




Seizing the Potential of Build For Rent





Build for Rent (BFR) is a rapidly institutionalizing asset class representing sites of contiguous detached homes, townhomes or cottages. BFR caters to those who desire the space of a single-family home but the convenience and community feel of a multifamily rental.

WHY INVEST IN BUILD FOR RENT?

DEMAND FOR RENTAL PROPERTIES IS GROWING RAPIDLY

Renters are renting longer for many reasons. An increasing number of younger renters do not have the resources to own their own home, and many older residents with fixed budgets are likely to rent indefinitely. The average interest rate on a 30-year fixed home loan has increased from approximately 3.0% to 7.0% in 2022, and would-be buyers have pulled back.¹ With the cost of ownership exceeding the cost of renting by \$880, rental living answers a real demand, offering financial and leasing flexibility to those who need it.²

U.S. HOUSING HAS BEEN UNDERBUILT FOR OVER A DECADE

Developers need to build more than 4 million housing units nationwide to keep up with demand housing units nationwide to meet today's demand, as housing deliveries have lagged demand every year since 2012. In addition, the U.S. is experiencing a cumulative 20-year production shortfall of over 600,000 apartment units, while many older homes in the rental marketplace are becoming obsolete.³

Increasing demand for build-for-rent homes led to the construction of more than 6,700 such properties in 2021, the highest yearly total to date, while an estimated 14,000 build-for-rent homes will be completed in 2022.⁴

Single-family renters prefer built for rent because it allows them the flexibility to move if needed or desired, and because they do not want the maintenance or financial responsibilities of home ownership.

SINGLE-FAMILY RENTALS (SFR) HISTORICALLY PROVIDE A HEDGE AGAINST INFLATION

The short-term leases of single-family rentals can adjust to inflation, remaining flexible and increasing annually to the maximum that the market will bear. A net leased asset may have 2% or 3% rent “bumps” per year, but when inflation is over 8%, short-term leases enable growth even in challenging environments.

BUILD FOR RENT TOPS PRIVATE MARKET RETURN EXPECTATIONS

Examining all commercial real estate asset classes, build for rent projects the highest risk-adjusted return in 2022 at 8.0%. This exceeds the likes of multifamily (5.9%) and office (4.9%).





PERCH DENTON
195-UNIT BUILD-FOR-RENT
DEVELOPMENT IN DENTON, TEXAS



BRIGHTON WOODSTOCK
100-UNIT BUILD-FOR-RENT TOWNHOME COMMUNITY
IN ATLANTA'S NORTHWEST SUBURBS

ABOUT CAPITAL SQUARE

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