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The Build-to-Rent Market Continues to Expand, Despite Recent Headwinds

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EXECUTIVE SUMMARY

The Build-to-Rent (BTR) market has seen rapid growth in the U.S., driven by rising housing costs, shifting renter preferences, and a national housing shortage. Offering single-family homes built specifically for rent, BTR communities appeal to renters seeking more space, privacy, and high-end amenities, especially in suburban areas.

After a record-setting 2024, the BTR sector entered a period of stabilization in 2025, maintaining strong demand despite economic headwinds. BTR now accounts for over 8% of new single-family construction, with notable growth in the Midwest and Southeast.

Redwood Living has emerged as a leader in the BTR space, delivering over 20,000 units across nine states. With a long-term hold strategy, efficient construction, and consistent investor returns, Redwood stands out for its end-to-end approach—from land acquisition to community management. Its recent projects have achieved full equity payback and strong quarterly returns, even amid rising interest rates.

With long-term demand for quality rental housing on the rise, Redwood is well-positioned to lead the continued expansion of BTR across the U.S.

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Introduction

Ever since the Great Recession, single-family rental (SFR) housing—while still a small part of the overall housing market—has been growing fast. As the asset class has garnered attention from investors and institutional owners, subsectors have emerged, including Build-to-Rent (BTR) housing.

BTR housing is defined as communities of single-family homes (both detached and attached single-family homes) built around the same time, located near one another, with the intention of being rented out. These communities typically feature high-quality finishes, desirable amenities, and are strategically located in areas that are highly attractive to families.

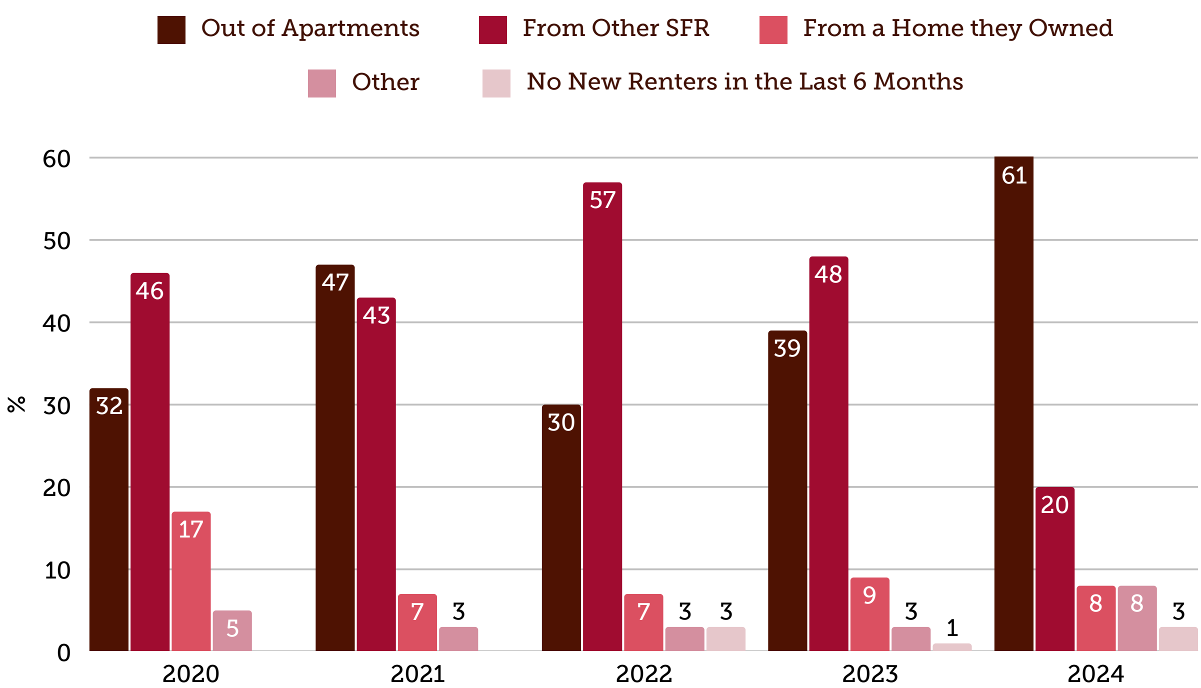
Homes under the BTR umbrella are distinctive from traditional multifamily apartment buildings and SFR housing in that they are newer, grouped together from the start, do not have neighbors above or below, and have elevated amenities in desirable locations.

