



# Supply-Side Pressures to Ease in 2026

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**BUILD-TO-RENT PROPERTIES**

MAR 2026

**SPECIAL REPORT**

# A More Favorable Environment for BTR Properties Likely in 2026

*The national economy has posted uneven performance in recent periods, creating challenges for businesses and individuals to plan for the year to come.*

The build-to-rent (BTR) market is recording many of the same property performance characteristics as the traditional multifamily sector. Renter demand has remained elevated, despite a slower pace of job growth. While there is continued demand for BTR units, a surge in the pace of deliveries created supply-side pressures, resulting in softer operating fundamentals in recent periods.

Some of the support for BTR communities is stemming from the for-sale housing market. While a healthy housing market often indicates and underpins a strong economy, the current conditions of low sales volumes, mortgage rates in the low-6% range, and flat prices, have people seeking alternatives to for-sale housing.

These conditions continue to make moving from renting to owning cost prohibitive, keeping many would-be buyers in the rental market for longer periods. Recent studies show two

prominent trends that are supporting longer-term demand for rentals: first, housing mobility is at its lowest rate in generations and second, first-time homebuyers are representing their lowest share of home purchases on record. Since 2023, more than 1.2 million new renter households have been created, a surge in demand that is being absorbed by new apartments and build-to-rent units.

On the supply side, while the pace of starts has slowed considerably, developers of BTR communities remain active delivering new units, particularly in Sunbelt markets such as Dallas-Fort Worth and Phoenix. In 2025, new supply growth outpaced net absorption, causing vacancies to rise or remain elevated across most major markets and resulting in annual rent declines ranging from 1% to 3%.

Despite some short-term softening, the sector continues to prove its position in the overall housing landscape. Privacy and larger unit sizes offered by BTR

units appeal to renters who are now older and have higher incomes than in prior periods.

Housing affordability continues to play a role. While unemployment is low and incomes are elevated, the combined forces of high home prices, down payment requirements, and residential mortgages around 6%, mean that many existing renters are priced out of home ownership. Build-to-rent communities offer a reasonable alternative to buying, averaging a few hundred dollars per month more in rents than a traditional apartment in most markets, but about \$1,000 per month less than a mortgage payment on a median-priced home.

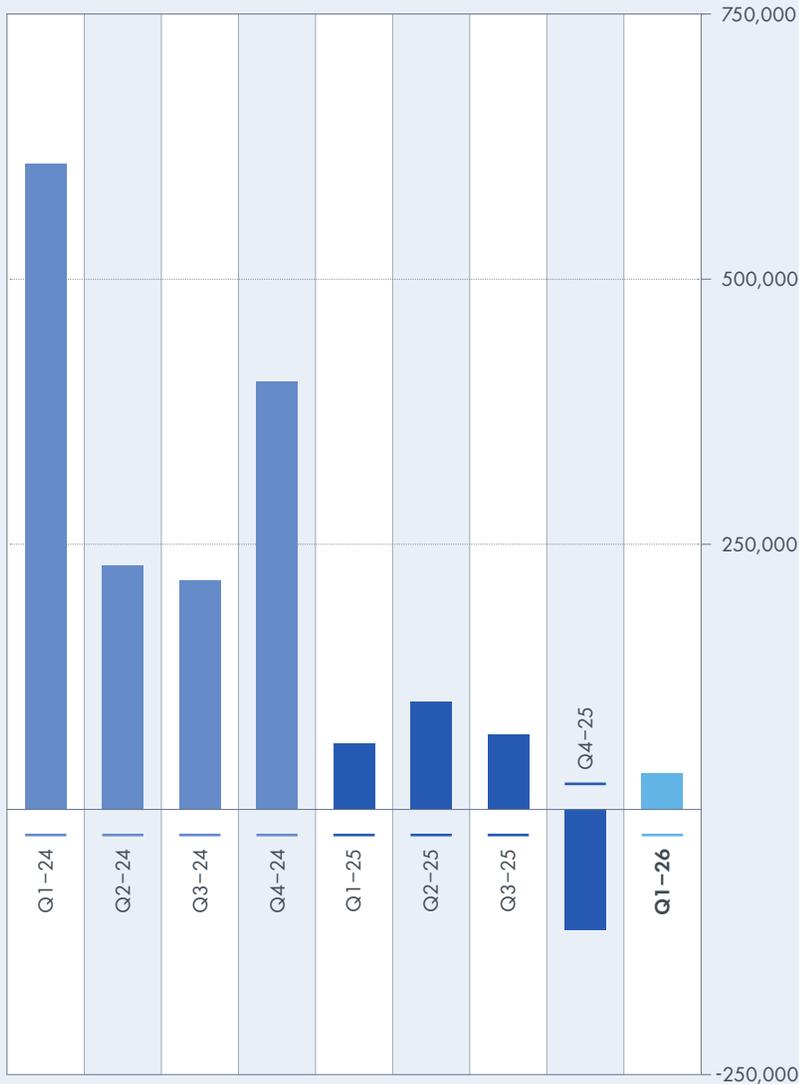
The past year was a challenging one for operators of BTR communities. They have faced increased competition as new BTR projects have come online, while also competing with a wave of traditional multifamily communities that has been delivered, giving renters more options. In the year ahead, the pace of new supply growth should slow significantly, allowing operating fundamentals to stabilize and then improve across many markets.

Institutional ownership of single-family homes is facing increased scrutiny from the administration. While early proposals to limit institutional ownership seemed primarily aimed at scattered site single-family rentals (SFR), there have been provisions in drafts of the proposed legislation that could potentially have a significant impact on build-to-rent communities if signed into law. The conversation has helped draw a clear distinction between SFR and BTR product types and investment strategies, but the potential for increased regulation and restriction on long-term ownership of BTR communities has added significant uncertainty to the sector.

# Economy Mixed, With Growth Healthy, But Hiring Limited

## U.S. Job Growth Stalled Late in 2025

Quarterly Net New Job Change (2026 Data Through February)



Sources: Northmarq, Bureau of Labor Statistics

*Recent expansion has been fueled by continued consumer spending and supported by business investment in artificial intelligence.*

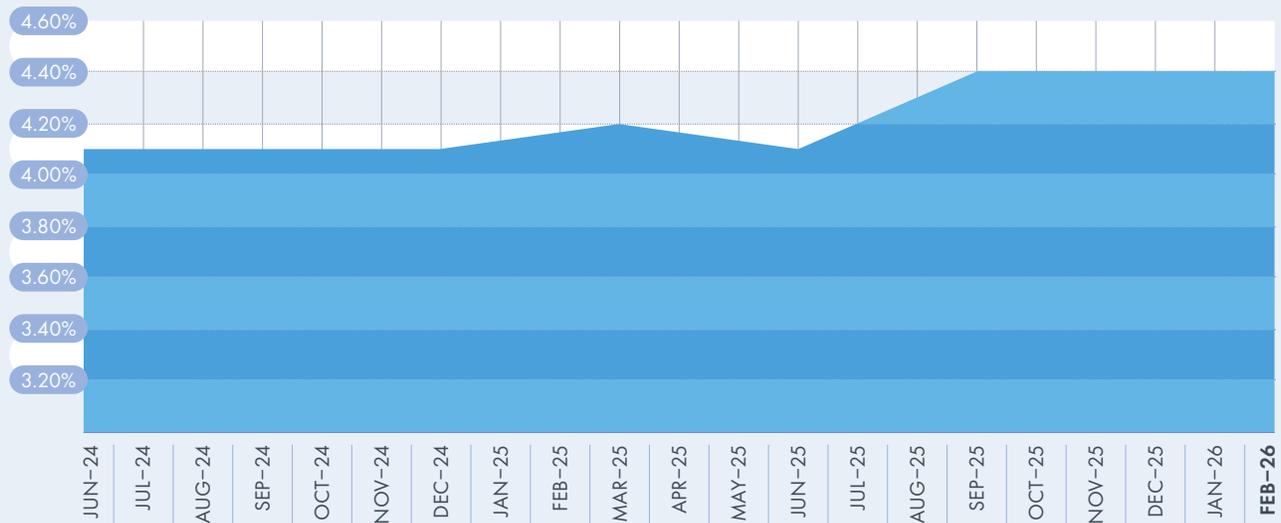
The national economy has posted uneven performance in recent periods, creating challenges for businesses and individuals to plan for the year to come. The economy, as measured by GDP, posted a modest contraction at the beginning of 2025, before bouncing back with average growth rates of approximately 4% in the second and third quarters. This pace of expansion proved unsustainable, and growth slowed to an annualized rate of just 1.4% in the fourth quarter. For the full year, GDP rose just 2.2%, after annual increases of 2.9% and 2.8% in 2023 and 2024, respectively.

Recent expansion has been fueled by continued consumer spending, and supported by business investment in artificial intelligence and the capital investment required to build out the infrastructure that will fuel it.

While the economy has been expanding, growth in the labor market was minimal throughout much of 2025. Few sectors posted any significant gains and there were deep cuts in the federal government sector, which served as a drag on total employment for the year. The recent performance in the labor market has softened consumer sentiment, which could ultimately slow new household formation and limit absorption of all forms of housing.

