The SFH Report 2025

2025

Knight Frank's review of the performance and opportunities in the Single Family Housing (SFH) rental sector.

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The quick take

From growing cross border appetite to the opportunity for more partnerships with volume and SME housebuilders, we highlight some of the biggest investment and development trends for SFH

DEFINITIONS:

Build to Rent (BTR): Institutionally owned private rental homes that are professionally managed and typically purpose-built.

Multifamily Housing (MFH): Flat-led BTR schemes in urban locations.

Single Family Housing: (SFH): Housing-led BTR schemes in suburban locations.

Co-living: Studio-led BTR schemes in urban locations.

1

Investment drives development

The big story over the last few years in BTR has been the growth of newer sub-sectors, specifically the growth in capital targeting SFH. More than £3.6 billion has been invested either acquiring or funding SFH since 2023, accounting for 38% of total BTR investment over this time. Last year, a record 31 SFH deals were completed nationwide, up 24% year-on-year and more than double the level in 2022. Due to this influx of investment, SFH is now coming forward in 132 local authorities across the UK, supported by a growing body of evidence that SFH can succeed in a wide range of markets. There are now 14,353 complete and operational SFH homes across the UK, within 212 schemes. The future delivery pipeline has also grown, with 11,262 SFH units currently under construction, and a further 8,212 with full planning secured, led regionally by the South East. SFH now accounts for a fifth of the total BTR homes currently under construction.

24%

year-on-year growth in UK SFH deal volumes in 2024

2

Global capital inbound

The next phase of investment will see a more diverse pool of global capital look to enter the sector, mirroring the evolution of the multifamily market in the UK. While this will continue to be led by North America, appetite from European players and Asia Pacific is growing. Our survey of 60 of the largest investors across the UK Living Sectors flagged SFH as the biggest growth area over the coming five years, with 71% of respondents saying they plan to target the sector over that time, up from 41% invested today. Of those planning to invest, 29% are backed by capital from across Europe, Asia Pacific or the Middle East.

£1.06bn

of cross border capital invested in SFH in 2024, up 45% year on year

3

Route to scale

The size of the opportunity within SFH is huge. Some 3.1 million renters already live in suburban locations across the UK, yet just 0.2% of current privately rented homes are operated by SFH investors. Based on current population and tenure distribution figures, and applying our projection that at full maturity the BTR sector has the potential to account for at least 30% of all privately renting households, that equates to the ability to absorb more than 1 million SFH homes. Over time, the market potential will increase in line with population growth and shifts in tenure distribution. Given the size of the demand pool, SFH delivery is expected to overtake multifamily. Getting there will require investors to partner with both volume and SME housebuilders who hold the key to large-scale delivery. As the sales market picks up, we expect to see a continued appetite from both housebuilders and investors forward funding deals. With land being paid for up front and construction costs fully funded, this strategy is most accretive to housebuilders' financial performance.

1m

SFH homes could be absorbed based on current population and tenure distribution figures, accounting for 55% of the total BTR sector

4

Shrinking PRS

Despite an uptick in SFH investment and development, the private rented sector continues to be characterised by a significant shortfall between supply and demand. In Q4 last year, there were 26% fewer homes listed to rent across the UK compared to the 2017–19 average. This lack of supply has been seen across the whole market but has been most prevalent for houses. Overall, the number of houses listed for rent was down 29% in Q4, whilst two, three, and four-beds were down 38%, 31% and 24%, respectively. Data from the National Residential Landlord's Association suggests that 46% of landlords intend to sell properties within the next 12 months, up from 31% at the beginning of last year. SFH can help to replace some of these homes being lost from the rental market, though current rates of delivery aren't making a dent. For investors and operators that means a period of above average rental growth, as well as strong occupancy and lease up in existing and new schemes.

46%

of private landlords say they intend to sell properties within the next 12 months

5

Housebuilder partnerships

Single family housing has the potential to play a pivotal role in helping meet the government's ambitious housing targets by adding much-needed additionality to supply. Across England, our analysis has identified over 1 million private plots on over 9,000 housing-led sites which are currently under construction or at some stage of planning. Within that, the greatest share of plots are being delivered on large sites of 500 homes or more (434,405 plots), with an average size of 807 units. Assuming, a sweet spot for institutional investors of around 125 units on a site (though bigger and smaller requirements exist), that leaves potential for more than 70,000 SFH units to be added to the sector from large sites alone. Large sites are not the only source of SFH supply. There is potential for a further 415,524 SFH plots on small to medium sized sites, our analysis shows. While not all will be suitable, or available, to investors, it highlights the huge potential for SFH supply just from sites which are already in the planning pipeline. Partnerships with housebuilders will be key to building this scale.

488,679

potential SFH delivery from plots within the existing pipeline

Hot property

The UK's single family housing market is attracting unprecedented investor interest. Capital allocations are rising sharply in response to its strong performance and long-term growth potential. As demand outpaces supply, the sector continues to offer compelling returns and resilience.

Single Family Housing (SFH) has cemented its position as a key component of the Build to Rent market, accounting for nearly 40% of total BTR investment by value over the past two years.

What was once a niche asset class dominated by a small number of investors and operators, SFH is now attracting more institutional capital, from pension funds to private equity-backed players, many of which also remain active across the multifamily market.

For many, SFH is the obvious next step as the BTR sector moves into its next phase of growth, offering diversification into an asset class that benefits from many of the same structural tailwinds and defensive qualities as urban multifamily, but with an extremely large target market and potentially quicker route to realising income and scale.

Around 60% of private renters in the UK already live in houses. Many of them are renting for longer and until later in their lives given affordability and supply constraints in the sales market; almost a third have been at their current address for more than five years.

"A record 31 SFH deals were completed in 2024, more than double the level in 2022. SFH has gone from just 2% of total BTR deal volumes in 2020 to 43% in 2024."

Meanwhile, higher mortgage rates and a shifting tax and regulatory landscape have prompted many private landlords to rationalise their portfolios, putting further pressure on the availability of rental homes.

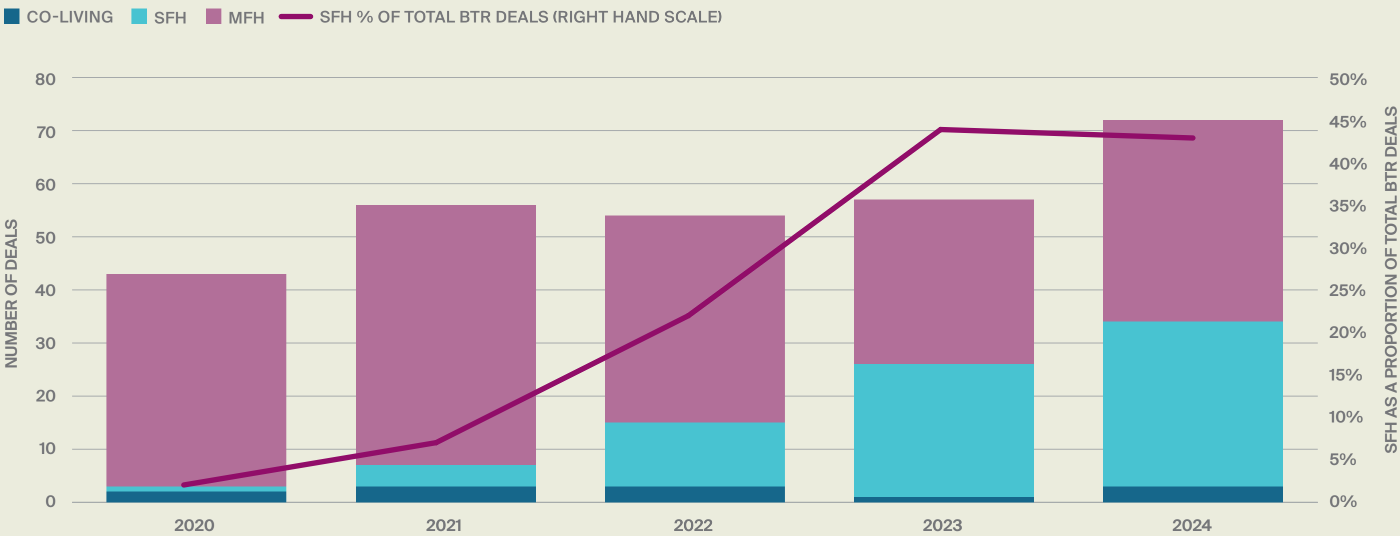
Few sectors enjoy tailwinds like these. Institutional investors are responding. More than £1.8 billion was spent acquiring or funding SFH in 2024, following a record £1.9 billion outlay 2023. Since 2020, around £4.4 billion has been deployed into the sector.

