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DELIVERING TRANSPARENCY

Single-Family Rental REIT Update

2nd Quarter 2024



SFR REIT UPDATE: 2Q24



This report examines the current state of the single-family rental (SFR) market, which despite strong fundamentals, institutional investment remains on the sidelines.

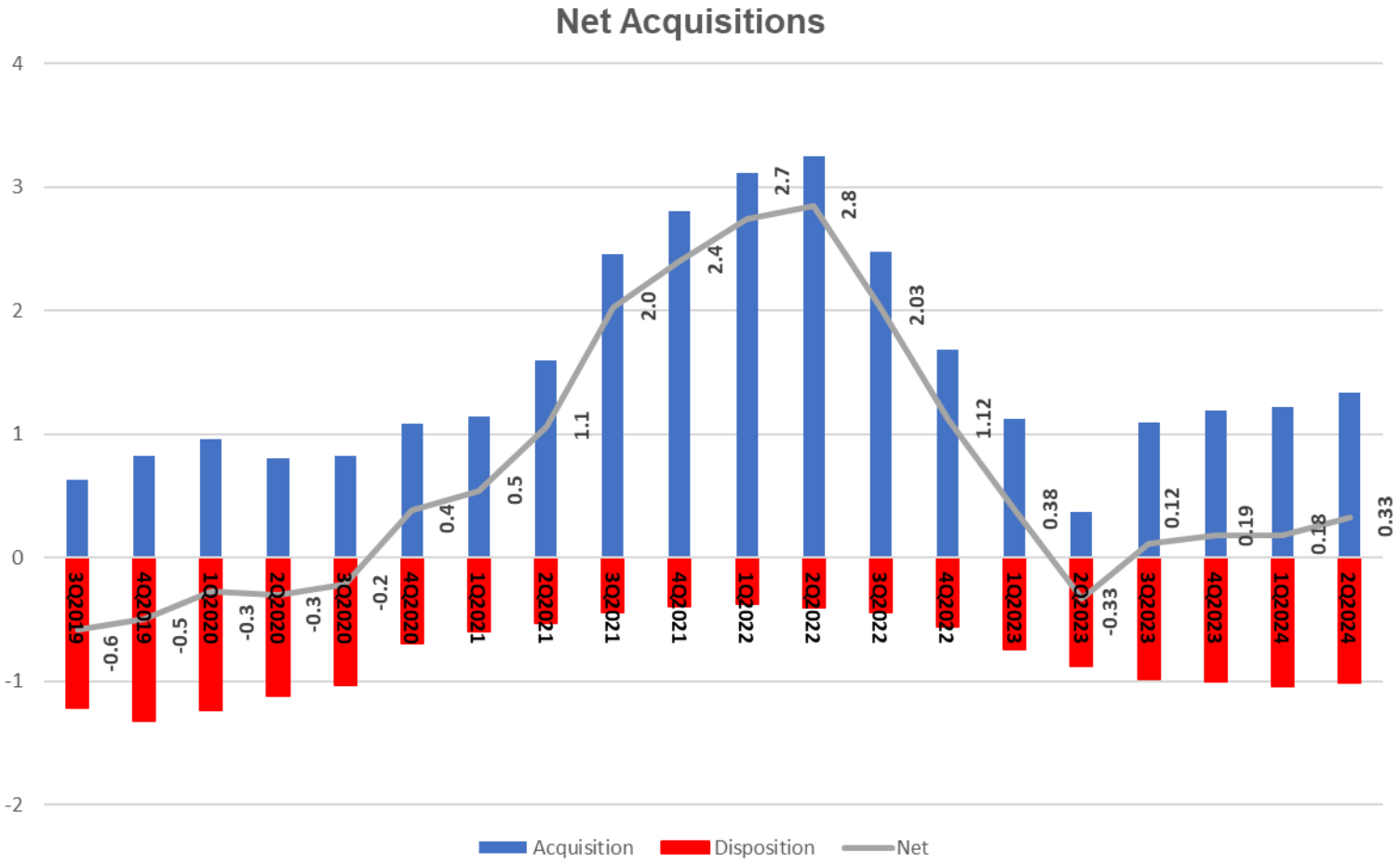
- Occupancies for 2Q24 ranged from 96.6% to 97.5%.
- Same-store revenue growth ranged from 4.8% to 5.5%.
- Same-store NOI growth ranged from 3.8% to 5.9%.