## Unemployment Rate Only Slightly Higher than in Mid-2024

National Unemployment Rate



Sources: Northmarq, Bureau of Labor Statistics

# Government Job Cuts Drag on Growth

*Losses were concentrated in the federal government, which shed nearly 300,000 positions over the course of the year.*

## LABOR MARKET

Employers slowed their pace of expansion drastically throughout 2025, adding only 116,000 net new jobs during the course of the year. This marked the weakest year in the labor market since 2020, and gains in 2025 were down considerably after more than 1.4 million positions were added in 2024.

The recent pace of hiring highlights a shift from prior years where the rate of job growth was occurring at a similar pace to long-term population growth. That trend has reversed course in recent

quarters, resulting in a labor market where employers are adding workers at a far slower pace.

Growth across several core employment sectors has been weak, dragging on the overall market. The one exception has been the private education and healthcare sector, which added nearly 700,000 net new jobs in 2025, far more than the labor market as a whole.

Outside of that one lone bright spot, most sectors added fewer jobs than in recent years or recorded net losses. The manufacturing sector, which was originally expected to receive a boost

from on-shoring of chip manufacturing and other industries, instead posted net losses totaling more than 110,000 positions in 2025.

The government sector, which had been a source of growth in recent years, was expected to contract in 2025, but losses were more severe than originally forecast. Government employment contracted by approximately 180,000 positions. Losses were concentrated in the federal government, which shed nearly 300,000 positions over the course of the year. State and local governments slowed the pace of their hiring as well, impacting the sector across the country, not just in markets where there is a large concentration of federal government jobs.

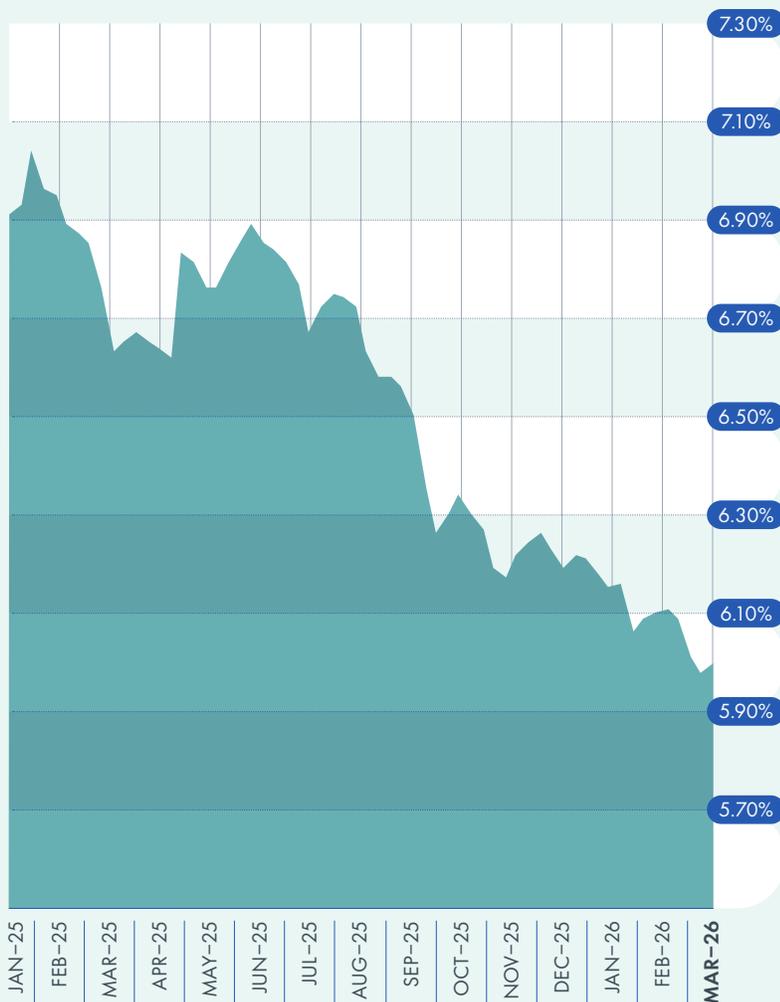
The slowing pace of job growth has caused the unemployment rate to tick higher, but overall levels are still manageable. The unemployment rate ended 2025 at 4.4%, up 30 basis points from one year earlier and 100 basis points higher than the cyclical lows recorded in 2023.

# Residential Mortgage Rates Beginning to Retreat

*While mortgage rates have come down a bit, the for-sale housing market is still far more costly than renting, a trend that is supporting demand for single-family rental housing.*

## Residential Mortgage Rates Dropped in 2025, Particularly in 2H

Average 30-Year Fixed-Rate Mortgage



Sources: Northmarq, Freddie Mac

## FOR-SALE HOUSING

The build-to-rent market continues to be influenced by the for-sale housing market. Home prices have trended slightly higher, mobility is limited, and sales volumes are light. Coming into 2025, many thought interest rates would decline enough to make transitioning from renting to owning less of a challenge. While mortgage rates have come down a bit, the for-sale housing market is still far more costly than renting, a trend that is supporting demand for the BTR sector.

Residential mortgage rates averaged 6.8% in the first half of 2025, providing little incentive to renters looking to ultimately move into home ownership. But rates began to change course in the third quarter.

The average rate on a 30-year fixed-rate residential mortgage dipped to about 6.5% in August and then retreated further in subsequent months. By the end of 2025, the average 30-year mortgage rate had fallen to 6.15%, the lowest figure in more than a year and the average dipped below 6% for the first time in more than three years at the end of February 2026.

5.98%

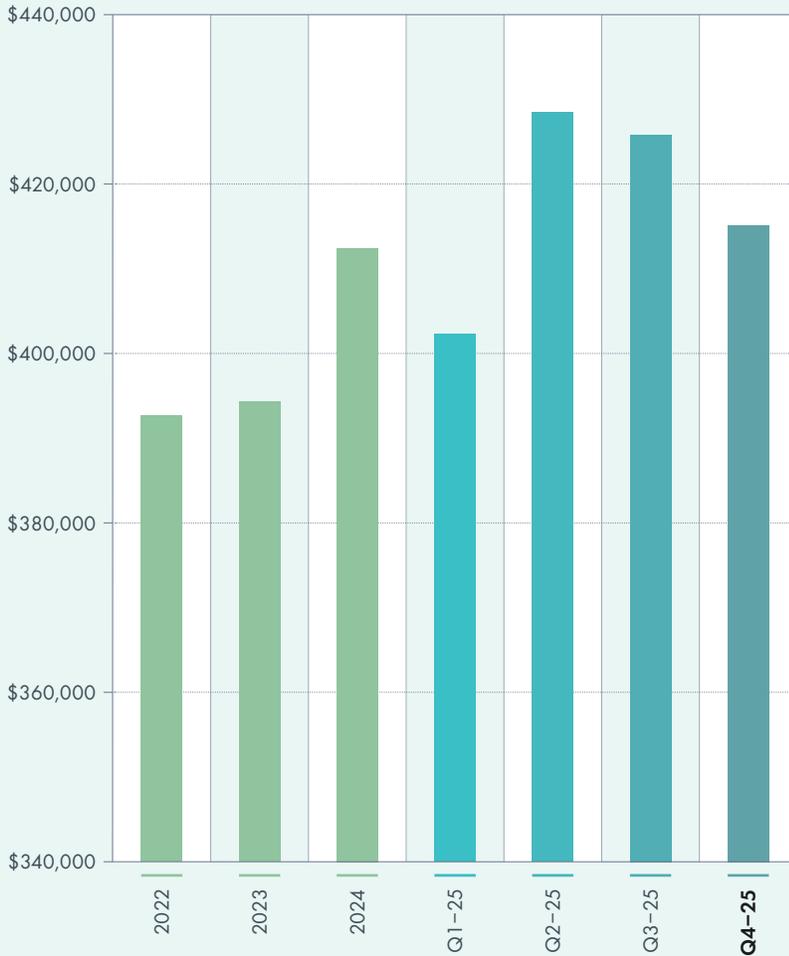
AVERAGE 30-YEAR  
FIXED-RATE MORTGAGE

As of February 26, 2026, the average 30-year mortgage rate recorded its first weekly reading below 6% since September 2022.

Source: Northmarq, Freddie Mac

### Home Prices Slightly Higher than in Prior Years

Median Existing Single-Family Home Price



Sources: Northmarq, National Association of Realtors

## \$419,500

MEDIAN SALES PRICE FOR AN EXISTING SINGLE-FAMILY HOME

Source: National Association of Realtors

## +1.7%

ANNUAL CHANGE FOR EXISTING SINGLE-FAMILY HOME SALE PRICE

Source: National Association of Realtors

## +\$1,017

MORTGAGE PAYMENT DIFFERENTIAL VS. AVERAGE BTR RENT

Source: Northmarq

Declining mortgage rates have offered some relief, but home prices have continued to push higher. Annual price increases for single-family home sales averaged about 2% throughout 2025, following an increase of about 4.5% in 2024.

The median price of an existing single-family home was approximately \$415,000 in the fourth quarter, and reached \$419,500 for the full year. Home prices have generally held at or above \$400,000 for nearly two consecutive years, and despite some month-to-month fluctuations, have shown no real sign of trending lower.

*As of the fourth quarter, the mortgage payment on a median-priced home using current mortgage rates would be approximately \$3,200 per month, or more than \$1,000 per month higher than the average rent on a build-to-rent property.*

Current renters who have waited on the sidelines hoping home prices would decline have not seen the market move in their favor. Early monthly readings for 2026 showed prices that were nearly identical to figures from one year earlier and low activity levels.

