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Investment Thesis. *Raw Land Development.*

Structural opportunity in America's finished
lot supply chain.

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— INVESTOR LETTER

A note to *Equity Check* investors.

Markets are loud right now, and the world is chaotic. Tariff whiplash, rate uncertainty, the Iran conflict and its inflationary impacts. Headlines calling the housing slowdown. None of it changes the math.

America is short 3.7 to 4.5 million homes. Builders stopped owning land. The largest pure-play lot developer in the country controls 1.5% market share. Build-to-rent jumped from 5% to 8% of finished lot purchases in a single year. Every one of those facts is structural, not cyclical. They will outlast this cycle and the next one.

Residential real estate remains my highest-conviction asset class going into 2026.

The white paper that follows lays out the thesis in full. Seven sections covering the structural shift in homebuilding, the housing deficit, the \$90–120 billion lot development market, build-to-rent as a counter-cyclical demand driver, our four target geographies in the Carolinas and Texas, the macro tailwinds, and a candid read on the risks. You will also find a side-by-side comparison of today's market against 2006–2008, because that is the question every honest investor asks first.

The thesis is one piece. The operator is the other. I have a very short list of people I trust to develop land in this environment, and the partners behind this strategy are on it. Experienced developers, not first-time fund managers riding a trend. They have built through tighter cycles than this one. They underwrite to absorption, not to assumptions. Their incentive structures align with yours, not with front-end fees.

Volatility creates the opening. Fundamentals do the work. The right operator closes the gap between the two.

As always, I enjoy connecting with each of you, hearing your perspective, and remain committed to bringing you common sense investment opportunities with sponsors of character & competence.

Andrew Davis

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— EXECUTIVE SUMMARY

A \$90–120B market with *no dominant player*.

The U.S. residential land development market represents a \$90–120 billion annual opportunity with no dominant player — the largest pure-play lot developer, Forestar Group, controls just ~1.5% market share. A structural transformation in American homebuilding has created a durable and growing demand base for third-party finished lot developers.

<p>\$90–120B ANNUAL MARKET SIZE</p>	<p>3.7–4.5M HOUSING UNIT DEFICIT</p>	<p>64% BUILDERS REPORTING LOT SHORTAGE</p>	<p>66% LOTS PURCHASED FROM THIRD PARTIES</p>
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The thesis rests on three structural *pillars*.

- 01** **Builders *stopped owning land*.**
America's largest homebuilders have systematically shifted from owning their lot inventory to purchasing finished lots from third-party developers. Lennar now controls 98% of homesites through options (up from 19% in 2013); D.R. Horton controls 75% through contracts. Public builders purchased 66% of all U.S. finished lots in Q3 2024, up from 37% in 2019.
- 02** **A chronic *housing shortage*.**
Estimates range from 1.2M to 4.7M units, with the consensus centered at 3.7–4.5M. Single-family starts have remained below the NAHB's 1.15M/year threshold needed to close the gap, and lot development takes 18–36 months from raw land to finished product — the pipeline cannot respond quickly.
- 03** **Build-to-Rent is a *structural demand driver*.**
BTR starts have grown from ~37K (2019) to ~90K at peak (2023), currently ~68K — nearly 3x the historical norm as a share of SF starts. BTR's share of finished lot purchases jumped from 5% (Q3 2024) to 8% (Q2 2025). Institutional capital has deployed ~\$58B cumulatively into the sector, and BTR operators represent a growing, counter-cyclical buyer of finished lots.

TARGET MARKETS

The fund focuses on four high-growth Southeast and Texas markets: **North Carolina** (Charlotte, Raleigh–Durham, Wilmington), **Western North Carolina** (post-Hurricane Helene rebuilding demand in Henderson County / Asheville MSA), **Upstate South Carolina** (Greenville MSA — the "next Charlotte"), and **Dallas-Fort Worth / Celina, TX** (BTR expansion target and #2 BTR market nationally). These markets share common attributes: above-average population growth, strong employment bases, builder-friendly regulatory environments, and structural housing supply deficits.

— SECTION 01

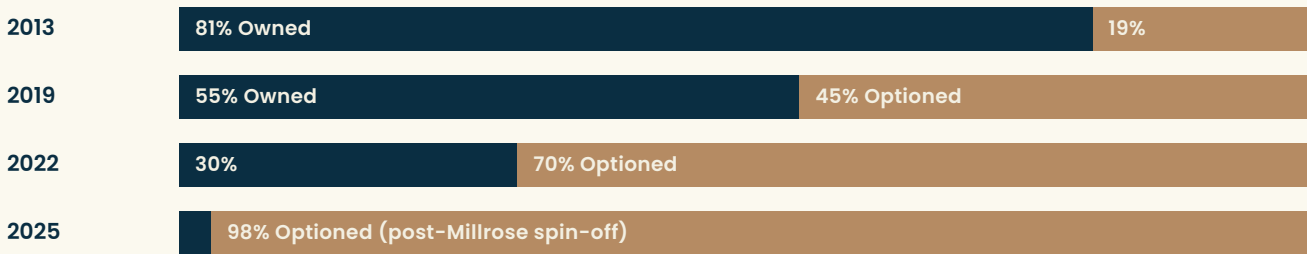
The Structural Shift — America’s builders *stopped owning land.*

The U.S. homebuilding industry has undergone a fundamental structural transformation over the past decade. What was once a capital-intensive, land-ownership-driven business has been reorganized around option contracts, third-party land banking, and just-in-time lot delivery. The shift is not cyclical — it is a permanent reorganization of the homebuilding value chain that creates a durable role for third-party finished lot developers.

