



Single-Family Rental Investment Trends Report Q3 2026

Topics

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Operating Fundamentals Improve as Cap Rates Stabilize

Key Findings

- National SFR rent growth accelerated for a third consecutive month in June, reaching 2.9% year-over-year, while all 50 of the largest U.S. metros remained in positive territory.
- BTR construction continued to normalize from its 2024 peak but remained elevated by historical standards, accounting for 6.9% of single-family starts through the second quarter.
- SFR cap rates and debt yields stabilized in recent quarters after several years of upward adjustment.





State of the Market

The single-family rental (SFR) sector continued to demonstrate resilience through the first half of 2026, supported by firm operating fundamentals. Occupancy moved above its long-run average in the second quarter. At the same time, annual SFR rent growth strengthened for a third consecutive month in June and remained positive across all 50 of the largest U.S. metropolitan areas.

Capital market conditions also showed signs of settling. Cap rates held near 7.2% following several years of expansion, while debt yields remained essentially unchanged after climbing materially since 2022. However, acquisition activity among publicly traded SFR REITs slowed sharply in early 2026 amid heightened policy uncertainty surrounding institutional ownership of single-family rentals.

Homeownership affordability remained a powerful source of rental demand. According to the [Federal Reserve Bank of Atlanta](#), the median U.S. household needed to devote 43.4% of its income to housing payments to purchase a home as of May 2026. Financing hurdles and increasingly [measured views toward ownership](#) have extended the renter-to-owner transition period for young adults.

Build-to-rent (BTR) starts continued to normalize from a 2024 peak but held relatively steady through the first half of the year. [The 21st Century ROAD to Housing Act](#) became law in July 2026 with an exception for qualifying BTR programs, reducing a major source of uncertainty and preserving an important segment of new rental housing supply.

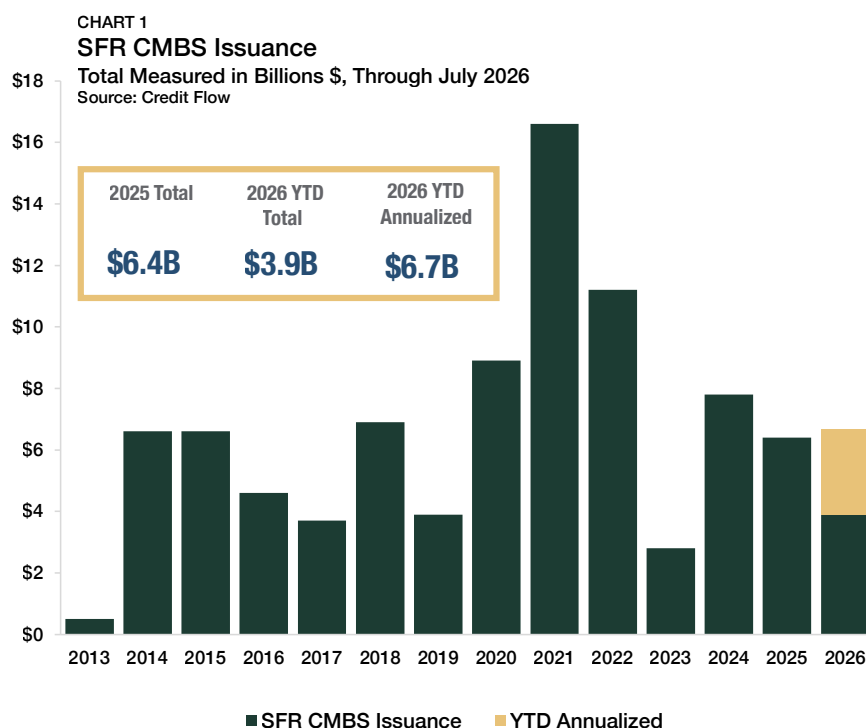


Performance Metrics

CMBS Issuance

Structured SFR capital markets activity remained steady through the first seven months of 2026. According to [CreditFlow](#), \$3.9 billion in SFR CMBS issuance was recorded through July, putting the sector on pace for approximately \$6.7 billion in issuance this year (*Chart 1*). If sustained, 2026 activity would rank slightly above 2025's \$6.4 billion total and broadly in line with the more normalized pace observed over the past several years.

