

Build-to-Rent Homes Report 2023

Despite Slowing Pace,
Sector Remains Strong



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Message From the Author

Welcome to Fixr.com's annual report on build-to-rent (BTR) single-family homes for 2023. This year, we have spoken to top industry experts, including homebuilders, architects, and economists to get the lowdown on the recent growth of BTR homes and predictions for the upcoming months.

The housing market has faced many challenges over the past few years, and in light of a downturn, it's no surprise that we see a drop in the number of BTR constructions in 2023. Yet BTR has been booming in recent years, and moving forward we can expect to see this trend get back on track.

And it's not only homebuilders who are grappling with the current housing market. Single-family home affordability has plummeted, making it harder for would-be homeowners to get on the property ladder. BTR is a solution that many are turning to, in order to get the home life they seek, in a suburban area they want.

What other benefits do homeowners and companies alike get from BTR housing? And how much has the BTR market truly grown in recent years? The answers to these questions and more can be found in this report. I would like to thank all the experts who participated in our questionnaire and interviews, with a special mention to Brad Hunter.



Adam Graham

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What Is Build-to-Rent, and Why Is it Popular?

Build-to-rent (BTR) homes are among the strongest and fastest-growing real estate sectors. However, a [housing downturn this year](#) will likely affect the progress of BTR housing units that we've seen in recent years before [bouncing back in 2025/26](#).

BTR homes and communities give those who seek the suburban, single-family home life the opportunity to live in the conditions they want but who have limited funds to be able to get on the property ladder. However, the popularity of these homes stretches beyond just avoiding current mortgage rates.

Build-to-rent, also known as built-to-rent or built-for-rent (BFR) homes, are available in [different styles](#) and plans. Communities can comprise a group of single-family residences, often called horizontal apartments, duplexes, row homes, or small lot homes.

Buying a home is out of reach for many, leaving renting the most viable option. Yet, many families would still like the benefits of living in a larger, traditional single-family home, but without the burden of a down payment, high-interest mortgage, and unmanageable maintenance costs.

We spoke to top experts in the home construction industry to get their insights and take on BTR in 2023, why the demand is continually increasing, and what to expect moving forward.

Main Benefits for Tenants



62%

Not paying for maintenance & repairs



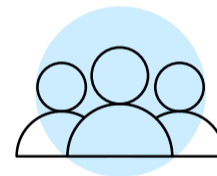
40%

Not paying for homeownership



37%

Single-family home options



33%

Living in a community



31%

Better & more amenities

We asked 52 home construction experts the main incentives for people renting a BTR home, and their responses are above. 62% say that the biggest attraction to this kind of living is avoiding the payments of maintenance and repairs on the home. When there is a problem that needs fixing, it is generally the [landlord who foots the bill](#) and organizes repairing the issue. For example, the [average annual HVAC maintenance costs](#) around \$200; if you needed an [AC replacement](#), you could expect to pay roughly \$3,600. This is just one main feature to consider when considering the yard, roof, plumbing maintenance, and any structural touch-ups. The costs can quickly add up.

40% of experts also point out another financial aspect; not having the burden of the cost of owning a home makes BTR an appealing alternative. HOA fees, property taxes, and home insurance mean those with limited income cannot afford to own a home.

There are also non-financial reasons people opt for BTR communities. Having the choice to rent a single-family home means families can live a lifestyle that suits them, in a community with other families, with amenities to cater to kids, pets, and various other activities.

Investment Opportunities for Companies

Single-family rental homes are proving to be popular as investment opportunities for companies. Trevor Koskovich at [Northmarq](#), a capital real estate investment expert, states that

“We are seeing a massive development pipeline because the product has fared well operationally across the U.S. It [single-family BTR homes] has proven to be the more desirable rental option in comparison to traditional multifamily.”

He comments on the financial benefits attracting companies, saying,

“There was also a tremendous amount of capital raised in the space, and developers are deploying that money aggressively. I think there has been a demographic shift, and tenants really prefer this type of product.”