Publicly traded builders now purchase 66% of all U.S. finished lots (Q3 2024, John Burns Research), up from 37% in 2019.¹ The top 100 builders grew from 49.3% to 73.4% of all new home sales between 2020 and 2024, and D.R. Horton plus Lennar alone control 25.3% combined market share — accounting for 42% of the top-100 gain.²

Lennar’s transformation. From *19% optioned (2013) to 98% optioned (2025).*

FIGURE 02



Source: Lennar 10-K filings; Millrose Properties spin-off press release (Feb 2025).

Lennar’s February 2025 spin-off of \$5.5 billion in land assets into Millrose Properties (NYSE: MRP) represents the culmination of a five-year transformation. As Executive Chairman Stuart Miller stated: *“We are very excited to advance Lennar’s strategy of becoming a pure-play land-light manufacturer of homes.”*³

— SECTION 01 (CONTINUED)

NVR. *The original blueprint.*

NVR Inc. pioneered the land-light model decades ago, controlling ~95% of lots through fixed-price Lot Purchase Agreements (LPAs). NVR puts down deposits of up to 10% and never owns raw land. The result: **Return on Equity of 34.7% (2025)** vs. ~12% average for top-10 peers pre-COVID, and during the Global Financial Crisis, NVR’s ROIC never fell below 30% while most builders generated negative ROIC.⁴

Why this matters for *lot developers.*

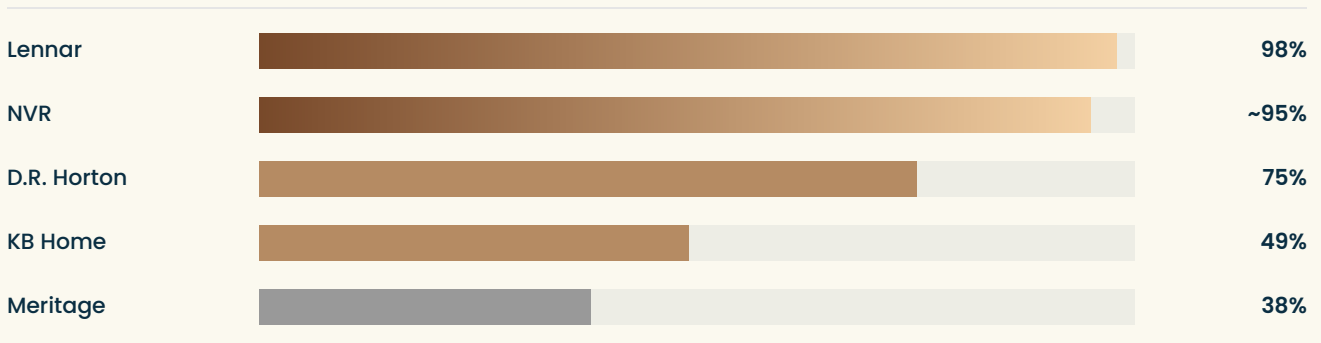
Every lot that moves from "builder-owned" to "builder-optioned" represents a transfer of development risk and capital from the homebuilder’s balance sheet to a third-party developer or land bank. This structural shift permanently expands the addressable market for lot development funds.

The question is no longer whether builders will continue buying third-party lots — it is how fast the remaining holdouts (Meritage at 38% optioned, KB Home at 49%) will follow Lennar’s 98% blueprint.

Every lot that moves from "builder-owned" to "builder-optioned" is a permanent transfer of risk and capital onto a third-party developer’s balance sheet.

Builder lot control by company. 2025.

FIGURE 02B



% of lots controlled via options or contracts, not owned. Source: company filings, 2024–2025.

1. I. ResiClub Analytics / John Burns Research. 2. American Action Forum. 3. Lennar Millrose Spin-Off Press Release, Feb 2025. 4. NVR 2024 10-K (SEC).

— SECTION 02

The Supply Crisis — *America's housing deficit.*

The United States faces a chronic, structural housing shortage that has persisted for more than a decade. Every major housing research institution has documented the deficit, with estimates ranging from 1.2 million to 4.7 million units. The consensus midpoint of 3.7–4.5M represents years of accumulated underbuilding relative to household formation — and the gap is not closing.

Housing deficit estimates by research organization.

FIGURE 03

ORGANIZATION	ESTIMATE	DATE	METHOD
Zillow	4.7M	2023	Cumulative underbuilding + latent demand
Fannie Mae	4.4M	2024	Incorporates latent demand
Realtor.com	4.03M	2025	Cumulative gap since 2012
Up for Growth	3.78M	2023	Supply vs. demand across 251 metros
Freddie Mac	3.7M	Q3 2024	Vacancy-based model
Moody's Analytics	1.5–2.0M	Jan 2024	Affordability-constrained demand
NAHB (vacancy gap)	1.2M	Feb 2026	Metro vacancy rate restoration