BUILDING SCALE

Investors need scale and housebuilders, who hold the key to delivery, have been through a challenging period. As a result, partnerships have emerged as the main route to market for SFH investors to achieve scale quickly, with more housebuilders looking to weave SFH into their business models. Persimmon, for example, completed 1,456 bulk sales to investors in 2024, up from 780 in 2023 and expects sales to institutional investors will contribute around 10-15% of its future volumes.

Fig 1: Single Family Housing takes a greater share of investment

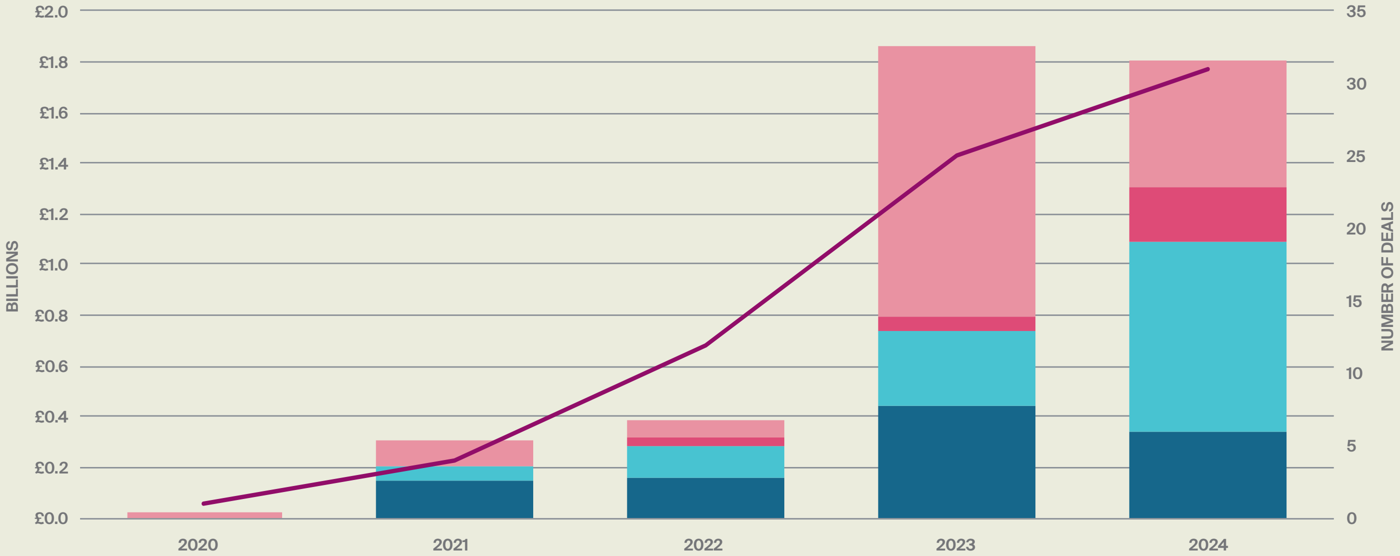
Number and proportion of BTR deals



Source: Knight Frank Research

Fig 2: More than £4 billion invested in UK single family housing market since 2020

£, billions spent funding or acquiring single family housing



Source: Knight Frank Research

The result has been a number of large transactions involving multiple sites and across a number of phases of development. Since the end of 2023, Vistry and Blackstone-backed Leaf Living agreed deals to deliver over 3,000 SFH homes across multiple sites.

Alongside these large portfolio transactions there have been a growing number of single-site sales, including from new entrants to the market. Knight Frank advised Invesco on its Beaulieu Park deal last year, and acted for Barratt on Kennedy Wilson's first deal in the sector. In 2024 alone, Kennedy Wilson and CPP invested more than £200 million across four deals which will deliver around 900 single family homes.

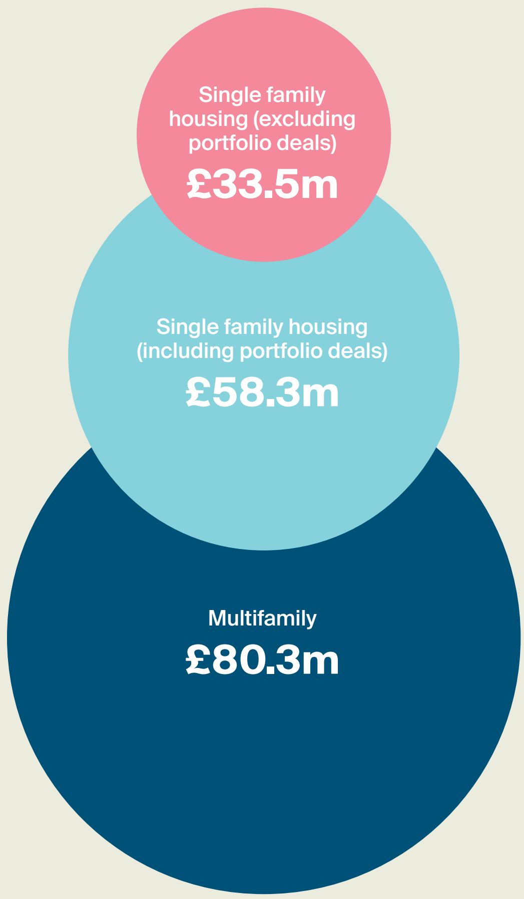
Consequently, last year, a record 31 SFH deals were completed, though some of these involved multiple sites, up 24% year-on-year and more than double the level in 2022. SFH has gone from just 2% of total BTR deal volumes in 2020 to 43% in 2024. The average deal size was £58 million, compared with £80 million for multifamily, though this drops to £33 million for single-site sales.

Inevitably, though, the sales market will strengthen – particularly as interest and mortgage rates continue to fall. That means that, while a number of housebuilders have committed to multi-tenure models, the appetite to do large multi-site deals may lessen. Our expectation is that more single-site fundings will take place as a result. It is also likely to lead to a narrowing of the current discount to market value housebuilders are willing to accept (typically 5-15%).

"Partnerships have emerged as the main route to market for SFH investors to achieve scale quickly, with more housebuilders looking to weave rental housing into their business models."

Fig 3: Average deal size

2024, millions



Source: Knight Frank Research

FUND OR COMMIT?

