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Single-Family Rental REIT Report

4th Quarter 2021

The single-family rental (SFR) sector had a break-out year in 2021 as demographic shifts combined with capital flowing into the industry. Strong demand elevated occupancies above 95 percent helped drive rental rate growth to record highs.

- Occupancies at the end of 4Q21 ranged from 95.2 to 98.1 percent.
- Same-store revenue growth ranged from 8.9 to 9.5 percent.
- Same-store NOI growth ranged from 9.8 to 12.6 percent.

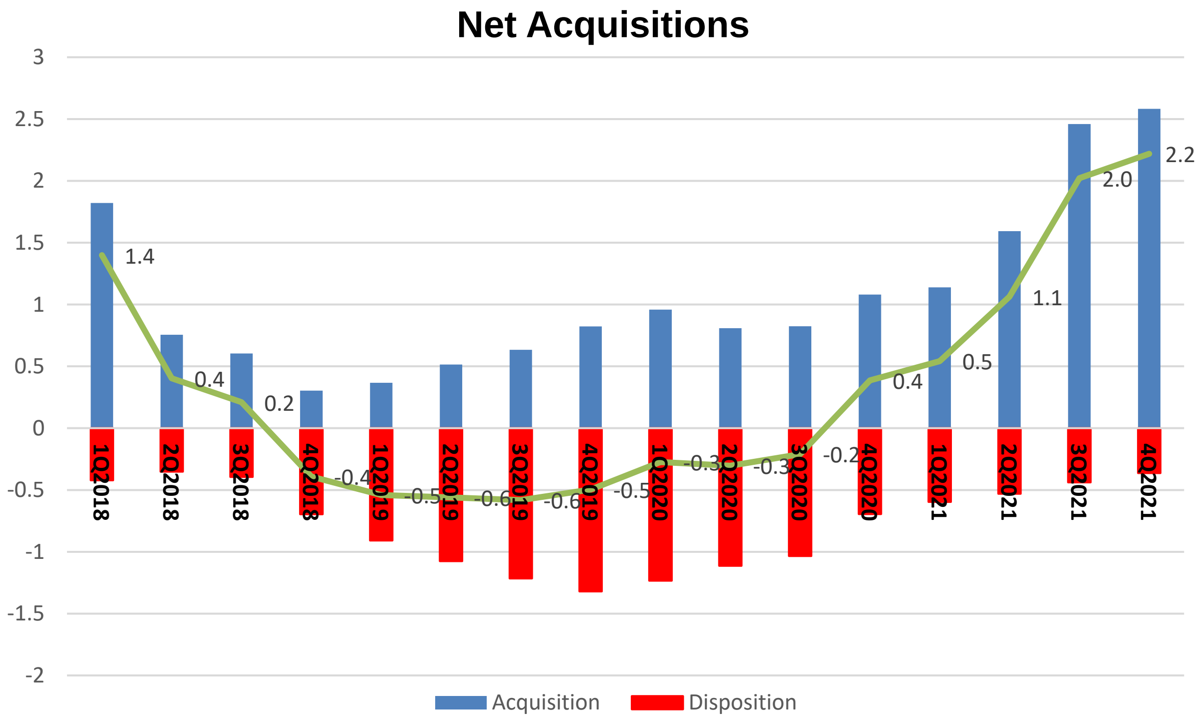
	Performance				FY 2022 Guidance		
	Revenue	Expenses	NOI	Occupancy	Revenue	Expenses	NOI
INVH	9.5%	3.1%	12.6%	98.1%	6.40%	0.50%	9.40%
AMH	8.9%	7.4%	9.8%	95.2%	7.25% - 9.25%	4.75% - 6.75%	8.50% - 10.50%
TCN	N/A	N/A	10.3%	97.6%	7.0% - 9.0%	6.5% - 8.5%	7.0% - 9.0%
Avg.	9.2%	5.3%	10.9%	97.0%	6.40%	0.50%	9.40%

Guidance for 2022 indicates continued expansion, with revenue growth estimated at 6.4 to 9.25 percent and NOI growth of 7.0 to 10.50 percent. Expense growth is expected to primarily be driven by real estate tax increases into the mid to high single-digits.

Acquisition Activity Continues at Record Levels

According to a report by Redfin, investors acquired $49.9 billion in homes in 4Q21, which made up 18.1 percent of home sales in the fourth quarter. Institutional investors are estimated to own 3 percent of total single-family rental stock, which means small mom-and-pop investors still own most homes.

Since 4Q20, REITs have returned to growth mode adding over $2.2B in net acquisitions over the past year.



Source: NAREIT T-Tracker

Invitation Homes acquired 4,800 homes in 2021, double the initial guidance estimate at the beginning of the year. The average cost basis was $400,000 with a cap rate of over 5.0%. Invitation Homes issued guidance of $2 billion in acquisition activity in 2022.

American Homes 4 Rent added 4,600 homes in 2021 and deployed $2 billion in capital in 2021, including homes under construction and land purchases. AMH acquired 2,553 homes through traditional and national builder programs for $900 million and expects a similar pipeline in 2022. American Homes 4 Rent expects to deploy $1.7 to $2.2 billion in capital in 2022, adding over 4,400 homes. AMH reported an average acquisition cap rate of 4.75 percent in 4Q21 but price market expectations at the low 4 to 4.5 percent range.

Tricon acquired 6,574 homes in 2021, with their largest acquisition channel being through the MLS. Tricon expects to acquire over 8,000 homes in 2022 as they push towards their target of 50,000 homes by 2024.