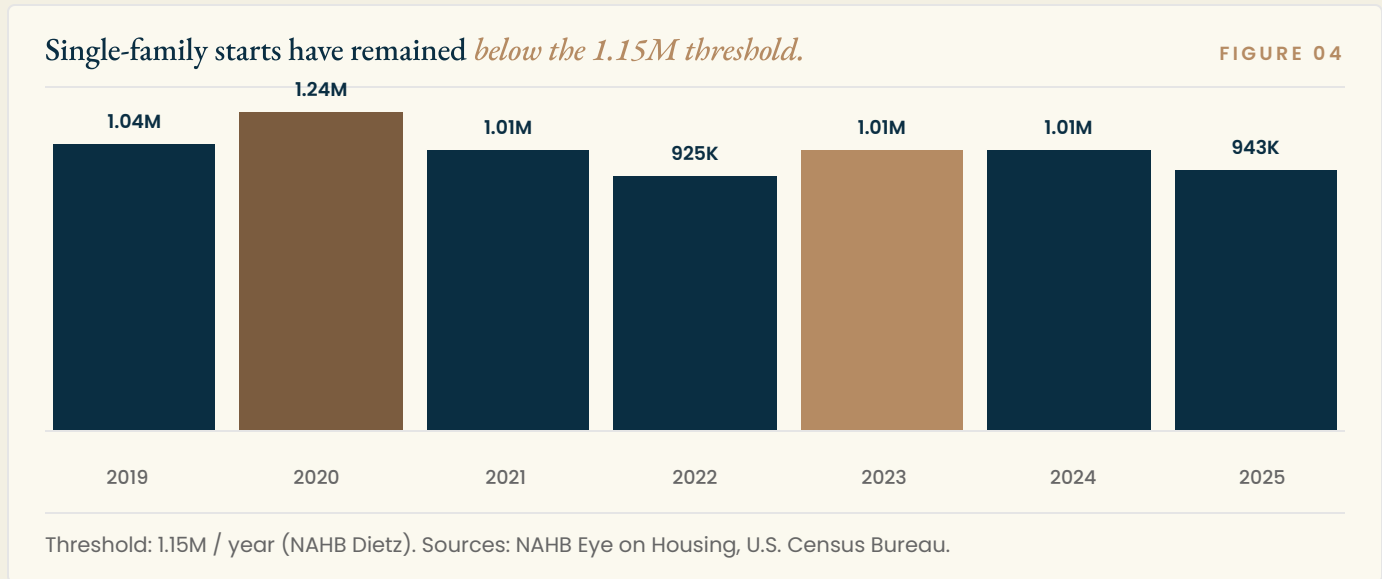
Consensus range 3.5–4.5M units. Sources: Freddie Mac, Zillow, NAHB, Fannie Mae, Moody's, Realtor.com, Up for Growth.

— SECTION 02 (CONTINUED)

Single-family starts. *Persistently below pace.*

NAHB Chief Economist Robert Dietz has stated the U.S. needs to build more than 1.15 million single-family homes per year to reduce the housing deficit. In 2025, single-family starts totaled just **943,000** — a 6.9% decline from 2024 and well below the required pace.

Meanwhile, **64%** of single-family builders report critically low lot availability (NAHB/Wells Fargo HMI, May 2025), with **67%** reporting "A" lots as low or very low supply.⁵



Lot development takes 18–36 months from raw land to finished product, with regulatory barriers accounting for **54.7% of finished lot value** on average. This timeline mismatch between demand signals and supply response is a core driver of the opportunity.⁶

1. 5. NAHB Eye on Housing. 6. NAHB Regulatory Cost Report.

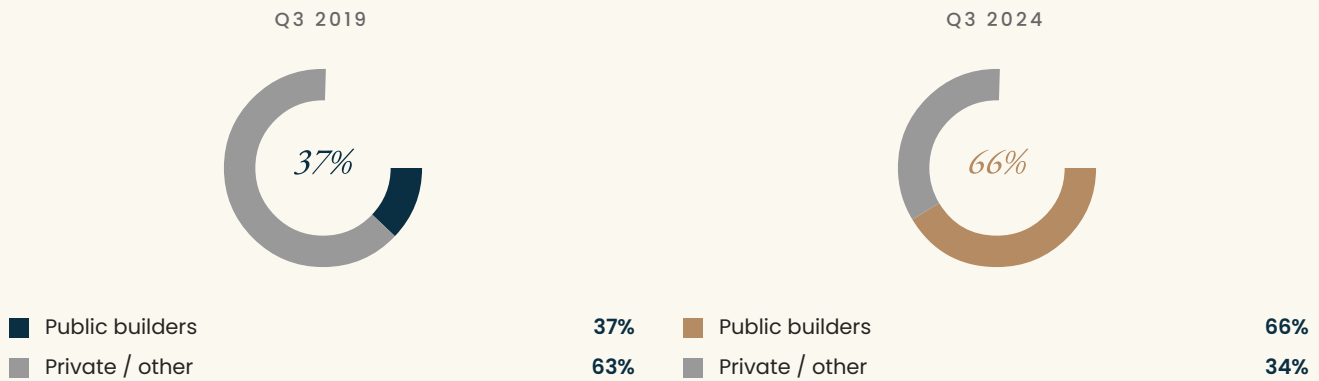
— SECTION 03

The Market Opportunity — \$90–120B. No dominant player.

