

CAVAN RESEARCH

Build-to-Rent 2026

The Durable Thesis

Why Midwest Low-Density Is the Next Chapter for Disciplined Capital

An Investor Perspective for Family Offices, High-Net-Worth Individuals, and Asset Managers

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A NOTE BEFORE YOU BEGIN

The fastest way to understand build-to-rent is this: **horizontal apartments**.

Take everything investors already know about a well-run multifamily community: the gated entry, the resort-style pool, the fitness center, the clubhouse, the dog park, the professional on-site management, the consistent leasing standards. Now lay it sideways. Replace the apartment building with a neighborhood of detached single-family homes and cottages. Give every resident a private yard, and a front door of their own. Keep the amenities. Keep the management. Keep the community.

More precisely, BTR is a purpose-built community of single-family homes designed and constructed from day one to be rented rather than sold and operated as a single professionally managed community rather than as scattered individual rentals. Every home is built to the same specification. Every lease runs through the same operator. Every resident lives in a house and belongs to a community.

Technically, BTR sits inside the multifamily category for accounting and financing purposes. In every way that matters to a resident or an investor, it is its own asset class. The scattered-site single-family rental strategies that defined institutional housing in the 2010s, in which investors bought existing homes one at a time across dispersed neighborhoods, face structural headwinds that purpose-built BTR does not share. Operating costs are harder to control. Maintenance is fragmented. Resident retention is inconsistent. As of January 2026, federal policy has drawn a deliberate line between the two: the executive order restricting institutional purchases of existing single-family homes explicitly carved out purpose-built BTR communities, recognizing them as supply-additive rather than supply-extractive.

The Working Definition

Build-to-rent is a gated, professionally managed community of single-family homes, complete with resort-style amenities, pet-friendly grounds, fitness centers, and on-site service, built from day one to be rented rather than sold. Functionally, horizontal apartments. Strategically, a distinct asset class with its own demand profile, operating economics, and regulatory standing.

EXECUTIVE SUMMARY

13%

Family office real estate allocation
BNY Wealth, 2025

36%

BTR residents who rent by choice
John Burns, 2024

+3-5%

Midwest BTR rent growth range,
2025
John Burns, 2025

The first chapter of build-to-rent proved the category. The next chapter separates the durable from the merely fashionable.

Purpose-built BTR, the professionally managed communities of single-family homes designed and constructed for long-term rental, emerged in the Sun Belt as an opportunistic growth trade. Capital chased rent growth, land arbitrage, and pipeline scale. That chapter is closing. National rent growth in purpose-built BTR sat near zero through year-end 2025, and peak deliveries in oversupplied submarkets have pressured absorption.

The fundamentals of the asset class, however, did not deteriorate. They re-sorted. As the sector matures, the performance gap between well-located, well-operated communities and the rest of the field is widening, and a different kind of BTR investor is stepping forward.

This paper argues that the durable BTR allocation for 2026 and beyond is defined by three choices:

Geography	Product	Time Horizon
Midwest and supply-constrained markets over oversupplied Sun Belt metros, where rent growth is already diverging in favor of measured-pipeline geographies.	Low-density formats with private yards and community amenities over dense infill, delivering substantially lower turnover and sustained 10–20% rent premiums.	Disciplined capital aligned to the BTR development cycle, structured for the operational predictability and tax efficiency that family office and high-net-worth portfolios require.

Executed with discipline, this combination delivers inflation-aligned cash flow, operational predictability, and after-tax returns that have become difficult to source elsewhere in real estate.

KEY OBSERVATIONS SHAPING THE 2026 LANDSCAPE

- **Family offices anchor real estate at 13% of portfolio allocations** within a 'big three' that includes private equity (28%) and public equity (15%), valued for cash flow and inflation protection. (BNY Wealth, 2025)

- **36% of BTR residents identify as renters by choice**, reflecting a behavioral shift that has outlasted the 2022–2024 rate cycle and shows no sign of reverting. (John Burns, 2024)
- **Midwest BTR markets delivered mid-single-digit positive rent growth through 2025** while high-delivery Sun Belt markets contracted by low-single-digits over the same period. The divergence is one investors cannot afford to ignore. (John Burns, 2025)
- **Purpose-built BTR communities command 15–20% rent premiums** over comparable multifamily in select markets, driven by private yards, amenity utilization, and lower turnover. (RSM US, 2026)
- **The January 2026 Executive Order** restricts federal program support for large institutional purchases of existing homes while explicitly carving out purpose-built BTR communities.

Disclosure. Cavan Companies is an active developer and operator of purpose-built BTR communities, including in the Midwest markets and low-density formats discussed in this paper. Readers should consider this operating interest when evaluating the observations that follow.

