

Data Talk Series

HOUSING FINANCE POLICY CENTER



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Amherst
CAPITAL MANAGEMENT
A BNY MELLON COMPANY

U.S. SINGLE FAMILY RENTAL – AN EMERGING INSTITUTIONAL ASSET CLASS

URBAN INSTITUTE DATA TALK PRESENTATION

Presented by: Sandeep Bordia, Head of Research & Analytics

PROPRIETARY AND CONFIDENTIAL

INSTITUTIONS OWN AND MANAGE MORE THAN 200K HOMES

Single Family Rental (“SFR”) institutional ownership now in the mainstream, but long runway ahead

- Total real estate investment estimated at upwards of \$33bn with additional capital invested in technology and operations
- Still only 1.5-2% of overall 15mn single family rentals with a lot of room to grow
- Top 50 MF institutions each own more than 23K multi-family (“MF”) units and 60K units on average. In single-family (“SF”) we only have 3-4 entities above the 20-25K mark

Institutional Holdings 2016 Q4

Institution*	Total Count	Units with Sale Amount in Transaction Data	% with Transaction Prices	Est. Purchase Price (\$M)	Est. All in Cost (\$M)	Average Cost (\$K)	Average Landed Cost (\$K)
Blackstone (Invitation Homes)	47,317	44,539	94%	8,212	8,947	174	189
American Homes 4 Rent	46,663	39,978	86%	6,686	8,263	143	177
Colony Starwood Homes	30,747	25,832	84%	4,664	5,682	152	185
Progress Residential	19,269	17,129	89%	3,170	3,450	164	179
Silver Bay Realty Trust	9,235	7,825	85%	1,007	1,213	109	131
Main Street Renewal	8,554	6,872	80%	894	1,203	105	141
Tricon American Homes	6,858	5,738	84%	717	824	105	120
Golden Tree Insite Partners (GTIS)	6,371	3,518	55%	498	566	78	89
Cerberus Capital Management	4,703	2,199	47%	652	780	139	166
Altisource Residential	4,158	3,863	93%	284	369	68	89
Havenbrook Homes	4,027	3,884	96%	380	453	94	113
Haven Homes	2,865	2,197	77%	327	373	114	130
Vinebrook Homes	2,056	1,112	54%	99	139	48	68
Gorelick Brothers Capital	1,974	1,677	85%	166	192	84	97
Camillo Properties	1,359	19	1%	51	190	38	140
Lafayette Real Estate	1,258	982	78%	98	112	78	89
Connorex-Lucinda	1,121	1,091	97%	174	200	155	178
Transcendent Investment Management	609	580	95%	58	66	95	109
Broadtree Home Rentals	561	497	89%	55	63	97	112
Reven Housing Reit	499	215	43%	58	79	117	159
Prager Property Management	277	117	42%	45	59	163	215
Pintar Investment Company	228	194	85%	46	55	202	241
Total	200,709	170,058	85%	28,340	33,279	141	166

Note: Since these are derived from County Record data based on buyer name tagging, they may not cover all the purchases by the listed Institutional Buyers, and are thus an estimate. Some intercompany transfers may not be included in our analysis if we were unable to tag both the buyer and the seller to a specific institution.

Source: Amherst InsightLabs estimates, based on Corelogic County Record and Transaction Data as of Q4 2016

NEWER ENTRANTS ARE RAMPING UP PURCHASES

- The largest institutions slowed their home purchases in 2016 versus prior years
- Mid-sized entities like Altisource, Main Street Renewal and Connorex ramped up purchases

Institutional Holdings by year of purchase

Organization	SFR Holdings (# homes) by purchase year					
	2011	2012	2013	2014	2015	2016
BLACKSTONE	6	11,222	24,180	6,943	3,742	1,191
AMERICAN HOMES 4 RENT	356	9,619	17,974	12,158	5,012	1,364
COLONY STARWOOD	256	5,582	12,919	8,511	2,190	1,052
PROGRESS RESIDENTIAL	2	497	5,278	4,756	4,763	3,938
MAIN STREET RENEWAL		237	1,339	2,390	2,282	2,875
SILVER BAY	438	3,309	2,222	1,205	1,138	12
TRICON AMERICAN HOMES	57	1,228	1,945	1,619	1,035	924
CERBERUS CAPITAL		834	2,347	439	2,387	331
ALTISOURCE RESIDENTIAL		1	51	446	1,022	3,112
CONNOREX-LUCINDA		53	442	1,027	1,078	1,524
HAVENBROOK HOMES	2	47	741	2,650	498	85
GOLDEN TREE	0	57	1,294	1,187	258	57
VINEBROOK HOMES	34	130	131	866	737	128
GORELICK BROTHERS	2		398	440	814	321
LAFAYETTE REAL ESTATE	14	365	69	424	369	18
CAMILLO PROPERTIES	42	110	338	379	169	141
HAVEN HOMES	32	282	724	20	1	5
TRANSCENDENT	18	203	150	230	11	
BROADTREE	3	49	139	211	88	65
REVEN HOUSING REIT		5	156	203	133	
PRAGER	1		13	182	76	4
PINTAR		11	13	11	66	125

■ Buying More Homes
■ Buying Less Homes

Source: Amherst InsightLabs estimates, based on Corelogic County Record and Transaction Data as of Q4 2016

NEWER ENTRANTS ARE TAKING BIGGER MARKET SHARE

- Progress, Altisource and Main Street Renewal combined had 60% share in 2016 (vs. <20% in 2014)
- Blackstone, AH4R and Colony combined had less than 25% market share (vs. 60% in 2014)

Institutional share of purchases by year

Organization	SFR Holdings (% of institutional SFR) by purchase year					
	2011	2012	2013	2014	2015	2016
BLACKSTONE	0%	33%	33%	15%	13%	7%
AMERICAN HOMES 4 RENT	28%	28%	25%	26%	18%	8%
COLONY STARWOOD	20%	16%	18%	18%	8%	6%
PROGRESS RESIDENTIAL	0%	1%	7%	10%	17%	23%
MAIN STREET RENEWAL	0%	1%	2%	5%	8%	17%
SILVER BAY	35%	10%	3%	3%	4%	0%
TRICON AMERICAN HOMES	5%	4%	3%	3%	4%	5%
CERBERUS CAPITAL	0%	2%	3%	1%	9%	2%
ALTISOURCE RESIDENTIAL	0%	0%	0%	1%	4%	18%
CONNOREX-LUCINDA	0%	0%	1%	2%	4%	9%
HAVENBROOK HOMES	0%	0%	1%	6%	2%	0%
GOLDEN TREE	0%	0%	2%	3%	1%	0%
VINEBROOK HOMES	3%	0%	0%	2%	3%	1%
GORELICK BROTHERS	0%	0%	1%	1%	3%	2%
LAFAYETTE REAL ESTATE	1%	1%	0%	1%	1%	0%
CAMILLO PROPERTIES	3%	0%	0%	1%	1%	1%
HAVEN HOMES	3%	1%	1%	0%	0%	0%
TRANSCENDENT	1%	1%	0%	0%	0%	0%
BROADTREE	0%	0%	0%	0%	0%	0%
REVEN HOUSING REIT	0%	0%	0%	0%	0%	0%
PRAGER	0%	0%	0%	0%	0%	0%
PINTAR	0%	0%	0%	0%	0%	1%

Source: Amherst InsightLabs estimates, based on Corelogic County Record and Transaction Data as of Q4 2016. Note: The shares add up to 100% for each year individually

LARGER PLAYERS HAVE BEEN MORE FOCUSED ON CONSOLIDATION

Purchase activity has slowed in 2016-17 but consolidation/ bulk transaction activity has remained strong

- **Invitation Homes Proposed Merger with Colony Starwood** – Deal announced in Aug 2017 to create largest combined entity with 82K homes. Unprecedented scale with 4800 homes/market on average. Combined entity with have \$20bn in real-estate value. Top 20 REIT by EV could open door into S&P 500 inclusion. 5.1% combined cap rate boosted by 25-30bps assuming the projected cost synergies are realized
- **Tricon acquisition of Silver Bay** – Deal announced Feb 2017, closed in May 2017. Combined entity owns ~17K homes. Acquisition cap rate of about 5.3% based on 2017Q1 NOI. Synergies could improve effective cap-rate further
- **Colony Starwood acquired of 3100+ homes from GI partners** – Colony acquired portfolio in June 2017 for \$815M. All homes in markets where Colony already owns so helps improve their market density. Portfolio concentrated in California with 60% of rental revenues coming from the state. Colony was already managing these homes so may provide additional avenues for efficiencies

Sources: Bloomberg; Company 8-K filings related to the sale dated June 5 2017; [Press release](#) issued by Tricon, March 2017; [Press release](#) issued by Tricon, May 2017; [Press release](#) issued by GI Partners, June 2017;

BUYERS COALESCE AROUND 3 DISTINCT STRATEGIES



STRATEGY 1.

Public REITs focus on higher end



STRATEGY 2.

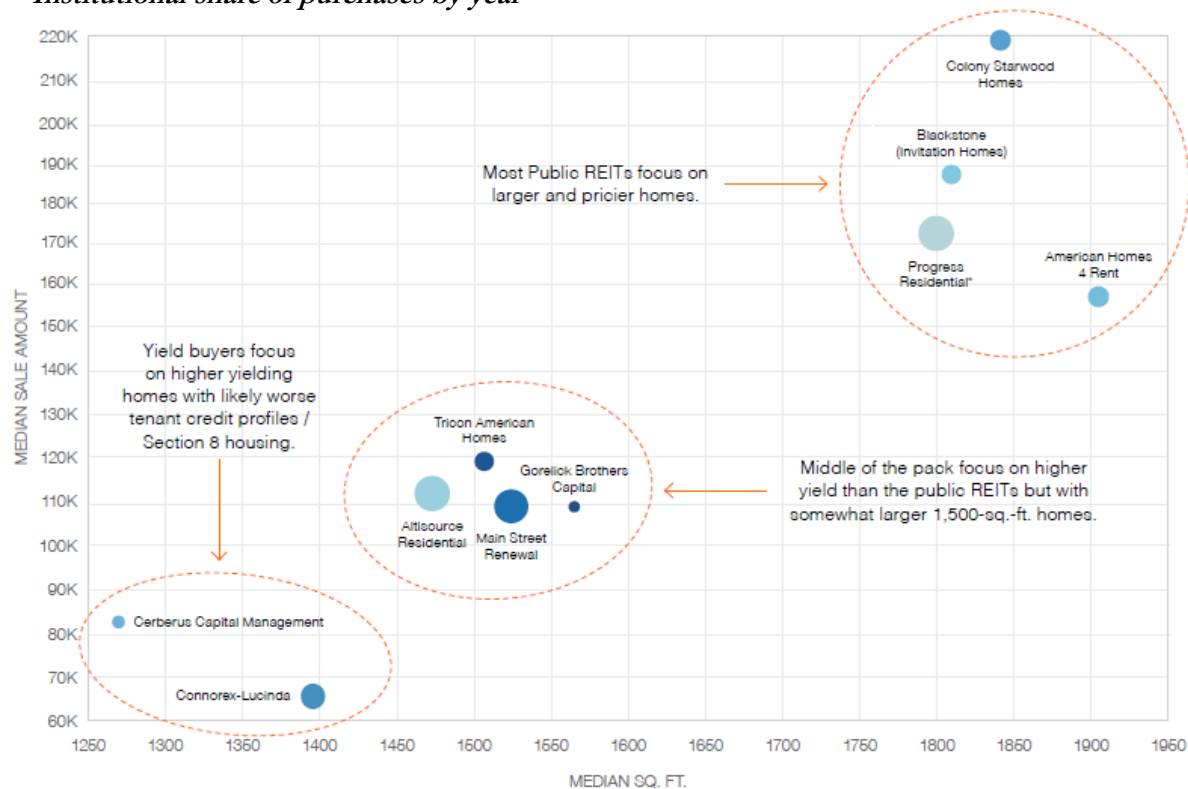
Lower end homes similar to non-institutional



STRATEGY 3.

Value buyers in the middle

Institutional share of purchases by year

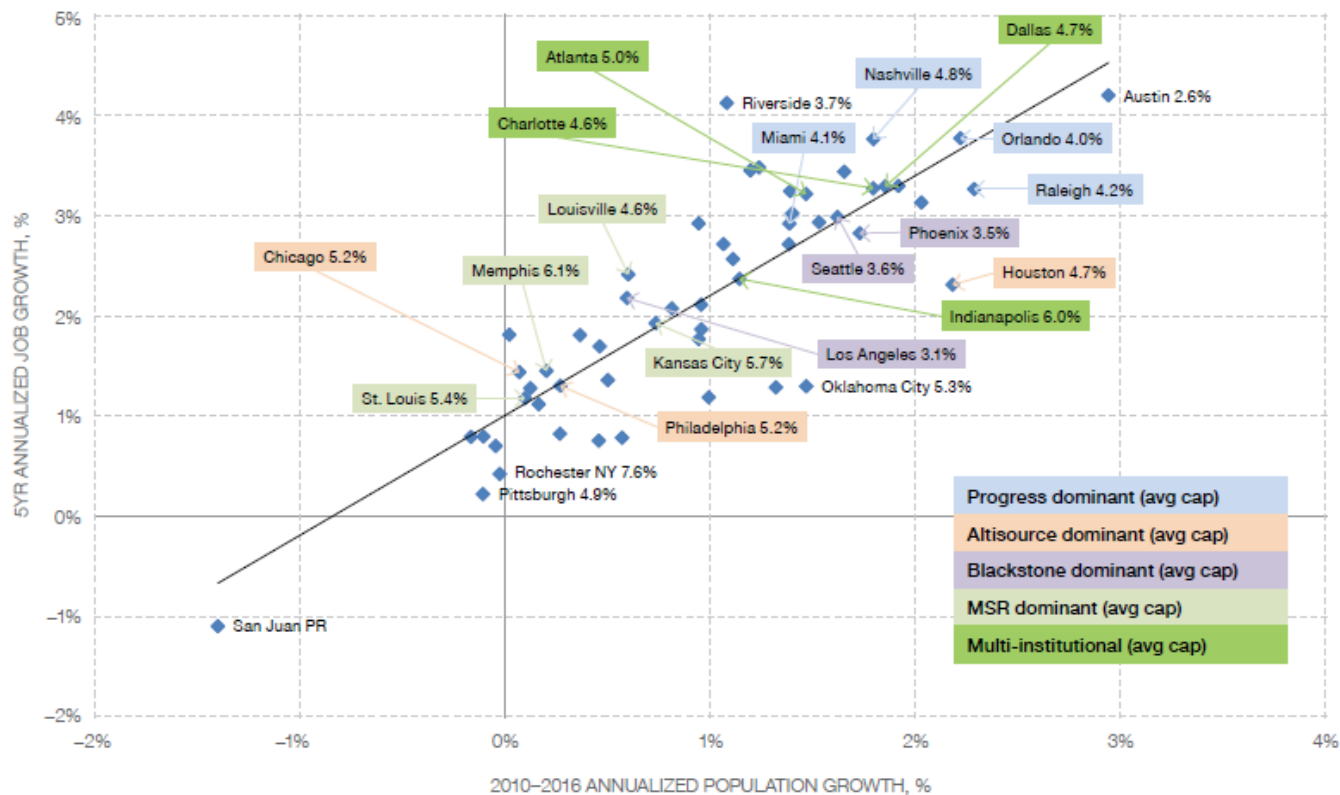


Source: Amherst InsightLabs estimates, based on Corelogic County Record and Transaction Data as of Q4 2016

BUYERS SPLIT - PURSUING GROWTH VS. PURSUING VALUE

- A pattern emerges showing larger public REIT buyers going after areas which are likely to see higher rent and NOI growth
- Value buyers (MSR, Altisource etc) have chosen higher cap-rates effectively buying the same cashflows at a 20% discount

Value vs. growth



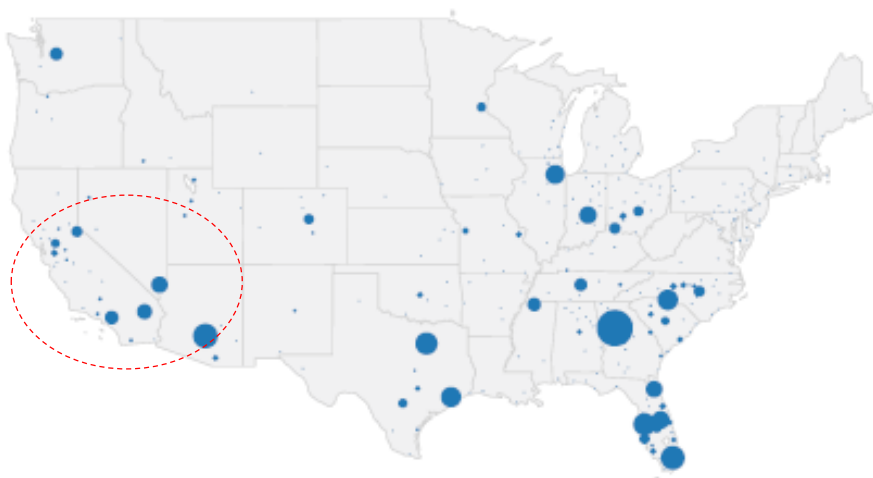
Source: Amherst Capital analysis on Amherst InsightLabs estimates based on Corelogic County Record and Transaction Data as of Q4 2016, extracted April 2017. Population growth data based on U.S. Census Bureau, Population Division's Annual Estimates of Resident Population: April 2010 to July 2016. Data released March 2017. Job growth data based on U.S. Bureau of Labor Statistics Non Farm Payrolls data as of March 2017, extracted in May 2017.