The U.S. residential finished lot market represents approximately \$90–120 billion in annual transaction value, yet remains one of the most fragmented sectors in real estate. No single company controls more than ~5% market share, and the largest pure-play lot developer — Forestar Group (NYSE: FOR) — delivered just 14,240 lots in FY2025, representing ~1.5% of single-family starts.⁷

Lot buyer composition. *Public builders nearly doubled in five years.*

FIGURE 06



Source: JBREC Q3 2024 finished lot purchases.

— SECTION 03 (CONTINUED)

Market size *triangulation.*

METHOD	RESULT
SF starts (1.01M) × avg lot cost (\$91K)	\$91.9B
JBREC direct estimate	\$87B+
U.S. Residential Land Planning market research	\$75B (2024)
IBISWorld narrow (subdivision firms only)	\$22.6B
Investment thesis range	\$90–120B

Developer return *benchmarks.*

Full-cycle land development deals target 25–30% net margins and 20–25% investor IRR. Entitlement alone can 2x–4x the value of raw land, with finished lots typically worth 35–45% of the anticipated finished home value. Regulatory barriers account for **54.7% of finished lot value** — creating a significant moat for experienced developers with entitlement expertise and local relationships.⁸

METRIC	RANGE
Target net margin (full cycle)	25–30%
Target investor IRR	20–25%
Value increase from entitlement	2x–4x raw land value
Finished lot as % of home value	35–45%
Regulatory cost as % of lot value	54.7%

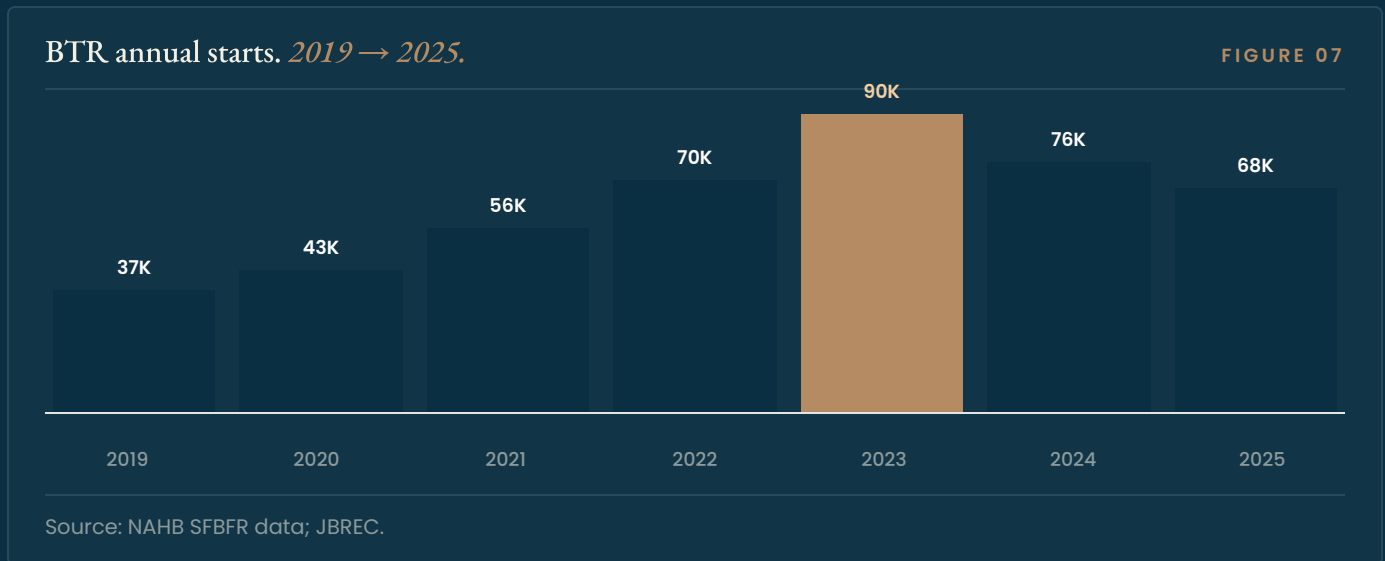
1. 7. Forestar FY2025 Results; IBISWorld. 8. NAHB Regulatory Cost Report; BiggerPockets.

— SECTION 04

Build-to-Rent — the *emerging demand driver*.

Build-to-rent (BTR) has emerged as a structural demand driver for finished lot developers. BTR starts have grown from ~37,000 in 2019 to a peak of ~90,000 in 2023, and now represent approximately 7% of all single-family starts — nearly 3x the historical average of 2.3%. For lot developers, the critical metric is BTR’s growing share of finished lot purchases: BTR operators purchased **8% of all U.S. finished lots in Q2 2025**, up from 5% just one year earlier — a 60% relative increase.⁹

<p>~90K PEAK BTR STARTS (2023)</p>	<p>7% SHARE OF SF STARTS</p>	<p>8% SHARE OF LOT PURCHASES</p>	<p>\$58B CUMULATIVE INST. CAPITAL</p>
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— SECTION 04 (CONTINUED)

BTR's share of finished lot purchases — the *key metric*.