	Performance (2Q2024)				2024 Guidance		
	Revenue	**Expenses**	**NOI**	**Occupancy**	**Revenue**	**Expenses**	**NOI**
INVH	4.8%	7.1%	3.8%	97.5%	4.50% - 5.25%	5.25% - 6.25%	3.75% - 5.25%
AMH	5.5%	4.8%	5.9%	96.6%	4.25% - 5.75%	5.25% - 6.75%	3.50% - 5.50%
Avg.	5.2%	6.0%	4.9%	97.1%	4.94%	5.88%	4.50%

Both REITs updated guidance in the second quarter. INVH decreased midpoint revenue growth from 5.0% to 4.875% while also decreasing expenses by 50-basis points. Overall, the guidance changes resulted in a neutral NOI midpoint of 4.50%. AMH increased midpoint revenue growth to 5.00% and decreased midpoint expenses to 6.00%, resulting in a 50-basis point increase to NOI growth at 4.50%.

Acquisition Activity

Acquisitions remained muted in 2Q24 due to a high cost of capital and a persistent and pronounced bid-ask spread.



Source: NAREIT T-Tracker

Invitation Homes completed the acquisition of approximately 502 homes for $166 million and disposed of 266 homes for a total of $117 million. INVH expects acquisitions to be between $600 million and $1 billion in 2024 and dispositions of $400 million to $600 million, which is unchanged from initial guidance. The acquisitions this quarter were mostly from larger homebuilders with underwritten cap rates in the 6% range. Invitation Homes signed contracts during April and May with several homebuilders for 1,000 build-to-rent homes in Dallas, Houston, and the Carolinas for a total of $274 million.

AMH delivered 580 wholly owned homes from its internal development program as well as 90 homes from joint ventures. AMH acquired only 10 homes through traditional acquisition channels. These acquisitions were offset by 391 sold homes for $125 million at an average disposition cap rate in the mid-3% range. AMH is on track to deliver between 2,200 and 2,400 new homes this year at high-5% yields (based on year 1 rents, stabilized expense and a reserve for capital).

According to Arbor Realty, Single Family Rental CMBS activity totaled $4.2 billion in the first half of 2024 which is substantially above the $2.8 billion in total originations in 2023. Most of the loans were for purchase rather than refinancings indicating private funds and smaller operators are still actively acquiring. Build-to-rent construction remains robust and will continue to attract capital due to the housing shortage in the United States.

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 90,000 homes in its Progress Residential Platform and is the largest owner of single-family rentals. The top institutional owners are summarized in the following table.

LARGEST INSTITUTIONAL OWNERS

Company	Region	Units
Progress Residential	Sunbelt / Midwest	90,000
Invitation Homes	West / Sunbelt	84,640
American Homes	Sunbelt / Midwest	58,860
FirstKey	Sunbelt / Midwest	50,000
Main Street Renewal	Sunbelt	44,000
Tricon	Sunbelt / West	37,183

Source: Company Reports, Press Releases, Published Reports

It should be noted that Blackstone now owns Tricon and combined with Home Partners of America currently owns approximately 55,000 to 60,000 homes. This would make them the fourth largest institutional owner.