SHIFTING GEOGRAPHIES IN 2016 PURCHASES VS. PRIOR YEARS

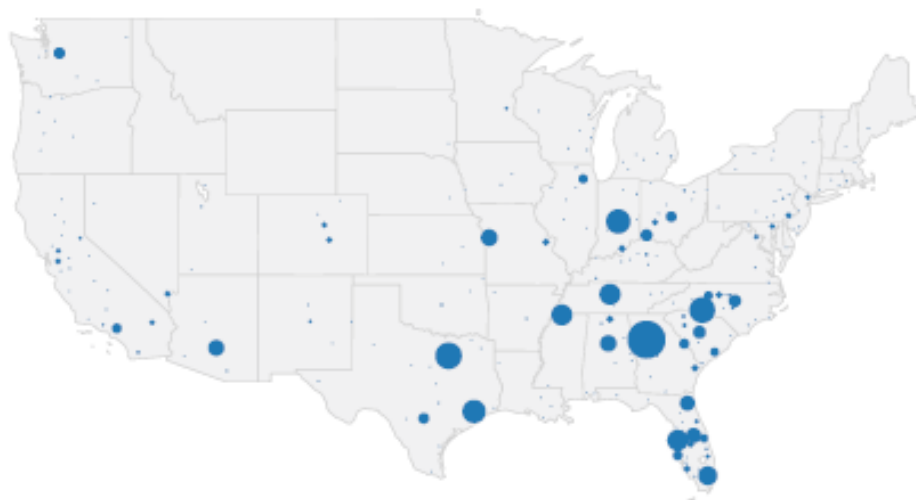
- Areas in the west (Arizona, California, Nevada) that saw substantial early interest have tailed off in 2016 purchases
- Parts of Florida have also dropped in relative share of purchases in 2016 vs 2010-2015

Market share by geography in 2010 – 2015 (left map) vs. 2016 (right map)

2010 – 2015 HOMES BOUGHT BY INSTITUTIONS



2016 HOMES BOUGHT BY INSTITUTIONS



Source: Amherst InsightLabs estimates, based on Corelogic County Record and Transaction Data as of Q4 2016

TEXAS, TENNESSEE, NORTH CAROLINA SAW MORE INTEREST IN 2016

- Atlanta has remained a favorite across time with about 15% share in Institutional holdings from different purchase periods
- Dallas, Houston, Charlotte, Indianapolis, Nashville and Memphis have seen rising shares of purchases in 2016 compared to the prior 5 years

Market share by geography in 2010 – 2015 (left) vs. 2016 (right)

2010 – 2015

CBSA	2010–2015	# Homes
Atlanta–Sandy Springs–Roswell, GA	15.1%	27,514
Phoenix–Mesa–Scottsdale, AZ	6.8%	12,472
Miami–Fort Lauderdale–West Palm Beach, FL	6.4%	11,668
Tampa–St. Petersburg–Clearwater, FL	5.6%	10,183
Dallas–Fort Worth–Arlington, TX	5.5%	10,130
Charlotte–Concord–Gastonia, NC–SC	4.7%	8,598
Houston–The Woodlands–Sugar Land, TX	4.6%	8,371
Chicago–Naperville–Elgin, IL–IN–WI	4.1%	7,550
Orlando–Kissimmee–Sanford, FL	3.6%	6,569
Indianapolis–Carmel–Anderson, IN	3.4%	6,253
Rest	40.2%	73,332
Total	100.0%	182,640

2016

CBSA		2016	# Homes
Atlanta–Sandy Springs–Roswell, GA	↔	15.5%	2,682
Dallas–Fort Worth–Arlington, TX	↑	7.5%	1,293
Charlotte–Concord–Gastonia, NC–SC	↑	7.1%	1,226
Indianapolis–Carmel–Anderson, IN	↑	6.3%	1,086
Houston–The Woodlands–Sugar Land, TX	↑	5.7%	985
Nashville–Davidson–Murfreesboro–Franklin, TN	↑	4.7%	811
Memphis, TN–MS–AR	↑	4.7%	807
Tampa–St. Petersburg–Clearwater, FL	↓	4.6%	792
Miami–Fort Lauderdale–West Palm Beach, FL	↓	3.8%	650
Kansas City, MO–KS	↑	2.9%	504
Rest		37.3%	6,436
Total		100.0%	17,272

Source: Amherst InsightLabs estimates, based on CoreLogic County Record and Transaction Data as of Q4 2016

CAP RATES ARE STILL ATTRACTIVE

- SFR rent growth has slowed but still remains meaningful (~3% in 2016)
- Home prices have outpaced rents but still below fundamental values
- Cap rates for public REITS at 5-5.3%, private investments likely a bit higher

Market implied real estate values and cap rates for public SFR REITS

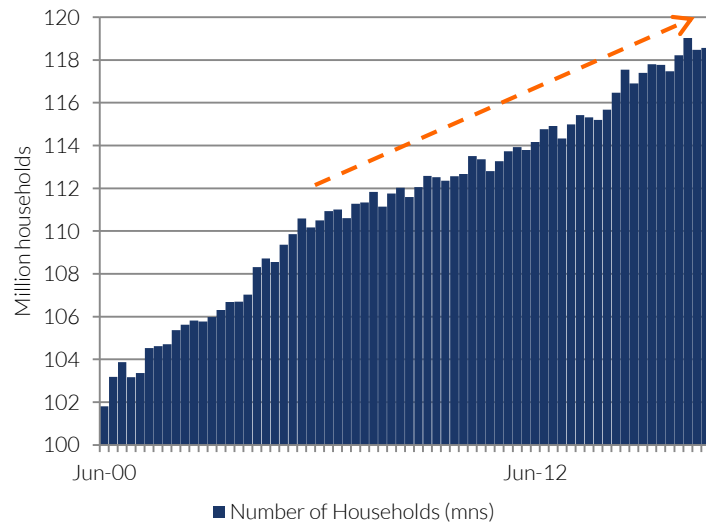
	Invitation Homes INVH	American Homes 4 Rent AMH	Colony Starwood SFR	Silver Bay (at Acquisition Price) SBY
Share price as of Jul 7 2017	21.4	23.05	35.13	21.5
Current Number of Shares Out	310,376,634	319,811,848	124,843,799	37,745,743
+ Market Value of Equity (\$M)	6,642	7,372	4,386	812
+ Total Debt (\$M)	5,930	3,219	4,001	638
+ Preferred & Other (\$M)	0	767	0	1
+ Minority Interest (\$M)	0	0	206	32
– Cash and investments (\$M)	192	496	431	52
Enterprise Value (\$M)	12,380	10,862	8,162	1,475
– Other Assets (\$M)	325	332	247	30
Real Estate Value (\$M)	12,055	10,529	7,915	1,445
NOI Q1 2017 Annualized (\$M)	602.3	526.9	417.8	76.8
Implied Cap rate	5.0%	5.0%	5.3%	5.3%

Source: Amherst Capital estimates based on company Q1 2017 10-Qs and other subsequent 8-K reports extracted from Bloomberg. As of July 2017.

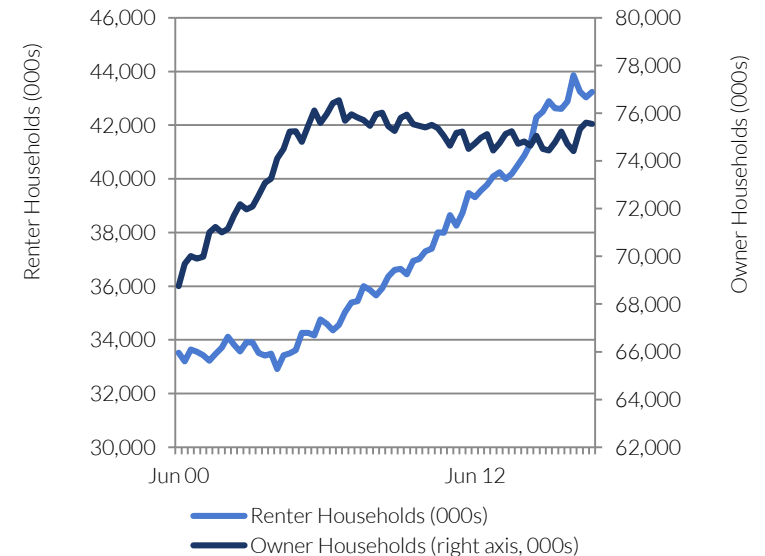
EXPECT RENTAL DEMAND TO REMAIN STRONG

- Households have grown steadily over the years
- Almost all of the new housing demand filled through rentals – owner occupied homes remain unchanged
- Confluence of several short-term and long-term factors have and will continue to support strong rental demand – tight mortgage credit, ballooning student loan debt and changing borrower preferences

HOUSEHOLD FORMATION HAS REMAINED POSITIVE (JUN '00 – MAR '17)



BUT ALL GROWTH IS IN RENTAL (JUN '00 – MAR '17)

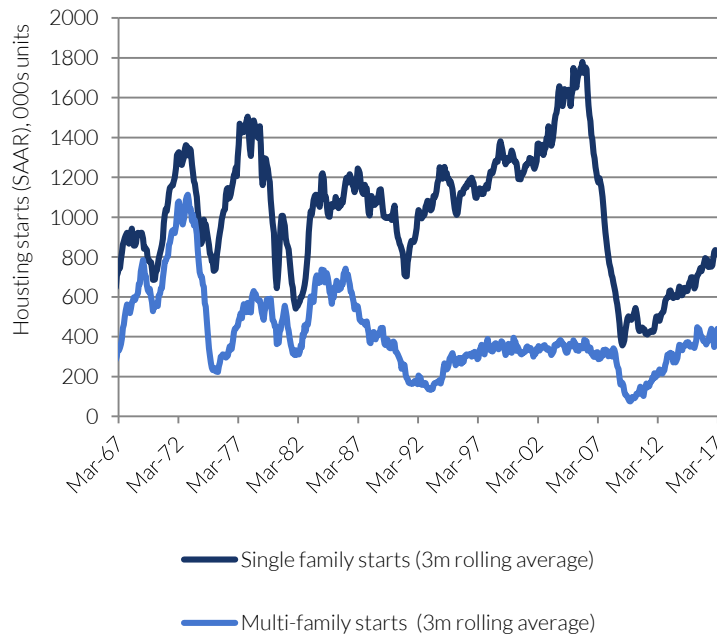


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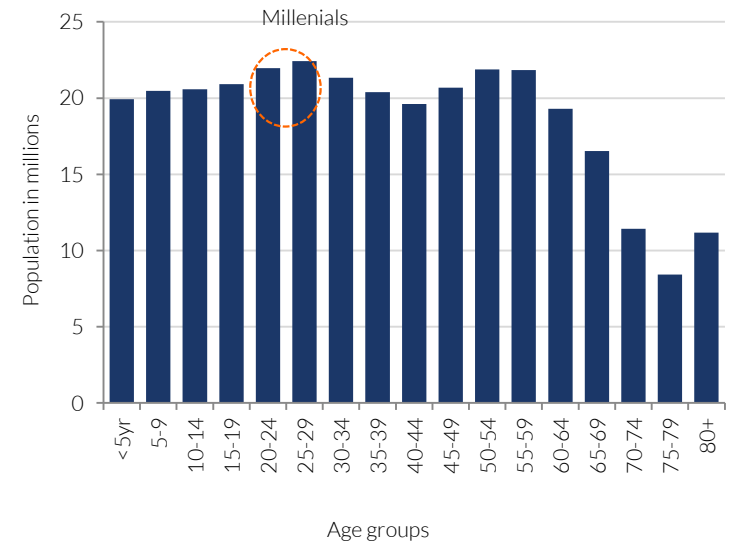
SUPPLY DEMAND DYNAMICS REMAIN POSITIVE FOR SFR

- Supply has picked up in multifamily but not in single family
- Population age distribution suggests that millennials reaching peak housing demand and family creation ages

SINGLE FAMILY CONSTRUCTION REMAINS ANAEMIC¹



MILLENNIALS REACHING PEAK HOUSING DEMAND AGE²

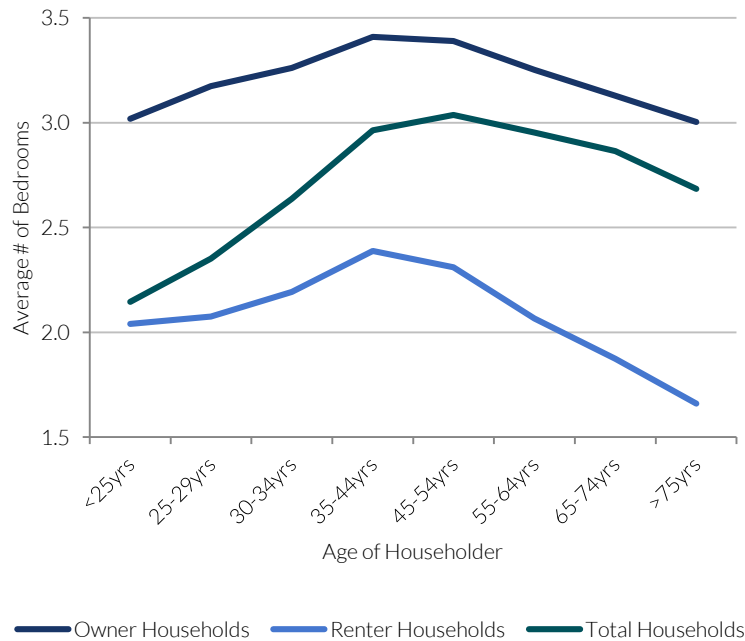


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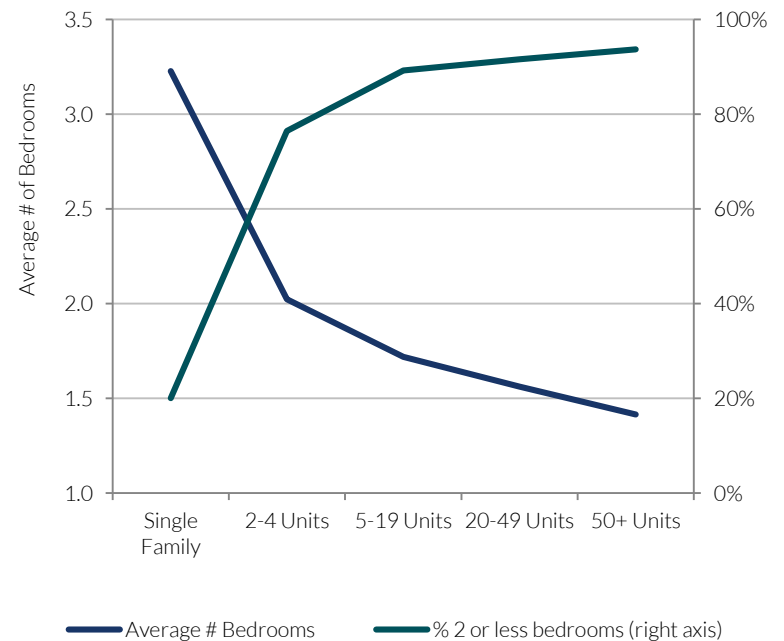
MULTIFAMILY CANNOT SATISFY NEED FOR SPACE

- Demand for space usually increases with age and family size; only 10-15% of multifamily units have 3+ bedrooms
- “Forced renters” over time would like a more spacious home and unlikely to find them in multifamily
- We anticipate that single family rentals will do well in coming years

AGING RENTERS NEED MORE SPACE



BUT MULTIFAMILY UNITS ARE TOO SMALL



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DATA REMAINS POSITIVE FOR SINGLE FAMILY HOUSING

- Data suggests rising rents and home prices along with stable/higher new/existing home sales
- More modest price gains in single family provide a better entry point than multi-family

Macro housing data has remained positive in the U.S.

