

THE "BUILD-TO-RENT" MODEL: A NEW TOOL IN SOLVING THE HOUSING CRISIS

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Abstract. The present study sets out to explore the housing affordability crisis in the United States. The crisis has been caused by a number of factors, including the decline in wages and average income, the increase in rental costs, and the problem of "distorted" demand due to the displacement of middle- and low-income households by high-income households. The study recommends the search for new tools to solve the crisis. The article examines the Build-to-Rent (BTR) model, which gained popularity in response to the housing crisis and the increase in the cost of purchasing new homes in the United States after the 2008 financial crisis. The "Build-to-Rent" model has emerged as a response to the prevailing challenges in the housing market and the increasing focus on the private rental sector. The utilisation of the model confers a number of advantages for tenants, developers and investors, thereby resolving the issue of housing affordability for affluent tenants and families seeking quality affordable rental housing. The expansion of the BTR subsector in the United States during 2019–2024, as evidenced by the surge in the number of suitable house types, underscores the pivotal role of the model in addressing the nation's housing crisis. The primary benefits for tenants include the reduced cost of rent in comparison to mortgage payments, which are increasing due to rising mortgage rates. Moreover, rental houses offer a number of additional advantages. These include well-developed infrastructure and a strategic location in areas where housing costs are highest. This, in turn, ensures a greater degree of security of residence. Institutional investors are presented with the opportunity to acquire guaranteed, stable income from rent. Concurrently, the primary disadvantages and risks associated with the implementation of the novel instrument pertain to the financial, regulatory and social constraints that emerge as a consequence of the relatively recent practice of employing the BTR model.

Keywords: housing affordability, housing rental, construction for rent, BTR model, institutional investors, US rental market.

JEL Classification: R31, R21, R38

1. Introduction

Housing affordability has always been a major concern for residents of the United States. Building regulations have restricted construction and limited rental options for families. In recent years, the issue of housing affordability has intensified as rental prices have risen. This has hit low- and middle-income families hardest, creating a housing affordability crisis.

The present study explores the housing affordability crisis in the United States, which has been caused by a number of factors, including a reduction in wages and average incomes, an increase in rental costs, and a problem of "distorted" demand due to the displacement of middle-

and low-income households by high-income households. The study identifies the need for new tools to solve this crisis. The study of solutions to the housing affordability issue is relevant because of the new "Build-to-Rent" (BTR) model. This model is used by developers and investors to design housing for rental, taking into account the relevant standards and requirements, as well as the professional management of this type of real estate.

The issue of building housing for rent is a topic of active discussion in academic literature. The formalisation of the concept of "Build-to-Rent", the obstacles to its implementation, its advantages and critical success factors continue to be explored (Abidoeye, Ayub & Ullah, 2022; Brill & Özogul,

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2021; Carvalho et al., 2023; Nethercote, 2020). The main factors determining the growth of the construction-to-rent sector in the United States are accessibility and affordability for tenants, individual solutions, accessibility for low-income households, flexibility, professional management and the convenience of this type of real estate. Other factors include the imbalance between high demand and low supply in the rental housing market, the interest of institutional investors in developing housing infrastructure, and increased awareness in the field of residential real estate (Muoneke, 2024; Abidoye, Ayub & Ullah, 2022). The main advantages of the model include secure long-term profits for investors, savings in public funds and institutional investment, and increased housing affordability (Carvalho et al., 2023). However, obstacles to implementing the model include taxation, the need for state support in the form of subsidies or benefits, and exemption from income tax to increase housing affordability (Swanzy-Impraim, Ge & Mangioni, 2023). Other obstacles include finances, the high cost of construction resulting in higher rental prices (Tiwari & Shukla, 2024), rental regulations, foreign investment legislation and occupancy rates (Carvalho et al., 2023; Acheampong & Earl, 2020).

The emergence of this model has resulted in structural transformations of urban housing systems, with the diversification of “build-to-sell” development models being observed and the private rental housing sector developing. This is leading to the restructuring of the housing market (Nethercote, 2020). The Build-to-Rent market is growing in order to meet the demand for housing, as well as the increasing difficulty of purchasing one's own home following the 2008 financial crisis and the subsequent increase in housing prices caused by the Coronavirus pandemic (Carvalho et al., 2023). Thus, 34.6% of occupied housing units in the USA are occupied by tenants (Carvalho et al., 2023). According to Finley (2019), the Build-to-Rent model has proven successful in a number of rapidly growing secondary markets in the USA, with the critical success factors being demographics, construction costs, land value, capitalisation rates and rents.