BTR operators sit in the same position in the value chain as for-sale homebuilders — both need developers to have done the hard work of entitling land and installing roads, utilities, and infrastructure. BTR operators are buyers of developer output, not competitors. Critically, BTR's share of lot purchases increased as for-sale builders pulled back — making them a counter-cyclical stabilizing force for lot developers.¹⁰

WHY BTR IS STRUCTURAL, NOT CYCLICAL

- **Affordability gap is permanent.** Home prices rose 42% since 2019; mortgage rates doubled. The median age of first-time buyers has risen to 40 years old (from 31 in 2014). BTR costs 22–37% less than equivalent homeownership in Sun Belt markets.
- **"Renter by choice" is growing.** 36% of BTR residents now say they prefer renting (up from 27% in 2023). BTR offers the suburban single-family lifestyle without the down payment, maintenance burden, or mortgage lock-in.
- **Performance metrics are superior.** BTR communities achieve 97.3% luxury occupancy (vs. 92.7% Class A multifamily), 68% renewal rates (vs. 52%), and 5.6-year average tenant tenure. NOI margins run 15–22% higher than traditional multifamily.
- **Institutional capital is committed.** ~\$58B cumulative institutional capital has been deployed, including the first-ever all-BTR SFR securitization (\$778.5M, Pretium/Goldman Sachs, July 2025). The sector has attracted enough capital to be self-sustaining through cyclical downturns.
- **Demographic tailwinds.** Millennials aging into peak BTR years (35–49), Gen Z (71% prefer BTR-style living), and downsizing Boomers all drive structural demand. SFR households reached a 7-year high of 14.6M in 2025.

— SECTION 04 (CONTINUED)

BTR activity in *fund target markets*.

MARKET	EXISTING BTR UNITS	PIPELINE	NATIONAL RANK	KEY OPERATORS
Dallas-Fort Worth	14,198	21,354	#2	Yardly, NexMetro, Wan Bridge, Republic PG
Charlotte	4,375	15,729	#8	Taylor Morrison/Yardly, ResiBuilt/INVH
Greenville SC	Emerging	650+ announced	Emerging	Tricon, Trilogy, Hunter Quinn

Source: Fannie Mae Multifamily Market Commentary (Oct 2024); RealPage Q1 2025; BTR List.

Charlotte is **#8 nationally in BTR inventory** but only #24 in multifamily – BTR is dramatically outpacing apartment activity, with a pipeline that will nearly quadruple existing inventory.

Dallas-Fort Worth is the **#2 BTR market nationally**, with the Allen/McKinney submarket ranking as the 2nd most active BTR construction zone in the U.S.

Greenville, SC is an **emerging BTR market** with Tricon/Blackstone breaking ground on a 93-unit community in Simpsonville in August 2025 and Trilogy announcing 650+ homes statewide.¹¹

BTR operators are buyers of developer output, not competitors. They sit in the same position in the value chain as for-sale homebuilders.

1. 9. NAHB Eye on Housing — SFBFR data; JBREC. 10. Cavan Companies White Paper; RSM. 11. Fannie Mae; Tricon/Simpsonville.

— SECTION 05 · 5A

Target Markets — *North Carolina*. Primary market.

The fund targets four high-growth markets in the Southeast and Texas, selected for their structural housing deficits, above-average population growth, builder-friendly regulatory environments, and strong employment bases. North Carolina has emerged as the single most compelling land development market in the United States. The state ranks **#1 nationally for domestic net migration**, **#3** for total population growth, and **#4** for total housing unit authorizations.¹²

<p>11.2M</p> <p>STATE POPULATION (JUL 2025)</p>	<p>+757K</p> <p>PEOPLE ADDED SINCE 2020</p>	<p>764K</p> <p>UNIT SHORTFALL THROUGH 2029</p>	<p>#1</p> <p>DOMESTIC NET MIGRATION</p>
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CHARLOTTE MSA

Charlotte-Concord-Gastonia MSA population reached ~2.75 million in 2024, growing at 2.0% annually. The region attracted 134,000 net new residents 2020–2024 and ranks as a top-10 national market for residential permits. Charlotte is the **#8 BTR market nationally** with a 15,729-unit pipeline. Key employers include Bank of America, Honeywell, Lowe's, and a surging fintech sector.¹³

RALEIGH-DURHAM MSA

The Research Triangle MSA reached ~2.15 million with 1.8% annual growth, driven by the "Triangle Boom" in tech, pharma, and life sciences. Apple, Google, Epic Games, and VinFast have all made major investments. Wake County alone added 23,000+ residents in 2023.¹⁴

REGULATORY ENVIRONMENT

North Carolina is one of only 6 states classified as "builder-friendly" (Zonda regulatory framework). The state prohibits rent control, limits development moratoria, and has streamlined permitting processes. Impact fees are capped and lower than national averages.¹⁵

1. 12. U.S. Census Bureau Vintage 2025; NC OSBM. 13. Census permits data; Fannie Mae BTR. 14. Wake County / Research Triangle Regional Partnership. 15. Zonda; NC Statutes Title 160D; NC Housing Finance Agency.