Sarah Cunningham, Owner of [Ethos Design + Build | Remodel](#), echoes the perceived financial positives for companies, which could go some way into explaining the rapid growth, stating that

“Single-family build-to-rent properties are viewed as a good investment since many people can’t afford the large down payments currently required to purchase a home.”

Yet she warns of repercussions for homeownership availability;

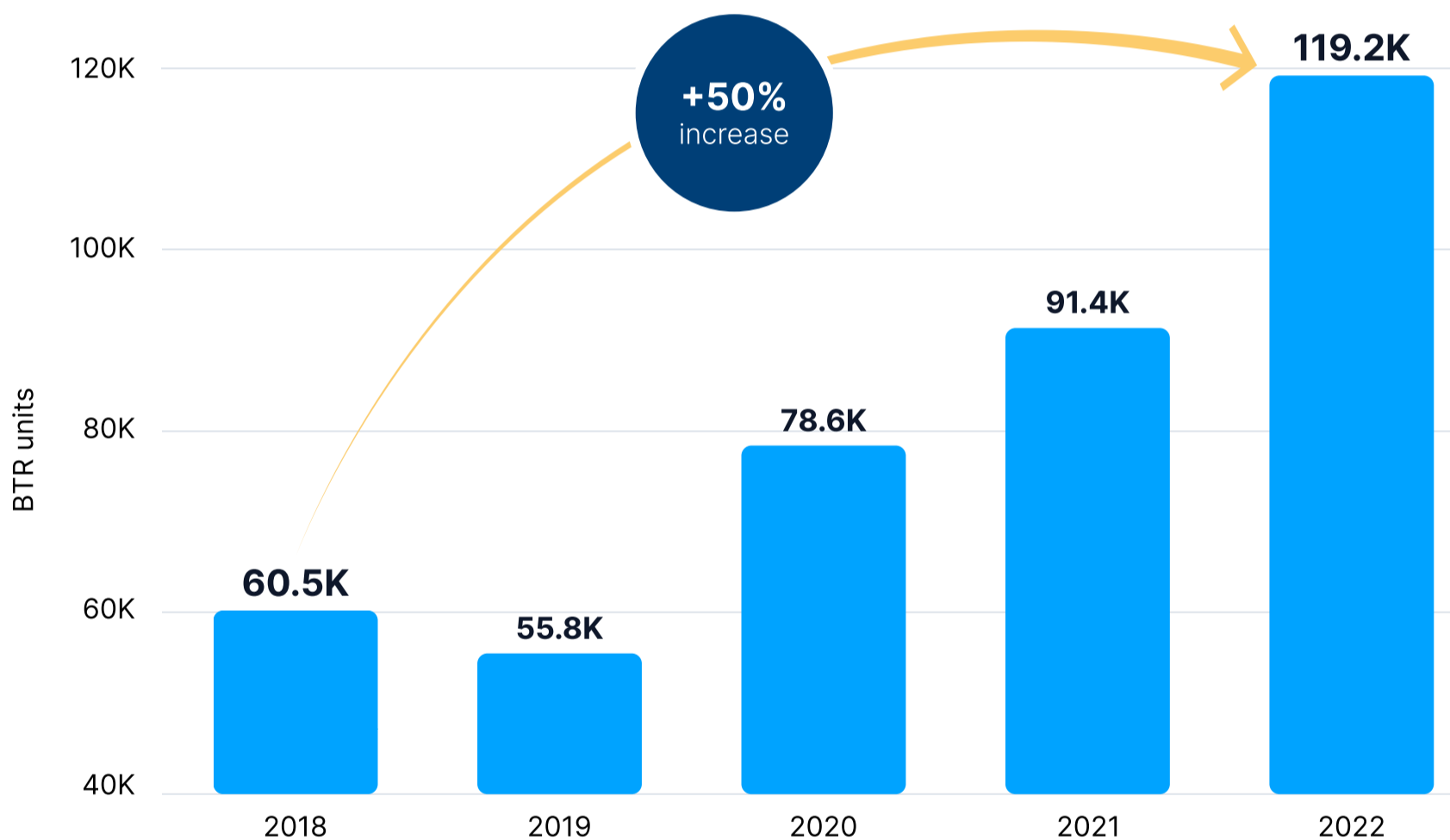
“They are designed for long-term renters, but they are also creating housing stock that is not designed for home ownership and continues to make it difficult for first-time buyers to find a place to live.”