In this white paper, we will examine the history and growth of the BTR market, analyze projections for the future, and highlight how Redwood Living has been a leader in the sector from its inception in the emerging niche.

The History of BTR

The history of BTR starts with SFR. Single-family rentals refer to the segment of the country's real estate market that involves renting out single-family homes, which include detached houses, townhouses, and cluster-home style condominiums, to tenants. It is a market that has grown significantly over the last several years, and recent data from Yardi Matrix shows that six in 10 new house renters moved into SFR housing from traditional multifamily apartments.

Sources of New Single-Family Renters Over the Last 6 Months
(Weighted by Number of Properties)



Data as of Q3 2024. "Other" was added as a category in Q3 2022

Source: Point2Homes analysis of Yardi Matrix data

As of 2023, there were 14.2 million SFR households in the U.S., with the SFR market representing a 31.2 percent share of the overall housing market, according to U.S. Census Bureau data.

Before 2008, many of the single-family rentals in the U.S. were either owned by mom-and-pop landlords or larger commercial landlords with scattered properties.

Following the 2008 Great Recession, which led to a surge in home foreclosures, the SFR market underwent significant changes. Large investment firms began acquiring homes and converting them into rentals, accumulating substantial portfolios in specific regions, particularly the Southeast and Sunbelt [1]. Between 2009 and 2016, the number of single-family homes across the U.S. occupied by renters grew by more than 2.5 million, according to the U.S. Census Bureau.

By 2021, the term "Built-to-Rent" was firmly a part of the rental market lexicon. Since then, several factors have fueled the growth of BTR. One of the most significant impacts is the COVID-19 pandemic, which shut down offices nationwide and led to millions of Americans working from home.

[1] While institutional ownership of single-family rentals (SFR) is significant in certain regions, it still represents a relatively small percentage of the overall market.

Many remote workers, suddenly unencumbered by an office commute, sought out cities with lower costs of living and more space, leading many to choose to rent in BTR communities. In 2022, the Federal Reserve raised its benchmark interest rate to combat inflation. This and other Federal Reserve policy changes led to mortgage rates increasing sharply, causing many people – both owners and renters – to remain in their homes.

Inflation rates also rose post-pandemic, leading to affordability challenges for many Americans, which in turn led many would-be homeowners to continue renting. Many renters, challenged by a tough for-sale housing market, began choosing BTR homes over traditional apartments, attracted by the larger square footage and locations.

The nation's ongoing housing shortage has also driven BTR's growth. Estimates vary, but most data indicate that the U.S. housing shortage is between 3.8 and 4.5 million homes. The shortage has led to higher home prices and rental costs; while new construction has been trending upward, it has not been able to keep pace with the growing demand.

