



**Houlihan  
Lokey**

# Single-Family Rental (SFR) Market Update

August 2025

# Demographics and Trends

Long-term trends continue to fuel investor demand for single-family rentals, with institutional capital leaning into purpose-built BTR and away from the old school scattered site model.

## Private Markets

According to the National Council of Real Estate Investment Fiduciaries (NCREIF), the Q2 2025 market value for single-family rentals in privately held funds is \$7.5 billion, up 39% from \$5.4 billion a year ago (Q2 2024).

## Public Markets

As of Q2 2025, Invitation Homes REIT acquired 1,671 homes for \$563 million, while disposing of only 828 homes (\$320 million). An additional 2,000 homes are in their homebuilding pipeline, primarily focused on the West and Sunbelt markets. These regions include 12 of the 15 U.S. cities with the largest numeric population growth.

## Demographics

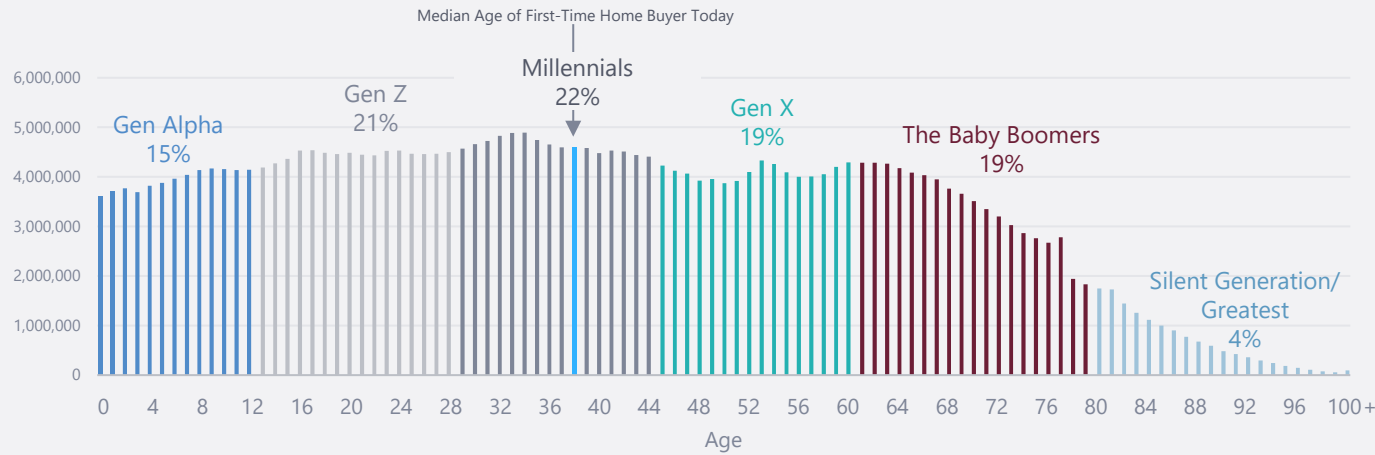
Millennials (74 million) have overtaken Baby Boomers (64 million) as the largest U.S. generation and are now in their late 20s to early 40s—prime years for household formation and family growth.

Gen Z (71 million) is not far behind and will begin forming households at scale over the next decade, reinforcing long-term demand for affordable, flexible housing like single-family rentals.

Sources: NCREIF, Invitation Homes, Inc., U.S. Census Bureau, Pew Research, National Association of Realtors, Federal Reserve Bank of St. Louis, Moody's.