The combined forces of elevated home prices and mortgage rates that are still around 6% mean that renting continues to offer a cost advantage over home ownership. As of the fourth quarter, the mortgage payment on a median-priced home using current mortgage rates would be approximately \$3,200 per month, or more than \$1,000 per month higher than the average rent on a build-to-rent property.

This gap is not universal across all build-to-rent markets, however. Prominent markets where home prices are at the higher-end of the range, such as Denver and Austin, have monthly rent-vs.-own pricing gaps of \$1,500 or more. Further, markets where property insurance prices have surged in recent years, such as Orlando, Tampa, and Jacksonville, have seen the gap between renting and owning single-family homes expand to \$1,200 per month or more.

# Significant Declines in BTR Starts & Deliveries Recorded in 2025

## DEVELOPMENT TRENDS

After a period of accelerating construction in recent years, the pace of new development in the build-to-rent sector slowed in 2025. Annual deliveries were down 18% from 2024 to 2025 and starts posted an even sharper decline. Developers are taking a more prudent approach when evaluating development sites, and capital—particularly equity capital—has become more cautious.

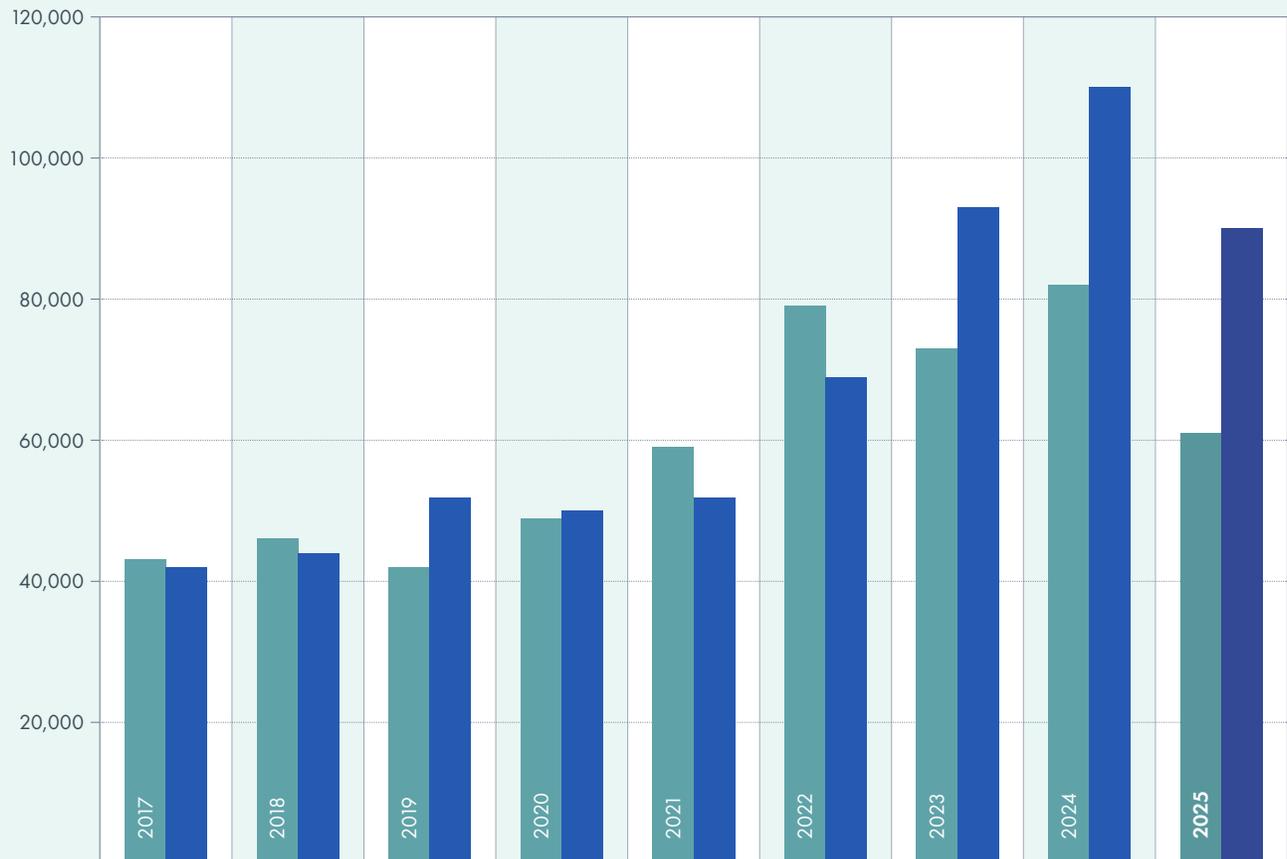
While construction is occurring throughout the country, a few different patterns are emerging at the regional level. During the past several years,

*Developers are taking a more prudent approach when evaluating development sites, and capital—particularly equity capital—has become more cautious.*

### Build-to-Rent Development Pipeline

Number of Units

Build-to-Rent Starts      Build-to-Rent Completions



Sources: Northmarq, U.S. Census Bureau

*While construction starts have slowed considerably, projects that broke ground in prior years have continued to come online, albeit in slightly smaller numbers.*

developers have concentrated in high-growth markets across the Sunbelt, with the South region leading the way. Markets throughout Florida, Texas, Georgia, and the Carolinas were leaders for new build-to-rent development.

Additionally, metro areas in the West region with affordable land and persistent population growth

were some of the first markets where operators began to achieve any significant scale with communities of build-to-rent units. In recent periods, developers have pulled back on BTR development in both the South and the West regions, after prime development sites have already come online.

In contrast, markets in the Midwest and Northeast regions were originally not seen as being ideal candidates

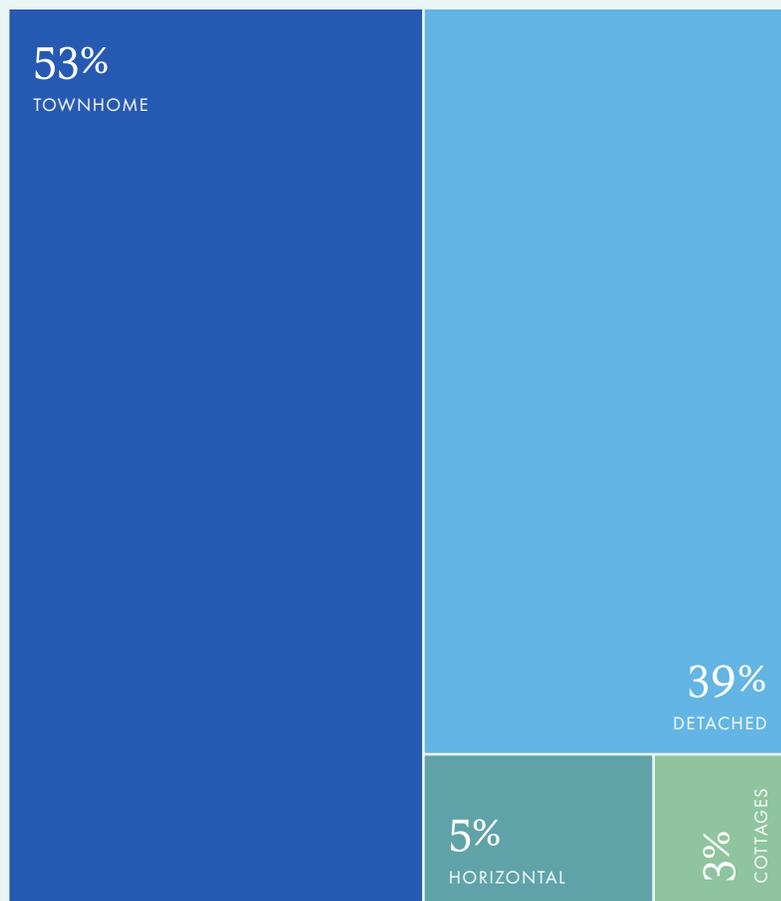
for the development of single-family rentals. That perception has begun to shift, as vacancies in both regions have generally remained tight and rents have pushed higher. The Midwest in particular is showing signs of maintaining momentum. Land costs in much of the Northeast will likely continue to limit the growth of the build-to-rent sector in those markets.

In 2025, national construction starts totaled approximately 63,000 units, a 23% decline when compared to 2024 levels. Starts peaked in the first quarter, likely the result of land acquisitions and permitting that occurred in 2023 or 2024. Construction starts in the final nine months of 2025 were down more than 30% year over year.

While construction starts have slowed considerably, projects that broke ground in prior years have continued to come online, albeit in smaller numbers. Properties totaling approximately 90,000 units delivered across the country, after 110,000 units came online in 2024. Deliveries peaked in the second quarter of 2024 and have generally slowed for more than a year, with a continued decline in deliveries forecast for 2026.

### Build-to-Rent Product Types Gaining Sales Traction

Sales Share by Product Type



Sources: Northmarq, CoStar

### REGIONAL DEVELOPMENT TRENDS

After doubling from 2019 to 2024, developers are slowing the pace of single-family build-to-rent communities across much of the country. This trend is expected to continue into 2026, as operators across several major markets for build-to-rent developments work through supply overhangs and competition from traditional apartment units.

