



SINGLE-FAMILY RENTAL OVERVIEW

October 8, 2020

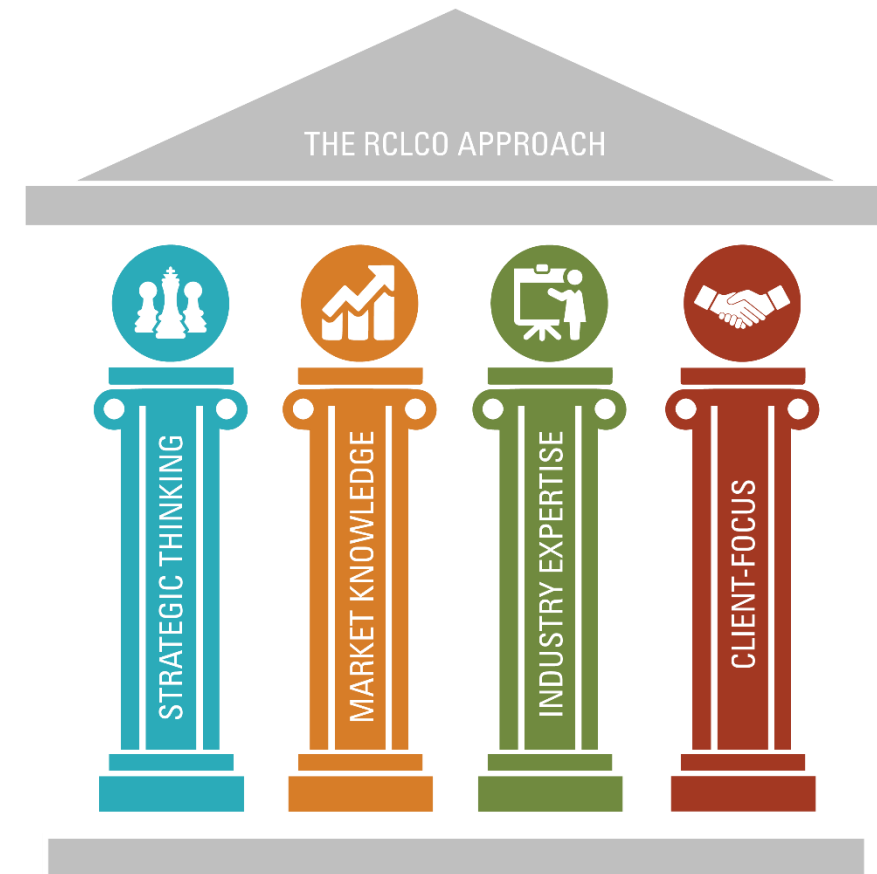
Managing Director, Todd C. LaRue

RCLCO
REAL ESTATE ADVISORS

ABOUT THE FIRM

Offering Real Estate Strategy Since 1967

- ▶ RCLCO (formerly Robert Charles Lesser & Co.) is the leading knowledge solutions provider to the real estate industry
- ▶ “First call” for those seeking strategic and tactical advice regarding property investment, planning, and development
- ▶ We provide end-to-end advisory and implementation solutions at an entity, portfolio, or project level
- ▶ Engaged on ~500 projects annually touching more than \$5B in real estate
- ▶ Affiliated with more than 25 leading industry associations including ULI, NMHC, etc.
- ▶ Our mission is to help our clients make strategic, effective, and enduring decisions about real estate



WHERE WE ADD VALUE – OUR SERVICES

Real Estate Economics, Management Consulting, Investment Strategy, Asset Management, & Legal Support

- ▶ Feasibility Services
- ▶ Acquisition Underwriting
- ▶ Repositioning & Reuse
- ▶ Market Opportunities
- ▶ Portfolio Analysis/Optimization
- ▶ Competitive-Edge Strategies
- ▶ Consumer Insight
- ▶ Fiscal & Economic Impact Analysis
- ▶ Partner Selection
- ▶ Asset Management
- ▶ Metropolitan Growth Strategies
- ▶ Downtown Reinvestment Action Plan
- ▶ Highest & Best Use
- ▶ Neighborhood Planning
- ▶ Anchor Institution Support
- ▶ Economic Development
- ▶ Corridor & Small Area Planning
- ▶ Transit-Oriented Development Strategies
- ▶ Parks: Strategy, Financing
- ▶ Litigation Support



OUR APPROACH: END-TO-END SOLUTIONS

INVESTMENT STRATEGY & ASSET MANAGEMENT

Capital Formation
Transaction Strategy

Capital Markets

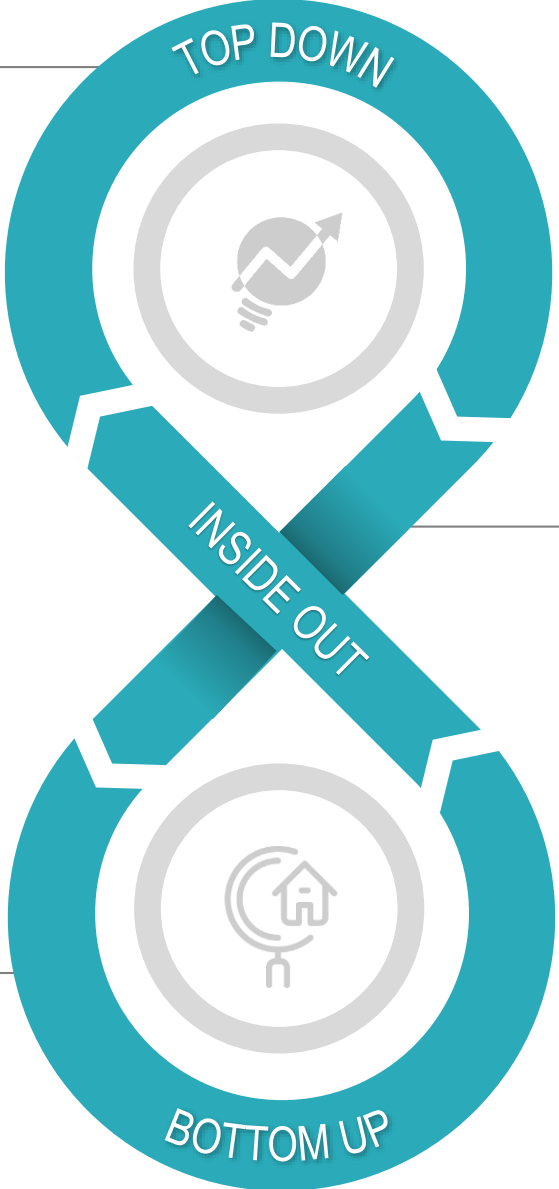
Public Pension Funds
Family Offices
High-Net Worth Individuals

REAL ESTATE ECONOMICS

Market Feasibility
Demand Analyses
Product Segmentation, Positioning & Pricing
Case Studies & Critical Success Factors

Real Estate Markets

DMB Associates
Sunbelt Holdings
Brookfield
Howard Hughes Company



MANAGEMENT CONSULTING

Strategic Plan
Partner Selection
Project/Market Monitoring

Organizational Insights

NexMetro Communities
Arizona Board of Regents
City of Beverly Hills

OUR CLIENTS

The Foundation of Our Practice



- ▶ Planning & Architecture Firms
- ▶ Developers
- ▶ Home Builders
- ▶ Economic Development Agencies
- ▶ Financial Institutions
- ▶ Towns, Cities, Counties, Regions
- ▶ Asset Managers
- ▶ Commercial Lenders
- ▶ REITs
- ▶ Property Managers
- ▶ Associations & Nonprofits
- ▶ Law Firms
- ▶ Trusts & Estates
- ▶ Corporations
- ▶ Academic Institutions