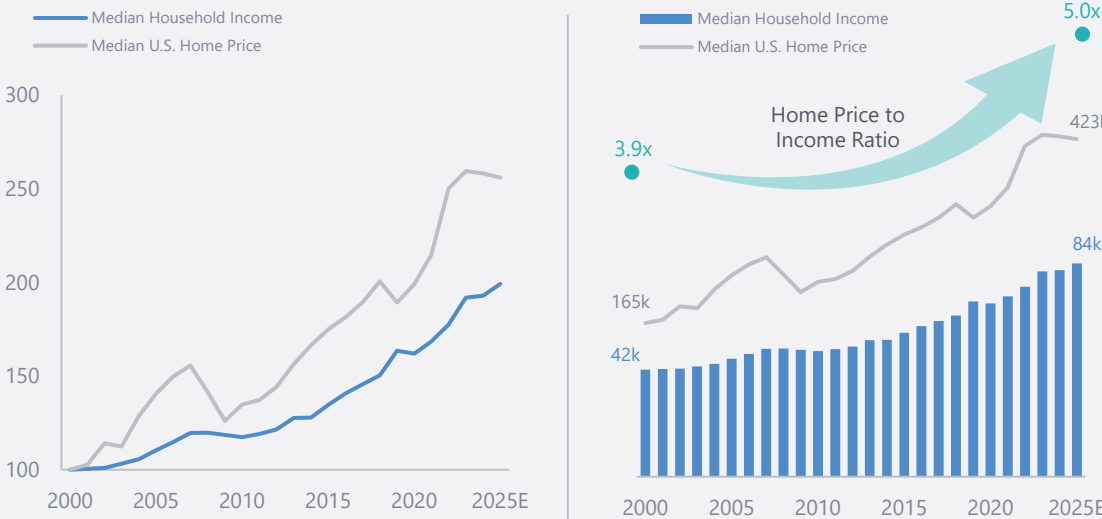
## Population by Generation

The median age for first-time homebuyers is 38, meaning more than half of millennials are still below that threshold, with a growing wave of Gen Z renters following closely behind.



## Household Incomes Have Failed to Keep Up With Increasing Home Prices

With 30-year mortgage rates hovering around 7% and home price-to-household income rising near all-time highs, it is more affordable to rent than to own.



Since 2000, median household income in the U.S. has grown by 99%, climbing from \$41,990 to \$83,672, whereas median home prices have grown by 156%, from \$165,300 to \$423,100.

Note: Data indexed to 100 as of the year 2000. Median household income and U.S. home price data as of January 1 for each year.

# Supply Overview

The market is transitioning from a historical supply shortage to a surge in new deliveries in 2024 and 2025, which has negatively impacted rent growth; however, a slowdown in permitting starts does bode well for future rent growth as the remaining supply is absorbed.

## Historical Supply Trends

From 2000 to 2024, total housing completions averaged

1.276

million units/year, below historical norms.



This underbuilding created a cumulative shortfall of

3.8 million to 5.5 million

homes, contributing to rent inflation and affordability pressures, according to Freddie Mac and the NAR.

## Recent Spike in Deliveries

2024 completions: 1.627 million units (up 12% YoY), with

1.019

million single-family homes.



As of June 2025, deliveries remain elevated, but monthly housing starts have

declined

for four consecutive months and are down 10% from the same time last year on a seasonally adjusted basis.

## Permitting Activity Slowdown

Permits issued in June 2025: 1.393 million units (down 5.8% YoY), with

866,000

single-family homes (down 3.7% MoM and 11.8% YoY), indicated a cooling pipeline, which may support future rent growth as new supply wanes.



