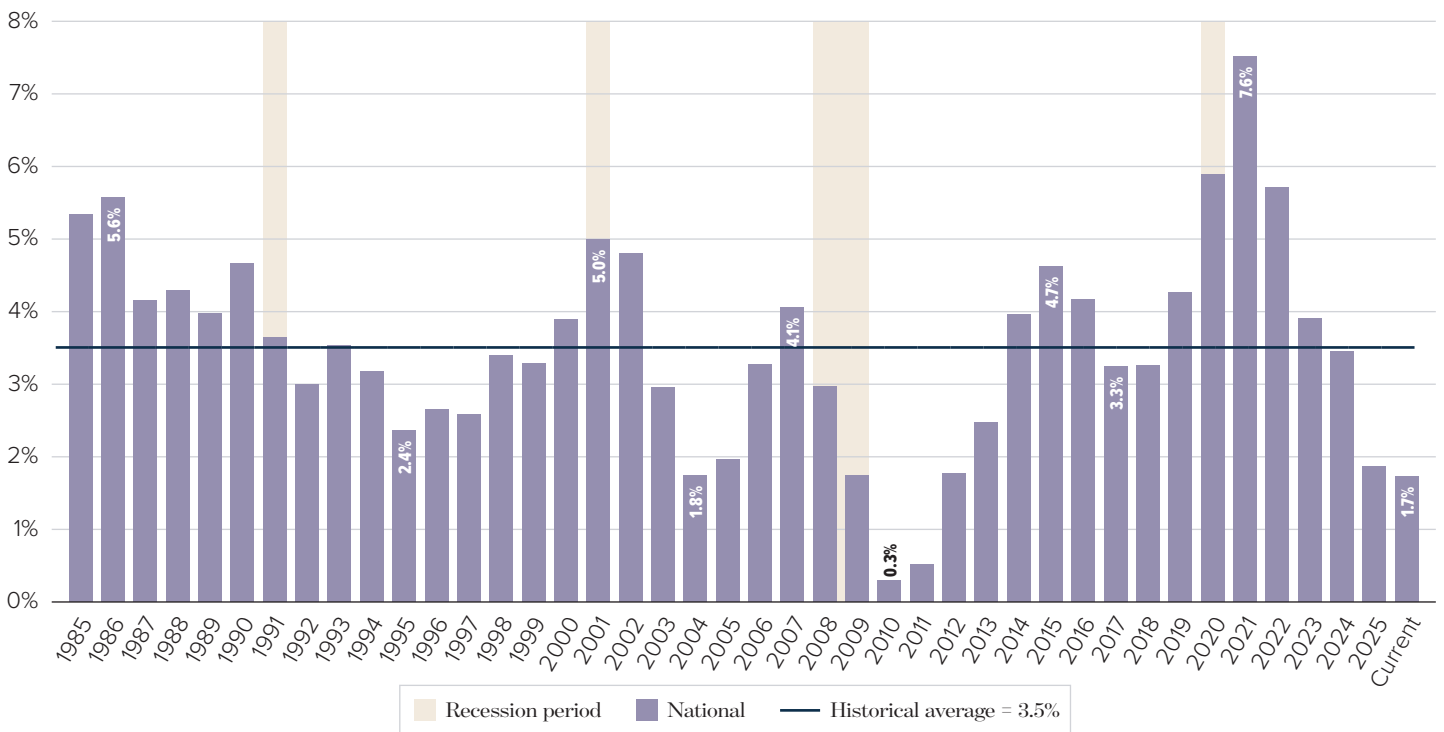
- **2020 to 2022:** In the COVID-19 pandemic era, operators benefited from work from home, migration, household decoupling, and unprecedented household stimulus programs. Investment capital desiring a good yield backed by a strong asset poured in. Low interest rates reduced borrowing costs, supporting portfolio expansion. SFR new lease asking rent growth rose 6% to 8% YoY as there was limited supply and surging demand for rentals.
- **2023 to mid-2024:** After several years of unsustainable boom times, the SFR industry returned to more typical rent growth of 3.5% YoY (see [1](#)). In early 2024, SFR rent growth further

1

SFR rent growth returned to the 3.5% typical rent growth levels in 2023 after spiking during the COVID-19 pandemic

In 2021, SFR rent growth reached 7.6% due to work from home, migration, household decoupling, and household stimulus programs. This level has since returned to the pre-COVID level of 3.4% in 2024 and fell to 1.9% in 2025.