SAMPLE CLIENTS



- ▶ Anderson-Pacific, Inc.
- ▶ AECOM Capital
- ▶ Brookfield
- ▶ Carmel Partners
- ▶ Century West Partners
- ▶ Forest City
- ▶ IDS Real Estate Group
- ▶ Intracorp

- ▶ KB Urban
- ▶ Kennedy Wilson Multifamily
- ▶ Lennar West
- ▶ Lowe Enterprises
- ▶ Mack Urban
- ▶ Marina Admiralty Company
- ▶ Mill Creek Residential
- ▶ Resmark Apartment Living

- ▶ Related California
- ▶ Sandstone Properties
- ▶ Shea Properties
- ▶ Simpson Housing
- ▶ South Group
- ▶ Trammell Crow Company
- ▶ Wanda Group
- ▶ **And many more!**

PRESENTATION OUTLINE

► Demand drivers:

- » For-sale housing market: affordability issues
- » Growing pool of financially stable young adults
- » High barriers for homeownership
- » Limited supply of entry-level

► Supply conditions

- » Existing homes purchased for rent
- » Bulk purchases from builders
- » Purpose built rental communities

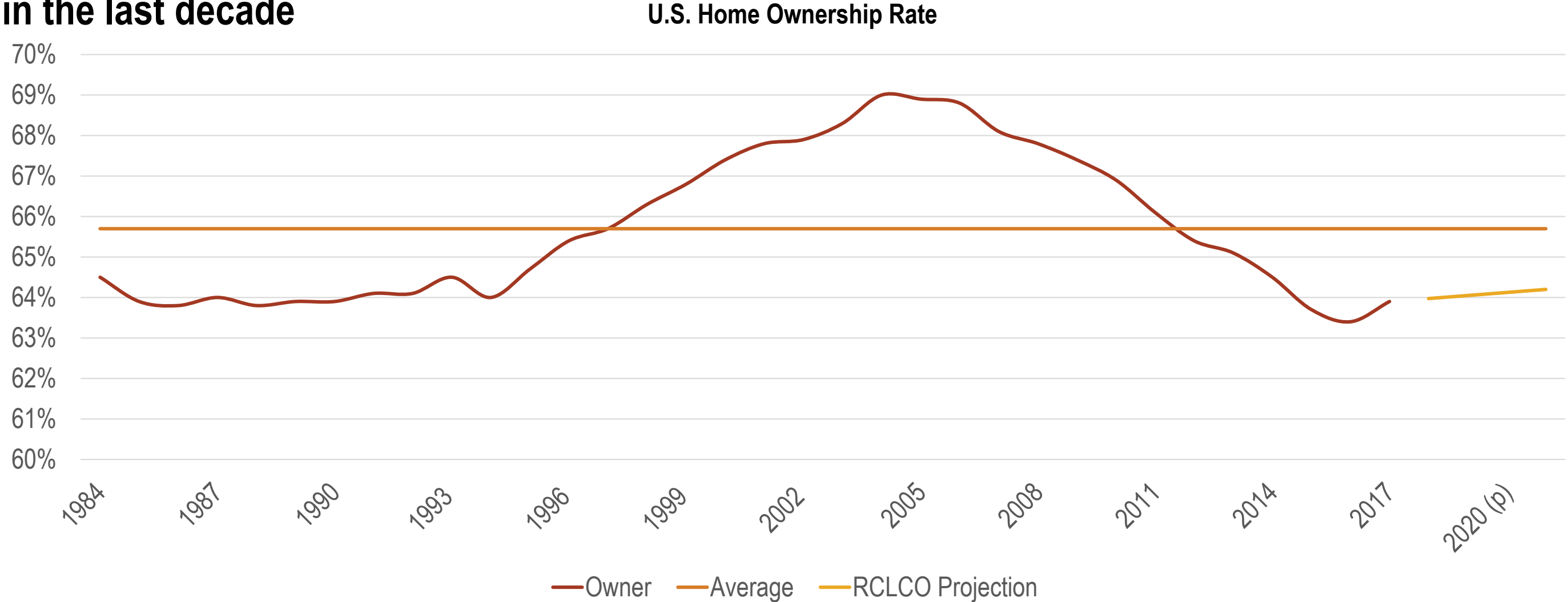
► Renter household profiles in Texas

► Single-Family Rental Concepts

DEMAND DRIVERS

HOUSING TENURE

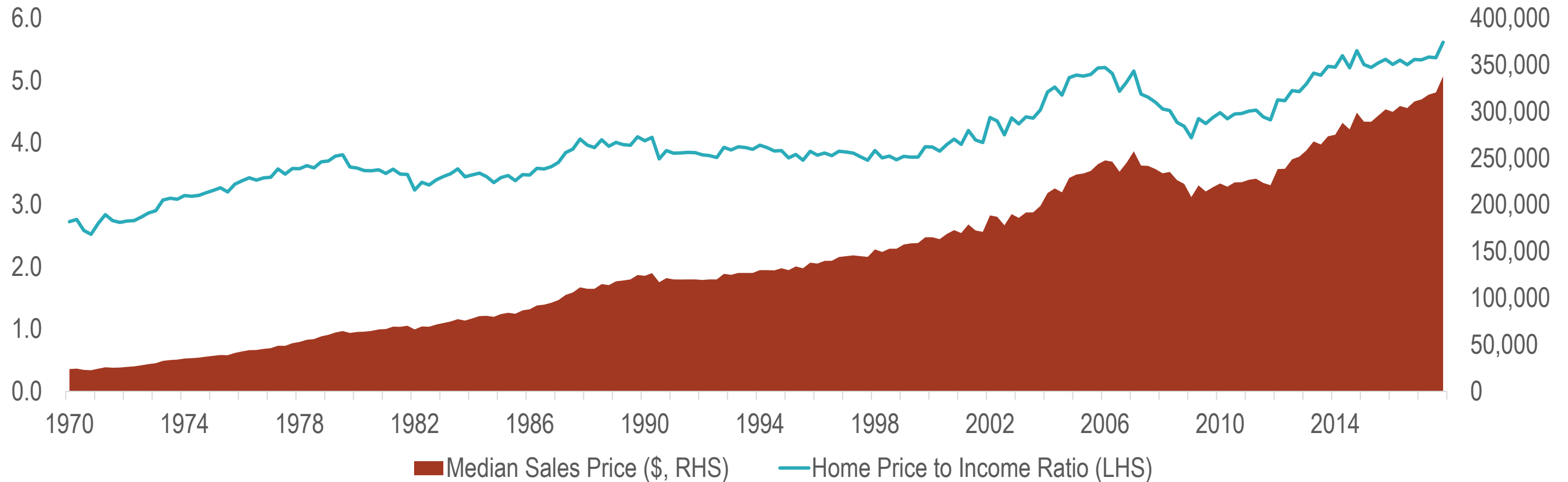
Declining homeownership rates have been among the largest tailwinds for rental communities in the last decade



AFFORDABILITY

Home prices have continued to rise faster than incomes, leaving many households unable to afford a single family home and pushing additional households towards single family rentals