*With starts slowing at the national level, the share of new construction starts in the Midwest is on the rise.*

**BUILD-TO-RENT  
CONSTRUCTION STARTS**

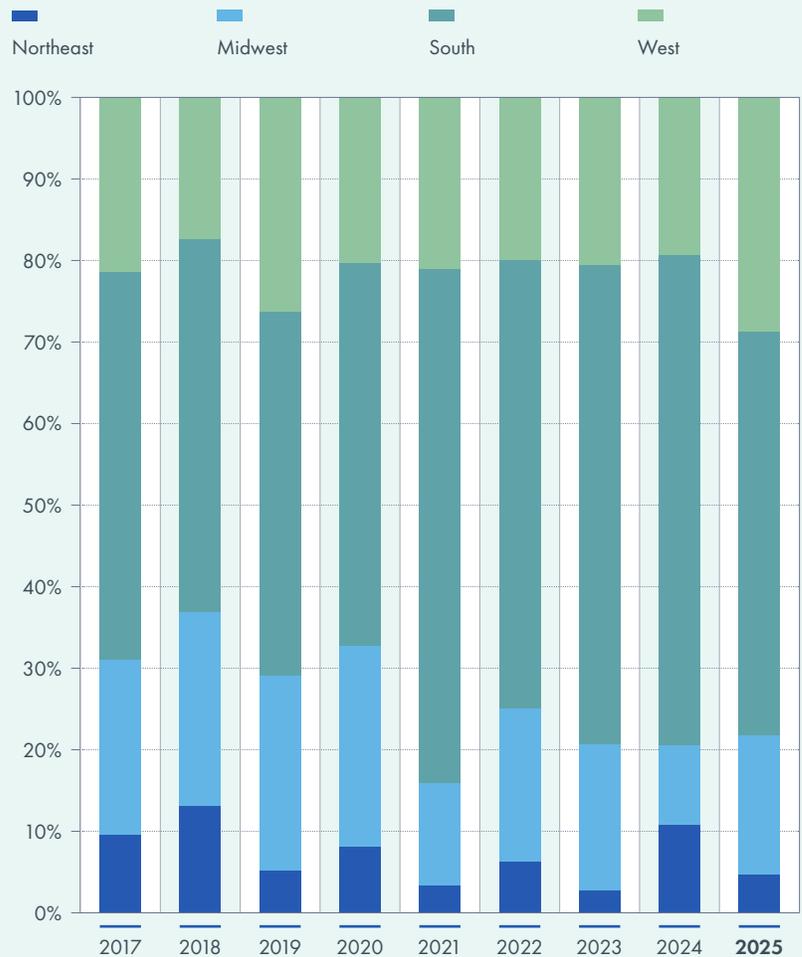
In 2025, construction starts in the South totaled just 32,000 units, down 35% from 2024 levels. Declines in the second and third quarters were particularly significant; construction starts in the South region were down 47% in the middle two quarters of 2025 compared to one year earlier. Still, the South region accounted for about 50% of all construction starts in 2025, outpacing all other regions of the country.

While developers across the South had been ramping up in recent years, construction starts in the West had already begun to level off heading into 2025. In the past year, about 18,000 units broke ground in the West region, similar to annual totals in 2023 and 2024. The West was another region where starts peaked at the beginning of the year and then slowed.

The Midwest is posting steady development activity levels. Projects totaling approximately 11,000 units broke ground in the Midwest in 2025, ahead of the pace recorded in the prior year. With starts slowing at the national level, the share of new construction starts in the Midwest is on the rise. Starts in the Midwest accounted for about 17% of the national total in 2025, up from 11% in 2024. This trend is expected to continue in 2026, as many Midwest markets maintain steady BTR vacancies and should record rent increases.

**Annual Build-to-Rent Construction Starts by Region**

Year-to-Date 2025



Sources: Northmarq, U.S. Census Bureau

**BUILD-TO-RENT  
CONSTRUCTION DELIVERIES**

While construction starts have slowed, new units that broke ground during a more robust period of expansion in the sector continue to come online. Nearly 60% of the total units delivered in 2025 were delivered in the South region, with Dallas-Fort Worth, Charlotte, Austin, and Orlando leading the way. Deliveries in the South were down 14% when compared to 2024 levels.

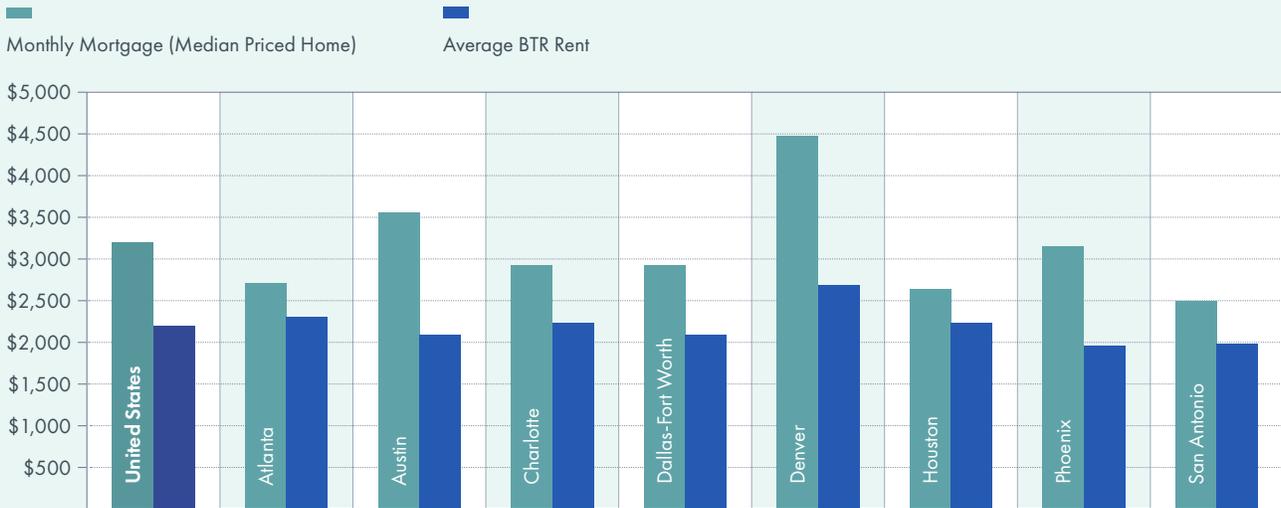
Completion totals in the West region were buoyed by the delivery of several large projects in the Phoenix market. Developers delivered about 18,000

units in the West region, down 10% from the 2024 total and 15% lower than the 2023 peak. Properties in the Phoenix market totaled more than 7,500 units, or more than 40% of the total completions for the West region.

Approximately 8,000 build-to-rent units were delivered in the Northeast region in 2025, similar to the prior-year pace. New Jersey and Pennsylvania were two of the leading areas for deliveries in the Northeast region. The Midwest posted a 31% decline in completions in 2025, a trend that should reverse beginning this year.

## Rent vs. Own Costs

Top Build-to-Rent Markets



Sources: Northmarq, NAR, CoStar, Yardi

# Vacancies Elevated but Stabilizing as Rents Posted Modest Declines

*Supply and demand conditions are expected to improve in 2026, with vacancies likely to dip approximately 50 basis points in the coming year.*

## OPERATIONAL PERFORMANCE

Property operations stabilized somewhat in the build-to-rent sector in 2025, particularly in the second half of the year. The vacancy rate reached 8.8%, 20 basis points higher than one year earlier. While the rate posted an annual increase, vacancies were mostly flat in the third and fourth quarters, as the pace of deliveries began to ease. Supply and demand conditions are expected to improve in 2026, with

vacancies likely to dip by approximately 50 basis points in the coming year.

Vacancy in the nation's largest build-to-rent market, Phoenix, ended the year at 9.8%, up 50 basis points from one year earlier. Vacancy in the Phoenix area had averaged about 4.5% from 2020 through mid-2022 before a surge in new developments pushed the rate higher. BTR properties in Phoenix are also facing competition from traditional multifamily projects.

Texas is home to the second-largest BTR market in the country in Dallas-Fort Worth. Fueled by a surge in absorption in 2025, the area vacancy rate tightened, dropping 70 basis points to 6.3%. The build-to-rent sector has posted fairly steady performance in Houston, with vacancies ending 2025 at 6.5%, 50 basis points higher than at the end of 2024.

Build-to-rent property performance in Austin is particularly interesting. While the traditional apartment market in Austin has been hampered by the delivery of dozens of high-rise and mid-rise apartment buildings in recent years, pushing the vacancy rate into double digits, the build-to-rent market has fared much better. Build-to-rent vacancies in Austin ended 2025 at just 7.1%, about 400 basis points lower than the vacancy rate for apartment properties in the market.

The Midwest has been the top performing region for traditional multifamily properties in recent years, and a similar trend has emerged in the build-to-rent segment.

*While absorption was healthy across the sector, the competitive forces of new BTR supply and new apartment construction dragged on rents.*

The top performing Midwest BTR markets included Columbus and Indianapolis; both markets featured vacancy rates below 4.0% at the end of 2025.

In the Southeast, Atlanta and Charlotte are posting some of the strongest absorption trends. Both markets posted similar vacancies at the end of 2025,

with the rate dropping 70 basis points to 5.5% in Atlanta. In Charlotte, the vacancy rate ended the year at 5.8%.