SINGLE-FAMILY NEW LEASE ASKING RENT GROWTH YOY % CHANGE



Notes: Burns Single-Family Rent Index™ is a measure of single-family new lease asking rent. The national rollup is based on a weighted average of 98 markets. Actual values may vary slightly due to rounding.

Source: John Burns Research and Consulting, LLC. Data as of February 2026.

slowed due to increased supply, especially in markets where for-sale and for-rent housing supply was ramping up quickly.

- **Late 2024 to today:** Rising unsold resale inventory converting to SFR listings is occurring. Homeowners with low fixed-rate mortgages are increasingly choosing to rent their home rather than sell. Rent growth is cooling in markets with high housing supply, such as Texas, Florida, and parts of the Southeast and Southwest. Elevated supply, combined with a softer job market and weak consumer confidence, is further weighing on rent growth.

Geographic performance is also diverging. Nationally, rent growth, although slower, is still positive at 1.9% YoY.¹ According to our analysis, 78 of the 98 SFR markets we cover still posted flat-to-positive YoY rent growth in 2025.² Midwest markets are outperforming many Sunbelt metros, supported by better affordability

and less supply pressure. In contrast, several Sunbelt markets are working through elevated levels of new supply, which is moderating rent growth and increasing concessions. Occupancy rates remain in the mid-90% range, indicating healthy but cooling renter demand.

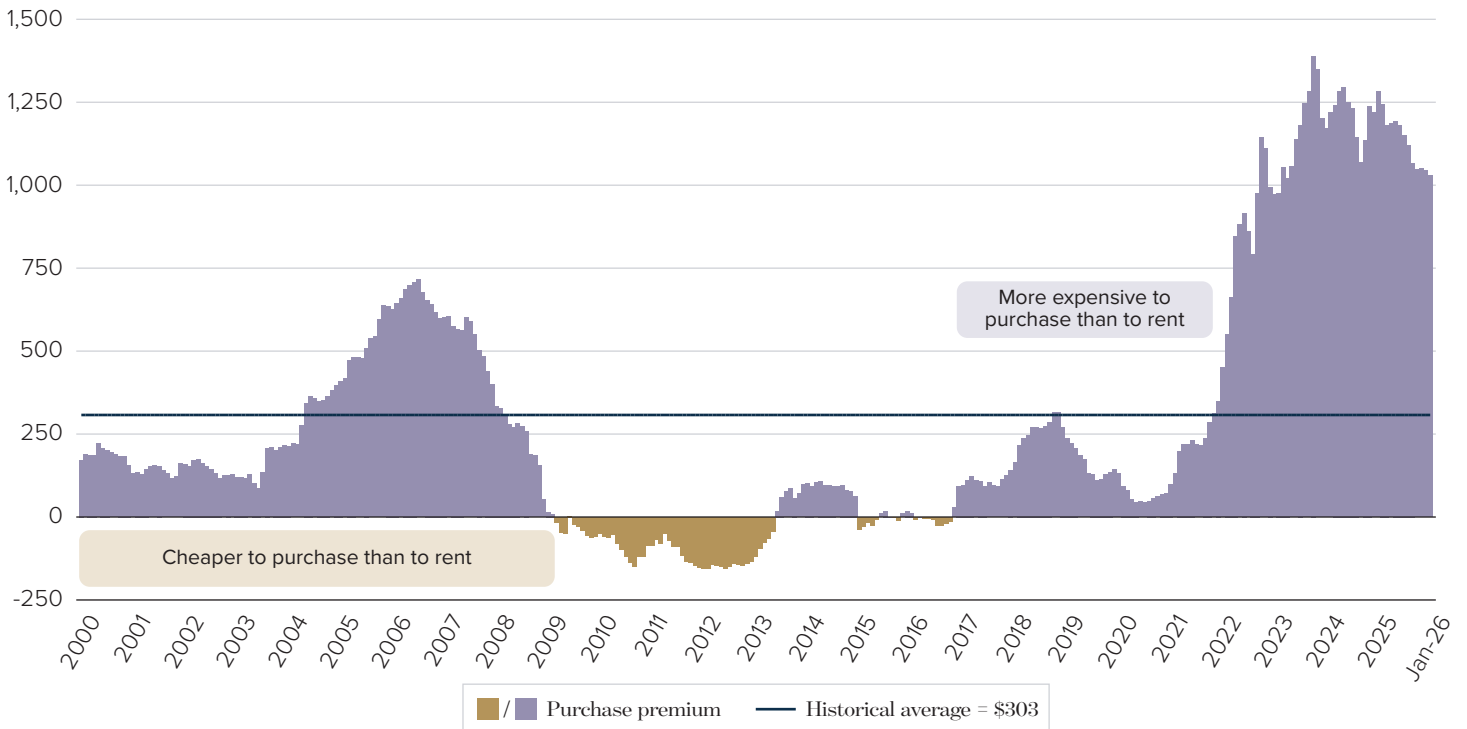
What has changed is the difficulty of execution and the compression of returns. Institutional operators are encountering higher maintenance costs, more frequent fraud attempts, and increased friction in collections and turnover, all of which are compressing margins and exposing the operational intensity of scattered-site portfolios. Early institutional returns were driven by acquisitions at steep discounts, home price appreciation, and rapid rent growth following the GFC. Today's investors are acquiring assets at or near peak valuations, which further compresses forward returns.