Top 10 metros by permitting (2020 to 2023) saw average rents fall

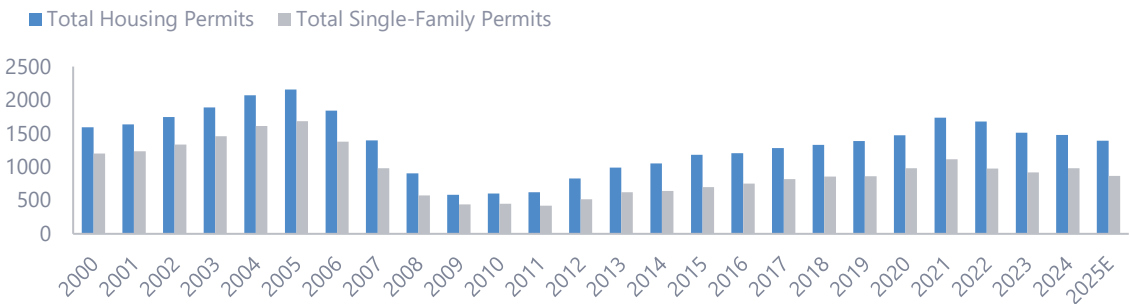
2.5%

in early 2025, while the bottom 10 saw growth of

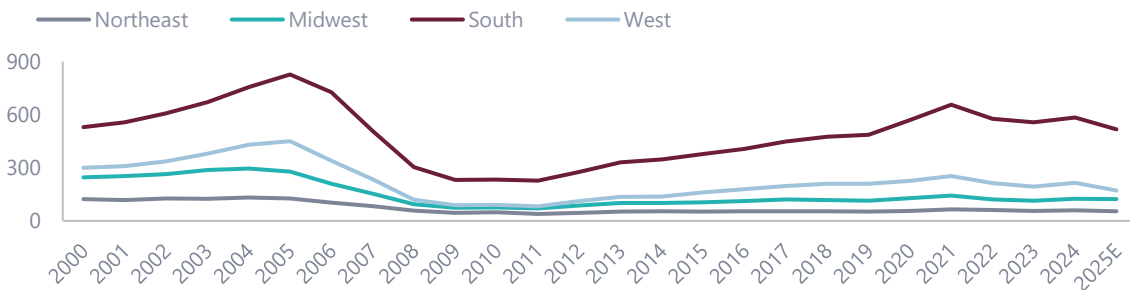
2.9%.

## Historical Trends in Housing Permits by U.S. Region

Single-family rental permitting has declined across the U.S, with the South and West experiencing the steepest drops, whereas the Midwest is showing signs of resilience.



## Single-Family Permits by Region



Note: Number of permits in thousands. Permit data as of December 31 for years 2000 to 2024, and 2025E represents the June 2025 seasonally adjusted permit data.

## Rent Growth Declines—Starting to Level Off

### CoreLogic YoY SFR Rent Growth





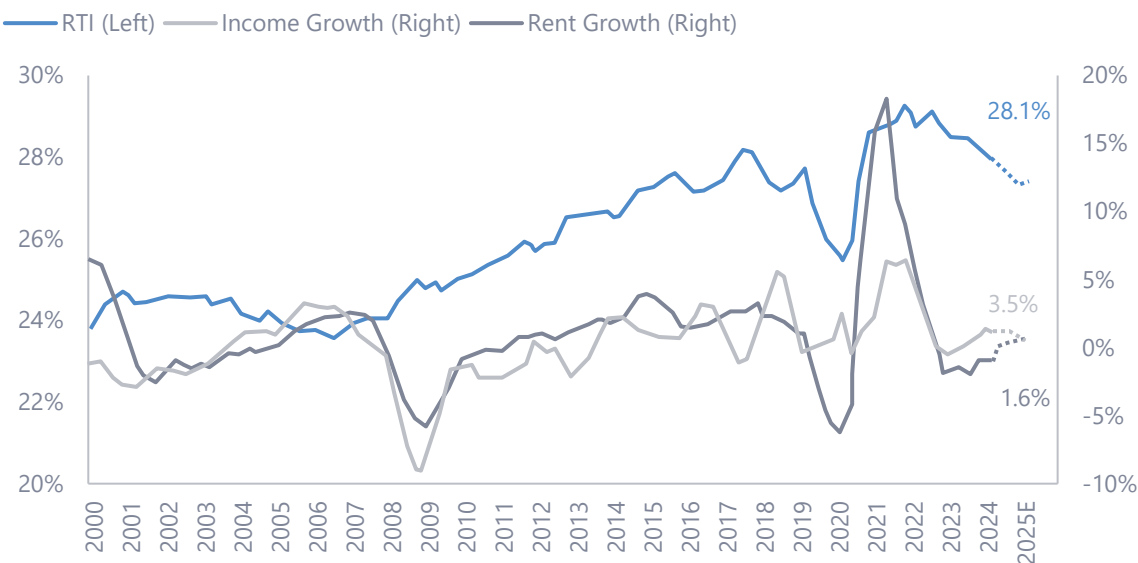
# The New American Dream?

Despite affordability challenges, demand for rentals remains strong due to shifting economic realities.

## Rent-to-Income Ratios Are Historically Favorable

According to Moody's Analytics, "the average rent-to-income (RTI) ratio at the national level has declined for six consecutive quarters and finished at 28.1% in the first quarter, nearing pre-pandemic levels. This improvement was driven by the rise in median household income, which held steady and outpaced rent growth on a year-over-year basis".

Rent-to-income is trending downward, but we are yet to see if it will beat historical levels:



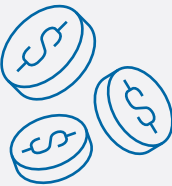
Sources: Moody's, National Association of Realtors, Bankrate, Zillow (ZORI), Redfin, Axios, Belk College.  
Note: Data produced by Moody's Analytics as of May 27, 2025.