Florida is another significant region for build-to-rent developments. Tampa, Orlando, and Jacksonville are all among the 15 largest markets in the country for build-to-rent inventories. Of these markets, Jacksonville has posted the strongest recent performance, with a year-end 2025 vacancy rate of 6.5%. Vacancy in Tampa ended the year at 7.9%, while the rate in Orlando was 10.3%.

Rents across these primary Florida markets are similar, ranging from about \$2,200 per month to \$2,350 per month, with Jacksonville posting flat rents in 2025, while rents in Tampa and Orlando declined 2.5% and 3.5%, respectively, in 2025. Housing values

in these three markets were nearly identical in 2025, each with a median existing home price of approximately \$400,000.

At the national level, BTR rents declined by an average of 1.8% in 2025, ending the year at approximately \$2,200 per month. Most large markets recorded rent declines ranging from 1.5% to 3.5%. While absorption was healthy across the sector, the competitive forces of new BTR supply and new apartment construction dragged on rents.

Among the top performing markets for rents in the South in 2025 were Atlanta, Nashville, Houston, and Jacksonville, with each market recording rents that were essentially flat from 2024 to 2025. Absorption remained healthy across most of these markets. Further, none of these markets was particularly impacted by significant deliveries of new units during the course of the past year, allowing supply and demand to remain fairly closely aligned.

There were a few soft spots where rents declined more rapidly than the national average. Generally these were markets where long-term demand drivers have supported development of both BTR units and traditional apartments, creating a short-term oversupply of rental housing that must be worked through as operators use concessions to attract renters. Markets including San Antonio and Orlando posted annual rent declines of more than 3.0% in 2025.

Net absorption slowed in 2025, declining by about 10% from 2024 figures. Still, the pace of deliveries slowed more rapidly, allowing for fairly stable vacancy conditions. Looking ahead to 2026, demand drivers are expected to remain in place, but absorption totals may lag levels from the prior year.

### Top Markets for Build-to-Rent Absorption

YTD Net Absorption (2025)



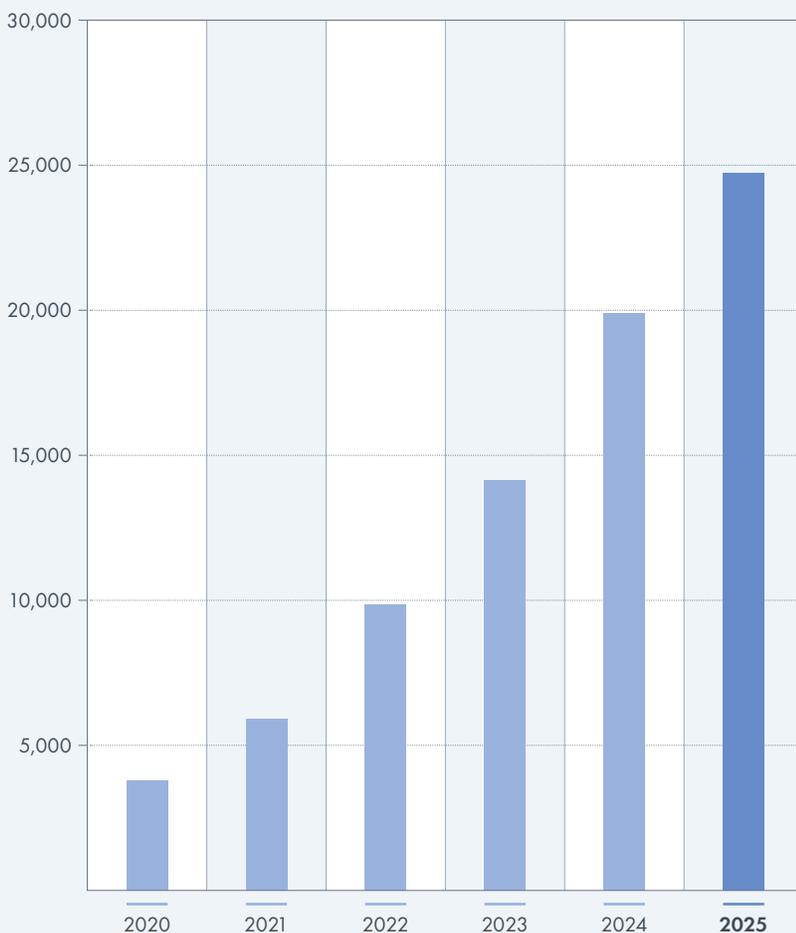
Sources: Northmarq, CoStar, Yardi

# Absorption Strengthens as New Communities Come Online

*Job growth has averaged more than 2.2%, attracting population-serving employers and housing developers.*

## Dallas-Fort Worth Becoming a Leading BTR Market in Recent Years

Existing Build-to-Rent Inventory at Year End (Units)



Sources: Northmarq, CoStar, Yardi

## DALLAS-FORT WORTH

The rapid employment expansion and population growth occurring across the Dallas-Fort Worth area over the past several years has fueled the development of communities of BTR units. The current inventory totals nearly 25,000 units, the vast majority of which have been delivered in the last five years.

Developers have completed approximately 5,000 build-to-rent units per year since 2021, or about one-sixth of the total rental units that have come online in the region during that timeframe. Collin County, which has added about 250,000 new residents since 2020, is one of the leading parts of the Dallas-Fort Worth region for new build-to-rent development. The city of Fort Worth in Tarrant County has also been a popular spot, particularly for townhome and horizontal apartment development projects.

Economic growth is supporting demand. Since 2020, the local economy has added more than 500,000 net new jobs across a wide range of industries. Growth has averaged more than 2.2% per year, attracting population-serving employers and housing developers.

Build-to-rent developers have flocked to the Dallas-Fort Worth area in recent years, attracted by the region's rapid growth and sprawling suburbs. Many of the largest national developers in the build-to-rent space have projects located throughout the Metroplex, led by Taylor Morrison and NexMetro.

Homebuilder Taylor Morrison has been active in the area in recent years with its Yardly brand of single-family rentals. Yardly projects totaling more than 1,100 units have been delivered in the Dallas-Fort Worth area since 2024, with communities in areas such as Anna, Melissa, and Denton.

### Absorption on a Steady Upward Trajectory in Dallas-Fort Worth

Annual BTR Net Absorption (Units)



Sources: Northmarq, CoStar

*Dallas-based Bridge Tower has the largest local presence in the space, with eight existing properties totaling approximately 900 units.*

The Yardly communities generally consist of cottage-style units with private backyards.

NexMetro has about 10 existing BTR properties totaling nearly 2,000 units in its Avilla brand across the Dallas-Fort Worth area. NexMetro has delivered an average of two new projects per year to the region since 2020, generally in high-growth areas such as Melissa, Grand Prairie, and Prosper. Average unit sizes are generally about 950 square feet, with rents near \$2 per square foot, per month.

In addition to the national players, several local developers have been moving new BTR projects through the

development pipeline. Dallas-based Bridge Tower has the largest local presence in the space, with eight existing properties totaling approximately 900 units. The company's communities include either traditional single-family rentals or townhomes. Bridge Tower's unit mix typically consists of three- and four-bedroom homes. Single-family floorplans often range from 1,600 square feet to 2,000 square feet, while townhomes range from 1,200 square feet to 1,600 square feet on average.

Renter demand for build-to-rent units has been gaining momentum in recent years. Net absorption totaled more than 4,000 units in 2025, spiking by

nearly 30% from the prior year. The second and third quarters of 2025 were particularly robust, with absorption totaling more than 2,500 units in a six-month period.

Absorption first topped 1,000 units per year in 2021, and has surged in recent years. The total number of units absorbed spiked by more than 50% from 2021 to 2022, and then topped 3,000 units for the first time in 2023. If recent absorption patterns hold in 2026, the vacancy rate will likely tighten by 200 basis points or more as the pace of deliveries slows.

