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Single-Family Rental REIT Update

January 2025

PERFORMANCE

4.60%
Average Revenue

4.00%
Average Expenses

4.90%
Average NOI

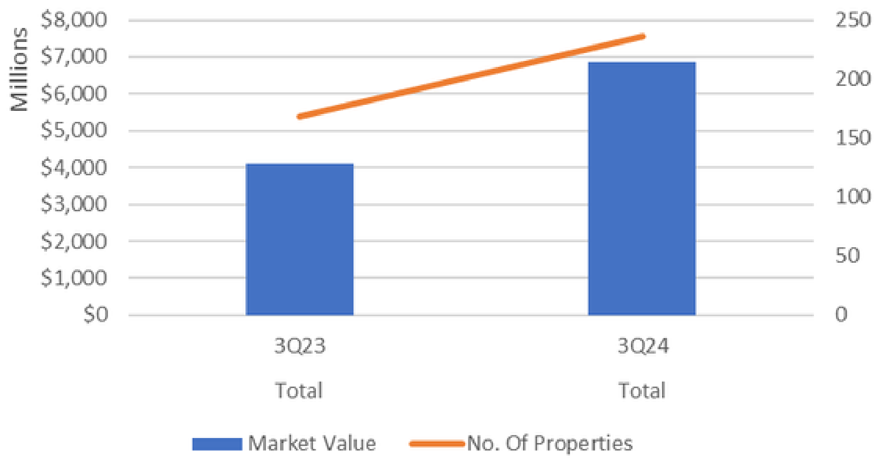
96.8%
Average Occupancy

4.4%
Blended Average Rent Growth

NCREIF Funds Expand Exposure

$4.1 billion in 3Q23

$6.87 billion 3Q24



97.0% ↕ **96.6%**
Occupancies for 3Q24

5.5% ↕ **3.6%**
Same-store revenue growth

5.9% ↕ **3.9%**
Same-store NOI growth

GUIDANCE

4.63%
Average Revenue

4.38%
Average Expenses

4.75%
Average NOI

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This report explores the current landscape of the single-family rental (SFR) market, which remains supported by strong fundamentals. While the high cost of capital has largely sidelined public REITs, private capital continues to expand its presence in the sector.