Cavan Research Insight

BTR has entered its selectivity phase. Occupancy remains in the mid-90% range nationally, but the performance gap between communities is widening considerably. Geography, product format, and operator execution now matter more than asset-class exposure. Investors who recognize this early will compound the advantage for the next decade.

THE EVOLVING BTR ALLOCATION LANDSCAPE

Private capital is not retreating from single-family rentals. It is becoming far more selective about how it gains that exposure.

Three pressures are reshaping the conversation. Together they explain why allocators are shifting from yield-chasing to durability-focused strategies. They also explain why purpose-built BTR has moved from opportunistic to structurally relevant in family office portfolios.

Multifamily Under Pressure	Higher Cost of Capital	After-Tax Return Focus
Elevated Sun Belt supply drove near-zero or negative rent growth in 2025. Rising operating expenses and slower absorption compressed returns in oversupplied submarkets, pushing capital to look for formats with more durable pricing power.	Persistently elevated financing rates have raised the bar for every real asset underwriting. Capital is demanding durable, predictable income streams and has lost patience with aggressive lease-up assumptions that only worked in a zero-rate world.	For family offices stewarding multi-generational wealth, tax efficiency is no longer a nice-to-have. Cost segregation, pass-through treatment, and 1031 optionality make new-construction assets structurally more attractive than secondary acquisitions.

Within this environment, BTR offers something rare among single-family rental strategies: operational control, tax efficiency, and long-duration demand in a single structure. But allocation is no longer a blanket category decision. The question family offices are asking in 2026 is no longer whether to invest in BTR, but where, in what product format, and with which operator.

The sector's cooling is a feature, not a bug, and it is largely a geographic story rather than an asset-class one. BTR's share of single-family construction starts has moderated meaningfully from its 2024 peak, but the deceleration is concentrated in a handful of oversupplied Sun Belt metros. Outside those markets, BTR demand has not weakened; it has simply not yet been met. Across much of the Midwest, the Mountain West, and the secondary metros of the Southeast, BTR fills a housing need that residents and local economies are only beginning to recognize they have: a single-family rental product that is professionally built, professionally managed, and amenitized to the standard of the multifamily communities those markets already accept. Moderating national starts today mean balanced supply ahead. Balanced supply, in markets where the product is structurally underrepresented, is the condition under which well-located communities command renewed pricing power.

STRUCTURAL DEMAND THAT PERSISTS

The demand story in BTR is often mischaracterized as cyclical. The data does not support that view. The rise of the renter-by-choice cohort represents a durable shift in American housing preferences, not a temporary accommodation to high mortgage rates.

Americans are renting single-family homes because they prefer to. They want the space, the yard, and the privacy of a house without the obligations, maintenance responsibility, or capital lock-up of ownership. Purpose-built BTR is the only product format in the market that delivers this combination at scale.

Key Demand Drivers	The BTR Demand Profile
- National housing shortfall of 4 million+ units (Realtor.com, 2025) - An American family now requires ~\$110,000 in annual income to afford a typical home purchase (Redfin, 2025) - Renting is cheaper than owning in all 100 largest U.S. metros (LendingTree) 49% of renters, or 22.7 million households, spent more than 30% of income on housing in 2024, a cost-burden figure rooted in four decades of structural undersupply at the entry-level (Harvard JCHS, 2026)	- Millennials forming households and prioritizing flexibility over ownership - Mid-career professionals seeking space without maintenance or HOA burdens - Downsizing households wanting single-level living with room and community 36% of BTR residents identify as renters by choice (John Burns, 2024) - Only 8% of single-family renters define the American Dream as homeownership (Center for Generational Kinetics)

Purpose-built BTR communities deliver 1–3 bedroom homes with private yards, garages, community amenities, and professional management. They fill a structural gap between apartments and for-sale housing that has no adequate substitute in the existing housing stock, and no scaled alternative being built at the pace the demographic moment demands.