	Data	Latest	-6M (%)	-12M (%)	-3y (%)	-5y (%)
Home Sales	New Home Sales (000s, annual rate, 3M rolling Avg)	616	7%	11%	46%	71%
	Existing Home Sales (000s, annual rate, 3M rolling Avg)	5,627	2%	3%	17%	23%
	Pending Home Sales (Index, 3M rolling Avg)	110	0%	-2%	11%	12%
Price and Rents	Amherst HPI	200	2%	5%	15%	34%
	SFR Rents (estimated)	1,481				
	Apt Rent	1,314	1%	3%	14%	23%
	Apt CPPI	276	2%	8%	45%	91%
	APT Cap Rates (3M rolling Avg)	5.3	-2%	-6%	-11%	-15%
Construction	1-unit starts (3M rolling Avg)	815	-1%	9%	26%	64%
	2-4 Unit starts (3M rolling Avg)	13	44%	39%	22%	15%
	5+ Unit starts (3M rolling Avg)	318	-8%	-16%	-7%	52%
Size of the Market	Households	118,800,000		1%	3%	3%
	Rental Households	43,244,000		-1%	2%	6%
	SFR Households	15,018,725		-1%	6%	9%
	Institutional SFR properties	200,709		10%	85%	11075%

Source: Bloomberg, as of Q2 2017, Census Bureau as of Q1 2017 for Households data, SFR data based on Amherst InsightLabs estimates based on Corelogic County Record and Transaction Data as of Q4 2016

MULTIPLE AVENUES TO FINANCE SFR AT ATTRACTIVE LEVELS

- Fannie Mae guaranteed the senior portion of a loan to Invitation Homes – this was the first SFR transaction with GSE guarantee
 - The structure is something of a test/pilot where Fannie Mae sold a guaranteed senior piece of the debt
 - The all in cost of financing was estimated to be about Swaps+200bps for 56% LTV 10 yr fixed mortgage loan. The guaranteed piece was issued at Swaps +73bps.
 - Freddie Mac is also reportedly in talks to conduct their own pilot that is more focused on affordability
- Some of the larger REITs have received an investment grade rating which we believe opens up avenues for attractive unsecured corporate debt, American Homes 4 Rent issued preferred equity as well
- Warehouse financing remains available at attractive spreads; Private securitization market has remained vibrant and offers extremely attractive financing

VIBRANT PRIVATE SECURITIZED MARKET WITH LOW FUNDING SPREADS

- Private securitization market has been active with 31 deals in total till 2016 and 4 more this year to date (including the inaugural GSE transaction)
- The implied funding spreads based on the latest deals are fairly attractive with 72% LTV to BPO financing available at Swaps + 137bps funding cost, estimated S+187bps all-in funding cost including securitization expenses

Private Securitization market is active

	Single-Borrower (2016 Vintage)	All Single-Borrower
Number of Deals	8	31
Number of Sponsors	5	11
Number of Properties – total	28,227	119,658
Cutoff Date LTV Ratio	79.9%	75.3%
Purchase Price LTV Ratio	101.8%	101.2%
Cutoff Date Balance (Per Property)	155,116	146,429
Average Appraisal	206,208	197,978
Monthly Rent	1,518	1,435

The effective funding spread and LTVs are attractive

Tranche	Size (\$M)	Sold?	Rating	Pricing Spread (bp)	Cumulative Financing Spread (bp)	LTV
A	228.7	Y	AAA	80	80	38.8%
B	38.4	Y	AA–	105	84	45.3%
C	31.0	Y	A–	135	89	50.5%
D	31.0	Y	BBB+	160	96	55.8%
E	53.1	Y	BBB–	230	114	64.8%
F	42.8	Y	BB–	340	137	72.0%
G	33.7	Retained				77.7%

Source: Amherst Capital estimates based on Bloomberg, deal offering documents, such as Term Sheet as of July 2017

COMPRESSION VS. MF ENCOURAGING – REFLECTION OF LOWER VOLATILITY

- The funding cost for SFR has compressed since Q4 2016 to the latest transaction.
- We believe spreads / funding levels are comparable with what is available in multifamily – in part a reflection of lower volatility of the underlying asset, in our view

SFR debt spreads have compressed to come in line with multifamily debt

	SFR Securitizations			Multifamily	
	PROG 16-SFR2 Q4 2016	Agency SFR (FGNT 17-T1) Q2 17	PROG 17-SFR1 Q3 17	Portfolio SASB (IMTT 17-APTS) Q2 17	Agency CMBS (K64)
DSCR	2.18	1.93	1.50	2.32	1.42
LTV (sold piece)	75%	57%	72%	67%	69%
Debt Yield (sold piece)	6.3%	8.6%	6.7%	7.2%	8.3%
Cumulative Financing spread	L+219	S+200	S+137	S+152	
Estimated All in Spread (bp)	269	200	187	200	200
LTV by rating level					
AAA	38.5%	56.7%	38.8%	29.3%	58.4%
BBB–	63.5%		64.8%	51.2%	64.2%
Pricing Spread					
AAA	140	75	80	93	73
BBB–	355		230	190	300

Source: Amherst Capital estimates based on Bloomberg, deal offering documents, such as Term Sheet as of July 2017

CONCLUSIONS - FOUNDATIONS FOR GROWING INSTITUTIONAL SHARE REMAIN STRONG

- We believe the demand for single-family rental homes will remain strong due to a combination of demographic, financial and preference-related reasons
- We find that SFR valuations remain attractive. At the same time, financing costs have come down significantly
- The setup of supportive demographics, attractive cap-rates, modestly strong home price appreciation, cheaper and more broad-based financing argue for strong equity returns in the space over the coming years
- We expect the share of institutions to continue to grow in the coming years with wider acceptance of SFR as an institutionally managed CRE asset

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About the Amherst home price index

Amherst home price index is generated and maintained by Amherst InsightLabs LLC ("AIL"). The index tracks price changes of single-family detached properties in 90 core-based statistical areas (CBSA) and 50 states in the US. The index is published monthly and is based on the Case Shiller repeated sales methodology. Unlike HPI published by S&P Case Shiller Weiss, Corelogic and Federal Housing Finance Agency (FHFA), Amherst HPI is a distressed-free index which does not include price changes due to foreclosures, short-sales, bank repossession and REO resale. The repeated sales HPI rely on tracking price changes in transactions of the same house over time. For each arms-length and distressed-free home sale transaction, a search is conducted to find information regarding previous arms-length and distressed-free sales of the same house. If an earlier transaction is found, the two transactions are paired into a "sale pair." Sale pairs are designed to track price changes over time for the same house, while holding the quality and size of each house constant. After sales pairs are formed, the index is calculated under a weighted least square framework, in which weights are based on price anomalies and time interval within pairs.

CONTACT INFORMATION

Amherst Capital Management
444 Madison Avenue
19th Floor
New York, NY 10022

www.amherstcapital.com



Data Talk Series

HOUSING FINANCE POLICY CENTER



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THE URBAN INSTITUTE

WASHINGTON, DC
SEPTEMBER 26, 2017

**SINGLE FAMILY RENTALS:
WHERE'S THE DATA?**

DOUGLAS BENDT
PRODUCT DEVELOPMENT

Organization and topics

**PART 1 DATA SOURCES
PRODUCTS AND ANALYTICS**

**PART 2 INVESTMENT THESIS
BEATS BOTH STOCKS AND BONDS**

**PART 3 INDUSTRY STRUCTURE
WHERE THE BIG BOYS AREN'T
NEW SECTORS: DIFFERENT GRADES**

Sources of real estate data

	HOME PRICES	RENTS
County offices: assessors, clerks/recorders	100% coverage	Unknown but likely < 5% if counties collect sales tax or require registration of rental properties
Multiple listing services	Approximately 80% coverage	Approximately 10% coverage
Aggregators of raw data	CoreLogic, Black Knight	CoreLogic/Black Knight (MLS only); Investability
Trade associations	National Association of Realtors and Home Builders; extensive data	National Apartment Association (annual survey); National Rental Home Council (no data)
Rating agencies		Kroll, Morningstar
Commercial vendors	CoreLogic, Black Knight, Realty Trac, House Canary, Investability	CoreLogic, Black Knight, Realty Trac, House Canary, Investability
Government	Census: new home sales, surveys (ACS, AHS, etc.) : approx. 200,000 annual sample	Census: new home sales, surveys (ACS, AHS, etc.) : approx. 200,000 annual sample

Key Differentiators of Investability Data

- Largest, most comprehensive, and well-scrubbed rental data warehouse
- Rental data on approximately 50% of the 14 million single family rentals
- Far greater coverage than any competitor
- Single source of broad-scope rental history data
- Limited reliance on MLS data
- Rent data is contractually acquired & licensed
- No market lag: data updated in a timely fashion - daily in most cases
- Longest trail of historical records (1/2009)

Proprietary derived analytic products

Rental estimation model

- Rentrance began developing its “rental AVM model” in 2009, and released the 4th generation of this multidimensional model in 2017.

Rental transaction database

- 14 million data points collected from primary sources: MLS, other listing sites, investors/property managers. Growing number of exclusive relationships with property managers, and institutions.

Investor lists

- Name aggregation and coding of all owners of non-owner-occupied properties across the nation

Macro Rental, vacancy, saturation, and days on market

- Monthly statistical and trending reports at the MSA, county, city, and zip code level for two unique residential segments; single-family detached and multi-family units, reported at the 1 through 4 bedroom sub-grouping level.

Gross rental yields database

- Combines rental estimates with value estimates for 15 million properties monthly since July, 2012

Hedonic price and rental indexes

- Derived from the rental and value estimates used to compute gross yields

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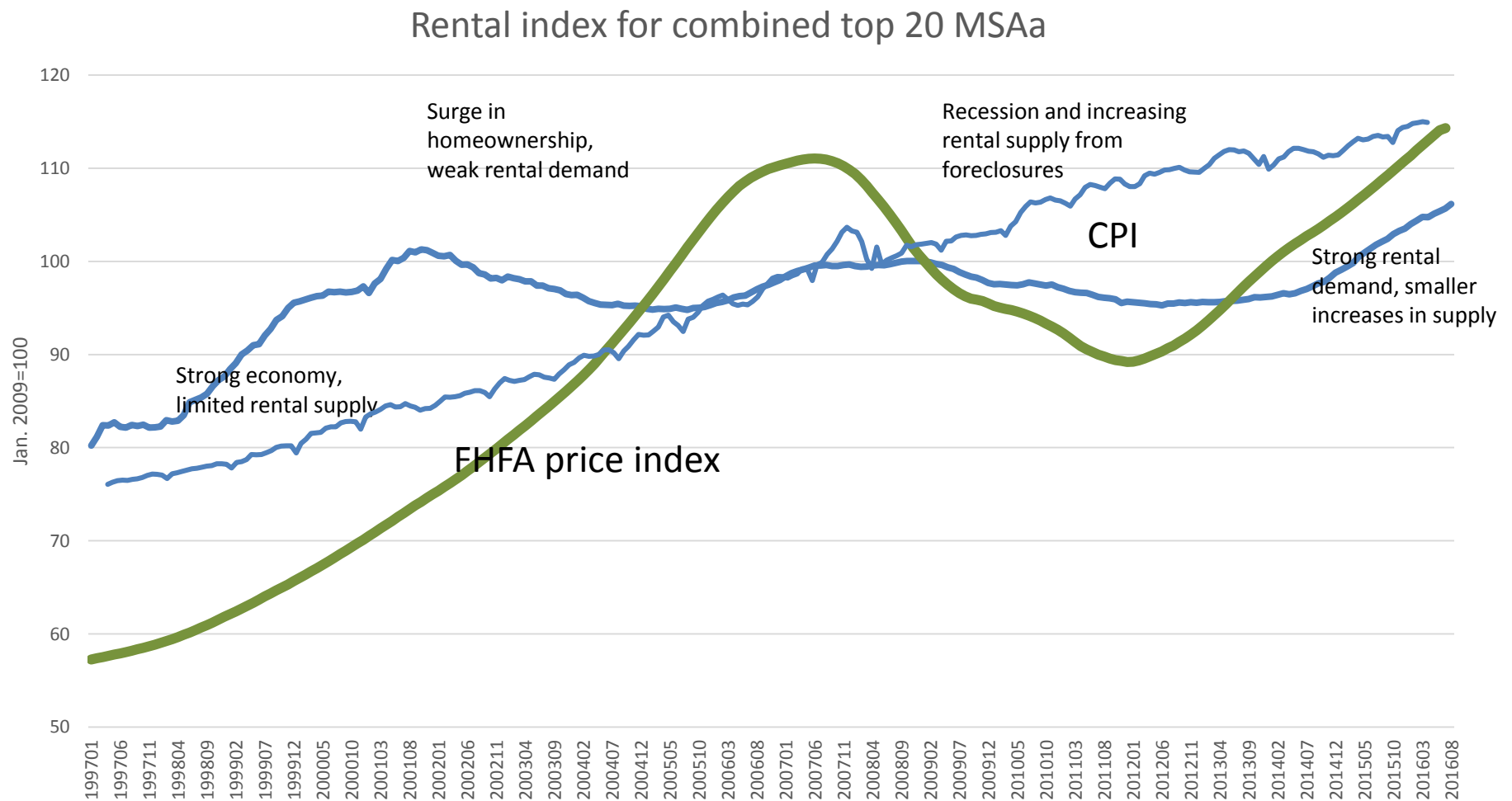
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Equity investment in SFR rentals: favorable trends make an attractive alternative to bonds

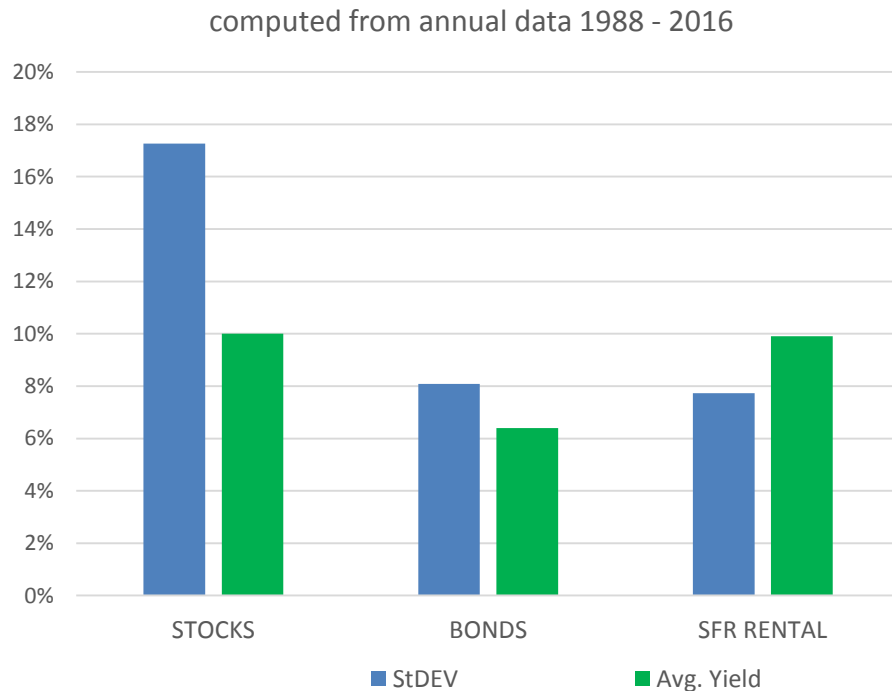
- ✓ High income: exceeds the rate on high-grade corporates and potentially even high-yield corporates at lower risk levels
- ✓ Low volatility with long duration: attractive for pension funds and life insurance companies
- ✓ Inflation hedge: rent growth above inflation from high demand, favorable demographics, reduced supply, and lower vacancies
- ✓ Prospects for further price appreciation: especially in markets/segments with below average prices