In 2024, 48% of SFH transactions were forward commitments, up from 24% in 2023 and equal to the number of forward funds agreed over the year. Just 3% of the number of deals were for stabilised portfolios. An increase in forward commit deals comes amid ongoing challenges in the sales market for housebuilders, as well as a desire among investors to defer costs and share risk while financing costs remain elevated.

BUILDING THE PIPELINE

Due to the significant influx of investment, SFH is now coming forward in 132 local authorities across the UK, with a growing body of evidence that SFH can be delivered in a wide variety of markets.

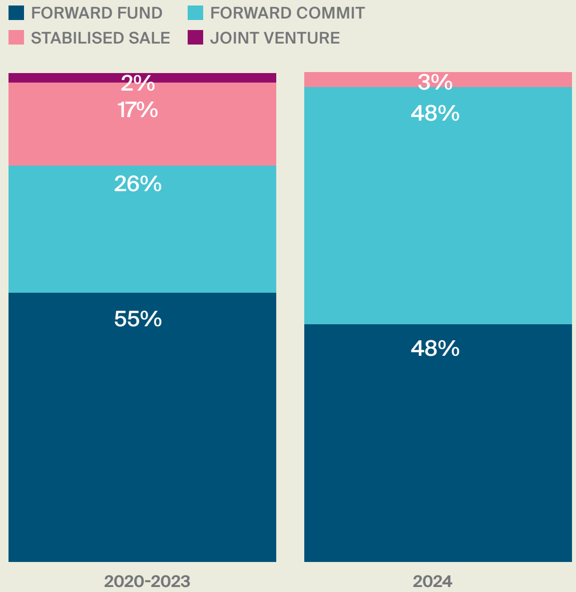
This geographic expansion has been supported by improved viability of markets in the south of England, where housing need is greatest, combined with investors seeking geographically diverse schemes in order to have balanced portfolios. Indeed, last year 71% of total SFH spend was targeted at the South East and East of England, up from nothing in 2021.

As new investors enter the space and as investment continues to grow – including the trading of more geographically diverse stabilised portfolios – we expect SFH development will emerge in even more high-growth suburban markets across the South East, East Midlands, East and West Midlands.

"As new investors enter the space and as investment continues to grow, we expect SFH development will emerge in even more high-growth suburban markets across the South East, East Midlands, East and West Midlands."

Fig 4: Rise in SFH forward commit deals in 2024

As a % of total deal volumes



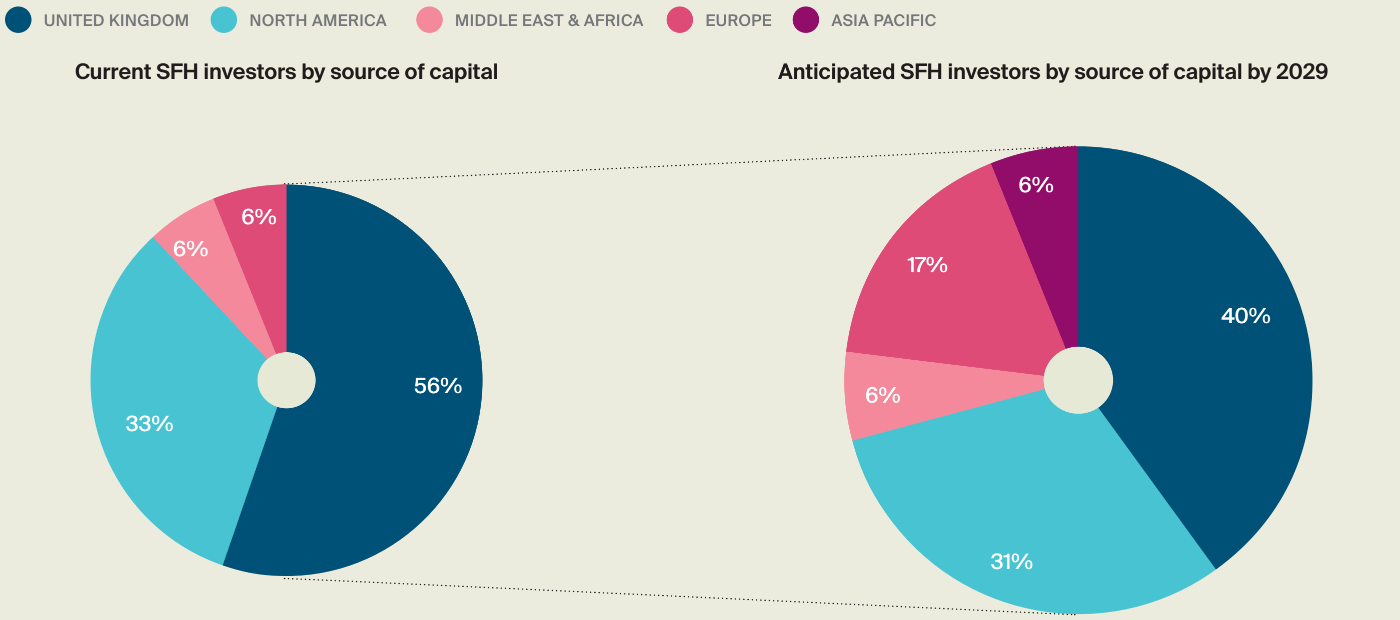
Source: Knight Frank Research
NB: Numbers are rounded so may not add to 100%

THE NEXT WAVE OF CAPITAL

This growth trajectory is expected to continue. Our survey of 60 of the largest investors across the UK Living Sectors flagged SFH as the biggest growth area over the coming five years, with 71% of respondents saying they plan to target the sector over that time, up from 41% invested today.

Fig 5: SFH going global

% of respondents currently invested and anticipated to be invested by 2029, by source of capital



Source: Knight Frank Research, NextGen Living Survey 2025
NB: Numbers are rounded so may not add to 100%

Investment to date has largely been driven by domestic and North American players, though the expectation is that this will widen – mirroring the evolution of the multifamily market. Last year, for example, Long Harbour secured a £300 million equity commitment from South Korea's National Pension Service (NPS) for its Single Family Housing venture. Indeed, of the respondents to our survey who said they planned to have invested in SFH in the UK by 2029, 29% are backed by capital from across Europe, Asia Pacific or the Middle East.

71%

of respondents to our NextGen Living survey of 60 of the largest investors currently active across the UK Living Sectors said they plan to target single family housing over the coming five years, up from 41% invested today