## Benefits for Renters



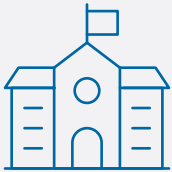
### Ability to Save for Future Homeownership

As of April 2025, the average monthly cost of homeownership for a median-priced home in the U.S. totals approximately \$2,525. This includes a mortgage payment of \$2,233, plus estimated monthly expenses for property taxes of \$292. In comparison, the average monthly rent for a single-family rental stands at \$2,312. While the cost gap between owning and renting has narrowed slightly, homeownership still carries a higher monthly financial burden, especially when factoring in property insurance, maintenance, and other variable expenses.



### More Discretionary Income

"The affordability gap between renting and buying is likely to widen further in 2025, as home prices rise and mortgage rates remain high," Redfin's Bokhari said. "That means potential homebuyers—especially from younger generations—may decide to continue renting for longer, as it's the only affordable option."  
"Homebuyers have to earn over \$50,000 more a year than renters to afford their monthly housing payments, according to a recent Redfin report."



### Access to Better School Districts Through Renting





When families with low and moderate incomes can rent single-family homes in communities zoned for higher-quality schools, their children see improved achievements in school, according to new research by UNC Charlotte Belk College.

# Single-Family vs. Traditional Multi-Family

The divergence between SFR and Multi-Family (MF) rent growth is another defining trend. Nationally, since 2015, the 10-year CAGR for SFR rents is ~5.5% while traditional multi-family has fallen behind at ~4.2%.

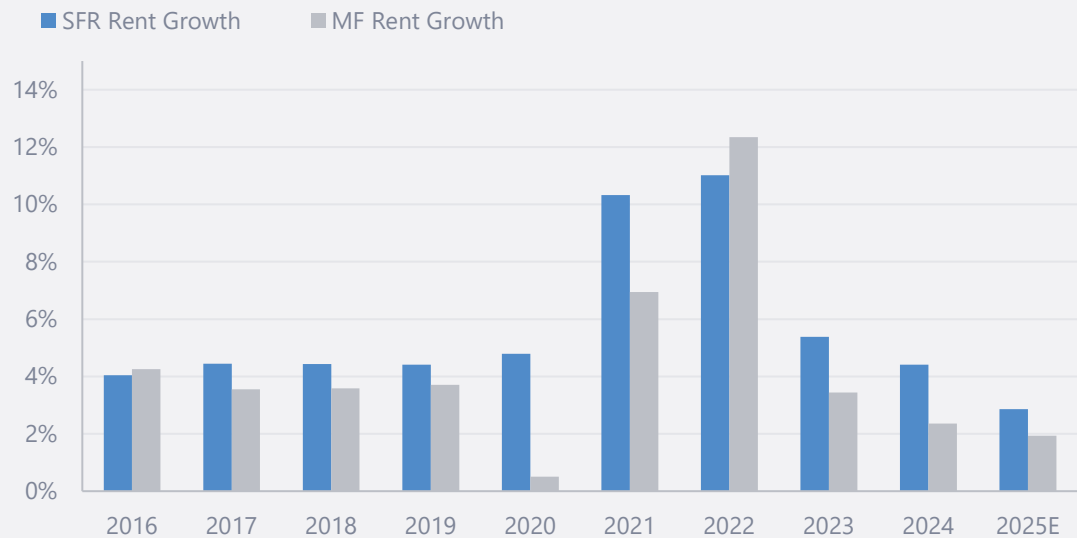
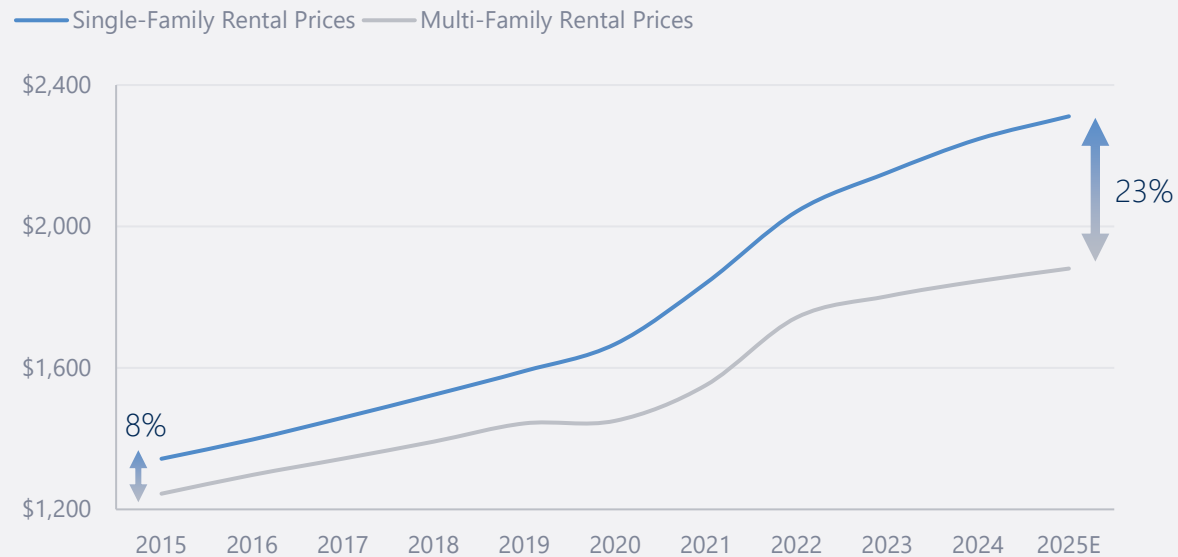
Markets Leading Growth	Single-family rentals in markets like Miami, Phoenix, and Atlanta have led this growth, driven by lifestyle shifts favoring more space and privacy.		SFR	MF
		Miami	6.79%	5.89%
		Atlanta	6.77%	4.95%
		Phoenix	6.85%	6.10%