The purpose of this article is to explore the Build-to-Rent model as a tool to address the housing crisis in the United States.

The objectives of the article are to identify the main characteristics construction models for rental

housing in the USA, identifying trends in the relevant market by state, forming the advantages and disadvantages of implementing the model, risks and challenges for developers.

2. Results

The Build-to-Rent model emerged in response to the structural challenges of the housing market and the growing focus on private rental. This approach to real estate construction emerged from the interaction between public and private actors who created a favourable institutional context for implementing new tools and solutions to address the shortage of affordable, quality housing. The main impetus for the formation of the BTR model was the need to reconsider the mechanisms of housing ownership and management in the United States, where the idea for the model first emerged (Brill & Durrant, 2021).

Historically, the US housing market has been dominated by apartment buildings. However, since the financial crisis of 2008 and the subsequent deterioration in the financial situation of households, the proportion of single-family homes in the housing market has increased, as financially distressed homeowners have started renting out their properties, while institutional investors have begun investing in and leasing out properties (Muoneke, 2024). The 2007–2009 economic recession has led to a sharp increase in the proportion of households facing rent burdens (Colburn & Allen, 2018). The burden of rent, accounting for nearly half of the budget of those with moderate or low incomes, is an additional problem for renters in the US (Muoneke, 2024). From 2001 to 2020, rents increased by an average of 5% across states, reaching an average growth rate of 15% in 2019 (National and State Housing Fact Sheets & Data, 2014). As of June 2025, the average monthly rent was 2,069 USD (Home, n.d.). The affordability of rental housing ranges from 18.3% to 42.0% across US states (Divounguy, 2025). Due to the deterioration in households' financial situations, demand for newly built homes has significantly decreased and has not recovered (Muoneke, 2024). Additionally, the cost of housing in the United States increased from 158,000 USD in January 2021 to 367,000 USD in May 2025 (Divounguy, 2025). In consideration of this phenomenon, there has been an observable increase in the prevalence of the Build-to-Rent model. Concurrently, the rental housing

construction sector has experienced growth, thereby addressing the shortage of new housing supply in the US (Tenements-Definition, n. d.).

In response to the housing shortage and the increasing cost of maintaining homes in the United States, a new construction approach has gained popularity. Built-to-Rent (BTR) is a real estate development model primarily designed for single-family homes. It focuses on long-term rentals rather than sales.

Unlike in EU countries, where apartment buildings dominate, the BTR model in the USA is mainly implemented in the form of single-family rental (SFR)–individual houses or townhouses built solely for rental purposes. At the same time, BTR residential complexes are designed with apartment building amenities such as community centres, swimming pools, gyms and private parking. In most cases, BTR portfolios include closed complexes with individual houses, an area of 80-150 m² with a private territory (Build-to-Rent Residential Market Overview, n. d.).

Most BTR complexes contain 50 or more houses or townhouses, which operate in a similar way to apartment buildings. However, unlike apartment buildings, BTR buildings do not have additional superstructures and are usually owned by groups of investors who manage the complexes professionally (Build-to-Rent Residential Market Overview, n. d.).

BTR is a subsector of the wider single-family rental market, which encompasses various types of rental property owned by individual investors (Build-to-Rent Residential Market Overview, n. d.).

Compared to traditional or social housing, BTR rental housing differs in terms of ownership, target audience, access mechanisms, construction quality, infrastructure development, living flexibility, the financial burden on tenants due to higher average rents, affordability in states where the largest construction volumes are seen, and centralised management (see Table 1). These criteria form a distinct segment of the rental market, influencing its affordability for families.

Since 2019, the BTR (Build-to-Rent) model has shown impressive growth, particularly following the rebalancing of the housing market after the pandemic and the growing demand for flexible, long-term rental solutions. According to estimates from the U.S. Census Bureau's Building Survey, there has been an annual increase in new single-family BTR units, reaching 60,000 in 2021 and 90,000 in 2024 (Lautz, 2025). However, as the number of BTR units has increased, the proportion of single-family BTR units has grown from 5% in 2021 to 9% in 2024 (up from 10% in 2023) (Lautz, 2025).