Rent cycle is less volatile and out of phase with price cycle

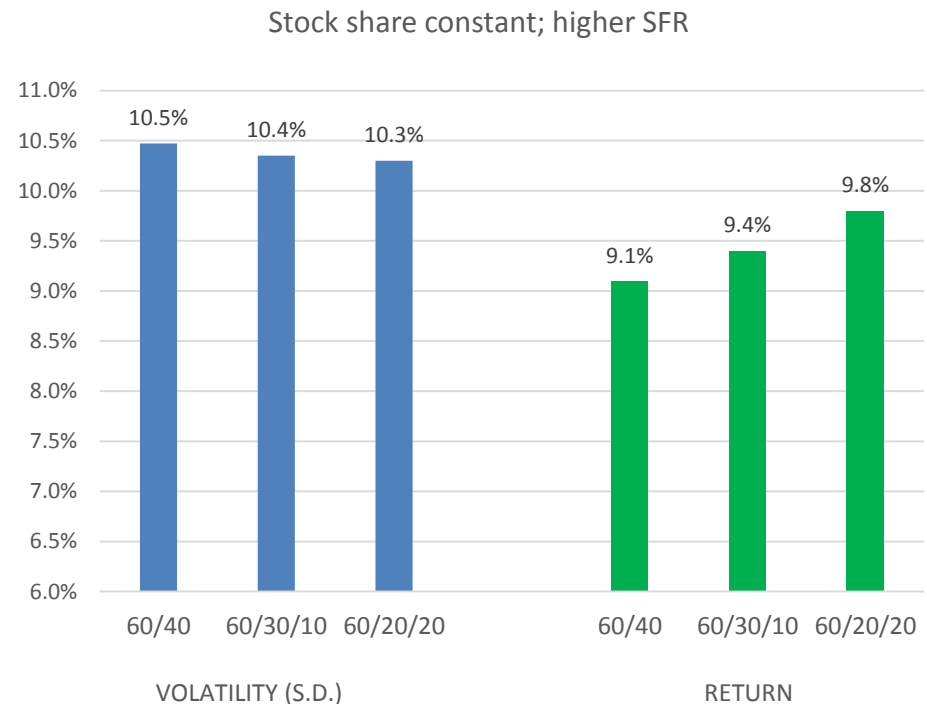


Favorable risk profile for SFR rental equity investment relative to bonds should attract large amounts of capital

Greater efficiency of SFR rentals . . .

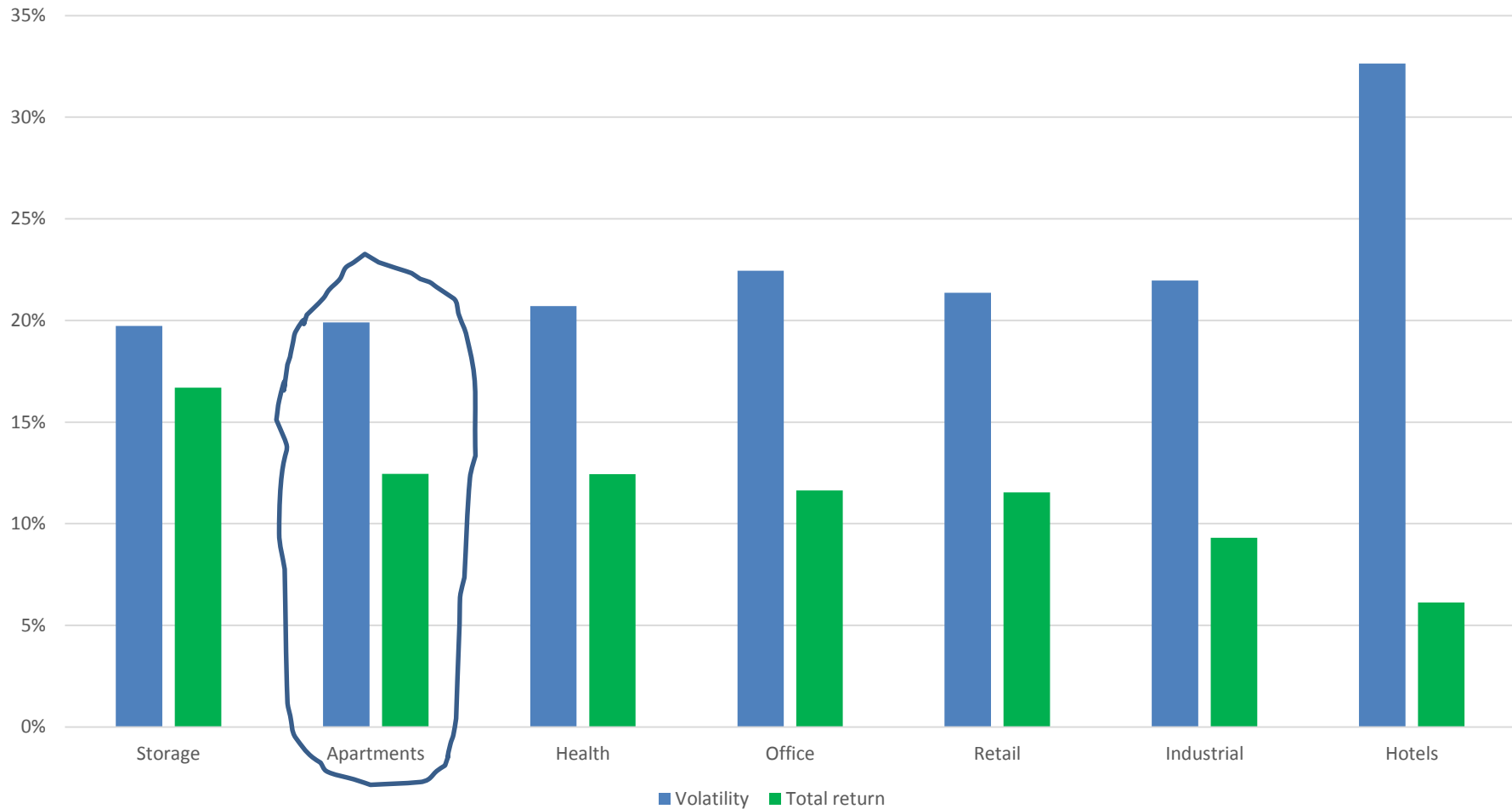


Improves portfolio performance by substituting for bonds

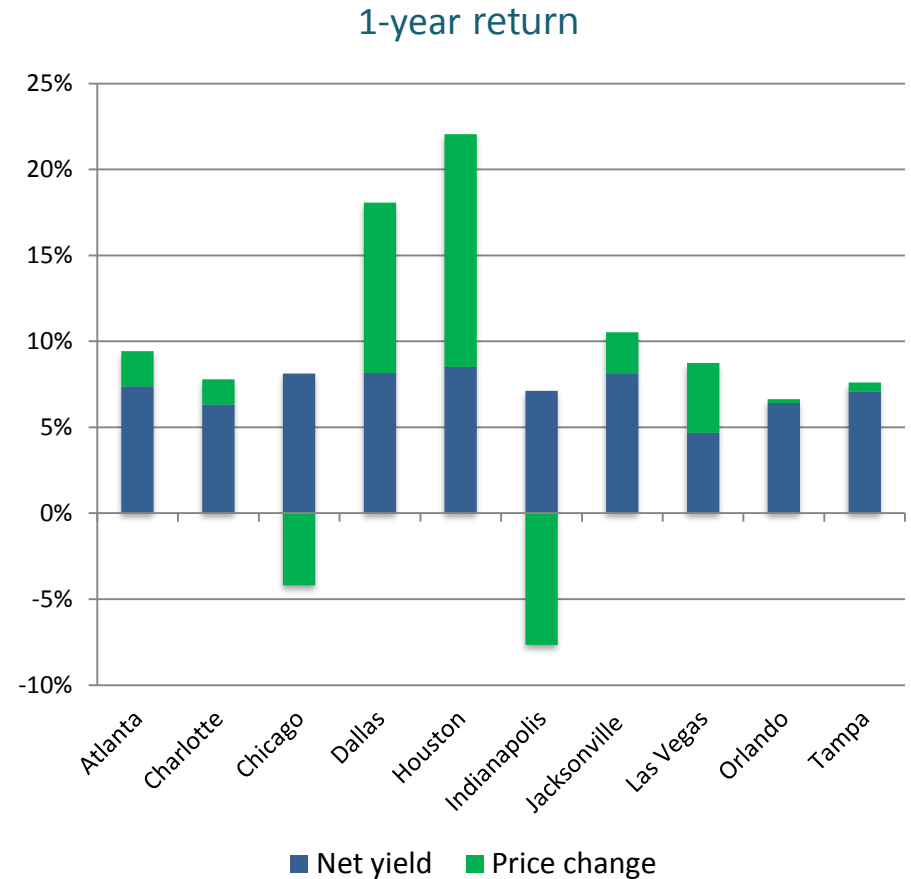
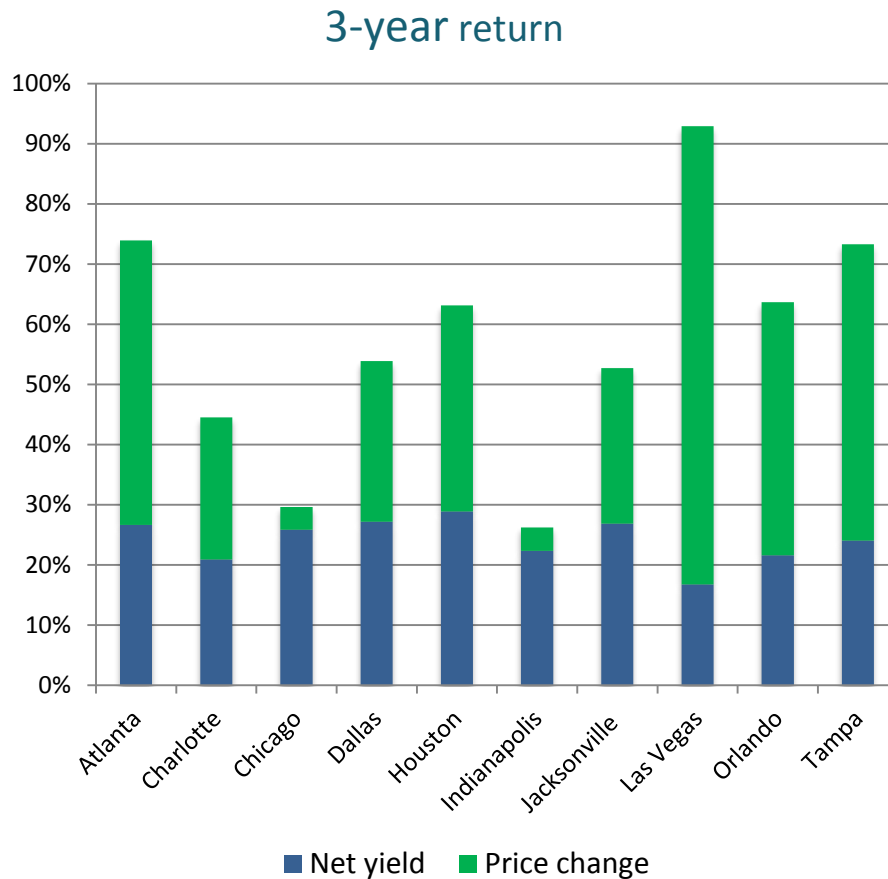


Apartment REITs:

best return and lowest volatility except for self-storage (1994 – 2016)



As prices flatten, yield becomes more important than price appreciation



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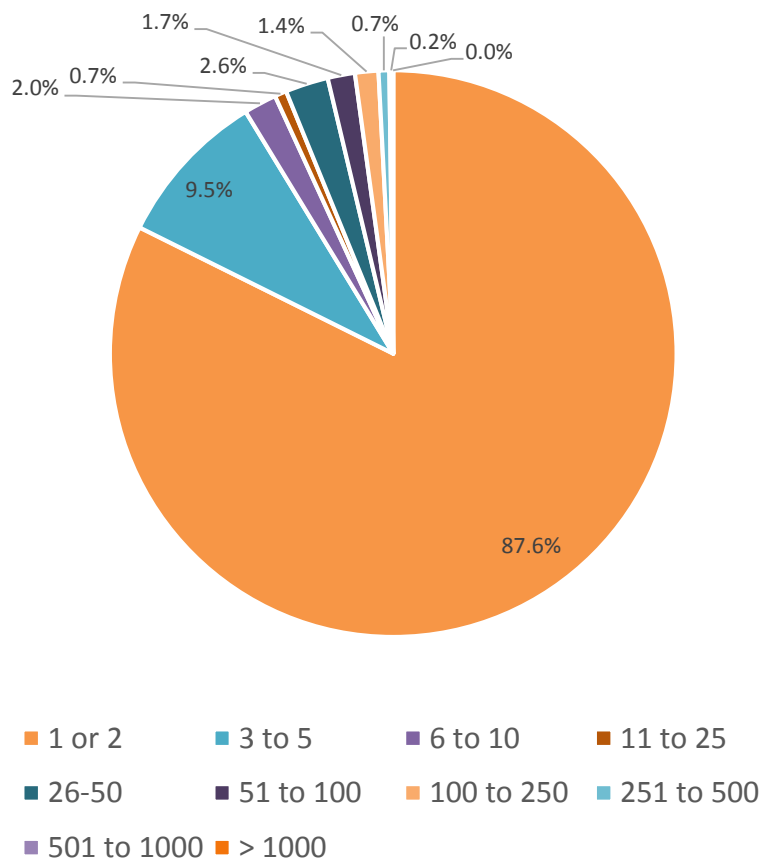
PART 3 INDUSTRY STRUCTURE
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Why hasn't more capital been flowing into the sector?

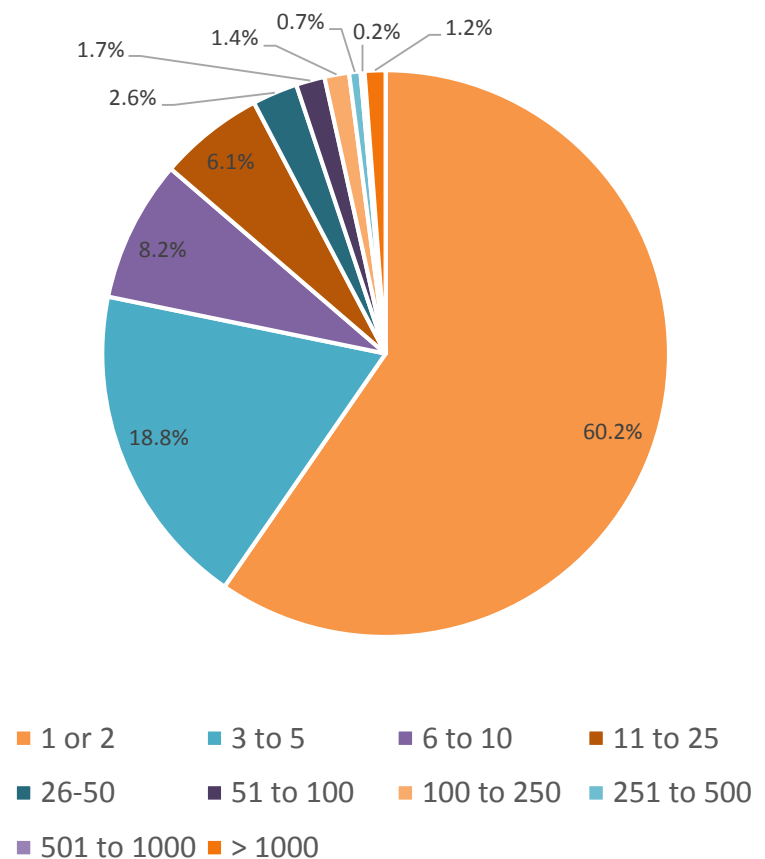
- ✓ Only a handful of available investments
- ✓ Low dividend yields
- ✓ Newness of sector
- ✓ Small scale relative to multi-family

What about consolidation with the many smaller entities?