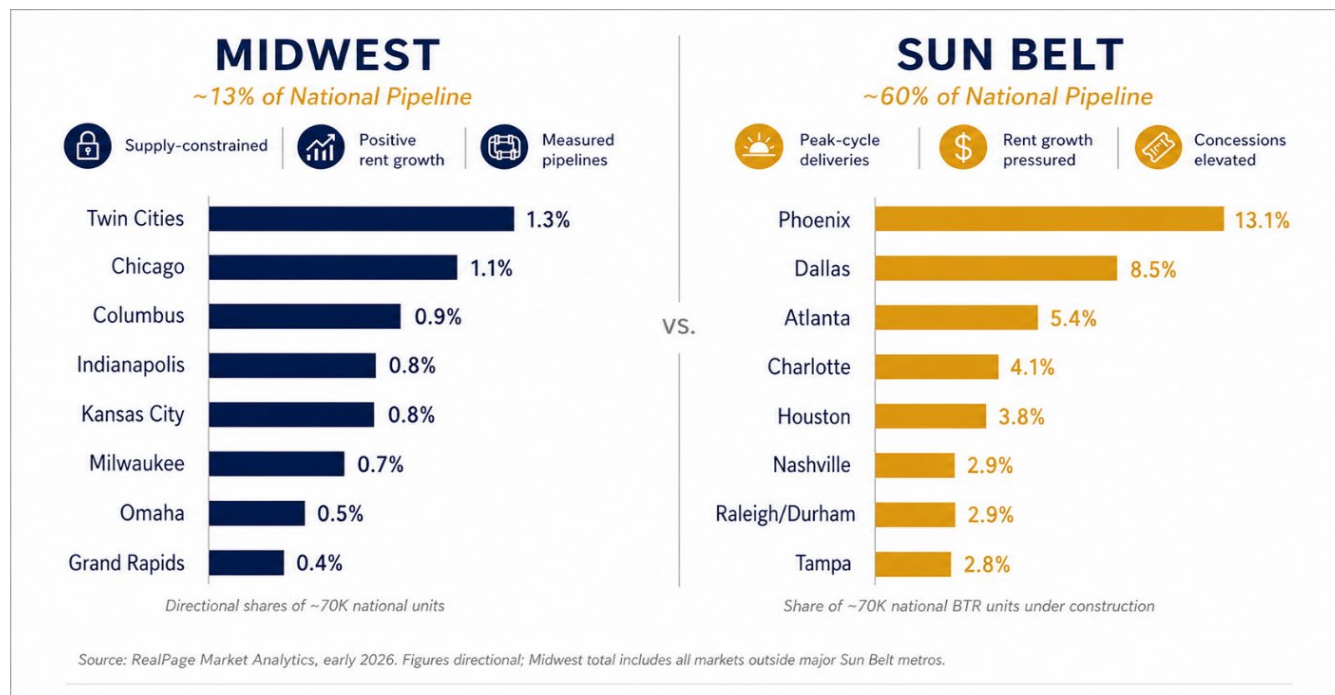
THE MIDWEST LOW-DENSITY THESIS

If the first chapter of BTR belonged to the Sun Belt, the next chapter is being written in the Midwest. It rewards a specific product format that most of the industry under-builds.

The geographic concentration of BTR construction in Phoenix, Dallas, Austin, and Atlanta was rational during the growth phase of the cycle. Land was available, demand was migrating in, and permitting was

comparatively straightforward. Today, the calculus has shifted. Those same markets are absorbing peak-cycle supply, and rent growth has turned negative in the most oversupplied submarkets.

Midwest metros tell a different story. Through 2025, Midwest BTR blended rent growth ran in the mid-single-digit range year-over-year, while high-delivery Sun Belt markets contracted by low-single-digits over the same period. By year-end 2025, Yardi Matrix data showed continued positive rent growth across markets including the Twin Cities, Chicago, Columbus, Indianapolis, Kansas City, and Milwaukee, even as the national SFR/BTR index moved into modestly negative territory.



WHY THE MIDWEST WORKS FOR DISCIPLINED CAPITAL

- **Lower land basis.** Land costs in target Midwest submarkets run substantially below comparable Sun Belt infill, meaning lower total project basis and lower breakeven rents.
- **Measured pipelines.** Midwest BTR construction is a fraction of national activity, and the gap is structural. As of early 2026, the Midwest represented approximately 13% of national BTR units under construction. Phoenix alone has a pipeline that effectively matches the entire Midwest combined, with Dallas, Atlanta, Charlotte, Houston, Raleigh/Durham, Nashville, Tampa, and San Antonio rounding out the heavily-built Smile-state arc. The Midwest is not absorbing a supply overhang because it never built one. There is no market-wide concession war pressuring in-place rents, and well-located communities are entering markets where institutional-quality BTR product is structurally underrepresented relative to the demand profile. (RealPage Market Analytics)
- **Stable employment base.** Healthcare, logistics, advanced manufacturing, and regional finance provide employment diversity that does not depend on a single growth narrative or migration trend.
- **Inflation-hedged rent resilience.** Midwest markets delivered positive BTR rent growth through a period when the national index was flat to negative. Directional rent growth in the 3–4.5% range

across core Midwest metros remains a reasonable underwriting expectation for 2026, supported by measured pipelines, employment diversity, and stable cost inputs.

- **Lower operating cost volatility.** Property taxes, insurance, and labor inputs have been more stable in Midwest metros than in Florida, Texas, or Arizona, where insurance repricing alone has materially compressed multifamily NOI.

WHY LOW-DENSITY WORKS AS A PRODUCT FORMAT

Within BTR, the low-density cottage and detached-home format (roughly 8 to 10 units per acre, with private yards, garages, and community amenities) is the product that best serves the renter-by-choice cohort. It also produces the most durable operating economics.