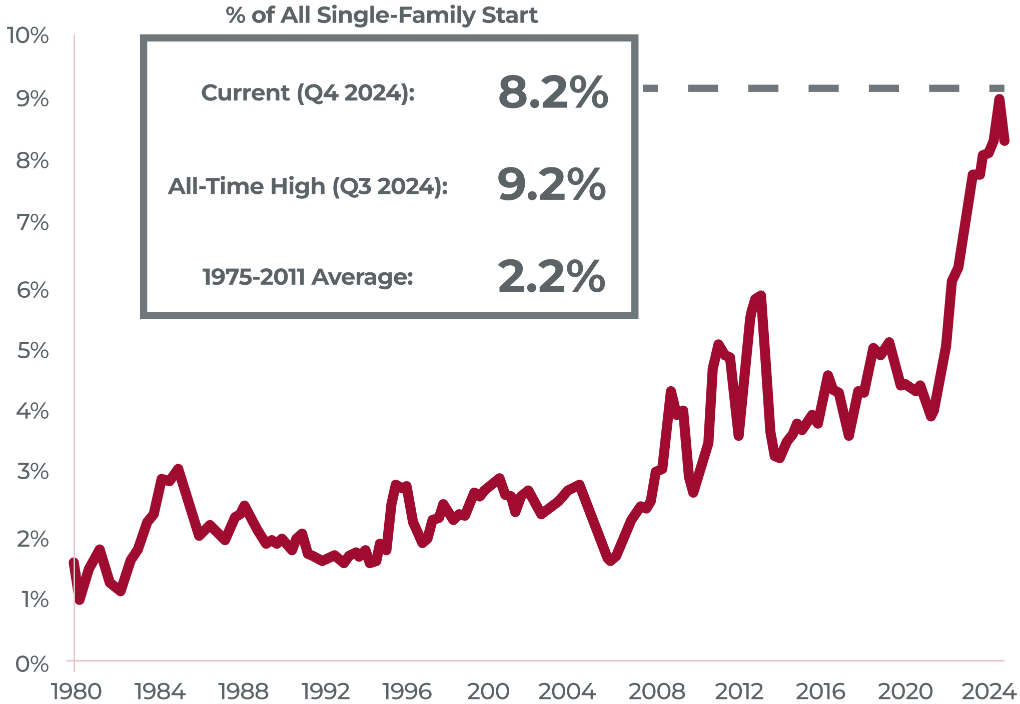
Where BTR Stands Now

BTR has experienced significant growth over the past 15 years. The most current data available shows that the sector reached record levels in 2024, when 39,000 new BTR homes were completed, a 15.5 percent increase from the previous year and a sixfold jump from pre-pandemic averages, according to Yardi Matrix data analyzed by Point2Homes.

The BTR market is becoming a larger share of the entire single-family home sector. In the fourth quarter of 2024, BTR accounted for 8.2 percent of all single-family construction starts, down slightly from the all-time high posted in the third quarter of 2024, when BTR accounted for 9 percent of all single-family housing starts, according to the U.S. Census Bureau and Chandan Economics.

BTR Share of Single-Family Housing Starts

Measured as % of the Rolling 4-Quarter Sum, Through Q4 2024



Sources: U.S. Census Bureau; Chandan Economics

Across the U.S., all regions saw annual BTR growth, but gains varied, according to U.S. Census data:

- **Northeast:** Jumped from 3% of single-family starts in 2021 to 13% in 2024.
- **Midwest:** Rose from 5% in 2021 to 8% in 2024.
- **South:** Climbed to 9% of starts by 2024.
- **West:** Grew to 7% by 2024.

Top 10 States for Most Build-to-Rent Completions in 2024

Rank	State	Build-to-Rent Units Completed in 2024	
1	Texas	6,994	5-Year High
2	Florida	5,379	5-Year High
3	Arizona	4,812	5-Year High
4	Georgia	4,095	5-Year High
5	North Carolina	2,826	5-Year High
6	California	1,848	5-Year High
7	Ohio	1,819	5-Year High
8	South Carolina	1,770	-
9	Alabama	1,534	5-Year High
10	Utah	1,305	5-Year High

This analysis was performed by Point2 Homes based on Yardi Matrix data as of March 2025. Data includes only properties/units defined as single-family homes for rent that are located in build-to-rent communities containing at least 50 single-family rental units.

Data may be subject to change.
South Carolina did not record a 5-year high in 2024.

Source: Point2Homes Analysis of Yardi Matrix Data

Market moderation

After a record-setting 2024, the BTR market has settled into a more stable pattern. The first quarter of 2025 showed mixed performance in the sector. Effective rent growth in BTR communities across the country grew modestly, by 0.4 percent year-over-year, hitting a national average of monthly effective rent of $2,178. The figure was a slight 0.1 percent dip from the previous quarter, according to data from Yardi Matrix.