By number of investors

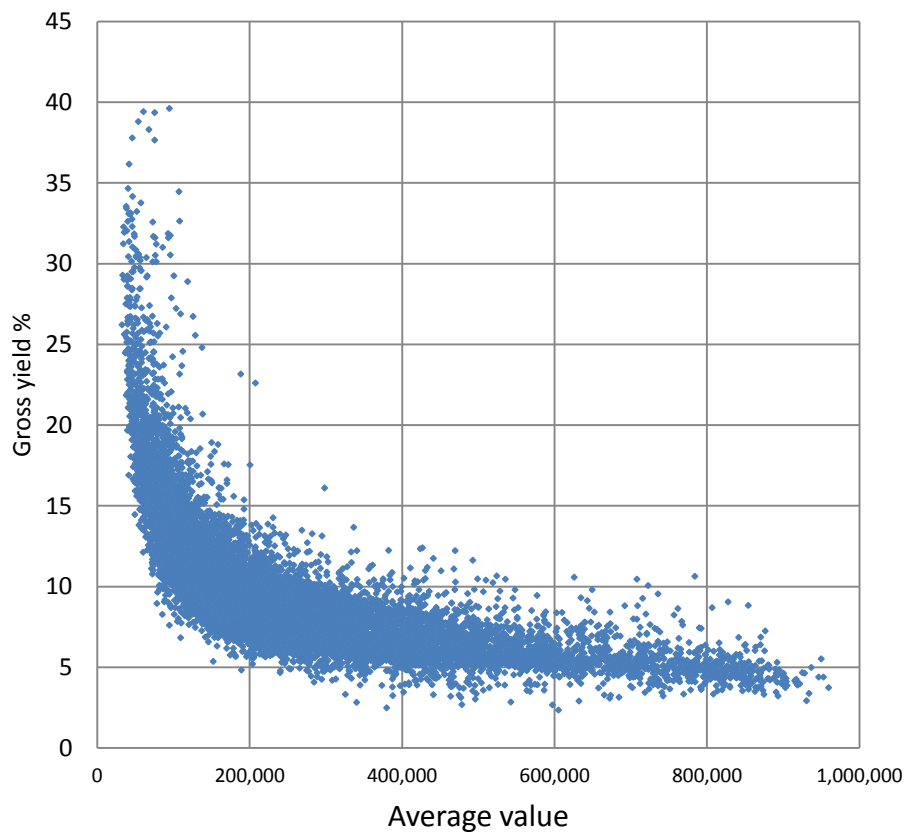


By number of properties

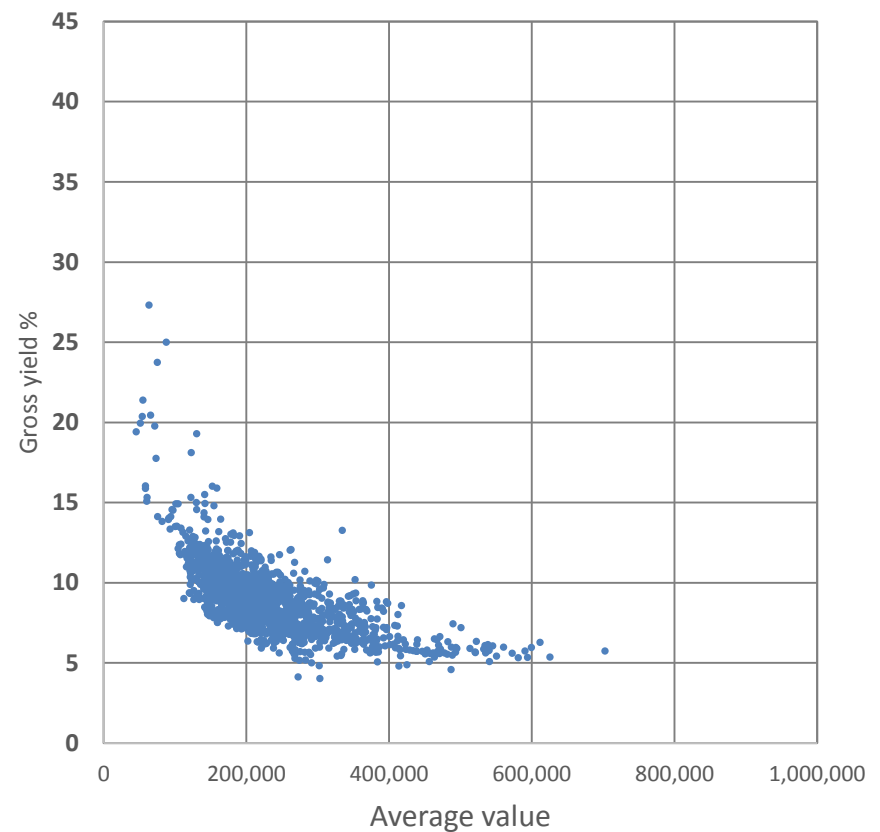


Largest investors buy in very small geographical segment of the market, limiting their opportunities

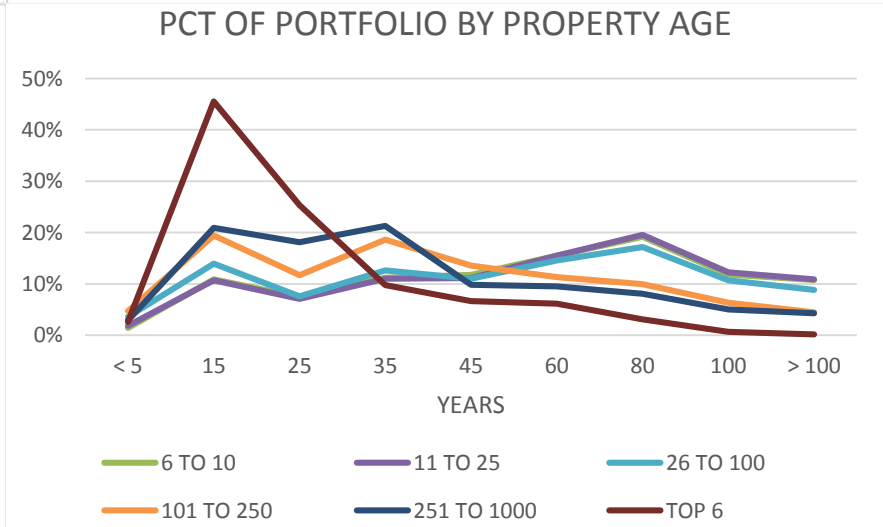
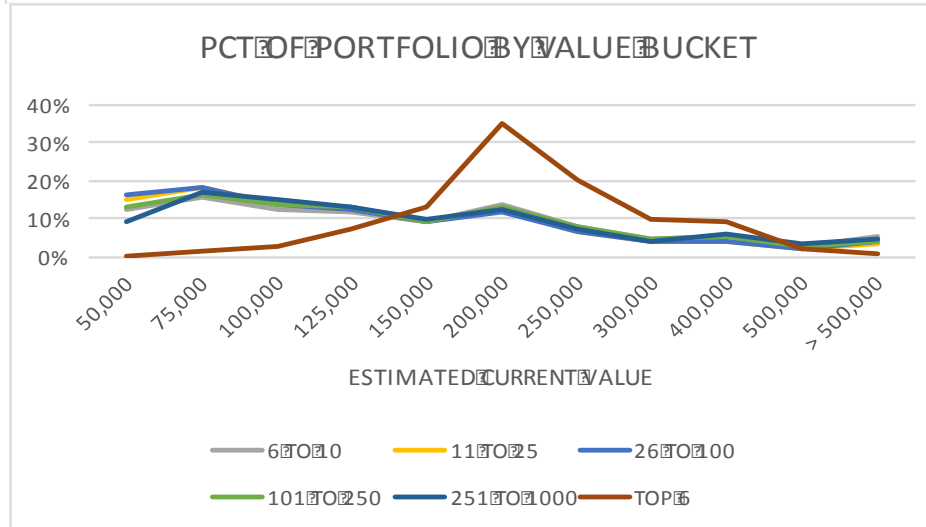
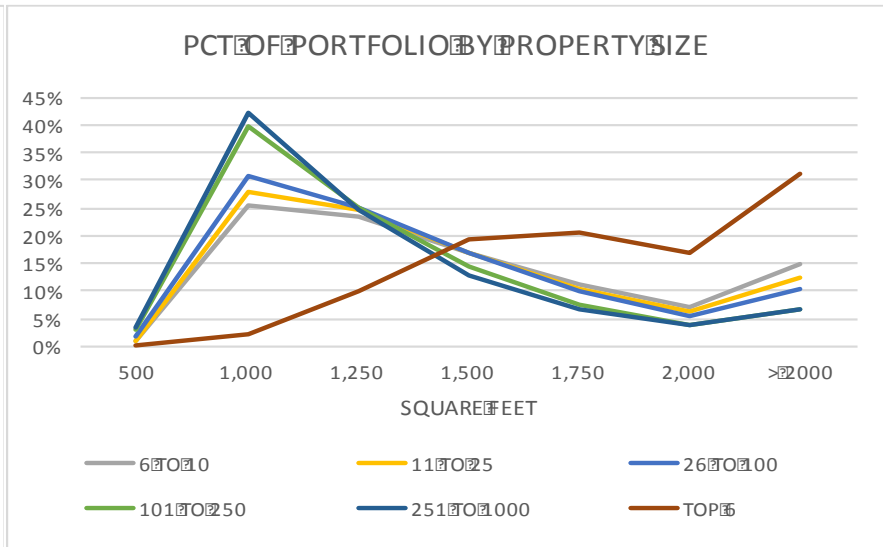
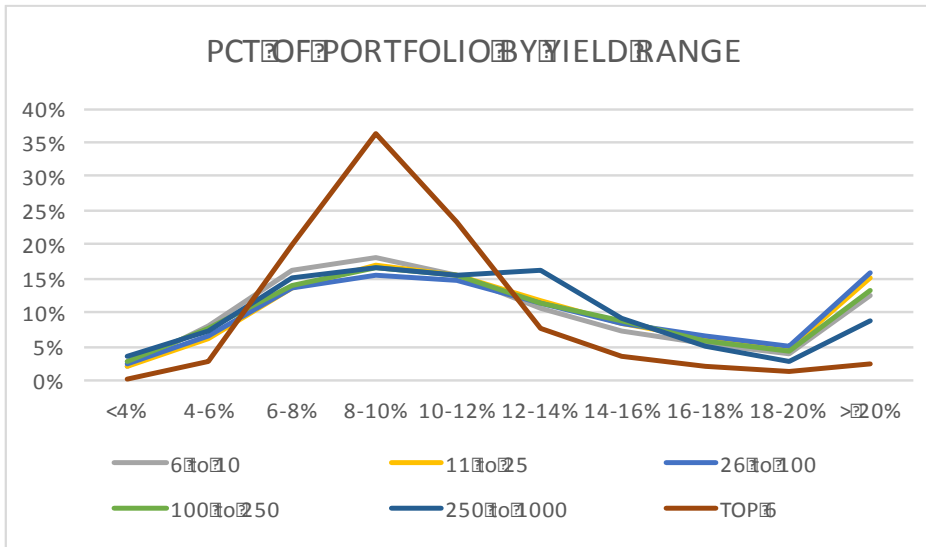
All SFR: 50% in 1943 zip codes



