Build-to-Rent 2025: A Strategic Investment Outlook

Permanent Demand. Institutional Scale. Durable Outperformance.

June 2025

CAVAN COMPANIES

The Structural Housing Crisis & Emerging Opportunity

Homeownership Affordability Is Broken

- **Mortgage rates have doubled** in 3 years
- **Median mortgage = 35% of income** (Freddie Mac, 2024)
- Millions now permanently priced out

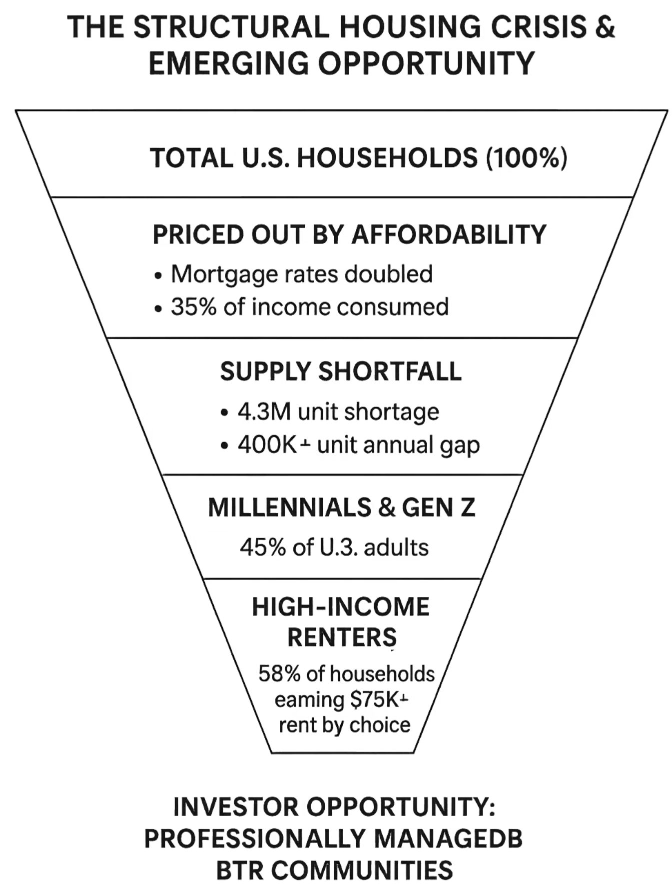
The Supply Shortfall Is Structural

Supply Gap	Annual Deficit
4.3M units	New supply trails demand by **400K+ units/year**

**Zoning, land costs, labor shortages limit new construction*

Emerging Renter Demographics

Segment	Key Trend
Millennials/Gen Z	Now **45% of U.S. adults**
High-Income Renters	**68% earning $75K+ rent by choice**
Next generation	Homeownership no longer default



Permanent Shift = Investor Opportunity

The next generation of high-income renters demands purpose-built rental housing: privacy, space, amenities — without the burdens of ownership.

The Build-to-Rent Advantage

The Build-to-Rent Model

Private Living Spaces

Detached, single-story layouts with **private yards**

Smart Management

Professional management with smart home technology

Community Living

Resort-style community amenities

Operational Efficiency Advantages

Lower Turnover Costs

22% reduction in leasing and re-leasing costs

Reduced Maintenance

18–22% lower due to **standardized unit designs**

Insurance Savings

12–15% lower due to **detached layouts**

Core Performance Metrics: BTR vs. Traditional Apartments

Metric	BTR Communities	Traditional Apartments
Rent Premium	**5–15%** higher	Baseline
Occupancy	**96–98%**	**92–94%**
Lease Duration	**30%** longer	Baseline
Tenant Retention	**68%**	**52%**
Maintenance Costs	**15–20%** lower	Baseline
Annual Returns	**7.2–8.5%**	**5.7–6.8%**

Investor Takeaway:

BTR communities deliver **higher rental income**, **longer tenancy stability**, **lower operating costs**, and **superior downside protection**.

Case Study — The Bungalows® at San Tan Village (Arizona)

Since **2016**, **Cavan Companies** has pioneered an innovative **Build-to-Rent (BTR)** approach with its proprietary development model: **The Bungalows®** — a portfolio exceeding **5,400** purpose-built, single-story rental homes strategically positioned across **high-growth Sunbelt and Midwest markets**.

Distinctive Offering

The Bungalows® effectively bridges the gap between traditional homeownership and apartment living, providing residents with the **privacy and feel of a detached home** combined with the **convenience of professional property management**.

Private Residences

Fully detached residences (excluding **1-**bedroom units) with **private yards**

Premium Amenities

Resort-caliber amenities including pools, fitness centers, and dog parks

Smart Technology

Integrated smart home technology

This distinctive approach consistently generates **5–15%** rent premiums while driving **exceptional resident satisfaction scores** and **retention rates**.

Investment Performance: San Tan Village Case Study

$415,700

Per Unit Valuation

4.9%

Cap Rate

One of the **highest per-unit sales** recorded for a stabilized BTR asset in the region.

Financial Metrics

NOI Advantage

8–10% higher **NOI margins** compared to traditional multifamily assets

Cap Rate Compression

50–75 basis points versus comparable **Class A investment properties**

Capital Inflows & Institutional Adoption

Where Capital Is Flowing (2020–2024):

Institution Type	Capital Deployed
Private Equity	$18.5 billion
Sovereign Wealth	$7.3 billion
Insurance Companies	85% allocation growth
Family Offices	23% allocation growth

Why Institutions Favor BTR:

Stable Income

Stable, recurring income

Inflation-Resilient

Inflation-resilient rent growth

Low Correlation

Low correlation to stock market volatility

Diversification

Diversification from **challenged office/retail** sectors

Exit Liquidity Options:

Exit Strategy	Premium Potential
Portfolio Aggregation	7–10% above market
Community-Level Sales	15–20% IRR
Strategic Recapitalizations	40–60% partial return
Institutional M&A	Full liquidity in 6–9 months

Long-Term Strategic Outlook & Investor Takeaways

The Macro Theses Driving BTR's Durability:

Affordability Crisis Will Persist

Supply-demand imbalance expected for **10–15 years**

Expanding Renter Class

Permanent demographic shift favoring **rental over ownership**

BTR Fills Critical Gap

Detached rental formats underserved by **traditional builders**

Institutional Scaling

Increasing allocations into **BTR** as **office/retail underperform**

BTR's Role in Portfolio Strategy:

- **Recession-resistant** income streams
- **Higher NOI margins** vs. **traditional apartments**
- **Portfolio diversification** with **strong exit optionality**

Strategic Takeaway:

> **Build-to-Rent** delivers both **stability** and **growth**. As **affordability challenges** deepen and **renter demand** evolves, BTR offers one of the **most resilient, scalable, and durable** real estate investment strategies available to **sophisticated investors**.