Real Numbers: _____

Recent Growth and Future Outlook

BTR home construction rate is higher than you think

In the graphic below, you can see Fixr.com estimated number of BTR homes started in the last five years based on data from the [Census](#) and the National Association of Homebuilders ([NAHB](#)).



The NAHB estimated that 69,000 BTR homes began construction in 2022. However, this does not consider a large portion of the sector. As Robert Dietz, SVP and Chief Economist at NAHB, points out,

“The estimates exclude homes that are sold to another party for rental purposes, which NAHB estimates may represent another five percent or higher of single-family starts”.

Fixr.com, therefore, predicts the total number of BTR homes constructed in 2022 to be roughly 119,250, much higher than many sources claim.

Following these same calculations, and taking into account that in 2020 and 2021, the NAHB estimated around 3% to 4% of the total of newly-constructed single-family homes were sold to other parties for rental purposes, and in 2018 and 2019, around 2%, we predict BTR home construction to have approximately doubled in the last five years.

Looking at recent figures, there was an increase of 27,805 more built-to-rent starts in 2022 than in 2021.

Construction experts confirm growth

Have you had more requests for build-to-rent housing projects in recent years?

58% say Yes

42% say No

Of the 52 home construction experts in the field, we asked whether or not they have received more requests for BTR projects in recent years. The results speak for themselves, as 58% responded yes. This majority further highlights the ongoing increase in popularity of this real estate area.

A momentary drop in pace in 2023

However, this upward trend is likely to dip in 2023. The Census provisional data for the first quarter of 2023 suggests that numbers for single-family home starts will be lower than any other quarter in the previous three years.

According to [Hunter Housing Economics](#), the slowdown of BTR housing starts already began at the end of 2022 due to costs of capital and concerns about the economy. They expect to see a gradual recovery throughout 2023 and estimate a rise again in 2025/26 due to predicted heightened demand.

Who is Driving Demand, and Why?



55%

Gen Z

1997 to 2012



41%

Millennials

1981 to 1996



4%

Other

We asked experts who they believe is driving the demand for BTR homes, and the results were split between Gen Z (55%) and millennials (41%). It could be that Gen Zers are far from being able to afford their own home, making this age group a big portion of renters across the country.

Brad Hunter, President of [Hunter Housing Economics](#), draws on the parallels between the higher age bracket millennials and their families' financial limitations, along with the positives of BTR housing, by commenting,

