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Single-Family Rental REIT Report

4th Quarter 2022

Rental growth continued to slow. While year-over-year rents are showing impressive high-single digit growth, the monthly numbers are flat to down. Operators have noted seasonality is back and expect a return to normal rent growth for 2023.

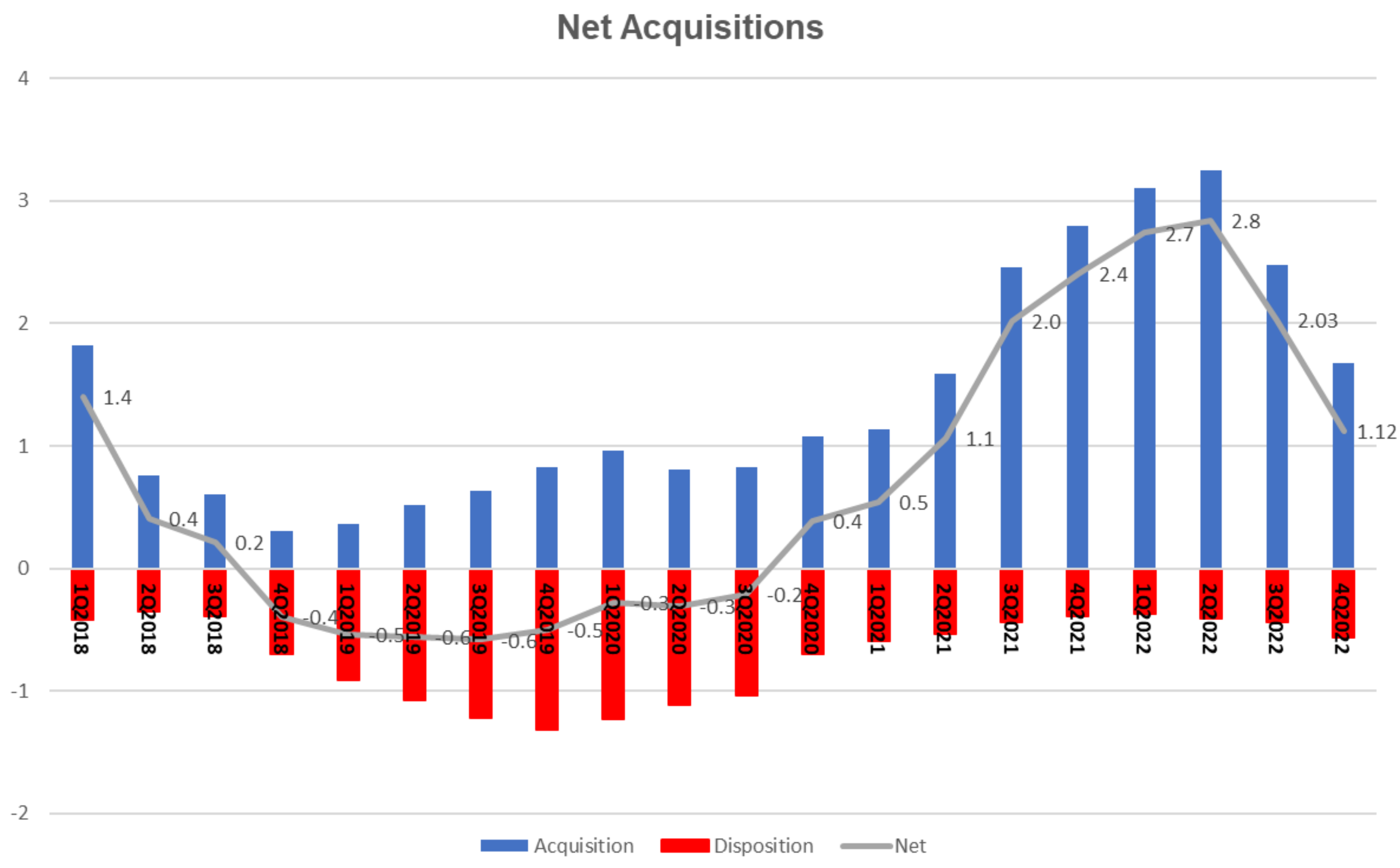
- Occupancies for FY 2022 ranged from 97.3 to 98.1 percent.
- Same store revenue growth ranged from 8.3 to 9.0 percent.
- Same store NOI growth ranged from 9.1 to 10.4 percent.

	Performance (FY 2022)				FY 2023 Guidance		
	Revenue	**Expenses**	**NOI**	**Occupancy**	**Revenue**	**Expenses**	**NOI**
INVH	9.0%	8.6%	9.1%	97.7%	5.25% - 6.25%	7.50% - 9.50%	4.00% - 5.50%
AMH	8.5%	7.4%	9.1%	97.3%	5.00% - 7.00%	8.75% - 10.75%	3.00% - 5.00%
TCN	8.3%	4.1%	10.4%	98.1%	6.00% - 7.50%	6.00% - 7.50%	6.00% - 7.50%
Avg.	8.6%	6.7%	9.5%	97.7%	6.17%	8.33%	5.17%

After a stellar 2022, the REITs are acknowledging the macroeconomic headwinds with lower revenue and NOI guidance for 2023. All three REITs believe in the long-term tailwind in supply/demand characteristics for the SFR space but believe a return to normal will be the most likely scenario for 2023. Revenue guidance for 2023 is a 250-basis point decrease from the latest 2022 guidance and a 433-basis point decrease in NOI from the latest 2022 guidance.