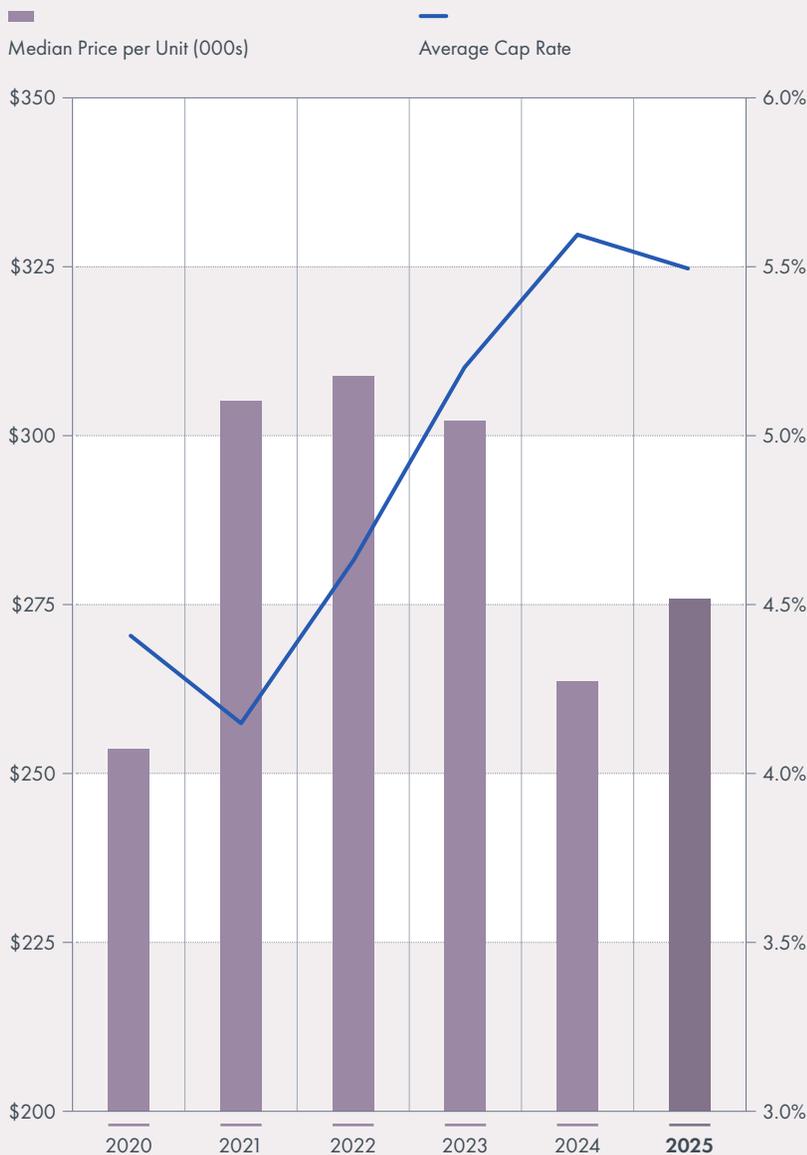
Build-to-rent properties in Dallas-Fort Worth command a significant rent premium over traditional apartments, but are still less expensive than monthly mortgage payments. The average rent on a build-to-rent property in Dallas-Fort Worth is \$2,130 per month, about \$625 higher than the average apartment rent. The average monthly mortgage payment on a median-priced home in the region is nearly \$3,000 per month, positioning build-to-rent housing as an option for renters who have outgrown traditional apartment living but are priced out of the for-sale housing market.

Dallas-Fort Worth has been a leading market for traditional apartment sales and that trend is carrying over to the build-to-rent sector as well. Transaction activity was particularly elevated in 2024, with about \$400 million in properties changing hands. Investment volume in 2025 did not match that total, but transactions continued to close throughout the year. The median price in sales where prices were available reached \$214,000 per unit, a premium of about 25% compared to traditional apartment properties. Sales were consistently at \$250 per square foot or higher in 2025.

# Transaction Counts Slow, While Prices Regain Some Ground

## Investment Trends

Build-to-Rent Properties



Sources: Northmarq, CoStar, Real Capital Analytics

## TRANSACTION ACTIVITY

Investment trends for build-to-rent communities were mixed in 2025. Transaction counts lagged 2024 levels, particularly in the first half of the year. Sales velocity picked up in the second half as the interest rate outlook brightened and the economy posted healthy growth.

The Southeast region led the way, recording approximately half of the total transaction volume posted during the year. More than \$1.1 billion in build-to-rent transactions closed in the Southeast in 2025, led by Florida, North Carolina, and Tennessee. While transactions in Florida occurred across several markets in the state, activity in North Carolina was concentrated almost entirely in Charlotte, followed by Raleigh-Durham. In Tennessee, sales velocity was split fairly evenly between the Nashville and Knoxville markets.

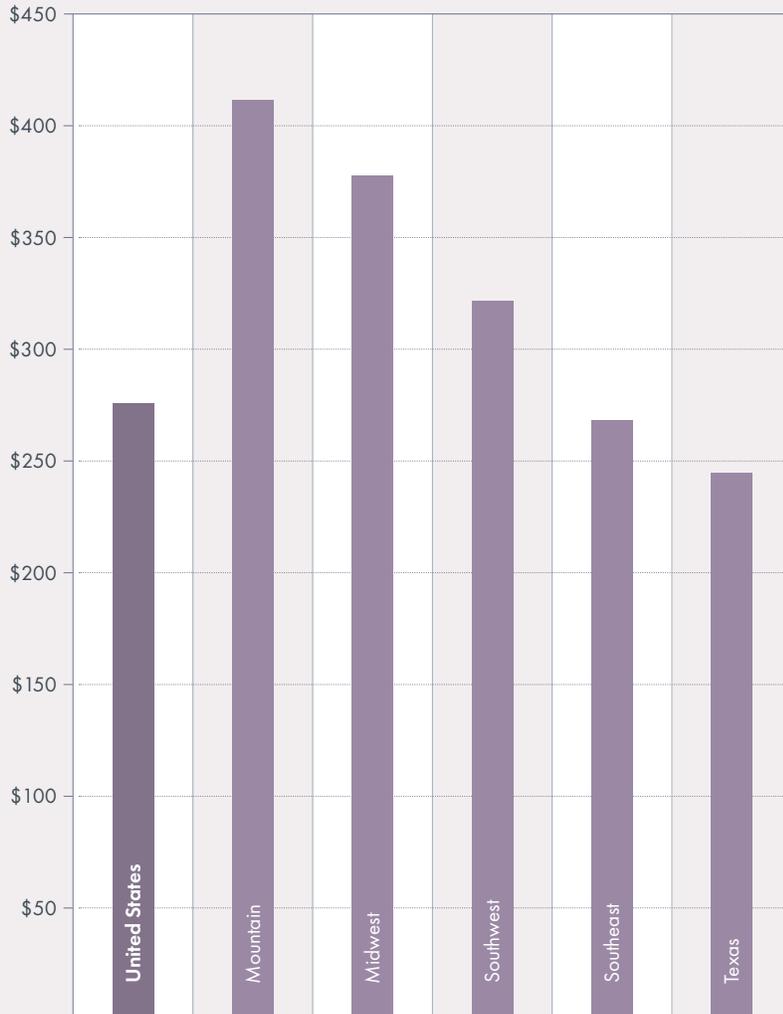
The Southwest region posted the second-highest number of deals in 2025, accounting for approximately 20% of the total transactions. The Phoenix area led the country in transaction volume, with properties totaling nearly 1,500 units selling for a combined figure of more than \$500 million.

The Midwest accounted for about 12% of total transaction activity in 2025, with properties trading in Iowa, Minnesota, and Kansas, among other states. The properties that sold in the Midwest traded at premiums over traditional apartments. The median BTR sales price in the Midwest region in 2025 was nearly \$380,000 per unit, more than double the median price for apartment properties in the region.

While the bulk of the transactions as recently as a year or two ago involved sales of fully leased-up communities, rolling options and takedowns of phases of completed units have begun

### Build-to-Rent Pricing Trends by Region

2025 Median Price per Unit (000s)



Sources: Northmarq, CoStar, Real Capital Analytics

*While the bulk of the transactions as recently as a year or two ago involved sales of fully leased-up communities, rolling options and takedowns of phases of completed units have begun to account for a greater share of transactions.*

whole in 2025. The median price for single-family detached homes topped \$287,000 per unit during the past year, with Arizona, Texas, Tennessee, and Arkansas the top states for transactions in this product type.

Transactions involving the horizontal apartments and cottages that accounted for the bulk of the transactions in the BTR sector a few years ago slowed in 2025. Combined, these types of product accounted for about 10% of the total transaction mix across the BTR segment in 2025. The median price for horizontal apartments and cottages was nearly \$255,000 per unit in the past year.

Cap rates for build-to-rent communities averaged 5.5% in 2025, with townhome properties commanding the lowest average cap rates. With operators focusing on keeping operating costs in check, townhomes attracted buyers looking to limit maintenance expenses. Cap rates in 2025 were essentially unchanged from the second half of 2024, but were at least 150 basis points higher than levels at the peak of the market a few years ago.

to account for a greater share of transactions. As home builders continue to play a larger role in the build-to-rent sector, this disposition strategy is expected to persist.

The median price for build-to-rent properties was approximately \$276,000 per unit in 2025, compared to \$270,100 per unit in the prior year. Pricing has come down across the industry after peaking at more than \$300,000 per unit in 2022.

With townhome properties accounting for the bulk of the total transactions in the market, their pricing trends are reflected in the overall totals. The median price in townhome property sales in 2025 was \$272,000 per unit. In 2024, prices for townhome properties were closer to \$285,000 per unit.

The larger, single-family detached homes that are most often delivered by homebuilders commanded slightly higher prices than the BTR market as a

# Regional Developers Play a Large Role, as Growth Profile Attracts New Entrants

Rents have been on a steady upswing since the beginning of 2021, advancing by 16.1% during that time frame.

## BTR Rents on a Steady and Gradual Upward Trajectory

Quarterly BTR Rent Trends, Kansas City MSA



Sources: Northmarq, CoStar

## KANSAS CITY

Kansas City has posted some of the strongest economic growth in the Midwest in recent years, which has supported development of build-to-rent properties. The local population totals 2.2 million residents, a figure that has expanded by more than 180,000 in the past decade. Build-to-rent developers have positioned themselves in the path of this growth, with the most properties located in Johnson County, Kansas, which features a local population of more than 630,000 residents.

Employment in Kansas City had been on a steady upward climb until conditions cooled in 2025. The market has posted an average growth rate of 1.1% per year since 2015, with payrolls expanding by more than 115,000 workers in that time. In 2025, the market recorded slight payroll contraction, but that should not impact the long-term trajectory of the region.