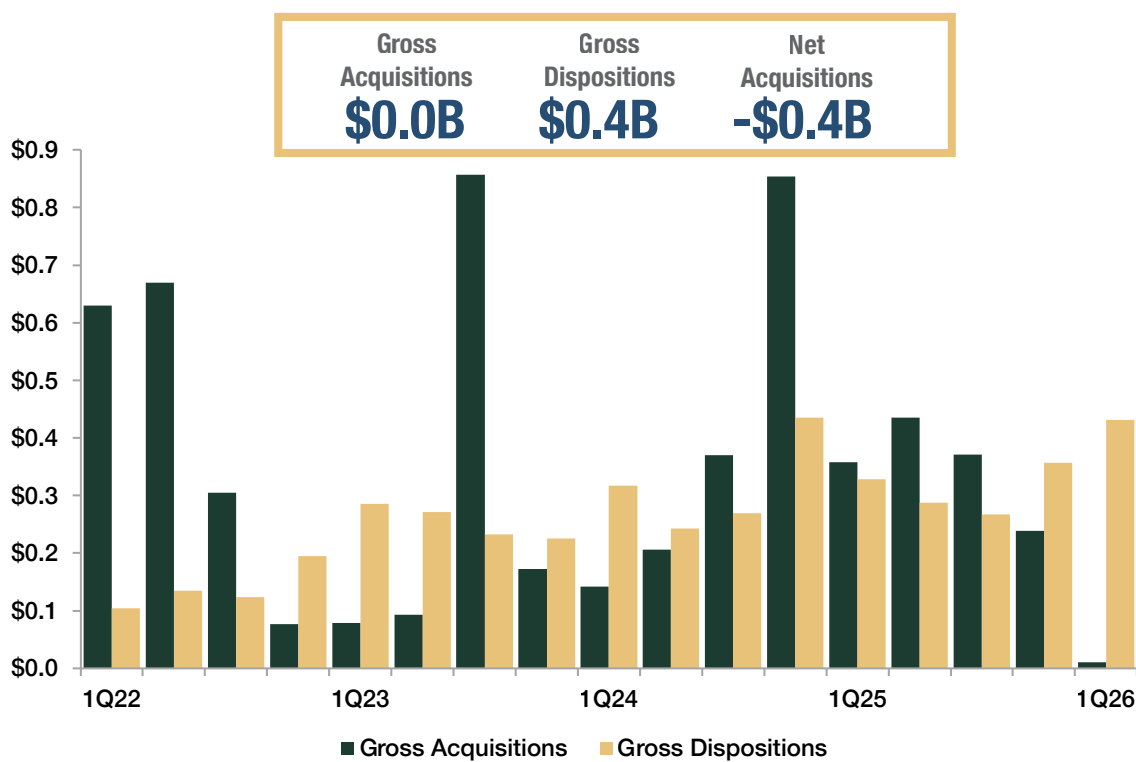
While SFR CMBS deal flow can vary significantly throughout the year, issuance has remained consistent following the sharp rebound from 2023's subdued levels. Overall, structured credit markets remain open and functional, with current activity reflecting a stable and disciplined financing environment.



REIT Acquisitions & Dispositions

Acquisition activity among publicly traded SFR REITs slowed sharply in the first quarter of 2026, the most recent period for which data was available. According to [Nareit's REIT Industry Tracker](#), gross acquisitions totaled just \$9.6 million, down from \$239 million in the prior quarter and the lowest quarterly total since the modern SFR REIT acquisition cycle began (*Chart 2*). At the same time, gross dispositions increased to \$431 million from \$357 million, resulting in net dispositions of approximately \$422 million during the quarter.

CHART 2
Acquisitions & Dispositions by SFR REITs
Through Q1 2026
Source: Nareit REIT Industry Tracker