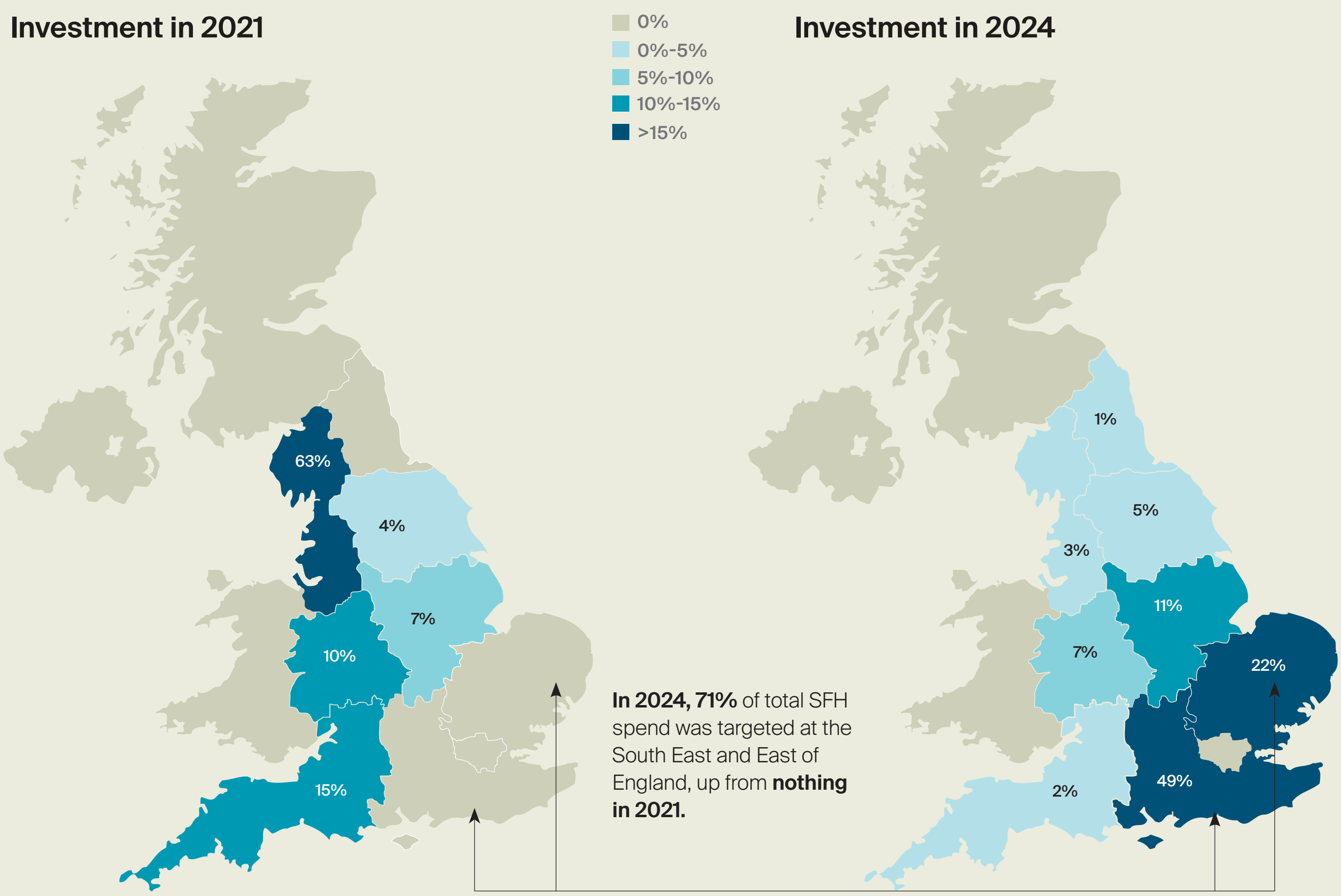
First deals from new entrants in 2024

NAME	INVESTOR	VENDOR	LOCATION	UNITS	DEAL STRUCTURE
East Anglia Portfolio	Kennedy Wilson	Barratt	Norwich	121	Forward Commit
Beaulieu Park	Invesco	Hopkins Homes	Chelmsford	99	Forward Fund
Persimmon Portfolio	Gatehouse/Greykite	Persimmon	Midlands/South West England	200	Forward Commit

Advised by Knight Frank. Source: Knight Frank Research

Fig 6: Geographically diverse: SFH investment moves south

% of total investment into Single Family Housing



Source: Knight Frank Research

Reshaping the landscape

Single family housing caters to a wider tenant pool than urban build to rent, and it can be delivered in more locations. In time, delivery is expected to overtake multifamily. Below we assess where the market has got to and ask what the size of the opportunity might be?

Of the 6.2 million households across the UK who rent privately, a substantial 3.1 million already live in suburban markets – where SFH is concentrated. Only 14,353 of those suburban households are currently served by institutionally-owned SFH products, with most existing supply located in the North West.

Indeed, at this moment in time, institutional penetration rates in the single family market are fractional; just 0.2% of privately rented homes across the UK are operated by institutional SFH investors, only rising to 0.4% if what is under construction is also included. These figures indicate the immense opportunity for growth.

Based on current population and tenure distribution figures, and applying our projection that at full maturity the BTR sector has the potential to account for at least 30% of all privately rented households, that equates to the ability to absorb more than 1 million SFH homes. Over time, the market potential will increase in line with population growth and shifts in tenure distribution. Given the size of the demand pool and ability to deliver into a greater proportion of markets, SFH delivery is expected to overtake multifamily.

Complete SFH units

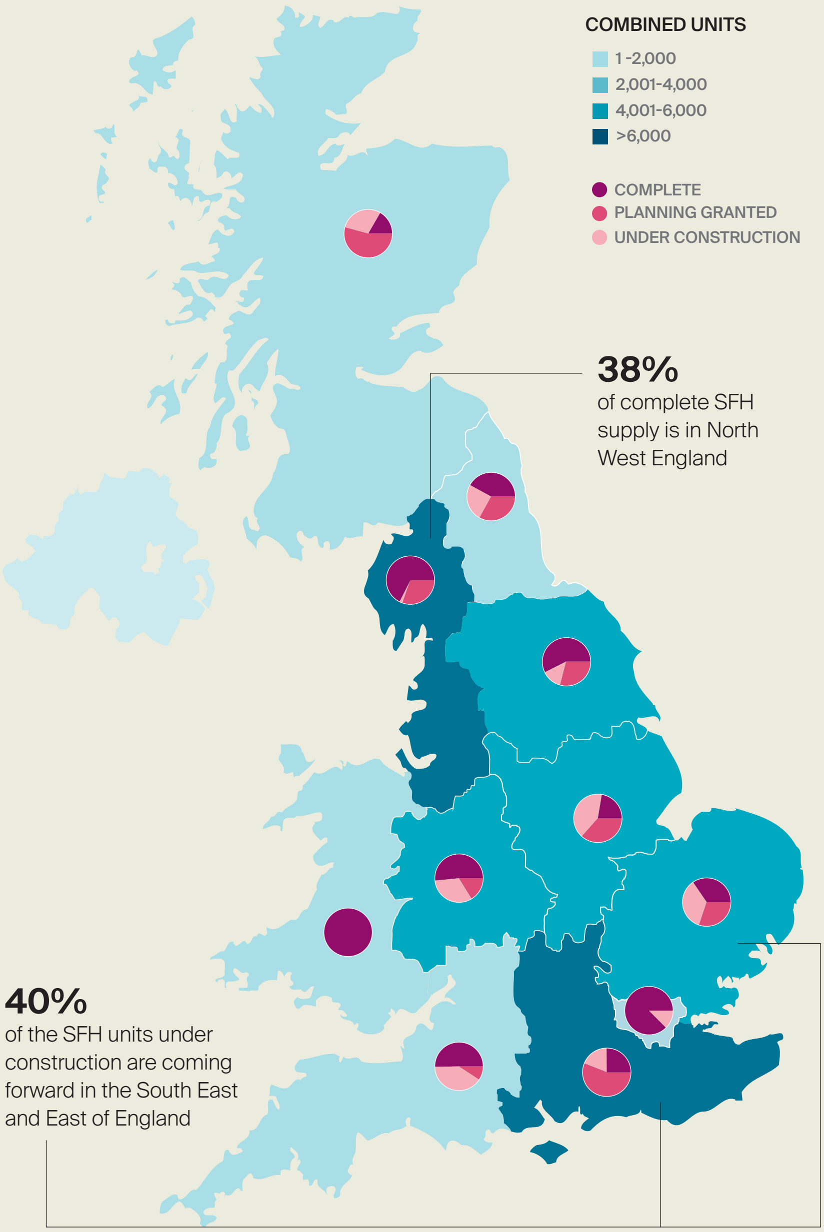
14,353

SFH units in the pipeline

19,474

Fig 7: Shifting delivery: Single Family Housing coming forward in more geographies

Current and pipeline supply



Source: Knight Frank Research

SUPPLY SHOCKS

Clearly, the fundamentals for increasing investment remain strong. Twelve months have passed since our last Single Family Housing report, over which time an additional 45 SFH schemes have become operational across the UK, delivering a record 2,835 homes.