In the United States, BTRs are defined as single-family rental communities, and their number has grown exponentially since 2020. All US states have

Table 1

Comparative characteristics of BTR, traditional housing and social housing models

Criterion	BTR	Traditional housing (purchase, sale)	Social housing
Form of ownership	Institutional ownership	Private property of individuals	State, municipal property
Target audience	Middle class, highly mobile population aged 30–49	Families with long-term residence plans	Low-income, socially vulnerable segments of the population
Access mechanism	Long-term lease (2–5 years)	Mortgage or one-time purchase	Waiting in line, subsidies, direct rental compensation
Construction quality	Medium, high	Variable (from old housing stock to new buildings)	Average, sometimes lower
Infrastructure	Developed (parking, common spaces)	Depends on the developer	Minimum
Accommodation flexibility	High (can be changed in 1–2 years)	Low	Limited
Financial burden	Fixed rent that increases at a faster rate than the average rent	Down payment, monthly mortgage, significantly higher than rental payments	Subsidized rent
Availability in US cities	Growth (about 5–9% in 2021–2024)	The most common form	Minor proportion, chronic deficiency
Management	Professional, centralized	Owner on his own	Through municipal housing authorities

Source: summarised by the author

experienced an annual increase in the number of BTR homes. Regional data shows a significant two-year increase in the Northeast, which now accounts for 13% of the total market compared to 3% in 2021. Growth in the Midwest increased from 5% in 2021 to 8% in 2024, while the increase in the Southern states was smaller, reaching 9%. Western states currently account for 7% of the market (Lautz, 2025).

The model's popularity has grown due to the shortage of affordable homes for sale. According to the National Association of Realtors, more than 5.5 million housing units will be needed by 2023 to meet current demand. This has led to an increased demand for renting as an alternative to buying.

BTR homes were affected by rising mortgage prices. Between 2022 and 2023, the average mortgage rate in the US exceeded 7%, which made home ownership unaffordable for much of the population, particularly Generation Z and Millennials.

The growing trend of remote working and flexible employment has increased labour mobility and stimulated demand for quality rental housing without long-term commitments (Build-to-Rent Residential Market Overview, n. d.).

Professional management provides operational efficiencies that distinguish BTR models from traditional rental property investment models. Unlike smaller companies or landlords, large asset management companies are typically involved in the management process. Consequently, rental prices are also higher (Build to Rent Communities, 2025).

According to Yardi Matrix, 14,500 BTR homes were constructed in the United States in 2023, with a further 25,000–30,000 planned for 2024. It is

estimated that the total number of rental housing units will reach 130,520 in 2024 (Build-to-Rent Homes Report, 2025). The states with the most active construction include Texas (particularly Austin, Dallas and Houston), Arizona (Phoenix), Florida (Orlando and Tampa), Georgia (Atlanta) and North Carolina (Raleigh and Charlotte). These regions are experiencing demographic migration and high demand from middle-income renters. The cities and states with the highest rental construction activity also have the highest rental prices (as of June 2025). For example, the average monthly rent in Texas is \$1,787, compared to 2,399 USD in Dallas, 2,255 USD in Houston, and 2,352 USD in Austin (see Table 2). In Florida, the average monthly rent is 2,374 USD, compared to 2,486 USD in Orlando, 2,471 USD in Tampa, and 2,106 USD in Jacksonville. In the second quarter of 2024, the average rent for a residential unit in BTR complexes reached 2,181 USD per apartment, reflecting the high-quality construction and developed infrastructure in the local area (Build to Rent Communities, 2025; Infographics, 2025).

Institutional investors such as Invitation Homes, American Homes for Rent (AMH) and Tricon Residential are actively expanding their BTR portfolios. As of 2023, more than 3% of new housing in the US will be built using the BTR model.