Acquisition Activity

REITs continued to pullback acquisitions in 4Q22, with net acquisitions totaling over just only $1.1B on a trailing 12-month basis.



Source: NAREIT T-Tracker

Invitation Homes acquired just 166 homes in 4Q22 for $64 million and indicated its 2023 guidance would be modest. However, they currently have a pipeline of $1 to $1.5 billion in mostly new development commitments. Invitation disposed of 199 homes for $67 million during the quarter. Invitation has indicated that new acquisitions will depend on the buying opportunities compared to their cost of capital through the year.

American Homes 4 Rent (AMH) added a modest 74 homes in 4Q22 and delivered 415 homes from the AMH Development program. These acquisitions were offset with 457 sold homes to third parties. AMH indicated most acquisition programs remain on pause as they look for stabilization in values and capital markets. However, they will continue to move forward in their development program to achieve better yields. AMH sees investment yields in the mid-5 percent range and would need to see another 50-basis point increase before starting to enter the market again.

Tricon acquired only 815 homes during 4Q22, a significant decrease from the record 2,000 homes acquired in 3Q22. Tricon indicated their target cap rate increased from 5.50 percent to 5.75 percent or higher. The cost of capital was a major focus in their earnings call. Their strategy is to acquire at or above their cost of capital which is currently in the high 5-percent range which has significantly limited their buy box. Either home values will need to readjust or cost of capital will need to decrease for material acquisitions to occur. Tricon's 2023 guidance is for acquisition of 2,000 to 4,000 homes. The low end of the range is if conditions remain similar as today. This is a substantial decrease from the over 7,000 homes they added in 2022 and prior guidance of growing to 54,000 homes in the next few years.

The Public REITs are not the only ones pulling back on acquisitions. Many private owners are having similar troubles with the current cost of capital and substantial increase in home prices. The cost of capital has not been the only deterrent to deals getting done. As rent growth returns to normal and seasonality comes back, buyers have started to scrutinize rent rolls, market rents and loss-to-lease. Many buyers are no longer willing to pay for marked-up rents and are placing more weight on in-place income streams. The shift in underwriting combined with increasing investment rates has killed a few large portfolio transactions at attractive yields compared to even 6 months ago. According to SFR Analytics, the 20 largest single family rental firms purchased more than 10,000 homes in September 2021 which dropped to only 850 properties in December 2022.