- **Turnover is materially lower.** Low-density BTR formats typically run 14–18% annual turnover in premium communities, versus 20–30% in conventional multifamily. Every percentage point of turnover eliminated falls directly to NOI.
- **Rent premiums of 10–20% are achievable** over conventional multifamily in targeted markets, driven by private yards, amenity utilization, and superior floor plans for families and remote workers.
- **Capital efficiency scales.** Identical floor plans, single-vendor procurement, and centralized maintenance deliver operating cost advantages that scattered-site strategies structurally cannot match.

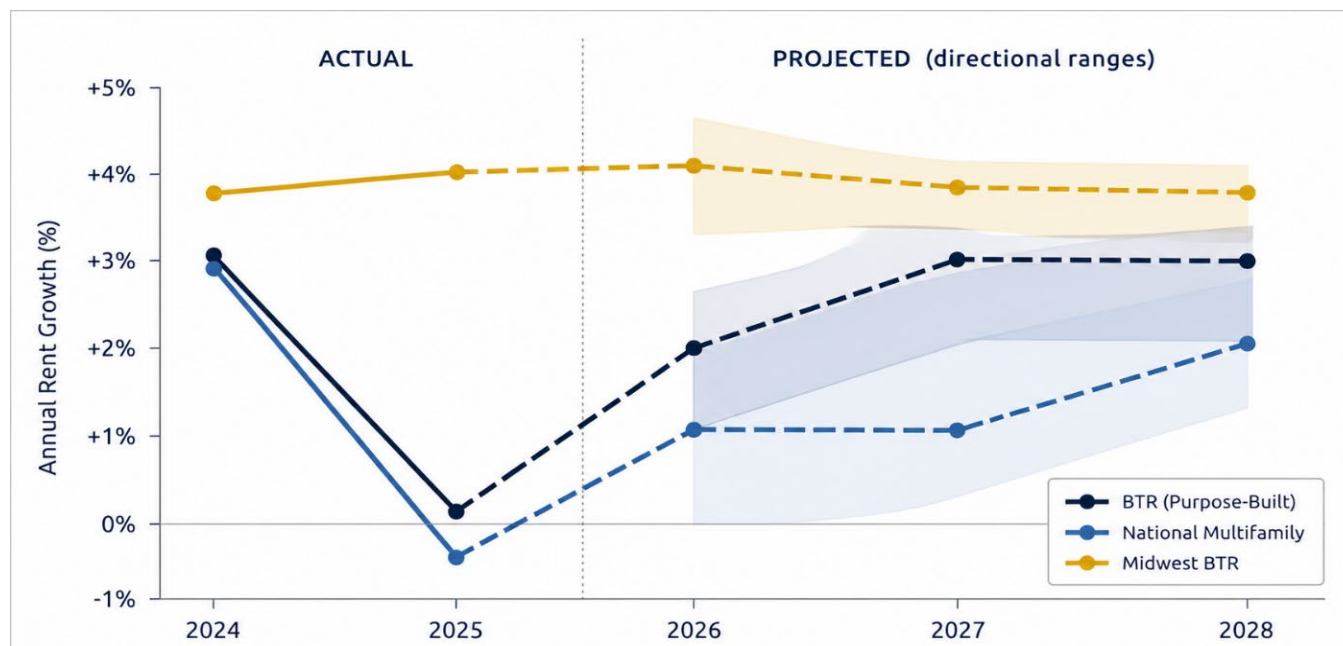
The format being described is already in the market. Developers active in this space are delivering low-density communities of sub-1,400 square foot detached homes and cottages with private yards and shared amenities, designed specifically for renters who need more space than an apartment but are not in a position to buy. The product is not complicated. What is complicated is executing it at scale with the site discipline, cost control, and leasing consistency that converts the format's structural advantages into realized returns.

Cavan Research Insight

The combination of Midwest geography and low-density product format is the contrarian BTR position in 2026. It accepts lower headline rent growth in exchange for lower volatility, lower turnover, lower operating cost variance, and higher renewal pricing power. For disciplined capital, this presents a meaningfully different risk-adjusted return profile than Sun Belt growth-chasing BTR, and the 2025 data supports the case for geographic selectivity over asset-class exposure alone.

RENT PERFORMANCE: BTR VS. MULTIFAMILY

Purpose-built BTR rent growth moderated in 2024–2025 alongside broader residential trends but continues to show relative resilience and premium pricing power in supply-constrained markets. Current forecasts reflect a recovery trajectory beginning in 2026, with meaningful divergence by geography.



Sources: 2024 actuals from RealPage, Yardi Matrix, Harvard JCHS, and John Burns Research & Consulting; 2025 figures reflect directionally observed full-year ranges. Forward 2026–2028 figures are directional midpoints of illustrative ranges; actual outcomes will vary by submarket and operator.