Home Price to Income Ratio and Median Sales Price
United States; 1970-2018



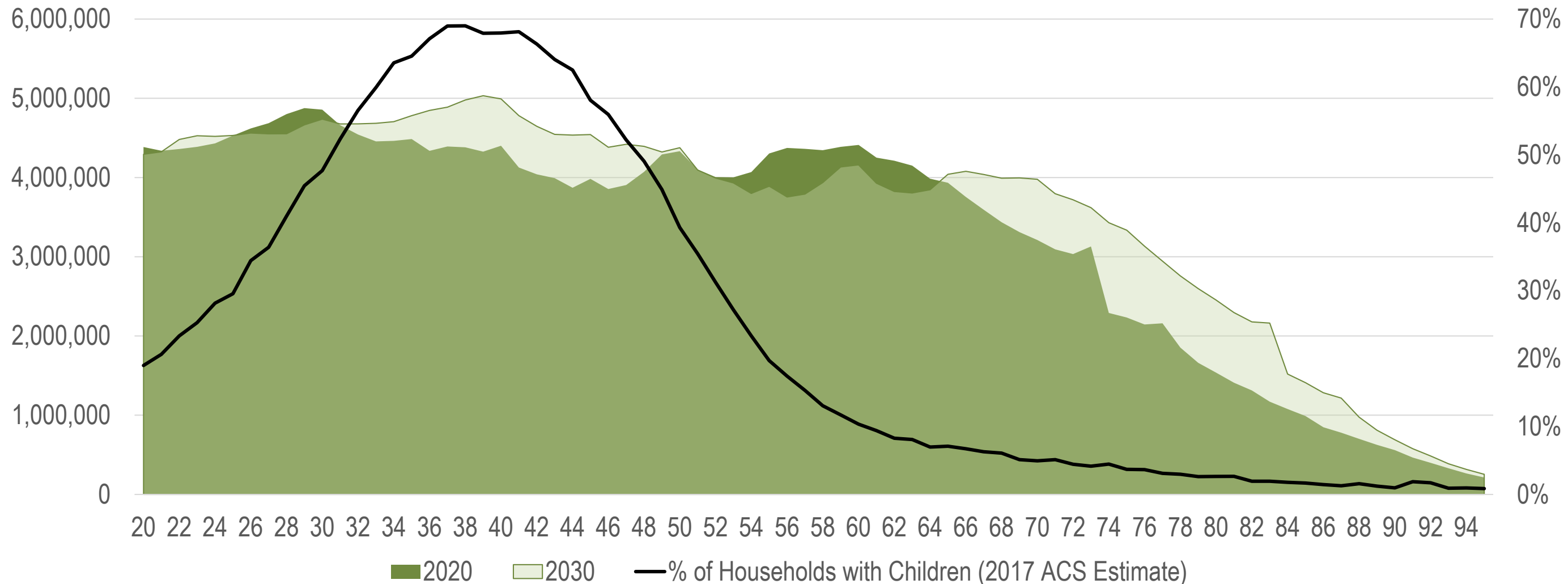
AFFORDABILITY (CONTINUED)

The most common reason individuals choose to rent is the inability to afford the down payment for a home, representing nearly 50% of all renters



