

# **The Rental Reset:** *Why Investors are Focused on Long-Term Investments in Today's Market*

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A 2026 Market Perspective from CV3 Financial Services



# Why Investors are Focused on Long-Term Investments in Today's Market



It's a new era of real estate and mortgage. One defined by **high mortgage rates, increasing home prices, and historic affordability challenges**. According to the National Association of Realtors (2025), housing affordability hit its lowest level in over 30 years, with median home prices up 45% since 2019 and mortgage rates more than doubling since 2021.

## Why Now?

For investors who built wealth through fix-and-flip strategies, today's market presents both a challenge and an opening. Higher acquisition costs, tighter margins, and elevated borrowing rates have compressed the quick-flip model—but rental properties offer both stability and scalability.

**1. Cash Flow Meets Appreciation** – Even in a high-rate environment, the right rental property can provide consistent monthly income while building long-term equity. In 2025, average gross rental yields for single-family homes ranged between 6% and 8%, outperforming many traditional investment vehicles.

**2. The Rise of the “Forever Renter”** – For most young buyers, homeownership is now financially out of reach. More than one-third of millennials and Gen Z adults now expect to rent for life. As affordability remains constrained, this shift is fueling long-term demand for quality rental housing, particularly in suburban and secondary markets.

**3. Inflation Protection** – With rents typically adjusting upward over time, real estate acts as a natural hedge against inflation—providing real returns even as costs rise.

**4. Rise of Mid-Term Rentals** – With the shift to more remote work, people today have the ability to live anywhere. The short-term rental industry has undergone a seismic shift over the last few years. Extended stays (30+ days) are becoming increasingly popular fueled by remote work and city and/or HOA regulations as they crack down on short-term rentals.

**5. Tax Incentives** – Beyond income and appreciation, rentals offer powerful tax advantages. Depreciation, expense deductions, refinancing strategies, and tax deferral options all contribute to making rental real estate one of the most tax-efficient asset classes available to investors.



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## Rental Data in Today's Market:

- Rental households now represent over **36% of U.S. housing**, the highest share in decades.
- Single-family rentals **grew by 8% in 2024**.
- Average monthly rent for a U.S. single-family home: \$2,145 (CoreLogic, Q2 2025).
- **Rental vacancy rate: 7.1% nationwide**—slightly up from recent years but still below the long-term average.

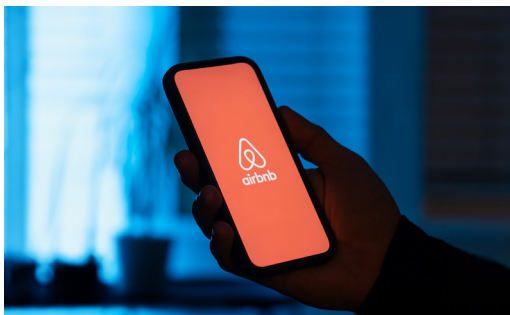


## The Evolution of the Rental Market



### Long-Term Rentals

The foundation of long-term rental property investing typically involves purchasing and holding properties for monthly income and long-term appreciation. While considered somewhat “passive,” long-term rentals still require active management—whether self-managed or delegated to professionals. The appeal lies in predictability, tenant stability, and scalable portfolio growth over time.



### Short-Term Rentals

Short-term rentals gained momentum some time ago with the rise of platforms like Airbnb and VRBO, offering higher yields in select markets. Over the past decade, however, regulatory scrutiny has increased significantly. While still highly profitable in certain vacation-driven markets, short-term rentals now require careful navigation of local laws, licensing requirements, and operational complexity.



### Mid-Term Rentals

Mid-term rentals bridge the gap between traditional long-term leases and nightly short-term stays. Typically, fully furnished and leased at a premium for 30+ days. These properties appeal to remote workers, traveling professionals, insurance placements, and transitional housing needs. As cities and HOAs restrict short-term rentals, mid-term strategies are a flexible, regulation-resistant alternative with attractive risk-adjusted returns.

# Why Investors are Focused on Long-Term Investments in Today's Market



## Owning Your Own Strategy

### Recapitalizing Your Rental Portfolio: Unlocking Equity for Growth

One of the most powerful strategies for experienced investors is **recapitalization**—using your existing portfolio to finance expansion. A cash out refinance allows investors to pull equity from appreciated properties and use it towards new acquisitions or improvements on other investment properties, without liquidating assets.

- **Example:** A property purchased for \$250,000 in 2019, now valued at \$400,000, could yield \$120,000+ in cash through a refinance at 75% LTV. These funds can be reinvested into additional properties, driving compounding portfolio growth.



### Fix-and-Rent

We have seen a shift in the investment strategy amongst fix and flip investors shifting to a fix-and-rent model. This has been a great opportunity during an uncertain market for investors to diversify their strategies for longer-term gains.

Fix-and-rent strategies allow investors to acquire underperforming properties, add value through renovation, and stabilize them as rentals. This approach captures both forced appreciation and long-term cash flow, often outperforming a traditional flip in today's tighter margin environment.

#### *The Financing Model:*

Use a private lender for a short-term (12-24 months) bridge loan to acquire an investment property. Roll 100% of the rehab and renovation costs into the loan. This allows you to stay liquid during the renovation process. Once renovations are complete and you've added more value into the home, you can refinance to tap into that established equity and pull cash out to use towards other business expenses.

Depending on your debt-to-income ratio, you may also qualify to refinance the short-term loan into something more long-term with a conventional lender, bank or credit union.

### *Key Tip:*

Most private lenders have something called a "seasoning period", meaning they require you to hold the loan anywhere from 6-12 months before you can refinance. At CV3 Financial **we have no seasoning requirements** which means you can refinance on your property as soon as renovations are complete!