Build-to-Rent Trends

National	Q1 2025	YOY Change
Rent	$2,178	0.40%
Occupancy	91.80%	-0.8 ppt
Under Construction Units	73,543	-33.20%
Completed Units	7,140	13.90%
Sales Volume	$179,617,628	-37.30%

Source: Yardi Matrix, single-family build-to-rent communities of 50 homes and larger

At the same time, the segment's occupancy rate declined 0.8 percentage points year-over-year to 91.8%, a trend Yardi Matrix attributed to rising vacancy pressures in certain submarkets. Market performance varied:

Lower occupancy than national average

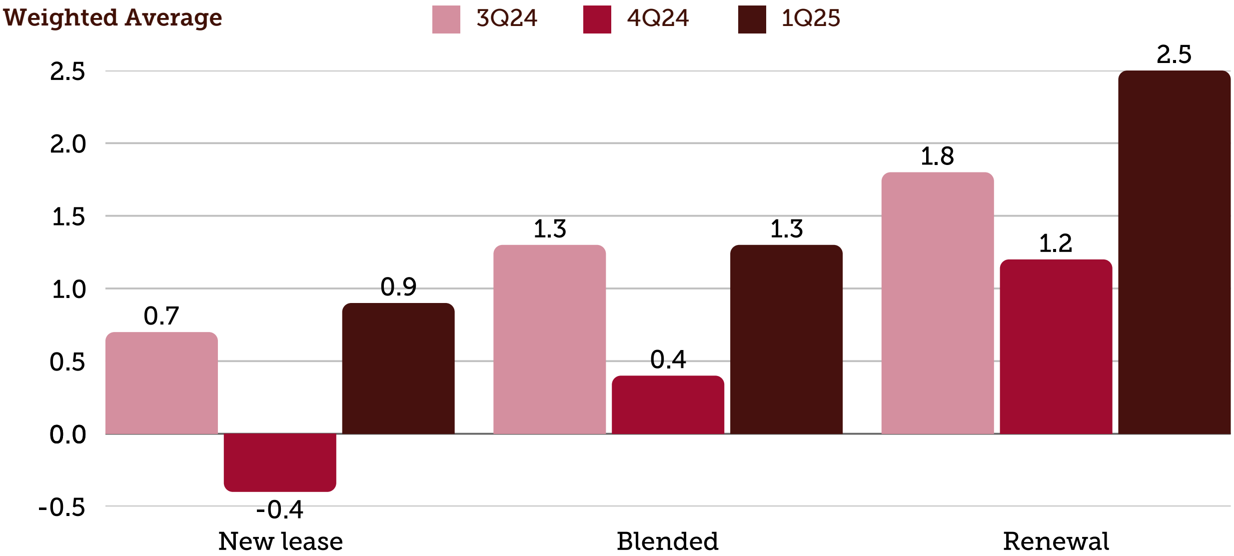
- Atlanta (63.1%)
- Huntsville, Alabama (71.9%)
- Suburban Maryland (75.9%)

Higher occupancy than national average

- Northern Virginia (99%)
- Milwaukee (99.4%)
- Urban Boston (100%)

While momentum has slowed, the BTR sector is still in a healthy position moving forward. Experts expect continued demand for BTR housing to fuel more construction in the space, especially as factors that have historically driven growth in BTR, such as high interest rates, a housing shortage, and changing renter preferences, remain present in today's market.

YOY BTR Asking Rent Growth



Source: John Burns Research and Consulting, LLC (Data: 1Q25, Pub: May-25)

BTR Leader Redwood Living

Founded by Steve Kimmelman, Redwood Living has more than two decades of experience in developing, building, and managing single-story BTR neighborhoods. From the outset, the company's vision was grounded in the conviction that renters should have access to the same amenities and living experience as single-family homeowners. The company also focuses less on density and more on offering homes with higher square footage, high-quality finishes, and desirable features.