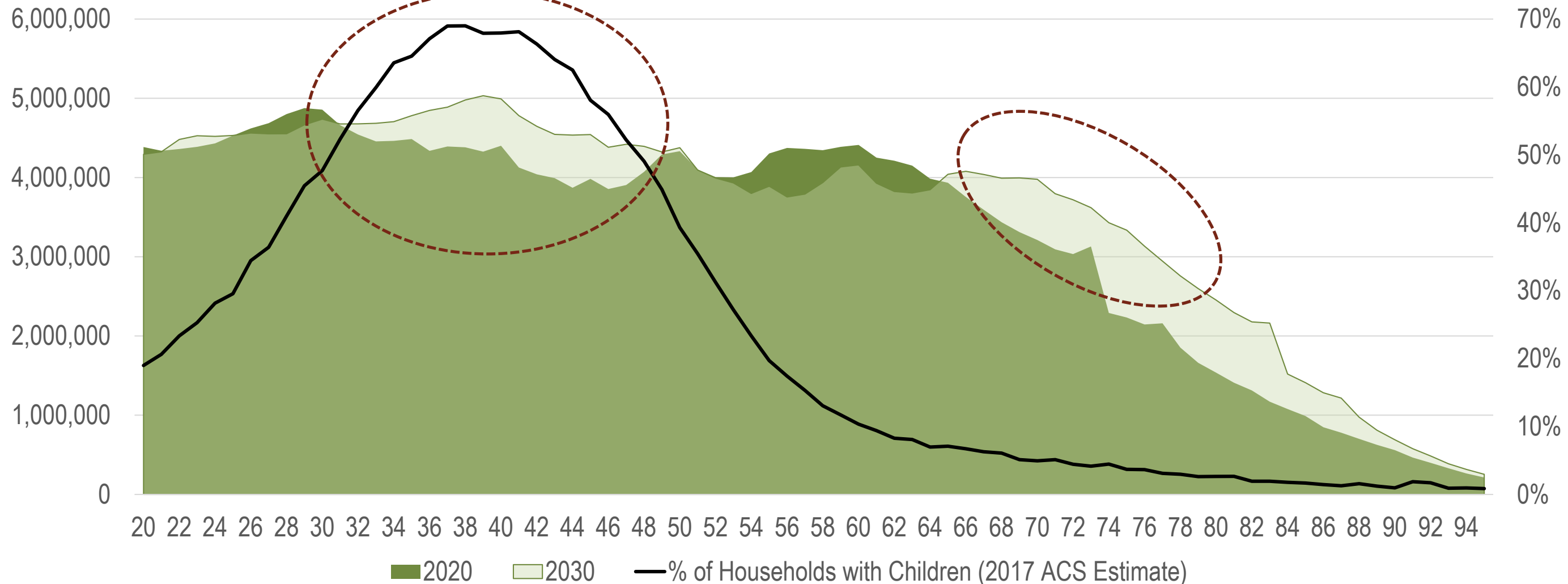
DEMOGRAPHIC SHIFTS: FAMILY-AGE HOUSEHOLD GROWTH SUBSTANTIAL

Projected Population by Age; United States
2020-2030



DEMOGRAPHIC SHIFTS: FAMILY-AGE HOUSEHOLD GROWTH SUBSTANTIAL

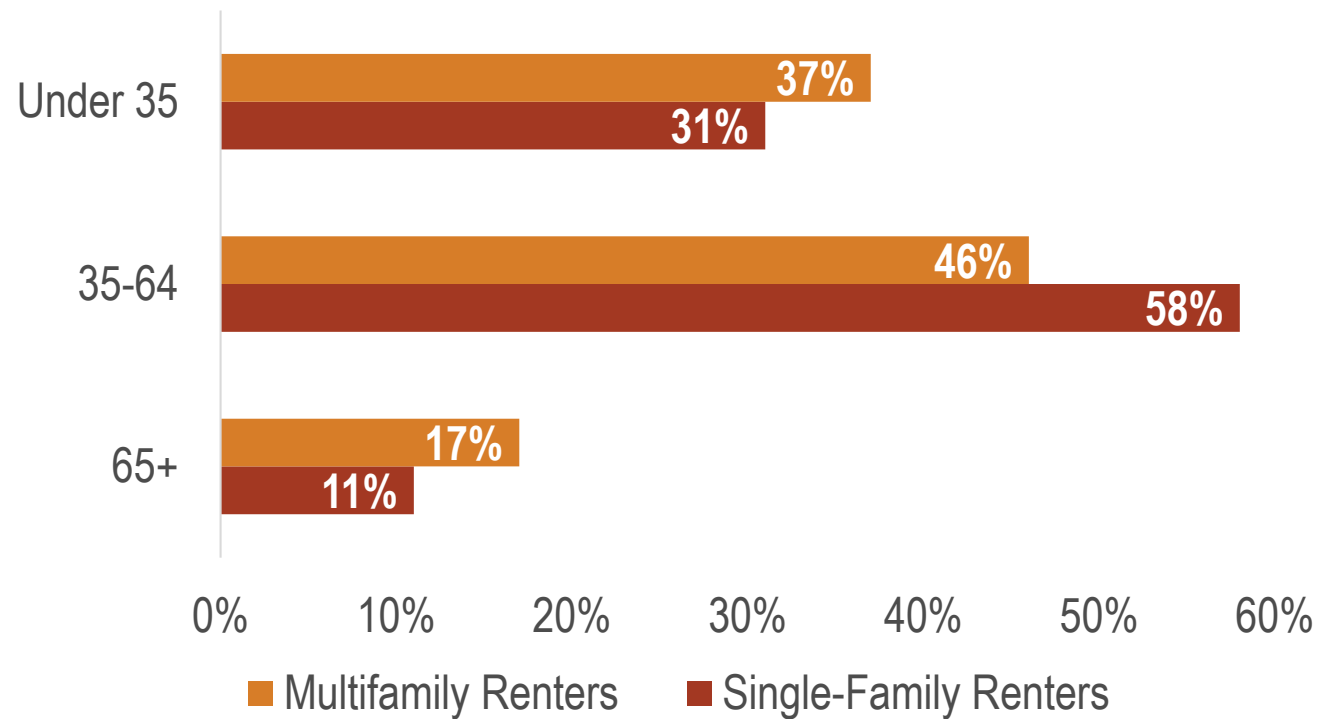
Projected Population by Age; United States
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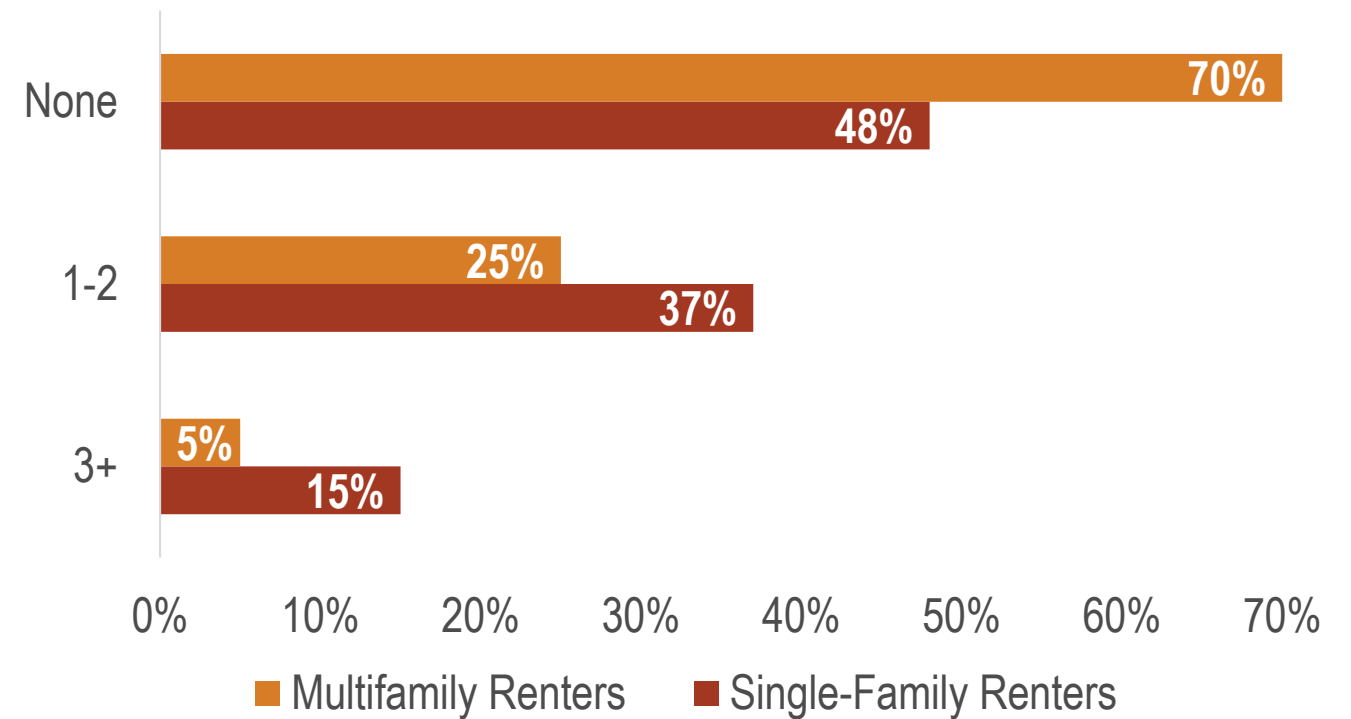
SINGLE-FAMILY RENTAL CUSTOMER OVERVIEW

- ▶ Single-family renters are more likely to have larger households than multifamily renters. Families with children are a critical cohort within demand for single-family product
- ▶ Single-family renters have a higher percentage of renters in the 35-64 age group while multifamily has more renters found in younger (under 35) and older (65+) age cohorts

Age Group



Number of Children

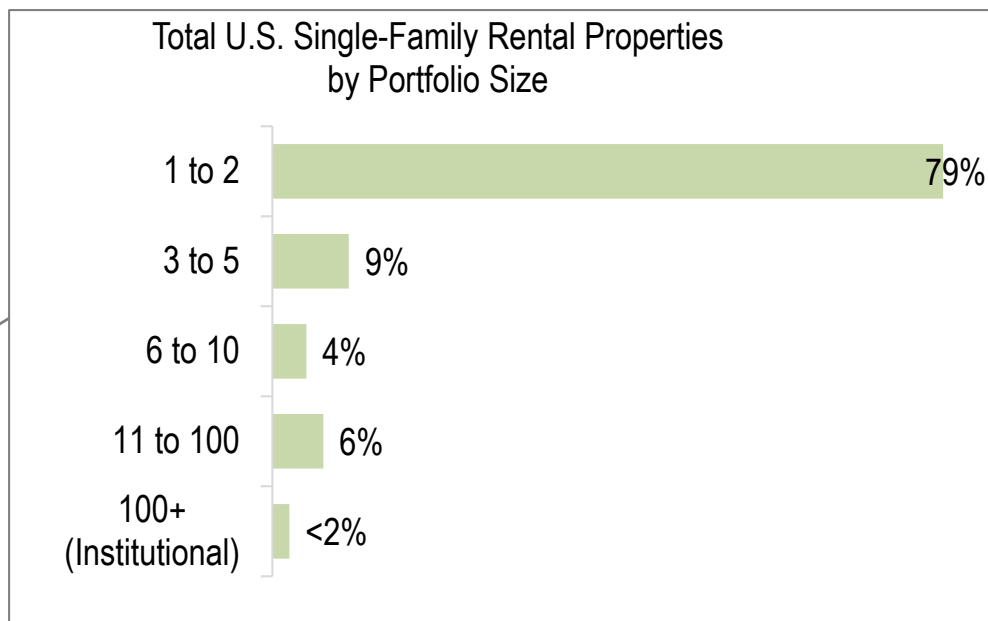
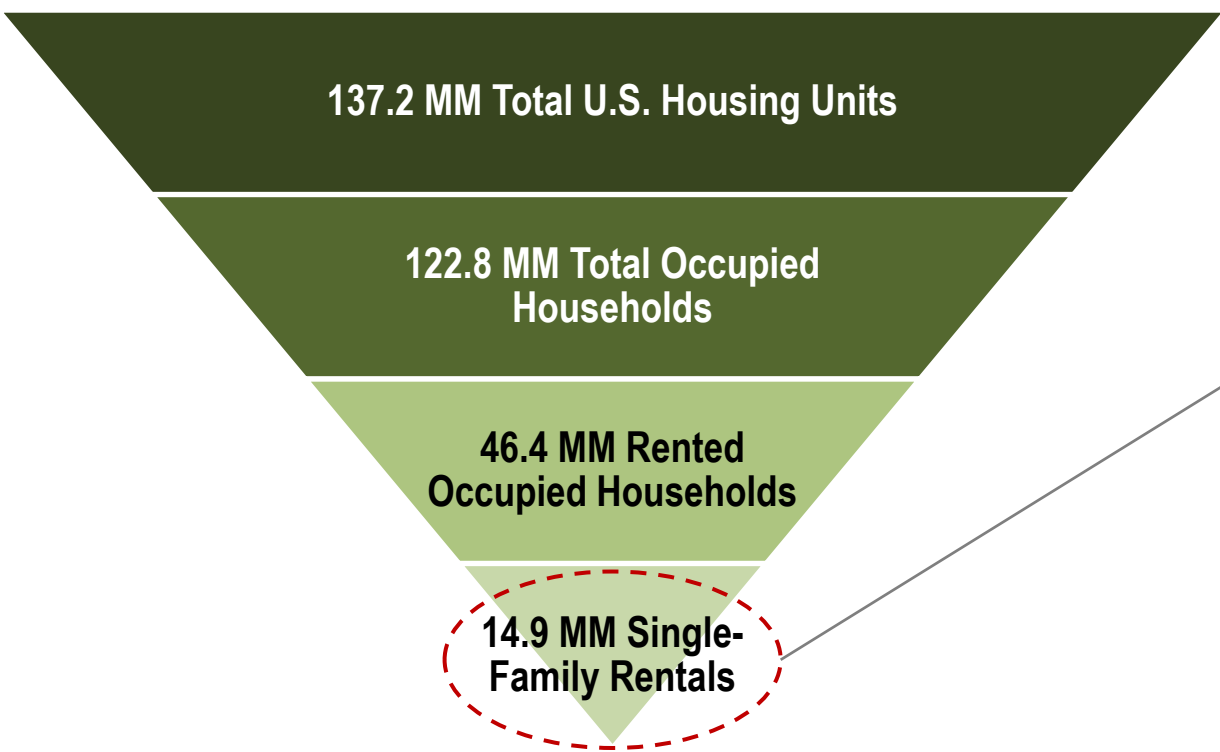