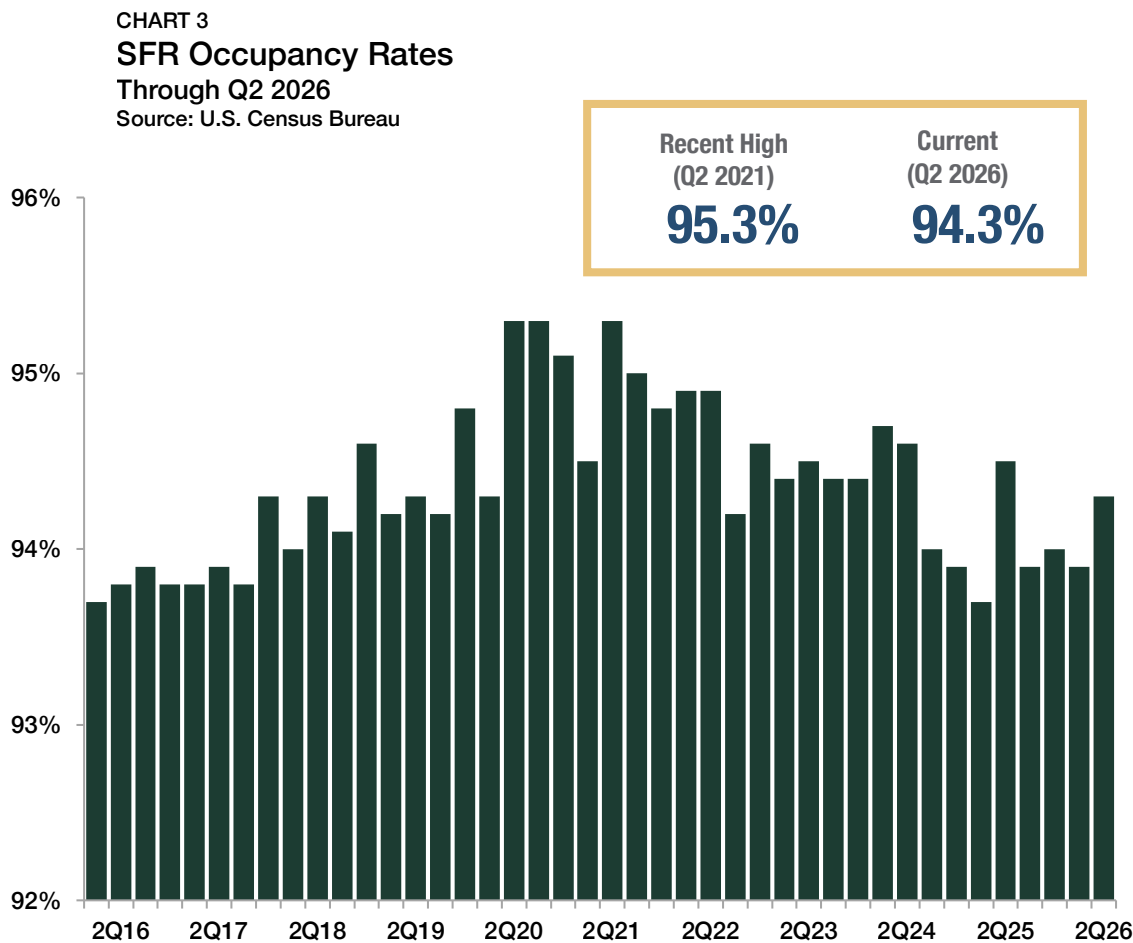


This pullback in financing activity coincided with heightened policy uncertainty surrounding institutional ownership of single-family homes. During the first quarter, federal proposals to restrict institutional purchases advanced materially, including within the ROAD to Housing Act, before the legislation was enacted. While transaction data cannot isolate the effect of policy measures on broader capital-market considerations, institutional operators also approached acquisitions more cautiously during this period of uncertainty.



Occupancy

According to an analysis of [U.S. Census Bureau](#) data, SFR occupancy rates averaged 94.3% in the second quarter of 2026, rising 0.4 percentage points from the previous quarter but remaining 0.2 percentage points below the same period last year (*Chart 3*). While occupancy remained below its recent high of 95.3% in 2021, the latest increase reinforces the sector’s continued stability.



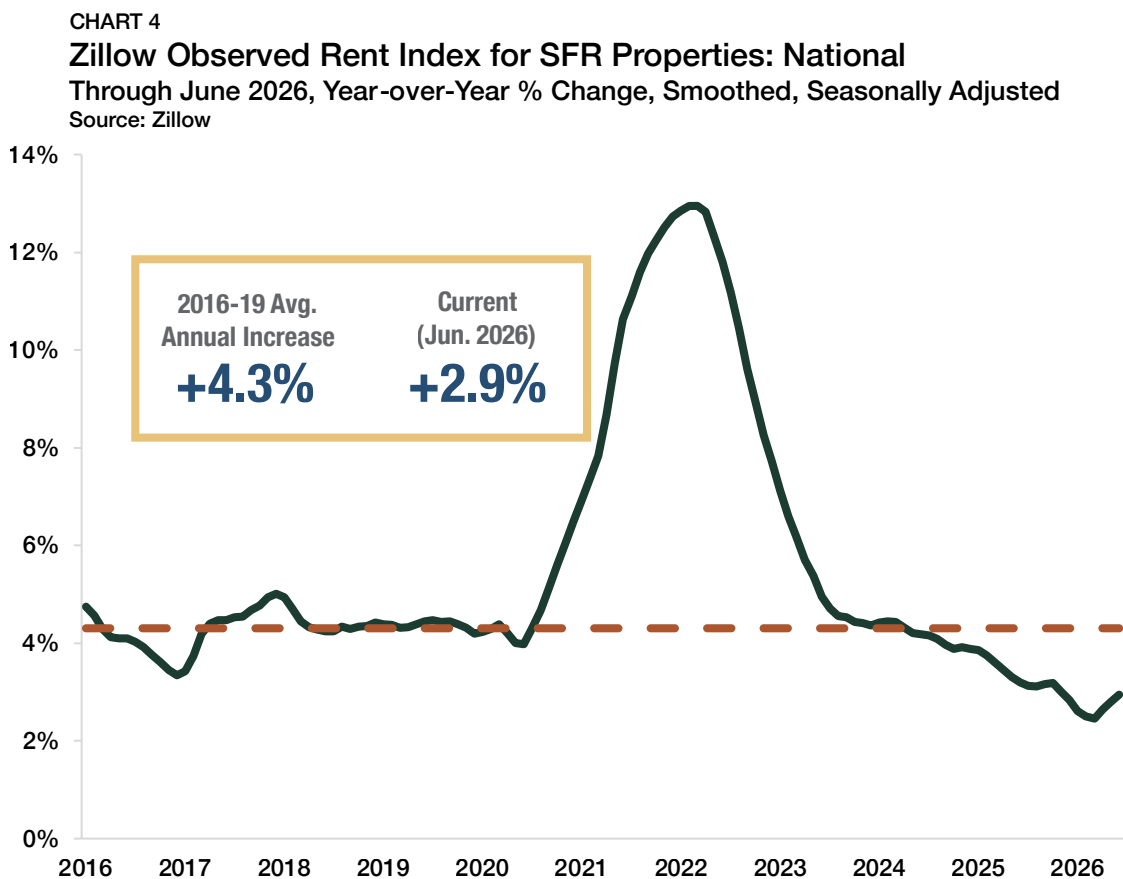
Between 2015 and 2019, SFR occupancy rates averaged 93.9%, placing the latest quarterly reading modestly above the pre-pandemic norm. Although occupancy has fluctuated over the past several quarters, current levels continue to point to a healthy demand environment supported by elevated homeownership costs and constrained affordability in the for-sale market.



Rent Growth: National

National SFR rent growth continued to reaccelerate through the second quarter of 2026. According to [Zillow's Observed Rent Index](#), rents increased 2.9% year-over-year in June (Chart 4), up from a recent low of 2.5% in March but still below the 2016–2019 average of 4.3%.

June marked the third consecutive month in which the annual growth rate increased and its strongest reading since November 2025. While rent gains remained moderate by historical standards, the recent improvement suggests that a prolonged deceleration that characterized much of 2024 and 2025 has begun to reverse. Demand for rental housing today remains supported by elevated mortgage rates and constrained for-sale affordability.



