

BUILD-TO-RENT: REDEFINING HOUSING FOR RENTERS AND INVESTORS

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INTRODUCTION

Build-to-rent (BTR) is emerging as an important segment in the U.S. housing market, offering purpose-built rental communities designed for longer-term occupancy while providing renters with a new, professionally managed alternative to conventional housing options. Its rise is driven by homeownership affordability challenges, low housing supply, shifting renter preferences, families moving to a new area who want to learn about the market before buying a home, and demand from households that previously owned a home and no longer want maintenance responsibilities. These favorable dynamics, combined with the fragmented nature of the market, are the driving growing interest from institutional investors seeking scalable opportunities. As homeownership becomes less attainable due to high mortgage interest rates and rising home prices, we believe BTR provides an attractive alternative, combining the benefits of single-family living with professional property management across communities of newly built homes. This whitepaper explores the fundamentals of BTR, its appeal to tenants and investors, and the market outlook for this growing asset class.

March 2026 Update

As of March 2026, we continue to closely monitor proposed housing legislation which may impact the overall investment outlook for the Build-to-Rent property sector. All views presented herein reflect the investment outlook at the time of publication in December 2025.



WHAT IS BUILD-TO-RENT (BTR)?

BTR, as defined by John Burns Research and Consulting (JBREC), refers to purpose-built rental communities with at least twenty-five unstacked units constructed after 1995. Subsidized housing is not included in this definition. BTR developments fall into five primary categories: horizontal apartments or cottages, single-level row homes, townhomes, single-family detached homes, and mixed-product communities.

Unlike traditional apartment buildings, BTR units offer more privacy, often within a detached building with a yard and a garage. The home sizes can range substantially, with the smaller end, usually the same size as a typical one-bedroom apartment, to a larger single-family detached home with up to five bedrooms and +/-2,000 square feet. Compared to scattered-site single-family rentals (SFR) typically managed by smaller "mom-and-pop" investors held across dispersed locations, BTR communities provide uniform design, are built to the latest construction codes with energy efficiency in mind, benefit from centralized maintenance and professional management, and often provide residents with amenities such as walking trails, dog parks, and pools. Amenitized single-family detached BTR communities with strong product execution and services can command an average rent premium of 20% or more over scattered-site SFR properties.

While mom-and-pop investors still own the majority of SFR homes (76.8%), institutional operators managing 1,000 homes or more comprise just 3.3% of the market. This fragmentation presents an opportunity for sophisticated investors to aggregate portfolios of BTR communities and introduce operational scale, and cost efficiencies.

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BUILD-TO-RENT PRODUCT TYPES



Product Category	Horizontal Apartments (Cottages)	Single-Level Rowhomes	Townhomes	Single-Family Detached
	Small single-family detached and attached homes	Single-level homes in 2-7 unit building configurations	Multi-story homes in 2-10 unit building configurations	Detached homes on traditional lots
Typical Square Feet	650 SF - 1,350 SF	1,000 SF - 1,700 SF	1,300 SF - 1,800 SF	1,400 SF - 2,00 SF
Typical Bedroom Count	1 bed - 3 bed	2 bed - 3 bed	2 bed - 4 bed	2 bed - 4 bed
Typical Density (DU/Acre)	12-14	4-8	10-25	4-8

