AMERICAN ECONOMIC LIBERTIES PROJECT

Fact Sheet: How Build-To-Rent Homes Limit Single-Family Home Supply and Squeeze Affordability

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The Great Financial Crisis (GFC) and the subsequent collapse of American homeownership created a lucrative financial opportunity for Wall Street investors. Traditionally, institutional investors have not held portfolios of single-family rental (SFR) homes. But federal policy choices meant to aid the recovery of the housing market jump-started this new asset class in the wake of the GFC, initially through mass auctions of foreclosed homes. Institutional investors then began outbidding families for ordinary resale inventory. Between 2012 and 2022, SFR homes owned by institutional investors skyrocketed over 900% from about 40,000 to 415,000.

Although institutional investors own only a small percentage of SFR homes nationwide, there are at least a dozen cities where they command double-digit market shares, including Atlanta, Indianapolis, Raleigh, and Tampa. Institutional investors hike rents and evict tenants more aggressively than mom-and-pop landlords do. And although the slowdown in construction rates (now 20% below 1990s levels) is the primary driver of the single-family home supply shortage, institutional investors exacerbate this problem because they are able to easily outbid families, thereby measurably contributing to lower homeownership rates in some areas. Pandemic-era interest rate hikes, which discouraged resales by owners that locked in low mortgage rates, then put further pressure on single-family home supply.

More recently, a new market trend has emerged to accelerate corporate competition with ordinary homeowners: publicly traded homebuilders are increasingly tailoring entire developments to institutional investors with a new bulk product: Build-To-Rent (BTR) homes.
This Fact Sheet explains the origins of SFR homes, reviews the emerging BTR trend, explores the impact on homeownership and rental markets, and offers policy solutions.

The Great Financial Crisis and a New Market for Single-Family Rentals

In the wake of the GFC, instead of taking more aggressive measures to keep families in their homes—as the FDR administration did after the Great Depression—the Obama administration adjusted mortgages for only about 10% of at-risk homeowners, leading to at least 5 million avoidable foreclosures.

The massive foreclosure wave posed a policy quandary: what should be done with all those homes depressing real estate values and the families who once lived in them? Wall Street soon began floating ideas. In October 2011, for example, a Morgan Stanley report announced that “America is moving away from a home ownership society and towards a rentership society”—thereby creating a new investment opportunity. One of the authors explained in an interview that “[t]his is really the first time in history where there’s an opportunity for institutions to own single-family rental properties as part of a larger asset allocation strategy." Within three months, federal agencies took steps to make this vision a reality. In particular:

- In February 2012, Fed Chair Ben Bernanke championed the idea of encouraging homeowners to sell their single-family homes to institutional investors to use as rentals.
- Later that month, the Federal Housing Finance Agency (FHFA) announced that it would sell foreclosed homes in bulk to institutional investors. The agency explained that this program would "reduce taxpayer losses, stabilize neighborhoods and home values, shift to more private management of properties, and reduce the supply of [foreclosed] properties in the marketplace."

Institutional ownership of single-family rentals unsurprisingly skyrocketed: As late as 2011, no single institutional investor owned more than 1,000 SFRs; by October 2013 – barely two years later – the alternative asset manager Blackstone had bought just shy of 40,000 homes.

Meanwhile, the federal government failed to provide adequate relief to smaller homebuilders, instead extending tax breaks that disproportionately favored publicly-traded homebuilders. The overall number of single-family homebuilders halved between 2006 and 2012 to just under 50,000, largely due to insolvency. (It has still has not recovered to early 2000s levels.) Plummeting construction levels helped transform single-family homes into a financial asset class for institutional buyers that turned these traditionally owner-occupied homes into rentals. This, in turn, enabled both rent spikes and longer-term capital appreciation for this new class of landlords.

At the same time, the mass auctions by builders/banks in the wake of the GFC facilitated the creation of mechanics and technology for single-family home transactions at scale, making the new rental market easier to manage—and more profitable.

These trends have continued. For example, by late 2022 institutional investors represented about a quarter of all single-family homebuyers in Atlanta, Georgia, and Jacksonville, Florida.

Introduction of Build-To-Rent

A new trend may compound an already constricted supply: Build-To-Rent (BTR; also called Built-for-Rent) homes. These purpose-built residential communities are designed specifically for long-term tenancy and are marketed not to families, but to institutional investors looking to lock in a steady flow of rental income.

As an asset class, BTR is enticing for institutional investors and builders because:

- Investors see more stable returns on investment than traditional 12-month leases on multifamily properties, as BTR tenants may sign a lease of up to three years.
- Builders can carve out parts of new subdivisions for bulk sale to rental investors, often on third-party land, so they get paid upfront with little lease-up risk.