Top 5: 50% of properties in just 205 zip codes

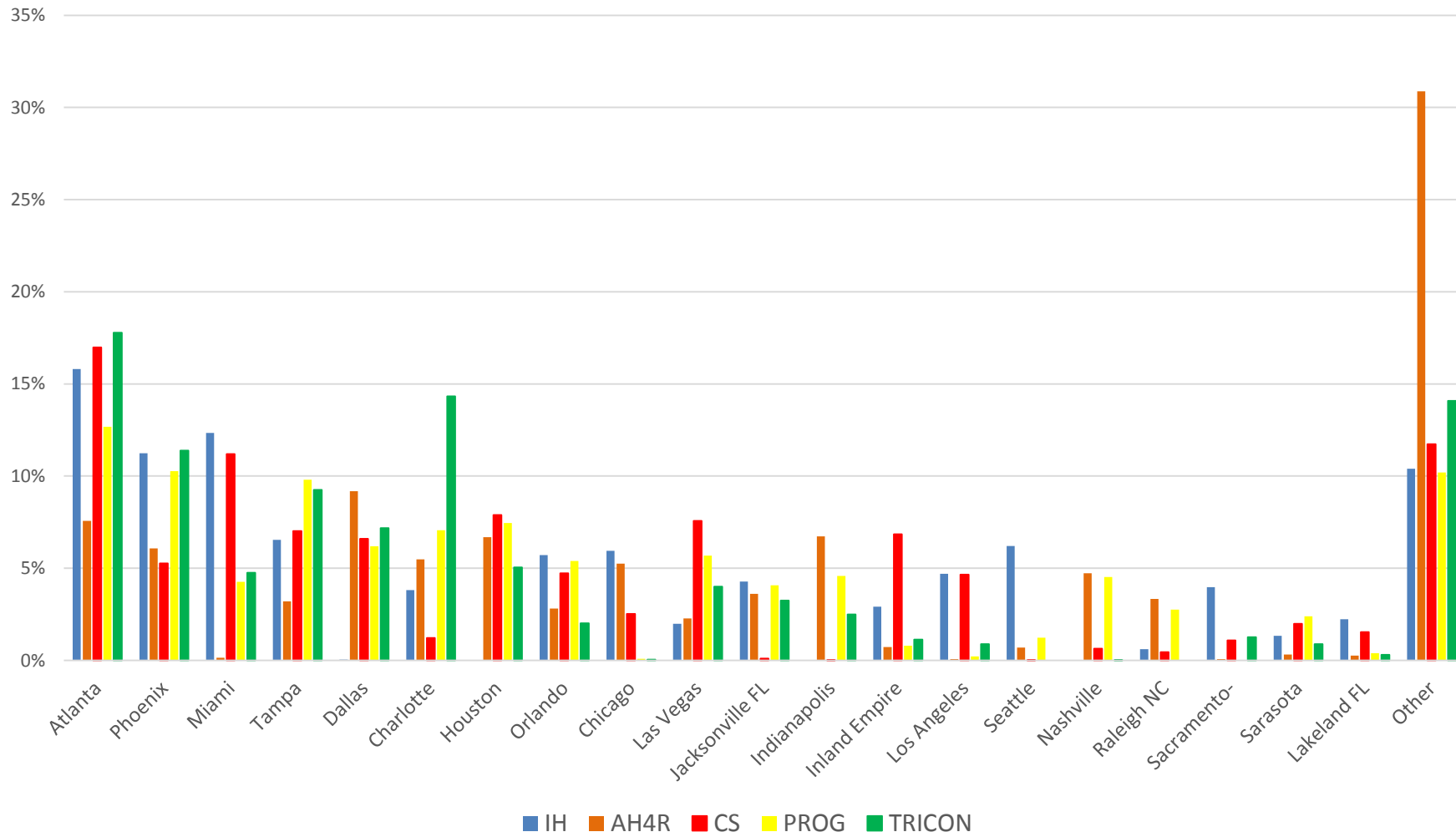


And their “buy box” is limiting, too

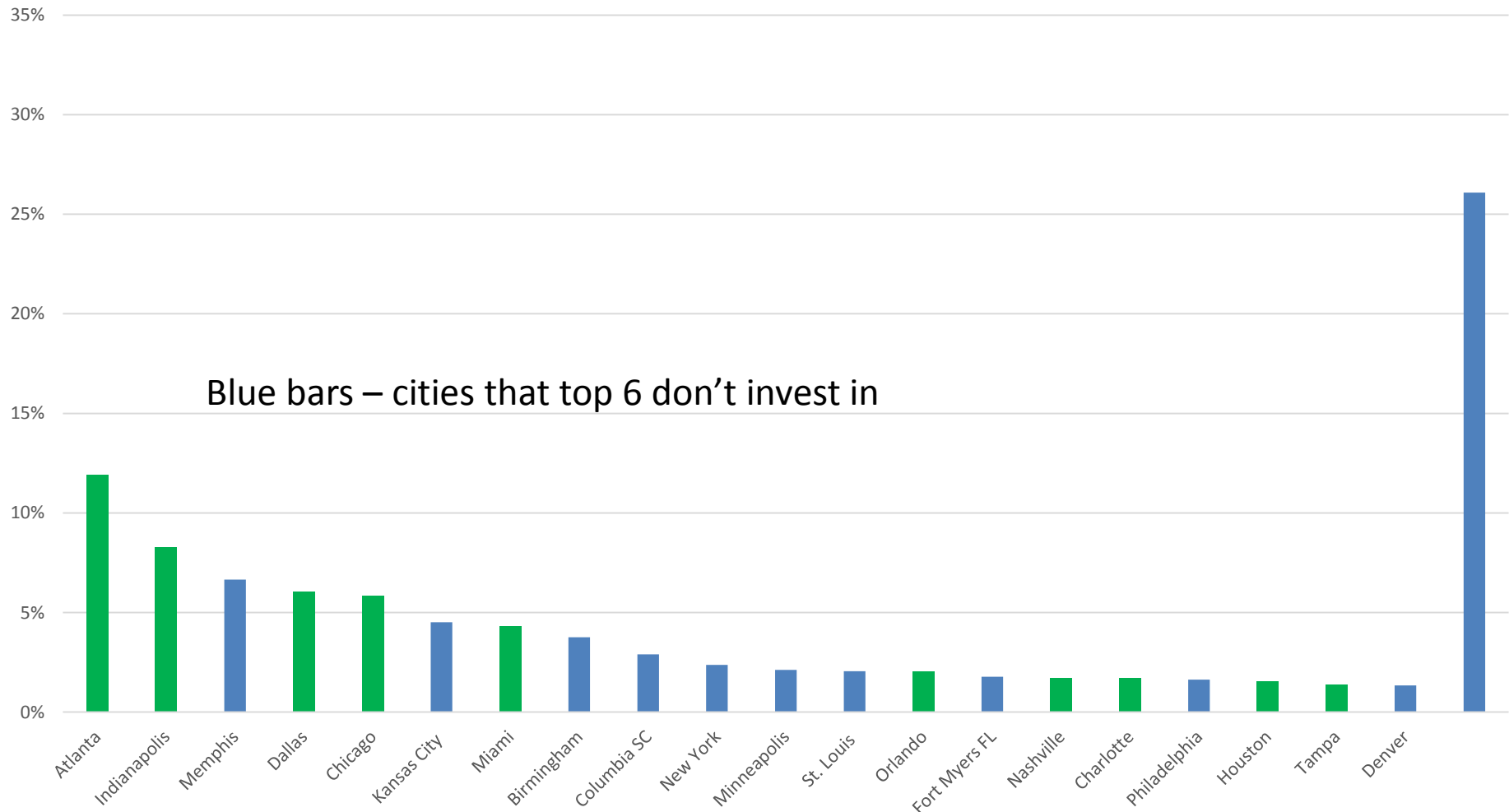


General consensus on top investment markets

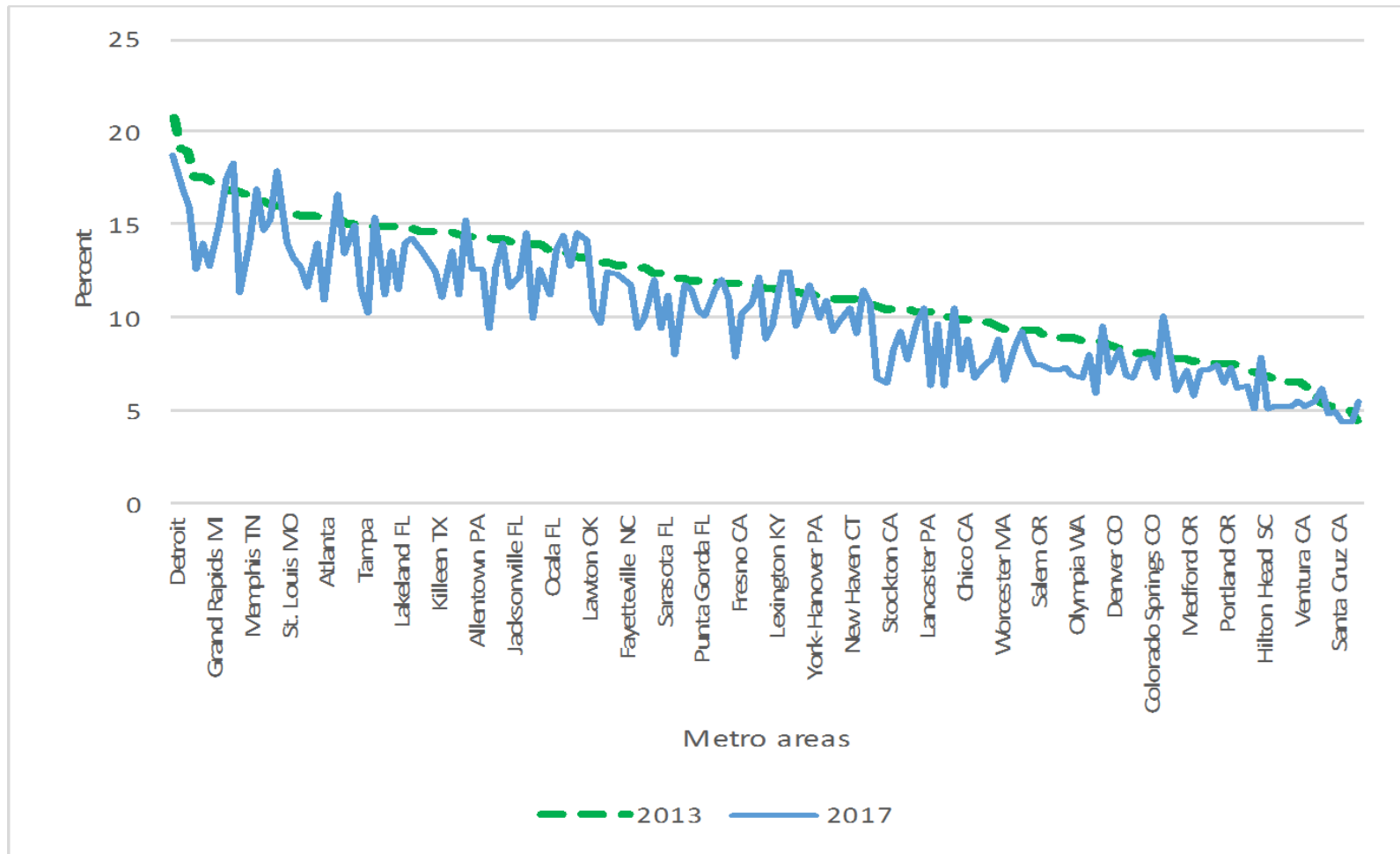
Except for AH4R, these 20 markets account for almost 90% of holdings



“Next 6” are much less concentrated and in smaller areas



Yields declined *almost* everywhere since 2013

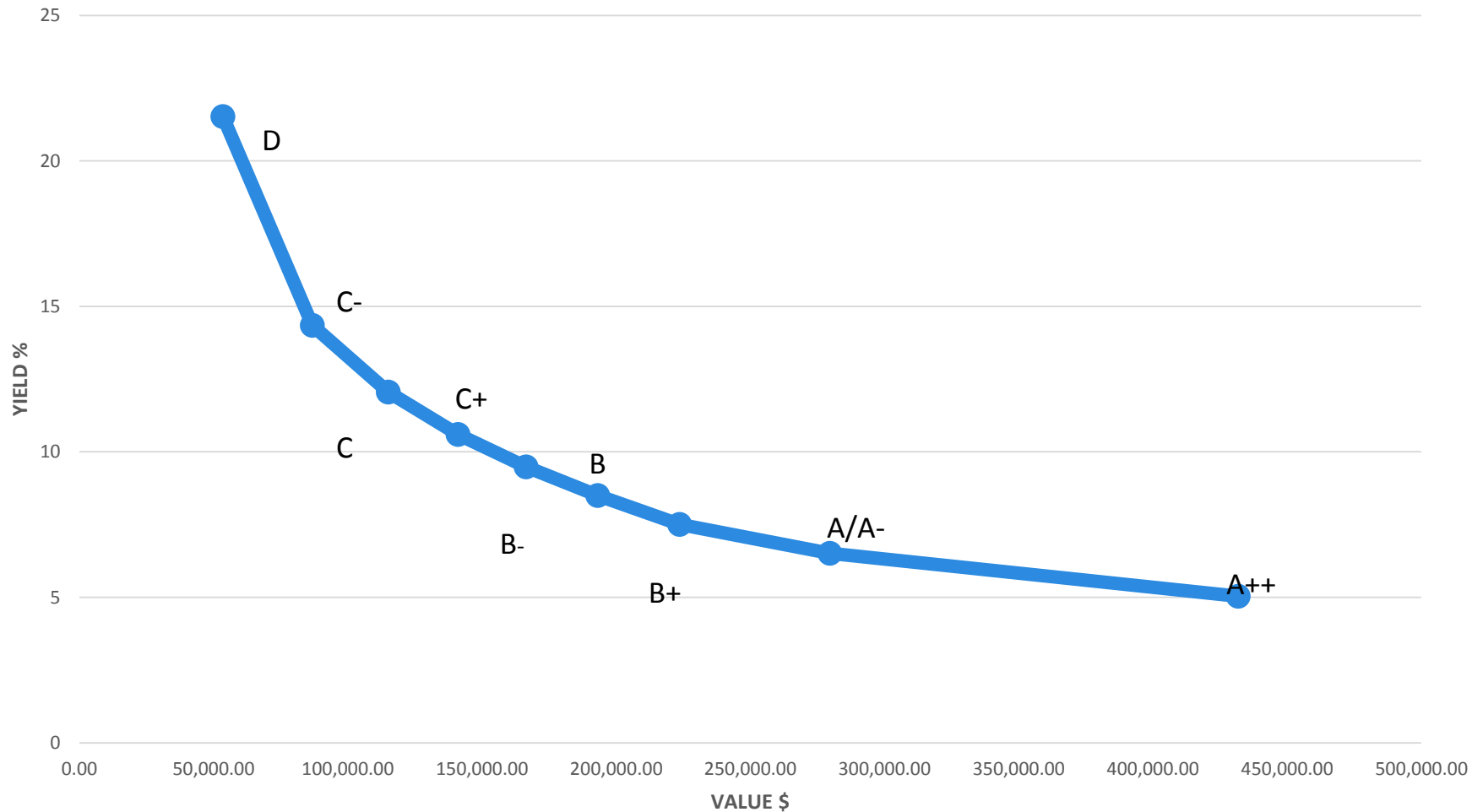


Local institutional investors have more choices as they aren't chasing the same kinds of capital

- ✓ Organic growth -- MLS, foreclosures, etc.
- ✓ Mini-acquisitions from smaller local operators
- ✓ Expand into sub-markets in same geographic market by buying different property grades
- ✓ Expand to adjacent geographic markets

Moving into smaller, less expensive markets can boost yields

All single-family rentals, 9 equal buckets



Less-expensive neighborhoods within metros can boost yields, too

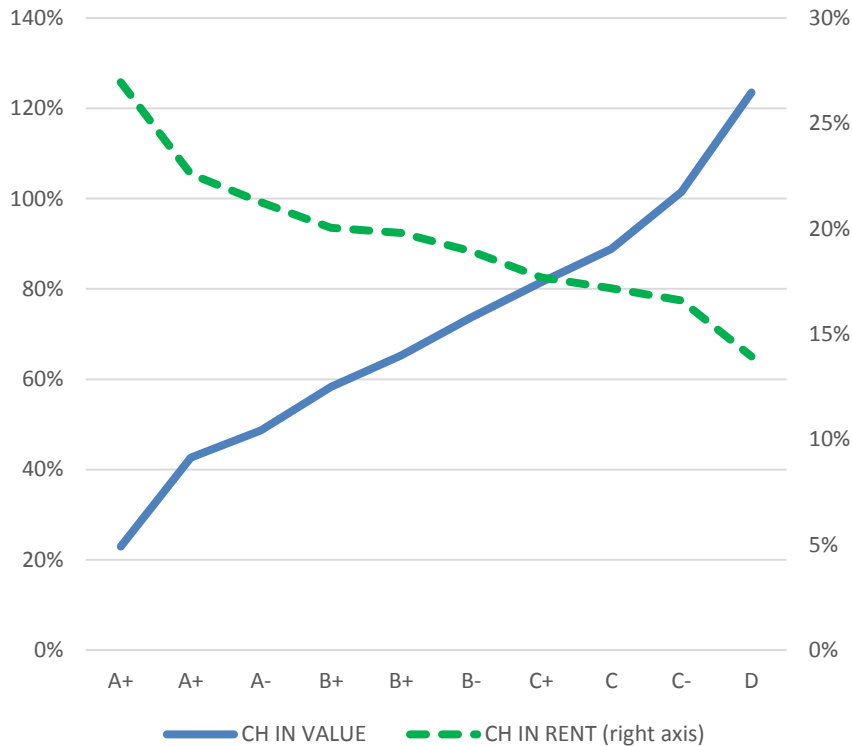
Property grades defined by deciles among Atlanta rental properties

GRADE	YIELD		VALUE		RENT		CHANGE 2012 TO 2017	
	2012	2017	2012	2017	2012	2017	VALUE	RENT
A+	5.8	6.9	261,200	321,000	1262	1603	23%	27%
A+	8.9	8.2	154,700	220,600	1147	1407	43%	23%
A-	10.4	9.1	123,500	183,600	1070	1298	49%	21%
B+	11.8	9.6	104,500	165,400	1028	1234	58%	20%
B+	13.1	10.3	90,300	149,200	986	1181	65%	20%
B-	14.4	10.8	79,900	138,800	959	1140	74%	19%
C+	15.8	11.2	71,200	129,200	937	1103	81%	18%
C	17.1	11.7	64,700	122,200	922	1080	89%	17%
C-	18.7	11.8	59,900	120,700	933	1088	102%	17%
D	21.3	11.6	55,300	123,600	982	1118	124%	14%

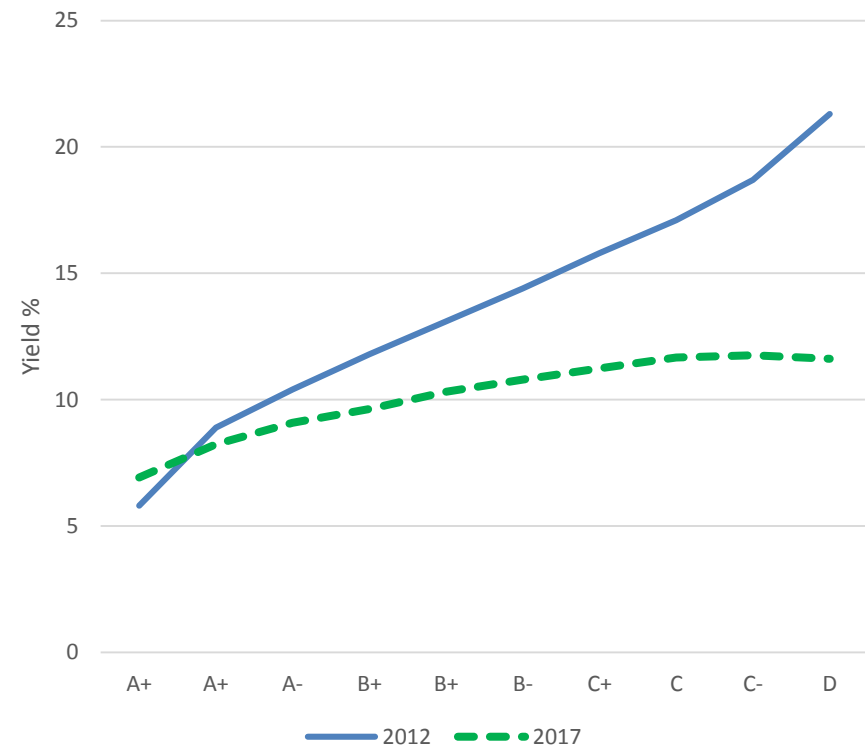
Lower grade markets appreciated more, compensating for slower rent growth