Rent Growth: Metros

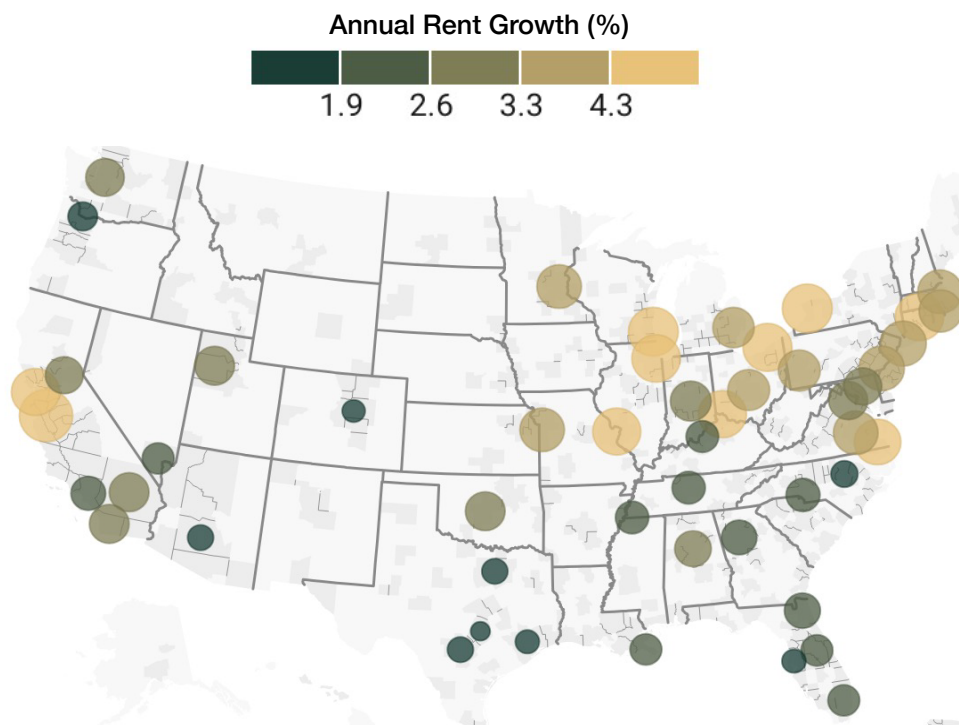
Among the 50 largest U.S. metropolitan areas, San Jose, CA, led annual SFR rent growth at 5.9% as of June 2026 (*Chart 5*). Buffalo, NY, and Milwaukee, WI, followed at 5.1%, while Cleveland, OH (+4.9%), Chicago, IL (+4.8%), and Hartford, CT (+4.8%) also ranked among the strongest-performing markets. More broadly, rent growth remained comparatively strong across much of the Midwest and Northeast, alongside several coastal California markets.

CHART 5

Annual SFR Rent Growth Across the 50 Largest U.S. Metros

Through June 2026, Data are Smoothed and Seasonally Adjusted

Sources: Zillow; Chardan Economics



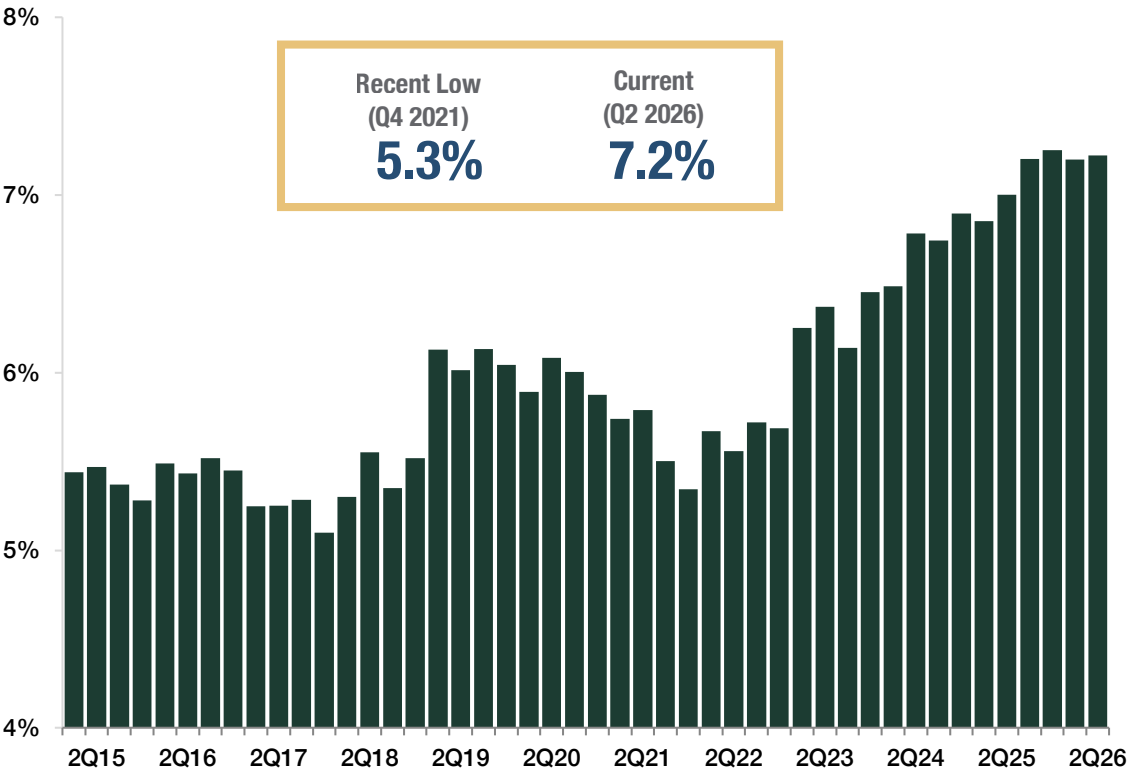
All 50 major metros continued to record positive annual SFR rent growth in June, extending the broad improvement observed earlier in the year. However, regional divergence remains pronounced. Several high-growth Sun Belt markets continued to trail the 2.9% national average, including Austin, TX (+0.6%), Denver, CO (+0.9%), Houston, TX (+1.0%), Tampa, FL (+1.0%), Dallas, TX (+1.2%), Phoenix, AZ (+1.2%), and San Antonio, TX (+1.2%).



