Encore Finance

Why BFR Requires A **Different Capital Approach**

What to adjust in your capital plan to avoid slowdowns, refi pressure, and equity traps in BFR.

Build-for-Rent (BFR) doesn't just introduce a different timeline. It brings a whole new set of financing needs, cash flow dynamics, and risk exposures. This document breaks down how BFR shifts the capital stack, and what to adjust to keep your project moving from start to stabilization.

To illustrate the differences, we contrast BFR with Build-to-Sell (BTS). Even if you're not coming from a BTS background, the takeaways apply to any investor looking to hold and operate.

The Strategy Shift

BTS: Sell the asset at or before completion (capital comes back quickly)
BFR: Hold the asset post-completion (capital stays in the deal longer)

How to adjust your capital plan: Short-term financing is just the beginning. It's important to build an integrated strategy that keeps capital moving through lease-up, takeout, and long-term hold, so you're not forced into the wrong terms when timing shifts.

What Happens After Cashout?

BTS: Exit event = sale (cash-out and move on)
BFR: Exit event = refinance (subject to DSCR, lease-up, and market conditions)

How to adjust your capital plan: Plan for lease-up and refi risk **before** you close. Your financing should be structured with a clear path to takeout, so lease-up pace and market rates don't rush you into the wrong terms.

The Role of Working Capital

BTS: Shorter hold = less need for working capital
BFR: Carry costs, taxes, and ops during lease-up = more liquidity needed

How to adjust your capital plan: Don't assume the deal will fund itself. Build in working capital for delays, carry, and operating costs between funding milestones.

Equity Expectations

BTS: Equity is returned at sale
BFR: Equity may stay in the deal for years unless recapped/refi'd

How to adjust your capital plan: Adjust equity expectations early. Since BFR timelines tie up equity longer, make sure your partners are aligned on cash flow and exit timing.

Financing Structure

BTS: Often construction-only or bridge-to-sale
BFR: Ideally structured with a clear path to refi or hold (e.g., Encore Finance's BFR Credit Facility)

How to adjust your capital plan: Structure your financing around operations and exit, not just closing. That means aligning terms with your lease-up plan, hold strategy, and refi timing from day one.

Is Your Financing Plan Set Up for BFR?

Contact Us

BFR success requires a financing strategy that supports every stage, from project launch through lease-up, refinance, and long-term hold.

Have a BFR project you'd like to discuss? Contact Encore Finance today to discuss how to ensure you're set up for success.