Atlanta, 3-bedroom properties; change from 2012 to 2017

Values rising faster than rents



Compresses yields between high- and low-grade properties





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Single Family Rentals and REITs

Urban Institute Data Talk
Calvin Schnure
Senior Vice President
Research & Economic Analysis

**September 26,
2017**

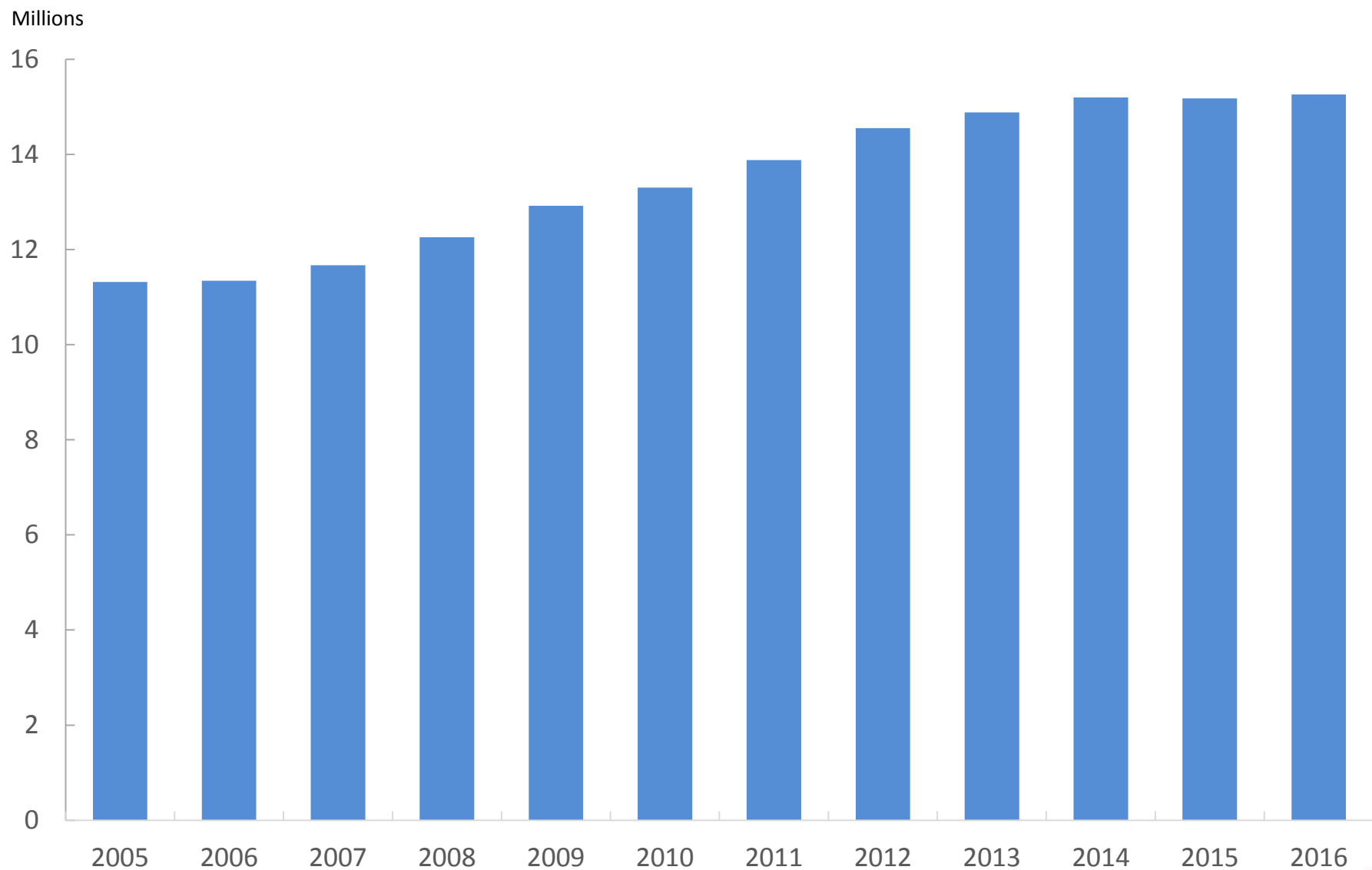


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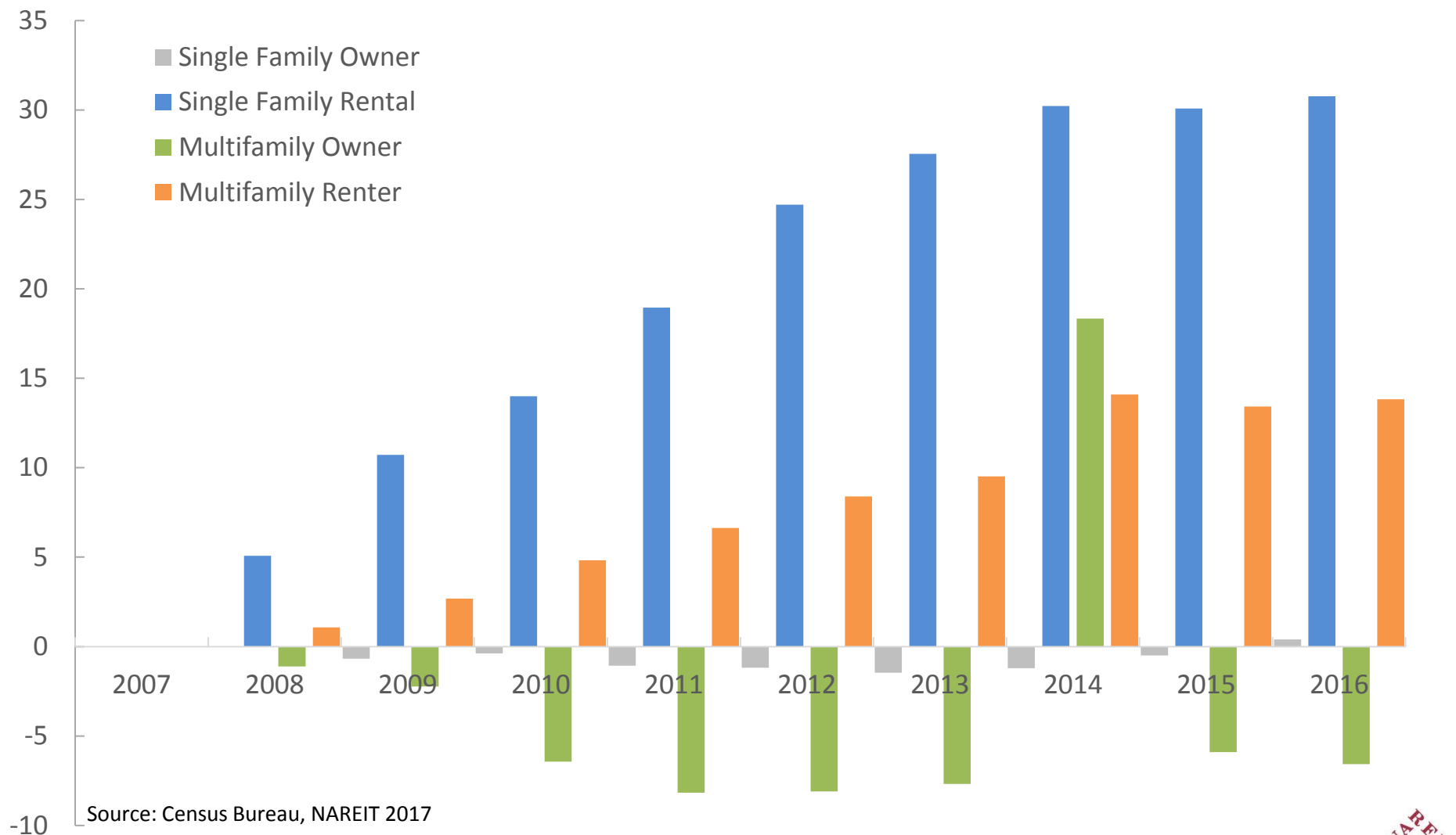
Single Family Rental Homes