OBSERVED TRENDS

- **2025: near-zero growth nationally.** Advertised rents in purpose-built BTR were essentially flat year-over-year at year-end 2025, with occupancy holding in the mid-90% range. (Yardi Matrix, January 2026)
- **Geographic divergence widened.** Through 2025, Midwest metros recorded BTR blended rent growth in the mid-single-digit positive range year-over-year, while high-delivery Sun Belt markets contracted by low-single-digits on new supply. (John Burns, 2025)
- **2026–2028 recovery projected.** Industry forecasts converge directionally on a multifamily recovery beginning in 2026, with low-single-digit national rent growth expected through 2026–2027 and a return to the long-run 3–4% range thereafter. RealPage and Yardi Matrix differ on pace, with Yardi taking the more conservative view, but both project a return to positive rent growth across the cycle. (RealPage; Yardi Matrix Winter 2026 Rent Forecast)

- **BTR premium sustained.** Purpose-built BTR commands rent premiums of 15–20% over comparable traditional multifamily in select markets, driven by larger homes, private yards, community amenities, and superior tenant retention. (RSM US, 2026)

OPERATIONAL PREDICTABILITY IN PRACTICE

In BTR, operational consistency drives more variance in realized returns than rent growth alone. Allocators who have studied the sector closely understand this; those relying on pitch-deck assumptions tend to learn it later.

Standardization at scale is the operating advantage of purpose-built BTR. Identical floor plans, single-vendor procurement, centralized leasing, and consistent maintenance routines create predictable cost structures and lower turnover variability than scattered-site single-family rental portfolios can achieve. This advantage becomes more valuable, not less, as the sector matures.

The same logic applies during construction, and this is where BTR's economics depart most clearly from one-off homebuilding or vertical multifamily. A purpose-built BTR community is closer in execution to an assembly line than to a custom build. Repeatable floor plans, clustered utilities, standardized finishes, and a single subdivision footprint allow trade crews to move from home to home on a predictable cadence, compressing the learning curve and reducing per-unit construction time as the project progresses. Materials are procured once for the whole community. Subcontractors price the entire neighborhood rather than bidding each home independently. Quality control runs against one specification, not dozens. The result is a rinse-and-repeat development model in which the second hundred homes are built faster and with less cost variance than the first. That is an efficiency profile scattered-site developers and merchant homebuilders structurally cannot match.

PHASED LEASE-UP AND ACCELERATED CASH FLOW

One of the most consequential structural advantages of purpose-built BTR is rarely surfaced in standard underwriting comparisons: BTR communities lease in phases, while vertical multifamily does not.

Because each BTR home sits on its own foundation and receives its own certificate of occupancy, communities can be leased in phases of 20 to 40 homes while construction continues on the remainder of the site. The first cohort of homes generates revenue against construction carry while later phases are still being framed. In a vertical apartment building, no revenue is possible until the entire structure is complete and a single CO covers the building. For a project of equivalent unit count, the BTR phasing model compresses the J-curve, shortens the stabilization timeline, and allows operators to test and refine pricing on early phases before committing to assumptions on the rest of the community. The practical effect is a shorter capital deployment cycle and earlier cash-on-cash return than ground-up multifamily at comparable scale.

Comparative Advantage	Operator Observations (Cavan Internal Data)
• Centralized maintenance with all homes built to identical specifications • Single-vendor procurement across an entire community • Consistent leasing and renewal management from one operating hub • Community amenities drive resident retention and differentiation • Materially lower turnover cost versus scattered-site SFR	• Retention outperforming comparable scattered-site portfolios across stabilized communities • Turnover materially below market averages across stabilized assets • Mid-90% occupancy maintained nationally through year-end 2025 (Yardi Matrix, January 2026) • Low-density formats delivering 14–18% turnover vs. 20–30% in conventional multifamily

The strategic implication is important. In a BTR community with standardized homes and centralized management, operators can forecast maintenance costs with precision, minimize vacancy drag through efficient lease-up, and protect NOI through systematic renewals. These are not marginal improvements. They are the difference between a community that meets underwriting and one that exceeds it by 100 to 200 basis points annually. As the sector matures, allocators who treat operator selection as a secondary underwriting question are likely to find it becomes a primary explanation for results.

THE TAX AND CAPITAL MARKETS DIMENSION

CAPITAL MARKETS MATURATION

Institutional participation has accelerated the professionalization of BTR. The results are visible in higher operational standards, greater transparency in reporting, and the emergence of BTR-specific financing structures. For family offices and HNWI's seeking scaled single-family rental exposure, this maturation is improving both access and comparability, while narrowing the execution premium available to early entrants.

THE TAX DIMENSION

After-tax performance in new-construction BTR assets is significantly shaped by tax structuring. Investors who engage qualified tax counsel at project inception, rather than at disposition, access structural advantages that meaningfully enhance after-tax return profiles.