2

The cost of purchasing a home vs. renting has increased dramatically since 2022

From 2009 to 2013 and during brief periods in 2015 and 2017, it was cheaper to purchase than to rent. However, homeownership affordability is near multi-decade lows, driven by elevated home prices and mortgage rates.

MONTHLY MORTGAGE PAYMENT + MAINTENANCE FOR SINGLE-FAMILY STARTER HOME VS. MONTHLY RENT (\$)



Note: A negative number means that it costs less to purchase and maintain a home than to rent an equivalently valued home. National rollup is a weighted average of 98 markets. Source: John Burns Research and Consulting, LLC. Data as of January 2026, accessed April 2026. Historical average is based on data from January 2000 to current.

Despite these headwinds, the structural drivers of SFR demand remain firmly in place.

- **Homeownership affordability is near multi-decade lows**, driven by elevated home prices and mortgage rates (see [2](#)).
- **Tenant retention is high**. According to a National Association of Realtors survey of 5,000 homebuyers, the median age of a new homebuyer is now 40,³ underscoring persistent affordability challenges and reinforcing the need for SFR as households delay homeownership.
- **The lock-in effect of low, 30-year fixed rate mortgages** is limiting for-sale inventory, as many relocating homeowners decide to rent their home rather than sell. At the same time, household formation continues to support incremental demand. Seventy percent of households formed from 2023 to 2025 were

renter households, compared with buyer households.⁴ (see [3](#))

For institutional investors, the takeaway is clear. SFR remains fundamentally supported, but the path to returns has shifted. Success now depends less on market timing and more on operational discipline, cost control, asset selection, and perhaps most importantly, policy.

New regulation introduces supply constraints

While operating conditions are becoming more complex, policy risk is rising. The proposed 21st Century ROAD to Housing Act represents a significant potential shift in the regulatory environment for the SFR industry.