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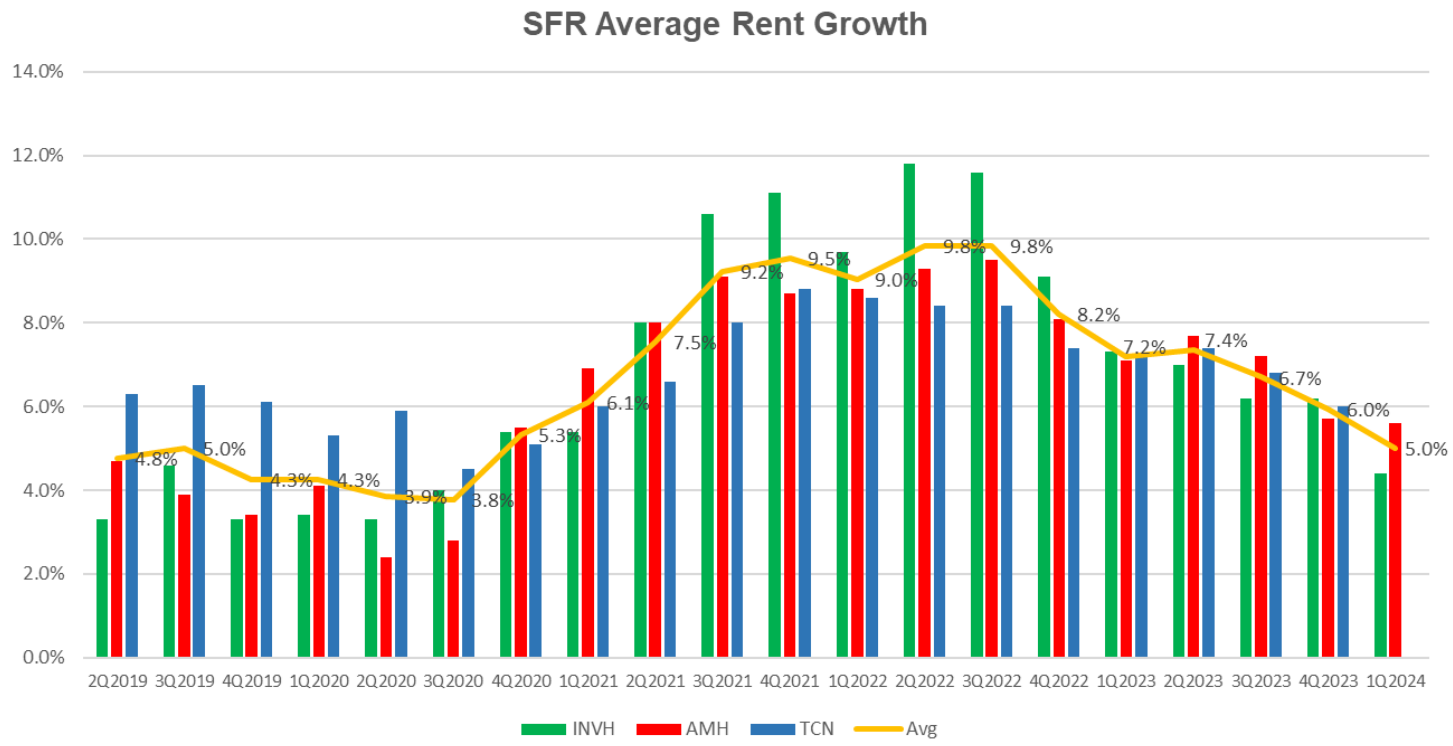
Rental Rates

Rent growth has been trending downwards in recent quarters from the post-pandemic highs. Current rent growth is still outpacing pre-pandemic norms, but operators are expecting greater seasonality moving forward.



2Q24 registered blended average rent growth of 5.2%, a 20-basis point increase from the prior quarter. This is likely due to stronger leasing in the summer months. Rental increases are expected to return to pre-pandemic performance of 3% to 5%. Renewal rent growth has driven growth for the past 4 quarters. Loss-to-lease within the portfolios is tightening which will eventually chip away at the healthy gains in revenue.

2Q24 Rent Growth Breakdown			
	Renewal	**New**	**Blended**
INVH	5.6%	3.6%	5.0%
AMH	5.2%	5.7%	5.3%
Avg.	5.4%	4.7%	5.2%

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 59% of portfolio distribution.

SFR REIT Geographical Distribution		
Region	**INVH**	**AMH**
Southern California	9%	--
Northern California	5%	--
Seattle	5%	2%
Phoenix	11%	6%
Las Vegas	4%	4%
Reno	--	--
Denver	3%	0%
Salt Lake City	--	3%
Western US	**37%**	**15%**
South Florida	10%	--
Tampa	11%	5%
Orlando	8%	4%
Jacksonville	2%	5%
Florida	**31%**	**14%**
Atlanta	15%	10%
Carolinas	7%	15%
Nashville	0%	6%
Southeast	**22%**	**31%**
Houston	3%	4%
Dallas	4%	7%
San Antonio & Austin	--	2%
Texas	**6%**	**13%**
Chicago	3%	3%
Minneapolis	1%	--
Indianapolis	--	5%
Cincinnati & Columbus	--	7%
Midwest	**4%**	**15%**
Other	**0%**	**13%**
Source: REIT 2Q24 SEC Filings		

Conclusion

The single-family rental market remains robust, driven by demand for rental housing especially in a period of high cost of ownership. Despite increased legislative scrutiny, the single-family rental sector plays a pivotal role in addressing housing needs, though supply constraints and affordability issues persist.

About Capright

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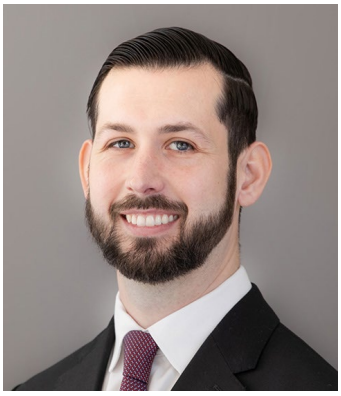
For more information on the single-family sector, please reach out to:



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