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Single-Family Rental REIT Update

3rd Quarter 2023

SFR REIT UPDATE 3Q 2023

This report examines the current state of the single-family rental (SFR) market, which continues to show strong fundamentals. The market is primarily driven by healthy demand and a limited supply of properties. All three companies continue to see robust rent growth as the challenging housing market continues to provide tailwinds for the sector.

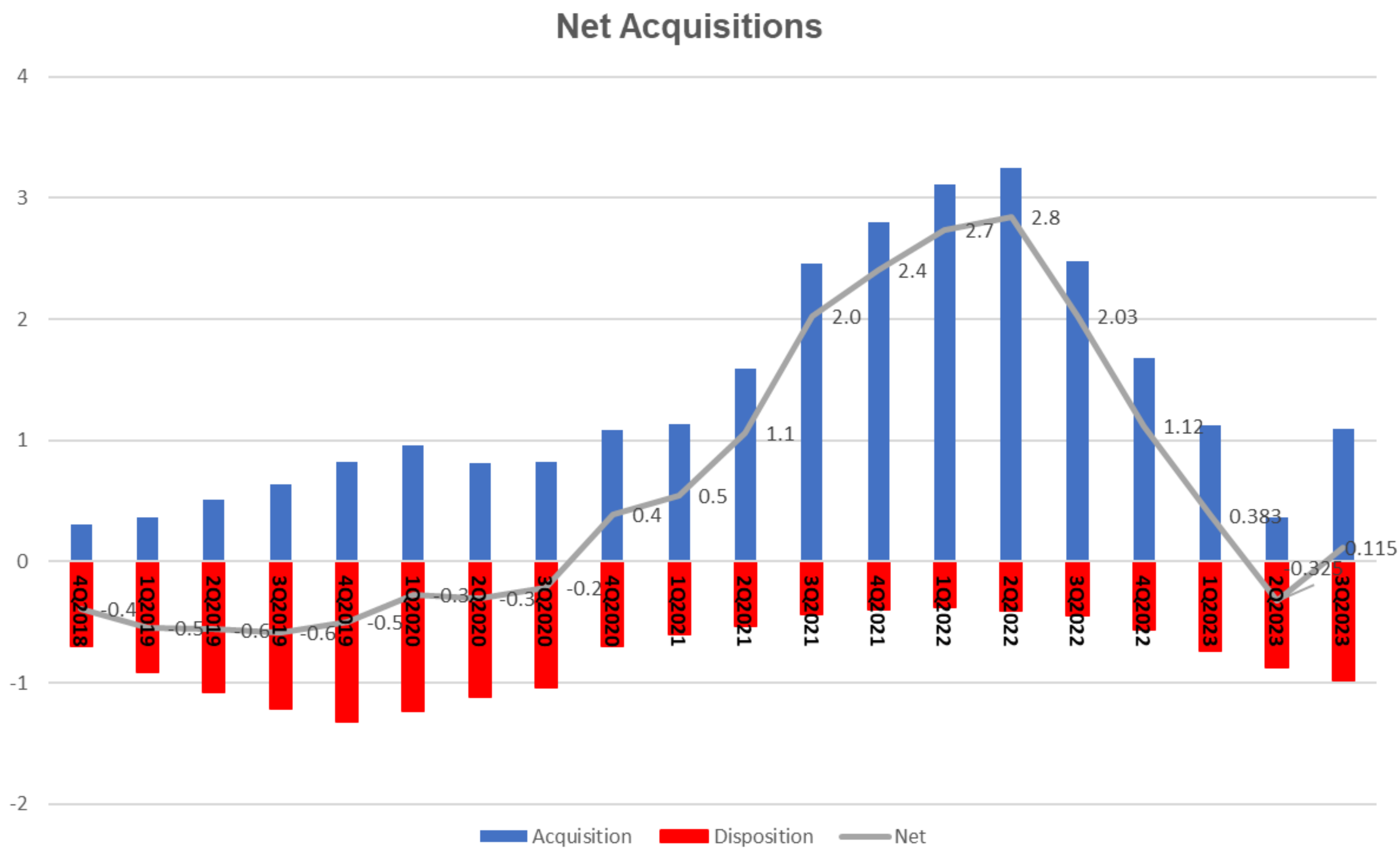
- Occupancies for 3Q23 ranged from 96.4% to 97.4%.
- Same-store revenue growth ranged from 5.8% to 6.5%.
- Same-store NOI growth ranged from 3.2% to 6.0%.