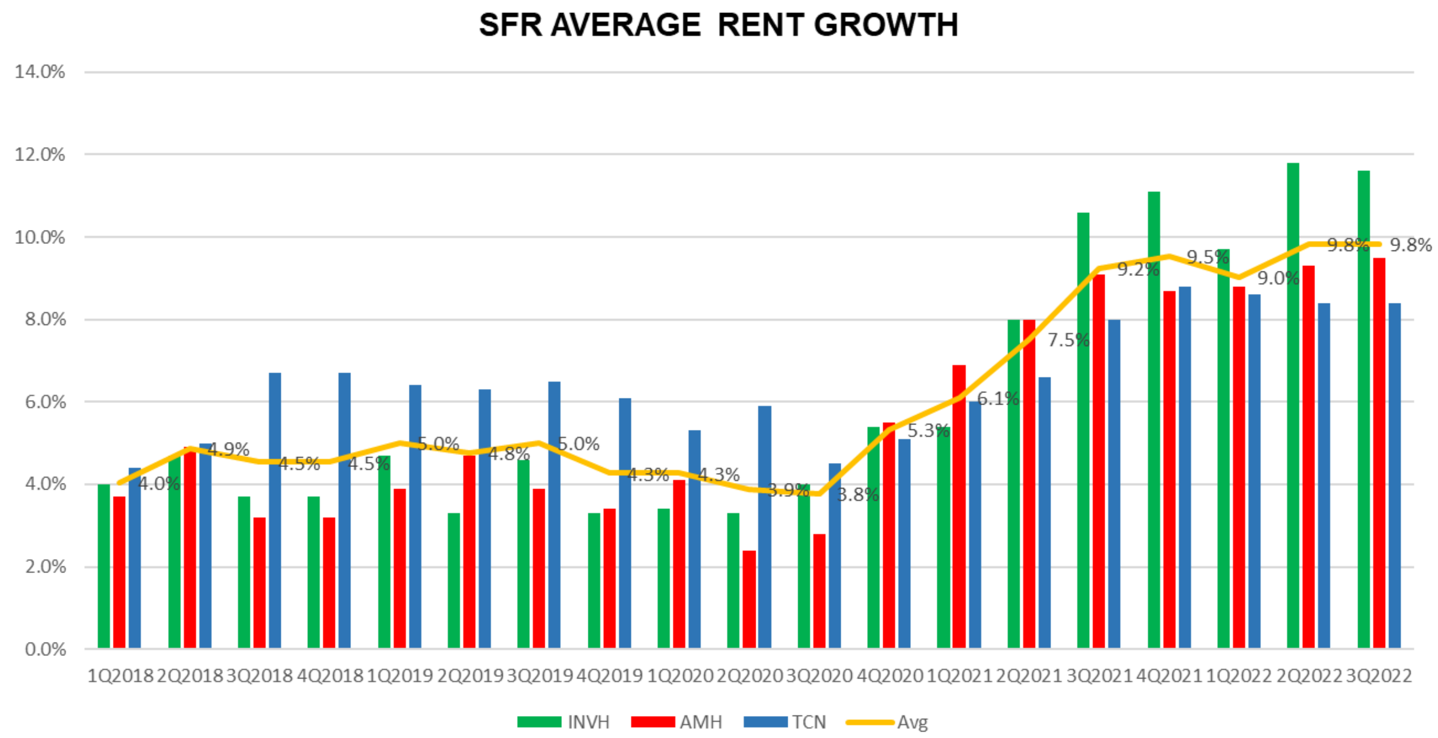
Institutional Portfolios

Public REITs such as Invitation Homes and American Homes 4 Rent are seeing more competition from private equity firms such as Pretium Partners which reportedly operates over 80,000 homes in its Progress Residential Platform and is now the second largest owner of single-family rentals. The top institutional owners are summarized in the following table.

LARGEST INTITUTIONAL OWNERS		
Company	Region	Units
Invitation Homes	West / Sunbelt	83,113
Progress Residential	Sunbelt / Midwest	80,000
American Homes	Sunbelt / Midwest	57,878
FirstKey	Sunbelt / Midwest	44,500
Main Street Renewal	Sunbelt	42,000
Tricon	Sunbelt / West	35,908
Source: Company Reports, Press Releases, Published Reports		

Rental Rates

Despite headlines of rents receding, rent growth remains significantly above historical averages. Rent growth averaged 8.2 percent for the three REITs with strong high 90 percent occupancies.



Fourth Quarter 2022 registered blended average rent growth of 8.2 percent, a 160-basis point decrease from the prior quarter. Rental increases remain significantly above pre-pandemic performance of 3 to 5 percent. However, the 2023 guidance appears to be more in-line with the historical norm with an average revenue guidance of 6.17 percent.

4Q22 Rent Growth Breakdown			
	Renewal	New	Blended
INVH	9.9%	7.4%	9.1%
AMH	7.9%	8.5%	8.1%
TCN	6.8%	11.5%	7.4%
Avg.	8.2%	9.1%	8.2%

Geographic Distribution

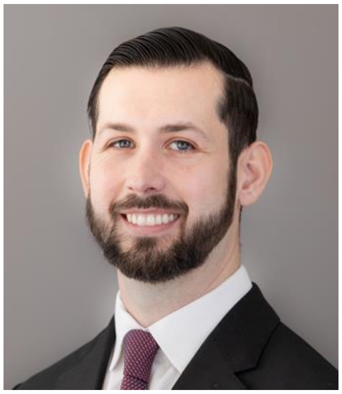
The Sunbelt continues to lead SFR investment. Florida and Texas make up 27 percent to 37 percent of the REITs portfolios are heavily weighted towards southeast markets ranging between 58 percent to 79 percent of portfolio distribution.

SFR REIT Geographical Distribution			
Region	**INVH**	**AMH**	**TCN**
Southern California	9%	--	1%
Northern California	5%	--	3%
Seattle	5%	2%	0%
Phoenix	11%	6%	8%
Las Vegas	4%	3%	3%
Reno	--	--	1%
Denver	3%	0%	0%
Salt Lake City	--	3%	0%
Western US	**37%**	**14%**	**15%**
South Florida	10%	--	1%
Tampa	10%	5%	8%
Orlando	8%	3%	3%
Jacksonville	2%	5%	4%
Florida	**31%**	**13%**	**17%**
Atlanta	15%	10%	20%
Carolinas	6%	15%	19%
Nashville	0%	6%	5%
Southeast	**22%**	**31%**	**45%**
Houston	3%	5%	6%
Dallas	3%	7%	8%
San Antonio & Austin	--	2%	4%
Texas	**6%**	**14%**	**18%**
Chicago	3%	3%	0%
Minneapolis	1%	--	0%
Indianapolis	--	5%	5%
Cincinnati & Columbus	--	7%	0%
Midwest	**4%**	**15%**	**5%**
Other	**0%**	**13%**	**0%**
Source: REIT 4Q22 SEC Filings			

Conclusion

Acquisitions will remain muted as buyers wait for values to adjust or cost of capital to come down. In the meantime, operators are culling the bottom 10 percent of their portfolios to enhance performance and make eventual disposition more attractive. There is a high focus on expenses this year as municipalities continue to catch up on appreciation through assessments and insurance increases are substantial in certain markets. Many believe the slow down of construction combined with elevated home prices will continue to produce tailwinds for the SFR sector albeit at a more modest level.

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



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