SUPPLY

CURRENT NATIONAL SCALE

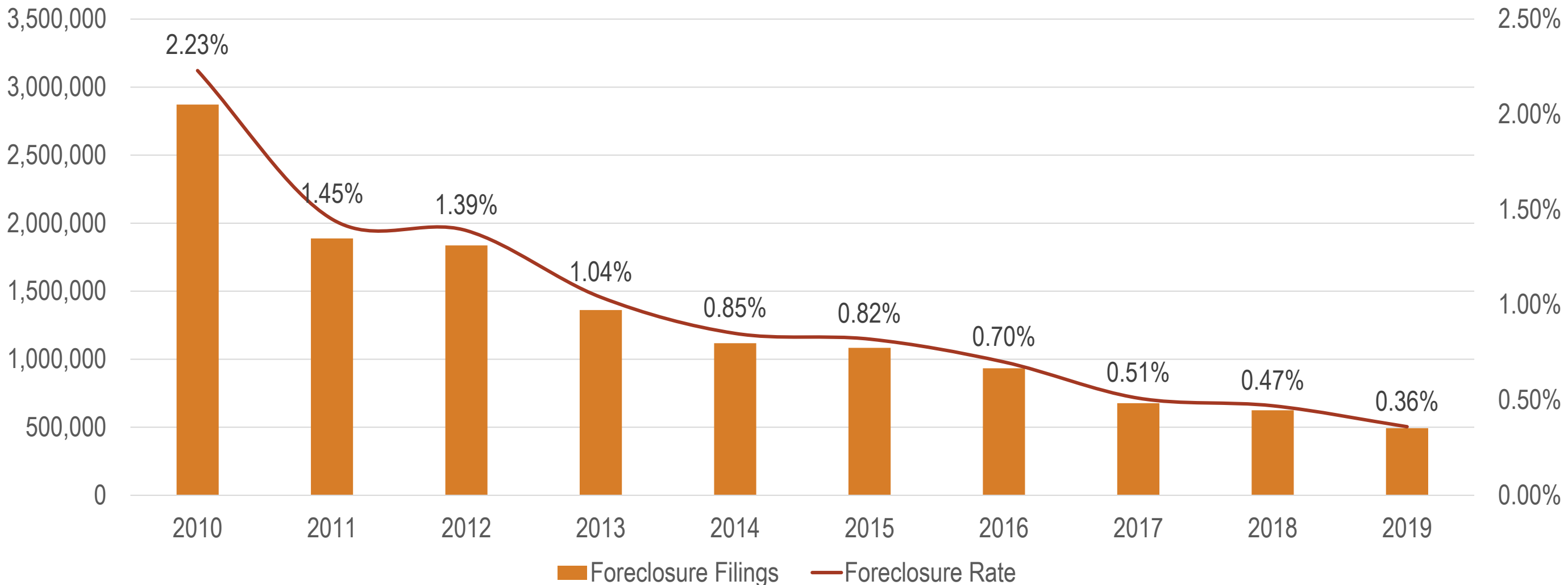
15 million single family rental housing units in the united states and ownership is highly fragmented

- ▶ 88% of single-family rentals are owned by mom and pop investors who own 1-5 single-family rental homes. In a fragmented market, a large amount of small and unsophisticated portfolios across the United States present a market consolidation opportunity for investors and operators, particularly in the top 50 MSAs.
- ▶ RCLCO expects continued consolidation throughout the industry, particularly in large, urban markets where barriers to entry are high, home values are high, and cap rates continue to compress