Occupancy Levels	Despite maintaining occupancy levels in line with traditional multi-family, the SFR sector has delivered investors an outperformance on rent growth—underscoring the sector’s resilience and pricing power.		
		 SFR Occupancy	 MF Occupancy
		94%	95%

Cap Rates	Although cap rates have expanded across both the traditional multi-family and single-family rental sectors in recent quarters, investors appear more willing to accept lower returns on SFR assets—possibly due to the perceived support from underlying retail home values, which have yet to meaningfully decline.		
		 SFR REIT Cap Rate	 MF REIT Cap Rate
		5.56%	5.65%
		 SFR Private Markets Cap Rate	 MF Private Markets Cap Rate
		4.74%	5.19%

Sources: Zillow (ZORI), Arbor Realty Trust, Inc., Yardi Matrix, CenterSquare.  
Note: Occupancy and cap rate data as of March 31, 2025.

## National Rental Price Trends: A Decade in Review (2015 to 2025)



Note: Data represents the seasonally adjusted average rent as of month end for each year and 2025E data represents the seasonally adjusted average rent from January to May 2025.



# Investor Challenges

Investors face headwinds, but understanding the landscape reveals opportunities.

## Capital Market Uncertainty

CRE debt maturities are being quietly extended into 2026, creating a backlog of refinancing needs.



Liquidity remains tight: LTVs are compressed, underwriting is conservative, and non-bank lenders are selectively active.



Negative leverage risk continues as the mismatch between return profile and the cost of capital persists, especially in tertiary markets, limiting upside for leveraged buyers, but creating opportunity for all cash or well-capitalized investors.

## Rising Insurance Premiums

Homeowners insurance costs were up

24%

from 2020 to 2024, high-risk states like California, Florida, and Louisiana saw many private insurers exit their markets entirely.



As a result, many institutional investors are adopting higher-deductible policies for forming alternative risk pools to reduce premium costs—accepting larger out-of-pocket risk to achieve lower ongoing rates.

## Aging Housing Stock and CapEx Pressure

Much of U.S. housing stock is

40+

years old, requiring significant capital for modernization.



Investors are targeting Class B/C assets for repositioning but face elevated renovation costs due to labor shortages and inflation.



Public REITs like Invitation Homes and AMH define recurring CapEx as expenditures needed to preserve and maintain a home's systems and value. As these major players continue to invest in renovations, the quality of housing stock improves, ultimately enhancing the living experience for renters.



Sources: Sterling Asset Group, CoStar, Joint Center for Housing Studies of Harvard University, U.S. Census Bureau, AMH, INVH.  
Note: Insurance data represents the average annual homeowners insurance premiums for each year.





# Investor Challenges (cont.)

Investors face headwinds, but understanding the landscape reveals opportunities.

## ARM Reset Risk

A significant share of adjustable-rate mortgages (ARMs) originated in 2020 and 2022 are now resetting.