Source: John Burns Research and Consulting, LLC



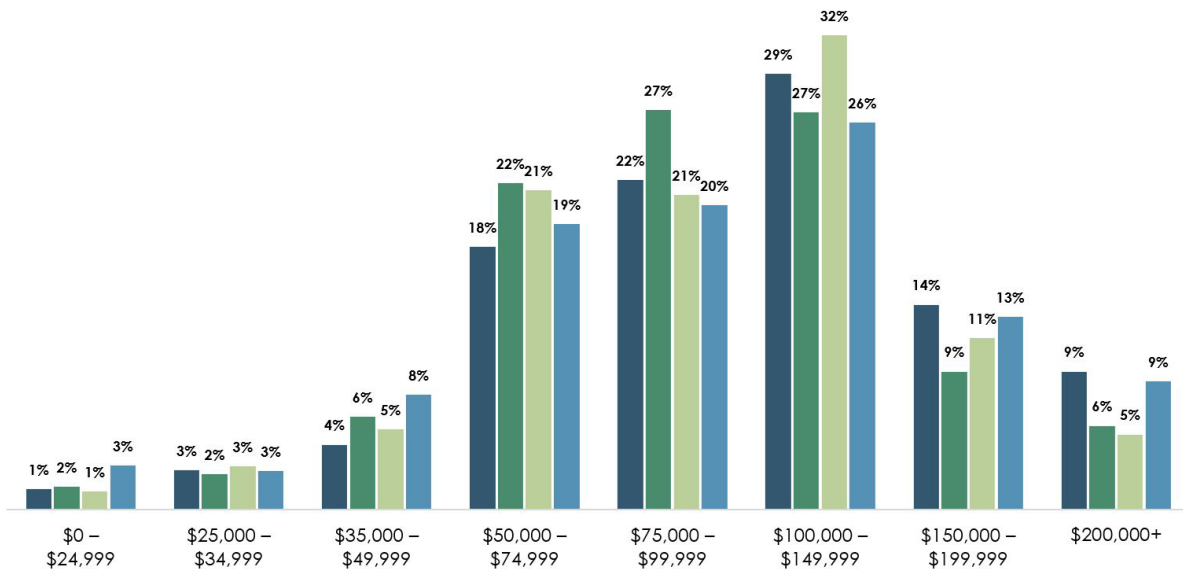
Rising home prices, mortgage rates, and non-housing debts such as student loans and auto loans have put homeownership out of reach for many Americans. Since 2019, the average cost of owning a home has increased significantly, while the [U.S. housing market remains undersupplied with attainably priced homes](#). As a result, rental demand has been strong, particularly for BTR communities that offer an attainable and well-managed alternative to homeownership. On average, the cost of homeownership is 39% higher than renting in a BTR community. Moreover, BTR tenants tend to be more affluent, with 50% earning a household income of over \$100,000 annually, according to JBREC. For context, just 21% of all renter households have an income over \$100,000, per the U.S. Census, whereas approximately 55% of Stockbridge's BTR residents maintain an adjusted household income over \$100,000.¹ As a result, BTR tenants may have stronger credit profiles and be more reliable renters than the average tenant.

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ANNUAL HOUSEHOLD INCOME*

Share of Build-to-Rent Tenants by Life Stage

■ Young Singles and Couples ■ Young Families ■ Mature Families ■ Mature Singles and Couples



*Retirees were instructed to base their response on their income prior to retirement.

Source: New Home Trends Institute by John Burns Research & Consulting, LLC May–June 2024 survey of 7,625 build-to-rent tenants across the US.

¹Adjusted income figure normalizes portfolio-level household income data to account for significantly higher-earning households and significantly lower-earning households (i.e. retirees).