— SECTION 05 · 5B

Western North Carolina — *Post-Helene opportunity.*

Western North Carolina presents a compelling and differentiated land development thesis driven by the convergence of pre-existing housing demand and the post-Hurricane Helene rebuilding cycle. The Asheville MSA (Buncombe, Henderson, Madison, Haywood counties) had a population of approximately 422,000 in 2024 and was one of the fastest-growing small metros before the storm.¹⁶

<p>~20K</p> <p>HOMES DAMAGED BY HELENE</p>	<p>34K</p> <p>UNIT SHORTFALL OVER 5 YEARS</p>	<p>\$60B</p> <p>TOTAL STORM DAMAGE</p>	<p>+10.8%</p> <p>HENDERSON CO. GROWTH TO 2030</p>
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HURRICANE HELENE IMPACT (SEPTEMBER 2024)

Hurricane Helene devastated WNC in September 2024, damaging approximately 20,000 homes in the 4-county Asheville MSA, with ~8,800 severely damaged or destroyed. Total damage reached an estimated \$60 billion, with only ~9% covered by federal funding as of early 2026. A Bowen National Research study identified a 34,000-unit housing shortfall over the next five years.¹⁷

HENDERSON COUNTY: THE GROWTH ENGINE

Henderson County is the primary investment target within WNC. The county projects +10.8% population growth through 2030, avoided the worst of Helene's damage, and is absorbing displaced households, retirees, and remote workers at an accelerated pace. Hendersonville and the I-26 corridor south of Asheville offer elevated terrain away from flood-exposed areas. Pratt & Whitney's new \$1 billion facility in the Asheville area adds further employment demand.¹⁸

DEVELOPMENT FOCUS: ELEVATED GROUND

Critical nuance: Storm damage creates massive lot demand, but development must focus on elevated ground away from flood zones. Asheville adopted 2-foot freeboard rules, and FEMA flood maps are being remapped — creating regulatory uncertainty for low-lying parcels. Sites on elevated ground, with sewer access and away from floodways, are now substantially more valuable. The fund targets Henderson County, South Buncombe/Arden, and the I-26 corridor specifically because these areas combine growth demand with storm-resilient topography.

1. 16. FRED/Census Asheville MSA. 17. Bowen Research; FEMA. 18. NC OSBM; Pratt & Whitney announcement.

— SECTION 05 · 5C

Upstate South Carolina — *The next Charlotte.*

Upstate South Carolina has emerged as one of the strongest residential land development markets in the United States. The Greenville-Anderson-Mauldin MSA crossed 1 million residents in 2025, growing 9.25% since 2020 — outpacing the national average by a wide margin. South Carolina recorded the largest net migration gain per capita of any state in both 2024 and 2025.¹⁹

<p>1M+ MSA POPULATION (2025)</p>	<p>+9.25% GROWTH SINCE 2020</p>	<p>+40% PERMIT SURGE IN 2024</p>	<p>\$330K+ MEDIAN HOME PRICE</p>
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WHY "THE NEXT CHARLOTTE"

Upstate SC sits at an inflection point comparable to Charlotte circa 2000–2010: a mid-size manufacturing-driven metro transitioning to a diversified economy with strong in-migration, improving infrastructure, and a massive affordability advantage over its larger neighbor. The I-85 Charlotte-Greenville corridor is becoming one continuous growth zone.²⁰

AFFORDABILITY ADVANTAGE

Greenville’s median home price of \$330–390K represents a significant discount to Charlotte (\$435–550K) and Raleigh (\$465–475K). This price differential is a primary driver of in-migration from higher-cost metros and makes Upstate SC particularly attractive to production homebuilders and BTR operators seeking lower per-door development costs.

EMPLOYMENT DIVERSIFICATION

The region’s economic base extends well beyond legacy manufacturing: BMW (11,000 direct jobs), Michelin (North American HQ), GE Vernova (turbine manufacturing), plus new announcements from Isuzu (\$280M / 700 jobs) and EnerSys (\$500M / 500 jobs). The Inland Port Greer completed a \$55M expansion in March 2025, reinforcing the region’s logistics infrastructure.²¹

BUILDER ACTIVITY & GROWTH CORRIDORS

National builders hold **89.3% market share** in Greenville — the highest top-3 builder concentration gain nationally. Housing permits surged 40% in 2024 (~7,825 units in the Greenville MSA). South Carolina’s regulatory environment is highly builder-friendly, with a 60-day approval rule for residential permits. Key growth corridors include Simpsonville/Mauldin (hottest), Greer, Woodruff/Fountain Inn, and Boiling Springs.

1. 19. HUD Housing Market Profile, Jan 2025; Census Vintage 2025. 20. Zonda Carolinas Outlook. 21. BMW Manufacturing; Inland Port Greer; SC Dept. of Commerce.

— SECTION 05 · 5D

Texas — DFW / Celina. *BTR expansion target.*

The Dallas–Fort Worth–Arlington MSA is the fourth most populous metro area in the United States with a 2024 population of approximately 8.34 million, growing at 2.18% annually (+178,000 net in 2024 alone). DFW gained more residents than any other metro except Houston in 2024. Celina, TX — located in northern Collin County — grew from approximately 17,000 (2020) to an estimated **48,000+ residents by 2026**, making it one of the fastest-growing cities in America.²²

<p>8.34M</p> <p>DFW MSA POPULATION</p>	<p>+178K</p> <p>NET GAIN IN 2024</p>	<p>#2</p> <p>NATIONAL BTR MARKET RANK</p>	<p>48K+</p> <p>CELINA POPULATION (2026 EST.)</p>
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BTR EPICENTER

DFW is the #2 BTR market nationally with 14,198 existing units and a 21,354-unit pipeline. The Allen/McKinney submarket is the 2nd most active BTR construction zone in the U.S. Celina specifically features simultaneous BTR projects from Republic Property Group (199 units), Taylor Morrison/Yardly (125–300 units), NexMetro (211 units in nearby Anna), and Stillwater Capital. This concentration of BTR activity in one suburb demonstrates the institutional demand for finished lots in the fund's target geography.²³

CELINA MASTER-PLANNED COMMUNITIES

Celina hosts several major master-planned communities consuming significant lot inventory: Light Farms (3,000+ lots, Republic Property Group), Cambridge Crossing (2,500+ lots), and multiple smaller developments along the US-380 corridor. These developments attract both for-sale national builders (D.R. Horton, Lennar, Taylor Morrison, Pulte) and BTR operators — creating competitive demand for finished lots.