↓  
As rates rise, payment shocks could force some owners to sell, especially in investor-heavy markets.

↓  
This may create distressed buying opportunities in late 2025 and 2026.

## Leasing vs. Selling Trends

As of 2025, 62% of mortgage holders have rates below

4%, down from 93% in 2023.

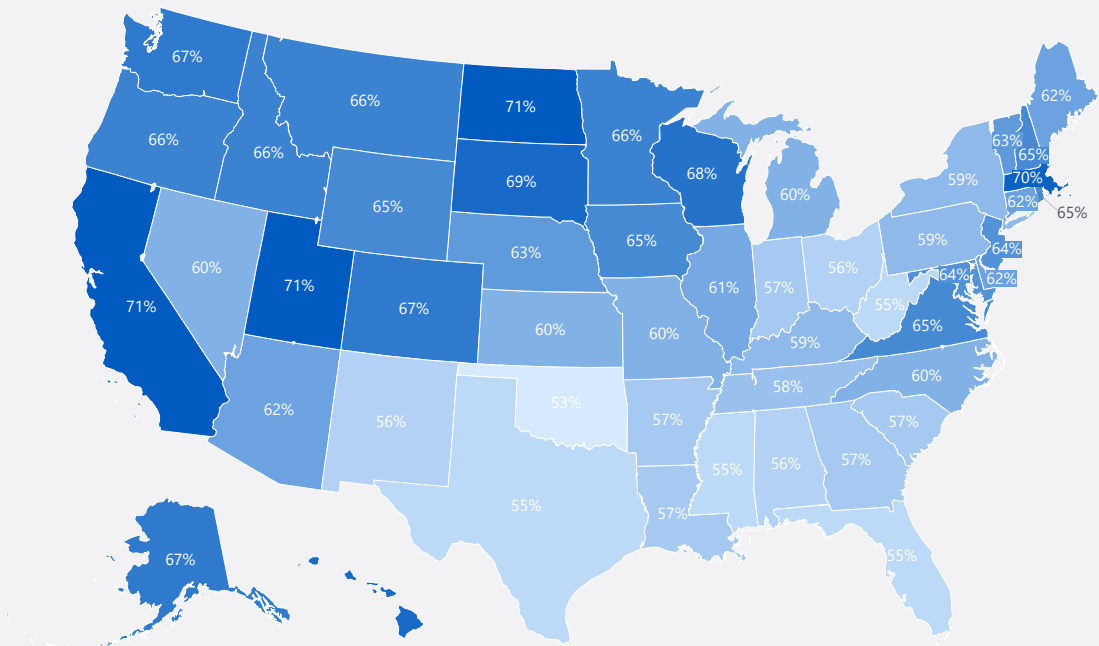
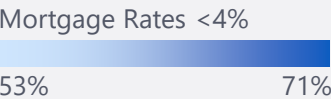
↓  
One-third (33.5%) of baby boomers who own their home say they'll never sell, according to a new survey commissioned by Redfin, the technology-powered real estate brokerage. Another 30% say they'll sell their home at some point, but not within the next decade.

Older people are even less likely to sell, with nearly half (44.6%) of Silent Generation members never planning to sell. Younger homeowners are more likely to eventually part ways with their house: 25% of Gen Xers and 21% of millennial/Gen Zers say they'll never sell.

↓  
More owners are opting to lease rather than sell, contributing to a growing shadow inventory. This trend is limiting acquisition opportunities and placing additional downward pressure on rents—particularly in highly concentrated markets such as Atlanta and Phoenix, where rental inventory has surged by more than

20% over the past year.

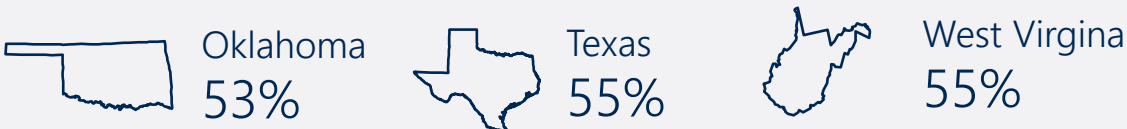
## Share of Mortgages With Interest Rates Below 4% by U.S. State



### Top Three States With Mortgage Rates Less Than 4%



### Bottom Three States With Mortgage Rates Less Than 4%



Sources: Redfin, Axios, GlobeSt.