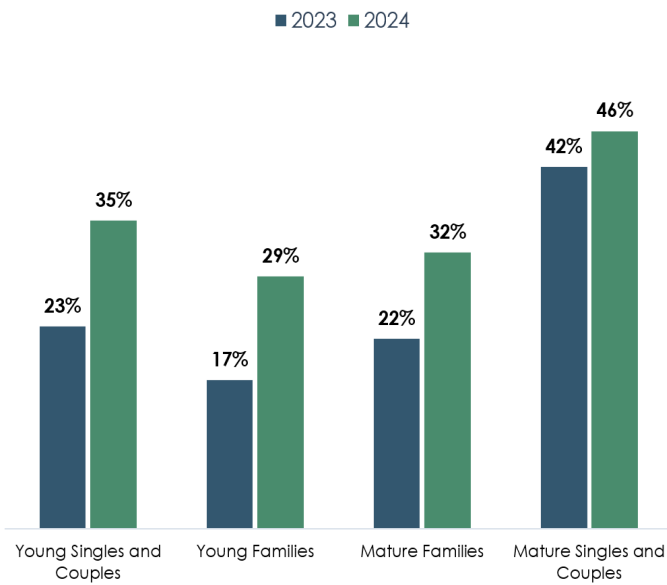


JBREC's New Home Trends Institute survey data underscores BTR's strong retention rates. BTR tenants exhibit a turnover rate of 35% – 40%, lower than the 40% – 50% turnover rate typical of traditional apartment renters. Additionally, nearly 60% of BTR tenants expect to remain in their current home for at least three years, reflecting a growing preference for long-term rental living across all life stages. We believe this more stable renter profile can offer BTR investors and owners a consistent and dependable income stream throughout phases of the market cycle.

BTR tenants exhibit a turnover rate of 35-40%, lower than the 40-50% turnover rate typical of traditional apartment renters.

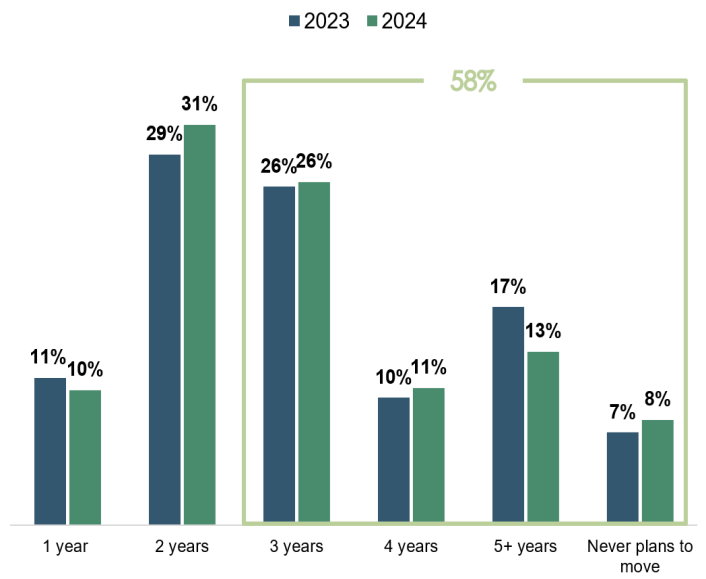
PREFERENCE TO RENT

Share of Build-to-Rent Tenants by Life Stage



TOTAL ESTIMATED TENURE

Share of Build-to-Rent Tenants



Source: New Home Trends Institute by John Burns Research & Consulting, LLC May–June 2024 survey of 7,625 build-to-rent tenants across the US.