By the time BTR emerged as a fast-growing niche a few years ago, Redwood already had a substantial number of units under management that it had developed. In 2018, the company hit a milestone of 10,000 units delivered. In early 2025, Redwood surpassed 20,000 units. The company now manages rental homes in more than 155 suburban neighborhoods throughout Ohio, Michigan, Indiana, Illinois, Iowa, North Carolina, South Carolina, Kentucky, and Nebraska.

Another factor that sets Redwood apart from others in the BTR space is its strategic approach. After a neighborhood is completed, Redwood chooses not to sell but instead to hold for the long term and manage the community.

"While there are some smaller groups breaking into BTR, Redwood continues to be the leader in the space. Our investors recognize the extensive track record, and they are typically investing more than once," said Steve Kimmelman, Founder and Chief Executive Officer of Redwood Living. "Many investors have been investing in Redwood-managed projects for up to 10 years. Our track record shows in our lender relationships, too. We've been able to secure favorable financing terms and repeat business to continue funding our growth."

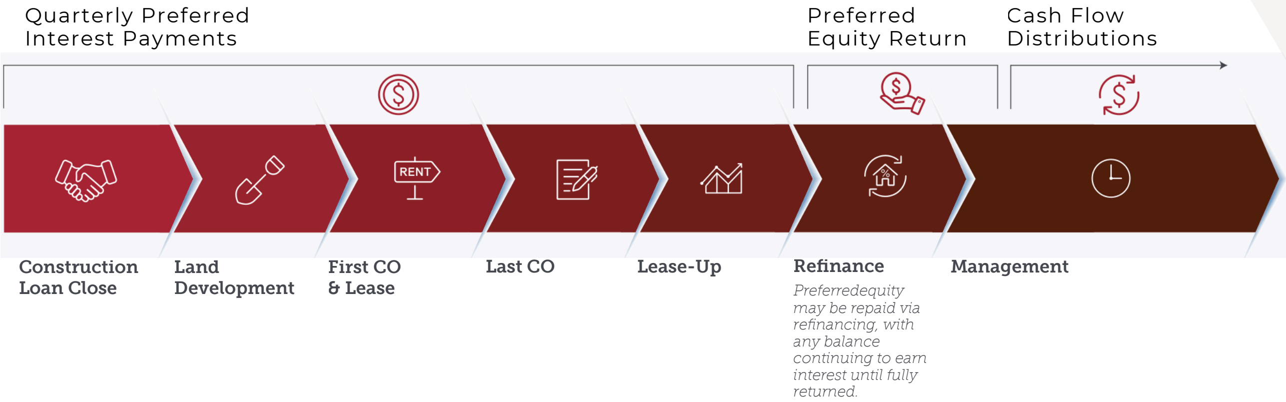
A data-driven strategy

The company's proprietary approach to projects is anchored by historical data and thorough research, a robust roster of institutional-quality bank lenders, and an investor portal with nearly 1,000 active investors. After a project is fully entitled, Redwood presents the project to investors.
Most Redwood deals offer a 10 percent preferred pay rate, projected to be paid quarterly, a major draw for many investors given the rarity of obtaining such a high return rate, especially with a sponsor boasting such a successful track record.

Redwood is focused on fast-tracking returns for investors: with the first preferred return payment expected to be made 2-3 months after construction loan closing. As a single-story developer, Redwood can typically begin delivering and subsequently leasing units 18 months after closing on construction financing. "The fact that the asset can potentially begin generating revenue at year two sets us apart from other product types," Kimmelman said.

After delivering the first batch of units, Redwood anticipates delivering and leasing 6 to 10 units per month until the project is fully completed. The entire project cycle, from securing land to eventually refinancing the community, takes about 3 to 5 years. Redwood's anticipated strategy is to refinance a project's construction loans to secure long-term, non-recourse permanent debt.