Post-Pandemic Explosive Growth

The Build-To-Rent niche exploded after the pandemic:

- Since 2019, construction of purpose-built rentals has increased by 134%, reaching 130,000 homes today.
- Consequently, the BTR share of the single-family market has nearly doubled, jumping from 5% in 2021 to 9% in 2024.

- The momentum shows no signs of stalling: As of mid-2025, the top 100 U.S. metropolitan areas had over 90,000 BTR units in the active pipeline, and top homebuilders such as D. R. Horton have moved into the space.

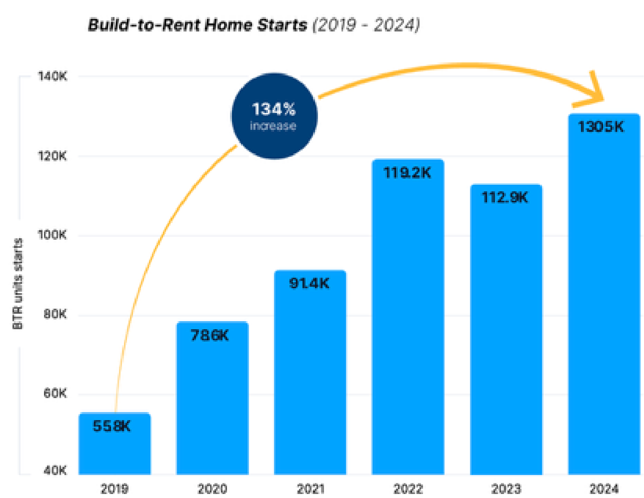
BTR projects have grown rapidly in high-cost areas, especially those with residents most vulnerable to the housing crisis. Sunbelt cities like Phoenix, Dallas, and Atlanta each saw more than 3,000 BTR units built in 2025. Industry observers view millennials and Gen Z as the main drivers of BTR demand, largely because the median age for buying a home continues to edge upwards due to scarce inventory, particularly for starter homes.

Publicly Traded Homebuilders Now Cater to Big Single Family Rental Home Corporations

Research in a variety of markets has confirmed that big businesses prefer to do business with other big businesses rather than smaller players. The homebuilding industry is no exception. By 2024, the top 10 homebuilders gained leading market positions in dozens of major regions across the country. These publicly traded homebuilders have increasingly partnered with the largest institutional investors to produce BTR homes.

Recent actions by Lennar have highlighted this dynamic. In 2025, Lennar — one of the nation's largest homebuilders — found itself with more newly built homes than it could sell at its current asking prices. Rather than lower prices, Lennar entered a joint venture with Invitation Homes, which describes itself as "the nation's premier single-family home leasing and management company." Under the agreement, Invitation Homes would manage 4,400 homes in its portfolio, with the aim of selling these developments to some of the largest landlords in the country, including Blackstone and Greystar. As a result, more resources and land are going to institutional investors than to homeowners, further constricting supply and driving up prices for families.

This trend is becoming entrenched. In July 2025, a private equity firm closed the "first-ever single borrower, single-family rental (SFR) securitization consisting entirely of [build-to-rent] communities." The $778 million deal is an ominous warning that unless policymakers step in to redirect new construction towards ownership, BTR will keep squeezing already-squeezed families out of the chance to own a home.



Source: Fixr.com, "Build-to-Rent Report," 2025.

Policy Solutions

1. Ban Corporate Ownership of Single-Family Homes and Mandate Divestiture:

- Congress and state legislatures should prohibit corporate and institutional investors from owning single-family homes and require the divestiture of existing portfolios over a defined transition period.

In the interim, policymakers should take immediate steps to disincentivize financial speculation:

- Congress should eliminate tax incentives that facilitate bulk ownership of single-family homes and manufactured-home parks.
- Congress should codify FHFA policies not to lend to institutional SFR buyers.
- The Securities and Exchange Commission (SEC) should implement the amendments to Form PF adopted in 2024, which would require private fund advisers to make high-level disclosures about real estate funds.
- The Federal Trade Commission (FTC), having already collected public comments on "large-scale single-family rental owner operators," should proceed with a Rule 6(b) study of the industry and take appropriate action based on its findings

2. Enable More Scrutiny of Homebuilding M&A: Until corporate ownership is banned, lawmakers should make amendments to provide greater visibility into SFR and BTR trends.

- Congress should enact the Housing Acquisitions Review and Transparency (HART) Act (S.1796), which would require large corporate buyers of housing to report their transactions to federal antitrust enforcers.
- Congress should close loopholes in the Hart-Scott-Rodino (HSR) Act that exempt "raw land" and certain real estate acquisitions from reporting requirements. Congress should further lower HSR thresholds and require reporting of serial acquisitions.
- States should adopt "mini-HSR" acts to ensure they are informed about large deals that may impact their constituents.

For a deeper analysis of homebuilding challenges and a broader set of solutions, see AELP's full Capital Crunch report.