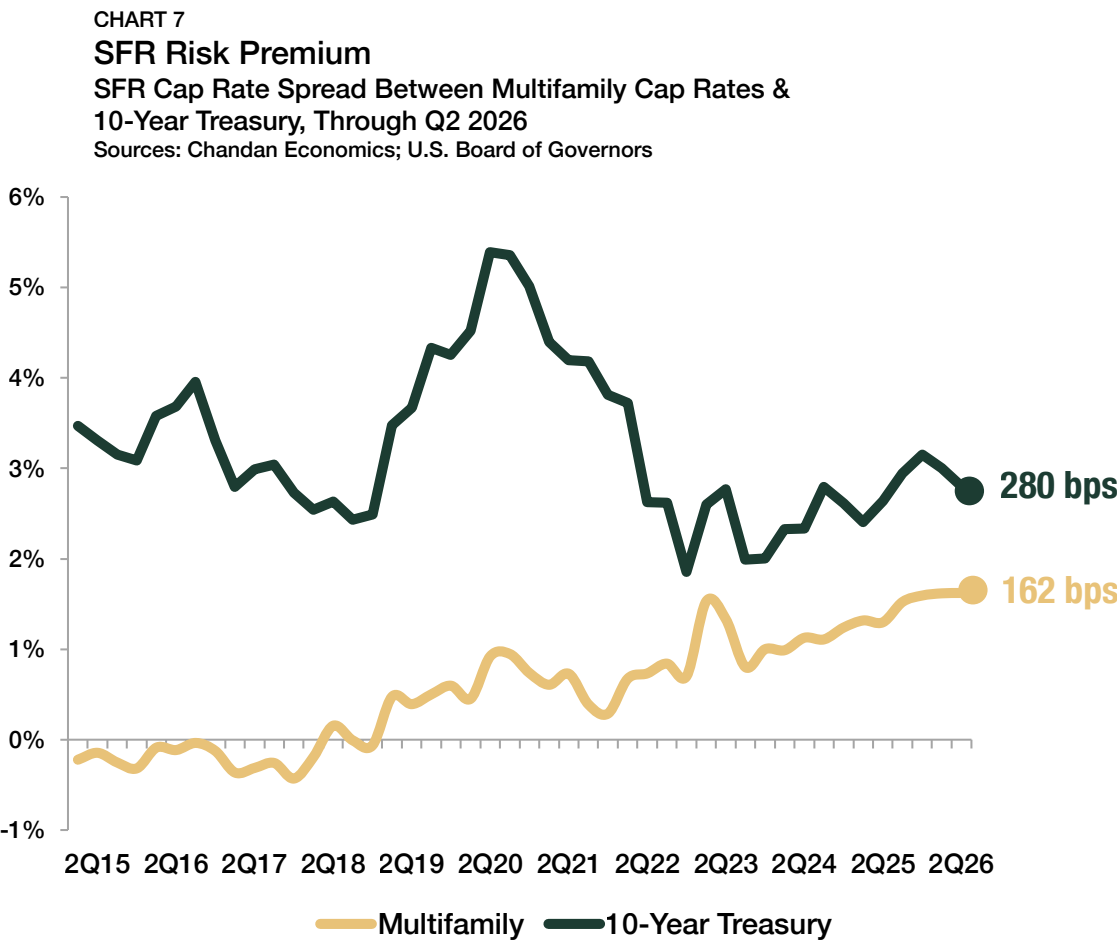
Cap Rates

SFR cap rates remained steady in the second quarter of 2026, edging up only two basis points (bps) to 7.2% (*Chart 6*). After a sustained repricing cycle that pushed cap rates materially higher over the past several years, recent readings suggest that the adjustment has begun to stabilize. Cap rates now stand roughly 190 bps above their recent low of 5.3% in the fourth quarter of 2021, supporting considerably stronger income yields relative to asset values.