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## The BRRRR Strategy

*(Buy, Rehab, Rent, Refinance, and Repeat)*

The BRRRR method—Buy, Rehab, Rent, Refinance, Repeat—remains one of the most powerful frameworks for scaling rental portfolios. By recycling capital through refinancing rather than selling, investors can grow their portfolios while maintaining ownership, cash flow, and depreciation benefits.

CV3 specializes in supporting this strategy end-to-end, providing the financing flexibility investors need to move quickly, stay liquid through rehab, and efficiently reposition properties for long-term success.

## The BRRRR Lender

Having a reliable capital partner that is well-versed in the BRRRR strategy can provide a seamless execution from beginning to end. Here's how a lender like CV3 Financial can supercharge your BRRRR strategy from acquisition to repeating the process again:

**Buy:** For a smooth acquisition, use CV3's short-term bridge financing to help you move fast on a good deal.

**Rehab:** With up to 100% Rehab Financing, we can help you stay liquid through the renovation process.

**Rent:** We understand you may not find tenants right away. That's why we offer 1007 appraisals which will allow you to refinance based on the property's value and future rental income potential.

**Refinance:** Unlike most lenders, CV3 has no seasoning requirements. As soon as the rehab is complete, you can take advantage of our cash out refinance and put your money back to work.

**Repeat:** Use your cash out funds to recycle your capital quickly and repeat the process over again!



# Why Investors are Focused on Long-Term Investments in Today's Market



## The Tax Advantage\*

While many investment assets are taxed primarily on income and gains, **rental properties offer investors multiple ways to reduce taxable income, defer taxes, and keep more capital working over time.** When structured properly, rentals can generate cash flow while showing little to no taxable income on paper. This combination of income, appreciation, and tax optimization is a key reason long-term investors continue to favor rental real estate across market cycles.



## Depreciation: A Non-Cash Expense with Real Impact

The IRS allows residential rental properties to be depreciated over 27.5 years, reflecting the assumed useful life of the structure. Important note: depreciation applies only to the building, not the land. This means investors can deduct depreciation annually, even while the property itself may be increasing in market value. Let's apply this below on a \$400,000 rental property:



### PROPERTY DEPRECIATION AMOUNT

Let's assume an investor purchases a single-family rental property for \$400,000.

- Purchase price: \$400,000
- Estimated land value (non-depreciable): 20% = \$80,000
- Depreciable building value: \$320,000

The annual depreciation deduction is calculated as:

$$\frac{\$320,000}{27.5 \text{ years}} = \mathbf{\$11,636 \text{ per year}}$$

### DEDUCTION ON TAXABLE INCOME

If that property generates \$30,000 in annual rental income, the depreciation deduction alone reduces taxable rental income to:  $\$30,000 - \$11,636 = \$18,364$

And that's before factoring in any other deductible expenses!

For investors in higher tax brackets, this can translate into thousands of dollars per year in tax savings, without reducing actual cash flow.

### OPERATING EXPENSES

In addition to depreciation, rental property owners can deduct many of the ordinary and necessary expenses associated with operating the property.

These deductions further reduce taxable income and help preserve liquidity.

Using the same \$400,000 rental example, assume annual operating expenses total **\$10,000** (excluding depreciation).

Now the taxable income calculation looks like this:

- Gross rental income: \$30,000
- Operating expenses: -\$10,000
- Depreciation: -\$11,636

**Taxable rental income: \$8,364**

Despite generating \$30,000 in gross income, the investor is taxed on less than one-third of that amount—while retaining the full cash flow benefit.

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## Cost Segregation: Accelerating Depreciation (Fix-and-Rent)

For investors looking to further optimize tax benefits, cost segregation studies can accelerate depreciation by identifying components of a property (such as flooring, fixtures, and certain systems) that can be depreciated over shorter timeframes. This strategy can significantly increase depreciation deductions in the early years of ownership, particularly for renovations if you are going with the Fix-and-Rent strategy.

## Deconstruction Contributions (Fix-and-Rent)

Instead of paying for demolition, carefully deconstruct and donate reusable building materials to a qualified 501(c)(3). You would need a qualified appraisal for larger donations, contemporaneous donation receipt, and IRS Form 8283 with your return. Plan ahead to coordinate with your nonprofit and a qualified appraiser.

*\*This content is for educational purposes only and should not be considered tax or legal advice. Investors should consult with a qualified tax professional to understand how these strategies apply to their specific situation.*

## Financing Solutions Tailored for Rentals

A successful rental strategy relies on having the right financing structure to support cash flow, flexibility, and scale over time. In today's market, where margins matter and adaptability is critical, investors need financing that aligns with how rental portfolios actually perform in the real world.

CV3 Financial's rental financing solutions are designed specifically for real estate investors—offering flexibility, leverage, and efficiency that traditional lenders often can't match.

**Minimal DSCR Requirements:** Allows investors to qualify based on realistic cash flow expectations.

**Tenants Optional:** Investors may not always have a lease in place, which is why we offer 1007 appraisals to support projected rental income when determining the DSCR.

**Portfolio Loans:** CV3 offers cross-collateralization loans which allows investors to finance or refinance multiple properties under one loan.

**No Seasoning Cash Out:** While most lenders require a 6-12 month seasoning period before refinancing, CV3 offers no seasoning cash out refi's as soon as renovations are complete.

**5/1 Interest-only ARM:** For investors focused on maximizing cash flow in the early years of ownership, this can significantly reduce monthly debt service and improve near-term returns.

**30-Year Fixed Rate:** For investors who prioritize long-term stability, this offers predictable payments and allows investors to lock in certainty while preserving liquidity.

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