The implementation of the BTR model is based on two strategic approaches adopted by developers: an integrated model and a partnership model. The integrated model involves the developers financing, constructing, maintaining and managing facilities independently. This approach is common among large construction companies that set up subsidiaries to manage rental funds. In the partnership model, external funds are attracted

Table 2

The most active US states by number of new BTR facilities, 2023, 2025 years

State	Number of units in development	Cities with the most activity	Number of new housing units per BTR (estimate 2023)	Average rent (June 2025), USD
Texas	21,812	Austin, Dallas, Houston	5,300	1787
Arizona	14,000	Phoenix, Tucson	2,400	2061
Florida	14,000	Orlando, Tampa, Jacksonville	2,300	2374
Georgia	6,885	Atlanta	1,600	1720
North Carolina	–	Raleigh, Charlotte	1,200	1804
Tennessee	–	Nashville, Memphis	850	1850
Harmlessness	–	Las Vegas	780	2232
Utah	–	Salt Lake City	700	2327

Source: formed by the author on the basis (Build-to-Rent Residential Market Overview, n. d.; Build to Rent Communities, 2025; Infographics, 2025; Housing Data, n. d.)

from investors such as pension funds, municipal funds or trust investment funds. The developer then carries out the construction work and transfers the facility to an institutional lessor for management. A unified management system is a key element of both models, providing a single standard of technical maintenance, digital interaction with tenants, and the provision of additional services.

The results of the comparative analysis indicate that the BTR model has a number of advantages. These include stable living conditions for tenants thanks to long-term contracts of up to five years, high-quality services, developed infrastructure, transparent pricing and a focus on the middle classes. The introduction of the model enables the rental fund to be increased quickly without putting pressure on the sales market, while also introducing modern building standards and increasing the investment attractiveness of the territories. Given the high demand, investors receive stable income and the risks of capital loss are quite low, while the costs for advertising and selling apartments are minimal.

Despite its advantages, the Build-to-Rent model has several structural and social limitations. Firstly, there are financial barriers for investors and tenants alike, given the substantial construction costs involved (approximately 60 million USD per project). Secondly, the absence of state standards for rental housing quality or rent growth restrictions can result in market abuses. Thirdly, developing rental neighbourhoods in low-income areas can displace low-income groups and alter the social profile of the area.

Despite the significant advantages of the Build-to-Rent model, investors and developers face a number of risks and challenges when implementing it. The lack of a special legal status for the model in most US states leads to regulatory uncertainty, which complicates tax planning and makes it impossible to attract preferential financing to cover some of the development costs. Consequently, the cost of rent is higher. The presence of zoning restrictions in US states limits construction intended for rental properties in order to strike a balance between rental and sale properties. For example, 70% of residential land in Minnesota is zoned for single-family homes, compared to 77% in Portland, Oregon,

94% in San Jose, California, 75% in Los Angeles, California, 81% in Seattle, Washington, 85% in Sandy Springs, Georgia and 84% in Charlotte, North Carolina. Some communities are protesting against the Build-to-Rent model, citing the risk of large investors acquiring land and creating "rental ghettos". This could reduce social inclusion and make housing less affordable for vulnerable middle- or low-income groups.

The latest trend in construction for rental properties is the increasing popularity of hybrid models, where investors combine BTR with lease-to-own or "shared equity" models. This allows tenants to gradually transition from renting to owning their property. Integrating sustainable construction into the BTR model is becoming increasingly popular, with new complexes actively using energy-efficient materials and autonomous water supply systems. The BTR model is spreading beyond megacities to small towns, becoming an integral part of the planning of new suburban buildings.

3. Conclusion

A study of the Build-to-Rent model as a means of addressing the housing crisis in the United States reveals the rapid and consistent expansion of this sector within the residential real estate market. The main reasons for this growth were the shortage of affordable housing, creating demand for renting as an alternative to buying; rising mortgage prices; and the growing trend of remote working and flexible employment, resulting in increased labour mobility. The BTR model has several advantages, including stable living conditions, high-quality services and infrastructure, transparent pricing, a focus on the middle classes, and affordable rents. However, the implementation of the model can lead to structural and social restrictions due to financial obstacles, a lack of state standards for the quality of rental housing, regulatory uncertainty regarding the legal status of the model itself, zoning restrictions and limitations on development. This can result in a reduction in the level of social inclusion and further distort demand through the purchase of land for development. Further research should focus on developing ways to address these limitations.

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