



APS Portfolio Strategy call

The state of the single-family rental market

May 20, 2021

Steven Abrahams, APS, head of investment strategy, host
Mary Beth Fisher, APS, senior investment strategist
Daniel Tegen, Kroll Bond Rating Agency, senior director
Kevin Gibbons, APS, senior banker
Nick Grego, APS, senior trader

THE SINGLE-FAMILY RENTAL MARKET LOOKS POISED FOR GROWTH

An evolving business attracts new capital

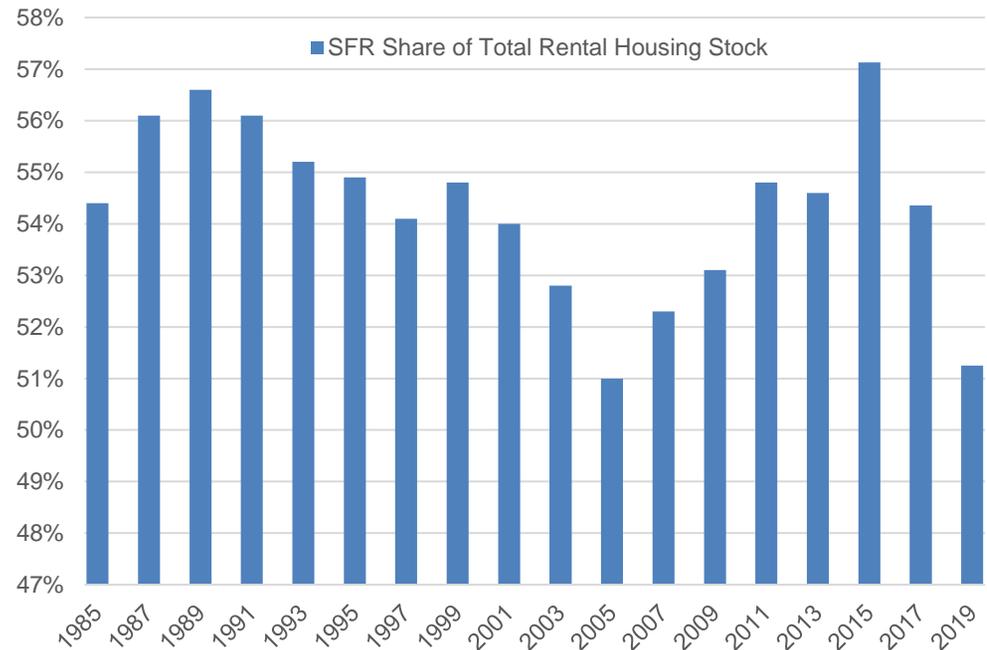
- Scope: Institutional ownership and operation of single-family rentals encompasses 2% of detached, single-family homes.
- Financing: SFR securitizations comprise a stable niche market with a broadening investor base. Private deals allow for more bespoke financing terms.
- Trends: A long-term housing shortage, a generational shift towards renting, and a preference for remote work have all increased demand for single-family rentals, resulting in rent growth that is outpacing that of multifamily.
- Outlook: Across SFR operators over \$10 billion in capital has recently been earmarked for build-for-rent communities, which at 3-to-1 leverage will likely deepen the SFR financing market over the coming months and years.

ALTHOUGH SMALL INVESTORS HAVE LONG DOMINATED SINGLE-FAMILY RENTALS...

85% of the single-family rental market is owned by investors with 10 or fewer properties

Renter occupied housing units numbers in thousands

Structure type		subtotal	
1, detached	12,554		
1, attached	2,520		
		15,074	single-family units
2 to 4 Units	7,814		
		22,888	single-family plus
5 to 9 Units	5,465		
10 to 19 Units	4,730		
20 to 49 Units	4,231		
50 or more	5,632	20,058	multifamily
Manufactured home	1,694		
Total	44,660		



Source: US Census Bureau, American Housing Survey data as of 2019, Urban Institute, Amherst Pierpont Securities

A SINGLE-BORROWER STRUCTURE TYPICALLY ISSUES DEBT SECURED BY A SINGLE LOAN

The simplest structure has one loan to a single borrower, where the loan covers a pool of single-family rentals