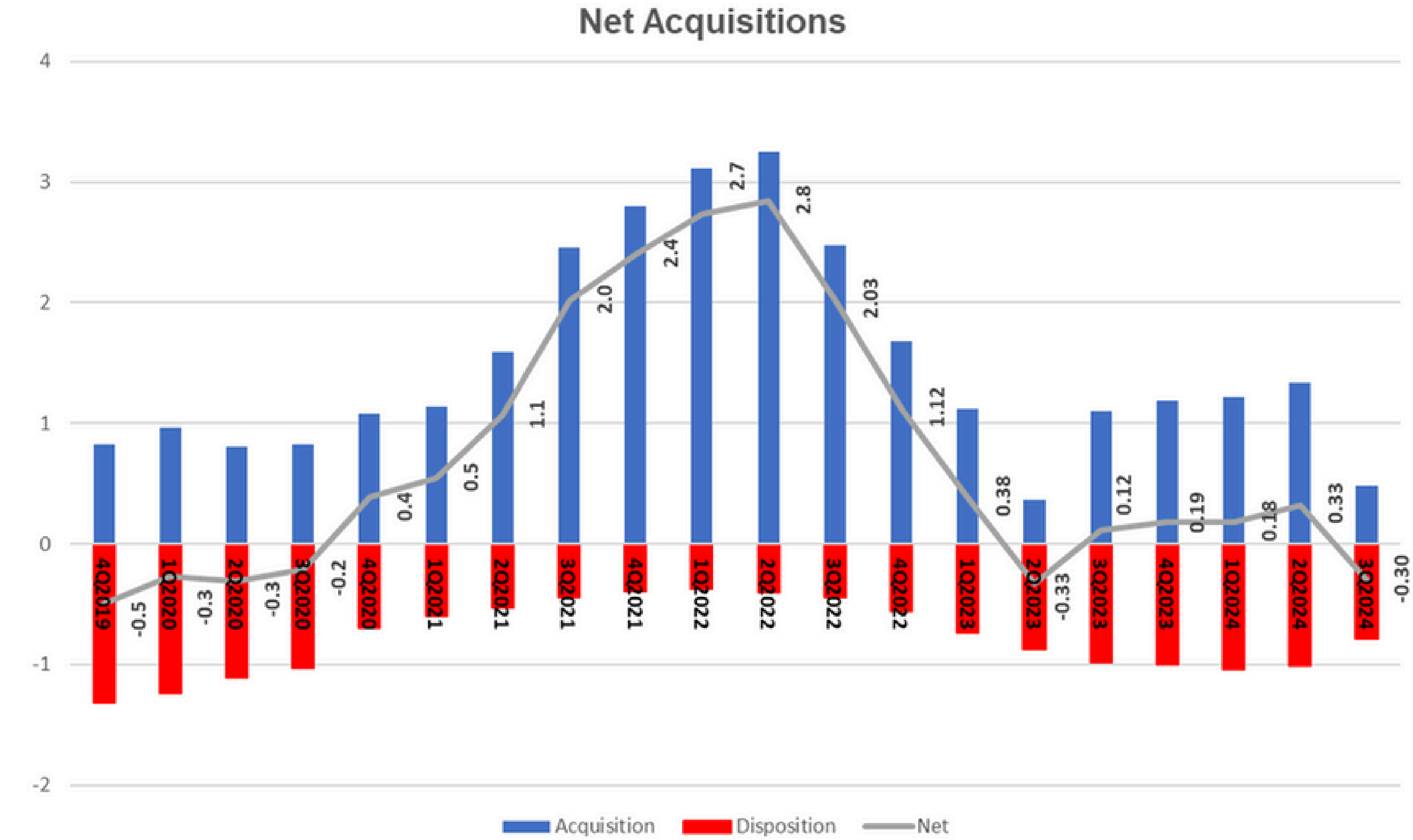
Occupancies for 3Q24	Same-store revenue growth	Same-store NOI growth
97.0% ↕ 96.6%	5.5% ↕ 3.6%	5.9% ↕ 3.9%

	Performance (3Q2024)				2024 Guidance		
	Revenue	Expenses	NOI	Occupancy	Revenue	Expenses	NOI
INVH	3.6%	3.1%	3.9%	97.0%	4.00% - 4.50%	3.25% - 4.25%	4.00% - 5.00%
AMH	5.5%	4.8%	5.9%	96.6%	4.50% - 5.50%	4.50% - 5.50%	4.50% - 5.50%
Avg.	4.6%	4.0%	4.9%	96.8%	4.63%	4.38%	4.75%

Both REITs adjusted their guidance in 3Q24. INVH lowered its revenue growth midpoint from 4.875% to 4.25%, while reducing its expense midpoint by 200 basis points to 3.75%. These changes resulted in a neutral NOI growth midpoint of 4.50%. Meanwhile, AMH maintained its revenue growth midpoint and reduced its expense midpoint to 5.00%, leading to a 50-basis point increase in NOI growth, now at 5.00%.

Acquisition Activity

Acquisitions remained subdued in 3Q24, as high capital costs continued to dampen transaction activity, with listings falling short of seller expectations. However, a dip in 10-year US Treasury yields provided a temporary boost, enabling some deals to close successfully.



Source: NAREIT T-Tracker

Invitation Homes reported acquiring approximately 926 homes for $331 million this quarter, while disposing of 331 homes for $128 million. For 2024, the company maintains its initial guidance, expecting acquisitions to range between $600 million and $1 billion and dispositions to total $400 million to $600 million. Most acquisitions this quarter were sourced from larger homebuilders, with underwritten cap rates in the 6% range.