Kansas City's central location, proximity to many major markets, and multimodal transportation network support distribution-related industries. Trade, transportation, and utilities is the largest employment sector in Kansas City, accounting for 20% of the jobs, with roughly 230,000 workers. Amazon has 12 distribution centers across the metro area, employing more than 6,000 people. Home Depot and Walmart both have strong distribution presences in the region as well.

While distribution is the largest source of jobs, the technology sector is emerging as a growth engine. Approximately 77,000 people work in tech in the Kansas City area, accounting for nearly 10% of the local economic output. Garmin is headquartered in Olathe, while Honeywell operates the Kansas City National Security Campus on behalf of

*Despite vacancy conditions softening, rents for build-to-rent communities have advanced at a strong pace in recent quarters.*

the Department of Energy. Additionally, the region is home to 15 data centers, including a recently completed 1.4 million square-foot data center for Meta in Northland.

Kansas City’s build-to-rent market has expanded in recent years. There are currently 4,000 existing units across nearly 30 properties; at the beginning of 2022, just 16 properties totaling 2,500 units had been brought online. More than 60% of the inventory is comprised of townhome units.

A handful of developers have been active in the Kansas City build-to-rent market, including locally based Sallee Development. The company completed a four-property, \$113 million portfolio sale in 2025, but also delivered two new BTR properties that same year. The company continues to expand its BTR presence in the Kansas City area, with a pipeline of future projects totaling approximately 500 units.

Vacancy conditions in BTR properties have softened in recent quarters, as absorption remains positive but has tapered off. Since the end of 2022, vacancy had ranged from roughly 6% to 7%, but the rate spiked to begin 2025. The current rate is 9.4%, up 310 basis points from one year ago. The current construction pipeline is limited, with fewer than 300 units under construction, and vacancy will likely tighten in the coming quarters.

### After Net Losses in 2025, an Employment Rebound Likely in 2026

Annual Employment Trends, Kansas City MSA



Sources: Northmarq, Bureau of Labor Statistics

\* Year-End Forecast

The BTR market in the Kansas City region has its largest number of units in Johnson County, Kansas with about 25% of the total inventory. Outside of Johnson County, the inventory of BTR communities in Kansas is limited. Nearly all of the remaining inventory is located throughout Missouri, with Cass, Clay, Jackson, and Platte Counties all holding a handful of BTR properties. Despite vacancy conditions softening, rents for build-to-rent communities have advanced in recent quarters. Asking rents for BTR properties were roughly

\$2,075 per month at the end of 2025, up 2.6% from one year ago. Rents have been on a steady upswing since the beginning of 2021, advancing by 16.1% during that time frame. In addition to renting at a substantially higher rate, rent growth in the BTR space is outpacing levels recorded in the overall apartment market. Apartment rents rose 1.9% in 2025, ending the year at \$1,261 per month. In the Class A segment, rents gained 1.8% year over year, rising to \$1,519 per month in the fourth quarter.

# Policy Uncertainty Potentially Limiting Capital Flows Despite Easing Supply Pressures

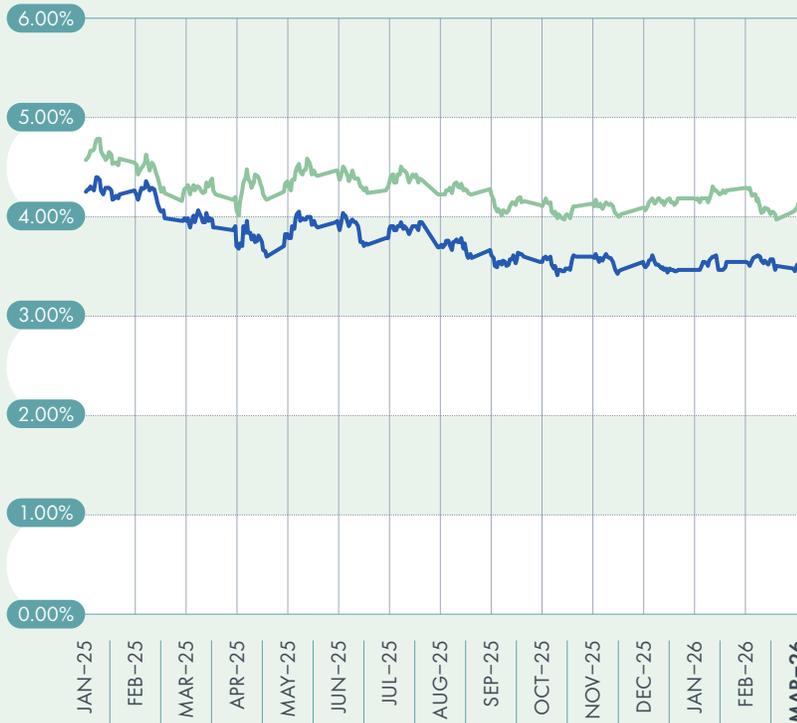
*Supply and demand were the challenges that influenced capital providers in 2025, while policy threats could potentially curtail activity in the year ahead.*

## Rates Dipped Slightly in 2025

U.S. Treasury Yield

2-Year Treasury Yield

10-Year Treasury Yield



Sources: Northmarq, U.S. Treasury

## DEBT + EQUITY CLIMATE

The current capital environment for build-to-rent properties has not changed materially in the past year, with debt still largely available for acquisitions, some lenders more cautious surrounding financing for new construction, and equity for development projects remaining difficult to secure.

Further, market sentiment surrounding the sector's supply and demand outlook is more favorable than one year ago. These conditions would ordinarily set the stage for increased volumes.

Still, there are uncertainties in the outlook, and political pressures can impact the sector. Supply and demand were the challenges that influenced capital providers in 2025, while policy threats could potentially curtail activity in the year ahead.

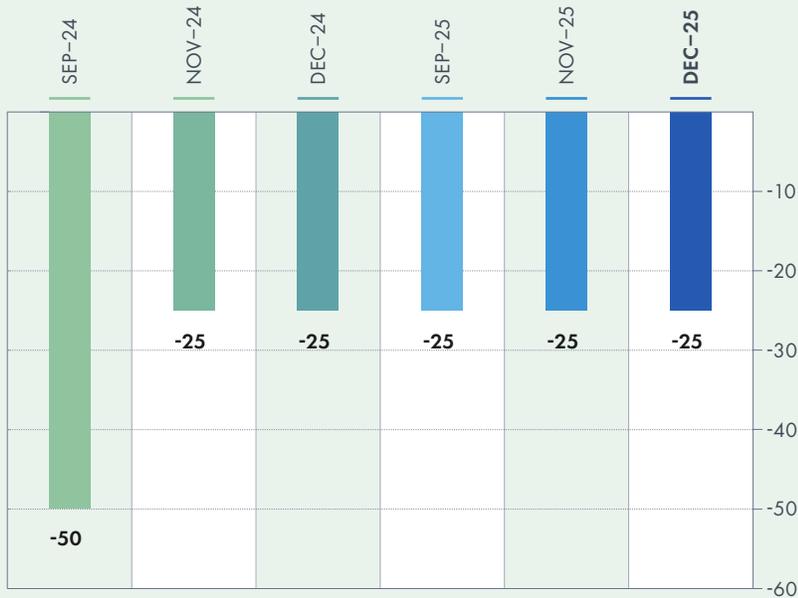
In early January, the administration proposed limitations on institutional ownership of single-family rental properties. While initial proposals seemed to favor BTR communities, later drafts of the bill appeared more restrictive on BTR development. Policy uncertainty of this kind could result in a less vibrant capital markets climate than might otherwise be appropriate.

## FEDS RESUMED RATE CUTS TO CLOSE 2025, MORE TO COME

The Federal Reserve has implemented six rate cuts totaling 175 basis points since September 2024, but cuts have not been as aggressive as many expected, and the outlook for further action in 2026 is mixed. The rate cutting program that began in 2024 stalled in the first several meetings in 2025, as the central bank voiced concerns about the potential inflationary pressures associated with elevated deficits and tariffs.

### Six Fed Funds Rate Cuts Since September 2024

Rate Change (bps)



Sources: Northmarq, Federal Reserve

that the agencies may not be impacted by any new pressure. The agencies have not been leaders on scattered site SFR properties that appear to be the primary focus of any potential rule changes in 2026.

With the agencies required to allocate at least 50% of their multifamily business to mission-driven, affordable housing, and BTR properties in the public spotlight, there may be some volatility in agency financing for acquisitions in the near term. Deals will still get done, but investors may look for other sources of acquisition financing.

Outside of the agencies, life insurance companies and banks should remain significant sources for long-term fixed-rate financing for BTR acquisitions, while bridge lenders will serve as the primary sources for shorter-term, variable rate loans.

## The agencies continue to underwrite BTR transactions with similar terms to new, Class A multifamily properties.

Rate cuts have had mixed impacts across different Treasury maturities. Yields on shorter-term bonds fell throughout much of last year; the yield on the 2-year Treasury ended 2025 at 3.47%, down nearly 80 basis points for the full year. The yield on the 5-year Treasury dropped approximately 60 basis points in 2025, ending the year at 3.73%.

Yields on the 10-year Treasury dropped less than 40 basis points in 2025, retreating to 4.18% at year end. Still, the yield on the 10-year bond ended 2025 higher than it was before the Federal Reserve started cutting rates in September 2024. To this point in the cycle, fixed-income investors have been hesitant to accept yields on the 10-year Treasury below

4%, particularly in an environment where large annual deficits persist and inflation is over 2%. Geopolitical forces are also keeping yields elevated.