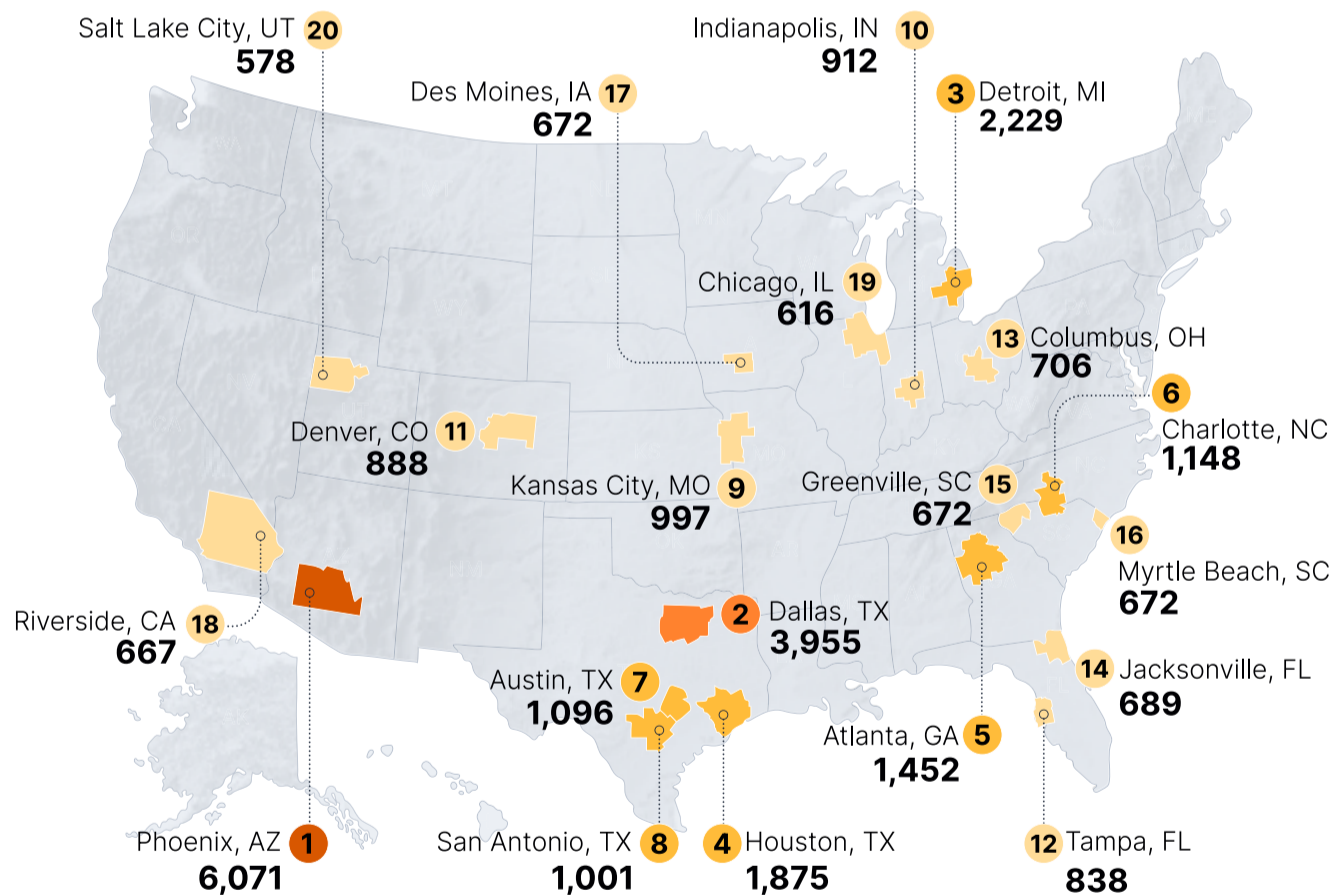
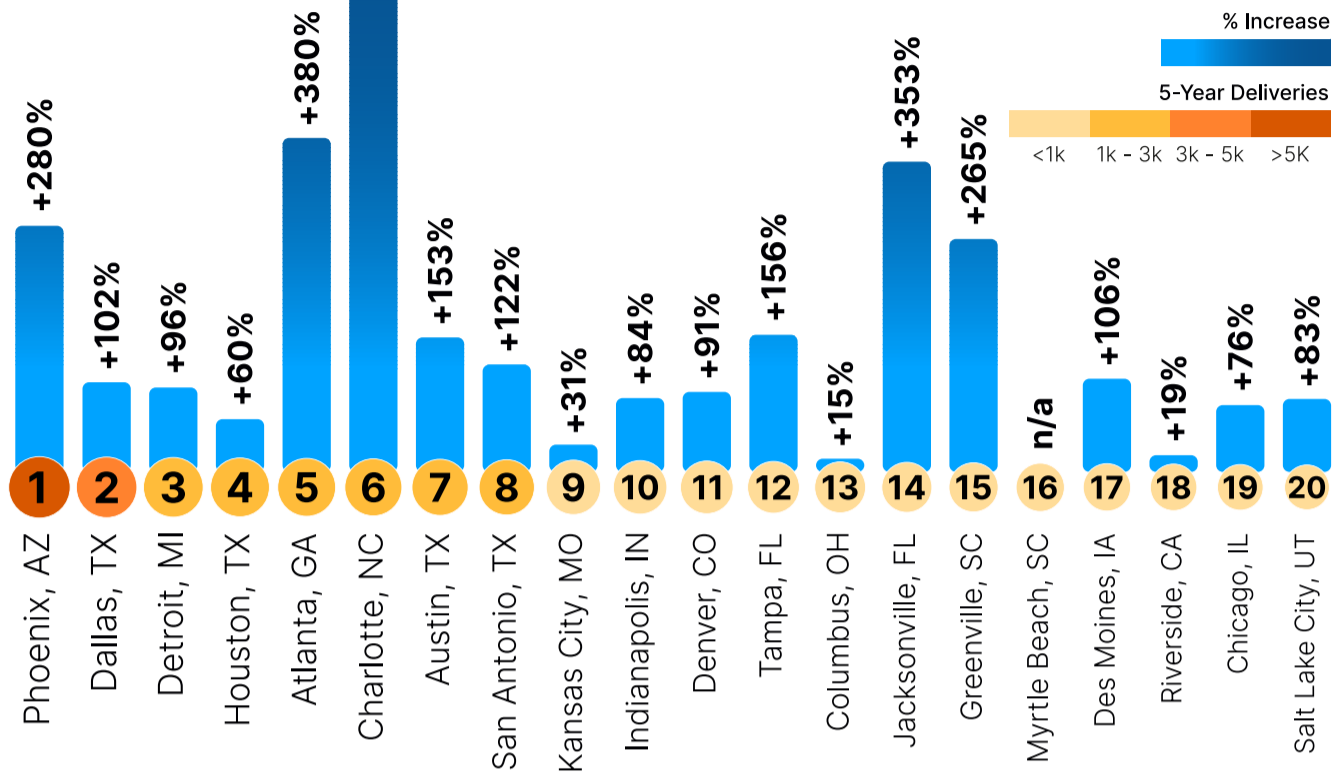
"Millennials are starting to have children, and demographic projections show that more of them will start families over the next few years. This is one of the drivers of built-for-rent demand; young couples with babies and toddlers want to be in the suburbs and live in a home with a yard for the kids to play in. Sometimes they can't afford to buy, at least right now, so renting a single-family home makes a lot of sense for them."