Collateral		Class	Rating	LTV*	Credit support	WAL	Tranche
One loan secured by: - first priority mortgage - assignment of leases & rents - pledges of deposit & reserve accounts on a pool of single-family rental properties.	-----> <i>Rental cashflows</i>	A	AAA	27%	58%	5.0	SEQ
		B	AA	43%	42%	5.0	SUB
		C	A	54%	31%	5.0	SUB
		D	BBB+	63%	22%	5.0	SUB
		E	BBB-	70%	15%	5.0	SUB
		F	BB+	80%	5%	5.0	SUB
		G	NR	85%	0%	5.0	SUB

- The transactions are often structured with a lockbox and cash management structure so the sponsor collects the rents from the tenants and submits those to the servicer.
- The servicer applies the gross proceeds to debt service, reserves and escrows; any excess is returned to the sponsor.
- Interest and principal is paid sequentially from the top class down, with losses accruing from the bottom class up. This is also typical of a single-asset, single-borrower CMBS.
- Interest-only classes are sometimes included. Some subordinated classes may allow for deferral of interest without default if the DSCR or debt yield falls below some threshold.
- Class G is an example of a horizontal risk retention class which is the first to absorb losses. 5% of total value of transaction must be retained by the sponsor.

Note: LTV* of the class is calculated by dividing the aggregate principal balance of that class and all classes senior to it by the aggregate Broker Price Opinion (BPO) as of the cut-off date. Also referred to as the certificate principal to BPO ratio.

SFR OPERATORS INCLUDE BOTH PUBLIC AND PRIVATE COMPANIES

Institutional holdings are concentrated in the largest portfolios

Institutional Investor	No. Homes 2020 (000s)	Median SQFT	Median Vintage	Median 4Q2020 AVM (000s)	Median 4Q2020 Rent Est	Median Income (000s)	Median Purchase Year
Invitation Homes	76.0	1,683	1994	\$ 288	\$ 1,879	\$ 71	2013
American Homes 4 Rent	48.6	1,859	2003	\$ 249	\$ 1,725	\$ 77	2013
Progress Residential	32.8	1,770	2003	\$ 246	\$ 1,697	\$ 72	2016
Cerberus Capital Mgmt	24.2	1,611	1991	\$ 209	\$ 1,596	\$ 63	2018
Main Street Renewal	23.0	1,549	1996	\$ 202	\$ 1,546	\$ 62	2018
Tricon American Homes	18.6	1,412	1998	\$ 215	\$ 1,543	\$ 64	2013
Home Partners of America	14.4	2,248	2000	\$ 341	\$ 2,164	\$ 88	2018
Front Yard Residential	11.8	1,262	1985	\$ 177	\$ 1,430	\$ 59	2016
Connorex-Lucinda	8.2	1,448	1972	\$ 136	\$ 1,258	\$ 56	2017
Vinebrook Homes	7.0	1,160	1957	\$ 94	\$ 1,086	\$ 46	2018
Gorelick Brothers Capital	2.5	1,460	1983	\$ 183	\$ 1,427	\$ 57	2015
Camillo Properties	1.6	1,760	2015	\$ 193	\$ 1,571	\$ 69	2015
Lafayette Real Estate	1.5	1,526	1988	\$ 189	\$ 1,466	\$ 54	2014
Golden Tree Insite Partners	1.2	1,600	1999	\$ 201	\$ 1,512	\$ 65	2016
Havenbrook Homes	1.1	1,401	1973	\$ 155	\$ 1,331	\$ 50	2014
Prager Property Mgmt	1.1	1,270	1969	\$ 96	\$ 1,039	\$ 42	2017
Reven Housing REIT	0.8	1,360	1985	\$ 125	\$ 1,155	\$ 44	2015
Other	1.9	1,030	1974	\$ 189	\$ 1,390	\$ 46	2014
TOTAL	276.3	1,624	1998	\$ 240	\$ 1,682	\$ 68	2015

Source: Amherst Holdings (March 2021), US Single-Family Rental: 2020 Institutional Activity, Exhibit 1, Amherst Pierpont Securities

HIGH DEMAND FOR SINGLE-FAMILY RENTALS IS EXPECTED TO PERSIST FOR YEARS

SFR operators and investors turn towards built-for-rent.