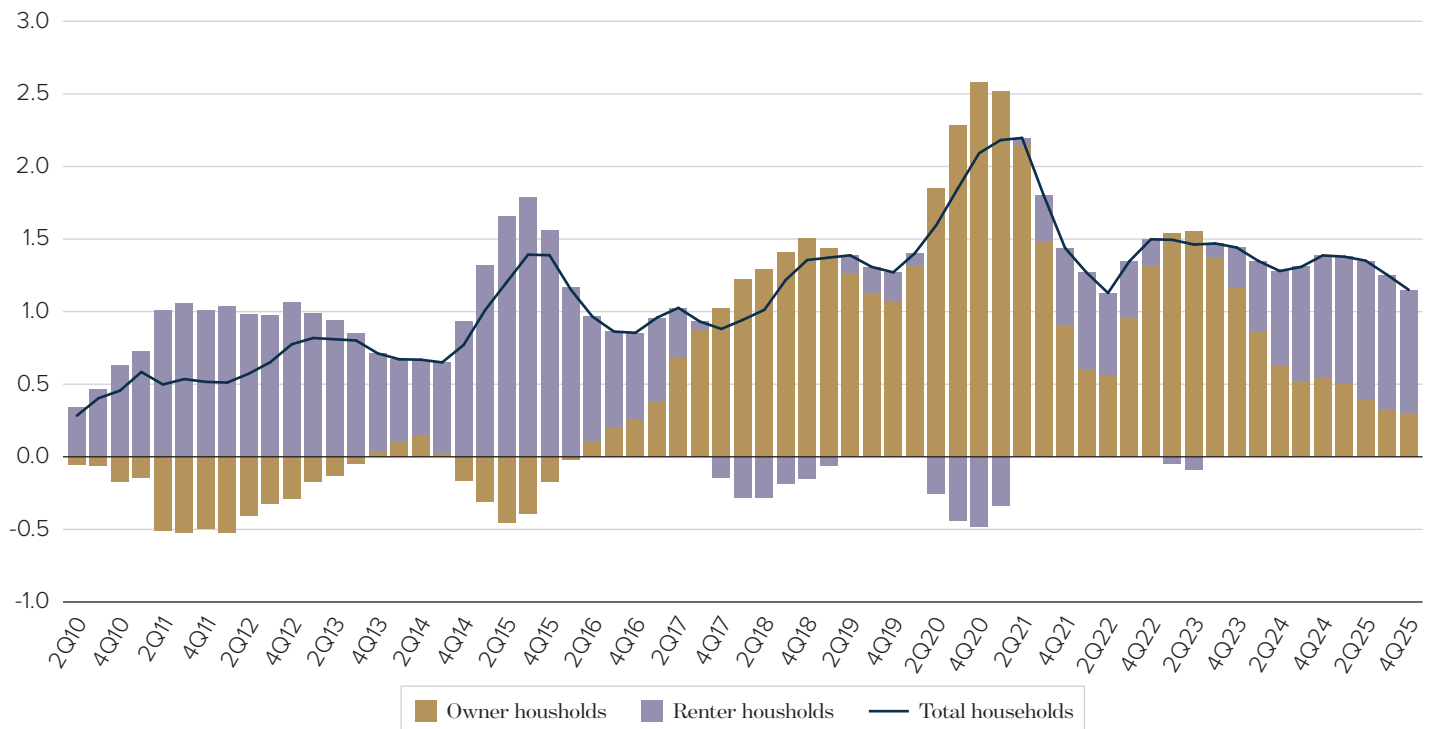
The legislation, which advanced in the Senate in March 2026 with strong bipartisan support, would restrict large

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The number of renter households has been increasing since 3Q2023

Demographic tailwinds coupled with a wide gap between the cost-to-rent and the cost-to-own a home has made single-family rentals an attractive asset class.

US HOUSING DEMAND: YOY NET CHANGE IN OWNER AND RENTER HOUSEHOLDS (M)



Sources: John Burns Research and Consulting, LLC, US Census Bureau Housing Vacancies and Homeownership Survey.



institutional investors holding 350 or more single-family homes (and, in its current form, applies to build-to-rent or BTR assets) from acquiring additional properties unless those purchases qualify for specific exemptions. Moreover, it introduces a critical constraint: properties developed under this exemption must be sold to individual homeowners within seven years. However, the House voted on and passed a revised version of the bill in May 2026 that removes the seven-year disposition requirement and carves BTR out of the policy.

The legislation is well-intentioned to help first-time homebuyers, but it introduces several unintended consequences. Policymakers aim to increase homeownership opportunities and limit competition from large institutional investors in the for-sale market. However, large institutional investors (defined as 350+ owned properties in the proposed legislation) represent:

- approximately 0.7% of the 92 million single-family homes in the US, or
- approximately 5% of the 14 million total rental homes.
- approximately 1% of the 4.7 million single-family homes purchased in 2025.

Furthermore, the bill's structure introduces constraints that could reduce future housing supply and increase rents. First, the seven-year disposition requirement in the Senate's version fundamentally alters the

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If fewer rental homes are built and existing demand persists, rents will rise

economics of SFR and BTR investment. Some investors, including SFR REITS, underwrite these assets with longer hold periods, sometimes with no exit underwritten, allowing time to stabilize operations, generate income, and realize appreciation. A forced exit within seven years introduces significant uncertainty around pricing, timing, and market conditions at disposition. Many will choose not to develop at all. After the House passed a version of the bill in May 2026 that excludes BTR and removes the seven-year disposition, the bill now heads back to the Senate to be voted on to: i) pass as is; ii) amend and send back to the House; or iii) trigger a formal conference to reconcile differences.

Second, the legislation disrupts a key source of housing supply. For more than a decade, partnerships between homebuilders and institutional investors have supported the development of new rental homes, both scattered single-family and BTR communities. These partnerships provide builders with a reliable exit channel and enable them to scale production. If institutional demand declines due to regulatory constraints, builders are likely to reduce housing starts, which then increases home prices and rents.