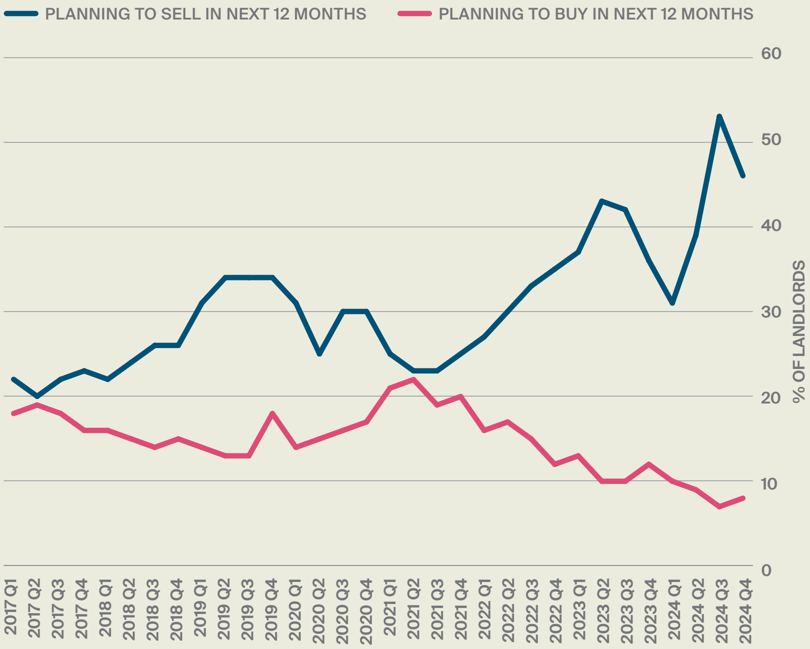
At the same time, the planning pipeline has continued to grow. There are now a further 19,474 SFH homes either under construction or with full planning. A fifth of the total BTR homes currently under construction are SFH developments.

Yet, despite this significant uptick in investment and development, it has barely made a dent in the huge shortage of supply relative to demand across the private rented sector. In Q4 last year, there were 26% fewer homes listed to rent across the UK compared to the 2017–19 average.

This lack of supply has been seen across the whole market but has been most prevalent for houses. Overall, the number of houses listed for rent was down 29% in Q4, with two, three, and four-beds down 38%, 31% and 24%, respectively.

Fig 9: Nearly half of private landlords planning to sell

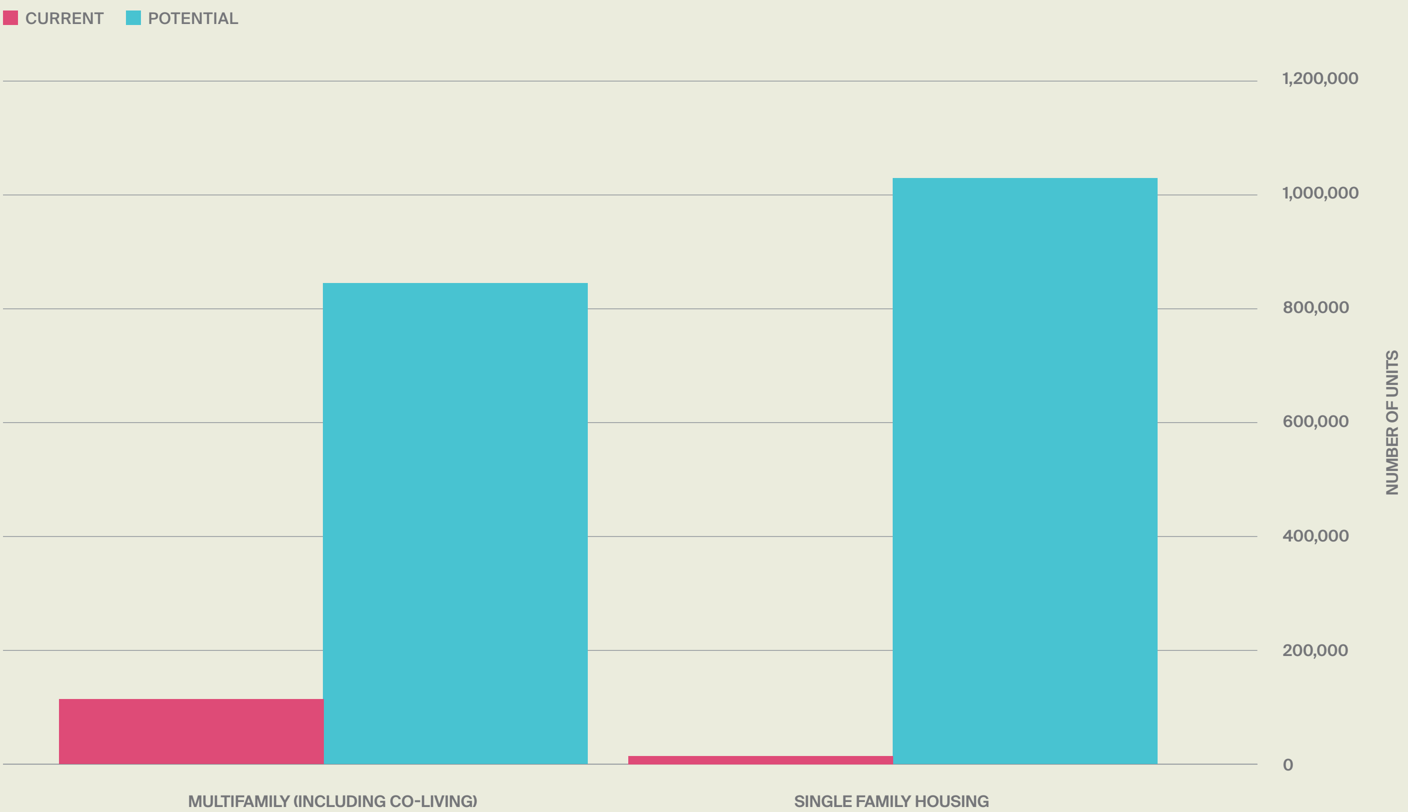
Buy/sell intentions over the next 12 months