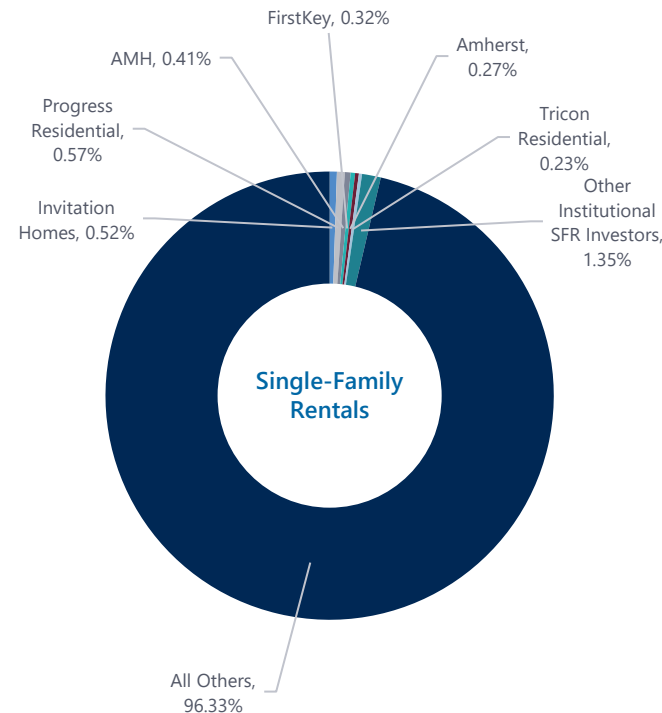
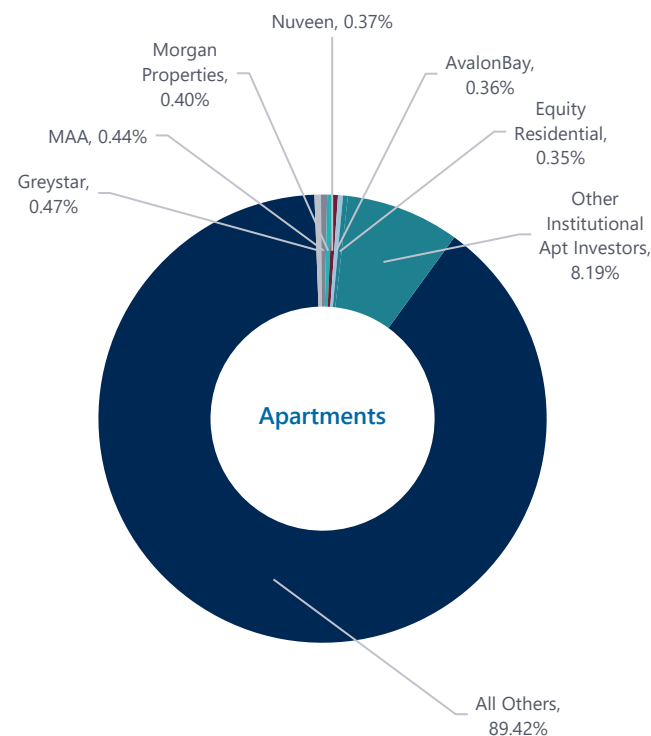
Note: Data as of February 28, 2025.



# The Reality of SFR Ownership

Despite the headlines, institutional investors own less than 5% of single-family rentals. In 2025, investors made up about 30% of SFR purchases, but large investors only accounted for 5% on average. Investment activity from new institutional investors is still muted, partially due to the perceived difficulty in managing diffuse sets of properties.

## Market Share of U.S. Top 50 Apartment and SFR Owners vs. All Others



Sources: Cotality, Wall Street Journal, National Multifamily Housing Council, CoStar, Jay Parsons  
Note: Data as of January 31, 2025.



## Institutional Ownership and Market Fragmentation

Institutional investors still own less than 5% of SFR units, leaving the market highly fragmented, yet the headline risk of onerous legislation still exists. Thus, investors are avoiding states with less business-friendly track records.

Mom-and-pop landlords dominate, often operating with limited tech or scale—but adapting quickly.





# The Shifting SFR Landscape

## Institutional Market Activity and Securitization Strengthens Scale

### Capital Markets Acceptance



**Market Activity:** Despite smaller and midsized owners facing negative leverage, certain well-capitalized institutions have been able to achieve borrowing efficiencies, as evidenced by recent capital markets activity.