The texture of these advantages is concrete. A cost segregation study on a typical BTR community will reclassify a meaningful share of total project cost out of the standard 27.5-year residential depreciation schedule: site improvements (parking, landscaping, amenity hardscape) generally fall into 15-year property; personal property (appliances, cabinetry, window treatments) into 5- or 7-year property. The directional effect is consistent across projects: a substantial share of depreciation is concentrated in the early years of the hold rather than spread across three decades.

Key Tax Drivers

- Cost segregation studies reclassifying 20–40% of project costs into 5- or 15-year property, enabling accelerated depreciation
- Pass-through income treatment in LP/LLC structures, allowing losses to flow through to investors
- 1031 exchange optionality at disposition, deferring capital gains and enabling portfolio recycling
- Energy efficiency incentives where applicable to new-construction BTR communities

Impact on Returns

- Cost segregation accelerates deductions into early project years, improving initial cash-on-cash returns
- Pass-through structures allow investors to offset BTR income with depreciation losses, reducing net taxable income
- 1031 exchange flexibility supports long-duration portfolio strategies and lowers effective tax drag at exit
- State tax treatment varies materially; jurisdiction-specific advice should precede any after-tax projection

RISKS AND CONSIDERATIONS

BTR is structurally compelling, but it is not risk-free. As the sector matures, the performance gap between superior and average operators is widening, which makes operator selection and execution capability increasingly critical to outcomes. A disciplined view of the risks is the first input to any allocation decision.

Construction Cost Volatility

- Material and labor costs rose 42% and 24% respectively from 2020 to 2025 (Harvard JCHS, 2026). Absent disciplined cost estimating and contingency reserves, budget overruns can erode early-year returns and compress stabilized yield. Midwest projects also carry weather-driven operating cost cycles not captured by Sun Belt benchmarks; underwriting should reflect local expense norms.

Lease-Up Timing Risk

- Delays in reaching stabilized occupancy compress early-year returns and extend capital deployment. Concession management and calibrated absorption assumptions are essential, particularly in submarkets with elevated deliveries. Midwest entitlement timelines typically run longer than Sun Belt markets; carry cost should be modeled to local approval cadences.

Localized Supply Imbalances

- Oversupply in specific Sun Belt submarkets, including Austin, Atlanta, and Dallas, continues to pressure rent growth and absorption. Market selection has become a primary risk driver in this category, not a secondary consideration. Geographic diversification matters.

Interest Rate Sensitivity

- Higher or more volatile financing costs affect leverage, project economics, and exit valuations. Sensitivity analysis on cap rate movement and conservative leverage assumptions ($\leq 50\%$ LTV for family office capital) are prudent mitigants. A simultaneous home price correction and rate drop could also accelerate ownership conversion among renter-by-choice residents; renewal assumptions should be stress-tested accordingly.

Operator Execution Risk

- Inconsistent cost control, leasing execution, or property management can significantly widen the outcome gap between operators. In a maturing sector, execution quality increasingly explains the difference between average and superior outcomes.

Regulatory Evolution

- The policy environment for single-family rentals is evolving. Structuring new projects to comply with current HUD guidance and Executive Order carve-outs, while maintaining flexibility as additional legislation progresses, is now part of standard underwriting.

MITIGANTS

- **Disciplined site selection** anchored to demographic fundamentals, employment diversity, school quality, and supply-constrained submarkets, with bias toward Midwest metros where pipelines are measured.
- **Rigorous cost estimating and construction management** with contingency reserves calibrated to current material and labor market conditions.
- **Active tax planning from inception** covering cost segregation studies, pass-through structure optimization, 1031 exchange planning, and jurisdiction-specific tax analysis.

EXECUTION: WHAT SEPARATES OUTCOMES

Performance outcomes in BTR are driven less by asset-class selection and more by execution. The maturing sector is rewarding operators who combine disciplined site selection, rigorous cost control, and thoughtful lease-up strategy, and penalizing those who do not.

Site Selection	Cost Control	Lease-Up Strategy
Anchored to demographic fundamentals: employment diversity, population growth, school quality, and amenity proximity. Avoid oversupplied submarkets regardless of how attractive the land cost appears. Geographic bias toward measured-pipeline Midwest metros.	Precise cost estimating with current material and labor inputs. Efficient construction management with appropriate contingency reserves. Avoid aggressive procurement strategies that introduce timeline risk or supplier concentration.	Concessions deployed only when necessary and tracked against absorption. Proactive prospect outreach, timely renewal management, and transparent reporting to capital partners from day one of leasing.