#### ACQUISITION FINANCING

The agencies are expected to be primary sources for BTR acquisition financing in 2026. Fannie Mae and Freddie Mac implemented significant increases in their respective multifamily loan caps to \$88 billion each for 2026. This represents a 20% increase from 2025 levels. The agencies continue to underwrite BTR transactions with similar terms to new, Class A multifamily properties.

While the single-family rental sector has come under greater public scrutiny in recent months, it is important to note

#### CONSTRUCTION FINANCING

With the development pipeline thinning, there will likely be less construction financing origination activity in 2026. Banks are expected to be the primary source of construction financing in the year ahead. Debt funds have been among the top sources of construction loans in recent years and will likely continue to play a significant role in 2026.

The most active builders in the BTR space currently are homebuilders, and they are expected to continue to leverage relationships with large national banks to finance construction of new build-to-rent communities.

Further, bridge lenders are expected to provide an interim step as developers move on from a project's construction loan before securing permanent financing. Some developers are choosing bridge fund options in anticipation of lower rates on permanent financing becoming available as interest rates drop in the second half of this year.

### EQUITY

Many equity investors for build-to-rent properties continued to focus on acquisitions in 2025, either through direct purchases or in joint venture partnerships with experienced sponsors. In addition, several groups including institutions, insurance companies, private equity funds, and family offices, continued to explore new development opportunities.

Securing funding for new builds remained challenging based on the volume of properties that were already in the construction pipeline but select investors picked up activity to deploy capital with leading developers in the space. The majority of these groups looked to deploy structured capital solutions through preferred equity, mezzanine loans, or hybrid joint ventures to help meet the financing demands of shovel-ready deals. Projects with the strongest return profiles in desirable locations across the Sunbelt and select Midwest markets were able to secure true limited partner joint venture equity investments for best-in-class sponsors.

While the pipeline of new projects has thinned somewhat and lessened that objection to funding new projects,

potential legislation to limit institutional ownership of single-family housing is adding a level of uncertainty to the BTR equity environment. As of this writing, finalized legislation has not passed, but current proposals add complexity and uncertainty to the BTR sector, which may sideline some equity sponsors or cause them to alter strategies.

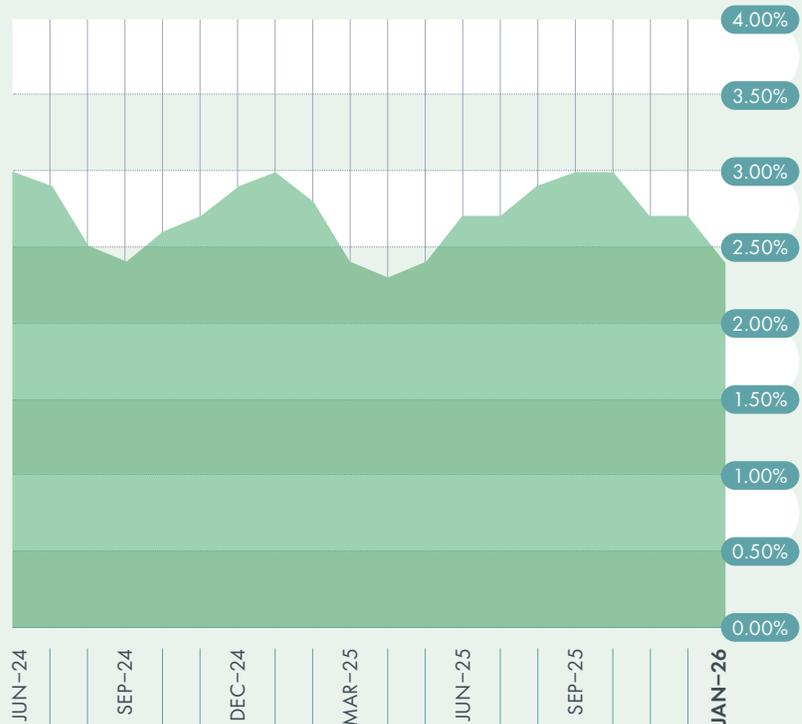
While Congress seeks a legislative cure, economic realities may ultimately alleviate some of these pressures. Combined, institutional owners of single-family homes account for a small fraction of the overall single-family rental market, with individuals accounting for an estimated 90% or more of the single-family rental (SFR) market. Additionally, the largest institutional owners of single-family

homes have been net sellers of these homes for the past several years, choosing to allocate new capital into BTR communities.

The equity structure that is most likely to gain greater adoption and have the largest impact on the sector in 2026 is expected to be the joint ventures that many equity providers have been entering into with established home builders and operators. Preferred equity has become increasingly competitive after large volumes of capital raised over the last few years have not yet been fully deployed. The ability to scale these structures across multiple projects with repeat sponsors will likely remain one of the most efficient and most favored methods of development of new properties.

### Inflation Low and Stable Enough to Support Rate Cuts

CPI 12-Month Percent Change



Sources: Northmarq, Bureau of Labor Statistics

# Healthier Performance Likely in 2026, if Economy Holds Up

*Lower rates typically spur economic growth, but declines in mortgage rates could also encourage many renters to move into home ownership and drag on demand for single-family rentals.*

From a fundamentals and investment standpoint, 2026 should be a year of improvement in the build-to-rent market. The sector should benefit from a 25% decline in the pace of deliveries from 2025 levels, allowing renter demand to catch up with supply. As supply and demand approach equilibrium and vacancies begin to tighten, operators should be able to implement rent increases in the 2% to 4% range.

The current forecast calls for only about 65,000 build-to-rent units to be delivered in 2026. Several core build-to-rent markets will post slowing delivery totals for the first time in a few years.

Investment activity should gain momentum, as stabilizing vacancy rates and the prospect of rising rents move

investors off of the sidelines. A lower interest rate environment should also prove advantageous for investors seeking to allocate capital into the build-to-rent sector. Declining interest rates could result in some modest cap rate compression, but sharp decreases to levels achieved a few years ago are unlikely.

While the development schedule and number of new units entering the build-to-rent inventory for 2026 is largely set, forecasting demand for the coming year is tougher to determine. The outlook for the economy is mixed, following an uneven year in 2025.

Hiring slowed throughout much of the year, as businesses took a more cautious approach to staffing, and several large companies announced layoffs. While the overall economy is growing, the private sector is beginning to leverage artificial intelligence tools as a way to increase productivity levels, dragging on hiring.

Government employment has traditionally provided stability in the labor market, but 2025 proved to be a particularly volatile year for the public sector. This volatility is not expected to carry over into 2026, which could support the overall jobs outlook.

While the strength of hiring is traditionally the largest driver of new household formation and demand for

all forms of housing, the interest rate environment will continue to be a significant factor influencing demand in the build-to-rent sector in 2026. Lower interest rates have a mixed impact on the build-to-rent sector. Lower rates typically spur economic growth, but declines in mortgage rates could also encourage some renters to move into home ownership and drag on demand for single-family rentals.

The Federal Reserve cut rates three times totaling 75 basis points in 2025, all in the final few months of the year. Still, rates at the end of 2025 were higher than they were forecasted to be at the beginning of the year. Inflation has stabilized, but the rate has averaged closer to 3% throughout much of the past year, higher than the Fed's target. The consensus calls for further rate cuts in 2026, but if inflation remains elevated, that could slow the pace of future rate declines.

Conversely, a slowing rate of economic growth could tamp down inflation and support a faster pace of interest rate cuts, but would not necessarily support demand for rental housing.

Outside of pure supply, demand, and pricing forces, the BTR sector could potentially be impacted by a heightened regulatory climate. At the beginning of 2026, the President began to target institutional ownership of single-family rental housing. As of this writing, proposed legislation was still being considered by Congress but had not been enacted into law. Early drafts of the legislation were primarily focused on scattered site homes with some carve-outs for communities of build-to-rent units, particularly townhome properties. The prospect of any increased regulation adds uncertainty to the sector that may curtail investment and development in the near term.

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\* Build-to-rent transactions from 2018-2025



**Mission on Acension**  
108 Homes | Arlington TX  
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**Yardly Crossings**  
233 Homes | DeLand FL  
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*On the Market*



**Aero Luxury Townhomes**  
49 Homes | Layton UT  
Townhome Product, Attached Garages

*On the Market*



**Raymond Place**  
74 Homes | Phoenix AZ  
Townhome Product, Attached Garages

*On the Market*



**Viewpoint at Beaver Creek**  
176 Homes | Knoxville TN  
Under Construction, Attached Garages

*On the Market*



**Dorsey Overlook**  
78 Homes | Ellicott City MD  
New Construction, Attached Garages

*On the Market*



**The Collection at Scotland Heights**  
74 Homes | Waldorf MD  
New Construction, Attached Garages

*On the Market*



**Brainerd Row Townhomes**  
125 Homes | Chattanooga TN  
Townhome Product, Attached Garages

*Under Agreement*



**Dupont Meadows**  
250 Homes | Fort Wayne IN  
Fully Detached, Private Garages

*Closed*



**Yardly Monroe**  
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**Rosemary Glen**  
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*Closed*

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\*Transactions from 2022-2024

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MAR 2026

SPECIAL REPORT