	Performance (3Q23)				**FY 2023 Guidance**		
	Revenue	**Expenses**	**NOI**	**Occupancy**	**Revenue**	**Expenses**	**NOI**
INVH	6.0%	10.2%	4.0%	96.9%	6.25% - 6.75%	10.25% - 10.75%	4.50% - 5.00%
AMH	5.8%	10.7%	3.2%	96.4%	6.00% - 7.00%	9.00% - 10.00%	4.40% - 5.40%
TCN	6.5%	7.5%	6.0%	97.4%	6.00% - 6.50%	6.00% - 6.50%	6.00% - 6.50%
Avg.	6.1%	9.5%	4.4%	96.9%	6.42%	8.75%	5.30%

All three companies tightened their year-end 2023 guidance. Year-over-year occupancies were down 60 bps while revenue growth decreased from an average of 8.1% to 6.1% and expenses increased from an average of 5.5% to 9.5%. This resulted in a year-over-year decrease in NOI growth from 9.4% to 4.4%. The average NOI guidance is now 5.3%, which is still healthy, but substantially below 9.4% recorded in 3Q22. In the near-term, elevated expenses combined with slowing rent growth will continue to chip away at the outsized NOI growth seen over the past 18 months.

Acquisition Activity

Acquisitions returned to positive territory in 3Q23. However, this is solely due to Invitations Homes acquisition of the Starwood Portfolio. Excluding this one-off transaction, REITs would have been net sellers in 3Q23.



Source: NAREIT T-Tracker

Invitation Homes completed the acquisition of approximately 1,870 homes from Starwood for $650 million. The purchase price indicates a mid-5% cap rate, however, implied yields are expected to get to the 6% range in Year 2. Invitation Homes acquired another 387 homes during the quarter with an average cap rate of 6.0%. Total acquisitions for the quarter totaled 2,291 homes for $854 million. Invitation Homes disposed of 416 homes for a total of $160 million at a blended cap rate of approximately 4.0%. The opportunity for dispositions were primarily on a one-off basis through the MLS to end-users rather than investors. Invitation Homes indicated they will continue to explore the culling of the portfolio for these types of opportunities. Invitation Homes is actively exploring new development opportunities and is looking for yields in the 6.0% range.

AMH delivered 615 wholly owned homes from the AMH Development program as well as 99 homes to joint ventures. AMH acquired only 8 homes through traditional acquisition channels. AMH indicated the 8 acquisitions were off underwriting for 22,000 homes, indicating the challenging investment environment for their buy box. The portfolio transactions they underwrote were mostly in the high 4% range with very few in the 5% range. These acquisitions were offset by 224 sold homes to third parties. AMH dispositions totaled approximately $72 million resulting in a mid-3% cap rate. All sales were on the MLS to end-users.

Tricon acquired 410 homes for $127 million during 3Q23 near a 6% cap rate. Tricon sold 175 properties for $63 million. They are currently disposing of homes in the 4% cap rate range while reinvesting the proceeds in the 6% range. Tricon indicated most of the homes disposed are in the coastal markets and maybe had another 1,000 homes (2.7% of the total portfolio) that would fit the criteria of the capital recycling program.

All three REITs note the opportunities for culling their portfolios and recycling the capital to new opportunities at higher yields with less future capital expenditures. However, as Tricon noted, there is likely a dwindling opportunity for capital recycling as only a small percentage of assets fit the profile.

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 operates over 85,000 homes in its Progress Residential Platform and is now the largest owner of single-family rentals. The top institutional owners are summarized in the following table.

LARGEST INTITUTIONAL OWNERS		
Company	Region	Units
Progress Residential	Sunbelt / Midwest	85,000
Invitation Homes	West / Sunbelt	84,697
American Homes	Sunbelt / Midwest	58,392
FirstKey	Sunbelt / Midwest	50,000
Main Street Renewal	Sunbelt	44,000
Tricon	Sunbelt / West	37,024
Source: Company Reports, Press Releases, Published Reports		