Redwood Equity Lifecycle



Redwood is one of the largest sponsors of borrowers utilizing HUD-insured financing for multifamily properties in the country, with the goal of refinancing and repaying construction lenders and returning investors' full capital investment.

Redwood utilizes its experience and market presence to face new challenges that will arise in the industry. During the COVID-19 pandemic, Redwood changed certain suppliers allowing Redwood's projects to better navigate the then-anticipated supply-chain disruptions. Now with the uncertainty around potential tariffs, Redwood is making efforts to mitigate the impact of tariffs on its projects currently under development, including securing fixed-price lumber contracts, bulk purchasing materials, and leveraging its track record in negotiations with vendors.

Unlike others in the BTR space, Redwood is involved in every part of its projects from start to finish. The neighborhood location is chosen strategically by Redwood's fully dedicated acquisition team, based on a proprietary formula that involves research, including area demographics and several other criteria. "From the moment the land is purchased and shovels break ground, to when it becomes a stable neighborhood and beyond, we are involved in every part of that," Kimmelman said. After surpassing 20,000 units this year, Redwood's next goal is 30,000 units in the next 5-7 years.

CASE STUDIES

Redwood
APARTMENT NEIGHBORHOODS

Redwood Medina Lafayette Township

Medina, Ohio

This project by Redwood Living has a total of 150 units and was built in two phases. In the first phase, 114 units were built, $7.52 million was raised in equity, and $14.3 million in construction financing was secured. The construction loan and equity funding closed in June 2021, and the first units were delivered the following June, with the last units in the phase delivered in March 2023.

In the second phase of the Ohio project, 36 units were built, $1.82 million in equity was raised, and a total of $5.6 million in construction debt was secured. The construction loan and equity funding on the second phase closed in March 2023, and the first units were delivered in August 2023, with the last unit delivered in February 2024.

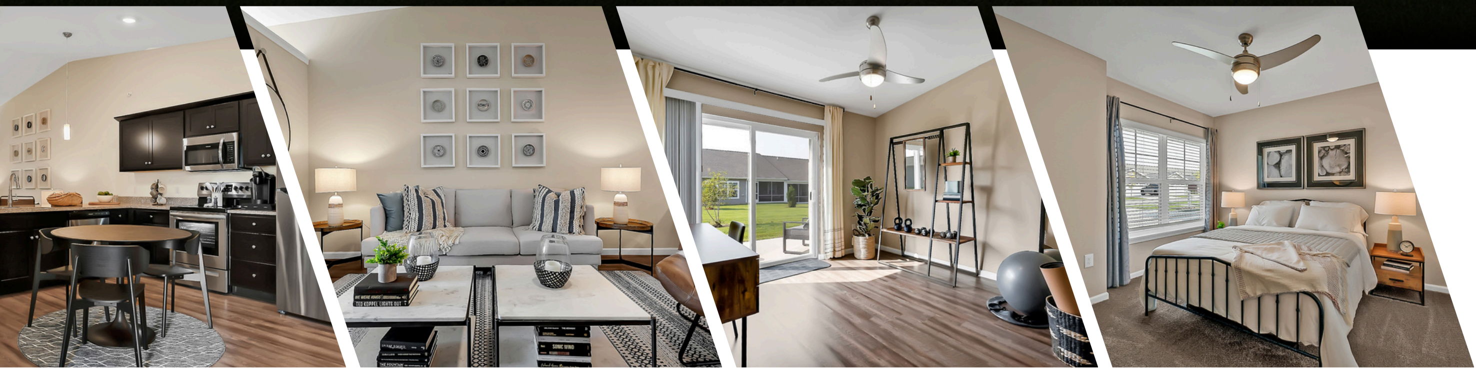
Both phases of the project were refinanced as a combined entity in April 2025, resulting in the return of 100 percent of the preferred equity to investors. Investors in both projects received a 10 percent preferred return, paid quarterly, during development and construction, until a full payback of their preferred equity was achieved.