LOOKING FORWARD

Several structural forces are converging in favor of purpose-built BTR as we move through 2026 and beyond. The demand case remains intact: a 4 million+ unit national housing shortfall, a 36% renter-by-choice cohort, and homeownership costs well beyond the reach of median-income households are not cyclical phenomena. Supply is normalizing, with starts declining from their 2024 peak, and reduced new completions through 2026–2027 are directionally supportive of rent growth in well-located markets.

Geography is differentiating, and the structural conditions that drove the 2025 Midwest/Sun Belt divergence remain in place heading into 2026 and beyond. Midwest BTR construction pipelines remain measured while Sun Belt markets continue absorbing peak-cycle supply, and the conditions for sustained rent growth in supply-constrained geographies are improving, not deteriorating. Tax structuring, including cost segregation, pass-through treatment, and 1031 optionality, continues to enhance after-tax returns in new-construction BTR. Policy positioning is favorable: the January 2026 Executive Order's carve-out for purpose-built BTR reinforces the sector's status as a supply-additive strategy, and HUD financing pathways remain open and compliant under current guidance. Capital markets are maturing in parallel, with BTR-specific financing structures and institutional-grade reporting standards improving execution certainty and cost of capital for well-structured projects.

CONCLUSION

In 2026, the convergence of market data, policy alignment, product-format differentiation, and geographic divergence collectively reinforces purpose-built build-to-rent, and particularly Midwest low-density BTR, as a differentiated, tax-efficient, and policy-protected single-family rental strategy.

The structural case is well-supported. A 4 million+ unit national housing shortfall, sustained preference-based rental demand, a modulating supply pipeline, meaningful tax structuring advantages, and a clear regulatory distinction from scattered-site strategies position BTR as a durable allocation for family offices and high-net-worth investors with existing real estate exposure.

But the allocation decision is no longer a single yes or no. The performance gap in BTR is significant and widening. As the sector matures, the difference between average and superior outcomes will reflect geographic selection, product format, and operator capability more than asset-class exposure. Site selection, cost discipline, and lease-up execution are the primary determinants of risk-adjusted return.

Investors should approach BTR with rigorous underwriting, conservative rent growth assumptions calibrated to current forecasts, close attention to the evolving legislative environment, and strong conviction in their operating partner's execution track record. The durable BTR thesis rewards disciplined capital in well-selected geographies and well-executed product formats. The remaining considerations, while not trivial, are secondary to those three.

4M+ National housing shortfall	36% Renters by choice	+3-5% Midwest BTR, 2025	15-20% BTR rent premium	Mid-90s BTR occupancy
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Final Note from Cavan Research

*This paper draws on market data, policy analysis, and operator-level observations from Cavan Companies' active BTR pipeline to identify repeatable patterns in this specialized strategy. All projections are illustrative. This document is for informational purposes only and **does not constitute investment, legal, or tax advice**. Past performance and modeled outcomes are not indicative of future results. Investors should consult their own qualified advisors before making any investment decision.*

Conflicts of interest: *Cavan Companies is an active developer and operator of purpose-built BTR communities, including the product formats and geographies discussed in this paper. Readers should consider this operating interest when evaluating the observations presented.*

RESEARCH METHODOLOGY

This paper reflects analysis conducted by Cavan Research and draws on primary source data, policy documents, and operator-level observations from the following sources:

BNY Wealth	2025 Investment Insights for Single Family Offices. Survey of 282 family offices with \$250M+ AUM, conducted with The Harris Poll. Source for family office allocation data.
John Burns Research & Consulting	2024 Build-to-Rent Resident Survey and 2025 market commentary. Source for renter preference data, BTR demand profile, and regional rent growth divergence.
Yardi Matrix	Winter 2026 Rent Forecast and Single-Family Build-to-Rent Reports (December 2025 – January 2026). Source for national occupancy, advertised rent trends, and metro-level rent growth.
RealPage Market Analytics	2025–2026 forecasts and BTR construction updates, including the BTR Under Construction (February 2026) regional pipeline analysis. Source for national rent growth projections, pipeline data, and regional construction concentration figures cited in the Midwest thesis.
Arbor / Chandan Economics	Single-Family Rental Investment Trends Report Q1 2026. Source for BTR share of single-family starts and construction volume.
Matthews Real Estate Investment Services	January 2026 BTR market insights. Source for pipeline consolidation and regional activity data.
Harvard Joint Center for Housing Studies	America's Rental Housing 2026. Source for cost-burden, affordability, and multifamily pipeline data.
Freddie Mac / Zillow / Realtor.com	2024–2026 research. Sources for national housing shortage estimates and affordability context.
RSM US	Real Estate Outlook 2026. Used for BTR rent premium analysis.
The White House / HUD	Executive Order 'Stopping Wall Street from Competing with Main Street Homebuyers' (January 20, 2026) and HUD single-family/multifamily guidance 2025–2026.
Cavan Internal Data	Development, lease-up, and operational observations from active BTR communities, including stabilized communities delivered in 2023–2024.