A proprietary survey of BTR developers, operators, and investors already indicates that BTR starts are moderating in several markets such as Phoenix, Texas markets, and regions across the Sunbelt, driven by higher financing costs and softer rent growth.⁵ Adding regulatory uncertainty to this equation will likely accelerate that pullback.

Third, the bill may inadvertently increase rental prices. Reducing the flow of new rental supply while maintaining strong demand creates upward pressure on rents. In effect, legislation designed to improve affordability could produce the opposite outcome.

This dynamic could be described as a potential 'rental inflation' scenario. The supply-demand imbalance is straightforward: if fewer rental homes are built and existing demand persists, rents will rise.

The key implication is that policy risk is no longer a secondary consideration. It is becoming a central factor in underwriting and portfolio strategy. Investors must now evaluate not only market fundamentals, but also the regulatory environment and its impact on asset-level returns.

Institutional capital will adapt

Despite these challenges, institutional capital is unlikely to completely exit the SFR and BTR sectors. Some capital is already adapting.

Large operators are shifting away from scattered-site SFR acquisitions and toward purpose-built rental communities. Invitation Homes (INVH), for example, reported that all wholly owned acquisitions in late 2025 consisted of newly constructed homes sourced from homebuilders. In mid-2025, INVH launched a developer lending program, originating a \$32.7 million loan to support the construction of a 156-home community in Houston. Then in January of 2026, it acquired ResiBuilt, a homebuilder and development platform focused on build-to-rent communities. This trend reflects a broader industry pivot toward BTRs.

BTR communities offer several advantages over scattered-site portfolios. These communities are easier to manage, benefit from operational scale, and deliver consistent resident experience. As a result, they are commanding rent premiums that often exceed 20% relative to comparable scattered-site homes.

Technology and scale are also becoming key differentiators. Operators that invest in centralized leasing, maintenance platforms, and data-driven pricing are better positioned to manage costs and improve margins. In contrast, smaller or less sophisticated operators that can't afford to make these investments are struggling to keep pace with rising operational demands.

There has been a shift towards renting over owning. Not only do SFRs and BTRs provide a bridge to homeownership, but many renters also prefer renting over owning, with 56% of renters choosing to rent to avoid the maintenance responsibilities of homeownership.⁶

The shift toward BTR does not eliminate the challenges introduced by the ROAD to Housing Act, but it does reshape how investors approach the sector. The seven-year disposition requirement, if enacted, will force investors to rethink hold periods, exit strategies, and return expectations. However, even in its current form, the legislation does not apply to attached BTR units in configurations involving three or more homes (e.g., townhomes in three-plus clusters).

That said, opportunities remain. Our analysis indicates that Midwest markets and workforce housing segments

continue to offer attractive risk-adjusted returns. These markets benefit from lower acquisition costs, more stable demand, and less exposure to oversupply.

The broader point is that SFR is not disappearing. It is evolving. The asset class is transitioning from a high growth, opportunistic strategy to a more mature, operations-driven business. Investors who adapt to this reality will continue to find opportunities. Those who rely on past playbooks will struggle.

A more complex, more disciplined future


The SFR sector is stabilizing after a period of exceptional growth. Policy is introducing new constraints that could reshape supply, and institutional capital is adjusting its strategy in response.

These shifts do not signal the end of SFR as an institutional asset class. They signal its maturation.

For investors, success will depend on three factors:

1. Executing at a high operational level in an increasingly complex environment.
2. Selecting markets with durable demand and limited supply risk.
3. Navigating a regulatory landscape that is becoming more active and less predictable.

The fundamentals that drove the rise of SFR remain intact. Affordability constraints, demographic trends, and the limited availability of for-sale housing continue to support demand. However, capturing that demand now requires a more disciplined and nuanced approach.

In this next phase, the winners will not be defined by how much capital they deploy, but by how effectively they deploy it. 

¹ Burns Single-Family Rental Index™ (BSFRI™) data published in the Burns Single-Family Rental Analysis and Forecast reports.

² *ibid.*

³ National Association of Realtors. 2025. "First-time Home Buyer Share Falls to Historic Low of 21%, Median Age Rises to 40." November 4.

⁴ Analysis of John Burns Research and Consulting and US Census Bureau Housing Vacancies and Homeownership Survey data.

⁵ John Burns Research and Consulting Build-to-Rent Developer, Operator, and Investor Survey.

⁶ John Burns Research and Consulting, BTR Resident Survey.

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