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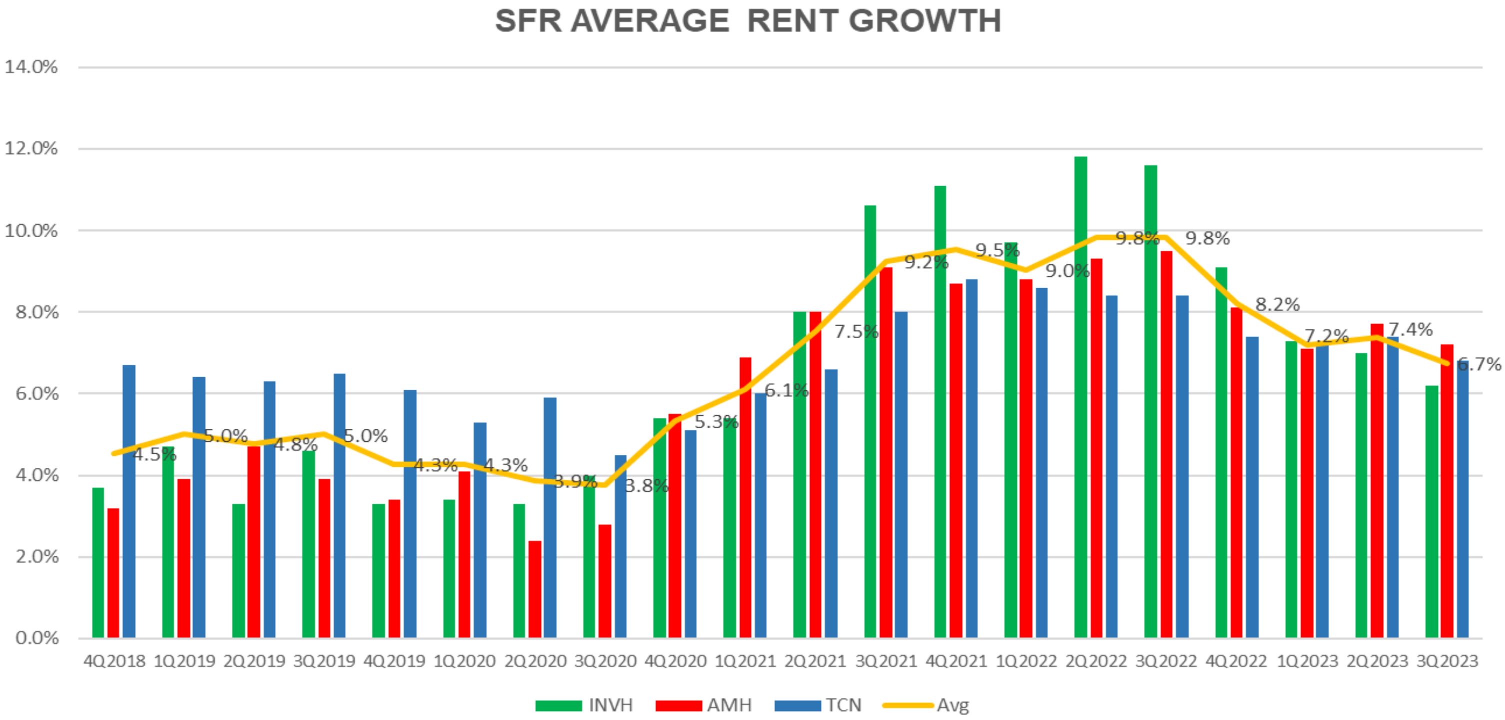
Rental Rates

Rent growth is expected to continue to moderate and return to more normal growth. While the focus on year-over-year rent growth still shows healthy revenue increases of 6.7%, month-over-month trends are showing flat to down in some markets.



Third Quarter 2023 registered blended average rent growth of 6.7%, a 70-basis point decrease from the prior quarter. Rental increases remain significantly above pre-pandemic performance of 3 to 5%. REITs expect a tailwind for high cost of ownership. The main driver of rent growth flipped this quarter to renewals, which will be important to keep an eye on in future quarters. Will rent growth opportunities dwindle as embedded loss to lease across portfolios decrease and new rent growth slows?

3Q23 Rent Growth Breakdown			
	Renewal	New	Blended
INVH	6.6%	5.2%	6.2%
AMH	7.2%	7.1%	7.2%
TCN	6.7%	6.9%	6.8%
Avg.	6.8%	6.4%	6.7%

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Geographic Distribution

The Sunbelt continues to lead SFR investment. Florida and Texas make up 27% to 37% of the REITs portfolios are heavily weighted towards southeast markets ranging between 58% to 80% of portfolio distribution.

SFR REIT Geographical Distribution			
Region	**INVH**	**AMH**	**TCN**
Southern California	9%	--	0%
Northern California	5%	--	3%
Seattle	5%	2%	0%
Phoenix	11%	6%	8%
Las Vegas	4%	4%	3%
Reno	--	--	1%
Denver	3%	0%	0%
Salt Lake City	--	3%	0%
Western US	**37%**	**15%**	**15%**
South Florida	10%	--	0%
Tampa	11%	5%	8%
Orlando	8%	3%	3%
Jacksonville	2%	5%	4%
Florida	**31%**	**14%**	**16%**
Atlanta	15%	10%	20%
Carolinas	6%	15%	20%
Nashville	0%	6%	6%
Southeast	**22%**	**31%**	**46%**
Houston	3%	4%	6%
Dallas	4%	7%	8%
San Antonio & Austin	--	2%	4%
Texas	**6%**	**13%**	**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 3Q23 SEC Filings			

Conclusion

Market dynamics continue to favor the single-family rental market as home ownership continues to be out of reach for many Americans. Single-family rental rent growth has continued to outperform the apartment sector as apartments have seen a return to pre-pandemic growth and some markets with no rent growth. As operating expenses such as real estate taxes and insurance continue to chip away at NOI, operational efficiencies elsewhere will become more in focus over the next year.

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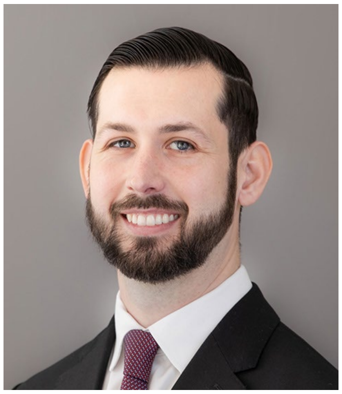
For more information on the single-family sector, please reach out to:



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