Koskovich agrees, saying,

"Millennials that are just starting a family and usually have a pet, this is the first step towards eventual homeownership. It is somewhat of a launching pad, more room to grow and the opportunity to test living in the suburbs." He continues to explain that BTR housing is not limited to millennials, however. "For the baby boomers and the older demographics, it allows them to monetize the home that they may own free and clear and to move to a fixed cost of living."

Which Areas of the Country _____ have the Most BTR Units Built Over Recent Years?

Top 20 Metro Areas With Most Build-to-Rent Completions in the Last 5 Years



According to data from [RentCafe](#), we can see that Phoenix (Arizona) has seen tenants move into 6071 rental properties in the last five years, jumping from 2168 units in 2017 to 8239 in 2022. Yet percentage-wise, the largest increase can be seen in Charlotte (North Carolina), which has seen a mighty 621% growth.

Out of the top 20, the top 5 metro areas with the most BTR units over the past five years are all in southern states (Texas and Georgia) except for one, Detroit in Michigan.

Build-to-Rent Is Built to Stay

Continued strains on people's economic situation mean that BTR homes and communities are an attractive prospect for many. Avoiding maintenance, homeowner fees, and mortgage payments, on top of being able to live in the suburbs in a single-family home without having to pay a costly deposit, is driving this sector forward, especially among the youngest generations.

Koskovich claims,

"This segment of the market is here to stay, it will continue to expand and evolve, and we expect it to be the fastest-growing residential sector in the U.S. in the year ahead."

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