CHART 6
SFR Cap Rates
Through Q2 2026
Source: Chandan Economics



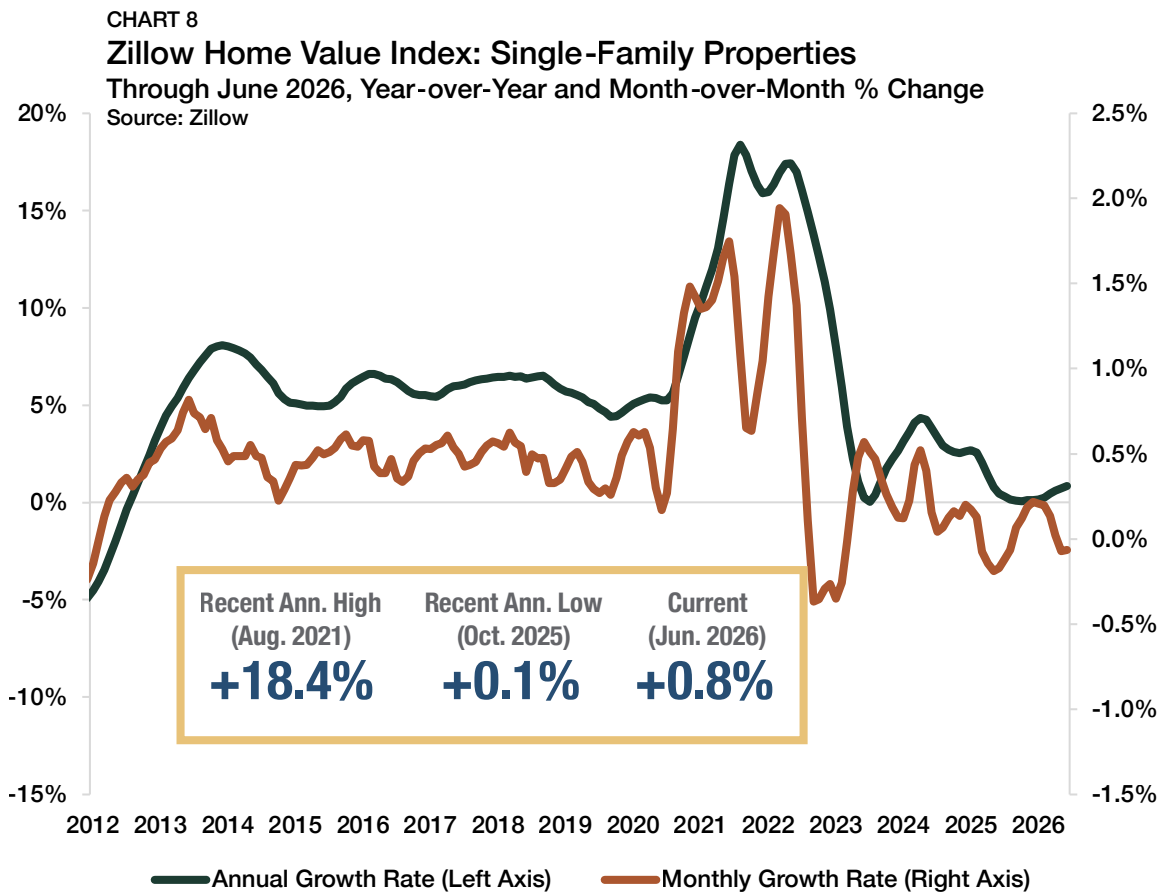
The spread between SFR cap rates and the 10-year Treasury yield — a proxy for the sector’s risk premium — narrowed to 280 bps in the second quarter (Chart 7), down from approximately 300 bps in the prior quarter as Treasury yields increased to an average of 4.4%. Meanwhile, the spread between SFR and multifamily cap rates held at approximately 162 bps for a second consecutive quarter. The SFR/multifamily cap rate spread has widened by more than 130 bps since late 2021, reflecting a broader rebalancing in relative yields between the two rental housing sectors. Its recent stabilization suggests that the relationship may be settling into a new equilibrium following several years of adjustment.



Home Prices

Measured year-over-year, single-family home values remained positive through June 2026, with appreciation continuing to firm from late-2025 lows. [Zillow's Home Value Index](#) shows the average U.S. single-family home value stood at \$372,995 — up 0.8% from one year earlier (*Chart 8*). While annual price growth remains subdued, the latest reading is the strongest since April 2025.

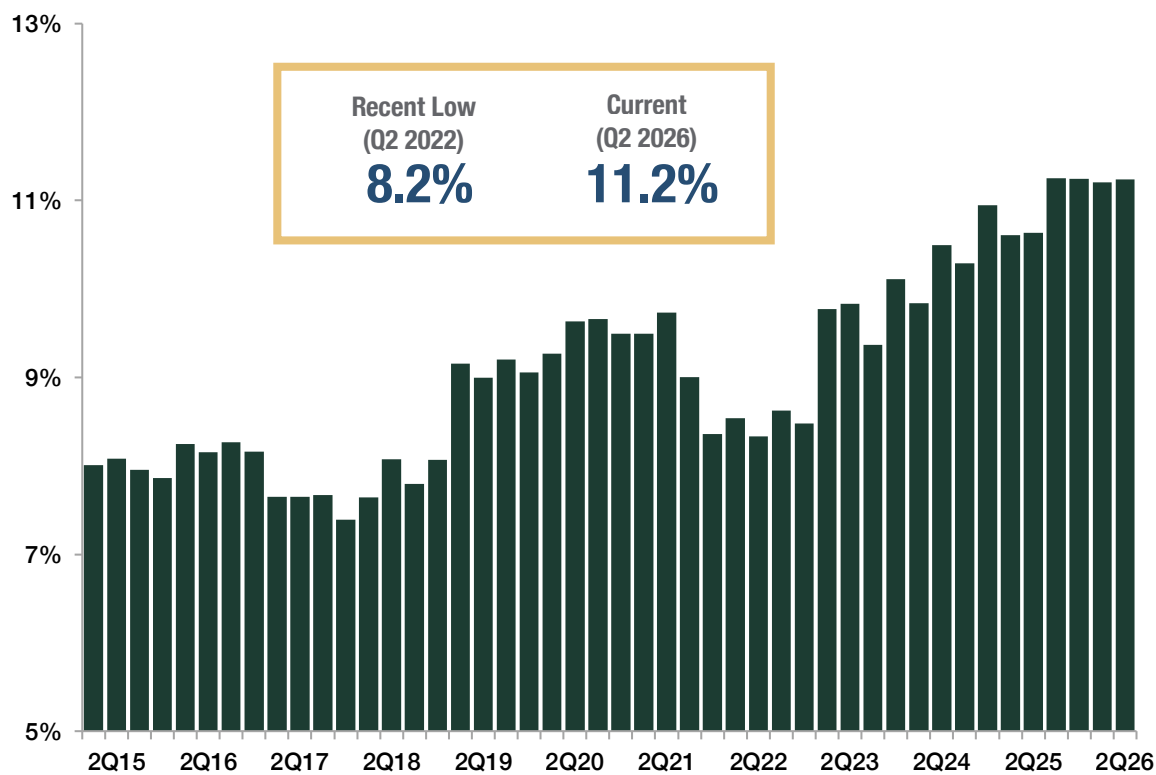
On a month-over-month basis, however, home values declined modestly in both May and June after eight consecutive months of increases through April. The declines were limited to approximately 0.1% in each month, pointing to continued softness rather than a deterioration of values. Elevated borrowing costs and affordability constraints continued to limit price momentum, leaving home values relatively stable even as annual appreciation gradually improves.