“It’s a good example of how Redwood has persevered through unprecedented interest rate and economic conditions,” Kimmelman said.

REDWOOD NORTH CANTON

North Canton, Ohio

This project comprises a total of 177 units, constructed in two phases. The first phase, with 129 units, raised $4.5 million in equity and secured $16.6 million in construction financing. The construction loan and equity funding for Phase 1 were completed at the end of September 2020, and the first units of the project were delivered in January 2022, with the final units delivered in December 2022.



In November 2023, Phase 1 was refinanced, with 100 percent of the preferred equity returned to investors. Those investors received an 8 percent preferred return, paid quarterly during development and construction, until a full payback of their preferred equity was achieved.

Phase 2 of the project involved 48 units and raised $2 million in equity, with $7.6 million in construction financing secured. The construction loan and equity funding closed at the end of June 2022, and the first units of the project were delivered in April 2023, with the last units delivered in December 2023. The phase was refinanced in October 2024, resulting in the return of 100 percent of the preferred equity to investors. Project investors received an 8 percent preferred return, paid quarterly during development and construction, until a full payback of their preferred equity was achieved.

The Future of BTR: Opportunities and Growth

After a record-setting 2024, the overall BTR market has returned to a more grounded level, as investor hesitancy over economic uncertainties and shifting tariff policies led to a decline in sales volume of BTR communities. However, while the Southwest experienced falling rents in the first quarter of 2025, the Midwest continued to thrive. The Midwest outperformed other regions in Q1 2025, with blended rents increasing by 4.2% year-over-year, according to data from John Burns Research and Consulting. Meanwhile, three Midwestern markets—Columbus, Kansas City, and Detroit—rank among the top 10 for total BTR inventory.

Despite the pullback in sales volume, new market data show bright spots have emerged. After dropping significantly at the end of 2024, BTR construction activity is trending upwards. In the first quarter of 2025, BTR accounted for 8.4 percent of all single-family construction starts, a slight increase from 8.3 percent in the fourth quarter of 2024.

The BTR market is settling into a stable equilibrium. In five out of the past six quarters, BTR's market share within the greater SFR market held between 8.1 and 8.4 percent. According to a recent report from Point2Homes, 18 out of the 20 leading U.S. markets for BTR units under construction reached their five-year high in 2024.

BTR is well-positioned for more expansion going forward. New markets are emerging around the country, and the average age of first-time homebuyers has jumped from 28 years old to 38 years old over the last three decades, underscoring the demand for affordable rental homes in suburban neighborhoods driven by the changing preferences of younger generations.

Conclusion

The past few years have seen the BTR market grow significantly in the U.S., driven by renter demand for single-family home living over traditional apartments as more renter households seek spacious layouts and high-quality amenities in desirable locations. Despite a recent contraction, the BTR market in the U.S. is performing well in many markets where demand is the greatest.

Investor hesitation over macroeconomic factors and uncertainty about the impacts of tariffs may continue to dampen growth over the next few quarters; however, the primary factors that have historically fueled the BTR market—housing affordability and the evolving needs and preferences of renters—remain key drivers of demand for these communities. Millennials and Gen Z are increasingly opting to rent rather than own homes, a key factor driving the growth of this segment.

For investors, BTR neighborhoods often offer a predictable and steady income stream, resilience to market fluctuations, scalability, and portfolio growth, as well as attractive returns. Although BTR is a growing real estate niche, it remains a new and unfamiliar sector for many investors interested in the space, which is why selecting the right investment is more important than ever.

Industry leader Redwood Living has decades of experience in the BTR space and a proven track record of success in several major markets nationwide. The company's strategic approach, combined with its deep understanding of the market and commitment to projects from start to finish, sets it apart from other companies in the BTR space. Most notably, investors in Redwood projects typically begin to receive returns soon after construction is complete and the project is stabilized. Because Redwood plans to manage the neighborhoods for the long term, the investor is projected to continue receiving distributions.

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APARTMENT NEIGHBORHOODS

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