Source: NRLA

Fig 8: BTR potential supply by sub-sector

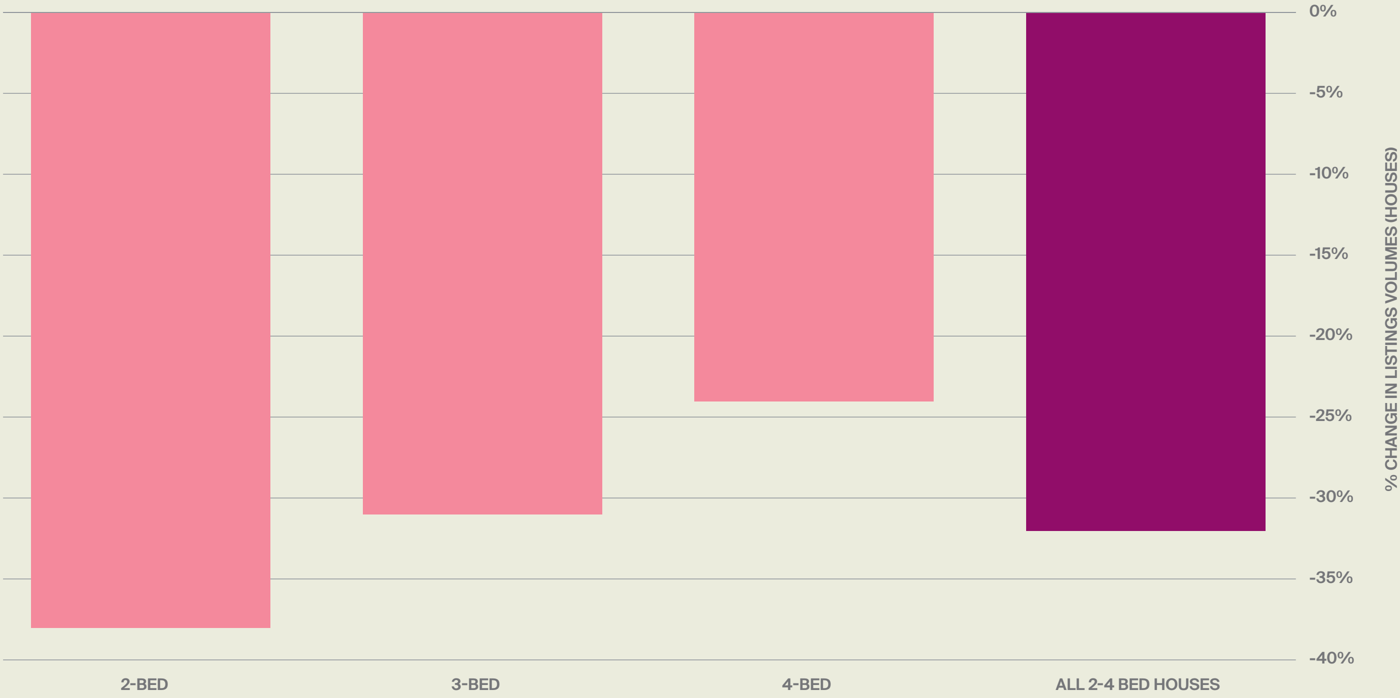
Number of complete units at maturity not accounting for population growth or shifts in tenure distribution, assuming a 30% BTR market penetration rate



Source: Knight Frank Research, Experian

Fig 10: Fall in available supply of rental houses

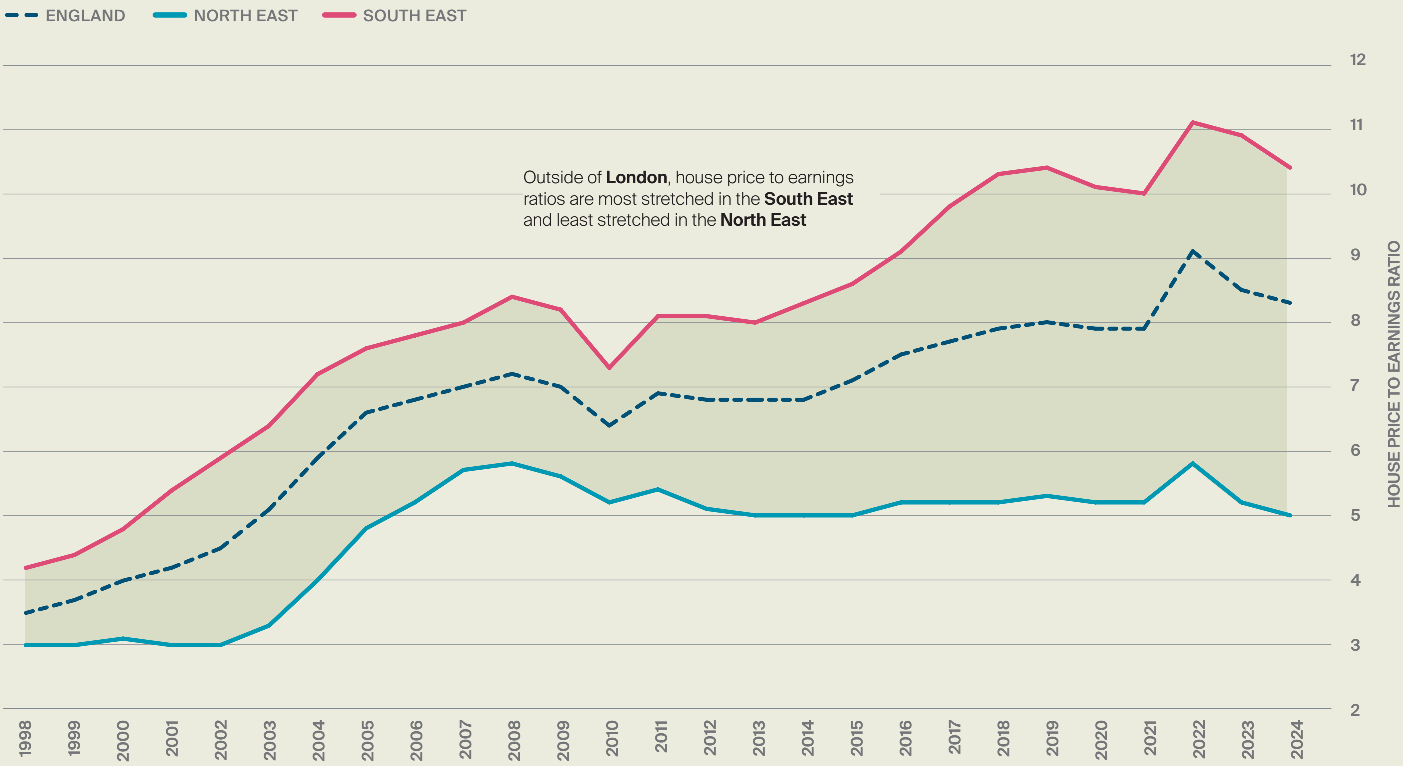
Number of listings in Q4 2024 vs 2017-19 average



Source: Knight Frank Research, Rightmove

Fig 11: Buyer affordability is stretched

Spread of house price to earnings ratios by region



Source: Knight Frank Research, ONS

> “Upcoming policy changes strengthening tenant rights and the proposed introduction of minimum energy efficiency standards are expected to result in a further increase in private landlord sales.”

There are various reasons for the reduction in supply. The ending of tax relief for buy-to-let mortgages, stricter lending criteria for landlords, proposed changes to environmental regulations, incoming legislation strengthening renter’s rights, and higher interest rates have all resulted in some landlords exiting the sector.

SFH CAN HELP FILL THE GAP

The reality is that any imbalance between rental supply and demand is likely to get worse before it gets better. Upcoming policy changes are expected to result in a further increase in landlord sales.

Data from the National Residential Landlord’s Association suggests that 46% of private landlords intend to sell properties within the next 12 months, up from 31% at the beginning of last year. The share of private landlords saying that they intend to buy more properties stands at just 8%.

The flip side is that rental demand remains high. Inflationary pressures and policy impacts have intensified affordability constraints in the sales market – the median house price to earnings ratio in the South East stands at 10.4x, for example, well above the 4.5x loan-to-income maximum for mortgage lending.

The result has been an increase in demand for good quality rental housing from long-term renters.