Institutional Investor	Millions of Dollars Dedicated
Pretium Partners and Ares Management	2,500
JP Morgan (AH4R)	625
Rockpoint Group (Resicap/Invitation)	625 (soon 2,500)
Nuveen (Sparrow, Vertica)	400
Blackstone (Tricon)	300
Brookfield (Conrex)	300
Koch Industries (Amherst Holdings)	200

Note: Equity funds earmarked during 2020 for SFR/BFR in millions of dollars. The total equity deployment for 2021 will be over \$10 billion, according to projections by Hunter Housing Economics. Source: Hunter Housing Economics and CBRE

- Major homebuilders such as Toll Brothers and Lennar Homes have formed joint ventures with financial partners and institutional SFR operators to invest in built-for-rent (BFR) instead of competing to purchase existing homes.
- Based on the typical leverage ratio for capital in the space of 3-to-1, operators could raise \$30 billion in debt financing in 2021-2022 with a further ramp up in following years.



APS Portfolio Strategy call

The state of the single-family rental market

May 20, 2021

Steven Abrahams, APS, head of investment strategy, host
Mary Beth Fisher, APS, senior investment strategist
Daniel Tegen, Kroll Bond Rating Agency, senior director
Kevin Gibbons, APS, senior banker
Nick Grego, APS, senior trader

Private financings offer more flexibility for borrowers and lenders

- A robust outlook for the SFR market and the strong performance of the asset class have attracted more investors into private financings
- Operators have increasingly partnered with broker dealers/investment banks to arrange private capital solutions
- Private financings provide benefits to operators and investors:
 - Operators
 - Access to sticky, institutional capital
 - Flexibility to finance various types of assets
 - Investors
 - Relative value/illiquidity premium
 - Lock up longer term investments
 - Scale – ability to put significant \$\$ to work in a single deal



APS Portfolio Strategy call

The state of the single-family rental market

May 20, 2021

Steven Abrahams, APS, head of investment strategy, host
Mary Beth Fisher, APS, senior investment strategist
Daniel Tegen, Kroll Bond Rating Agency, senior director
Kevin Gibbons, APS, senior banker
Nick Grego, APS, senior trader

DISCLAIMER

Copyright ©2021 Amherst Pierpont Securities LLC and its affiliates (“Amherst Pierpont”). All rights reserved. Amherst Pierpont is a member of FINRA and SIPC. This material is intended for limited distribution to the recipient and is not publicly available. Any unauthorized use or disclosure is prohibited.

This material is intended for discussion purposes only and is not meant to be, nor shall it be construed, as an offer or commitment by Amherst Pierpont or any of its affiliates to enter into any transaction. Should Amherst Pierpont subsequently seek to enter into any transaction, any such transaction would be subject to the conditions stated in the documentation therefore at that time.

In connection with recipient’s decision to enter into any transaction, or to purchase or sell securities or other financial instruments, the recipient is advised to undertake an independent review of this material, and the potential legal, tax, regulatory and accounting implications of any transaction described herein to determine whether such a structure would be suitable for such recipient's particular situations. Amherst Pierpont is not providing any investment, legal, accounting, tax, financial or other advice to the recipient, nor is it acting as an advisor or fiduciary in respect of the recipient. This presentation is not intended to form the basis of an investment decision and contains insufficient information to make an investment decision. Amherst Pierpont accepts no responsibility or liability as to any reliance placed, or investment decision made, on the basis of such information by the recipient. Any illustrations contained herein are provided as examples only.

In making this material available, Amherst Pierpont (i) is not making any predictions or projections, (ii) intends that any recipient to which Amherst Pierpont has provided this material is an “institutional investor” (as defined under applicable law and regulation, including FINRA Rule 4512) and (iii) intends that this material will not be disseminated, in whole or part, to any third party by the recipient without Amherst Pierpont’s prior written consent.

This material (i) has been prepared for information purposes only and does not constitute a solicitation or an offer to buy or sell any securities, related investments or other financial instruments, (ii) is neither research, a “research report” as commonly understood under the securities laws and regulations promulgated thereunder nor the product of a research department, (iii) has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

Amherst Pierpont (i) makes no representation or warranties as to the appropriateness or reliance for use in any transaction or as to the permissibility or legality of any financial instrument in any jurisdiction, (ii) believes the information in this material to be reliable, but has not independently verified such information, parts of which may have been obtained from third party sources, and makes no guaranty or representation, express or implied, with regard to the accuracy or completeness of such information, and (iii) does not undertake, and disclaims any duty to undertake, to update or to revise the information contained in this material. Unless otherwise stated, the views, opinions, forecasts, valuations, or estimates contained in this material are those solely as of the date of publication of this material, and are subject to change without notice.