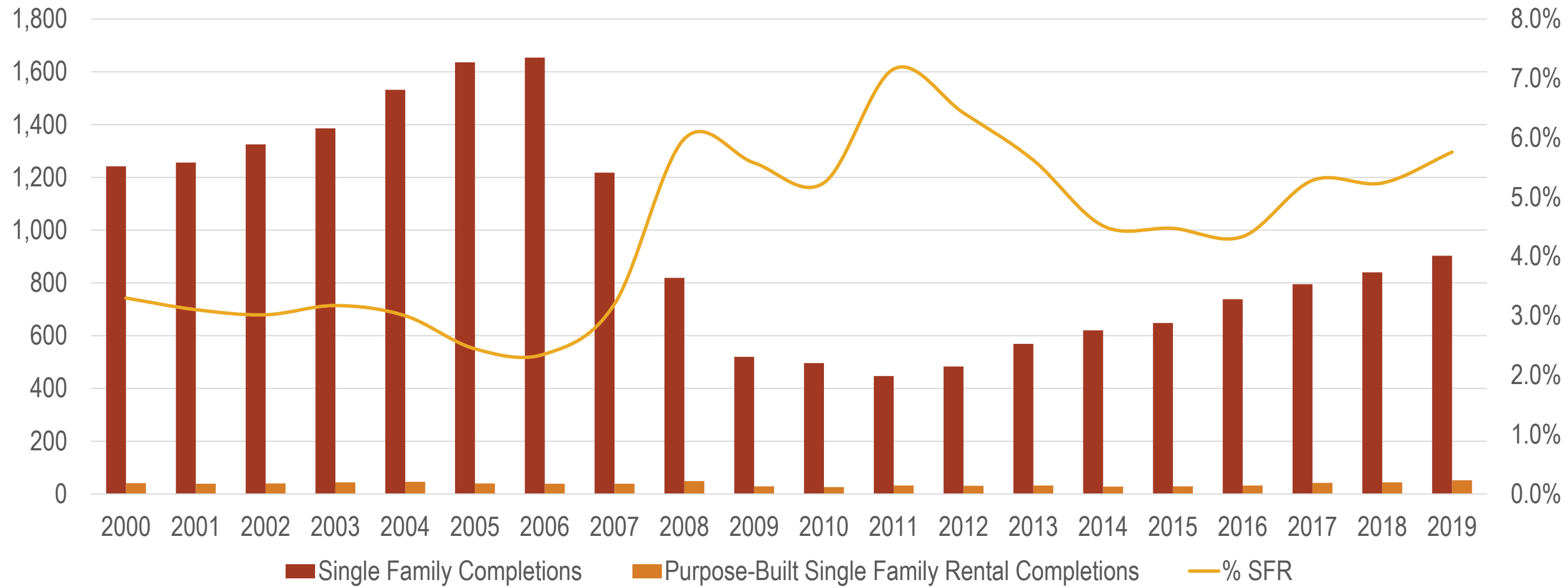
LARGE SF RENTAL SUPPLY ADDITIONS FROM FORECLOSURE CONVERSIONS

Foreclosures and Foreclosure Rate
United States; 2010-2019



PURPOSE-BUILT SUPPLY ADDITIONS – GROWING SHARE OF SF MARKET

**Purpose-Built Single Family Rental and Total Single Family Completions
United States; 2000-2019**



INSTITUTIONAL INVESTORS

- ▶ Institutions <2% of the entire SFR market in the US
- ▶ Most leverage technology platform to source homes, then lease & manage
- ▶ Investors have gained efficiencies through investments in technology
- ▶ Achieve operational efficiencies by acquiring concentration of homes in target markets, then positioning property managers within those markets
- ▶ Generally purchase SFR's in secondary markets, where cap rates on homes are generally more attractive (higher) than in primary markets

COMPANY NAME	TICKER	IPO YEAR	MARKET CAP (\$ MILLIONS)	TOTAL HOMES	PRIMARY REGIONS
Invitation Homes	INVH	2017	\$11,970	82,570	Atlanta, South Florida, Southern CA, Tampa, Phoenix, Orlando, Charlotte, Northern CA, Chicago
American Homes 4 Rent	AMH	2013	\$5,720	50,929	Dallas, Atlanta, Houston, Charlotte, Indianapolis, Phoenix, Nashville, Chicago, Cincinnati, Raleigh
Front Yard Residential Corp	RESI	2012	\$527	12,574	Georgia, Texas, Tennessee, Florida, North Carolina
Reven Housing REIT (previously Altisource)	RVEN	2012	\$28	799	Houston, Jacksonville, Memphis, Birmingham
Starwood Waypoint (merged with INVH)	SFR	2015	N/A	N/A	N/A
Silver Bay Realty Trust (acquired by Tricon)	SBY	2014	N/A	N/A	N/A
American Residential Properties (merged with AMH)	ARPI	2013	N/A	N/A	N/A
			\$18,245	146,872	

CASE STUDY: TEXAS

RENTING BY CHOICE / DISCRETIONARY RENTERS

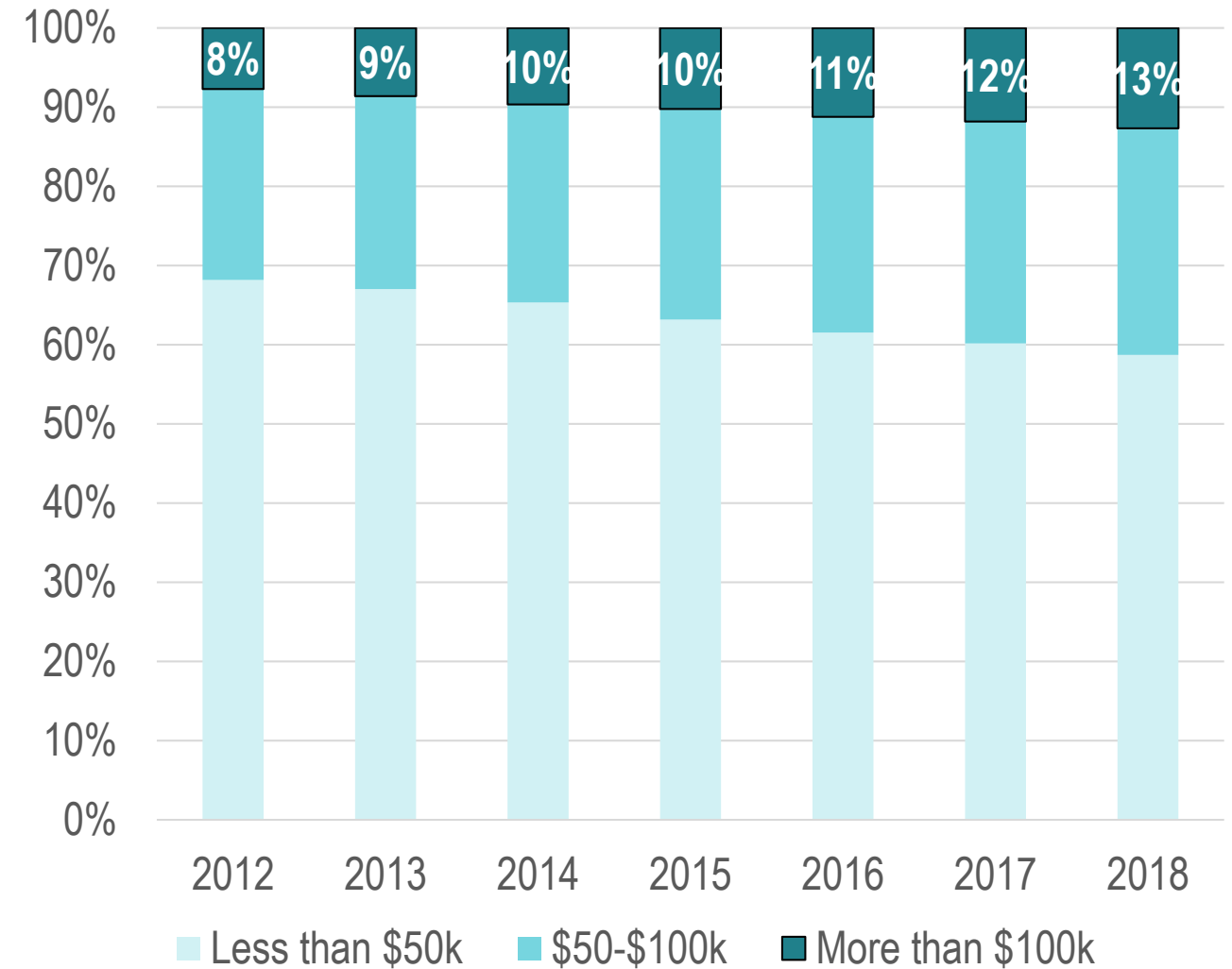
More affluent renters are turning to rental product for the lifestyle & convenience

Nearly 15% of renter households earn over \$100,000 in Texas

Reasons for Renting

- ▶ Low maintenance, lock-and-leave living
- ▶ Amenitized environment
- ▶ Transitional life stage / uncertain future plans
- ▶ Cannot yet afford a down payment (young professionals)

Distribution of Renter Households by Household Income



RENTING OUT OF NECESSITY (FAMILIES \$50K-\$100K)