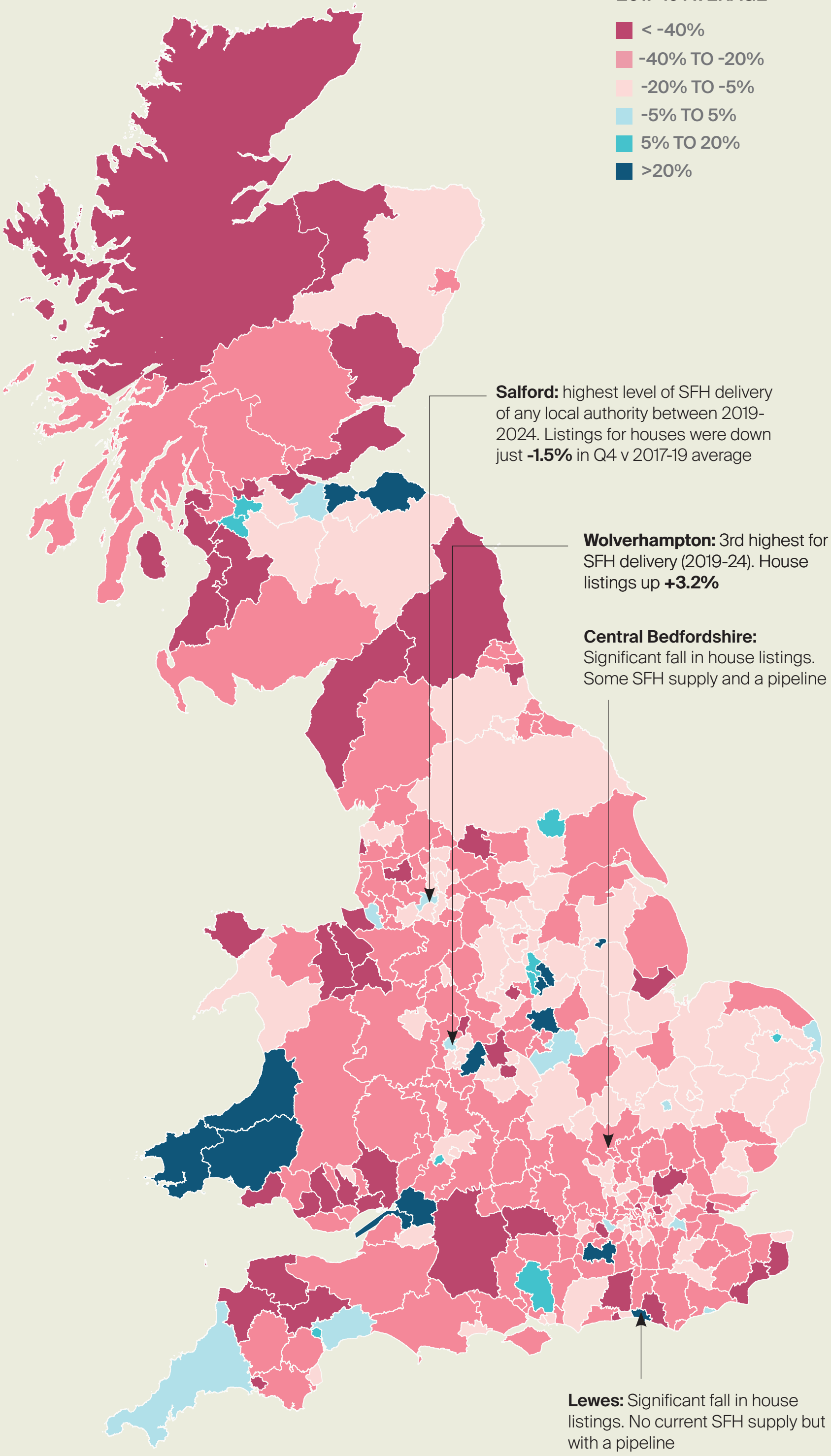
Ultimately, this ongoing imbalance between supply and demand will continue to underpin rents for houses, which have risen by 42% on average across the UK over the last 12 months.

46%

Data from the National Residential Landlord’s Association suggests that 46% of private landlords intend to sell properties within the next 12 months, up from 31% at the beginning of last year

Fig 12: Change in available supply of rental houses by local authority

Number of listings in Q4 2024 vs 2017-19 average



Source: Knight Frank Research

Building partnerships

Single Family Housing has the potential to play a pivotal role in helping meet ambitious housing targets. Partnerships with housebuilders will be key to achieving this. Where is the opportunity?

The government has put forward ambitious targets for housebuilding over the next five years, reaffirming its commitment to support the delivery of 1.5 million homes. Getting there won't be easy. New housing delivery continues to disappoint. Some 217,567 new homes were completed in 2024, according to Energy Performance Certificate (EPC) data; more than 150,000 homes short of the government's new 370,000 homes a year target.

At the same time, forward looking indicators for supply look depressed. Last year, new construction starts across the UK dropped to their lowest level since the Global Financial Crisis, while permissions for new homes fell to their lowest level in a decade late last year.

This raises an important question: who will fund and build the 1.5 million new homes? New models of housing delivery are needed, with a multi-tenure approach critical to accelerating housing delivery.

This presents an opportunity for institutional investors to play a more significant role in housing development, particularly as more housebuilders look to incorporate multi-tenure approaches within business models.

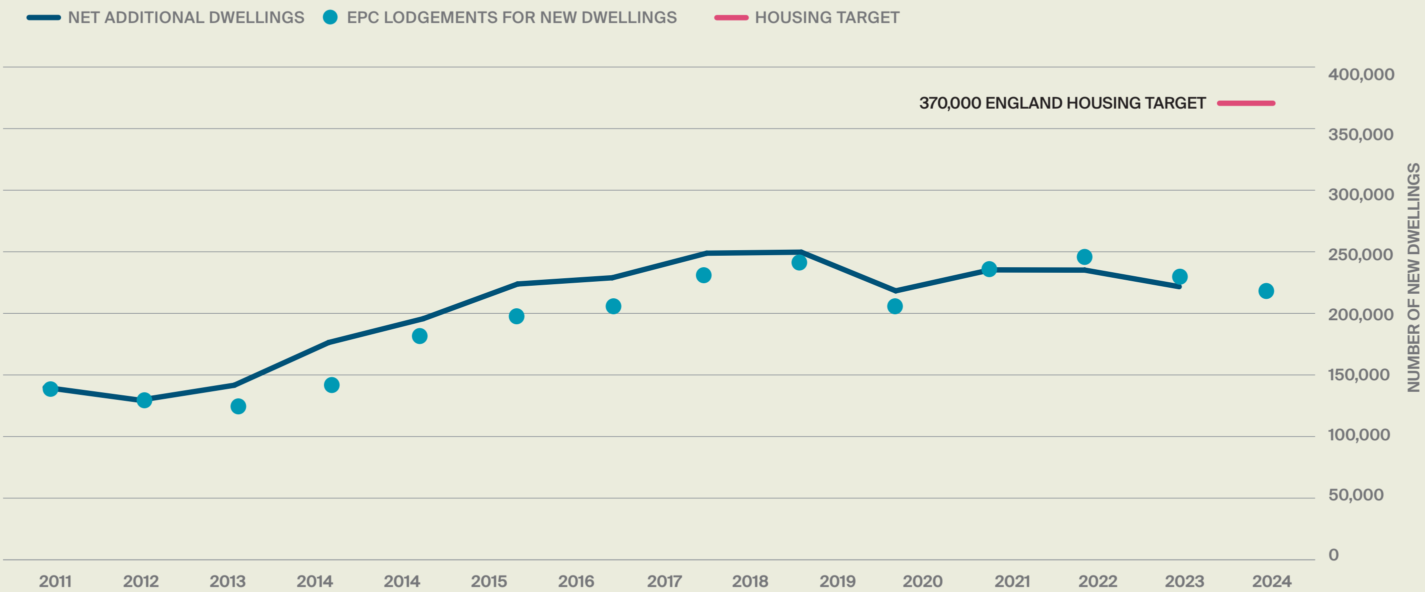
"Some 217,567 new homes were completed in 2024, more than 150,000 homes short of the government's new 370,000 homes a year target."