Debt Yields

SFR debt yields held steady in the second quarter of 2026, averaging 11.2% for a fourth consecutive quarter (*Chart 9*). Although the recent upward trend has leveled off, debt yields remain approximately 300 basis points above their recent low of 8.2% in the second quarter of 2022, reflecting the more conservative leverage and stronger cash-flow cushions that have characterized underwriting in recent years.

CHART 9
SFR Debt Yields
Through Q2 2026
Source: Chandan Economics



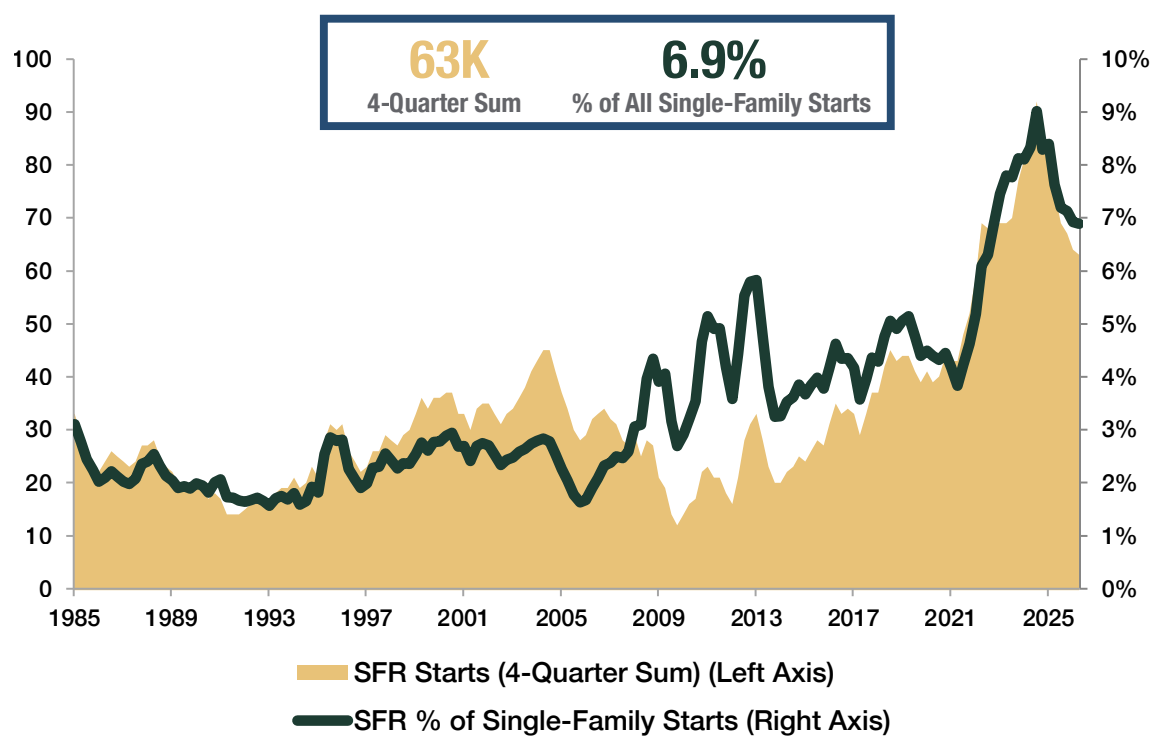
Investors obtained an average of \$8.90 of debt per \$1.00 of net operating income (NOI) in the second quarter of 2026, essentially unchanged from the prior quarter but down \$0.50 from one year earlier. The recent stabilization suggests that lending conditions are on firmer ground following several years of adjustment, though proceeds remain materially tighter than during the low-rate period.



Build-to-Rent (BTR)

BTR construction continued to moderate through the second quarter of 2026. In the four quarters ending in June, approximately 63,000 BTR units were started (*Chart 10*), down from 75,000 one year earlier and under a recent peak of 92,000 in the third quarter of 2024. Despite the short-term pullback, the latest annual total of units started remained higher than any year before 2022.

CHART 10
Single-Family Rental (BTR) Housing Starts
Measured as Rolling 4-Quarter Sum, Total Measured in Thousands,
Through Q2 2026
Sources: Chandan Economics; U.S. Census Bureau



Over the same period, BTR accounted for 6.9% of all single-family housing starts, down from 7.6% one year earlier and its 9.0% peak in 2024. While the sector continues to normalize from an exceptionally elevated development cycle, activity held relatively steady during the first half of 2026 despite a brief period of legislative uncertainty.