ANCHOR EMPLOYERS & CORPORATE HQ MAGNET

DFW hosts 44–45 Fortune 1000 headquarters and over 65,000 companies. Anchor employers include American Airlines (Fort Worth HQ), AT&T (Dallas HQ), ExxonMobil (Spring/Irving), Toyota North America (Plano HQ, relocated from California), Charles Schwab (Westlake HQ), Caterpillar (Irving HQ), and major expansions from Goldman Sachs (new Dallas campus), JPMorgan Chase, and Liberty Mutual. Texas has won Site Selection magazine's Governor's Cup for most corporate relocations/expansions 13 consecutive years through 2024, and as of August 2025 the Dallas Regional Chamber had 10 additional major HQ prospects actively considering DFW.

REGULATORY ENVIRONMENT

Texas offers the most builder-friendly regulatory environment in the fund's target markets. No state income tax, ETJ/MUD-based development, minimal zoning constraints in many suburban areas, and a **12–24 month typical timeline** from raw land to finished lots (vs. 24–36+ months in more regulated states). The combination of rapid growth, institutional BTR demand, and efficient entitlement makes DFW/Celina the fund's primary BTR-focused market.²⁴

1. 22. Census; NCTCOG. 23. Fannie Mae; RealPage Q1 2025; Dallas Business Journal. 24. CIP Texas; state regulatory environment.

— TARGET MARKET COMPARISON

Four markets, side *by side*.

The following table summarizes key metrics across all four target markets, enabling side-by-side comparison of population dynamics, housing activity, affordability, and lot supply conditions.

METRIC	NORTH CAROLINA	WESTERN NC	UPSTATE SC	DFW / CELINA
Population	11.2M state · Charlotte 2.75M	422K MSA	1.0M+ MSA	8.34M · Celina 48K
Growth rate	+1.5% / yr (Charlotte 2.0%)	Pre-Helene +1.5% / yr	+9.25% since 2020	+2.18% / yr (Celina ~30%)
Annual permits	Charlotte ~25K; Raleigh ~20K	Limited (rebuilding)	~7,825 (+40% YoY)	~58K (DFW metro)
Median home price	\$435–550K (Charlotte)	\$350–400K (Asheville)	\$330–390K (Greenville)	\$400–450K (DFW avg)
Lot costs	\$50–95K	\$45–80K (elevated)	\$35–60K	\$50–90K (Celina \$60–120K)
Key employer	Bank of America, Honeywell	Pratt & Whitney (\$1B)	BMW, Michelin	Toyota, AT&T, American Airlines
BTR activity	#8 market (Charlotte)	Minimal	Emerging	#2 market nationally
Key advantage	#1 net migration; diversified	Post-Helene demand surge	Affordability; growth rate	BTR epicenter; scale

Figure 09: Target market comparison across key investment metrics.

SECTION 06

Economic *tailwinds*.

Several macroeconomic and demographic trends provide structural support for the land development thesis, independent of short-term housing cycle dynamics.

INTEREST RATE ENVIRONMENT

The Federal Reserve's current fed funds target range stands at 3.50–3.75%, following three consecutive cuts in late 2025. The December 2025 dot plot projects the median rate declining to 3.25% by 2027 and 3.00% by 2028. Mortgage rates are forecast to average 6.3–6.5% in 2026 — still elevated but gradually declining from 2023–2024 peaks. Any meaningful decline in mortgage rates would unlock pent-up demand from both first-time buyers and existing homeowners facing the "lock-in effect" (millions holding sub-3% mortgages).²⁵

THE MILLENNIAL GAP

The largest generation in American history is now aged 29–44, in peak homebuying and family formation years. Millennials were delayed by approximately 5 years relative to historical homebuying timelines due to the Global Financial Crisis, student debt, and the pandemic. Harvard JCHS projects households will grow by ~860,000 per year through 2035, requiring **11.3 million new homes over the decade** — a sustained demand floor for lot development.²⁶

BTR AS AN ECONOMIC TAILWIND

As detailed in Section 4, BTR provides a structural demand floor that did not exist in previous housing cycles. BTR operators continued purchasing lots even as for-sale builders pulled back in 2024–2025, providing counter-cyclical demand. With BTR projected to move toward 15% of single-family starts over the next five years (from 7% currently), the total addressable buyer pool for finished lots is structurally expanding.

HOUSEHOLD FORMATION VS. SUPPLY

The arithmetic is straightforward: ~1.4 million households are forming annually against ~1.36 million housing starts, with a cumulative deficit of 4+ million units. Even at current (depressed) starts levels, the deficit is not closing. Any acceleration in starts — whether driven by rate cuts, policy changes, or economic growth — requires proportionally more finished lots. The 18–36 month development timeline means lot developers must act before the demand inflection to capture the opportunity.