AMH, through its development program, delivered 640 wholly owned homes at a cost of $250 million, along with 113 homes to joint ventures. Traditional acquisitions were limited to just 16 homes for $5.5 million, while 256 homes were sold for $81 million at an average cap rate in the mid-3% range. AMH remains on track to deliver between 2,200 and 2,400 new homes this year, targeting high-5% yields based on year-one rents, stabilized expenses, and capital reserves. Additionally, AMH announced the acquisition of a 1,700-home portfolio across 13 markets for $480 million. While the in-place cap rate was 5.0%, the portfolio is expected to achieve a 6.0% pro forma cap rate once stabilized on the AMH platform.

Arbor Realty highlighted robust activity in the Single-Family Rental (SFR) CMBS market, with $6.8 billion in issuances during the first three quarters of 2024 — significantly higher than the $2.8 billion total for 2023. While issuance will fall short of the record-breaking levels of 2021 and 2022, 2024 is on track to be the third-highest year ever. Arbor also noted continued growth in Build-to-Rent (BTR) development, which now accounts for 9.0% of single-family construction — a new high for the product type.

AvalonBay announced plans to allocate more resources toward Build-to-Rent development and acquisitions. The company aims to acquire properties of 80 to 130 units in its existing markets. While specifics on its pipeline and allocation percentages remain undefined, more details are expected with the release of 2025 guidance in the coming months.

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

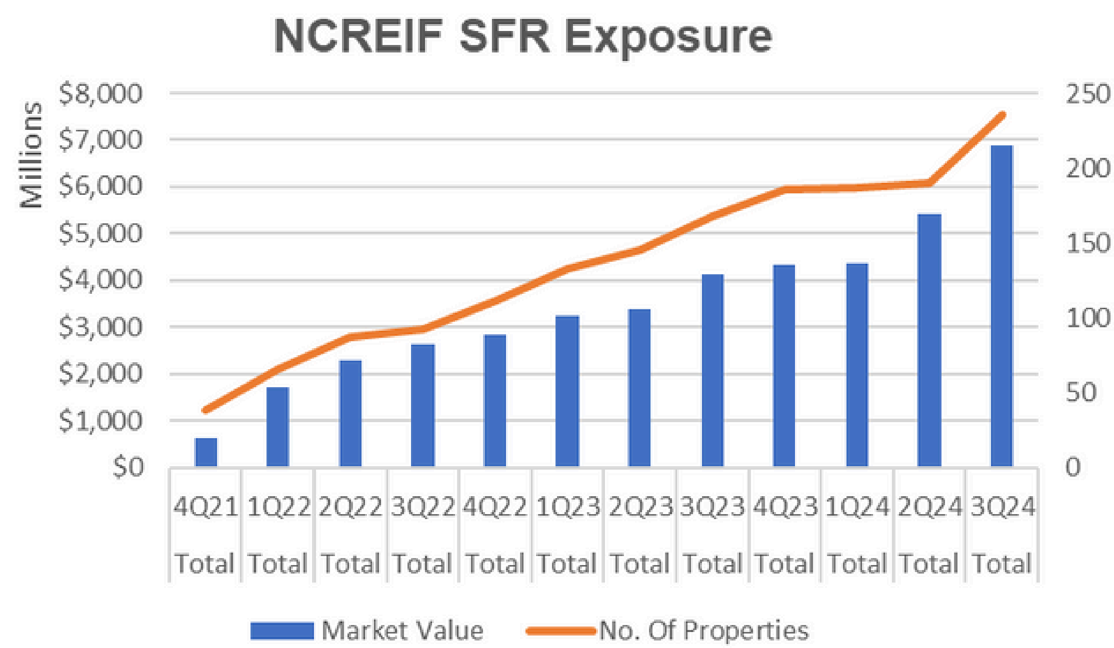
Company	Region	Units
Progress Residential	Sunbelt / Midwest	90,000
Invitation Homes	West / Sunbelt	85,221
American Homes	Sunbelt / Midwest	58,899
FirstKey	Sunbelt / Midwest	50,000
Main Street Renewal	Sunbelt	44,000
Tricon	Sunbelt / West	37,183

Source: Company Reports, Press Releases, Published Reports

It should be noted that Blackstone now owns Tricon and combined with Home Partners of America currently controls approximately 55,000 to 60,000 homes — making it the fourth largest institutional owner.