According to Alan Ratner, an analyst from Zelman & Associates, investors have committed $85 billion for build-for-rent projects, enough to develop 315,000 homes with 20 percent of the capital spent to date. There are 14,000 homes expected to be completed in 2022, which is more than double the 6,740 completed in 2021, already a record year and triple the longer-term average of 4,256 homes constructed between 2013 and 2021. Despite the already significant amount of capital raised, companies continue to announce new ventures into the space.

4Q21 Announcements

Companies	Date	Capital	Comments
Stockbridge/MORE Residential	Dec-21	$4B	JV to purchase build-to-rent communities
Lending One	Dec-21	$3B	Expected to deploy $3B in SFR loans in 2022
Millcreek	Dec-21	Unknown	Launched Amavi by Mill Creek to build BTR communities across US
CPP/Greystar	Dec-21	$840M	JV to acquire and develop SFR communities
Pretium/Starwood	Nov-21	$1B	Starwood purchase $1B portfolio of 2,300 homes
Rockpoint/Resicap	Nov-21	$2.5B	Add on capital to previous ventures for scatter plot and BTR strategies
Invesco/Avanta	Nov-21	Unknown	JV partnership for BTR communities
Coronado West/SVN	Oct-21	$300M	JV partnership to build and opearte 1,000 - 1,500 homes per year
Tricon Residential	Oct-21	$570M	Closing of U.S. IPO and Private placement
Monarch/Quinn/Conversant Capital	Oct-21	$750M	Equity for BTR investment
PEG	Oct-21	$200M	Fund for BTR homes in the Mountain West

Sources: News Publications, John Burns Real Estate

Rental Rates

Historically low housing supply and demographic shifts continued to push rental rates higher in 2021. Trending with home price appreciation, SFR REITs have reported double-digit rent growth on new deals while maintaining occupancies in the high 90 percent range.

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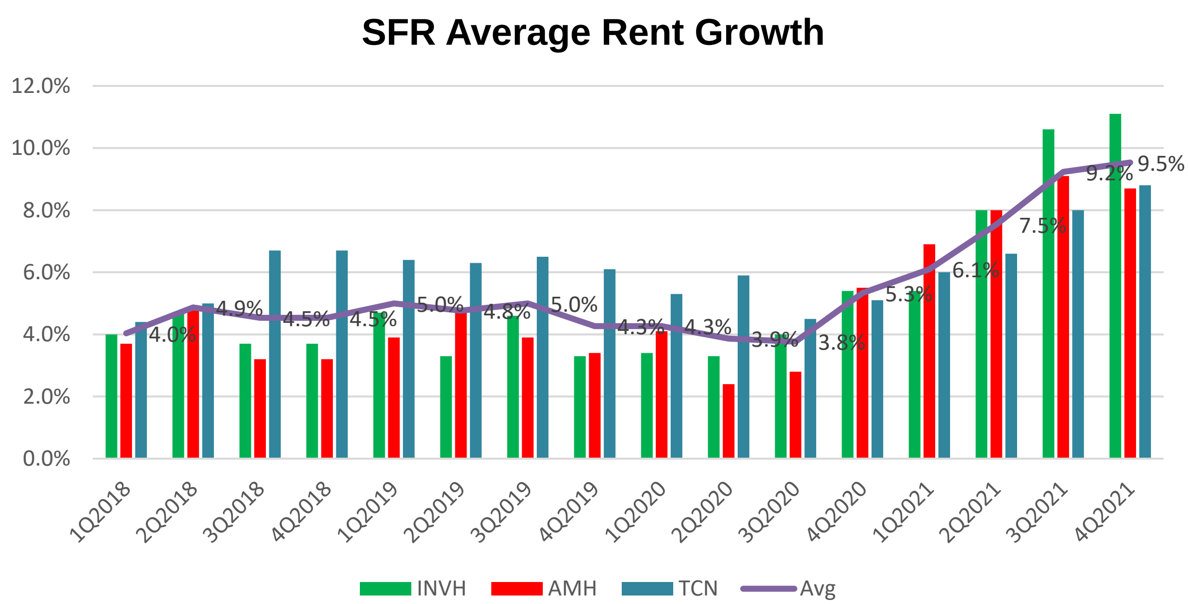


The fourth quarter registered blended average rent growth of 9.5 percent, significantly above pre-pandemic performance of 3 to 5 percent. Blended rates were carried by new lease rental growth ranging between 12.2 and 19.1 percent, while renewals ranged between 5.7 to 9.0 percent. Moving forward, REITs indicated they expected new rent growth to temper slightly, with renewal growth staying relatively consistent as owners try to close the gap on loss to lease. Since renewals are a majority of the leases signed, REITs did not expect the tempering of new rent growth to have a material impact on the blended average.

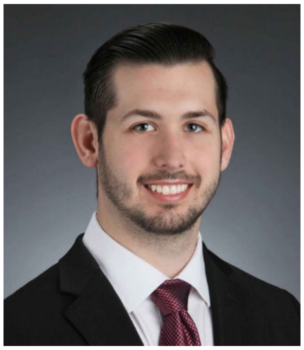
4Q21 Rent Growth Breakdown

	Renewal	New	Blended
INVH	9.0%	17.3%	11.1%
AMH	6.7%	12.2%	8.7%
TCN	5.7%	19.1%	8.8%
Avg.	7.1%	16.2%	9.5%

Conclusion

Home price appreciation (HPA) could cause some headwinds for the sector if HPA continues to outpace rental growth as buyers pay more for lower cash flow. However, with continued capital flowing into the industry and strong operating fundamentals, the SFR space is poised for another record year in 2022.

For more information on the single-family sector, please reach out to:



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