The sector’s resiliency may reflect confidence that purpose-built rental housing would remain protected as the ROAD to Housing Act moved through Congress. After months of uncertainty, the finalized law was enacted in July with qualifying BTR programs added as an exception to restrictions on institutional single-family purchases. With legislative protection in place, BTR activity has quickly rebounded.



Outlook

The SFR sector entered the second half of 2026 with improving operating momentum. National rent growth reaccelerated through June, occupancy improved in the second quarter, and home values remained relatively stable. Fannie Mae's August forecast expects the 30-year fixed mortgage rate to remain elevated and average 6.7% in 2027, while single-family construction is projected to remain subdued. These conditions should continue to constrain homeownership affordability and support rental demand.

The policy outlook is now also much clearer. The 21st Century ROAD to Housing Act became law in July, with restrictions on large institutional purchases scheduled to take effect 180 days later, while qualifying BTR programs

are not subject to these new restrictions. This distinction, which has been codified into law, should preserve development as an important channel for institutional SFR growth even as scattered-site acquisition strategies adjust.

At the household level, financing hurdles and more measured views toward homeownership continue to lengthen renter-to-owner transitions. Together, persistent affordability constraints and durable demand for SFR housing from lifestyle renters will continue to support the strength of the sector's longer-term outlook. ▀



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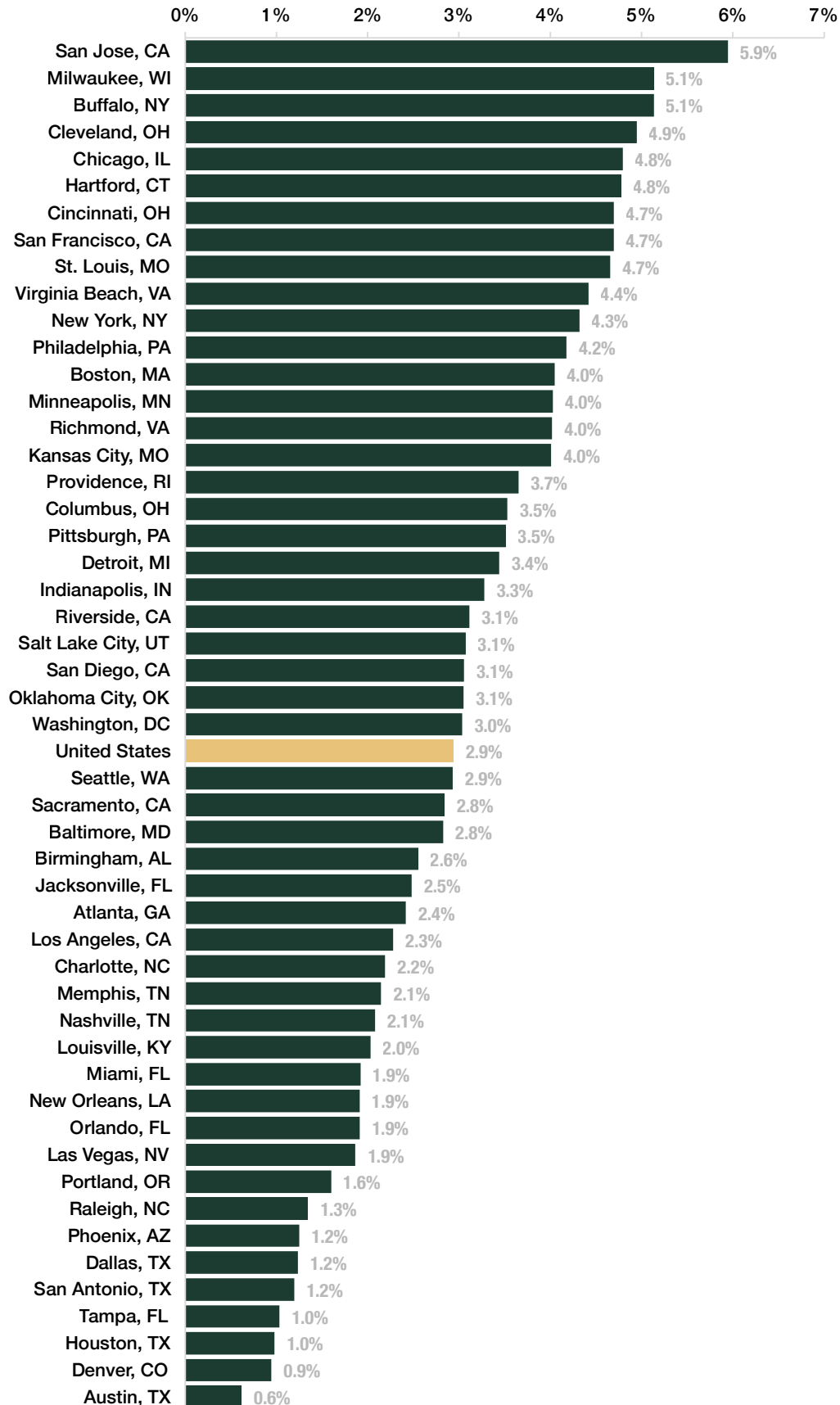
APPENDIX

APPENDIX

Zillow Observed Rent Index for SFR Properties: Metros

Through June 2026, Year-over-Year % Change, Smoothed, Seasonally Adjusted

Source: Zillow





About Us

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