MARKET FUNDAMENTALS AND OUTLOOK

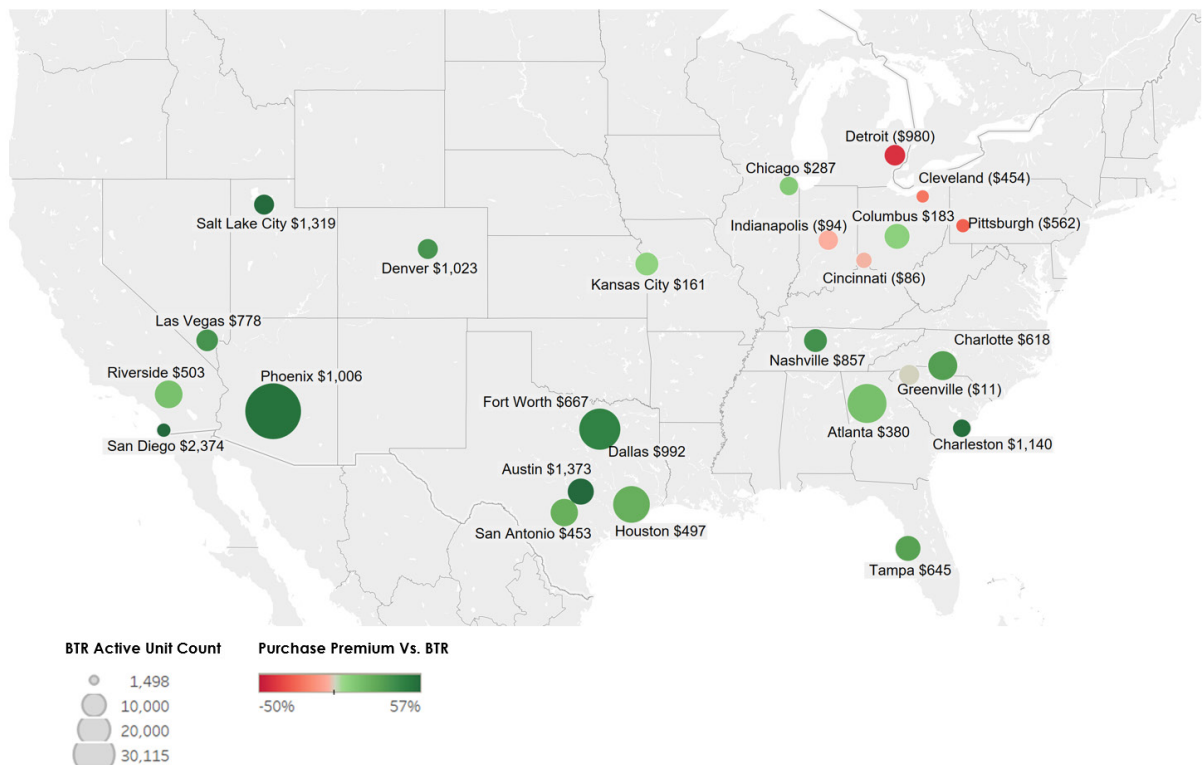
Following a period of rapid expansion of completed new rental home deliveries, we believe the BTR sector is entering a phase of healthy stabilization in 2025 and beyond. Occupancy remains strong as of August 2025, at approximately 95% nationally, even amid elevated supply levels. National BTR rent growth has temporarily leveled off but is expected to remain positive in 2025 and increase through 2028, as demand absorbs the recent supply wave. Annual rent growth of 0.8% in 2025 and between 2% and 3.5% from 2026 through 2028 is forecasted.

Importantly, the relative oversupply of BTR homes has been concentrated in a handful of metro areas that exhibited above-normal housing demand following the pandemic but now appear to be reverting to normal growth trends. We believe this suggests that the broader BTR market remains fundamentally sound, with strong long-term demand drivers and resilient performance across cycles.

Looking ahead, we believe the most promising BTR investment opportunities will be in markets experiencing strong migration trends and balanced supply-demand dynamics. We additionally believe that demand will favor regions where homeownership costs significantly exceed BTR rent levels, and local government policies and economic drivers support job growth.

FOR-SALE COST TO PURCHASE PREMIUM VS. BUILD-TO-RENT (BTR) MONTHLY RENT BY MARKET

Monthly entry-level housing cost of purchasing minus the monthly cost of renting BTR



Source: John Burns Research & Consulting, LLC



CONCLUSION

Build-to-rent is reshaping the rental housing landscape, providing a viable alternative to traditional homeownership, apartment living, or scattered single-family rentals, typically in older homes managed by mom-and-pop landlords. With strong tenant demand, lower turnover rates, and operational efficiencies, we believe BTR offers a compelling investment opportunity. We believe BTR is poised for sustainable long-term growth, particularly in high-demand regions facing ongoing affordability challenges or other supply-constrained markets. Further, BTR is gaining traction in markets with more modest household growth, where institutional competition is limited. This dynamic supports what we believe to be a favorable supply/demand balance, contributing to a more stable and predictable rent growth trajectory. By offering professionally managed, high-quality rental housing, we believe BTR continues to bridge the gap between renting and homeownership in today's evolving housing market.

All data sourced from John Burns Real Estate Consulting unless otherwise noted.



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