Private Markets

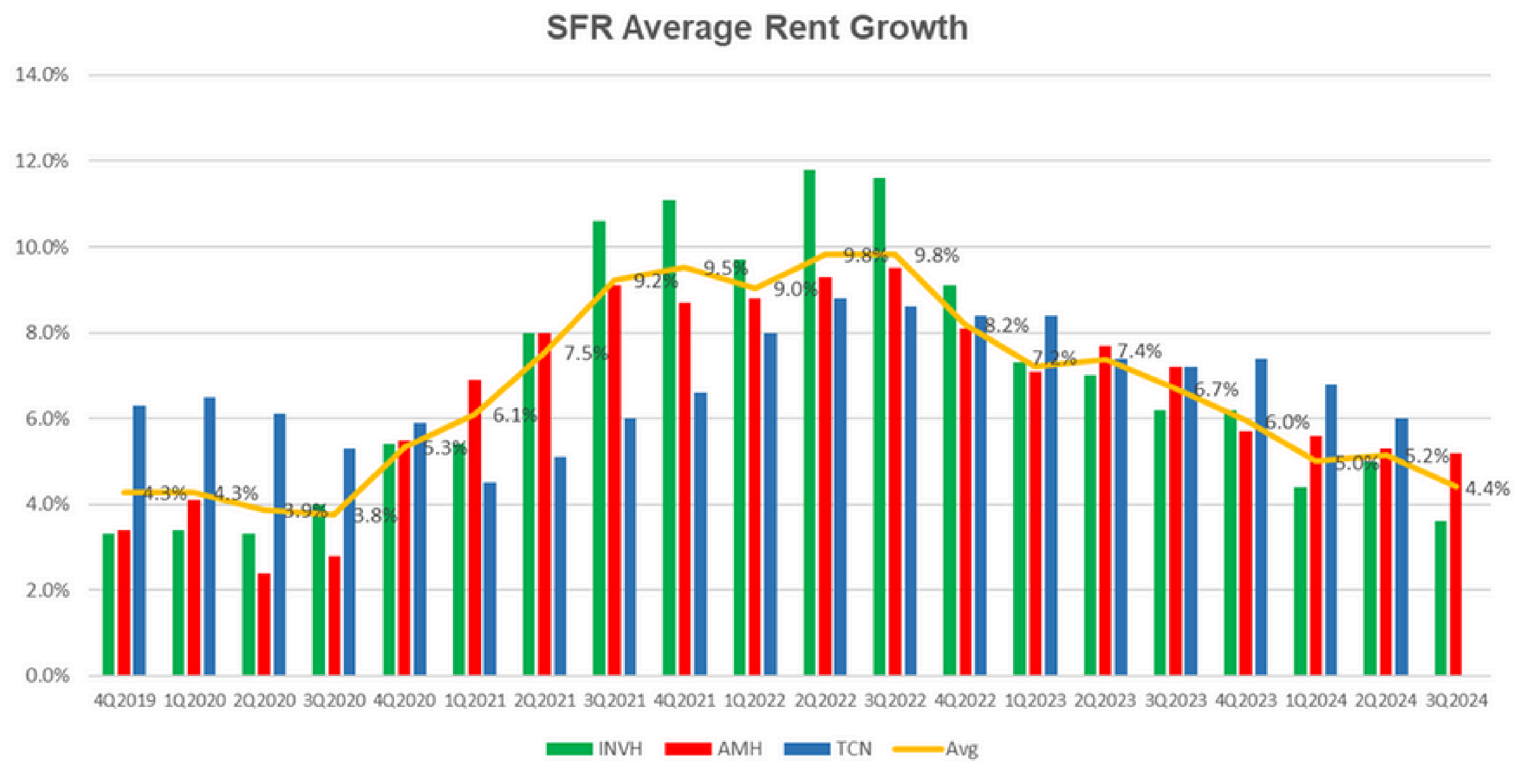
The National Council of Real Estate Investment Fiduciaries' (NCREIF) released their Expanded NCREIF Property Index which gave the first insights into investments among these institutional investors. Investments within the single-family rental space for NCREIF funds are summarized in the following table.