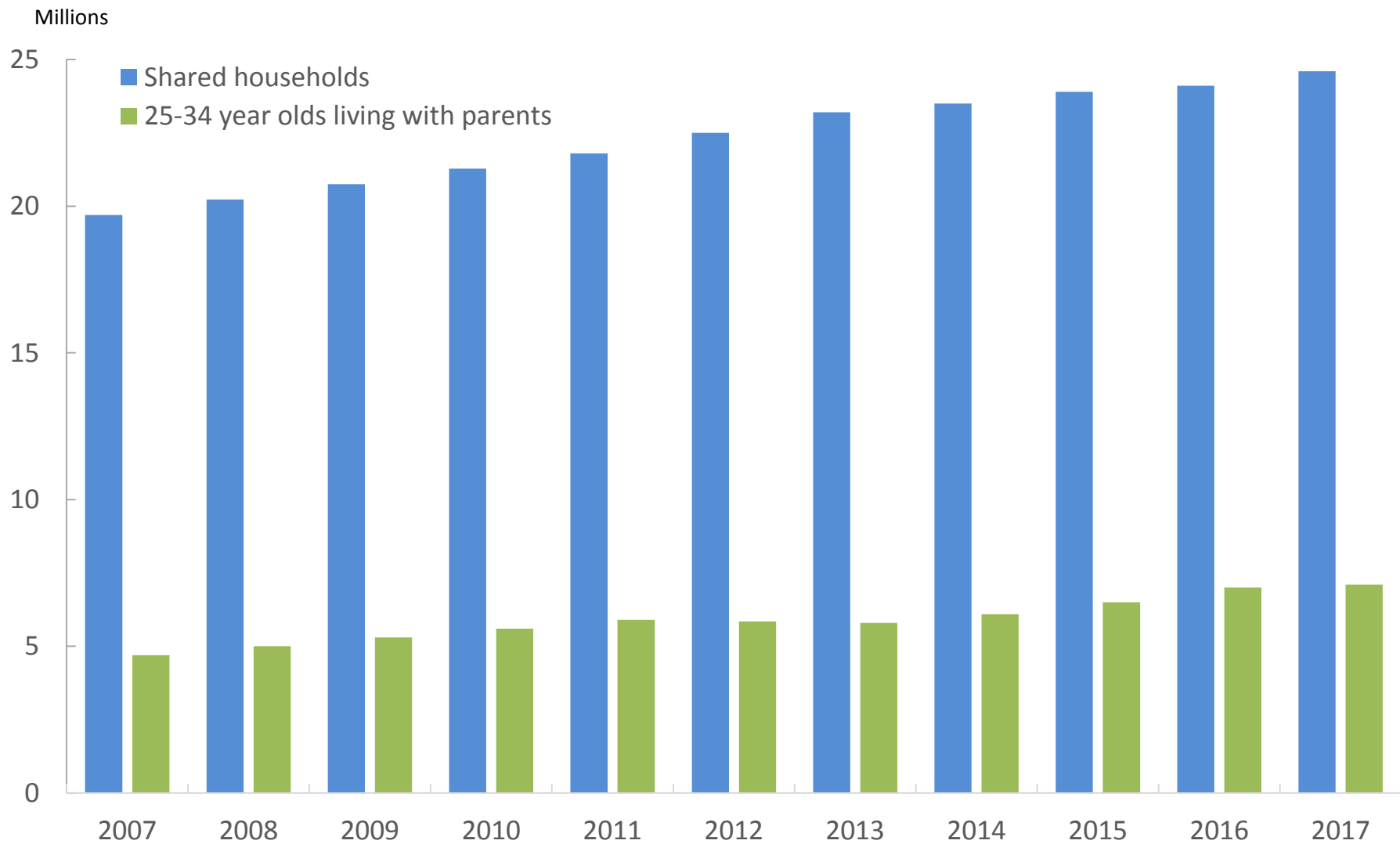
Source: Census Bureau, NAREIT 2017

Households by tenure and structure

Percent increase from 2007

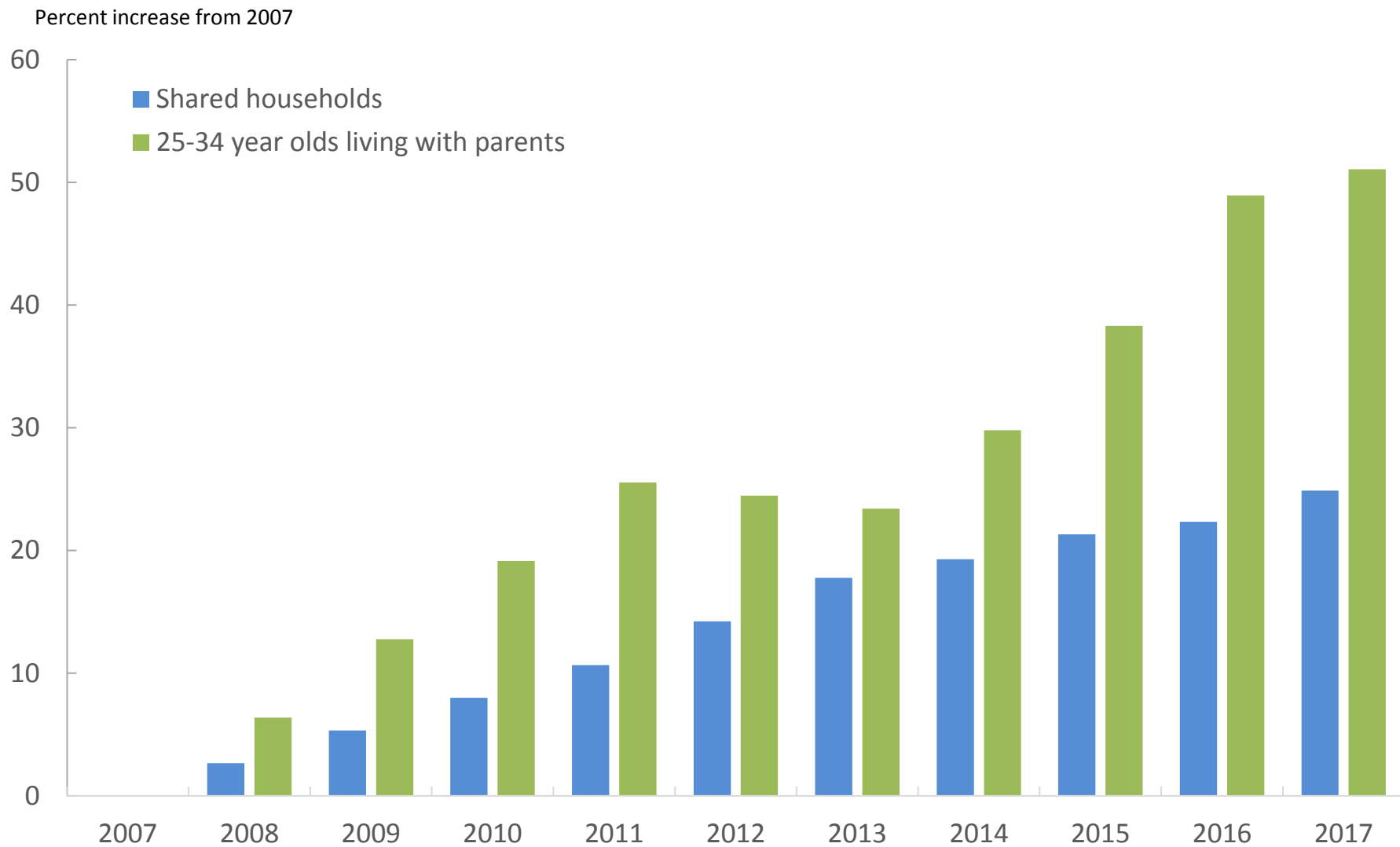


Shared households



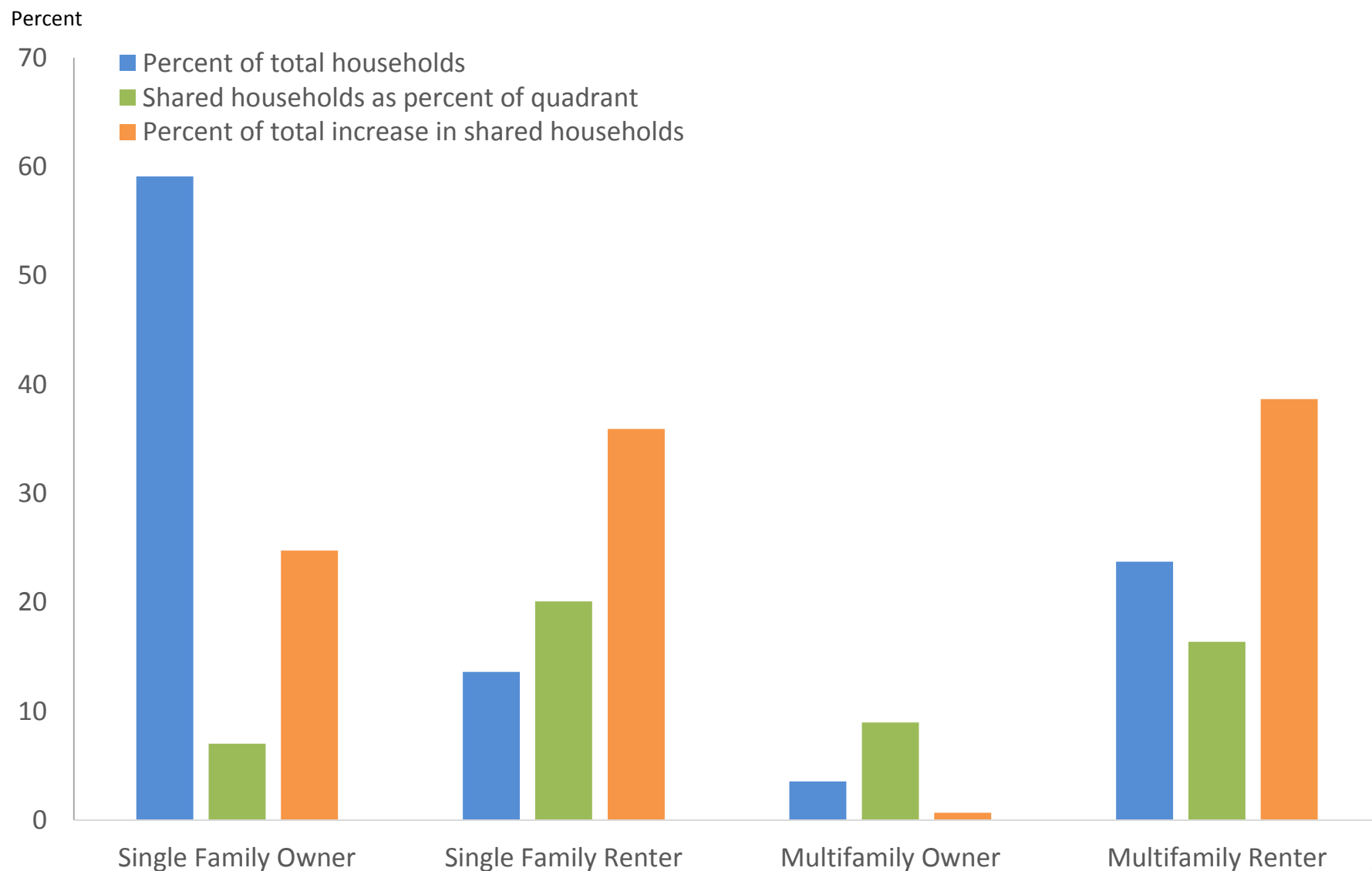
Source: Census Bureau, NAREIT 2017

Shared households



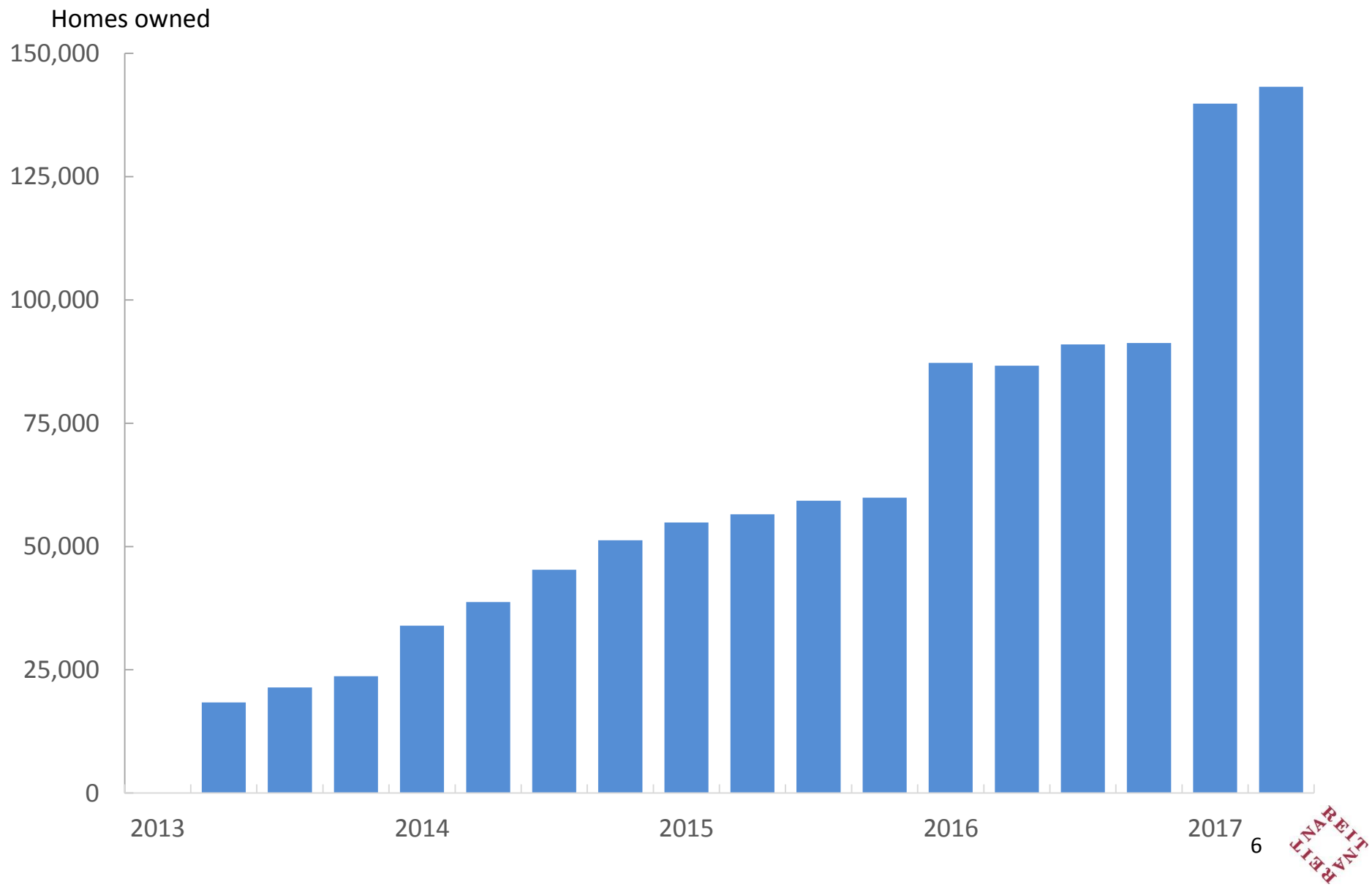
Source: Census Bureau, NAREIT 2017

Single Family Rental Homes and shared households

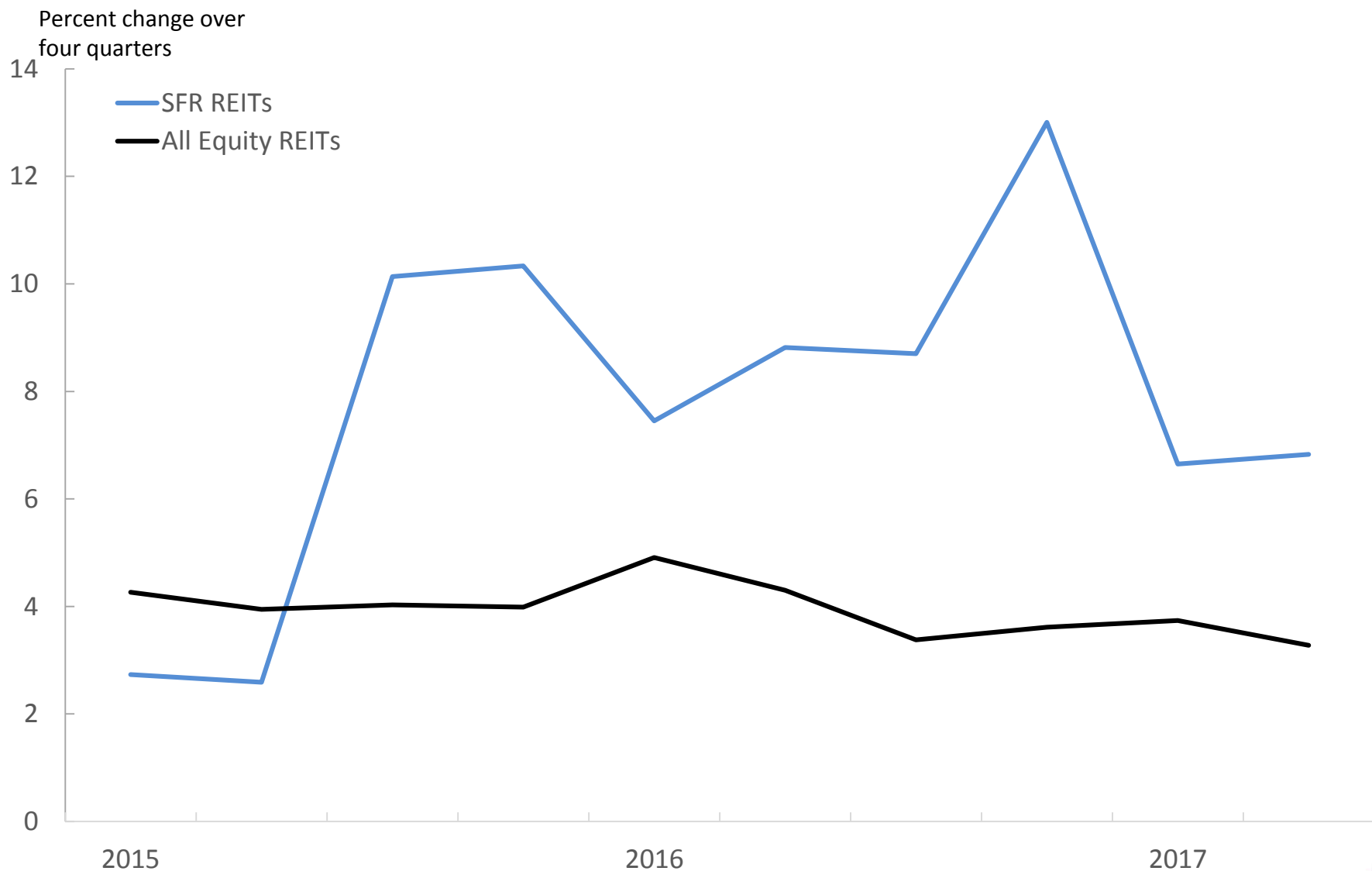


Source: Census Bureau, NAREIT 2017

Single Family Rental REITs

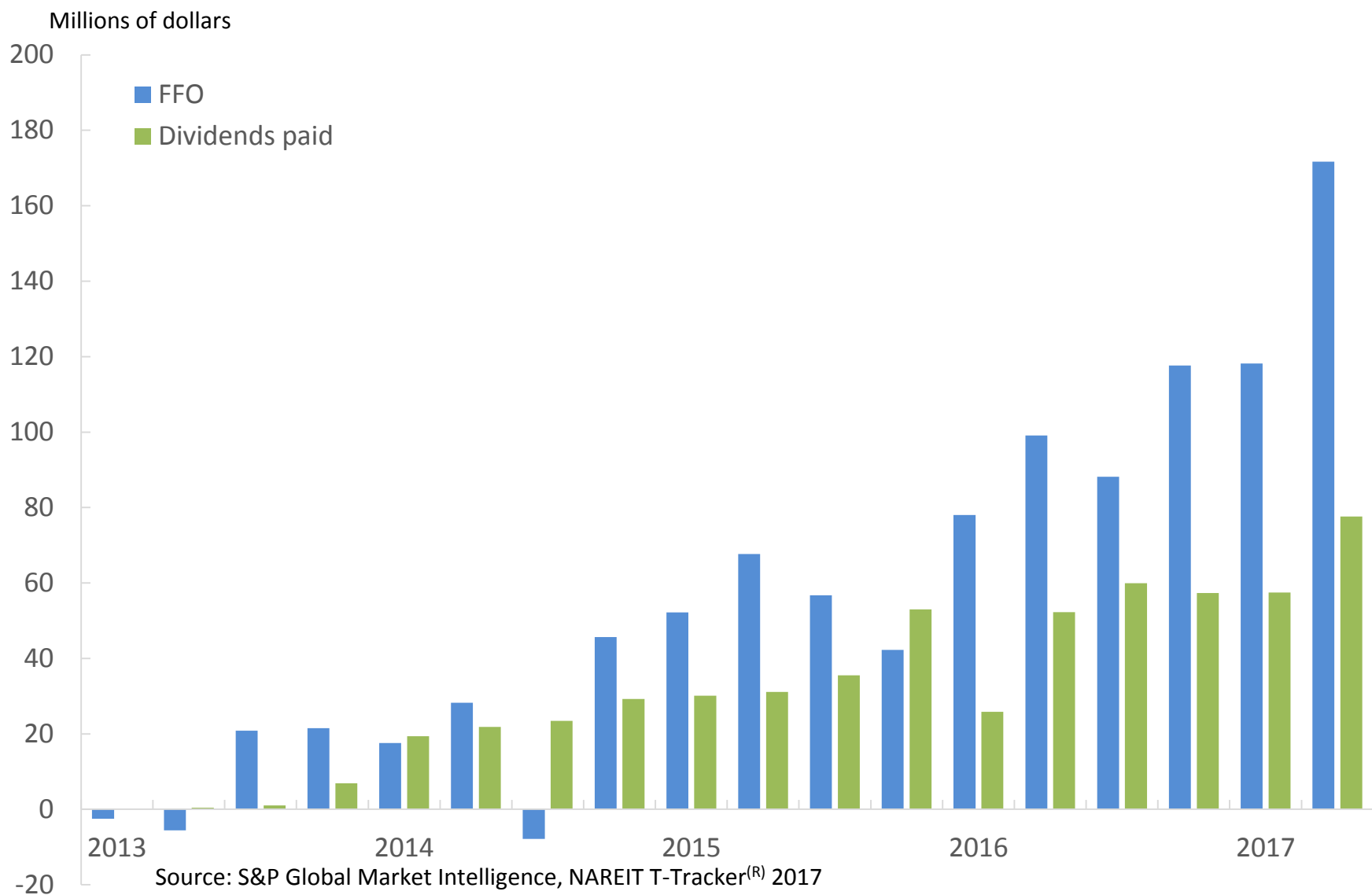


Same Store Net Operating Income (SS NOI)



Source: Census Bureau, NAREIT 2017

Operating performance, Single Family Rental REITs



Single Family Rental Homes and SFR REITs

Discussion points:

- An increase in SFR by 3.6 million, at an average cost of \$175,000, required \$630 billion.
- “Mom and pop” and small operators do not have abilities to manage larger portfolios.
- Demographic and financial trends provide long-term support for rental demand.
Household characteristics imply that many of these rentals will be single family structures.
- REIT share prices and dividends delivered 27% returns in 2016, and an additional 16% in 2017 through August.
- More favorable cost of capital may facilitate future home purchases and portfolio acquisitions.
- Future growth:
 - Multi-listings
 - Consolidating smaller portfolios
 - Build-to-rent

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