~1.4M households are forming annually against ~1.36M starts. Even at depressed levels, the deficit is not closing.

1. 25. Federal Reserve FOMC December 2025 SEP. 26. Harvard JCHS Household Projections (McCue 2024).

— SECTION 07

Risk factors and *mitigants*.

While the structural thesis is strong, the fund faces meaningful risks that require active management and strategic mitigation. The following analysis addresses both macro and market-specific risks.

01 Recession or economic downturn.

RISK A recession would reduce housing demand, increase builder cancellations, and pressure lot absorption timelines. Builder stock prices declined 15–25% in early 2025 tariff uncertainty. GDP growth is projected at just 1.7% for 2025.

MITIGANT The structural housing deficit of 3.7–4.5M units creates a demand floor that did not exist in 2008. BTR operators provide counter-cyclical lot demand. The fund's target markets (Carolinas, Texas) have diversified economies less exposed to single-industry downturns.

02 Persistent high interest rates.

RISK If mortgage rates remain above 6.5% or rise further, housing affordability continues to constrain demand. Construction financing costs also impact lot development economics.

MITIGANT The Fed median projection calls for gradual rate normalization to 3.00% by 2028. Even at current rates, builders are building — the housing deficit requires continued starts regardless of rate environment. Builder incentives (rate buydowns) have proven effective at maintaining demand.

03 Tariff and materials cost escalation.

RISK Tariff policies add \$7,500–10,900 per home in construction costs (NAHB estimates), with potential 25% tariffs on Canadian lumber and Chinese building materials. This compresses builder margins and can slow starts.

MITIGANT Lot development costs are primarily domestic (labor, grading, local materials). Tariff impact falls on vertical construction, not horizontal development. As total home costs rise, the lot component (13.7% of home price) becomes proportionally smaller.

04 Hurricane and climate risk — Western NC.

RISK Hurricane Helene demonstrated that WNC is vulnerable to extreme weather events. FEMA flood maps are being remapped, new 2-foot freeboard rules apply, and insurance costs are rising. Development in low-lying areas faces regulatory uncertainty.

MITIGANT The fund specifically targets Henderson County and elevated I-26 corridor sites that avoided the worst damage. Development focuses exclusively on elevated ground away from flood zones and steep slopes, with sewer access. The storm damage itself creates sustained lot demand over 5+ years for the 34,000-unit shortfall.

— SECTION 07 (CONTINUED)

Risk factors, *continued.*

05 Construction labor shortage.

RISK The U.S. construction industry faces a structural labor shortage of ~500,000+ workers, with an aging workforce and limited immigration pipeline. This constrains both lot development and home construction pace.

MITIGANT Horizontal construction (lot development) requires less specialized labor than vertical construction. The fund's Southeast and Texas markets have better labor availability than coastal markets.

06 Water infrastructure — Texas.

RISK Northern DFW growth corridors (Celina, Prosper, Anna) face water supply constraints. The Upper Trinity Regional Water District has projected capacity challenges by 2030 without significant infrastructure investment.

MITIGANT Texas has committed \$1B+ in water infrastructure for North Texas. Celina has secured multiple water supply agreements. Water infrastructure expansion typically precedes development moratoriums by 3–5 years.

07 Increasing competition from land banks.

RISK Lennar's Millrose Properties (\$5.5B) and existing land banks (Walton Global, etc.) are expanding, potentially compressing lot developer margins and lot acquisition opportunities.

MITIGANT The \$90–120B market with <5% top-player concentration means abundant opportunity. Large land banks primarily serve the top 5–10 national builders; local/regional developers serve the other 7,800+ firms. The fund's local market expertise and builder relationships provide competitive advantages in target markets.

The structural housing deficit creates a demand floor that did not exist in 2008. BTR operators provide counter-cyclical lot demand.

— THE HONEST QUESTION

Why this is *not 2006–2008*.

The most common investor concern is whether today's housing market resembles the pre-GFC bubble. The fundamental differences are structural, not superficial.

METRIC	2006–2008	2025–2026
Housing supply vs. demand	Oversupply; 4M+ excess vacant homes	Undersupply; 3.7–4.5M unit deficit
Builder lot ownership	~80% owned; massive balance sheet exposure	~40% owned; 60%+ optioned; deposit-at-risk only
Mortgage underwriting	Subprime; no-doc; 100% LTV common	Tight standards; avg. FICO >740; full doc
Builder inventory	Speculative overbuilding; months of unsold spec	Lean inventory; built against demand
Household formation	Slowing; immigration declining	Accelerating; millennials in peak years
SF starts level	>2.0M (gross overbuilding)	~943K (below 1.15M needed)
Land bank / option model	Minimal; builders self-developed and held land	Dominant; \$5.5B+ structured land vehicles
Institutional SFR demand	Non-existent	\$58B cumulative; 7% of SF starts is BTR
Builder profitability	Declining; massive write-downs	Strong; >20% gross margins; NVR 34.7% ROE

Figure 10: 2006–2008 vs. 2025–2026 comparison. Today's market is characterized by structural undersupply, disciplined underwriting, and fundamentally different builder balance sheet strategies.

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Volatility creates the opening. *Fundamentals do the work.*

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