The objective is to identify consistent, data-supported patterns specific to purpose-built build-to-rent. All projections are illustrative. Investors should consult their own qualified advisors.

DISCLOSURE AND PRIMARY SOURCES

DISCLOSURE

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Conflicts of interest. Cavan Companies is an active developer and operator of purpose-built build-to-rent communities, including in the Midwest markets and low-density product formats referenced in this paper. As of late 2025, Cavan ranked among the five largest BTR developers nationally by units under construction, with active pipelines across Midwest and Sun Belt geographies (RealPage Market Analytics, December 2025). Observations about product-market fit, rent premiums, operational performance, and policy positioning should be read with this operating interest in mind. This paper is not an offer to sell or a solicitation of an offer to buy any security or interest in any Cavan-sponsored vehicle.

Research inquiries. For questions about this research, data sourcing, or methodology, contact Cavan Research through the firm's published channels.

PRIMARY SOURCES AND FOOTNOTES

BNY Wealth, '2025 Investment Insights for Single Family Offices.' Survey of 282 single family offices with \$250M+ AUM, conducted with The Harris Poll. Reports real estate at 13% of allocations within the 'big three' (private equity 28%, public equity 15%, real estate 13%).

John Burns Research & Consulting, '2024 Build-to-Rent Resident Survey.' Reports 36% of BTR residents identify as renters by choice. Most recent survey cycle available as of publication.

John Burns Research & Consulting, 2025 regional market commentary. Midwest BTR blended rent growth of +4.2% year-over-year in Q1 2025; high-delivery Sun Belt markets declined as much as -2.9% year-over-year.

Yardi Matrix, Winter 2026 Rent Forecast (February 2026). Multifamily rent growth projections of 0.5% in 2026, 1.0% in 2027, 2.3% in 2028, returning to long-run 3–4% average thereafter.

Yardi Matrix, 'Matrix Single Family Rental Report – December 2025' (January 14, 2026) and associated press materials. National advertised SFR-BTR rents directionally flat year-over-year at year-end 2025; national occupancy stable ~94.9%; Midwest markets (Twin Cities, Chicago, Columbus, Grand Rapids) showing positive rent growth.

RealPage Market Analytics, November 2025 national effective rent growth forecast (~2.3% for 2026) and BTR construction updates (December 2025 – January 2026). National under-construction pipeline ~64,250 units; operational units estimated above 120,000 nationwide.

Arbor Realty Trust / Chandan Economics, 'Single-Family Rental Investment Trends Report Q1 2026.' Reports 71,000 BTR units started in 12 months ending June 2025; BTR share of SF starts at 7.2% in Q2 2025 versus 5-year average of 6.5%. Sourced from U.S. Census Bureau construction data.

Matthews Real Estate Investment Services, 'Why Build-to-Rent Is Shaping the Housing Market in 2026' (January 21, 2026). Pipeline confirmation and operator consolidation data.

Harvard Joint Center for Housing Studies, 'America's Rental Housing 2026' (March 2026). Reports 22.7M renter households (49% of renters) cost-burdened; 416,000 multifamily units started in 2025; construction material and labor cost increases of 42% and 24% respectively from 2020 to 2025.

RSM US, 'Real Estate Outlook 2026' (February 2026). Supports BTR rent premiums of 15–20% versus multifamily in select markets.

Realtor.com (2025). Estimates U.S. housing shortfall at over 4 million units. Redfin (2025): American family requires approximately \$110,000 annual income to afford a typical home purchase.

Freddie Mac, 'Housing Supply: Still Undersupplied by Millions of Units' (November 2024, directional updates through 2025–2026). Housing shortage estimate ~3.7 million units as of Q3 2024, persisting directionally through 2026.

Zillow Research, 'December 2025 Market Report' (January 15, 2026) and affordability dashboards. Directional housing shortage/gap estimates aligning with ~4–5M range; affordability and price-to-income context.

Center for Generational Kinetics, survey of 1,000 Americans renting single-family homes. Reports only 8% define the American Dream as homeownership.

The White House, Executive Order 'Stopping Wall Street from Competing with Main Street Homebuyers,' January 20, 2026. Restricts federal program support for large institutional purchases of existing single-family homes; carves out purpose-built BTR communities planned, permitted, financed, and constructed as rental housing.

HUD single-family and multifamily guidance (2025–2026). HUD defines single-family housing as properties with 1 to 4 units and has opened financing pathways for new-construction BTR designed and built specifically for rental use.

U.S. Census Bureau, NAHB, John Burns Research & Consulting, CBRE, and RealPage data on new single-family and BTR home sizes (1982–2025).

Cavan Research internal operating data from active BTR communities, anonymized and referenced where applicable for amenity utilization, turnover, and renewal observations.