SIZING UP THE OPPORTUNITY

To meet demand and build scale, investors will need to leverage the expertise of existing developers and housebuilders, of all sizes, many of which have a substantial pipeline of new homes. Across England, our analysis has identified over 1 million private plots located on over 9,000 housing-led sites which are currently under construction or at some stage of planning. These represent short and medium term prospects for SFH delivery.

Large sites of 500 homes or more represent the largest share of future delivery, with nearly 435,000 plots identified on such sites. These also represent, arguably, the quickest potential route to scale for investors. Indeed, if we assume a sweet spot for institutional investors of around 125 units on a site, that means a potential for more than 70,000 SFH to be added to the sector

Fig 13: Housing delivery continues to fall well short of targets



Source: Knight Frank Research, MHCLG

Fig 14: Potential for SFH within the existing residential pipeline

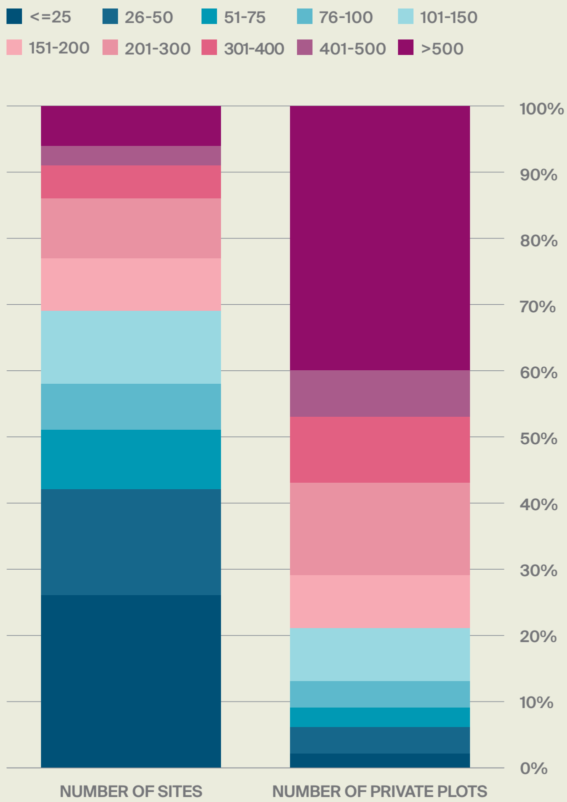
Number of potential SFH units and % of private units to SFH

Source: Knight Frank Research, Glenigan

Note: SFH investors are more likely to take a greater proportion of smaller sites for rental

Fig 15: Large sites account for an oversized share of future delivery

Number of sites and plots under construction or with planning as a % of total delivery



Source: Knight Frank Research, Glenigan

from large sites alone. A further 188,741 plots are on sites of 300-500 units, with the potential to deliver 77,000 single family homes.

Importantly though, large sites are not the only contributors to single-family housing supply. While institutional buyers tend to favour larger acquisitions to drive operational efficiencies, they may still invest in smaller sites if multiple opportunities exist within the same area. Our analysis shows there is potential for a further 338,571 SFH plots on small to medium sized sites (between 50 and 300 units). In total, our analysis has identified potential for 488,679 SFH plots within the existing pipeline.

While, across both larger and smaller sites, not all will be suitable or available to investors, the volume of plots already in the planning pipeline highlights the huge potential for SFH supply from existing sites.

435,000

Large sites of 500 homes or more represent the largest share of future delivery, with nearly 435,000 plots identified on such sites, with potential for 73,000 SFH homes. These also represent, arguably, the quickest potential route to scale for investors.

PROOF OF CONCEPT

According to our survey of volume and SME housebuilders, who collectively deliver around 70,000 homes each year, 60% said they had already sold units to Multifamily or SFH investors. More partnerships and site sales with housebuilders of all sizes have the potential to have a significant impact on SFH supply.

For housebuilders, there are additional benefits. These range from accelerating delivery by creating sales of homes before they are constructed, reducing sales and marketing spend, as well as lessening development risk. An equity injection from an institutional investor can also help free up capital to spend on land or other sites.

Indeed, based on current average sales rates of 0.62 sales per week, it can take nearly five years to exit a hypothetical 150 unit site. By selling 50% of units in bulk to a SFH investor a housebuilder can reduce their sales period by half.

Importantly, given the fact that rental homes can be delivered alongside for-sale product, without competing against each other, SFH introduces additionality to the UK's housing inventory by providing new sources of supply, tenure and capital, which will contribute to increased overall housing supply.

In an environment of higher interest rates and declining mortgage affordability, the assumptions that underpin housebuilders' development numbers are being tested. SFH is a solution that works for both parties: the housebuilders are able to sell homes in bulk, while investors gain exposure to a location where demand for high-quality, sustainable, well-maintained and professionally managed homes is strong.

60%

According to our survey of volume and SME housebuilders, who collectively deliver around 70,000 homes each year, 60% said they had already sold units to multifamily or SFH investors.

Fig 16: Speeding up the sales process

Number of SFH homes and sales period (years) assuming 0.62 private sales per week

Source: Knight Frank Research

Investor benefits

1. Deeper pools of tenant demand: Around 60% of privately rented properties in the UK are houses. An estimated 3.2 million private renters already live in suburban areas. The scale of the opportunity for institutional investors to deliver and manage suitable housing options for these households is huge. For investors already active in the multifamily market, SFH gives them exposure to different geographies and a diversified demographic. Based on current population and tenure distribution figures, we estimate that there is a market potential for 1 million SFH homes.

2. Lower operational costs: Gross-to-net income leakage typically stands at 18-20%, which is lower than in multifamily schemes. Fewer communal services and no maintenance costs associated with lift cores and onsite amenity help lower operating costs.

3. Long-term secure income: Investors tend to be drawn to SFH by the nature of tenants, who tend to be less frequent movers – given their ties to local schools, employment and support networks. This means lower turnover of tenants, longer tenancy terms and fewer and shorter void periods.

4. Large existing investable pipeline: We have identified capacity to deliver more than 488,000 SFH homes on sites already in the development pipeline.

Housebuilder benefits

1. Favourable cashflow: Incorporating Single Family Housing into a multi-tenure approach improves market absorption, allowing developers to achieve a faster return on capital than through open market sales alone.

2. De-Risking: the forward fund or forward commit nature of the majority of suburban build to rent housing deals helps to de-risk projects for delivery partners, which otherwise would be subject to a fluctuating sales market.

3. Non-compete: the delivery of rental product, being a non-competing use with the sales product, can shorten development timeframes. By selling 120 homes in bulk to an investor on a 300-unit site, at current sales rates of 0.62 per week, a housebuilder can reduce their sales period by 40%.

4. Strong appetite from investors: SFH was flagged as the biggest growth area of all the Living Sectors in our survey of almost 60 UK investors. Some 71% of respondents plan to allocate capital to the sector over the next five years, up from 41% invested today.

Front cover image: Apache Capital's Present Made Single Family Housing neighbourhood in Eddington, Cambridge

We like questions, if you've got one about our research,
or would like some property advice, we would love to hear from you.

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