NCREIF funds continued to expand their exposure to the single-family rental sector throughout the year. As of 3Q24, the funds owned 236 properties with a combined market value of $6.87 billion, a significant increase from $4.1 billion in 3Q23. Scattered-site properties comprised the largest share of the portfolio by market value at 50.2%, followed by purpose-built detached housing at 39.8%, with the remainder allocated to purpose-built attached housing. Despite this growth, single-family rentals accounted for only 2.7% of the $249.9 billion in total market value across NCREIF residential investments. With the rising popularity of "for rent" single-family housing, we anticipate a continued increase in allocation to this sector in the coming years.

Rental Rates

Rent growth continues to moderate each quarter, returning to pre-pandemic levels as anticipated. This year, a surge in Build-to-Rent deliveries across premier markets put pressure on occupancies and slowed rent growth. However, with new starts declining, the supply-demand imbalance is expected to stabilize over the next 12 to 18 months as units are absorbed and the for-sale housing market contends with high mortgage rates. Market participants project rent growth of 3 to 4 percent in 2025.



In 3Q24, blended average rent growth reached 4.4%, marking an 80-basis-point increase from the previous quarter. Rent growth is anticipated to normalize to pre-pandemic levels of 3% to 5%. Recent gains have been largely driven by renewal rent growth, though tightening loss-to-lease within portfolios is expected to gradually impact revenue growth. As newly delivered units are absorbed, rent growth for new leases is projected to settle within the 3.0% to 4.0% range.

3Q24 Rent Growth Breakdown

	Renewal	New	Blended
INVH	4.2%	1.7%	3.6%
AMH	5.2%	5.3%	5.2%
Avg.	4.7%	3.5%	4.4%

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	**36%**	**15%**
South Florida	10%	--
Tampa	11%	5%
Orlando	8%	4%
Jacksonville	2%	6%
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%**	**12%**
Chicago	3%	3%
Minneapolis	1%	--
Indianapolis	--	5%
Cincinnati & Columbus	--	7%
Midwest	**4%**	**15%**
Other	**0%**	**13%**
Source: REIT 3Q24 SEC Filings		

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Conclusion

The single-family rental (SFR) sector showcased resilience and sustained growth in 4Q24. Despite broader economic challenges, such as rising interest rates, the sector thrived on strong demand, high occupancy rates, and ongoing investor interest. Public REITs like AMH and INVH reported strong financial performance and expanded their portfolios through strategic acquisitions. The entry of major players like AvalonBay into the Build-to-Rent (BTR) space, along with increased allocations from NCREIF funds, underscores the sector's long-term potential and is expected to drive further competition and innovation. While some softening in the rental market is apparent, the SFR sector remains well-positioned for sustained success.

Looking ahead to 2025, the SFR sector will face both opportunities and challenges. Factors such as population growth, constrained housing supply, and shifting renter preferences are expected to bolster demand for single-family rentals. However, rising interest rates and potential economic headwinds may impact affordability and investor activity. Investors and operators who can navigate these market dynamics and effectively manage their portfolios — or partner with management platforms like INVH — will be best equipped to succeed in the evolving SFR landscape.

About Capright

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

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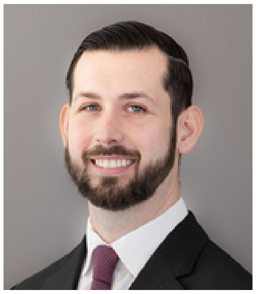

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