- Homebuilder Taylor Morrison entered a **\$3 billion** land and **construction financing** facility agreement with Kennedy Lewis to support its build-to-rent brand, Yardly.
- Pretium Partners completed a **\$778.5 million** securitization of Progress Residential 2025-SFR3, a first-of-its-kind securitization of only purpose-built rental housing consisting of 2,020 homes across 21 BTR communities.
- Berkadia, a traditionally prominent multi-family player, recently announced the success of its SFR and BTR platform, which has closed more than **\$566 million** across 37 transactions year-to-date.

### Policy Powers Property



**One Big Beautiful Bill:** As expected, President Trump's 2025 legislation delivered major real estate wins, with permanent Opportunity Zones and bonus depreciation providing long-term tailwinds for investors and developers.

- **Opportunity Zones:** Permanently enacted, local governments are expected to expand zone designations, driving investment and development in underserved areas.
- **Bonus Depreciation:** Property owners can immediately expense 100% of qualifying property improvements. Value-add projects, new construction, and stabilized properties with cost segregation will continue to see benefits.

**ROAD to Housing Act:** Passed unanimously 24-0 by the Senate Banking Committee on July 29, 2025, this bipartisan bill aims to address various issues related to the housing market.

### From Scatter to Scale



**Scattered vs. BTR:** Institutional investors are prioritizing build-to-rent (BTR) due to its operational scale, centralized management, and efficient capital deployment. At the same time, homebuilders are starting to feel the impact of lower absorption.

- According to Invitation Homes' CIO Scott Eisen, deal flow is now concentrated in stabilized BTR communities, as institutional sellers with product built in 2021 seek liquidity. Additionally, INVH's CEO, Dallas Tanner, noted that they are helping their partners develop nearly 2,000 additional (BTR) homes.
- According to the NAHB, 37% of builders cut home prices in June 2025, the highest share since December 2022, and 62% offered buyer incentives, up 58% from the month prior.



Scale drives value in SFR, and technology is emerging as a key differentiator. As the industry matures, consolidation and innovation will define the leaders.  
– Gary Gordon, Managing Director, Houlihan Lokey



### Consolidation

The SFR sector is entering a period of strategic consolidation. While large, well-capitalized operators are positioned to scale efficiently, smaller and midsized players face constrained cash flow, liquidity pressure, operational inefficiencies, and limited access to capital, making exits or mergers increasingly likely.



# Negative Equity: 2008 vs. Today

Today's market is more stable, but some regional risks remain.



## National Comparison: Then vs. Now

**2008:** At the height of the housing crisis, ~25% of mortgaged homes were underwater, meaning homeowners owed more than their homes were worth.

**2025:** That figure has dropped dramatically to just 2.7% as of Q2 2025, reflecting a much healthier equity position for most homeowners.



## Regional Risk Zones

**Negative Equity:** While national equity is strong, some markets are showing signs of stress with an uptick in negative equity.

**Market Highlights:** Cape Coral, Florida, leads the nation with 7.8% of homes underwater, followed by Lakeland, Florida (4.4%), Austin, Texas (4.2%), and San Antonio, Texas (4.3%). More concerning is that in Cape Coral, 27% of all 2023/2024 vintage loans are underwater, and 18% of all 2022 vintage loans in Austin are underwater, according to the *ICE Mortgage Monitor* report published in July 2025.

**Market Features:** These areas are more vulnerable due to speculative buying, climate exposure, and volatile demand cycles.



## Why Today Is Different

**Tighter Lending Standards:** Subprime loans made up ~20% of mortgages in 2006; today, they are negligible.

**Higher Credit Quality:** According to Experian, the average credit score for conventional loans in 2024 was 738, compared to much lower standards pre-2008.

**Low Inventory:** In September 2007, there was a 9.4-month supply of homes; in June 2025, it is just 4.7 months, helping support prices.



## Bottom Line

The housing market today is fundamentally stronger than in 2008. While regional risks exist, especially in overheated or climate-sensitive markets, broad-based negative equity is not a systemic threat.

Sources: NPR, CoreLogic, ATTOM, Wall Street Journal, Federal Reserve Bank of Chicago, Experian, Y Charts, National Association of Realtors.

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We are uniquely positioned to help address special situations, ranging from **liquidity management to recapitalizations**.

## Leadership



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