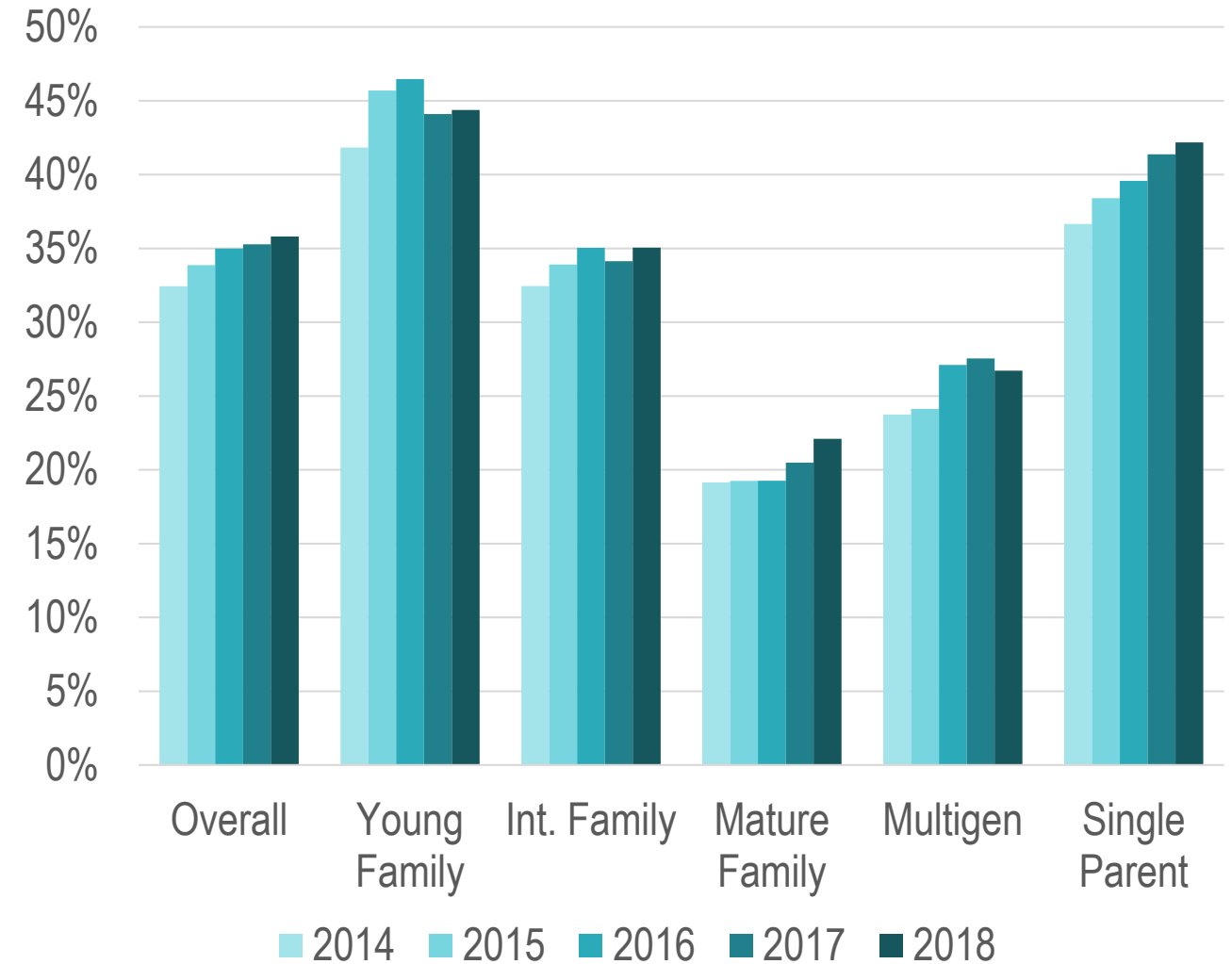
As home prices continue to rise, a growing share of family households with moderate incomes are renting

Families with these incomes represent 1/3 of all family households in Texas

Reasons for Renting

- ▶ Limited new, for-sale housing options below \$350k
- ▶ Do not have the savings for a down payment
- ▶ Cannot afford a home in the desired school district or area of choice
- ▶ Lack of smaller, low maintenance for-sale housing options (single parent)

Renter Propensity of Family Households Earning \$50,000 to \$100,000



DOWNSIZING EMPTY NESTERS

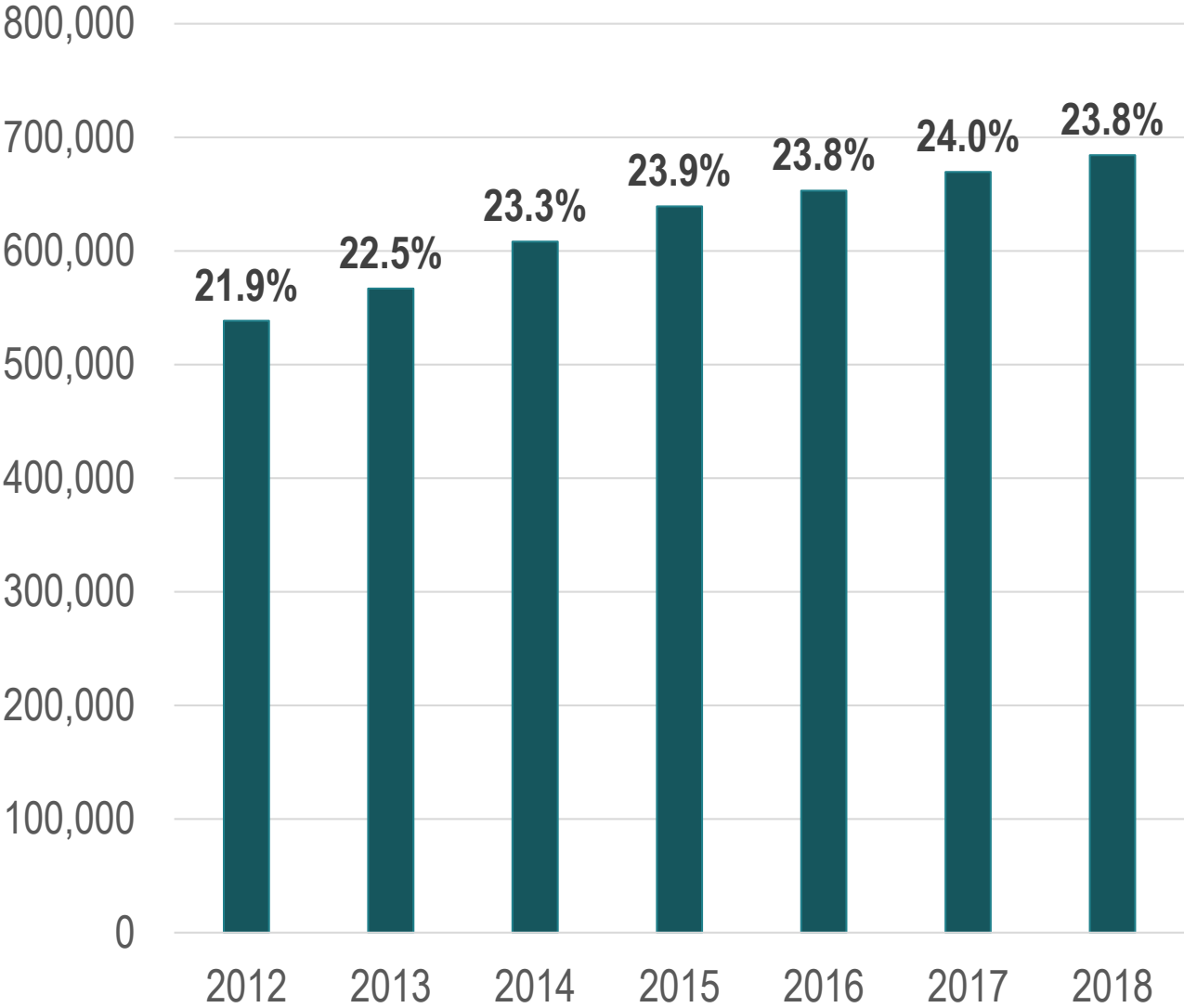
Growing number of households over the age of 55 that are choosing to downsize & rent

55+ households represent over a quarter of all Texas households & growing

Reasons for Renting

- ▶ Family home is too large, looking to downsize
- ▶ Seeking to unlock equity from the family home
- ▶ Convenience of low maintenance living
- ▶ Social connectedness of rental housing

Number of 55+ Renters and Renter Propensity



CONCEPTS

EXAMPLE: NEXMETRO'S AVILLA DEER VALLEY

125 Units (1-, 2-, & 3-BR)

Home Features

- 10' Ceilings
- Private Backyards with Patio
- Quartz Countertops
- Custom Cabinetry
- Stainless Steel Appliances
- Hard-Surface Flooring
- Full Size Washer & Dryer

Community Features

- Gated Neighborhood
- Resort Style Pool & Spa
- Covered Ramada
- Walking Paths
- Pet Friendly
- Garages / EV Charging Available

“Convenient, carefree luxury living without the hassle and burden of a mortgage”



EXAMPLE: AVILLA DEER VALLEY, PHOENIX, AZ

Developer Built Single Family Rentals in Phoenix, AZ

- ▶ Renter households in transition stages of life
- ▶ Most renters are younger households tired of apartments but not ready or able to buy SFD
- ▶ Also older households down sizing from owned single family but don't want apartment living
- ▶ 10% premium to similarly sized rental apartments

1BR/1BA (Duplex)
635 SF
Starting at \$1,125



2BR/2BA (Detached)
962 SF
Starting at \$1,475



3BR/2BA (Detached)
1,236 SF
Starting at \$1,695



EXAMPLE: HOMESTEAD AT HARTNESS

Developer Built Single Family Rentals in Greenville, SC

- ▶ 95% occupancy, rents about 8% over the top luxury apartments in submarket
- ▶ 1,200 to 1,900 sf
 - » 1x1 flat \$1,495
 - » 2x2 Carriage House over Garage \$1,705
 - » 2x2 flat \$1,829
 - » 2.2.5 Townhouse \$1,760
 - » 3x2 Two Story \$1,931
 - » 4x3 Two Story \$2,227
- ▶ 30% renters affluent households in transition (building a house, new to area) who stay for a year, not price sensitive
- ▶ Empty nesters moving out of suburban homes
- ▶ Single parent households
- ▶ European ex-pats (BMW, Michelin)



EXAMPLE: HOMESTEAD AT HARTNESS

Developer Built Single Family Rentals in Greenville, SC

- ▶ 6,000 SF clubhouse
- ▶ Fire pits
- ▶ Community garden
- ▶ 2,500 sf gym and yoga facility
- ▶ Personal trainer available on site
- ▶ Saltwater Pool with cabana and grilling area
- ▶ 1 acre dog park
- ▶ Gated community
- ▶ 90 acre private park with paths and biking trails
- ▶ Open recreation field
- ▶ Boat dock for canoes and kayaks



DEVELOPMENTS: AMERICAN HOMES 4 RENT AT ADDISON

Addison has had success with rental product nearly identical to the community's for-sale product

- ▶ Brookfield Residential community in South Austin
- ▶ AH4R purchased finished lots and paid Brookfield to build the homes
- ▶ Homeowners share amenity center with AH4R's rental community
- ▶ Front and back yard maintenance are both included in rent
- ▶ Homes range from 3 to 5 bedrooms, and are 1,420 - 2,520 SF

Rental Product at Addison



Current Pricing at American Homes 4 Rent (Jan 2020) - Addison; Austin, TX

FLOORPLAN	RENTAL UNITS			FOR-SALE UNITS			RENT/OWN RATIO*
	SIZE (SF)	PRICE	PRICE/SF	SIZE (SF)	PRICE	PRICE/SF	
SFD - 3BD/2BA	1,624	\$1,895	\$1.17	1,623	\$278,172	\$171.44	12.23
SFD - 4BD/3.5BA	2,218	\$2,013	\$0.91	2,110	\$295,990	\$140.28	12.25

DISCLAIMERS

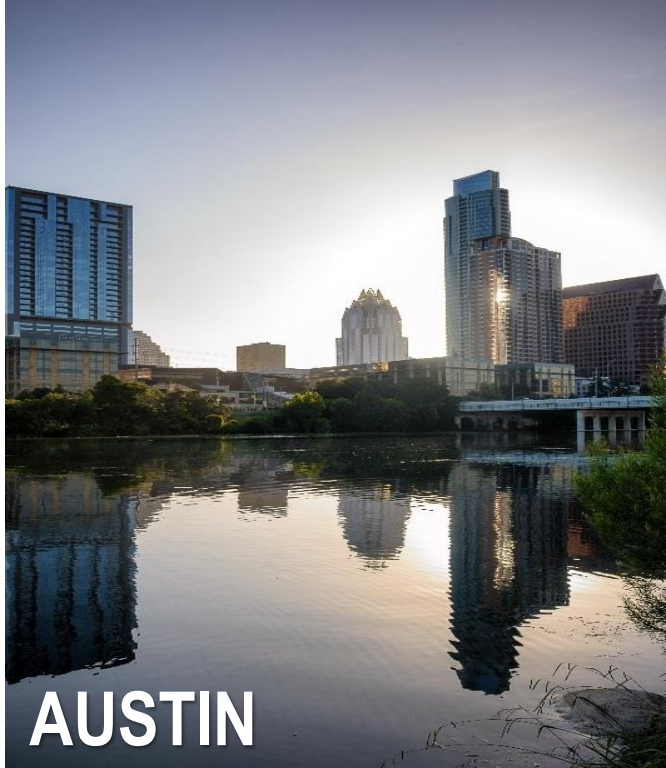
GENERAL LIMITING CONDITIONS

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by RCLCO that any of the projected values or results contained in this study will be achieved.

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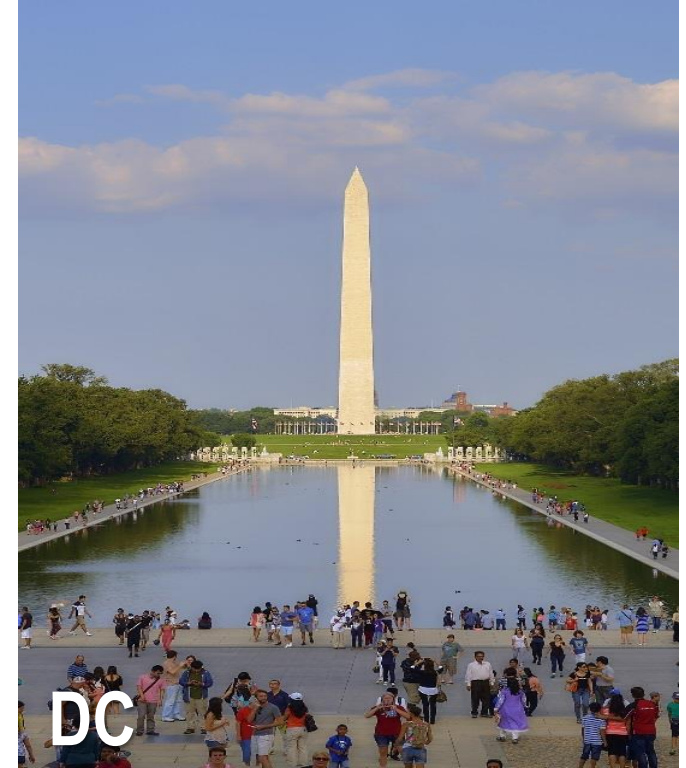
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